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**DRAFT****OPTION C - CONSIDERATIONS AROUND FUTURE USE OF ASPECTS OF THE ICL PATHWAY SOLUTION****1. Introduction**

This note explores a number of possibilities for future use of aspects of the ICL Pathway solution in an Option C (Termination) environment. For the purpose of this note, Option C is taken to mean the termination of all current contracts with ICL Pathway, and in particular the demise of any requirement from BA for the Benefit Payment Service. However, given that POCL's desire for automation still remains, it is likely to be suggested that ICL Pathway could continue, under some revised contract, to provide front end automation for POCL.

**2. Advantages of Re-Use**

Although there may be a natural reaction against any further use of ICL Pathway or its solution, based on POCL's experience of the ICL Pathway's track record, there are a number of potential justifications for examining re-use options:

- the likely lead-time and costs of any "new" procurement for front end automation - any new procurement is likely to take at least 2-3 years; re-use of ICL Pathway may considerably reduce this delay.
- reduction in risk (*"better the devil you know"*; much of solution now present and becoming proven)
- gaining maximum leverage out of the considerable sums spent by POCL during the past three years in working with ICL Pathway and in defining, assuring, testing the Horizon solution and planning its rollout.
- cost benefits through reduction of any termination charges with ICL Pathway and more attractive ("fire-sale") pricing

**3. Specific Issues**

Before considering the options for re-use, it is worth exploring a number of specific issues:

- ***What are POCL's business requirements? Have they changed to invalidate the Pathway solution?***

ICL Pathway successfully bid and commenced development against an expression of POCL's business requirements which was produced some 4 years ago. With the removal of BPS and other changes to POCL's business and processes (move towards Network Banking, desire to re-engineering the end to end design, etc), we need to understand whether ICL Pathway's solution is still valid (or rather, how much is still valid).

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It is worth being aware that 9 other Post Offices world-wide are now using, or planning to use, a Riposte based solution (and that none of these have a Benefits Payments Service type requirement). A number of these have profiles of business which reflect POCL's new direction, and have explicitly selected a Riposte based architecture to meet their needs - in particular a number who have high levels of on-line processing have chosen the Riposte based architecture. [This increase in use of on-line by POCL may change the balance of frame relay vs ISDN on commercial and performance terms, however this is does not fall outwith the ICL Pathway architecture].

- **Solution vs Company**

In considering any re-use, it is important to distinguish between ICL Pathway (the company) and the Horizon solution. Whatever our experience and view of ICL Pathway as a supplier, the Horizon solution - taken to be mean the technical solution to be provided by ICL Pathway - was evaluated by POCL prior to award of contract and was considered to be fit for POCL's needs (and indeed to provide advantages, in terms of resilience and availability, over other solutions).

In this "pro's" and "con's" in this document it is the solution, rather than the company, which is being considered; some points on ICL Pathway as a supplier are made later in this document.

- **Application vs Infrastructure**

It is also important to distinguish between the business applications developed by ICL Pathway, and over which there may be some concerns (eg EPOSS) and the underlying infrastructure, of which we have increasing confidence. The majority of problems (at least visible to POCL) to date have been within the implementation of Pathway's applications (where we believe they have taken an inappropriate approach and not allowed an independent verification and validation) rather than in the infrastructure, where they have taken a more traditional approach, have been more open, have involved various joint working teams, etc.

- **Infrastructure**

We should not underestimate the complexities of building a secure, self-managing, resilient, highly available infrastructure covering 20,000 offices and 40,000 counter terminals spread over the entire UK, which is capable of being operated by non-technical staff with "zero-intervention" (backups etc) in the office. Although other service providers could undoubtedly build such an infrastructure given time, the scale and nature of our operation would be alien to them much as it was with ICL Pathway, and the complexity likely to be initially

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underestimated. We should be sceptical of any suggestion that such an infrastructure could be build bought “off the shelf” or developed without considerable time, cost and effort by a third party.

#### 4. Non-technical considerations

There are, of course, a number of “non-technical” issues that are likely to influence any decision to make further use of ICL Pathway or its solution.

These would include:

- are ICL Pathway “fatally wounded”?
- can ICL Pathway or POCL make the transition to a new form of relationship? Will the necessary changes (including of staff) be made?
- does POCL have sufficient faith in ICL Pathway to deliver?
- can suitable relationships be (re-)built between POCL and ICL Pathway to enable future working?
- can a service be negotiated with and delivered by ICL Pathway in parallel with the work on termination of the current ICL Pathway contract?

No view is taken within this paper on these issues.

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**DRAFT**5. Possible Levels of Re-Use

Outlined below are a number of levels at which we might consider “re-use” of the ICL Pathway solution.

