SECRET

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PRIME MINISTER

PUBLIC EXPENDITURE WHITE PAPER : EEC CONTRIBUTION

I have seen your Private Secretary's letter of 3rd March, and must at once put on record that I would be very concerned about the idea of changing the presentation of the EEC contributions in the way suggested in it.

2. My overriding concern is with the impact of the totals for public expenditure. We have very substantial reductions to show over the period, even without allowing for the reductions in our EEC contribution. To omit these contributions altogether would mean that we could not show planned public expenditure totals directly comparable with the totals in past years. That would reduce the impact of the cuts we have made and would obscure the progressive reduction in the plans shown for the future years compared with past levels.

3. We cannot avoid including in the Financial Statement and Budget Report some figures for our net EEC contribution. We have to publish a short-term forecast and to exclude any provision for the EEC would give a misleadingly favourable impression of our position which would mean that, for example, the PSBR projections would look unduly optimistic. If we go ahead with publication of the medium-term financial strategy,

/in which

in which I see substantial advantage, the Governor and I have been concerned that the figures should be on a prudent basis: to exclude provision for the EEC would be inconsistent with that.

4. In any case, exclusion of these figures from the White Paper would be bound to attract questions about what our EEC contributions would be if existing arrangements were not changed. I did in fact say in reply to a Parliamentary Question in November that we expected to publish those figures in this White Paper (copy attached).

5. As regards the wider presentational significance of the figures, our approach had been that to show the full rising trend would be helpful rather than the reverse. It would show the British public and our EEC partners what we are really up against. This thought lay behind my recommendation (in my minute of 29th February) to ask the Commission to update their calculation of net contributions in 1980.

6. I should also explain that to change the approach we agreed in Cabinet in January would involve substantial rewriting of the White Paper. A large number of tables, and the commentaries on them, would be affected, including the presentation of the totals in Part 1. There would be real difficulties about accomplishing these changes, including the consequent resetting by the printer, in the time now available. There must be a considerable risk that publication of the White Paper would be delayed until after Budget Day.

7. I therefore strongly recommend that we should not now change course over including the figures for the EEC contribution in the White Paper. But I certainly agree with you that we should look again at the presentation in an effort to

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bring out more strongly that the figures are not what we expect to spend. The best change I can think of at this stage is to show the forecast in italics. Also I suggest some amendments to Part 1 as shown in the attached note.

8. Because of the implications for the timing of the White Paper, this needs to be settled urgently. I fully understand why you would like to find a different way of presenting these disagreeable figures. But I do not believe we can do better than I have suggested. I hope that in the circumstances you would agree that we should continue to include the figures, with the amendments I have suggested. If you still see difficulty, however, I should be grateful for a very urgent word with you and Peter Carrington.

9. I am copying this minute to Cabinet colleagues and to Sir Robert Armstrong.

for (G.H.)

5 March 1980

(approved by the Chancellor and signed in his absence)

PROPOSED AMENDMENTS TO PUBLIC EXPENDITURE WHITE PAPER

Page 2, paragraph 4, line 7

Add after third sentence:

> "(The forecasts in the tables in the White Paper are accordingly shown in italics.)"

The tables affected are table 1.6 on page 14 and table 2.2 on page 23. The forecasts for the EEC contribution in the years 1980-81 onwards would be shown in italics.

Page 4, paragraph 10, lines 8-9

Rewrite fourth and fifth sentences as:

> "The reduction under negotiation in the net contribution to the European Community will bring a further saving. Even without allowing for this, expenditure in 1982-83, .."