

PRIME MINISTER

You postponed this meeting several weeks ago, and you glanced at the papers in preparation for it at the time. The issues are conveniently summarised in the note from Sir Derek Rayner's office at Flag A. Mr. Heseltine raises some wider PSA issues at Flag B. Sir Derek Rayner's Report, and the Inter-departmental Group's Report, are at Flag C. Flag D is the Chancellor's piece about the alarming experiences of the Royal Mint on PSA's services.

The PSA is unloved. The meeting could easily degenerate into a knocking session without producing a result on the main question. You will want to ensure that the meeting reaches a choice between the Rayner proposals for repayment or the Heseltine proposals for a more limited system, using attribution for accommodation. There is a subsidiary issue of how to take forward the conclusions. You originally agreed in principle that Sir Derek's proposals should be circulated to Cabinet for discussion. More recently, you have sought to limit Cabinet agendas, and you might now prefer to clear the conclusions of the meeting in correspondence with colleagues.

If time remains for wider PSA issues, you might wish to consider asking Mr. Heseltine's advisory group to look at the general complaints about efficiency, and the scope for further privatisation. Discussion might also revert to an earlier proposal for a common services agency, linking PSA with other common service units. The Lord President and Sir Derek Rayner might be invited to pursue these ideas, which were initially raised in Sir Derek's lasting reforms submission, and which were touched upon briefly during discussion of the Treasury/CSD merger option.

MA

16 March 1981