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the department for Enterprise

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Note

passed a PM's
council to Neil
Mantel in his
Ridley's office

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Rt Hon Norman Lamont Esq MP
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Your ref
Date 14 September 1989

Price Minister?
reflects the more rigorous
approach Mr. Ridley told you
he was adopting.

Dear Norman

Rec 14/5

PES 1989

I have been reviewing the DTI PES bids submitted in May, against the background of the pressures on inflation and public expenditure that we are facing this year. You will appreciate that it is difficult for me to reach firm views on requirements after so little time at the Department. I shall be taking a closer look at the Department's objectives and activities over the coming months. But as a result of a rigorous examination of the original bids, I am able to offer major reductions on programme expenditure which take my net bids substantially below baseline in each PES year.

I hope that we will be able to reach agreement very quickly on the basis of these revised overall bid figures, which I shall table at our bilateral. I shall want some freedom to determine the exact allocation of my programme expenditure in the light of further consideration of the Department's activities; but I have a fairly clear idea of its broad distribution between programmes, which my officials will of course explain to yours.

The substantial net reductions which I shall be offering you cover increases in running costs. I have examined the original bids carefully but concluded that there is no scope for reducing them before I have had an opportunity to review the Department's activities. The increases result from higher rises in pay and accommodation costs (including VAT) together with provision to finance the necessary restructuring costs at the National Engineering Laboratory. Indeed, the original bids understate the rises which are now likely, although I



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intend to avoid the need to increase them further by proposing manpower reductions additional to those offered in David Young's original bidding letter. ✓

I am copying this letter to the Prime Minister.



