

CENO



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

S August 1985

Dear Miss Bogan

You wrote on July 1st asking us to identify major privatisation candidates. Our privatisation efforts have been some of the most fruitful in this Parliament and the last. My Secretary of State foresees both very substantial results during the next Parliament from what we have already set in train, and some major further possibilities. However, apart from water authorities, they do not fit into your categories of public flotations, employee buy-outs or major trade sales. I have therefore listed them below with short descriptions only.

Water Authorities

Your Department is up to date with the examination of the prospects for privatisation within the water industry. This will be considered by E(A) in the near future as a subject in its own right. If we decide to go ahead, the necessary legislation should be ready for the 1986/87 Parliamentary Session.

Housing

Housing will continue to be a major area for the rolling back of the public sector. Sales of council houses to tenants are running at a rate of more than 10,000 a year. We are also looking at the scope for further transfers of public sector housing into the private sector; this is one of the tasks of the Urban Housing Renewal Unit.

New Towns

Over the span of the next Parliament we expect to wind up all the New Town Corporations. Receipts to the Exchequer from the flow of disposals will continue, possibly at £50-60m a year during the next Parliament.

Urban Development Corporations

London Docklands Development Corporation is the first to show signs of maturing into a commercial success; but whether the major disposals flow will come in the next Parliament or the one after is not clear.

Local Authority Contracting Out

This is as much about introducing the disciplines of competition into the public sector as it is about privatisation. Much of the benefit secured by our legislation on direct labour organisations has come from improvements in in-house cost effectiveness under the pressure of outside competition. This may prove to be the case under the proposals which we have made public to extend compulsory competition to such activities as refuse collection, cleaning, school meals, grounds maintenance and vehicle maintenance. The result in private sector turnover increase will be cumulative, particularly if, as we anticipate, we introduce competition gradually within and between individual activities. But with total expenditure on the five activities we have listed running at something like £2bn per annum there is likely to be a significant impact; there could also be an appreciable transfer of assets (equipment, depots etc) in some authorities.

Others

We expect a wide range of other privatisation initiatives in DOE (though none in PSA). For example, private participation is being considered for the major national sports facilities owned by the Sports Council, for aspects of building research work, etc. I assume that these are outside your present enquiry.

Copies go to recipients of your letter.

Yours sincerely

Sue Vandervord

MISS SUE VANDERVORD
Private Secretary

Miss F P Bogan
Private Secretary to the
Financial Secretary to the Treasury



Privatization

Leon Pol.

FTV.

PI



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6 August 1985

N 9/4

Dear Miss Bogan

We spoke on the telephone about Sue Vandervord's letter of 5 August to you.

I am writing to confirm that the rate of sales of council houses to tenants is running at more than 100,000 a year (and not 10,000 as recorded in Miss Vandervord's letter). I would be grateful if this correction could be made.

Copies of this letter go to the recipients of your earlier letter of 1 July.

John Snow
J Ballard

J BALLARD
Private Secretary

Miss F P Bogan
Private Secretary to the
Financial Secretary to the Treasury

