MR GRAY

I thought you should arrange some briefing for the Prime Minister on this. Ralph Howell has attached his proposals for an alternative to the Community Charge and has sent this letter setting out his frustration. The meeting will be a waste of time, but I am afraid she will have to do it to keep his frustration at bay.

MLB

MARK LENNOX-BOYD
13 March 1990

Dear Mark

Thank you for finding time to chat yesterday. As I explained my frustration at not being able to communicate my deep concern regarding the major mistakes I think we are making has been building up for a long time.

My chief concern at the moment is that in constantly stating that the Community Charge is fair when it so obviously is not, is doing serious damage to the credibility of the PM. The enclosed letter which arrived this morning is a typical example and speaks for itself. I also enclose my alternative proposals which would get us off this hook.

My overall concern is brought out in my paper on Public Expenditure - Taxation and Benefits. I was very disappointed that my request to meet the PM to discuss this paper in my letter of 11 December was ignored.

The fact that the number of persons receiving state or Local Government support has increased from about 7.5 million to 13.5 million in the last 10 years is very disturbing and even more so is the fact that about 19 million will fall into this category after 1 April 1990.

I hope you will be able to arrange for me to meet the PM as soon as possible.

Yours ever

Ralph

Temporarily retained C Wayland 15/11/16

Copy to:-
Ralph Howell MP
House of Commons
London, S.W.1.

Rt Hon Margaret Thatcher MP.
House of Commons,
London, S.W.1.

3rd Mar 1990.

Dear Madam,

My wife and I live at the above address in a small 2-bedroom bungalow in a small village. We are both over 70 years of age and came to live here when I retired because the rates were low and the price of the bungalow was modest and within our means.

My domestic rate for 1989/90 is £234.76 whereas the Community Charge for my wife and I for 1990/91 will be ~~£284~~ £286 each. We are absolutely appalled by the staggering increase we are required to pay. The services we receive are minimal. We are in a rural area

with no pavements, no street lighting, no public transport, no local police, no village shop or Post Office.

My wife and I are just above the capital limit which would otherwise have allowed us to claim a rebate and we will therefore be expected to pay £572. My wife in 1990/91 will only receive a very small retirement pension of £28.20 per week based on my contributions and my state pension will be £49.71 per week. In addition I have a small Civil Service pension.

The fact that people in our very modest circumstances are required to pay such a large additional sum without any additional benefit of any kind whilst better-off people living in large homes will enjoy a big reduction in their expenditure is grossly unfair. We have struggled all our lives to live decently and keep out of debt, only to be kicked

in the teeth when we get to an age when we can do little about it. Neither my wife nor I are in good health and we certainly do not appreciate this extra burden being put upon us.

We hope that sooner or later your actions with Community Charge and many other items which have eroded our living standards will come home to roost and you will live to regret your uncaring attitude to those unable to help themselves. For years we have voted Conservative and have appreciated that previous Conservative Governments have always tried to be fair to everyone even in difficult times. However in the past eleven years under your leadership this has all changed completely and because of your big majority in the Commons (but not with the Electorate) you have taken advantage of your position to impose your will upon us to the point where you are now virtually a Dictator riding roughshod

over anyone who opposes you and coupled with the misinformation, the cunning, contriving and deceit which these days emanates from Central Office is hard to be believed. A great many people are noting the change over the past years and I can assure you that many of them like us will never again trust the Conservative Party and we look forward to the next General Election when we can register our disapproval. You continually boast of your so-called achievements and seem blind to the wishes of the majority who want an end to confrontational politics and a more dignified and reasonable discussion with all Parties to reflect the views of the majority.

We look forward to your dismissal with impatience.

Yours truly.

W E Jones

(MR. W. E. JONES)

Copy to:-
Ralph Howell M.P.
House of Commons
London, S.W.1.

AN ALTERNATIVE TO THE COMMUNITY CHARGE

The Community Charge is a major mistake and should be abandoned.

1. It is patently unfair - no other tax or charge is imposed uniformly in this way. The argument about electricity charges does not stand up to examination.

2. It will be a further disincentive to work and deepen the unemployment trap.

3. It will demoralise people, both in work and pensioners, who are just above the social security demarcation lines - those who have tried to remain independent of the State.

4. It will encourage young people to leave home and rely on State support - a further attack on the family.

5. The introduction of the safety net will negate the initial principal.

The Government is correct in its intention to bring local government expenditure under control but the community charge will prove to be inadequate for this task. A great many people who live in areas currently controlled by irresponsible local authorities will be virtually exempt from the burden of the community charge as they will receive additional social security benefits to enable them to pay the 20% nominal charge. Local government expenditure will still be outside central government control.

AN ALTERNATIVE TO THE COMMUNITY CHARGE

Replace **COMMUNITY CHARGE** with **COMMUNITY TAX.**

A 6% extra VAT charge added to the present 15% VAT should be used to replace personal Rates.

How the system would work

Domestic rates 1989/90 will amount to	£9.9 billion
1% of VAT raises	£1.6 billion

Examples of how Community Tax might affect different salary groups

Annual income - say	£ 3,000	5,000	10,000	20,000
Estimated tax & savings	-	500	3,000	7,000
Estimated spending on VAT free goods & services (food, rent, etc)	2,000	2,500	4,000	7,000
Leaving balance of	1,000	2,000	3,000	6,000
Extra 6% VAT on this balance in place of rates	£ 60	120	180	360

This would have the effect of bringing all local government expenditure firmly under the control of central government.

DISTRIBUTION OF CENTRALLY COLLECTED VAT SUPPLEMENT

Grants to individual local authorities could be allocated by keeping the below-average spenders down to present levels (except for inflation allowance) and reducing the excess expenditure of the above-average spenders by 25% for four years, by which time all high-spenders would be brought down to a maximum of £274.00 per person (at 1989/90 prices).

