

ICL PATHWAY LIMITED

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

ICL HOUSE, 1 HIGH STREET, PUTNEY, SW15 1SW

ON MONDAY, 25TH NOVEMBER 1996

Present: Sir Michael Butler (Chairman)
Mr T K Todd
Mr R Christou (from item 71)
Mr J H Bennett
Mr A Oppenheim
Mr T Reynolds
Mr J White (from item 71 c))



In attendance: Mr R F Scott (Secretary)
Mr T Austin (from item 73)

Apologies for absence were received from Mr R Banks.

ACTION

96/69 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 2 September 1996 were approved as a correct record and signed by the Chairman.

96/70 **MATTERS ARISING**

96/65 f) - Printers - Mr Bennett said that following review there were no changes proposed to the printer or stationery to be used in the Sub Post Offices.

Since the last Board meeting, the 1996 Annual General Meeting of the Company had been held and the Statutory Accounts for 1995 filed with the Registrar of Companies. Also, £20m in Ordinary Shares had been issued.

96/71 **MANAGING DIRECTOR'S REPORT**

Mr Bennett reported and there were questions and discussion. Points noted:

- a) Mr Bennett would consider carefully the use of jargon and technical terms in the reports in future.

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- b) Initial Go Live 2 had been successful on 21 October, although it took more effort than planned. Mr Bennett confirmed he was likely to sign off the drop down process at the end of the present week. Pathway had been successful in resolving difficult issues on the drop down before signature.

Mr Bennett
Mr Todd

- c) Mr Bennett and Mr Oppenheim explained the circumstances whereby Pathway now wished to give the prime contract for the network service to Energis (although BT would have approximately 50% of the work through its local lines). Previously it had been intended that BT would be prime contractor. Mr Bennett would write an up to date brief on the situation for Mr Todd so that Mr Todd could discuss the position with Sir Peter Bonfield, explaining in particular why this decision had been taken.

Mr Bennett

- d) The Board noted with concern that CAPS performance - namely the benefit rollout programme beyond child benefit - had been frozen by the DSS. This could delay the live trial date of April and possibly the Go Live National Rollout date of July 1997, and could have ramifications on Pathway revenues and also some recrimination on causes which might involve Pathway and ICL. Mr Austin subsequently said in the meeting that CAPS delays had been an underlying problem all along for the customer. Mr Oppenheim said that although the impact on Pathway revenues was of concern, certain levels were of course guaranteed. It was noted that considerable support from ICL High Performance Systems was being given to the DSS on this and that the DSS was having an audit performed on the situation. The issue would be monitored very carefully.

Mr Todd

- e) On the possibility of international business, it was noted that the Australian Post Office were considering a Pathway type solution involving the Riposte software. Mr Todd, Mr Reynolds and Mr Murphy would consider this opportunity both for itself and as a possible model for future co-operation in selling the Pathway solution. Mr Reynolds informed the Board that An Post was setting up a separate subsidiary to handle international opportunities.

- f) The Board discussed the times that transactions would take when the solution was in place in Post Offices and noted not only the severe penalties but the possible political and publicity issues if transaction times were too long and delays occurred at Post Offices. Mr Todd said that because of the

significance of transaction times, all changes contemplated to the programme, contract etc in future should be considered first against the effects on transaction times. Mr Bennett would review all procedures and operations from this point of view and ensure the organisation remain vigilant on the issue.

Mr Bennett

g) Mr Bennett confirmed that ICL Pathway had signed off on the security functional specification and would prepare a briefing note for the Board on the key security features being put in place for release one in particular.

Mr Bennett

h) The Chairman raised the subject of the extent to which HM opposition was briefed, in regard to the possibility of a change of Government in 1997. Mr Bennett would seek advice from Mr Hall of ICL and prepare a suggested programme for the Chairman and Mr Todd to see Labour Party Shadow Ministers. This could be considered at the Board in January. The January Board Meeting would also consider whether the delays in CAPS should be escalated by Pathway to the ministerial level.

Mr Bennett

Mr Bennett

96/72 FINANCE DIRECTOR'S REPORT

Mr Oppenheim reported and there were questions and discussion. Points noted:

a) Mr Oppenheim reported good progress with the previously outstanding number of 38 change control notices and 15 key issues, with the customer. As Mr Bennett reported previously much of this work had taken place within the context of the negotiations of completion of the drop down process. Mr Oppenheim confirmed that negotiations within the Core Negotiation Team (CNT) were proceeding satisfactorily. Mr Todd said that it was very important that Mr Bennett and Mr Oppenheim carefully consider the contractual significance if a CAPS delay did delay national rollout and the commercial effect this would have.

