

Fujitsu's Systems and Operational Services to UK Post Office and the Worldwide Trend of Post Offices

In January 2003, Fujitsu was awarded a contract extension from the UK Post Office, a unit of the Royal Mail Group plc that operates Britain's network of post offices. Under the contract, which runs through 2010, Fujitsu Services will operate and support the IT infrastructure which enables the Post Office to offer electronic banking services throughout its branch network. The GBP650M (\130B) contract represents one of the largest outsourcing businesses won by a Japanese owned IT vendor.

In this document, we introduce the following contents: an outline of the system and the operations and strategy of the UK Post Office, and also information regarding the systems of post offices worldwide. In Japan, the Post Office is also starting to develop a new strategy as they become a government corporation. We hope you find this information helpful.

The Fujitsu logo is displayed in red. The word "FUJITSU" is written in a bold, sans-serif font. The letter "J" is unique, featuring a small infinity symbol (∞) positioned above the horizontal stroke of the letter.

THE POSSIBILITIES ARE INFINITE

Outline

Since 1996, Fujitsu Services has been providing Post Office Ltd. with the most advanced and secure electronic banking and retail network in Europe - known as Horizon. Horizon provides a counter system in all of its 17,000 Post Office branches, a total of 38,000 service counters.

The Horizon system has allowed Post Office branches to become more efficient and improve their services by reducing customers' waiting time, simplifying procedures, and computerizing traditional paperwork. In January 2003, Post Office Ltd. awarded a contract extension to Fujitsu (Fujitsu Services), for managed services, operations, and maintenance. Fujitsu not only manages the Horizon system, they also provide a Helpdesk and operate a datacenter of approximately 400 support personnel

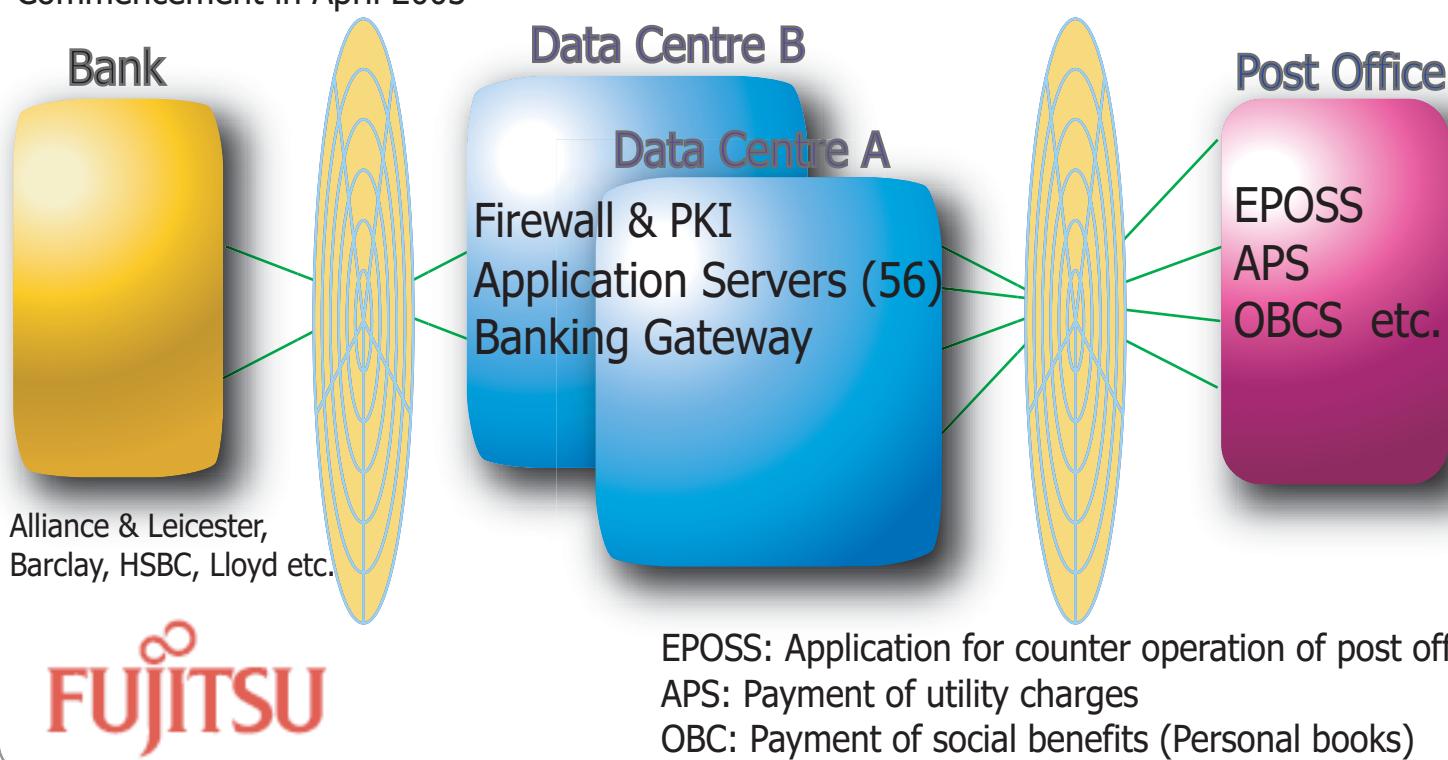
What is Horizon?

