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My ref:

Your ref:

The Rt Hon Norman Fowler MP
Department of Employment
Caxton House
Tothill Street
LONDON
SW1

10 January 1989

Dear Norman

UNIFORM BUSINESS RATE AND REVALUATION: TRANSITIONAL ARRANGEMENTS

Thank you for copying to me your minute of 15 December to the
Prime Minister in response to mine of 29 November.

In relation to your fourth paragraph, it may be helpful to clarify
that unlike the other four tables attached to my minute, Table 3
is not among those contained in the main Inland Revenue report
which I have proposed should be published. That contains tables of
revaluation effects and rate bill changes by region and by
property type separately; but I am advised that the
cross-tabulation is not robust enough because of the small sample
sizes in some of the boxes. This is confirmed by the two somewhat
freakish figures that you mention.

The figure for factories in the Northern region is probably
overstated because the sample picked up a couple of large
factories valued by the contractor's test, where the survey
assumed a higher decapitalisation rate than I have proposed to
prescribe. This does feed through into the mean revaluation effect
for all businesses in the Northern region, which is shown in the
tables proposed for publication, and which, contrary to all
expectation, shows a 10% increase (turned into a 13% reduction by
the NNDR benefit). A corrective is applied by showing alongside it
the median effect, which - much more plausibly - shows a reduction
of 8%.

The other figure you mention, for shops with living accommodation
in Yorkshire and Humberside, is indeed unexpectedly high, but less
obviously a freak. Shops across the country as a whole will face
increases and although the figure does look odd alongside that for
the North West, it is possible that this effect extends into some
of the less prosperous regions.

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

NICHOLAS RIDLEY

Local Gov.t: Rates

PZ.2