

The Rt. Hon. Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon Nicholas Ridley MP
Secretary of State
Department of Environment
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Date / February 1988

The Prime Minister

NATIONAL NON-DOMESTIC RATE:TRANSITION

I am broadly content with your proposals in your minute of 24 February to the Prime Minister.

I agree, in particular, with your judgment that the transitional arrangements must be complete, for all but the most extreme cases, by the time of the 1995 revaluation, particularly as the safety net arrangements for the Community Charge will end at the time.

Nor would I wish to reopen the decision that the costs of the transitional arrangements for the national non-domestic rate should be met by other non-domestic ratepayers. But I am concerned that the price of doing so might be an increase of as much as 10% in the initial level of the NNDR. If this becomes known, it is bound to reinforce the opposition to the NDDR on the part of the business community. I do not suggest that you revert to the idea of meeting the cost of the transitional arrangements for losers by imposing parallel delays on the rate at which gainers benefit from the NDDR, since many of these will be in the North and in the inner cities. But the presentation of this aspect, and the timing of any announcement of the likely figure, will be very important.

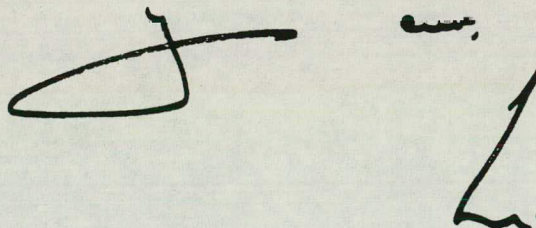
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I do not suggest that you now accept an amendment to write an "rpi minus x" indexation formula for the NNDR into the Bill. But the phasing out of the transitional arrangements means that in the first four years the NNDR will in fact rise consistently by less than the rpi. This may be a useful presentational point.

I remain sceptical of a statutory requirement on local authorities to consult business. But I will not oppose a concession on the point if you think it would help.

There is one point not mentioned in your minute which is of serious concern to organisations representing small businesses- the "zoning" method of valuing business premises, which is widely believed to discriminate against smaller businesses. I may wish to take this up with you and with Norman Lamont separately.

I am copying this letter to the Prime Minister, to other members of E(LF), to Norman Lamont and to Sir Robin Butler.

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a smaller 'C' and a dot.

KENNETH CLARKE