

10/20

Memorandum



To: Peter Crahan

Pat Dugdale

Pat Kelsy

From: Chris Mann

Address: BA/POCL
Third Floor Terminal House
52 Grosvenor Gdns
London
SW1W0AB

Date: 15/11/96

CC:

SUBJECT: Visit of Mr Yakamoto, Chairman of Fujitsu to Secretary of State

TIMING: Comments by 22 November please

1. Mr Yakamoto the Chairman of Fujitsu is visiting London from 3 - 4 December 1996, during which time he plans to meet Secretary of State.
2. Please find attached a first draft brief for the meeting, I would be grateful for your comments by Friday 22 November please.
3. Ian Magee recently met Keith Todd and the Fujitsu No 3 (Mr Akikusa), any relevant feedback will be added.

Chris Mann
BA/POCL Parliamentary Business
3rd Floor Terminal House

GRO

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BA/POCL Programme

Briefing for Secretary of State's meeting with Mr Yamamoto - Chairman of the Board Fujitsu Ltd

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Biography Of Takuma Yamamoto

Born	- 11 September 1925 - Kumamoto, Japan
Education	- Air Academy (December 1943 - March 1945) - Bachelor of Electrical Engineering University of Tokyo (March 1949)
Present Position	- Chairman of the Board of Fujitsu and Representative Director
Professional Career	<div style="margin-left: 40px;"> April 1949 - Joined Fujitsu May 1975 - Board Director March 1976 - Managing Director March 1979 - Executive Director June 1981 - President and Representative Director June 1990 - Chairman of the Board and Representative Director </div>
Positions in Public Organisations	<div style="margin-left: 40px;"> May 1984 - May 1986 - Chairman, Communication Industries Association of Japan July 1987 - July 1989 - Chairman, Japan Electronic Industry Development Association May 1987 - Chief Director, Foundation for International Information Processing Education May 1988 - May 1994 - Chairman, Committee on International Co- ordination of Economic Policies, KEIDANREN December 1990 - May 1995 - Vice Chairman, the board of Councillors, KEIDANREN April 1993 - September 1996 - Chairman, Multimedia Association of Japan April 1993 - Mar 1995 - Chairman, Intellectual Property Association of Japan June 1993 - September 1996 - Chairman, Nicograph Association June 1994 - Chairman National Federation of UNESCO Associations in Japan September 1994 - Chairman, Program Council, City TV Nakano October 1996 - Chairman Multimedia Contents Association of Japan </div>
Honours	<div style="margin-left: 40px;"> April 1984 - Blue Ribbon with Medal of Honour September 1986 - Doctor of Humane letters (Chaminade University of Honolulu) </div>
Personal Interests	River Fishing, Golf, Gardening

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THE ICL/FUJITSU RELATIONSHIP

- ICL PLC operates as an autonomous company within the Fujitsu federation of companies
- The Fujitsu group employs 164,364 people in over 400 technology, software and service companies. Fujitsu ltd employs 51,208 people (March 95)
- Fujitsu Group has 23 overseas factories, 15 Japanese factories, 22 overseas representative offices and about 100 overseas subsidiaries.
- In 1995 Fujitsu's net sales were nearly \$37billion, its operating income was nearly \$2billion. Fujitsu was founded in 1935 and is the worlds second largest computer company.
- Fujitsu is the majority shareholder in ICL with 84.4% of ICL's shares. Although the share holding will decrease when ICL is floated on the London Stock Exchange Fujitsu have stated hat they intend to maintain a majority shareholding.
- ICL's relationship with Fujitsu exists on 4 levels:
 - the ICL/Fujitsu technology agreement
 - Fujitsu as a supplier to ICL
 - ICL as a supplier to Fujitsu
 - Fujitsu's shareholder relationship with ICL
- The ICL/Fulitsu technology agreement dates originally from 1981 and is based on a mutual willingness to share skills and technology. The agreement aims to maximise cooperation on research and development activities.
- This year ICL created a global PC and server business in partnership with Fujitsu. The combined business will capitalise on Fujitsu's global presence.
- Fujitsu is a supplier of components and other equipment to ICL eg electronic point of sale systems, but it does so in competition with other suppliers.
- *ICL (UK) Ltd, as a supplier of services to DSS, are reported on by ITSA Vendor Management. A copy of the current report is attached at Annex 2*

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ICL PATHWAY

- Pathway was initially set up as a consortium of companies specifically for the BA/POCL Programme.
 - In May 1996 the consortium became ICL Pathway Ltd, a wholly owned subsidiary of ICL
 - As part of the procurement process, the Programme requested proof of the ICL Pathway Ltd's financial stability. On 26 April 1996 Mr Yakamoto wrote personally to the President of the Board of Trade giving assurance of Fujitsu's full support. A copy of this letter is at Annex 1.
 - ICL is one of the world's major suppliers to the retail market. ICL has implemented the CHOTS project for Ministry of Defence involving the installation of some 27,000 terminal in MOD offices. An Post have already automated 600 offices in the Republic of Ireland using similar hardware and the same software base. ICL rolled out all the Camelot terminals in UK and trained in excess of 30,000 users.
 - The following services are provided by ICL Pathway Ltd and its submission contractors
- | | |
|-----|--|
| ICL | <ul style="list-style-type: none"> - Operation of Central Systems - Maintenance services - Training - Site Preparation - Overall Project Management |
|-----|--|

