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Minister of State

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON SW1E 6RB

TL  
2 April 1981

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*Dear Keith,*

#### FUTURE OF ICL

The loan guarantee you announced on 19 March gives us a welcome breathing space. But we now need to reach a view quickly on further problems arising from Government dependence on ICL computers, since they will affect negotiations between ICL and a prospective partner.

As you know we depend heavily on the continuing support of ICL systems and it is of immense importance to Government users that any prospective partner should take over this commitment. We face almost as great a problem over the computers we are planning to buy but have not yet acquired.

In the normal course we should have placed a number of orders with ICL over the next few months but it makes no sense to buy ICL 2900 machines unless we can be assured they will have an adequate working life. We also need to consider the resource consequences of transferring from ICL to other machines and the effect of competitive tender on procurement timetables. A further factor will be the Government's attitude to the new partnership relative to other multi-nationals. I appreciate the need to maintain confidence in ICL and I understand that in most, perhaps all, of the 11 cases involved action can be put off at least until the end of April.

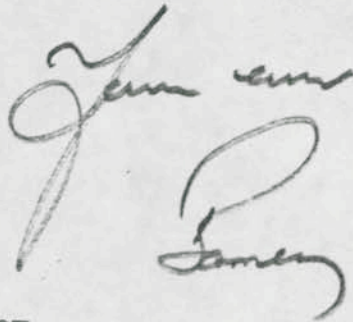
In 13 other cases, including PAYE computerisation, contracts have already been signed and the question is whether a new partner will be willing to take them on and what terms would be acceptable to both partners. Officials are pursuing the question of how re-negotiation of these contracts would stand in relation to GATT rules.



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COMMERCIAL IN CONFIDENCE

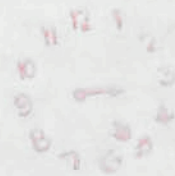
We need to clarify our position on all these issues in preparation for the negotiations between ICL and a new partner. The latter will want to know what Government business he can expect and we shall need to make sure that Government computing is safeguarded. The CCTA are discussing urgently with user Departments their particular requirements and contingency measures, restricting those discussions to as narrow a circle of individuals as possible so as to minimise the risk of a leak which could damage confidence in ICL.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Employment and Trade, the Attorney General, and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'James Callaghan', is written over the typed name 'BARNEY HAYHOE'.

BARNEY HAYHOE

2 APR 1981





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Secretary of State for Industry

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13 April 1981

Barney Hayhoe MP  
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✓MS

*Barney*

FUTURE OF ICL

Thank you for your letter of 2 April.

2. I agree that we need to decide our position on these important issues. Can I suggest that, in the first instance, we leave this matter to the interdepartmental group of officials (which includes CCTA and Treasury) who are now meeting regularly under Department of Industry chairmanship to follow up on all the matters arising from the loan guarantee? I understand that this approach is acceptable to your officials.

3. Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Employment and Trade, the Attorney-General and Sir Robert Armstrong.

*Emma*

*Kerr*

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