

Mr. Alan Barrie
IT Director
Post Office Ltd.
80 Old Street
London
EC1V 9PP

8th April 2004

Dear Alan,

RE: Horizon Next Generation – Framework for moving forward

I am delighted that last week's presentation to the EC was successful and that we now have approval to proceed with the next stage of developing a business case to migrate to a new generation of Horizon.

This purpose of this letter is to confirm the nature and objectives of the various activities which will be progressed during the next period.

○ **Feasibility Project**

A full feasibility study will be carried out with a view to:

- confirming the business and technical requirements for "Next Generation"
- verifying, documenting and pricing a high level solution design
- producing a business case to satisfy Post Office, RMG and Fujitsu requirements. NB this exercise should also identify any external dependencies/hurdles which will need to be resolved (such as with DTI, Rural subsidy negotiation, legal/contractual constraints, etc).
- validating the solution design and benchmarking pricing via a 3rd party (Gartner).

The study will be a joint project engaging Post Office IT and business teams together with Fujitsu. The project is planned to commence on 20th April and complete no later than 31st July 04 and will be led for Fujitsu by Mike How.

A copy of the Project Initiation Document for the feasibility study prepared by Paul Homan and Mike How is enclosed for your approval.

○ **Commercial Activities (Contract Preparation)**

In addition to the Feasibility study, several strands of commercial work will also be pursued. These include:

- confirmation of Intellectual Property terms associated with the deliverables produced during the Feasibility project – to be agreed by end April 04.
- production of a mutually acceptable Heads of Agreement to underpin any formal renegotiation/extension to the Horizon contract. NB Signing of the Heads is expected to be subject to approval of the business cases developed during Feasibility. This is not expected to happen until September 04.

- evaluation of alternative forms of contracting (such as Objective Based Contracting) to better align any new Horizon service agreement with Post Office's key business performance indicators. This will be a joint exercise between Post Office IT, Operations and Fujitsu.

These activities will be led for Fujitsu by Colin Lenton-Smith.

The above work represents a significant degree of effort from both our organisations. Fujitsu's own estimate has identified an initial investment requirement for this work equivalent to c£1.4M of revenue. As previously offered, Fujitsu will cover its costs for this work directly on the assumption that Post Office's IT and business units reflect a similar level of effort and commitment to the necessary activities. For the avoidance of doubt, I do not see this Roadmap work affecting business as usual where chargeable work will continue around future Releases and other investigative work.

Mike How is in the process of defining with Paul Homan the necessary Feasibility study Governance structure, and required working groups, which are referred to in the attached document but not as yet confirmed. In addition I am establishing the broader Fujitsu project team which will steer our overall engagement with Post Office from now on through these current activities, past our respective business approval hurdles and onwards to a new agreement. I will be largely supported in leading this engagement by Kevin Spence.

I recommend that we meet to discuss the various hurdles that will need to be jumped so that we jointly ensure that actions are placed to ensure our joint success. I shall phone Karen to find a suitable slot in your diary.

Yours sincerely

Liam Foley
Business Development Director
Post Office Account
Fujitsu Services Ltd.

Encl:

Project Initiation Document – Feasibility Project

cc Mike Wells
Ian O'Driscoll
Ian Lamb

(sent under separate cover to Paul Homan)