

Witness Name: Alan Johnson

Statement No: 1

Exhibits: WTN0338_01/1 - WTN0338_01/10

Date: 13 September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF ALAN JOHNSON

I, Alan Johnson, will say as follows:

1. I make this statement in response to the Post Office Horizon IT Inquiry's rule 9 request dated 15 June 2022. It is made in 'Question & Answer' format reflecting the questions in the request.
2. At the time of making this statement, I am 72 years' old and a writer/author.

Question 1. Please set out a brief professional background.

3. Between 1968 and 1987, I was a postman working for the Post Office.
4. Between 1987 and 1992 I was an officer of the Communication Workers' Union ('CWU'). In 1992, I was elected General Secretary of the CWU and retained that position until entering Parliament in 1997.

5. Between 1 May 1997 and 3 May 2017, I was Labour MP for Kingston upon Hull West and Hessle. During my time in Parliament I held the following ministerial posts:

- a. Parliamentary Under-Secretary - Minister for Competitiveness, Department of Trade and Industry ('DTI') 29 July 1999 to 7 June 2001;
- b. Minister of State (Employment Relations, Industry & the Regions) 11 June 2001 to 13 June 2003;
- c. Minister of State at the Department for Education and Skills (Lifelong Learning, Further and Higher Education) 13 June 2003 to 9 September 2004;
- d. Secretary of State for Work and Pensions 9 September 2004 to 6 May 2005;
- e. Secretary of State for Trade and Industry 6 May 2005 to 5 May 2006;
- f. Secretary of State for Education and Skills 5 May 2006 to 28 June 2007;
- g. Secretary of State for Health 28 June 2007 to 5 June 2009; and
- h. Home Secretary 6 June 2009 to 6 May 2010.

6. I held the following shadow posts:

- a. Shadow Home Secretary (12 May 2010 to 8 October 2010); and
- b. Shadow Chancellor of the Exchequer (8 October 2010 to 20 January 2011).

7. As I set out above, quite apart from my professional association with the National Federation of Sub-postmasters ('**NFSP**') as a Union representative, I worked for 19 years as a delivery postman serving in London before transferring to Berkshire. I worked closely with sub-postmasters and sub-mistresses, going behind the counter to collect parcels, registered letters and other items transacted across a post office counter. I know how highly regarded and trusted these people are in their communities. The way many of them have been treated appals me. It's not just the anguish of the legal process they've been subjected to, it's the diminished status they would have had to endure in the small communities that they work in. The post office network is a crucial detail in the social fabric of this country. For the Post Office to condemn those responsible for its high reputation to such terrible ignominy is unforgivable.

Question 2. Please set out the background to your involvement in the Horizon project.

8. I was first involved with Horizon as General Secretary of CWU. Our members worked in Crown Post Offices, the larger post offices run directly by the Post Office and representing about 10% of the network at the time.
9. My first involvement with Horizon in Government was as Parliamentary Under-Secretary for DTI, where I chaired the Horizon Working Group ('**HWG**')¹.

Question 3. Please consider: BEIS0000322, BEIS0000324, POL00028093, BEIS0000235.

¹ My involvement in the HWG is directly addressed in Question 4.

Question 3a. Please explain the positions of the key stakeholders in relation to the cancellation of the Benefits Payment Card (“BPC”).

10. Those receiving benefits (including the state pension) provided the transactions and ‘footfall’ necessary to keep sub-post offices open. It’s important to remember that whilst this was a huge retail network, bigger than all the major banks and supermarkets added together and multiplied by ten, it was shrinking at a rate of about two hundred branches a year. Once the local post office had been the only place where you could buy a stamp, post a parcel and draw your pension. That was no longer the case. Crucially, the facility to have the state pension paid directly into your bank account (via Automated Credit Transfer or ‘ACT’) had been introduced in the early 1980s and caused the most rapid loss of business.

11. The introduction of the BPC was viewed as essential to prevent further erosion of the network as it would help stop fraud, while still requiring people to receive their benefits over the counter at post office branches.

12. When I was appointed as a DTI Minister, the decision not to proceed with the Benefits Payment Card (BPC) and move instead to ACT had already been taken. However, after I was appointed, POCL, the unions and sub-postmasters continued to express concerns that this decision could be potentially disastrous for the counters network. These views were reflected in what was said by the unions’ representatives in the HWG meetings (see paragraph 33, Minutes of the Horizon Working Group Meeting, WITN0338_01/1 [POL00028093]) and the correspondence I had with them (Letter from Isabel Anderson to Secretary of State re NFSP request for meeting, WITN0338_01/2 [BEIS0000322]).

