

Received: 13/ 5/99 17:19;

GRO

Page 2

FS DIR 13 MAY 1999 17:20

TELE SECRETARY OF STATE OFFICE 13 May '99
WITHOUT PREJUDICE

1 INO.548 NO. 1P.2/3. U2

13 May 1999

The Rt. Hon. Stephen Byers MP
Secretary of State
Department of Trade and Industry
1 Victoria Street
London
SW1H 0ET

By fax (2 pages)

GRO

Mr Sibbick CGPS

IM

SMS

Mr Macdonald

Mr Baker CGPS

Mr Sheehan Com

SpAds

CW

Top: JTM
cc: OB
N

ICL

Dear Secretary of State,

BA/POCI. AUTOMATION PROJECT ("HORIZON")

Thank you for seeing me yesterday.

I now understand that the Government has reconsidered its position with regard to Horizon and that, instead of wanting us to proceed with the national roll-out of the computerised network based on the Payment Card - which we have been planning to do this summer - the Government wishes us to contract simply for the supply of the core Horizon platform as a turnkey contract (with on-going operational support) rather than a PFI. Furthermore, it has been suggested that the existing PPP between ICL and The Post Office might be developed to look at the business case (and downstream opportunities) for network banking and Modern Government services.

I cannot pretend that I am not disappointed that you were unable to proceed with Option B1. However, as a businessman, I have to accept that my customers' requirement has changed. As Chief Executive of ICL, I have a duty to my Board, my shareholder (Fujitsu Limited) and to my people to try to work out a solution with the Government to protect ICL's (and Fujitsu's) interests.

However, I am not prepared to be party to living a lie. I cannot pretend any longer that it is "business as usual" with regard to this project; not least to the one thousand or so people in ICL, and our subcontractors, who have been working flat out to deliver Horizon.

Therefore, I am setting out a timetable with the intention of resolving this once and for all. I have discussed this with Steve Robson at the Treasury, but it is important that Ministers give him the support and authority necessary to reach a conclusion in the time-scale. I am also recommending this timetable of action to my Board this afternoon:-

Received: 13/ 5/99 17:19;

GRO

Page 3

FS D113.MAY.1999 17:20

DTI SECRETARY OF STATE OFFICE 13 May '99
WITHOUT PREJUDICE

NO.548 No P.3/3 P.03

- Richard Christou (ICL) and Stuart Sweetman (POCL) are meeting today to work out a joint ICL/PO position.
- Richard Christou and I are meeting Steve Robson later today to consider the terms of a legally binding Heads of Agreement to settle the current and future financial conditions which must be in place by Friday (tomorrow).
- I am seeking a meeting with the Prime Minister tomorrow so that the Chairman and Vice-Chairman of Fujitsu can confirm the arrangements for proceeding with the revised project and for them to understand at first hand the rationale behind the Government's decision to scrap the Payment Card. I think it would be appropriate if you and Mr Robson could also be at this meeting.
- If, as I hope, it is possible to reach an acceptable legally binding Heads of Agreement, there should be a joint ICL/PO/DTI press briefing on Monday 17 May (at which you, John Roberts and I will be present) to counter-act the negative publicity which has been generated to date.
- If negotiations are not successful within this time-frame, then the activity related to the Payment Card aspect of Horizon should cease to avoid further wasted costs for all parties, and the taxpayer, in continuing with something which the Government no longer requires. Inevitably, this will become public knowledge, so we shall need to issue a press statement and briefing to set the record straight.

ICL

I trust that you and your colleagues will ensure that Steve Robson is fully empowered to work with ICL to find a solution in the time-scale. The time-scale is tight, but all of the basic elements, including the costs, have been known to the Treasury for some time. Furthermore, it seems to me that the Government has known for months that the project – in particular the future use of the Payment Card – was going to be changed. We, meanwhile, were left to rack up heavy costs in Pathway (some £50 million since I wrote to you as Chief Secretary on 18 December 1998) and a heavy further investment in senior management opportunity costs across the ICL Group. It is now time to bring matters to a conclusion.

Yours sincerely

GRO

Keith Todd

W:\CEO\Pathway\LrGH002h1w

Keith Todd
Chief ExecutiveT K Todd
ICL plc
26 Finsbury Square
London EC2A 3DS
Tel **GRO**Direct **GRO**
Fax +44 **GRO**
e-mail keith.todd@icl.co.uk **GRO**
ICL PLC
Registered in England no 142200
Registered Office
26 Finsbury Square
London EC2A 3DS