3rd July, 1980

Thank you very much for your letter of 25th June,
together with its enclosures.

I was particularly interested to read your speech,
and I congratulate you on it.

I am very glad to know that you will be discussing
this further with Keith, and I have asked him to
let me know the result of your talk with him.

As you realise, the whole area of Information Technology
is one in which Keith and I have a special interest.

Kenneth Baker, Esq., M.P.

June 25, 1980

The Rt Hon Mrs Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

Dear Margaret,

I enclose a copy of an article which appears
in the Daily Express today, following your visit
to the Companies in Marylebone.

I also enclose a copy of the speech I made last
week containing views on what we ought to do as
a Government, in this area.

I believe passionately that we have a lot going
for us, but as the Americans say, 'we have to get
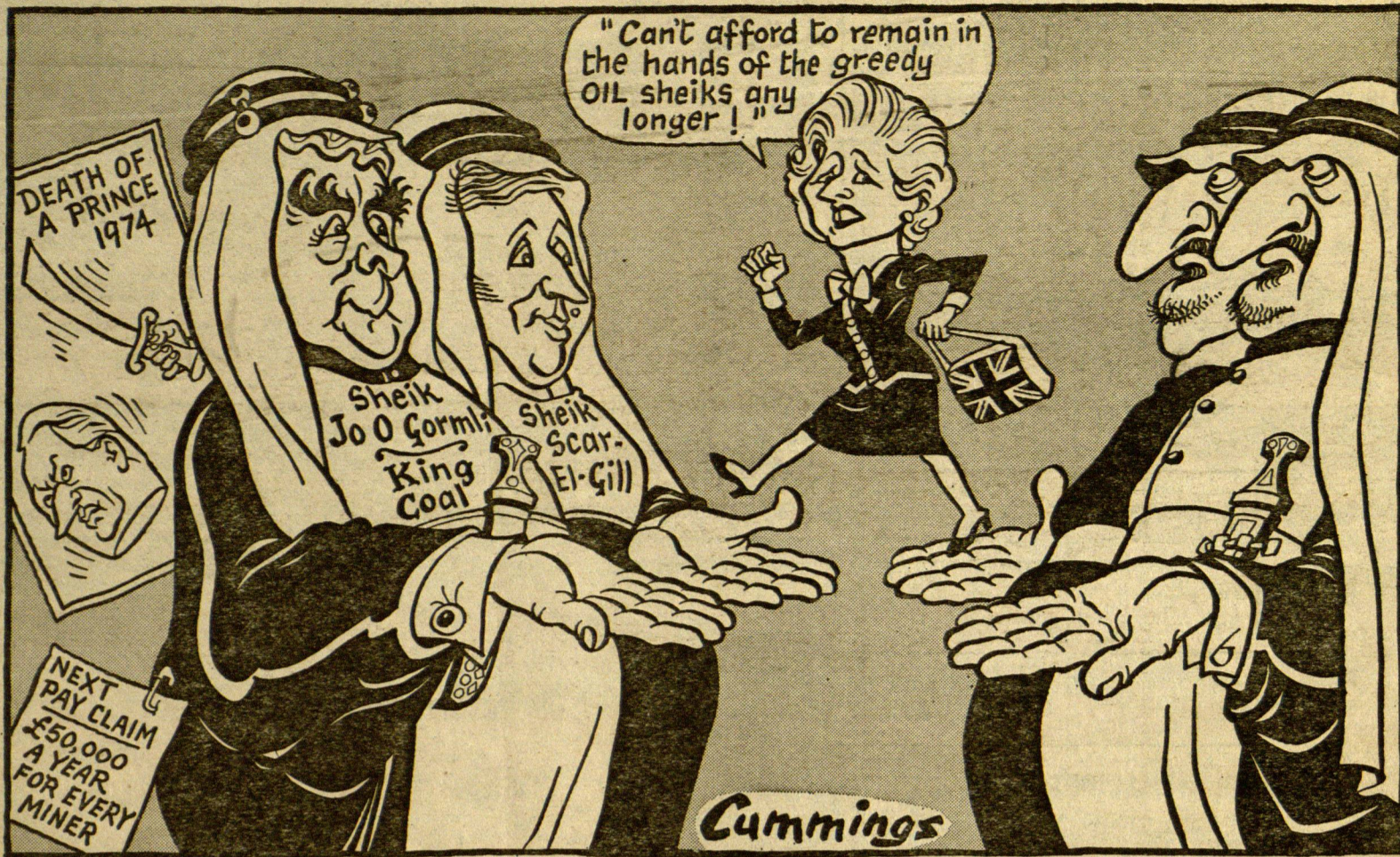our act together".