SUBCONTRACTOR

GIROBANK	<ul style="list-style-type: none"> - Operation of Help Desks - Fraud Risk Management
DE LA RUE	<ul style="list-style-type: none"> - Production of Benefit payment cards
AN POST	<ul style="list-style-type: none"> - Counter Automation Systems - Post Office Consultancy
ESCHER GROUP	<ul style="list-style-type: none"> - Counter Automation Systems - Network Systems Design & Consultancy
McCANN-ERICKSON	<ul style="list-style-type: none"> - Advertising and Promotion Material
BT	<ul style="list-style-type: none"> - Telecommunications network
ORACLE	<ul style="list-style-type: none"> - Development of Central Systems

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MICROSOFT

- Provision of Windows NT Software

- 80% of the products and services are from the U.K with an additional 10% from Europe.

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ASSIST

- DSS has an ongoing contractual disagreement with ICL in relation to a contract awarded in January 1993 to ICL to build and operate a statistical analysis system (ASSIST).
- The contract for ASSIST (in consortium with Hoskyns) was terminated on 19 October 1994 and DSS issued a writ alleging misrepresentation and breach of contract on 19 May 1995. ICL served its defence and counterclaim in December 1995.
- Preliminary hearings have taken place in High Court, mainly on procedural issues. Hearings on the main issues are not scheduled to begin until April 1998 and may run to the year 2000.

LINE TO TAKE

Note - This is unlikely to be raised but any reference to the ASSIST issue should be dealt with as follows.

The matter is currently the subject of litigation and therefore I cannot comment on the details. However I and the DSS are confident that ICL Pathway Ltd and its subcontractors will deliver a successful result for the BA/POCL Programme.

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BA/POCL PROGRAMME

PROCUREMENT HISTORY

In accordance with Government policy this project is being pursued as a Private Finance Initiative thus Benefits Agency and Post Office Counters Ltd are working with a private sector organisation that is contracted to develop, finance and manage the new automated system. The PFI is about developing a partnership between the public and private sectors, for the benefit of both. The benefits of taking the project forward in this way are that the private sector will bring its expertise to the public sector while at the same time genuinely assuming risk.

On 17 August 1994 a contract notice was placed in the Official Journal of the European Community inviting companies to register their interest. The advertisement prompted a heavy response with some 90 organisations initially expressing interest. In April 1995 after lengthy and detailed negotiations, Benefits Agency and Post Office Counters Ltd reached agreement and signed a memorandum of understanding. This was an important milestone as commercial principles were agreed enabling the automation programme to progress.

Following the signing of the memorandum of understanding, on 13 April 1995 a Statement of Service Requirement was released to the companies which survived an initial sift. The statement is a lengthy and complex document which details what the system will be required to do. In July 1995, following a continual process of evaluation, three consortia were chosen by the programme evaluation team to remain in the competition to provide the systems infrastructure and services for Post Office Counters Ltd and the Benefits Agency. The consortia were:

CardLink U.K. - A consortium led by Andersen Consulting and Unisys
I.B.M.

Pathway - A wholly owned subsidiary of ICL.

An Invitation to Tender was issued at the end of February 1996. The three consortia submitted their tenders which were evaluated by the Evaluation Board. On Wednesday 15 May 1996, the Secretary of State for Social Security, Peter Lilley, announced that Pathway had been successful in its bid to automate post offices and benefit payments.

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THE CONTRACT

- ICL Pathway's revenue will depend on volumes of benefit transactions and post office business over the next 8 years. On present projections we expect revenues to be in excess of £1000 million over the contract period.
- The contract is for five years from the completion of roll-out (expected to be 3 years) and will be subject to re-competition on its termination.
- In the event that ICL Pathway Ltd fail to provide a satisfactory level of service, there may be penalties related to the costs to the stakeholders of making good the relevant operational areas and the stakeholders may also terminate the contract.
- If BA/POCL decide to cancel the contract with no ICL Pathway Ltd fault, the cost of abandoning the contract with ICL Pathway Ltd could be up to £128million depending on the circumstances. £128million being the termination charge for the year up to February 1998.
- A delay to the roll out will mean a postponement of benefit savings. In addition we have guaranteed the contractor minimum volumes of traffic for which we will be charged regardless of delays.

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LINES TO TAKE

Why did the programme award the contract to Pathway?

