Meeting Note



Evaluation Board Meeting Purpose:

26 February 1996 Date:

10.15 a.m. Time:

Terminal House, London Place:

Bob Peaple, POCL Chair:

Secretary: Michael Purchase, BA/POCL

Attendees: Robert Albright, BA/POCL Derek Brown, BA David Ferguson, SSA (NI) Alan Shepherd, PO iT Tony Johnson, BA/POCL Larry McCaffery, DITA Jeff Prince, PO P&LS Don Rendall, BA Paul Rich, POCL Derek Selwood, BA/POCL Andrew Stott, BA/POCL

Points Noted

INTRODUCTION 1.

- 1.1 Sob Peaple, as chair, explained that as it was not appropriate for the Evaluation Board to take the minutes of the Procurement Board, the meeting would proceed to consider the Pre-ITT Murdles.
- 1.2 Apologies for absence were received from Steve Kerss.

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2. SUPPLIER PERFORMANCE AGAINST THE PRE-ITT HURDLES

- 2.1 Derek Selwood spoke to the paper "Supplier Performance against the Pre-ITT Hurdles" (PWKP4-20, Issue 1.0, 21/2/96). He apologised for an omission in Annex A that gave an old version of the definition of the hurdles. Hurdle (a) Service Requirements, item iv should include reference to "transaction process & system response times", and Tony Johnson would cover this when he talked to the Requirements hurdle clearance certificates.
- 2.2 The meeting proceeded to discuss each of the Pre-ITT Hurdles as introduced by PWKP4-20 in the following order:
 - Service Requirements Hurdle
 - Partnership Hurdle
 - Risk Transfer & Commercial Aspects Hurdles
 - Service Provider Risk Register Hurdle
 - Contract Hurdle

Service Requirements Hurdle

- 2.3 The papers for the meeting included certificates signed by Tony Johnson confirming that all the service providers had cleared the Service Requirements hurdle. Tony Johnson updated the meeting on the position with respect to transaction times and answered queries from the Evaluation Board on the Requirements certificates.
- 2.4 The position on transaction times had developed over the previous week and a meeting on Monday 26 February of the sponsor groups was expected to reach agreement on the set times for the contract. Current indications were that, if the proposed times were agreed, all three service providers were expected to pass. The Evaluation Board clarified that in so passing there would be no slackening of other requirements such as security.

- 2.5 With respect to the certificate for **Cardlink**, the Evaluation Board clarified the comment against the relatively weak security of the card. Cardlink were proposing an industry standard magnetic stripe card which, although it had no special additional features itself, was mitigated by the card management procedures.
- 2.6 With respect to the certificate for IBM, the Evaluation Board clarified the comment on the office operating system, OS/2. The view was that while it was not an industry leader and so may limit the range of software packages available in the future, the product will work and fully supports the current and foreseeable requirements.
- 2.6 It also clarified the concerns relating to IBM's proposed use of Storeplace. This related to Storeplace being a newly developed product that is as yet unproven in a live environment. However the Programme was monitoring progress at Woolworth who are implementing Storeplace from 8 March.
- 2.7 With respect to the certificate for Pathway, the Evaluation Board expressed severe reservations about the number of significant risks against the Pathway proposal. It questioned whether the cumulative effect would not lead to potentially late delivery and/or operational problems, and as such was cause for Pathway to be excluded from the ITT. Particular concerns were expressed about the card technology with shortcomings in the associated management of fraud and about the dependence on Escher as a small company subcontracted to Pathway.
- 2.8 Tony Johnson explained that these issues had indeed been given much consideration by the Demonstrator team. It had concluded that the Pathway solution was not fundamentally flawed and that from a strictly technical viewpoint the hurdle had been cleared. In its overall decision, the Evaluation Board might wish to take into account the cumulative effect of any contractual issues with those from the requirements area.

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- 2.9 The Evaluation Board clarified whether Pathway's suggestion of adopting an IC (integrated circuit) card would have helped clear that risk. While the IC card might help mitigate the risk, it would also open up a number of areas for re-examination; as it was not just the technical solution for the card but also the supporting processes and how it fits together in the overall solution that affect the assessment of fraud resistance. Such a change at this late stage would have introduced a number of risks that would have delayed the Programme or caused Pathway to drop out. It was therefore decided to continue with the magnetic stripe card and consider all the ramifications of an IC card under formal change control after contract award.
- 2.10 Derek Selwood confirmed that risks and issues against the service providers would be taken into account in the evaluation and selection process. The risks against Pathway would incur a substantial cost penalty given their number and severity. The issues identified during the Demonstrator would affect the Value Factor assessment, and it would be for the Evaluation Board to give due weight to that in reaching its decision.
- 2.11 The Evaluation Board approved the Requirements Agreed hurdle certificates clearing all three suppliers. The position of Pathway was discussed further under the Risk Register hurdle (see paragraphs 2.30 - 2.32).
- 2.12 The Evaluation Board discussed concerns over the availability of **EPOS** (electronic point of sale) functionality. This related to whether the service providers would be providing EPOS or only benefit payment and automated payment from "Day 1" due to the potential implications for volume guarantees, roll-out and automating other transactions for clients. The Board accepted that there was some confusion initially in the requirements for EPOS, and that the scope of the Operational Trial and initial roll-out may need clarification.

