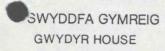
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From The Secretary of State for Wales

THE RT HON PETER WALKER MBE MP

CT/6232/88

December 1988

2651

HARMONISATION OF RATING: THE CONTRACTOR'S BASIS

I have seen a copy of your letter of 21 November to Nicholas Ridley on this matter, and also Nicholas' reply. I agree with Nicholas' views on this - I think that we would lay ourselves wide open to attack if we were to re-interpret our commitment on yields from non-domestic rates in the way you suggest, and I would therefore not favour ringfencing the private sector yield.

I also agree with Nicholas on the decapitalisation rate. At an earlier stage in the discussions I expressed concern about the implications for steel, coal and petrochemicals of a substantial increase in the rate. Like Nicholas I would not be happy to canvass options above 6%, and I would not wish the case against the maintenance of the existing 5% rate to be foreclosed, although I am aware of the arguments which might lead to adoption of a marginally higher figure than presently obtains.

I am sending copies of this letter to the Prime Minister and members of E(LF) and to Sir Robin Butler.

Rt Hon John Major MP Chief Secretary HM Treasury Parliament Street London SW1P 3AG

