

COMPANY IN-CONFIDENCE

ICL PATHWAY LIMITED

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

ICL PATHWAY LTD, FOREST ROAD, FELTHAM, MIDDLESEX

ON WEDNESDAY, 7th MAY 1997

Present: Sir Michael Butler (Chairman)
Mr T K Todd
Mr R Banks
Mr J H Bennett
Mr A E Oppenheim
Mr T Reynolds

In attendance: Mr R F Scott (Secretary)
Mr T Austin
Mr A Ward (Item 21)
Mr S Muchow (Item 22)

Apologies for absence were received from Mr R Christou and Mr J White.

ACTION

97/16 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 14 March 1997 were approved as a correct record and signed by the Chairman.

97/17 MATTERS ARISING

MR BENNETT 97/11 - Single European Currency - version 2 of the ICL Pathway paper on the subject would be sent to the Chairman for comment.

MR BENNETT 97/12 - POCL - there was concern over POCL's lack of skills in client management. They needed help to instill an entrepreneurial culture. The seven POCL Regional Directors would be with AN POST shortly and Mr Bennett would talk to Mr Reynolds about communication with them. Mr Bennett would arrange a meeting with Stuart Sweetman, involving Mr Todd and the Chairman as appropriate. Mr Todd said to encourage POCL to try to sell new products through their outlets, we had to give them a dramatic example of how they could increase their projected revenue growth figures.

MR BENNETT

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*COMPANY IN-CONFIDENCE*97/18 MANAGING DIRECTOR'S REPORT

Mr Bennett presented. Points noted:

- a) Release 1b, including OBCS was working satisfactorily in one Post Office so far and attempts were being made to come back to schedule. However, the delay had consequences (see minute 97/20) on issues 1c, 1e and beyond.
- b) Mr Bennett said the most significant consequence was the likelihood of achieving a roll-out to significantly less than the projected number of Post Offices by the year end.
- c) Surveys of the Post Offices continued and there were many which appeared to have inadequate counter space and other facilities, including electrical, ISDN etc links. However, constructive meetings had been held with POCL on who would do the remedial work and a modus operandi had been established. Certain of the improvements would be the responsibility of the Postmasters/SubPostmasters but POCL had acknowledged it was their responsibility to see that they did it. Mr Austin added that the remedial work in Post Offices impacted considerably on the logistics for ICL Pathway's implementation of the new releases. He was assessing whether he thought we could achieve peak release in 300 Post Offices per week during 1998, as planned.
- d) There was considerable pressure on POCL staff in surveying and implementing changes in the Post Offices and Mr Todd suggested it was necessary to have an "Implementation Board" as a forum for formal meetings between Pathway and POCL on implementation. Mr Bennett would consider this. Pathway would also attend carefully to the commercial implications.

MR BENNETT

- MR BENNETT e) Mr Todd added that Mr Bennett and Mr Sweetman of POCL should meet on a monthly basis to go through relevant issues.

- f) Mr Bennett said that the PDA (representing the Benefits Agency) had asked Andersen Consulting to review progress. POCL had declined to be involved in this and had asked French Thornton to conduct another review. French Thornton had been in discussion with ICL Pathway and were cooperating. However Andersen's appeared not yet ready to talk to ICL Pathway and Mr Todd said this would be raised at the next Steering Committee as it was important we should not suffer as a result of a secretive review into which we had no input.

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- g) Mr Todd added that when indicating problems in his report, Mr Bennett should give an expected time of resolution.
 - h) The Board noted Mr Bennett's critical issues list, issued in this format for the first time, which would be updated regularly. Resolution dates were included here and it was noted that all the critical issues would impact on the programme some way in terms of time and money.

97/19 PROGRAMME DIRECTOR'S REPORT

Mr Austin reported, including information supplementary to Mr Bennett's report. Points noted:

- a) The late release of Issue 1b had been principally as a result of bugs in the connection between the Post Office and the HQ Data Centres. Considerable regression testing was necessary following resolution of these bugs, in order to check that other parts of the system were not affected. This had impacted on the timescale for Release 1c, now expected to be six to eight weeks late (ie August). By the end of the week we hoped to be back on course with Release 1b, in a total of twenty Post Offices.
- b) Although Release 1c had been expected to be incremental between Releases 1b and 1e, it was turning out to be more complex and functionally rich. This was occasioning part of the delay, but would nevertheless de-risk Release 1e. Also the new release of Riposte (Release 6) could be worked into Release 1e in due course.
- c) The Chairman enquired about the commercial and penalties implications of the six/eight week delay on Release 1c and whether the customers' problems with CAPS could mitigate this. Mr Oppenheim said the objective was to avoid penalties for the six/-eight week delay (some of which might be made up although the technical complexities were increasing) and said that so far we had not missed an acceptance date. The delays were impacting only intermediate dates in the programme. He felt taking all the factors together, we should ask the customer to agree to a new master plan which took account of all the delays so far, without penalties arising. It was noted that if we did reduce the delay period, we could begin, eg the model office testing, earlier and gain favour with the customer.
- d) Mr Austin said the plan to achieve Release 1 (Child Benefit only) in 2,200 Post Offices by the year end was now impacted through the delay and we might reach only 1,300. But there would also be an

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effect in pushing national roll-out on Release 1, planned for 24 November, into 1998. Multiple benefits, Release 2 etc, was still planned to go live late January 1998 although this would also be impacted by the delays.

- e) Mr Austin expanded on the effects on future releases in 1998. At present a release was planned in January (Release 2) in April and in October. He also suspected another release in July would be necessary because there was a new CAPS release at that time. However he had proposed to POCL and BA, and he believed it would be acceptable, that there should be only two releases in 1998, in March and July.

CHAIRMAN

- f) It was noted that there might be a considerable effect on ICL Pathway from the change of government, in particular since there might be plans to reform the "welfare state". The Chairman would discuss this with Mr Todd and Mr Bennett separately.

97/20 SYSTEM SCALABILITY

Mr Ward gave a presentation in which he emphasised that the present release of Riposte, Release 5.2 could not support the full load required for the horizon, namely beyond 5,000 outlets. (The plan was to extend eventually to 20,000 outlets, 40,000 counters.)

ICL Pathway's solution was Riposte 6, which would take six months to develop and which potentially could delay plans to implement in more than 5,000 Post Offices. Two-hundred man-days of development would be required for tactical solution prior to Release 6 availability. One of the issues was that the foreign encashment agent, in the Riposte software, was owned by Escher. It was expected Escher would support ICL Pathway producing this interim solution. Relations with Escher were good and they were working to support ICL Pathway at present. The new release had not yet been discussed in detail with PDA. Plans were being made on how to integrate the release into the programme.

97/21 SERVICE MANAGEMENT

Mr Muchow gave a presentation on Service Management and reported on a considerable amount of work by ICL Pathway, with some help from ICL Sorbus, in setting up the systems and arrangements which would be used to support the solution, including the HelpDesks. The target was that 80% of calls from the public (eg lost benefit cards) or Post Offices etc would be answered within twenty seconds and 90%

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within forty seconds. The calls would not be answered by an automatic voice system but queuing would be used. At the Chairman's request, Mr Muchow would consider whether an answer-phone message could be given for calls which could not get through to the queuing system, for example outside working hours. Mr Muchow would also further consider how the system could cope in times of crisis. The potential of how ICL Pathway might be able to exploit the enormous databases being built up, was also being given consideration.

97/22 FINANCE DIRECTOR'S REPORT

Mr Oppenheim reported. Amongst matters covered he mentioned customer education where he was ensuring that ICL Pathway was paid for its activities. He said it had been possible to make one change so far to the Score card to recover additional operating costs and Mr Todd urged that ICL Pathway consider Score card changes as a means to recoup further costs in future. Mr Todd emphasised that as soon as the base line systems, including the baseline service management system was in place, it was necessary to drive cost out as much as possible in order to increase profitability. For the long term, we needed to be vigilant in encouraging POCL to develop more business with us.

Mr Oppenheim referred to the drivers of the ICL Pathway business and tabled a volume matrix summary, showing the figures which helped to identify opportunities, as well as the negative cost drivers to be reduced where possible.

Mr Oppenheim added that the Company's statutory accounts for 1996 had now been agreed by the Auditors and would shortly be signed under the authority of the Board Committee of Mr Todd and himself established for the purpose. He added that it was intended to use the Company's subsidiary, Pathway 2000 Limited (possibly with a name change) in connection with proposals for project finance. Mr Todd added, Fujitsu were in the process of approving the proposals.

97/23 DATES OF NEXT MEETINGS

Wednesday, 9 July
Monday, 29 September
Thursday, 13 November

All in ICL House, Putney, Room 1402 at 10am.