

**Royal Mail's Response to Postcomm's Consultation on the Management
of The Postcode Address File**

Executive Summary

1 Introduction and objectives

1.1 This document sets out Royal Mail's response to Postcomm's Consultation Paper on proposals for the future management of the PAF published in February 2006. Royal Mail's comments and proposals are specifically related to this consultation alone and where it indicates it is willing to take steps not required by its Licence it is doing so because it considers it appropriate in the circumstances relating to PAF. Royal Mail will continue to review the situation in respect of PAF following the end of the consultation period.

1.2 Postcomm's proposals were made following a review that included an initial three-month public consultation in June 2004 and a series of workshops. Royal Mail submitted its response to the consultation and was present at the workshops to which it was invited. Royal Mail's position throughout has been to recognise the changing environment in both the postal market and the data services market and to propose evolutionary changes building on the core, without putting at risk the previous work on PAF (including the development and maintenance over a number of years) or introducing layers of bureaucracy.

1.3 This response sets out the significant changes already undertaken by Royal Mail, including its decision to ringfence the PAF dataset and the core maintenance activities and also its proposed changes to meet the changing environment. These include responses to the specific proposals set out by Postcomm. Royal Mail would also assert that its management of the PAF has been exemplified by the growing usage of the dataset and, as Postcomm acknowledges, the lack of complaints made by PAF users and by the growth of a data market based on PAF that is now in excess of £250m. Royal Mail believes, therefore, that there is no requirement for more regulation as customer needs are being met and as the availability and pricing of PAF is fair and equitable.

Royal Mail sets out its response to the proposals and points raised by Postcomm, below.

1.4 There are references in the document to Address Management Unit (AMU) that relate to specific activities associated with the PAF dataset; Royal Mail references relate to wider Royal Mail Group activities including letters operations.

2 Achievements by Royal Mail

- Prices for PAF have remained at 1996 levels which in real terms equates to a reduction of over 25%
- PAF usage has doubled in the past five years

- Over the course of its management of PAF it has consistently made available to stakeholders a top quality database that is supported through continued investment in maintenance activities.
- Royal Mail is a trusted organisation that has developed, maintained and improved PAF over a number of decades.
- Royal Mail's PAF development and maintenance has provided a valued raw material at a price that has led to the spawning of a data address market with a turnover in excess of £250m and where Royal Mail's proportion of this data market is less than 7%.
- Royal Mail has managed and provided access to PAF on fair and non-discriminatory terms.
- PAF has been provided and continues to be provided at reasonable cost to commercial organisations and at little or no charge via the internet or telephone
- PAF is provided to and used in a complex commercial market with Royal Mail providing not only a quality product but acting very responsibly in a balanced commercial manner taking into consideration the broad spectrum of users with vastly differing individual business imperatives. The development of the market and the lack of complaints about Royal Mail's management of PAF is testimony to its success.
- The database has been enhanced and developed to, where possible, meet the needs of users and is recognised as the UK premier address data set.
- It has dedicated personnel with an expert pool of knowledge.
- It has provided a vehicle for citizen inclusion in commercial day to day trading

The list above is by no means all that Royal Mail has achieved but is a strong indicator of how its has successfully managed PAF and importantly that the cost of the file has in real terms actually reduced (based on no price increase since 1996).

3 Royal Mail's Approach to the Consultation

3.1 Royal Mail has throughout the period of Postcomm's review, provided it with every assistance possible including dialogue, site visits and responses to requests for information.

3.2 Royal Mail has taken significant steps to ensure that the activities associated with the PAF dataset have evolved to represent the changes in the market place. It is disappointing that the consultation document does not accurately reflect these changes, but instead focuses on largely unsubstantiated views and does not provide informed details. The growth in usage of PAF, the increasing numbers of Value Added Resellers and end users of PAF, and the lack of complaints all support the view that that Royal Mail's management of PAF has been of significant benefit to the data and postal markets.

3.3 Royal Mail would contend that it is unnecessary to add further layers of regulation and bureaucracy although it accepts that a degree of modification to existing practices is required, which Royal Mail sets out.

3.4 Postcomm and external stakeholders are aware that Royal Mail has committed to create a ringfenced data set - PAF - with activities related to the management, maintenance and provision of PAF data similarly ringfenced and provided via the Address Management Unit.

3.5 Royal Mail is also committed to ensuring that anyone can have access to the ringfenced PAF data set, subject only to payment of a reasonable fee and compliance with appropriate licence terms. Progress on many of the issues Postcomm highlights has already been made. Postcomm has proposed a date of early 2007 and notwithstanding the fact that there are a number of complex activities that need to be progressed, Royal Mail is confident that the timeframe indicated is realistic.

Legal Framework

3.6 It is important to be clear from the outset exactly what is meant by references to 'PAF' and whilst Postcomm's document does not make this clear, Royal Mail believes it is important to ensure clarity from the outset.

Under S.116 of the Postal Services Act 2000 the Postcode Address File ("PAF") is defined as:

(1) "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."

(3) In this section –
"the Postcode Address File" means –

- (a) a collection of relevant information which immediately before coming into force of this section, was owned by The Post Office, or
- (b) that collection as it is from time to time revised, and

"relevant information" means postcodes in the United Kingdom which may be used to facilitate the identification of delivery points for the purpose of providing postal services.

(4) The terms which may be imposed under subsection (1) (b) include terms as to the payment of such fee (if any) as the owner considers appropriate.

3.7 The database that Royal Mail holds under the collective name of PAF® contains a large number of elements. It follows from the definition of PAF under the Act that only those elements of the PAF database that are used to facilitate the identification of delivery points for the purpose of providing postal services are caught by the requirements of s.116 and Condition 20. This definition would therefore encompass the postcode and the address details, and to decode these the address keys will be required. We recognise that Royal Mail currently supplies other elements to

the market as part of PAF® (eg delivery point suffixes, unique delivery point reference number) and would intend to continue to supply these in the same way that they are currently provided, as part of PAF. The ringfencing will therefore, for now, include elements not caught by the definition of PAF.

