

PRIME MINISTER

G.H.  
M.W. X  
P.W. X  
Q.H.  
T.K. X.

CC BUP

RATES GREEN PAPER

The latest version of the Green Paper is very similar to the earlier draft. There are only two major changes, both of which reflect decisions made at E(LF):

(i) Domestic Rates There is now an unequivocal statement that "the Government's objective is to replace domestic rates entirely within a reasonable timescale"; and there is a distinct suggestion that this means replacement within 10 years. [Paragraphs 3.40 and 3.41].

(ii) Transitional 'Safety Net' There is now a hint that the 'safety-net' (which protects the North) could be phased out entirely in due course. This gives you room for manoeuvre if you decide that Keith Joseph's worries about high Southern local tax bills are justified: DOE can work on the mechanics between publication of the Green Paper and the drafting of the White Paper.

This Green Paper is now about as good as it will ever be. The aim should be to get it through Cabinet and out into the world as soon as possible - otherwise, the rats will start nibbling. Kenneth Baker's personal preface can make it absolutely clear that it is only Green, and that the Government seriously wants to know whether there are any undetected gremlins lurking in the proposals.

We recommend that you should encourage Kenneth to press ahead.

*Oliver Letwin*

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