

POST OFFICE

Accusation

The Government is dithering over the Post Office Review and is failing to deliver to the Post Office the commercial freedoms it needs to compete.

Facts

Post Office Review

On 16 May 1997 the Government announced a review of the options for implementing the manifesto commitment to grant the Post Office greater commercial freedom. The announcement also implemented public commitment in opposition to suspend the programme of Crown office conversions pending an open review of the policy. The first phase of the Review consisted of wide consultation of interested parties which has now been completed. On 6 April Margaret Beckett announced the second phase of the review which will make recommendations on the Post office's future organisation, structure and financing. Options to be considered by the review include: joint ventures; the possibility of increased scope to raise external finance, direct investment in private sector companies by the Post Office, the creation of a public sector trust, an independent publicly owned corporation; and a minority share sale. Limited interim commercial freedoms were also announced.

Press coverage of the announcement of the terms of reference was limited. However, following publication of the TISC response by the Committee the Independent ran an unhelpful article on "Labour plans a £2bn Post Office [49%] sell off". This is untrue but rekindled interest in the subject and the story was carried by other national papers. In addition John Redwood has accused the Government of procrastination and delay.

The Post Office automation project (Horizon)

The future of the Post Office automation project (Horizon) may also be an issue. This £1 billion flagship PFI project jointly led by Post Office Counters Ltd (POCL) and DSS/Benefits Agency (BA) involves the automation of benefits payments at post offices. It aims to create an efficient and fraud resistant method of paying benefits at post offices; and to provide the entire post office network with a sophisticated on-line computer platform on which to generate new types of business. The private sector contractors are Pathway Ltd, a consortium in which the dominant partner is ICL. The complexity of the project and technical difficulties have led to delays with the project currently almost 2 years behind schedule. This has led to speculation that the programme is to be cancelled. The Government is currently assessing the project's prospects through a Treasury-led interdepartmental working party of officials, which is expected to report its findings to Ministers before the summer. In the meantime, the Benefits Agency and POCL continue to work with ICL/Pathway towards operational trials commencing in January 1999 with national roll-out to 19 000 post offices from April 1999 and completion in 2000.

Lines to Take

My Rt Hon Friend the President of the Board of Trade announced on Monday 6 April the second phase of the Post Office Review. This will be making recommendations on the Post Office's future structure, organisation and financing that will best deliver greater commercial freedom for the Post Office within the public sector. The Government intends to announce its proposals in the Autumn.

In the meantime we also announced with immediate effect limited freedoms for the Post Office to enter into joint ventures in the domestic market in a similar way to those they have in the international market. [if needed] Further details are set out in the Government's observations to The Trade and Industry Select Committee on the Third report of the 1997-98 session on the Post Office, which was published by the Committee on 14 April.

The Government wants the Post Office to have the freedom to develop its full potential to provide wider and better services to customers and to meet the challenges and opportunities facing the business

[on delay] Consultations with the main interested parties have been completed. Conscious of the need to minimise uncertainty for the Post Office but must also ensure that we are not rushed to reach conclusions on these vitally important issues.

[on privatisation] The terms of reference for the review are unequivocal: the Post Office will remain in the public sector and will continue to provide a universal postal service at a uniform tariff and a nation-wide network of post offices.

[on options] The Government's concern is with the needs of the Post Office for greater commercial freedom. We have an open mind about a wide range of public sector options. [on minority share sale] A minority share sale is simply one of those options. [if pressed further on a 49% sale]. It is pointless to speculate on the outcome of the review at this stage. This is an open review - there is no hidden agenda or pre-determined outcome.

Lines to Take

[on Horizon/automation of post offices and benefit payments if raised]

The Government is committed to providing a secure, convenient and cost effective means of paying benefits to customers. That is what the Payment Card was designed to do and what we continue to work towards. It is perhaps not surprising that with a project of this size and complexity there have been some delays, but the Benefits Agency and Post Office Counters Limited continue to work closely with the supplier, ICL Pathway. We are also monitoring progress to ensure that the programme can now be brought to a satisfactory completion to deliver the benefits of a more convenient and secure method of payment. The Government is committed to maintenance of a nation-wide network of post offices.

Contact: Nigel Leese, Post Office Review, CGBPS1, DTI

GRO

Lines to Take**[on Horizon/automation of post offices and benefit payments if raised]**

The Government is committed to providing a secure, convenient and cost effective means of paying benefits to customers. That is what the Payment Card was designed to do and what we continue to work towards. It is perhaps not surprising that with a project of this size and complexity there have been some delays, but the Benefits Agency and Post Office Counters Limited continue to work closely with the supplier, ICL Pathway. We are also monitoring progress to ensure that the programme can now be brought to a satisfactory completion to deliver the benefits of a more convenient and secure method of payment. The Government is committed to maintenance of a nation-wide network of post offices.

Contact: Nigel Leese, Post Office Review, CGBPS1, DTI

GRO