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### Pathway and the Post Office: the lessons learned

#### By Computer Weekly

The infamous 1996-1999 Pathway project aimed to computerise the nation's post offices and tackle benefit fraud. But 18 months later, after losing millions and destroying reputations a credible IT project has emerged.

It was one of the largest roll outs in Europe, and, despite its complexities, it is now running smoothly, on time and to budget.

A National Audit Office report stated that up to £1bn of taxpayers' money was wasted on the aborted attempt to introduce a swipe card system. But, even today, the Post Office refuses to call this a disaster.

In a written response to *Computer Weekly*, the Post Office said, "IT projects are complex and difficult to forecast accurately. It is important to maintain a flexible and realistic approach to planning and targets throughout the life of a project. Judgement about whether the project is a disaster should be based on if it works when installed."

It is true the multi-million-pound swipe card system worked successfully, but only in trials. The fact remains that the system was never installed in post offices. Instead it was stopped. By anyone's standards, this was a disaster.

At a hearing of the Select Committee on Trade & Industry in July 1999, two months after deciding to cancel the swipe card, and causing a massive monetary loss, three cabinet ministers leaned heavily towards blaming the supplier, ICL Pathway, for the disaster.

But the mud stuck. It didn't help that the scheme had become known as Pathway since the core supplier was formed specifically for the project. The real contract name was BA/BOCL. ICL Pathway did well to keep its head up as the accusations raged and politicians dived for cover.

But it had little choice. Not only did the company owe its existence to the project, it had no power to prevent government ministers from removing the element of the deal that would generate profit. ICL Pathway would have made money on each transaction by a swipe card.

The supplier did have enough contractual clout to ensure it led the refocused and relaunched project to computerise the UK's post offices, following Pathway's demise. The new contract is worth about £900m up to March 2005. ICL Pathway makes money depending on the number of computerised post offices that go live. The project, with the swipe card replaced by a smartcard platform, is known as Horizon.

Liam Foley, business development director for ICL Pathway, has been involved with Pathway and Horizon since their inception. The branding of the aborted project is a thorn in his side.

"The benefits payment card project was not cancelled for technical but for policy reasons. Every time somebody says Pathway was not working, it grates," he said. "The idea that Pathway is dead and Horizon is alive is wrong. The project has always been known as Horizon."

Language aside, Foley is happy to move on from the past. He is proud of how ICL Pathway is progressing. Today, it is one of the largest and most complex IT projects in Europe.

Post offices are spread throughout the UK. The project is now going live as far afield as Shetland and Orkney. Post offices also come in all shapes and sizes, permanent or temporary, and employ 72,000 people. Getting the whole system functioning as one, computerising services with colour touch-screen intuitive technology, and training all staff, is a major challenge. Not least co-ordinating it all to hit the deadline of spring 2001.

ICL Pathway has 600 people working on the project alongside approximately 1,000 other staff from sub-contractors and the Post Office. To convert a post office from manual to computerised processes and retrain staff can take up to 38 weeks. Some are transformed individually, others in regional clusters.

More than 300 post offices are converted every week. This is an average of one terminal every five minutes and one branch every 12 minutes. Almost 72% of the network is now automated, representing 13,109 live offices, 29,900 counters and over 32,200 personnel.

Computerisation is intended to make all post offices more efficient and effective, but it is also meant to offer new services such as charging of gas and electricity smartcards, online voting and network banking. Such applications could save the village post office, which has been long threatened with extinction.

Despite the enormous task, ICL Pathway is ahead of schedule on implementation. But is this because the company can see the end to a project full of woe with years of grief?

"Far from it" said Foley. "We're very happy to be involved. We see the important contribution it can make to delivery of modern government. Anyway, ICL Pathway will continue afterwards as we're operating the system."

The greatest difference between the Horizon project now, as opposed to under the Pathway label, is that there is now only one contract between ICL Pathway and the Post Office. Previously, there had been three. One with the Post Office, another with the Benefits Office and one with both.

"It was a nightmare," said Foley. "We had two customers with conflicting objectives. It hit problems no-one else had."

Surviving the bruising of the first contract and maintaining enthusiasm for the second has to be admired. But Foley is clear on the hard lessons learned.

"Never has a contract with two customers, and clarifying their requirements in a business sense up-front been achieved. Ensure what they are asking for will achieve what they want," he advised. "I would recommend others to have a period of time at the start of a contract. This is to ensure requirements are understood, and drawn up in business terms."

Foley added, "Shared risk management is also an important contractual clause." ICL Pathway has applied its lessons to the wider ICL Group. The parent company is starting a set of projects and programme management methods and standards. It dictates how it interacts with customers from beginning to end. From painful experience, Foley advises honesty, commitment and openness when negotiating contracts.

He added, "Our relationship with the Post Office has matured. We're committed to its future. The ability to walk away is the most challenging. But I'm tremendously pleased I've worked with it. I think it's absolutely fantastic now."

**History of an IT disaster:**

**May 1996:** ICL beats off competition from IBM and consortium including Unisys and Barclays. It lands the £1bn contract to modernise benefits systems and automate 18,500 post offices

**February 1997:** ICL, the Post Office and the Benefits Agency agree revised timetable

**August 1997:** DSS ministers tell Treasury they are "extremely concerned" about delays

**September 1997:** PA Consulting commissioned to review project after "consistent and chronic slippage in delivery dates"

**January 1998:** Trade & Industry committee is concerned about delays

**March 1998:** Ministers call for second independent report on project, led by Adrian Montague

**April 1998:** Department of Trade & Industry denies problems and says "subject to successful completion" of trials, "national roll-out would start in April 1999 and be completed before the end of 2000". Post Office takes over line management

**July 1998:** Montague committee reports, supporting PA Consulting's findings. It says the project could deliver by the end of 2001. But not without improved management and "uncertain cost"

**September 1998:** Graham Corbett, deputy chairman of the Monopolies & Mergers Commission, is appointed as troubleshooter. He is ordered to produce a third report

**October 1998:** Deadline for live trial of system is passed

**November 1998:** Secretary of state, DTI, Peter Mandelson, admits delays. He says he is "confident deadlines would be met"

**December 1998:** Post Office Counters and ICL agree restructuring of project with both sharing losses. Government blocks the deal saying it contradicts findings of the Montague report. Minister Ian McCartney tells Trade & Industry Select Committee the magnetic strip card project is "critically important to the future of the Post Office"

**January-May 1999:** ICL continues to develop the project. The Benefits Agency tells the Government it wants to move directly to automatic credit transfer. Treasury officials study alternatives

**25 May 1999:** Stephen Byers announces the end of the payment card scheme in favour of paying benefits through banks from 2003. ICL signs a new heads of agreement contract. As part of revised plans, ICL will deliver a secure smartcard-enabled electronic retail platform to all Post Offices. The Benefits Agency, formerly a client of Pathway, is struck out of the contract altogether

**September 1999:** A Commons committee report concludes the project was "blighted from the outset" and lists a catalogue of errors

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