



DEPARTMENT OF TRADE AND INDUSTRY  
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Secretary of State for Trade and Industry

The Rt Hon Peter Rees QC MP  
 Chief Secretary to the Treasury  
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CHIEF SECRETARIES	
13 SEP 1984	
Ms Conn	
PPS, FST, EST, MST	
Sir Peter Middleton	
Mr Bailey, Mr Byatt	
Mr Monck, Mr Lobell	

September 1984

Mr Scholar, Mr AW Russell  
 Mr Bostock, Mr Gordon  
 Mr Gray, Mr NJ King  
 Mr RH Wilson, Mr Best  
 Ms Low, Mr Yeo  
 Mr Felstead, Mrs Gannon  
 Mr Stuart, Mr Ridley, Mr Lord

*R Peter.*

PUBLIC EXPENDITURE SURVEY. DEPARTMENT OF TRADE AND INDUSTRY

Thank you for your letter of 14 September.

2 I am afraid that I do not regard your proposals as realistic. The savings you require for 1985/86 cannot be achieved even if we had a moratorium on all new SFI and Section 8 cases. As for the later years any substantial cuts would require both a moratorium now and a complete reversal of the policy set out in the Manifesto.

3 I do not believe you are giving credit for the savings I intend to make, let alone for the substantial revenue which my Department's work on privatisation will bring to the Exchequer. Let me set out how I see the position. The effect of the regional policy changes which I hope will be agreed at E(A), together with the moratorium, is to yield savings on what would otherwise have been counted against expenditure currently incurred by DTI of £123m in 1985/86, £117m in 1986/87 and £240m in 1987/88. I explained at our meeting on 5 September that I believed new money should be provided by the Treasury to cover the costs of the collective decision to offer Rolls Royce and British Aerospace launch aid. Nevertheless, you will see that these savings on what would have otherwise been spent on regional assistance more than cover for the cost of launch aid and make a significant saving below the Department's total baseline in 1987/88.

4 For the bids which I put forward as a consequence of reordering of priorities, I had already offered direct offsetting savings. The only remaining bids are those for steel and shipbuilding, which I cannot avoid. These are partly covered by the balance of savings on regional policy. The other savings I volunteered on 5 September would more than make up the difference.

5 I would hope that our resumed discussions can be based on what is practicable and realistic, and I believe you will then find that I have already gone to the limit in endeavouring to help you.

*Norman Tebbit*

NORMAN TEBBIT

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