

To: Fullwood Vince [GRO]
Cc: Bounds Gavin [GRO]
From: Wilkerson Guy [/O=EXCHANGE/OU=ADMINGROUP1/CN=RECIPIENTS/CN=WILKERSONG]
Sent: Mon 5/10/2010 12:23:28 PM (UTC)
Subject: RE: Post Office

Vince,

As discussed, this isn't really a great surprise and I'm sure we'd be doing the same if things were reversed. As they suggest, they are not entitled formally to an Open Book Review in my opinion but this would be a confidence measure rather than a contractual argument on their part.

They are hyper-sensitised to the stability issue – there are/have been other problems but in particular the datacentre outage was a Force Majeure due to unusual electrical conditions and the operator error is nothing to do with the HNG-X software. The Oracle issue has Oracle consultants working on it and it may be a failure of the Oracle package rather than HNG-X itself but you can understand why they are unhappy when Post Offices can't trade for any reason.

I think an Open Book review would waste a lot of time and use some people needed elsewhere to fix problems – I suggest we take a leaf out of Defence practice and offer a Cost Certificate from the FD which is normally accepted as gospel. The key point is that the programme costs status doesn't really matter, it's whether Fujitsu Services (and its guarantor, Fujitsu Ltd.) have a) the money and b) the will. The Annual Accounts can answer the first question and we can ask Senior Management to meet and re-confirm their support.

An independent review will throw up all sorts of detail issues that can only delay the programme.

Regards,

Guy

From: Fullwood Vince
Sent: 10 May 2010 12:46
To: Wilkerson Guy
Subject: FW: Post Office

Guy

FYI.

Any views?

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From: Tait Duncan
Sent: 10 May 2010 12:42
To: Pugh Gareth (SLH06); Fullwood Vince
Subject: FW: Post Office

From: Tait Duncan
Sent: 10 May 2010 12:41
To: Gilbert Roger; Bounds Gavin
Subject: Post Office

Roger,

I spoke to Mike Young on Friday morning. He was in good spirits but remains very concerned about HNGx.

He made the following points:

- The programme was reviewed at Group level (i.e. outside of Post Office by Royal Mail board) with Mike Young, Dave Smith (new PO MD) and the group legal counsel and FD discussing options. The legal counsel admitted they have few 'levers' to pull but want some reassurance. The Group input was based on the issues and experience they had with CSC.
- Mike gave a balanced view of Fujitsu – good relationship, excellent track record of stability, positively engaging with PO and made a difference to the business making its numbers last year. However, he has doubts about our ability to wrestle the programme to the ground and they remain worried about the later releases of the software as they relate directly to PO's ability to grow revenue. His words to me were he has pressure on him to consider a plan B.

Their confidence has been knocked due to:

- Ongoing issues with Oracle stability impacting HNGx stability. We continue to have blips to service and are not at root cause yet.
- The datacentre outage.
- An outage cause by 'Fujitsu operator error' last week which caused a 45min loss of service.

Mike has asked for the following:

1. Based on advice from group legal counsel Mike feels he wants some assurance that the P&L for the account is sustainable over the short and long term so they can see we can invest and provide the resources necessary to get the problems fixed. This will look like some form of an 'open book' arrangement.
2. He wants an independent review of the processes, tools and resource on the programme to assure themselves we are genuinely up to it.
3. Finally, he wants Dave Smith to have some dialogue with Richard C so they can test the Japanese board's commitment to the account and programme (conf call or VC would work).

My view is it will be difficult, based upon where we are now, for us to resist 1 and 2 although there is some risk in those areas.

I will setup the call for me, you and Richard with PO and will make sure the three of us are briefed. Before we go ahead with 1 and 2 I will make sure you're briefed.

Regards.....Duncan.