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*n.b.P.M.*  
*JHP*  
*8/10*

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Peter Lilley MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1 - 19 Victoria Street  
London  
SW1H 0ET

8 October 1990

*Dear Peter*

1990 PUBLIC EXPENDITURE SURVEY: ECGD;  
IFR 1990: POST OFFICE

Thank you for your letter of 1 October 1990. *Jay*

Post Office

2. I am grateful to you for agreeing to hold the Post Office's EFR to baseline; I can agree the maximum figures for capital expenditure set out in Annex A.  
.....
3. I welcome your commitment to hold to the EFR and to offset any shortfall by savings. I will certainly not be able to accept a bid against the EFR in the 1991 IFR to maintain the capital programme if plans for internal resources and savings in working capital prove to have been over-optimistic. The proper response in such circumstances would be to cut the capital programme. I am sure that you will be taking steps to satisfy yourself, after discussion with the Post Office, that the figures for capital expenditure published in the Autumn Statement and its Supplement are based on realistic and deliverable assumptions for internal resources.
4. I must also press you to ensure that the Post Office accept this discipline in respect of the tariff rise in 1991. If the tariff rise turns out to be lower than the Post Office are planning, they will still have to adhere to the EFR. You will wish to consider whether you should restrict your authority to the Post Office to commit the 1991-92 capital programme to some figure less than the normal 100 per cent until the position on internal resources is clearer.

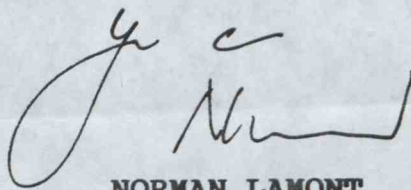
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**Export Credits Guarantee Department**

5. I am prepared to accept your bid for ECGD and the proposed approach set out in your letter, to focus on seeking multilateral agreement to the withdrawal of matrix rate finance for category II markets.

6. In view of our shared concern about the potential cost of the interest support programme, I suggest that we review our policy again early next year should circumstances, or the prospect of multilateral agreement alter significantly.

7. I am copying this letter to the Prime Minister.

A handwritten signature in dark ink, appearing to read 'Norman Lamont', is written over a horizontal line. The signature is fluid and cursive, with a large initial 'N' and a long horizontal stroke at the end.

**NORMAN LAMONT**

## 1990 INVESTMENT AND FINANCING REVIEW: POST OFFICE

£m	1991-92	1992-93	1993-94
<b>External Financing Requirement</b>			
Baseline	-65.0	-66.0	-68.0
Change	----- no change-----		
New EFR	-65.0	-66.0	-68.0
<b>Capital Expenditure Limit (Fixed Assets in UK)</b>			
Baseline	370.0	408.0	418.0
Change	+40.0	+46.0	+118.0
New Limit	410.0	454.0	536.0

<i>EXPORT</i>			
1990 PUBLIC EXPENDITURE SURVEY: CREDITS GUARANTEE DEPARTMENT			
£m	1991-92	1992-93	1993-94
<b>Export Finance Assistance</b>			
Baseline	70.3	-27.5	-28.2
Change	+216.7	+175.6	+62.8
New Baseline	287.0	148.1	34.6
<b>Capital</b>			
Baseline	-	-	-
Change	+9.0	+1.3	+1.3
New Baseline	+9.0	+1.3	+1.3

