

Rt Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
SW1A 2HQ

15th November 2017

Dear Chancellor,

RSS Budget Proposal: end unsuitable use of the Retail Prices Index

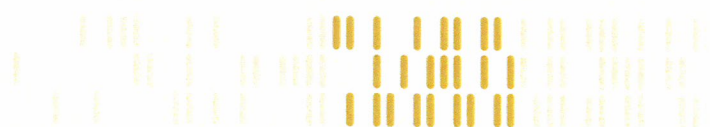
As you prepare your Budget, I would urge you to consider announcing a reform that would address a specific and important issue which is causing growing concern among members of the Royal Statistical Society and, above all, unfairly increasing the pressure on many people's incomes.

In short, RSS members are increasingly concerned by the continuing use of two different inflation indices - the Consumer Prices Index (CPI) and the Retail Prices Index (RPI) - for what is essentially the same purpose, i.e. compensation for changing prices.

Instead of either RPI or CPI being used on a consistent basis, these indices currently seem to be used very selectively indeed. All too often, government formulae which affect people's incomes (in the form of pensions and benefit increases) use the CPI, which normally provides a lower estimate of inflation. On the other hand, many key formulae which affect people's outgoings (from student loan repayments to the cap on rail fares) are related to the RPI, which generally gives a higher estimate.

In our view, this state of affairs is not only unfair but unjustifiable. In particular, it is surely indefensible that millions of people's outgoings are still being linked to the RPI nearly five years after its technical shortcomings led to it losing 'National Statistic' status. Indeed, RPI seems most unlikely ever to regain this status after the Office for National Statistics (ONS) made it clear that it has no intention of, in effect, repairing this index.

At the RSS, we therefore welcome the fact both business rates and water bills are set to be moved from RPI to CPI (or its offshoot, CPIH) in due course. Equally positively, our members have appreciated the opportunity to work with the ONS on the development of



the important new Household Costs Index. Furthermore, RSS recognises the need for RPI's continued calculation and publication, for gilt-related reasons. However, we deplore the continuing and apparently selective use of RPI for purposes for which it is unsuited and that, in the process, unfairly increase millions of people's outgoings.

Accordingly, we urge you to announce, in your Budget, a timetable for ending longstanding but increasingly untenable uses of the Retail Prices Index so that, in future, people's incomes and outgoings are both increased in ways which – unlike RPI – command widespread confidence and are, statistically, fit for purpose.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H. Shah', written in a cursive style.

Hetan Shah
Executive Director