

## **RESTRICTED - POLICY & COMMERCIAL**

### **ANNEX D**

#### **GENERAL BACKGROUND**

#### **SUMMARY OF THE OPTIONS**

##### **Option 1**

**Option 1** involves continuing with the contract with some limited extension of its duration:

- the project continues, including the benefit payment card, with roll out projected to start in January 2000;
- this would require implementation of the Panel's recommendations, a renewed commitment by the parties and agreement with ICL on funding. We do not favour any increase in charges, but some extension of the contracts to provide for five years of steady state operation after full implementation of the system should be considered. (Even this will probably leave ICL with a loss on the project overall.)
- for this analysis we assume contracts are extended to allow a three year transition from the BPC to ACT starting early in 2005; DSS's preferred variant is to start in 2003. In any event there must be a firm date for ending the contract and DSS would want to present it as part of a phased transition to ACT;
- the BPC would be introduced as the system is rolled out, steadily replacing paper based payment methods;
- POCL would agree with ICL on building banking services into Horizon and seek partnerships with the banks with a view to at least some partners being in place by October 2001 and full facilities two years later.

##### **Option 2**

**Option 2** involves restructuring the project without the BPC to allow an earlier move to ACT and parallel provision for banking services in post offices:

- BA withdraws from all contracts with ICL for development of the benefit payment card on grounds of failure to perform;

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- POCL works with ICL to implement the Horizon technology which is rolled out between January 2000 and September 2001 and builds on it the capacity to offer banking services with at least some partner banks by October 2001;
- BA draws up plans to migrate to ACT over three years from October 2001. In the meantime paper based methods of payment continue and BA strengthens anti-fraud mechanisms;
- BA negotiates a new contract with POCL which leaves current arrangements in place until the migration to ACT is complete;
- the Government continues to fund POCL for the equivalent to the 'floor' level in the current contracts with BA (£370 million, declining over time) at least until 2005/6.

### **Option 3**

**Option 3** involves cancelling the whole project on the basis of ICL's breach of contract for failure to meet agreed timetable:

- POCL seeks to put in place a separate integrated technology platform to enable it to offer banking and other services as soon as possible. We assume some basic technology could be put in place by October 2001 (perhaps based on simple swipe card terminals) with more comprehensive facilities to provide full banking services by 2003.
- BA draws up plans to migrate to ACT over three years from October 2001. In the meantime paper based methods of payment continue and BA strengthens anti-fraud mechanisms, perhaps building on the current electronic stop notice system (ESNS).