



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP  
 Secretary of State for Trade and Industry  
 Department of Trade and Industry  
 1 Victoria Street  
 London SW1 6RB

14 September 1984

*Alan Norman*

**PUBLIC EXPENDITURE SURVEY:  
 DEPARTMENT OF TRADE AND INDUSTRY**

I gather our offices have agreed a time on 25 September for us to continue our discussion of your Departmental Public Expenditure programme. I hope you will find it helpful in advance of that if I set out the position we reached on 5 September and the difference between us.

2 Taking your programme as a whole, including regional policy, you proposed a net change on the baseline of:

1985-86	1986-87	1987-88
+ £100m	+ £150m	-£50m

While we need to keep track of both elements of the programme, I am sure we need for operational reasons to disentangle the expenditure on regional assistance, which we shall be considering in E(A), and the rest of your programme on which we have to try to reach a bilateral agreement.

3 On the regional side, I was most grateful for your agreement at the meeting that there should be a moratorium on regional development grants in 1985-86. While that does worsen our problem in the later years, it is an essential contribution to reducing expenditure in 1985-86. However, taking that with the changes to regional policy that you were envisaging on 5 September, the net change from the baseline for regional policy would, I understand, be as follows:

	1985-86	1986-87	1987-88
DIT programmes	-15	+40	-71
GB as a whole	- 5	+64	-48

As you will know that still falls some way short of the savings Nigel and I are seeking. I understand that officials will report very shortly on a number of options for the future of regional policy and we will obviously have to take the issues forward in E(A).



4 Your proposals on the rest of your programme are summarized in Annex A.

5 Compared with your original bid for:

+166m +£167m +£62m

your proposals produce a net increase from your baseline for non-regional expenditure of:

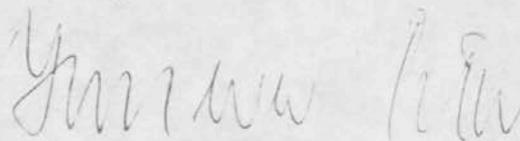
+£115m +£110m +£21m

Almost half of the difference between these two is of course the result of my agreement that your additional bid for Civil Defence, and Assistance to the Steel Industry (for the later 2 years only), could be set on one side. In effect, therefore, you have reduced your demands for extra provision by only

-£27m -£29m -£15m

6 I fully understand the difficulties you would face in going beyond that and I would not press it on you if I could find more palatable ways of achieving the objectives agreed by Cabinet. But we face much greater difficulty this year than last in holding to our plans. We have already agreed an increase of some £1 billion for local authority current provision. Our EC contribution seems set to be around £300 million higher than provided for. The increase in interest rates has boosted, for example, ECGD's requirements by a further £300 million. Then there are the pressures on the social security front - where we face bids of £ billions. And all that is before we begin to consider the various policy bids that colleagues have put forward, all of which no doubt are highly desirable in their own terms.

7 In these circumstances, we must look not only for savings in regional policy of the order we have proposed but also for substantial savings on your discretionary grants and other support for private industry. Painful though it will be to make such reductions, they will be very much in line with our general economic and industrial policy. We have always been suspicious of the value for money of Government intervention in this field, a suspicion that the Prime Minister reiterated in the Summer. I must, therefore, look to you for the kind of overall savings that I proposed in my letter of 2 August. To help negotiations I am willing to reduce my initial bid to match the savings you have offered but, as Annex B shows, I must still press you for a significant net reduction from your baseline in the first two years and a large reduction in the final year.



PETER REES



Position at meeting on 5 September 1984

ADDITIONAL BIDS		£ million		
		85-86	86-87	87-88
Selective Assistance to individual industries	not agreed	+11.0	+17.0	+20.0
General industrial R&D	not agreed	+ 2.0	+ 7.0	+ 4.0
Regulation of domestic trade and consumer protection	not agreed	+ 0.0	+ 0.8	0.0
Finance for Rolls Royce Ltd	agreed	+28.5	+21.8	0.0
Other aircraft & aeroengine projects	agreed	+ 73.1	+ 80.7	+ 22.3
Refinancing of home ship-building lending	agreed	+ 4.0	+ 3.0	+ 5.6
Interest support costs	agreed	+ 24.5	+ 27.7	+ 19.7
Assistance to the shipbuilding industry	agreed	+ 5.1	+ 4.0	0.0
Assistance to the steel industry	agreed in part	+4.8	-	-
Other central & miscellaneous services	agreed	+1.0	-	-
Civil Defence	withdrawn	-	-	-
Support for films	agreed in part	+1.5	+1.5	+1.5
Total excluding RDG's		+156	+164	+73

## SUMMARY OF DTI POSITION

Reduced requirements		-14	-25	-37
Additional bids		+156	+164	+73
Further savings		-27	-29	-15
TOTAL	Signature	+115	+110	+21

Suzzy called:  
you don't need  
to worry about  
the statement. 😊



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SUMMARY OF DTI POSITION

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Additional bids		+156	+164	+73
Further savings		-27	-29	-15
Net change from baseline excluding regional expenditure charges.	<b>TOTAL</b>	<b>+115</b>	<b>+110</b>	<b>+21</b>



£ million

	1985-86	1986-87	1987-88
1. <u>DTI proposals at bilateral</u> (incl. regional expenditure)	+100	+150	-50
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2. <u>DTI position</u> (excl. regional expenditure changes)			
Original proposal	+166	+167	+62
Proposals at bilateral (see Annex A)	+115	+110	+21
Difference	51	57	41
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Comprising:			
Bids set to one side (Civil Defence & Steel)	(24)	(28)	(26)
Savings offered	(27)	(29)	(15)
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3. <u>CST's revised options for reductions</u>			
Original options	-166	-180	-255
*CST's concession	+27	+29	+15
Reductions still required	-139	-151	-240
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<u>Contribution</u>			
DTI savings offered	-27	-29	-15
Other savings required	-112	-122	-225
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4. <u>Net change to DTI's baseline</u>			
DTI reduced requirements	-14	-25	-37
Additional bids conceded	+143	+139	+49
CST's revised options for reductions	-139	-151	-240
Net change	-10	-37	-228

\*equivalent to DTI savings offered