

Background

Please confirm you have read and understood this important background information.

Yes, I have read and understood the information on this page.

About you

1 What is your name?

Name:

2 What is your email address?

Email:

3 What is your organisation?

Organisation:

Section one: Measuring prices across the economy

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

Yes

Why? Please provide comments.:

At present there is still debate over which measure is the most appropriate to use and discrepancies are hard to justify. Why does the Bank of England increase its pensions it pays to retired staff by RPI? When it is now widely considered that RPI should not be used to update pensions.

2 If you answered 'yes' to question 1a, then what should this measure be?

the CPIH, as recommended in the Johnson review. The CPIH includes owner-occupiers' housing costs. It does not currently hold the National statistics designation (although its reassessment is due to commence shortly). The index is a UK measure, designed by ONS to meet UK needs.

Why? Please provide comments.:

The UK housing costs are more often those of owner occupiers than in the rest of Europe where historically more households rent homes. It is likely to be more flexible to have a UK controlled statistic more able to evolve to take account of UK patterns of spending.

3. Should its production be governed by legislation?

No

Why? Please provide comments.:

Legislation can inhibit the evolution of the index or at best lead to delay. It is also then open to political influence which is often unhelpful.

Section two: Measuring consumer price inflation for different household types

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

Yes

Why? How often? Please provide comments.:

To provide the most informative stats different categories of household spending patterns should be collected and made available. The Australian categories of households who are of working age split by those in employment and those on benefits and pensioners who are self sufficient or rely on benefits seem to have some merit. These try to differentiate both by age and by wealth. Age and wealth are clearly the most important factors in determining what households spend their income on and more importantly the percentage of their income spent on items. A rise in the price of an item which consumes a large proportion of your income is self evidently more significant than one on which you spend very little. I contend that age and wealth will also be an indicator of where the items are purchased eg shop or Internet and whether discounted offers are taken up. It may also indicate whether substitution to a lower priced item is likely.

5 If yes, how should ONS seek to do so?

Not Answered

Why? Please provide comments.:

Section three: The RPI

6 Do you use the following indices? (Please select those that you use)

If yes, for what purposes? Please provide comments.:

7 Do you agree that the following indices should be discontinued? (Please select those that you suggest should be discontinued)

Why? Please provide comments.:

8 Do you have any views on what 'freezing' changes to the RPI should mean in practice?

Yes

Why? Please provide comments.:

I do not agree with freezing the RPI. The RPI is still used and as explained will not be discontinued. Whilst it is still used by many organisations eg student loans, many occupational pension schemes etc it is important that it continues to reflect the rise in prices just as it has done previously when changes in spending were taken into account by evolving the index. To now keep the calculation as it were in aspic is to do a grave injustice to those whose debts and incomes are increased by it.

Section four: Evolving consumer price statistics

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

Yes

Why? Please provide comments.:

It is important that the statistics take account of spending behaviour .

10 Should ONS include council tax in the CPIH?

Yes

Why? Please provide comments.:

Council tax is a cost of housing regardless of whether you rent or own your own home. It is the cost of purchasing local council provided services rather than a tax. Home owners need to buy rubbish collection services etc

However in recent years councils have been asked to freeze council tax payments so they are subject to political interference. None the less to be accepted as a sound basis the statistic needs to have the confidence of the users and most feel that unless council tax is incorporated then the index will never have full support.

Additional information

Do you have any further comments relevant to this consultation?

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I agree with using rental equivalence to impute owner occupiers housing costs. I do not believe that rising rents are due to an improvement in the quality of rental housing but rather the market where demand exceeds supply. Rising rents are an important element of household expenditure and the index needs to capture this on a timely basis. The rise in mortgage interest payments is subject to BoE policy and whether the house hold has a fixed rate so in my opinion is a less important element and in any event any rise in mortgage interest will inevitably feed into rising rents.

Action is needed once this consultation ends. Please work speedily to improve the CPIH and persuade government to use this index.

As you are aware CPI is being used to uprate the Pension Increase Order . Whilst there is an ongoing wide difference between RPI and CPI there is a widespread sense of injustice especially for pensioners whose income I was formerly linked to RPI and now by CPI even where their pension is provided by the private sector . In particular privatised industries like BA and the railways have contractual provisions that mean the pensions are updated by the Pension Increase Order and the change to CPI has not helped the public finances but has led to a windfall of in BA case 750 million pounds to its shareholders. Although you can do nothing about this injustice you can close the gap by improving CPIH and making it clear that in the UK this is the appropriate index for most purposes.

Information on the inflation that pensioner households face would also be most useful. Again in the case of the BA scheme the trustees have a unilateral over to grant additional increases and so could take account of variations in the inflation experienced by pensioners. Pensioner households do spend a higher proportion of their income on gas, electric, council tax than working households mainly because of lower incomes but also because they spend more time in their home. The question posed about averaging out the cost of gas is therefore of key significance to this group. Gas prices have been volatile and cheaper prices are often offered by names that are unfamiliar tank payment methods that involve direct debits and running your account online. Pensioner households therefore tend to have higher charges as they are not comfortable with these conditions. Households who are on benefits often have the highest charges for gas and electricity as they use prepayment meters. Therefore any work on averaging costs should take account of these matters too.

Substitution of items in the basket can often be contentious. However the explanation of the formula affect has often been that substitution is overlooked by the RPI and this is the reason why CPI is generally lower. Paul Johnson says that this has been overstated. However I would like CPI and CPIH not to assume that where a price rises that behaviour is always to change the item for a lower priced one.. Poorer households where a large percentage is paid on rent , council tax and utility bills cannot change behaviour to any great extent to reduce the rising cost of these items, these households cannot shop around to find the best prices

for other goods if this involves travel costs.

Finally I give some credence to the point that prices of some goods do fall eg when a new improved TV or phone is introduced and the new model is marketed at a higher price. Therefore when comparing the price it is difficult not to compare the price of improved quality goods. Perhaps the use of information from scanners and computer market comparisons can help a little here. However for most households the new improved item will be purchased to replace the older model and they will feel that they are as well off as before rather than that there standard of living has gone up.

It is the need for the public to accept the index that the policy makers use is to my mind a very important factor and I ask that you consider this carefully when deciding what action to take,.

User satisfaction

Overall, how satisfied were you with this online consultation service today?

Satisfied

Please tell us if there are any specific areas for improvement, or if you have any other comments.: