

## **RESTRICTED - POLICY AND COMMERCIAL**

### **Horizon Project**

Derek Hodgson had frank discussions with Margaret Beckett, the former President of the Board of Trade and Ian McCartney about the project. He is aware of the concerns of the DSS who are suffering financial losses as a result of delays to the project and who would now prefer to migrate benefit payments as quickly as possible to payments directly into bank accounts (ACT). This would have substantial adverse implications for Post Office Counters' income (more than one third of which comes from the Benefits Agency) and therefore for the viability of the network of post offices. Hence Mr Hodgson's concern about the project's future.

It would be best to avoid detailed discussion of the project given the political and commercial sensitivities surrounding it.

### **History**

The Post Office automation project is a flagship PFI project being jointly led by Post Office Counters Ltd and DSS/Benefits Agency (BA). It involves the automation of benefits payments at post offices. The project which is worth in excess of £1 billion has two principal aims:

- 1) to create an efficient and fraud resistant method of paying benefits at post offices; and
- 2) to provide the post office network with a streamlined, fully automated system for handling its present business and a sophisticated on-line computer platform covering over 19,000 post offices (the entire network) on which to generate new types of business.

In May 1996, the contract to design, supply and operate the new automation technology was awarded to Pathway Limited, a wholly owned subsidiary of ICL (in turn a subsidiary of Fujitsu of Japan). It was anticipated that all benefit recipients would be paid by the swipe card system by mid 1999. The complexity of the project and technical difficulties have led to delays with the project currently almost two years behind schedule. As a result of concerns about the implications of these delays, a Treasury led interdepartmental working group was established earlier this year to review the project. An expert panel has examined technical aspects of the project. The working group has provided a report to Ministers which is being considered by them.

The project has been the subject of some recent misleading and unhelpful press comment.

Post Office Review Team/DTI

**GRO**

3 August, 1998