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PRIME MINISTERUSING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING

In his minute of 14th January the Chief Secretary put forward proposals aimed at ensuring that we in Central Government do as much to take forward the drive to contract out work to the private sector as is being done in health and local authorities. I fully support this drive and a great deal of work in this department is now being directed towards this end.

2. As my officials have already pointed out, to adopt his proposals for the mandatory testing of the market in particular areas by a specified target date would seriously distort my priorities in the Ministry of Defence and, if they are adopted, result in our achieving far less than would otherwise be the case.

3. The reasons for this are that the areas identified by the Chief Secretary are not necessarily those which are most significant in the particular circumstances of my department. The resources available to me to take this work forward are necessarily limited and if I am to devote them to testing the market in the specified areas then I will necessarily be less able to deal with those types of work peculiar to the Ministry of Defence which I consider will show greater returns. In the circumstances, I would therefore be grateful for your agreement that the target proposed by the Chief Secretary should not apply here. I assure you that I shall be achieving significant results in my priority areas.

4. I am sending a copy of this minute to the Chief Secretary.

Ministry of Defence

4th February 1985

ECON POL: Privatisation. Pt 11



R/9/2,  
CF PRO.



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBPm

AT

CJR

4/2

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

8 February 1985

*Dear Peter*

USING PRIVATE ENTERPRISE IN GOVERNMENT COMPETITIVE TENDERING

I have seen a copy of your minute of 14 January to the Prime Minister.

I agree that we must step up efforts to contract out more work from Government Departments to the private sector. The supporting material to your minute indicates that the most obvious candidates, notably in the office service areas, have been contracted out. But I have no doubt myself that there are other opportunities and for my part I shall certainly ensure that my top management systems are used to expose these.

I am sending a copy of this letter to the Prime Minister, Cabinet colleagues, Sir Robert Armstrong and Sir Robin Ibbs.

*Yours sincerely*

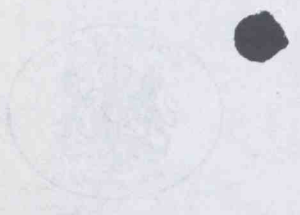
*Nicholas Ridley*

NICHOLAS RIDLEY

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Pol

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R11

MANAGEMENT BY EXPERTS  
DIRECTOR  
GENERAL



THE NATIONAL ENTERPRISE  
GROUP SOCIETY LTD  
FINLAND  
FINLAND HOUSE  
FINLAND HOUSE

THE NATIONAL ENTERPRISE GROUP SOCIETY LTD

1. The Board of Directors of the company has decided to

propose to the shareholders of the company to acquire the shares of the company held by the Finnish State. The Board of Directors has decided to propose to the shareholders to acquire the shares of the company held by the Finnish State. The Board of Directors has decided to propose to the shareholders to acquire the shares of the company held by the Finnish State.

The Board of Directors of the company has decided to propose to the shareholders to acquire the shares of the company held by the Finnish State.

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*[Faint signature]*

MANAGEMENT BY EXPERTS



NBPM 18.11.12 CCR  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

11 February 1985

Dear Peter,

USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING

Thank you for sending me a copy of your minute of 14 January to the Prime Minister. I support your proposals.

It is essential for central government to be seen by local authorities to be tackling this vigorously especially as I am about to issue a consultation paper with proposals for extending the scope of competition in local government. My Department has already contracted out most of the support services to which you refer and thereby secured better value for money. But we must press forward into testing new areas. The MINIS system will be my main implement for identifying the targeting new opportunities for securing economy.

I am sending copies of this letter to the Prime Minister, Cabinet colleagues, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

Yours sincerely  
Patrick

PATRICK JENKIN

Exam Pd: Privatset<sup>m</sup> Pt 11

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11 FEB 1985



NBPM  
8/2  
CCO

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

MANAGEMENT - IN CONFIDENCE

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

8 February 1985

*Dear Peter,*

USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING

Thank you for sending me a copy of your minute of 14 January to the Prime Minister, about further contracting-out of work from Government Departments.

We have tackled, or are already tackling, the testing of the market for the "specified services". And we already in respect of our exceptionally wide range of functions contract-out to greater or lesser extent a variety of other services.

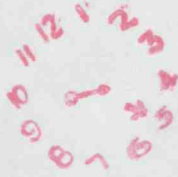
We shall certainly want to look out for further opportunities for "contracting-out". The Management Plans which have just been completed by all our Divisions invited suggestions for this and these will be looked at carefully. Where, however, a considered assessment has been made (including a testing of the market) that a particular possibility should NOT be pursued, I hope you can accept that we should interpret flexibly the requirement of a further test within 3 years.

I am copying this letter to the Prime Minister, Cabinet colleagues, other Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

*Yours wv,*  
*George*

Econ Pol: Privatization P711.

