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Mail - Received Mail

Sender.....: Holterhoff Mary
Recipient.....: Hopkins Dick
Subject.....: FWD:FWD:PROJECT HORIZON: ICL/FUJITSU VIEWS
Sent.....: 26/01/1999 14:09

DR HOPKINS
-for information
WIM 26/1

telex @ ESD:

>Telegram:

>>

>>RESTRICTED

>>FM TOKYO

>>TO DESKBY 251000Z DTI

>>TELNO 45

>>OF 250813Z JANUARY 99

>>INFO DESKBY 251000Z CABINET OFFICE, FCO, DSS, HM TREASURY

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>>DTI FOR PS/SOS, PS/MR MCCARTNEY, MACDONALD, MCINTYRE, FRASER, IBB

>>CABINET OFFICE TO PASS TO NO 10 FOR PRIVATE SECRETARY

>>FCO FOR PS/MR FATCHETT, SHEPHERD

>>DSS FOR PS/SOS, CHIEF EXECUTIVE, BENEFITS AGENCY

>>HMT FOR PS/CHIEF SECRETARY

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>>SUBJECT: PROJECT HORIZON: ICL/FUJITSU VIEWS

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>>SUMMARY

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>>1. ICL Chief Executive calls after discussions with Fujitsu,
>>Describes latter's dismay, risk to ICL's flotation, and of Fujitsu's
>>disengagement from ICL if Project Horizon fails. I believe the last
>>risk is real.

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>>DETAIL

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>>2. At his request, Keith Todd, Chief Executive of ICL, called on me
>>on Saturday 23 January (with Don McGarva, the local ICL
>>representative) after talks with the Fujitsu President. He
>>expressed Fujitsu's quote complete disbelief and lack of
>>understanding at HMG's decision-making process unquote. Fujitsu
>>could not comprehend how HMG could contemplate quote destroying ICL
>>unquote. If the project failed, the flotation of ICL would be
>>undermined and Fujitsu would reconsider all its options on ICL.
>>This might, according to Todd, include sale.

>>

>>3. Todd pointed out that the ICL purchase and the injections of
>>capital into it by Fujitsu had very much been the baby of Yamamoto
>>(the previous Fujitsu Chairman) and Naruto (presently Vice Chairman
>>and Chairman of ICL). The new Fujitsu President, Akikusa, and
>>Chairman, Sekizawa, were adopted parents, and their commitment to
>>the continuation of ICL could not be taken for granted. (Comment:
>>My own knowledge and experience of Sekizawa confirm this.)

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>>4. Todd also thought that, at a time of general Japanese corporate
>>financial weakness (including Fujitsu), ICL had to make itself
>>independently wealthy. The recent results had been good and the
>>future was promising. But the danger to ICL's future in remaining a
>>subsidiary of Fujitsu was that they might be broken up or sold. He
>>repeated that a failure of Project Horizon would undermine flotation
>>and would result in 700-900 job losses.

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>>5. I undertook to pass Todd's message on to those concerned in
>>London.

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>>COMMENT

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>>6. I of course remained in listening mode for Todd's description of
>>the state of the project. I believe, however, that his analysis of
>>Fujitsu's position is accurate. I have received orally and on paper
>>from Naruto a clear message that the company does not understand
>>HMG's hesitation. Relations between us and Fujitsu are already
>>damaged. Even if Project Horizon is now agreed - as I very much
>>hope - we will have repair work to do. If not, I believe the risk
>>of Fujitsu dumping ICL is a real possibility; and damage here to
>>the UK as an investment location and as a pioneer of PFI is
>>inevitable.

>>

>>7. I will be taking Fraser, Chief Executive of the Invest in

Britain Bureau, to see Naruto, Vice Chairman of Fujitsu (and
Chairman of ICL) on 29 January. It would clearly be useful to have
>>had some progress by then. Grateful for any instructions by close
>>on 28 January.

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>>ANALYSTS 0
>>CFSPD 1
>>EUD(E) 0
>>ECON ADV 4
>>ERD 0
>>ESED 0
>>GIRG 0
>>IBB 1
>>JEPD 0
>>LEG ADV 0
>>NAPRG 0
>>NEWS D 0
>>PLANNERS 0
>>PUSD 0
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>>PUSDGC 0
>>PUSDSS 0
>>RFPD 0
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>>PS 5
>>PS MR FATCHETT 0
>>PS PUS 1
>>POLDIR 0
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