In May 1996, Post Office Ltd. awarded Europe's largest non-military IT contract, known as Horizon, to Fujitsu Services for the provision of IT managed services through April 2005. Fujitsu Services responsibilities included the design, installation and ongoing service as specified by Post Office Ltd. Fujitsu Services supplied the front line and back-end interfaces, which supports all key business processes. Without the consistent daily operation of the managed services provided by Fujitsu Services, Post Office Ltd. would not be able to service the 28 million customers who visit a Post Office branch each week. In January 2003, Post Office Ltd. awarded Fujitsu Services a contract extension to provide a new range of services through 2010.

Horizon System

Network Banking

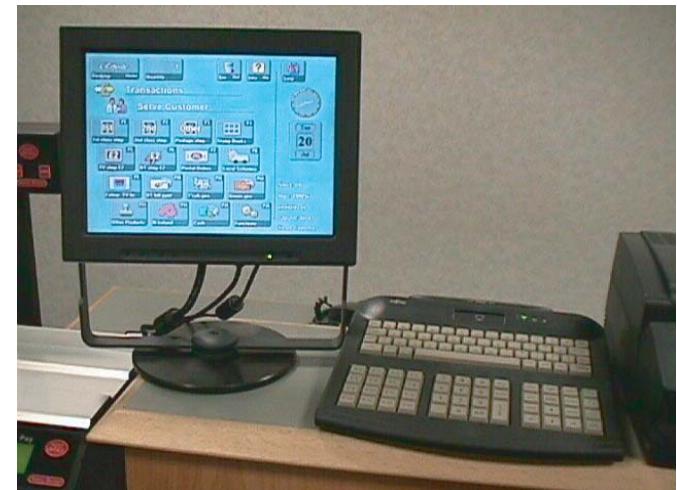
Commencement in April 2003



UK Post Office, Project to advance the automation of counter services

1. Outline of the project

- A touch-screen computer system provides an easy operational system by a finger touch to follow messages on a start-up window.
- Over 170 products and services are available, including financial products, travel services, government information and retail products.
- The application was installed online on 38,000 PCs. Helpdesk services are also provided, and Horizon handles 2.4 billion transactions every year. The system can manage 3,500 transactions per second.



2. Fujitsu's engagement

- Before Horizon can be installed, a great deal of groundwork has to take place. Each Post Office branch is surveyed and prepared, with the new electrical cabling and counter space being installed where necessary. Counter staff receive a day's training and office managers and subpostmasters attend a one-and-a-half day course, delivered around the country.
- At the height of automation, over 300 branches were automated per week. Training was provided to 63,000 staff members from the age of 16 to 87 with various skills levels (this number includes 2,000 staff members who were over 80 years old). Approximately five thousand calls were received each week by the Helpdesk, due to the Counter staffs' lack of computer experience.

3. Event monitoring

- An operational application for Network Banking, was contracted in July 2002 (October 2002) which provides deposit in and withdrawal from bank accounts at all post offices throughout the UK via connections with banks.

4. Why they needed the system

- (1) To compete with new market players

In Europe, where postal system deregulation is gaining ground, postal authorities now need to compete against new market entrants while maintaining their nationwide post office networks. Post Office Ltd. has an urgent need to make their business efficient in order to compete with newly formed companies and to protect their nationwide branches.

