POL00028471

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# Electronic *memo*

POST OFFICE

To Keith K Baines/ GRO
cc Ruth Holleran/ GRO John Meagher/ GRO
Hard Copy To
Hard Copy cc
From David X Smith/ GRO
Date 01/09/99 08:33

Subject Re: High AI Re-classification Tactics

Keith,
I agree ! I would hope that terms included financials - Pathway indemnifying us for any unexplained balances would present them with a considerable incentive to get things fixed and/or withholding part of the £68m due on Acceptance.

Dave
To Ruth Holleran/POCL/POSTOFFICE@POSTOFFICE

To Ruth Holleran/ GRO
cc David X Smith/ GRO John Meagher/ GRO
Hard Copy To
Hard Copy cc
From Keith K Baines/ GRO
Date 31/08/99 17:44

Subject Re: High AI Re-classification Tactics

Ruth,

We discussed this briefly by phone.

I would be against any artificial re-classification of incidents from High to Medium. We should stick by the contract position which is that AI's are cleared on the basis of implementation and testing of a rectification plan, not on analysis and planning alone. That might mean that there are some High AI's still extant at the 21/24 September deadline.

That would give POCL the right to refuse acceptance at that stage, but would not oblige us to do so if we concluded that on balance POCL's interests were better met by waiving the threshold condition and agreeing to accept. Such an acceptance would - I assume - only be given if we were convinced that Pathway's rectification plans were sound and had a high probablility of successful implementation to agreed timescales.

We would need to negotiate terms linking continuation of roll-out to the implementation and testing of rectification - i.e. the rectification plans would need to set maximum numbers of outlets to be supported at different stages of rectification, as well as dates. We would also need to amend the contract to make it clear that any delay to roll-out because these

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rectifications were not done by the necessary time would be a Pathway default - not a POCL default or no default condition.

Keith

To Keith K Baines/POCL/POSTOFFICE@POSTOFFICE

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| To | Keith K Baines/ GRO |
| cc | David X Smith/ GRO John Meagher/ GRO |
| Hard Copy To | |
| Hard Copy cc | |
| From | Ruth Holleran/ GRO |
| Date | 27/08/99 13:53 |
| Subject | High AI Re-classification Tactics |

Keith

Sooner or later (probably sooner having got 218 out of the way early next week) PWY will be seeking re-classification of 376 and 298 to medium on the strength of a rectification plan. I suggest we need to be thinking through the tactics on this before PWY (certainly) raise this at the next workshops.

I am assuming with both 298 and 376, the required rectification to down-scale to medium will not be proven but we will be under extreme pressure to re-classify. Bluntly speaking we will be breaking our proof positive rule if/ when do this but I'm not sure we will have any alternative - or do we?

On 376, PWY are time-expired - they were on the 18/8 and will be on 24/9 due to the integrity controls not being in place. To use Tony Oppenheim's words - 'it is obvious they cannot deliver this by 24/9'. I would argue that where we currently are with 298, the same will apply. How do you anticipate we will respond to this because I think we should be rehearsing our lines now?

Perhaps this is one for the acceptance update on tues.

Ruth