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**BODY:**

EDS looks set to win the largest single IT contract in the world, ever. It has emerged as preferred bidder for the Ministry of Defence's £4bn defence information infrastructure.

The point of such procurements - this one took three years to negotiate and cost the parties millions of pounds - is to ensure that government gets a good deal.

But does it? One reason for scepticism is that the government's ambitions make a nonsense of competition. Only a handful of firms can take on these mega contracts, and most are already over committed.

The losing bidders for the defence deal, CSC and BT, are up to their neck in billion-pound contracts for the NHS; EDS has spare capacity following the loss of its Inland Revenue business. Was there really a choice?

Some industry voices are saying that government should recognise reality, drop any pretence at open competition and negotiate with firms everyone knows will win.

This should be resisted. Disturbing evidence is emerging that big IT contractors already have a harmful influence. It appears in a piece of international research led by two of the most respected scrutineers of government IT, professors Patrick Dunleavy and **Helen Margetts**. The research will be published in a book due out next year.

The researchers studied IT performance and the industry in seven countries. They judged IT performance by the number of projects that fail, whether government pays competitive prices and whether public sector IT is as modern as that in private industry.

Industry power was calculated, from the extent to which government holds open competitions, whether the market is dominated by a few suppliers and whether the government keeps IT expertise in house. To get around the problem of comparing a relatively small number of cases with many variations, the team used a methodology called fuzzy set social science.

For the British government, the findings do not make comforting reading. There was a strong correlation between success and small, short-term IT contracts placed by governments that keep expertise in house. In the Netherlands, for example, public bodies split contracts into very small packages of work, rarely exceeding euros 1m. Canada showed a similar pattern.

In the Netherlands, the top five IT suppliers have 20% of the government market, as against 80%

in the UK. In the US, it is 48%. The UK was unique in that a single firm (EDS) has 51% of the market. Government-IT industry relations have become "dangerously unbalanced" in the UK, the study concludes.

Meanwhile, the UK has the highest "scrap rate" of government IT projects among the seven. The lowest are the Netherlands and Japan.

The Japanese get things wrong, but contractors there throw extraordinary resources into ailing projects, knowing that if they did fail they would get no more business. In Britain, by contrast, there is a "weary recognition" that a disaster does not rule a company out of future deals. We don't have to look very far for examples.

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