

Prime Minister  
You have dismissed water rates with  
the Chancellor and Chief Secretary and told them  
your doubts. But the negotiating tactics force  
them to go for more than they expect in the end to get.

PRIME MINISTER

14 October 1985

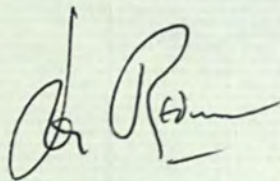
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WATER RATES AND GAS CHARGES

The recent press stories about the Treasury seeking to pay for tax cuts by forcing up people's water rates and gas bills are damaging.

Last year, you backed the Treasury's enthusiasm for higher water rate bills. The Thames Water Authority fought an all too successful campaign against these charges, including sending out in every bill to every Thames Valley consumer a note blaming the Government for the increase in their water charges. I am sure they will do the same again this year if the Treasury has its way, and British Gas may well also make serious attempts to oppose the policy.

It is damaging to be seen to be using monopoly powers in public services to finance tax cuts. The public sees through this, and it would be better not to bother. Why not have a private word with the Chancellor if you agree, and explain to him the political difficulties in the way of forcing up the cost of living through public service price increases?



JOHN REDWOOD

