

## **Open Data User Group response to PAF® Advisory Board Consultation on PAF® Licensing**

FINAL VERSION (30/10/2012)

All correspondence regarding this response to be sent to: [pafconsultation@odug.co.uk](mailto:pafconsultation@odug.co.uk)

### **Open Data User Group (ODUG) – Response to the PAF® Advisory Board Licence Consultation**

**ODUG’s Overall View is that there is no justification for maintaining the current ownership; licensing and pricing arrangement for PAF® and that both national benefit and benefit to Royal Mail would be best served by delivering PAF® as an Open Data product, licensed under an Open Government Licence (OGL).**

#### **Introduction**

The Open Data User Group (ODUG) welcomes this opportunity, provided by the Postcode Address File (PAF®) Advisory Board, to comment on the licence conditions for PAF® users. We are aware that this is a very contentious matter of public interest and applaud the Advisory Board’s decision to hold such a public consultation.

This response to the consultation is a collective view of ODUG, which was established, and is serviced by, the Cabinet Office as part of the consultative and policy advisory structures established on publication of the Open Data White Paper – Unleashing the Potential (CM8353 June 2012).

We welcome this consultation as a response from the PAF® Advisory Board to paragraphs 2.59 and 2.60 of the White Paper. However it is our view that the way in which the consultation has been framed does not reflect either the content of those paragraphs or the overall intent of the White Paper which is to examine the contribution that Open Data can make to national economic growth and transparency. We will be responding to all questions from an Open Data perspective.

It is our view that the consultation appears to be predicated on a “business as usual” model for PAF® with minor changes to the existing commercial charging structure for PAF® and has not been framed to provide scope for an alternative Open Data view. This response will articulate that view and it is predicated on a radically different regime for the management and licensing of PAF® in the future.

While this document is an agreed collective response from ODUG, members of ODUG may, as individuals or as members of organizations outside ODUG, provide additional or alternative views.

#### **Q1 In the interests of simplicity and of fairness do you favour significantly changing the terms and conditions for the supply of PAF®?**

Yes, we believe that the current commercial model for the maintenance and delivery of PAF® is no longer appropriate. We believe that a higher quality Open Data product (Open PAF®) can be delivered at lower cost to the nation by Royal Mail and that delivering such a product should become a regulatory requirement for the UK Universal Postal Service provider. We also note that many aspects of Ofcom’s proposed regulatory regime for Royal Mail are predicated on the existence and continuing maintenance of PAF®.

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### Q2 How should the costs of reliable and up-to-date PAF® data be shared?

We are very concerned that the current cost of PAF® appears to be borne entirely by the users who license the file. According to the PAF® Advisory Board publication 'Estimating the Economic Value of PAF®' (PAF® Advisory Board September 2012) in 2011/2012 the revenue of the Royal Mail Address Management Unit was £27.1m with costs of £24.5m and a profit of £2.6m. Royal Mail is regulated not to exceed a 10% profit from PAF®.

We have been informed, by a member of the PAF® management team at the time, that in 1986 the equivalent revenue was in the order of £3m and that, of that revenue, about, £1m was accounted for by the cost of mainframe computing resources to host the file. This figure has not been challenged when discussed with current Royal Mail staff.

We do not believe that an eight fold increase in the cost of maintaining and distributing PAF® over that period is reasonable. By contrast Ordnance Survey, a Government Trading Fund that maintains a wide range of geospatial data sets including the national topographic database which contains over 500 million attributed objects had total revenues in 2011/12 of £141.8m, operating costs of £112.3m and an operating profit of £31.9m, while delivering a number of Open Data products in addition to those it makes available commercially. These compare to operating costs of about £60m per annum in 1986, when Ordnance Survey was a much simpler organization maintaining fewer products, but in the middle of its map digitising programme. As a benchmark Ordnance Survey's operating costs increased by 2x, whilst Royal Mail's operating costs for PAF® increased more than 8x for the same period.