I have, of course, sent a copy of my speech to
Keith, and will be discussing it with him later, and
I sent a copy to Ian Gow as well.

Yours ever

Kenneth

KENNETH BAKER, MP
enc

"Can't afford to remain in the hands of the greedy OIL sheiks any longer!"

DEATH OF A PRINCE 1974

Sheik Jo O Gormli
King Coal

Sheik Scar-El-Gill

NEXT PAY CLAIM £50,000 A YEAR FOR EVERY MINER

Cummings

We've got the ideas— don't let our rivals cash in on them

By KENNETH BAKER, MP

THERE'S plenty of gloom about British industry today. Textiles and shoes are fighting for survival. British steel and shipbuilding are laying off men. British Leyland is struggling on valiantly. All these older industries are really up against it.

Every Government since the war has spent a lot of time and money—often too much of both — shoring up these industries.

There are often good social reasons, but let's face it, Britain can't go on conducting a retreat. We must prepare our plan for advance.

The best front for this is in the industries of the future which come under the banner of information technology.

This covers everything from large tax computers to micro-devices to save energy in the home, from satellites showing the movement of shoals of fish under the sea to playing games on your colour TV.

In many of these areas, Britain has a world lead. In Prestel, the Post Office has invented the best link between telephone and television. Already a dozen countries are copying it.

ENVIED

The British-owned computer company ICL is the only world scale manufacturer outside the U.S. and Japan. British software companies like CAP and Logica, even the small ones employing just five or 10 people, rank among the world's best.

British research establishments, like radar at Malvern, the BBC at Kingswood Warren, and the National Physical Laboratory, are real centres of excellence envied throught the world.

But we are losing a lot of tricks. The classic case was the EMI scanner. Its British inventor was given the Nobel Prize, but within a few days the whole business had to be sold to

an American company. Can you imagine the French or Japanese letting that happen? It's the old story of us having the brains, the skill and the genius to invent things for other people to exploit.

The point I want to make is that we have a lot going for us in this industry but, as the Americans say, "we must get our act together." The Government has a key role.

The Japanese Government is spending £1,000m to catch up America. The French President skilfully pushes business to French telecommunication companies. And President Carter hands out big research and development contracts to U.S. computer firms.

We need a national strategy for information technology. There should

be one Minister in the Department of Industry solely responsible for this, together with the telecommunications side of the Post Office.

I am not asking for a vast national plan with huge sums of money being invested directly by the Government. I want to see the Government acting as catalyst and a co-ordinator and supporter of private enterprise.

STRONG

We must have a strong programme to sell the products of British information technology abroad. When our Ministers travel, they should be briefed to help sell British radar, telephone exchanges and transcontinental data networks. We need less chatting-up and more

business conducted in the chancelleries of the world.

We must identify areas where Government should adopt advanced systems and set about supplying them from British sources. Whitehall, for instance, should be modernised with all the devices of the electronic office.

British embassies should use Prestel and help to sell it. The Health Service should use these technologies for diagnosis and patient treatment. Schools should be provided with small and low-cost microcomputers and advanced systems. And to give a boost to our own hardware industries, firms should be asked to design and supply these quickly.

We should install in the new enterprise zones real advanced systems so that the new young companies can simply "plug in." One

of the zones should have workshops, training facilities and a working display of the office of the future. This would help people in declining industries to appreciate and welcome the shape of things to come.

COMPLEX

These varied and complex new industries are going to create a lot of jobs. Already we are failing to tarin tens of thousands of people who are needed in these industries. Our schools, our polytechnics and universities must be geared u to this.

For the first time in our history we have a Prime Minister who is a trained scientist. She has shown great interest in this industry. She recognises the potential. Now we must set about realising it.

