

## **2.12 The Deputy of St. Mary of the Deputy Chief Minister regarding the use of the Retail Price Index (x) as the 'headline figure' instead of R.P.I:**

Given that the R.P.I.(x) (Retail Price Index excluding mortgage interest payments) figure captures the real impact of any increase in the cost of living for all Island residents, will the Chief Minister undertake to review the position on the publication of the different types of R.P.I. so that the R.P.I.(x) figure becomes the "headline figure", instead of the R.P.I., which includes house prices and can therefore be misleading?

### **Senator P.F.C. Ozouf (Deputy Chief Minister - rapporteur):**

The all-items retail price index is a compiled calculation published by the independent States Statistics Unit. The R.P.I. is designed to measure the average change in the price of goods and services purchased by an average household in Jersey. The R.P.I. is therefore based upon the spending of such a hypothetical household. Clearly not all households in Jersey possess mortgages however when averaged across all households mortgage interest payments do appear in the spending of the average household and hence are included in the R.P.I. with an appropriate weight. Similarly, not all households purchase alcohol or tobacco, however when averaged across all households spending on both alcohol and tobacco do appear in the spending of the average household, and there again are included in the R.P.I. with an appropriate weight. The change in the R.P.I. provides the measure of the overall average change in prices experienced by the average household. The additional price indices produced by the Stats Unit, R.P.I.(x), R.P.I.(y) (Retail Price Index excluding mortgage interest payments and indirect taxation), R.P.I. Pensions and R.P.I. Low Income, provide insight into the underlying inflation and other effects for particular household groups. The appropriate measurement of consumer price inflation for the Island is and must remain R.P.I. In no sense is that measure of inflation misleading and therefore based on that the R.P.I. will remain the headline figure. However the R.P.I.(x) remains the target of underlying inflation which is a target that this Assembly has set.

### **2.12.1 The Deputy of St. Mary:**

That is a very interesting reply. R.P.I.(x) is the measure of underlying inflation and that is what we are targeting. Could the Minister comment on the fact that last year in the middle of July, on the front page of our local paper, there was a headline about the pay freeze debate and directly underneath that there was a headline: "Retail Prices Fall" as if to say pay freeze not a problem. Now, that retail prices fall was based on the R.P.I. because house prices had fallen and with them the mortgages. Would the Minister not agree that that was misleading to the public and that R.P.I.(x) is a better measure of how price rises impact on average families?

### **Senator P.F.C. Ozouf:**

I try and take responsibility for a lot of things but I cannot take responsibility for what the *J.E.P. (Jersey Evening Post)* writes. I think it is quite clear. The headline rate of inflation is R.P.I., which includes the cost of house purchases, and which includes both a component of interest but also the cost of housing. Underlying inflation removes the variable of interest rates and house purchase cost and is R.P.I.(x). I think we know exactly what each figure is. I do not know quite what point the Deputy is making in terms ... perhaps he is trying to make a point and going back to the pay

freeze debate as to whether or not R.P.I.(x) should have been the leading indicator as opposed to the other. It is what it is. Headline is R.P.I., underlying is R.P.I.(x).

**2.12.2 Deputy G.P. Southern:**

Can I move the Minister on to R.P.I. Low Income, since he has mentioned it, and can I ask him since his statisticians collect the information for R.P.I. Low Income why it is not used as a basis for the minimum wage, which obviously must be low income households?

**Senator P.F.C. Ozouf:**

That is a matter for the Minister for Social Security to which I will ask him again, if he returns, if he has some new observations in relation to R.P.I. Low Income. I would agree with the Deputy that it is important to have an understanding of the inflation drivers behind all income groups and I would have thought that he would have welcomed, like me, the publication of different indices for decision-making in the Assembly.

**2.12.3 Senator A. Breckon:**

I wonder if the Minister could confirm that the index is influenced principally by outside factors like interest rates and oil prices of which Jersey has no control, but the other indices under it, which have been produced in the last 3 or 4 years, are local inflation such as price of goods and services and housing and petrol and things like that, and therefore they are of consequence to pensioners and those on low income?

**Senator P.F.C. Ozouf:**

Inevitably all of the indexes have factors which could be deemed as being out of control within the Island and those that are influenced by States policies. R.P.I.(x) simply takes out the cost of house purchase, which is a function of the cost of housing and interest rates, but all of the other R.P.I.(x), R.P.I.(y), and R.P.I. Low Income will have a measure of commodity price increases and local inflation in terms of the consumer markets. It is inevitably going to be a comparison between the 2 and I take this opportunity of thanking the Consumer Council for the work that they do in raising awareness of price levels which is part of the importance of an anti-inflation strategy of consumer awareness.

