

POCL/DSS



16<sup>th</sup> February, 1998

Mr Triggs,

Please find enclosed minutes of the  
Legal Contingency Planning Meeting (5/2/98)  
and attachments for information from  
Kevin Corrigan. (Contract Manager - Poch)

Thank you  
Celeste Lhombreaud  
Secretary

with compliments

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**GRO**

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**MINUTES FOR**  
**Legal Contingency Planning Meeting**

<u>Attendees:</u>	<u>Apologies:</u>	<u>Date of Meeting:</u>
Paul Rich (POCL)	Nick Grey (S&M)	5th February, 1998
Kevin Corrigan (POCL)	Joe Ashton (Legal Services)	
Jeff Triggs (S&M)		
Trevor Barnes (S&M)		

**1.0** Action Points for previous meeting:

**1.1** (Para 3.3) **Noted** copies of letters between Paul Rich and George McCorkell of August 1997 had been copied to the team.

**1.2** (Para 3.54) **Noted** a quick and dirty analysis of CCN's had been undertaken giving the following figures:

	Overall %	Since Replan %
BA/CAP's	43	36
POCL	21	18
PATHWAY	20	28
JOINT	17	18

**1.3** (Para 3.5.8) **Agreed** to carry forward sourcing a copy of the workload brief issued at ITT.

*Action: KC - Done*

**1.4** (Para 3.8) **Agreed** to carry forward the development of a positioning paper of legal advice to date for the commercial workstream team.

*Action: JT/ JA/KC*

**1.5** (Para 6) **Noted** Legal Services were progressing the analysis of Fujitsu's standing behind ICL.

**2.0** **Noted** DSS appeared keen to follow Bird & Bird's advice to issue a full statement of the Authorities legal and Commercial Position to ICL Pathway. **Noted** Bird & Bird were not privy to POCL's concerns about divergence and consequential effects of Programme termination. Slaughters advice remained to issue a firm but simple rebuttal of Pathways request for a price rise/contract extension. A more detailed response could muddy the water and may force Pathway to respond likewise and answer each point made in detail. This would change the Authorities "High Ground" position and raise the stakes overall; it would also be more likely to escalate into full scale litigation. Should the expected negotiation not prove fruitful, the option to set out our case out in detail would remain.

**3.0** **Noted** John Bennett had phoned Stuart Sweetman suggesting POCL and Pathway discuss business post 2004. PR had advised that entering into any such discussions might release the commercial pressure on DSS to overcome the present problems facing the programme.

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**4.0** **Agreed** the draft letters to John Bennett from Peter Crahan would be re-written, one on an open basis stating the Authorities did not believe Pathway had any rights to a price rise/contract extension and one on a without prejudice basis to keep any discussions on a without prejudice basis. Further, a covering letter to Peter Crahan would be drafted setting out POCL's reaction to Bird & Bird's advice.

*Action: TB/JT - Done*

**5.0** **Noted** at the meeting to discuss the Independent Review of the programme, George McCorkell appeared keen to ask Pathway for detail on what grounds they thought the Authorities were to blame. However, the Independent Review would inform where the Authorities case was weak.

**6.0** **Noted** recent Bird & Bird advice was in response to a meeting between Ian Magee (DSS ITSA Director) and Richard Cousteau (ICL Commercial Director with responsibility for legal services). Bird & Bird were obviously in a difficult position as they are to act for both sponsors, not one. **Agreed** to point out the need for Bird & Bird only to act for both sponsors in relation to programme matters. Joe Ashton would be the initial point of contact to discuss this with Bird & Bird, and Paul Rich's covering note to Peter would emphasise this point and be copied to Hamish Sanderson (Bird & Bird).

*Action: PR/JA - Done*

**7.0** **Agreed** a copy of the Terms of Reference and confidentiality undertaking for the Independent Review would be copied to the team.

*Action: KC*

**8.0** **Noted** the Independent Review remit would be to establish the facts to date and not deal in assertions. It would not attempt to suggest how the programme could have been done better, it would establish who should have done what, when and if they hadn't whether this contributed to, or caused the delay. DSS had indicated they wanted the review to concentrate on the period since the last replan (CCN 105), however the consultants would go back to at least the Award of Contract, if not to Invitation to Tender.

**9.0** **Noted** the PA report and the outputs from the Hedsor House workshops would be available to the consultants as, although they were Restricted documents, no confidentiality documents had been signed (other than the confidentiality provisions of the Related Agreements) and Bird & Bird had advised their use was okay. **Noted** the meeting with PFI task force had not conclusively agreed to review the programme but if it did go ahead its remit would be future focus, not blame attributable, nor a legal or commercial examination. Its' outputs would be seen by POCL.

**10.0** **Agreed** a copy of the file notes of the meeting with PFI unit and the Independent Consultant would be copied to the team.