2.13 The Evaluation Board agreed that the Programme, Agreed through the Implementation Managers Group (IMG), should resolve "Day 1" functionality in consultation with POCL, and that the conclusions should be fed back to BA.

Partnership Hurdle

2.14 The papers for the meeting included certificates confirming that all the service providers have cleared the Partnership hurdle. These were accepted by the Evaluation Board, subject to David Miller signing them and providing them to Derek Selwood.

Risk Transfer & Commercial Aspects Hurdles

- 2.15 The meeting had been provided with a paper setting out the policy for risk transfer (PWKP4-13) and another summarising the current perspective (PWKP4-18). Robert Albright provided a summary of the outstanding commercial issues from the contract negotiations, and Andrew Stott briefed the meeting on the status of the fraud risk transfer negotiations.
- 2.16 The Evaluation Board discussed the implications of the outstanding issues, in particular those relating to:
 - limits of liability
 - transfer of fraud risks
 - the level of "drop down" compensation (should the sponsors fail to complete the two sponsor-contractor contracts within the period immediately after award)
 - the position on contract management
 - the precedence of requirements over solutions, and
 - liquidated damages.

Agreed, subject to certificate

Action: D Miller

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- 2.17 The Evaluation Board noted the letter to suppliers of 20 February setting out the position on Baseline, Variant and Alternative tenders. Suppliers were required to submit a Baseline tender, i.e. one that complied with the draft contract agreed with each supplier prior to ITT. While this Baseline may differ for each supplier, the Evaluation Board noted the potential difficulties of wide variations for evaluation and reaching an objective decision. For example, wide differences in the position on transfer of fraud risk might affect suppliers' prices in a way that was not transparent, thus impeding like-with-like comparisons - particularly as there were other factors that may effect price such as service levels and volume guarantees.
- 2.18 The Evaluation Board agreed that the sponsors Action: should clarify the minimum acceptable position sponsors for commercial issues and inform:
 - the CNT for conclusion of the negotiations, and
 - the Evaluation Team for assessment of the acceptability of alternative and variant tenders.
- 2.19 The Evaluation Board concluded that the CNT should continue to negotiate for the best deal with each supplier; but should maintain the principle of a Baseline tender with which a supplier must comply in order to be considered further. The result of the evaluation would be a commercial decision based on the level of charges, assurances offered and the probability of various scenarios occurring supported by the Value Factor assessments. The process must be based on considered and defensible judgements, and ensure that any models and mechanisms supported rather than diverted the rational decision process.
- 2.20 The Evaluation Board agreed that the staff involved in preparing and quality assuring the ITT should ensure that the ITT elicits all the data required to complete the evaluation.

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2.21	With respect to each of the sub-hurdles within Commercial aspects, the Evaluation Board agreed the position as follows subject to the requisite certificates being signed by David Miller.	Action: D Miller	
	i. An acceptable funding method and financial structure		
2.22	Cardlink and IBM have cleared this sub-hurdle.	Agreed, subject to certificate	
2.23	With respect to the "A" risk on Pathway's financial structure, Robert Albright reported that new information had been received that might clear it. However, the CNT were awaiting written details, and when received Charterhouse would re-assess the position.	Action: CNT to provide D Brown with copy of the Charterhouse assessment.	
	ii. Acceptable financial guarantees in the event of catastrophic system failure		
2.24	This hurdle would be confirmed as cleared subject to agreement of draft contracts.		
	iii. Satisfactory termination arrangements that avoid lock-in		
2.25	This hurdle had been cleared by all three suppliers.	Agreed, subject to certificate	
	iv. Agreement to a common charging structure		
2.26	This hurdle would be confirmed as cleared subject to agreement of draft contracts, while noting the position on Baseline, Variant and Alternative tenders (see paragraph 2.17).		
	V. POCL to retain control of its critical operational processes, and of its key commercial relationships (e.g. clients and agents); and		
	vi. No material damage to the Post Office Brand		
	This hurdle had been cleared by all three suppliers subject to legal confirmation of the respective wording in the contracts by Bird & Bird.	Agreed, subject to certificate	

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Action:

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Risk Transfer Hurdle

- 2.28 Pollowing the update from Andrew Stott and Robert Albright, the Evaluation Board noted that the "A" risk against Pathway for Fraud risk on card might be cleared following the latest negotiation meetings. However the new issues relating to cardholder verification risk transfer and the lack of monitoring fraud impact might cause a new "A" risk to be raised and/or failure to reach agreement on draft contracts with Pathway.
- 2.29 This hurdle would be confirmed as cleared subject to agreement of draft contracts. David Miller would sign the appropriate certificates when cleared and provide to Derek Selwood.

