

Organisation (if applicable):

Open Data User Group

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Additional comments:

ODUG was established by the Cabinet Office as an independent advisory group acting through the Data Strategy Board.

Introductory notes

ODUG response to Ofcom PAF Review consultation

1. ODUG welcomes the current consultation by Ofcom, noting that it was commissioned by Ministers in summer 2012 and assumes a 'Business As usual' Position for PAF where PAF is treated as a lightly regulated commercial asset of Royal Mail Ltd from which they are entitled to derive an income to support the Universal Postal Service obligations.
2. The paper does not consider whether the national public interest would be better served if PAF was treated as Public Sector Information, necessarily maintained in support of a public task, the UPS, delegated to a prime concessionaire, currently Royal Mail, and whether usage of PAF should be maximised by making it available for re-use at the marginal cost of re-distribution in accordance with European PSI legislation.
3. ODUG finds it entirely unacceptable that the Royal Mail has required Ofcom to redact the material financial facts required for a meaningful public consultation.
4. ODUG regrets that this limits the scope of the consultation and notes that the consultation has not taken account of previous calls from many bodies, including several Parliamentary Select Committees, the Statistics Commission, The Advisory Panel on Public Sector Information and most recently the Government, in the Open Data White Paper, that it would be in the national interest to move towards a single definitive National Address Dataset.
5. By not referring to previous representations concerning the Postcode Address File over many years, the consultation document is misleading in suggesting that the recent ODUG paper proposing an open PAF is a new or lone voice. It is not, it reflects widely held views which have been articulated by the bodies listed above and many others.
6. It is also a matter of concern that the potential full or part privatisation of Royal Mail is not considered to be a material fact in the consultation.
7. The paper does not consider the possibility that Royal Mail's ownership for the time being of PAF may, and possibly should, be reviewed if Royal Mail leaves public ownership in full or in part.
8. Because Ofcom are only considering the business as usual model the consultation paper accepts through that the status quo is appropriate instead of considering other options.
9. ODUG believes that for an organisation with a gross turnover last year of £9.5 billion, before swingeing increases in the price of stamps, to suggest that the future of its ability to

meet the requirements of the Universal Postal Service (UPS) requirement are dependent on an income of the order of £27 million (less than 0.3% of turnover) and a profit within that of less than £3 million is simply not credible.

10. While we accept that the Postcode Address File is essential for the efficient fulfilment of the UPS, and its regulation. We cannot understand why the essential maintenance costs, considerably lower than current PAF turnover, are not simply treated by Royal Mail as part of the cost of doing business thereby making it unnecessary to market PAF as a commercial data set. In short we believe that Royal Mail sells PAF because it can, not because it has to.

11. The paper and Royal Mail appear to overstate the 'quality' of PAF for non-postal use, and underestimates the technical difficulties in assessing, or the appropriateness of measuring, the 'quality' of PAF in isolation. We do not think it is realistic or appropriate to consider the quality of PAF as a standalone dataset, it is the integrated quality of national address data which is important.

12. The paper does not question whether Royal Mail is complying with its statutory obligation to make the price of PAF 'reasonable', generally it concludes that Royal Mail is in compliance. We believe that the current level of revenue from PAF constitutes an abuse of Royal Mail's monopoly in the provision of postcode information and we provide evidence for this assertion in the answer to question 6.1.

13. Ofcom also fails to consider the impact on competition, when all other addressing products have to include the full cost of a PAF licence on top of any value added or product costs of their own. This again is the restrictive impact of Royal Mail's monopoly, on the market for address data and other products and services which rely on addresses, in the UK.

14. The consultation sets out a model where return on PAF is capped at a fixed percentage and demonstrates that the underlying cost base has been inflated over many years. The detailed underlying costs, redacted at Royal Mail's insistence, are essential to understand whether these cost increases are justified.

