

**CONFIDENTIAL**

A.



PRIME MINISTER

PUBLIC EXPENDITURE

You have seen copies of John Biffen's letter to me of 15 June and my reply of 18 June.

I have consistently argued that the only sensible way to consider options was on an "equal agony" principle between each Department. On that basis my Department has contributed its full share of public expenditure cuts so far.

In Cabinet when the decision to adopt the scale of 7½%, 12½% and 17½% was taken and minuted I argued that Departments should be free to find their own preferences within those targets and should not be tied to the opposition cuts figures. However, I did also say that the effect on my Department of the scale figures would be more severe than the opposition cuts and that the argument was therefore a sterile one.

We have reworked the figures and it now appears that the opposition cuts would take the cuts in Department of the Environment expenditure considerably beyond what the rest of the Government is considering. I'm sorry about this error but in pointing it out to you I remain of the view that my Department should continue to conduct its public expenditure review along the lines established for Government at large which is in line with the scale referred to earlier in this letter.

I am copying this to John Biffen and Sir John Hunt.

*mfk*

MH

19 June 1979

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