

CONFIDENTIAL

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NBPT
CDP
27/9.

My ref:
Your ref:

27 September 1984

Dear Norman,

FALKLAND ISLANDS — Further Capital Works

omitted
by DOE

I had not planned to intervene in this correspondence as Michael Heseltine's minute of 6 September to the Prime Minister fully reflected PSA's advice on the construction aspects of this further package of capital works.

Having seen your minute of 18 September and its implication that effective control of costs has been lacking, I can only underline the points made in Michael's note. This made clear that results of testing PSA's March estimates in the market showed a difference of only 5.6% for a programme of similar scope (which is the only fair comparison). Given the difficulty of estimating costs for a programme which in March had only been planned in broad outline, I think that this is good shooting.

The extent to which costs will be contained once work is in construction depends on a range of factors not all of which can be controlled directly. The recent Docks Strike which on the contracts already running has disrupted the flow of materials and equipment to the site quite badly, and the depreciation of sterling against the dollar (which affects the fuel and shipping costs) are two such examples.

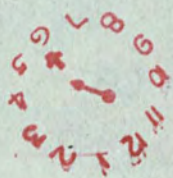
Nevertheless costs on the first contracts are still being held within the financial range covered by the original approval and I have no reason to believe that the new contracts announced last Friday will be handled any less successfully.

I am copying this letter to the Prime Minister, to other members of OD(FAF) and to Sir Robert Armstrong.

Your ever
Patrick

PATRICK JENKIN

Argentina: Defense of the Falklands K14



27 SEP 1984