

PRIME MINISTER

I attach two minutes from the Foreign and Commonwealth Secretary. The first pleads for exemption for the Diplomatic Service and its communications division from the 2½% manpower squeeze. The second asks that the Passport Office should in future be handled as a trade fund, given that additional staff will handle additional business, and much more than pay for themselves.

You need to be aware of these before tomorrow's Cabinet, where some Ministers may try to appeal against application of the manpower squeeze to them. Lord Carrington has an arguable case on both points: the extent to which Mr. Channon can meet him will depend very much on how the major employer Ministers take the 2½% cut.

You should therefore withhold a response to Lord Carrington until the wider pattern of reactions becomes clear.

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12 March 1980

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PRIME MINISTERPM/80/18Civil Service Vote: Cash Limit

1. I have seen your minute of 5 March to the Home Secretary and Paul Channon's subsequent letter of 7 March. You will recall that I argued strongly in Cabinet for exemption for the Diplomatic Service and its Communications Division. I must continue to press this case. I am minuting separately about the Passport Office.

2. Diplomatic Service costs are virtually wholly manpower-related. Over the last ten years or so there have been the following reductions in that manpower (including the Communications Division):

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| a) 1969/70 to 1979/80 | 9.32% | (largely through the DS Inspectorate) |
| b) 1979/80 | 3.4% | (through last year's 3% squeeze on salary costs) |

We are committed to additional savings as follows:

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| c) 1980/81 to 1 April 1982 | 4.26% | (Lord President's exercise) |
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If we now have to cut by 2½% our 1980/81 bid, the total effect by 1 April 1982 will be a cut in DS manpower of 18.5% and this in a period when the demands on our overseas representation have actually increased.

3. A shortage of staff in the basic grades, which would be the first to suffer because a ban on recruitment is cheaper and quicker than redundancies, will have a severe and immediate effect not only on our clerical and secretarial services but also on a number of other operations: for example, our worldwide communications, the security of our missions overseas (including protection from technical intelligence attack) and consular, visa and immigration services. You will also recall my Secret minute of 8 February to Paul Channon. We simply will not get the service we now expect from the Diplomatic Service if we decide to prune it



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further in this way.

4. More fundamentally, a further reduction in Diplomatic Service manpower, both of basic grades and of more senior posts, is, I believe, incompatible with our foreign policy objectives. In an increasingly interdependent world an expansion of diplomatic effort is more apposite for a country in our position than a contraction. Moreover, this government believes that, if we are to defend our overseas interests, we must pursue an active foreign policy. These days we have to seek to persuade others to act in concert with us: we can no longer order them about. We have to cover a multitude of international negotiations. We cannot give a lead to Europe, eg over Afghanistan, and not dispose of the diplomatic resources to sustain it. We need to strengthen, not weaken, our ability to conduct diplomacy. We must also invest a considerable effort in our export promotion services, since we largely live by trade. We shall be unable to do any of these things properly if we have constantly to cut the Diplomatic Service and the Communications Division. Moreover, I do not think that it makes sense to increase our defence effort and at the same time seek to reduce the only other available instrument to protect and promote our national interests overseas. Diplomatic Service staff at home and overseas total just under 7,000.

5. I therefore believe the case for exemption for the Diplomatic Service and the Communications Division remains very strong indeed. I trust you can agree.

6. I am copying this minute to Geoffrey Howe, Paul Channon and to Sir R Armstrong.

C/

(CARRINGTON)

Foreign and Commonwealth Office

12 March 1980

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12 MAR 1980





PRIME MINISTER

PM/80/17

Passport Office

1. I have minuted to you separately about the continuing need to exempt the Diplomatic Service and its Communications Division from a further 2½% cut in its salary costs. There are different but very strong reasons for exempting the Passport Office also from this 2½% cut. The Passport Office's revenue in 1979/80 was over £23 million a year compared with staff costs of over £4 million. Demand for passports has been rising steadily since 1977 and we have seen an explosion in demand this winter. In 1979 we issued 1.8 million passports. If the rate for the first two months of this year continues, it will mean the issue of 2.5 million in 1980. Staffing in the Passport Office has been increased to meet some, but not all, of this demand. At the end of the month, the number of staff will be 120 over our basic 1980/81 provision. This increase follows a standing agreement with the CSD to add 30 staff to deal with every extra 100,000 passports above a 1.7 million baseline. If the figure for passport issues in 1980 is as high as 2.5 million this would require a further increase in staff of 120. The cost of every 30 additional staff (about £120,000) is tiny against the additional revenue earned (£1.1 million). But because of a Government accounting rule, we are prevented from using the additional receipts to pay for extra salary costs.

2. I am not prepared to staff the Passport Office to cope with increasing demand at the expense of the manpower in the Diplomatic Service and Communications Division. It is essential therefore that we take the Passport Office out of this exercise and treat it as analogous to a trading fund, staffing it according to demand. The only alternative will be a complete breakdown in the passport issuing system and a consequent disruption to the holiday plans of thousands of British tourists through our inability to provide essential travel documents on time, not to speak of the needs of businessmen travelling abroad. We could offer no reasonable

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explanation; and I think our position would be indefensible in Parliament and to the public. At a cost of £11 a passport, the public have a right to expect a reasonable service.

3. I conclude therefore that it should be urgently agreed that the Passport Office be handled as though it were a trading fund. This raises a technical government accounting problem which needs to be sorted out very quickly. I shall have to decide what action I should take in relation to the estimates for 1980/81 to cover the additional costs of Passport Office staff which I need. I seek your agreement that the Passport Office should be treated in this way.

4. I am sending copies of this minute to Geoffrey Howe, Paul Channon, and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

12 March 1980



12 MAR 1980