3.8 Condition 20 of Royal Mail's Licence specifies in more detail requirements on Royal Mail relating to the Postcode Address File, with the Licence incorporating the definition of PAF set out in the Act. The requirements of Condition 20 and other conditions of Royal Mail's Licence are limited but Royal Mail recognises that it is also subject to the Competition Act 1998, albeit that Postcomm is not the body to enforce this Act. Royal Mail is voluntarily agreeing to do certain things beyond which Postcomm could directly require, because it considers it appropriate to do so.

3.9 Royal Mail does not agree with Postcomm's analysis with respect to the applicability of other conditions of Royal Mail's Licence to PAF. Condition 10 applies where Royal Mail is required by its Licence to provide access to its postal facilities, i.e. the physical and human resources and systems deployed by Royal Mail to meet its obligations to provide a universal postal service. The Postcode Address File was never intended to be and is not a postal facility - it is a database built up, developed and maintained by Royal Mail which is protected by intellectual property rights. That does not mean to say that Royal Mail would dispute that certain information held as part of PAF should be made available to third parties. On the contrary, Royal Mail has made such information available through licensing arrangements and will continue to do so.

3.10 Condition 11 of Royal Mail's Licence is the fair trading condition, intended to broadly replicate certain abuses which would be prohibited under competition law. The Condition expressly applies to the terms on which Royal Mail supplies or offers to supply *postal* services to customers". The provision of PAF data is not a postal service, so Condition 11 is not directly applicable. Royal Mail accepts that the relevant provisions of the Competition Act 1998 and the Enterprise Act 2000 could be applicable and enforced by the relevant authorities.

3.11 Condition 14 requires separation of certain accounting and financial records but does not require separate records in respect of PAF. Royal Mail is however prepared to make such information available to Postcomm in order to demonstrate compliance with aspects of Condition 20.

4 Postcomm's Seven Key Proposals

4.1 Postcomm sets out seven proposals in the document (s5), most of which require Royal Mail to progress or take action:

4.2 *There is no change in Royal Mail's overall ownership of PAF but Royal Mail should create a separate, clearly ringfenced business unit exclusively responsible for managing the maintenance, development and distribution of PAF*

Accept broad principle. Royal Mail accepts in principle the need for changes to the operation of its PAF activities and has made clear to Postcomm its intention to create a ringfenced data set – PAF – with activities related to the management, maintenance and provision of PAF data similarly ringfenced and provided via the Address Management Unit. Postcomm is aware of progress made and plans to finalise this activity.

- 4.3 *Royal Mail should introduce objective and fair contractual arrangements with suppliers of address change data to PAF to secure key information sources*

Accept that objective and fair contractual arrangements are necessary. Royal Mail recognises the importance of address change data that improves the accuracy of PAF and the value of validating the information already contained within the file. The processes we currently operate in this area work well and have served PAF users well, however, it is recognised that we should update and commercialise arrangements related to the provision of material changes to the dataset. Discussions are progressing with Royal Mail to establish a robust SLA relating to costs and service. Meetings have also been held with IDeA (on behalf of Local Authorities) to look at introducing an SLA for address information from these bodies. To avoid bureaucracy, *de minimis* limits will need to be applied. [Chapter 5]

- 4.4 *Royal Mail should ensure equal access for PAF use and resale and Royal Mail should pay directly for its PAF usage on identical terms and conditions to like users*

Accept broad principle. Royal Mail provides equal access for PAF use and resale and will continue to make PAF available in this way. Royal Mail (Letters Operation) will be licensed for PAF in the same way as other postal operators or VARs. Ringfencing of the dataset and related activities will create transparency and a clear demarcation between the supply of PAF and Royal Mail's use of it. Income derived from Royal Mail will be shown within the relevant heading in the P&L of the AMU provided with the Regulatory Accounts. Postcomm has powers under Licence (C16) and PSA 2000 should it require any further information. [See Chapter 4].

- 4.5 *Royal Mail create an Advisory Board to 'inject' market requirements into Royal Mail through direct access to the Royal Mail business unit decision maker and also to Postcomm*

Reject the proposal as expressed of the creation of an Advisory Board but accept principle of the need for greater injection of market requirements as market changes. Royal Mail rejects the need for an Advisory Board to be "created" because it contends that the base structure of such a body already exists through the existence of the PAF User Group. This has been established and undertaken for a number of years through the work of the PAF User Group, an independently elected group of PAF users. Moreover, Royal Mail maintains that this has been successful. This body has been involved in, and Royal Mail has sought to obtain input to and feedback from, the development of the PAF dataset. Royal Mail recognises that the changes to the market,

including a fully liberalised postal market requires changes to this body to represent wider PAF usage.

Royal Mail's proposal and solution is not to replace the current structure, which has been operating successfully and efficiently, with a different body but to enhance the PAF User Group by, for example, including within the membership postal operators including Royal Mail (this is important given that Royal Mail has the Universal Services Obligation and with the PAF activities being ringfenced) and other Licensed Operators and stakeholders. It is Royal Mail's belief that this widening of the representation of the PAF Executive User Group, will deliver the objective of greater market involvement without bureaucracy and also meet Postcomm's stated aim of "light touch" regulation.

Royal Mail believes strongly that changes should be evolutionary and that this, for the moment, requires a greater scope of representation rather than a complete overhaul. Royal Mail understands that the PAF User Group supports the continuation of that Group's role, but, in line with Royal Mail's view, recognises that broader representation from other users of PAF will be required.

