

CONFIDENTIAL

cc M Alison

Goold

PRIME MINISTER

Following his meeting with you, Sir James Goold has talked to George Younger about the Scottish rates and revaluation. Sir James now accepts that the revaluation cannot be postponed. George Younger has minuted about the position - Flag A. He is arguing for an extra £64 million of RSG to provide more domestic rate relief. Sir James has written to Michael Alison - Flag B and Michael has commented on the political position.

A meeting with Mr Younger and the Chief Secretary seems necessary.

Agree?

Andrew Turnbull

27 February 1985

CONFIDENTIAL

Goold

Political
Office

Prime Minister

You will remember that Jimmy Goold came to see you recently to talk about rating difficulties in Scotland. I attach a note of that meeting.

Since then, he has been to see George Younger (today) and he has just sent in this further note about the difficulties the Conservative Party faces in Scotland. A measure of the problems we are facing there is that a Government Minister, Allan Stewart, who sits for Eastwood, has been summoned to appear before his Association ^{Executive} Committee this Saturday. They are insisting that he should resign from the Government and condemn our policy on rates. If he refuses to resign, Jimmy Goold tells me that they will pass a vote of no-confidence in him and de-select him for the next Election. I think you should see George Younger and Nigel Lawson to consider this near-crisis in Scottish Conservative morale.

MA

MICHAEL ALISON

27.2.85

Goold 14/2/85

Original to
Andrew Turnbull
14/2

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND
SIR JAMES GOOLD, CHAIRMAN OF THE SCOTTISH
CONSERVATIVE PARTY, ON THURSDAY 14TH FEBRUARY AT
4.00 P.M.

Sir James Goold came to express his great anxiety about the damage to the Conservative Party which is likely to result from Scottish rating revaluation. The details of the revaluation were soon to be published and will be implemented in May 1985, in time to affect household rate demands this year. He understood that domestic revaluation would show an overall increase of 170%, and industrial and commercial revaluation increases respectively of 100% and 120%.

Only 20% of Scottish householders were liable to pay full rates, and most of this small residue of householders were Conservatives. Sir James gave some examples of likely rate increases in different constituencies, against a background of revaluation:-

Borders	+23%
North East Fife	+30%
Eastwood	+48%
Perth & Kinross	+70%

As an indication of how crippling Scottish rates were, Sir James reported that a 4-roomed bungalow in Edinburgh would cost a householder at least £1,000 a year in rates. On the commercial side, Jenners, the Edinburgh department store, would have a rate bill twice as big as Harrods yet with only one-tenth of the floor space. The Edinburgh branch of Marks &

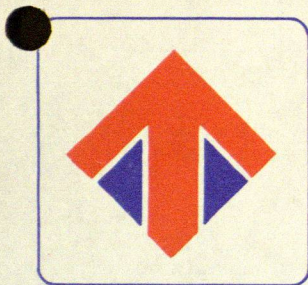
Spencer was the highest rated store in Britain.

Sir James stressed that Scotland had now undergone two rating revaluations since the last one was held in England. The effect of this revaluation was likely to be seen as unfair discrimination against Scotland compared with England, rather as the heating allowance differential was viewed. He expressed the view that unless something could be done to stop rate demands on the scale he had outlined being delivered this year, the Conservative Party would not control a single Scottish region in local government in 1986. The Prime Minister took note of Sir James's report and expressed deep concern. She stated that the rating changes and likely rate demands outlined by Sir James could not be allowed to happen. If necessary, the implementation of the rating revaluation must be postponed, whilst the situation was carefully assessed by Treasury Ministers and the Secretary of State for Scotland. The Prime Minister directed that the Ministers be informed accordingly.

MA

MICHAEL ALISON

14.2.85



Chairman: Sir James Goold CA FCIQB

Deputy Chairman: Dr Alistair Smith CBE

Vice-Chairmen: Ian Lang MP

Mrs Jean Chalmers CBE

Director: William R Henderson TD

Deputy Directors: Robert M Balfour

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STRICTLY CONFIDENTIAL

To: The Rt. Hon. Michael Alison, MP.,

From: Sir James Goold

27th February 1985

Further to recent meetings and our conversation this morning, the situation in Scotland regarding Rates and Revaluation is becoming increasingly serious. Our supporters are in open revolt. I believe there is a real danger we will control no Regional Council after May 1986 and that at least 7 of our Parliamentary seats - some believe more - could well be lost unless something is done immediately to mitigate the effects, mainly on our supporters. Sir Russell Sanderson has asked me to say that he agrees entirely that this is the position.

Unfortunately, the worst hit areas are Conservative held seats and Councils which have kept within Government guidelines e.g. Eastwood, where the rate increase on Domestic properties will be 48%, Borders with 25 - 50% on Domestic and Commercial, Perth & Kinross 68% and parts of Aberdeen. This is caused by a combination of Revaluation, reduction of Rate Support Grant and Client Group Approach. Any one could have been absorbed, perhaps two - but these three create a disastrous situation. The only sectors likely to receive a reduction of rates are industry and council houses and some poor commercial properties.

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The tragedy is that we ever embarked on Revaluation (avoid it in England at the present time at all costs!). We should have considered postponing it, even at a late date, when the effects became obvious. However, at a meeting yesterday with George Younger and Michael Ancram, I am forced to accept that it cannot now be postponed as Revaluation Notices have been published and some sent out. They claim that postponement now would create chaos and would be politically unacceptable.

The situation that exists therefore, is also politically unacceptable and I hope that a way can be found to ease the burden on Domestic Ratepayers, particularly in our areas where spending has been properly controlled.

The press attack on us has never been stronger and I shall send some cuttings to you under separate cover. I have been inundated with letters from ratepayers, and a few examples of comments are as follows:

"I am at a loss to know where I'm to find the extra money.... Mr Younger must have a political death wish.... many Conservative voters admire Dr David Owen.... I shall terminate my membership immediately" and so on.

In Kelso, a small town in the Borders, 2 nights ago 400 people attended a public meeting at which Archie Kirkwood MP said this would be made an Election issue by the Liberals. SNP are claiming that a Revaluation in Scotland while not in England is another example that the Government doesn't care about Scotland, and compare it with the Cold Climate Allowance fiasco. In this connection, if we were to lose more seats in Scotland we would have problems manning the Scottish Office, our credibility would vanish and Devolution, which I abhor, would, I fear, become a real issue again.

One of our Ministers, Allan Stewart, MP for Eastwood, possibly the hardest hit area, is in trouble with his Executive. They have summoned him to a meeting on Saturday calling him to resign from the Government and condemn the policy on rates, etc. If he refuses, and I have told him he must not resign, they intend to propose a vote of no confidence in him and I am told it will be passed. I enclose a letter from the Chairman of Eastwood. The Press apparently know of this meeting so it really is an impossible situation for Allan Stewart.

I believe that failure to act quickly to ease this situation caused by revaluation and increasing rates on Domestic & Commercial properties could lead to a very real and lasting crisis for Conservatism in Scotland.

Please let me know if there is anything specific I can do, other than continue to try revive morale. I shall be pleased to come to London for discussions at any time if this would be helpful.

kindest regards .

Jim Ford .