

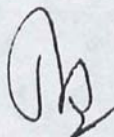
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Policy UnitPRIME MINISTERINTERNATIONAL COMPUTERS LIMITED

Original
returned to
J. Hoskyns.

1. The first thing is to get some more background information:
 - (1) How many people does ICL employ and where? How big a cutback has already taken place? In which areas of the business?
 - (2) How much of the problem is due to the exchange rate? What would their cash position be, had the pound followed a different trajectory?
 - (3) How much of the problem is due to sudden collapse of UK demand? From my own experience, computer industry demand can collapse very suddenly as it did in 1972.
 - (4) Ken Baker says that the ICL Board accepts that the Government does not have an independent future. Is this the conclusion of ICL's own strategic planning? Or a panic reaction to the cash crisis?
 - (5) The CSD scenario (paragraph 4 of Ken Baker's minute) may be alarmist unless there is precipitate receivership. If someone buys ICL, the customer base is the crucial part of what he buys. He wants its cash flow in the short term, its goodwill for his own products in the long. Much depends on whether the buyer's hardware/software is compatible with ICL's. Is this the case with, for example, Sperry Univac and Hitachi?

2. ICL raises a more general question about Government involvement. All Governments are forced to intervene in crisis situations from time to time. We could have taken the position that we would never do so in any circumstances, though I don't think that that would have been right. In any case, that position is no longer tenable. What we do need is a position of "coherent pragmatism". Given limited funds, to which industries do we provide terminal care because they don't have a future? Which growth industries should we favour (as on PAYE for ICL) and help in real emergency? Regardless of who owns the shares, it seems to me very difficult to let ICL go, for want of £70m, after the help we have given to BL and BSC.



JOHN HOSKYNS