The Rt Hon. Elizabeth Truss MP

Chief Secretary to the Treasury

Unit 1, Horse Guards Rd,

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Dear Ms Truss, 8 March 2018

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

Thank you for your further reply of 10 January 2018, regarding the current use of inflation statistics across Government.

My Executive Committee has asked me to write to you again, because although you expanded on the Government’s use of different inflation measures in your last letter, it is still not clear why different rates continue to be used both by Government and Private Sector companies.

The point that I made in my previous letters is that different rates of inflation are being used for different purposes. It is unfair that student loan finance, train operators, utility companies, mobile phone companies, and other private sector companies are raising their charges and prices by RPI – which is consistently at a higher rate than the CPI used to uprate some pensions and earnings.

One of our members has recently written to me about their mobile phone provider. EE are increasing their charges by RPI and they have explained that this is the measure that the regulator Ofcom allows them to use in setting prices at the annual review. Why does the Government allow the use of this outmoded measure of inflation?

In addition to the Johnson Review of indexation measures which stated that the differential use of CPI and RPI should stop, the Governor of the Bank of England has now also called for RPI to be abolished stating that it is “outdated and unreliable”and calling for it to be replaced by one public-facing cost of living measure

I would very much appreciate your explanation as to why the Government has not taken steps to stop private sector companies from increasing their charges by a rate that outstrips that applied to pension and wages increases.

In paragraph 3 of your letter you mention that CPIH needs time to establish a “reliable track record” as a National Statistic before it is considered for policy purposes, could you please also explain what CPIH would need to display to be considered a reliable National Statistic.

Yours sincerely,

Lisa Ray

General Secretary