Royal Mail will continue to consult and advise stakeholders of key initiatives but as owner of the file shall have ultimate responsibility and accountability for the decision making process. Utilising the experience and expertise of the existing PAF User Group will not only be beneficial to customers but will also minimise the costs associated with establishing a completely new advisory body. [Chapter 7 and Annex D]

4.6 Royal Mail needs to design a flexible and responsive licensing framework that promotes use of PAF and encourages good addressing

Accept the need for a licensing framework that promotes PAF and that encourages good addressing . Royal Mail has looked to do this over a number of years and over the past three years has been working with the market through an iterative process to move to an agreement over a new licensing framework. The new licensing framework is aimed at reducing the entry price of PAF and stimulating the use of the data across a wider range of applications, leading to greater use of PAF and through this improved addressing. Royal Mail's commitment to encouraging good addressing is demonstrated by a budget allocation specifically for activities related to promoting the need to address correctly. [Chapter 8].

4.7 Greater regulatory controls ought to be introduced with revenues based on a reasonable allocation of costs

Royal Mail accepts the principle that prices should bear a reasonable relationship to the costs of providing PAF and therefore prices will be set in order to give Royal Mail a reasonable, commercial return. Through the SLA's and production of a separate Profit and Loss statement the AMU will

demonstrate to Postcomm that costs incurred and revenues derived through its management of PAF, are valid and prices are not excessive. These costs will include the specific tasks related to the validating, maintaining and improving the dataset. Regulatory precedent supports the principle of “Excluded Service” revenue for PAF activities. This approach will deliver the necessary information required by Postcomm and will, importantly, be consistent with the desired aim of “light touch” regulation [See Chapter 5]

4.8 *Tighter regulatory and public reporting including the publication of costs, revenues and performance levels should be introduced*

Accept in principle with the changes envisaged, including the payments to, for example, Local Authorities through an SLA, it will be necessary for performance levels to represent the agreement with these third parties and that the overall performance level achieved will be dependent on the input from all relevant parties. Royal Mail accepts that Postcomm may require information relating to details of costs, income and profit relating to PAF. For other stakeholders, information should be provided at the aggregate level. Information on the overall accuracy of PAF and internal quality targets for inputting data can also be provided, notwithstanding the arrangements with third parties, including LA’s and Royal Mail. [See Chapter 6]

5 Conclusion

5.1 Royal Mail has set out above and in more detail in the following pages, its response to the Postcomm consultation. Royal Mail believes that it has achieved much in supporting the development of an address data market worth in excess of £250m, provided equal access to PAF and will continue to do so.

5.2 Royal Mail believes that the consultation paper provides little indication of market or customer dissatisfaction of either the way that PAF has been managed by Royal Mail or the need for wholesale changes. As Postcomm indicates there have been no serious complaints about Royal Mail’s management and moreover, Royal Mail has already recognised the changing market place and has made proposals to Postcomm in meetings with it and in the response to this consultation of how and what changes are necessary. Finally, Royal Mail would urge caution over the need for greater regulation as evidenced by the approach to the Code of Practice on Interoperability and the danger of producing an over engineered solution

5.3 Royal Mail agrees with the broad thrust of many of Postcomm’s’ proposals although in a number of areas does not accept the need for the proposed levels of bureaucracy and regulatory intrusion. Royal Mail prefers to see the development of the market in an evolutionary way, with Postcomm using its considerable powers should there be any evidence that the AMU has not acted fairly or impartially in its dealings with the various users of PAF including VARs and postal operators.

5.4 Royal Mail would contend that, as Postcomm acknowledges, there have been no formal complaints relating to PAF over the five years that Royal Mail’s licence has been in place and the data market has grown with Royal Mail only having a very small proportion of this overall market. This demonstrates its even handed approach.

5.5 Royal Mail is undertaking a number of initiatives to meet any potential market concerns including ringfencing the PAF dataset and activities and greater clarity of costs and revenues. Royal Mail believes that these changes will deliver the required solution and meet Postcomm's aim of "light touch" regulation. At this juncture, however, Royal Mail can see no reason at all to make wholesale changes or introduce additional regulation into a market that patently does not require it.

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Royal Mail's General Comments and Observations

1 Chapter 2 – The Importance of PAF

1.1 Royal Mail welcomes Postcomm's acknowledgement of the importance of PAF both in terms of Postal Services and its increasing use within the address data market. PAF was of course originally developed as a tool for Royal Mail to assist it with delivering letters in an efficient and accurate manner. This remains its primary purpose. We do recognise however, as Postcomm ask, "the wide use to which PAF is put by its stakeholders (both postal and non-postal) and the increasing reliance on PAF for new applications". (paragraph 2.20)

1.2 Royal Mail has previously emphasised the importance of PAF and the need to ensure that the Files' status as a premier data set is maintained. Indeed, Royal Mail takes encouragement from the fact that for a file containing in the region of 27.8m addresses it is remarkable that it should be subject to a negligible number of complaints about its quality, maintenance or supply. As stated in Royal Mail's previous consultation response (September 2004) Royal Mail has developed a pool of specialist knowledge on its use and application across varying address management and other databases. Indeed it is this knowledge and expertise that has resulted in assistance being sought from the Address Management Unit on address management initiatives by foreign postal administrations, such as, New Zealand, Hong Kong and South Korea.

1.3 Royal Mail takes seriously its management of the PAF dataset and has always sought opportunities to improve the data and service being provided to stakeholders. Activities underway around Address Validation are a prime example of Royal Mail looking to improve the currency of the data contained within PAF. Also, the importance of PAF beyond that associated with Royal Mail's use is very much acknowledged and Royal Mail has worked with a range of external organisations and data partners on initiatives designed to improve addressing standards and therefore enhance PAF and its use beyond that of postal services.