It is also very difficult to understand how it is 'reasonable' that the maintenance of PAF®, by modern standards, a relatively small and simple file with 29m entries and some 33 fields of information, of which only about 1.2m entries change each year, can cost 22% of the cost of running a world class National Mapping Agency that maintains many databases, publishes paper maps, and maintains the national topographic database with more than 500m objects with a 99.86% completeness within 6 months.

We have some concern that the PAF® Advisory Board does not exercise the necessary detailed scrutiny of PAF® costs to ensure best value for the nation.

The Postal Services Act 2000 stated that *"The owner for the time being of the Postcode Address File shall—(a) maintain the File, and (b) make the File available to any person who wishes to use it on such terms as are reasonable."*

We argue that in the technical, policy and commercial environment that now prevails *reasonable* terms should be that a raw current version of PAF® should be made available as Open Data free at the point of use. We have no objection to Royal Mail continuing to market, and licence, added value PAF® products, but this should be on a level playing field where all competitors have equal access to the daily maintained raw PAF® file.

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### **Q3 How might the pricing arrangements be developed to stimulate PAF® usage in the economy without adverse effects on data quality or the incentive to Royal Mail to develop PAF® data further?**

We are concerned that Royal Mail should be so focussed on deriving revenue from PAF®. We bear in mind that Post Office Ltd (the Royal Mail Holding Company) had a turnover in the financial year 2011/2012 in excess of £9.5billion and was permitted to increase First Class postage costs by 30% and Second Class Postage by 39%. The profit made on PAF® of less than £3m is insignificant within that overall picture and even the current, we believe excessive, cost of maintaining PAF® could be absorbed within the budget making no significant difference to Post Office Ltd as a business.

Aggressively recovering the alleged costs of maintaining PAF®, and developing the Address Management Unit as a business is a choice that Royal Mail is making, it is not at all clear that it is a necessity.

The PAF® Advisory Board consultation document itself states that: *“The postcode was first introduced in 1958 to make mail delivery more efficient.”* It is of concern to us that the impact of better addressing and better postcode usage on Royal Mail’s current efficiency is never quantified. We believe that it is more than likely that maintaining PAF® to current or better standards can pay for itself internally within Royal Mail because of the efficiency savings that would arise from better addressing. We also believe that products built on an Open PAF® would encourage greater use of the Postal Service bringing additional revenues which would more than compensate for the revenue lost from existing PAF® licensing.

We very much hope that it was not intentional, but one might consider this question to contain an implicit threat that Royal Mail would not maintain PAF® properly if it was denied the revenue based on current pricing arrangements. We believe that that should be a regulatory matter and that an Open PAF®, free at the point of use should be regulated jointly by Ofcom and the PAF® Advisory Board to ensure that it continues to be delivered at an appropriate level of quality and timeliness with penalties payable if Royal Mail were to fail to comply with that regulatory condition.

### **Q4 Should Royal Mail continue to develop transactional pricing options and should there be a difference between the price for internal purposes (within the organisation) and external usage (through a public facing web site)?**

No, PAF® should be available to internal and external users as Open PAF® free at the point of use.

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### **Q5 Do you wish to make any observations about the Government move to negotiate a centrally paid flat fee for non-commercial public sector use?**

We do not believe that there should be any difference in access to an Open PAF® between sectors. In our view the rationale for the fee is that Royal Mail 'owns' the PAF®. We would prefer Government to exercise its right, as apparently enshrined in the Postal Services Act to relieve Royal Mail of its 'ownership' of PAF®, given that the Act only granted that '*for the time being*' and replaced it with a PAF® which is covered by Crown Copyright and delivered as Open Data.

Experience in the Netherlands demonstrates that if a government has the aspiration to establish a '*definitive single address register*' (Open Data White Paper) allowing the Postal Address File to fall into private hands can cause considerable difficulties. In the Netherlands the Government has, at a price, regained control of the Postal Address File enabling the creation of an Open National Address Register.

In Denmark legislation to enable a single definitive National Address Register has been in place since 2002, and the Open Address Register is credited with making a considerable contribution to national growth and efficiency.

