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My ref:

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The Rt Hon John MacGregor OBE MP
Ministry of Agriculture, Fisheries and Food
Whitehall Place
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8 June 1988

Dear John

I am sorry not to have responded before now to your letter of 4 May about the rating of the breeding and rearing of horses. I have been waiting to see how the argument has developed in the run up to the Lords Committee stages.

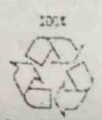
will request if required

I accept that the extension of horse related activities offers opportunities for diversifying agricultural land use but I am not convinced that an extension of agricultural derating - which is anyway unpopular with the rest of the business community - is the best or most appropriate means of expanding this activity. It would be a blanket subsidy given to all breeders regardless of their need or their expansion plans. It would be a subsidy which would have to be paid for by all other businesses including other new business ventures in rural areas. This would make a very difficult boundary to police, particularly if the rationale for the extended exemption were that it would assist our alternative land use objectives.

The arguments advanced by the TBA and others for a concession are that breeding horses is - and has traditionally been accepted as - an agricultural activity. The problem with that view is that the House of Lords has explicitly decided against it, at least in relation to rating law. The fact that an activity takes place almost exclusively on agricultural land does not make it agricultural. Farm shops, EEC Intervention Board storage, and point to point courses have all been held to be both outside the scope of the exemption and rateable.

Another argument is that rating will harm the economics of the industry. Since the original decisions in 1981 and 1984 more than 500 studs have been brought into rating to add to the 50-60 which have been rated throughout. Evidence of any widespread financial difficulty has not yet appeared. For these and other reasons I am not convinced that a concession would be justified.

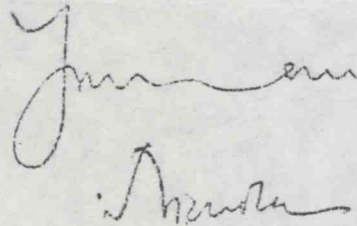
However, I recognise the strength of interest in this issue among members of both Houses. There seems to be particular concern among those that dabble in breeding perhaps as a hobby or as a



minor sideline to their main farming business. Numerically most breeders are such small breeders. It is evident that in practice most of them do not get brought into rating because of the practical difficulties for the Valuation Officer in identifying and assessing appropriate cases. That is presumably why only 500 out of the estimated 14,000 breeders have so far been brought into assessment. The worries of many of those 14,000 are to that extent exaggerated but I see no harm in formalising the present position by an explicit de minimis exemption for small operators. I have in mind buildings used for say 2 loose boxes, a tack room and hay store, though the details could be for further discussion with the industry. I therefore propose that Malcolm Caithness should resist the general case for an exemption when the matter is discussed on Thursday but offer the concession I have outlined.

I would not at this stage wish to go further without a much clearer indication of the benefits of doing so to our other policies, although we will measure the strength of the pressure in the debates in the Lords.

I am copying this letter to the members of E(LF), to the Chief Whips and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style.

NICHOLAS RIDLEY