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INJURED SERVICE PERSONS ASSOCIATION NATIONAL

(Peacetime Injuries)

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Inquiry into Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010

Submission by Ray Brown on behalf of the Injured Service Persons Association

The Injured Service Persons Association (Peacetime Injuries) (ISPA) was formed to lobby and make representation on issues and deficiencies that relate to Australian Defence Force men and women who only have peacetime defence service or have only served within Australia.

All submissions to inquiries and reviews made by the ISPA are done without fear or favour and are intended to be in the best interest of its members and non members. This submission is no different.

One of the roles of Ex-Service Organisations is representing their members without trying to be political; however, when politics is involved it's hard not to be.

This submission will address two aspects; the intended bill and the second speech readings.

Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010

1.1 Firstly, we disagree vehemently with the title of the amendment bill and its intentions.

1.2 This bill introduced by the Shadow Minister for Veterans Affairs Senator Michael Ronaldson is far from being a fair indexation amendment.

1.3 The amendment is divisive and given that there is a differential in the current Military Rehabilitation and Compensation Act 2004 only causes more resentment and angst for those suffering defence service caused disabilities.

1.4 The proposed 'fair indexation' amendment is to only apply to over 55 year olds who are DFRDB/DFRD.

1.5 The first group of DFRDB/MSBS members that should have a 'fair indexation' amendment are those on invalidity pensions.

1.6 It is ludicrous that those who are medically discharged onto an invalidity pension should be financially disadvantaged for the rest of their lives by having their main source of income only indexed to one standard. This standard, the CPI, has been shown to not be a measure of the cost of living but a measure of inflation.

1.7 As an association whose has many members on Class A invalidity pensions under both DFRDB and MSBS it is important that they get heard, as well as those affect ted who aren't members of any Ex-Service Organisation.

1.8 With many of those on DFRDB/MSBS well under the age of 55 years, they will be losing the purchasing power as time goes on. It was shown that those on the age pension when it was indexed to CPI only were falling behind financially when it came to the cost of living, hence the age pension being reindexed to include the PBCLI.

1.9 Speeches by members of parliament applauded the change saying that the CPI alone was inadequate. Why is it inadequate for age pensioners and not DFRDB/MSBS invalidity pensions?

1.10 Is a politician's superannuation indexed to CPI only? No. Why isn't it? Why is it acceptable to index DFRDB/MSBS invalidity pensions to CPI but not politicians?

1.11 In the Matthews Report, Mr Mathews stated;

Recommendation 3: That pensions from the Australian Government civilian and military superannuation schemes continue to be indexed by the CPI as the most suitable index to protect pensions against inflationary price increases available at this time.

Recommendation 4: That, if a robust index which reflects the price inflation experience of superannuants better than the CPI becomes available in the future, the Australian Government should consider its use for indexing Australian Government civilian and military superannuation pensions.

1.12 In light of the above, there has been a bill passed in parliament called The Veterans' Affairs and Other Legislation Amendment (Pension Reform) Bill 2009.

1.13 As you would be aware one of the amendments is the introduction of the Pensioner and Beneficiary Living Cost Index (PBLCI).

1.14 Logically it doesn't make sense, that one group of Australians, those who put their lives on the line for their country, are told their indexation is appropriate while watching other groups have their source of income protected.

1.15 We put forward a proposal that if the adequacy of the indexation that the CPI is purported to be by both sides of parliament, that a bill is introduced to amend the politicians superannuation indexation in line with that of military superannuation and in particular DFRDB/MSBS invalidity pensions. To fail to do so will be considered an admission that the CPI indexation alone is inadequate.

1.16 Both sides of parliament and the senate are guilty of procrastination when it comes to making amendments that affect veterans and ex-service person's pensions which always become issues at election time. The Special Rate (TPI) adjustments for example.

1.17 There is always the blame game of who didn't do it when they were in government. This is common practice and quite frankly frustrating. But that's the world of politics.

1.18 To continue with this so called 'fair indexation' amendment bill will be a slap in the face of those who at young ages are restricted in future earnings with no prospect of building a large retirement fund. No ability to change careers and take advantage of overtime.

- 1.19 A soldier aged 24 who is unfortunately discharged invalidity Class A pension is limited for the rest of his financial life whilst his peers progress through their military careers with the ability to increase personal wealth.
- 1.20 Those who are over 55 years of age in most cases have had the ability to increase their retirement funds and possibly still working. Is this a 'fair indexation' when it allows those financially hamstrung to lose purchasing power especially with intended cost of living rises in the next two years?
- 1.21 Both state and federally we see, read and hear the common mantra of helping/supporting/protecting 'working families'. What about doing the same for non working families on DFRDB/MSBS invalidity pensions?
- 2.1 It is hard to not make political comment in a submission that involves both sides of parliament and their speeches regarding a 'fair indexation' amendment bill.
- 2.2 The argument coming from government is that of finance which the standard response is when a bill is introduced by the opposition. That is a known fact and shown in Hansard of sittings in the past.
- 2.3 Senator Wong in her speech talked about fiscal responsibility.
- 2.4 Since elected in 2007 the current government has done nothing to show fiscal responsibility and while it is not the role of an ESO to challenge a government on their policies, it is hard not to point out that the person espouses fiscal responsibility when discussing military superannuation indexation was not as vocal with the home insulation billion dollars waste, the multi-billion dollar BER blowout, the cash for broken cars , the multi-billion dollar National Broadband Network blowout and the ongoing cash blowout of illegal boat arrivals. Then there's the \$500 million amount given to Indonesian Islamic schools not to mention other 100's of millions of dollars thrown around the world.
- 2.5 So when Senator Wong, as all Finance and Treasury Ministers of both sides of parliament do, talk about fiscal responsibility, it is used as an excuse not as a reason. And given the spending record of government since 2007 fiscal responsibility is a very poor and indefensible excuse.
- 2.6 There are many areas that can have reduced payments such as the baby bonus, limited to two, overseas aid, and politicians perks which in some cases extend to family members.
- 2.7 As stated before, it is not an ESO's role to play politics, but when both sides of parliament play politics with veterans and ex-service people then ESO'S be prepared to speak up.
- 2.8 Over the last 5 or so years we have seen electricity, gas, water, fuel and food go up in price with the first 4 by up to 40% with another 20% increase in the next year or two. In fact a 17% increase in electricity charges was approved on the 14 April 2011 in NSW to take effect 1 July 2011 resulting in up to a \$300.00 annual increase. And we must also be concerned with the impact that a carbon tax will have if that is introduced.

- 2.9 It must be noted that those who are on invalidity pensions are still tax payers. The GST ensures that as well as government excises on things such as petrol, alcohol and cigarettes.
- 2.10 Defence forces are assets and liabilities. They are an accepted liability. When governments look to reduce spending they inevitably include areas of defence and as is the case now, the term 'fiscal responsibility' is being used to fill a \$4.5 billion budget hole.
- 2.11 We request that any amendments to military superannuation indexation include DFRDB and MSBS Invalidity Pensions as a priority and that all military superannuation is indexed the same.
- 2.12 The government must understand that the defence force is a valuable asset that has an inherited liability. Part of that liability is superannuation that defence members have held by government. That liability should never be used to save money and should be fairly indexed as a condition of service.
- 2.13 Defence personnel incapacitated due to military service should not have to go cap in hand to federal parliament pleading 'please sir may I have more'.

Ray Brown
National President