



28 March 2006

Barry Gardiner MP

PARLIAMENTARY UNDER-SECRETARY
OF STATE FOR COMPETITIVENESS

Mr Alan Cook CBE
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**ENTRUSTMENT OF POST OFFICE LIMITED WITH THE DELIVERY OF
CERTAIN PUBLIC SERVICES**

The UK Government is required by paragraph 11 of the Community Framework for State Aid in the form of public service compensation (2005/C 297/04) to entrust Post Office Limited with services of general economic interest through an overarching ministerial instruction. This letter contains this instruction.

Post Office Limited is required to provide a network of Post Office branches to make available the services of general economic interest detailed in Annex A. Post Office Limited is entrusted with the delivery of these services of general economic interest using its network in accordance with the contractual terms which apply to each service.

Specifically, the services listed in Annex A are provided under commercial contracts entered into by Post Office Limited and the Government Department or body purchasing the service. In the case of universal postal services, the services made available at Post Office branches are ones which the universal service provider (Royal Mail Group plc) is required to provide under the terms of its postal service licence.

The entrustment of the delivery of the services set out in this letter to Post Office Ltd does not replace or change in any way contracts and other agreements under which the terms of the provision of the individual services are made. As stated above, the purpose of this letter is to meet our obligation to entrust these services of general economic

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interest to Post Office Limited in accordance with the letter from the European Commission of 23 February 2006 giving clearance to State Aid notification N166/2005 (the "clearance letter").

We confirm that Post Office Limited's public service obligation extends to maintaining the rural network beyond its optimum commercial size until 31st March 2008. The basis of Government funding for the non-commercial rural network up to 2008 is set out in the European Commission's clearance letter.

The Community Framework for State Aid in the form of public service compensation (2005/C 297/04) paragraphs 20-23 further requires that the UK Government ensures no over-compensation. We will continue to arrange for independent audit of the social network payment (including the accounting principles and figures) at the end of the financial year in which monies have been paid. This will cover the net loss in rural non-commercial branches calculated on a fully attributed costs and benefits basis under general accounting procedures. In accordance with the Community Framework, any overpayment will be required to be repaid to the State, subject to the provisions of the Community Framework.

Yours sincerely

GRO

BARRY GARDINER

RESTRICTED-POLICY**Annex A**

**SCHEDULE OF SERVICES OF GENERAL ECONOMIC INTEREST
PROVIDED
BY POST OFFICE LTD AT POST OFFICE BRANCHES**

	Category of service	Service provided	Service provided on behalf of
1	Processing social benefit and tax credit payments to the public.	Cash payment of state benefits including state pension, child benefits and tax credits and encashment of benefit cheques. Cash payment of benefits and the issuing of vouchers to eligible asylum seekers. Cash payment of health benefits and the provision of form EHIC benefits	Department for Work and Pensions, Social Security Agency - Northern Ireland, the Inland Revenue and financial institutions Home Office Department of Health.
2.	Processing of national identity and licensing scheme applications	Providing passport application forms for customers to complete and return to UKPS Checking and authentication of passport applications and supporting documentation Providing vehicle licence application forms for customers to complete and return to DVLA, and budget cash savings schemes for licence fees.	The United Kingdom Passport Service ("UKPS") The United Kingdom Passport Service. The Driver and Vehicle Licensing Agency ("DVLA")

RESTRICTED-POLICY

	Category of service	Service provided	Service provided on behalf of
		Receiving payment for vehicle licences and Photocard Licences, and checking Photocard application forms and supporting documentation. Issuing of television licences and the provision of related budget cash payment schemes.	The Driver and Vehicle Licensing Agency. British Broadcasting Corporation.
3	Universal cash payment facilities for public utility services.	Provision of facilities for cash payment of electricity, gas, telecommunications and water bills. Payment options include pre-payment and other budgeting schemes (e.g. savings stamps). Provision of facilities for cash payment of local authority council tax bills and social housing rents.	Financial Institutions individual utility service providers, and billing service providers Financial Institutions, Local Authorities, and housing associations.
4	Universal postal service.	Provision of postal services which the universal service provider (Royal Mail Group plc) is required to provide under its postal services licence	Royal Mail Group plc.

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	Category of service	Service provided	Service provided on behalf of
5	Universal access to basic cash and banking facilities and Government savings instruments, especially for rural customers and those on social benefits.	Provision of basic community banking facilities (cashing of cheques, cash deposit, Post Office card account and automated cash withdrawals and deposits) and cash transmission facilities (postal orders), in particular to socially excluded customers. This includes deposits and withdrawals of cash by businesses local to Post Office branches. Access to Government savings instruments including Premium Bonds, Investment Accounts, Children's Bonds and National Savings certificates.	Financial Institutions including the Government-owned National Savings & Investments, the Department for Work and Pensions, the Social Security Agency - Northern Ireland, and the Inland Revenue. National Savings and Investments.