2 Chapter 3 – The Legal Framework

2.1 Royal Mail is the creator and owner of proprietary rights (database rights and copyright) in PAF and is entitled to determine the nature and extent of its exploitation of those rights, subject to the constraints of its Licence conditions and competition law. There are certain provisions in Royal Mail's Licence that are applicable to the provision of PAF, as well as general competition law.

2.2 Section 116 of the Postal Services Act 2000 requires Royal Mail to maintain PAF and make it available to anyone who wishes to use it on such terms as are reasonable. Condition 20 of Royal Mail's Licence goes further by specifying that

payment of a reasonable charge may be requested and specifying that the only terms that may be imposed are those that are reasonable restrictions to ensure that (a) the intellectual property rights in PAF are protected, (b) PAF and any updates are utilised in an appropriate manner to encourage correct addressing and (c) that the reasonable charges are paid. Royal Mail maintains that its current licensing arrangements meet these requirements. Royal Mail does however review the licensing arrangements and fees from time to time to ensure on-going compliance with Condition 20, fitness for purpose and that the needs of users are met.

2.3 Postcomm has suggested that certain other Licence provisions will also apply to PAF: Royal Mail does not concur with this view.

2.4 Condition 10 only applies if Royal Mail is required to provide access to its postal facilities pursuant to a condition of its Licence. Postal facilities are defined as “the physical and human resources and systems deployed by [Royal Mail] and by its contractors and agents for the purposes of meeting [Royal Mail’s] obligations ... to provide a universal postal service” (Condition 1). PAF is a database, created and maintained by Royal Mail through significant investment; it is not a postal facility in accordance with this definition.

2.5 Condition 11 of Royal Mail’s Licence prohibits undue preference or discrimination, and excessive or predatory pricing “*in the terms on which [Royal Mail] supplies or offers to supply postal services to customers*”. Section 125 of the Postal Services Act 2000 defines postal services as “the service of conveying postal packets from one place to another by post, the incidental services of receiving, collecting, sorting and delivering such packets and any other service which relates to any of those services and is provided in conjunction with any of them”. PAF or the provision of PAF data is therefore not a postal service, so Condition 11 is not applicable to the provision of PAF data by Royal Mail.

2.6 Royal Mail recognises that Chapter II of the Competition Act 1998 contains the same type of prohibitions, in circumstances in which an undertaking is dominant in the relevant market and if the abuse may affect trade within the United Kingdom. As the dominant supplier of postcode data, Royal Mail complies with the obligations of Chapter II in setting the terms and prices for the supply of PAF. Those obligations are not however enforced by Postcomm but by the OFT.

2.7 Condition 14 of Royal Mail’s Licence requires separate accounts for each of the licensed services¹, each of the non-licensed services that are part of the universal postal service, non-licensed services which are not part of a universal postal service, and any service or activity not comprising the conveyance of postal packets. Any accounting records in relation to PAF would fall under the category of “any other service or activity”. There is therefore no Licence requirement to maintain separate accounting records in relation to PAF.

¹ Royal Mail’s Licence defines licensed services as “the conveyance from one place to another ... of letters which is prohibited, unless authorised by licence ...”. Non-licensed services are defined as “the conveyance from one place to another ... of postal packets which is not prohibited, unless authorised by licence ...”

3 Chapter 4 – Observations on Royal Mail’s Performance

3.1 As recognised within the document (paragraph 4.12), there have been a number of changes within the Address Management Unit (AMU) since Postcomm’s original consultation document in 2004. All of these changes have been undertaken to provide greater focus and clarity on the activities of the AMU and through the AMU for the benefit of PAF users. Moreover, these changes have resulted in a number of improvements; for example, on maintenance, the establishment of two dedicated Address Management units at Doxford and Shrewsbury, (replacing the previous five centres which dealt with a broad spectrum of addressing issues as opposed to focusing on specialist activities) each dealing with a specific PAF related activity. Significantly, these changes have also driven through improvements for customers with the two service centres providing a consistency and continuity of approach, a pool of expertise and knowledge and delivering a ‘one-stop’ service for customers. The reduction from the previous five centres to two has also provided greater management focus and speedier resolution of issues.

3.2 In addition Royal Mail has identified opportunities (paragraph 4.16) to improve the performance of the file and consequent level of service to customers. For example, the AMU has shared information with Postcomm and PAF Users on the development of a PAF accuracy process – Address Validation – a measure that will provide much greater clarity on the validity of the information held on PAF. This will provide a more accurate reflection of the overall quality of the file, than the previous bi-annual process that looked at the accuracy of a small proportion of the data, as opposed to the entire file. The AMU has proactively shared the detail behind the new process with the PAF User Group who provided positive feedback on the benefits of the process being developed. An overview of the process has also been shared with customers at various customer forums, such as the PAF Users AGM. This is a prime example of where Royal Mail has shared a significant change in PAF with users, sought feedback on the principle and technical benefits of the change and then progressed the initiative.

3.3 As the consultation paper notes, Royal Mail has been consulting with users of PAF in relation to the proposed changes to the licensing and fee structures. That does not mean that under the current arrangements PAF is supplied on unreasonable terms. The proposed changes are intended to bring the licensing arrangements up to date.

3.4 It is also important to recognise, as Postcomm’s document does (paragraph 4.5), that there have been no formal complaints from VARs and other direct users of PAF made by Postcomm or the OFT, during the time of Royal Mail’s licence, despite there being a rising number of users of PAF, an increased number of VARs and significant increase in VARs agents.