Line

Because its bid represented the best overall value for money. In reaching a judgement on that, we looked at the total cost of taking the service (i.e. direct charges by ICL Pathway plus indirect costs such as training and stationery) and suppliers' performance against ten non-monetary 'value factors' (e.g. acceptability of the proposed service to the public). We also took account of the nature of the contract into which bidders were prepared to enter.

Does selecting ICL Pathway mean they were the cheapest?

Line

ICL Pathway was selected because they offered the best value for money, taking account of price, quality, risk transference and other factors.

Was there a delay in awarding the contract to Pathway?

Line

It is accepted that there was a two month delay against a very aggressive timetable for completion of the early phase of the project due to the complexity of the contract which covers Post Office services as well as the development of the benefit payment card. Naturally, all of the interests of the three parties to the contract had to be taken into account.

How did the delay in reaching a decision on the successful supplier affected the cost of the programme?

Line

The procurement process that has been followed has been subject to the negotiated procedures of the Services Directive. The Programme have conducted these negotiations, evaluated tenders and awarded contracts in line with the dates agreed with Ministers and within the programme budget.

Weren't the suppliers landed with enormous project costs because of the delays you experienced through the procurement?

Line

The Invitation to Tender was issued some 6 weeks later than the timetable given to suppliers in the Statement of Requirements; this reflected the complexity of the project and the desire of all suppliers to negotiate the issues comprehensively. In planning the project significant regard was paid to suppliers costs; suppliers were involved in the planning and invited to suggest ways in which costs could be reduced.

Is the problem that the Departmental procedures are too bureaucratic?

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Line

No, but we are three very different organisations who are working together to bring technology to post offices and benefit payments. Whilst the programme has joint aims, Post Office Counters Ltd, the Benefits Agency and Social Security Agency (Northern Ireland) each has its own set of priorities. Balancing each of the three businesses needs against the joint project goals and, of course, customer expectations, is challenging but not impossible and we are all working and communicating very effectively together.

What caused the delays?

Line

The timetable was influenced by the complexity of the services involved, the need to secure a clear price agreement between BA and POCL on the financial terms between them and the need to negotiate the issues with suppliers.

What guarantees can you give that the evaluation and selection of the contractor was conducted fairly?

Line

Before receipt of tenders the evaluation process and model were fully documented, approved by an Evaluation Board consisting of representatives of the sponsor organisations and lodged with the Programme lawyers. The operation of the process was subject to monitoring by the audit units of the sponsors during the evaluation.

Who had input into the selection process and what qualifications did these people have to conduct this task?

Line

The evaluation team consisted primarily of representatives of the sponsor organisations who had been involved in earlier stages of the procurement and were well-versed in the various elements (e.g. technical, contractual). They were supported by a number of external staff with skills in particular areas, e.g. legal, financial modelling, procurement management.

Given the complex tendering process and the bidding costs, what consideration is being given to compensating the unsuccessful suppliers?

Line

All suppliers agreed to meet their own bidding costs as is normal for Government IT contracts.

16-04-96 11:14 FROM ICL T Yamada

96040268 13:48 FROM T. YAMADA TO T. YAMADA

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FUJITSU LIMITED

6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan

Telephone: GRO Telex: J22833 Facsimile: GRO

GRO

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Chairman of the Board

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FUJITSU

Mrs Kelly

Rt. Hon. Ian Lang MP
President of the Board of Trade
& Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
London SW1H 0BT

26 April, 1996

Dear President,

GRO

I wish to assure you of Fujitsu's full support for the tender submitted by Pathway for the BA/POCL Programme: Bringing Technology to Post Offices and Benefit Payments.

Pathway Group Ltd is a wholly owned subsidiary of ICL and the services proposed by Pathway are fully in line with the ICL corporate strategy of focusing on the provision of world class IT Systems and Services. A strategy which we in Fujitsu fully endorse and one to which we know Keith Todd, Chief Executive of ICL is personally committed.

As part of our investment programme, we have recently committed to fully underwrite a £200M rights issue for ICL and are planning substantial further inward investment into the UK. The major one being Phase II of the Microelectronics plant in Durham where we have a plan to invest a further £800M during the next couple of years and creating more than 1000 additional manufacturing based jobs. Including this programme, Fujitsu's total amount of investment in the UK exceeds £2 billion to date.

We continue to see ICL, and our other UK based businesses, as important trading routes into continental Europe and Fujitsu welcomes all the support we have had from the UK Government.

Yours sincerely,

GRO

Takuma G. Yamamoto
Chairman of the Board
Fujitsu Limited



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ICL(UK)LTD COMPANY REPORT

**PRODUCED BY
ITSA VENDOR MANAGEMENT**



**DATE OF PRODUCTION: 1st November 1996
PREVIOUS VERSION : 17 June 1996**

Please Note

Company reports give background information on core vendors who provide IT goods and services to the DSS. The documents are produced in line with a meetings schedule specifically created for the ITSA Chief Executive, the regularity of which depend upon the value and significance of the business that the company generates with the DSS.