- (2) To provide basic infrastructure services in the UK

The system provides on-line services allowing the public to pay their utility bills and deposit in and withdrawal funds from bank accounts. The system is also expected to play a role in providing basic infrastructure services throughout the UK (administration, banking, travel and insurance, etc.).

About the UK Post Office

History

The UK Post Office is a trusted brand of Royal Mail Group, who became a plc on 26 March 2001 - wholly owned by the UK Government, their sole shareholder. The framework for change was the Postal Services Act 2000 that created a commercially focused company with a more strategic relationship with the Government. The Postal Services Act also established a new regulatory body with an independent regulator, Postcomm, and a reformed consumer body, Postwatch.

On 4 November 2002 they changed their name from Consignia to Royal Mail Group plc. Through their predecessors The Post Office Corporation, the General Post Office and Consignia, they have a record of over 360 years of providing the public with postal services.

Royal Mail Group consists of 3 brands, Royal Mail (the delivery service of letters and parcels) Post Office Ltd. (counter service, payment service for various bills), and Parcelforce Worldwide (worldwide parcel and express delivery service). The main business of Post Office Ltd. is (1) Postal mail (2) Sales of financial service, (3) Electronic funds transfer and withdrawal (4) Travel Services, (5) Government Information, (6) Retail sales, etc.

Ninety-four per cent of people in the UK live within a mile of a Post Office branch. Twenty-eight million people visit a Post Office branch every week to take advantage of more than 170 different products and services available. They are the operators of the UK's largest retail network. They have more Post Office branches than the combined UK total of 14,400, with four major building societies and six banks. Post Office Ltd. only owns around 500 Post Office branches. The remainder of the network is owned by the people who run the branches, including franchisees, sub-postmasters, and mistresses.

Network Banking

There are a number of low income workers who cannot open a bank account. Under these circumstances, the existing system of paying state benefits by voucher books and girocheques at Post Offices is being phased out. Instead, payments will be paid electronically direct into recipients' bank/building society accounts using automated credit transfer (ACT). Electronic payment of state benefits into existing or newly created accounts will additionally help to address the Government's concerns over financial exclusion by bringing the 3.4 million people without accounts into the banking system. The move to payment by ACT was introduced on 1 April 2003, and will be phased in over the following 2 years at the 17,000 Post Offices across the UK.

There are three types of account that will enable people to continue to withdraw their benefits in cash, free of charge at any Post Office branch:

Current Accounts

With some current accounts people are already able to withdraw cash from the Post Office using their cheque book and cheque guarantee card or using their bank/building society account card. These accounts also allow other banking services and additional payments into the accounts. Withdrawals may be made through ATMs and Post Office branches.

Basic Bank Accounts

Agreement has been reached between the Department of Trade & Industry, Post Office Ltd. and participating banks and building societies that the banks and building societies will provide new 'basic accounts' aimed particularly at benefit recipients and accessible through Post Office branches. These basic accounts allow simple transactions (cash withdrawals or balance enquiries) at ATMs or Post Office branches using a plastic card and PIN (Personal Identification Number). All transactions will be authorised 'on line'; if there are insufficient funds in the account, the transaction cannot go ahead. Basic account customers will also be able to take advantage of other services offered by the banking system, such as setting up direct debits and standing orders. Apart from Alliance & Leicester, the participating institutions will connect to the Post Office through the LINK network.

Post Office Card Account

It was recognised that there was a group of benefit recipients who decline the opportunity of opening an account at one of the High Street banks/building societies. To cater to these people, the Post Office created the 'Card Account'. This new account can only be used to receive benefits, state pensions and new tax credit payments using a plastic card and PIN number. No other payment, such as wages, can be paid into the account. The Card Account card cannot be used through the LINK ATM network, or anywhere else.

