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Thank you for your letter of 24 September to Patricia Hewitt about the concerns expressed to you by your constituents, Mr and Mrs Hannaford of Penwithick Post Office St Austell, about the future viability of their post office in the light of the planned changes to the arrangements for payment of state benefits. I am replying as Minister responsible for matters relating to the Post Office.

I should first like to assure Mr and Mrs Hannaford that the Government fully recognises both their concerns and the importance of the post office network. Both we and Post Office Counters Limited (POCL) are committed to the maintenance of a nationwide network of post offices and are very aware of the importance of post offices as a focal point of their local communities, particularly for the elderly and less mobile. With over 98% of the network, including all sub-post offices, privately owned and operated, they also represent a valuable partnership between the public and private sectors.

As you know, Stephen Byers, announced on 24 May a number of changes to put the Horizon project to computerise the Post Office network back on track. The original project, initiated in 1996 by the previous Government, had suffered such delays and set-backs that it was running three years late. The changes now made, in partnership with ICL, should ensure that the long overdue computerisation of the post office network can be completed by 2001.

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Although the Benefit Agency will move to a more modern and efficient way of paying benefits using the existing automated credit transfer system to enable payments to be made into bank and building society accounts, this migration will not begin until 2003 and will be phased in over a period of two years. The Government has given an assurance that those benefit recipients who wish to collect their benefits in cash at a post office will continue to be able to do so , both before and after the change-over. The automation of the post office network will also enable the POCL to develop further its relationship with the banking industry, and the range of services it offers to personal customers. With post offices acting as agent for a range of banks, benefit recipients will be able to collect their benefits at post offices in cash if they wish to do so and bank customers generally will benefit from a wider range of convenient access points, particularly in rural areas. The Post Office will be working up their commercial strategy to win new business by offering banking and modern government services on the basis of an automated delivery platform available in every post office.

A working group, established by my predecessor, Ian McCartney, will under my Chairmanship continue to oversee progress with the revised Horizon contract and to explore further the commercial potential of the automated network to offset the decline in traditional services. In addition to the Post Office and the main Post Office unions, the National Federation of SubPostmasters is actively participating in the work of this group and, of course, I am fully aware of the issues of concern to subpostmasters.