

RESTRICTED - POLICY AND COMMERCIAL

NOTE OF 4th MEETING OF THE HORIZON WORKING GROUP

27 JULY 1999

DTI, 1 VICTORIA ST, LONDON

Present:

Ian McCartney MP, Minister of State, DTI (Chairman)
Frank Doran MP, PPS to Mr McCartney
Stuart Sweetman, Post Office Counters Ltd (POCL)
Dave Miller, POCL
Dave Waltho, POCL
Derek Hodgson, General Secretary, Communication Workers Union (CWU)
Tony Kearns, CWU
Terry Deegan, General Secretary, Communication Managers' Association (CMA)
Tony Harris, CMA
Colin Baker, General Secretary, National Federation of Subpostmasters (NFSP)
John Peberdy, NFSP
David Sibbick, Director, Posts, DTI
Isabel Anderson, DTI
Geoff Moore (notetaker), DTI, Assistant Private Secretary to Ian McCartney (Tel no
GRO)

Main points:

1. The minutes of the meeting held on 7 July were agreed.
2. Mr Sweetman reported that discussions with ICL had gone well since the last meeting. Sufficient progress had been made on all outstanding issues to justify early signature of the contract with ICL. However the Board had expressed a very clear reluctance to sign with ICL until an agreement with BA had also been reached. On this there had been no progress with the key issue of payment for OBCS.
3. Mr McCartney reported that he was maintaining a dialogue with Alistair Darling (Secretary of State, DSS) and Lord Falconer (Minister of State, Cabinet Office) on the funding issues relevant to current negotiations between POCL and DSS/BA. Treasury Ministers may also need to be involved in those discussions. DSS/BA had shown some flexibility in the negotiations over issues such as the length of time for guaranteed payments to POCL, but not so far over meeting some of the cost of system charges for OBCS. There was still a substantial funding gap.
4. Mr Hodgson noted that there had been a number of major events since the last Working Group meeting - such as the Trade and Industry Select Committee hearing on Horizon, and House of Commons debates on the Post Office White Paper - and suggested that the transcripts and Hansard extracts be examined for points that would be of interest to the Group. Mr McCartney agreed that this would be of value (**action: David Sibbick to prepare paper for circulation before next Working Group meeting**).

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It was also agreed that the Group should continue its meetings in the autumn, and that a date would be sought for a meeting in September (**action: Geoff Moore**).

5. Moving on to agenda item 4 (next steps on POCL/BA and POCL/ICL negotiations), Mr Sweetman explained that if the contract with ICL was not signed by 30 July, then the Heads of Agreement signed on 24 May would come into play. These were in fact less favourable to POCL than the draft contract and so it was clearly in POCL's interests to sign. Equally, however, it was not in POCL's interest to commit themselves to ICL until there was agreement with BA. He confirmed that beyond 30 July ICL had the right to terminate the contract unilaterally and to be paid the agreed termination fee of £150 million.

6. Mr McCartney, referring to the Post Office Board's reluctance to sign the ICL contract unless the outstanding areas of disagreement with DSS/BA were resolved, said that this game of cat and mouse must end and that discussions between POCL and BA should not hold up the ICL contract. Mr Sweetman reiterated that taking the ICL agreement in isolation it was clearly now in POCL's interests to sign.

7. Mr Deegan questioned whether the other outstanding issues with BA that would affect rollout had been resolved. Mr Miller said that it was now understood that BA was not a party to the contract and that acceptance testing was no longer a source of disagreement. Mr McCartney confirmed that Alistair Darling had not raised this as an issue when discussing the negotiations.

8. On item 5, Mr McCartney reported in confidence to the Group that the Prime Minister had been given a list of issues for the Performance and Innovation Unit (PIU) to work on, and that it was understood that the study of the future role, shape and funding of the counters network was top of the list. Subject to the PM's agreement, work would commence in September. Mr Sibbick outlined the format of the PIU; it involved both Ministers (including a lead, neutral Minister) and senior officials. He understood that the PIU would accept submissions from interested parties. The Working Group would be given further details as they became available, and might need to decide whether to submit a single Working Group paper, or individual papers.

9. Mr Waltho then gave a presentation on POCL's plans to exploit the potential of automated Post Offices - to be the major gateway between central and local government and the citizen. A paper had been circulated beforehand to Group members.

10. Mr McCartney's first reaction was that there was clearly lots of potential for POCL to act as government gateway, although the plans as outlined represented a scatter-gun approach. The key target markets, objectives and implications for POCL needed to be identified.

11. Mr Hodgson thought the presentation outlined a big wish list on the part of POCL - that was not a bad thing as such but there was need for prioritisation, focusing on what could be achieved speedily and reliably. POCL should not bite off more than it could manage.

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12. Mr Deegan said that picking up various new contracts was all very well but would any real money come from them? A big idea was needed to plug the gap that would be left by the increased payment of benefits by ACT. Mr McCartney also emphasised the need for POCL to retain and improve its existing business. There were opportunities to be had in linking up with other companies to retain footfall - holiday companies, catalogue merchandising etc. Mr Sweetman agreed that the government gateway work was only part of the picture.

13. Mr Hodgson suggested that POCL, CWU, CMA and NFSP meet to work up which priorities should be focused on. Mr Sweetman said that priorities would be clearer once the Post Office had agreed its strategic plan with Ministers. Mr Hodgson suggested that even so, no harm would be done by holding further discussions. Mr McCartney agreed that at the earliest opportunity the Working Group should consider three draft strategies; on government gateway, on links with other companies that could add value to the business, and on retention and improvement of the work of the core businesses. However the focus should in each case be on developing a strategy by which the Horizon Working Group and/or the Government could assist in taking the issue forward. **(action: POCL to lead in partnership with CWU, CMA and NFSP)**. Also, the Group should meet DSS/BA to discuss in particular BA's strategy for moving benefit recipients to ACT. That should be at the next meeting (in September) unless it would be possible at that stage to discuss developments on the PIU work - such a discussion should be held with just the Group members present.