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Qa 05101

To: MR LANKESTER

From: J R IBBS

Computerisation of PAYE

1. The CPRS has put in a short collective brief which up-dates its previous listing of the main arguments. This points out that the factors to be balanced on either side are difficult to quantify and suggests that they are unlikely to be significantly clarified within reasonable time by further investigation.
2. My view on the issue itself is that however much the limitations of ICL are re-assessed, ICL will remain clearly a second best supplier. My experience tells me that it is unwise on a complex high technology project to choose a supplier who is not among the leaders and who does not have actual experience of successfully producing and commissioning the equipment and system. It is not sensible to be the victim of a supplier's 'first time' unless there is an associated chance that if he is successful he and you will have leapt ahead of the competition. There is no potential bonus of this kind in this instance. Indeed, at best there would still be some operational penalty compared with what open tender should provide.
3. I am not even convinced that it is necessarily right for ICL to attempt this project, but I realise that many would disagree with me on this. However, if their competitors have established a wide lead with experience of projects of this kind it may be that ICL should be seeking other application sectors in the broad and rapidly growing market for computer equipment where they (either alone or with software associates) can gain a lead and hence the rewards that this can give. Even with the PAYE project ICL would not actually catch up with the competitors although the gap should be narrowed.
4. I realise that all these arguments which are summed up in a short sentence in paragraph 2 of the CPRS note have to be weighed against those relating to procurement policy and the political implications. However, I can say that the technical and commercial arguments against going to ICL look strong to me.

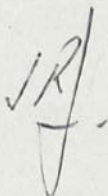

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5. It seems clear that the choice of ICL, even without subsequent unforeseen problems, would involve a substantial financial penalty due to delayed savings, a higher purchase price and some lower level of operating efficiency. The total cannot be precisely assessed but the cost of a year's delay alone has been put at £40 million. Such a sum is large in the context of steps now being taken to keep down public sector spending.

If there is in effect a willingness to envisage 'subsidising' ICL by bearing an extra cost of this magnitude, surely there must be alternative ways in which the Company could be given substantial help and without spending so much.

6. The damage done to ICL if they are not preferred would depend considerably on how the decision was presented. I would have thought that much could have been done to mitigate this if full play were made of the need to conserve public funds and to avoid delay in introducing important administrative and tax improvements, particularly if it were accompanied by positive support for ICL in some other way.

7. I am sending a copy of this minute to Sir Robert Armstrong.



6 August 1980