

FROM: J S HIBBERD
DATE: 3 AUGUST 1988

Done
mp

Seen and approved in draft. Jim Hibberd 3/8

- 1. MR SCHOLAR
- 2. CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Economic Secretary
 Sir P Middleton
 Sir T Burns
 Mr Anson
 Mr Peretz
 Mr Sedgwick o/r
 Miss O'Mara
 Mr Potter
 Miss Wheldon (Treasury Solicitors)

Ch
Content to write
no proposed (if so, I will
t+t).
JF 3/8

OK in SWA
And as for
Ms Wheldon

COMMUNITY CHARGE - RPI

Norman Fowler's letter to you of 28 July seeks your agreement to him soliciting nominations from the various groups represented on the RPIAC. The Committee is to be convened primarily to discuss the implications for the RPI of the abolition of domestic rates and the introduction of the community charge.

2. We accept that this issue will have to be considered by the RPIAC. The DEMP now have to move quickly to convene the Committee if they are to get its endorsement for whatever option is finally agreed for the RPI in time for its introduction in Scotland in April 1989. We, therefore, see no objection to Mr Fowler's proposal in principle.

3. The only contentious question is how much is revealed to the RPIAC, at this stage, about the reasons for convening the Committee. Clearly the community charge issue is highly sensitive. On both market and political grounds, we must avoid any risk that it becomes public knowledge that the RPIAC is set to consider the question. Given that the RPIAC is composed of various interest groups (including CBI, TUC, consumer groups and academics) there must be a strong probability that it would leak if they were forewarned of the likely agenda. In agreeing to Mr Fowler's proposal, therefore, we must make it a condition that no advanced indication be given that the community charge issue will be on the agenda, either in the invitations or in any subsequent enquiries from nominees. DEMP should simply indicate that an agenda and associated papers will be circulated later.

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4. DEmp will not be happy about this. There are other issues to be discussed by the Committee which could be mentioned quite safely to RPIAC members, including a new price index for holidays and a revised technical manual for the RPI. DEmp will feel that a suitably cautious form of words on the community charge item should also be concocted to include on the agenda along with these other items. Even if they do not indicate this in the invitations, they may want to be able to say something if nominees subsequently enquire about the agenda. We do not think that a suitable form of words can be devised which will not also risk disclosure. We should, therefore, resist any follow up efforts by DEmp to give any signals about the agenda.

5. Mr Fowler's letter notes that there is no question yet of any public announcement of the RPIAC being convened. That will await the drafting of precise terms of reference for the Committee which, in turn, must await the final draft of the DEmp paper. A revised draft was attached to Norman Fowler's letter. As he says, it reached no firm conclusions. Indeed, it cannot do so until we have settled the various outstanding legal issues with the Bank of England. Nor can it be settled until Ministers, including presumably the Prime Minister, to whom Mr Fowler's minute has not been copied, have agreed a line.

6. However, there is always the risk that one of the invited representative groups may leak the convening of RPIAC. Both we and DEmp will need to be clear on a line to take in public: one is suggested in the attached draft letter. The RPI is currently a sensitive issue altogether. The recent article by Philip Stephens in the Financial Times, speculating on the exclusion of mortgage interest payments from the RPI, prompted a letter from Neil Kinnock to the Prime Minister. If the RPIAC meeting does leak, it may be that speculation about it will centre on mortgage interest relief rather than the community charge.

7. We suggest that you agree to Norman Fowler's request to solicit nominations for RPIAC, subject to the conditions discussed in this minute. A draft is attached.

Jim Hibberd

J S HIBBERD

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DRAFT LETTER

FROM: CHANCELLOR

TO : NORMAN FOWLER

Thank you for your letter of 28 July. My officials will let yours have further comments on the draft paper as soon as possible.

2. I am content, in principle, for you to solicit nominations from the various groups represented on the RPIAC. However, the treatment of the abolition of rates and the introduction of the community charge is a highly sensitive issue. There are some very difficult questions still to be settled. We must avoid any risk that it becomes public knowledge at this stage, before we have made our decisions, that the implications of the community charge for the RPI is due to be discussed by the Committee. Since the RPIAC is ^{based} made up of various interest groups ^{outside} ~~{(and not all of them friends of the government)}~~ there would be a strong probability of a leak if the Committee knew that the community charge was to be on the agenda.

3. It is essential, therefore, that when the invitations are issued they give no indication that the community charge is likely to be on the agenda. They can refer, if absolutely necessary, to issues left over from earlier discussions of the Committee (eg a new price index for holidays and a revised technical manual

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for the RPI). But it would be ^{great} ~~much more~~ preferable to say simply that the agenda and associated papers will be circulated later. We should take the same line if any nominee subsequently enquires about the agenda.

4. I note that you will make no public announcement of the RPIAC being convened until the terms of reference have been agreed. However, we will need to agree a public line to take should there be any leak from the various groups that the RPIAC is to be convened. I suggest that it should be that the Committee's agenda has not yet been settled, but there are a number of issues left over from earlier discussions for it to discuss.

5. 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.

[NL]

DRAFT LETTER

Comm. charge + RPI

FROM: CHANCELLOR

for type final.

TO : NORMAN FOWLER

3/8/88.

✓

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*Don't think this
 should be misleading -
 misrepⁿ of - perhaps
 to draft ~~letter~~.
 as amended.
 (misleading letters of
 e.g. indexal gills).*

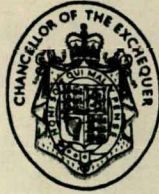
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5. I am copying this letter to the Prime Minister, the Secretaries of State for the Environment, Health and Social Security and the Scottish Office as well as to Sir Robin Butler and the Head of the Government Statistical Service.

[NL]



cc: PS/CST
PS/BST
PS/EST

Sir P. Middleton
Sir T. Burns

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

Mr Anson

4 August 1988

Mr Scholar

Mr Peretz

Mr Sedgwick

Miss O Mara

Mr Potter

Mr Hibberd

Ms Wheldon (T.Sol)

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

Dear Secretary of State

Thank you for your letter of 28 July. My officials will let yours have further comments on the draft paper as soon as possible.

I am content, in principle, for you to solicit nominations from the various groups represented on the RPIAC. However, the treatment of the abolition of rates and the introduction of the community charge is a highly sensitive issue. There are some very difficult questions still to be settled. We must avoid any risk that it becomes public knowledge at this stage, before we have made our decisions, that the implications of the community charge for the RPI is due to be discussed by the Committee. Since the RPIAC is largely made up of various outside interest groups there would be a strong probability of a leak if the Committee knew that the community charge was to be on the agenda.

It is essential, therefore, that when the invitations are issued they give no indication that the community charge is likely to be on the agenda. I suggest that they say simply that the agenda and associated papers will be circulated later. We should take the same line if any nominee subsequently enquires about the agenda.

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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.

Yours sincerely

PP. NIGEL LAWSON

[Approved by the Chancellor & signed in his absence]

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FROM: J M G TAYLOR
DATE: 9 August 1988

A handwritten signature in ink, appearing to be 'JMG' or similar, written in a cursive style.

MR MOWL

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Scholar
Mr Sedgwick
Mr Peretz
Mr Odling-Smee
Mr A J C Edwards
Mr Potter
Mr Grice
Mr Vernon
Mr Franklin

LOCAL AUTHORITY BANK DEPOSITS AND THE LABR

The Chancellor has seen your minute of 3 August.

2. He is content to make the changes you propose. He would be grateful for information on the scale of the revisions as soon as that is available.

A handwritten signature in ink, appearing to be 'JMG' or similar, written in a cursive style.

J M G TAYLOR