

Submission to Senate Committee on Community Affairs

Enquiry into Older Australians Living Costs

This Submission is based on my personal experiences and observations as a 72 year-old ex Commonwealth Public Servant and now superannuant. It addresses the direct relationship between Commonwealth law and policy and the indexing of Superannuation pensions. I contend that as a direct consequence of deliberate Government policies, older Australians in this category are receiving inequitable, unjust and discriminatory treatment.

The Committee will be well aware that Commonwealth Superannuation law calls for pension adjustments to be limited to the same percentage increases as the cost of living index (CPI). **The effect of this is to guarantee falling living standards for these retirees. This impact inevitably rises with accelerating severity over time as the relativity of their real incomes with those of other citizens worsen.**

The Policy Background

The avowed intention of Government policy is that all Australians should participate in the benefits of a strong and growing Economy. Some illustrations of this intent are set out below

- 1 The Prime Minister's explanation of why all Australians are now "better off than ever before" was "*because real wages have risen faster than costs over a number of years*". **Not for superannuants though!**
- 2 The Governor of the Reserve Bank said "*it is our job to anchor inflation at 2 to 3%*" The Treasurer in an interview on the ABC agreed and in added emphatically "*It was me who set that target*". **And he thereby simultaneously capped pension increases at that unfair level**
- 3 The Governor in the same statement "*It's true that pushing up rates tightens up people's budgets. That's the idea, that's how it works. We are not pretending that there's no pain involved*" **But if your income is anchored with this policy to 2% and rates and other costs are rising by many multiples of 2% then the pain is severely disproportionate to that of others in society. And the options for obviating pain vanish with the onset of old**

age and frailty. Not all old people or the families depending on them are free of debt repayment

- 4 On ABC television on Tuesday 21 August The Prime Minister outlined his concept of “aspirational nationalism” as *“all sections of the Australian community participating in the growth and benefits of a buoyant economy through real wages growth”*
- 5 I refer the Committee to Senator Nick Minchin Minister for Finance and Administration and leader of the Government in the Senate, who asserted recently that the Government’s method of indexing pensions was *“appropriate”*. At the same time he defended parliamentary remuneration increases with the observation they were set by an *“independent Remuneration Tribunal”* at 3 times the government “anchor” imposed on Superannuants. **Where is the logic equity or morality in that double standard?**
- 6 The Senate already has before it its own conclusion that *“Commonwealth public sector and defence force superannuants are having their living standards eroded through the use of CPI alone, rather than the higher of CPI or a wage-based index”*

The Economic Facts And Statistics

The Bureau of Statistics reported the 12 monthly increase over the period May 2006 to May 2007 for full time employment average weekly earnings (ordinary time) and for CPI. These were:

CPI and Superannuation pensions	2.1%
AWE	4.3%
Parliamentary salaries and allowances	6 -7%
CEO and executive packages	15 -? %

The Act Chief Minister publicly stated that wages growth in the ACT had averaged over 5% per annum for the past 3 Years

Whilst ever the Parliament allows this injustice to persist in deliberate discriminatory legislation it perpetuates an identified injustice to a single group of older Australians who sought to provide a dignified and fruitful old age for themselves

Costs

I do not intend to address issues of the cost increases associated with food, petrol, health care, travel, and entertainment. These have been documented elsewhere and no doubt re-emphasised in other submissions. However there is one particular group of expenses to which I wish to draw attention. These are municipal territorial and utility costs. My examples are drawn from the ACT but, I suspect they are substantially replicated elsewhere.

Municipal authorities, and here I include the ACT government, enjoy the luxury of what I style "Reverse Budgeting" They are able to estimate costs and outgoings including debt servicing and then adjust their incomes to accommodate all outgoings. As a consequence we get the type of cost increases outlined hereafter. By contrast Pension income increases are limited by government fiat to 2-3% and expenditure must be contained within that boundary or eliminated. Major expenses are often not discretionary particularly those imposed by "Reverse Budgeting" processes. The discretionary expenditure by the ACT Government on its activities eliminates my lifestyle and health care options.

In the recent ACT government budget for 2007-2008, the following statement appears

"The increase in General rates in the past has been capped at CPI. The Cost of municipal services however increases at a higher rate. To maintain parity between expenses going forward, annual general rates will be increased in line with the wage price index of 3.7%" A further 6% was then added to increase the rate rise to 9%. This on top of the increased land values on which the rates are based

A new water fee was imposed at a rate of 30c per kilolitre in addition to an existing abstraction charge of 55c per kilolitre These charges are additional to Water and sewerage charges levied by the utilities provider Actew I will deal with that charge later.

A new Fire and Emergency Services Charge of \$84 has been introduced

A new utility charge of \$18 per annum per utility has been added

In general ACT taxes fees and charges were increased by 9% over 4 times the increase in our pensions

The ACT Government pointedly **refuses to grant concessions to Superannuants** on the grounds that the Commonwealth has not agreed to reimburse it adequately. Thus the “buck” is passed and the superannuant left to work out what personal or family need must be unmet.