To maintain PAF® as a commercial resource, and worse still, to allow it to become a non-governmental asset would be to swim against the tide where most countries which are considering a change are moving towards Open Address Data rather than closed commercial systems.

We think that the current discussions between Government and Royal Mail to negotiate a centrally paid flat fee for non-commercial public sector use of PAF® are ill-advised. Firstly, a recurring flat fee for non-commercial public sector use of PAF® should be unnecessary since PAF® is already fully publicly funded. Secondly, it is not in the public interest to pay more public money for PAF®, for use in a restricted sector with recurrent costs that will add year-on-year, rather than looking at the bigger picture across all sectors and the issues of wider public interest.

It is also the case that access to PAF® for not-for-profit sectors such as the Social Housing sector, or Utility companies which have no choice but to use PAF® and simply pass on the cost to all taxpayers, are treated as 'private sector'. The licence fees paid by such organisations are effectively a tax on the use of PAF® rather than the result of a simple discretionary purchasing decision in an open market.

We are also aware that the Royal Mail maintains an extremely hostile stance around what they perceive as their ownership of PAF®. It appears that they seek to exploit their monopoly on a public good, rather than considering their public duties and the wider public interest. We believe that Royal Mail is intransigent in discussion with officials and others on these important matters of public interest. We suggest, for the sake of expediency and efficiency, that any discussions between government and Royal Mail on these matters should be escalated to the highest levels of seniority for resolution. Such discussions are also matters of public interest and should not be privileged under FOI regulations as 'commercially confidential'.

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### **Q6 How might these differences be represented in the provision of PAF® without disproportionately complicating the licence conditions? Should the most frequent updating command a premium fee?**

We commend a single licence for all users of PAF® which should be based on the Open Government Licence.

The most important time for citizens needing to access PAF® is as close to the date of update as possible. Regular press stories cover the difficulties caused to citizens, when moving into new or converted property, not being able to access other services because they do not have a valid address in PAF®.

### **Q7 What frequency of updating would best suit your usage?**

Daily. We believe that the raw PAF® data should be made available to everyone in an open real time database. Anyone should have read only rights and should be able to download as much or as little of the file as they wish.

### **Q8 What are your views on:**

#### **(a) Direct end-user licensing;**

In a word, we feel this would be catastrophic. We suspect that a very large part of the cost of maintaining and delivering PAF® is now incurred to manage and maintain the licensing regime rather than the underlying database. The many potential uses of PAF® in different end-user scenarios give rise to an overly complex, essentially unworkable, end-user licensing regime, which is a burden on all users and costs more to administer than it is worth.

Even to suggest direct end-user licensing implies that the primary objective is to maximise the revenue from PAF® regardless of the cost or the inefficiency this will introduce, rather than to maximise usage. This also smacks of abuse of Royal Mail's current monopoly.

This suggestion also runs completely contrary to the way in which a networked world works. The internet, the World Wide Web and all other services that depend on the internet are predicated on a global database of internet addresses which is maintained in real time and free at the point of use; the Domain Name System (DNS). DNS is funded out of flat ISP charges and from the nominal fees for registering domain names in a highly distributed and competitive market.

Direct end-user licensing implies the addition of a toll gate in front of every user of PAF® and the need to administer an expensive and complex licensing scheme. This is costly, inefficient and does not maximise the beneficial use of PAF® data. We feel end-user licensing is a very bad idea indeed.

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### **(b) Solutions Providers paying licence fees on behalf of their customers based on a simple banding of end users' potential use leaving PAF® free at the point of use;**

We have heard complaints from solution providers that the current system is inefficient, inequitable and cumbersome. None of this will be necessary once PAF® is open.

### **(c) Unchanged arrangements?**

It is our view that current arrangements are not in the public interest. Questions above, about differentiating between public sector and private sector use, already imply that the PAF® Advisory Board is aware of this. Current arrangements have also proved to be a major impediment in the government's objective to produce a '*definitive single address register*' (Open Data White Paper).

