

FA03

Mr A Montague  
HM Treasury  
1 Parliament Street  
London SW1P 3AG

26<sup>th</sup> May 1998



Dear Adrian,

**BA/POCL/ICL Review**

In response to Ross Newby's letter of 13<sup>th</sup> May after our private session with you, I am pleased to enclose an ICL Pathway paper on our views of the potential longer term value of the infrastructure. As we have discussed, it is extremely difficult with the current state of knowledge of government policy to be quantitative in terms of either volumes of information or of costs and benefits. However, it is clear that the volumes of information that may be envisaged being carried by the network are large.

I am also enclosing a list of senior contacts within government with whom ICL has had discussions regarding Better Government

We have arranged to meet the Panel again on 3<sup>rd</sup> June to discuss some of these matters with you and I look forward to meeting you then.

Yours sincerely

**GRO**

cc: Bill Robins, Alec Wylie, Peter Copping, Ross Newby

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## **BETTER GOVERNMENT AND PATHWAY**

ICL is a major supplier to Central and Local Government : therefore we take a close interest in the Government's initiatives to improve the quality and delivery of Government Services to the citizen. When CITU was originally established in 1996, ICL seconded a senior executive to help the Cabinet Office formulate the basis of the approach now known generically as "Better Government".

We have consistently argued that "joined up Government" needs to involve the widest possible range of public sector players: Whitehall's central Departments, Government Agencies, Local Government and the Post Office (which many people regard as "the human face of Government"). The modernisation of the Post Office network could - and should - create a powerful opportunity to deliver a wider range of services to the citizen using the full capability of the network and its system, including the use of SmartCards.

Therefore, over the recent months, we have been briefing a wide range of people about our views on Better Government and have backed up some of the briefings with demonstrations of the Pathway system (to show how it works in practice).

### **Better Government: & Demonstration of Pathway**

Dr David Clark MP, Chancellor of the Duchy of Lancaster

Andrew Lappin, Special Adviser to Mr Clark

Mr Ian McCartney, Minister of State, Trade & Industry DTI

Martyn Baker, Director Business & Postal Services DTI

David Sibbick DTI

Katherine Hathaway DTI

### **Better Government: & Oral Briefing on Pathway**

Mrs Barbara Roche MP, Parliamentary Under Secretary of State DTI

Ms. Anne Campbell MP  
(PPS to John Battle MP, Minister for Science, Energy & Industry)

James Purnell, No. 10 Policy Unit

### **Correspondence on Pathway**

Mr Peter Mandelson MP, Minister without Portfolio

Geoff Mulgan No 10 Policy Unit  
(re Social Inclusion)

**Better Government Briefings**

Robin Mountfield, Permanent Secretary, Cabinet Office

David Cooke, Head of CITU, Cabinet Office

Mark Gladwyn CITU

Phillipa Roe CITU

Richard Dudding, Senior Director for Strategy & Corporate Services, DETR

Andrew Murray DETR

John O'Callaghan DETR

Hilary Douglas, Director, Personnel & Support Services, DfEE

John Yard, Director Business & Management Services, Inland Revenue

Derek Howard Inland Revenue

Alistair Brown, Director Administration Services, Scottish Office

Commercial in Confidence



# The Potential for Pathway & Horizon

*A briefing paper from ICL Pathway*

Abstract: This paper outlines some of the areas in which the ICL Pathway network and services and the Horizon programme may be more widely utilised to deliver additional commercial opportunities to The Post Office and to enhance the UK Better Government initiative.