Utilities and the Environment

ACTEW the provider of water and electricity in the ACT provides an outstanding example of the indifference to and neglect of older residents on limited income. This instrumentality in conjunction with our local government has **increased the cost of water to Canberra Residents by 19%**. Notwithstanding a decrease in profit because of the water restrictions it imposed it will continue to pay an 11% dividend to the ACT government. The same authority applied for and received agreement to increase charges so as to recover lost profits because of drought. In effect then people on pensions can be forced to pay for these commercial circumstances by diminishing their own living and health conditions.

In a display of the obscene indifference to the suffering and hardship caused, increases amounting to 16.5% for electricity and 19% for water have been imposed. I suppose we have the option of turning off our electricity and freezing. I doubt that Messrs Stanhope and Michael Costello limit their remuneration increases to 2% of the pension size proportion of their income out of which to pay the increased charges they impose

The Commonwealth Budget surplus is now **\$17 + billion**, the future fund ahead of target. Why can't justice be afforded to older Australians who have spent long periods of their working lives or, as in my case, all of it working for the Commonwealth? Fairness demands our pensions be indexed to allow us to share in the prosperity which we helped to create. The indexation process should be linked to salary movements or to some appropriate and equitable measure of our social and moral entitlement. After all like politicians many of us also accepted lower lifetime salaries than were offered elsewhere partly because our careers also promised to deliver a dignified retirement free from undue financial hardship. The present arrangements destroy that expectation

Supplement to Submission to Senate Committee on Community Affairs

Enquiry into Older Australians Living Costs

I wish to add to my earlier submission by drawing the Committee's attention to an aspect of the submission made to it by the Commonwealth Department of Families Community Services and Indigenous Affairs (Submission 138). That document indicates it was formulated in consultation with a variety of other Commonwealth Agencies including the Treasury.

In particular, I draw attention to Section 3.4 of the statement and to Figure 9 presented at page 20. I believe that this evidence strongly supports the propositions put to the Committee in my submission.

The argument advanced is that:

“Indexation arrangements for Age Pension mean that it is increasing faster than both the CPI and the ABS living cost index (LCI) for age pensioners”

Prior evidence was given by the department to show the LCIs for aged pensioners and self-funded retirees were very similar with costs being greater for self-funded because of fewer concessions. Figure 9 shows how the Age pension has increased in real terms over CPI . Of course, as I have previously pointed out, Superannuation Pensions are linked to CPI alone and Government policy, as the Treasurer boasts, directs the Reserve Bank to hold the CPI at 2-3%

The contention is then asserted that the Age pension has benefited and hence age pensions relative benefits increased because:

“This is due to the Australian Government's legislated commitment to set the single rate of pension to at least 25% of MTWWA and the introduction of Pension Supplement”

What the Departmental Submission notably omits is that the very processes, it highlights which infer that age pensioners' relative capacity to meet costs is improved, specifically exclude superannuants from this benefit by denying them access to this same process and to any similar Government commitment.

I will refer to this principle as simply the “link to AWE”

The Prime Minister announced in September 2007 that the indexing of ex-servicemen's pensions would also be subjected to this link with AWE. He publicly stated this was to maintain, equity fairness and purchasing power for these recipients. Mr Rudd immediately pledged Labour's support for this measure. In effect, this brought these

pensions into line with age pensions and minimal pension variations for vulnerable people. The Prime Minister had previously boasted Australians were better off than ever because "Real Wages rose faster than the CPI"

There is now only one category of Australian excluded from this principle and this improved prosperity and that is the Commonwealth's own ex employees and they are excluded by deliberate legislated fiat.

Two previous Senate Committees have reported on this issue. Parliament has carefully provided its own "independent authority" to adjust remuneration for members and senators at rates undreamt of by superannuants. Parliamentary Pensions many times those of superannuants are adjusted with the link to AWE factor involved. The future fund is ahead of target. A further \$5 Billion was provided for universities. The Commonwealth Budget surplus was \$17 Billion and growing. Service pensions are to be indexed more equitably. The departmental submission, to which I refer the Committee, demonstrates my contention, even if it fails to draw the conclusion that the only group being denied proper indexation equity are superannuants.

It is the avowed policy of all parties that Superannuation should be more attractive than dependence on age pension income. Contribution to Commonwealth Superannuation throughout a lifetime of employment was compulsory. Self-funded retirement is now lauded by all. Social Security we are told is so expensive with an aging population.

So how does Government action implement this policy? It indexes the social security pension at a rate in excess of Superannuation. Logical? I think not! Economically sensible? No! Just? Fair? Moral? Consistent? No! No! No! and No!

Both sides of politics claim an adherence to industrial fairness. It is a singularly peculiar fact that the obviously unfair indexation of their own ex employees' entitlements after lifetimes of service doesn't arouse any discomfort about their sincerity.

There is an undeniable link between the deterioration of the living standards of Commonwealth superannuants and Government policies. This category of self-funded retiree is deliberately treated in an unjust, prejudiced and inequitable manner by its employer. The fact that its employer is the Government compounds the immorality and culpability of its action.

I contend it is unavoidable that the Committee conclude, as its predecessors did, that this Government policy results in hardship and unfairness for superannuants and should be immediately rectified. It remains to be seen whether Parliament affords the fairness to its superannuated employees it proclaims as its ideal and liberally bestows on itself.