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10 DOWNING STREET

From the Private Secretary

5 November 1981

Prime Minister's Reception for the Computer Industry,
on 2 November

As you know, the Prime Minister held a reception at 10 Downing Street on 2 November for representatives of the computer industry. I attach a summary record of the discussion which preceded the refreshments and informal conversations later in the evening.

The Prime Minister was concerned at the points made by several speakers about the Government's procurement in the market for computer related equipment. She has asked for a short report on our present public procurement procedures, and on the ways in which they might be improved. She would be grateful if the Cabinet Office IT Unit would take the lead on this. She hopes that this report might be ready before the end of the month.

I am sending copies of this letter and the enclosure to John Halliday (Home Office), Ian Ellison and Jonathan Hudson (Department of Industry), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), John Wakenham (Office of the PUSS, Department of Industry), Adrian Carter (Minister of State's Office, CSD) and David Wright (Cabinet Office).

MS

John Kerr, Esq.,
H.M. Treasury.

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SUBJECT

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Hn 0402

Prime Minister

MR SCHOLAR (No 10)

PRIME MINISTER'S RECEPTION FOR THE COMPUTER INDUSTRY ON 2 NOVEMBER

I attach, as promised, a summary record of Monday evening's proceedings. As you will see, I have not attempted to record contributions in detail but have picked out what seemed to me to be the salient points (with specific attribution in a few cases.)

2. I do not think there is anything specific to follow up, but some important general points arose (eg criticism of Government procurement policies) which need further consideration. Perhaps we could have a word about these, and the handling of the record of the discussion, when you have had time ^{to} scan the attached draft.

Prime Minister

One thing that troubled me about the comments made on Monday evening was what was said about government purchasing policy - is it really geared to helping the industry (while also minimising public expenditure)? Does the government bring the industry, for example, into its thinking about specifications for new equipment, so as to ensure that British firms actually win the contract where we are forced to an open-tender situation?

If you agree, shall I ask Mr Unwin's unit to write a short report for you by the end of November on what our procurement arrangements are and how they could be improved?

IT Unit

Cabinet Office

J B

J B UNWIN

5 November 1981

Record copied to

Mo

Ind (S/S)

Ind (M/S)

Cab Off (RTA)

COE

Min (S CS)

HMT 11.11.81

Ind (Proc)

I think Kenneth Baker would know more about it.
mb

MCS 5/11

PRIME MINISTER'S RECEPTION FOR REPRESENTATIVES OF THE COMPUTER INDUSTRY
AT 6.30 PM AT NO 10 DOWNING STREET ON 2 NOVEMBER

The Prime Minister briefly welcomed the guests and thanked them for attending. She suggested that discussion should focus on the three topics on which notes had been circulated, each to be introduced by one of the guests.

2. The following is a summary record of the main points that emerged in the ensuing discussion.

Topic 1: How well placed is the computer industry in the UK to take advantage of the opportunities presented by the new technology? What are our major strengths and weaknesses and how should we be exploiting/tackling them?

3. Introducing this topic in place of Mr Robb Wilmot, who was indisposed, Mr Mike Aldrich (Managing Director, Rediffusion Computers) stressed that the problem facing British manufacturers was one of change rather than decline. In other words, the basic problems were of displacement economics. Many new and innovative companies were successfully entering the market and it was wrong to catch "dinosauritis" and try to keep large obsolescent companies alive. Of course Government policies had an influence in the short term and its initiative in promoting awareness of new technologies was welcome; but in the longer term companies would succeed by looking to the future and doing their own thing. His own company's problems related to full order books rather than the reverse.

4. In discussion the following main points arose:-

(i) given the dominant position of the public sector in the market for computer related equipment, enlightened public procurement was very important if successful British products were to be pulled through. Industry needed "more trade and less aid" from the Government.

(ii) Several speakers stressed the importance of maintaining a strong manufacturing capacity in the UK. The UK already had a substantial balance of payments deficit (some £200 million) in computer related products, and the revenue to be obtained from manufacturing was greater than that from software.

(iii) Mr Saar (Managing Director, Newbury Laboratories Ltd) argued for an IT Ministry and referred to the success of the French Government in centralised control and planning. He also called for a stronger marketing approach and a more commercial attitude on the part of Government officials. The Prime Minister expressed opposition to the idea of a new bureaucracy or that problems could be solved by machinery of Government changes; and Mr Baker briefly outlined what he regarded as the Government's co-ordinated strategy for IT.

(iv) There was some discussion of Japanese experience and in particular their success in bringing industry and the universities together. Professor Randall (Newcastle University), who had recently visited Japan with the DOI team to discuss fifth generation computers, counselled against joining with the Japanese now in their ambitious 10 year research and development programme. Although we could match the Japanese with our expertise in software and systems, we lagged behind them in micro technology and would be unlikely to get commensurate benefit from any contribution to their fifth generation computer project.

