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cc. Mr Wolfson
Mr Hoskyns.

Prime Minister.

This does not require any immediate decisions.

10.11.

PRIME MINISTER

FUTURE OF ICL

In the light of the discussion on Tuesday at E Committee, I think our colleagues should be aware of the likely consequences for the Government's computing, if an orderly solution is not found to ICL's problems.

Largely as a result of the procurement policy, the Government has some 200 ICL computers; some 70% of the Government's large computers come from the company and almost all our major computer systems, for example in DHSS, Inland Revenue, Customs and Excise and the Ministry of Defence, use them and they are an integral part of the operations they support.

ICL are responsible for the maintenance of the hardware and software of these machines; if this breaks down large areas of Government business will be in severe jeopardy. The maintenance operation is large (it costs us almost £9 million a year) and specialised; there are some small firms specialising in maintaining computers made by other firms, but they could not quickly absorb what ICL now does.

Our computer needs are constantly increasing; and we frequently need enhancements and new computers to expand existing systems. They have to be compatible with what we have; and this means they must come from ICL. For example extra computers are on order from ICL to cope with the taxation of unemployment benefits; without them we shall not be able to begin taxation and DHSS could have some problems in coping with the payment of benefits if the number of unemployed grows as is forecast. There will be other problems of the same sort.

We have some 24 large computers (excluding a further 47 for PAYE) at present on order from ICL; most of them are to replace existing machines at the end of their lives. CCTA are examining urgently with departments what the consequences of non-delivery might be. At best we should have to face the increasing unreliability of aging machines, but there may well be more serious problems.

Finally we are putting up some new systems on ICL computers; PAYE, and Camelot are examples. We shall face serious delay (including in staff savings) if we have to redesign the systems to run on other machines.

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However ICL's problems are solved, we seem likely to face some of these difficulties. I judge it likely that ICL's large 2900 range will not survive and this will face us with large conversion costs (perhaps some £150 to £200 million) and delays in new systems. But most essential is to secure the maintenance of our existing computers for at least long enough for an orderly transition - perhaps 5 to 10 years - and the delivery of at least the most urgent of those machines already on order. We shall also need to look carefully at any question of new orders to ICL (of which fortunately none seems essential before the end of March) until the situation is clearer.

I am copying this to all our Cabinet colleagues and Sir Robert Armstrong.

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SOAMES

9 February 1981