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To: Peter Mathison GACE
Advice + draft reply
please by: 19.9.97

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Mr McTernan

Ms Kendall

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Mr Trow

Mr Mathison GACE - for

Mr Kelly

Mr Morgan

Mr Hicks

Mr McMichael

Mr Lewis

Mr Graham

Mr Brown

Mr Beaton

Mr O'Hara

Mr Wood

Flout (Carbons)

John Denham Esq MP
Parliamentary Under Secretary of State for Social Security
Department of Social Security
Richmond House
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29 August 1997

John

AUTOMATION OF POST OFFICES AND BENEFIT PAYMENTS

Thank you for your letter of 12 August giving me early warning of the further difficulties this major project is experiencing.

2. We need to establish urgently whether the current project can be brought back on track. I hope it can, both in your Department's and the Post Office's interests. It would be helpful to get a clear picture of the prospect of this as soon as



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possible. Perhaps you could let me know when you expect to have that information. Once we have that assessment, following the further negotiations and analysis which you outline in your letter, we can then consider the way forward.

3. However, it does seem inevitable that this further slippage in the implementation timetable is going to add significantly to the large programme overspends which the DSS is already expecting and to your tight running costs position. Against this background, I must look to you to identify ways of making good or containing the losses.

4. Meanwhile it is clearly sensible to undertake some contingency work, especially looking into the case for ACT, in the event that the contract is pulled. Even if it is not, it might be useful to look again at the merits of ACT especially as a growing number of people are increasingly familiar with the operation of bank accounts. I hope however that this will not divert attention from making this project work.

5. I am copying this letter to the Prime Minister, John Prescott, Margaret Beckett, David Blunkett and Mo Mowlam.

GRO

ALISTAIR DARLING