

**Organisation (if applicable):**

Direct Marketing Association (UK) Ltd

**Ofcom may publish a response summary:**

Yes

**I confirm that I have read the declaration:**

Yes

**Additional comments:**

The Direct Marketing Association (DMA) UK Ltd is the largest trade association in the communications sector, representing both users and suppliers of Direct Marketing. We represent the majority of the major users of postal services and our client membership base represents the largest Royal Mail customer group. We represent all aspects of the supply side of postal services - from mailing houses to consolidators and from agencies to data bureaux - as well as mail users themselves.

All our members use postal services for some aspect of their business and for many it represents a significant part of their business. Changes in the postal market will have a direct impact on both whether their business survives and on the number of people they employ. When considering the impact of OFCOM's proposals for the regulation of the Postcode Address File (PAF) it is important to remember that it is not only Royal Mail's profitability and employees that will be affected. The future of hundreds of other companies - many of them SMEs - and thousands of jobs outside Royal Mail are at stake as well.

**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:**

The "quality" of PAF has been subject to much debate since it is currently measured by Royal Mail itself. We would welcome clear, transparent targets that were subject to - ideally - independent measurement against criteria that were established by a body of users such as PAB.

Royal Mail also needs to define what is meant by "PAF accuracy". Is it simply sufficient data to enable a correct delivery or should this also extend to other information that is considered part of the PAF data such as the business name?

As well, as the direct data quality, we would advise that a number of types of changes applied to the PAF could be reported. For example, the speed of update of PAF can be monitored by reporting on the number of queries that are generated from new-build houses where online services are prevented due to none appearance on PAF.

In terms of some of the other proposals in the consultation it is essential that there is a quality baseline established so that customers and users can understand improvements or deterioration in quality.

It would also be helpful if the costs were more transparent so that users could carry out a

cost/benefit analysis in relation to accuracy.

If customers are being asked to pay for the PAF data then - just as with the purchase of other datasets - it is reasonable for them know exactly what they are buying in terms of quality and limitations.

**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:**

We support your principles of cost recovery but do not agree with the conclusions of your analysis.

We agree with your analysis of cost causation and cost minimisation but believe that you have ignored the single biggest beneficiary under distribution of benefits - Royal Mail itself. We would agree that the external costs of PAF should be recovered from licensees but do not agree that this should also apply to the internal costs since PAF directly benefits Royal Mail itself. The whole reason for developing and maintaining PAF was - and still is - to reduce Royal Mail's operational costs and it would still be incurring these costs even if there were no licensees. The reality is that is in Royal Mail's own interest that its customers use PAF as much as possible - a fact that some other postal operators have acknowledged by providing equivalent data to their customers free of charge.

There is a very strong case that when PAF data is being provided exclusively for postal use there should only be a minimal charge to cover the external costs. It is difficult to think of any parallel where a supplier charges its customers for something that potentially adds cost to the customer but benefits the supplier by reducing cost.!

We don't understand why you believe that all the internal costs of PAF would have to be just recovered from the Universal Service potentially threatening its viability. This approach would mean that PAF costs would become even more of a burden if the scope of the USO was reduced (as it has been already over the last few years) with consequent reductions in revenue. Since all of Royal Mail services benefit from PAF shouldn't the internal costs of PAF be allocated proportionately? This would also provide Royal Mail with the incentive to reduce these costs and increase efficiency as opposed to the current guaranteed "cost plus" regime.

We would therefore propose an alternative approach to cost recovery:

- External cost recovery only from licensees where PAF data is used exclusively for post (for other licensees recovery of both external and proportion of internal costs)
- Any balance of internal cost should be recovered from both USO and non- USO products and services
- Note: this could also be achieved by treating mail operators use of PAF as a primary benefit, so RM along perhaps with other mail operators who benefit pay a higher fee for that purpose, particularly as a high proportion of PAF modifications are driven by PC exhaustion etc. that are designed purely to add mail distribution.

**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 welcome the desire to simplify the licensing and support the licensing principles. We also understand OFCOM's approach to the removal of the price cap and hope that this does in fact lead to transparency in terms of costs.

As covered in our response to 6.1 above we believe that there is a strong case for differential pricing dependent how the data is being used. Postal users do get a benefit from using PAF in that it does allow them to access products that give them discounts but there should be a better balance in the benefits between Royal Mail and its customers.

We are reassured that OFCOM will be monitoring both the financial and non-financial terms under which PAF will be supplied but would like a more detail in terms of the parameters that might trigger an investigation - eg what is a "significant" increase in cost?