



Alastair Macdonald

Interviewed by

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Welcome to the Archives of Information Technology, where we capture the past and inspire the future. It is Tuesday January the 14th 2020, and we are in the City of London, in the HQ of the British Computer Society. I am Richard Sharpe, and I have been covering the IT industry and analysing it and reporting about it since the early 1970s. And one of the things that I've been fascinated about, and one of the things we want to probe in these archives, is, what has been the role of government, particularly in the UK, in support and development of the UK industry in IT? And who better to ask than Alastair Macdonald, who for 32 years was in the Civil Service, and his career was in economic departments, mainly in the Department of Trade and Industry, which came under various names. But he rose in the Civil Service, and he had many important jobs, which framed policy and perhaps advised ministers, and we'll go into the differences between advice and execution of policy as we get on.

[01:08]

Now Alastair, you were born in August in 1940, the Second World War had been running for a year. Where were you born, and what were your parents doing?

I was born in Twickenham, in south-west London, in a nursing home, which to my alarm when I, my wife and I walked past it quite recently, saw is now an old people's home. So I don't, I hope I don't end up both being born and dying in the very same house. I was born, literally in the middle of the Battle of Britain, August 1940, the battle was at its height, and I have often wondered what my parents thought, and how terrified they must have been, to think that they had brought a child into this world while the skies above were filled with fighter pilots, and planes going down. And with the Germans massed on the beaches, ready to invade, they must have wondered whether in one week or two weeks' time they were going to find that England was under German occupation, and the future would have been extremely uncertain.

What were your parents doing?

Well my father, my father was the one member of his family, one of six children, in Glasgow, he was the one who moved away from the Glasgow area. He was a late entrant to Glasgow University to read engineering, and he came south in search of work, and joined a company that made the controlling, the measure, the meters that controlled the flow of pressure, water et cetera, in power stations, or major heating

systems. And, I think he worked for that firm, which was later taken over by GEC, for about 40 years. My mother was a housewife by then, she then had two other children after me, and, you know, brought us up.

[03:57]

You went to Wimbledon College.

That's a Jesuit school in south London, which, until the Butler Education Act of 1944, had been a fee-paying school. It became a grammar school in the late 1940s, and in my time it was a grammar school. And in the late Seventies I believe it became a comprehensive, and it is now a comprehensive school. I was there when there were about 400 boys in the school; now there are about 1200. So it's virtually unrecognisable compared with my time.

Did you enjoy secondary education?

I think we were, as you might expect, we were very well taught by the Jesuits. They provided a, a demanding academic discipline. They were very proud of their traditions of teaching classics, and of teaching art subjects. And, I thought we were very well taught. One of my teachers said, at the time we were leaving, after A Levels, he said, 'It really isn't the case that boys here are taught by the masters. The boys teach each other more than the masters ever teach them.' And looking back on it, I think that was certainly true of, of my time. But, my lasting memories are as much of, of experiences and things said by my contemporaries as secondary school children, rather than necessarily quotations from Moliere, which were on the, on the blackboard. I was quite a participator in school events, but not very outstanding in, in cricket or rugby or, sport, but I enjoyed the sport, I enjoyed debating, I enjoyed the music. And I have pretty fond memories of school.

The mantra of the Jesuits used to be 'Give me the boy, I will give you the man.'

'Give me the boy by the age of seven, and I will give you the man.' Well I think, facts speak against that, in the sense that, church attendance in the Roman Catholic

Church and the Church of England, has gone down, declined so alarmingly, that I'm afraid that aphorism of an earlier age has, has rather turned to dust.

Did you focus on the arts subjects?

Very much so. I think, we were a school where, pride of place went to those who were doing classics. The second pride of place went to those who were doing history or French, English literature. And third place, I regret to say, in my time, in the 1950s, went to those who were doing scientific subjects.

[07:47]

And you got good A Levels, good enough to get into Trinity College, Oxford.

Yes. I...

Did you go straight into university?

Well I stayed on at school for what used to be called the seventh, the seventh term, in the sixth form, where you took Oxford, Cambridge examinations. And I fear that gap years weren't really the thing of my age, and I fear I, I spent the four or five months immediately after getting in, having left school, working in shops like Foyles, and similar, to try to build up a bit of money.

Did you do National Service?

I was exempt from National Service. I remember to this day a master accosting me in the playground saying, 'When were you born?' And I said, 'The 11th of August 1940.' And he said, 'It's just been announced on the radio, if you were born after the 1st of May 1940, you are exempt from National Service.' Which actually, left a bit of a hole in my life, because I was expecting to go almost straight from school to two, for two years. And, so I went up to Oxford in October 1959, where, it was quite a cultural shock for me and other people of my age in that, almost all the people in the years above had done National Service, and they had an experience and a maturity which my year didn't have. And it made us look quite immature compared, like

overgrown schoolboys, compared with two or three hundred people who had actually, you know, been either in, Northern Ireland, or Aden, or, at sea, or, or whatever. They gained experience which we hadn't.

[10:09]

You read modern history. Who taught you there, at Oxford, who had an impression upon you?

