

SUBMISSION TO CPI REVIEW

The CPI is not a true reflection of cost-of-living increases for all groups in the community, but rather some sort of arbitrary average across all age and other demographic groups. Therefore, it should not be used unfairly to disadvantage (for example) pensioners and older Australians. Likewise, if there is no universally valid CPI, it should be defined relevant to its purpose, and that purpose should be made clear. This may well lead to the need to have relevant indexes (not just one) to suit specific purposes (and fairness and transparency should be underlying criteria)

Here are some examples of anomalies:

- When food costs go up and interest rates go down, the CPI may not change, but the cost of living for older Australians (most of whom do not have large mortgages) goes up. Why should older Australians be penalized by the behaviours of younger Australian with large mortgages?
- When bananas reach \$14 a kilo (and cause a spike in the CPI), pensioners do not buy bananas;
- If I cannot afford an overseas holiday, I do not buy one;
- When I receive my annual local council rates notice (and notice a rate rise of 8-10%), I have to pay the bill;
- I also have to pay my water rates, power charges, and other government charges like car registration, no matter how big the annual increase is (and it is usually more than CPI, and in recent times has been substantially larger); and
- I choose to pay for private health insurance as I am getting old, and the latest rise is about 8%, much more than CPI.

I ask that you revise the method of calculating CPI so that it is fit for purpose, is fair and transparent. Importantly, if it is going to be used for pension increase calculations, it should reflect the cost of living for that demographic, and include in the basket of items used, those big-ticket items like council rates and other utility charges like water rates, and health insurance, which in the main are non-discretionary items of the cost of living.

Yours sincerely

Carol Skinner