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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

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Secretary of State for Trade and Industry

20 September 1985

CONFIDENTIAL

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Whitehall SW1

NBP7
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De John,

CONTROL OF CIVIL SERVICE RUNNING COSTS

While I support the general thrust of your proposals in your minute of 10 September to the Prime Minister, I am disappointed that no special provision is made to deal with fee earning establishments such as the Patent Office, the Companies Registration Office and the Insolvency Service. Without special provision for such establishments they will be subject to all the pressures of tough running cost limits based on gross costs without regard to the receipt of fees which they can be expected to engender during the course of the year. Employees at the Companies Registration Office, for example, earn more than they cost. While I have noted that you will seek to take account of such special factors in the PES bilaterals, it does seem to me that the basis of a more satisfactory regime might be to ring fence such establishments and apply a running cost limit to the rest of the Department.

I also have reservations about your proposal that Departments should be allowed to make their own pay assumptions. This would open the door to detailed questioning of each Department on its individual pay assumption. I believe it would be preferable to subsume an agreed pay assumption in the new running cost limits which contain provision against inflation, and therefore not to make separate pay assumptions any more.

I am copying this letter to the Prime Minister and other members of the Cabinet, and to Sir Robert Armstrong and Sir Robin Ibbs.

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Leon

LEON BRITTAN

Card Service; long term policy # 18.