Well I was... I think the one tutor who made a huge impression... No, there were two tutors who made a huge impression. One was a man called John Cooper, who was a specialist in the seventeenth century, English history, and he taught all of us to be cautious about deriving easy answers from a mass of facts. No matter how the evidence seemed to point one way, he, never go beyond saying, 'Well, the evidence suggests that,' Cromwell this, or Charles II that, or, that such and such did influence Robespierre. He would never be categorical and say, 'Without doubt this is the case.' And that caution about extrapolating from what seemed to be undeniable facts certainly has influenced me. The second tutor who influenced me hugely was a man called Martin Gilbert, who was a research fellow at St Antony's, who I had for one or two terms. He became a very respected historian. He, he took over the writing of all the volumes of the life of Winston Churchill, a most enormous task. And, at that time he was writing his very first book, which was about appeasement in the 1930s. And he was very stimulating, because, when I, or, we went in twosomes to have tutorials with him, within ten minutes of one of us finish reading our essay, somehow or other, we were back in the 1930s. The essay may have been about Anglo-French relations before the First World War, which was the, the specialist subject that we were doing, but all conversation went quickly back to the 1930s, and where Gilbert, Martin Gilbert, had got to with interviews with people who had been around government in the 1930s. And he was, he was exciting, and provocative, and he made history relevant to the present day.

[13:12]

Were you interested in staying in academia, and becoming an academic?

No, not, not good enough. [laughs]

Not good enough. Was that your judgement?

Oh, [laughs] certainly... My judgement reinforced I think by the examiner's.
[laughs]

And at Oxford you edited Isis.

Yes.

The student paper, or the university paper.

Yes.

What drew you into journalism therefore, to work on Isis?

[pause] I think in essence, sometime round about my, my second term at Oxford, I began to think that I wanted to have more as my memories of the place, than, playing sport badly, drinking in the pub, even though that had its attractions. I wanted something more tangible. And I began going to editorial meetings of, actually there were two newspapers, one was *Cherwell* and the other one was *Isis*, but, I gravitated more to *Isis*. And, happened to be lucky in that the, the people of the year above me were very lively individuals, who had a very clear vision of what they were going to do, and, they were people like, Richard Ingrams, Paul Foot, the now dead Willie Rushton, who wasn't at Oxford but was there so often. A man called Andrew Osmond, who spoke over and over about wanting to start a sort of satirical magazine like the French *Le Canard Enchaîné*, and how the term after they left, indeed the term in which I took over as editor of *Isis*, they started this strange little magazine which had the title *Private Eye*. And from that humble acorn, this mighty oak grew. And I found them, good fun, very stimulating, and had the privilege of being appointed editor for the, the winter term in, in 1961.

[16:02]

And so you then moved into journalism.

It seemed a nice thing... It was... It seemed an interesting thing to do. You know, at the time, there was very full employment, and every undergraduate would receive a book each year published by Lord Heseltine's company, the Haymarket Press, which comprised nothing else except full-page adverts for every company and every bank you could think of as a recruiting aim, tool. And many of my contemporaries went on to companies ICI, or Barclays Bank, or, one of the steel companies in Sheffield. And, I didn't regard that as a particularly exciting environment, and obviously having been editor of *Isis*, it was a great help when I responded to a, an advert by the *Spectator* who was looking for a editorial assistant, that I had a tick in the book of having shown interest in journalism as a university undergraduate. But after about nine months I felt that on the *Spectator* I wasn't really getting any training in how to be a journalist. So I applied to the *Financial Times*, and was lucky enough to be taken on as a reporter there.

And the Spectator is a thinking organ of the Conservative Party. Were you a Conservative then?

Well, the *Spectator* in the early 1960s wasn't a organ of the Conservative Party. People like, Bernard Levin was their key columnist. People like Katharine Whitehorn, the, the editor Brian Inglis, were all quite radical in view, and if anything, today they would probably be apolitical, and if you had to pin them down, would probably find the Liberal Democrats closest to their thinking. Now, I admit that, at the time that I joined the *Spectator*, it wasn't long after a very famous by-election in Orpington, where a Tory majority of vast numbers had been overturned, and a Liberal had been elected. And the proprietor of the *Spectator*, Ian Gilmour, although a liberal Conservative himself, certainly nudged the *Spectator* under his ownership to become more loyal towards the Conservatives. And, so, I did have a disappointment that Bernard Levin left and one or two other people who were quite well-known went elsewhere, and their replacements were indeed more Conservative in outlook than previously had been the case.

[20:00]

You moved on to the Financial Times, called the Pink 'un because of the paper it was printed on, and which was actually cheap paper which was dyed, so, [laughs] that's why it was pink. And that had had merged with the Financial News...

Yes.

...and had become the pre-eminent City paper.

Yes.

It was still to quite an extent in this period a City paper, in the sense that, it looked at banking, insurance, finance side.

Yes.

Not so much the industrial side. Is that right?

[hesitates] I think that's broadly right. But, then, the editor, Gordon Newton, later Sir Gordon Newton, was seeking to spread the wings of the *Financial Times* a bit. I mean, it's a commentary upon the times that one of the key rooms on the editorial floor was that of the, what was called the Labour Room, capital L, capital R, Room, where three or four journalists concentrated only on reporting on industrial strikes and unrest around the country, whether it was busmen, rail men, or the threat of rail strikes or the threat of strikes here and there. And there was a team of which I became a part of young people whose job was to write a feature, probably once a week, maybe, maybe three times in two weeks, about the prospects of a particular industry, and it might be soaps, it could be motorcycles, it could be, I remember, I think the first one I wrote was about the caravan industry, where you were obliged to seek out the, the players in the area you were writing about, and to interview them, and write up a 900-word piece about the prospects for that industry. And that, that experience was actually, almost like going to a business school for a year or two.

