

Rt Hon Patricia Hewitt MP  
Dept of Trade and Industry  
1/19 Victoria Street  
London SW1H 0ET

19<sup>th</sup> August 2001

Dear Patricia,

Software Licence Abuse

You may be aware that I am the EURIM Director monitoring the work of their 'Fair Dealing' group looking at problems with Software and Service Contracts. On July 10<sup>th</sup> I was briefed by a mix of user and supplier representatives and technical journalists on problems which could lead to hundreds of million pounds of increased costs to UK users.

A number of large software and service companies, mainly based outside the UK, appear to be taking advantage of loose contract terms and their market dominance to impose price increases and contract changes unrelated to product or service improvements. The increases are alleged to range from 25% to over 60%. The changes include additional charges to organisations which thought they had made one-off payments for 'perpetual licenses'. The effects seem particularly severe for those who have to plan expenditure well in advance (as in the public sector) or are under increasingly severe financial constraints (as across much of UK engineering).

The issues appear to be very much in line with the stated objectives for the Enterprise Bill although it may be that they can be addressed under existing powers. I understand that over forty of the UK's largest IS users organised a meeting in early August to discuss possible joint action. I have agreed, in principle, to help with political representations if that is felt necessary.

The journalists present at the meeting in July are anxious to start a public campaign but accepted that it would be more helpful to their readers if we could have a private meeting to discuss how best to progress public debate in a constructive way. As part of the preparation for that meeting could you please let me know which of your officials the EURIM group should contact so as to ensure that we are both well briefed on the perceived problems and evidence to date.

Yours ever,