



Prime Minister ①

Agree that Mr Finsberg  
send this (rather unnecessary)

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

letter to me

FT?

MS 12/5

Hes.

Duty Clerk  
10 Downing Street

12 May 1982

DIRECT LABOUR IN THE HEALTH SERVICE: RESPONSE TO  
A LETTER IN THE FINANCIAL TIMES, 6 MAY 1982

I attach a copy of the reply Mr Finsberg wishes to  
send to the Financial Times answering the points  
raised by Mr Jerome. I would be grateful if you  
would arrange for the letter to be cleared.

Janet R Walden

MRS J R WALDEN  
Private Secretary  
D809 AFH



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*From the Joint Parliamentary Under Secretary of State*

Mr Jerrome of NALGO in his letter of 6 May claims that contract NHS services provided by the private sector are likely to cost more than direct labour. Let me make clear the Government's position on the use of private contractors.

Broadly this Government believes that the costs for hospital support services, now running at well over £1,000 million pa should be critically assessed with the object of making savings - savings that can be used to improve patient care to show that we really mean "patients first".

The market place is the one clear test of cost efficiency. Only by going to tender for services like domestic, catering and laundry services can health authorities be sure of the cost position. But, of course, it is essential that the exercise of comparing direct labour costs against contract costs done on a fair and open basis. We recognise that health authorities may not always be able to act in the absence of advice on the complex issues involved. We will shortly be issuing guidance that will assist health authorities to test out their costs objectively and to make the right decisions - in the interests of their patients. This policy is not a doctrinaire one but is based on the sensible realisation that we must make best use of resources.

Mr Jerrome did not give details of the two cases he mentioned to "justify" his view point, but certainly his second allegation that contract domestic services at Aylesbury are more expensive than direct labour costs was disproved by a detailed professional survey in 1979. I cannot believe that the re-letting of the contract last year has changed the position but I would be very pleased to analyse the cost details on which he bases his claim.

GEOFFREY FINSBERG



# Letters to the Editor

## The Falklands: the future for the islanders

From Mr I. Stewart-Fergusson

Sir,—In his letter (May 1) attacking the Government's foreign policy over the Falklands, Mr Roderick Campbell regrettably omits to describe in any detail the alternatives he would propose in lieu of the measures to which he is so obviously opposed.

Faced with President Galtieri's *fait accompli* and understandable intransigence as far as all but the most minor issues were concerned, Mr Campbell would I suppose have conceded Argentina's claim, certainly without using force against force, conceivably without even resorting to diplomatic and/or economic counter-measures—on the pretext that the fate of 1,800 islanders thousands of miles away would merit neither the risk to the Britons in Argentina itself, nor the military expenditure now being incurred on behalf of the Falklanders (an attitude which incidentally would seem to prevail also among many of the Anglo-Argentinian community, if the broadcast interviews are anything to go by).

In pure cost-benefit terms Mr Campbell is probably correct. If one disagrees with his peace-at-all-costs approach, then, on the basis of moral principles, not to react as we have done would amount to abandoning all the principles of justice and freedom which we claim to stand by.

In the face of the subjugation of the Falklanders it is not difficult to imagine the howls of protest which would be raised by Mr Campbell and many others enraged at the Government's

sell-out to the Argentinians.

In the circumstances, and with "Afghanistan" at the back of one's mind we are probably also forced into choosing between military counter-measures and a climb-down, even if diplomatic/economic retaliation is indeed permitted as part of the Government's efforts towards re-establishing the status quo. (Without the threat of military back-up, the effectiveness of such retaliation is open to question.)

Granted that if and when the status quo is finally achieved the diplomatic problems of negotiating a longer term settlement will have only just begun, it must surely be both a "sensible" and a "coherent" foreign policy to strive now both diplomatically, economically and militarily to establish a strong negotiating position, if only to get the best possible deal for the Falklanders as they become over time ever more dependent on their closest neighbour geographically. Indeed, if the controlled use of our armed forces is ruled out even in response to such blatant unprovoked aggression, we must then seriously question the justification for maintaining the armed services in the first place.

I. G. Stewart-Fergusson,  
9, Hotspur Avenue,  
Bedlington, Northumberland.

From Mr L. Palmier

Sir,—The justification for the Falklands operation lies in the demonstration that we are prepared to defend what is ours.

The number of people there is irrelevant; the same argument would apply if the islands were deserted or heavily populated. So, also, on the other hand, is the character of the Argentinian regime; the case would not be different if, for example, France invaded the Channel Islands (as part of the old duchy of Normandy, some kind of French claim could no doubt be erected for them). Several other countries, of more moment than the Argentine, would have been most interested to observe that we had lost the will to look after our own.

