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My ref:

Your ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament St
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SW1P 3AG

23 December 1988

Dear Chancellor

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UNIFORM BUSINESS RATE AND REVALUATION : TRANSITIONAL ARRANGEMENTS

Thank you for your letter of 7 December in response to my minute of 29 November to the Prime Minister. I have also seen her Private Secretary's letter of 12 December and Peter Walker's minute of 7 December.

I am entirely content to adopt your proposals, also supported by the Prime Minister, on the treatment of small gainers, in order to avoid creating an undue cliff-edge effect at the boundary between large and small businesses.

I also do not think that there is anything of substance between us on extended transitional arrangements beyond 1995. I am content to say that there will be such arrangements if they appear to be necessary. I merely prefer to avoid bequeathing to a successor any awkward commitments on how we shall judge what is necessary, bearing in mind that we shall need to consider not only the size of increases outstanding from 1990, but also the extent to which rents have adjusted to changes in rates and the effect of the 1995 revaluation.

On the question of publication, I cannot agree that the balance of advantage lies in withholding Inland Revenue report for the time being. It is not just a question of the commitment given by Malcolm Caithness in the Lords on 1 June, and subsequently confirmed by me in answer to Jack Cunningham on 24 October. Even without those undertakings, I believe that with the existence of the report being widely known, not publishing would do more harm than good. If we do not publish, we shall be accused - rightly - of suppressing the facts and depriving outside bodies of the information needed to form a reasoned view of our proposals. The inference is bound to be drawn that the picture in terms of the number of large losers is worse than it is. We would face a period of substrained pressure in the House and outside, and a more hostile response to our transitional proposals than they

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might otherwise receive; when we eventually decided to publish this would inevitably seem as a concession to pressure. As for the view that publication will deliver ammunition to our critics, the report does little more than confirm what has already been widely forecast.

If we decide to publish, we can of course omit some of the detail about the largest losers, on the basis that at that level the numbers sampled are small and unreliable. I have in mind in particular that in the draft report that you (but not copy addressees) have seen, in Table 4.4, the categories of increases exceeding 200% would be combined into a single line. On that basis, and subject to clearance of a revised text with you and Peter Walker, I hope that you can withdraw your objections to publication at or shortly after the time of an announcement.

On the related issues on which John Major and I have exchanged letters, I have now seen John's further letter of 9 December those from Peter Walker and Malcolm Rifkind and Tony Newton of 8 and 9 and 15 December, and I understand that officials have now met to discuss these issues. I gather they have identified the matters still to be resolved, and I shall arrange to meet John as soon as possible in the new year to discuss them. It will be highly desirable to have those issues settled before I make an announcement on transition, which I hope can be soon after the House resumes. I share the Prime Minister's hope that we can settle them bilaterally; if not, we shall have to invite colleagues in E(LF) to resolve the issues.

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

Yours sincerely
R Ridley

R.R. NICHOLAS RIDLEY

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

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