

MANAGEMENT - IN CONFIDENCE

Prime Minister

PRIME MINISTER

- ✓ a) You will wish to note Sir Derek's remarks in para 17 ;
- ✓ b) Content for ministers to proceed as suggested in para 18 ?
- ✓ c) Would you like me to pass on a testimonial to DOS's past service as suggested in para 19 ?

SCRUTINY OF THE DIRECTORATE OF OVERSEAS SURVEYS

1. The Minister for Overseas Development included the Directorate of Overseas Surveys (DOS) in last year's scrutiny programme at your request. WFB 12/6

2. This minute reports that the Minister has accepted the recommendations of his examining officer and that, subject to any points you may wish to make now, he will go on to implement them.

EXAMINING OFFICER AND REPORT

3. The scrutiny was conducted by Mr G A Armstrong, an Economic Adviser in the ODA. He was assisted by Brigadier G A Hardy, a retired senior official of the Ordnance Survey, acting as technical assessor.

4. The Minister, his Permanent Secretary and I regard the resulting report, produced at the modest cost of £20,000, as excellent. I am very impressed by the quality and quantity of the work done by Mr Armstrong in the time available to him.

FUNCTION AND CHARACTER OF DOS

5. DOS springs from a decision in 1943 to establish a central organisation which after the war would co-ordinate and execute the geodetic and topographical surveys required by the colonies for their development. It was set up in 1946. As Mr Armstrong says in his report, DOS staff have "made strenuous efforts to provide surveying and mapping services to the Third World" for thirty-five years, often in very difficult conditions.

6. DOS is now one of ODA's Special Units. Located on a Crown site at Tolworth, it employs some 300 staff, many of whom are skilled professionals and technicians, at a cost of

£5.4m in 1980-81. It does all the work which goes into producing maps, except air photography (private contract) and final map printing (Ordnance Survey). It also has some ancillary functions, including information, advisory and training services together accounting for only 6% of costs.

7. There is much to be proud of in DOS's record. Mr Armstrong refers for example to the quality of the technical training given; the wide acceptance of DOS in the English-speaking world as a centre of excellence; professional pride in project design; and high quality plotting.

#### DECISIONS

8. How much need there is for DOS in future and its competitiveness with the private sector are questions which have been at issue for years. There have been several earlier reviews. Mr Armstrong's analysis has now provided a good basis for choice.

9. The Minister has decided that DOS should cease to be an independent unit and that its 300 staff should be reduced to 130. This cadre could either be located with the Ministry of Defence Military Charting Establishment at Feltham or, as the report recommends, be integrated with the Ordnance Survey at Southampton, as its "Overseas Division". The Minister is consulting the Secretary of State for the Environment about the latter course, but is having some thought given to the former, which MOD support in principle.

10. An "Overseas Division" of the Ordnance Survey, which is the probable outcome, would provide ODA with advice; oversee contracts with the private sector (see below); itself carry out surveys and mapping in less straightforward cases; do some training; and provide both the private sector and overseas governments with information.

11. The reasons for this decision are, first, uncertainty about the future level of DOS's workload against the background of reduced aid programmes; and secondly, the ability of the private sector to produce maps as least 25% more cheaply than DOS and do straightforward surveys overseas as cheaply as DOS.

PRIVATISATION AND A REDUCED CADRE

12. As far as I can see as a layman, Mr Armstrong and Brigadier Hardy made a thorough and objective assessment of the competitiveness of the private sector. They concluded that standard photogrammetric and cartographic work (£2.3m, 40% of workload) was 50% more expensive in DOS than in the private sector and that overseas field survey work (£2.1m, 37% of workload) was 33% more expensive. DOS management challenged this assessment.

13. On further enquiry, the Minister is advised that the map production cost difference is "probably nearer 25% higher" as against Mr Armstrong's 50% and that overseas survey work is no cheaper in the private sector. This revised difference is still far from marginal of course and in my view well justifies the Minister's decision.

14. The report elsewhere makes it clear that DOS is not an inefficient organisation. Its low competitiveness has therefore to be attributed to high unit costs of manpower and high overheads, which are to some extent attributable to civil service terms and conditions. As it is hard to vary such factors, giving more work to the private sector must be right if the work that has to be done in support of policy can be done to an acceptable standard as well as at an acceptable price.

15. I wholly agree with the Minister however that it would be neither desirable nor possible to pass all DOS activities to the private sector. The Government does need a small, well

balanced unit to do certain jobs and in particular to place and monitor private sector contracts on a large scale. Such a unit will also enable the Government to maintain an aid operation of significant value, preserve the interests of the Secretary of State for Defence and help with the 55% run-down of the DOS by making it somewhat less severe.

SAVINGS AND COSTS

16. Estimates are still approximate. Mr Armstrong's assessment was a total annual saving of £2.3m at 1980 prices (40%) involving nearly 200 posts, at a cost of up to £1.2m. Lower estimates of the value of privatisation and higher estimates of the once-for-all cost of redundancy payments etc (£1m - £2m) somewhat affect the cost-benefit ratio but still provide substantial recurrent savings.

17. Costs and savings are not simply financial. The decision will no doubt be attacked not just by the staff, some of whom will very naturally resent and oppose it, but by others including local interests and MPs. I myself would guess that there may well be orchestrated opposition. If I may say so, therefore, the Minister is right to envisage that the new arrangements should be planned with care for and sensitivity to the staff interest.

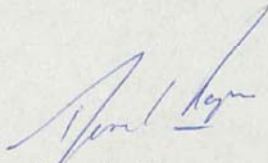
ADVICE

18. Painful as it is, I am sure that the Minister's decision is correct. It will bring to an end a long, indecisive period of review and surveys, including the "on and off" dispersal of DOS to Scotland. It will make for a good balance of effort between the Government and private contractors. Integration with the Ordnance Survey, were that course chosen, should in due time strengthen the career prospects of the staff as well as making sense in professional terms. I hope therefore that the Minister can proceed to the further consultation necessary (para. 9 above); thence to an announcement of his decision; and to preparation of plans for its implementation.

Note  
There is no  
commitment  
to disperse DOS  
jobs to Scotland.  
LM  
12/6

19. May I also say that, slight palliative as it might be, it would be fitting to recall the record of DOS's service and its achievement which I understand amounts to the mapping of some 2.5 million square miles, largely in the old Empire.

20. I am copying this to the Minister for Overseas Development and to Mr Douglas Hurd, Minister of State for Foreign and Commonwealth Affairs.

  
Derek Rayner  
12 June 1981