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### 1. Introduction

By the end of the year 2000 ICL Pathway, in partnership with Post Office Counters Limited, will have achieved the following:

- ◆ automated all 38,000 counter positions of the 19,000 Post Offices in the network, thereby delivering universal service throughout the entire country and creating the secure back-bone infrastructure capable of supporting the government's Better Government and Information Society Initiatives;
- ◆ provided magnetic stripe cards (and the infrastructure and systems) to support 19 million benefit customers in order that they may collect their payments. These cards will have replaced all current paper transactions, from order book vouchers to Girocheques. Encashment fraud will have been slashed, saving the UK Treasury an estimated £150million per annum;
- ◆ trained 72,000 Post Office staff and agents to use the system. This represents the largest ever single investment in training for Post Offices and, along with other training initiatives, will have transformed the service which Post Offices can provide to their customers;
- ◆ put in place the largest and most secure commercial network in the UK, handling in excess of 2.5billion transactions and £125billion annually, and capable of supporting many other government and commercial initiatives;
- ◆ established a highly flexible service, easily adaptable for new products and processes without the risks associated with creating a new architecture or the costs of creating supporting products and processes from scratch;
- ◆ enabled smart card usage in all Post Offices from Day One. All 38,000 counter positions will be equipped with smart card read/writers, which represents the largest smart card terminal estate in the country.

The result of this considerable investment will be to open the way to placing the Post Office, the traditional heart of the community, at the centre of the UK's move into the Information age. In utilising the Post Office's well known, trusted, national asset and brand together with the ICL Pathway network and services, government and industry can avoid the expense and risk of trying to create new brands and new networks to support their important transformational initiatives to take the UK into the new millennium.

In addition to extending the capability of the Post Office and POCL to expand the breadth of their commercial offerings, Horizon has the potential to be used in a much wider context. For example:

- ◆ in support of the government's determination to tackle fraud;

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- ◆ to preserve the Post Office in the heart of the community,
- ◆ to broaden the scope of Post Office services to include Better Government;
- ◆ to extend the reach of Post Office services using many channels, such as Kiosks and TV Set Top Boxes,

and by so doing to support social inclusion

The following paragraphs summarise some of ICL's thoughts on how this infrastructure may be exploited in support of POCL and in pursuance of the government's goals for the Information Society and particularly Better Government.

### 2. POCL Commercial services for Clients

#### 2.1 Key Clients

POCL already provides commercial services for an impressive list of clients, of which the largest are listed below.

<u>Client</u>	<u>Transactions p.a.</u>
1. Benefits Agency	900m
2. Royal Mail (letters & packets)*	300m
3. Alliance & Leicester /Girobank	400m
4. Parcelforce World Wide	45m
5. BT (Bills)	40m
6. Driver & Vehicle Licencing Agency (Tax Discs)	35m
7. National Savings	22m
8. BBC (TV Licence Renewals)	11m

Other clients include:

Most Utilities for Bill Payments/Revenue Collection  
(e.g. British Gas, Eastern Electric, etc.)

Most Local Authorities for Rent payments

\*Excludes stamp sales which are accounted for by value not volume.

#### 2.2 Personal Banking

POCL performs personal banking transactions for Alliance & Leicester, Giro, National Savings, Co-op Bank, and Lloyds/TSB. The transactions are typically simple deposits or withdrawals on current accounts - using a paper based process to log the transactions on behalf of the client. The associated papers (cheques, deposit documents, and withdrawal documents) are processed by the client at their own site,

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and this typically allows transactions to be ledgered within 3-4 working days. The extensive use of paper and manual processes in the system inevitably means that POCL have a high cost per transaction. This is passed on to their clients. The Personal Banking market is moving to electronic, card based transactions for deposits and withdrawals. If POCL is unable to remove the costs and reduce the timescales associated with paper based transactions, it will lead to their products becoming less competitive, resulting in reduced transactions across the counter and a drive within the client organisations to utilise other, more cost effective channels to market.

That said, with the introduction of Horizon POCL can replace their paper based offering with automated products which are low cost and deliver information accurately and to short timescales. Current trends in this market would suggest that this can be a highly successful area of growth for POCL. Retail banks are closing branches and re-structuring their operations around sales offices, direct mail and telephone sales. Simple deposit and withdrawal transactions clutter up their retail sites and do not offer a good source of sales for their other, more profitable financial services. On that basis POCL, with its large, fixed network can represent a cost effective channel for all the banks and building societies to use for the completion of these simple transactions and to maintain their presence in the community.

