

1 Alex
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1. MR POTTER *RHP 2/10*
2. PS/CHANCELLOR

CONFIDENTIAL

FROM: N I HOLGATE
DATE: 02-Oct-87

HOLGATE
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PS/CH
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cc: Mr Hawtin
Mr Fellgett

FAST TRACK SCHEME TO ABOLISH THE RATES: "THE TIMES" 2 OCTOBER

You sought advice on this article.

2. DoE officials advise us that it does not reflect discussions with Mr Ridley and that they are not currently planning to put forward a proposal along the lines suggested in the article.

3. Nevertheless DoE has argued in the past that there should be a de minimis limit for residual rates bills that would trigger their abolition in a particular local authority, avoid the absurdity of collecting very low bills and save administration costs. And apparently Conservative councillors in low-spending areas have complained about the transition to Mr Howard and Mr Chope, who have been touring the country to explain the advantages of the community charge.

4. It is therefore possible that Mr Ridley may wish to propose an amendment to the Rates Reform Bill in the coming months.

N I Holgate
N I HOLGATE

*1. Cathy
NFF for 200*

Ridley plans fast track scheme to abolish rates

By Martin Fletcher, Political Reporter

New plans under which low-spending councils, most of them Conservative-controlled, could by-pass the phasing-in period for the community charge are being prepared by Mr Nicholas Ridley, Secretary of State for the Environment.

Mr Ridley, who in July fought a fierce but unsuccessful battle in Cabinet against the four-year phasing-in period, is examining a number of options that would allow some councils to side-step it. The frontrunner is a scheme under which authorities whose rate income fell below a certain level before the four years was up could scrap rates and switch straight to the community charge.

The higher the Government set the threshold, the sooner councils could switch over. The result would be a patchwork effect across the country with some high-spending councils operating the dual system while others had only the community charge.

Mr Ridley will need Cabinet agreement for his plans and stiff resistance is likely from the Treasury, which wants to prolong the rating system.

However he can count on substantial support from Conservative councillors in the regions who are resolutely opposed to the phasing-in period.

A principal reason for the phasing-in period was to avoid sudden huge increases for those in high-spending, predominantly Labour council areas. In Camden, north London, for example, each

adult would pay a community charge of £782, and in Hackney, east London, £691.

Low-spending Tory councils argue that the phasing-in period will cause them substantial extra costs and work. Running a rating system and the community charge simultaneously would involve councils in sending out millions of extra bills and in taking on extra administrative staff.

A senior source within the Conservative-controlled Association of District Councils said last night: "The Government has got a mandate and therefore it is our job to help introduce the community charge. However we have to put down a very clear warning that the phasing system is most unsatisfactory and very expensive. Our view is that if we have to have a community charge then let's get the transition period over as quickly as possible."

The phasing-in period is due to begin in 1990 in England, though in Scotland and Wales the community charge is to be introduced in a single instalment. Legislation is expected to be presented to Parliament in November.

Mr Michael Howard, Minister for Local Government, yesterday signalled the start of the next stage in the campaign to introduce the community charge by challenging Labour to say how it would replace rates.

At next week's Tory conference Mr Ridley will launch a scathing attack on Labour's apparent inability to produce a preferable alternative

Daily Mail

Break the law, urge poll tax militants

By NICK ASSINDER

THE spectre of Liverpool-style town hall militancy came back to haunt Neil Kinnock yesterday.

Delegates urged councils to break the law as part of their campaign against poll tax and refuse to implement the new system.

Although calls for law-breaking were overwhelmingly defeated, the scene was set for a repeat of the Liverpool crisis which saw 47 Labour councillors surcharged for flouting rates laws.

Afford

Poll tax will come into effect in Scotland in 1989. In England and Wales the Government plans to phase it in over four years, starting in 1990.

Glasgow delegate William Hamilton said the only way Mrs Thatcher's plan would be defeated was through protest action.

"Some of you may balk at the legal implications," he said. "But if the only way to protect the interests of the low paid, pensioners and the unemployed is by breaking an unjust law, then so be it."

Local Government spokesman John Cunningham dismissed calls for lawbreaking, saying: "We cannot afford to make the same errors of past campaigns against the Rates Act."

Cathy

Can you find out from LG what's about.

Alan

psp

ACSA
→
HOLGATE
6/10



FROM: A C S ALLAN
DATE: 6 October 1987

MR HOLGATE

cc Mr Hawtin
Mr Potter
Mr Felgett

FAST TRACK SCHEME TO ABOLISH THE RATES

Thank you for your minute of 2 October. You may also like to see the attached article in the Independent on Saturday, 3 October.

ACSA

A C S ALLAN

Tax credit 'should replace child benefit'

By Peter Hildrew, Social Services Correspondent
Child benefit should be turned into a mothers' tax credit to rescue it from annual ideological debate, a leading social security researcher argues in a paper published today.

Under his scheme, working mothers would have an amount equivalent to child benefit allowed against their income tax liability through their pay-as-you-earn coding. Non-working mothers would receive a tax credit sum direct from the Inland Revenue.

