

CONFIDENTIAL

FROM: P N SEDGWICK
DATE: 20 SEPTEMBER 1988

PPS

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Edwards
Mr Peretz
Mr Hibberd
Miss O'Mara
Mr Price
Ms Wheldon - Tsy
Solicitor

RPI - ABOLITION OF DOMESTIC RATES

Ms. Wheldon would prefer the draft letter for the Chancellor to send to Mr Fowler to be altered as on the attached copy.

P.N.]

P N SEDGWICK

Ch
Juliet's point is that it might be dodgy to tell the RPIAC they're going to discuss package holidays & then spring the commitment charge on them. Pretty far-fetched in my view, but no harm in taking point on board.

AA

DRAFT

LETTER

FROM

CH. TO

SJ FOR

EMPLOYMENT

Thank you for your letter of September 15 in which you propose sending out formal invitations to those who will serve on the RPI Advisory Committee. You also propose announcing terms of reference that explicitly state that the effect of the abolition of domestic rates should be on the RPIAC's agenda.

While I entirely agree that you should now issue the formal invitations to those who will serve on the RPIAC, I cannot agree to publication of an agenda that explicitly refers to the abolition of domestic rates. As you know this whole subject gives rise to some serious and sensitive problems for us. I am afraid that we have not yet resolved these, though I hope that matters will be clarified in the next month, and before the RPIAC has its first meeting.

As we are not yet in a position to announce that the implications of the abolition of domestic rates will be on the agenda I think it would be better to delay

~~I have no objection in principle to~~ announcement of the other items for the agenda that you mention in your letter. ~~But given that~~ ^{Because} we will want the Committee to concentrate in the first instance on the implications of the abolition of domestic rates you might prefer to tell prospective members that the agenda will be circulated with a paper before the first meeting. By that time we should have completed our initial discussions within central government.

CONFIDENTIAL

[Another matter of considerable current sensitivity relating to the RPI is the treatment of mortgage interest payments in a way that few other countries follow. In my letter to you of July 25 I suggested that we should make public the figures for the RPI less mortgage interest payments as well as those for the total RPI, numbers that commentators have great difficulty obtaining. If anything I feel ever more strongly about this than I did in July, and look forward to hearing from you on it.]

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]



pur

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

20 September 1988

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1

cc: Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Edwards
Mr Peretz
Mr Hibberd
Miss O'Mara
Mr Price
Ms Wheldon TSol

Norman

RPI - ABOLITION OF DOMESTIC RATES

Thank you for your letter of 15 September. While I entirely agree that you should issue the formal invitations to those who will serve on the RPIAC, I cannot agree to publication of an agenda that explicitly refers to the abolition of domestic rates. As you know this whole subject gives rise to some serious and sensitive problems for us. I am afraid that we have not yet resolved these, though I hope that matters will be clarified in the next month, and before the RPIAC has its first meeting.

I believe it would be very dangerous to announce that we wish the Committee to consider whether or not the community charge should be included in the RPI before we have established a common position within Government. We would immediately be faced by all sorts of lobbying and it would be almost impossible to avoid comment.

When the Committee meets, we shall want it to concentrate in the first instance on the implications of the abolition of domestic rates. It therefore seems more sensible not to announce the other items on the agenda now, but simply to tell prospective members that the agenda will be circulated with a paper before the first meeting. By that time we should have completed our initial discussions within government on the issue of the community charge and the RPI.

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

Nigel Lawson

NIGEL LAWSON