

MR TURNBULL

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AT&T

The restructuring of the US computing and communications sector allows IBM to compete in the US communications market and AT&T to enter the US and world data processing markets. As a result, a central AT&T objective is to re-establish overseas bases of operation to compete with IBM.

Over the last two years, AT&T have talked to a wide spectrum of UK electronic enterprises with a view to collaborating in a number of sectors. Despite a lot of talk, AT&T have not yet landed a firm contract.

We consider that AT&T could provide a global dimension to UK communication and computing activity, particularly as international competition is likely to be fought out increasingly between IBM plus associates and AT&T plus associates. The Japanese are likely to be in both camps. AT&T appear far more ready than IBM to transfer technologies and to accept local control of joint operations.

We understand that AT&T have now withdrawn their interest in Mercury but are actively considering closer relationships with both ICL and INMOS amongst others.

Last week ICL and AT&T signed a Memorandum of Understanding for the establishment of a joint venture in Value Added Network Services using international standards. These standards have recently been endorsed by the twelve major European computer and communications companies. AT&T's adoption of this European approach could significantly affect the future export performance of the UK IT industry.

AT&T are still interested in the INMOS factories in Wales and Colorado and are exploring whether our concerns about the design facility at Bristol can be met.

Conclusion

Closer relationships between AT&T and some of our electronic, computing and telecommunications companies is likely to give our

companies a better chance of succeeding in an increasingly competitive world market place.

We recommend that if the Prime Minister is drawn into discussion with Charles Brown, the Chairman of AT&T, she should express an interest in any specific proposals which AT&T may wish to make in so far as they apply to UK public sector investments and interests.

DLP.

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