3.5 Royal Mail welcomes the positive comments (paragraph 4.7) relating to the development of PAF but does not understand the references in the same paragraph to, “serious concerns about Royal Mail’s performance” and believes this is disingenuous especially as Royal Mail’s performance in developing and maintaining the PAF has spawned a data industry worth in excess of £250m! Postcomm is aware of the

changing commercial arrangements with information providers but believes that references to, “maintenance failings, system inadequacy, generally poor performance with regard to its maintenance” are overstated and out of line with a growing data market and increased usage and improvement in data quality. Royal Mail refutes the view expressed in the document of “serious concerns about Royal Mail’s performance”. Indeed, Postcomm recognises that there has been an, “absence of formal complaints in the five years since Royal Mail’s licence was issued” (paragraph 4.5). With an industry turnover of £250m and effectively no serious complaints, this would suggest that the term “serious concerns” is hardly representative of Royal Mail’s performance.

3.6 Section 4 of Postcomm’s document raises a number of issues that we will address in our response to the sections that follow.

4 Chapter 5 – Financing

4.1 Postcomm sets out two significant proposals within this chapter (paragraph 5.28); the first being that Royal Mail should:

- *“recover the efficient and reasonable costs of updating, maintaining and distributing PAF (including some allowance for investment and development of PAF) plus a reasonable profit allowance”*; the second being:
- *“Royal Mail should pay directly for its use of PAF on equivalent terms and conditions to like users”*.

In principle Royal Mail supports both these proposals, subject to the comments below.

4.2 On the first issue, the Address Management Unit has already provided Postcomm with a proxy Profit and Loss statement that shows the indicative costs and incomes associated with its management of PAF and once work on creating the ringfenced data set and activities is complete will be in a position to share with Postcomm a more formal P&L statement that captures the appropriate costs and incomes associated with the ringfenced activities. Additionally, Royal Mail through the AMU intends to be more proactive in its promotion of PAF and the benefits of good addressing and shall be bringing forward initiatives to promote and encourage better addressing, the costs of which will be met from PAF revenues. Royal Mail believes that the PAF data set operates within a competitive environment and has previously highlighted the role of the National Land and Property Gazetteer (NLPG), which provides a competitive offering to PAF data products. Given this competitive environment and given the significant use of PAF within the address data market, Royal Mail believes the level of return that should be generated from the data set should be comparable to returns achieved from others within this data market subject to these not being excessive.

4.3 Condition 20 allows Royal Mail to make a “reasonable charge” for use of PAF. Postcomm argues that this means that Royal Mail can recover the efficient costs plus a reasonable return. Competition law (and indeed Condition 11 if it were applicable) would only prevent excessive pricing, i.e. pricing which has no

reasonable relation to the economic value of the product supplied. The OFT considered the question of PAF pricing in 2000, following a complaint by a VAR. Based on an analysis of overall revenue exploitation and the costs of PAF operations, the OFT came to decision that there was no evidence of excessive pricing by Royal Mail when offering PAF. Royal Mail recognises that costs may have changed since that time, although prices have not, nevertheless, there is no evidence to suggest that PAF prices are excessive. The prices which Royal Mail charges for PAF should therefore allow it to receive such a rate of return that the prices would not be excessive.

4.4 Postcomm makes the assertion (paragraph 5.8 and Table 1) that increasing postcode compliance within certain mailing sectors could drive savings to Royal Mail of £7.5m. Royal Mail would question the validity of this number having previously highlighted to Postcomm that increased usage of Postcodes does not necessarily result in efficiency savings.

4.5 A number of factors over and above the postcode are relevant. The size and thickness of an item, the colour of the envelope and ink, the material used, the font size and type used as well as the addressee's handwriting are all factors that impinge on the operational cost of an item passing through the network. It is also important to be mindful that the postcode is a routing instruction first and foremost. Advantage is taken where it is possible, to improve efficiency through using technology that can interpret these routing instructions. However, there are circumstances where it is impossible or impractical to sort mail mechanically, for example, large flats or packets where use of the postcode will not affect whether the mail item is mechanised or manual e.g. flats are predominantly manually sorted. Therefore the potential costs or savings are dependant upon the type of mail that is or is not postcoded. Postcomm is aware that the move to Pricing in Proportion reflects the format of the postal packet and the costs associated with this.

4.6 Royal Mail through the work undertaken on its proxy P&L has looked at the scope of the costs and also the level of costs attributed to PAF related activities. With the use of SLA's the AMU will identify and recover the efficient and reasonable costs of updating, maintaining and distributing the PAF data set (including some allowance for investment and development of it). It should be noted that ringfencing could also lead to an increase in costs as integrated activities are unbundled and costs more accurately allocated. .

4.7 On the second proposal (paragraphs 5.11 to 5.13), Royal Mail accepts that the introduction of competition into the postal market does merit a review of the way in which PAF is used by Royal Mail. It has been well documented in meetings between Postcomm and the Address Management Unit, that the underlying principle of the activities being undertaken is that appropriate commercial arrangements will be established for the provision of PAF data and that all users of the data will be licensed. This will also include Royal Mail for its own postal use where it shall adhere to the same terms and conditions that apply to other major organisations that use PAF data. Royal Mail will capture the costs associated with this Licence within its Group Accounts and the income will be identified within the Profit and Loss statement of the AMU. Royal Mail regards it as important that going forward other Postal Operators, all Value Added Resellers and Direct Users of the PAF data set, have fair and non-discriminatory access to it.

4.8 Additionally, Royal Mail will ensure that there are appropriate internal transfer charges for the activities undertaken by Royal Mail Operations, that not only provide change data but also provide important PAF validation information under the terms of a Service Level Agreement (SLA). This will clarify the activities that Royal Mail Operations carries out, the charges associated with these and the frequency/standard of service expected. SLA's for the provision of data that results in changes to PAF will also be developed with external suppliers of data. Royal Mail has already held discussions with IdeA who act on behalf of Local Government Authorities, on the establishment of an SLA and is keen to make progress on this, however, we believe there are some commercial pressures on IdeA that may prevent Royal Mail from concluding its discussions at least within the short term.