Mm. Very, very good experience which of course you could transfer into the Civil Service.

Well yes.

[22:45]

You went to Washington; you returned. You became features editor. But then, somewhere on the road to Damascus, you had a revelation that you wanted to become a civil servant. So in 1968 you took the Civil Service examination. Why?

Well, I wasn't sure at any time that actually, I wanted to stay as a journalist until I was in my mid-sixties. One very prominent, extremely well-known journalist, said to me at the time that, he didn't mind in his twenties ringing up Cabinet ministers at midnight to ask impertinent questions, but he didn't see himself doing that at the age of 50. And I can remember when I was in Washington, I interviewed, heaven knows why, the then Prime Minister, I think of Denmark, who told me he had been a journalist when he was my age, but, he felt that it was a wonderful thing to be a journalist, especially in a place like Washington, in your mid-twenties, but, you ought to look around. And of course, being in Washington, I got to know quite well a lot of people at the British Embassy, who were kind enough to say, 'Well, if you are ever looking for something else, why don't you try the Civil Service?' Because, this is what typically happens in a week, and, it sounded quite stimulating.

And so, when you were 28 you took this examination, and you began to spend the rest of your career in economic departments, and particularly this Department of Trade and Industry. Now, had you met a computer yet?

No, and I don't think I met a computer, [laughs] for another ten years after that. To be honest with you, I'm not sure... I don't think... I think at the time, it wasn't long after the time when, apocryphally I imagine, you know, some government report had recommended that the Government would only need three large computers for all its needs. I'm sure, like most quotations, that is not true, but nevertheless, when I was young a computer involved taking over half of a football field of, of office space, of people wearing slippers for fear of upsetting the machinery, and so on.

[26:02]

You joined at a very interesting time, 1968, of obviously the last two years of the 1960s. At the beginning of the 1960s, in 1960, there had been 5,500 computers in the world. At the end of that decade, in 1970, there were 79,000 computers in the world.

Yes.

So, it had really shifted. And in that year ICL was formed, International Computers Limited, as the national champion, UK national champion, in the computer sector. In terms of telecommunications we still had either state or private monopolies, in this country a state monopoly, and most of the systems were completely analogue.

Yes.

And they had a, a small coterie of suppliers who they looked after, and who looked after them. So it was a really closed shop. But you were about to enter an industry and looking at policy about an industry which was about to be turned on its head by a number of actions, not least of which was, IBM unbundled its software, therefore creating space for a software industry. Given the 32 years you have had, I want you now to guide, guide us.

[27:20]

The role of the Civil Service, is it not, is to advise ministers, and then they have a decision to execute whatever policy it is that they have decided.

Yes.

Is that it?

Absolutely.

And the British Civil Service, UK Civil Service, was known as the Rolls Royce of civil services. Is that not so?

It certainly was so; I hope it's still so.

But weren't there times, Alistair, I put to you, when the Civil Service actually had its own policy? Because, you had spent, in this case, 32 years in the post, in various posts, in the DTI and other departments, and yet, the politicians were, to use the phrase that, made one man walk out of an interview, are 'here today and gone tomorrow' politicians. But you were there permanently. Weren't there times when the Civil Service had its own policy?

Well, I find it very difficult to think of an occasion where any history book would be, would say that such and such happened because the, the civil servants refused to acknowledge ministerial decisions, but went full steam ahead or half steam ahead with what they felt was the right thing. I became, like most of my colleagues, entirely accustomed to sitting across a table, as I remember vividly from, say, Eric Varley in the, in the spring of 1979, just before the General Election, and some weeks later sitting across a table to Sir Keith Joseph and his junior ministers, where it was our job to persuade, or to demonstrate to Sir Keith, that if he said he wanted X to be done, then, so long as we had said, 'Well look, the risk of doing X is that you will offend so-and-so, or, if you do this without Treasury approval, the Treasury will never forgive you,' that subject to that sort of constraint, or warning, you know, we would gain the confidence of ministers that we were on their side. I remember when, when the Blair government came in in 1997, our then Permanent Secretary over the tannoy said...

1979?

No, sorry, 1997.

Yes.

1997. I'm sorry.

No that's all right.

1997. Permanent Secretary said over the tannoy that Margaret Beckett had been appointed as our new Secretary of State, and, quotes, 'If anybody felt like welcoming her, then to come down to the central lobby of the department's headquarters in 1

Victoria Street, to welcome her.’ And she got out of the official car, and came in to, to find there were civil servants all over the central lobby, up the stairs, on the gallery, all of whom were clapping. And, she said afterwards that, she had had a feeling after eighteen years of Tory government that the Civil Service was completely in the pocket of the Tory government. And she found it reassuring and moving that, she just got this standing ovation of people who were delighted to serve her. And I can remember one of the people who used to do positive vetting, these former policemen used to do positive vetting, came to me. Because he was doing myself and three members of my staff as one project. And, he said to me that, after all of his work talking to colleagues, friends, et cetera, of the other three, and myself, he said, ‘Do you know, I have no idea which way any one of you four actually vote in General Elections. I have absolutely no idea.’ And, I think that’s the philosophy you take in. And if you can’t stand the heat, you get out of the kitchen.

