

CONFIDENTIAL

Prime Minister

This seems a
reasonable way forward.

PRIME MINISTER

Yes
out.

Agree?

12

19/3

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The Foreign and Commonwealth Secretary has minuted you on the special problems of the Passport Office in the context of the manpower cuts.

2. As with the rest of the Diplomatic Service, about which I have minuted you separately, I do not think that the Passport Office should be exempted from the 2½% regime. There are other departments - like the Land Registry - who provide an important social service and are self-financing.

3. I do not suggest, however, that we can keep Passport Office manpower at existing levels if, as the Foreign Secretary suggests, demand for passports increases this year by 50%. The 2½% reduction should, I think apply to whatever higher staffing level is necessary to meet demand (in accordance with the normal staffing formula for the Passport Office agreed between FCO and CSD officials). It would then, in effect, become a "productivity" improvement of 2½%.

4. If this is acceptable in principle, I suggest that CSD and FCO officials should together sort out the mechanics of this. It will also be necessary to seek Geoffrey Howe's agreement to a change in the curious accounting arrangements referred to by Peter Carrington in his minute. (Otherwise increases in Passport Office staff will become a claim on the contingency reserve despite the fact that their costs are more than recovered in extra receipts.) Perhaps CSD, Treasury and FCO officials could discuss this too and consider a more suitable financial structure for the Passport Office in the longer term.

5. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and Sir Robert Armstrong.

P.C.

PAUL CHANNON

14 March 1980

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14-10-1930

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2

Amidst

Mr Channon is offering

For some flexibility.

Agree but - CSD and FCO.

Officials should discuss?

Yes - perhaps
P.C. can see
Mark Rogers's
comments on it.

R.

14/3

PRIME MINISTER

CIVIL SERVICE VOTE: FCO

Play A

The Foreign and Commonwealth Secretary's minute of 12 March seeks exemption for the Diplomatic Service and Communications Division from the 2½% reduction in manpower costs. (I am minuting you separately on the Passport Office.)

Naturally I would like to help, but I do not think we can exempt the Diplomatic Service, and Communications Division of the Foreign and Commonwealth Office from the 2½% regime. Other colleagues would be bound to seek similar treatment. Defence, for example, is another area where there have already been substantial cuts in civilian manpower, since 1964, as Francis Pym frequently points out to us.

All departments will be allowed some flexibility, however, in the way they achieve their savings within the totality of staff and staff-related expenditure in the departmental cash limit. In the special circumstances of the FCO, I think it should be possible by this means for the Foreign and Commonwealth Secretary to find some savings which would contribute towards the required reduction in the wages and salary bill for the Diplomatic Service and Communications Division. I suggest that my officials discuss the mechanics of this with his. Complete exemption for the FCO would, I am sure, be unacceptable to colleagues, but I think that a way through this can be found in the way I have described.

I am copying this to the Foreign and Commonwealth Secretary, Chancellor of the Exchequer and Sir Robert Armstrong.

P.C.

PAUL CHANNON

14 March 1980

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