

Senate Select Committee into the Abbott Government's Budget Cuts

Public Hearing – 16 October 2014

Questions Taken on Notice –ACOSS

1. HANSARD, Page 6

Senator CANAVAN: In your submission, you made the claim that pensioners will be \$80 per week worse off in 10 years under changes in the budget. Can you just explain the methodology behind those estimates?

Dr Goldie: What we have endeavoured to do with the resources that we have got at ACOSS is to track the impact of the change on indexation on the pension from MTAWWE down to CPI. Obviously, that is an incremental change over time and the \$80 figure is our best assessment of the impact of that. Obviously, the Treasury and Department of Finance have the modelling capacity that we do not in being able to properly track the trajectory of what we believe is effectively a real devaluing of the pension. But I do not think we can have any contention that the MTAWWE is an indexation measure that will over time make sure that the pension retains a more adequate value compared to CPI.

Senator CANAVAN: In these estimates you have calculated, what was your assumption for MTAWWE and what was your assumption for CPI over the next 10 years?

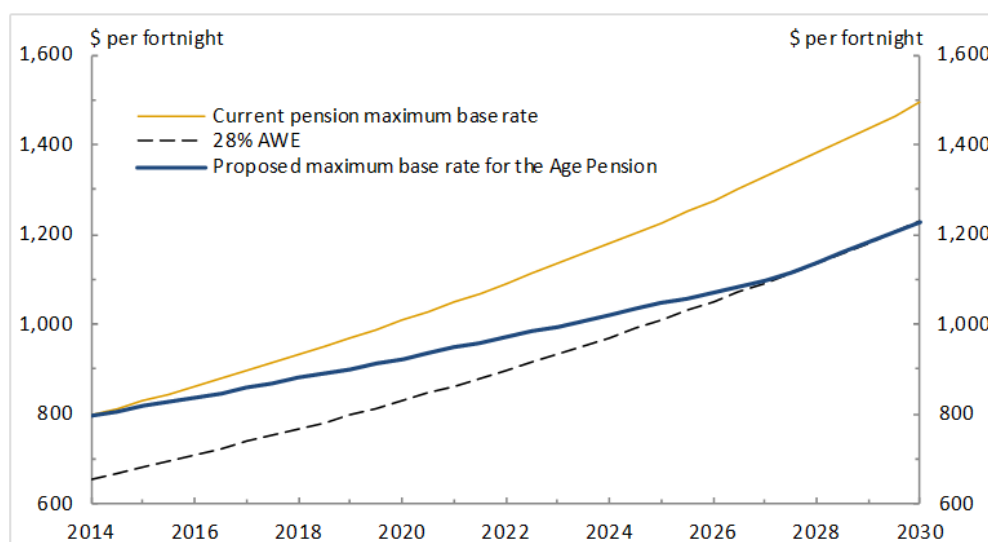
Dr Goldie: I will take that on notice. The colleague who did the modelling is not with me at the moment, but I am happy to provide that information to the committee.

Senator CANAVAN: Is that figure of \$80 per week a nominal value? Is it in today's dollars or does include inflation?

Dr Goldie: I will take that on notice and I will provide you with the detailed modelling work and the assumptions that underpin it.

ACOSS Response:

The \$80 estimate over 10 years is drawn from Chart 7.2 of the National Commission of Audit's Report, reproduced below:



Based on this graph, if indexed to CPI, it is estimated that by 2024 the Age Pension will be approximately \$1040 per fortnight, compared to \$1200 per fortnight if benchmarked to wages, which is a difference of \$80 per week. The National Commission of Audit report states that this is based on 'current trends'. Further information about modelling assumptions would need to be obtained from the authors of the Commission's report.

2. HANSARD, Page 8

CHAIR: There was also an announcement that there would be cuts to the relocation scholarships for students who are moving from a large centre, say, Geelong or Newcastle, to study in a capital city. Do you have anything to say on that? It looks like a budget measure that may in fact pass. Do you have anything to say about that specific proposal?

Dr Goldie: I can take it on notice, because we have not done the detailed work on that particular proposal. I know there are concerns from other places, and I will refer you to those organisations who may be appearing before you who have particularly detailed expertise in that area.

ACOSS Response:

While we don't have a position on this specific proposal, it is worth noting again the need for an adequate base payment of income support for students, noting that a Universities Australia¹ report in July 2013 found high rates of poverty amongst students and rising financial stress. One of the barriers for students is the high cost of housing, with housing affordability particularly impacting students from lower income backgrounds.

¹ Bexley, E. Daroesman, S. Arkoudis, S. James, R. (2013) Universities Australia Report *University student finances in 2012 A study of the financial circumstances of domestic and international students in Australia's universities July 2013*, Centre for the Study for Higher Education, The University of Melbourne.