

Prime Minister ①

At this stage you read read only Sir Robin Ibbot minute, pages 1-6, and Annex 4, though some of the case studies make fascinating reading. Agree Sir Robin talks to arm Sec to discuss handling? Agree idea of publication (at least a version) be raised?

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Yes no
PRIME MINISTER

12 July 1985

CAPITAL EXPENDITURE CONTRACTS

The Efficiency Unit has produced a quick, excellent report, which confirms the points which we identified.

One of its conclusions is a little uncomfortable, in the context of restraints on pay and Civil Service numbers, namely that penny-pinching on key staff is a false economy. Major projects require able people, probably at Assistant Secretary level, to manage them. Project managers need authority within their Departments, so that they resist colleagues' demands to tinker expensively with projects in progress.

The summary is too kind to the real disasters in the sample. Although it records the proportion of projects which over-run on cost by 10% or more, it fails to point out that all five defence equipment contracts (Tigerfish Torpedo, Seabed Operations Vessel, SP 70 Howitzer, Foxhunter Radar, Nimrod) over-ran by around 50% in real terms. This is a point which you may wish to raise with Peter Levene and Michael Heseltine later this month. You could suggest that Peter Levene identifies all major over-running projects in the MoD, and cap them by renegotiation.

On the handling, why not suggest that the report, as well as a summary of out-turn costs against planned costs, be published? This will encourage Departments and contractors to do better.

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