

DHSS LOCAL OFFICE PROJECT: MAINFRAME COMPUTERS

The DHSS and DTI papers muddle up two different questions:

- i. Should we go to open competitive tender?
- ii. Should we eventually buy the ICL mainframes?

The crucial question at this stage is the first one. We believe you should have an open tender because:

- i. A contract awarded to ICL on merit after fair open competition does much more for the company than one won by fixing the rules in their favour. The requirement for intercommunication with other benefit computers can legitimately be put into the contract specification. If the case for ICL is as strong as Norman Fowler and Norman Tebbit believe, they can win the contract in fair competition. If not, they shouldn't get it. And that is surely the implication of point iv. on page 2 of the Attorney General's letter: "It would not be economic for any of ICL's competitors to supply the computers for LOP on the basis that they would have to meet the consequential costs of thus adapting the software and data base. It makes more technical and financial sense to use ICL machines."

ii. Serious risk of legal challenge. The Government does not have an agreed policy of integrating the different benefit systems quite as closely as Norman Fowler claims. So the Law Officers' advice shows that they are increasingly nervous that we could be challenged in the European Court.

iii. We have a clear preference for putting such contracts out to open tender.

The papers are surprisingly light on arguments against open tendering, as distinct from arguments in favour of eventually buying ICL. The only one I can find is buried in paragraph 6.5 of the DHSS paper. They argue that going straight to ICL will "bring forward by several months the time at which staff reductions can be achieved". This would save some £8m a month, eventually". But:

- A lengthy EEC court case might actually slow things up compared with a fair competitive tender.
- Writing a detailed project specification is essential anyway. It is a salutary discipline. The question is whether the specification is then sent just to ICL or to other companies at the same time. The Efficiency Unit Report on Capital Projects shows that we pay dearly for skimping at the early stages.

- Getting ICL to compete should mean that we get a lower price from them than otherwise.

We therefore recommend that you go for an open tender.

David Willetts

DAVID WILLETTS