

Future of the Postal Address File

Thank you for the opportunity to feed into the consideration of what to do with the Postal Address File in future. As you identify the Postal Address File is the definitive list of where mail can be delivered in the UK. As such it is both a key national asset and a key commercial asset – without it you can't run a national postal service, but nor can you run address verification or plot a postal address on a map.

This special status as a reference dataset is why we think the current regulatory regime was created: a ring-fenced product, profits capped at a fixed percentage of regulated costs and a duty of fair access. It is difficult to see how that is operating without being able to see the year on year costs but as there is a largely captive market the incentives are for short-termism – long-term investments that reduce the cost base, reduce the profit which can be taken. There is no incentive to open up new markets as maximum profits are already being extracted.

We think a better way for this national asset to be maintained is for it to be held openly for free commercial reuse with a charge made for additions to the database (e.g. as part of the planning process). This would address the concerns we would have over incentives by encouraging maximum use of the data and getting Royal Mail to focus on:

- bringing down the cost of maintaining PAF®, through technical and process improvement
- partnering with organisations that can contribute to its maintenance
- developing charging models for updates to the database

The ability to take cost out by collaborating on maintenance should not be underestimated. We encourage the PAF Board to look at the Expert Participation Programme being run from The National Archives which will bring the government's legislation database up to date - massively improving its data quality in a way that The National Archives cannot do on its own - with assistance from commercial companies, government departments, academic institutions and others. This model is predicated on the availability of legislation as open data, as partners know that their contributions will be freely accessible forever.

We have set these thoughts out in more detail in response to the questions and would be delighted to talk them through in person with the review team.

The Open Data Institute (ODI) believes that publicly owned reference data should be open data — freely available without restrictions on its use — so that society as a whole and public authorities themselves can gain the maximum benefits from that data. The ODI supports the

Open Data User Group's (ODUG's) case for an Open National Address Database¹ and believes that the Postcode Address File (PAF) should be made available as open data.

Question 3.1: We welcome views from stakeholders on whether the setting of quality targets for PAF would be constructive. If so, would stakeholders find the publication of achievement against those targets helpful? Please state why.

Providing metrics that indicate the quality of PAF would be useful for those who use it, as it would help them to assess PAF's coverage and reliability compared to other sources of address information. Examples of useful metrics might be PAF's coverage of UK addresses, the average time it takes to add a new delivery point to PAF, and the average time since each delivery point was last validated.

Providing information about the changing quality of PAF over time would help in providing solid evidence about the impact of any changes to licensing terms and conditions, and means of cost recovery.

In both cases, open publication of metrics and scores against those metrics would provide more useful information than simple indications of whether or not targets had been achieved. While obviously better quality data is better, it is more important, from a data consumer's point of view, to be honest about the quality of data, especially where this can be used to focus effort, than to achieve arbitrary targets.

We note that the required quality of PAF for the purpose of delivering mail is substantially different to the required quality of PAF as a source of addressing data, because of its focus on delivery points. However, PAF is the canonical source of information about the assignment of postcodes to addresses and as such is a prerequisite to a more useful and universal Open National Address Database.

Question 6.1: Do stakeholders agree with our analysis of the options for cost recovery against the principles of cost causation, and our proposal on cost recovery? Please give reasons for your response.

Ofcom's argument for retaining the current mechanism for cost recovery overlooks several factors which we believe should lead it to different conclusions.

Alternatives to PAF

In paragraphs 3.25-3.26, Ofcom cites the PAF Advisory Board's (PAB's) study into possible alternatives to PAF to conclude that there are not likely to be any alternatives to PAF in the near future.

¹ <http://data.gov.uk/blog/national-address-dataset-benefits>

At ODI, we have heard anecdotal reports of developers using Google's geocoding service to perform free postcode lookups. We understand that Google's postcode data is created based on gathering published postcodes from the web. We believe that, particularly as more data is published on the web, constructing a postcode database through published data becomes much more feasible.

We would encourage Ofcom to consider the possibility of alternatives to PAF being generated through web-enabled mechanisms, both gathering data from the web and web-based collaboration of the sort seen within OpenStreetMaps.

The cost base

The graph shown on p.13 demonstrates that over the last five years, Royal Mail has not managed to make any efficiency savings in its maintenance of PAF. This is in some ways astounding, given the transformations and developments that have occurred in that time frame in mobile, web, and data technologies, which would seem to be relevant to the maintenance of PAF.

On the other hand it is not surprising: the mechanism of the percentage cap on profits on PAF has not led to efficiency savings, as any savings that Royal Mail were to make would lead to a decrease in their profits in real terms, which they are bound to avoid.

There does seem to be evidence here of potential producer surplus (ie that Royal Mail is selling access to PAF for more money than the least they would prepared to sell it for), which argues for intervention by Ofcom.

Recovering the costs of PAF

The Ofcom analysis contains many good arguments why PAF should be released as open data, but also overlooks several points, resulting in the wrong conclusion.