*Action: KC - Done*

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- 11.0** **Noted** DSS appeared to indicate (incorrectly) to the PFI unit that Pathway were unwilling to co-operate with the PA Report - inferring that Pathway had something to hide. Although DSS admitted to the PFI unit they had had problems initially, they believed their slate had been clean since the replan. DSS also appeared to indicate that PA had confided to DSS that they had found areas they could not (would not?) put into writing (in their report).
- 12.0** **Noted** as POCL are not at fault, POCL does not have to agree in any future commercial negotiations. POCL should only enter discussions if there are areas to trade between the parties.
- 13.0** **Noted** there remained "business as usual" negotiations between POCL and Pathway. E.g., Current discussions focused on the Post Office estate where Pathway were suggesting using flat screens to overcome space problems - however there was an additional cost of circa £300 per position for flat screens. Although POCL had accepted a 50/50 cost split on a no blame basis for alterations to the 200 pre-trial outlets such an approach would be very expensive when scaled up. POCL believes Pathway are contracted to provide a service, the solution being Pathway's responsibility. **Noted** Slaughters had cleared a letter from POCL to Pathway on this area. Advice remained to keep all discussions on a without prejudice basis, - though as with the letters to John Bennett on Price rise/contract extension there was merit in placing on the record in an open letter or open minutes a statement of POCL's position.
- 14.0** **Noted** there appeared to be a year end opportunity for an investment purchase from POCL funds, however there were risks in "rushing" any deal without properly addressing all risks and liabilities associated with it.
- 15.0** **Agreed** to arrange a short meeting between Stuart Sweetman and Jeff Triggs to give a legal briefing. **Noted** Slaughters advised against sending a letter to Peter Matheson to address/refute suggestions around Whitehall that POCL remained inflexible. **Agreed** to provide Stuart Sweetman with a speaking brief to refute any such rumours.

*Action: KC - Briefing Done  
Meeting T.B.A.*

**Date of Next Meeting:**

**To Be Advised.**

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File Note: Meeting with Independent Consultant (Not formal minutes)

At Offices of Bird & Bird, 90 Fetter Lane LONDON EC4A

12.30pm

4 February 1998

Present: Paul Rich, George McCorkell, Pat Kelsey, Hamish Sandison,  
Andrew Davies, Kevin Corrigan

1. HS set the scene for the Independent review. Just because operational trial had not completed on 21 November 1997 it does not follow that Pathway are at fault. One needs to establish the causes of non completion of operational trial before the Authorities can be confident of their rights.
2. HS continued, the Independent review would look at the evidence, not the assertions. It would also not suggest "if you had done things differently it would have turned out better", it looks at what each party said it would do (contracts) and attempt to establish where parties failed to meet their obligations and whether such failure contributed to the non-completion of operational trial.
3. GMC clarified this will establish where our case is weak.
4. PR queried the 'discoverability' of this work. HS confirmed AD would be under a duty of confidence. The report would be Bird & Birds advice to the programme and is both privileged advice and safe from litigation discovery. Pathway could not call on AD as everything he is doing is as an agent for Bird & Bird. Bird & Bird will tell the Authorities of the report's findings.  
Note: If a copy of the report found its way to Pathway, Pathway could use it.  
Agreed: by all that AD would sign a confidentiality contract to protect the Authorities.
5. PR queried the size of the task. AD indicated the 6-12 week timeframe felt correct, the breadth of the report would be smaller by not approaching Pathway but therefore easier to deliver.  
Agreed: an interim/progress check would be arranged for approximately two weeks time (PK).
6. GMC noted that Pathway appeared to be raising the stakes - Keith Todd lobbying hard around Whitehall - GMC is continually being asked how strong the DSS case is. GMC indicated things may be taken out of the Authorities' hands.
7. GMC claimed his case was strong since the last replan with DSS delivering all their obligations. PR wanted the report to go back to May

1996 as the causes of non-completion of operational trial may be further back than re-plan. AD said he would need to start with the Invitation to Tender.

8. HS said it would be useful to get a steer from PDA where they thought our case may be weak.
  - PR suggested reviewing Change Control Notes,
  - PK suggested the Agreement to Agree,
  - HS suggested the Contracting Authority Responsibilities,
  - GMc suggested Pathway will say we've over specified and over assured the services contracted.
9. PR clarified the review was about the Related Agreements, not Contracts A and B, nor the respective business cases.
10. PR and GMc explained the Treasury PFI Taskforce may wish to review the programme. However, if it went ahead it would be future focused on the likelihood of the new delivery dates. The private finance initiative taskforce activity would be separate from AD's review.
11. Noted from an internal communications point of view, if staff questioned the activities of AD, this exercise would be explained as understanding who has/hasn't done what by when - in order to inform the potential commercial discussions. It is about assuring the future, and informing on what basis (and whether) we enter commercial discussion.
12. AD would be assisted by Anderw Wing (not present) of the same consultancy. AD would work via PK and when AD needed access to DSS or POCL points of contact would be established. AD would begin work 5 February 1998.

[Not discussed at meeting: need to ensure AD meets Andrew Stott (ex Programme Director), (possibly Derek Selwood?) not just present Programme Management Team.]
13. Although not part of the Independent Review, the meeting briefly discussed HS advice regarding contacts with Pathway. GMc was keen to reply to Pathway in detail on both legal and commercial areas. PR said he agreed all contact should be without prejudice and subject to contract but did not believe we needed more than rebuttals to Pathway at present. PR also said all matters now going through Joe Ashton, PO Legal Services, Head of Litigation and POCL would respond formally in next day or two. PR pointed out that Bird & Bird needed to ensure they were acting on behalf of both Authorities.



