



*Independent advice on the Postcode Address File*

*19 February 2015*

*Dear Mr Ball,*

**ROYAL MAIL ACCESS PRICING REVIEW – Proposed  
Amendments to the Regulatory Framework**

*This response is made on behalf of the Postcode Address File Advisory Board (PAB) and may be published and attributed to PAB.*

- 1. The PAF Advisory Board (PAB) was created in 2007 to give independent advice to the Address Management Unit of Royal Mail on behalf of Postcode Address File (PAF) users. Its members cover independent postal operators, value added resellers of PAF, web based companies, mail users, data analysts and public sector users. It is independent of Royal Mail and Ofcom. Through involvement with users of PAF at a senior level and encouragement to potential users, the board aims to tender reliable and relevant advice to promote*

*a wide use of the PAF, on a fair basis, to the overall well-being of the UK.*

*2. PAB notes that Ofcom's proposals for new conditions on Royal Mail for downstream access pricing include specific references to PAF in the proposed conditions relating to Royal Mail's Zonal Access pricing.*

*3. Annex 8 of the Access Pricing Review sets out the detailed drafting of the proposed Universal Service Provider Access (USPA) Conditions and in sections A8.43 to A8.78 Ofcom addresses the concepts for Zones and the definitions of key terms. In doing so, Ofcom refers to PAF and to several features deriving from PAF (such as Postcode Sector, Delivery Point Density and Business Density), which Ofcom define on the basis of data contained in or derived from PAF.*

*4. As a specific example, Ofcom intends to define a Postcode as:*

*““Postcode” means an alphanumeric code allocated by Royal Mail to identify the location of a Delivery Point or group of Delivery Points as recorded and published from time to*

*time in the database known at the time this USPA 6A enters into force as the Postcode Address File (PAF®)" [A6.52]*

5. *Section A8.47 gives Royal Mail's methodology for allocating postcode sectors to one or other of the four Zones, which specifically relies on the postcode sectors business density and delivery point density - both of which are based on data from PAF.*
6. *It is therefore possible that changes to the address data held in PAF will result in a postcode sector being re-allocated from one zone to another. As Royal Mail's charges depend on the zones, it is also therefore possible that changes to PAF will result in changed prices to access users.*
7. *Given the purpose of Ofcom's proposed access conditions is to address issues identified by Ofcom in relation to the development of end-to-end competition and the stimulus given by competition to Royal Mail efficiency, it is clearly important that changes in the allocation of postcode sectors to zones are correct and valid in terms of PAF.*

8. PAB also notes that Ofcom proposes to define Business Density as:

*““Business Density” means the number of business addresses expressed as a percentage of total Delivery Points in the Postcode Sector in question; the expression “business addresses” means in this context addresses of places where organisations are situated as recorded and published from time to time in the database known at the time this USPA 6A enters into force as the Postcode Address File (PAF®);” [A6.60]*

*That is, Ofcom would define Business density on the basis of Royal Mail’s noting of an address as a business address in PAF. Hence, it seems to PAB that this effectively means Ofcom will take as business addresses those addresses Royal Mail has decided are business addresses, without external or impartial reference.*

9. PAB does not seek to comment on the proposals as such; it is not germane to PAB’s role to do so. However, PAB considers it may be appropriate and

*useful for it to use its role as independent advisor to Royal Mail's Address Management Unit, and its remit to give relevant advice to promote a use of the PAF, to maintain an oversight of how the proposed conditions are functioning.*

*10. As part of its work with the Address Management Unit, PAB receives a monthly report on particular aspects of PAF, including for example the number of changes to address records in PAF and the reason for those changes. This is known as the "PAF Pulse".*

*11. PAB is minded to add to the PAF Pulse report information on any changes of postcode sector allocation to zones and, in particular, changes to Business Density and Delivery Point Density which result in a postcode sector being allocated to a different zone.*

*12. PAB is also minded to ask the Address Management Unit to provide information on the basis for Royal Mail deciding that an address is a business address, if there is any change to that basis and how Royal Mail confirms an address is a business address.*

*13. PAB is aware that Ofcom itself will be monitoring Royal Mail's zonal pricing structure and methodology. As Ofcom says:*

*“The application of our regulation cannot be subject to any operational discretion on Royal Mail’s part. It must be certain and transparent.”*  
*[A6.75]*

*14. PAB does not seek to supplant or have delegated to it Ofcom’s regulatory role in this respect. However PAB believes it can have a role, consistent with its remit and aims, in exercising additional, independent and expert oversight that may be helpful to postal operators and users*

*Yours sincerely*



*Ian Beesley*

*Chairman, PAF Advisory Board*