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CONFIDENTIAL

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18th January 1983

John Giff

CONTRACTING OUT IN THE NATIONALISED INDUSTRIES

In your letter of 11 August to Willie Whitelaw you asked for details of nationalised industries' progress with contracting out.

I have set out the details for the energy industries in an Annex to this letter. Contracting out is already practised on a substantial scale, but I shall continue to encourage them to explore opportunities which they may previously have overlooked.

Copies of this letter go to the Prime Minister, members of the Cabinet, Michael Havers, James Mackay, Sir Robert Armstrong and John Sparrow.

John Giff
Nigel

NIGEL LAWSON

C O N F I D E N T I A L

CONTRACTING OUT IN THE NATIONALISED ENERGY INDUSTRIES

British Gas Corporation

In 1981/82 for every two people employed directly on distribution and other engineering work the Corporation employed one contract worker. Works contracted out include pipeline construction for the national and regional gas transmission systems and the local distribution network; large capital projects; and most central heating installation work.

British Nuclear Fuels Limited

In 1981/82 88% of BNFL's investment of £740 million was with outside contractors. Work included the building of major chemical plant.

Electricity Supply Industry

In 1981/82 75% of the £830 m CEGB expenditure on engineering projects was with outside contractors. Work contracted out included power station and transmission line construction; repair and maintenance of generating plant, cables and property; cable-laying and overhead line erection; cleaning, catering and security services; tree-felling and gardening; pole inspection; computer, office machinery, television and audio appliance maintenance; cavity wall insulation; and conversion of timeswitches.

National Coal Board

In 1981/82 83% of mining capital expenditure was with outside contractors, £600 million out of £720 million. Work contracted out included all opencast coal getting; civil, mechanical, electrical and mining engineering works; and the purchase of equipment and machinery.

UK Atomic Energy Authority

In 1981/82 15% of the Authority's gross cash expenditure was on extra-mural work. This included the design, development and manufacture of replacement tube bundles for the prototype fast reactor heat exchangers; and a contract placed on behalf of the Department of Energy with National Nuclear Corporation for the design and development of components for a commercial fast reactor power station.

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