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File

PM
This is going to be a tricky meeting.
Para 6 of Geoff's note has some
opening remarks, Alan Milburn's
note below a speaking note on
PRIME MINISTER *the negotiations.*
I've asked Charlie &
to come too.

From: Geoff Mulgan
Date: 9 April 1999
cc Owen Barder
Lord Falconer

GRO

Horizon BA/POCL

1. Attached is a note for handling your meeting on Monday with Mr Naruto, Vice Chairman of Fujitsu and Chairman of ICL. He will be coming with Keith Todd, Chief Executive of ICL, and George Hall their head of corporate affairs. Steve Robson from the Treasury will also be there. The note has been prepared with the agreement of Alan Milburn and Lord Falconer.
2. The meeting was originally requested by ICL as a 'courtesy call' to talk about Durham and ICL/Fujitsu's plans for continued expansion in the UK. But the main topic will be Horizon.
3. As the note shows a good deal of progress has been made in the negotiations. A potentially viable deal is now in sight.
4. Naruto will be seeking your commitment to reach a legally binding agreement by the 23rd April. He will threaten that Fujitsu will pull the plug if this doesn't happen, and that given the huge commitment that Fujitsu have made to the UK they deserve better treatment. Without an agreement, Fujitsu will have to make a provision for a £300m loss in their annual accounts. This would wreck their plans to float ICL.

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5. Your main aim should be to give a strong reassurance that the government is keen to reach an agreement on Horizon and that you acknowledge the efforts that Fujitsu and ICL are making. However, it is vital that you do not commit to reaching a legally binding agreement by April 23rd (a much more realistic goal is to reach non-binding heads of agreement, which should be enough to save them from having to make a provision in their accounts), or accept that government has been to blame for any of the problems or delays.
6. To set the right tone for the meeting you might wish to make the following points at the very beginning:
 - Your deep appreciation of Fujitsu's continuing commitment to the UK
 - How much you appreciated the efforts to help the workforce in Durham against a background of very tough global pressures
 - That you recognise that the UK has virtually all of Fujitsu's European investments and even more investment than the US
 - That Fujitsu's investment in telecoms in Belfast has been a great example to others in Northern Ireland
7. You may then wish to turn to the substantive discussion on ICL Pathway, following the line set out in Annex A.
8. You should be aware that Mr Naruto was at your speech in Tokyo. After you had finished he said to his colleagues that Britain was very lucky to have had both a Thatcher revolution and, now, a Blair revolution. Japan was still waiting for its Thatcher revolution.

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