### 2.3 Bill Payments And Family Budgeting

POCL currently handles hundreds of millions of bill payments each year, and is seen as the natural home for bill payments by many sections of the community. In particular, people find it easy and convenient to make regular payments towards their bills each time they go to the Post Office to collect their benefits. An example of this might be:- collect benefit; pay gas, water, electric, telephone, rent, cable TV; and contribute to savings account all in one session at the Post Office. In this way the customer can take care of all their regular household finances in one place and be given a physical receipt which is so important to many sections of the community.

This ability to make small, regular payments (weekly, fortnightly, etc.) is seen as a vital budgeting tool to many sections of the community and is forming the basis of significant transaction growth for POCL over and above the transactions from quarterly bills. Utilities spend significant funds handling customers who get into difficulty with their bills, and a court case for disconnection does not help either party.

On that basis, the utilities are keen to establish payment methods which will help their customers manage their bill payment commitments more effectively. However, POCL's current network only supports electronic bill payments in 6,000 outlets which means that many bills are still expensive, time consuming paper based transactions. Accordingly, this market is under competitive threat, and many Post Offices are starting to lose transactions to alternative, automated outlets. Pathway can help both the customers and the utilities by offering electronic bill payment facilities at all 38,000 counter positions leading to reduced costs and shorter notification timescales for the utilities, which will encourage the wider promotion of these budgeting tools by the utilities to their customers.

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In this way, POCL will help utilities and customers manage their debt management problems while significantly increasing the volume of transactions at the counter.

### 2.4 Multiple Channel Management

The Pathway infrastructure will enable POCL to offer channel choice to both customers and clients, including existing and new commercial clients and all relevant government departments and agencies.

POCL currently offers services via only one channel, the 19,000 Post Offices. This channel is under threat from the new multimedia services from many new entrants into the services marketplace.

To provide a total channel and customer management service, POCL must also be able to communicate with customers via:

- ◆ physical outlets (Post Offices)
- ◆ kiosks (in Post Offices, Libraries, shopping malls, other retail sites, etc.)
- ◆ Web and Web TV (the Internet and digital TV)
- ◆ call centres.

In the same way as POCL provides physical outlets for these clients and a one stop shop for the consumer, POCL can grow its role using Horizon to provide these additional channels to their clients, whilst continuing to provide a one stop shop for customers who prefer or need personal face to face service

This offers a number of benefits. If all government agencies attempt to set up their own channels, the government may have to fund huge separate networks, and the consumer will become confused: e.g. 8,000 kiosks for employment services and potentially another 8,000 kiosks for DVLA. A competitively priced "managed service" would mean major cost savings to government departments and is directly in line with the government's wishes to share and maximise infrastructure usage.

The Post Office will be able to offer:

- ◆ Consistency - government agencies will be able to define their products once, and know that they will be offered consistently over many channels to their customers.
- ◆ Choice and social inclusion - Citizens will still be able to choose the channel they wish to use and have all the convenience of a one stop shop that POCL currently provides in the High Street.
- ◆ Economy - the government will be able to minimise the investment required to create the channels necessary in delivering the vision of Better Government and Government Direct; optimise the operating costs since these channels will be operated from the same systems management service; and maximise return from its investment.

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### 3. Process Improvement

#### 3.1 Cost reduction by re-engineering

The majority of POCL's transactions are paper based. This means that they are expensive due to the paper processing and manual data entry costs, and that the information flows take up to four days to get from the counter to the end client. Horizon will enable the majority of transactions to be processed electronically, have the data captured by the system at the counter, and be capable of providing information to the end client within seconds of the transaction being completed. This will cut significant elements of cost out of the end to end process for clients whilst allowing the clients to better manage their customer relations (e.g. utilities can avoid disconnecting customers who have paid in the last few days).

POCL could significantly reduce the operating costs of many of the government departments, whilst improving the service to the end customer of these government departments (BBC, National Savings, DVLA, etc).

