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14 September 1979

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

R 12/9

Dear Geoffrey,

We discussed this morning the particular difficulty you would find in committing yourself now for budgetary reasons to a specific list of measures which would reduce the staff costs of the revenue-raising departments by 10% by 1 April 1982.

Nevertheless we are jointly bound by the Cabinet's endorsement yesterday of paragraph 18 of my paper (C(79)38). That is to say, we must aim at a package of cuts amounting to 10% in aggregate; and to achieve this, Ministers in charge of the largest departments must contribute their full share. You kindly undertook therefore to let me have a note about your achieving a 10% saving in staff costs across your departments as a whole.

This note will be illustrative, in the sense that it is common ground between us that both the precise measures you adopted in practice and their timing would to some extent depend upon a succession of budgetary judgments which you cannot take in advance. But I would ask you to be prepared to say that you will be securing reductions of this order, by whatever means, within the next few years.

It would help me in preparing my report back to Cabinet if I could have your reply by Friday 5 October.

A copy of this letter goes to the Prime Minister.

Yours ever
Christopher



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