

## **National Statistician's consultation on options for improving the Retail Prices Index Feedback form**

**October 2012**

## In responding to the consultation it would be helpful if you could use this feedback form to answer the following questions

The National Statistician's consultation on options for improving the Retail Prices Index can be found in the following link: <http://www.ons.gov.uk/ons/about-ons/user-engagement/consultations-and-surveys/national-statistician-s-consultation-on-options-for-improving-the-retail-prices-index/index.html>

### a) Options for improving the Retail Price Index

Which option proposed would you prefer?	
Please enter ✓ in the box to indicate your response	
<b>Option 1)</b> No change. The reasons for the formula effect have been identified, explained and understood.	<input type="checkbox"/>
<b>Option 2)</b> Stop using the Carli to estimate price change for clothing, with options of the method to be used in its place. This would reduce but not remove the formula effect as some differences between the RPI and CPI formulation would remain.	<input type="checkbox"/> If you support this option which formula do you prefer? <input type="checkbox"/> Dutot <input type="checkbox"/> Jevons
<b>Option 3)</b> Stop using the Carli for all items in the RPI. Replacing the Carli with either the Dutot or the Jevons would reduce the formula effect to a minimum, although some difference between the RPI and CPI formulation would remain.	<input type="checkbox"/> If you support this option which formula do you prefer? <input type="checkbox"/> Dutot <input type="checkbox"/> Jevons
<b>Option 4)</b> Change the RPI so that its formulae align fully with those used in the CPI. This would remove the formula effect between the RPI and CPI, though there would remain differences in estimates because of the different coverage, weights and scope used in each.	<input type="checkbox"/>

**What are the methodological considerations behind your preference?**

The Public Service Pensioners' Council is not a statistical body. We are an umbrella organisation comprising the various organisations of retired public servants and the retired members' sections of public sector unions in order to campaign on issues of concern to public service pensioners. As such, we can provide views from those who would be directly affected by changes in this index.

The PSPC rejects all of the options listed. The implicit assumption running throughout the paper is that CPI is 'right' and RPI is 'wrong' and that the solution is to make RPI more like CPI. It seems premature to undertake this review of RPI before the ONS's work on the formula effect has been completed. We note that no equivalent review is taking place of the formulae underlying the CPI.

We agree with the logic underlying the Royal Statistical Society's submission to this consultation. In our view, the Royal Statistical Society's analysis shows that there is no statistical case for a simple change in the formulae used to calculate the RPI, as proposed for March 2013. Their view is that it would be possible to introduce a comprehensive set of reforms to the compilation of both RPI and CPI in March 2014, which would address a number of weaknesses and which might also involve changes in the formulae for both RPI and CPI.

**Do the options for improving the RPI have any impacts you would like to make the National Statistician aware of?**

**b) Private housing rentals**

**Do you support the proposal to change the source for the data for private housing rental prices?**

YES

NO

Please provide any comments you would like to make in respect of this proposed change:

**c) Any additional comments**

**Please use this space provided for any additional comments.**

The core requirement of the PSPC in any review of RPI is that a revised RPI be fit for purpose as an indexation method for pensions and be able to command public confidence. It is important to have a measure that calculates inflation accurately and reflects people's personal experiences. We realise that the ONS does not decide the uses to which its statistics are put, but the ONS does not operate in a vacuum and should be mindful of the likely consequences of its actions.

CPI has now largely taken over from RPI as the Government's preferred measure of indexation. This may have been done for reasons of methodological purity, but there is the

strong suspicion amongst laypeople that it was done because CPI produces a lower average outcome than RPI –around 0.7 per cent a year since 1989. We note that the Government has been more sanguine about retaining RPI in areas where revenue is to be raised (such as train fares and student loans), while preferring CPI for measures linked to Government expenditure. We believe that a revised RPI should be reinstated as the indexation measure for pensions where CPI is currently used. Like it or not, CPI does not have public confidence and is widely perceived as a ‘trick’ to lower Government expenditure.

The PSPC believes that the consultation period for this important consultation was far too short at less than two months. A consultation period of three months or more would have been more appropriate, allowing organisations to take more thorough soundings, and to allow more seminars and wider events to discuss the change.

As stated earlier, the PSPC notes that no equivalent review of the formulae to be used has yet been proposed for the CPI. We believe that if a review of formulae was to be carried out, it should have covered RPI and CPI to enable UK price statistics to gain the widest possible legitimacy amongst the public. We note that this consultation is taking place before the ONS's work on the formula effect has been completed and think that the review would have been best postponed until this had been done.

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<b>Organisation (if applicable)</b>	Public Service Pensioners' Council
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**Are you content for your response to be made public?**

Please enter ✓ in the box to indicate your response:

- Yes I am content for my response to be made public
- No I want my response to remain confidential

**Would you like an individual response?**

Please enter ✓ in the box to indicate your response:

- |                            |   |
|----------------------------|---|
| <input type="checkbox"/>   | Yes I would like an individual response         |
| <input type="checkbox"/> Y | No I am happy to receive a summary of responses |

**Is this a personal response or on behalf of an organisation?**

Please enter ✓ in the box to indicate your response:

- |                            |  |
|----------------------------|--|
| <input type="checkbox"/>   | Personal response  |
| <input type="checkbox"/> Y | On behalf of an organisation (please state which organisation above) |

**If on behalf of an organisation, please state how the views of the members were assembled:**

The PSpC wrote to its constituent organisations stating that it was preparing a response to this consultation exercise and calling for views. A draft response was discussed by the PSpC Executive Committee and circulated to constituent organisations for comments which were incorporated into the final version.

**Please respond by email or post to:**

Responses to the consultation can be submitted by email to: [RPIConsultation@ons.gsi.gov.uk](mailto:RPIConsultation@ons.gsi.gov.uk)

Alternatively, responses can be sent to:

National Statistician (RPI consultation)  
Government Buildings  
Cardiff Road  
Newport  
South Wales  
NP10 8XG

Please submit your response by **30 November 2012**.

Thank you for taking the time to take part in the consultation. Individual responses will not be acknowledged unless specifically requested.

### **Confidentiality and data protection**

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you would like the information, including personal data, that you submit to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, among other things, with obligations of confidence. In view of this it would be helpful if you could explain to ONS why you regard the information as confidential. If ONS receives a request for disclosure of the information ONS will take full account of your explanation, but cannot give an assurance that confidentiality can be maintained in all circumstances. Before disclosing any information that is personal to you, ONS will inform you of this in advance of any disclosure. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on ONS.

If you would prefer for your response and your name to be kept confidential, please make this clear in your response. Confidential responses will be included in any summary of comments received and views expressed.

### **Consultation timetable**

This consultation will run from 8 October to 30 November 2012.

### **After the consultation**

A response to the consultation, with a summary of the responses provided, will be published within 12 weeks of the consultation closing.

### **How to comment on the consultation process**

If you would like to make any comments about the consultation process ONS has followed, please contact:

Lyn Hawkins, Consultations Co-ordinator  
Office for National Statistics  
Room 1.101  
Government Buildings  
Cardiff Road  
Newport  
NP10 8XG

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