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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11 August 1982

The Rt. Hon. William Whitelaw, CH, MC, MP
Secretary of State for the Home Department,
Home Office

Dr Whitelaw

THE CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

During the course of the last two years the Ministerial Group on Government strategy (MISC 14) has considered on a number of occasions, on the basis of reports by the CPRS, the scope for contracting out to the private sector some of the functions performed by central government, and the progress being made in doing so. The most recent CPRS progress report was circulated with the letter to me of 13 July 1981 from the then Head of the CPRS.

The need to redress the balance between the public and private sectors through privatisation and contracting out remains an essential part of the Government's strategy. It is, therefore, important to improve on the impetus of MISC 14's earlier work on this subject, if we are to make more progress on this than we have so far.

The Prime Minister's minute to me of 28 July (M8/82) invited me as Chairman of E(DL) to co-ordinate a thorough review of the prospects for further privatisation. She agrees that we need with equal urgency to review the progress being made with contracting out and to identify where new opportunities exist. (The aims of these two exercises are, of course, similar; the distinction is that privatisation involves transferring responsibility for a function to the private sector, whereas contracting out means that the public sector retains responsibility but employs a private sector agent to carry it out.)

I should be grateful therefore if colleagues would report to me by the end of October on progress to date with contracting out and the further measures that might be taken. Norman Fowler and Michael Heseltine will no doubt also wish to report on the situation in the National Health Service and

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Local Government respectively. The aim would then be to prepare, in the light of these reports and of further bilateral discussions with individual Ministers, a report to the Ministerial Committee on Economic Strategy in time for a discussion before the end of this year setting out a detailed programme of the further measures that might be taken during the remainder of the Government's term of office and summarising the main prospects in the longer term.

In preparing their reports I hope colleagues will consider personally what more can be done to improve on the relatively limited progress that has been made to date and suggest areas for new initiatives.

I am copying this letter to the Prime Minister, to all Members of the Cabinet, the Attorney General, the Lord Advocate, Sir Robert Armstrong and John Sparrow.

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a horizontal line above it.

GEOFFREY HOWE



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cc: J
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

26 August 1982

Jonathan Spencer, Esq.,
Private Secretary to the Secretary of State
for Industry,
Department of Industry

Dear Jonathan,

CONTRACTING OUT IN THE NATIONALISED INDUSTRIES

You will have seen the Chancellor's letter to the Home Secretary of 11 August about contracting out public sector functions.

In that letter the Chancellor asked for reports from colleagues by the end of October carrying forward the earlier work done in MISC 14 on contracting out central government functions and extending this to local authorities and the National Health Service.

The Chancellor feels that it is important that this work should also cover nationalised industries. No doubt some of the ground, e.g. franchising of rail catering, will be covered by sponsor Ministers in preparing reports on privatisation proper which the Prime Minister asked should be co-ordinated by (DL) in her personal minute of 28 July. But, as explained in the Chancellor's 11 August letter, the issues are rather separate. He therefore suggests that (DL) should take a separate look at contracting out after the main privatisation work has been completed. He would therefore be grateful if nationalised industries sponsor Ministers would let him have a report on progress and prospects on contracting out by the end of October.

I am copying this letter to Michael Scholar in No.10 and to the Private Secretaries of other nationalised industry Ministers, of Mr. Sparrow at the CPRS, and of Sir Robert Armstrong.

Yours sincerely,
J. O. Kerr

J.O. KERR

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