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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
 Secretary of State for Defence
 Ministry of Defence
 Main Building
 Whitehall
 LONDON
 SW1A 2HB
 July 1984

11 July 1984

Dear Secretary of State

THE CENTRAL ORGANISATION FOR DEFENCE

I welcome the organisational changes outlined in the draft White Paper you circulated on ^{with PR} 6 July. The new OMB should improve the control and use of resources and these changes should provide a solid basis for the further clarification of responsibilities and streamlining that you propose.

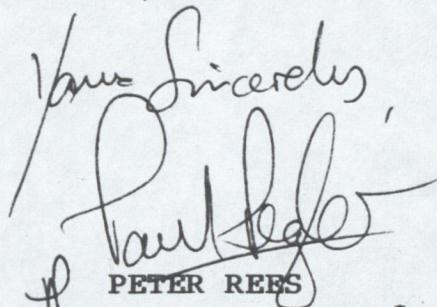
On the text of the White Paper, I would like to propose some amendments, to which I attach importance. They concern the references to procurement policy. If we are to get maximum value for money from defence procurement, and help defence exports, UK defence contractors must become more competitive internationally. Your draft para 2.4 would bring this out more positively if the last two lines were amended to read:

"resources and encourage the development of an internationally more competitive, self-reliant, and free standing defence industrial sector".

Then in 10.1 line 7 after "operational requirements", insert "value for money", and in para 11.1, line 11 after "in particular through" insert "greater international competition and through".

Finally, I hope our officials can pursue their discussions about the way the new arrangements will work out in practice, particularly at 2-star level and below and how this will affect your revised systems of financial control. In particular, I hope they will look at the implications for the role of the Principal Finance Officer of the proposed new division of responsibilities between the DUS(F) and the DUS(R and P).

Copies of this letter go to the Prime Minister, the Chief Whip and to Sir Robert Armstrong.

Yours Sincerely,

PETER REES

(Approved by the Chief Secretary
and signed in his absence)

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for Defence
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