Question 3b. What did you understand the impact of cancellation of the BPC to be on the revenue of the Post Office?

13. I understood from POCL modelling and estimates that the revenue impact would be a loss of £400 million (based on an estimate by POCL) (see paragraph 29, WITN0338_01/1 [POL00028093]), and that half of the post office network would close (see paragraph 3 Submission from David Sibbick to Minister re Horizon and Future of Post Office Counters Network, WITN0335_01/3 [BEIS0000235]).

Question 3c. How, if at all, did this affect the timing and speed of the acceptance and roll out of the Horizon system?

14. From the documents I have seen (WITN0338_01/4) I understand that prior to the revised contract for Horizon being agreed in July 1999, POCL had been reluctant to sign until agreement with the Benefits Agency had also been reached in respect of how they now intended to proceed in the absence of the BPC [NFSP00000006]. However, although concerns continued to be raised about the loss of substantial revenue, my recollection is that this did not delay the roll out after I became a DTI Minister.

Question 4. Please consider the following documents: NFSP00000066, NFSP00000063, NFSP00000001, NFSP00000458, POL00028093, NFSP00000024, BEIS0000428.

Question 4a. Please explain your understanding of the role and objectives of the Horizon Working Group.

15. The Horizon Working Group's ('HWG') role was to (a) involve staff through their elected representatives in decisions on computerisation of the network and (b)

feed back any problems experienced by staff at the trial offices (see terms of reference for the HWG at pages 13 and 14, Papers for Horizon Working Group Meeting December 1999 from DTI to representatives of POCL, CWU, NFSP, CMA, WITN0338_01/5, [NFSP00000063]). It was an important forum for maintaining a collaborative approach to this huge computerisation project.

16. The HWG had no role overseeing or resolving any technical programming problems that may have arisen with the Horizon software. The extent of our role was to be a forum for these problems to be raised and then referred on to POCL to address with ICL.

Question 4b. What did you understand to be the reason(s) for the delay in acceptance of the Horizon system by the Post Office?

17. If this is a reference to late 1999 to early 2000, as I recall, there was not a delay in the acceptance of Horizon, but rather a pause in rolling out Horizon further following concerns raised by subpostmasters through their unions.

Question 4c. What do you recall of any concerns raised by the membership of the Horizon Working Group (or other key stakeholders) in relation to the robustness of Horizon and its technical integrity prior to rollout?

18. Roll out had already commenced when I took office. As it progressed, I recall concerns about training and quality of software being raised at a meeting of the NFSP's National Executive Council. These are recorded in the Report of a Meeting of the National Executive Council held on 18-20 October 1999 ('**NFSP Report**') (WITN0338_01/6) at page 22 [NFSP00000458]. Because of those

concerns the roll out was paused by POCL in November 1999 and didn't recommence until January 2000.

Question 4d. What, if any, concerns did you have about Horizon prior to rollout?

19. Like all those who were concerned about the gradual erosion of the post office network, I saw computerisation as the only effective way to preserve existing transactions across post office counters and attract new work, such as allowing the customers of every major bank to access their accounts through the post office. Horizon was the vehicle for that computerisation. Nobody, so far as I knew, thought that maintaining the paper-based system of the Victorian era was going to serve the Post Office well as it prepared to enter the twenty-first century. In terms of specific issues once rollout had begun, I shared the concerns referred to in paragraph 18 above with POCL which prompted a pause to review the roll out in November 1999. The roll out had been gradual, with only around 600 of the 19,000 post offices involved when I took office. As it says in the NFSP Report, I did not want Horizon rolled out further 'until it had been improved. Different training and software was essential' (WITN0338_01/6) [NFSP00000458].

20. That said, I think everyone would have been amazed if there were no problems at all given the size and scale of what was being implemented, especially in a world where digitisation was so new. The problems we were seeing reflected an expectation of what might happen with such a programme.

Question 4e. With whom did you raise such concerns?

21. I raised the concerns with Dave Miller who was in charge of Horizon for POCL,
(WITN0338_01/6) (NFSP00000458).

Question 4f. What, if any, remedial action did you request?

22. I refer to my answer to Question 4d above. I asked for the roll out to be paused and reviewed before it continued. When roll out was resumed, I felt reassured that both POCL and NFSP were happy for it to continue.

