



To wait E(A)

AJ2/PM1103

PRIME MINISTER

RUNNING BUSINESSES IN GOVERNMENT: THE NEXT STEPS
MEMORANDUM BY THE SECRETARY OF STATE FOR TRANSPORT [E(A)(85)(66)]

I have seen a copy of Nicholas Ridley's paper advocating relaxation of overall financial controls on fee earning businesses in government.

I can understand Nicholas Ridley's frustration, but his solution is not the right one. He is a monopoly supplier. The only pressure for efficiency is control on his unit costs, there is no market to do it for him.

This is an issue which crops up all over the public service. The pressure must be to reduce costs while maintaining or improving services, not to give let outs where the customer can be made to pay up.

As a principle, running costs should not be increased except through the normal PES procedure unless the circumstances are very exceptional. It is for you and your colleagues to judge whether the current wait for driving tests amounts to an exceptional circumstance. The view you took of the situation might be different if Mr Ridley were offering a substantial reduction on unit costs as a result of the increase.

I am sending a copy of this minute to John MacGregor.

ROBIN IBBS
12 December 1985