

Template for response

The Authority encourages respondents, where possible, to provide their submissions [online](#).

Where you would prefer to respond via email or on paper, please use this template and return the submission via email to cpi@ons.gsi.gov.uk, or via post to:

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Section One: Measuring prices across the economy

1. Should ONS identify a main measure of price change across the economy?

a. Yes

1a. Why? Please provide any comments below:

The National Union of Teachers (NUT) believes that price indices are designed for different purposes and have different characteristics to correspond to those purposes.

The NUT is aware that the RPI CPI User Group has proposed that a Household Inflation Index should be developed to measure the change in prices as experienced by the typical UK household. This would make such an index suitable as the main measure of price change across the economy as experienced by the typical household.

Of currently available indices the RPI remains the most suitable measure of household inflation.

The NUT strongly believes that the CPI is not a suitable index. CPI was designed to compare inflation rates across Europe but was not designed as a compensation index. To achieve comparability across Europe compromises were made such as not including owner-occupied housing costs. In addition it does not include council tax and cannot include any interest payments. It remains suitable as a comparative measure but does not, in our opinion, qualify as a “main measure of price change across the economy”.

The CPIH is an attempt to correct the omission of OOH costs. However, instead of measuring these costs directly it uses a proxy measure of rental equivalence. Adopting a proxy measure for such a significant element of a UK price index is an additional reason to regard this index as unsuitable as a “main measure of price change across the economy”.

If yes:

2. What should this measure be?

- a. other (please provide details).

2a. Why? Please provide any comments below:

The NUT supports the development of a Household Inflation Index along the lines of that recommended by Jill Leyland and John Austin.
<http://www.statsusernet.org.uk/communities/community-home/librarydocuments/viewdocument?DocumentKey=f1f6751d-8cae-48de-ab7f-e87d37c7ecc5> .

The NUT believes that the RPI is the best existing measure of price change across the economy, as it most accurately reflects the price increases felt by UK households.

3. Should its production be governed by legislation?

b. No

3a. Why? Please provide any comments below:

The NUT believes that enshrining the production of prices indices in legislation would be an overly cumbersome mechanism. The production of price indices should be better governed by a strong and robust independent governance group. This principle could be enshrined in legislation.

Section Two: Measuring consumer price inflation for different household types

4. Should ONS seek to measure changes in prices, as experienced by different households?

- i. Yes

4a. Why? How often? Please provide any comments below:

The NUT believes that this consultation is an important opportunity to devise an index that is fit for purpose of measuring the change in prices as experienced by UK households. The key priority is to construct a household inflation index which can do this job.

The ONS should also seek to measure the experience of price changes for different income groups, different household types (for example pensioners, benefit recipients and single parent households). Regional sub-divisions are also necessary to gauge the true impact of price rises in different parts of the country.

All statistics should be produced on a monthly basis to enable comparison with other related statistics.

If yes:

5. How should ONS seek to do so?

- i. Using a payments-based approach.

5a. Why? Please provide any comments below:

The NUT believes a payments-based approach should be the main approach as it reflects households' experience of price changes. This does not preclude use of other approaches for certain items where another treatment is proved to be better.

Section Three: The RPI

6. Do you use the following indices?

i. RPIJ ¹	Yes
ii. Tax and price Index	No
iii. RPIY ²	No
iv. RPI pensioner indices	No
v. Component indices of the RPI	No
vi. Any other RPI analytical- or sub- index	No

6a. If yes, for what purposes? Please provide any comments below:

The NUT uses RPIJ to analyse how public service pensions would be increased under different indices.

¹ RPI calculated using formulae that meet international standards

² RPI excluding Mortgage Interest Payments and indirect taxes

7. Do you agree that the below indices should be discontinued?

i.RPIJ	No
ii.Tax and price Index	No
iii.RPIY	No
iv.RPI pensioner indices	No
v.Component indices of the RPI	No
vi.Any other RPI analytical- or sub-index	No

7a. If yes, why? Please provide any comments below:

The NUT believes that the RPI should certainly continue to be published. In terms of maintaining the wider family of indices, We believe that it would then take comparatively little work to produce the wider family of indices. RPIJ should certainly continue to be produced as it provides a useful indication of the difference between Carli and Jevons methods.

8. Do you have any views on what ‘freezing’ changes to the RPI should mean in practice? Please provide comments.

There will be a real danger to ONS’s credibility if it attempts to ‘freeze’ the RPI so that it is not updated in line with best practice.

The UK Pension Protection Fund has accepted in its ‘Long Term Strategy Update’ paper published on 27 July 2015 that bonds linked to CPI have failed to materialise and that in practice index-linked bonds will be indexed to the RPI. Given the maturity profiles for government bonds, RPI will have to be produced for decades to come. Given that this is the case it would be nonsensical to freeze RPI.

Section Four: Evolving Consumer Price Statistics

9. Are the priorities identified by ONS in its forward work plan appropriate?

b. No

9a. Why? Please provide your comments below:

The NUT believes the main work priority for ONS should be the development of a Household Inflation Index which shows how inflation impacts different households, and concentrates on the practical realities and making the index transparent for the general public, rather than academic interest.

Work on this has already been undertaken by the RPI/CPI User Group in the Austin and Leyland Paper <http://www.statsusernet.org.uk/communities/community-home/librarydocuments/viewdocument?DocumentKey=f1f6751d-8cae-48de-ab7f-e87d37c7ecc5> .

10. Should ONS include council tax in the CPIH?

a. Yes

10a. Why? Please provide your comments below:

Council tax is an owner-occupier housing cost and should therefore be included in a measure which purports to be a main measure of price changes in the UK.