

divided into the following classes: Return on capital, depreciation, repairs and maintenance, rates, and fire and earthquake risk insurance. The first two of these items do not represent cash outgoings and will be represented by static amounts included in the current aggregate expenditure. The method of pricing the other three is as follows:—

- (i) A weighting pattern for repairs and maintenance expenses on owner-occupied houses has been drawn up on the basis of information obtained by the Census and Statistics Department. This indicates as follows:—

DISTRIBUTION OF REPAIRS AND MAINTENANCE COSTS						
Materials—						Per Cent.
Paint	..	..	..	..	..	23·21
Paper	..	..	..	..	..	5·02
Other	..	..	..	..	..	20·26
Labour	..	..	..	..	..	51·51
						100·00

Prices are to be collected for paint and paper. For other materials the wholesale prices index for building-materials will be taken as indicative of changes in costs of materials other than paint and paper; while the official index number of building wages will be taken as indicating the changes in labour costs. The index numbers for each sub-group—paint, paper, other materials, and labour costs—will be weighted by the proportions given above to obtain a single index for repairs and maintenance costs.

- (ii) As to rates, the basis decided on was a house property of £250 unimproved and £1,500 capital value* (value of improvements, £1,250). From each town covered by the index the rates payable (including all special rates) on such a property will be ascertained. Whenever in any of these towns a general revaluation occurs, it will be necessary to inquire the total valuation of all rateable properties in the town (or in residential areas within the town if separately known) before and after revaluation, and to adjust the typical value (£250 or £1,500 as the case may be) accordingly.
- (iii) Fire-insurance rates are already collected by the Census and Statistics Department and the rate applicable to the typical house can be selected.

In order to combine these various elements in housing-costs of owner-occupiers into a single index, the annual rental value of a selected type of property—namely, a property valued at £1,500*—was broken up into its constituent items by the use of the fair rents formula, supplemented by information obtained by the Census and Statistics Department. Following are the percentages:—

						Percentage of Total Costs.
Return on capital	..	..	..	..	..	56
Depreciation	..	..	..	..	..	15
Repairs and maintenance	..	..	..	..	..	15
Rates	..	..	..	..	..	11
Insurance	..	..	..	..	..	3
						100

The price index numbers for each of the above groups will be combined by the weights given above in order to arrive at an index of costs of owner-occupied houses. As indicated earlier, this index will be combined with the index representing rents of houses and flats in order to arrive at the housing index.

APPENDIX E.—SEASONAL ITEMS IN INDEX

1. As indicated in para. 31 of this report, the Committee has given consideration to the special problems created by wide seasonal fluctuations in supply and prices of certain food items. In general, the weighting of the proposed index is based on fixed weights since the purpose of the index is to measure price fluctuations, and, to serve this end, a fixed pattern of weighting is desirable. Therefore, departures from the fixed-weighting system have been made only when seasonal variations in supply and/or prices are of such magnitude as to render seasonal changes in weights imperative. For this reason the following items, though subject to some seasonal variations in prices or supplies, are included in the food groups index with fixed weights: milk, meats, potatoes, onions, oranges, bananas.

* This figure was considered reasonable when towns outside the chief centres and houses which have been built for some years are taken into consideration, and is also the limit of rehabilitation loans.