BY FAX

Peter Crahan  
PDA  
Terminal House

Post Office Counters Ltd  
Development Director

George McCorkell  
BA  
Holborn House

6 February 1998  
060298b

**Structure of Letter regarding Horizon**

When I met George, Pat and Hamish on another matter on Wednesday, I promised I would give urgent consideration to the two pieces of legal work received from the PDA this week, with back up advice from Bird & Bird. Though I am away from the office today this note has my full authority as I have now taken the appropriate advice internally; I have also briefed Stuart Sweetman of our conclusions.

You will see from what is set out below that we are proposing in summary:

- a joint response to Pathway now to set the right context and proper legal protection against any previous claims by them, and for any further "without prejudice" meetings between, for example, our PSC members and Pathway.
- a new way of achieving this that would cover both pieces of advice from PDA this week, including parallel 'open' and 'without prejudice' letters to Pathway from the PDA on our joint behalves, to be issued urgently.
- a different timing in our contractual strategy for revealing any fuller commercial or legal response at this stage, given both the business issues prevailing and, legally, the positioning we should adopt as that of confidence in our position.

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(On BA/POCL Programme notepaper)  
Draft letter to ICL Pathway

John Bennett  
Managing Director  
ICL Pathway Limited  
Forest Road  
FELTHAM  
Middlesex  
TW13 7EJ

February 1998

Without prejudice and subject to contract

Dear John

**Planning Dates for ICL Pathway New Release 2**

Thank you for your letter of 12 January 1998 concerning the planning dates for ICL Pathway New Release. We will obviously treat it as being without prejudice since it was in response to our letter of 23 December 1997, in which we had reminded you that all communications on this topic were henceforth without prejudice and subject to contract.

We would remind you once again that the Programme has already given you notice of the breach of Related Agreements by our letter of 24 November 1997. We continue to reserve our position on our rights and remedies resulting from ICL Pathway's breach.

As regards planning dates, we have considered your arguments and remain of the view expressed in my previous letter dated 23 December 1997. Indeed, the ongoing discussions on migration and implementation activity, following the planned delivery of Release 2 software from Pathway, reinforce our view.

A you know, it has been suggested that the BA/POCL Programme might enter into discussions with ICL Pathway on a without prejudice basis to consider certain proposals from ICL Pathway. The suggestion is being considered. Were any negotiations to take place, they would for the most part be concerned with ICL Pathway's requests for an increase in prices and an extension of time to carry out its obligations under Related Agreements and/or an extension of time to carry out its obligations under the Related Agreements themselves.

While the proposal to enter discussion is being considered, the Programme wishes to make clear its understanding of ICL Pathway's rights with regard to these matters. I attach an open letter setting out our position.

Yours sincerely  
PETER CRAHAN

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**WORKLOAD BRIEF**



Authors: Keith Baines, Martin Gill, and Ian Robertson  
Authority: Dave Miller and Tony Johnson  
Version: Version 5.3

**INTRODUCTION**

1.1 This workload brief is issued to you as a commercially confidential document. It may not be disclosed to any person (other than the employees and authorised agents of your own company) and must be used only for the purposes of participation in this procurement. You are reminded that this Workload Brief does not bind the Contracting Authorities to award a contract to any bidder and nothing in this document may be taken to constitute an agreement, offer, or representation that a contract will be awarded on the basis of this document or at all.

1.2 The purpose of this document is to define the volumetrics to be used by Service Providers in preparing tenders and by the Programme in the Financial Evaluation of those tenders. Please note that the workload volumes and other information contained in the document represent current estimates only, and do not guarantee future volumes. The workload volumes and other information contained in this document are not legally binding, and the contracting authorities accept no responsibility for any estimates of workload volumes or other assumptions that you may have drawn or will draw from this Workload Brief or any discussions relating to it.

1.3 The Workload Brief does not update all the information which was supplied in the SSR, only information which is of primary relevance to charging structures. The data in the Workload Brief will supersede the information in the SSR, but in the absence of an update the SSR should remain the primary source (unless updated from elsewhere in the programme).

1.4 This Workload Brief has two main sections. Section I comprises of data upon which Service Provider proposals are expected to be evaluated. Section II is provided as background material for the Service Providers.

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**Evaluation Sensitivities**

1.5 In evaluating Service Providers' proposals, the Authorities will consider sensitivities to variations from the best view forecasts of key parameters. These will include, but not necessarily be limited to, sensitivities relating to volume forecasts, timing of rollout, timing of subsequent product re-engineering, performance against service levels, and customer behaviour. In addition the Authorities will test the sensitivity to any assumptions which are highlighted by their examination of Service Providers' responses.

1.6 It is recognised that some of the volume sensitivities may result in capacity limits being exceeded which would result in a price review through the change control mechanism. Therefore, Service Providers should, wherever applicable, include indicative values (which will not be contractual) for their score-card column weightings beyond any such capacity limits to allow for the evaluation of variations of up to at least  $\pm 50\%$  from the best view forecasts.

1.7 As part of their tender, Service Providers should submit a spreadsheet model which the Authorities can use to calculate the Service Provider's charges at any level of volumes in any year within a range of at least  $\pm 50\%$  of the best view forecasts for that year.