The information found in this report is of a restricted - commercial nature and should be treated as such at all times.

This report contains factual information collated from a number of sources including various parts of the Department of Social Security and the media. It is only through the co-operation of these information sources that ITSA Vendor Management has been able to produce this report. Should you be aware of any further information which we may find of use or if you wish to pursue any matters further, please contact ITSA Vendor Management, Room GZ2, Lytham St. Annes on extension 64392.



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ITSA Vendor Management



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1. Company Overview

Introduction

1.1 ICL was acquired by the Fujitsu group of companies in 1990, establishing closer links within a partnership that had existed in some areas for more than ten years. The Fujitsu Group's combined turnover makes it the world's second largest computer firm after IBM. ICL operates independently of Fujitsu in the majority of its business areas, rather than as a subsidiary, and employs over 22,000 staff in 70 countries.

1.2 The company began its metamorphosis from a mainframe manufacturer to a 'downsized' systems and services group at the start of the 1990's, in a response to a slump in margins as the market moved from proprietary to open systems products, and away from mainframes to client/server computing. Since then, ICL has spent £400m restructuring the business, turning the company into a customer-driven, international operation with an established position in the fast growing computer systems and services business. Financial Times analysts state that group has built up a particularly strong position in the retail in-store systems and financial services sector, which it now operates across Europe.

1.3 ICL is organised into nine functional units in all, illustrated in Figure 1 below. The most recent appearance is that of Fujitsu ICL Trading UK which took over responsibility for ICL Volume Products, the PC arm of the business, in March 1996.

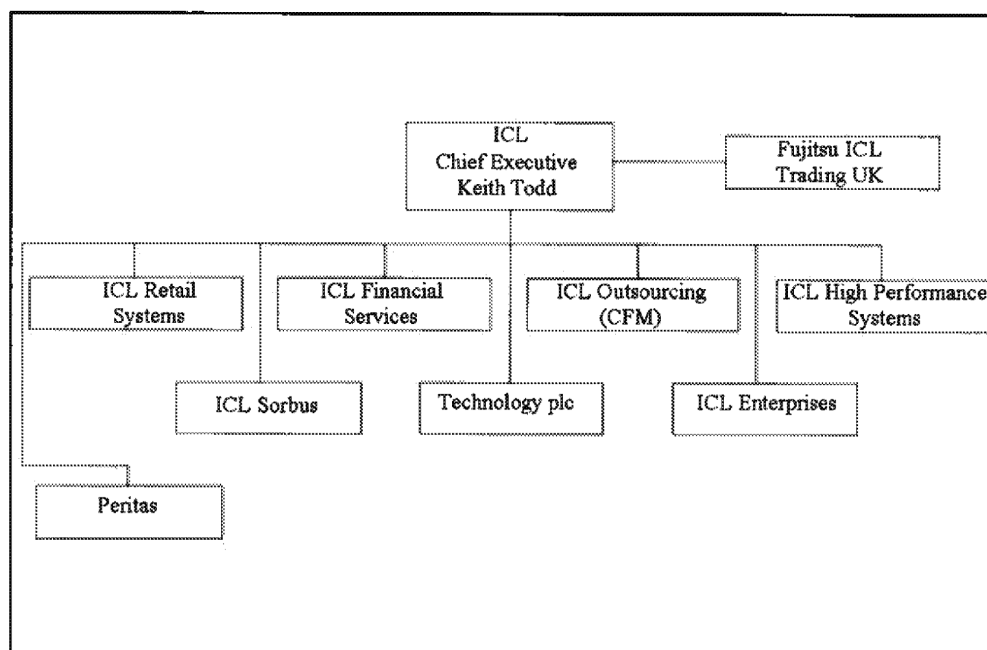


Figure 1 Source : ICL Company Literature

1.4 ICL is now one of Europe's largest systems-integration businesses, competing with EDS, IBM and Andersen Consulting. Initially, ICL Chief Executive Keith Todd said that the company is 'targeting the number three slot' in each of its main markets: specialist systems



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integration, complex systems integration for large customers, multi-vendor services and outsourcing across Europe and multi-vendor distribution in the UK.

DSS Account Organisation

1.5 DSS interfaces with a number of ICL divisions. This is illustrated in Figure 2 below, which also shows the manager responsible for DSS business in each area.

