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Select Committee on Trade and Industry Minutes of Evidence

Memorandum submitted by CMA and CWU

INTRODUCTION

1. The Communication Workers Union (CWU) represents around 165,000 non-management employees in the Post Office, over 11,000 of whom work in Post Office Counters Ltd (POCL). The Communication Managers Association (CMA) is the representative body of all management grades within the Post Office. We therefore have a great interest in the automation of the Counter's network under the Horizon project, and its implications for the future of POCL and the Post Office as a whole.
2. To date the negotiations around the Horizon Project, and the problems encountered within it, such as the delay in implementation, have been between the contract partners; Post Office Counters Ltd, ICL and the Benefits Agency.
3. This submission is therefore made on the basis of knowledge gained by the Unions through the industrial relations interface with POCL and through our contact with Government, as well as by what has been reported in the press over the last few months. The Unions make these comments, as we believe it is our responsibility to play a part in any discussions that impact upon the future security of the Post Office network as a whole, as this enables us to enhance our members employment security and use our knowledge of the service to ensure the public interest is protected.
4. The new working group announced by the DTI Minister of State, Ian McCartney on 28 May 1999 will be our first direct involvement in the project at this level. We hope it will help develop a sensible solution to the problems encountered so far during the development and trial of the Horizon project.
5. We are confident that our knowledge of the industry and our desire to see the success of this project will help in facilitating these discussions alongside the other interested parties, so that a favourable outcome can be realised.
6. With these factors in mind the postal Unions would like to make the following comments regarding certain core problems and issues which we believe the Select Committee may wish to explore concerning the Horizon project:

THE REASONS FOR THE DELAY

7. Our view is that for one reason or another either directly or indirectly all parties to the contract may have contributed to the delay.

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- The previous Government must share a good deal of responsibility for the delay. In its rush to be seen to be tackling fraud the Conservative administration was happy to initiate the launch of a system without fully understanding both the technological capability of the system and the cost involved to both the Post Office and Government Agencies.
- ICL appears to have had problems with the technology it developed. We understand that the magnetic swipe card system it has attempted to introduce was modelled on the one used by the Irish Post Office (An Post) which works well, and is an efficient way of paying benefits and reducing benefit fraud. However, we gather that there have been major problems in transferring this type of system to a much bigger network and "scaling up" the technology for the UK.
- The Benefits Agency (BA) has for a long period wished to provide benefits by means of Automatic Credit Transfer (ACT). This remains its long-term objective. In order to meet the needs of the Horizon project its existing technology would need to be compatible with the magnetic card or smart card planned for use under the project. We understand that to date this has not happened. It is impossible for us to say why this delay was caused, but the desire to move away from Horizon and on to the ACT system would no doubt have influenced its judgement.
- Post Office Counters Ltd (POCL) has been keen to ensure that any new technology is not only suitable for the purpose it was originally designed for, but that it will be compatible with its future business vision. In particular POCL needs to be confident that it will have the ability to adapt such technology to be fit for purpose, specifically to fit its vision of POCL as a network bank. It has acknowledged the role that Horizon would play in performing its current business in a better and more efficient way. In practice this has meant developing technology to execute the transition from paper-based order books to the new screen technology. POCL's objective has been to ensure that it has 100 per cent confidence in the system before it is rolled out. Thus it is far better to encounter some delay in order to be certain that the system fits not only current services but can be adapted, by the use of software modules, to perform new business in the future.

ASSESSMENT OF SWIPE CARD TECHNOLOGY

8. The principle benefit of the magnetic swipe card, or the future use of smart card technology, is that it would be better at preventing fraud than the bar-coding of order books that will now be in operation instead. We understand that this was verified by the trials carried out by POCL. The Post Office clearly shares an immediate interest in cutting benefit fraud and introducing this technology as it is obliged to compensate the Benefits Agency for a proportion of the amount defrauded.

9. The smart card would also have the additional advantage of enabling customers to access further electronic Government services through the post office network. These services could range from accessing information to the provision of on-line healthcare.

ROLE OF THE BENEFITS AGENCY

10. We understand that the Benefits Agency (BA) failed to prepare itself and its systems sufficiently in order to be compatible with Horizon. However, without having had a role in the negotiations, it is impossible for us to say whether this was a deliberate action in order to facilitate the demise of Horizon and lead to the introduction of ACT as their preferred option.

11. It is possible that the reported failure of the BA to complete the necessary work on its system was due to technological problems, or alternatively a result of difficulties between the various stakeholders. In a project of this size and importance with such wide-ranging implications, it is almost inevitable that some conflicts of interest will arise. It may be a deficiency of the way in which the Private Finance Initiative (PFI) operates but, at any stage in the development, design or trial of a project, there can be delays if all those directly involved are not totally committed to moving in the same direction at the same time.

CONTENT, TIMESCALE AND FINANCING OF HORIZON

12. As the Unions have been outside the negotiations on Horizon, we do not have a full understanding of the implications of the variation in the contract between the stakeholders and the knock-on effects. In particular, we have not been party to detailed information on the financing of the project, and look forward to meeting with working group representatives and especially with POCL to discuss the implications of this and the potential loss of income involved.

13. We do understand that time and money has been lost while we wait for this project to be rolled out, and that the delay is not good for anyone concerned. Aside from the advantages of cutting benefit fraud, a fully automated and on-line post office network would be a much more attractive partner to develop access to Government services, or even for organisations wishing to bid for the National Lottery contract in future.

SIGNIFICANCE OF GOVERNMENT ANNOUNCEMENT

14. The Government's announcement represents a welcome move and was significant in that it provides a vehicle for the continuation of the Horizon project. It appears that the project had reached the stage where the only alternative was termination, which would be the worst scenario for our members and our members' jobs, as well as the public who would be faced with a large-scale reduction in the Post Office

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Network in general. If the Government really wants to prevent fraud and move forward in developing a successful, modern and expanding Post Office in the future, it cannot afford to cancel Horizon.

MOVING FORWARD

15. This submission is an attempt to provide the Select Committee with an outline of the situation regarding Horizon as we understand it. As we have mentioned several times during this submission, we have not been party to the negotiations so far.

16. However, we hope and believe that the establishment of the working group announced by the DTI Minister of State on 28th May 1999 will allow us to draw on our knowledge and understanding of the industry and participate directly in developing solutions to the problems encountered by Horizon. We look forward to working with all the interested parties, and believe that such a working group is long overdue. Provided that all parties are committed to the success of this project we believe that an outcome favourable to all concerned can be reached.

14 June 1999

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