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## SECTION I

## SERVICE PROVIDER EVALUATION KEY INFORMATION &amp; VARIABLES

## Post Offices

2.1 The following table provides physical information about the network of post offices, based on a "snapshot" as at 19/2/96.

Parameter	Value	Status
Total number of Post Offices	19,403	Snapshot 19/2/96
Total number of counter service positions in use	39,507	Snapshot 19/2/96

2.2 The following table provides information about the POCL staff, including a breakdown of staff, and also the turnover rate of such staff (note that the following figures include part time, and full time staff).

Staff Breakdown	Number of Staff	Turnover (%) per annum)
Counter Managers	763	6.05%
Postal Officers (counter clerks)	7,719	9.77%
Retail assistants	729	13.53%
Sub Post Masters	18,872	9.51%
Sub Post Office Assistants	38,938	No data available
<b>Total</b>	<b>67,021</b>	

## Benefit Payment Volumes

3.1 The following table shows various volumetrics relating to the payment of benefits through post offices.

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Parameter	Value	Status
Number of immediate payments issued per year	7.75M	Based on 94/5 figures
Number of Customers <i>*this figure allows for a 20% reduction in the number of customers as a result of benefit overlaps</i>	BA 21.76M SSA 0.63M War Pensions 0.18M Total 22.57M <i>*Revised to 18.06M</i>	September 1995
Number of alternative payees	5.05M	15/2/96
Loss rate of order books (see information section for more detail relating to nature of losses)	0.5%	Based on 94/5 figures
Forecast new enrolment of customers.	10%	Current Estimate
Percentage of benefits encashed at a post office other than the nominated office shown on the order book. <i>*This figure will be used as the main line assumption in the financial evaluation</i>	*Nov 93: 5.97% Jun 93: 3.78% Jan 95: 2.16% (London area within M25 only)	Sample estimates
Percentage of Order Books which are bar-coded	95% (0% for SSA)	Current Figures
Number of ESNS stops per year	2.4M	1994/95 figures
ESNS stop list alterations	30,000 entry changes per day on average	Current Figures
The frequency of the ESNS stop list production	changes to list issued daily	Current Figures
Customer changes of name	Average of 104,000 per month	Based on Apr - Nov 1995
Customer changes of nominated office	5% per annum	Current Figures
Number of help desk enquiries from BA staff	7,500 per annum	Current Estimate
Number of receipts to be retrieved from storage	60,000 per annum	Feasibility Study

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**Future benefit payment volumes forecast**

3.2 An indicative profile for future benefit payment volumes is as follows. These planning figures represent the current best view. The following table represents the total number of times individuals go into post offices to collect benefit.

*All figures in millions of transactions*

	<b>96/7</b>	<b>97/8</b>	<b>98/9</b>	<b>99/00</b>	<b>00/01</b>	<b>01/02</b>	<b>02/03</b>	<b>03/04</b>
<b>BA</b>	905	864	823	772	772	775	779	784
<b>SSA</b>	38	37	32	32	31	31	31	31
<b>Total benefit payments</b>	943	901	855	804	803	806	810	815

*This table does not constitute any guarantee of future volumes.*

Status of forecasts:        revised 20/2/96

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## Other POCL Business Volumes

3.3 These are based on 1994/95 Report and Accounts

Client/Transaction Type	Number of Transactions (1994/95)
Girobank deposits	161M
Girobank withdrawals	28M
Vehicle licences issued	33M
NSB deposits	14M
NSB withdrawals	9M
Other NSB services	1M
Telephone bills paid	39M
Postal Orders (sales and redemptions)	38M
TV licences issued	13.4M
Retail items	18.7M
Phonecards	2.3M
Travel schemes	2M
Automated bill payments	48M
BVPs/BEDs	2M
Letter packets posted	238M
Letter premium services	48M
Ordinary parcels	7.5M
International parcels	1.1M
Datapost	0.4M
Mail order return parcels	35M
Ministry of Defence	0.9M
Department of Health	
• prescription refunds	0.1M
• E111s	1.9M
<b>Total Transactions in 1994/95</b>	<b>742M</b>

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	Value of Sales (Annual) (1994/95)	Average Value per Transaction (Sample Estimate)
Home help savings stamps, not redeemable at post offices	£33M	£3.01
Other saving stamps (Motor Vehicle Licences, British Telecom, Water, and Northern Ireland Electricity bills) redeemable at post offices	£832M	£2.95
Postage stamps sold	£1207M	£2.51
<b>Total Volume of Stamps (based on average values)</b>		<b>774M</b>

*This table does not constitute any guarantee of future volumes.*

## Notes:

- *this is not a list of all POCL transactions, rather a categorisation of transactions from the Report and Accounts*
- *latest information on the number of automated bill payments gives a figure of 68M for Jan - Sep 1995.*

**Future Volumes**

4.1 The following table shows the forecast transaction volumes for POCL products other than benefit encashment. These represent potential demand, and the actual levels will depend, inter alia, on the price at which automated transaction services can be offered to POCL's clients. The eventual level of demand will also be influenced by the speed and other characteristics of the rollout of equipment to post offices.

4.2 Because of these dependencies, forecasts are presented as mid, high and low line figures for the number of transactions. A wider range of sensitivities may be taken into account in the evaluation.