[32:26]

Who were the best ministers to work for?

Well, they had... [pause] There were several who for different reasons stand out in my memory. Norman Tebbit, because he was very clear in his thinking, very quick to judge which way he wanted to go on an issue, and, and absolutely clear in his direction, and, and his, and his self-confidence in taking decisions.

He was Margaret Thatcher’s great supporter, a man from Chigwell. His father got on a bike in the 1930s. And he was a very strong Thatcherite.

He was indeed.

Yes.

He was indeed.

I heard that Wedgwood Benn was quite good to work with.

[hesitates] I mean I was too junior.

OK.

I mean I, I saw him once or twice.

Mm. So Norman Tebbit.

Norman Tebbit.

Presumably...

Actually, this is not for the interview, but, I might say, I once... This is gossip with you. I was once late for a meeting, rather like I am now, today, and, I dashed up the stairs of the building, Thames House South in Millbank. Dashed up the stairs, three at a time. And, the doorman at the top opened the door as I reached the top step, and I apparently fell over, so as to be lying upon that door. And, he said to me, 'I am sorry, I am sorry.' He said, 'I thought you were Mr Benn.' [both laugh] Coming up the steps in great... Another minister who made a, I thought, very different, good heavens, very different from Norman Tebbit, who I very much enjoyed working for, was Michael Heseltine. Very experienced, very positive, very clear ideas. One felt with Heseltine that he had, he had wanted to have the job of being the Secretary of State for Trade and Industry for a long time.

Or, widely, as he liked to call himself, the President of the Board of the Trade.

He was. We had to call him President. Yes, you're quite right. Absolutely right. But, he had a very clear view, and, he was particularly anxious that civil servants should, should be close to industrialists, should be listening to them, and should be influenced by them and should be reporting back to ministers, the feeling of industry. And, there were countless occasions when he showed courage and support for his civil servants in a way that was very impressive. So, there are two ministers, Tebbit and Heseltine. Probably not easy to leave them in a room together, but nevertheless...

Who would come out alive, indeed?

Well I would not be there to witness. [laughs]

[36:07]

And another minister who you worked with for a long period of time was Mr Kenneth Baker, now known as Lord Baker.

Yes.

Who has made his contribution to the Archives already. Now, a very interesting minister, because he had a very clear vision of what he wanted to do, in his career, and he had a very clear vision about the use of IT as well.

Yes.

And he basically made himself a post by badgering Margaret Thatcher into making a Minister for IT.

Yes.

Which he became.

He was.

Did you welcome that in the Civil Service?

Well I... I was appointed a Grade 3 to run information technology division in January 1982.

Right. Now Grade 3 is just two steps from the very top of the Civil Service.

Yes.

There's a Permanent Secretary...

Yes.

...who in the parlance of Yes Minister is Sir Humphrey.

Yes.

There's one underneath him...

Yes.

...or her. And then there's the Grade 3.

Yes.

Which is what, a director general, would you have been called, or...?

I think... I think in those days, I was actually just called the Undersecretary for Information Technology.

Undersecretary for Information Technology.

Yes.

OK.

And...

So basically, you were Kenneth Baker's man.

I was one of, one of army rather than one of his men.

OK.

But, I did work very closely to him, and my team worked very closely to him, particularly in 1982 which was IT Year.

Mhm.

The Government part-funded an office called the IT Year Office, which organised a great number of events around the country. There were many government initiatives towards IT at the time, which Kenneth Baker greatly enjoyed administering. I think the one that most people still remember was the Micros in Schools scheme, which some people would say opened the eyes of children, schoolchildren, and their parents to what was actually happening in IT, and playing games on the BBC Micro, was many people's introduction to IT. But there were many other things that Kenneth Baker introduced. He was, he was a very stimulating minister, and, he was very great fun to work for. And we must remember, I mean for all the talk of, of how many computers there were, compared with today, IT was actually in its infancy. There's a very famous, I came across recently, Cabinet Office report... By the way... Yes, the Cabinet Office report, about computing in the office, which, in the introduction had the revolutionary statement that this document is being written on a word processor on the third floor of Millbank Tower, which is connected to a printer three floors below where this typing is taking place. In 1982, that was the equivalent of climbing the Matterhorn. I mean it was... And it was regarded as astonishing, a) that there should be a word processor anywhere, working; and secondly, that it should be three floors away from its printer.

[40:14]

Indeed the 1980s are very, early 1980s, are very interesting. Not the least of which is, IBM has launched the personal computer. Not the least of which is, that British Telecom had got Plessey, Ferranti and GEC to design and build the System X digital exchange, which they were implementing, therefore, telephony was becoming digitally driven instead of being analogue driven.

Yes.

Not the least of which, ICL was losing £49.8 million on a £711 million turnover, i.e., Kenneth Baker had to intervene twice to save ICL from going down. And also we had the 1982 awareness campaign. And we had the BBC Micro. And we had the Acorn, and we had the Sinclair, and the ZX range. The industry was actually fundamentally changing in shape. Were you advising, had you perceived this, and you were advising ministers that it was fundamentally changing in shape?

