

PRIME MINISTER

*I think we
must talk
about it*

W.R. o/v.

A.P.C. 5/4

You will remember that on 10 March Anthony Steen asked you a priority written Question about this scheme. He wanted you to amend it so that prison workshops and workshops for the disabled receive no higher preference in the allocation of Government orders than private sector firms in special development areas. In your Answer, you said you would look into this and would write to him. A copy of your Answer is at Flag A.

On 11 March I wrote to the Home Secretary's office explaining that you felt it was quite unjustified to put jobs in the private sector at risk by giving prison workshops preferential status as Central Government contractors under the priority supply scheme. I said you recognised the case for giving sheltered workshops and factories for the severely disabled some preference. I asked if the Home Secretary could consider your comments and let me have a draft letter to send to Mr. Steen.

The Home Secretary's response is at Flag B. This sets out the background, and says that the Home Secretary would like to have a word with you about your concerns. The letter says that the priority supply scheme does not oblige purchasing Departments to purchase from priority suppliers because in almost all cases competitive tenders are involved. He does, however, make some concessions. For example, prison and sheltered workshops have at times had difficulties in meeting quality and delivery requirements, and some toleration of these shortcomings has been afforded.

Since the letter from the Home Office expressed some concern about the public expenditure implications of depriving prison workshops of preferential status, I asked the Chief Secretary's Office for their views. These are set out in the letter at Flag C. This letter concludes:-

(a) If prison industry is lost all preferential status, this could lead to an increase in expenditure of the order of £5m a year. The Chief Secretary does not therefore favour the total removal of the preference currently given to prison industries.

/ (b)

*But are
they
really
competitive
not*

*And how much
increased
expenditure would
result from
private sector
workshops?
not*

- (b) The priority supply scheme could be amended so that prison industries are not given preference over firms in development or special development areas. This could probably be achieved at minimal cost to public expenditure. In such circumstances the Chief Secretary would not object. He understands that the Home Secretary might be willing to make such a change.

Making this change is in fact exactly what Anthony Steen asked you to do. (In fact it goes slightly further in that it covers development areas as well as special development areas.)

Would you like me to write to the Home Secretary's Office asking whether he would be willing to implement such a change, or do you still wish to go further and remove all preference for prison industries? If you still want to go further, you may feel that the Chief Secretary should attend the meeting with the Home Secretary.

WR

31 March, 1983.