4.3 During the rollout period, these forecasts should be reduced pro-rata to the number and sizes of post offices automated. Forecasts are only prepared five years ahead. For evaluation purposes, it will be assumed that subsequent years have the same transaction volume as the last forecast year (2000/01).

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**Forecasts for Other POCL Transactions**

Volumes in 000s

Status: Planning Scenarios

	1996/97	1997/98	1998/99	1999/00	2000/01
low-line	1,573,947	1,476,689	1,510,293	1,527,375	1,536,423
mid-line	1,648,904	1,593,010	1,660,894	1,704,975	1,728,523
high-line	1,739,951	1,693,147	1,790,877	1,852,230	1,871,176

*This table does not constitute any guarantee of future volumes.*

4.4 Service Providers' charges will depend on the use of chargeable service components by transactions as well as the transaction volumes per se. The following tables show planning assumptions for future requirements for generic automated facilities corresponding to the mid-line transaction volumes. For evaluation purposes, these will be re-allocated to the corresponding service component columns in the score-cards which Service Providers return with their tenders.

4.5 Some transactions could be delivered by more than one technical option, especially alternative data capture technologies; in these cases the product is included under the option which is considered to be the client's first choice and the evaluation will be carried out on this basis. The row "Machine Readable Code-line" indicates transactions that may be implemented as either OCR or Bar Code transactions. For evaluation purposes, the lower cost option will be assumed, with the alternative option examined as a sensitivity.

4.6 The data are not additive, since a single business transaction may include more than one generic function, and since a transaction may require more than one facility.

4.7 For communications requirements the following three definitions apply:

Real Time                      Where authorisations, etc. are required from a remote source in real time (i.e. during the course of the transaction)

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On line links           Where transaction information is required to be sent to a remote destination soon after the transaction

Stop lists               Where transactions are validated against a stop list which may be held locally.

**Mid-line forecast usage of generic service components for POCL transactions other than Benefit Payment.**

*Volumes in 000s*

Status:    Planning Scenarios

<b>FUNCTION</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>
Basic EPOS	1,648,904	1,593,010	1,660,894	1,704,975	1,728,523
Inpay	334,769	555,747	612,381	645,407	655,885
Outpay	3,861	14,890	37,205	41,234	40,278
Personal Details Capture	56,163	92,649	146,730	143,567	141,818
Token Management	1,453	7,586	10,833	10,399	10,020
Signed Receipt	186	808	1,047	997	7,955
Endorse Token	19,581	55,476	80,178	79,494	79,300

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EQUIPMENT	1996/97	1997/98	1998/99	1999/00	2000/01
Mag. Stripe Reader	130,276	321,146	372,664	385,017	396,833
Smart Card Reader	19,347	21,320	23,923	26,358	45,785
Smart Key Reader	2,639	10,509	14,432	17,470	19,843
Bar Code Reader	172,973	229,056	277,886	274,676	255,257
OCR	257	3,603	9,949	15,178	15,178
Pin Pad	0	8	17,010	17,010	17,010
Scales	261,615	245,459	282,838	283,748	284,314
Machine Readable Codeline	38,987	155,933	170,079	185,264	186,240
Laser Printer	220	330	770	1,370	2,170
Receipt Printer	140,321	241,765	345,248	375,600	411,043
Passbook Printer	0	19,756	19,178	18,009	0
Slip Printer	45,514	66,078	84,094	82,104	80,526

Communications & Reference Data	1996/97	1997/98	1998/99	1999/00	2000/01
Stop List	0	7,962	0	0	0
Links to System	257	2,853	21,199	26,428	26,428
Real Time	29,357	50,899	78,223	79,432	77,070

*This table does not constitute any guarantee of future volumes.*

4.8 For future EFTPOS transactions, as defined in Requirement 692 of the Requirements Register. The following will be assumed for the evaluation:

- 40 million EFTPOS payments per annum
- 70% above the floor limit and so needing authorisation.

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**Evaluation Rollout Assumptions**

5.1 The assumptions to be used in the evaluation with regard to rollout are as follows:

- an initial pilot - September to December 1996, followed by a 24 month rollout to December 1998 based on conurbations
- the area within the M25 motorway and Northern Ireland will be subject to separate parallel rollout plans with the M25 rollout taking place during 1998
- the key drivers for volumes during the rollout period are benefits systems being made card ready, and the automation schedule for the post offices
- it is assumed for evaluation purposes that the rollout of post offices automated will be linear, i.e. that equal 24ths of post offices and counter positions in each month of the rollout period
- the best view volumes for potential card based benefit payments during rollout are as follows: (Note these are scaled down to reflect the number of post offices automated in each month)

5.2 In preparing the BA rollout volume estimates, the following assumptions have been made:

- Operational Trials will be completed by January 1997.
- Rollout will begin in January 1997
- There will be a four week lead-in for each claimant in relation to:
  - post office card-ready
  - CAPS notification to CMS to issue card
  - card production and distribution
  - card receipt by customer on last (or penultimate) order book payments.
- Order books will continue to be issued for 20/26 week periods if the beneficiary's nominated post office is not card-ready four weeks before the next order book is due. (A notification from the Service Provider to DSS that a PO is card-ready must be based on the actual position; i.e. a planning assumption is not sufficient.
- Ons and offs to the CAPS system do not reduce volumes available to cards