9 FEB 1985







NCPM  
AF  
15/2  
CYSR

DEPARTMENT OF EDUCATION AND SCIENCE  
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH  
TELEPHONE 01-928 9222  
FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP  
The Chief Secretary  
Treasury  
Parliament Street  
LONDON SW1P 3AG

15 February 1985

*Dear Peter,*

**USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING**

I was interested to see your minute of 14 January to the Prime Minister setting out proposals for taking this initiative forward. I strongly support them. For a small Department like this with inevitably limited experience the proposals to improve arrangements for exchanging information between departments are particularly important. I hope that they will be taken forward. Even so, as the annex to the minute indicates, this Department has already contracted out nearly all cleaning, laundry and maintenance; and some security and catering.

I am copying this letter to the Prime Minister, Cabinet colleagues, other Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

*Erin - Keen*

EGN. POL : Privatisation : Pt 11.

19 08 11 1985  
14 FEB 1985



CABINET OFFICE  
70 Whitehall,  
London SW1A 2AS  
Telephone 01-233 3340

25 February 1985

*Sir Peter,*

USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING

Your minute of 14 January to the Prime Minister was, by an oversight, not copied to me.

The Paymaster General's Office is small by Whitehall standards; it has fewer than 850 people. But I am pleased to say that it has taken very seriously the need to test the market and use private enterprise where possible. I attach a report of progress.

I am copying this letter to Cabinet Colleagues, Sir Robert Armstrong and Sir Robin Ibbs.

*Yours ever*  
*John*

JOHN SELWYN GUMMER

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
H M Treasury  
Parliament Street  
LONDON  
SW1P 3AG

USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING  
REPORT ON CONTRACTING OUT IN THE PGO

The PGO makes extensive use of private sector contractors for its support services. The current position is:-

1. Services specified in paragraph 1 of Annex A to the Chief Secretary's minute of 14 January 1985
  - [a] Cleaning. All cleaning, including window cleaning, has been contracted out for many years. Fresh tenders are sought every three years.
  - [b] Laundry. All laundry is contracted out to private enterprise under a call off contract negotiated by the Property Services Agency at advantageous rates.
  - [c] Catering. The PGO has one restaurant currently run by a committee. The staff of the restaurant are employees of the committee and not civil servants. Meal charges are generally in line with the standard tariff shortly to be introduced for all Civil Service staff restaurants. It is proposed to invite tenders and test against the market, in accordance with advice from the Civil Service Catering Organisation, by 31 March 1988.
  - [d] Security Guarding. Night security has been contracted out to a private company for the past three years. It has proved a very satisfactory arrangement. Previously there were problems in providing cover for guards' absences and clerical staff had sometimes to be employed at overtime rates. The market will be re-tested in 1985.
  - [e] Maintenance of
    - [i] buildings. Minor maintenance and new works up to £1,000 are the responsibility of the PGO. All work is handled by private contractors on the PSA's approved list. Above the £1,000 limit

it is the responsibility of the PSA to arrange

Maintenance of the air conditioning plant and the heating system is currently undertaken by PSA directly employed labour. PSA are putting this work out to tender by private enterprise in 1985-86.

- [ii] land attached to buildings, gardens and grounds. This is all undertaken by private contractors. The PGO took over responsibility from the PSA for these contracts on 1 April 1984. When the contracts come up for review the PGO will test the market.
- [iii] vehicles - The PGO has no vehicles to maintain.
- [iv] Office equipment. The PGO has no employees concerned with the maintenance of Office equipment. Computer and ancillary equipment, data preparation equipment, despatch equipment, offset litho machines and photocopiers are serviced under contracts with the manufacturers. Typewriters, add listers and some other small items of equipment are serviced directly by HMSO.

## 2. Other services contracted out to private enterprise

- [a] Van service. Each day magnetic tapes, and paid pension vouchers and payable orders, are conveyed from the Bank of England to Crawley by a firm of commercial carriers. This arrangement has been in operation since 1983. Prior to that date the interdepartmental despatch service [IDS] had been used. IDS could not then meet a changed timetable requirement and the cheaper of two tenders from private firms was accepted.
- [b] Computer Data Preparation. When unexpected peaks arise contracts to handle the extra work are negotiated with commercial data preparation ~~data~~ agencies. This enables the number of data processing staff to be kept at the level necessary to handle normal daily loads of work.
- [c] Post coding of pension roll. The PGO is planning to take advantage of Post office discounts for pre-sorted mail. To this end it is necessary

to ensure that the PGO computer holds a post code for each of its 1.1 m pensioners. A private computer agency has been selected to undertake the post coding; the costs and performance of several different agencies undertaking this type of work were evaluated before the contract was awarded.

- [d] Computer training. In house training is only provided where it is cost effective or the requirement cannot be met by an outside body. Commercial self instruction packages are used as part of basic programmer training, and staff are frequently sent on courses run by specialist commercial computer training agencies.

#### CONCLUSION

It will be seen from this report that the PGO has made good progress in contracting work out to the private sector. The main thrust would now seem to be in ensuring that contracts are reviewed regularly and fresh competitive tenders sought whenever appropriate.

