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From:

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12 April 1999

1. *Ms Fyfe* 13/4
 2. *Mr Paul*
 3. *Ms Cherdron*

**BA/POCL AUTOMATION PROJECT (HORIZON) : MEETING WITH
KEITH TODD, CHIEF EXECUTIVE, ICL AT 5.00PM TUESDAY 13 APRIL**

Issue

1. My submission of 9 April promised an update in the light of the continuing negotiations between POCL and ICL over the weekend, and of the meeting between the Prime Minister and Mr Naruto, Chairman of ICL and Vice Chairman of Fujitsu this afternoon, as background to your meeting with Keith Todd tomorrow. CII have briefed separately on other issues for the meeting.

Update

2. The **ICL/POCL negotiations over the weekend** made good progress in a constructive atmosphere with a number of key elements of the draft Heads of Agreement, including acceptance criteria, a high level service specification, the financial aspects of the commercial proposals, and a revised version of "golden cloud" (the ICL/POCL partnership for exploiting the commercial potential of the Horizon infrastructure). But much remains to be done if Ministers are to be in a position to take a **clear decision on the future of the project before the key Fujitsu Board meeting on 23 April**. In particular there remain major areas of risk to be costed and allocated, and much uncertainty still about many of the numbers. A key concern is that the emerging figures are increasingly showing **Option B to be substantially more expensive than Option A** (the benefit payment card, to which DSS/BA remain implacably opposed, and from which ICL are increasingly distancing themselves).

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DTI/DSS/Treasury officials have this afternoon asked KPMG to carry out urgent further work on the figures. Officials are also working urgently on **funding options** for Ministers, since without some reassurance on funding, the Post Office will be unable to take decisions on the commercial acceptability of Option B.

3. The read-out we have been given of **this afternoon's meeting between the Prime Minister and Mr Naruto** is that the meeting produced **no developments of any substance**. It would however be very helpful to elicit from Mr Todd ICL's interpretation of the meeting.

Meeting with Mr Todd

4. I attach **suggested lines to take**, based heavily on those provided for the Prime Minister's meeting this afternoon, and which seek principally to reassure ICL that the public sector side is working hard to achieve a solution which is in everyone's interests. Lawyers stress the importance of formally noting the legal preamble as a preface to your discussion with ICL. You may find it helpful if I join CII colleagues in accompanying you at the meeting.

DAVID SIBBICK