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HOUSE OF LORDS

Economic Affairs Committee  
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John Pullinger CB  
UK National Statistician & Chief Executive of the UK Statistics Authority  
UK Statistics Authority  
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6 February 2019

We understand you are currently considering the conclusions of the Economic Affairs Committee's Measuring Inflation report. In doing so, we urge you to pay particular attention to the Committee's conclusions on errors with the retail price index.

As the Economic Affairs Committee presented in their report, the error caused RPI to artificially increase by 0.3 percentage points in 2010. This has led to a £1 billion yearly windfall for index-linked gilt holders, at the expense of consumers, like students who have seen the interest on their loans rise, or rail passengers afflicted by increasing fares.

There was general agreement amongst witnesses the Committee spoke to that the 0.3 percentage point increase was an error, and of course you yourself acknowledged this. Instead of fixing this error however, you have designated RPI a "legacy measure", making no further improvements to the index. This is not a tenable position when the index remains in widespread use. The last RPI index-linked gilt matures in 2068.

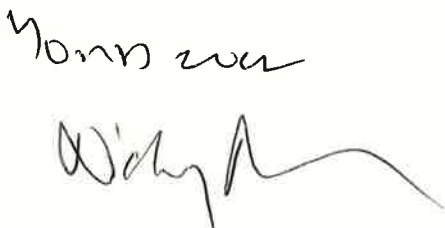
We understand there is some concern about the impact of any correction on index-linked gilt holders, but we disagree with your statement that the UK Statistics Authority should take into account the interests of those affected negatively by changes to statistics. This principle surely undermines the integrity of UK statistics and opens it to abuse in other areas. There are also many affected negatively by the status quo—such as students and rail passengers—who have clearly not been taken into account to the same degree.

The UK Statistics Authority has a duty under section 7 of the Statistics and Registration Service Act 2007 to "promote and safeguard the quality of official statistics", including their "impartiality, accuracy and relevance, and coherence with other statistics". In continuing to publish a statistic which you openly admit is flawed, we fear you may be in breach of this statutory duty.

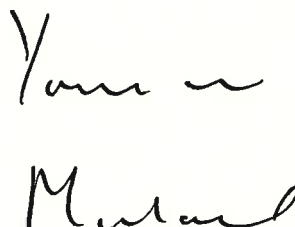
We understand from Sir David Norgrove's evidence that the UK Statistics Authority would expect the Chancellor of the Exchequer to refuse consent to any request to correct the error. But this also should not be a consideration for the UK Statistics Authority. It is the Authority's role to suggest any such changes according to their section 7 duties. It is then the Chancellor's role to determine consent according to section 21.

We have copied the Chancellor to this letter. We urge you to write to him seeking consent for such a change as soon as possible. In turn, we expect the Chancellor to give his consent and will follow up accordingly should he refuse.

We understand you are still preparing a written response to the Economic Affairs Committee's report, which this letter echoes in many respects. We therefore do not expect a substantive response to this letter. We only ask that it is considered carefully in preparation of the Authority and the Treasury's written responses.

Handwritten signature of Nicky Morgan, consisting of the name 'Nicky Morgan' in a cursive script.

Rt Hon Nicky Morgan MP  
Chair, Treasury Committee

Handwritten signature of Lord Forsyth, consisting of the name 'Lord Forsyth' in a cursive script.

The Rt Hon the Lord Forsyth of Drumlean  
Chairman, Economic Affairs Committee