Mr Berthoud says that many critics, fail to understand that child benefit is designed to increase the incentive to work.

Welfare: mixing the sheep and the goats. From Policy Studies Institute, 100 Park Village East, London NW1 3SR.

Treating child benefit as an abatement of tax to help to meet normal family costs, rather than as a welfare hand-out, would more truly reflect its real purpose, says Mr Richard Berthoud, senior fellow at the Policy Studies Institute in London.

FINANCIAL TIMES

BA 'likely' to acquire more airlines

By Michael Donne, Aerospace Correspondent

PRIVATISED British Airways is likely to seek additional airline acquisitions beyond its proposed takeover of British Caledonian, which has been referred to the Monopolies and Mergers Commission.

This view was expressed by Mr Roy Watts, former deputy chairman and chief executive of BA, who is now chairman of Thames Water. He retains aviation interest as deputy chairman of Brymon Airways, the regional airline in which BA has a 40 per cent shareholding.

Mr Watts, writing in *Airline Business* magazine, said that BA had the necessary strength and aggressive attitude to pursue further acquisitions.

"It will exploit its new-found strength as a public limited company in a way and at a speed which will make government reel," declared Mr Watts.

He said that "the so-called global airline trend" was about acquiring route structure as other large airlines had done and were continuing to do.

"Such carriers are primarily private-sector carriers, not owned by government," he said.

THE INDEPENDENT

Councils get early poll tax pledge from Ridley

By Colin Hughes
Political Correspondent

A CABINET Minister has told some Conservative councils that they may be allowed to introduce the poll tax in 1990, rather than undergo a four-year transition period lasting well beyond the next election.

Nicholas Ridley, Secretary of State for the Environment, met Tory councillors at a private meeting in London to discuss their anxieties about the poll tax.

Their principal objection to the Government's plans was that the proposed transition period would be administratively complex, because the new system and the current domestic rating system would run in tandem for four years.

The councillors said inability to understand how their payments had been calculated could put voters off the reform, when one of its intended benefits is its comparative simplicity.

They also argued that it would be politically advantageous to implement the poll tax fully before the country again goes to the polls. Transition would mean having to forego the possibility of picking up extra votes from those who will gain from the Government's most controversial first session legislation.

Mr Ridley is examining a scheme which would enable some councils to switch over to the poll tax immediately. The proposal would release small, Tory-controlled, and rural district councils from the transition period.

Although Mr Ridley lost a Cabinet contest over transition, he believes he may still be able to persuade colleagues to agree a selective side-stepping of transition.

FINANCIAL TIMES

Buy a stake in a hole

AND NOW for something completely different . . . investors are about to be presented with the opportunity of buying shares in something which does not even exist, nor seems likely to earn a penny of revenue until at least 1993.

It is, of course, the Channel tunnel — or more accurately Eurotunnel, as the joint Anglo-French venture has been dubbed — which this week launched the marketing campaign for its equity offering scheduled for November.

The Eurotunnel issue is not a privatisation. The project is already a wholly private sector venture being carried out by companies on both sides of the Channel at an estimated cost of £4.8bn.

To provide a safety margin above the likely construction costs, a total of £6bn is being raised. Most of that will come in the form of bank loans; only about £250m has been raised in equity finance through private placings so far. November's

public share offering will raise a further £750m.

Of the shares to be issued, about £300m worth will be sold through simultaneous public offerings on each side of the Channel and the rest will be allocated to other international stock markets. That makes the UK public offering a tiddler next to BP's £7.5bn call this month.

This is therefore not going to be an issue to widen share ownership. Indeed, Eurotunnel made it clear on Thursday that it was looking for well under 1m shareholders in order to give people sensible allocations, and that in the event of a heavy oversubscription it would ballot ruthlessly to cut the numbers down.

Will this prove necessary? Opinions are divided. Memories are still fresh of last year's near-disastrous lack of response to the equity placing with institutional investors in the UK. But there is now much more confidence that the project is actually going to be completed;

the revenue forecasts have become considerably more optimistic; and throwing the issue open to the public seems likely to generate a much higher degree of interest than last year's low-profile issue.

Whatever the odds, Eurotunnel is taking no chances. Yesterday it launched an intensive UK marketing campaign for the flotation, featuring advertisements in newspapers and on television. Further, it revealed that private investors will be offered travel-related perks for as long as they hold on to their shares: details of these will emerge later this month.

Perhaps controversially, in the light of recent events, the company is also hedging its bets by declining to outlaw multiple applications. It argues that the likely nature of the allocation will discourage them because a single large application will probably stand a better chance than many small ones.

R.T.H.

Ridley renews poll tax battle with Treasury

By Philip Webster, Chief Political Correspondent

Mr Nicholas Ridley, Secretary of State for the Environment, is heading for another battle with the Treasury after confirming yesterday that he intends to reopen the Cabinet argument over the new community charge.

