

FROM: P N SEDGWICK  
DATE: 30 SEPTEMBER 1988

PPS

*Ch*  
*OK?*  
*AA* *OK*

cc Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr Peretz  
Mr Gieve  
Mr Hibberd  
Miss O'Mara

**THE RETAIL PRICES INDEX ADVISORY COMMITTEE (RPIAC)**

In the wake of Sarah Hogg's article in the Independent I have received the attached letter from Paul Dworkin on the arrangements for setting up the RPIAC. He would like a response from me sometime on Monday. He will then draft a letter for Mr Fowler to send to the Chancellor seeking his agreement to the proposed arrangements. The experience of the last few months suggests strongly to me that on these issues it is easier to influence DE behaviour at an early stage. I would be grateful for your reactions to the issues I discuss below.

(i) The method of announcing the formal convening of the RPIAC and its agenda

In the light of past practice (summarised in paragraph 2 of the Dworkin letter) I think that a press notice announcing the convening of the RPIAC and giving the terms of reference is unavoidable. I suggest that we agree to this.

The terms of reference in the third paragraph are identical to those in Mr Fowler's letter to the Chancellor of September 15 (copy attached for you only). You should note that these refer to the RPIAC considering "the effect of the abolition of local authority rates" and not to "the introduction of the community charge" as in your letter of September 29 to Mr Fowler's PS. I strongly advise referring to the abolition of rates, which is a more precise description of what the RPIAC will be considering. As far as I am aware the form of words in your letter has so far only been used for oral press briefing.

*Sorry about the confusion of this - I took the Green line without appreciating the point.*

*[Red handwritten mark]*

(ii) The arrangements for the first RPIAC meeting

DE would like to arrange the date of the first RPIAC meeting as soon as possible, probably for early November. For such a meeting the papers will have to be circulated in mid-October.

We have still to complete our own deliberations on the implications of the abolition of domestic rates. The Chancellor will then want to report his conclusions to other Ministers. With luck it would be possible to do this before a mid-October circulation of the DE paper for RPIAC members. There is, however, a risk that mid-October will be too soon to complete this process.

On the other hand it is now known that the RPIAC is being convened - and more significantly in this context - is expected to meet soon and no less than three times between now and Christmas (a work rate for the Committee that apparently has no precedent and that has itself caused comment). Delaying announcement of the date of the first meeting, and therefore of circulation of the paper for it, could arouse intense suspicions that we are in disagreement or disarray.

On balance my inclination is to agree to the proposed timing for the first meeting of the RPIAC and the circulation of the first paper. If necessary we could always make the circulated paper for the first meeting a thin and cautious document, promising a fuller paper for the second meeting.

(iii) An interim arrangement for Scotland

This possibility is referred to in the final paragraph of the Dworkin letter. We may well end up seriously considering it, and any delay in fixing the first RPIAC meeting would probably mean immediate discussion of it with DE officials. I do not favour having such discussions before it is absolutely essential to do so and propose that I do not offer DE any comment on this possibility.

P.N.J  
P N SEDGWICK

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Department of Employment  
Caxton House Tothill Street London SW1H 9NF  
Telephone Direct Line 01-  
Switchboard 01-

P N Sedgwick Esq  
HM Treasury  
Parliament Street  
London SW1

September 30, 1988

*Dear Peter,*

**RPI ADVISORY COMMITTEE**

I am writing to seek Treasury's agreement to the procedure I want to propose to my Secretary of State for announcing formally the reconvening of the RPI Advisory Committee and to make arrangements for its first meeting.

On previous occasions (most recently in 1984) our practice has been to make a brief announcement before representative organisations and potential members have been approached. Typically, the announcement has been made by means of an Arranged PQ, followed by a press notice from this Department, and has included terms of reference. Later, once the Committee has been formally appointed and the first meeting arranged, a second press notice has been issued naming the members.

Given Sarah Hogg's piece in today's Independent I see no point in further delaying a formal announcement about the forthcoming series of meetings and, as we are now almost ready to appoint members, I suggest that the press notice should include their names (except perhaps in the case of Departmental representatives) and terms of reference as follows:

"To advise the Secretary of State for Employment on the effect of the abolition of domestic 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 towards implementation of the longer-term recommendations made in the Advisory Committee's last report. (Cmd 9848)"

603/9

A full press notice along these lines would avoid giving the impression that we were merely reacting to the Independent article. Moreover, I should like to suggest that this be issued during the course of next week to forestall further speculation. I would also suggest that formal letters of appointment go out next week. Could you let me know whether Treasury would be content with this?

As regards the first meeting of the Committee, our soundings amongst potential members suggest that it will be impossible to get a reasonable attendance before early November (Thursday 3rd being a possible date). This timing is very tight if we are to have an orderly and thorough consideration of the issues by the time that decisions need to be taken early next year. Even now there is some risk that the Committee may be forced to deal with the question of Scottish rates on an interim basis. A later meeting will substantially increase this risk. We cannot afford to let the meeting slip beyond early November. We must also give members sufficient time - I would say two clear weeks - to consider the papers. Circulation should therefore take place in the week beginning Monday 17th October. I am aware that there are issues which need to be resolved by then, but I feel that we must now go firm on the date of the first meeting. I would be grateful for your early agreement.

Sincerely

Paul

P D DWORKIN

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Faxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-273 5802  
Switchboard 01-273 3000 Telex 915564  
GTN Code 273 Facsimile 01-273 5124

EXCHEQUER  
15 SEP 1988  
MR SEDGWICK  
EST  
SIR P MIDDLETON  
SIR T BURRIS  
MR SCHOLAR  
MR EDWARDS  
MR PERETE  
MR HEBBERD  
MISS O'MARA  
Ms WHELDON (T. Sol)

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

15 September 1988

*Nigel*

Community Charge and the RPI

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:

X | "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)."

3/5/88  
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

A large, stylized handwritten signature in black ink, appearing to read "Norman Fowler".



*any*  
FROM: A C S ALLAN  
DATE: 3 October 1988

MR SEDGWICK

cc Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr Peretz  
Mr Gieve  
Mr Hibberd  
Miss O'Mara

RPIAC: COMMUNITY CHARGE ETC

The Chancellor was grateful for your minute of 30 September. He is content for you to proceed as you suggest.

A handwritten signature in dark ink, appearing to read 'ACSA', with a long horizontal flourish underneath.

A C S ALLAN