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From The Secretary of State for Wales

THE RT HON PETER WALKER MBE MP

CT/6232/88

8 December 1988

HARMONISATION OF RATING: THE CONTRACTOR'S BASIS

I have seen a copy of your letter of ^{WITH PA} 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
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F.M.A.