



CABINET OFFICE

From the Chancellor of the
Duchy of Lancaster

Lord Gowrie

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Great George Street
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The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
2 Marsham Street
LONDON SW1P 3EB

19 November 1984

Dear Mr Ridley,

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GOVERNMENT PURCHASING

Thank you for your letter of 14 November and for your support in implementing this important report.

I noted what you said at the Prime Minister's meeting about the improvements you have introduced in your department's dealings with contractors and consultants and that these have led to better value for money. This is a useful start in making the savings we are all seeking.

I am sure also you will want to continue seeking further improvements. I found one fact in the report of the Departmental study very striking. On a sample of contracts for roads, the final costs were on average 27% higher than the tender accepted. There always will be unforeseen circumstances which increase costs above the tender price but, on the face of it, there does seem to be scope for reducing the additional expenses. Your examining officer did, of course, recommend a number of ways in which this could be achieved. I am sure you will be looking for a continuing reduction in these costs. Once the Central Purchasing Unit is established I shall suggest to them that they contact your officials direct to see what help they can offer on this.

I am copying this letter to the Prime Minister, Leon Brittan, Michael Heseltine, Patrick Jenkin, Peter Rees, Janet Young, Norman Lamont, Timothy Raison, Tony Newton, Sir Robert Armstrong and Sir Robin Ibbs.

*Laws,
Guy*

GOWRIE

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The Lord Gowrie
Chancellor of the Duchy of Lancaster
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Great George Street
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14 November 1984

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Dear Lord

GOVERNMENT PURCHASING

The action agreed at the Prime Minister's meeting on 29 October should lead to significant improvements. My Department will play its part fully.

But I must underline what I said at the meeting about the purchasing of "roads". I have introduced new approaches to our dealings with consultants and contractors designed to get the full benefit of competition in securing value for money in both new building and the maintenance of roads. I shall of course continue to look for improvements. I do not think however, that there is scope for further major savings, and the figure of £68m quoted in the report is wholly unreliable. Some aspects of the roads programme do of course involve procurement in a more conventional sense and this will be rigorously examined along with my Department's other procurement as part of the new exercise. I also said at the Prime Minister's meeting that I would expect to take advantage of any extra savings obtainable in the roads programme to build more roads.

I am copying this to the Prime Minister, Leon Brittan, Michael Heseltine, Patrick Jenkin, Peter Rees, Janet Young, Norman Lamont, Timothy Raison, Tony Newton, Sir Robin Ibbs and Sir Robert Armstrong.

Nicholas Ridley

NICHOLAS RIDLEY