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PRIME MINISTER

RETAIL PRICE INDEX ADVISORY COMMITTEE REPORT

The Chancellor mentioned to you the other day that the RPIAC had concluded that the community charge should be included in the RPI. That is the outcome you and the Chancellor agreed last autumn was to be preferred, particularly bearing in mind the market implications for index linked gilts.

Norman Fowler's letter of 26 February attached now includes the RPIAC Report itself. I do not suggest you need to go through the Report, but there is a convenient summary of the recommendations on page 21. The Report itself does not mention the index linked gilts point. But a majority of the Committee have nonetheless concluded that the community charge should be included in the index.

Mr. Fowler's covering letter indicates that they will be publishing the Report this coming Friday, 3 March, announcing that the Government accepts the Committee's recommendation.

flc.

M.T.

PG

27 February, 1989.