**2.12.4 Deputy M. Tadier:**

A moment ago the Minister told us that he cannot take responsibility for what the *J.E.P.* or any of the other media choose to disseminate. But surely the Minister will acknowledge that if he sends out a press release which highlights the R.P.I. as opposed to the R.P.I.(x) then obviously the *J.E.P.* or anyone else is going to lead with that story. Is that not the case?

**Senator P.F.C. Ozouf:**

I do not think the *J.E.P.* ever take what Ministers say and simply translate it into their copy. I wish they would sometimes. It is quite clear that we will explain our views of inflation in different contexts.

[11:30]

I regularly look at all of the dashboards of R.P.I. and take out various different points from what they are saying. R.P.I.(x) removes from the calculations the cost of house

purchases. I want him to see what is happening to underlying inflation, not influenced by inflation. R.P.I.(y) took out the impact of tax increases to see the underlying change in prices compared to the U.K. not influenced by duty and tax increases. All of them are important in decision-making and it is important to understand what the individual indexes are measuring and we will highlight different indexes in order to explain various different situations. That is not bad.

**2.12.5 Deputy G.P. Southern:**

Does the Minister not accept that one factor which is under his control - that is the increase in user pays charges - will inevitably have a serious impact on R.P.I. Low Income, for example, or pensioner?

**The Bailiff:**

I am sorry, Deputy, I think that is drifting too far off the question which is R.P.I. indices. Are there any other questions? Deputy Le Claire.

**2.12.6 Deputy P.V.F. Le Claire:**

Does the Minister not agree that it is quite remarkable that the cost of house purchase has been removed from the R.P.I.(x) so that it does not skew the figures, when all of the other figures in life are determined by the cost of the rent and the cost of the accommodation as being an essential component of life?

**Senator P.F.C. Ozouf:**

I am happy to debate with the Deputy about the construction of different inflation measurements. The Statistics Unit used the internationally accepted definitions of different types of inflation. R.P.I.(x) is a figure which is calculated by central banks and economic units across the world and is designed to look at underlying inflation not including interest rate policies. The Bank of England, the European Monetary Authority makes decisions about interest rates but they are looking at underlying prices of which they want to look at indices that does not include the function of what they are deciding in terms of interest rates. It is a fundamental in terms of economics to understand the drivers of different types of inflation and the Stats Unit just do the best practice of what is broadly accepted as the standards that the National Office of Statistics in the U.K. conduct. They are not inventing anything.

**2.12.7 Deputy G.P. Southern:**

Trying to phrase this differently so it does stay attached to the original question. Will the Minister state for Members which of the R.P.I. indices will reflect the recent massive increase in car park charges?

**Senator P.F.C. Ozouf:**

The car parking charges is a function of all indices in terms of motoring costs. I have not got the weighting in front of me. I have the report for the R.P.I. figure and I can give him a figure if he wants to have the inflation impact of parking charges across all the indices.

**2.12.8 Deputy M. Tadier:**

Around the time of the pay freeze debate there was a figure released to the ... printed in the *J.E.P.* that inflation was at or near zero only to have a few weeks later a completely different figure to say that the rate of inflation was roughly at 2 or 3 per

cent. How does the Minister answer the charge that he has been manipulating the release of figures to suit his own needs?

**Senator P.F.C. Ozouf:**

I would not agree. The Statistics Unit publishes information independently and is completely uninfluenced by any Ministerial interventions or any representations that Ministers or civil servants may take out with the Statistics Unit. They are completely independent. They are overseen by a Statistics Users Group to preserve their independence and they are not told what to do, they report the facts.

**2.12.9 Deputy M. Tadier:**

I am not talking about the Statistics Group and the statistics that they produce, but I am talking about the way in which the communications team choose to release certain statistics rather than others depending on the time and the way that they can influence people. Does the Minister acknowledge that there is a key difference there?

**Senator P.F.C. Ozouf:**

Ministers take responsibility for what is in communication statements and communications is about explaining to the public why we are making different decisions. I do not think the Deputy would disagree that inflation rose very significantly in the period up to the global financial meltdown as a result of poverty increases, *et cetera*, and then fell dramatically as the economy saw difficulties around the world. There is nothing unusual in Jersey's inflation figures. It was low and that is one of the reasons why the pay freeze was suggested. That is a matter, I would remind the Deputy, that has been discussed in this Assembly on 2 or 3 occasions and he seems to me to be wanting to start another debate in relation to the pay freeze that was settled last year.

**2.12.10 The Deputy of St. Mary:**

The point here is not the pay freeze. It is how statistics are presented and how the public debate then carries on on the basis of the statistics. Half of the Island does not own a house: I think it is over half. The choice for the Minister is whether to present the public in the middle of last year with a 2 per cent increase in the cost of living or 0 per cent. That was the choice. The question is, can the Minister justify choosing 0 per cent as the headline figure and not 2 per cent, because what people experienced was 2 per cent unless they were a house owner?

