

RESTRICTED - COMMERCIAL

ANNEX A

Steering brief

This meeting with Mr Akikusa will be an opportunity for you to emphasise the importance we attach to ICL and the Post Office achieving roll-out of the system to all post offices within the network by the target date of March 2001, and seek his views on how ICL are performing under the revised contract.

Points to make

Horizon

- I was pleased to hear that the Post Office formally accepted ICL's Horizon automation system on 24 September although I understand that this was delayed by one month.
- I cannot overemphasise to you the importance we attach to ICL and the Post Office achieving roll-out of the system to all post offices within the network by the target date of March 2001. We are monitoring this closely.
- Successful roll-out of the automated system is crucial if the Post Office is to extend its arrangements with the banks to allow benefit recipients and other bank customers to access their accounts at post offices by the time the migration to paying benefits through automated credit transfer (ACT) begins in 2003.
- You indicated to me at our meeting in Tokyo that you would be watching closely how ICL is doing. Is there anything you would wish to comment on?

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Secretary of State's meeting with Fujitsu on 13 June (*N.B. covering Horizon aspects only see British embassy note of 17 June for other aspects*).

1. Your last meeting with Mr Akikusa, President of Fujitsu took place in Tokyo on 13 June, not long after the Government's decision in May to drop the benefit payment card from the Horizon project. Fujitsu appeared to see the meeting as an exercise in both thanking you for your and the Department's help to the company over Horizon and of signalling that the company had been quite severely bruised by the experience.
2. At that meeting, Mr Akikusa described the problems over the Horizon project and the result of the final deal which put Fujitsu into the red as "unfortunate". To have put the whole of the Fujitsu group into the red had engendered a sense of failure in the whole company. Mr Akikusa however believed that ICL should become stronger as a result. Fujitsu wanted to strengthen the company in order to make it independent in due course and would in the meantime oversee ICL more closely. He agreed with the Secretary of State that the new contract would give ICL new opportunities.

Progress with revised Horizon contract

3. The revised Horizon contract provisionally agreed last May by Post Office Counters and ICL was finalised at the end of July. Acceptance of the reconfigured Horizon system planned for 18 August was postponed because of Post Office Counters' concerns about training, system stability, data integrity (there had been an unacceptably high level of screen freezes) and the effective operation of the help desk. The Post Office accepted the system on 24 September on the basis that effective remedial action had either been completed or was in hand.
 4. Currently 950 post offices are automated and the Post Office expect that this will rise to 1,800 before Christmas. The Post Office is committed to achieving roll-out of the system by March 2001 at the rate of 300 offices per week.
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