As in the banking market, if POCL is unable to remove the costs and reduce the timescales associated with paper based transactions then this will lead to their products becoming less competitive, and a drive within these government departments to utilise other more cost effective channels to market.

#### 3.2 Adding Value

Currently POCL is limited by its paper based systems to focusing on a transaction based relationship with its clients. Horizon will bring the flexibility to help POCL expand their role and work in partnership with their clients to become a key player in delivering the clients mission and objectives, and to build their role as a valuable communication channel between 300 clients and 28 million customers. Examples of this include:

- ◆ Having client selected, context sensitive information prompts displayed on the screen for clerks to read out to the client's customers when a product is selected, e.g. "The National Savings special bond has increased its interest rate by 1%, would you be interested in more information?"
- ◆ Printing client selected, context sensitive information at the bottom of a customer's receipt, e.g. "Did you know that if you had paid your bill within 5 days you would have qualified for a 5% discount?"
- ◆ Helping clients understand their customers (Precision Retailing) by providing them with an analysis of customer sessions involving their products, e.g. 'Every time that a Gas bill is paid, 80% of the time an electric bill is also paid, and 30% of the time the customer also collects their benefit.'
- ◆ Providing accurate, up to date first line help for customers to reduce the level of calls and letters to clients.

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### 4. Better Government

The Pathway infrastructure has a unique combination of attributes which offers the opportunity for significant exploitation associated with:

- ◆ Fraud reduction
- ◆ Welfare reform
- ◆ Better Government (government.direct)

These attributes include:

- ◆ Nationwide coverage
- ◆ End to end security
- ◆ Smartcard terminals with associated Card Management Systems
- ◆ Data centres with access to DSS, POCL and commercial organisations
- ◆ Ease of expansion to additional outlets by making use of the telecoms networks.

#### 4.1 Fraud Reduction

The Pathway system can be further utilised to tackle other areas of benefit errors and fraud over and above that directly associated with encashment fraud. Specific examples include:

- ◆ Housing Benefit: the provision of Housing Benefit information exchange between DSS and Local Authorities may allow matching of data to be achieved.
- ◆ Information collection: the Post Office network offers an ideal point of collection of change of address and additional verification information.
- ◆ Entitlement fraud: it is feasible to use data within the Pathway system to provide DSS with improved targeting of fraud investigation. This would be achieved by means of:
  - ◆ additional analysis of existing data to: e.g. match NINOs to addresses and vice versa; track beneficiary encashment patterns; aid with surveillance activities;
  - ◆ data matching with commercial databases to verify details and identify mis-matches. The databases involved could include Electoral Roll, GB Mailing, Royal Mail re-direction register, telephone directory.

The types of fraud that would be targeted include multiple / fictitious identity, residency, working while claiming, cohabitation, substitution. Ultimately it would be feasible to develop additional fraud management tools, including risk scoring and profiling, and a messaging system to warn Post Office Counter clerks of suspect persons and provide digital photographs to aid identification.

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### 4.2 Access to Government

The machinery of Government, both Local and Central, has been developed to serve the administrative needs of government departments and as such is aligned with the business objectives of those organisations, with vertical applications and silos of information in each department. This legacy has inevitably led to systems that are not organised for the convenience of the citizen. A citizen has to visit many departments or agencies to fulfil even straightforward interactions with government. For example, the newly unemployed must visit up to six departments, the single mother seeking work up to seven, the young adult wishing to set himself up in business up to eleven. When one adds industry and commerce to the list then the waste of effort and time for the citizen, for business and for government becomes immense.

ICL has designed a solution which offers a rapid amelioration of the situation whilst the essential re-engineering of the machinery of government is undertaken. Called CAFÉexpress™ - to suggest a citizen friendly and rapidly implementable concept - it provides a single information and transactions point for public services, giving entitlement advice, even formulating an action plan for the citizen. CAFÉexpress™ is citizen focussed and is driven by life episodes, such as unemployment, self-employment; birth, death & marriage; starting, changing and finishing school; licencing; health, housing and community care; and many more. The Post Office as the traditional and respected hub of the community is an ideal location for access to government services using the CAFÉexpress™ approach and the Pathway infrastructure.

