

17/09 '98 THU 09:30 FAX

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ICIA PATHWAY

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RESTRICTED - POLICY & COMMERCIAL
19/3/94



Handwritten initials: KH

Handwritten number: 5

16th September 1998

For Information

Rt Hon Stephen Byers MP
Chief Secretary to the Treasury
Treasury Chambers,
Parliament Street,
London.
SW1P 3AG

Mr Sibbick GGR
IM
MS
Mr Macdonald
Mr Macentyre CII
Speed

cc Mr Baker (or)
Mr Sibbick
Mr Whitehead
Ms Anderson



File: KK/69

Dr Hopkins CIE

Mr Osborne legal C3

Dear Minister,

BENEFITS AGENCY/POST OFFICE COUNTERS AUTOMATION PROJECT

Thank you for your letter dated 15th September 1998. We reject the allegation that ICL Pathway is in breach of contract. Indeed you will be aware that we have already taken serious exception to the attempts by the DSS to establish this position in their correspondence to us.

However, we continue to believe that this programme offers major long term benefits to both the Benefits Agency and the Post Office as well as wider Government aspects. We are, therefore, keen to see this project continue, and are prepared, without prejudice to our legal rights, to agree to the one month period of discussion for the purpose and on the terms which you suggest.

We are satisfied with the terms of reference for the independent adviser and will certainly give him our full co-operation.

Regarding the conditions for opening discussion mentioned in paragraph 6 of your letter, we confirm that we will accept them for the relevant period of one month.

We would make the point that paragraphs 4 and 5 of your letter cause us some concern. Whilst, of course, any adjustments to the contract must be compatible with procurement law, we have already sent to the parties and the Treasury our legal opinion that a commercial settlement of our differences will cause no difficulty in this respect.

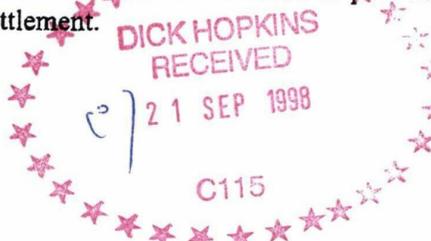
So far as the other matters raised in those paragraphs are concerned, in our view it is not helpful to the process of full and frank discussion and negotiation to set any preconditions as to the components of a commercial settlement. Clearly, these are matters that have to be discussed as part of the negotiations in order to reach a settlement.

Keith Todd
Chief Executive

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I look forward to receiving details from you of the independent advisor and the time and place for commencement of discussions so that we can move this programme forward in the best possible way for everyone concerned. I shall be asking Richard Christou, ICL commercial group director, to lead the discussions on my behalf, and he will be supported by John Bennett, managing director, ICL Pathway.

Yours sincerely,

GRO

P.P. Keith Todd



cc: Alistair Darling DSS
Peter Mandelson DTI
John Roberts Post Office
Peter Mathison Benefits Agency