



CONFIDENTIAL

From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

November 1982

Prime Minister (4)

Mes 23/11

CONTRACTING OUT PUBLIC SECTOR FUNCTIONS

In your letter of 11 August to Willie Whitelaw, you asked for a fresh survey of potential candidates for contracting out. You also asked, through your Private Secretary's letter of 26 August, that this exercise should extend to the nationalised industries.

We are currently actively pursuing two modest contracting out measures:-

- (a) several private sector bodies have expressed interest in running the proposed new registry for yachts and other small vessels.
- (b) discussions are in train with a view to a private sector body taking over the British Overseas Trade Board's Market Entry Guarantee Scheme (although the government may have to retain responsibility for the "guarantee" element).

I have identified seven other areas which seem to offer some possibility of similarly modest moves towards contracting out, and which merit exploring further:-

- (a) some of the work of the Civil Aviation Authority's 'in-house' research facility, the Directorate of Operational Research and Analysis;
- (b) Some expert advice and research on consumer safety matters;



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- (c) a drive to identify alternative private sector sources where work is currently contracted out to public sector bodies;
- (d) some of the technical services connected with the British Overseas Trade Board's Joint Venture scheme;
- (e) some aspects of the dissemination of overseas tariff information;
- (f) some aspects of the dissemination of export intelligence;
- (g) the Export Credit Guarantee Department's legal services. (Patrick Jenkin's letter of 11 November reported on the scope for contracting out some of the common services of the Departments of Trade and Industry).

Progress in these areas will not lead to substantial savings in staff or expenditure, but, with my proposals on privatisation, would represent a useful slimming down of the scope of my Department's activities.

Turning to the nationalised industries, my primary objective is, of course, to privatise British Airways as a whole as soon as practicable, rather than engage in piecemeal contracting out. The British Airports Authority's philosophy is to contract out as many functions and services as possible - they directly employ less than 3,500 of the nearly 50,000 people who work at Heathrow, which leaves little scope for further action. And again my primary objective is privatisation, albeit on a slightly longer timescale.



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I am sending a copy of this letter to the Prime Minister, to other Members of the Cabinet, to the Attorney General and the Lord Advocate, and to Sir Robert Armstrong and John Sparrow.

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Arthur

LORD COCKFIELD

23 NOV 1982

