

## 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?

### 3 What is your organisation?

Organisation:

British Airways: Airways Pension Scheme

## 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.:

Because of the confusion involved. Due to the rate of inflation or price change measures and a tendency for the relevant authorities to cast around for the one that is best. For example, CPI is used for the state pension and RPI is used for all rail fare increases and student loans.

### 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.:

CPIH is better than CPI but needs to be improved (eg to have a better method of measuring housing costs than 'rental equivalence' also to include Council Tax). The UK government has no direct control over CPI methodology, resulting in compromises that are OK if measuring differences in inflation across the European Union, but not OK when measuring UK inflation (eg: owner occupier housing costs are left out of CPI due to no agreement across the EU on this measure). My pension was linked to RPI but now linked to CPI. I have not seen the evidence that CPI is a better measure of our inflation than RPI and remain deeply concerned by the annual difference in RPI and CPI rises; currently CPI annual rises are around 1% below RPI annual rises. It is also unacceptable that my CPI based pension rises do not take into account owner-occupied housing costs. Of the current indices, I would prefer RPI which I paid extra into my pension for 30 years to achieve. As RPI is now deemed unsuitable as a national statistic, I would welcome the development and adoption of a 'Household Inflation Index'.

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

No

Why? Please provide comments.:

Government legislation takes too long to implement and I would rather an independent body.

## 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.:

There is an urgent need to introduce a 'Household Inflation Index' first. Then measure price changes in different households.

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

Using a payments-based approach.

**Why? Please provide comments.:**

A payments-based approach best reflects pensioners' expenditure.

### Section three: The RPI

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

RPI pensioner indices

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

British Airways pension rises followed RPI until 2011 when the switch was made by trustees to CPI. BA Pension Trustees still aspire to provide (the usually higher) RPI rises in the future and had proposed a rise halfway between the relevant RPI and CPI rises in April 2015 for the Airline Pension Scheme. This has resulted in a court case between BA Pension Trustees and British Airways owners IAG, to take place in early 2016. BA pensioners would prefer the higher RPI rises. The Trustees had a solvency plan, just before 2010, which used future RPI rise assumptions and this was agreed by BA and its Pension Trustees.

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

RPIJ, Tax and price Index, RPIY, Component indices of the RPI, Any other RPI index

**Why? Please provide comments.:**

The most important issue for BA pensioners is that RPI is currently rising about 1% a year higher than CPI. The way RPI is calculated may have some flaws, but CPI has proved to be no better. This increase in the average gap between CPI and RPI annually now being 1%, the reason for this gap being mostly the changes in the method of collecting clothing data and this gap generally being bigger in the UK than in most other EU countries, leads us to argue both RPI and CPI/CPIH should be discontinued to be replaced by an index that better addresses these accuracy problems.

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

Yes

**Why? Please provide comments.:**

If RPI is flawed, it should not be used. However, I am not convinced it is flawed as there remains strong academic arguments in favour of RPI, over CPI, from Dr Mark Courtney and others. As RPI's use is embedded by legislation (eg in gilts) then either it should be replaced by a less flawed index (RPIJ

### Section four: Evolving consumer price statistics

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

No

**Why? Please provide comments.:**

We urgently need an index, for example, a Household Inflation Index, which better measures our inflation. In the interim work should concentrate on reducing the 'formula effect' difference between RPI and CPI.

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

Yes

**Why? Please provide comments.:**

Council tax is not based on income, so it should be included in CPIH.

### Additional information

**Do you have any further comments relevant to this consultation?**

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### 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.:**

I hope my suggestions will be taken on board and acted upon as soon as possible.

Thanks.