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- Rollout of benefits will be completed by the end of January 1999. i.e. no more than 3 months slippage to the current CAPS timetable providing that the post office rollout is completed by the end of December 1998.
- Cards are 100% customer acceptable.
- CAPS data for the volumes of each benefit available are calculated as:
  - 1/12th annual transactions divided by 6 for month 1 rollout
  - 1/12th annual transactions divided by 2/6ths month 2 rollout
  - all data is then moved forward (e.g. May to June) by
    - + 1 month to take account of average volumes and difficulties in take up
    - + 1 month to take account of PO card ready notifications (see 3 above)
- Account has also been made of limited roll out in months 1-3 for some of the benefits.
- Planning data are available from the Service Provider to enable CAPS to plan for the growth in volumes.

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Period	Best View of Potential Card Based BA Payments (millions)	Percentage of Post Offices Automated (Month End)	Adjusted For Conversion to Automated Benefit Payments	Best View of Automated Transaction Volumes (millions)
<b>1997</b>				
January	0.146	4.17%	0.00%	0.00
February	1.171	8.33%	0.00%	0.00
March	2.34	12.50%	0.60%	0.01
April	4.53	16.67%	1.79%	0.08
May	7.3	20.83%	3.57%	0.26
June	10.5	25.00%	5.95%	0.63
July	16.04	29.17%	8.93%	1.43
August	22	33.33%	12.50%	2.75
September	27.62	37.50%	16.67%	4.60
October	33.33	41.67%	20.83%	6.94
November	39	45.83%	25.00%	9.75
December	43.44	50.00%	29.17%	12.67
<b>1998</b>				
January	47.92	54.17%	33.33%	15.97
February	49.7	58.33%	37.50%	18.64
March	51.72	62.50%	41.67%	21.55
April	52.78	66.67%	45.83%	24.19
May	56.94	70.83%	50.00%	28.47
June	60.98	75.00%	54.17%	33.03
July	65.25	79.17%	58.33%	38.06
August	69.51	83.33%	62.50%	43.44
September	70.07	87.50%	66.67%	46.71
October	70.3	91.67%	70.83%	49.80
November	71.13	95.83%	75.00%	53.35
December	71.41	100.00%	79.17%	56.53

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Period	Best View of Potential Card Based BA Payments (millions)	Percentage of Post Offices Automated (Month End)	Adjusted For Conversion to Automated Benefit Payments	Best View of Automated Transaction Volumes (millions)
<b>1999</b>				
January	71.42	100.00%	83.33%	59.52
February	71.44	100.00%	87.50%	62.51
March	71.45	100.00%	91.07%	65.07
April	71.45	100.00%	94.05%	67.20
May	71.45	100.00%	96.43%	68.90
June	71.45	100.00%	98.21%	70.17
July	71.45	100.00%	99.40%	71.02
August	71.45	100.00%	100.00%	71.45

The above table does not constitute any offer or guarantee of volumes.

5.3 OBCS volumes will be applied to all BA order book based benefit payments where the post office is automated and the order book has a bar-code. As the card rollout proceeds the number of available transactions will reduce.

5.4 For evaluation of tenders, POCL transaction volumes during the rollout period will be calculated for each month by multiplying one twelfth of the relevant annual volume by the percentage of post offices automated. For the mid-line transaction forecast, as set out in the table in section 4.3, the calculation is as follows:

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Period	Best View of mid-line forecast POCL transactions (millions)	Percentage of Post Offices Automated (Mid Month)	Best View of Automated Transaction Volumes (millions)
<b>1997</b>			
January	137.4	2.08%	2.9
February	137.4	6.25%	8.6
March	137.4	10.42%	14.3
April	132.8	14.59%	19.4
May	132.8	18.76%	24.9
June	132.8	22.93%	30.5
July	132.8	27.10%	36.0
August	132.8	31.27%	41.5
September	132.8	35.44%	47.1
October	132.8	39.61%	52.6
November	132.8	43.78%	58.1
December	132.8	47.95%	63.7
<b>1998</b>			
January	132.8	52.12%	69.2
February	132.8	56.29%	74.8
March	132.8	60.46%	80.3
April	138.4	64.63%	89.4
May	138.4	68.80%	95.2
June	138.4	72.97%	101.0
July	138.4	77.14%	106.8
August	138.4	81.31%	112.5
September	138.4	85.48%	118.3
October	138.4	89.65%	124.1
November	138.4	93.82%	129.8
December	138.4	97.99%	135.6
<b>1999</b>			
January	138.4	100.00%	138.4
February	138.4	100.00%	138.4
March	138.4	100.00%	138.4

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## SECTION II

## ITEMS OF INFORMATION

This section is included in order to provide Service Providers with background information.

