

020

SMO

DIP will ~~be~~ responses from the  
and Departments AT

20/5



JU478

Prime Minister  
Agree Mr Tebbit's proposals in para 4?  
Treasury content.

PRIME MINISTER

Yes  
AT 4/6

PUBLIC PURCHASING INITIATIVE (PPI)

My Department has been reviewing progress on the PPI which we launched five years ago. The aim has been to make better use of public purchasing power to strengthen UK suppliers' competitiveness. We sought a decisive shift in policy to achieve this.

2 It now seems clear that, while good progress has been made in some areas, implementation of the PPI in Central Government has overall been inadequate. This is the finding of the MPO report on 'Government Purchasing' following a multi-department review. The same conclusion emerges from a recent survey of suppliers which my Department commissioned.

3 One reason is that purchasing has not, in general, been given sufficient status and attention. These weaknesses are now being tackled following the MPO report. Another reason may be a lack of clarity about the attitude to be adopted to British suppliers.

It is therefore worth restating our intention: wherever practicable, the public sector should use its purchasing power in such a way as to maintain or, where necessary, develop British sources of supply which are competitive internationally. This does not imply feather-bedding: successful examples in the private sector show that this policy is entirely compatible with a commercial approach.

Attorney is advising on how this can be expressed consistently with international obligations



CONFIDENTIAL

4 In view of the clear need to improve performance, I have asked John Butcher to take this forward and to see that renewed impetus is given to the PPI's practical application. Since taking over responsibility for the PPI, John has been anxious to re-launch the initiative. This must be done in the context of the follow-up to the MPO report, into which Departments are putting a lot of effort. John will therefore be having an early discussion with the Head of the Central Unit on Purchasing, once appointed, about the re-launch and will then be in touch with colleagues in other Departments. But I should like to make the following proposals now:

See  
below

a Ministers in charge of Departments to review and, where necessary, renew the arrangement whereby a Minister and a senior official were given specific responsibility for the application of the PPI within their area. Where Departments are appointing directors of procurement in line with the MPO's recommendation, these officers should also have the PPI responsibility.

b Departments to review their own progress in applying the PPI and ensure that action needed to reinforce that progress is taken alongside the implementation of the MPO report. The key questions to ask are: "How well have UK suppliers been meeting our requirements, what have we been doing to improve things, and how successful have we been?"

Negotiations are nearing conclusion with Mr Michael Willey of Shell for a 3 year agreement. MPO hope to make an announcement on 7 June, with jobs to start in early September.



CONFIDENTIAL

c Suitable monitoring arrangements to be put in place to ensure that the PPI is followed on a continuing basis and progress assessed. Again these arrangements should be integrated into the monitoring systems called for by the MPO report.

5 One important aim of the PPI is to encourage innovation. To a large extent this should happen on a commercial basis provided Departments take an enlightened view. But my Department has funds, albeit at a reduced level following the recent review of Support for Innovation, to help fund demonstration projects in the public sector which incorporate a significant degree of innovation and which would not go ahead without our support. Departments will wish to bear this possibility in mind. My Department will also use its contacts with industry to promote better knowledge and understanding of the PPI as a whole and to urge suppliers to respond positively to it and not take their public sector customers for granted.

6 If you or colleagues see a need to discuss this subject - there has been no collective Ministerial discussion of it in the past two years - I would be happy to put a paper to E(A). But, in the absence of a request to that effect, I would welcome written responses to what I have proposed.

---



CONFIDENTIAL

7 I am copying this minute to all Ministers in charge of  
Departments and to Sir Robert Armstrong.

NT

NT

20 May 1985

Department of Trade and Industry



CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

20 MAY 1965

10 11 12 1  
9 1 2  
8 7 6