



CONFIDENTIAL

Prime Minister

To note x in particular.

FCS/84/11

A-J.C. 17.

CHANCELLOR OF THE EXCHEQUER

The Future of the Crown Agents

1. I have delayed bringing this matter back to OD Committee, following our discussion on 15 December, because I thought we should take a closer look at the possibility of privatising the organisation as a whole. This is now being done, with the help of a merchant bank, as your officials know. It means that a decision will have to be delayed for some weeks, but I think we must explore this possibility before we come to a final decision.

2. Officials have also done more work on the closure option and particularly the idea you put forward of an amalgamation of the Crown Agents' procurement functions with PSA Supplies. If privatisation does not turn out to be a runner then this is a possible alternative.

3. I think it is now clear, therefore, that the options we face all involve the continuation of a procurement and price certification capacity initially, at least, in the public sector.

4. Meanwhile, the uncertainty creates difficulties for the Crown Agents' business abroad. But if we are agreed that the options are as I have indicated, I think we could authorise Mr Graham, the Chairman, to say to clients abroad, if necessary, that while the future of the Crown Agents is still being considered, the procurement business and the capacity to do price certification work will continue and that, initially, at least, this will be in an organisation in the public sector although privatisation may follow later. This may help him to secure and safeguard some contracts which are at risk.

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5. I should be glad to know whether you and Patrick Jenkin see any objection to this. I am also copying this minute to the Prime Minister and to Norman Tebbit.

A handwritten signature in black ink, consisting of stylized initials 'GH' followed by a small dot.

GEOFFREY HOWE

Foreign and Commonwealth Office

16 January 1984

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