

**In Strictest Confidence**

**POB: 30 November 1999**

**PAPER NO: POB(99)76**

**SUBJECT: DEFINING THE FUTURE SIZE AND STRUCTURE OF THE  
POST OFFICE NETWORK**

**EXECUTIVE SUMMARY:**

However, the Government's decision on Horizon and acceleration of ACT has now undermined the equilibrium of the current network, and in so doing, created the risk of unmanaged network reduction. The results of such uncontrolled change cannot be predicted but are unlikely to match either the commercial network which the Post Office would require, nor any alternative network which might satisfy the Government social aspirations for network.

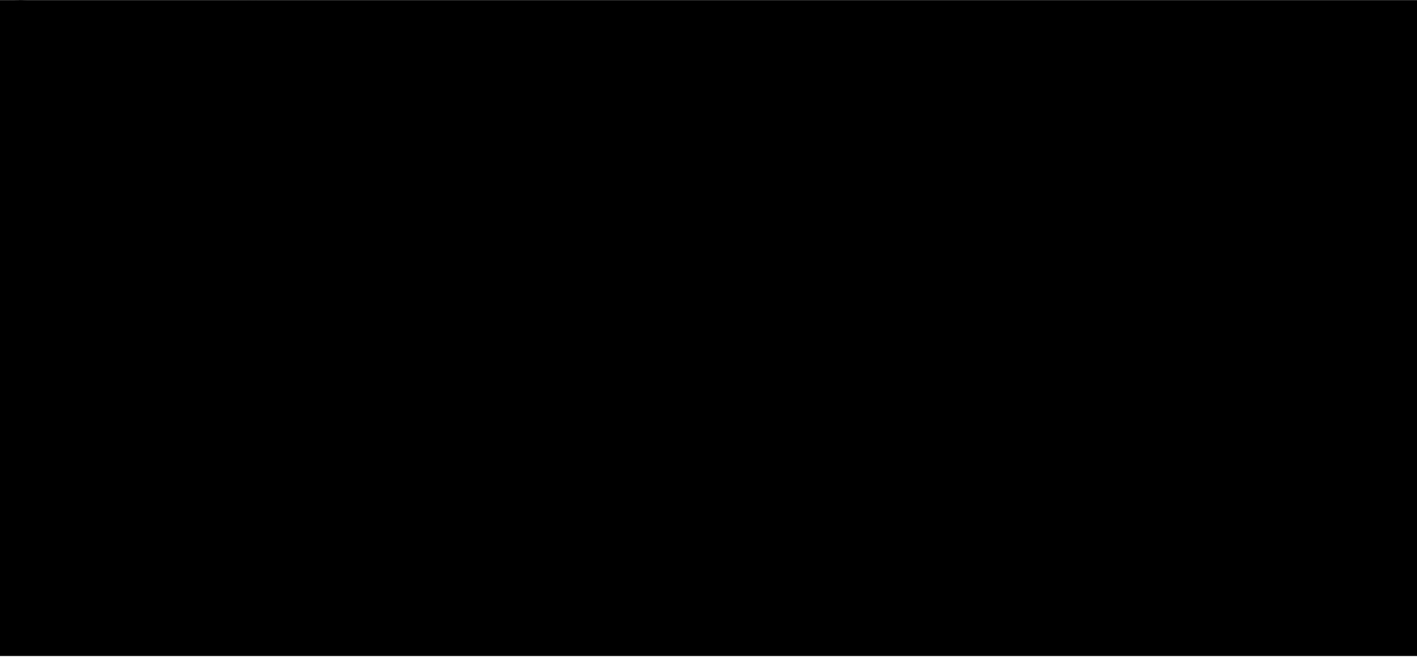
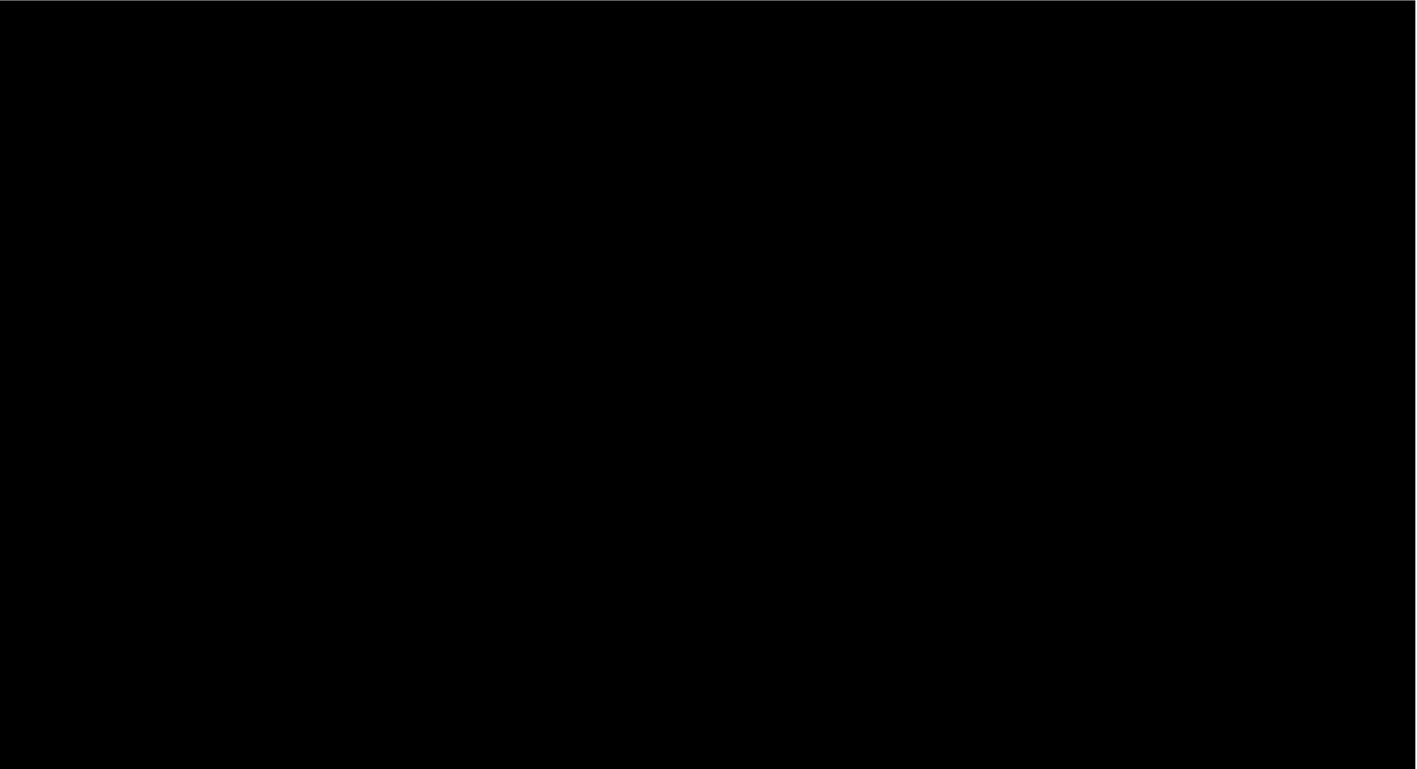
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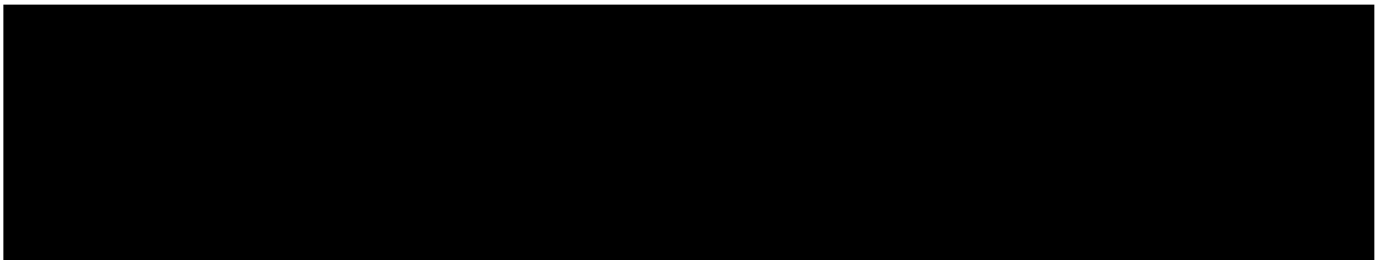
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POST OFFICE BOARD