4.9 It is expected that these external arrangements would only apply in circumstances where information provided generated a material number of changes and that the provision of this information could be relied upon on a regular basis. The actual mechanism for applying a charging regime is currently being progressed and Royal Mail will advise Postcomm on the detail behind this in due course.

4.10 Postcomm makes reference (paragraphs 5.24 and 5.27) to approving the mechanism Royal Mail uses for dealing with any over or under recovery of PAF revenues.

4.11 There is no competition law or Licence requirement on Royal Mail to reduce its licence fees as a result of increased demand creating increased revenue for Royal Mail. There is no need for a formal mechanism for dealing with any over or under recovery of PAF revenues, and Condition 20 does not create this level of control of revenue from PAF: Condition 20 is complied with if the charges for provision of PAF are reasonable, overall revenues are immaterial. If there were to be a substantial increase in revenue due to increased demand for PAF this would give Royal Mail the opportunity to review its pricing structures.

4.12 Further comment is made at paragraphs 5.24 and 5.27 about the establishment of an independent body to review any major PAF development or investment expenditure proposals. Whilst Royal Mail accepts that it is appropriate for its current pricing proposals for PAF to be broadly revenue neutral, on current income streams and existing customer base, Royal Mail does not see that it is either appropriate or within Postcomm's powers to introduce an external body to review PAF development or investment proposals. Moreover, given that Postcomm states that, "*There is a real risk of developing an overly complex regime that imposes unnecessary compliance and administrative costs*" (paragraph 5.23), the references to external bodies to review any major PAF development seems to be contradictory and merely adding additional layers of administration and complexity.

4.13 Although Royal Mail rejects the proposal as expressed of the creation of an Advisory Board it does accept the principle of the need for greater injection of market requirements as market changes and sees this as being achieved through the PAF User Group and covers this point later within this response (paragraph 6.5). This body may well be used as a forum within which PAF initiatives are discussed and views sought, but it is not envisaged that this body would review specific investment proposals. Royal Mail as owner of the file must still retain the right to follow internal disciplines and procedures against which investment cases are judged. There is a danger of

micro management of an asset that is owned and operated by Royal Mail and which is also already heavily regulated through the Licence issued to Royal Mail. Additionally, Postcomm already has significant powers provided under the PSA 2000 and through Condition 16 of Royal Mail's Licence.

5 Chapter 6 – Competition Issues

5.1 Within this chapter (paragraph 6.33) Postcomm sets out six specific proposals (in italics) on which it invites views, and which relate to five areas of concern that it raises:

- Current PAF management arrangements,
- Use of information,
- Inequality of access to PAF and postcode allocation,
- Undue preference or discrimination, and
- Reasonableness of charges.

We respond in relation to these points below in connection with the specific proposals.

- *Royal Mail create a separate, clearly ringfenced, business unit exclusively responsible for the maintenance, development and distribution of PAF and ensure appropriate controls are employed to prevent unfair advantage occurring to Royal Mail or any third party.*

5.2 Royal Mail accepts the need for changes to the operation of its PAF activities and has made clear to Postcomm its intention to create a ringfenced data set – PAF – with activities related to the management, maintenance and provision of PAF data similarly ringfenced and provided via the Address Management Unit. Postcomm is aware of progress made and plans to finalise this activity. Royal Mail is currently taking steps to ensure that a clearly ringfenced PAF data set exists, with all the ancillary maintenance, production and supply functions provided via the Address Management Unit. As part of this activity the AMU will ensure that appropriate SLAs are in place with Royal Mail's Operational business and Prism Alliance, Royal Mail's technical solutions provider, as well as with external providers of address change information (based on criteria currently being developed). The terms under which PAF data is provided to Royal Mail shall be the same as those appropriate to other similar users.

- *Any postcode or postal address information made available to internal users or resellers is made available to external users*

5.3 Royal Mail will adhere to providing external postcode or postal address information to external users or resellers based on the legal definition of PAF. As Postcomm itself acknowledges, PAF is now much more than a delivery tool for providing postal services and as such has, and is being developed, for purposes

beyond those required under the Postal Services Act 2000. As set out earlier within this response, the Postcode Address File (“PAF”) is defined as:

- (c) “(a) A collection of relevant information which immediately before coming into force of this section [S. 116 PSA 2000], was owned by The Post Office, or
- (b) that collection as it is from time to time revised ...”

Relevant information is defined as:

“postcodes in the United Kingdom which may be used to facilitate the identification of delivery points for the purpose of providing postal services”.

5.4 As such Royal Mail will ensure that those elements of the PAF database that are used to facilitate the identification of delivery points for the purpose of providing postal services (i.e. postcodes and address information, along with the address keys required to decode the information²) are provided to external users on the same basis as they are provided to Royal Mail. Additionally other elements such as Mailsort Codes and Delivery Point Suffixes, will continue to be supplied with this core PAF data on the same terms to all postal operators, including Royal Mail. For the time being this additional information will be supplied with the core PAF data, but in the future Royal Mail may consider making it available separately.

- *Provision is made for new postcodes to be allocated to other postal operators for private box addresses*

5.5 Royal Mail does not believe that this proposal is viable. Historically each Post Office (PO) Box is allocated a unique postcode, which is used to facilitate the sortation and segregation of mail from the normal street address. Traditionally most PO Boxes are used by businesses which are either located within Town or City centre areas or other areas such as industrial retail parks. This has concentrated the demand for postcodes within the main commercial centres of the UK and the ongoing demand for PO Box services, together with the increased number of housing developments nationally has resulted in greater pressure on the UK postcode system to meet the need for additional postcodes.

5.6 It is important to recognise that there are a finite number of postcode sectors that Royal Mail can introduce and many areas around the country such as London N1, NW1, NW10 and Liverpool L1-26 are already utilizing all of the sectors available to them.

