

F.T 26/9/2000

p.12

LABOUR PARTY CONFERENCE

Brown eases pressure with vow of cut in taxes

By Brian Groom, Political Editor

Gordon Brown paved the way yesterday for pre-election income tax cuts and an above-inflation rise in the basic state pension.

In a rousing speech to the Labour party's annual conference in Brighton, southern England, that won a five-minute standing ovation, the chancellor of the exchequer did much to defuse the pressures that were building on him.

His concession of an increase over the next two years for all 11m pensioners seemed likely to prompt a climbdown by trade unions, who were threatening to defeat the leadership in an effort to restore the link with earnings.

His promise of "targeted" tax cuts in future Budgets signals that Labour will not allow the opposition Conservative party a monopoly

in offering lower taxes. Mr Brown ruled out what he called "blanket, irresponsible tax promises" such as those proposed by the Conservatives but said: "It is right that we target tax cuts on the country's priorities and in future Budgets we will have targeted tax cuts again."

In the past Labour has made reductions to promote employment, enterprise, the environment and help working families.

Mr Brown is considering widening the 10p income tax band and raising allowances, which would help lower-paid workers.

He is less keen on a cut in the basic rate - advocated in the past by Downing Street - but has not ruled it out.

Mr Brown's concession on pensions means the basic state pension will rise by more than the inflation-linked £2 for a single pen-



Pressing home the point: Gordon Brown received a five-minute standing ovation for his 'transitional arrangement' regarding pensions

Malcolm Watson

sioner and £3 for a couple next spring.

It will take the form of a "transitional arrangement" until the pension credit, aimed at those on lower and middle incomes, comes in in 2003.

This allows Mr Brown to raise the basic rate without

setting a long-term precedent. It will be accompanied by a rise on the minimum income guarantee from £78 to £90. Details will be announced in a few weeks.

Mr Brown said: "We have to do more not just for the poorest but for millions

more, all those pensioners who have yet to share enough in the rising prosperity of the country."

Union leaders said Mr Brown's move went a considerable way to addressing their concerns, although he refused to restore the earnings link.

Mr Blair, the prime minister, will acknowledge in his speech today that Labour faces a "real fight" in the face of opinion polls putting the Conservatives up to eight points ahead, but will say that it is a fight he welcomes.

Mr Blair still insists that he

is sticking to the issues that he believes matter - the economy, jobs and public services. He will say: "Yes, the government has taken a knock. Yes, people are telling us they want more progress and faster progress, and so do we."