On **cost causation**: the Ofcom analysis rightly argues that the majority of the costs of PAF are incurred through Royal Mail fulfilling its primary task of delivering mail. While the figures have been redacted, we can surmise from paragraphs 4.5-4.6 that the significant majority of the costs of PAF are internal costs, and that the majority of the external costs are based on supporting licensing. If PAF were available as open data, downloadable from the web, these external costs would be minimal.

On **cost minimisation**: we agree with the Ofcom analysis that Royal Mail would have more incentive to reduce its costs in maintaining PAF if it were being funded from its Reported Business.

On **effective competition and reciprocity**: if PAF were open data, Royal Mail would be able to use a distributed, collaborative model for maintaining PAF, whereby those who rely on PAF (Local Authorities, other mail distributors, government departments and so on) would be

motivated to contribute to its maintenance². These contributions might be in-kind contributions of software, hardware or services, or could be in the form of corrections and new information that keep PAF up to date. New models of collaborative distributed value creation are enabled by open data and the web, as demonstrated in open source software, and in open data such as OpenStreetMap, Wikipedia, MusicBrainz and legislation.gov.uk.

On **distribution of benefits**: the PAB review indicated that 40% of the benefits of PAF arose from postal and goods distribution services. This compares to the analysis from that report, replicated in Figure 5.1 of the Ofcom consultation, which shows that “wholesale & distribution (including mail operators)” contribute just 3.6% of licence revenues. The discrepancy between these figures indicates that mail distributors are currently receiving a far higher percentage of the benefits from PAF than they are contributing towards.

On **practicability**: as the consultation indicates, in the long term it is most practical for the PAF to be made available as open data, distributed through the web.

The conclusion drawn by Ofcom in paragraphs 6.20-6.22 is essentially that since Royal Mail is unable to make its core business, of delivering mail, profitable, it should continue to be able to subsidise that business by selling access to PAF.

Ofcom should not pollute the decision about the way in which PAFs costs should be recovered by the current owner of PAF, with consideration about Royal Mail’s profitability as a business. Further, it should not count the profits that AMU makes by selling PAF as profits for Royal Mail: that money should have been channelled into improvements to PAF itself, in its quality, its provision and in investment to produce long term efficiency savings. The reason PAF has a separate regulated cost base and regulatory regime is presumably to avoid Royal Mail from extracting excess profits from PAF.

Subsidising Royal Mail’s core business using PAF licences is not sustainable, given the alternatives that are likely to emerge in the near future (as described above). As Ofcom’s consultation notes, PAF licence sales make up only around 0.4% of revenues to Royal Mail, so it seems unwise for Ofcom to recommend that Royal Mail continues to rely on selling PAF to retain its ongoing profitability.

We encourage Ofcom to consider a future in which the Address Management Unit (AMU) is a non-profit organisation, separate from Royal Mail, and Royal Mail must interact with it on an equal footing with other mail operators.

What cost recovery mechanisms should AMU put in place in that case? As discussed above, we suggest a business model based on open data, where AMU offers paid-for services and support

² This is known as commons-based peer production, see http://en.wikipedia.org/wiki/Commons-based_peer_production

for using that data, and cuts costs by partnering with key organisations who can contribute to PAF's maintenance.

In paragraph 6.23, the Ofcom consultation states that Ofcom's general duties to the interests of citizens and consumers are furthered by retaining the status quo, and that their recommendations will increase innovation and investment. These statements are questionable and are not backed up with evidence.

We would encourage Ofcom to seek out evidence on the following questions:

- Aside from creating more complex licensing terms, what innovation and investment has there been, by Royal Mail, in the maintenance and provision of PAF, over the last five years?
- What usages of PAF have been ruled out due to PAF's cost, complex licensing terms and the difficulty of accessing PAF data?
- What would the demand for PAF be if it were free?
- What would impact be on the ability for other public sector data to be made available as open data?
- What would the overall (UK-wide) economic impact be were PAF to be made available as open data?

Contrary to the lack of evidence cited in paragraph 6.25, the Open Data Institute has evidence from multiple sources that the current pricing of PAF has reduced its take up, and would be pleased to work with Ofcom to explore the ways in which PAF could be used more widely, and for the general good of citizens and consumers, were it available as open data.

In summary, we do not agree with Ofcom's analysis about the options for cost recovery. In particular, we feel that Ofcom has overlooked collaborative options for cost recovery that are well suited to the web, and that are enabled by open data, and that this should be rectified.

Question 7.1: Do stakeholders agree with our proposed approach to the terms on which PAF is made available, and our guidance on those terms? Please give reasons for your response.

We agree with the proposed principles for the new PAF licensing framework, laid out in paragraph 7.8, and note that these are most easily satisfied by adopting open data.

We agree with Ofcom's analysis that the current model of capping profits as a percentage of costs does not work to encourage either efficiency savings or the greater take-up or development of PAF by Royal Mail. We understand Ofcom's caution in proposing an alternative while Royal Mail is reviewing its current licensing framework.

In providing guidance on 'reasonable' terms, we would encourage Ofcom to consider what is reasonable from the perspective of the economy as a whole, as PAF is essential information

infrastructure for the UK. We would also encourage Ofcom to separate the provision of PAF from the provision of universal mail delivery. As we have argued above, PAF should not be used to subsidise Royal Mail's mail delivery business.