

Director
Prices Development
Economic Analysis and Reporting
Australian Bureau of Statistics
Locked Bag 10
Belconnen, ACT, 2616

Dear Sir/Madam

Re: 16th Series Review of the Consumer Price Index (CPI)

National Seniors Australia (NSA) operates for the social and economic benefit of its 280,000 members and has a strong track record in representing the interests of seniors across Australia in a broad range of community, business and government forums.

NSA works to provide a voice and address the needs of this diverse membership across a number of policy areas, including the area of income security in retirement. The relevance and accuracy of the CPI is of obvious importance to our members, with a large proportion having at least some dependency on income support provided by the federal, state and territory governments. Accordingly, our members have an understandable interest in ensuring that indexation mechanisms used in the calculation of income support payments and concessions accurately reflect cost of living increases.

Representations to NSA suggest a high level of community concern that the CPI is inaccurate as a measure of the price increases that seniors actually face. This has unfortunately led to a perception amongst some seniors that the Pensioner and Beneficiary Living Cost Index (PBLCI), which is based on the CPI (through the Living Cost Indexes) is also an inaccurate measure.

Specifically, we would like the CPI Review to consider the following:

- NSA is aware that for the purpose of pension indexation there would only be benefit in a monthly CPI if the pension indexation process itself were to be changed to address any lag. The Age Pension is indexed in March and September each year based on the 6 monthly increases (in the higher of CPI, PBLCI or Average Earnings) up to the December and June quarters respectively, creating a three month lag between pension increases and CPI increases.
- NSA is concerned that frequent changes in the categories and quality of goods and services marketed in Australia cannot be captured in a timely fashion by a six-yearly

Household Expenditure Survey (HES). This concern is illustrated in practice by the fact that the PBLCI is based on the principal source of household income derived from the 2003-04 HES. NSA would like to see the ABS work towards more a frequent HES. We acknowledge this would require increased funding.

- The Analytical Living Cost Indexes (ALCI) for Selected Australian Household Types attempt to disaggregate the impact of price increases on certain sections of the community. While acknowledging that it is impracticable to take this disaggregation to the level where there is an ALCI for every subsection of the community, NSA believes there is scope to improve disaggregation so that we can more effectively measure the impact of price increases on certain sections of the community. For example, the varying impact of price increases for those on the full as opposed to the part Age Pension is not picked up by the current ALCI or PBLCI.

I trust these comments will assist in the review of the CPI. Should you require any further information in regard to the issues outlined above, please contact Paul Versteegen at our National Policy Office (NPO) on 02 6230 4588 or p.versteegen@nationalseniors.com.au.

Yours sincerely

Peter Matwijiw
General Manager, Policy & Research

15 March 2010

23 Torrens St, Braddon ACT 2612
P 02 6230 4588
F 02 6230 4277
npo@nationalseniors.com.au
www.nationalseniors.com.au
ABN 89 050 523 003