DEFINING THE FUTURE SIZE AND STRUCTURE OF THE POST OFFICE NETWORK

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3. The Government decision in Summer 1999 to continue with Horizon and to accelerate the move of benefits to ACT from 2003-5 has focused more immediate attention on structural network change because of:
- Post Office Network commercial sustainability (due to the need to fund Horizon and cope with early and substantial Benefits Agency income loss);
  - subpostmaster viability risks caused by too many outlets now chasing a potential diminished customer base.
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#### **Impact of the Horizon/ACT Decision**

9. The Government's decision on Horizon/ACT has upset the natural equilibrium of the PO Network. This is because Horizon costs and the earlier loss of BA income throws the Business into loss, and forces cost recovery measures alongside the securing of profitable new business. Furthermore, from the agents perspective, loss of footfall combined with loss of Post Office income jeopardises the basic viability of their business. This combination creates the high risk of unmanaged change within the network, where the individual circumstances of the agent determines whether a particular outlet continues or not, irrespective of whether that outlet contributes to The Post Office or not. Such unmanaged change is not in the interests of the Post Office and our customers. It potentially undermines our brand and means we lose control of a customer access channel. Managed network change is our preferred way forward in that it retains customer base.
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[REDACTED]

14. The Board is invited to:

[REDACTED]

ii. note the adverse impact on the stability and viability of the network of the Horizon/ACT decision;

[REDACTED]

Stuart Sweetman  
November 1999