

SUBJECT

cc Master
Subject Econ Pot
Pt 2

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file 8
cc: Nick Owen

10 DOWNING STREET

From the Private Secretary

8 December 1983

Dear Callum

BT/ICL

Your Secretary of State spoke to the Prime Minister today about the complex of issues relating to BT and ICL. He began by explaining the background to BT's reluctance to adopt ICL for its new main management computer system. This raised important issues as failure to secure this contract would have very serious implications for ICL.

He said that, in his view, BT had not given ICL adequate opportunities to demonstrate their capability to meet BT's requirements but BT had now agreed to talk directly to ICL.

He went on to express concern about IBM's aggressive strategy which was apparently aimed at eliminating a number of its smaller competitors. He was particularly concerned at the way IBM was restricting access to its software. This created fears about technological dependence upon the US. The fact that a significant part of IBM hardware would be made in Britain would not compensate for this. The Prime Minister shared his worries about being dependent upon the US for technology. Its behaviour over the USSR pipeline illustrated the potential difficulties. She was anxious to maintain an independent computer capability in the UK provided the performance of ICL computers was good enough so that UK users would not be put at a disadvantage. Your Secretary of State said that he was grateful for this steer. He had already spoken to Sir George Jefferson and had pointed out to him that situations could arise in which there was a conflict between BT's interest and the national interest. He would expect BT to behave in the national interest.

I am copying this letter to Richard Hatfield (Cabinet Office) and Dr. Nicholson (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

Callum McCarthy, Esq.,
Department of Trade and Industry.

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