

ODUG response to Ofcom PAF Review consultation

Introductory notes

- 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.
- ODUG finds it entirely unacceptable that the Royal Mail has required Ofcom to redact material financial facts required for a meaningful public consultation.
- ODUG regrets that this limits the scope of the consultation and notes that it 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.
- By not referring to previous representations concerning the Postcode Address File over many years, the consultation document is misleading in suggesting that the ODUG paper proposing an open PAF is a lone voice. It is not, it reflects widely held views which have been articulated by the bodies listed above and many others.
- 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.
- 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.
- Because Ofcom are only considering the business as usual model, the consultation paper accepts throughout that the status-quo, 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 their Universal Postal Service obligations, is appropriate.
- 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.
- While we accept that the Postcode Address File is essential for the efficient fulfilment of the UPS, and its regulation. we cannot accept that the essential maintenance costs, considerably lower than current PAF turnover, cannot be simply treated by Royal Mail as part of the cost of doing business 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.

- 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.
- 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.
- 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.
- 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 in the UK.
- 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.
- 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
- 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.
- 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.
- 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 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.

- 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.
- 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.
- 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.

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