

U.K. explores formulas for selling public services

BY ALISTAIR MACDONALD

As it looks to scale down its debt, the U.K. government is exploring novel ways to raise cash by bundling government activities such as human resources and information-technology management into commercial companies and selling or listing the companies, said people familiar with the matter.

On Monday Prime Minister Gordon Brown announced the government would sell £16 billion (\$25.35 billion) of real estate and assets such as the state betting organization and books of student loans.

Much of this list had previously been announced, but Mr. Brown also said in a statement Sunday that the sale plan "marks the beginning of a radical program" in which his government will examine what other noncore state activities can be sold.

"This can best be done in, or in partnership with, the private sector, including potentially through new forms of public service companies," the prime minister said.

The privatization plan will include a way of selling government activities as well as assets, a person familiar with the matter said.

The idea of expanding asset sales to include human resources, IT management and other government services has been pitched to the government by Gerry Grimstone, the chairman of life insurer **Standard Life**, and Martin Read, former CEO of **Logica**, an IT-services company. The Treasury in July asked Messrs. Grimstone and Read, as well as other business leaders, to examine the privatization

process and public-sector efficiency.

Advisers want the government to consider privatizing any government activity that is also performed by private industry. The British public sector manages an asset base valued at well over £800 billion, according to the Treasury.

Activities such as human resources, finance related back-office services, real-estate management and IT can be bundled into a holding company and sold in the form of what are now being called private investment companies.

The companies, in theory, would eventually compete for contracts outside government. The government believes that, given their steady cash flows, they could be marketed to investors seeking dependable returns.

At present this is a "potential rather than an actual plan," one of the people familiar with the sales proposals said. But the move would dovetail with previous efforts by the government to tap the private sector to improve efficiencies. One example is a joint venture between the National Health Services and business-services firm **Steria Ltd** in which the two work together on business services such as payroll and accounting.

But even if a project to sell or list entire large government service functions is given the green light, the government could face significant hurdles in seeing this project to fruition, especially with a national election coming no later than next spring.

Privatizing such activities could face objections from trade unions and the Labour party's core working-class supporters.

