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Secretary of State for Industry

11 November 1982

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
London SW1

Prime Minister (2)

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Dear Geoffrey,

CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS: PROGRESS REPORT

Your letter of 11 August to Willie Whitelaw asked for progress reports on contracting out. Mine is attached.

2 It does not cover the nationalised industries which this Department sponsors. I shall write separately to you on these.

3 Since the Department exists to help industry and to ensure that industry's voice is heard within Government most of our expenditure is in the form of financial assistance to industry. Such executive functions as we have tend to be run on our behalf by those closer to the coal face or in partnership with them where this is possible. It follows that there is no scope for large scale contracting out. Nevertheless as my report shows there are opportunities and these are being pursued. In addition we are examining ways in which we can increase the use of private organisations such as banks, Chambers of Commerce and Regional branches of the CBI to publicise and help with our schemes of assistance. Whilst this will not have a direct impact on public expenditure as such, it is in line with our philosophy of using the private sector wherever possible.

4 It has not proved possible to provide in any coherent way information on staff savings and the impact on public expenditure which was requested in your Private Secretary's letter of 18 October. However, we have provided what we can.

5 I am sending copies to the recipients of yours.

You are
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CONTRACTING OUT: PROGRESS AND PROSPECTS
REPORT BY SECRETARY OF STATE FOR INDUSTRY
OFFICE SERVICES PROVIDED TO THE DEPARTMENTS OF INDUSTRY AND TRADE

As a contribution to meeting the manpower targets of the Department of Industry, officials are carrying out a programme of studies on the feasibility and costs of contracting out some of the common services of the Departments of Industry and Trade. The studies should be largely completed early in 1983.

2 The options being considered are as follows:

- i) The replacement of directly employed security officers by employees of private security organisations. This might save up to 33 posts.
- ii) Putting out to private contract major elements of reprographics work. This might save up to 40 posts.
- iii) In the longer term and less certain, the privatisation of the typing pool at Eastcote. If successful it would save up to 72 posts.
- iv) The abolition of the Department's photographic unit and drawing office, with commissioning of work from private organisations. This would save 13 posts.
- v) On computer services, employing contractors to prepare data, to do system analysis and programming, and to operate the Eastcote Computer Centre. External use is already made of consultants for specialised tasks and some old style data capture (ie on to paper tape) is already contracted out. It is not possible to estimate likely staff savings.



3 Virtually all general office cleaning is already contracted out. The small element still undertaken by direct labour is kept under review and progress continues to be made in its reduction.

4 The printing, physical distribution and advertisement selling operations on 'British Business', a magazine of the Departments of Industry and Trade, are already in the hands of private sector contractors, as are the printing and where applicable advertisement selling of the staff newspapers 'Ti-Line' and 'Coastguard'. I have just agreed in principle to the contracting out of the business section of "British Business" which will save 2 posts. Officials are looking at further options: I am hopeful of saving up to 3 further posts on 'Ti-Line' and 'Coastguard'.

COLLECTION OF LEVIES

5 The number of levies operated under the Industrial Organisation and Development Act 1947 has greatly diminished in recent years. Of these, textile levies are already collected on a contract basis by an outside company and this has proved cost effective. The estimated cost of the contract in its first year (1981/82) was £7,000 and in 1982/83 is £4,000 plus £150 a year for the printing of forms. It is not possible to compute the extent of any net savings in public expenditure. One post has been cut, partly because of the contracting out, and there has been a reduction in the clerical workload which might conceivably lead to the loss of a second post.

6 When the furniture levy is abolished at the end of the year the large amount of chasing up of defaulters that will probably be necessary will be undertaken by the solicitors of the industry research association and not by ourselves. This will not save any public expenditure since the winding up expenses are to be paid out of the proceeds of the levy. There may, however, be some small saving in official time.



7 The collection of the small cutlery levy and the iron casting industry research levy will remain with the Department. In both cases collection forms an integral part of a larger block of work, and no staff would be saved by contracting it out.

8 No other levies of any significance are now collected by the Department.

MONITORING OF DEPARTMENT'S ASSISTANCE TO INDUSTRY

9 We are considering a suggestion of Jeffrey Sterling on whether it is feasible to involve the banks in the monitoring of companies which have received financial assistance from us.

RESEARCH ESTABLISHMENTS

10 The National Maritime Institute was privatised on 1 October 1982 and plans are well ahead to privatise the Computer Aided Design Centre in April 1983. Our policy is wherever possible to transfer work from the Department's research establishments to the private sector and the Chief Engineer and Scientist is to report to me by the end of the year on the scope for further movement in this direction.

11 As recommended by the recent Rayner Review of Support Services at R&D and Allied Scientific Establishments, estimates are being sought from private sector contractors for cleaning and security services where these are presently done in-house. Maximum potential savings are 54 and 38 posts respectively. But the extent of these, and cost savings if any, cannot be determined before the conclusion of negotiations, expected around the turn of the year.

12 The work done by the Department's Technology Reports Centre was transferred in December 1981 to the British Library. This



saved £400,000 per year (at 1981 prices) and will have saved 37 posts when the closure is completed this month.

STAFF NUMBERS AND PUBLIC EXPENDITURE

13 I cannot give any sensible estimate of the impact on public expenditure of the possible measures described in this paper, nor of the timing of any changes. A maximum of almost 300 posts might be saved if everything is able to be carried through.

Department of Industry

November 1982

Econ Pol. Policy on Privatisation, Pt 6

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