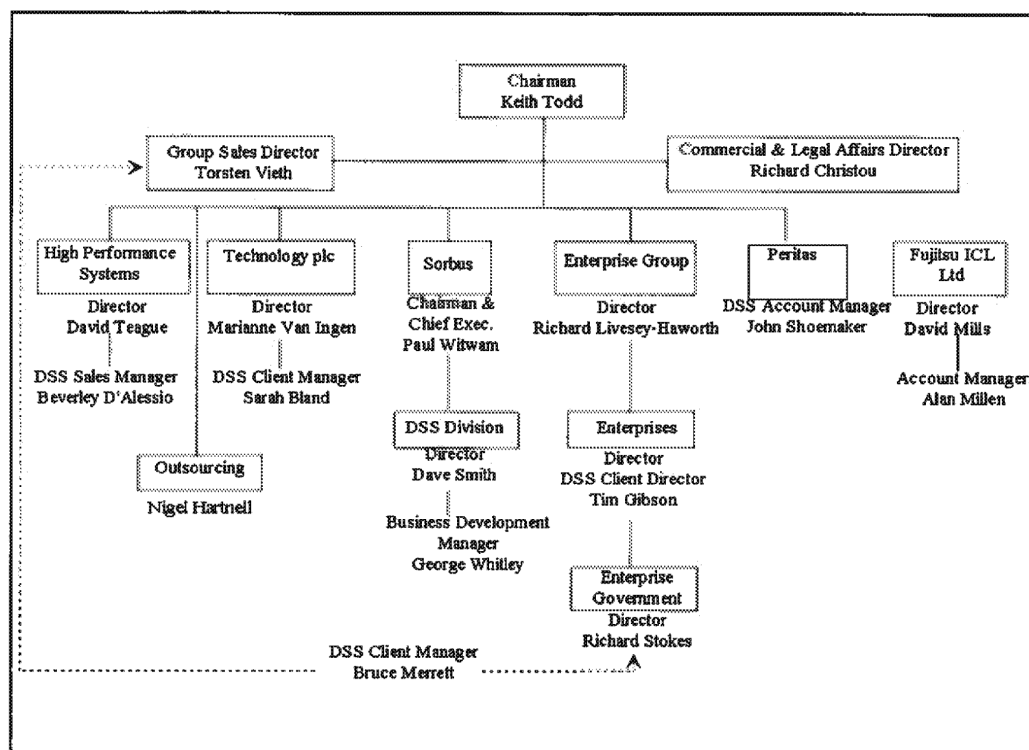


Figure 2 Source : ICL

The divisions have responsibility for different areas of DSS business:

- * ICL Sorbus A multi-vendor services company which aims to provide the advice and support to enable customers to exploit their systems to the full. Sorbus is the service provider for Focus 95 Lot D.
- * ICL Enterprises consists of a Systems Integration and a Professional Services sector. The Systems Integration sector provides services to ICL customers in Industry and Government with responsibility in DSS for managing the ITPOP Catalogue contract and the ITPOP Framework Agreement for Core Strategic Products, including MFS '96. The Professional Services sector provides project management and systems development and support skills.
- * Technology plc is one of the country's largest resellers of multi-vendor IT products.



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The product range includes PCs, servers, application software, networking and comms, and peripherals and other computer consumables. Tplc was the delivery channel for PCE 94 and is the service provider of the Catalogue Distributor element of STAP Forward.

- * ICL High Performance Systems is responsible for the design, marketing and sales of ICL's corporate systems hardware and operating software. MD is David Teague
- * Peritas is a commercial consultancy and education organisation providing IT training and management courses, technology based learning systems and facilities management of client training operations.
- * Fujitsu ICL Trading UK replaces the ICL Volume Products business. Hardware and components from Fujitsu ICL Trading are delivered via Technology plc.

Company Strategy

1.6 In November 1995, Keith Todd succeeded Peter Bonfield as ICL's Chief Executive. Prior to this appointment Mr Todd was the company's finance director with responsibility for business strategy. Mr Todd has a five point plan for ICL which is to :

- * focus on systems and services;
- * demerge the PC & server business;
- * sell D2D, ICL's manufacturing arm;
- * create a global business in partnership with Fujitsu to sell TeamWare groupware; and
- * create an interactive services business.

1.7 Since formulating this plan, progress has been made in all areas:

- * The most recent success, winning the BA/POCL contract for automation of DSS benefit payments (through the ICL-led Pathway consortium), helps to strengthen its focus on systems and services.
- * ICL's volume products business, which mainly sells PCs and servers, has been transferred to Fujitsu, with ICL retaining a 15 - 19% stake. Only a year ago, ICL announced it was moving into the fiercely competitive market for consumer PCs with a range of machines sold under the Fujitsu ICL label. The volume products PC business managed to boost its sales, mainly in Britain and Scandinavia, but faced mounting losses.
- * In groupware, the industry view is that ICL has a good product suite in Teamware. It was originally developed by Nokia and bought by ICL in 1991. Fujitsu has had some success with Teamware in Japan, but with Lotus, Microsoft and Novell fighting high profile battles for the market, it is difficult to envisage an Anglo-Japanese group succeeding with a Finnish product in the US.
- * ICL has been investing in multimedia on-line services, becoming involved in innovative projects with media industries such as BSkyB and the Innovations Catalogue and the BBC.
- * On 1st October 1996 Keith Todd announced the appointment of Nigel Hartnell as President of Outsourcing. The appointment will enable ICL to focus on developing further the Outsourcing business which has already shown significant market growth. As part of the ongoing review of ICL Headquarters Keith Todd has decided to





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restructure some of the roles and responsibilities undertaken there. Torsten Vieth is now responsible for Quality and Customer Care activities together with marketing, external communications and strategic sales activities. These activities have been brought together to ensure a totally integrated approach to customer related activities as a critical aspect of ICL's future success continues to be their ability to deliver quality products and services to their customers.

