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IN STRICTEST CONFIDENCE



19 February 1999

Mr Stephen Byers
 Secretary of State for Trade & Industry
 Department of Trade & Industry
 1 Victoria Street
 LONDON
 SW1H 0ET

Mr NEVILLE RAIN
 Chairman

148 Old Street
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→ PM
 AM
 * Mr Bate
 * Mr Sibbick
 → Mr Conry.

cc Mr Butler
 Mr Belne

1. ~~Mr Leese~~
 2. ~~Mr Butler (o/r)~~
 3. ~~Mr Chiswick~~ / ~~h~~

Dear Mr Byers,

HORIZON

On Monday the Post Office Board discussed the Horizon programme.

The Treasury review of Horizon began almost exactly a year ago. Two months ago we concluded lengthy and complex discussions with ICL and BA which we thought would be the way forward. Now, as we understand it, there are discussions taking place with ICL about, yet again, a new set of proposals. This continuing delay in being able to arrive at a conclusion is a major source of concern to the Board, especially as The Post Office is being excluded from these latest discussions. This last point in particular was raised by our Non-Executive Directors and is regarded as unacceptable in terms of corporate governance. Directors simply are not fulfilling their duties in allowing the ongoing investment we are making on this project, yet having no apparent control over, or even input to, the current commercial discussions that vitally affect us.

You will of course be fully aware not only of the vital importance of the Horizon programme to the future of the post office network, but also of its strategic significance to The Post Office as a whole. We are currently in the impossible position of being aware that some form of new proposals are being considered and discussed with ICL and yet, as a party to the contracts with ICL Pathway and thus bearing the accountability for their commercial impact on The Post Office, we are being kept at bay. Furthermore, the legal risks which surround the tabling of alternative proposals to ICL are considerable, and it should be a concern to us all that, as I understand it, officials from HM Treasury - who unlike us are not accountable for the contracts with ICL - are operating unilaterally with ICL.

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The Post Office Board strongly believes that a clear-cut decision must be taken now to go ahead with Horizon and the Benefits Payment Card to end this period of uncertainty which has reached an indefensible level. If further proposals must be considered, then we need to be involved. Our criteria to support any alternative which may be tabled will be focused on the commercial impact on the Post Office. The Board is accountable for the future commercial well-being of The Post Office, and the Horizon programme is vital to us.

*Yours sincerely***GRO****Dr Neville C Bain****IN STRICTEST CONFIDENCE**