



*Prime Minister*  
Mr Pym's proposal would be consistent with the two-stage approach which is one of the options in Lord Soames' paper. But it means putting a lot of faith in the MOD's good intentions.  
Are you ready to see Mr Pym?

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*Not before Monday 29th*

PERSONAL AND CONFIDENTIAL

29th October 1979

MO 2/2/6

*Dear Prime Minister,*

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE - C(79)51

There are aspects of the Lord President's proposals in C(79)51 which worry me considerably. I am very anxious for the Ministry of Defence to play its full part and should be glad if I could have a word with you.

Paragraph 3 of Christopher Soames's paper regards the outcome of the manpower exercise as "very disappointing". I think it is a good start, although only a start. In this Ministry it will be 15,000 staff, and I can assure you we shall deliver that saving. I suggest there should be a plan for continuing six monthly reports to Cabinet with perhaps a major public statement once a year. In that sense I support paragraph 5 (iii) of the paper.

*Lord Soames has only scored 7,500. His figure is the right one.*

I accept that it is incumbent upon us to sustain the drive within all our Departments. But I do not see how a "commitment" now to find a further 7 per cent is compatible with the point made in our earlier discussion that transfer to the private sector should be done only when it proved to be cheaper or at least broke even in cost terms. Annex 5 to the paper lists the three major studies I have set in hand, each one under the personal direction of a Minister and affecting between them 100,000 staff. Reports are to be sent to me by the spring when I shall be able to assess how big a reduction I can recommend.

*The extra 7,500 counted by Mr Pym consists of staff savings made this year. But this year is the base year for the whole exercise.*

/Apart ...

The Rt Hon Margaret Thatcher MP

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PERSONAL AND CONFIDENTIAL

Apart from these large self-contained areas, civilians are employed as essential support at the hundreds of military establishments in this country and overseas. The Chiefs of Staff have expressed their great concern to me that arbitrary reductions will have a severe effect on their operational effectiveness, and I am very concerned at the possible consequences at a time when we are trying to build up the morale and capability of our Forces.

In all this I am not saying that we cannot make savings. I am determined that these should be significant. But I just do not know how great until the very complex issues have been fully weighed. Most of my anxieties could be met if the Cabinet were to accept that the approach I should adopt to the second tranche would be to seek to find all possible savings that did not cost extra money or reduce the effectiveness of the Armed Forces, and that we review progress in the spring. To go further would in my judgement be incompatible with our defence posture and perhaps impossible to explain to the Armed Forces and civilian staff alike. It would also contradict in public the efforts you and I have been making, and which I think are just beginning to bear fruit, to educate people about defence and explain our determination to have an effective defence programme.

*James*  
*Francis*

Francis Pym