15. Our assertion that Royal Mail are unreasonably exploiting their monopoly is supported by evidence in the 2006 Postcomm review that PAF, at that time, was the most expensive postal address file in the world. It is unfortunate that the current review does not include similar comparisons to present PAF pricing in an international perspective

16. The paper appears to accept Royal Mail's assertion "that we have not received any evidence that lower prices will increase the take-up of PAF". Ofcom do not state whether they have sought independent evidence to the contrary.

17. To accept this statement requires Ofcom and Royal Mail to believe that the use of PAF is price inelastic in every market that uses postal addresses and that all potential customers are satisfied at the current price point. To believe this one must presume that the normal economics of supply and demand do not apply to PAF.

18. If that were the case there would have been no need to negotiate a Public Sector PAF licence with BIS because all the 10,000 bodies covered by that licence would already have licenced PAF. Yet the recent press release shows that currently only 25% of those public bodies are licensees and states that usage is expected to increase because of reduced costs.

19. We also note that previously Royal Mail has taken cease and desist legal action against bodies using PAF, or related products, unlicensed, or in excess of their licence numbers this should not have been necessary.

20. Ofcom have correctly identified that PAF licensing should be simplified. We welcome this direction of travel but would prefer to see PAF licensed under an Open Government Licence (OGL) making it freely available for commercial and non-commercial re-use.

21. We suggest that Ofcom should independently evaluate the Open data option and the associated costs on the basis of evidence from ODUG and other current and potential stakeholders and include that option in their considerations.

22. ODUG's full response to the paper includes answers to the three specific questions raised by Ofcom in the consultation which are attached.

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 consultation presumes that PAF quality is currently high, and is measurable. We would argue that, for uses outside the addressing of mail, PAF is a poor quality address dataset whose quality cannot be realistically assessed.

We believe that the quality of PAF would be increased if it was maintained as part of the National Address Dataset rather than in parallel with it. A definitive National Address Dataset, which included postcodes and postal address information, and was free at the point of use, would drive PAF usage very much higher. It has been demonstrated that quality of data sets improves with use and greater opportunities for cross matching.

Indeed, two exercises cross matching PAF were completed in 2010 / 11. One was the production of the National Address Register to enable the 2011 Census to be carried out. The second was an address referenced energy consumption database produced for the Department of Energy and Climate Change (DECC). Both exercises resulted in an address file which was more complete, accurate and up-to-date for their purposes by cross matching PAF with other sources of address data and carrying out field checks.

Because of the way in which PAF was licensed for these exercises, both the Office for National Statistics (ONS) and DECC were obliged to destroy their single use address databases once the exercises were complete, although ONS's National Address Register was 'reverse engineered' by GeoPlace (An LLP of Local Government and Ordnance Survey) to improve their National Address Gazetteer. The total cost to the public purse of these two matching exercises, and the temporary address databases they produced, was in excess of £20 million and the data was then destroyed to protect Royal Mail's Intellectual Property Rights in PAF.

So not only is PAF inadequate for most purposes other than postal delivery, also large amounts of public money have been spent on producing datasets which have then had to be destroyed. This process has been severely criticised by a number of Parliamentary committees.

PAF is a list of delivery points. What constitutes a delivery point is determined by Royal Mail and maps poorly onto other locations, or types of object, that may need an address.

Royal Mail usually states the completeness of PAF (the principal measure of quality) as being in excess of 98%. However, as Royal Mail determines what a delivery point is, no external body can identify missing delivery points to confirm that measure.

Royal Mail do have access to an additional important source of intelligence, the optically character recognised (OCR) text from every item of post which is scanned during the sorting process and matched, instantaneously, against a PAF derived data base to allow sorting barcodes to be automatically applied to mail items.

This data has the potential to help in assessing both the completeness of PAF and the extent to which PAF verification is used for addresses as well as the operational overhead of badly addressed mail. However as Royal Mail's operational procedures and PAF maintenance protocols are not published these are not open to external scrutiny.