He made clear in a television interview that he was considering not only whether the poll tax should be phased, but whether it could be introduced at varying paces in different parts of the country.

The Cabinet agreed in July, against Mr Ridley's advice, to adopt a four-year phasing-in period when the community charge would run alongside the rates.

Mr Ridley would have preferred the poll tax to be introduced in one straight instalment. Until quite late in the debate he had the backing of the Prime Minister, but she eventually sided with the Treasury, who argued for a lengthy phasing in because it

wanted to prolong the rates for as long as possible.

Strong backing for Mr Ridley's original position surfaced at the Conservative conference in Blackpool last week. It was enough for him to say that the issue would be looked at again.

But Treasury sources made plain yesterday that they would fight against Mr Ridley reopening the issue.

One said: "For all those speakers saying the charge should be introduced in one go you could have found others equally adamant that it must be phased. Just ask a few London MPs and ministers."

It appeared last night that to

have any hope of reopening the issue, Mr Ridley would first have to build a substantial body of support on the Conservative backbenches.

On the London Weekend Television programme *Weekend World*, Mr Ridley said he would ask his colleagues to reconsider the phasing question. "We will do that and let the world know when we have decided."

But he said the charge could come in at a varied pace according to the gap between what people now paid and what they would be asked to pay. If that was small they could start straight away, but if there was a big change in prospect, more time was desirable.

The main reason for phasing was to avoid sudden huge increases for those in high-spending, predominantly Labour councils.

The rates bills of many homeowners will nearly treble if the Government is forced to drop the poll tax proposal and called for a revaluation instead.

Hardest hit would be residents of terraced houses in northern towns, such as Sheffield and Newcastle, a study carried out by chartered surveyors Fuller Peisner has revealed.

Those in flats and detached houses should fare better with some seeing their rates cut by as much as to 50 per cent.

Domestic Rates: The

Significance of No Change examines 131 homes in nine English and Welsh cities and finds wide variations in rental values since the last revaluation in 1973.

Mr Alick Davidson, head of research, said: "If, due to the criticism of the community charge proposals, the Government decides to retain the current domestic rating system, a revaluation would need to be undertaken to readjust the present imbalance."

"It seems likely that the reactions to a domestic revaluation, where many lower and middle income groups would face much higher rate bills, could be just as heated as that generated by the community charge proposals."

Who on earth is this? - ? Min or adviser (v mud doubt it's IDT!)

Ridley to seek ways of speeding poll tax

By John Hunt, Parliamentary Correspondent

WAYS of speeding the introduction of the community charge, the so-called poll tax, are to be examined after pressure at last week's Conservative Party Conference for earlier implementation, Mr Nicholas Ridley, Environment Secretary, confirmed yesterday.

Interviewed on London Weekend Television's *Weekend World*, he indicated that it might be possible to phase in the tax at different speeds in different areas.

In an area where there was not likely to be much difference between the community charge and the present local authority rate, it would be possible to make the change quickly.

"But if there was a very big change in their area perhaps more time would be highly desirable," he said.

It was put to Mr Ridley that in effect that would mean that the poll tax would be introduced more quickly than the original four-year phasing-in period, but that it would not be done uniformly throughout the country.

"I will be looking at the whole of the transitional period and get my colleagues to see what they think," he replied.

The Secretary of State denied that the collection of tax would lead to large numbers of "snoopers" and an infringement of civil liberties. "We don't intend to go into draconian methods of collection," he said.

He was pressed to say whether collection would involve access to Department of Health and Social Security records to track down evaders. Mr Ridley replied that it was not the Government's intention to ask for such powers at the "first stage" of introducing the community charge.

Daily Mail

Ridley may give ground on his poll tax

THE method of switching from rates to the controversial community charge could vary in different parts of the country.

The speed at which the system will be introduced may be geared to the financial impact it will have on ratepayers, Environment Secretary Nicholas Ridley indicated yesterday.

In areas where there is likely to be little cash difference between the rates and the new charge, the changeover could be 'at a stroke' in 1990.

But in areas like London, where the gap for many residents is

expected to be far greater, a longer phasing-in period could be arranged, Mr Ridley said on ITV's *Weekend World*.

Swift

Last week's Tory conference in Blackpool signalled Mr Ridley that most grassroots party workers prefer a swift changeover instead of the four-year phasing-in planned by Whitehall.

Many senior Conservatives fear that a phased introduction in the

early 1990s would coincide with the next General Election.

On the other hand, a once-and-for-all introduction nationally in 1990 could have a devastating impact on many families whose bill would double or even treble.

A leading Tory opponent of the Community Charge, former Environment Minister Sir George Young, said he will be seeking changes to the scheme when a Bill is presented to the Commons.

He will campaign to take the poor out of the Community Charge altogether. At present they are facing demands to pay at least 20 per cent.

Prup

AA

Messrs Corpe
as Tyne deny
all knowledge?
WTS! I'm not
witness to prove
it from: as
you say, it
is wrong, wrong
an IDT leak

RA