

4 March 1981

Policy Unit

SECRET

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PRIME MINISTER

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Ken Baker rang me today to give me advanced warning of ICL developments. The position is as follows:

1. There are three potential bidders, in order of likelihood and suitability: Sperry Univac, [Control Data Corporation,] Fujitsu.
2. ICL Directors are a bit jittery, have been taking advice about their personal positions. There is a lack of confidence in the City for obvious reasons.
3. Total overdrafts are about £110m, but only about £10m of this is with the home clearers. The main exposure of £100m is overseas and ranks lower down in the debt queue.
4. The clearers would help with financial support provided there are Government guarantees. Industry has been talking to the Treasury about Government guarantees to the extent of about £50-£100m, callable in 1984. Total cash requirements, which would be covered by such support, will increase from the present £100m to about £180m between now and the end of ICL's financial year at the end of September this year.
5. If the company went down the tubes, there would be serious problems for the customer base, including all Government installations using ICL equipment; the UK clearers would, as already mentioned, only lose about £10m, but there would be about £100m overseas; ECGD would lose about £120m.
6. It is likely that ICL will be approaching the Government for bridging guarantees on these lines within the next day or two.



JOHN HOSKYNS