### 4.3 Government Information to Citizens & Local Business

The Post Office is perceived by the average citizen as the natural point of contact for government. In times past most day to day citizen interaction was done at the Post Office counter - National Savings, The Post Office Savings Bank, the Telephone network were all operated by the GPO. Dog licences, TV licences, road fund licences etc all were primarily transacted with the Post Office as the agent of government. It is deeply ingrained into national habits.

To an extent the legacy of these arrangements remains. If one wants to get an official form one's first point of call is the Post Office - and many are still available there. Post Office staff are still regarded as a source of information and guidance. However there is a need to regenerate the Post Office image as a deliverer of 'Service' - particularly public services and to become capable of delivering government services in entirely new ways.

With the network infrastructure put in place by Pathway for Horizon the possibilities for widening the provision of information to the public open up. In addition to all official forms, which could be distributed electronically and printed or completed locally, many other forms of electronic information could be made available within the Post Office or, by utilising the Pathway network, to information kiosks in public locations. For example, guidance on regulations;

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expert guidance on benefits entitlements, Foreign Office advice to travellers; etc could all be made available

Not only should the citizen be targeted but also business in the community, particularly SMEs. SMEs are very interested in information about grants, regulations and statutes; about world markets; the availability of and access to local skills; about training and education; trading directories, containing information about potential suppliers and customers; examples of best practice; local business assistance; etc. All of these services may be delivered electronically by means of the Post Office network.

The Post Office by exploiting the Pathway/Horizon infrastructure has the potential for becoming the electronic 'one-stop-shop' for all governmental services.

### **4.4 Government information capture e.g. Statistics collection and statutory returns**

There are significant benefits to government departments if as many as practicable of inward communications were to be in electronic format. Most of the statistics and other returns to government departments and agencies are still sent in on paper – particularly those from citizens and SMEs who have not yet invested in electronic equipment. The cost of processing all these inputs and the data preparation work that is needed before they may be usefully used by the departments is an ever-increasing cost overhead. Many departments and agencies have already recognised this and many separate pilots and prototype systems are in place to start the transition to electronic submission. Much of this replicated effort and cost incurred by many departments could be saved by reuse of the Pathway and Horizon investment in infrastructure. As the public sector specialist in communication The Post Office is the logical organisation to manage communications to and from government.

An additional benefit that Post Office has over other electronic means of communication is its outlets and its staff. The average citizen and many SMEs will need guidance. The Post Office have 70,000 counter staff who are dealing with the public all the time, recognise the value of accurate clerical procedures and, with expert guidance available through the Horizon terminal, are well placed to help people and SMEs to access new services. Not only that, the Post Office will be the first government agency to offer Certification Authority and Trusted Third Party services, which will enable secure electronic transactions including the authentication and notarisation of important documents or returns, providing an electronic datestamp and receipt.

More prosaic services based on the network and of direct benefit to the citizen might include:- the acceptance of motoring documents on behalf of the Police in response to a 'requirement to produce'; the payment of parking penalties to the local authority or other fixed penalties to the local magistrate court; etc.

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### 4.5 Social Banking & Welfare Reform

An inevitable consequence of the increasing movement towards a cashless society is the social exclusion of those citizens who do not have a bank account and who prefer to deal in cash. High street banks primarily attract and are mainly interested in those with a regular income or capital backing. They, quite naturally, seek to maximise the return on their investment in retail banking by extension selling of financial services. Their services are tailored to this market and their products are not, in general, aimed at the C2/D/E socio-economic groupings. One of Post Office Counters' declared aims is to provide socially inclusive electronic commerce via the Post Office.

