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DIRECTOR-GENERAL: R.G. TAYLOR

The Rt. Hon. Margaret Thatcher FRS, M.P.  
Prime Minister  
10 Downing Street  
London  
SW1

Dear Prime Minister,  
at Har Prio

May I thank you for your letter of 1 July to Tommy Macpherson, whom I have now succeeded as Chairman of the National Council of the ABCC.

It is welcome to have your reiteration of the priority which you attach to the harmonisation of valuation practice on a GB basis. This was, as you say, clearly evidenced by the Secretary of State for the Environment in his discussions with us.

While your letter is very clear in setting out the progress to date in the harmonisation discussions, I am afraid I must return to the key concerns which motivated my predecessor's letter, and which your reply does not assuage.

The danger is clear: after 1990, and the benefit of a Uniform Business Rate in England and Wales, rate poundage differentials between North England and Scotland will widen significantly notwithstanding the benefit of industrial de-rating for a proportion of Scottish firms.

We believe that a Uniform Business Rate is a necessary measure if we are to remove the distortions to business arising, often arbitrarily and at short notice, from the expenditure decisions of local authorities.

For Scottish businesses, their concern over cross-border differences in valuation practice will be minor compared to that which will arise from cross-border differences in the rate poundage and rate bills after 1990, and their continued exposure in Scotland to the level of rating burden imposed by Scottish local authorities. Your letter is therefore regrettably silent about the time at which you hope to achieve a GB-wide UBR.

We are pressing for an acceleration of the harmonisation discussions not to detract from the progress already made but simply because of the damage that will be done to the policy of a UBR if it is not extended to Scotland from the outset.

I understand clearly that you do not foresee the harmonisation of valuation extending, by 1990, to all the necessary matters of detail even if major differences (for example, the Contractors' Test valuation) can be resolved.

It is clearly right, in principle, to proceed to a GB-wide UBR only when the basis of valuation is fully harmonised. This may, however, be a luxury for which we should not wait. The need is urgent and I would urge you, on behalf of a national Association committed to the merits of a uniform business rate, as well as on behalf of over 6,000 Scottish businesses in membership of Chambers of Commerce, to consider whether it would not be preferable to proceed to a GB-wide UBR in 1990, meshing Scottish business into the general transitional arrangements, and accepting, until the subsequent revaluation, any remaining differences in valuation.

I have no doubt that this would be much the lesser of two evils.

I recognise fully the difficult expenditure consequences of this course of action. They will have to be faced sooner or later. English business, in our view, would accept that a benefit to Scottish business involves, in the long-run, a cost to them.

The crucial thing is for the policy of local government finance reforms to be consistent across Britain in three key respects:

- that the prospects for individual businesses should not be distorted by the spending decisions of local authorities;
- that the burden of the cost to business of local government should be shared on uniform basis, wherever in Britain one is located;
- that the Community Charge should reflect the variation in decisions of local authorities, not be obscured by a continuing super-tax upon business.

I am sending a copy of this letter to the Secretaries of State for the Environment and Scotland. In view of the widespread concern on this issue in Scotland, I trust you will appreciate that I must make this letter publicly available in Scotland.

Yours sincerely



R S Burman  
Chairman of National Council

Loan Court Rates

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