

18-DEC-1998 14:21 FROM ICL CORPORATE AFFAIRS TO

GRO

P.02

Post Office

WITHOUT PREJUDICE

18th December 1998

Rt. Hon. Stephen Byers,
Chief Secretary,
HM Treasury,
Parliament Street,
SW1P 3AG

CHIEF SECRETARY	
REC.	18 DEC 1998
ACTION	ms Mullen
COPIES TO	BAI POCL
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Dear Mr Byers,

Since my letter to you of 9 December 1998, there have been a number of meetings as a result of which ICL has clarified and refined its proposal as set out in that letter. Accordingly, since I believe a decision by Ministers on that proposal is imminent, I felt it would be useful to write to you today to summarise the current status of our proposal.

First, POCL requested clarification of the nature and extent of Fujitsu's support for ICL. We have confirmed that this will be delivered by way of a legally enforceable performance guarantee from Fujitsu (in favour of the Sponsors) covering all of ICL's obligations in relation to the project, including the provision of all necessary funding.

Second, we have held further discussions to clarify the issues surrounding our proposals on Acceptance. We have reached complete agreement on all issues relating to Acceptance with POCL. This agreement is embodied in a detailed paper, a copy of which is with your officials. This paper has been discussed with BA, but has not been agreed with them.

Third, we have held further discussions with POCL to clarify issues relating to our commercial proposals. Again, we have reached agreement with POCL on the fundamental principles which will allow us to develop a definitive, detailed, legally binding agreement with them in due course. The agreement has imposed increased volume risk on ICL.

Fourth, although we have not had any direct discussions with BA, I think it is helpful to state ICL's position in relation to pricing under the BA Contract. The proposal of 9 December 1998 included an increase of £8 m (NPV) over the Corbett proposal. In the interests of reaching a speedy conclusion, I have reluctantly agreed to renounce this increase. I am making this concession on the basis that the Secretary of State for Social Security will support the Horizon Programme and this proposal. You

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Chief Executive

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should, therefore, consider that the negative impact on ICL of my proposal of 9 December 1998, namely - £118m (NPV), has now moved to - £126m (NPV).

Fifth, ICL has done some further work on the proposals (enshrined in the Heads of Agreement for the public/private partnership with POCL) to use the Horizon infrastructure for the delivery of "Better Government" services. We have written a further paper, copies of which are with your officials. I attach a copy for your reference.

I must emphasise that ICL regards the whole area of "Better Government" as a tremendous opportunity for the Government, the Post Office and ICL to realise the huge potential that the Horizon system has to deliver these new services. Built into our plans is a further investment of £78m by ICL, over and above that required for the basic Horizon system.



Finally, I would like to ask you to consider our proposal of 9 December in the light of all of the matters dealt with in this letter and to assist us in reaching a speedy and favourable conclusion. We can then work with the Sponsors to turn these proposals into definitive agreements early in the New Year. More important than that, an end to these difficult negotiations will allow us to review our relationship with the sponsors on a more constructive basis, and above all proceed on a timely basis to deliver the Horizon System, which I firmly believe will benefit not just the Sponsors, but the whole nation.

Yours sincerely,

GRO

Keith Todd

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Horizon & Modern Government

Horizon & Modern Government

A briefing paper from ICL Pathway

Abstract: *This paper outlines areas in which the ICL Pathway network and services and the Post Office Horizon programme may be utilised to support delivery of the wider government agenda under the Modern Government initiative.*

1 Introduction

The scope of the 1999/2000 national rollout of the ICL Pathway/Horizon programme is to bring automation to every Post Office counter, so that all transactions will be undertaken via Horizon. A prime objective is to automate the payment of Benefit Agency benefits by the introduction of the Payment Card which will virtually eliminate benefit encashment fraud and remove paperwork from the process. Horizon will provide an advanced, modern and flexible IT infrastructure enabling POCL to offer automated services to Government and commercial clients in addition to the core business of the Post Office Group in mails and communication services.

The result of this considerable investment will be to open the way to placing the Post Office, the traditional heart of the community, at the centre of the UK's move into the Information age. In utilising the Post Office's well known, trusted, national asset and brand together with the ICL Pathway network and services, government and industry can avoid the expense and risk of trying to create new brands and new networks to support their important transformational initiatives taking the UK into the new millennium.

2. The Pathway Infrastructure

Pathway technology is based on the latest specification PCs with Microsoft NT operating system, running in a highly secure high-capacity managed network reaching the 19,000 Post Offices. The PCs are equipped with barcode, smartcard and magstripe card readers and receipt printers from first installation, and are driven by icon-based menu systems accessed via touchscreens. All these technologies have been in successful use in 200 pilot Post Offices over the last year. The applications software is the world leader for new generation counter automation and is web-enabled, allowing straightforward addition of further internet/intranet services. The central hub systems provide data routing, information management, client gateways and security management including Card Management Services (for both magstripe and Smartcard). Military levels of security including Postmaster Smartcard logon and data encryption (both in PC and across the network) lead to high levels of confidentiality and trust. Touchscreens, icons and user driven menus generate ease of use and staff and customer confidence.