5.7 Royal Mail currently has in excess of 145,000 Boxes PO Boxes nationally which are held on PAF and to introduce a new demand for postcodes from a potentially increasing number of 16 new licensed postal operators (DHL Box, TPG Box, UK Mail Box etc) would potentially place enormous and unsustainable demands on the Postcode system with the consequent that there would need to be wholesale

² Data is stored in alphanumeric form on PAF; the address keys are necessary to make the information meaningful.

changes to the PAF dataset that could lead to a significant recoding exercise across many of the UKs major cities.

5.8 Royal Mail, unlike any other Licensed Operator is in the unique position of having to provide the Universal Service Obligation as set out in its Licence and as is the primary duty levied on Postcomm under the PSA 2000. With this comes certain responsibilities and demands, for example the management of Postcodes. The provision of PO Box codes over and above the process that is currently in place, would, as stated above, create considerable pressures on the existing Postcode system that could ultimately increase the number of occasions when postcode exhaustion occurred. Considerable resource has been spent on developing ways to prevent the need for postal recodes, which are known to negatively impact both social and business customers and the Address Management Unit has successfully moved away from the previous requirement to recode on a twice yearly basis. Any obligation to provide PO Box codes to other postal operators would undoubtedly increase the likelihood of recodes being necessary in certain areas on a six monthly basis. Moreover, there is nothing to prevent other postal operators creating their own version of PO Box codes, as is currently the case with DX addresses and hence no competitive disadvantage to other operators if they are not granted postcodes for each postcode. The systems that they develop need not even be a stand-alone system along the lines of the DX model, but could simply take the form of adding extra information to the name or address details on an item.

5.9 Given the concerns set out above Royal Mail does not consider it to be feasible to allocate individual unique postcodes for other operators' private box services, nor is it necessary to do so for operators to provide PO Box type services.

5.10 The facility to receive updates for PAF to the same time frame as Royal Mail does already exists in the form of Daily Updates via the Royal Mail website. This service is open to all users and no restrictions are made on who can access this data. It is for individual users to determine whether they want to use this access channel or not.

5.11 Concerns were also raised in the document that Royal Mail could discriminate in other ways against its competitors, such as through refusing to allocate postcodes to new delivery points (or not doing so quickly enough). Any such approach would be counter-productive as Royal Mail Operations would want a postcode for a new delivery point as soon as possible.

5.12 There is no evidence to suggest that Royal Mail shows undue preference or discrimination towards PAF resellers or end users. As discussed, Royal Mail will be taking steps to ringfence the PAF dataset and set in place SLAs with Royal Mail Operations (see below). However, it is likely that there will always be a degree of scepticism expressed by third parties but that does not mean to say that Royal Mail has not conducted its business in an appropriate manner.

- *Royal Mail should introduce clear, objective and non-discriminatory contracts for inter-business unit transactions and external supply arrangements*

5.13 Royal Mail accepts that objective and fair contractual arrangements are necessary and as stated earlier within this response Royal Mail, via the AMU, is working to deliver internal agreements for the provision of PAF services. In particular this covers the provision of PAF validation information from Royal Mail Operations and through Royal Mail's technical supplier, Prism Alliance. In addition, initial discussions have already been held with the view to establishing an appropriate SLA with IDeA, on behalf of Local Government Authorities for the provision of address change data.

- *Royal Mail should adopt explicit operational Chinese Walls to restrict information flows and avoid the possibility of Royal Mail driving an unfair commercial advantage. Royal Mail should consciously assess the risk of undue preference or discrimination when designing terms and conditions for access to PAF.*

5.14 Royal Mail recognises the importance of appropriately managing the data flows that will come into the AMU and takes full cognisance of its duties, regarding its obligations in this area. Royal Mail undertakes its responsibilities in respect of compliance very seriously and has adhered to these within the AMU where safeguards are already in place in respect of the flow of information from the AMU to other parts of Royal Mail, such as the Marketing teams developing data products.

5.15 In addition safeguards will also be delivered, over and above those that currently exist, through the introduction of commercial SLAs both with internal and external suppliers and customers as well as the removal from the AMU of activities that do not relate to its management of PAF, for example, management of National Change of Address data. The creation of a profit and loss balance sheet will also demonstrate the clarity that exists between the operation of the AMU and that of Royal Mail. This will also be shown through the provision of data to Royal Mail by way of a commercial licensing agreement.

5.16 Royal Mail is very aware of its obligations in this area. The terms and conditions for access to PAF have been developed and will be reviewed with this in mind

6 Chapter 7 – Transparency and Accountability

6.1 In this chapter Postcomm sets out its thinking with regard to how Royal Mail captures and makes available information related to PAF costs and incomes, and how it envisages Royal Mail communicating with users of PAF and in particular seeks input from key user groups into its ongoing management of PAF. Specific proposals (paragraph 7.24), with Royal Mail's comments, are as follows:

- *The disaggregated auditing, reporting and accounting separation provisions of "licensed services" in Condition 14, be applied to PAF.*

6.2 As explained in Section 3, Condition 14 does not require the separate reporting of accounts for PAF, however, Royal Mail recognises the use of Condition 14 type arrangements as an appropriate means of providing more detailed regulatory information to Postcomm, albeit under current arrangements on a voluntary basis. Royal Mail wishes to be proactive in this area and would therefore see detailed

information being provided to Postcomm as part of Doc B of the Regulatory Accounts, as with other products and with information being published and made available to other interested parties, at the aggregate level.

