

MINUTE PAPER

REFERENCE:

SUBJECT: OPTIONS FOR MARSIK COST SPREADING

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Director

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On the planned configuration, as described in the major project submission there are no practical ways of splitting the hardware to achieve payment over 2 years. Such a large part of the configuration is required to achieve any operating capability at all, that at most, approximately \$0.5M of equipment could be deferred into year three. However such an action may incur increased installation costs.

2. Due to the continuing developments which occur in computing equipment, another equipment option has been advised to us by the Cray Corporation in a letter received on 31 January 84. There are some complex technical differences in the way this new proposal achieves its performance objectives. The evaluation of its actual performance capability on cryptanalytic computation of relevance to us will require investigation and benchmark trials which could take up to 6 months. Nevertheless this option, would allow deferral of \$2.5M to \$3.0M of equipment into year three, whilst still maintaining an initial system capable of supporting the initial installation and run up of software, although it would have severely limited operational capacity.

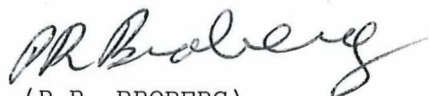
3. Investigations have previously been undertaken into various forms of financing to achieve spread of Marsik expenditure. Although interest rates have changed substantially since this investigation it is probable that using such a method to defer payment on a portion of the cost of the machine by a year would cost some 10 to 13% of the amount deferred.

4. A final possibility is that some agreement could be reached with the company to provide deferred payment of a portion of the cost. It is difficult at this stage to assess the companies' response to such an approach. However a case could be put to them that it would avoid an otherwise inevitable slip in the installation, and could be further sweetened by proposing that an initial payment be made somewhat earlier than is normal practice. For example part payment on inspection of a partially built system in the factory rather than our normal practice of no payment at all until after delivery, installation and acceptance tests.

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5. An opportunity to discuss this option will arise on 21 Feb when senior representatives of Cray and Techway will be visiting DSD.

2 Feb 84



(P.R. BROBERG)
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