BEIS0000389

RESTRICTED - POLICY & COMMERCIAL

DRAFT MINUTE FOR THE SIGNATURE OF MR McCARTNEY TO THE SECRETARY OF STATE

HORIZON PROJECT

As you know, I have been working with officials on the preparation of an initial draft of our White Paper on the future of the Post Office.

In this context I have become increasingly concerned at the lack of any DTI involvement - or even feedback - on discussions with ICL to find a way forward for the BA/POCL automation project Horizon. This project is so central to the future of the counters business of the Post Office that it is difficult to see how, in practice, we could issue our White Paper on the future of the Post Office before we know where we are going on Horizon.

You will recall that Jeremy Heywood's letter of 28 January agreed that a senior Treasury official, Steve Robson, should lead a further approach to ICL to see whether a way forward could be found for the project which better met wider Government objectives, but that if no such "improvement" could be found, then we should go ahead with Horizon with the benefit payment card on the basis of ICL's offer contained in their letters of 9 and 18 December.

BEIS0000389

RESTRICTED - POLICY & COMMERCIAL

Officials tell me that Steve Robson and one other Treasury official have apparently had two meetings with ICL, the second more than a week ago. Treasury officials say that they have been forbidden by Charles Falconer and Alan Milburn, who jointly gave Robson his marching orders for the meetings with ICL, to discuss what transpired at those meetings or indeed since. Our officials believe privately that at them, ICL were asked for a technical view of how certain Government objectives including an early move to the payment of benefit through ACT, the introduction of social banking and the early introduction of a smart card has a basis for access at post offices to new electronic services under the Modernising Government initiative. ICL duly responded as requested and were then put under great pressure to sign up to these suggestions as a proposal which they could support. ICL rightly and angrily refused, pointing out that they had put forward as requested certain suggestions of what might be technically possible. They had not at any stage been asked whether they believed that there was either a commercial or financial case for taking forward such suggestions which involved dispensing with the benefit payment card. Their view remains that the only commercially and financially viable way forward lies through the initial introduction of a benefit payment card, its subsequent and early migration to a smart card, and the building of other services such as front-end banking and electronic Government on the back of that.

BEIS0000389

RESTRICTED - POLICY & COMMERCIAL

This outcome was apparently reported back to Charles Falconer and Alan Milburn, but not more widely. Since then there has been complete silence with, so far as we have been able to establish, no further contacts with ICL, with ourselves or with DSS, or with POCL or BA.

I regard this as a wholly unsatisfactory way of proceeding. It seems unlikely that a process which excludes all the main protagonists will arrive at a solution which has so far escaped us all despite a year of careful study, yet which we can all accept. In the meantime, if what has transpired is as our officials believe to be the case, there is a serious risk that we will lose ICL/Fujitsu - exactly the outcome that No 10 have made clear they wish to avoid. I see it as essential that we put ourselves back into the decision making loop before more time is wasted pursuing unrealistic and unacceptable options. I propose, therefore, to write today to Alan Milburn on a personal basis seeking an urgent discussion with him on the Horizon project in the context of our pressing need to make progress with the White Paper. I will keep you informed of what transpires.