

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:

*Consumer Prices Consultation team
Government Buildings
Cardiff Road
Newport
South Wales
NP10 8XG.*

Section One: Measuring prices across the economy

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

- a. Yes Yes
- b. No

1a. Why? Please provide any comments below:

I am a member of the public not a professional statistician so this is of less interest to me. However, I imagine it is inevitable there will be a headline measure so a main measure will happen. I would agree with Johnson though that more targetted measures for specific purposes are also desirable - this particularly applies to uprating for different groups.

If yes:

2. What should this measure be?

- a. 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 re-assessment is due to commence shortly). The index is a UK measure, designed by ONS to meet UK needs.
- b. the CPI, ONS's current headline measure. The CPI is an EU measure, designed by Eurostat to ensure comparable consumer prices statistics across the EU.
- c. other (please provide details).

The measure should remain as RPI. It is regrettable that ONS and UKSA seem to have taken the stance that Jevons is the answer, what's the question. At the public meeting Nick Vaughan demonstrably took that approach. It is even more deeply regrettable that Paul Johnson made no attempt to justify CPI(H). At his RPICPI User Group presentation he merely stated that RPI was flawed. It was put to him that many statisticians, indeed I suspect most of those there, doubted that RPI was as flawed as ONS makes out and that CPI definitely does under-represent inflation because it deliberately depresses higher price rises, he merely said "Not the ones I talk to". Presumably he was "helped" to this view by ONS, especially since he is not a statistician, so his opinion is not at all independent. This consultation is beginning to look like the sleight of hand of the last one, when 80% of respondents (not just linkers either) voted against the RPI GM proposal and by introducing RPIJ and downgrading RPI ONS/UKSA affectively ignored the consultation.

There are many proponents of Carli (and Dutot) who just seem to have been ignored willy nilly by Johnson.

The ONS/UKSA together with the Coalition, used to offer the excuse that CPI to account of consumer substitution. (Paul Johnson in his slides at the user group presentation said "The issue of outlet substitution should be considered" so nobody must have told him it was the main excuse for moving to COPI for several years).

It doesn't measure substitution of course but the claim was that it proxied it. Lord Freud and others gave sworn evidence before the JR to this effect. This excuse seems to have been quietly dropped, perhaps after the revelation that CPI damps large price rises rather than rises in higher priced goods so it might be indicating substitution in the wrong direction. This has now been replaced with the nostrum that RPI is not in accord with international standards. This is not an adequate explanation since the international standards (ILO I suppose) came under the sway of economists whose generally desiccated thinking is way off practicality and who espoused the substitution argument. There seems to be little actual evidence that substitution in any ordered way actually exists. It may be that people buy some cheaper goods but their ability to assess quality and navigate the retailers' extensive price trickery is severely limited.

So in short if you drop the substitution argument you cannot rely on the international standards argument since they are the same thing. It clearly suits all governments to undercount their inflation and growth deflator. They are essentially all playing the same game as the UK, though many seem to play it less deviously.

CPI was, of course, never designed as an uprating measure and CPIH would not overcome its weakness since, besides the current flaws in the H bit, there has been no ostensible attempt to explain or ameliorate the formula effect. CPI obviously suits the government, especially in depressing pension uprating - I don't mean State Pension which has been partially protect pro tem by the triple lock, but all public service pensions and now a good proportion of private occupational pensions..

If the gap in pension uprating remains at anything like 1% pa this will merely create a pensions disaster for the future. In the press this is presented (where it is presented at all) as problem for the old. It is in fact a far greater impact on today's young since their "pot" is often uprated by CPI resulting in a loss of perhaps 30% when they retire with further loss against inflation thereafter. Not just my view. I quote "The recent shift from the RPI to the CPI as the statutory measure of inflation for a

2a.

number of other purposes has inevitably increased the attention paid to both the CPI's composition and method of calculation. The widening of the formula effect from 2010, increasing the gap between RPI and CPI has added to concerns. The cumulative effect of the different inflation rates over a number of years will be substantial if CPI continues to be calculated on the current basis. This could result in inequitable outcomes, particularly for

3. Should its production be governed by legislation?

- a. Yes
- b. No

3a. Why? Please provide any comments below:

Only if an honest attempt is made to establish a more accurate index measure.

The Jill Leyand/John Astin proposal for an HII looks like a more practical attempt to home in on inflation as it is perceived by the majority of the population. They have taken a much more practical approach to questions such as the inclusion of Council Tax. It is a generally common sense (inasmuch as you can use such a concept in inflation indexing) approach, which CPI, designed for a completely different purpose, is not. HII gets rid of many of the arbitrary exclusions in the current indexes - not least in RPI.

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
 - ii. No

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

Yes. But of course it is very difficult, particularly around the issue of which group have mortgage commitments and are therefore affected by both house inflation and interest (neither of which CPIH will really measure.

If yes:

5. How should ONS seek to do so?

- i. Using a payments-based approach.
- ii. On the same basis as existing measures such as CPI.
- iii. Via another means (please provide details)

5a. Why? Please provide any comments below:

Insert Response

Section Three: The RPI

6. Do you use the following indices?

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

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

No - I am merely abused by CPI.

¹ RPI

² RPI excluding Mortgage Interest Payments and indirect taxes

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

i. RPIJ	Yes
ii. Tax and price Index	Yes/No
iii. RPIY	Yes/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:

If you keep RPI, perhaps modified, the answers fall out. RPIJ looks like a dead duck either way.

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

Insert Response

Section Four: Evolving Consumer Price Statistics

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

- a. Yes
- b. No

9a. Why? Please provide your comments below:

No idea but little of the practical work on the formula effect seems to have poked its head up the bunny hole - at least in public.

10. Should ONS include council tax in the CPIH?

- a. Yes
- b. No

10a. Why? Please provide your comments below:

Weeee!!!!. I prefer RPI so non-question.

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inflation thereafter. Not just my view. I quote "The recent shift from the RPI to the CPI as the statutory measure of inflation for a number of other purposes has inevitably increased the attention paid to both the CPI's composition and method of calculation. The widening of the formula effect from 2010, increasing the gap between RPI and CPI has added to concerns. The cumulative effect of the different inflation rates over a number of years will be substantial if CPI continues to be calculated on the current basis. This could result in inequitable outcomes, particularly for pensions, which may not be fully recognised at present." This come from a letter from Kate Barker to Malcolm Scholar in January 2012. There seems to little thought for the morrow in the current misguided policy.