When the Argentinians are expelled, the future of the islands must then be settled. It is clear we no longer have the capacity to maintain a far-flung empire; they should therefore be relinquished. To give a population of some 2,000 their independence is hardly feasible, if only because they are unlikely to retain it for long. Since Argentina is the closest state, it is expedient that the islands come under her administration (claim or no claim). "In victory, magnanimity." The British population should be offered the choice of relocating elsewhere, with full compensation borne entirely by the Argentinians. At a time when so many people in this country are having to relocate to find work, it is not unreasonable to ask those in the Falklands to make similar sacrifices for the common good.

Leslie Palmier.  
Hazelrise,  
St Catherine's Close, Bath.

## Tapioca pudding from Brussels

From the President,  
Grain and Feed Trade Association

Sir,—Your leading article of April 28 prompts me to draw attention to the European Commission's seemingly confused objectives in negotiating, or seeking to negotiate, limitations on exports of materials alternative to cereals in animal feeding stuffs, such as tapioca (manioc) or maize gluten feed.

The Commission argues that producers have a right to expect an income based on the target price for cereals; and that, to their detriment, very heavy imports of "cereal substitutes" have depressed prices to intervention levels. In British terms, this would mean that the intended level of support prices should rise from around £113 (the current intervention price) to £141, or by 20 per cent. What this implies is self-evident,

namely, the prohibition rather than the limitation, of imports of raw materials other than cereals and a swingeing increase in the price of all animal feeding stuffs.

The Commission must know that its problems are caused by excessively high support prices for cereals that have increased production in 10 years from around 90m to 120m tonnes and which have made cereals increasingly uneconomic for use in animal feeding (apart from the fact that selective breeding has so reduced the size of the rumen in the most productive cows that they could no longer thrive on a diet of cereals!). The Commission also knows full well that, had those prices been 20 per cent higher, at the level of the target price, their problems would have been unmanageable, and that, the effect on the prices of, and the consumption of, livestock products would have been very grave indeed.

To sum up. May I plead for

a strong counter-dose of realism in the Council of Ministers when it comes to decide, as it must, on the Commission's proposals. The first task is to bring the price of cereals down to a competitive level, not to increase it. More particularly, we need a reduction in target prices, particularly for wheat and maize. In the interests of the producers of that 60 per cent of all Community output, namely, livestock products, until and unless cereal prices are brought down to a realistic level, no further restrictions should be put on imports of competing raw materials, whether tapioca, cereal brans, corn gluten feed, citrus pellets, or other residues. It is worth recording that these have replaced imported cereals, mainly maize, to the extent of 8.2m tonnes since 1973.

L. J. Wright,  
Baltic Exchange Chambers,  
24-28 St Mary Axe, EC3.

## Direct labour in the health service

From the Secretary,  
Health Services Committee,  
South-East Regional Council,  
Trades Union Congress

Sir,—You report (April 29) the publication of a document "Reservicing health" by Michael Forsyth which appears to reiterate the political platform already advanced by the Minister of Health, who wrote to health authorities on August 20 last year asking them to consider the introduction of contracts for various services, and seeking a detailed reply.

On September 23 1981 Lady McCarthy, the Oxfordshire area health authority chairman, responded indicating that even allowing for the difficulty arising from the different accounting practices between the public and private sector "it had good reason to doubt that financial savings would result from more extensive moves towards contract services." On the one cleaning contract in the area it could be demonstrated that this cost one third more to clean than National Health Service direct labour. The contract has been terminated. An exercise on laundry services showed that a private laundry would charge four times the NHS cost. An examination of pharmaceutical products indicated considerable savings through producing fluids within the NHS. Consideration of sterile supply products compared to commercial alternatives showed no benefit by switching to the private sector, and reports from neighbouring authorities demonstrated that cost comparisons for complex sterile surgical packs are even more favourable to in-house production.

Both in the maintenance of medical equipment and transport vehicles technical staff and mechanics were being increased in order to save money because of the rapid escalation of manufacturers' maintenance costs and charges by local garages.

Trade union experience with a cleaning contract in a neighbouring authority—Buckinghamshire—revealed that a saving of £60,000 per annum would accrue if a domestic cleaning contract covering Stoke Mandeville and St John's hospitals were not re-let to a private contract but undertaken in-house.

The claims made in this pamphlet and similar political utterances appear to be based on rhetoric rather than any real study of comparative costs of providing services within the NHS and by private contractors. Keith Jerome.  
59-65 London Street,  
Reading,  
Berks.



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Nat Health JL



10 DOWNING STREET

From the Private Secretary

13 May 1982

Alan

We don't keep this  
sort of thing - will  
you? - Or perhaps  
Press?

Janice 13/5

Thank you for your letter of 12 May,  
in which you sought clearance for the publica-  
tion of a letter by Mr. Finsberg in answer to  
points raised by Mr. Keith Jerome of NALGO.

As I told you on the telephone this  
morning, the Prime Minister has no objection  
to Mr. Finsberg writing as proposed.

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Mrs. J.R. Walden,  
Department of Health and Social Security.

6