**Post Offices**

1.1 Major metrics and data relating to post offices include the following:

Parameter	Value	Status
Post Offices relocated per year	1.2%	Based on 1994
Post Offices opened per year	0.4%	Based on 94/5
Post Offices closed per year	1.0%	Based on 94/5
Average number of days on which service is required per year in Post Offices.	305 days	Estimate

*A small number of offices (approximately 100) currently open on Sundays and Bank Holidays.*

Parameter	Value	Status
Number of foils and Giro cheques cashed in Post Offices per year (includes immediate payments)	BA 933.3M SSA 37.1M Total 970.4M	Based on 94/5 figures
Percentage of payments collected by an agent	12.6%	Based on 1993 surveys

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Specific information regarding order book losses is as follows:

Loss Group	Category	% of Total Losses
1	In transit to post office	27.90
2	In transit to BA district	0.05
3	In transit to Payee	2.37
4	In transit from Payee to BA District	2.82
5	Lost / destroyed in Payee's possession	38.58
6	Stolen from Payee	14.44
7	Bulk theft from BA District / PO	1.00
8	Not returned after entitlement ceased	12.81
9	Others	0.03
Total		100%

Office opening details are as below:

Parameter	Value	Status
Average weekly opening hours	37-46.5 hours	Estimate

*SPSOs* 37  
*Directly Operated Offices* 46.5

At individual Post Offices there are currently no service availability restrictions on customers during opening times. The current range of opening hours spans 05.00 - 00.00 Mon-Sat and 07.00 - 22.00 Sunday and Bank Holidays and the following table shows the average number of offices open before 08.00, after 18.00 and on Sunday and Bank Holidays.

Opening times vary by outlet and are subject to change with the approval of the appropriate POCL region. There are no nationally agreed minimum opening hours.

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Support services may be required outside opening times; for example, accounting facilities. Number of Post Offices Open Within the Ranges:

<b>Monday to Saturday</b>	<b>Hour</b>	<b>Number of Post Offices</b>
	05.00 - 06.00	3
	06.00 - 07.00	16
	07.00 - 08.00	48
	-----	
	18.00 - 19.00	119
	19.00 - 20.00	66
	20.00 - 21.00	19
	21.00 - 22.00	7
	22.00 - 23.00	3
	23.00 - 00.00	3
<b>Sunday and Bank Holidays</b>	07.00 - 22.00	115 (across the range)

Note:

*the figure of 115 cited above will gradually increase to approximately 200 over 2 years*

*these times vary slightly from Mon-Sat.*

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## 1.2 Profile of BA transactions across 12 sample offices:

	08	09	10	11	12	13	14	15	16	17	Total
<b>Mon</b>	0.47%	6.68%	5.39%	4.25%	3.15%	2.64%	2.29%	1.75%	1.27%	0.43%	28.32%
<b>Tue</b>	0.27%	4.72%	3.97%	3.41%	2.70%	2.29%	2.26%	1.52%	1.22%	0.30%	22.67%
<b>Wed</b>	0.13%	3.39%	2.53%	2.16%	1.61%	1.37%	1.29%	1.01%	0.93%	0.32%	14.76%
<b>Thu</b>	0.66%	5.56%	4.52%	4.02%	2.54%	2.07%	1.86%	1.48%	0.93%	0.31%	23.95%
<b>Fri</b>	0.23%	1.16%	1.42%	1.21%	0.92%	0.94%	0.81%	0.66%	0.56%	0.16%	8.09%
<b>Sat</b>	0.03%	0.44%	0.60%	0.68%	0.24%	0.06%	0.04%	0.05%	0.04%	0.03%	2.21%

## Profile of all transactions across 12 sample offices:

	08	09	10	11	12	13	14	15	16	17	Total
<b>Mon</b>	0.24%	4.04%	3.67%	3.29%	2.78%	2.49%	2.31%	1.93%	1.66%	0.67%	23.07%
<b>Tue</b>	0.15%	3.18%	3.07%	2.83%	2.45%	2.22%	2.08%	1.71%	1.48%	0.54%	19.72%
<b>Wed</b>	0.09%	2.36%	2.17%	2.08%	1.88%	1.68%	1.62%	1.47%	1.41%	0.62%	15.37%
<b>Thu</b>	0.29%	3.53%	3.28%	3.05%	2.40%	2.13%	1.96%	1.66%	1.37%	0.54%	20.23%
<b>Fri</b>	0.11%	1.58%	2.08%	2.00%	1.84%	1.88%	1.72%	1.59%	1.34%	0.49%	14.63%
<b>Sat</b>	0.03%	1.27%	1.77%	1.96%	0.93%	0.30%	0.26%	0.22%	0.16%	0.09%	6.99%

The above two tables were compiled from a sample which was:

- taken from 12 Crown offices over a period of 5 non consecutive weeks in April and May 1995
- compiled from ECCO+ transaction logs (which means that each product line sold is defined as a transaction. For example, selling two first class stamps is one transaction whereas selling a first class stamp and a second class stamp is two transactions)
- influenced by bank holidays with the effect that the Monday percentages, especially of benefit payment, are inflated.

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1.3 The following table provides an indication of the seasonal variations in benefit payment volumes. It is based on the weekly volumes for all Benefits Agency products during the financial year 1994/95. The largest increases in this particular year are; week 1 of April which shows the effect of double payments at Easter, week 5 of April showing the effect of Mayday Bank Holiday, week 4 of May showing the effect of the Bank Holiday at the end of May, week 4 of August showing the effect of the August Bank Holiday, and week 4 of December showing the effect of early payment of benefit before Christmas.

