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E(80)90

5 August 1980

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

COMPUTERISATION OF PAYE

Note by the Central Policy Review Staff

1. The earlier note by the CPRS (E(80)70) included a summary of the main arguments for and against a single tender to ICL. A slightly up-dated version (taking account of the CCTA assessment) is attached.
2. There is no doubt that arguments of common commercial prudence point towards an open tender.
3. But these have to set against the potential damage to ICL and the new slant to public purchasing policy endorsed by Ministers earlier this year under which value for money in important areas needs to be assessed against the wider interests of UK industry. The damage to ICL, if they do not get the job, cannot be quantified, but the Secretary of State for Industry (and ICL) argue it would be significant. There are also political pressures which would arise if the contract did not go to ICL. Only Ministers can decide the weight to be attached to the arguments for ICL.
4. The CPRS agrees with the Lord President's view that further detailed probing of ICL proposals (by an independent assessor or otherwise) would be unlikely to provide a better basis for decision than the CCTA assessment. The essential difficulty is that any answer has to be weighed against the unquantifiable arguments in paragraph 3 above. The CCTA assessment indicates that the significant risks are of delay and shortcomings in performance rather than of major breakdowns or failure to do the job at all. If the contract went to ICL, the Revenue and the Company (preferably with Logica or a similar system house fully involved) would need to review both ICL's proposals and the

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Revenue requirement to see in what way they could be modified to mitigate some of the risks involved.

5. The CPRS recommends that Ministers, after weighing the arguments, should reach a decision now since it is unlikely that further enquiries can help significantly to resolve the issue.

Cabinet Office  
5 August 1980

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The Main Arguments

(up-dated in the light of CCTA's assessment)

The case for single tender to ICL

Industrial policy:

ICL's prestige, and future business, particularly exports, will be damaged unless they get the job.

ICL's success with big projects requires big project experience.

No other country with such IT capability (viz. USA, France, Germany or Japan) would now place such a Government contract abroad.

Opportunities to support our IT industry in this way will be constrained from 1 January 1981 by the EEC Supplies Directive and the new GATT procurement code.

Risk assessment:

There will almost certainly be additional delay with ICL (about a year according to CCTA) but this must be assessed against the likelihood of some delays whoever supplies a project of this complexity.

It is accepted by ~~the~~ CCTA that, given time, and subject to the risk of some shortcomings in performance which could if necessary be tolerated, ICL can do the job.

Political repercussions:

ICL is seen as the national company and the Government will be criticised if it does not support it.

If major project problems were to arise following open tender, then adverse criticism for not going to ICL would be severe.

The case for open tender

Risk assessment:

There is less risk that the project would not be successfully completed within the contract cost and schedule.

Each year's delay costs £40 million in postponed staff savings (8,000 staff).

Performance of the system is likely to be somewhat higher.

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**Price:**

Open tender will bring out the lowest acceptable bid.

**Industrial policy:**

Some foreign suppliers could add more UK value than ICL, and/or provide more opportunity for other members of UK IT industry.

ICL has not been notably successful in exploiting its preference hitherto, and its potential export benefits from this order may be overstated.

**Political repercussion:**

Moratorium on major tax changes is likely to be shorter.

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