

JRM

PATHWAY MEETING MINUTES
COMMERCIAL IN CONFIDENCE

MEETING WITH: CNT Meeting at Bird & Bird

VENUE: Bird & Bird, Fetter Lane **DATE:** 17/08/95 **TIME:** 14.00

PRESENT:	BA/POCL	PATHWAY
	Robert Albright	John Bennett
	Dave Miller	Tony Oppenheim
	Pat Kelsey	John Jones
	Hamish Sanderson	
	Nigel Donahugh	



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PURPOSE OF MEETING:

The meeting was agreed to be non-contractual. The meeting was called as a follow up to letter re: indicative pricing from A.Stott.

BA/POCL presented seven questions for discussion and asked that we make a formal written response. The seven questions listed here (see attached sheets).

KEY POINTS AND ACTIONS:

1. Major Cost Drivers

Infrastructure - Equipment

- Future Proofed.
- Peripherals influence price.
- 2nd order installation and training.
- Total cost of ownership approach.

Establishment of Central Services

PAS, CMS, OSS, H/W & S/W inc. development.

Operational Ongoing Costs

- Telecom. noting that only 10% of transaction online.
- Distributed architecture most economic.
- ISDN fixed costs.
- Priced at current costing.

Year by year negative inflation built in of -2/-3% more on H/W platforms.

Maintenance and Support of Counters

Pricing takes into account:
Distributed geographic nature of POCL.
Very high performance standards required.
Fast service response for 1 + 2 position offices.

Help Desk

For end customers
Lost stolen or damaged cards.
Question over what internal demands there would be on help desks from BA and POCL. Further definition could reduce costings.

PMS

Exception cases create high degree of interaction and cost.
More that can be standard, less call on central help desk.
Aiming at high level of customer care.

CMS

Pricing has regard for:
Issuing volumes of cards
Average card life assessment
Extent of reconciliation required
Calls from BA offices, are they person to person or database enquiries?
Clarification may lead to cost reductions.

Reconciliation costed on basis of Girobank charges to BA Girocheque reconciliation.

Definition of CAPSI and CAPSII requirements needed. The more activity passed back could reduce costs.

Other areas that could effect costings.

Support for fraud investigations.
Cost of funds that have to be borne within the programme.

Concern expressed on fraud risk with "Proxy's", what is BA's attitude to controls that could be applied.

Early use of infrastructure for POCL business would provide revenue stream and reduce interest charges.

Implementation of automated benefit would be dependent on completed infrastructure roll out unless changes were made in BA rules, such as foreign encashments.

The potential high cost of contingent liability was identified in circumstances where service provider had rolled out SIS but then failed on some final acceptance criteria.

We were told to be robust in our response, they recognised that decisions needed to be made and people had to come off the fence.

The business case made no use of fraud savings, yet we had made an offer on ESNS that would contribute to the overall public purse. D.Rigs (BA) will be responding to our proposal. Roll out of SIS for ESNS would also enable early use for Bill Payments and save planned expenditure on APT.

POCL were currently considering the matter, whether to go ahead with APT or input this to the PFI. They would inform us of decision.

We had tended to over specify to be safe and to adhere to requirements of SSR.

Nothing in the SSR was found to be objectionable or boxed us in.

We had considered alternative, reduced cost options, particularly for counters, but taking into account that this would lead to a hybrid solution with differing training requirements, higher telecom costs, and proprietary products this was proven to be a false economy and hence not recommended.

ECCO replacement might be an area where richness could be reduced with consequent cost savings. We will propose changes.

PMS There needs to be clarification on reconciliation requirements, but we can see opportunity to reduce costs via a different approach to that proposed. This would involve moving to a more open solution not using Tandem systems. We will make a proposal.

Telecom charging was based on per sec pricing with initial charge. We had based prices on current tariff structures as we had not other basis on which to work.

We would flex with any charges and exploit benefits.

BA/POCL were looking to give their sponsors comfort would we therefore seek a view from our partners BT on future tariffs and trends. We pointed out that their hands were largely tied by regulatory requirements. We would seek their views.

Telecom costs were in our solution not so significant due to distributed architecture and hence room for reductions less in value terms.

From a service provider perspective we had costed at a -3% per year reduction in RPI and had been more aggressive on hardware following technology trends.

On-line enquiries need further clarification in terms of the need for absolutely current data. This is expensive and data of 15 minutes ago state could produce cost reductions with real current data being provided as an exception with higher charge rate.

Concluding - The serious nature of the A.Stott letter had raised questions as to the sound basis of the business case. If our indicative price was so far off the mark, we need to know and to evaluate our position with our shareholders.

PB/POCL sought to calm concerns and stated that the letter was not designed to frighten the horses. "Do not feel despondent".

Our responses were said to be helpful and they wished to consider our written response prior to issuing storyboards on the 4th September. To give time for analysis we were asked to respond by 24th August end of business.

AOB - There would be a meeting on partnership to discuss process.

They could not give further information on timetable for schedules, but would update when they could.

The need for next Thursdays meeting will be agreed by phone on Tuesday 22nd August.

Meeting closed 15.19hrs

John A. Jones

18th August 1995
jjon/Aug.95/532

1/ WHAT ARE THE MAJOR COST DRIVERS IN YOUR PROPOSAL?

2/ WHAT COST DRIVERS WOULD REPAY EXAMINATION ?

3/ ARE THERE ELEMENTS OF OVER-SPECIFICATION IN THE SSR? WHAT ARE THEY?

4/ CAN THE SPECIFICATION BE REDUCED WITHOUT REDUCING FUNCTIONALITY ?

5/ IF THE SPECIFICATION AND ASSOCIATED COSTS CAN BE REDUCED, WHAT ARE YOUR ALTERNATIVES ?

6/ IN ORDER TO REVISE SPECIFICATION AND REDUCE COSTS, WHAT FURTHER INFORMATION DO YOU NEED ?

7/ WHAT ASSUMPTIONS HAVE YOU MADE ABOUT FUTURE TELECOMMS TARIFFS, INC. BACK-TO-BACK CONTRACTS WITH TELECOMMS SUPPLIERS IN AN UNCERTAIN REGULATORY ENVIRONMENT?