	Week 1	Week 2	Week 3	Week 4	Week 5
<b>April 94</b>	2.38%	1.48%	1.97%	1.97%	2.38%
<b>May 94</b>	1.63%	1.96%	1.97%	2.34%	
<b>June 94</b>	1.58%	1.92%	1.92%	1.95%	
<b>July 94</b>	1.93%	1.92%	1.93%	1.92%	1.93%
<b>August 94</b>	1.91%	1.91%	1.93%	2.29%	
<b>September 94</b>	1.61%	1.93%	1.90%	1.93%	
<b>October 94</b>	1.90%	1.91%	1.91%	1.90%	1.92%
<b>November 94</b>	1.92%	1.90%	1.91%	1.91%	
<b>December 94</b>	1.92%	1.92%	1.93%	2.77%	
<b>January 95</b>	1.04%	1.77%	1.99%	1.90%	1.90%
<b>February 95</b>	1.89%	1.90%	1.89%	1.90%	
<b>March 95</b>	1.91%	1.88%	1.90%	1.90%	

Annex I contains a summary of the allocated day for availability of encashment by benefit type.

1.4 POCL's operating costs are highly dependent on the time to serve customers at the counter. Increased times would require additional staff time, and at some offices would require additional service positions to be opened and equipped. However, large increases would be operationally unacceptable. The effect varies between offices but Service Providers should note that a one second increase in the transaction time for benefit payment would have an effect in the order of several millions of pounds per annum.

1.5 The following table shows the number of post offices of different sizes, measured in terms of the maximum number of service positions that are in use simultaneously. (For some offices this is less than the physical number of positions, but it is expected that this is a better indication of the number of

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positions which would require equipment.) The table also shows the percentages of transactions done in each office size category for benefit payments and for other POCL business, excluding those transactions (such as stamp sales) that require basic EPOS only. Office level summary data for Benefit Payment and other POCL business is included as Access 2.0 database WB\_5. This contains the following data fields for each post office:

- all benefit agency transactions
- all automated payment transactions
- transactions with an on line requirement
- basic EPOS only
- more than basic EPOS

Note transactions are only recorded in one category. These volumes are based on operational MIS data, and are classified according to how transactions are expected to be re-engineered on the final platform. As such they carry no guarantee. The benefit data in this database is an update on the previous database WB\_1\_2.

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Counter Positions	Number of Post Offices	Total Counter Positions (in Use)	Percentage of benefit transactions	Percentage of other POCL transactions (excluding basic EPOS)
<i>Status</i>	<i>Snapshot as at 19/2/96</i>	<i>Snapshot as at 19/2/96</i>	<i>Outturn for 1994/95</i>	<i>Outturn for 1994/95</i>
1	8,784	8,784	11.55%	9.83%
2	6,379	12,758	34.86%	30.09%
3	2,397	7,191	23.51%	21.35%
4	772	3,088	10.20%	10.14%
5	306	1,530	4.74%	5.32%
6	221	1,326	3.40%	4.51%
7	164	1,148	3.07%	4.49%
8	136	1,088	2.75%	4.32%
9	82	738	1.75%	2.92%
10+	162	1,856	4.18%	7.03%
TOTALS	19,403	39,507	100%	100%

NB tail end of distribution is one 18, one 19 and one 20 position Post Office

1.6 Included in the 1-position category are a number of Post Offices which are:

- Satellite Offices, 89 offices which are operated remotely by a sub postmaster at a different location to his main business and with restricted hours. Often these use temporary premises such as a corner of a village hall.
- Non Cash Account Offices, 1,185 offices for which no cash account is recorded and the benefit and other POCL transactions are recorded against the parent office.

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**Annex I****Allocated day for availability of encashment by benefit type**

1. Retirement Pension is now payable on a Monday, unless Income Support (IS) is also in payment, in which case it is aligned to their pay-day (this is determined by the day of original claim). This was changed from a Thursday for all new claims from 28/9/84 (schedule 6 - Claims and Payments Regulations).
2. Widow's Pension is paid on a Tuesday, unless IS is in payment, in which case the pay-day is determined as in 1.
3. Child Benefit and One Parent Benefit is usually paid on a Monday, four weekly in arrears.
4. Incapacity Benefit is paid on a pay-day determined by the claimants' National Insurance Number (the last two characters). The exact split is determined by local workload.
5. Unemployment Benefit pay-days are as in 4, unless a claimant is personal issue, in which case the pay-day is normally a Thursday.
6. Income Support pay-days depend on a number of factors. If a claimant is a lone parent and their only other income is ChB, the pay-day is linked to the day of the week that their current claim was made. If they have any additional income, the pay-day should be aligned to the day that they receive this income. Unemployed claimants will receive their benefit via the Employment Services office and the pay-day will depend on the National Insurance Number and local arrangements. Pensioners in receipt of IS will have their pay-day determined as in 1.
7. Data is available to give an indication of the probability of the length of time taken for benefit entitlement to be cashed - 99.5% within 48 hours of the due date.
8. The above applies to N. Ireland with the exception of:
  - Unemployment Benefit pay-days are determined by customers surname, and not National Insurance Number
  - Unemployed claimants will receive Income Support with their Unemployment Benefit from their local office since Employment Services do not operate in N. Ireland.