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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Margaret Beckett MP
President of the Board of Trade
Department of Trade and Industry
1 Victoria Street
London
SW1H 0ET

28 October 1997

Den Nangart

POCL, BA AND DVLA

Thank you for your letter of 17 October.

2. I am of course aware that any fundamental changes to the business relationships between POCL, the Benefits Agency and DVLA which resulted in business moving out of Post Offices, would impact in a major way on POCL. I am also well aware of the widespread perceived importance of the Post Office network and the sensitivities attached to it.



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3. That is not to say however that we should avoid asking questions about the optimum size of the Post Office network and the most sensible way of sustaining it. I agree that the Post Office review offers us the opportunity to look at these fundamental issues and am clear that, it should also include an examination of the current relationships between the POCL and other parts of the public sector.
4. We have to consider other aspects of the Government's service to the public. For example, should the DSS be bound to use the Post Office when, with new technology, it could use more automatic management and payment systems which are, arguably, to the benefit and convenience to its customers? There could also be substantial reductions in costs. At the moment, the DSS has a huge IT project which is over budget and behind schedule and which is designed to use POCL rather than other means of payment. The BA contract is worth about a third of POCL income - about £360m per annum. You are also aware that the DETR is concerned about the level of payments made by the DVLA to POCL.
5. The CSR process should allow us to discuss these costs as well as the implications for the Post Office. If we are in fact subsidising POCL should we not say so?
6. No pre-emptive action has been taken and I do agree that we need to discuss these matters.



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7. I am copying this letter to the Prime Minister, John Prescott, David Blunkett, Donald Dewar, Harriet Harman, Gavin Strang, John Denham and to Sir Robin Butler.

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ALISTAIR DARLING