(v) Several speakers referred to the need to obtain better industrial spin-off (particularly in terms of exports) from defence procurement and technology.

(vi) The creation of a larger home market would allow UK firms to emulate the production runs of their American competitors. This 'home' market might include other EC countries if non-tariff barriers could be overcome.

Topic 2: What is the best way to ensure that the UK derives the maximum economic and social benefit from the new technology?

5. Introducing this topic, Mr Tony Davies (Chief Executive, Information Technology Ltd) stressed the following points:-

(i) compared with the manufacturing sector, services in Britain, particularly in the office, were under capitalised and there was therefore great scope for achieving greater efficiency and matching our competitors' service industries through the introduction of new technology;

(ii) public procurement (as argued in the preceding discussion) was extremely important, and particularly in the context of telecommunica-

tions liberalisation, the Government had an opportunity to promote more IT uses and applications;

(iii) there was a strong case for liberalising broadcasting as well as telecommunications;

(iv) the most effective way for the Government to help develop the new technology was to promote particular applications - as in the case of the DOI "office of the future" projects.

6. In discussion the following main points arose:-

(i) It was generally agreed that, as a facet of enlightened public procurement, the Government should be progressive in promoting uses and applications. Although the UK population was nearly a quarter of that of the United States, the UK market for IT products was only about a tenth. Take-up in the UK was very slow and Government encouragement and promotion was therefore very important.

(ii) Mr Roger Graham (Chairman, BIS Deltak Ltd) argued for greater contracting out by the Government of requirements for computer services and systems. Only about 10% of the business of the computer services industry at present came from Government.

(iii) Several speakers referred to the poor record of the UK in successful exploitation of technical innovations. Some called for a firmer overall lead from the Government; others referred to the need for more aggression by companies in the market place themselves. Encouragement of small companies was particularly important here. The fiscal regime introduced by the present Government was as helpful as anywhere in the world, but the Government should seek to place a larger proportion of its own contracts directly with small companies and should perhaps have a target for this.

(iv) Mr D Harris (Management Services Director, Tesco) stressed the importance of the distributive trades (which employed 1 in 8 of the working population, and a fifth of school leavers) and referred to the inadequacy of centres and advice on new technology to which small business (which dominated the distributive trades) could turn. He also

emphasised the importance of making IT acceptable to the public and ordinary users (the use of Prestel to provide information to the public was relevant here) but warned that he did not see the distributive services sector providing new jobs to offset those that might be lost in manufacturing and other sectors of industry. There were good examples for the introduction of new technology; the Department of Employment should seek these out and publicise them.

Topic 3: What are the main social and environmental aspects of the new technology to which we must pay attention if its application is to spread in a harmonious and effective way?

7. Introducing this topic, Mr David Fairbairn (Director, National Computing Centre) made the following three main points:-

(i) It was important to proceed as quickly as possible with the Government's proposals for legislating on data protection and privacy. A key issue here was the questions of establishing an independent "watch dog".

(ii) On the question of new technology and employment it was important to distinguish between the direct effects on jobs (eg in the context of manufacturing processes) and the effects in other applications where there could be a very positive impact on employment as a result of improvements in response times, quality of decisions etc. We should, like the Japanese, put more emphasis on the latter.

(iii) As the new technology developed, so did the need for more extensive education and training. Some useful initiatives had been taken, but they were still little more than pilot schemes and a great deal more needed to be done.

8. Commenting on Mr Fairbairn's first point, the Home Secretary endorsed the importance of data protection legislation and said that the Home Office were in close touch on this with the Department of Industry. The Government had declared its general intentions, but problems still remained over their implementation. For example, he did not want as fully developed or extensive an authority as the Lindop Committee had recommended.

9. In discussion the following further main points arose:-

(i) the importance of user acceptability of new technology was stressed. This meant not only promoting greater awareness - in which the Government had been very successful - but also providing practical help and advice on how best to instal and use new technology. Mr Webb (Association of Scientific, Technical and Managerial Staffs) also referred to the importance of consultation with employees and the role of new technology agreements and proper redundancy arrangements.

(ii) A number of speakers in this part of the discussion, and in the preceding discussion, stressed the importance of continuing to encourage small firms, which were the primary source of innovation. Mr Sinclair (Managing Director, Sinclair Research Ltd) in particular emphasised the vital role here of proper education and training so that school and university leavers appreciated the advantages of joining small new companies and small companies themselves were better informed of the tax and other advantages from which they could benefit.

(iii) The role of cable television was cited as a very important development for the future. It would, however, be impeded unless the present "stranglehold" of broadcasting regulation was loosened. The Home Secretary referred to the current Home Office cable TV experiments and the important broadcasting issues that this question raised. He agreed, however, that means had to be found of resolving them.

10. The Prime Minister concluded the discussion by thanking all those who had taken part, and in particular the three speakers who had introduced the individual topics. The meeting then adjourned at 8.15 pm to continue informal discussion over refreshments.

IT Unit

Cabinet Office

5 November 1981

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