Mr Bennett

Mr Oppenheim

b) Apart from the discussion on Energis, Mr Oppenheim and Mr Bennett referred to two other sub contract issues. On EDS, it was agreed we would take particular care to ensure that the DSS was involved with EDS and Pathway in a tripartite agreement concerning passing over of DSS information. Secondly, Mr Bennett said that Fujitsu Australia

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Limited (FAL) have underestimated the work involved in the keyboard they were making for Pathway and frequent reviews involving Mr Pyle of ICL were taking place to resolve the issue.

- c) Mr Oppenheim said that, as shown in the forecast/budget comparison in the paper, Pathway was likely to spend £3.7m more during the year than expected. Against this, with the help of Mr Christou and Mr Pyle, significant savings on purchasing costs had been made.

Mr Bennett
Mr Oppenheim

Mr Todd requested that the original business case, together with any additional costs and the purchasing improvements be brought back to the next Board meeting for Review.

96/73 PROGRAMME UPDATE

Mr Bennett gave a programme update, supplemented by Mr Austin when he joined the meeting. Points noted:

- a) Mr Bennett and Mr Austin explained that Release 0.7 of the solution was being put in place in time for the Live Trial from April 1997 and they explained the levels of functionality this release, then Release 0.8, then Release 1.0 itself, would contain.
- b) The Chairman asked the extent to which Pathway and the customer organisations were working as a team and Mr Austin replied that this was patchy although there were some encouraging areas. It was noted that Mr Graham, PDA Programme Director was treating POCL, BA, and Pathway as three suppliers which was helping create a common approach.

Mr Austin said that so far on the programme, work on EPOSS for POCL was in better shape than the benefit encashment arrangements for BA. In particular on EPOSS, the joint testing environment was proceeding well.

- c) Mr Todd enquired whether Mr Austin had adequate resources and skills available and Mr Austin said generally this was the case although he would like more help from ICL's Windows NT Centre of Excellence. Mr Todd would follow this up.

Mr Todd

On ICL Peritas, where the customer had expressed some dissatisfaction, it was noted that Peritas, Pathway and the customer seemed to be in agreement on a wider approach, involving helping the Post

Mr Bennett

Office staff within their whole environment not only narrowly educating them on the solution. However, Mr Todd said it was important that if Peritas was doing more than originally required, then it should charge for it. Mr Bennett would look into this.

96/74 BANK FINANCING UPDATE

Mr Todd said that Fujitsu were investigating a project finance alternative sponsored by them, for Pathway (which would probably involve bank finance arranged by Fujitsu).

Mr Oppenheim said that his view was that the customer would continue to insist that in the remote eventually that none of Pathway, ICL nor Fujitsu could complete the solution, he the customer would want complete control and complete flexibility with, for example, a new provider. The customer was not willing to accept restrictions on what it could do because the interests of the banks had to be considered. The Chairman added he felt the situation was not as sharply defined as this and that the interests of the customer and the banks could be brought nearer together if necessary. Mr Todd said he would bear this in mind.

96/75 VISIT FROM MR YAMAMOTO

Mr Todd said Mr Yamamoto, Chairman of Fujitsu was visiting the UK next week on Fujitsu business and that Mr Todd was arranging for him to see Messrs Lilley, Jack and Lang.

Mr Todd added that he had met the Chancellor of the Exchequer, who seemed well informed about Pathway and the project and we should wait to see with interest if there was any reference to PFI in the budget.

96/76 UK PASSPORTS

Mr White said De La Rue was bidding for the UK Government contract involving collection of data for passports. Mr Bennett confirmed that Mr Liam Foley of Pathway had been in discussion with POCL regarding the extent to which the Pathway/POCL infrastructure could be used for gathering data on passport applications. However, Pathway was not separately bidding for this contract.

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96/77 DATE OF NEXT MEETING

Please note the meeting scheduled for **Thursday, 23 January 1997 has been cancelled.** A new date for this meeting will be fixed in the near future, plus meeting dates for the rest of 1997.

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30.1.96.