The Post Office is well placed to offer 'social banking' to the cash minded and socially excluded sections of the population. Social banking matches well with POCL's brand values of security, trust and integrity. Already the individual may pay his utility bills, television licence etc through paper, magnetic strip card and smart card based payment schemes operating at the Post Office counter. Work is well advanced in Pathway in creating a new family budgeting service which will allow customers to make regular small payments towards their bills when they collect their benefits, providing, in effect, a direct debit for the cash minded. In this way the Post Office will not only be paying people their benefits but also providing them with tools to help them manage their finances. This family budgeting service will provide many of the benefits of a full social banking service, and provides a natural migration path for cash minded customers towards a comprehensive social banking service in due course.

In addition to bill payments services for regular bills etc, the social banking service would enable contributions to savings in an ISA and to personal Stakeholder Pensions by transfer into a personal account. The Post Office counter not only provides a socially inclusive access point for these services but is staffed by individuals who, supported by on-screen advice, can help the public to choose the most appropriate products for their needs, providing personalised information and service. Post Office Counters already provides information to customers on many financial services including insurance for holidays and travel.

Traditionally, people have used their benefit books as a savings mechanism whereby they can save payment foils until they have enough to pay for particular events. The new Benefit Agency rules require customers to collect all the benefits which are due when they go to a Post Office. In this way a key, often socially excluded, section of the community will have lost a valuable budgeting tool. A family budgeting and social banking service can replace the practice of 'holding back' benefits as a form of saving to ensure that this section of the community continue to have the financial tools they need.

In the longer term, Social Banking needs a smart card for each individual - a potential Citizen SmartCard, or a Post Office Service Card. This card may be useable by other government departments. Not only would the Citizen SmartCard record cash or benefit entitlement, it could also record other social welfare or educational benefits 'in kind', for example Training Credits etc.

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### 4.6 Government Services in the Community

As a result of its research into the requirements of the community (in the South Bristol area, for example, which involved SMEs as well as education and the general public) ICL is aware that there is little perceived end user requirement for 'Government' information. In order to successfully attract the target group, government services will have to be part of much broader set of local services which are attractive. A great deal of pioneering work in these areas is already under way in the local communities. These initiatives often include the Local Authority, local Education groups, local business – the Business Link and TECs - and so on. The Post Office could work in partnership in the local community, adding to the jigsaw of services expected by the general public and offering its 'reach' – both geographic and social – to the enterprise. It can help the local authority to extend the neighbourhood office concept to every part of its area.

Pathway can also provide the secure and managed infrastructure to these local networks and the links to central government clients and indeed many other commercial clients to the added benefit of the citizen.

### 4.7 European Projects

Pathway with Horizon establishes a national network capable of extending the benefits of many local European funded initiatives to a National level. Some examples are the 'teletalk'® application in the London Borough of Lewisham, the 'Smartcards for Life' project in Newcastle, funded under the DGX111 IADS programme. ICL's involvement in the EU 'SPACE' project for a 'Single Point of Access for Citizens in Europe' has demonstrated the requirement for citizen centric services and access to Social Security, Tax, Driver & Vehicle Licensing, and Healthcare information for pan-European migration. Many of these types of services are applicable to UK citizens and could be delivered through the Post Office. Pathway can provide the spine that links these islands of enterprise to the greater benefit of many more citizens.

The corollary is also true, the successes of Better Government will also be applicable in the other Member States. The UK may well be able to show a lead and offer its expertise, a showcase for electronic democracy and better government.

## 5. Infrastructure

### 5.1 Multi-channel

The Pathway infrastructure and architecture have been designed to fully support multiple delivery channels and thus Horizon may be enhanced to provide new outlets, for example kiosks, call centres, Internet access for home PCs and TV set top boxes, etc.

ICL are established leaders in creating and managing these channels for clients:

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- ◆ physical outlets: - the UK National Lottery network supplied and managed by ICL for Camelot
- ◆ kiosks - the kiosk networks operated by Nationwide Building Society and by BT (TouchPoint) were created by ICL
- ◆ Web: - the BBC's On-Line internet web site is a great example of ICL's ability to create and operate a successful commercial website
- ◆ call centres: - ICL creates and operates many state of the art call centres for both internal use and for their clients such as Microsoft.