I think two or three things. First, we were very much aware of the market dominance of IBM. You know, the old adage, nobody ever lost their job by buying from IBM. And, some IBM executives would say to me that, they would get worried about the competition when their own market share fell below 95 per cent of the market. What are we doing wrong, that we have lost, this amount? Nobody ever thought in terms of trying to build up a rival to IBM, in terms of market, and also, with IBM having so many research and manufacturing facilities in the UK, I mean it was, it was an integral part of the, the IT industry. And its success was doing a lot to assure nervous users that IT was something that you could live with. [pause] We probably, in those years, had an exaggerated view as to the extent to which relatively small IT companies in the UK could, could build themselves up to the point of being really internationally competitive. Many of the companies which benefited from the software product scheme failed to make the grade. A company like ARM in Cambridge was one of the few that actually did become an amazingly world class company, and all congratulations to it. But, a sad number of companies, Apricot is just one name that comes immediately to mind, flourished for a time, and then found that the competition was, was too fierce, that they didn't have the resources to become international, they didn't have the ex-, they didn't have the resources or experience to try to become real rivals to IBM.

Or you could say, and I'm suggesting this to you, that the Government didn't help them do that.

Well I'm not sure quite how we could have given help other than by, by pouring prodigious amounts of money into the company. You mentioned ICL. I mean, in some ways, being the Government's flagship IT company was a blessing and a curse for ICL. Sometimes there were people in ICL who would feel that their customers

had to buy from them because they were the Government flagship. And other people would say, well, almost, we're not interested in buying from a company simply because it is the Government's flagship. And, that was quite a quandary for the senior management of ICL.

And by this time the UK is a member of the EEC as it then was, and you could not prefer one company over another.

Couldn't do it either in terms of state aid, or increasingly in terms of public procurement.

[45:44]

And in this whole period as well, what I noticed, maybe, and this is me in hindsight, we are after all in the year 2020, and I have got perfect vision when I look back, is that, it's that, it's often always about the push of the technology, i.e. the suppliers. It's not about pull. There didn't seem to be really many policy initiatives coming from the DTI and other departments which really helped the consumer.

Yes, I think that, that's, that's quite fair as a criticism. [pause] I would say that the, one other government scheme, which was I think called Office of the Future, where the Department put money into new alignments of, of possibilities for office use of IT, six or seven companies were almost sort of given showcase places, I mean, part-funded by the Department, were meant to provide showcases where other companies could come and see what was happening, and hopefully be influenced by it. I mean, but tragically, some of those Office of the Future sites, you know, when the technology was very young, and, you only needed to get, you know, small mistakes to switch off.

Yes. The paperless office.

That sort of thing, yes. Absolutely so.

You think that's true?

Yes, I do, yes.

[47:34]

In this period as well, people were becoming increasingly concerned, particularly in the United States, of the rise of Japan, and the rise of Fujitsu, Mitsubishi, Hitachi and others, and Japan launched what it called a Fifth Generation initiative...

Yes.

...in computing. And it was extremely well-funded, and it was very broad, it was about hardware and software. And it frightened a lot of people. And it seemed to frighten the UK Government in that period into a, into a response. And the response was, a project called Alvey, named after, basically its first chairman. The Alvey process was to develop precompetitive technologies in four areas, am I right?

Yes.

Software engineering, intelligence and knowledge-based systems, man-machine interfaces, and VLSI. And Government and industry would fund together and develop it.

And academics as well.

Academics as well. Sorry. Quite right. Yes. I suggest thatm there is, there is a report from the National Audit Office on Alvey which was, the report was from 1988, six years, five to six years after Alvey was launched, which actually, really damns it with feint praise. It is really, when you read between the lines of Civil Service-ese in this report, really damning of Alvey. Do you think that Alvey was a mistake, a waste of money perhaps?

I think you're quite right as, on your first point, that there was, there was concern across Europe, not just in the UK, at the scale of the Japanese ambitions, and what they said they were committing themselves to with their Fifth Generation project. And two major developments came from that, one was the Alvey programme in the

UK, and whatever the name of it, you know, a very big series of pan-European initiatives, I think it was the Framework programme or something like that, that was developed in Europe. And, ministers at the DTI, particularly Kenneth Baker, had to work very hard with Treasury ministers to get authority to spend money on the Alvey project. [pause] Looking back on it, I think there was a cultural gain from Alvey which was that for the first time in many disciplines, and certainly in IT, the three partners of, of government, industry and academe, working together as teams, was a very powerful and positive output from Alvey. And the fact, actually, I think even despite Brexit and everything, there's still that culture across Europe that British academics have now regarded as natural to work with French, German, Belgian counterparts in industry and government on a, on a cross-cradle way. [pause] I think in terms of the individual areas, like MMI and similar, I'm not sure whether tangible commercial products developed from that pre-commercial research, but I think the cultural, the cultural change has become permanent in our, in us, in our industry you might say.

[52:06]

The NAO's report basically points to the fact that the Alvey committee, and the Alvey directorate as it was, was inefficient. It says that, it could have taken a more positive role in securing more prompt and effective collaboration. It was slow in terms of programme expenditure, and it was slow in introducing IT systems to support itself.