3. National Rollout 1999/2000

National rollout is planned to start in third quarter 1999 and will deliver counter automation, including flatscreen technology where required, into circa 38,000 counter positions in 19,000 post offices. The complex and very large scale logistics programme for planning, preparation, wiring, ISDN telecoms installation, equipment installation and commissioning and staff training is already underway with 7,000 post offices in the process and 300 being surveyed each week. National Rollout software releases support all the major client requirements. Network banking, universal banking and household budgeting services will be introduced from early 2001. These additional services bring new levels of facility and extend the range of services available to Post Office customers. This is particularly relevant to the expected growth in

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use of personal bank accounts, stakeholder pensions and assistance to families in their household financial planning and budgeting.

At this point the national network is ready to take on the new government strategies.

4. New facilities and services introduced in parallel 1999/2000/2001

During 1999 we anticipate first installations of kiosks in post offices (and elsewhere) intended to introduce public access to government, commercial, tourism etc information and services. The Pathway system, being touchscreen-based and web-enabled, allows compatibility in the development of kiosk systems look and feel. It also will support guided communication via the Government Gateway to the wide variety of government datacentres and websites whether central departments, local authorities, GORs, agencies, the voluntary sector or other government or near-government organisations.

In the same time period the Government Gateway website will be built using ICL's CAFExpress design, based on "life-events" for citizens and SMEs, with guided access to the variety of government information and forms relevant to a particular life event. This intelligent approach to the complexities of interactions with government will enable the citizen and SME to gain a complete picture of the information and services available to them, with electronic completion, verification, submission and acknowledgement of forms.

The website will be used as a common, consistent focal point for government interactions across Counters, Kiosks and internet (via home or desk PC and digital TV), as well as providing support for Callcentres. The Pathway network and back-end systems will increasingly provide the means for managing the communications, the IT infrastructure, security and the information flows.

Use of the Government Secure Intranet, together with Pathway's own secure network, will deliver high levels of security, confidentiality and trust – especially compared with public internet services.

Thus during 2000 we will see the basis of a national standard approach for citizens and SMEs to interact electronically with government using the technology of their choice.

5. Smartcard based services starting 1998

All Post Office Counters and Kiosks are equipped for Smartcards at installation. The Benefits Agency requirement for a bespoke magstripe payment card has been implemented alongside the Pathway system's capability for full Smartcard-based services – indeed these are already in use for Postmaster logon and for loading utility companies' chargecards. In order to capitalise on BA's current investment in their bespoke card, we believe the best way forward is to migrate benefit magstripe card holders to a Post Office "Citizen Smartcard" from 2000 – the choice being with the citizen.

Initial application of the card for identity verification in support of payment of benefit will be rapidly enhanced to a full range (at the citizen's choice) of banking, household budgeting, housing benefit, electronic forms signing (digital signature) services. Levels of usage of a Citizen Smartcard will be authorised at time of card registration and issue, by visual verification of additional specified documents from: driving licence, bankers card, pension book, birth certificate, passport.

The geographic reach of the network of post offices creates the unique opportunity for rapid, national introduction of these services.

6. Citizen's Account 2001

The issue of substantial numbers of Citizen Smartcards, both to Benefit claimants and to citizens and businesses seeking first steps into electronic government and electronic commerce, will pave the way to creating optional Citizen's Accounts with government. The Smartcard is effectively the key to the building (with informed consent) of a "personal database" of citizen's/SME's business with government, in turn

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supporting fast access to all the personal files in government departments, agencies, LAs, voluntary bodies etc; reducing duplication and overlap; and offering everyone the means to organise their transactions with government.

Additional benefits will accrue to government in efficiency savings and analysis of expenditure and income.

7. Multiple Smartcard applications 2001/2002

The role of the Post Office Smartcard will be enhanced to include an increasing range of applications eg transport season tickets/tokens, concessions, library card, driving licence, vehicle tax/insurance, retailers loyalty, credit/debit applications, medical allergies.

Interoperability of Smartcards with other card systems will reduce or remove the need for multiple cards, passwords, PIN numbers and multiple administrative systems across eg DVLA, local authorities, education authorities, transport companies.

8. Beacon Projects

Early highly visible projects will demonstrate the power of the Horizon network and the benefits to citizens, businesses and government. In discussion with Post Office we propose three such Beacon Projects.

- 1 London Elections in 2000: – electronic voting (at citizen's choice) via Kiosks in main Post Offices
- 2 Government.direct in Northern Ireland in 2001: – taking advantage of a large-scale population and relatively coherent and close-knit government services. The National Rollout covers N Ireland during 1999; allowing first UK implementation of a wide-ranging government.direct service with Smartcards and a NIO Government Gateway website. Promoting the democratic process, social inclusion, citizens' confidence in government, law and order, security.
- 3 Name & Address File 2001: – 3.5 million house moves take place every year of which 40% are notified to Royal Mail for mail redirection. By offering a free (to citizens and SMEs) Royal Mail service this can be increased to close to 100%, with substantial savings to government in removing delays, lost letters, rework, failed correspondence, missed appointments, fraudulent claims etc. Future extensions to cover personal numbers (citizen choice) – passport, Nino, NHS, licences, bankers cards; and change of personal circumstances – birth/marriage/death; and electoral rolls – will enhance the value to citizen and business and increase the savings to government.

