

The Prime Minister
10 Downing Street
London
SW1A 2AA

23 June 2011

GOVERNMENT PROCUREMENT AND UK INDUSTRY

Public procurement of goods and services provides a strong impetus to strategically important industries. Often the impact of a large procurement order can flow beyond the direct recipient of an order and into the wider supply chain. We need to ensure that we manage our public procurement and investment programmes so as to sustain a competitive supply base that can meet the UK's strategic needs cost-effectively over the long term.

There is a perception that other EU countries appear to manage their public procurement processes with a sharper focus on domestic supply chains than we have hitherto. We would like to suggest that we use the second phase of Growth Reviews to explore more fully the opportunities for us to take a strategic approach to large-scale public procurement, as we are already looking to do with infrastructure.

The Growth Review is a good vehicle for this as it is a proven model for cross-Departmental working and cooperation, and for considering the role of the wider public sector in promoting long term growth.


The UK public sector will of course continue to operate within European procurement law and the Public Contracts Regulations 2006 which requires equal, non-discriminatory and transparent treatment of bidders. This is crucial to maintaining a fair and level playing field for companies bidding in the European market, which remains the biggest market in the world. But there is an issue as to whether in our own procurement compliance the right balance of risk has been achieved in the past.

In that context the current phase of Growth Reviews should examine what more we can do to improve the business environment for companies competing for Government contracts. This should include ensuring we continue to follow international best practice in procurement, examining how other Member States operate and respond to the OJEU process; whether the UK is making best use of the application of the EU procurement rules; what can be done to support commercialisation of public investment in science and R&D through the public sector acting as a first customer for innovative products and services; and the role of LEPs working with Local Authorities to demonstrate how procurement can support local economic growth

We are copying this letter to the Deputy Prime Minister, the Chancellor and the Minister for the Cabinet Office and Paymaster General.

A handwritten signature consisting of a simple, curved line that forms a shallow 'U' shape, representing the name Vince Cable.

VINCE CABLE

A handwritten signature in cursive script that reads 'Philip Hammond', with a horizontal line underneath the name.

PHILIP HAMMOND