



PRIME MINISTER

FURTHER REDUCTIONS IN THE CIVIL SERVICE

As I shall miss the discussion in Cabinet on Thursday, there is one point of importance which I ought to make to you about the paper from the Lord President (CP(79)38) on the exercise to eliminate Government functions and therefore staff in the Civil Service.

I have put forward for the Department of Trade option cuts of functions and therefore staff which amount to 8.3 per cent and, if Bankruptcy is eliminated from the Insolvency Service to 15 per cent. It will not be easy to eliminate most of these functions. Most are of a long-standing nature and many are partly or wholly self-financing by fees and many answer a customer demand. Legislation will be necessary in a number of cases and some of this will be controversial and will cause considerable criticism.

Nevertheless, although I am willing to go down this road if other colleagues make commensurate sacrifices, it would be difficult to impose harsh cuts in my Departments if they do not. I was particularly disturbed therefore to see the response of some other Departments to the Lord President's exercise and, in particular, of the big Departments such as the Ministry of Defence and the Departments reporting to the Chancellor of the Exchequer.

The Chancellor is offering savings of only 5 per cent in Customs and Excise and 6.6 per cent for the Inland Revenue. The Treasury itself is offering only 4.5 per cent. Frankly, I regard these proposals as inadequate. In opposition - with the assistance of Norman Price, the last Chairman of Inland Revenue - we identified very large manpower savings in the Revenue from the elimination and simplification of tax



allowances and a measured progress towards self-assessment. In my view the Revenue departments can also make major manpower savings in their enforcement and back duty procedures. It is true that they collect Revenue but so do some of the services that I am being asked to cut in the Department of Trade.

Similarly, the manpower proposals of the Ministry of Defence are inexplicable and, in my view, unacceptable. I fully support a 3 per cent increase in Defence expenditure but this should be focused on procurement and the services and should be augmented by considerable reductions in the numbers of industrial and non-industrial civil servants in the Ministry of Defence. I really cannot believe that substantial savings could not be made in the Royal Ordnance factories and by revising present labour-intensive procedures (for example, over quality assurance) which is already done by private contractors.

I therefore fully support the Lord President's recommendation that if a 10 per cent aggregate cut is to be achieved, the largest Departments must make the major contribution and bring their cuts up to the level offered by other Departments.

I am sending copies of this minute to members of the Cabinet, the Minister of Transport and to Sir John Hunt.

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JN

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