Mrs Thatcher at a computer watched by Mr Baker (top)

A NATIONAL STRATEGY FOR INFORMATION TECHNOLOGY

BY

KENNETH BAKER, MP

BUSINESS TELECOMMUNICATIONS CONFERENCE
LONDON PRESS CENTRE - 18,19 JUNE 1980

A National Strategy for Information Technology

Many British industries from textiles to motor cars are facing powerful competition and all forecast fewer jobs, contraction or even closure. This is not a new problem for us. This industrial decline set in many years ago and governments of both parties have been too pre-occupied with trying to stop that decline or to lessen its social results. Let us for once look at those areas where we can hope to expand and to create the new wealth to replace the dying industries.

The most successful countries in the future will be those with a strong and inventive electronics industry with close links with downstream consumer industries, particularly the capital and consumer goods industries. Britain must not be left behind in this technological race, we will have to run very hard to keep abreast of our European partners and to keep ahead of the newly industrialised countries of the developing world.

By far the clearest opportunity lies in Information Technology. By that I mean all those hardware and software companies that design, manufacture and supply projects like the vast computer system for PAYE to microprocessors which can program energy saving in the home and like TV signals via satellite to leisure and learning for the family. It is an industry where we already have a wide range of skills; many developments like Prestel that have a world lead, and many well trained and highly skilled people. It is a fiercely competitive industry. Since every developed country has come to the same conclusion, their governments have decided to involve themselves in promoting or protecting their own information technology industry. The Japanese Government for example has injected £1,100 million into the industry to catch up with America.

The British Government remains detached, although it has some direct investments in some small companies, and it does allocate funds to development projects and it is a major public purchaser of information technology products and systems. I wish to argue for the development in a very short space of time of a National Strategy in which the Government has to take the lead. Its role should be that of co-ordinator and catalyst. I am not arguing for a National Plan type of intervention with vast state intervention and direction of investment. The opportunity for Britain in this industry is immense and we must not let it slip between our fingers. I propose a ten point programme.

1. <u>A Minister for Information Technology should be appointed within the Department of Industry.</u> He would have responsibility for the whole range of information technology activities within the Department and for British Telecommunictions. He would liaise with other departments and act as a spur to them, in such subjects as the training and education in computer skills; their policies of public procurement and their own use of modern techniques. This appointment is not a gimmick. It is essential to have a focal point in Government for this diverse industry which

can draw all the threads together. This will not entail a
new bureaucracy. The departments involved already exist
but there is a need at the administrative level as well for
for a central focus.

2. The Government should prepare and issue a Policy Document
    "Information Technology in the UK in the 1980s". No such
    document has ever been issued. It should embody a
    programme outlining the opportunities that exist and
    pointing out clearly how they can be maximised. There is
    an inevitable interface between the public and private
    sectors and that should be creative and helpful, not
    hostile and suspicious. Such a document is the essential
    strategic thinking for this industry. Once it is prepared
    it should be launched with the personal endorsement of the
    Prime Minister.

3. The Departments of Industry and of Trade should initiate a
    strong programme to sell the products of Britain's
    information technology abroad. Increasingly major sales
    are made by close collaboration between the Government and
    private industry - radar, telephone exchanges, trans
    national data networks, and satellites. When Ministers go
    abroad they must be fully briefed on the opportunities for
    British information technology in the country they are
    visiting. Again there is need for a central focus.

4. The Government should announce a new Procurement Policy
    replacing the ICL orientated policy with one concerned with
    national interest. Certain European Governments and the
    USA will continue their covert policies to support their
    own nation's industry. We can either have no such policy;
    keep it covert; or declare it openly. I favour the latter,
    but it can be given a European slant as well. The national
    interest must be broadly defined to encompass not just
    hardware, but the terminals, the peripherals, the software
    and the research which are made or carried out in the UK.

5. The Government should identify a number of applications for
    advanced systems within its own activities and procure them
    from the British information technology industry. Some
    examples of these are:-

    a) The introduction of the electronic office into
       Whitehall.
    b) The use by Government at home and in embassies abroad
       of Prestel.
    c) The wider use of information technology in the Health
       Service. There is a vast range of applications from
       diagnostic analysis to patient treatment.
    d) Schools should be provided with small and low cost
       micro computers and software systems. To give a boost
       to our own hardware industry they should be asked to
       design and supply these quickly.
    e) A more concentrated national space and satellite
       programme.
    f) Energy saving systems in buildings, starting with the

Government's own estate.

g) The improvement of telecommunications particularly in the City of London.

