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DUS/6/0332

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Mr Blythe

FUS

You will find the of interest

Works Division we have been to try

and complete the police station and

I support the proposals they have made

even though there will be substantial

extra costs. But a price has to be paid

for defeating terrorism.

WED 8/6/77

- Copy to:
- PS/Mr Dunn
 - Mr Kidd
 - Mr Bell ✓
 - Mr Waterfield
 - Mr Stephens
 - Mr Ford
 - Mr. Wightman
 - Mr Cromey
 - Mr Innes
 - Mr Buxton
 - Mr Lawrence

Mr. Anderson

- you will wish
to see from the ex-
gotic point of view
pl. speak.

Mr. Green.

DUNGANNON RUC STATION

1. In my minute of 24 March I mentioned the interruption of work on the new Police Station at Dungannon and the likelihood that new financial arrangements would have to be negotiated with the contractor. These have taken rather longer than I had hoped but I now attach at Annex a full report on the implications of proceeding with or stopping the work.
2. You will see that the only possibility of making progress lies in the renegotiation of the existing building contract. No possibility is foreseen of engaging the interest of other contractors from Ulster or from Great Britain. The Army cannot help with the construction work although they and the RUC have undertaken to pay special attention to the security of the site if and when work restarts.
3. If we proceed on the basis of a renegotiated contract the further cost could well be £0.5 Million to £0.6 Million over and above the £0.35 Million which has already been spent. Although this would represent an increase of some £0.2 Million over presently approved costs, there should be room for this additional spend in this year's Estimates and in the PESC costings.

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Even so, the Principal Finance Officer has reservations about continuing with the building under the terms now proposed for the reasons given at paragraph 10 of the Annex.

4. Over and above the "Accounting Officer" difficulties there can, of course, be no guarantee that the building will be completed even under the contract arrangements now proposed. Frustration of the building could well be a prestige objective of the PIRA and although one or two key members of the workforce are said to be keen to restart the work, intimidation might well be brought to bear against the rank and file.

5. However, for the reasons given at paragraphs 12 and 13 of the Annex, I believe that we should now encourage the contractor to press forward so that he takes full advantage of the longer days and more favourable weather. Under the terms of the renegotiated contract, progress would be reviewed after three months when a decision could be taken, in the light of experience, on whether to continue or to abandon the work. If the latter course were chosen then there would be unprogrammed cost totalling about £0.2 Million in respect of termination charges together with extending accommodation for the existing Police Station. But the financial implications of a further three months work on the half constructed building would not be all that significant.

6. I therefore propose that we make an early approach to the Treasury for approval to renegotiate the building contract on the cost plus basis now proposed. This would be justified as the only way of making progress with a project whose future will be seen as a token of our earnest to re-impose respect for law and order in all parts of the Province.

8 June 1977

A A PRITCHARD

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THE NEW RUC STATION AT DUNGANNONINTRODUCTION

1. Over three years ago it was decided that the existing RUC station at Dungannon was inadequate for foreseen police requirements. Office accommodation was becoming cramped; living accommodation was inadequate; there was insufficient space for essential training; and secure cells and interview rooms were lacking. It was therefore decided that a new Station should be constructed slightly away from the Town Centre on a site forming part of a complex of Crown buildings.

BACKGROUND TO EXISTING CONTRACT

Small number

2. Tenders were originally invited for the project in May 1974 (on a fully pre-planned and documented basis) from a select list of four firms. Of the firms invited, two subsequently withdrew their tenders before the closing date, and a third went bankrupt. It was considered by the Department of Finance Works Division that re-tendering was unlikely to produce better results, and since the only tender received was within the approved estimated cost range, the contract was awarded to J. Sinton Ltd, on the basis of a quoted price plus a variation clause.

THE PRESENT POSITION

3. Building on the project started in December 1974 and is now just over the half-way mark. After a number



of stoppages following intimidation, a small bomb explosion and a shooting incident, work finally came to a halt last October and has not been resumed since.

4. Following the first incidents of intimidation, the contractor approached Works Division of the Department of Finance and the Police Authority and suggested that the contract should be determined. It was agreed then that every effort should be made to keep the work in progress, and in January 1976, with Treasury approval, authorisation was given to the partial postponement of sections of the work and the meeting, within certain limits, of the direct consequential losses incurred by the contractor. The contractor has never been able to bring the contract into profitability and up to 4 May 1977 direct loss payments amounting to £36,238 have been made. Treasury have imposed a ceiling figure of £40,000 for these payments, which at the present rate of payment (about £550 per week) will be exhausted in July.

