

SECRET

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SECRETARY OF STATE FOR ENERGY

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The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
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NBR

19 February 1987

R. G. G.

HANDLING OF THE 1987 PUBLIC EXPENDITURE SURVEY *at flap*

Thank you for copying to me your minute of 12 February to the Prime Minister about this year's Survey.

I am broadly content with what you propose. I agree with Malcolm Rifkind about the importance of ensuring that running costs limits are based on realistic expectations about cost movements, and with Paul Channon that it would be helpful if you could follow last year's practice in circulating a summary of baselines and bids by each Department, preferably before the first Cabinet discussion on the overall picture.

I am copying this letter to the Prime Minister, Cabinet colleagues, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

[Handwritten signature]

PETER WALKER

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