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MoD Finance Office say  
a paper is expected before  
Christmas.

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MR TURNBULL

7 December 1984

ROYAL DOCKYARDS

Michael Heseltine has failed to come forward with a long-awaited paper for E(A) outlining a plan to put outside contractors in charge of the Devonport and Rosyth Dockyards, and operate them on a competitive basis, at arm's length from the Navy.

It costs £470 million a year, and 20,000 Dockyard workers, to keep the Navy at sea. Comparisons with the private sector indicate that this is an excessive amount. Over the years, a number of reports have wrung their hands over the problems of managing the Dockyards. By the summer of this year, Michael Heseltine had a worked-up proposal, based on a report by Peter Levene, to improve matters. The delay in getting this subject to E(A), makes it necessary to come to a decision quickly, because:

- 1) Enthusiasm for the idea has developed among the management of the Dockyards; given the hostility of the unions, if the momentum is lost, it may be difficult to recapture.
- 2) Extensive planning is necessary within MOD. A decision in January is needed to allow contractors to operate from April 1987. Any further delay will deny us any cost savings within this Parliament.

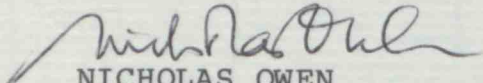
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It will be difficult to compress this timetable. MOD need to develop a new accounting system for naval refit and repair so that they can put work out to tender in a commercial way, rather than simply asking the Dockyards to "do whatever is necessary", as is the case now. Unless MOD prepares tightly specified contracts they will be taken to the cleaners by an adroit contractor, who could secure contracts with low bids and then charge excessively for "emergent work", ie defects which only become apparent once work is underway. This could nullify the whole point of contractorisation.

The prospect of adverse reactions from the labour force is discouraging Michael Heseltine from coming forward. He had hoped to slim the Dockyards down into a commercial shape by natural wastage, whereas in fact, some compulsory redundancies are likely to be required. Knowing his views on such matters, perhaps the Prime Minister should encourage him to bring this overdue matter to collective discussion.

  
NICHOLAS OWEN

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