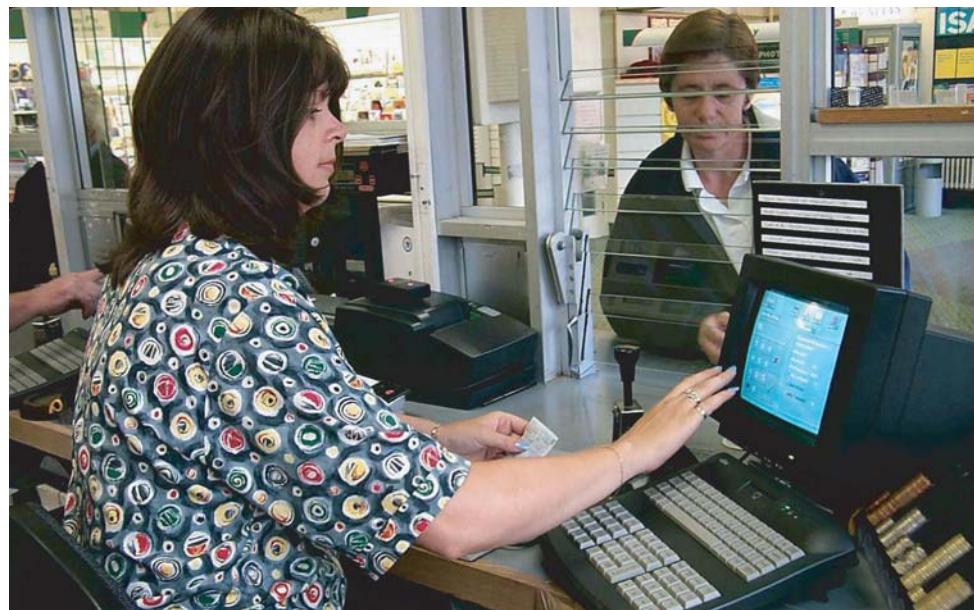
Appearance



Most of the branches are small, which is equivalent to a regional post office in Japan and have the appearance of a small shop. (Post Office is the largest retailer in Europe.)

From a counter (Picture 1)

For security reasons, thick glass windows are placed at counters.



Equipment

- Touch screen
- Scanner
- Total financial terminal
- Printer
- Card reader

Related Information - Post Offices in the world

The UK Post Office was the first network of post offices in the world, starting in the 1840s. The postal movement developed concurrent with the spread of capitalism after the Industrial Revolution. As the volume of money owned by people increased, financial institutions became more important and countries became more interdependent.

Each country goes through a different course of actions to develop their systems (see below), but they all faced the same situation where their existence as a private delivery company or private bank offered little growth potential. In order to continue to exist, to add a new value, they are all looking for a new way:

- 1) to separate postal operations from financial services,

2) to improve the utility of the existing infrastructure and to lessen government influence and regulations through privatization (improvement of financial position by sales of stocks),
 3) to diversify operations through the maximum utilization of the infrastructure.

Country	Postal services	Financial services	Life insurance services	Services provided at branches
US	Independent agency (government corporation)	Abolished	State-owned 1	Mail, Money exchange/transfer, Public services (passport application, registration of military draft, hunting stamps, food tickets for low-income people etc.)
UK	Privatization (Shares hold by Government)	After separated from the delivery service, National Savings Agency became an agent.	None	Mail, Money exchange/transfer, Financial products (National Savings Agency), Counter services for alliance banks, Central/local government services (social benefits), Products sales etc.
Germany	Privatization Deutsche Post	Privatization Subsidiary of Deutsche Post	13	Mail, Money exchange/transfer, Financial products (savings, mutual funds, insurance), Concert tickets, Mobile, Stationery
Holland	Holding company (45% shares hold by Government)	After privatization 'Post Bank', merged with a bank and insurance company. 45% market share in individual savings.		Mail, Money exchange/transfer, Financial products Dealt by Post banks (stocks, insurance, travel Agency), Books etc.
NZ	State-owned company (100% commercialized)	Sold to a private bank, but started again by a subsidiary.	None	Mail, Money exchange/transfer, Savings products, Counter services for alliance banks, Public services (registration/renewal of driving license, poll book etc.), Consulting services to postal businesses in developing countries.
Japan	Government corporation (Three in One management)			Mail, Money exchange/transfer, Savings products, Insurance, Joint-shop with a convenient shop, Collection of used PCs

* Contact reference

For inquiries about the post office system contact Fujitsu Services sales representatives

For inquiries about the worldwide trend of Post Offices contact :

Financial Consulting, Fujitsu Research Institute 03 5401 8386

ohmotoh@fri.fujitsu.com

chizuko@fri.fujitsu.com