FOR EXAMPLE

NORTH NORFOLK -

Present community charge 1989/90 (est'd)	£210.00
Grant from VAT Supplement at 1989/90 prices	£210.00

HARINGEY

Present community charge 1989/90 (est'd)	£627.00
Excess over English average of £274.00 =	£353.00
Thus reduction 25% each year over 4 years =	£ 88.25
Grant from VAT Supplement at 1989/90 prices -	
1st year	£538.75
2nd year	£450.50
3rd year	£362.25
4th year	£274.00 - in line with English average.

Overall local government expenditure under present scheme - £9.9 billion.

Approximate costs, at 1989/90 prices, of these proposals :-

	£ billion	Approx.equivalent in VAT (%)	Saving £ million
1st year	9.7	6	200
2nd year	9.4	6	500
3rd year	9.1	5½	800
4th & subsequent years	8.9	5½	1000
OVERALL SAVING, over 4 years, at 1989/90 prices, would be			**£2.5 BN**

This scheme would not only be totally fair, as far as rich and poor are concerned, but would also bring about the control of the high spending Councils which the Government seeks. At the same time, there would be an overall saving in four years of £2.5 BN and, after a few years, VAT could be brought down to a 5% supplement, making a total of 20% VAT and even lower if so desired.

Bearing in mind that all local authorities are overmanned - 3 million employees in the United Kingdom now compared with 2 million in 1960 - no hardship would be incurred if no extra money in real terms was allocated to any authority, even the lowest spenders such as North Norfolk.

COSTS OF COMMUNITY CHARGE

The community charge has already cost more than £120 million, in setting up the registers, etc.

It is estimated that the community charge will cost £435 million to operate in 1990/91 and each subsequent year, and will require 14,300 extra staff. The current cost of collecting rates is £200 million and 9,000 staff are involved.

The VAT supplement system would need no staff at all. Therefore, there would be a saving of 23,300 staff and reduced expenditure of approximately £600 million per year, over and above the savings already mentioned.

ADVANTAGES

No extra staff
No registration
No exemption
No fraud
No prosecutions.

DISADVANTAGES

Nil

Such a system would be fully in line with the general philosophy of the Government.

RALPH HOWELL MP
August 1989

	1979	Peak	1989 or latest date
1. EXPENDITURE			
(a) Public expenditure as % of GDP (excl. privatisation proceeds)	43.5%	46.75% (1982)	38.75%
(b) 10 year average of public expenditure as % of GDP (Excl. privatisation proceeds)	43.7% (1970-79)		44.0% (1980-89)
2. TAXATION REVENUE			
(a) Taxes as a % of GDP (includes taxes, royalites & NIC's)	35.0%	39.3% (1981)	37.5%
3. PUBLIC SECTOR MANPOWER (no's actually employed, not fulltime equivalents)			
(a) Central Government -	2,387,000		2,322,000
of which : NHS	1,152,000		1,228,000
(b) Local authorities -	2,997,000		3,081,000
of which : Health & Social Services	344,000		405,000
(c) **General Government** (a + b) (total central & Local govt)	**5,384,000**		**5,403,000**
(d) Public Corporations.	2,065,000		924,000
(e) **TOTAL PUBLIC SECTOR EMPLOYMENT** (General Govt & public corp's)	**7,449,000**		**6,327,000**

		1979	Peak	1989 or latest date
4.	**TRAINING AND UNEMPLOYMENT**			
(a)	Number unemployed	1,082,000	3,126,000	1,674,000
(b)	Participants in training/ education programmes, run by the training agency or its predecessors. *	316,000		1,229,000
(c)	Total unemployed & training	1,398,000		2,903,000
(d)	Unemployment Benefit Expenditure (1988-89 terms)	£2.739 BN		£5.430 BN
(e)	Expenditure on training/ education programmes (1988-89 terms)	£0.977 BN		£2.764 BN
(f)	TOTAL EXPENDITURE ON UNEMPLOYED & TRAINING (1988-89 terms)	**£3.716 BN**		**£8.194 BN**

* Number of people starting on training during the year

5.	**SOCIAL SECURITY RECIPIENTS**			
(a)	Supplementary Benefit (replaced by income support 1988-89)	2,920,000		4,215,000
	of which : Lone parents	318,000		727,000
	their dependents	558,000		1,248,000
(b)	Family income supplement (replaced by family credit 1988-89)	80,000		285,000
	of which : Lone parents	42,000		91,000
	their dependents	73,000		142,000
(c)	**Total supplementary benefit and family income supplement**	**3,000,000**		**4,500,000**

6.	**HOUSING BENEFIT & RATE REBATE RECIPIENTS**			
(a)	Rent rebate	1,205,000		3,100,000
(b)	Rent allowance	220,000		925,000
(c)	Rate rebate	3,065,000		5,105,000

7. COMMUNITY CHARGE - REBATE RECIPIENTS

No totally exempt	No on Income Support paying 20% of Comm.charge.	No paying less than full amount of Comm.charge.
¾ - 1 million	5 million	11 million

PRIME MINISTER

Ralph Howell is still feeling frustrated. I had hoped that his being with you for lunch on Monday would alleviate this. However, he very much wants to spend 20 minutes talking with you. He is very unhappy about what he describes as the drift in the benefit society. He says the Community Charge, which he opposes, would create a greater poverty trap and is now incomprehensible.

A meeting with him would be largely a waste of time, but he is fond of you and it is for this reason that I suggest that I arrange for you to have a chat.

AL

HP MARK LENNOX-BOYD
8 March 1990