

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?

b. No

1a. Why? Please provide any comments below:

The Public Service Pensioners' Council (PSPC) believes that it would be inappropriate to use a single measure of price change across the economy.

The purpose of an inflationary measure is to identify as accurately as possible the effect that price increases have on a particular segment of society, different indices used for different purposes are calculated by different methods.

The PSPC strongly believes that the CPI is not a suitable index for the uprating of pensions, indeed this was not its original purpose, which was to compare inflation rates across European Countries, not for showing how much money is required to compensate for increases in prices.

CPI does not reflect the spending patterns of pensioners and the rising costs they face. In particular it does not include Owner Occupier Housing (OOH) Costs.

CPIH attempts to correct the absence of the OOH costs. However, instead of measuring these costs directly, it uses a proxy measure which is not satisfactory when considering such a major part of UK expenditure.

In addition, we also disagree with the argument that substitution means that most indices overestimate inflation. The assumption that people will substitute for cheaper goods ignores instances where this is not possible, as well as the impact on the consumer's standards of living.

We consider it is unfair that 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.

We believe that a Household Inflation Index (HII) should be developed to measure the change in prices as experienced by the typical UK household (see Austin and Leyland paper). The HII should reflect practical realities rather than statistical theory, and as such, be easily understood by the general public. <http://www.statsusernet.org.uk/communities/community-home/librarydocuments/viewdocument?DocumentKey=f1f6751d-8cae-48de-ab7f-e87d37c7ecc5>).

If yes:

2. What should this measure be?

- c. other (please provide details).

2a. Why? Please provide any comments below:

PSPC supports the development of the Household Inflation Index (HII) by Jill Leyland and John Austin. It is imperative that any measure of price changes should properly reflect any changes in prices as experienced by UK households.

We are of the opinion that RPI is the best existing measure of price change across the economy, as it most accurately reflects the price increases felt by households. We support the position of Mark Courtney in arguing for the retention of RPI in his paper *Consumer Price Indices in the UK*.

We are aware, however, that the UK Statistics Authority has removed recognition of RPI as a “national statistic” and so if using RPI is not possible, then we believe the next best measure is CPIH because it at least takes into account housing costs which are a major part of UK households’ finances. However, the housing element needs to be more accurately constructed to reflect actual costs to owner occupiers rather than the current method of using the proxy measure of rental equivalence.

- ci. **Should its production be governed by legislation?**
- b. No

3a. Why? Please provide any comments below:

The regulation of any official price index should be overseen by a strong independent expert governance group, perhaps enshrined in legislation.

Section Two: Measuring consumer price inflation for different household types

- cii. **Should ONS seek to measure changes in prices, as experienced by different households?**
- i. Yes

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

PSPC members are keen that this consultation does not waste the opportunity presented to devise an index that is truly fit for the purpose of uplifting benefits to compensate for increases in prices and which could gain public acceptance.

Therefore, we believe a household inflation Index is required to measure the change in prices as experienced by the typical UK household – produced on a monthly basis

ONS should seek also to measure the experience of price changes by:

- Different income groups
- Household type e g; pensioners, those in receipt of benefits, single parents.
- Geographical areas for an accurate reflection of the true impact of price rises in different parts of the Country.

If yes:

- ciii. **How should ONS seek to do so?**
 - i. Using a payments-based approach.

5a. Why? Please provide any comments below:

PSPC favour a payments-based approach as this truly reflects the costs of price rises as experienced by regular households.

Section Three: The RPI

6. Do you use the following indices?

i. RPIJ ¹	No
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:

¹ RPI

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:

PSPC believe that the RPI index should continue to be published.

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

If the RPI continues to be used to uprate services and utilities, it is appropriate that its formulation continues to be developed to ensure it is fit for this purpose.

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:

For the PSPC the main priority of work 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 (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, which also extends to most private and public rental property occupiers, and therefore should be included.