

Colin Lenton-Smith
Commercial and Finance Director, Post Office Account Team
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30.07.03

Dear Colin

Re: Disputed Invoices



I have again reviewed the contractual position of CCNs 297, 333a and 437. My conclusion is again that the work specified in these CCNs is included in the prices in Schedule A12 of the 28 July 1999 contract. My reasons for reaching this conclusion are as follows:

All three CCNs are in Part 1 of Schedule A17. In the case of CCN 437 this is because it is listed in Part 1. In the cases of CCNs 297 and 333a it is because they were agreed after 9 July but before signature of the contract and so satisfy the condition in Clause 810.10.2.

The effect of clauses 810.10.1 and 101.1 is that the CCNs in Part 1 relate to the Codified Agreement and no longer relate to the POCL Agreement and Authorities Agreements of 15 May 1996. The version of clause 810.10.1 of the Codified Agreement that is relevant is that in the original version as signed on 28 July 1999, since all three CCNs were approved before that date.

The work specified in the three CCNs had in fact been completed by ICL Pathway well before approval of the CCNs (indeed before the Codified Agreement took effect). Therefore no charge is payable under the change control provisions of the Codified Agreement (see paragraph 2.7 of Schedule A05). Neither are any charges payable under the Authorities Agreement or the POCL Agreement since these CCNs were never approved under those contracts.

In fact, Post Office understood from ICL Pathway's negotiators at the time that because the work had been carried out, Pathway's sunk costs for the relevant work was being recovered in the roll-out payments specified in Schedule A12 of the Codified Agreement, and that the purpose of the CCNs was administrative, namely to amend relevant documents to regularise the result

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of the unapproved work which Pathway could otherwise have been liable to undo at its own expense.

Specifically:

- CCN 297 related to the introduction of Barcoded War Pension order Books in July 1998 as part of Release 1c, and all work under the CCN was completed prior to such introduction.
- CCN 333a related to introduction of AP tokens up to April 1998.
- CCN 437 related to training of Branch Office staff for the Live Trial. This training was to be undertaken prior to the Core Observation Period which was scheduled to start on 31 May 1999.

As you will be aware, Post Office has previously agreed to pay for work carried out under CCN 411a which might appear to be a similar case. However, CCN 411a is unique in that it was both raised and approved between the dates of the Letter Agreement and the Codified Agreement and so any work undertaken under that CCN prior to approval of the Codified Agreement might be covered by the provision in parentheses in Clause 105.2.

Yours sincerely,

ORIGINAL SIGNED BY:

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