



RESTRICTED - POLICY AND COMMERCIAL - WITHOUT PREJUDICE
Treasury Chambers, Parliament Street, SW1P 3AG

Keith Todd
Chief Executive
ICL plc
26 Finsbury Square
LONDON
EC2A 1DS

30 October 1998

Dear Mr Todd,

BA/POCL

Thank you for your letter of 23 October.

2. I am pleased to hear that you have been actively pursuing further discussions with the Post Office to develop a public/private partnership. I also note (your letter of 20 October) that you would be prepared to proceed with a business case showing less than a positive return, but on the basis that you could see a prospect of being able to recover the position later on.

3. I have discussed your proposal with my colleagues. I must re-iterate our position that the negotiations were not posited on an outcome which would ensure ICL Pathway a positive return on the project. But in the circumstances I am prepared to agree to your request for a period of two weeks from the date of your letter for you to make progress with your discussions. This is on condition that:



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- I receive, no later than close of play on Monday 9 November, draft non-binding “Heads of Agreement” for your proposal, fully agreed with the Post Office;
 - this proposal is based on a realistic business case, and involves no implicit or explicit guarantees or commitments on the part of the public sector to future additional business;
 - that you and the Post Office seriously consider the case for involving a third party with wider retail expertise in the partnership as suggested in your letter of 20 October - or otherwise demonstrate how the necessary skills will be acquired.
4. We will then take this into account in our decision on how to proceed.
5. In the meantime, we would expect work on the project to continue in accordance with existing contracts, and that you will not initiate legal proceedings against any other party without adequate notice. We also assume that all parties will continue to observe the conditions of strictest confidence and without prejudice, which were agreed at the outset of this process. I must also state that any delays resulting from this continuing period of discussions cannot be used by ICL as a basis for any claims against the public sector parties.
6. Both public sector parties continue to reserve all their rights against ICL Pathway and ICL following your contractual default.



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7. Graham Corbett will continue to be available if you or any of the parties wish to discuss the proposals further.
8. I look forward to your confirmation by return that you are prepared to proceed on the basis set out in this letter.
9. I am copying this letter to Alistair Darling, Peter Mandelson and Jack Cunningham, and to John Roberts and Peter Mathison.

Yours sincerely,

GRO

STEPHEN BYERS