6. <u>Corporation Tax should be changed so that the discrimination against Service industry companies is reduced or eliminated.</u> The combination of capital allowances and stock relief mean that manufacturing companies pay a very low level of Corporation Tax. Computer Service companies pay a much higher proportion of their earnings in tax which reduces the amount of funds they can generate internally to grow. Service industries in general are going to create many new jobs: we should not have a tax regime which discriminates against them.

7. <u>The new Minister should take the lead in setting up technology agreements.</u> An initiative taken now with the unions and employers could facilitate the adoption of information technology in the years to come. The TUC has adopted a policy generally in favour of information technology as they can see the job creating prospects, but some Trade Unions are actively hostile to the introduction of information technology.

8. <u>The Government's Research & Development programme in information technology is almost exclusively a preserve of Universities and the Government research establishments and it should be put on a wider basis.</u> There are real centres of excellence in British research & development - the radar and signals establishment at Malvern; the BBC at Kingswood Warren; the Post Office and the National Physical Laboratory. Industry should be involved with the programmes of such establishments. Research and development should be encouraged in the private sector by the deliberate front loading of certain contracts, as the Americans have done, to allow companies to recover part of their research & development expenditure. By these means IBM in 1972-1974 received from the US Government over $900 million.

9. <u>The Enterprise Zones should be the subject of a major Government initiative in promoting information technology in the small firm.</u> Within these zones really advanced systems could be set up to meet the needs of the new firms which could quite literally only have to "plug in". One of the zones, possibly in Docklands, could also provide workshops and training facilities in information technology and a working display of the office of the future. This would assist those in declining industries and areas to appreciate and welcome the shape of things to come.

10. <u>The Government should ensure that more people are trained at all levels in these new skills.</u> A recent survey on educational computing concludes that "Computer education in Britain's schools, colleges and universities is largely out of touch and ill-equipped to meet the needs of the 80s". Out of the 116 Local Education Authorities only a tiny

handful have people employed solely to advise on teaching
with computers. After 16, there is a need for more post
school vocational training. Our polytechnics and
universities are not turning out sufficient electronic
engineers and the bias against computer sciences needs to
be rectified.

It would be naive and misleading to say that such a
programme would not cost money. It will, but a lot of this
is already being made available in the public sector in
many diverse and often unrecognisably associated ways. So
the effectiveness of what we spend could be significantly
improved. In the case of direct public investment the
largest segment will be the capital expenditure of British
Telecommunications and as this is profitable they should be
given the go ahead to raise whatever they need from the
market. The cash requirement of British Telecommunications
will be reduced to the extent that the private sector is
allowed to provide peripheral equipment. It is essential
therefore that the telecommunications monopoly should be
removed as soon as possible.

I would envisage some new money being made available. At
the moment the total annual spend of the Department of
Industry on Information Technology is about £17 million
which is roughly equivalent to three weeks running losses
of British Steel. We must get our industrial priorities
right. Let us provide more for the wealth creators of the
future.

11th June, 1980

Many thanks for your letter of 9th June, with
which you enclosed the text of a speech which you will
be making in London today week.

I have read this with the keenest interest, and
have also shown it to the Prime Minister.

No doubt you will be discussing it with Keith,
after his boys have had a look at it.

Could you please let me know the outcome of your
discussion with him?

The Prime Minister was very sorry not to be able
to get to your C.T.U. Reception last evening.

IAN GOW

Kenneth Baker, Esq. M.P.
House of Commons,
Westminster, London SW1

9 June 1980

Mr. Ian Gow, MP,
Parliamentary Private Secretary,
c/o 10 Downing Street,
London.   SW1.

[signature]

Next week, on 18 June, I am making a speech at
a computer conference in London advocating a
national strategy for Information Technology.
I have been involved in this industry for some
years and it is one of the few areas which is
going to expand and grow during the current
recession. We have a priceless opportunity to
promote Britain's interests significantly but
it just won't happen by itself since other
Governments around the world are actively
involved in their own domestic Information
Technology industries.

You will see from the attached speech that I am
advocating a national strategy and in view of
Margaret's clear interest in the whole of this
industry I hope you will be able to persuade
her to look through it. I sent a copy to Keith
about a fortnight ago and I imagine that the
Department of Industry's machine is churning
over it.

Time, as your own profession says, is of the
essence.

[signature] Yours ever Kenneth

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BY

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