Yes. And I think that, I mean obviously those criticisms are fair, because, an NAO report has to be agreed by the Department itself. So the Alvey directorate team had to...

Oh I didn't know that. OK.

Yes. No no. It wasn't... It was not a, it was nothing... How can I put it? It was not like bringing in consultants, like McKinsey, to do a report.

Right.

Those, those features were very much, not challenged by, by the Alvey team.

[knocking noises] The one justification would be, actually, what was being set up in the Alvey directorate, again was a, a, a three-teamed, a three-tiered organisation with academics, industry and government civil servants. Where you are absolutely right, certain basic disciplines, which sometimes don't happen at Cabinet level either, of, you know, recording what's been agreed, of keeping the files in order, didn't happen.

Yes, OK.

And, the very juxtaposition of people, some of whom entirely used to discipline, and some of whom were definitely not, led to cracks in the, in the machinery.

[54:13]

It seems to me from looking at your, your career in the Civil Service, Alistair, that, someone is looking after you, or a group of people are looking after you. Because, you moved to be the Grade 3 in 1982, and you helped Kenneth Baker and all of those initiatives in 1982 and 1983. And in January 1984 you were moved to head the telecommunications division. And, goodness me, what have we seen set up, but the 1984 privatisation of BT. And again, therefore, you were really moving into the front line of the most important thing that's coming in IT.

Yes, I moved...

Did you, did you advance yourself, or were you advanced by others?

[knocking noises]

I think, in... I wish I knew if anybody was looking after me. [laughs] It didn't feel like that at the time. In each case, in the Civil Service of those days there was no question of advertising jobs and applying for them.

OK.

Absolutely not. That all came later. And, for both of the moves, to IT directorate, IT division, and to telecoms division, it comprised my immediate boss literally calling me up to his office, offering me a, a cup of tea, and then saying 'Well, Alistair, actually we're going to move you.'

OK.

And that was the, that was the beginning and the end.

So it was like being moved rather than...

Very much so.

OK.

And, I did know... I mean the frightening thing... I'd better say this to you rather than the interview. But, I mean... No no, don't worry, I'll take it out later. But, I hardly had been looking at the papers, official papers, about the British Telecom privatisation, until suddenly, immediately after Christmas I was told, well, on Monday week, you know, this is, you're going to carry this board in front of 60,000 people at Twickenham, 'and don't drop it.' And, I actually think that that year, of the British Telcom flotation, was the, the hardest year of my life in terms of time, effort, sweat, and just size of the in-tray, or to mix the metaphor, the number of Indian clubs that had to be kept up in the air at the same time.

[57:06]

Was there still opposition, within Government and the Civil Service, to privatisation, from January 1984, or was that, had that been swept away?

There was certainly scepticism. There was scepticism among some ministers. There was certainly scepticism among civil servants as to whether it could be done. The merchant bankers for the Department, Kleinwort Benson, did a, to me very helpful sitrep report, which happened to hit the desk in the very month that I took over the, the job, which was called the Odyssey. And, we actually had not ten years but ten

months to do it. And, I think you have to remember that, as well as the privatisation, my colleagues had the task of getting legislation through Parliament to set up the Telecoms Act which made, set out the ground rules, not just for the flotation but for the whole regulation of telecoms in this country. And, again, a licence had to be negotiated with British Telecom, which took lots and lots of meetings until two in the morning, as to exactly what they could do. And, Government took the view that if it was going to sell British Telecom, it could only do it successfully if it launched the flotation in New York and Tokyo as well as in London, which meant that we had New York lawyers, New York brokers, deeply interested in it as well. So... And we fell into a very nice pattern of, every Monday morning I would chair a meeting of Kleinwort Benson and Linklaters, our lawyers, and the Treasury, and our own team at DTI, and thrash through what had to be, where we had got to on a thousand issues or so. And we were monitored closely by Norman Tebbit himself, who took a very keen interest in this, rather than by Kenneth Baker; it was very much Norman Tebbit who looked after.

[1:00:24]

Is he good on detail, Tebbit?

Well he... It's very interesting. [pause] I used to, I used to provide a critical path that unfolded with what had to be done by what time.

This was a classic critical path analysis, or, a PERT chart, or a Gantt chart, it goes through...

No great sophistication. But...

You did this by hand?

Not quite. No, my, my secretary used to type it out, and with Sellotape we would, bring it together. But, it might say, and I make it up, you know, agree such and such with our brokers by the 1st of April, and if, if ever I, in the next one, have made it, agreed such and such with our brokers by the 1st of May rather than the 1st of April, then Norman Tebbit was absolutely, totally on top of things, and would say at a

meeting, 'I want to know why it was critical to have done this on the 1st of April and now you are telling me it's critical to do it on the 1st of May. Why should I believe what you had about the 1st of April, why should I believe anything else?'

Right.

And, it was very useful, actually, to have the discipline of knowing that you were being monitored all the time.

[1:02:06]

When the Civil Service is sceptical about something, it will say to a minister, 'Well that's very bold, Minister, isn't it?' That's the type of signalling that goes on.

Yes.

And the ministers were being bold.

They were being astonishingly bold. It was, it was by many times the biggest flotation that the City of London had ever seen.

By six times.

Yes.

And yet, let me make a suggestion to you, which of course you can challenge, BT has actually failed to become a global player.