JSA.

MANAGEMENT IN CONFIDENCE

NBPM AF 201, 9/12



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

25 January 1985

The Rt Hon Peter Rees QC MP  
Chief Secretary to the  
Treasury  
HM Treasury  
Parliament Street  
London SW1

*D Peter*

COMPETITIVE TENDERING

Thank you for sending me a copy of your minute of 14 January to the Prime Minister.

2 My Department has made significant progress in contracting out and has plans for further measures. I agree entirely with your proposals.

3 I am sending copies of this letter to Cabinet colleagues, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

NORMAN TEBBIT

JH2ACL

Privatisatis



NBSM AT 29/1

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

MANAGEMENT - IN CONFIDENCE

The Rt Hon Peter Rees MP  
Chief Secretary to the Treasury  
Parliament Street  
London SW1P 3AG

29 January 1985

USING PRIVATE ENTERPRISE IN GOVERNMENT: COMPETITIVE TENDERING

File with AT

Thank you for sending me a copy of your minute of 14 January to the Prime Minister with proposals to further contracting out work from Government departments.

I fully support the proposals. Indeed my department has already gone a long way in testing the market and contracting out the specified services. Through our top management system a number of possibilities were explored last year and I intend to ensure that the issue is carefully considered in the coming years' exercise.

You suggested a number of services which might be added to the specified service list. My Department already has experience on stores operation for buffer stocks, some library services and press cutting services and would be happy to share experiences with other departments. I would welcome the central guidance on postal and van services and also on security aspects of messenger services. My own department already uses private professional services where it is appropriate to do so but generally these are more expensive than work done in-house and we therefore tend to use them only where the expertise is lacking within the department or government as a whole. Finally, I fully agree that the market should be retested regularly and that Treasury should be kept in touch with the broad lines of progress.

I am copying this letter to the Prime Minister, Cabinet colleagues, other Ministers in charge of departments, Sir Robert Armstrong and Sir Robin Ibbs.

MICHAEL JOPLING

*hi vaki saki*

29 JAN 1985



NBPK  
CCJR  
15/2

MANAGEMENT IN CONFIDENCE



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon Peter Rees QC MP  
Chief Secretary  
Treasury Chambers  
Parliament Street  
London  
SW1P 3AG

15 February 1985

COMPETITIVE TENDERING

Thank you for sending me a copy of your minute of 14 January to the Prime Minister.

I support your proposals. As your Annex B shows, my Department has already achieved a great deal of contracting out of the few services it controls although for most of its expenditure it is tied to central departments.

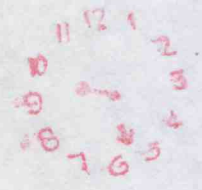
I am copying this to the recipients of your minute.

PETER WALKER

MANAGEMENT IN CONFIDENCE

ECON POL: Privatisation: Pt 11

15 FEB 1985





MANAGEMENT IN CONFIDENCE

NBPM  
HT 4/2  
a. H. H.  
HOUSE OF LORDS,  
SW1A 0PW

~~January~~ 1985

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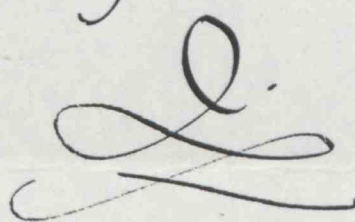
My dear Peter,

USING PRIVATE ENTERPRISE IN GOVERNMENT  
COMPETITIVE TENDERING

I have seen your minute of 14 January to the Prime Minister.

Your proposals offer an acceptable approach and I have instructed my Department to implement them in accordance with your minute and the attachments.

I am sending copies of this letter to Cabinet colleagues, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

Yrs:  


The Right Honourable  
Peter Rees QC MP  
Chief Secretary to the Treasury  
Parliament Street  
London SW1

ECON Pse: Privatisation  
A11



4 FEB 1985



Y SWYDDFA GYMREIG  
 GWYDYR HOUSE  
 WHITEHALL LONDON SW1A 2ER  
 Tel. 01-233 3000 (Switsfwrdd)  
 01-233 6106 (Llinell Union)  
 Oddi wrth Ysgrifennydd Gwladol Cymru



*MSM  
 7/2*

*CJH*

WELSH OFFICE  
 GWYDYR HOUSE  
 WHITEHALL LONDON SW1A 2ER  
 Tel. 01-233 3000 (Switchboard)  
 01-233 6106 (Direct Line)  
 From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

*31* January 1985

**MANAGEMENT IN CONFIDENCE**

*Dear Peter*

**COMPETITIVE TENDERING**

Thank you for sending me a copy of your minute of 14 January to the Prime Minister.

I am content with your proposals for maintaining the drive to contract out work to the private sector, and I agree that orderly market testing is useful means to that end.

/ I am sending copies of the letter to the recipients of your minute.

*For  
 Nick*

The Rt Hon Peter Rees QC MP  
 Chief Secretary to the Treasury

Ecom nol  
Privatisation  
Part II.