The Rt Hon. Elizabeth Truss MP

Chief Secretary to the Treasury

Unit 1, Horse Guards Rd,

Westminster

London

SW1A 2HQ

30 August 2017

Dear Ms Truss,

**GOVERNMENT’S USE OF DIFFERENT INFLATION MEASURES**

I am writing to you on behalf of the Public Service Pensioners Council. We are an umbrella organisation representing the interests of retired public servants and public sector workers.   
  
The Council notes that the current Government now uses CPI for the payment of some public service pensions and as an element of the state pension triple lock, but retains RPI for the collection of revenue. Student Loan repayments, train fares, water rates all also continue to be linked to RPI.

The PSPC believes that this approach damages public confidence in the fairness of inflation measures. It cannot be right that RPI is a sufficiently good measure of inflation when it comes to taking money in, but is not an acceptable measure when it comes to paying money out. In addition, RPI was held not to meet international statistical standards, and so since 2013 the Office for National Statistics no longer classifies it as a "national statistic."

Paul Johnson of the IFS said in his review of UK consumer price statistics that the use of RPI and CPI should stop, preferring instead the CPI (H) measure. We understand that this includes housing costs and that CPIH has now been given “national statistic” status.

We believe that there are serious weaknesses with the use of macroeconomic measures such as CPI or CPIH as inflation indices for households. We are therefore watching with interest the development of the Household Inflation Index (HII) by the Royal Statistical Society. This should help the development by ONS of a measure that tracks the cost of living changes facing different households, including pensioner households.

It would be very useful to our constituent organisations if you could explain the reasoning behind the continued use of RPI and CPI. It is difficult to arrive at an accurate measure of increases in the cost of living, but we find the selective use of these indices unfair and damaging to public confidence.

Yours sincerely,

Lisa Ray

General Secretary