Question 5. Please consider the following documents: FUJ00078182 and FUJ00075736.

Question 5a. Please explain the purpose of your visit to ICL on 6th December 1999.

23. It was a courtesy visit, arranged to demonstrate the Horizon system in action to me as the new minister (see Annex - Steering Brief for visit to ICL re Demonstration of Horizon, WITN0338_01/7) [BEIS0000298]. I do not recognise the document FUJ00075736.

Question 5b. What do you recall of that visit?

24. I cannot recall any details about this visit.

Question 5c. Please explain the position with respect to the roll out of Horizon by December 1999.

25. I recall that, with the BPC having been scrapped, the Government felt there should be fewer delays in implementation. This is reflected in the steering brief I received on 3 December 1999 (WITN0338_01/7) which states that [BEIS0000298]:

'Whilst this meeting is intended primarily for you to see the Horizon equipment in operation it will provide an opportunity for you to emphasise to ICL the importance the Government attaches to automation now being achieved on target.'

26. Computerisation was crucial to the survival of the network, even more so now that BPC had been scrapped, because it was the only hope of ensuring that benefit recipients who preferred to withdraw their benefits in cash could continue to draw those benefits in cash across post office counters, despite being migrated to ACT.

Question 5d. How would you describe the Government's relationship with ICL in December 1999?

27. The relationship was strained. The project was years behind schedule and overspent on budget. Horizon was not seen as a good example of a computerisation programme, albeit no other projects had been on remotely this kind of scale.

28. The steering brief I referred to above (WITN0338_01/7) said *'I would like to establish a regular dialogue with you (ICL) and suggest that we meet on a regular basis say every 6 months. If you feel the need to disclose any issues in the meantime please contact me.'* [BEIS0000298] My recollection is that there was no 'real' relationship between ICL and Government, other than ICL perhaps dealing with the Department of Social Security on some aspects of the BPC beforehand. In Government we would try to come away with constructive points from any meeting a minister had, and I think the suggestion to meet regularly

was put forward by officials in that context. I do not think any direct meetings with me ever took place, although it is possible that officials met.

Question 5e. What did you understand about the technical integrity and robustness of Horizon at the time?

29. As answered at paragraph 18. above, I recall NFSP were reporting to us about technical and training problems which wouldn't have been unusual in a project of this magnitude. Indeed, the whole purpose of trialling Horizon in a small number of offices was to identify technical problems and deal with them before the system was rolled out to every counter position in every office. Beyond what is described in the documents I have been referred to, I do not know the specifics of computerisation that were causing these problems.

Question 6. Please consider POL00000336.

Question 6a. What did you understand to be the reason(s) for the delay in the roll out of the Horizon system?

30. I recall the reasons for the delay being the technical issues with Horizon. I recall attending the final 30 minutes of the POL Board meeting on 11 January 2000 that is recorded in Post Office Board Minutes, Meeting of 11/01/2000 (WITN0338_01/8) [POL00000336]. Page 10 states that the pause on the roll out would end that month after work to rectify difficulties in system stability and accounting integrity. I had no involvement in the technical aspects of computerisation. My understanding was that resolving such problems was a matter for POCL and ICL, rather than for DTI officials or myself.

31. The balancing issues referred to in the NFSP Report (WITN0338_01/6) may have been one of the technical issues referred to. These issues might have been an early indication of what was to come [NFSP00000458]. But it is important to say that the general attitude of everyone, from Ministers to POCL to postmasters was that Horizon was seen as a solution, not a problem. Nobody involved, least of all the sub-postmasters, wanted it scrapped but we did of course want it to operate properly.

Question 6b. What action did you understand to have been taken to address the difficulties which had been identified?

32. My understanding was that the technical issues were being resolved between POCL and ICL. As stated above, this was explained to me in the POCL Board Meeting I attended (WITN0338_01/8) [POL00000336].

Question 6c. Were you satisfied that the action which had been taken was appropriate? Please explain the reasons for your answer.

33. When POCL and the NFSP reported that action had been taken and that the gradual rollout could re-commence I was satisfied that the action taken must have been appropriate. I was neither qualified nor authorised to countermand their conclusions. POCL was responsible for commissioning Horizon into post office branches and NFSP represented 80% of sub-postmasters. Given their approval, there was no reason for me to go behind what they were reporting. Everyone was keen for Horizon to be working well because the migration to ACT in 2003 was getting ever closer.

