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FROM: P N SEDGWICK
DATE: 15 SEPTEMBER 1988

CHANCELLOR

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Edwards
Mr Peretz
Mr Hibberd
Miss O'Mara

Ch
This is overtaken by Fowler letter below. Presumably write and say can proceed to sound people out about dates for meeting but no indication yet about agenda.

Ms Wheldon - Tsy. Solc.

RPI - ABOLITION OF DOMESTIC RATES

Following the decision at your meeting yesterday I attach a draft letter for you to send to Mr Fowler on the formal convening of the RPIAC.

2. You might like to see as well DE's list of the proposed membership of the RPIAC. So far there have been no formal invitations to potential members of the Committee. All that has happened is that the usual outside bodies have been asked if they would be prepared to nominate representatives and certain academics or other experts have been asked if they would be available. (DE have not told any of these what topics would be on the agenda.)

3. As far as I am aware the Central Government and Bank of England representatives have not yet been formally approached. I will be interested to see whom DOE nominate.

4. It is possible that Mr Fowler may choose not to invite trades union representatives even though they have been asked if they would be prepared to serve. As you will see the TUC has said that it would again nominate David Lea. He has asked what matters DE want the RPIAC to consider and has said that the TUC has a few issues of its own (as yet unspecified) that it would like to put to the Committee.

P.N.S

P N SEDGWICK

One issue is do you want to float possibility of not doing anything by next April (see Fowler letter)

Not @ this stage

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DRAFT LETTER FROM CHANCELLOR TO SOS FOR EMPLOYMENT

RPI - ABOLITION OF DOMESTIC RATES

I am sorry that, following my letter to you of August 4, it has not been possible for me to come back to you earlier on the treatment of the RPI once domestic rates are abolished. I am afraid that we have not yet resolved the difficult issues to which I referred in that letter, though I hope that matters will be clearer within the next month.

Nevertheless given the relatively short time before domestic rates begin to disappear I imagine you will wish to convene the RPI Advisory Committee (RPIAC) as soon as possible. If formal invitations were issued now the Committee could meet next month, once we have agreed our approach and your officials have had time to draft the necessary paper for the Committee.

I remain firmly of the view that in the light of the extreme sensitivity of this issue the RPIAC should not know at this stage that the implications for the RPI of the abolition of domestic rates will be on the agenda.

I am copying this letter to the Prime Minister, the Secretaries of State for the Environment, Health, and Social Security, and the Scottish Office as well as to Sir Robin Butler and the Head of the Government Statistical Service.

[N.L]

MEMBERSHIP OF RPI ADVISORY COMMITTEE

<i>Organisation represented</i>	<i>Representative in 1984-6</i>	<i>Representative for 1988-9</i>
Trades Union Congress	Mr David Lea	Mr David Lea
Confederation of British Industry	Mr Richard Price	Not yet nominated
British Retailers' Association	Dr David Thorpe	Not yet nominated
National Chamber of Trade	Mr L Seeney	Not yet nominated
Co-operative Union Ltd	Mr G V J Pratt	Not yet nominated
National Consumer Council	Ms Frances Williams / Ms Jill Johnstone	Not yet nominated
National Federation of Consumer Groups	Mr Ken Frere	Mr Ken Frere
National Federation of Women's Institutes	Mrs Jean Varnam	Not yet nominated
Consumers' Association	Mrs Anne Rigg	Not yet nominated
Department of Employment	Mr Dworkin	Mr Dworkin
Central Statistical Office	Mr Flaxen	Not yet nominated
Department of the Environment	Mr W H Stott	Not yet nominated
Department of Health & Social Security	Mr M V Wilde / Miss A J Cleveland	Not yet nominated
Ministry of Agriculture	Mr C Capstick	Not to be invited
Her Majesty's Treasury	Mr H P Evans	Not yet nominated
Bank of England	Mr Flemming	Not yet nominated
Nationalised industries	Mr Terry Boley	Not invited
Academic representation	Prof Harold Rose	Has agreed to serve
	Prof John Pickering	Has agreed to serve
	Prof Tony Atkinson	Invited but has not yet responded
	Prof Alfred Ilersic	Not invited
	Mr Ronald Fowler	Not invited
		Prof Bill Robinson has been invited but not responded

As at 15 September 1988

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CH/EXCHEQUER	
REC.	15SEP1988
ACTION	MR SEDGEWICK
COPIES TO	EST
	SIR P MIDDLETON
	SIR T BURAS
	MR SCHOLAR
	MR EDWARDS
MR PERETZ	
MR HIBBERD	
MISS O'MARA	

✓ 15/9

MS WHELDON (T.Sol)

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

15 September 1988

Community Charge and the RPI

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Following my letter of 28 July, it was agreed that my officials should approach potential members of the RPI Advisory Committee seeking their agreement to serve on the Committee. This has been done and, bearing in mind your concerns, no indication was given as to the likely agenda. Although I am aware that you are still not able to come to a final view, I am very concerned that if we do not now move on to the next stage, we may find ourselves in a position next Spring in which the Community Charge is to be introduced in Scotland and yet we have no definite plan for coping with it in the RPI. The political embarrassment of this is obvious and I am also aware that such a situation might create adverse consequences on the practical issues about which you are now concerned.

I therefore want to send out letters in the very near future, appointing the members of the Advisory Committee so that its first meeting can take place early next month. In doing so, I propose to announce the following terms of reference:

"To advise the Secretary of State for Employment on the effect of the abolition of local authority rates on the construction of the retail prices index and on the way in which expenditure on holidays should be taken into account in the index; and to review progress on implementing the longer-term recommendations made in the Advisory Committee's last report (July 1986 - Cmnd 9848)."

You will see that these terms of reference stress the technical aspects of the problem and, by including some other issues avoid focussing attention solely on the Community Charge. One consequence is that the Committee would need to make two reports, the first dealing with the Community Charge issue to be available early next year, followed by a second later in the year. There is precedent for this.

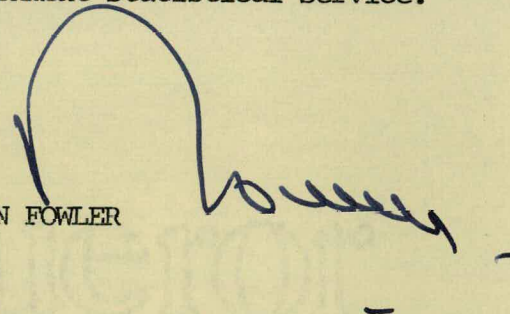
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Given the time pressure, I would appreciate receiving your reactions and those of others to whom I am copying this letter within the next week.

I am copying this letter to the Prime Minister, the Secretaries of State for the Environment, Social Security, Scotland and Wales, to Sir Robin Butler and to the Head of the Government Statistical Service.

Yours ever,



NORMAN FOWLER