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The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Treasury Chambers
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NLM

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17/10

October 7

RETAIL PRICES INDEX ADVISORY COMMITTEE

Your letter of ^{11/10} 20 September agreed to the immediate reconvening of the RPI Advisory Committee but not to the publication of specific terms of reference for it. However, because of the threat of disclosure in "The Independent" that the community charge will be on the agenda, we have now acknowledged that publicly. I understand that our officials have agreed how we should proceed in establishing the Advisory Committee. I have also seen your letter of 10 October which records your preliminary opinion that the community charge should be included in the RPI. As you have indicated, there are strong arguments against that course, but I understand why you have reached your preliminary conclusion.

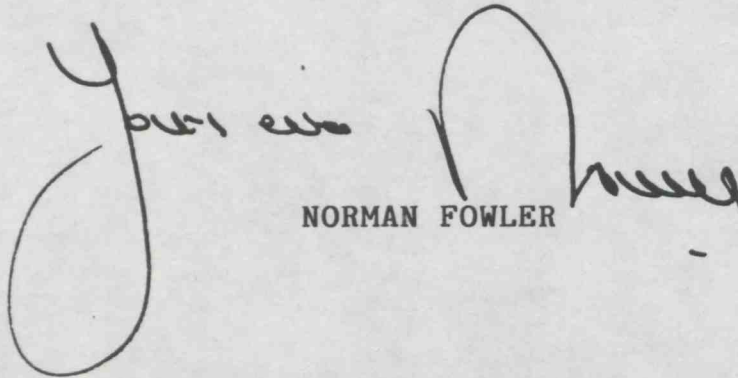
But we still need the advice of the Committee which I must now formally establish. I propose that its terms of reference should be to advise me on the effect of the abolition of domestic rates on the construction of the RPI and on the way in which expenditure on holidays should be taken into account in the index; and to review progress on implementing the longer-term recommendations made in the Committee's last report. My Department will be announcing these terms of reference during the next few days in a Press Notice which will also name the chairman (Mr I T Manley) and principal non-Governmental members of the Committee, and give the date of the first meeting (which I expect to be early in November).

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As you suggested, the Committee will concentrate in the first instance on the issue of domestic rates and the community charge. An essentially neutral paper on this will need to be circulated to the Committee as soon as possible. The officials concerned, in Treasury, CSO and DOE, will be receiving a draft of the paper very shortly, which will take appropriate account of your preliminary conclusion as recorded in your letter of 10 October.

I am copying this letter to the Prime Minister, the Secretaries of State for the Environment, Social Security, and Scotland, and to the Head of the Government Statistical Service.

A handwritten signature in black ink, appearing to read "Norman Fowler", written over the printed name.

NORMAN FOWLER

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