Level	Description	Pro's	Con's
1	Re-use of relevant parts of design through some form of purchase of IPR (ICL Pathway cease to have any major role with POCL, and therefore do not provide or operate service)	<ul style="list-style-type: none"> <li>Infrastructure design still valid - Pathway have addressed and solved many of the unique problems of POCL (size, network etc) which any other service provider would hit.</li> </ul>	<ul style="list-style-type: none"> <li>New service provider may not wish to be constrained by previous solution</li> <li>Documentation of “design” in a state fit for useful handover unlikely to be simple (may need ongoing consultancy)</li> </ul>
2	Purchase ICL Pathway technical infrastructure (including hardware, operating systems, etc), as is, for our own use.  Could include: <ul style="list-style-type: none"> <li>data centres (buildings? staff?)</li> <li>network (contracts?)</li> <li>support services</li> <li>surveys</li> </ul>	<ul style="list-style-type: none"> <li>Avoids having to design and build infrastructure from scratch</li> <li>Opportunities for good pricing?</li> </ul>	<ul style="list-style-type: none"> <li>May acquire kit too soon for use, becomes obsolete</li> <li>Little value in large amount of un-installed hardware; little installed so far in field.</li> <li>POCL take on “risk” of systems integration</li> <li>Much of infrastructure is outsourced - eg data centres are rented locations, with operations outsourced to other ICL divisions.</li> <li>POCL potentially take on variety of existing subcontracts from Pathway.</li> </ul>

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Level	Description	Pro's	Con's
3	<p>Contract to ICL Pathway for use of infrastructure on which POCL run own applications (a form of "facilities management" deal).</p> <p>Service could include:</p> <ul style="list-style-type: none"> <li>• hardware in offices and data centre</li> <li>• provision of comms network</li> <li>• provision of operating systems, middleware, security, systems management, software distribution, ....</li> <li>• operation of data centres</li> <li>• installation activities</li> <li>• support activities (field support, help desks etc).</li> </ul> <p>POCL manage development of applications - either in house or through third party subcontractor (maybe direct use of Escher for counter?)</p>	<ul style="list-style-type: none"> <li>• Infrastructure believed sound and "ready to roll"</li> <li>• Infrastructure largely independent of application design; problems of scale, geography etc likely to be hit by any service provider; Pathway believed to have solved these problems</li> <li>• Pathway technical infrastructure reflects that used in other countries PO (eg Riposte etc)</li> <li>• Infrastructure provides significant functionality which we would have to provide in any solution: <ul style="list-style-type: none"> <li>• data transport/comms</li> <li>• security (incl crypto)</li> <li>• system management</li> <li>• support</li> </ul> </li> <li>• Allows POCL to focus on the business applications whilst service provider provides the largely business-independent infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Need to develop clear definition of "infrastructure" and therefore of the service provided.</li> <li>• POCL take on some integration risks (eg between application and infrastructure)</li> <li>• Will other parties be able to develop applications for this infrastructure without considerable Pathway involvement? (especially at startup).</li> <li>• Need to obtain full and unfettered access to design of infrastructure to be able to discharge our expanded integration role</li> <li>• POCL will need to be able to "manage" ICL Pathway's provision of infrastructure.</li> <li>• Writing applications from scratch =&gt; rollout not possible until critical mass available.</li> </ul>

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Level	Description	Pro's	Con's
4	<p>Contract to ICL Pathway for use of Infrastructure plus existing applications (APS, EPOS, OBCS?).</p> <p>POCL develop future applications as in (3).</p>	<ul style="list-style-type: none"> <li>Allows infrastructure and existing applications to be rolled out, replacing existing legacy automation</li> <li>Early rollout of infrastructure de-risks rollout and allows early introduction of new functionality.</li> </ul>	<ul style="list-style-type: none"> <li>Are these applications what we now want (eg EPOSS).</li> <li>EPOSS is not built on Escher's strategic EPOS product; Pathway already considering re-write (EPOS2).</li> <li>Have to integrate new applications into existing EPOSS solution.</li> <li>Need to gain assurance on current applications (as we "take them over") - need visibility of design etc.</li> </ul>
5	<p>Contract to ICL Pathway for use of Infrastructure plus existing applications (APS, EPOS, OBCS?) plus for development of new applications in some "partnership" manner.</p> <p>[Would need revised relationship with ICL Pathway where we have full visibility and review of design, no "hiding behind IPR" etc]</p>	<ul style="list-style-type: none"> <li>Pathway continue to take some integration risk/responsibility</li> <li>Pathway have application development capability.</li> </ul>	<ul style="list-style-type: none"> <li>Need to move to new mode of operation with ICL Pathway for application development - responsibilities on both ICL and POCL.</li> </ul>

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## 5. Conclusion

These options are, of course, highly dependent on the right commercial and contractual arrangements being achieved between POCL and ICL Pathway. If the correct agreements could be reached, then there may be some advantage in POCL making use of at least part of ICL Pathway's solution in their future plans - where ICL Pathway already developed a suitable solution and are in a position to deploy it in a considerably shorter timescale than could be achieved with a new service provider.

The provision by ICL Pathway of a managed technical infrastructure (level 3), on which POCL could mount its applications, could be worthy of further consideration, if a suitably beneficial commercial arrangement could be found. The purchase by POCL of elements of hardware - eg PCs, servers, etc - is not considered to significant benefit for POCL and is not recommended.

In summary - some options around the infrastructure are potentially worth exploring in more detail, but dependent on:

- an advantageous commercial agreement for POCL
- agreement of a suitable contractual arrangement with ICL Pathway
- a belief that we can work with ICL Pathway