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The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
Department of Industry
1 Victoria Street
London SW1

20 March 1980

RWJ

Leo

GOVERNMENT INDUSTRIAL ESTABLISHMENTS

Thank you for your letter of ~~17~~ February. In it you asked whether we should examine how far arrangements could be made for various Government industrial establishments to be transferred to the private sector, or be made more responsive to commercial pressures by requiring them to fund an increasing portion of their work under contract from the private sector.

I understand that you are now initiating a more wide-ranging review of the scope for privatisation, and will be considering the Government industrial establishments in that context. I fully support your initiative on this, and consider it important that we should maintain our momentum on this issue. I was also glad to learn of your approach to the research establishments for which DOI is responsible. We will, however, need to be clear exactly what we mean by 'privatisation', as it could cover a number of different possibilities.

Before hearing of your new initiative, my officials had a preliminary look at the scope for privatisation of the main Government industrial establishments, and it has become clear that in some cases at least privatisation could result in an addition to public expenditure. We should clearly have to pay careful attention to this aspect.

In undertaking this exercise, you will no doubt wish to avoid overlapping with the work already being undertaken by CPRS for MISC 14 on the scope for contracting out public sector functions to the private sector and the continuing work on

/Sir Leo

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Sir Leo Pliatzky's review of quangos. Your remit will inevitably be a very wide-ranging one, and when you have had an opportunity to ascertain the amount of work which will be required you may consider that it would be worthwhile to set up a Cabinet Office official committee to undertake the work.

I am sending copies of this letter to recipients of yours.

GEOFFREY HOWE

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Geo Howe