PAF addresses include a Royal Mail determined Post Town, and where necessary for the unique identification of a street in a Post Town, a Locality. The quality of these cannot be checked independently as they are whatever Royal Mail chooses them to be and independent of the statutory street numbering and naming function carried out by local authorities.

For the sake of consistency all addresses on the same street in a given Post Town should have the same Locality, or, if the street is unique, no Locality. We do not have up-to-date information to check the current status of the data, but historically PAF addresses have sometimes been inconsistently labelled with Localities, suggesting a weakness of internal quality control procedures.

More seriously, Street Names in PAF do not always agree with those provided by the Local Authority. As Local Authorities are the only bodies with the statutory right to allocate street names, the street name appearing in the National Street Gazetteer (NSG) should be deemed to be the only correct name. However Royal Mail street names do not always agree with either the names in the NSG or those appearing on street nameplates. This causes difficulty when PAF street names are used for vehicle navigational purposes, as they may not match the street names that appear on digital maps or on signage. While these errors are relatively rare, they are potentially costly to consumers and result from the independent maintenance of PAF by Royal Mail for its own benefit (operational and financial). Royal Mail are generally reluctant to change the street names in PAF, even if they do not agree with those provided by the Local Authority.

Ordnance Survey have alleged that errors and anomalies in PAF identified by Local Authorities via GeoPlace and Ordnance Survey field staff to the Address Management Unit have not always been acted upon, and when they have, not always in a timely manner.

The Valuation Office Agency (VOA) needs to maintain a separate list of taxable hereditaments, to levy domestic and non-domestic rates, because these taxable entities do not correspond to delivery points and need to be updated on a daily basis to comply with Local Government Finance legislation. A central, fully maintained National Address Dataset would meet VOA needs directly.

The Office for National Statistics (ONS) discovered that postal delivery points do not constitute a reliable list of dwellings for census or survey purposes and need to be augmented from other sources. A central, fully maintained National Address Dataset would meet ONS needs directly.

GeoPlace the LLP between local government and Ordnance Survey has an AddressBase with over 31 million addresses compared to PAF with 28 million delivery points. A central, fully maintained National Address Dataset would combine the two into a single definitive dataset.

Business addresses cause particular difficulties, as many places of business, or work locations, are not postal delivery points. Third party commercial address specialists claim to be able to supply up to three times as many business locations as are included in PAF.

Ordnance Survey has found that of the buildings identified and mapped on its large scale MasterMap product only 60% actually have postal addresses.

So to summarise, PAF's quality is very difficult to assess meaningfully. While access to more meaningful Royal Mail metrics, with some independent verification, would be helpful, we believe that the most effective mechanism to measure, and maximise, the quality of PAF data would be to maintain it as a part of a single National Address Dataset so that the Royal Mail elements could be compared openly with all other sources of address intelligence. If that dataset was Open Data it would be available for independent quality assessment and there would be an incentive to report errors. The overall quality of PAF and other Address data would therefore improve.

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 strongly object to the redaction within this document obscuring the costs that are allegedly being recovered. It is our contention that large and unnecessary costs are being charged against PAF which are simply not credible. If we are correct, then Royal Mail are consistently failing in their statutory obligation to ensure that PAF prices are reasonable and Ofcom, and the predecessor regulator Postcomm, have failed in their duty to ensure that that is the case.

In the absence of any meaningful data in the document, or from Royal Mail, we have had to rely on evidence from PAF re-sellers on what would constitute a reasonable cost to be recovered.

PAF is, by modern standards, a small and relatively simple data set of about 28 million records and 30 or so fields. Of those records somewhere between 60,000 and 100,000 are changed every month (Royal Mail figures vary). Royal Mail and Ofcom appear to assert that £27.1 million is a reasonable amount to charge for this service. As part of this cost the Royal Mail Address Management Unit has a head count in the order of 80 staff. We also note that the wider economic costs of limiting access to the data through a complex charging and licensing regime and of protecting the IPR by aggressive legal action are wasteful and would be unnecessary if there was an Open National Address Dataset.

