



10 DOWNING STREET

From the Private Secretary

1 October 1980

Dear David,

As you know, the Prime Minister had dinner last night with the Young Contractors Group.

The Group made predictable comments about interest rates, the exchange rate, the level of public spending on capital projects and in particular on infrastructure, and excessive current spending by Government and local authorities. The following less familiar points were also made:

I They argued that the tendering procedures operated by the European Development Fund tended to favour French construction companies: the Government should press for their replacement by FIDIC-type terms.

II On tendering for contracts within the EEC, they argued that the UK was the only country which stuck to the rules, while other countries - and particularly the French - were in flagrant breach of them. They argued, for example, that their associate companies in France found it very hard to understand why the recent Ipswich project had been allowed to go to a Dutch firm. It was also suggested that the French method of breaking down contracts into small parts tended to keep British companies out of France.

III They argued that more local authority highway work should be subject to competitive tendering: the current £100,000 minimum limit was far too high.

IV It was suggested that some of the spending currently undertaken by Government on infrastructure could be replaced, and supplemented, by private sector financing. The financing of roads and bridges by means of tolls was given as an example.

V It was suggested that the UK's coal requirement could be more easily met if the Government were to allow more open cast mining by construction companies: the scope for open cast mining was enormous, and we were far behind other countries in this regard.

I am sending a copy of this letter to Julian West (Department of Energy) and Anthony Mayer (Department of Transport).

David Edmonds, Esq.,
Department of the Environment.

[Handwritten signatures]
Tim Laker.

DSE

[Handwritten initials]