

Econ Pch 6



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP  
 Minister of Agriculture  
 Fisheries and Food  
 Ministry of Agriculture  
 Fisheries and Food  
 Whitehall Place  
 London SW1A 2HH

17 December 1979

Dear Peter,

17/12

## PUBLIC EXPENDITURE 1981-82 - 1983-84

In Cabinet on 6 December we reached broad agreement on the cuts to be made in capital grants and we reached conclusions on a number of other items at our bilateral discussion in September. I am now writing to set out the conclusions of these discussions for your programme as I see them, and to propose figures for the items left unresolved in September and not discussed in Cabinet on 6 December. If these proposals are acceptable to you I will not make proposals for further reductions in your programme in the further review of public expenditure which we are now undertaking, although naturally any further savings you can yourself identify in response to the Prime Minister's minute of 14 December will be welcome.

Capital Grants

Cabinet agreed that the cuts in provision should be £35-£40 million in 1983-84 with consequential cuts in earlier years. You have separately agreed that the cut in rates would be implemented in January 1980. This result could be achieved by a 30% cut in rates, as shown in paragraph 60 of the report by Sir Kenneth Berrill which would make for the following changes across the whole of the PES period.

			£m
1980-81	1981-82	1982-83	1983-84
- 13	- 25	- 33	- 39

It was agreed, however, that the change might be made in a more selective way, e.g. by cutting certain items out of grant altogether. In designing a package of measures to achieve these figures I should be prepared to accept that it could have a

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minor impact on the precise figure to be achieved in each year, provided that this did not affect the general trend across the period. If you have any later and more secure information on changes in demand for grants than was available when the figures in Sir Kenneth Berrill's report were agreed between officials I would wish the savings this would involve to be regarded as additional to these figures, not substitutes for any part of the changes in rates or coverage.

#### Less Favoured Areas and Sheep and Potato Guarantees

The rates of aid in less favoured areas are to be reviewed in the autumn of 1980 and the ending of the guarantee schemes is conditional on the entry into force of EEC regimes. I am prepared in the meantime to withdraw the savings I proposed on these items in the years 1981-82 - 1983-84 and not to ask you to make good the loss elsewhere in your programme, provided that the other proposals in this letter are acceptable to you.

#### Research and Advisory Services

I originally proposed the following savings:

	£m		
	1981-82	1982-83	1983-84
	- 7	- 10	- 10

In the light of the discussions between officials of the cuts that would be needed here to keep the change on this programme in line with the average of the changes in other programmes I would be prepared to agree to cuts of £4.5m in each year.

#### Measures Agreed in September

These were set out in your letter of 3 October.

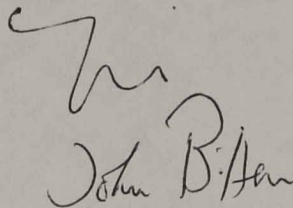
	£m		
	1981-82	1982-83	1983-84
End Beef Premium	-2	-2	-2
Consequential MLC Savings	-2	-2	-2
MAFF Salaries	-2	-2	-2
Minor Options	-2	-3	-7

I have not covered in this letter the question of sea fisheries protection. Meanwhile I see no prospect of my being able to increase the offer of £17m across the whole PES period which I have already made. But officials are still discussing the various options within this figure and we shall have to consider their report when it is completed.

Including the increase I have offered on sea fisheries protection the net effect of the changes agreed so far and of the proposals in this letter on your programmes would be:

		£m
1981-82	1982-83	1983-84
- 30.5	- 40.5	- 82.5

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Scotland, Wales and Northern Ireland and Sir Robert Armstrong.



JOHN BIFFEN

17 DEC 1979