We are also aware that current arrangements have, over the last decade or more, caused friction between Local Authorities, Ordnance Survey and Royal Mail which has not been in the public interest. They cause 'stacked pricing' as it is difficult, if not impossible, to compile an alternative address register without using PAF® and, as a result, all address products include a PAF® royalty element.

These conflicts caused difficulty in compiling a National Address Register (of dwellings) fit for the purpose of taking the 2011 Census. They have been severely criticised by numerous House of Commons Committees and by Sir Michael Scholar, when he was Chair of the UK Statistics Authority.

Unchanged arrangements imply that the mechanism for delivering maintaining and financing PAF® is not broken. We believe that it is.

### **Q9 Which approach do you favour?**

As expressed throughout the consultation we believe PAF® should become an Open Data product licensed under an Open Government Licence (OGL).

### **Q10 Are there other ways in which the UK generic licence could be simplified?**

Yes, by abandoning it and delivering Open PAF® under the OGL.

### **Q11 How should the definition of a user (currently 'an individual work station or terminal or hand-held or otherwise portable device internal to the End-User') be amended in the light of technological developments?**

There will be no need to define a 'user' with Open PAF® under the OGL, the question itself provides a perfect example of the unnecessary complexity of the existing PAF® licensing scheme.

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### **Q12 To what extent should potential disruption and extra costs of adjustment to new arrangements inhibit Royal Mail from making changes?**

We do not agree with the current separation of the Address Management Unit as a separate commercial cost/profit centre within Royal Mail and have ourselves had difficulty identifying the true costs of the PAF®. We look forward to the results of the upcoming Ofcom Review into this area. Under our proposals Open PAF® management would become an operational cost.

### **Q13 Currently licensing arrangements have a 3 year minimum term with annual renewal. Does this meet your requirements or how should it be amended?**

We propose the elimination of commercial licensing, which will eliminate the need to maintain records of licences or renewals.

### **Q14 If only minimal amendments were to be made to the existing licence what would be your priorities for change?**

We will not be satisfied if only minimal amendments are made.

### **Q15 What suggestions do you wish to make to improve contact between the Board and the market for PAF®?**

We believe that the PAF® Advisory Board would have a vital role as a consultation body to work with the postal regulator (Ofcom) to ensure that an Open PAF® meets the broadest set of citizens' needs in the United Kingdom, while not unfairly burdening the Universal Postal Service provider (Royal Mail) with unnecessary work.

PAF® Advisory Board has already been very helpful by publishing its paper "*Estimating the Economic Value of PAF®*" [ <http://www.pafboard.org.uk/documents.html> ] which estimates the value of PAF® to the UK as being in the range £992m – £1380m per annum.

While we might query some of the rationale behind these figures, they are in line with estimates of the value of address data elsewhere.

Where we differ is the implied conclusion that as PAF® is so valuable for the nation, end users should be prepared to pay more for it or that more end users should be prepared to pay for it.

It is our view that the very widespread concern about situations in which PAF® is not being used would not be allayed by charging as at present, or charging more, for use of the data. We believe that reducing the cost in cash and effort of using the file will increase its take-up and that the only way to ensure maximum use is to make PAF® Open Data.

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We could conjecture that national benefit could as much as double, reaping a further £1 billion in efficiency savings and economic growth if PAF® were made Open Data. Even an exceedingly pessimistic view of a 10% increase in usage would generate a further £100 million of economic benefit.

It is our view that if all the cumbersome pricing, invoicing, licensing and licence compliance costs were stripped out of the PAF® maintenance operation should not cost more than £10 million per annum. There are many suppliers of PAF® based products who believe it could be maintained to current or higher standards for considerably less than that.

It is our view that there is no justification for maintaining the current ownership; licensing and pricing arrangement for PAF® and that both national benefit and benefit to Royal Mail would be best served by delivering PAF® as an Open Data product.

We would be happy to see the PAF® Advisory Board as the permanent representative of the users of an Open PAF® and to work with Ofcom to ensure the USP's regulatory obligations in maintaining PAF® are met.

We wish to thank the PAF® Advisory Board for providing ODUG with the opportunity to participate in this consultation.