Service Provider Risk Register Hurdle

- 2.30 The Evaluation Board noted paper PROD4-08 Risk Register Analysis. It noted that the two "A" risks against Pathway might be cleared on latest information (see paragraphs 2.23 and 2.28)
- 2.31 The Evaluation Board then discussed whether the profile of risks other than severity "A" should be a bar to the issue of the ITT to any of the suppliers, and in particular to Pathway. It noted that Pathway had been warned of the seriousness of its position in a letter from the Chief Executives.
- 2.32 On balance the Evaluation Board accepted the Agreed conclusion of the Programme that the profile of other risks did not give cause to bar the issue of the ITT; however some members were still concerned about the overall position of Pathway.

3. READINESS OF ITT FOR ISSUE

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- 3.1 Mike Dolan presented the paper on component parts of the ITT and said that everything was on course for the ITT to go out on Thursday 29 February. All the requirements had been issued and solutions had been received to all the requirements. Another iteration of some solution responses was needed where the Programme was not completely happy, and would be complete by Monday night (26 Feb). Where outstanding issues were identified with the solutions, then risks would be raised on the Service Provider Risk Register (SPRR). Teams from BA and POCL were ready to ensure that the last iteration included everything, leading to the Sponsor Sign-off meeting on Wednesday 28 February.
- 3.2 The Evaluation Board obtained confirmation that all the components (including Schedule B7) are now drafted and that the list already excluded all schedules that were not obligatory for ITT. The objectives of the Operational Trial and roll-out requirements were covered by Schedule B1, the Requirements Catalogue. An additional component might be needed to make explicit the position reached on transfer of fraud risks. The methods for sponsors handling "double-key" change control had been put to suppliers in a letter and would not be contracted in Schedule A4. Contract Management.
- 3.3 The Evaluation Board noted that the ITT would be fixed once issued. While the Negotiated Procedure allows us to negotiate contracts separately with each supplier, any changes after ITT would require us to obtain revised tenders from all three suppliers to ensure equal opportunity and handling.

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- 3.4 Mike Dolan reported that meetings had been held with suppliers to check their ITT concerns. While Pathway had none, Cardlink and IBM raised the following areas:
 - Authorities' responsibilities
 - Levels of Liability
 - Service levels
 - Contract management with respect to management of the operational trial and implementation
- 3.5 The Evaluation Board agreed that the Programme should try to reach agreement on Authorities' responsibilities with suppliers, while avoiding these negating the risks transferred in other parts of the contract. However if agreement could not be reached, then they should be invited to tender on the basis of a list acceptable to sponsors.
 Action: Sponsors to agree acceptable list.
- 3.6 Concern was expressed as to whether differences Action: in the scorecards associated with the common charging mechanism would lead to inconsistent tenders. The Evaluation Board agreed that this should be flagged to Charterhouse for them to ensure that the data required for evaluation is requested in the ITT and to advise whether some of the outstanding issues would not be resolved by charging mechanism.
- 3.7 The Evaluation Board endorsed the position of Agreed requirements taking precedence over the solutions. They noted that where solutions did not match the requirements satisfactorily a risk would be raised on the SPRR.

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4. FUTURE MEETINGS AND DATES

4.1 Derek Selwood updated the Evaluation Board with a list of dates for events post-ITT. The next Evaluation Board meetings are:

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• Thursday 14 March, 11.30 a.m., Terminal House

To endorse the Value Factor assessments and endorse the Financial Evaluation model, so that these can be lodged with the lawyers prior to receipt of tenders on 21 March.

Monday 15 April, 12.30 p.m., Drury House

Lunch from 12.30 p.m. for a 1.00 p.m. start, for the presentation of the Evaluation Report. If not completed by 6 p.m. then to adjourn the meeting until:

• Tuesday 16 April, 8.30 a.m., Drury House

To complete the presentation of the Evaluation Report, if required.

• Friday 19 April, 10.30 a.m., Drury House

To select the winner and attend to any outstanding endorsement and award issues.

- 4.2 Board members were asked to note that the Evaluation Team would be undertaking a checkpoint review a week after receipt of tenders to review the planning assumptions and any issues arising from tenders. Board members should expect a summary report following 28 March, and may need an extraordinary meeting during the week commencing 25 March.
- 4.3 The Evaluation Board requested early sight of Acti draft evaluation papers and confirmation of the D Se papers already issued that set out the evaluation approach in preparation for their next meeting, on 14 March.

Action: D Selwood

- 4.4 The Evaluation Board asked if there was any additional help that they could offer in supporting the preparation of the financial evaluation model. Derek Selwood said that he would check with the Financial Evaluation Team; but that at present this area seemed to be adequately covered by Programme staff and secondees from the sponsors.
- 4.5 The chairman extended his thanks to all those on the Programme and the sponsor representatives for their time and considerable effort in bringing us to this point in the procurement.
- 4.6 The meeting closed at 1.50 p.m.

Action: D Selwood