

cc BG



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NBM

21 October 1987

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1988/89

I was grateful to receive a copy of your letter of 14 October to Nigel Lawson about the national insurance contributions rerating for 1988-89 and his reply of 19 October.

I was pleased that you have been able to pick up the point I made to you in my letter of 30 June about the surplus in the Redundancy Fund. Our latest figures are that the surplus will be about £900m by April 1988 and that we probably have cover for at least 10 years on current redundancy payment volumes. I, therefore, warmly welcome your proposal and Nigel Lawson's agreement that there should be a zero Employment Protection Allocation (EPA) for 1988-89. On the face of it there will need to be a zero EPA for some years but we can look again at the position next year.

I am sending copies of this letter to the Prime Minister, Nigel Lawson and Tom King and also to Sir Robert Armstrong.

NORMAN FOWLER

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