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Budget

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Prime Minister



I have told the

Treasury what your  
view is.

MCS 8/3.

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BUDGET - CONFIDENTIAL

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1

MF

8 March 1982

Dear Chancellor,

attached

I have seen Norman Fowler's letter of 5 March and wish strongly to endorse his view that supplementary benefit heating additions should be fully uprated next November.

I entirely agree with him that to claw back this year's "overshoot" could seriously damage the credibility of the Government's policy of concentrating worthwhile help with fuel bills on those in greatest need. This is an essential complement to our pursuit of economic energy pricing and - on the domestic front - one of our main defences against attacks on that key element of our economic policy. It is very important that we should at least be able to continue to say that we are uprating assistance fully to take account of fuel price rises year on year. Your proposal would mean we could no longer do so.

Moreover, such a move could be presented as being in sharp contrast to our legitimate efforts on the industrial front to help the more intensive users of gas and electricity. We both attach particular importance to this element in your budget package to assist industry. Anything that might damage its impact should be avoided.

One such possibility is criticism from electricity consultative councils. Some are already pressing for the supply industry's financial target to be reduced to ease domestic price increases. A claw back might encourage them to pursue this via their statutory right to make representations to me. This could be embarrassing to our moves to help industry.

The claw back could also have an unfortunate impact on our efforts to persuade the gas and electricity industries to improve on their measures designed to help consumers having difficulty in paying their bills. We are hoping to reach agreement shortly on some worthwhile improvements. The industries' willingness to co-operate in this could well be affected.

I appreciate that the claw back is relatively small in terms of the overall expenditure on heating additions. But against the background of the recent severe weather and the continuing anxiety about gas and electricity price

increases this will be interpreted as reducing the Government's commitment to protect the hardest hit. The political damage would in my view far outweigh the financial benefit.

I well understand your need to consider carefully every possible saving in public expenditure but I believe the balance of the arguments suggest you should forego this one.

I am copying this letter to the Prime Minister and Norman Fowler.

*Yours sincerely*

*N. Lawson*

NIGEL LAWSON

(Approved by the Secretary of State  
and signed in his absence)