

CONFIDENTIAL



File 881

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10 DOWNING STREET

From the Private Secretary

3 December 1984

Dear Paul,

The Prime Minister has noted the Minister for Housing's minute of 26 November conveying a progress report on the Mount Pleasant airfield.

I am copying this minute to the Private Secretaries of Members of OD(FAF) and to Richard Hatfield (Cabinet Office).

*Yours sincerely,
C D Powell*

C D Powell

Paul Britton, Esq.,
Department of the Environment

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WJF (4)
Prime Minister
CDP
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Prime Minister

MOUNT PLEASANT AIRFIELD: FALKLAND ISLANDS

FOURTH PROGRESS REPORT

GENERAL

1. This fourth report on the Mount Pleasant project marks the end of the first year of construction of the airfield and the impending start of work on the Army accommodation at Mount Pleasant and the military port at East Cove.

2. The last three months have been difficult. The contractor, the Laing-Mowlem-Amey Roadstone Joint Venure (LMA) had re-programmed the work and planned to put in additional resources to recover the time lost as a result of the quarrying problems (covered in the last report) and the July dock strike. This was disrupted by the second, three week, dock strike in September. Although PSA and LMA are doing everything possible to recover this further time and meet the April 1985 deadline for completion of the main runway, the prospects of success are evenly balanced.

ACHIEVEMENTS

3. Despite a particularly wet Falklands spring (October was the wettest for 40 years), LMA's achievements over the last three months have been impressive. Their labour force has been increased to 1700 and by good organisation and management, morale and output have been kept high throughout

the winter. The excavation of the main runway and apron has been completed together with about 75% of the sub-base. Surfacing has just started. The foundations, structure and cladding of the main hangar and power station are now complete and the generators have been installed in the power station. The westerly 15 kilometres of the new road from Mount Pleasant to Stanley have been constructed (out of a total of 50 kilometres). And to speed up work LMA has introduced a second team near Bluff Cove which is working from east to west and has already completed 4 kilometres of excavation.

4. The next four months will be critical. The plant and equipment delayed by the dock strike is now arriving in the Falklands and the labour force will build to a peak of 2,200 by February. If the coming Falklands summer is dry, there should be a surge in work and a good prospect of completing the main runway on time. If it is wet it will be much more difficult to recover lost time and the main runway might not be ready until the second half of May. It is too early to judge whether there will be any slippage in the February 1986 date for completion of the remaining airfield facilities.

COSTS

5. In August Patrick Jenkin reported a cost estimate of £252m - £280m. The current estimate is £257m - £280m on the same (September 1983) price basis or £273m - £296m after adjusting to September 1984 prices. This is within the range approved by OD(FAF) in June 1983 with the addition of the facilities included in the contract in autumn 1983.*

*£245m - £290m at September 1983 prices: Patrick Jenkin's minute of 18 November 1983.

6. The main explanation for the £5m increase in scope since I last reported is the need for more extensive works services for the airfield navigation aids now that MOD's requirements have been fully developed. The increase would have been considerably greater without close scrutiny and trimming back of the work by PSA and MOD.

FURTHER WORKS

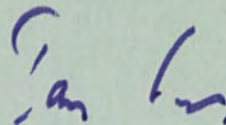
7. Following your agreement in September the contract for the first phase of the additional works package was let to LMA. This consists of items like the Joint Force Headquarters, Joint Operation Centre and Army Air Corps facilities which need to be ready at the same time as the main airfield (February 1986). LMA expect to start work on site next month.

8. The consortium of Wimpey and Taylor Woodrow (WTW) was the lowest tenderer for the remainder (and bulk) of this further package. They have been instructed to proceed and are purchasing their plant, equipment and supplies and recruiting their labour force. They expect to get their first working party out to the Falklands next month and to complete their pioneer camp ready for the first major tranche of workers in January. The programmed completion date of January 1987 still stands as does the £130m - £150m estimate for the cost of these additional works. The value of this work (the estimates above less contingencies) and the August estimate for the airfield were announced by Michael Heseltine on 21 September. It aroused little Parliamentary or Press interest.

NAO REPORT

9. The Comptroller and Auditor General published a report on the Mount Pleasant project on 22 November, which is likely to be considered by the Public Accounts Committee in February or March next year. The report generally approves the way in which this large and difficult project has been tackled by the PSA while pointing out that its cost is still vulnerable to considerable risks. Mr Gordon Manzie, PSA's Chief Executive, plans to visit the Falkland Islands and Mount Pleasant before Christmas to get an up-to-date picture of how the work is going before he is examined by the PAC.

10. I am copying this minute to the other members of OD(FAF) and to Sir Robert Armstrong.



IG

26 November 1984