Industry Analysis

1.8 Industry analysts, Gartner Group, anticipate increased joint distribution with Fujitsu in the future, with ICL becoming a mid-range systems distributor for Fujitsu rather than pursuing its own lines. It has a sound marketing base in Europe (and elsewhere) that will be very useful to Fujitsu, which has also made previous attempts to enter the Australian market place, but with limited success.

1.9 The analysts perceive ICL as having too large a stake in the mainframe market to let it drop, even though this only accounted for 5% of revenue in the last financial year. However a lot will depend on the outcome of EDS now being responsible for the DSS (and Inland Revenue) mainframe estate. These developments mean that EDS has the ability to reduce ICL's mainframe market significantly.

1.10 Gartner, along with other industry analysts, believe that flotation of ICL on the Stock Exchange will still go ahead - there have been statements of intention to float in the past, but these have never come to fruition. However, analysts do not see floatation as being likely for another 4 or 5 years. This view is in line with ICL's own predictions on the subject.

Short Term Aims

1.11 Over the next year, ICL will be looking to expand its new business areas; further extend the global partnership with Fujitsu to exploit the TeamWare product; and expand the interactive services business. It will also be building on current success in the outsourcing and systems and services arena.

2. Company Finances**Recent results**

2.1 During 1995, ICL generated £3.1bn revenue (turnover), a growth of 17% over 1994 figures, most of which was organic, rather than acquisition related. The decline in gross margins continued in 1995 resulting in a loss before tax of £188.3m (including an overall operating loss of £31.2m) against a profit of £28.4m in 1994. Keith Todd, lists three factors that contributed to achieving a lower gross margin than expected: a highly competitive market; failure to sell on value rather than price; and cost base too high.

Five Year Trend

2.2 Figure 3 illustrates the trend in ICL revenue and profit (loss) before tax over the past





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five years. During this period, ICL has nearly doubled its turnover but seen profits steadily decline, culminating in last year's loss of £188m.

2.3 The financial consequences of Todd's decision to clean up the remainder of ICL's legacy and pay the costs of downsizing the company, will be met by Fujitsu, which has agreed to inject up to £200m by underwriting a rights issue for that amount. This will be important for customers looking for a strong partner to whom they can entrust large and complex systems development programmes or the day-to-day running of their IT operations. ICL will continue with its existing mainframe operations, although these accounted for only 5% of turnover for last year and were responsible for £30m of the drop in operating profit for the systems and services business.

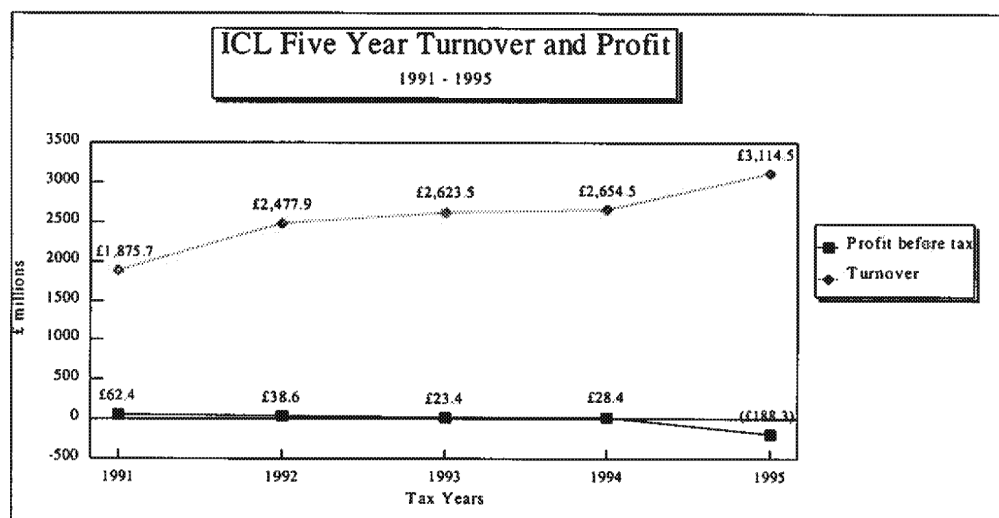


Figure 3 Source : ICL Annual Report 1995

3. Business Developments

3.1 Computing reported on 24th October 1996 that Brighton and Hove Unitary Authority had awarded a contract for a £500,000 financial management system to ICL without inviting tenders from other potential suppliers. Although Brighton and Hove claimed that the product could only be provided by one supplier, a rival supplier of financial systems said it could have offered a feasible solution on a suitable environment.

