

MAY-1999 WED 10:12 ID:HM TREASURY

WITHOUT PREJUDICE

4th May 1999

Mr. Steve Robson,
Second Permanent Secretary,
HM Treasury,
Parliament Street,
London. SW1

Dear Steve,

cc Paul Rich
Dore Hille
Kens Igo
Jeff Triggs
Kerth Baines

cc Peter Schofield
Sarah Mullen
Alan Rowdley
Sarah Gubham (D&S)
David Schlich (OTI)
Stuart Stewhman (Poc)
John Roberts

Following our discussion today, I feel that it would be useful to write to you to make clear ICL's current position on its 'without prejudice' offer of 18th December 1998, now known as Option A.

ICL

As you are aware, despite continued reluctance on the part of the Benefits Agency to co-operate in the acceptance procedure, the current system as provided for under the current contract, with the magnetic stripe card, is performing well technically, and the acceptance trials are proceeding according to programme.

However, although it would be technically possible to deliver the system as currently contracted for, and as contemplated in Option A, ICL's view is that this is no longer commercially realistic, given the severe disagreement between the sponsors and the reluctance of the BA to accept Option A as the way forward.

Given this situation, ICL can no longer regard Option A as viable, therefore, I feel that the only sensible course is to make it plain that ICL cannot any longer keep its offer of 18th December 1998 open (to which, indeed, we have never had a response), and we are hereby withdrawing it. *

We believe that the best way forward, as you know, is speedy acceptance of the proposals based on Option B1.2 which are currently under discussion, and we look forward to working with all parties to achieve such acceptance, on a proper commercial and legal basis, by the end date for the ministerial decision of 10th May 1999.

In the unlikely event that the public sector wished to continue with the Horizon system upon the current basis, with a magnetic stripe card, ICL would of course be prepared to supply this, but no longer upon a PFI basis. Terms would have to be agreed which removed the acceptance risk from ICL, and insured that ICL recovered all of its investment on the project together with a fair and reasonable rate of return.

R Christou
Director

Yours sincerely

GRO

Richard Christou

Commercial & Legal Affairs

GRO

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Horizon
Testing

To Pat Kelsey
Joint Contracts Manager

From Dave Miller

9 February 1999

Testing and Live Trial

Please consult the Programme Lawyer about the answers to the following questions:

1. What are the Target Dates? (See Schedule C2, paragraph 4.2 of the Authorities Agreement).
2. What are the legal implications of target dates agreed subsequently, either verbally or in writing?
3. What liabilities, actual or potential, would the Authorities face as a result of DSS's failure or refusal to co-operate with Model Office testing and Live Trial in accordance with the Target Dates? (described at both 1 and 2 above).
4. Is the DSS entitled to refuse to co-operate on the grounds that it does not believe that Pathway is yet in a position to achieve Model Office testing or a successful Live Trial? If so, please state reasoning and under what provision(s) of the Related Agreements?
5. How is the answer to 3 affected if the Horizon Programme disagrees with the DSS' view (i.e. believes that it is sensible to commence Model Office testing now and hold to the subsequent plan).
6. What are the Authorities responsibilities with regard to the Operational Trial? (See Schedule C4, paragraph 2.3 of the Authorities Agreement).
7. What action should the Horizon Programme take if it believes that Pathway is in a position to commence Model Office testing and if successful hold to the subsequent plan?

An urgent response is required please.

GRO

D. W. Miller
Horizon Programme Director