Well... [pause] I was going to say... Yes, I have to answer that by saying that it wasn't the Government's role to set up a privatised BT so that BT *should* be a global player. It wasn't in the prospectus, we see BT being a global player. It was rather, letting British Telecom, you might say, out of the cage of being a nationalised industry. And how it performed out of the cage would have to depend upon how astute their prospective purchasers were, or their strategy, the money, and brutally, the quality of management that they had and what the competition were doing. And,

what drove ministers without doubt was, was releasing the shackles on, on British Telecom, you know. I can remember, I can remember Norman Tebbit ringing Sir George Jefferson, the Chairman of British Telecom, a few weeks before the flotation, to say, 'We have now agreed in government on the salaries of the main board members of British Telecom. And you as Chairman, the agreed salary, agreed between the Treasury and ourselves, is x, and for your deputy chairman, y,' and, and so on. And Norman Tebbit said to Sir George Jefferson, 'I very much hope that this is the last time that we in Government will be setting the salaries of one of the biggest companies in this country.' So, it was, it wasn't the ambition to be a global player; it was more to, give them the chance.

[1:05:05]

And when they had that chance, what they did eventually, not immediately, was basically to destroy the telecommunications supply industry, to destroy Plessey, to destroy Ferranti, to destroy GEC, did they not?

Well, you can be a... [pause] Although all the companies, and BT, were very content with the arrangements of System X, which you just mentioned, the fact is that it was an extraordinary arrangement whereby the major, the one purchaser in this country of complex equipment should actually be an equal partner with the three main companies who are developing the system for you. Not only that, but actually chairing many of the meetings, and setting many of, setting all of the standards. And I cannot think of any other arrangement whereby the purchaser has the three suppliers under his or her thumb round the...

MoD?

Well the MoD increasingly, and particularly at this time, with Peter that had been introducing competition into the MoD, was vigorously moving away. I do recall, I worked at the MoD for two or three years, two years, later on, I do recall a visit to the, the MoD's offices in Bath, where they were showing me about work on a frigate, and one chap went to, you know, one of these great files, drawers of files, and said, you know, 'If anything goes wrong with the propulsion of HMS such and such, then it's all here, in this file, as to what needs to be done to put it right.' And I said, 'Well why

aren't those files at Swan Hunter, or Yarrow, who actually build the ships? You haven't built the ships.' 'Ah, well you don't understand young man.' You know, 'We are the custodians of everything.' So what chance did Swan Hunter or Yarrow have of saying, 'We want to do things differently, but we don't think that you're, you're right.' That, you know, you know, if you are making... Nike don't, you know, sit with their suppliers round the table designing the plimsols with companies who in theory are actually doing the design. But it was, it was... It was convenient for GEC and Plessey and, and others, to have BT in the camp. Not only in the camp, but running the camp.

[1:08:58]

It was. You also moved in the century date change, which you could it, Y2K it was called. It's been put me by some people that that was really quite a bit of a con by the consultants who really earned an awful lot of money from it, and it wasn't really necessary.

You talk about 20/20 hindsight. [laughs] And, absolutely right with that hindsight. It was overplayed. The fact is that, the whole world got into a frenzy as to whether rather outdated equipment was going to stop working. And I vividly remember on the, on the day itself, January the 1st, I actually had a team in the Cabinet Office ready all weekend so that, you know, if, if a hospital rang up... Every hospital had this telephone number to ring up if the electricity went down, and, what would we do in terms of crisis management? And, I personally remember very nervously, tentatively, turning on the television set at some point, probably about midnight, and seeing the new century celebrations taking place in New Zealand with fireworks et cetera. And I saw, people had their lights on. [both laugh] Buses were running. [laughing] Well...

Toilets were flushing. Oh my God!

I actually... I thought, well, God, at least in new Zealand things haven't collapsed. And, you know, by that evening, my team in the Cabinet Office had gone home. I would say, and it's nothing to do with HMG, that, what happened in those eighteen months beforehand, actually ensured that a huge number of utilities, companies,

government departments, refreshed their IT systems to make them foolproof. And you might say ten years of updating was done in two years, which was catastrophic for the supply industry, because for two or three years beforehand they had a vigorous thriving market; when the lights didn't go off, people said, 'Well we can relax,' and the orders disappeared. And, later in my life I became a non-exec director of one of those companies, Parity, which actually had done well from the century date change, and, suffered seriously when...

The Parity Group.

...yes, it didn't happen.

[1:12:18]

Looking back, why does this country not have a Siemens, a Philips, an Ericsson?

[pause] We have... [pause] We have experienced, maybe even suffered, too much in this country from, too many relatively small companies chasing the same amount of pie. I recall at one meeting in Brussels one of my counterparts saying, they had had the meeting about the electronics supply industry, the, not quite... You know, the, the sort of Texas Instrument level of activity, and as you correctly say, the Italians sent Olivetti, the Germans sent Siemens, the Dutch sent Philips, and so on. And this chap said to me, 'And from the UK we had Plessey, we had GEC, we had STC, we had Texas Instruments, we had,' a Scottish company whose name I've now forgotten. 'We had ARM from Cambridge. Other countries were represented by one company; you had eight. Now, are they right, or are you right?' But... And also, a question, interestingly, your basic premise, why is it we don't have an Ericsson or a Philips or a Siemens? Ericsson is hardly a household name in electronics now. When was the last time that you saw Philips doing anything interesting in electronics? Siemens, yes, and I pay tribute to the way that they have pushed their way through the waves to survive. But even those other major companies, the Nokias and others, which were thought to be national champions in many cases, have just found the, the water's too cold.

