

ROBERT J SHORTRIDGE

24 July, 2007

The Secretary
Senate Community Affairs Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

**SUBMISSION TO THE SENATE COMMUNITY AFFAIRS COMMITTEE INQUIRY
INTO THE COST OF LIVING PRESSURES ON OLDER AUSTRALIANS**

As way of introduction I am an ex military officer who currently has a Defence Force Retirement and Death Benefits (DFRDB) pension. I also receive a small Veterans Affairs pension.

My following comments follow the terms of reference. They apply mainly to those on fixed or indexed pensions as I believe that self funded retirees have the ability to increase their income by adjusting their pension investment strategy.

The cost of living pressures on older Australians, both pensioners and self funded retirees:

The impact of recent movements in the price of essentials such as petrol and food.

Comment.

Food and petrol have increased significantly over the past 18 months that I have been retired and unfortunately the increases of my pension, which is indexed at the CPI, has not covered the increases in these essentials. My pension and assets are such that I am not eligible for any government assistance however if my pension continues to erode as it has in the last 18 months then it may be that, in the not to distant future, I will be eligible for Government assistance. I believe that the government does not want more people on the pension and should do something about the erosion of the buying power of the pensions indexed at CPI.

I also acknowledge that the prices of oil and food are influenced by outside factors such as international instability for oil and climate and drought for food however, if these are accurately reflected in the CPI (and my impression is that the CPI as it is currently calculated never fully reflects true cost increases) then those on indexed pensions will be adequately buffered from cost increases.

The cost of running household utilities such as gas and electricity.

Comment

My rates and utilities costs have increased and those, combined with the food and petrol, have sent the buying power of my pension backwards. As stated above, it does not seem that these costs are included in the CPI at the appropriate weighting which means that the value of any pension is being eroded.

My concern is with services provided by governments I am paying for bloated bureaucracies that have no incentive to be more efficient and provide a better level of service at a lower cost. They seem to be happy to merely pass their costs to the 'user' on a user pays basis. An example is the Queensland Water Commission. This was established by the Beatty Government to manage water in SE Qld. It is ANOTHER bureaucracy that has to be paid for which will inevitably mean an increase in state taxes and/or water charges. This organisation has shown that it cannot manage the budget it has by overspending on advertising yet ultimately it will have to be paid for. The pensioners are those least able to accommodate significant increases to the costs of essential services.

The cost of receiving adequate dental care.

Comment.

I have private health insurance and that is costing almost \$3000 per year and even then I have to pay a 'gap' when I go to the dentist. Furthermore, the most I can claim from my fund is \$1200 per person in my family up to a total of \$2000. I believe that dental should be included under Medicare for all Australians.

There is another issue with health care in that it often is increased by more than the CPI which further erodes pensions that are indexed at the CPI.

Access to dental care is another issue but as I am living in the suburbs of Brisbane this does not apply to me but country Australians have issues in this area.

The impact on the cost pressures on the living standards of older Australians and their ability to participate in the community.

Comment.

Older Australians, who are no longer in full time employment often fill volunteer roles in the community, if their income erodes to such an extent that they can not afford to participate in volunteer activities (i.e. petrol prices become exorbitant) then the community will loose the services of these volunteers and somehow, someone may well have to take up the slack. This may mean that more volunteer organisations will be on the fund raising trail so they can support their volunteers or that Government (State or Federal) will have to pick up the slack. Overall this will be a cost to the community.

The impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation

No Comment

The adequacy of the current tax, superannuation, pension and concession arrangements for older Australians to meet these costs; and

Comment

I have a DFRDB pension. Under the new superannuation rules that will be fully taxed until I am 60 and then I will get a 10% discount of the tax which still means that I will be paying tax on my pension. The previous scheme, Defence Force Retirement Benefits (DFRB), was fully funded and was raided by the government in 1972. The given reason that DFRDB does not have full tax concessions is that it is paid from consolidated revenue. The problem is that as a military member I had no choice of schemes and now, the government that gave me no choice, is disadvantaging me due to the scheme they mandated that I join.

I believe the DFRDB pension should be fully tax free as per an allocated pension for people over 60.

The other issue is that the pension is indexed to the CPI which has failed dismally to retain the buying power of the pension. Other government pensions are indexed either to the CPI or AWOTE, which ever is the greater. There should be consistency to the government approach to pensions for its own employees.

Review the impact of government policies and assistance introduced across all portfolio areas over the past 10 years which have had an impact on cost of living for older Australians.

No Comment

General Comment.

I have found it very difficult to find out my Federal, State Government and 'other' entitlements as a retiree. These benefits (in the form of discounts etc) have the defacto ability of improving ones pension by providing cheaper goods and services. The problem is that these benefits change from state to state however, it would be nice if someone who knew the right questions to ask put together an 'entitlements document' and made it available to retirees and pensioners.

Given that the CPI is not a true indicator of the cost of living and that pensions indexed to the CPI have their buying power gradually eroded maybe the Government needs to set a pension indicator that assesses an appropriately weighted basket of those items that a pensioner needs and use that to index pensions. The suggestion is that the Pension Indicator focus on those issues that affect pensioners mainly and those are costs of transport (including fuel), a basket of groceries, healthcare and accommodation (factoring in rent and rates).

Sincerely,

Rob Shortridge