3.2 Another report in Computing on 24th October 1996, said that ICL is to run its corporate Internet service, ICLnet, over the Energis telecoms network, in a deal worth £2.5m a year. The initial contract will run for 15 months. ICLnet will provide the "BBC Online" service. This follows an earlier FT report, dated 20 September which revealed that ICL promised to put up "many millions of pounds" to develop BBC Online. Keith Todd, reported that a revenue-sharing deal had been agreed between ICL and BBC Worldwide, the commercial arm of the BBC.





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3.3 On 24th October 1996, Computing reported that the future of the mainframe at one of ICL's largest local government sites is under review following London borough of Camden's move to a distributed financial management system. Camden has signed a £1m contract with QSP who beat off a joint ICL/Oracle bid.

3.4 On 20th September 1996 the Financial Times reported that ICL promised to put up "many millions of pounds" to develop BBC Online, a new commercial service for the Internet. Keith Todd, ICL's chief executive, said a revenue-sharing deal had been agreed between ICL and BBC Worldwide, the commercial arm of the BBC.

4. DSS/ITSA Business**DSS/ITSA Spend**

4.1 As at 25 October 1996, payments for the current financial year, made by ITSA to ICL and its subsidiaries, total £19.4m, broken down as follows:

*	ICL Sorbus	£15.2m
*	Technology plc	£1.9m
*	ICLE	£1.8m
*	Workplace Technologies	£0.4m
*	Peritas	£0.07m.

Figure 4 illustrates ITSA spend with ICL for the past three financial years.

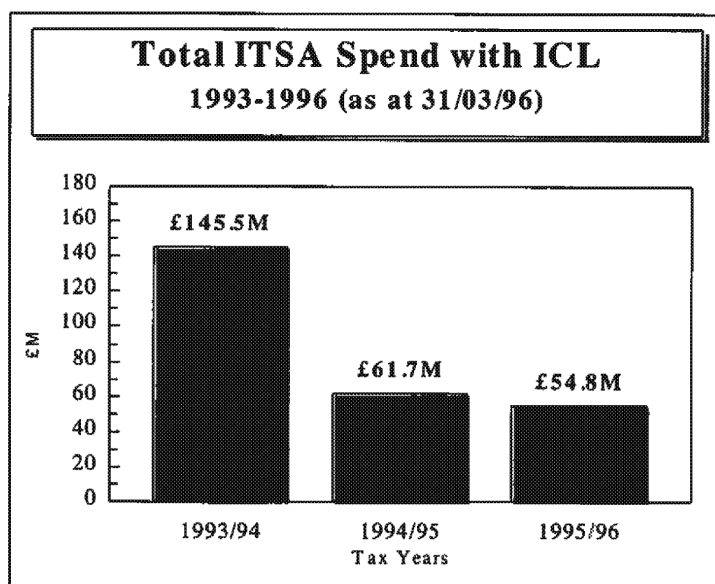


Figure 4 Source : ITSA Finance



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Current Business

4.2 **Focus 95** It was announced on 31 May 1995 that ICL had been awarded a 5-year contract for Lot D, Distributed Systems (Central). It had registered bids for all lots available (in partnership with De La Rue for the data centres). Since taking responsibility, ICL Sorbus has demonstrated a good performance:

- * Service levels have improved from those recorded prior to outsourcing, initiatives have been instigated to improve areas of poor performance and active steps have been taken to address organisational problems.
- * Completion of the Preston Voice re-design project has been noted as a success.
- * Sorbus has demonstrated good interworking relationships with the other Focus service providers.

On the contract side, performance has also been good. ICLS has been successful in gaining new business - the Core Financial Replacement Project - under this contract. The value of the business is estimated at £150,000 but includes £75,000 third party costs. It will also be involved in the implementation and support of the 'Independent Tribunal Service' Generic Appeals Processing System (ITS GAPS), Customer Account Payment System Financial Control System (CAPS FCS) and Invalid Care Allowance Northern Ireland (ICA NI). However, still under the Focus contract, ICLS was not successful in the competition for the BA Printer Retrofit project. Its bid of approximately £75k was rejected in favour of one from SEMA Group.

4.3 **ITPOP Lot 1** ICL (Tpic) won the catalogue supplier contract. From award of business to the end of September 1996, approximately 3,600 orders have been placed (55,000 items) with a total value of some £9m. The bulk of this spend, some £6.5m actually occurred during the first few months of the contract. Improvements have been noted in increased delivery performance and expansion of the product range, plus an overall decrease in prices. Arrangements are currently being made to include telephony products on the catalogue.

