

10. Two further items—private motoring and expenditure on alcoholic liquors—were omitted. Although the aggregate expenditure in the Dominion on private motoring is considerable, expenditure on this item varies greatly in individual circumstances, while a large proportion of urban families do not possess private motor-cars. In these circumstances, the Committee decided to omit this specific item, but to include taxi fares in the index, with an appropriate weighting which would represent—in some measure at least—expenditure on private motoring. Alcoholic liquors are not generally included in retail (or consumers') price index numbers,* and the Committee recommends that normal practice be followed by excluding this item, expenditure on which (as in private motoring) follows no standard pattern, but varies greatly.

11. Since a consumers' price index is related to the pattern of family spending, the inclusion of items in which there is a saving element raises some difficulties. For example, while fire insurance on a home or furniture is included in the index, the position is not so clear in relation to life insurance. This item is included in retail price index numbers for some countries, although in many other cases it is omitted. The Committee decided to exclude this item, on the grounds that it would not be logical to differentiate between the saving element in life insurance and other forms of savings which are omitted as not being part of the spending pattern.

12. A consumers' price index is designed to measure changes in prices of goods and services purchased at retail—that is, out of disposable income; and, consequently, direct taxation is not commonly included in such index numbers. The Committee decided to exclude direct taxation, which, in any event, would be a difficult item to weight and "price," since such taxation increases with taxable income and (as far as income-tax is concerned) decreases according to the number in the family in respect of whom deductions are allowable. Again, directly off-setting elements, such as family allowances and other benefits under social security legislation, could not be ignored if direct taxation were included in the index.

CHAPTER 4—GEOGRAPHICAL COVERAGE OF THE INDEX

13. It has been indicated earlier that the weighting pattern recommended is based on aggregate national consumption of the various commodities and services covered. The localities from which the Committee considers prices should be collected were selected with a view to making as wide a coverage of New Zealand as was practicable. The following towns were selected:—

- (a) Four chief centres—Auckland, Wellington, Christchurch, Dunedin.
- (b) Representative large centres (population 16,000 and upwards)—Hamilton, Gisborne, Napier, New Plymouth, Wanganui, Palmerston North, Nelson, Timaru, Invercargill.
- (c) Representative smaller centres (population 6,000 and upwards)—Whangarei, Tauranga, Rotorua, Masterton, Blenheim, Greymouth, Ashburton, Oamaru.

14. The selection of towns to be covered by the index was governed largely by the desirability of making as wide a geographical coverage as possible. No minimum population was fixed as a criterion for the inclusion of a town in the index, since this would have involved, in some cases, the coverage of contiguous areas, one or other of

* For example, alcoholic liquors are not included in the Canadian, United States, Australian, or South African index numbers. The United Kingdom (revised) index includes this item.