

Submission by: Raymond Norman Powell

To: The Australian Bureau of Statistics

In regard to: The sixteenth series review of the Consumer Price Index

I am a recipient of a military superannuation pension.

Military superannuation pensions are indexed (by legislation) to the CPI. The purchasing power of my military superannuation pension is not being maintained.

The CPI in 2008-09 is a significantly different creature to that of 1973-74. Then the Australian Bureau of Statistics noted: "... *the CPI (historically) was developed with the principle purpose of providing input to the highly centralised wage and salary determination process then existing in Australia ...*"

The ABS concluded in 1997 that: "... *the tight nexus between movements in the CPI and wage and salary adjustments no longer exists.*"

Even more definitively the ABS said in 2001 that: "... *CPI is not a measure of the cost of living.*"

In other words the post 1997 CPI was and is different in its principle purpose from the pre 1997 CPI.

Today's CPI is a measure of inflation not purchasing power or cost of living.

Over the past 20 plus years, the continuing use of CPI to index military superannuation pensions has resulted in their relative value being some 35% below what they otherwise would have been had there been a linkage to a wage based indexation such as has been applied to the age and service pensions.

Not only is the purchasing power of my military superannuation pension being eroded but (to add insult to injury) my local club, Arana Hill Leagues Club, uses any upward movement of the CPI as immediate justification to increase the price of food and drink.

Conclusions

1. If the principal purpose of the CPI is (or should be) to provide a measure suitable for assessing changes in the purchasing power of household incomes, then an *outlays* approach should be adopted.
2. If the major purpose of the CPI is the measuring inflation faced by households this needs to be very clearly stated and supplementary indexes such as the *Pensioner and Beneficiary Living Cost Index* (PBLCI) should be endorsed as the measure to be used to index all pensions, including military superannuation pensions.

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