



POH-504D

Pathway

M E M O

To: Pathway Board

From: Tony Oppenheim
FEL 01

Tel:
ITD:
Mobile:

GRO

Date: 24th October 1995

Finance Director's report - October 1995

Highlights

Good:

- * Some signs of headway at the political level
- * ALPS fraud savings confirmed at £70m to date
- * Treasury appear to have engaged on the fraud savings/ ESNS
- * ALPS service performance issues under control
- * ITT responses mostly in
- * Toronto Dominion/ Credit Suisse confirmed as joint lead banks
- * PMS demo system delivered on schedule (port of An Post system)
- * Oracle teaming agreement taking shape - PMS and MIS

Not so good:

- * Timescale slippage still not declared, but inevitable:
 - Requirements will not be frozen until December
 - Procurement team "do not have a negotiating mandate"
 - New process will enable Procurement team to justify slip
- * Schedules show unreasonable stance:
 - open-endedness of requirement
 - agreements to agree
 - onerous penalty and default performance triggers
- * POCL may still go ahead with APT and TIP investments
- * Pathway solution problems - some serious
- * ITT responses of variable quality

Bid Budget and Timescales

Our best view of timescales remains much as last time except that we would add a further month to the slippage. This notwithstanding efforts by the Programme Team to replan their process.

- ITT issued: Feb/ March.
- Selection: April/ May
- Award: Q3

The impact on Bid Budget against a backcloth of increasing requirements, compressed timescales from selection to full function operation, and the inefficiency of the programme procurement process itself are set out under separate cover for shareholders' attention.

Customer Negotiations

There have still been no meetings of the CNT: the first is now set for 2nd November.

The PMS solution switch has been done and timescales for card based payments brought forward (making the offer compliant) making the assumption that CMS could be brought forward also. We have received a B1 risk assessment with respect to the new PMS solution regarding scalability (better than the A risks previously, and not a surprise: more work needed to combat it). However, with respect to the CMS component, we now have a serious problem. See Risk section below.

No advance on POCL "partnership": no meetings scheduled.

Funding

Credit Suisse and Toronto Dominion are confirmed as joint lead banks and will present to the Board on 1st November.

They have both agreed to waive fees during the bid phase. Their legal, audit and due diligence costs (incl. technical due diligence) will have to be met by Pathway. My aim is to agree both how these will be carried out and monetary caps if at all possible.

Supplier pricing and selection

ITT responses are mostly in at time of writing, and the last of the main inputs is committed by weekend.

The selection and qualification process has begun. More work will be required in some areas to ensure that we obtain best value for money.

Steve Reed, the new Commercial Manager, is dedicated to this task.

Risk register

An update will be presented at the Board meeting. We are now tracking two risk registers:

- POCL/ BA's view of Pathway
- our own

The biggest risks are seen as:

- resources for achieving card based payments/ timescales
- for the POCL only requirement, EPOS availability
- continuing dependency on Escher

The ACI based CMS solution has been qualified out at a late stage. Their inability or unwillingness to commit to timescales appears to correlate more to their involvement with Cardlink than to changes to specification. Although not a total surprise, there is no disguising that this comes as a serious setback. Girobank have offered to put some resource into breach, but that will not solve the problem on its own. This risk is not yet visible to the customer but it will have to be declared soon, in the best possible light.

The sheer amount of development, integration and test effort that must be completed prior to operational trial is daunting. This position is aggravated by having to make the card payment system available much earlier than we had proposed (as above) in order to be compliant with stated requirements.

In effect, the Procurement authorities are asking for three full operational systems to be developed, with two as contingency. Given the operational penalties likely to be associated with shortfalls, we cannot afford to take shortcuts.

We still have had no confirmation that the risks we identified on POCL/BA have been taken on board in any meaningful way.

On the plus side, the chances of getting ESNS established as a contributor to the business case, with Treasury sponsorship, are now much improved.

Our political initiatives run the risk of alienating Andrew Stott - something to avoid if at all possible.

Market opportunity beyond POCL/BA

A meeting is set with both An Post and Escher for later this week to explore the preliminaries for taking this forward.

Insurance

D&O is in place.

Auditors

Nothing of substance to report: expenses minimised.

Bank Account

Nothing to report.

Pathway staff terms and conditions - planning for award

We need to progress the a Deed of Participation item, but this is not time critical.

Staff

As indicated above, Steve Reed has joined and has taken responsibility for sub-contracts.

Tony Oppenheim