



10 DOWNING STREET

THE PRIME MINISTER

5 November 1985

Dear Mr. Laing,

When you came with a CBI delegation in September you mentioned your concern that UK procurement practice in the hospital field reduced the prospects for British contractors to win overseas work. I told Norman Fowler about this.

There is of course usually more than one factor underlying failure to win an overseas order, but I do want the Government to do everything it can to help. We are removing central controls over health authority capital building contracting methods from the beginning of next year. In changing standing guidance in this field, the DHSS will urge health authorities to bear in mind the need to help contractors to strengthen their export performance. However, as I am sure you will understand, the health authorities must in the end decide on contracts according to their needs and the cost of what they are offered. Contractors wishing to offer design and build and other package deals will need to show their potential customers in the UK that it is in their interest to select such methods. But I hope that the abolition of central controls will help.

DHSS officials are in touch with the Export Group for the Construction Industry and have offered a presentation on the changed NHS procedures and the opportunities that these offer to the industry. Further suggestions may come out of the discussion then. But if there is more you think DHSS can do, I am sure Norman or Barney Hayhoe would be very willing to explore this further with you.

Yours sincerely  
Margaret Thatcher

Martin Laing, Esq.

JA

J. M. K. LAING  
JOHN LAING plc  
PAGE STREET, LONDON NW7 2ER  
01-906 5600

7th November 1985

The Rt Hon Margaret Thatcher MP  
The Prime Minister  
10 Downing Street  
London W1

cc Elizabeth ~~Thatcher~~ ~~MP~~  
DHSS

and per pr.

DES  
12/11

Dear Prime Minister,

Thank you very much for your letter of  
5th November.

I am pleased to note that you are removing  
central controls over health authority  
capital building contracting methods from  
the beginning of next year and I will therefore  
be having discussions with Health Authorities  
about varying their contracting methods.

May I write to you again after some of  
these discussions have taken place.

Yours sincerely

John Laing.

J M K Laing



NAT HEALTH: Expenditure: P&S.

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NATIONAL HEALTH SERVICE  
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cc 36



## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

Alexander Fleming House, Elephant &amp; Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

DN

David Norgrove Esq  
Private Secretary  
10 Downing Street  
London SW1

*Dear David**1 November 1985*

## DESIGN AND BUILD OF HOSPITALS

Thank you for your letter of 14 October.

We agree that it would be worthwhile writing to health authorities asking them to bear in mind the need to help contractors in strengthening their export performance when awarding contracts for major health building projects. We would propose to do this within the next month or so when we issue the revised standing guidance on NHS building contract procedures which will cover the relaxation of central controls. This would have the advantage of associating it permanently with the standing code of guidance.

Health authorities will continue to see themselves as under a prime obligation to select the form of building contract most appropriate to their own needs - normally judged by what is the best financial deal. If, therefore, design and building contracts are to increase in the NHS to a significant degree, it will be necessary for those contractors who offer such services to demonstrate to health authorities that they are the contract of choice. To help get this message across, we have offered the Export Group for the Construction Industry a presentation of our changed procedures and the opportunities they offer to contractors.

I attach a draft letter for the Prime Minister to send to Mr Martin Laing.

Copies of this letter go to Richard Broadbent (Treasury), Robin Young (DoE) and John Mogg (DTI).

*Yours sincerely**Elizabeth*

ELIZABETH MOTHERSILL  
Private Secretary

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DRAFT LETTER FROM PRIME MINISTER TO MR MARTIN LAING

DESIGN AND BUILD OF HOSPITALS

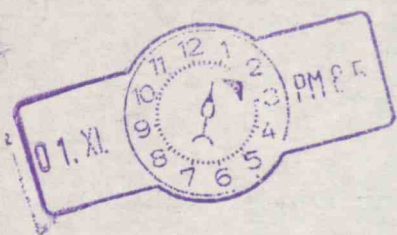
(The CBI  
should have  
his address if  
we don't.)

You spoke to me last month about your concern that UK procurement practice in the hospital field reduced the prospects for British contractors to win overseas work. I have explored this with Norman Fowler.

<sup>Of course</sup>  
~~I think that~~ There is <sup>more</sup> than one factor underlying our failure to win more overseas orders, but I agree that the one you cite is relevant. We are removing central controls over health authority capital building contracting methods from 1 January next. In making the necessary changes to standing guidance in this field, we <sup>shall certainly</sup> ~~will~~ urge health authorities to bear in mind the need to help contractors to strengthen their export performance. <sup>However I am sure you will understand that</sup> ~~Health authorities must however continue to have a prime responsibility to decide on contracts according to their individual needs and to the financial terms attached to them. It must therefore be for~~ <sup>with what they are offered</sup> ~~Contractors~~ wishing to offer design and build and other package deals <sup>will need</sup> to show their potential customers here that it is in their interest to select such methods. But I hope that the abolition of central controls will ~~be of~~ help. DHSS officials are in touch with the Export Group for the Construction Industry and have offered a presentation on the changed NHS procedures and the opportunities that these offer to the industry.

