



Home Office

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Rt Hon Keith Vaz MP  
Chairman of the Home Affairs Select Committee  
House of Commons  
London  
SW1A 0AA

Dear Keith,

27 March 2015

In July 2010 the Home Office notified Raytheon Systems Limited (RSL) that its e-Borders contract with the UK Borders Agency had been terminated. RSL disputed the validity of the termination, and in August 2010 the Home Office initiated arbitration proceedings to resolve the dispute.

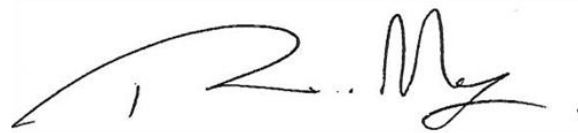
After more than four years of litigation, in August 2014 the Arbitration Tribunal found that the contract had been wrongfully terminated and awarded RSL £186m plus interest (with estimated interest of £38m at the time, the award would be approximately £224m). The Tribunal reserved judgement on costs but these were potentially in the tens of millions of pounds. I informed Parliament of this in a letter to you of 18 August 2014. The Home Office challenged the arbitration award, pursuant to Section 68 of the Arbitration Act. In February 2015, the High Court in response to the Home Office challenge found significant flaws in the Tribunal award. The High Court ordered that the award should be set aside, but granted both parties permission to appeal.

To protect the best interests of the taxpayer, including from further litigation costs, the Government has reached a negotiated resolution with RSL. The settlement is a full and final payment of £150m to RSL. This settlement represents a significant reduction on the original award made by the Arbitration Tribunal in 2014, which could have cost around £270m with costs and interest (which would have continued to accrue). This avoids any further payments or liabilities for the assets which were transferred to the Home Office, including capabilities which enhance national security by allowing the collection of advanced passenger information for checking against criminal and terrorist watch-lists, as well as for the cost of contract change notices, interest payments, costs, the £50m in letters of credit and any other claims.

This settlement recognises no admission of liability on the part of the Government. Both parties genuinely held their positions throughout the

process. RSL continues to be a valued supplier to the British Government on key defence and commercial pursuits.

I am placing a copy of this letter in the Library of the House.

A handwritten signature in black ink, appearing to read 'T. May', with a large, sweeping initial 'T' and a stylized 'M'.

**The Rt. Hon Theresa May MP**