All these are demonstrable by ICL today.

In effect each kiosk, web site, or call centre seat is treated by ICL in the same way as Pathway and Horizon treat each individual Post Office outlet. Accordingly, the creation of these channels is similar to adding additional Post Offices to the Horizon network. On that basis all the channels could be managed by the same systems management services and the same underlying infrastructure.

### 5.2 Help Desks & Call Centres

ICL Pathway provides extensive help desk services for use by both customers and postal clerks. These help desks are linked in directly to the Horizon system, thereby allowing full help desk, call centres, and customer management services to be easily and inexpensively integrated into other initiatives that take advantage of the Horizon infrastructure. Projects may be expanded to support the customer more fully, while avoiding the prohibitive costs associated with setting up the communications and database infrastructure that would normally be required to provide these additional services to the customer.

### 6. Smart Cards

In addition to the Citizen SmartCard or Post Office Service card described above, once the Pathway system is implemented then the biggest estate of smart card terminals and readers in Europe will be in position together with the card management systems to support them. Smart card management enables the secure issuing, tracking, backup and replacement of the card itself together with the back office and management processes associated with a secure smart card network.

Pathway will have put in place the infrastructure to make smart card services a commercially viable option for many new government and industry initiatives which previously would have had to fund the large costs of purchasing and installing a smaller smart card terminal estate (or accept a reduced specification, non-smart, solution for their initiative). This capability could be deployed to the benefit of many other government departments or agencies at a marginal additional cost, re-utilising existing investments fully in line with the government's declarations and ambitions for the Information Society.

Smart cards will be used increasingly by the general public until they become as ubiquitous as credit and debit cards are today. Many of these uses are within the

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areas of public administration and electronic commerce. The Post Office can provide an ideal focus for these type of card services either as an issuer in its own right or as an agent for other organisations, in particular government departments and agencies. Some of these might be:

- ◆ Electronic Signature and private key card (within a Public Key Infrastructure PKI): as a Trusted Third Party the Post Office can offer its services as a trusted Certification Authority for electronic commerce and the issue of public and private encrypted keys. In turn it may set up POCL post offices as Local Registration Authorities (LRA) which can issue private keys, held on a Smart Card, to anybody who might need to have a digital signature. This will in time include not only businesses involved in electronic commerce but everybody who wants to sign an official electronic document.
- ◆ Government Services Card: a Citizen SmartCard, which may include a digital signature, but which also contains the individual's entitlement to government services, from benefits and pensions to concessions and credits, and licences.
- ◆ Travel and Transport cards: as transport becomes integrated, the driver's licence might share a Smart Card with the MoT certificate, the insurance certificate, as well as the train or bus season ticket, combining fixed information with rechargeable credits for public transport - rechargeable, of course, at the Post Office Counter and via the Electronic Post Office.
- ◆ Local Community Cards: cards issued by local authorities at the Post Office and managed by Pathway on behalf of the local authority. These cards are already in use in more enlightened areas. Many more local authorities would like to provide the same facilities but are daunted by the start-up and operational costs. Pathway and Horizon can help contain those costs by the economies of scale and national coverage which they offer.
- ◆ Post Office loyalty cards: to encourage more use of the local Post Office and therefore to help with the cost justification of maintaining national coverage through rural offices.
- ◆ Healthcare cards: containing the NHS number, GP identity and non-clinical or emergency medical information; for example known allergies, current drug regime, organ donor details, etc.
- ◆ Education Card for school and lifelong learning: used for training credits, examination results and qualifications, school meal entitlements, travel concessions etc.

The advancement of smart card technology, in which ICL is a leader having supplied 25% of the world's smartcard systems, now allows some or all of these facilities to be combined on a single card.

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### 7. Further Opportunities

The following are some of areas which may offer further, significant opportunities for the Post Office and local and central government to capitalise on the investment and infrastructure of Pathway.