Question 7. Please consider the following documents: FUJ00058191, NFSP00000332, NFSP00000436.

Question 7a. Please outline the purpose of your attendance at the National Federation of Subpostmasters ("NFSP") Annual Conference in May 2000.

34. As the new minister, it was important for me to attend the conference and reassure NFSP delegates that we were committed to stopping the erosion of their livelihood, in part by taking full advantage of the new opportunities that Horizon would present i.e. allowing the customers of every major bank to access their accounts at the post office. This was particularly important in rural areas. If I remember rightly, only 9% of villages had a bank at that time, whilst 60% had a post office.

Question 7b. Please describe your interactions with sub-postmasters at the NFSP Annual Conference on the issue of Horizon, and any concerns raised directly regarding Horizon at the NFSP Annual Conference.

35. I recall there being discussions about the enormous potential of Horizon to provide new work to POCL. A bunch of bright civil servants in the Performance and Innovation Unit ('PIU') in 10 Downing Street, working directly to the Prime Minister were preparing a report on the future of the post office network and we had been very happy that PIU had picked this as their first project. New opportunities, such as Government Gateway (also known as Government General Practitioner) were becoming apparent as a result of the PIUs work. I wrote to the PIU in December 1999 to explain the work of the HWG and to enclose a submission the HWG had completed that addressed some of the opportunities we had identified (see Draft Letter and Joint Submission by the

Horizon Working Group to the PIU Study on the Post Office Network, WITN0338_01/9) [BEIS0000428].

Question 7c. Please explain the position with respect to the roll out of Horizon by May 2000.

36. Based on the ICL Pathway Monthly Progress Report dated May 2000 (WITN0338_01/10) , the roll out had been completed for 7,600 out of 19,000 post offices or less than a half of the network [FUJ00058191].

Question 7d. What did you understand about the technical integrity and robustness of Horizon at the time?

37. Whilst I had no role in the technical verification of the Horizon project, I had no reason to doubt its technical integrity or robustness beyond what might be expected for a computerisation project of such a scale at that particular time. This was very new technology that few had any real experience of.

Question 7e. What, in particular, did you understand “problems of balancing” to be?

38. This came up as one of several issues raised by sub-postmasters that I heard as an observer at the NFSP Executive meeting that I attended in October 1999. It was also the most consistently mentioned technical issue by delegates to the NFSP conference I attended in May 2000. This wasn't surprising as I always heard that the most significant and stressful task for sub-postmasters was the weekly balance, whether that be on paper or via an automated process. Balancing took place, I seem to remember, on Wednesday each week and involved a reconciliation of stock sold and money received. Transferring this task

from tried and trusted systems onto a new and unfamiliar computerised system must have been extremely challenging. As I have explained, the problems encountered were not unexpected, and the fact that POCL and NFSP were keen to press ahead indicated to me that the issues had been surmounted. The issue of balancing wasn't raised directly with me at the Q and A session following my speech, although I note now from the report of that conference published in the NFSP journal (Report of the Annual Conference of National Federation of Subpostmasters 2000, WITN0338_01/11) that in the session that followed mine, Don Grey, POCL's Horizon National Project Manager, received many questions from delegates on this aspect [NFSP00000436]. I had left the conference immediately after my speech and did not hear what Mr Grey had to say nor the question and answer session that followed.

Question 7f. What did you understand the position of the NFSP to be in relation to the roll out of Horizon?

39. The NFSP represented the vast majority of subpostmasters. Had they not been supportive of Horizon I don't believe it could have been introduced. All these sub-postmasters were self-employed, every sub-post office was a small business, and postmasters and mistresses, more than anyone, were keen to ensure that the network was prepared for the new millennium. Horizon was seen as essential to this aim.

Question 7g. To what extent, if at all, did representations from the NFSP influence government policy on the future of Horizon?

40. NFSP representation was enormously influential on both the Labour Government and the Conservative opposition. The NFSP was the voice of the

thousands of self-employed business people who ran sub-post offices, who collectively had invested £1 billion of their own money in the network and who were now being asked to operate Horizon. Given the people who NFSP represented, it would have been very difficult to do anything like introducing Horizon without its backing and agreement.

Question 8. At what point did you cease to be involved in matters relating to the Horizon system? What was your understanding of the technical integrity and robustness of Horizon at that stage?

41. I ceased to be involved in June 2001 when Douglas Alexander took over my role after I was promoted to Minister of State. At this time, I understood that there were technical complexities as seemed to be common to every major computerisation project. My understanding was as stated in paragraph 38 above.

