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Your reference

Our reference

Date

25 October 1984

*Dear Mr Harris,*

**BLOOD PRODUCTS LABORATORY: REDEVELOPMENT**

Thank you for your letter of 1 October to my predecessor, Jeremy Colman.

We were extremely alarmed at the appalling scale of the cost overrun on this project, described in your letter. It is surprising, to say the least, that it has taken this long to come to light. I should be grateful if you would inform us in detail as to why there have been design changes amounting to £10m since the feasibility study was carried out, given that approval of the original budget cost estimate was only for £21.1m: and also for an explanation as to why neither we nor (it appears) you were consulted again when the CBLA considered these design changes.

We should also like to know why the additional support services, which now entail an extra £3.45m on the capital cost, were not included in the original option appraisal, given that the CBLA were fully aware of the need for them from the outset.

Given the terms of the contract for this scheme, there may be little that can be done at this late stage to reverse the cost overrun. Nevertheless, I must say that a contract in which design fees are set as a percentage of total costs seems to me to invite cost overruns. I should be grateful to know whether you are considering the possibility of legal action against MHN (or other sanctions, eg refusal to consider them for any future contracts).

It appears from the reappraisal attached to your letter that continuation in line with the new design - whose revenue costs are some £4m lower than in the original design - would probably be the best option now available. The reappraisal does not explain, however, why the revenue costs should be so much lower

than the original nor why the original option appraisal did not pick up this apparently preferable design option.

We obviously need to get a good story on this whole matter because there could be PAC interest in it at some point.

*Yours sincerely,*

GRO-C

J G PEET

PS Incidentally, we do not appear to have a copy of Tony Goldman's letter of 27 April 1982 on our files. I wonder whether we might trouble you to let us have a copy?