The annual costs attributed to the maintenance and distribution of PAF are £24.5 million. By contrast Ordnance Survey, the national mapping agency, which employs over 1000 staff, maintains large numbers of products including the national MasterMap database with more than 450 million entries, a far more complex structure and a similar number of data attributes to PAF has operational costs of only £112.3 million.

We find it almost inconceivable that maintaining and delivering PAF can cost almost a quarter of the cost of mapping the entire nation. We have spoken to a number of the major PAF distributor stakeholders, and they share the view that this allocation of costs by Royal Mail is not reasonable.

Another measure of efficiency is the change in costs since PAF became a commercial product distributed on CD in the mid-1980s. We have been told that the costs of the equivalent to the

AMU then were In the order of £3 million per annum, of which £1 million were mainframe computing costs. These costs have grown 8 fold for a product which is not significantly different from that delivered then.

By contrast Ordnance Survey operational costs have less than doubled, while the range complexity and currency of their products has increased vastly.

Either Ordnance Survey has achieved an economic miracle or the PAF operation is grossly inefficient, or efficient but designed to recover core operational or labour costs within Royal Mail which are not justified by the product alone.

We have been given estimates of what would be a reasonable cost for maintaining PAF which vary between £3 million and £10 million per annum.

We are particularly concerned that payments to the 46,000 postal delivery workers for address change intelligence, makes up one of the largest operational cost elements of PAF. Most stakeholders we have consulted do not understand why postal delivery workers should be separately remunerated for this activity and many post men/women are unaware that they are being paid to update PAF. We are also not sure what their intelligence is contributing. Local authorities are paid £1 per address for new build intelligence, and currently report about 250,000 new addresses every year. Royal Mail sources a further 80,000 or so from other sources.

The AMU's figures for changes (including trivial changes) of between 720,000 and 1.2m per annum (60,000 - 100,000 per month) would suggest, that at the going rate of what is paid to Local Authorities, change intelligence should not be costing any more than £ 720,000 - £ 1.2 m per annum. It is not at all clear how even £ 1.2m of change intelligence and the associated database maintenance translates into a reasonable charge of £24.5 million to licensees. We also note that if there were a single central Open National Address Dataset only one change would be necessary per address, not two - a natural efficiency.

We consider the transfer of all alleged costs of the PAF operation including the complex licensing and compliance regime to licensees as being entirely unreasonable, particularly as the consultation document acknowledges that PAF is essential to Royal Mail operations. It is our view that Royal Mail can substantially reduce the cost of maintaining PAF by abandoning sales, licensing and compliance activities and making it an Open Data set.

We believe that Royal Mail could easily absorb the costs of PAF maintenance into its operations. Also that by releasing PAF as an Open product Royal Mail could guarantee that its usage will be maximised, the reduction in the current overhead of handling incorrect addresses (estimated in Postcomm's 2006 consultation report) could more than offset any costs.

It appears that PAF is being run as a separate commercial activity to generate cash. It is not being run to minimise costs and maximise usage among Royal Mail customers and the wider community. We believe that this is totally inappropriate for an essential part of the national information infrastructure and should cease.

In the longer term we suggest that the provision of a PostCode, a Postal Locality (where necessary) and a Post Town to every address in the National Address Dataset (while retaining

no intellectual property rights) should become a regulatory requirement on the holder of the Universal Postal Service obligation.

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:

In contrast to our responses above we can be brief. We do not agree with Ofcom's proposed approach to the terms on which PAF is made available.

We see the entire charging, licensing and compliance regimes as unnecessary. We disagree with any approach which simply continues business as usual because this has not been in the public interest. It has led to one of the costliest Postal Address Files in the world (Postcomm Consultation 2006) and possibly one of the least widely used.

We consider the current and proposed future terms as an abuse of monopoly and a breach of the intent of the Postal Services Act(s). In the context of the Government's Open Data aspirations we believe that PAF should be released as an Open product free at the point of use, and should become a maintained subset of an Open National Address Dataset.