**Senator P.F.C. Ozouf:**

Pay negotiations are not solely a function of inflation and the inflation experience and the inflation outlook. It is also quite realistic for an employer to say: "This is the amount of available resources that we have" and that is exactly the argument that was put and continues to be put to the public sector in relation to future current and future wage settlements. What is an affordable amount of money which the public and taxpayers can afford in order to fund public sector salaries? It is not only an issue of inflation, it is an issue of affordability too and I would remind the Deputy that we have got a difficulty in terms of a structural deficit and we are going to need, just as other governments around the world, need to go into constrained pay appropriately, both in terms of its level and the total amount that is available.

**2.12.11 The Deputy of St. Mary:**

Can I ask the Minister to answer the question? The question was can he justify the choice of one figure - 0 per cent - rather than 2 per cent given that the majority of Islanders are affected by the 2 per cent figure? That was the question. Not a whole lot about the pay freeze.

**Senator P.F.C. Ozouf:**

I think the Deputy is simply trying to make the point. He did not agree with the pay freeze. He is perfectly entitled not to agree with the pay freeze and he is attempting to ask me to confirm past experiences in terms of R.P.I. or R.P.I.(x) in relation to different arguments. The figures are what they are. The figures in relation to inflation are what they are in relation to R.P.I. and R.P.I.(x) last year and Members can understand very well exactly the impact on different households.

**The Deputy of St. Mary:**

The question was, can he justify his choice of figure? That was the question. He still has not answered it.

**Senator P.F.C. Ozouf:**

I did say, and I will repeat, that wage negotiations are not simply a function of inflation. They are a function of what is the available resources for the employer. That is why I tried to make the point that it is simply not a single figure of R.P.I. but also the availability of resources of which we have a structural deficit.

**Deputy M. Tadier:**

Can I raise a point of order; the question has clearly been asked and the Minister himself said this is not about the pay freeze and then the Minister goes on to talk about the pay freeze. This is complete nonsense.

**The Bailiff:**

I think it has been taken as far as it can.

**Deputy G.P. Southern:**

If I may seek a point of clarification because I think the Minister is in danger of misleading the House. I think it is important. The Minister seemed to be saying that inflation was low when the pay offer was withdrawn; does he not accept though he was referring to July and September figures when actually the negotiating figure is the March figure, which was 2.1 per cent?

**Senator P.F.C. Ozouf:**

I am quite clear that this question has been asked in order to reopen the discussions about the pay freeze.

**The Deputy of St. Mary:**

That is incorrect.

**Senator P.F.C. Ozouf:**

That is the suggestion that a figure in relation to R.P.I. was used to justify for the pay freeze. I simply say the figures are what they are and in relation to this whole issue of wages, it is not only R.P.I. that is relevant. That is all the point I am seeking to make.

**2.12.12 Deputy G.P. Southern:**

Does the Minister accept that the negotiating figure is the March figure which was 2.1 per cent? Yes or no?

**Senator P.F.C. Ozouf:**

No, I have made my point. They are, if I may say, asking me questions in relation to the pay freeze in relation to R.P.I. and I have sought to clarify that there is a difference between the 2 issues or there is a different issue of affordability and inflation. It is as simple as that.

**The Deputy of St. Mary:**

On a point of order ...

**The Bailiff:**

I think we have taken it as far as we can.

**The Deputy of St. Mary:**

I must ask a point of order on this.

**The Bailiff:**

If it is a point of order.

**The Deputy of St. Mary:**

It is a point of order. I just want to know what the position is. As a Back-Bencher or whatever, you call us, we ask questions of Ministers and this question has been obfuscated, but I just asked a question and the Minister is quite determined to shove me into a corner where I did not even ask the question because of that anyway, and I wanted an answer about R.P.I. because it is a very important question about how we present information, how the public relate to that information and the Minister simply does not answer the question. What is the position around that question? This is not the first time.

**The Bailiff:**

Ultimately how a Minister answers a question is a political matter for the Minister. Traditionally in this Assembly, unlike perhaps in Westminster, is that Ministers do in fact try and answer the question asked and that is, in my opinion, absolutely the right thing. Ministers should concentrate on the question and answer the question asked, not some question which has not been asked which is what tends to happen in Westminster. But ultimately that is a political matter, it is not a matter for the Chair.

**Senator P.F.C. Ozouf:**

I would just point out that I have been asked to clarify information that is in the public domain. The Deputy repeatedly asked me what the R.P.I. and R.P.I.(x) figures are and those figures are in the public domain and I think Standing Orders says that question time should not seek information that is already in the public domain.

**The Deputy of St. Mary:**

True. The point of the question ...