4.4 **ITPOP Lot 2** MFS '96 - ICL UK Ltd was awarded the contract to provide multi-function servers (MFS'96) under this Lot in the STAP Forward agreement. ICL Enterprises is the subsidiary company responsible for delivering the server. To date no MFS 96s are in use. Testing of this product is still underway but is expected to be completed imminently.

4.5 **Computer & Related Services Framework** ICL has been successful in retaining its place on this framework, which was renewed effectively from 1st July 1996. Although no new contracts have been awarded as yet to ICL under this framework, it still retains responsibility for contractor/consultancy support for INDEPOL Call-off, 19/2/96 - 21/2/97, £212,000 (max).

4.6 **BA/POCL** This business was awarded to the ICL-led consortium, Pathway, in May 1996. The consortium also includes Girobank, De La Rue and the Irish Post Office An Post. The computer press have valued this contract to be worth £1bn over the eight year period, although no official figure has been released.

4.7 **CA Debt Management** This was originally two contracts, Supply and Services and Maintenance and Support services, with a total value of £1.38m. There have been





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development and delivery problems. Expected go-live date is November 1996.

4.8 Original STAP Agreement The final figures for expenditure have been released. Figure 5 illustrates the spend per STAP supplier over the duration of the contract.

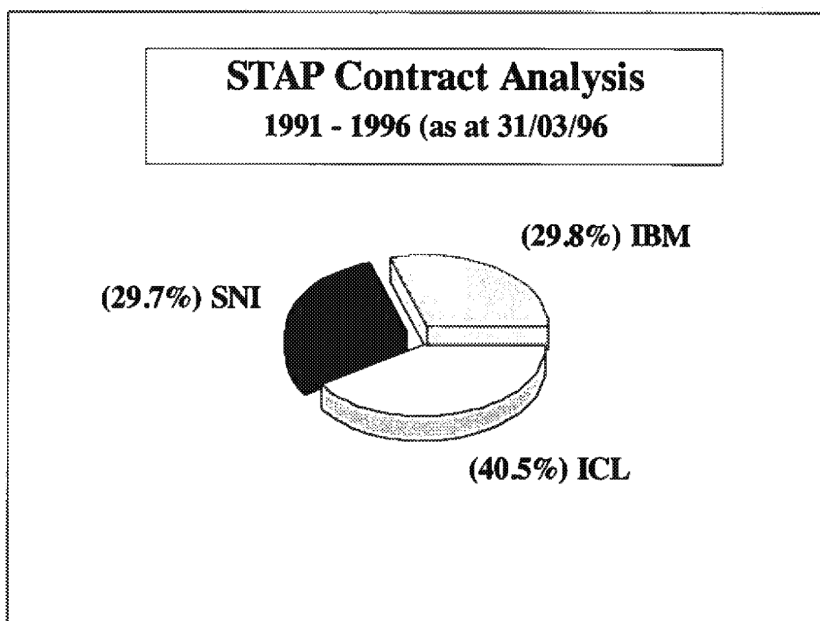


Figure 5 Source : Procurement Services

This can be broken down as:

Year	Percentage of STAP Business	Value
1991/92	46%	£18.1m
1992/93	50%	£30.1m
1993/94	51%	£31.8m
1994/95	39%	£22.04m
1995/96	8%	£2.5m

giving a total expenditure with ICL of £104.4m over the contract period. In total £249.5m was spent under STAP, with ICL winning the greatest proportion of business.

4.9 ASSIST The service contract for this project (in consortium with Hoskyns) had an approximate value of £24.7 million for period January 1993 - January 2003. On 19 October 1994, the Department formally decided to terminate the contract due to alleged breaches by ICL. A writ was served on ICL by the Department on 19 May 1995 and an ICL counterclaim lodged in December 1995. Preliminary hearings have taken place in the High Court, mainly on procedural issues, but hearings on the main issues are not scheduled to begin until April 1998 and run to the year 2000.





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ITSA Vendor Management

5. Future Business Opportunities

ICL has an interest in a number of opportunities currently available within DSS. These include:

5.1 Departmental Change Programme ICL is aware of DCP and anticipates business opportunities arising from it. It has expressed strong interest in participating in the programme, and is amongst the suppliers who have been sent a copy of the Statement of Requirements for the Accord Project.

5.2 Video Conferencing Service for CSA ICLS are to be invited to tender along with other FOCUS and Telecomms SPs.

5.3 Peel Park Phase 2a As part of the Focus contract, ICLS will be responsible for the infrastructure implementation.



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6. Information Sources

The following information sources have provided input to this report:

Company Overview

Dun & Bradstreet International
Computer Press
Gartner Group
Procurement Services
Company Literature

Company Finances

ICL Corporate Review for 1995
Computer Weekly
Financial Times

Recent News Items

Computer Weekly
Computing
Financial Times

Current DSS/ITSA Business

Procurement Services
Service Supply Group
IRG CA Business Management

Potential/Future Business Opportunities

Procurement Services