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The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
House of Commons
London
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3 August 1988

Dear Prime Minister,

Harmonisation of Local Authority Rating Throughout the UK

I have seen copies of your correspondence with the Chairman of the National Council of the ABCC and write with particular reference to your letter of 1 July to emphasise and develop points which should be kept in mind in a Scottish and United Kingdom context.

The main danger is that the United Kingdom will become obviously divided as a result of different rate poundages in Scotland and UER England. This will be aggravated by increasing differences in rates charged per square foot of business premises which is the significant ratio for companies in competition with each other or deciding to relocate. The much vaunted interim protection from increases above the rate of inflation in Scotland is not significant when compared with the prospects of substantial savings to other businesses elsewhere as a result of revaluation correcting anomalies and distortions which have persisted for many years south of the border. In any case the Secretary of State for Scotland has decided to make Scottish companies continue to pay excessively by including clawback penalties imposed on over-spending councils in the base rate for 1989. Clawback, it seems, is not a significant distortion, to use the language of the guidance circular, although rates in several authorities are significantly higher because of penalties. 40% industrial derating demonstrates a Government judgement that Scottish valuations and rates paid are at least 40% out of line with comparable properties in England and Wales. Other non-domestic ratepayers in Scotland currently pay extra to finance the benefits enjoyed by manufacturers. Telling examples abound. The Scottish Exhibition and Conference Centre is a sixth of the size of the National Exhibition Centre in Birmingham but pays the same in rates; John Menzies Stores pay three times as much in Scotland as in England for similar sites; or hotel groups who find that Scottish rate differentials increase their overnight charges; not to mention the situation of operators of large plants.

The whole point of UBR is to lead towards level playing fields by removing such distortions which can be described as a form of negative regional policy. We accept that correction of anomalies is not always comfortable since some gainers and some losers change places but we believe that prompt action can be taken to overcome administrative difficulties. We would welcome a statement of when you would hope to achieve a UK wide UBR which we would like to see in place at the same time as the reforms are implemented in England and Wales.

We would like to see accelerated progress towards harmonisation not to undermine what has already been achieved, and which we welcome (such as the decision on the decapitalisation rate of interest for BP plant); but to avoid the damage that will occur to the UBR concept and to other UK policies if it does not cover Scotland from 1990.

The existence of separate bodies of statute and case law could easily be resolved by identifying which takes priority - there is already scope for English evidence where comparable evidence is not available in Scotland. The Scottish Assessors could even be transferred as public servants, answerable to the Secretary of State, from Scottish Regional Councils to the Inland Revenue Valuation Office; or alternatively, since they have much current rating valuation experience and considerable numbers of able staff to undertake English revaluation; since valuations are about relativities all that matters is that principles are applied consistently.

Separate taxation of Scottish businesses is inconsistent with the concept of a unitary state and cannot be justified as quid pro quo for different per capita levels of centrally funded expenditure which is usually taken to reflect government priorities and assessment of needs. The components of the public expenditure comparisons are different to take account of varying circumstances in the countries and administrative regions which make up the United Kingdom. The effect of level playing fields can only be achieved by varying amounts of public expenditure to compensate for underlying variations. A UK UBR does more to create a level playing field than the establishment of an identical level of centrally funded public expenditure per capita across the United Kingdom.

Yours sincerely,

David R. Campbell

DAVID R CAMPBELL
President.