#### 7.1 Secure Electronic Mail and Messaging.

The advent of the Internet has accelerated the usage of electronic mail – one of the most used Internet features. This can be a mixed blessing. Although electronic mail brings speed and immediacy to communications it lacks most of the attributes of paper mail, such as authentication, guaranteed delivery or relative safety from tampering. For this reason, when important issues are at stake the email is often followed by a paper copy of confirmation. In addition, peer-to-peer electronic communications do not pay VAT, thereby representing a growing loss of revenue to governments.

The Post Office in its role as the national universal postal service supplier and, building upon the pioneering work of RelayOne, could provide an electronic/hybrid mail service that restores all the values normally expected from the Post Office. These services include a reliable delivery service; recorded delivery; registered and insured delivery; notification of delivery and reply request; date stamping and receipts/proof of posting; and - as a certified Trusted Third Party – notarisation of important and official communications. It would also be possible to charge VAT on these value-adding services, anticipating the European Union's policy on electronic communication.

The RelayOne service, which addresses the delivery end only, could be extended to apply to the whole mail communications chain ie clearance, sorting, transport and delivery applying X.400 standards to enable the value adding services. This service could be based upon the backbone managed network infrastructure established by Pathway, overlaid with an X.400 standard electronic mail service.

#### 7.2 Directory Services

Based on the existing PO investment in i500 electronic directory technology, the Post Office could be the supplier of an on-line GSI Intranet directory of all government departments (of the GTN and PSTN) and, in due course, a publicly available directory of government electronic addresses and a national electronic directory.

#### 7.3 Name and Address File

The maintenance of a consistent and central national name and address file for common access by all government departments could be based on the existing PAF (Post Office Address File) - cross-checked against the electoral roll as many commercial companies already do. This could also be made a publicly available service on the Internet. If it became politically and socially possible, the name and address could be encoded onto the Citizen's Smart Card. In this way it could be

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regularly checked during usage and the central Name and Address file updated to reflect any change. The cost savings of having an accurate and consistent name and address record for government departments are potentially large.

### 7.4 Home Shopping

In Sweden the national Post Office is an essential part of the home shopping chain. Having made his or her selection and ordered by telephone, over the Internet, or perhaps interactive TV, the customer arranges for delivery to his local Post Office. The customer may then collect and pay for the goods or even arrange local delivery. This service is of particular benefit to the socially disadvantaged, the aged and the infirm. The UK Post Office could emulate this initiative, provide 'drop-in' facilities for browsing a catalogue and making selections, perhaps even extend it to include local arrangements for secure or cold storage making use of local business facilities. Pilot local schemes are in operation, and proving popular in Gateshead and in Edinburgh. None of these currently involve the Post Office.

## 8. Summary

In summary, it is ICL's view that the POCL Horizon programme in conjunction with ICL Pathway offers unrivalled opportunities for commercial development for the Post Office.

For **Post Office** the ICL Pathway Network will enable transformation and new growth.

- ◆ It can provide better, faster and cheaper delivery of the current range of over 170 services for over 300 clients.
- ◆ It builds a platform for winning new services business, for example ISAs; personal and social banking in support of the government's social welfare reforms; and Better Government initiatives in support of the Information Society
- ◆ The network provides the technology base for increased commercialism and competition in the Post Office marketplace and opens the way for the exploitation of the Electronic Post Office in the 21<sup>st</sup> century.

For **Government**, the **Citizen** and **UK Plc** the Pathway Network and Services create a framework for the Information Society.

- ◆ Millions will depend on their local post office for access to the new services, thus enhancing social inclusion.
- ◆ Social banking, personal budgeting, ISA, Stakeholder Pensions are all services which can all be added to the currently planned Horizon services.

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- ◆ The Pathway smartcard network and card management processes will support Citizen SmartCard issue, authentication and management.
- ◆ Kiosk services will provide government and community information and transactions with counter service support within post offices.
- ◆ The Post Office Trusted Third Party status will enable secure public messaging and commercial transactions.
- ◆ The Pathway and Horizon Services could be extended as appropriate to other locations including libraries, town halls, shopping centres, etc and could enable access from home and workplace.