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## QUESTIONS AND ANSWERS

### **Won't Inflation Rise Later in the Year?**

Inflation has fallen much faster than was originally expected, to 4.6 per cent in March. Retail prices are now rising more slowly than at any time for fifteen years, and at less than half the rate of a year ago. We cannot expect prices to continue to fall so swiftly, and the lower exchange rate – by pushing up import prices – implies some check in our rapid progress on inflation. However, the effect should not be exaggerated. Weak commodity prices (especially oil), cuts in profit margins by exporters to the UK, and above all the Government's commitment to sound financial policies will, to some extent, offset the fall in the exchange rate. Inflation is still on course to fall to only 4 per cent by June, and the Budget forecast is for only a slight rise (to 6 per cent) later this year; it may be even less. Prices will stay down as long as a Conservative government, pursuing sound financial policies, is in office.

### **What are the Conservatives Doing to Stop Rate Increases?**

Conservatives want to see rate bills kept as low as possible. For the past four years the Government has been urging local authorities to make economies, in the interests of ratepayers. Conservative Councils have been successful in holding down rate increases. This year in the Conservative shire counties, precepts (rate bills) will rise by 5½ per cent on average. In the Labour counties, the increase is eight per cent. In the Metropolitan Districts, Conservative Councils are on average actually *reducing* local rates by 2 per cent. Their Labour counterparts are increasing theirs by 6 per cent. The most dramatic comparison is in Inner London where the Labour Boroughs are seeking an average additional increase of 29 per cent, while in the Tory Inner London Boroughs the average increase is just 2 per cent.

The Government has abolished supplementary rates and improved the rating system by extending domestic rate relief to mixed business/domestic properties, and by giving small businesses the right to pay their rates by instalments.

### **What is this Government Doing for the Unemployed?**

The Government's economic and industrial relations strategies are laying solid foundations for a sustained return to competitiveness, fuller employment and prosperity. Inflation has fallen to its lowest level for fifteen years; the burden of high public spending has been reduced; the misuse of trade union powers has been curbed; new technologies have been encouraged and productivity improved. The Government has introduced 100 measures to encourage the growth of small businesses. All these achievements will help to create the right conditions for economic revival and growth in employment.

The Government is spending £2 billion on special employment and training measures in 1983-4. Nearly £900 million of this will be spent on the Youth Training Scheme (eight times as much in real terms as Labour spent on the Youth Opportunities Programme in their last year in office). The wide range of other measures – the Young Workers Scheme, Training for Skills, the Community Programme and the Job Release Scheme for example – demonstrate the Government's firm commitment to solving Britain's skills shortages and to alleviating long-term unemployment.

### **Why are Nationalised Industry Prices so High?**

Nationalised industry prices (electricity/gas/telephones) are high because the costs of providing the services are high. These costs have to be paid by somebody and it is fairer that the person who benefits should pay the cost than that the true costs be disguised by subsidies from the taxpayer or from other consumers.

The Labour Government, while agreeing with this principle in theory, held down the price of domestic gas for political reasons, so that by 1979 the Gas Corporation was making losses on domestic sales and industry paid an unfairly high price to compensate. It was left to the Conservative Government to implement the recommendations of Labour's Price Commission, that gas prices should rise by 30 per cent above inflation over three years.

The only way to reduce costs for all is for nationalised industries to improve efficiency and increase productivity. The Government is backing them up in their efforts to do this. Meanwhile, to help poorer consumers, the Government is spending more in real terms on help with fuel bills than ever before, and the electricity and gas industries have agreed to a new rule to help the small consumer, limiting standing charges to not more than half anyone's total bill.

#### **Why does Britain Need the Trident Missile?**

Britain has possessed her own nuclear weapons since the 1950s. They have successfully contributed to NATO's strategy of deterrence and provided an ultimate guarantee of our national security. Eight successive governments, Conservative and Labour, have supported this policy. Our present Polaris deterrent will become obsolete in the 1990s and Trident is needed to replace it. Its cost – £7,500 million – will be spread over 15 years and will only take about 3 per cent of the defence budget.

#### **Why are American Cruise Missiles Going to be Based in Britain?**

American Cruise missiles are to be deployed in Britain from the end of 1983 as part of NATO's plans to modernise its nuclear deterrent forces and to counter the threat from the over 200 new Soviet SS 20 missiles, aimed at Western Europe. Arms control negotiations are in progress with the aim of minimising the number of missiles needed to be deployed.

#### **How Does the New System of Mortgage Tax Relief (MIRAS) Work?**

Before April 1983, the mortgagee paid the lender the full amount of interest on the mortgage loan. Tax relief on the mortgage was given by the tax office. Now, tax relief at the basic rate is taken off the loan repayments by the lender. Because of this, PAYE coding or tax assessments no longer include an allowance for mortgage interest. The new arrangements should make no difference to people's monthly budgets. However, for those paying higher rates of tax, tax relief above the basic rate will be given by the tax office through the PAYE coding or tax assessment. If the lender does not operate the scheme, the tax office will continue to give relief as before.

The advantage of the new system is that it is much simpler to administer, will reduce the workload at tax offices, and speed up changes in tax relief and interest for the borrower.

#### **Does Privatising British Telecom Mean that Thousands of Telephone Kiosks could be Closed and the Rural Telephone Service Put at Risk?**

Both allegations are false. British Telecom will operate under a licence issued by the Secretary of State for Industry. He will have a statutory duty to ensure that British Telecom provides both a universal telephone service and a public call box service. BT will be obliged by the terms of its licence to provide both these services, and the 999 emergency service, which is free.

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