

RESTRICTED - POLICY AND COMMERCIAL

DRAFT LETTER FOR THE SIGNATURE OF THE PRIME MINISTER TO:

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BA/POCL AUTOMATION PROJECT: HORIZON

You will by now have already been told the results of the Government's deliberations about the future of the Horizon project. In essence, given the substantial delays which the project has suffered - and on which the Government's position has been made clear to you formally on a number of occasions - we have wanted to assure ourselves not only about the technical viability of the project but also whether, in the light of developments in the intervening period, there might be ways in which the project could sensibly be adapted to better meet today's circumstances whilst remaining true to the original objectives of the project, to which we are still fully committed.

We believe that replacing the benefit payment card by some form of smartcard-based bank account accessible - initially at least - only at post offices would offer a more modern and flexible way forward for the project than the benefit payment card whose technology and application, given the passage of time, is now likely to have a strictly limited life.

The way forward we are now anxious to explore with you seems to offer a more promising longer term commercial future for the project, not least by positioning the Post Office ideally to take early advantage of the emerging market for smartcard-based services, including banking applications, and those for Government itself in the delivery of electronic services to the citizen. These are, I know, areas which you yourselves have also identified as key objectives in the strategic partnership you have forged with Post Office Counters Ltd.

I therefore very much hope that you will feel able to engage constructively with your public sector partners to reach agreement along the lines I have described. We really do

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now need to settle this matter urgently, not least because of its implications for publication of our White Paper on the Future of the Post Office. I have asked my colleagues to report back to me on the progress of negotiations with you by the end of April, and I have made clear to them that their objective should be to have reached Heads of Agreement with you to take forward the project on the basis I have outlined above.

I am copying this letter to Stephen Byers, Alistair Darling, Alan Milburn and Charles Falconer.