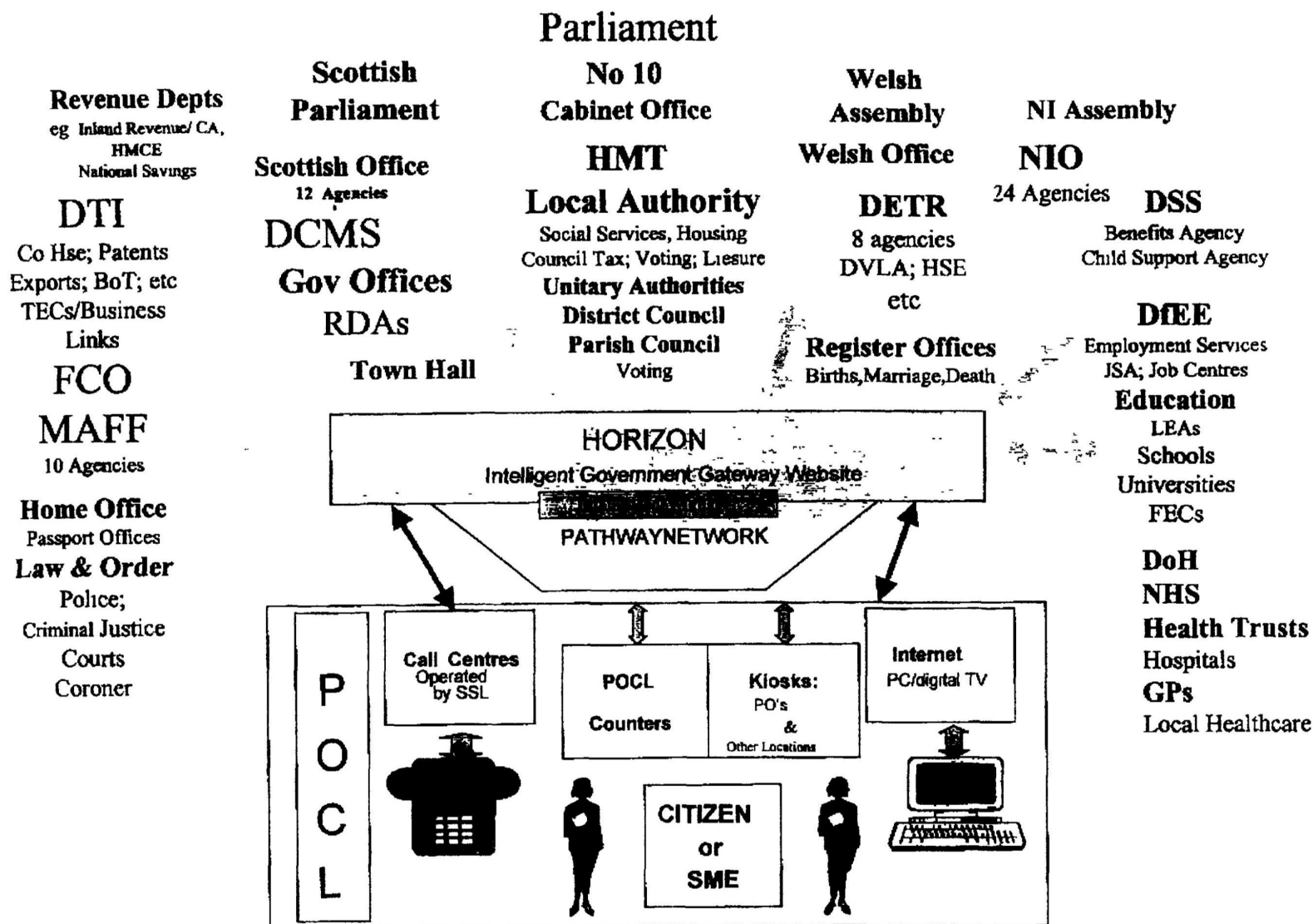
4. Conclusion

The attached diagram represents the new, multi-channel, intelligent interfaces which can be offered to citizens and businesses in support of the goals of electronic service delivery and Modern Government. Extensive work has already been carried out in the Post Office to analyse which government-to-citizen and government-to-business processes will take most benefit from the exploitation of electronic service delivery.

The opportunity to build on the modern and advanced Pathway infrastructure and services is complemented by the unique geographic coverage and reputation of The Post Office.

With the National Rollout programme poised to start, the timescales outlined for national introduction of the new services are, in the view of both ICL and the Post Office, several years ahead of any potential alternatives.

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