[1:15:14]

Should the Government have allowed ARM to be bought out, given that that is one of the ones you pointed to as a success?

Um...

As a 'should'. I'm allowed to ask you those 'should' questions, now that you are no longer the sort of thing that...

No no. No, I mean, I'm not... I'm not saying you're not allowed, you shouldn't ask me that question, definitely not. No, I think it's a... I think, I think ARM, and the more recent issue in defence about a company called Cobham, raise important issues. Is there such a thing as a company which is so strategically important that it has to be protected by a sort of golden share owned by the Government, in the way, amazingly, that Jaguar used to have a golden share owned by the Government? Or is it better that a company is overseas owned, but seeks to flourish in terms of activity in this country because of the quality of the work and the people and its R&D? And, if you make a list of companies, or activities, which are really, really, leaving aside the headlines and, and local MPs lobbying, what are the things that makes a company so strategic that it has to be UK-owned? In a funny way, ICL being the flagship IT company didn't make it absolutely necessary that it should be UK-owned. What ARM has got from its Japanese ownership has been an injection of money which they hadn't been able to get from elsewhere. But I recognise completely that, a case can be argued the other way, that there's always a danger that the new owners from overseas will close down the UK facilities and, and take them to elsewhere in Europe or whatever. But I think the key question is, what exactly is it that is strategic, that demands that the Government refuse to allow anybody else to buy it?

[1:18:11]

When I was covering the IT industry and also looking at the civil servants and so on, when I was a journalist...

Sure.

...I sensed that the Civil Service was becoming more and more politicised. And I saw that people, one person particularly, had basically gone in to bat for ICL too often. A man called Ray Atkinson. And it seemed that he would, he was moved out of London, out of the HQ, and sent up to be a regional director in the north-east, which is where he came from. But it was not the trajectory of his career. And it did seem publicly that this was a more politicisation of the Civil Service, because he had said the wrong thing. Did you see the Civil Service, in your period of time, in the over 30 years, becoming more political in that sense?

I will admit that, the first moment in this interview that I have been astonished, in that, I succeeded Ray Atkinson in beginning of 1982, and until this moment I can swear that, no one's ever said to me that he had been making statements which were too political, i.e...

No. He had been supporting ICL, and that went against the policy of the Government at the time.

Um...

Sorry, that's, that's what I meant.

Yes. I'm not, I'm not dissenting that that's the impression that you or other people have, but, I mean he, he supported ICL in terms of, of arguing the case for ICL as to why, I think there was a sort of, there was a three-year government guarantee of, of its debts I think...

Yes.

...which I think was negotiated some months before I took over, and then it, it flared up again at another, at another row when Ray was attending the Fifth Generation conference in Japan. But, do you know, nobody ever said to me, or hinted, 'Well, Ray went too far.'

OK. OK.

No. I mean, Ray actually came from the north-east.

Yes.

I just know from sitting like this in his office, before he went, that, he saw going to the north-east as very much coming home, where he would be responsible for the good fortunes of a whole range of industries other than just the IT sector.

[1:21:21]

What is the biggest mistake you've made in your career?

[pause] Well I can certainly think of one or two instances where, particularly in the flurry of, of IT82, I wasn't as, I wasn't as sceptical as I should have been about some of the proposals for government financial support that I went along with. [pause] I... I don't honestly think that I can say I, I forgot to tell ministers not to privatise British Telecom [laughs], or something like that. I think it has been, taking, taking a bit more time than I should have done to, to learn the lessons from projects which we supported, which, which didn't play out properly.

So there wasn't necessarily enough sense of historical analysis, do you mean, by the DTI, and you and your colleagues?

I think, I think I was probably a bit slower than I should have been to make sure there was proper and thorough evaluation of whether a project had been implemented properly and was paying off in the way that we had expected. I don't know if that's clear.

[1:23:35]

Oh it's very clear. You have had immensely pressurised jobs, in the Civil Service, and particularly in the latter 20 or so years of your over 30 years at the top of the Civil Service and the DTI. And you had to work extremely hard. Has that had a personal impact?

Um...

Do you have a hinterland?

In what sense?

In the sense that, do you play golf, do you have cats, do you paint? Do you go yachting?

No. I think I've probably... [pause] Well, for relaxation at that time, there's no doubt that gardening in, in the garden, was my, my, well it was my place to relax, and yet, you know, that famous thing about, this idea occurred to me when I was shaving. And, the man who ran the think tank for the Government, for Mrs Thatcher, Lord Rothschild, said, in practice, every person has a place, the equivalent of shaving, where ideas come. And, [laughs] a quite extraordinary number of thoughts, I want to be doing that, I want to be doing this, occur when I've been sort of, literally digging in the back garden. I don't know why, but, they have, you know it...

*Well thank you very much for your contribution to the Archives, Alastair Macdonald.
You are a Companion of the Order of the Bath, and you are a very civil servant.
Thank you very much.*

[End of Interview]