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1) FERB Good idea: we should clear with Mr. Heseltine.  
2) Prime Minister FERB  
Agree to all

PRIME MINISTER

4 July 1985

Yes Mr

MEETING WITH PETER LEVENE

Mr Levene before the summer break? M

Peter Levene discussed progress on defence procurement today with John Redwood and myself.

So I will arrange it through the defence Levene's office.

It is clear that he has established his own style at the MoD, for example, by refusing to sign over his spending authority to the Service Controllers.

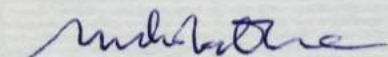
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4/7.

It looks as if he on the way to capping the run-away AEW Nimrod expenditure, in a novel way - payment only on delivery of a working product. There would be no further MoD expenditure on this project unless and until the equipment works to Mod's satisfaction. GEC, and not MoD, will now be on risk with this project. Lord Weinstock was apparently taken aback by this proposal, but accepted it nonetheless.

A high percentage of new contracts are being let on a competitive basis. In evidence to the PAC, Peter Levene said that this approach could lead to a 'double figure' percentage saving in the equipment bill within five years, ie £800 million.

Peter Levene has had a bad time in the press and in the House. Part of this hostility originates, one suspects, from one or two major defence contractors, who sense (correctly) that value-for-money for the taxpayer threatens a cosy life for them.

Could I suggest that you meet Peter Levene? It would be encouraging for him to relate, and for you to hear, how he is setting about his task.

  
NICHOLAS OWEN

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