

# Template for response

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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](mailto: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?

No

#### 1a. Why? Please provide any comments below:

Different indices for price changes have different characteristics and are used for different purposes. It would therefore be inappropriate for there to be a single measure of price change used across the economy.

The Civil Service Pensioners' Alliance (CSPA) strongly believes that the CPI is not a suitable index for the uprating of pensions or measuring the impact of inflation domestically, not least, because its original purpose was to assist negotiations between European Union member states on economic issues, not for use in the UK itself.

CPI fails to reflect the spending patterns of pensioners and the rising costs they face. The measurement of CPI assumes shifts to cheaper goods when prices increase. In many cases, pensioners do not have the option to switch to cheaper goods. Many utility and transport charges are linked to the RPI, meaning that the gap between costs faced by pensioners and pension increases will widen year on year.

Crucially, the CPI excludes housing costs. Whilst it is true that many pensioners are mortgage-free, an increasing number of pensioners still face mortgage costs and about 21% of pensioners pay rent for their homes. These pensioners will increasingly find it difficult to make ends meet, if their pensions do not increase in line with their housing costs. CPI also misses out other significant costs faced by owner-occupiers, such as insurance and the costs of maintenance, which has to be increasingly undertaken by third parties as householders age.

The CPI (H) is an attempt to correct the omission of owner occupier housing 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".

We believe that a Household Inflation Index (HII) - as has been mooted by the Royal Statistical Society (RSS) - should be developed to measure the change in prices as experienced by the typical UK household, which would represent a better measure of price change for most UK citizens.

**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  
and
- b. another (see below)

**2a. Why? Please provide any comments below:**

Provided that RPI is prevented from being used as a basis for increasing utility, telecommunications, transport and other costs, because it does include some measure of increases in costs for housing for owner-occupiers, CPI (H) is preferable to CPI, although the criticisms of both as set out in the response in Q1 remain.

It is the very strongly held view of the Civil Service Pensioners' Alliance that the ONS must impress upon the Government the need to ensure that that the measure used to increase pensions and inform wage negotiations should also be the measure used to increase utility etc. costs as recommended by the Independent Review of Consumer Price Statistics that was produced by Paul Johnson of IFS.

Again, as also mentioned in the response to Q1, the CSPA is very interested in the development of an Household Inflation Index (HII), which, in the absence of a return to the use of RPI for increasing pensions, could properly reflect changes in prices experienced by UK households.

**3. Should its production be governed by legislation?**

No

**3a. Why? Please provide any comments below:**

Generally, the CSPA is of the view that the regulation of any official price index should be the responsibility of an effective, expert and independent governance group, whose role should be appropriately be framed by parliamentary 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?

Yes

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

Whilst the first priority should be the development of a Household Inflation Index (HII) to measure increases in prices experienced by the typical UK household, the CSPA recognises the need for secondary measures like the impact of price changes of different income groups and types of households e.g. pensioners, single parent families etc.

*If yes:*

**5. How should ONS seek to do so?**

Using a payments-based approach.

**5a. Why? Please provide any comments below:**

A payments-based approach would appear to be the most appropriate one for price changes experienced by most households, although there is, probably, a need to look further into the scope for including interest payments on loans for goods in the basket!

Section Three: The RPI

6. Do you use the following indices?

i.RPIJ <sup>1</sup>	No
ii.Tax and price Index	No
iii.RPIY <sup>2</sup>	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:

<sup>1</sup> RPI  
<sup>2</sup> RPI

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

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

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

Unless the statistical community has any substantial objections, the CSPA would only express strong views on the retention of RPI and RPI (J). The former, as it continues to be used in many ways that impact upon the living standards of pensioners and could still, in the future, be more favourably viewed by decision-makers and the latter as it looks at the geometric mean, rather than the arithmetic mean, within the RPI context.



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

The CSPA would be very concerned if RPI was retained, but not improved in line with good practice, as such neglect would further undermine its standing.

## Section Four: Evolving Consumer Price Statistics

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

No

**9a. Why? Please provide your comments below:**

The forward workplan of the ONS should include the development of a Household Inflation Index (HII), as previously referred to in this response.

**10. Should ONS include council tax in the CPIH?**

Yes

**10a. Why? Please provide your comments below:**

Because, by and large, Council Tax is not based on income, it should be included with other housing costs.