

ANNEX B

Mr Colin Baker
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Thank you for your letter of 26 July about the future of the post office network and the Federation's response to the Government's White Paper on Post Office Reform.

I should first like to assure your members that the Government fully recognises the importance of the post office network to the communities it serves and we remain committed to the maintenance of a nationwide network of post offices. Sub post offices represent a valuable partnership between the public and private sectors.

The changes which I announced on 24 May to the Horizon project should put computerisation of the post office network back on track. The original Horizon project initiated in 1996 by the previous Government had suffered such delays and set-backs that it no longer represented, in our view, the best way forward. The restructured Horizon project will equip every post office throughout the network with a modern, on-line computer platform by 2001. Automation of the post office network is vital to the future of the network to enable the Post Office to conduct its business in a modern way and help it to retain existing and attract new clients.

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We took our decision against a background of the clear trend in recent years for increasing numbers of benefit recipients to opt voluntarily to have their benefits paid into bank or building society accounts by automated credit transfer (ACT). Nevertheless, there will be no change to the existing paper-based methods of paying benefits until 2003 after which the Benefits Agency will move progressively over a two year period to the payment of all benefits into bank accounts through the existing ACT system. This timescale is designed to allow POCL to build on the Horizon platform to develop further its relationship with the banking industry, and so ensure that all those who wish to do so will continue to be able to collect their benefits in cash at post offices both before and after the changeover. Also, bank customers generally will benefit from a wider range of convenient access points, particularly in rural areas.

I remain convinced that the post office network has an important future role to play in implementing the Modernising Government agenda, using the new technology. The post office network is in a good position to continue to provide an interface between Government and communities. When automation is achieved, a wide range of new opportunities should be open to the network.

I am grateful to you for your contribution to the Working Group established to oversee progress with the revised Horizon contract and to explore further the

commercial potential of the automated network. Your members as both business proprietors and providers of post office services are ideally placed to contribute ideas and suggestions on new products and ways of working which are vital to the future success of the network. It is vital that subpostmasters as key players in the post office network have a direct channel of communication with Government to help shape the future of the post office network. A key role of the Working Group is to provide this channel.