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PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster  
and  
Paymaster General

MBM  
ms 7/10

6 October 1982

Dear Private Secretary

PRIVATISATION: SUSTAINING THE MOMENTUM

Your letter of 23 September <sup>attached</sup> to Julian West asked for a report on potential candidates for privatisation. We have looked at the banking function of the Paymaster General's Office, and a copy of a note prepared by the Treasury was sent to you in July 1981. The note doubted whether privatisation was worthwhile, mainly because of the loss of very large amounts of interest-free overnight money which would result.

The other major function of the office is the payment of public service pensions. It seems unlikely that the cost of an in-depth investigation of this area would be repaid, but we hope that recent Rayner studies (which included an examination of the present arrangements under which PGO pays teachers' and service pensions) will throw some light on this.

One area of PGO activities which has recently been privatised is the provision of night security for the office at Crawley. Since 1 February 1982 this function has been contracted to Security Guards Limited.

I am copying this letter to Private Secretaries of Cabinet Ministers and to Richard Hatfield (Cabinet Office).

Yours sincerely  
Alex Galloway

A K GALLOWAY  
Private Secretary

Miss M O'Mara  
Private Secretary to the  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

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