5. As the building stands it is useless, but there is a possibility that it could be completed to a reduced level which would render workmen less exposed to attack. The original plan was for two storeys in one wing and three storeys in the other. The proposal is that an effort be made to complete both wings to a height of two storeys. Should the situation improve consideration could be given to adding the third storey.



THE PROPOSED NEW CONTRACT ARRANGEMENTS

6. The Department of Finance Works Division advises that no other contractor would be interested in completing the new building, either by lump sum contract or on a prime cost fixed fee basis. Further, any such soundings of the market would lead to Sinton's withdrawal from the scene. However, it seems that quite apart from financial considerations, Sinton is motivated in favour of completing the job if at all possible. The contractor thinks he may be able to engage a sufficient work force, provided he can offer attractive financial inducement. Since there is no guarantee that there will not be a further stoppage, he would only be prepared to consider trying to complete the work under a re-negotiated prime cost contract with variable percentage on-costs added for labour, materials etc. He would not accept a prime cost fixed fee contract.

7. The main terms of the proposed new prime cost contract would be as follows:-

a. it would be regarded as a "variation" of the existing contract. In the event, therefore, of a further shut-down, compensation would be payable under the terms of the original contract;

b. % on-costs would be of the order of

labour	150%
materials	25%



nominated sub-contractors	5%
other	12½%

c. plant, normally paid for on a usage basis, would be brought on to the site, on a weekly basis, by agreement with the Clerk of Works and paid for whilst on site;

d. a determination clause would be built into the contract;

e. about 50% of the work outstanding would be carried out by sub-contract and this would be done on a competitive basis;

f. the contract would be carefully monitored monthly by Department of Finance Works Division and progress would be further critically assessed at three monthly intervals.

FINANCIAL IMPLICATIONS

8. The original contract awarded to Sinton in 1974 was valued at £484,300; allowing for normal VOP increases, the value at to-day's prices is in excess of £600,000. The value of the work completed to date is of the order of £300,000 (this excludes £36,000 paid to Sinton in respect of direct loss payments). The Department of Finance Works Division assess the likely cost of completing the outstanding work on a prime cost type of contract as between £500,000 and £600,000. This represents an increase of some £250,000 over presently approved costs. If approval to proceed were given, no real problems are foreseen in



containing this excess within the overall Estimates and PESC provisions for Section J.

9. If the existing contract were to be determined and completion of the building deferred until a later date, the compensation which would be payable to the contractor has been estimated by Department of Finance Works Division at between £35,000 and £40,000, plus approximately £26,000 for sealing the present structure.

10. The Principal Finance Officer is firmly of the opinion that any decision to renegotiate a new type of prime cost contract with Sinton for completion of the building must recognize:-

a. the additional likely costs which will arise (£250,000);

b. the likelihood of further intimidation arising;

c. the new type of prime cost contract is open-ended and offers no real incentive for the contractor to achieve timely completion;

d. the high percentage on-cost for labour - it is normally under 100% - caused by making due allowance for possible interruptions in the progress of work and inducements to a labour force working in the face of intimidation in the form of environmental bonuses;



e. the consequences of paying 'over the odds' by renegotiating an existing contract on terms more favourable to a contractor which could have repercussions on other law and order building projects;

f. that Treasury approval would need to be sought before we could proceed.

IMPLICATIONS OF FAILURE TO CONTINUE

11. It is fair to say that the operational justification for the new building is less strong than it was.

Secure cells and interview rooms which will serve the area are in process of being provided at Gough Barracks, Armagh. Additional accommodation could be provided by acquiring and adapting empty Bank premises next door at an estimated cost of about £130,000.

12. However, the political dimension must be considered. The site is idle, and the reason for this is well known. The station is half-built and stands as a symbol of victory of PIRA intimidation over the security forces. Government must be seen to face up to the challenge of terrorism. The psychological implications of total submission within the local community, and indeed outside it, would be unfortunate, especially at a time when the emphasis is on more effective security measures. Not to be able to complete the building of a police station of all places would be the wrong kind of propaganda.



13. If we abandon the project it is virtually certain that we shall be faced with parliamentary questions on the subject, as in the case of the postponed building of the new RUC station at Lurgan. Building there had not started and we justified the postponement by presenting it as a re-allocation of resources to meet the cost of the purchase and adaptation of Gough Barracks, and in doing so stretched credibility quite a bit. We simply could not take the same line again, especially in the case of a station which is half built. In short, we should have little alternative but to make a public admission of defeat.