

PRIME MINISTER

1 don't think we can claim
Special treatment. We shall just
have to take the Press with us.

N.B. for the Government's content - it might
be cheaper to charter - with the Press.

I mentioned to you earlier in the year that we are to be charged for use of aircraft in a different way from next financial year. We have up to now paid a charge related to fuel and spares costs. For the VC10, the current rate is £2170 per flying hour. In future, we are to pay on a full cost basis, with the charge designed to cover all overheads. At present rates, this will be £5270 per flying hour, and the rate will be due for review in July next year.

The charging is in fact a paper transaction, as no money changes hands between Departments. PESC provision for the additional receipts will be transferred from the supplying Department to the user Department. This means that neither the CSD nor Ministry of Defence will gain or lose. But on paper the published cost of running the Prime Minister's office will be increased - if there are parliamentary enquiries which cause us to release figures on the costs of your office.

This move is part of wider steps to institute repayment for services. This is linked with Derek Rayner's drive to make sure that Ministers and Departments are properly aware of the cost of resources that they consume, and reach their decisions against this background.

The change will have particular impact on No.10 because of the public and parliamentary interest in the cost of your office. We have therefore considered whether we should challenge the full cost system in the case of your VC10 flights (and those of the Foreign Secretary). The argument would be that the HS125s and Andovers are retained essentially for VIP flying, so a full cost system is clearly correct. But the VC10s are essentially RAF transport planes, with one of them used for VIP flights on a handful of occasions during the year. It might therefore be right to debit CSD with the marginal additional cost of using them for this purpose,

/rather than

rather than the full cost. This would avoid a somewhat artificial increase in the costs on paper of running your office.

On reflection, I think it would be a bad example if we sought exemption from one element of the new charging system. It would encourage other Departments to look for loopholes. If we are faced with PQs or Press enquiries where the answer will look odd, because of the new charging system, we would ensure that the change is explained in giving the answer.

Content that we should accept the new charging system for your VC10 flights as well as for other special flights?

MA

19 September 1980