



DEPARTMENT OF SOCIAL SECURITY
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From the Parliamentary Under Secretary of State for Social Security

RESTRICTED - COMMERCIAL & POLICY

The Rt Hon Alistair Darling MP
Chief Secretary
HM Treasury
Parliament Street
London
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14/9 September 1997

Dear Alistair

AUTOMATION OF POST OFFICES AND BENEFIT PAYMENTS

Thank you for your letter of 29 August concerning the above project.

PA Consulting, who are undertaking the review of the project, are committed to delivering their review document on 19 September. I am content to make it available to your officials quickly, but it will obviously take a little time for us and the other parties directly concerned to form a view of the implications of the report and the appropriate action.

I can confirm that in the meantime we are undertaking appropriate contingency work while, as you recognise to be necessary, giving the highest priority to making a success of the automation project.

However, I would not want you to harbour any hopes that the project can be brought back on track fully. I understand that the emerging view of the consultants undertaking the review is that the completion of rollout is likely to be at least 18 months beyond the original contractual date; this is at least an additional six months slippage beyond that reflected in the figures attached to my letter of 12 August; and this assumes the achievability and success of substantial organisational and contractual changes which the consultants are likely to propose. Further, I understand that the consultants' initial view is that the original business cases of all three parties are highly vulnerable to slippage.

The uncertain prospects for the timing and financing of this automation project clearly have implications for the review of the Post Office which I understand is expected to get underway shortly. I would also be concerned if such a review, looking at the options for fundamental change, focused solely on the efficiency of the Post Office without taking the opportunity of looking at the efficiency overall of those areas of Government business in which the Post Office is involved - and DSS is the source of about a third of POCL's revenue - and at how any wider social obligations are to be discharged. More parochially, I understand that the terms of our contractual relationship with POCL are not sufficiently robust to be carried through in any transition to a more commercial environment.



E.R.

In these circumstances, I suggest that it would be helpful if my department were to participate in the forthcoming review.

As before, I am copying this letter to Tony Blair, John Prescott, Margaret Beckett, David Blunkett and Mo Mowlam.

GRO

JOHN DENHAM



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