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The Association of
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The Rt. Hon Margaret Thatcher FRS MP
Prime Minister
10 Downing Street
LONDON

DIRECTOR-GENERAL: R.G. TAYLOR

14 April 1988

Dear Prime Minister

The Association of British Chambers of Commerce have been long-standing advocates of a Uniform Business Rate. We have worked for a system of business rating which removes economic distortions between areas and relieves businesses of the threat of large and unpredictable increases in their costs, unrelated to the changes in services received. We have therefore warmly welcomed the Local Government Finance Bill.

I must, however, ask for your help in remedying a major flaw in the proposals as they stand. The introduction of a UBR in 1990 is planned for England and Wales, but not for Scotland. While the business rate poundages in Scotland will be capped by reference to the RPI, Scottish business will find that the equalisation of the rate structure below the border dramatically emphasises the high level of rates payable north of the border. This can only mean damage to Scottish business.

Industrial de-rating only puts manufacturing companies on a broadly similar basis north and south of the Border, while demonstrating the fundamental discrepancies between valuations and rate poundages which adversely affect all businesses in Scotland.

I am sure you fully recognise the logic of moving quickly to a GB - wide UBR. Anything else undermines the basis of the policy. The obstacle, as Scottish Office Minister Ian Lang has said, is that a UBR "cannot be introduced until differences in the bases of valuation north and south of the Border have been ironed out". The Scottish Chambers of Commerce have followed carefully the progress on harmonisation of valuation practice. They, and we, believe that if those discussions were conducted with the sense of urgency which Scottish business feels about this matter, a common 1990 start date could yet be achieved. Not least in achieving this would be a willingness to use the powers that are available to secure common practice on the 'decapitalisation rate' as suggested in Michael Howard's announcement of 29 March.

What began as a commitment to achieve harmonisation in 1990 has, in more recent Scottish Office statements, become a process of harmonisation to "begin with the revaluation in 1990". The bureaucratic failure between the Inland Revenue and Scottish valuers to set the parameters for a common valuation calls into question the integrity of Government's policy on UBR as a whole and could damage Scottish business until it is rectified, perhaps some five years too late.

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With our own commitment to a UBR, we have, I feel, the right to ask you to intervene in order to achieve our shared objective: a climate for business in which commercial decisions and prospects are not perverted by the financing decisions of local authorities. The integrity of the UK is also at issue since the separate development of a property tax in Scotland, quite apart from its commercial consequences, emphasises a principle that could be used to justify arguments for the division of the UK, against the firmly-held anti-devolutionist policy of Scottish Chambers.

I am sending a copy of this letter to the Secretaries of State for the Environment and Scotland.

Yours sincerely,



R T S Macpherson
Chairman of National Council