

**From:** [Keegan Michael](#)  
**To:** [Paula Vennells](#)  
**Subject:** Post Office / Fujitsu  
**Date:** 23 May 2014 11:34:08

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Dear Paula,

It was very good to meet on Monday and thank you also for your candour in highlighting your concerns around HPBB.

By way of follow up, I want to reiterate my personal focus in getting us to a far better place on this; within Private Sector, you are our most important customer by far and I want that position to remain as such for the foreseeable future.

I took away five areas of focus:

- Completing the financial reconciliation and delivering an overall view of the underlying issues by 2<sup>nd</sup> week of June.
- SLAs and MI – improving transparency and pace.
- Driving Sales – greater support and co-ordination across the different partners.
- Quality – Executing on the 30/60/90 plan.
- Providing a plan for the supply chain within 2 weeks.

I know [REDACTED] has already been in touch with [REDACTED] to validate these points. In terms of my focus, I will be joining our internal twice weekly calls to drive this further.

I look forward to quickly getting us to a place where we can move our agenda forward. Otherwise I'm available as required to discuss further.

With kind regards

Michael

Michael Keegan  
Head of UK and Ireland Region  
Fujitsu  
22 Baker Street  
London W1U 3BW

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**From:** [Keegan Michael](#)  
**To:** [Paula Vennells](#)  
**Cc:** [Chris M Day](#); [Lesley J Sewell](#)  
**Subject:** Fujitsu / Post Office  
**Date:** 14 November 2014 16:21:52  
**Attachments:** [Paula Vennells Post Office 14 Nov 2014.pdf](#)

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Dear Paula,

Please attached a letter for your immediate review.

Best,  
Michael

**Michael Keegan**  
**CEO of UK & Ireland, Fujitsu**

**Fujitsu**  
22 Baker Street, London. W1U 3BW  
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Paula Vennells  
Chief Executive Officer  
Post Office  
148 Old Street  
London  
EC1V 9HQ

14th November 2014

Dear Paula,

Following our conversation on the 31st October, I feel it appropriate to respond having taken some time to reflect on our discussion. I'd also like to provide some further context following the supplier conference and your invitation to 'Call things out.'

As I highlighted, the Front Office Tower has material development risks, unrealistic timescales and unattractive contractual terms which Fujitsu cannot subscribe to. It's our considered opinion that as a result of the Towers structure and Post Office's approach, the IT environment will become less stable, more expensive, more risky, less accountable and that the individual towers projects have all the hallmarks of suffering a real chance of failure. We already see the increased delay in the execution of business change requests and increased costs via the SI model. Consequently, a likely if not inevitable outcome is significant delay, overspend and failure to deliver the required functionality with members of the supply chain apportioning responsibility whilst Post Office suffers the consequences. This would be a deeply unfortunate outcome for such an important institution at such a critical time.

More broadly, and against the backdrop of a difficult revenue challenge for the Post Office coupled with intense competition in your markets, we have to understand the relationship between the investment in Front Office and the net yield in the short to mid-term. Our recommendation, based on the evidence in executing the Towers, is that Post Office should pause all outstanding procurements and formally review the business case, the results so far and the risk to benefits profile of proceeding with the current structure. In our view Post Office should also reconsider other approaches that have a significantly greater likelihood of delivering real outcomes at lower cost, time and risk, including an evolutionary approach that will provide the digital front end you need but will retain much of the investment already made in the stable back end of the current application. I do hope some thought is given to this suggestion.

You also asked how Fujitsu could help mitigate some of these outstanding risks. As you know TSS covers the period until March 2017 and has a series of assumed handover dates in terms of scope which relate to the End User Compute, Back Office, Network and Front Office Towers. To date the only Tower let is EUC and there is no guaranteed extension option currently in force to provide cover for the remaining towers.

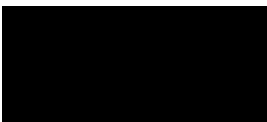
We are ready to discuss the assumed hand over dates for each element and to offer extensions if we can jointly agree commercial terms to do so. I should add, however, that in some of these cases, refresh programmes along the lines of the ongoing Belfast programme will be necessary to maintain the current service responsibilities and risk profiles.

You will also be aware that whilst we made good progress and terms were in an advanced state, we have not concluded an IPR agreement that you requested we provide. We would also be prepared to re-open these discussions, which, if successfully concluded, could allow for the development and support of the existing platforms by third party providers.

Extensions of TSS and the conclusion of an IPR agreement would provide additional time, flexibility and security of service enabling you to manage an orderly transition of services to alternative providers should you decide to proceed with the current range of Towers procurements. However, should you choose to proceed, let me give you my assurance that we will continue to provide excellent service to the Post Office and its branches to the best of our ability for as long as we are your service provider. In addition, as I hope you would expect, any transition to alternative service providers will be undertaken by us with the utmost care and professionalism.

After a 17 year relationship I felt, if nothing else we could be straight forward and transparent with each other and I hope you will consider the observations in this letter in the genuinely constructive light in which they are intended. I would of course welcome the opportunity to discuss these matters further if you would find that helpful

Kind regards,



**Michael Keegan**  
CEO UK & Ireland

Copies

Chris Day, Chief Financial Officer, Post Office Ltd  
Lesley Sewell, Chief Information Officer, Post Office Ltd

**From:** [Keegan Michael](#)  
**To:** [Paula Vennells](#)  
**Subject:** RE: Thank you  
**Date:** 02 December 2014 10:19:54

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Paula

My pleasure and really good to spend time together to discuss all these matters in such an open way. Would be very happy to meet Alistair when he joins – do please put him in touch.

I will ask [REDACTED] to arrange a team session before Xmas with Lesley as you suggest -and will also be looking out for you [REDACTED]! My mobile is [REDACTED].

Best

Michael

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**From:** Paula Vennells [mailto:[REDACTED]@postoffice.co.uk]  
**Sent:** 02 December 2014 10:09  
**To:** Keegan Michael  
**Subject:** Thank you

Michael,

Thank you for your time and your honesty. We both have concerns in this situation and I'm glad we were able to share them in a frank way, it will undoubtedly help both of us, and our teams. I'm grateful to you for explaining the Fujitsu view and also for your commitment to managing any handover/exit professionally. I will reflect on what you have said regarding the risks and I take reassurance from your desire to remain a key partner, with an interest in future business. I suggest we keep regular contact - and breakfast on me next time, or a drink in [REDACTED]

You mentioned Chris Day and then went on to a pretty serious part of the conversation, which rightly took my attention; I then forgot to brief you that after a great contribution to the Post Office, Chris is moving on. I have recruited his replacement - Alastair Cameron (CFO British Gas and then MD British Gas Enterprises). It would be great if Alastair could meet your team at some stage as part of his induction?

Thanks again for the meeting. Lesley will be in touch with [REDACTED] so we can follow up as agreed.

Best wishes,

Paula

Sent from my iPhone

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