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10 DOWNING STREET

*From the Private Secretary*

SIR ROBIN IBBS

Capital Expenditure Contracts

The Prime Minister is concerned that there are still significant cost overruns and delays on a number of public sector construction and engineering contracts. She would be grateful if the Efficiency Unit, in consultation with other departments and the Head of the central unit on purchasing if appointed in time, could examine the evidence and consider what steps should be taken to tackle the problem. She would be grateful if attention could be given to the following:

- (i) ensuring that the design problems are thought through before the contract is let;
- (ii) ensuring that most contracts are put out to competitive tender;
- (iii) securing the best balance between initial capital cost and subsequent maintenance costs;
- (iv) whether over-specification is a common problem;
- (v) responsibility for cost control after the contract is let.

BF | The Prime Minister would be grateful if an initial report setting out the evidence and making proposals for tackling whatever problems are identified could be prepared in about two months.

I am copying this minute to Mr. Taylor (Home Office), Mrs. Lomax (HM Treasury), Miss Hodgkinson (Department of Education and Science), Mr. Reidy (Department of Energy), Mr. Mottram (Ministry of Defence), Mr. Graham (Scottish Office), Mr. Jones (Welsh Office), Mr. Ballard (Department of the Environment), Mr. Godber (DHSS), Mr. Mogg (Department of Trade and Industry), Mr. Broadbent (Chief Secretary's Office), Mr. Allan (Department of Transport) and Mr. Hatfield (Cabinet Office).

AT

(Andrew Turnbull)

JK

23 April 1985