

MR COLES

31 January 1984

COMPETITION IN DEFENCE PROCUREMENT

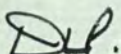
We have been following with interest the very welcome steps which the Secretary of State has been taking to promote competitiveness in the UK defence industry. I have recently attended two meetings of the Defence Equipment Policy Committee (DEPC) and it is obvious that the interest of Defence Ministers in competition is widely recognised and that the official machine is making every effort to respond to Ministers' wishes.

Nevertheless it will not be easy to change the culture of the procurement process and to introduce a more commercial approach. The attitude of the defence industries is in some cases apprehensive with the perception that there will be losers as well as winners. However, industry should welcome this development as they have much to gain from becoming more competitive, both in a national and international context.

The emphasis at the moment is on improving competitiveness within the UK contractors. Michael Heseltine also refers to the need not to rule out overseas suppliers who might offer better value for money but emphasises that the implications should be carefully assessed.

We agree with this approach. The further work which we suggested as a follow-up to the report on Essential Defence Technologies includes a closer look at the potential in this area. Any moves to a more open system of procurement in certain sectors, particularly those where economies of scale limit the scope for national competition, should also be designed to encourage greater export and collaborative opportunities for our own industries.

We shall be providing a note on this further work before the Prime Minister's meeting with the Secretary of State next week.

DAVID PASCALL