~~If there is more you think DHSS can do,~~  
~~Norman or Barney Hayhoe~~  
I am sure ~~Norman~~ <sup>Barney</sup> would be very willing to explore this <sup>further</sup> with you.

or Barney Hayhoe



NHS: Expenditure PLS





10 DOWNING STREET

*From the Private Secretary*

14 October 1985

## DESIGN AND BUILD OF HOSPITALS

The Prime Minister has seen your letter to me of 11 October. You reported there your agreement that it might well be helpful to British firms in export markets if they could gain further experience of design and build and similar systems in the home market. She has asked that DES should write to health authorities, now that it is open to them to select forms of contract, urging that in taking their decisions they should bear in mind the need to help contractors to strengthen their export performance. There may be a case for DHSS with other Departments to bring together guidance for health authorities on this aspect. The Prime Minister would be grateful for a draft letter which she could send to Mr. Martin Laing when DHSS have written to health authorities.

I am copying this letter to Richard Broadbent (HM Treasury), Robin Young (Department of the Environment) and John Mogg (Department of Trade and Industry).

(DAVID NORGRIVE)

Miss Elizabeth Mothersill,  
Department of Health and Social Security.





## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

Alexander Fleming House, Elephant &amp; Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

David Norgrove Esq  
10 Downing Street

Pamela Thurst

Agree:

- Yes (i) DHSS should write to Health Authorities asking them to take expert needs into account;  
(ii) ask for a letter for you to send to Martin Laing when DHSS have done this?

Dear David

DESIGN AND BUILD OF HOSPITALS

DHSS

11/10

at your meeting with the CBI.

Thank you for your letter of 13 September about the point made to the Prime Minister by Mr Martin Laing.

The construction industry have argued before that they are handicapped in competing for hospital building contracts overseas by the lack of opportunity in the UK market for them to operate "design and build" and other forms of package deals. Nor is this point confined to hospital building. It is common practice in many sectors here for the design and build stages of major building projects to be undertaken by separate organisations.

Our view is that there are several factors which may tend to operate against British construction firms in certain overseas markets. These include the financial basis ("soft" loans) from which some competitors operate, problems of competing with countries which have much lower labour costs, and, let it be said, the very high levels of efficiency achieved by some foreign, eg Korean, firms.

Returning to the issue of design and build, it is of course open to British firms within the industry to form consortia to be better equipped to compete in the "package" field. This said, we agree that it might well be helpful to British firms if they could gain further experience of design and build and similar systems in the home market. Some small assistance towards this will flow from the abolition, from 1 January next, of Departmental controls over the forms of contract used by Health Authorities for major building. From then it will be open to Health Authorities to select the form of contract most appropriate to their circumstances, and open to the construction industry to seek to sell to the NHS its full range of services. We will take steps to notify the construction industry of this change, but, as I have said above, it is only one component of a wider issue.

Copies of this go to Richard Broadbent (Treasury), John Ballard (DOE) and John Mogg (DTI).

Yours sincerely

Elizabeth Mothersill

ELIZABETH MOTHERSILL  
Private Secretary



National Health; Efficiency; P+5-





10 DOWNING STREET

From the Private Secretary

13 September, 1985

DESIGN AND BUILD OF HOSPITALS

At a meeting yesterday with the Prime Minister, Mr. Martin Laing, Chairman of John Laing referred to examples where UK practice seemed to reduce the prospects for British companies to win export orders.

One example he gave was that (if I have understood him properly) in other countries the contractor is often expected to design hospitals as well as build them, whereas in this country, in the public sector, design is done by a different company from that of the contractor.

The Prime Minister would be glad to know how much substance there is in Mr. Laing's example and, if there is substance, how UK public sector practice might be changed to strengthen the position of British contractors.

I am copying this letter to Richard Broadbent (HM Treasury)

(David Norgrove)

Miss E. Mothersill,  
Department of Health and Social Security.

C/F CC DW  
Reg  
of Mothersill  
duplicate  
✓ a BT  
DBE

EP



Martin Laing, Esq.,  
Chairman,  
John Laing, plc,  
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01-906-5600

He is Chairman of the  
CBI Export Promotion  
Committee