

15 July 1980

Policy Unit

PRIME MINISTER

cc Mr Wolfson

INLAND REVENUE COMPUTER

1. We think you should try to establish at an early stage whether the committee agrees that on industrial policy grounds - and political grounds - we would prefer the contract to go to ICL and the British software industry, if the risks and costs are not too great. To put it another way, are we - as Keith has often said we are - attempting to operate a public purchasing policy?
2. If there is no general view that it would be preferable to buy British unless the penalties are really serious, then there is not much more to discuss except the presentation of a decision to go to open tender.
3. But if the committee agrees that in principle some penalty can be accepted as the price of helping the British industry to acquire new experience, attention should focus on the size of the technological gap that ICL has to jump, the risk that it will fail, and the cost penalties. These cannot be thrashed out in E Committee on the basis of evidence available.
4. The CCTA assessment is that ICL can probably do the job. Logica's involvement in the consortium makes this more likely and spreads the national benefits more widely. So things have improved since the CCTA assessment was made. They thought the penalty was twofold:
 - (1) a risk of a delay of one year;
 - (2) a comparatively "inelegant" system.
5. We think these two penalties ought to be more precisely analysed before a decision is made. If this was done by an independent third party, it would help the Government to sell the final decision, whichever way it went. At present, we do not know how likely the one-year delay is, nor how serious or unavoidable the "inelegance" is.
6. David has suggested the third party idea to Mr Watson of the CCTA. He saw its merits and thought that Computer Sciences International might be well-placed to undertake the evaluation. It should be possible in my view to do this in a few weeks.

7. Suggested Agenda

In summary, the meeting should answer the following questions:

- (1) Do we in principle want ICL/Logica to get the contract, though not at any price?
- (2) Do we agree on the need to know the size of the gap ICL/Logica has to jump, the risk that they won't make it, and the cost of the consequences?
- (3) Should we obtain a third party view (eg from Computer Sciences International or similar) to analyse the gap/risk/penalty as a basis for decision and presentation?

I have copied this minute to Robert Armstrong and Robin Ibbs.



JOHN HOSKYNS