42. In May 2005 I came back to DTI as Secretary of State for Trade and Industry, but I don't recall dealing with any issues around Horizon.

Question 9. Did you have any concerns about the Horizon system after this period in office? If so, please set these out and how they were addressed?

43. Yes. A group of sub-postmasters came to my constituency surgery in Hull to raise concerns about money going missing and sub-postmasters being blamed when the problem actually lay with the software. I can't remember exactly when this was but it was long after my involvement and, I presume, after Horizon had been rolled out to every office. The lead spokesman was from Doncaster and none of those attending were my constituents. I think they came to me because

of my long association with the Post Office, being a former postman and CWU General Secretary.

44. There is a strict parliamentary rule against making representations on behalf of people to whom the MP isn't accountable (i.e. non-constituents). I explained this to them and suggested they contact their own MPs. I did pass their concerns onto Colin Baker, the General Secretary of the NFSP who I'd worked with as a union leader and as a government minister. I do not have any records of the visit nor my communications with Mr Baker.

Question 10. Do you feel that you were properly informed of technical issues relating to Horizon during your period of involvement? If not, why not?

45. I feel that I was properly informed about issues at the time, but these did not relate to anything beyond the normal problems with a computerisation program, let alone one as huge as Horizon. No one was flagging up major concerns; everyone's attention was on the new work that Horizon could attract. Even in retrospect, there was no way of knowing that the errors in the Horizon would be used by Post Office to falsely prosecute sub-postmasters in the way they did.

Question 11. Looking back, do you feel that the Government effectively scrutinised the acceptance and roll out of Horizon?

46. The Government relied on POCL to properly oversee Horizon's implementation. The Post Office had ceased to be part of the civil service in 1969. Unlike the previous government we had no intention of privatising the organisation but we were committed to giving the Post Office greater commercial freedom in the public sector. The Government had computerisation projects that were its direct

concern, in the NHS and at HMRC for instance, without asking civil servants to do what POCL should have been doing themselves. We set up all the necessary machinery to maintain reasonable scrutiny of a project that belonged to POCL and ICL. Crucially, the Horizon Working Group was established so that the voices of those operating this new system could be heard through their elected representatives. I can think of no other way that this could happen. Our role was primarily to tackle the erosion of the network and to ensure a smooth transition to ACT for benefit recipients from 2003. Horizon was obviously important in both respects.

Question 12. Are there any other matters that you consider will assist the Chair?

47. There are not but I stand ready to help if I can.

Statement of truth

I believe the content of this statement to be true.

Signed:

GRO

Date: 13 September 2022

Index to First Witness Statement of Alan Johnson

<u>No.</u>	<u>Exhibit Number</u>	<u>Document Description</u>	<u>Control Number</u>	<u>URN</u>
1	WITN0338_01/01	Minutes of the Horizon Working Group Meeting	POL-0024575	POL00028093
2	WITN0338_01/02	Letter from Isabel Anderson to Secretary of State re NFSP request for meeting	BEIS0000302	BEIS0000322
3	WITN0338_01/03	Submission from David Sibbick to Minister re Horizon and Future of Post Office Counters Network	BEIS0000305	BEIS0000325
4	WITN0338_01/04	Note of 4 th Meeting of the Horizon Workshop Group dated 27/07/1999	VIS00007454	NFSP00000006
5	WITN0338_01/05	Papers for Horizon Working Group Meeting December 1999 from DTI to representatives of POCL, CWU, NFSP, CMA	VIS00007511	NFSP00000063
6	WITN0338_01/06	Report of a Meeting of the National Executive Council held on 18-20 October 1999	VIS00008916	NFSP00000458
7	WITN0338_01/07	Annex - Steering Brief for visit to ICL re Demonstration of Horizon	BEIS0000278	BEIS0000298
8	WITN0338_01/08	Post Office Board Minutes, Meeting of 11/01/2000	VIS00001310	POL00000336
9	WITN0338_01/09	Draft Letter and Joint Submission by the Horizon Working Group to the PIU Study on the Post Office Network	BEIS0000408	BEIS0000428
10	WITN0338_01/10	ICL Pathway Monthly Progress Report dated May 2000	POINQ006436 2F	FUJ00058191
11	WITN0338_01/11	Report of the Annual Conference of National	VIS00008884	NFSP00000436

		Federation of Subpostmasters 2000		
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