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My ref:

Your ref:

The Rt Hon Norman Fowler MP  
 Secretary of State  
 Department of Employment  
 Caxton House  
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NBM

McG

19/10

17 October 1988

Dear Secretary of State

COMMUNITY CHARGE AND THE RPI

Your letter of 15 September proposed that the RPI Advisory Committee should be reactivated to consider the effect of the abolition of local authority rates and the introduction of community charge. I entirely agreed with that proposal and I see from the subsequent Treasury letter of 29 September that this has now had to be publicly acknowledged following Press speculation.

As you know my own view, which has been supported by a number of other colleagues including Nigel Lawson in his letter of 10 October, is that the community charge must certainly be included in the RPI. I set out the arguments for this view in my letter of 12 August, and the subsequent Press speculation only serves to underline the importance of this so as to avoid the charge of fiddling the books.

If colleagues generally are agreed on this I would urge that this should be remitted to the Advisory Committee not as an open question, but with a clear indication of the Government's preference. We should only ask them to advise on the implications and practical problems of transition etc. Otherwise there is a risk that they may come up with a different view on the main issue which we should find hard to handle.

I am copying this letter to the Prime Minister, Nigel Lawson, John Moore, Malcolm Rifkind and Peter Walker and also to Sir Robin Butler and Jack Hibbert.

Yours sincerely

R. Bugh

NICHOLAS RIDLEY

Mr

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

Local Govt

Reels

Pd