- *Royal Mail should introduce clear, objective and non-discriminatory contracts for inter-business unit transactions and external supply arrangements*

6.3 This proposal has already been addressed through the responses provided in Chapters 5 and 6 above.

- *Royal Mail ought to publish consultation standards and guidelines setting out the process that it will follow for relevant decisions, in addition to those already provided for in the PAF Code of Practice*

6.4 Royal Mail takes seriously the need to consult with users of PAF on a wide range of issues, including licensing, pricing, quality and technical alterations to the file. It has most recently demonstrated its commitment in this area through the consultations it has held over licensing and pricing but notwithstanding these examples, has for several years shared information and sought feedback on initiatives, such as PAF Validation, with the PAF User Group Executive. This Group has on very many occasions been consulted by Royal Mail and has provided feedback that has been reflected within revised Royal Mail proposals. The need to consult with users of PAF is therefore recognised and will continue. It is very important for Postcomm to recognise (as Royal Mail believes the market does) that the AMU will never be in a position to meet the requirements of all of the stakeholders on all of the occasions as the various VARs, for example compete against each other in the data market. The AMU believes that it has, through its consultative process and iterations, produced a licence framework and pricing policy that meets the objectives of fairness, reasonableness and non-discrimination. The lack of serious complaints about the AMU as recognised by Postcomm is testimony to its equivalence in this area.

- *Royal Mail should publish explanatory notes in relation to each relevant decision*

6.5 Royal Mail believes that the dialogue it has with the PAF User Group should continue to be the means through which it provides conformation as to why a particular decision has been taken. However, decisions need to be taken on a day-to-day basis and it is therefore important that there is acceptance that only issues of genuine significance, for example, licensing changes, are reported upon. The process that exists has worked well and is appropriate whereby Royal Mail shall set out the particular issue, communicate this to users (using written communications, forums, one to one meetings, as appropriate), seek feedback, review and amend the proposal as appropriate and then communicate its agreed course of action together with an explanation as to why this action is being taken. This process has worked well and has been well received by stakeholders.

- *Royal Mail should introduce, after consulting with stakeholders and Postcomm, a PAF Advisory Board consisting of industry experts and reflective of key user groups. The Advisory Board would be consulted by Royal Mail and have direct access to the decision maker within Royal Mail and also Postcomm*

6.6 Royal Mail contends that the objective of injecting market requirements into the AMU (the provider of the PAF dataset) has been established and undertaken for a number of years through the work of the PAF User Group Executive, an independently elected group of PAF users. Moreover, Royal Mail contends that this has been successful. This body has been involved in, and Royal Mail has sought to obtain input to and feedback from, the development of the PAF dataset. Royal Mail recognises that the changes to the market, including a fully liberalised postal market requires changes to this body to represent wider PAF usage.

6.7 Royal Mail's solution is not to replace the current structure, which has been operating successfully and efficiently, with a different body but to enhance the PAF User Group by, for example, including within the membership postal operators including Royal Mail (this is important given that Royal Mail Letters has the Universal Services Obligation and with the PAF activities being ringfenced) and other Licensed Operators and stakeholders. This widening of the representation of the PAF User Group, Royal Mail believes, will deliver the objective of greater market involvement without bureaucracy. Royal Mail understands that this approach is supported by the PAF Executive User Group.

6.8 The approach proposed by Royal Mail would appear to meet Postcomm's overall objectives, but in a way that is more appropriate to "light touch regulation". A commercial organisation, even one that is dominant in the relevant market, is not required to consult on every decision that it makes. The lack of complaints received by Postcomm over the five year period that the Royal Mail Licence has been in operation, the number of stakeholders involved and the value of the data market (at over £250m) leads to the conclusion that overhaul is not required.

6.9 Postcomm provides an example of an Advisory Board (Annex D). As explained above, Royal Mail believes evolution is necessary and would meet the changes required through a revision to its existing constitution and AMU will in consultation with the current PAF User Group, seek to develop a sensible constitution which ensures that the key issues related to addressing standards, hygiene and the promotion of good addressing initiatives are given appropriate prominence. Clearly, the Group would also continue to be consulted on licensing and data quality initiatives. Additionally, terms of reference would also need to be developed which would deal with the membership and other administrative arrangements. Royal Mail believes that this expanded PAF User Group would have an important role in continuing to provide valuable input, comment and debate around significant PAF related issues, but reiterates that ultimately all PAF related commercial and technical decisions shall rest with Royal Mail as custodian of the data.

- *Royal Mail should publish specific PAF related statistics, in particular information about total costs and revenues, PAF investments and PAF usage (by segment and licence type); on an annual basis*

6.10 As stated earlier within this response, Royal Mail will be operating the PAF data set on the basis of a form of Profit and Loss account. The P&L will be made available to Postcomm for auditing as if it were part of Royal Mail's regulatory accounts. Royal Mail is not required to make such information available to third

parties and considers that it would be inappropriate in a commercial environment to do so in detail. However, Royal Mail will provide information voluntarily to Postcomm, who may ask for further information under Condition 16 of Royal Mail's Licence if they consider it necessary, and make available information to other stakeholders at the aggregate level. Additionally, the fact that Postcomm can ask for such information should offer sufficient assurance and protection to third parties.

6.11 Royal Mail believes its PAF Validation process will over time improve the accuracy of the file and is happy that information on this be shared periodically with Postcomm and users.

7 Chapter 8 – Licensing

7.1 With regards to Postcomm's proposals on Licensing, the following points are made (paragraph 8.26):

- *The licensing regime should be non-discriminatory but recognise that in certain circumstances, and where objectively justifiable, it may be appropriate to distinguish between PAF users*

7.2 The current licensing regime is non-discriminatory, in accordance with Royal Mail's Licence and competition law. With regards to flexible licensing, much work has been done to create a scalable and transparent model. Postcomm is right to point out that there may be valid reasons, in some circumstances, for distinguishing between the types of users. As noted above, Royal Mail has been trying to move towards a new licensing framework and has consulted extensively on its proposals.

7.3 Royal Mail is seeking to reduce the entry price for PAF to a level that will encourage more companies to use the data in address capture software. Additionally, the lower price will also mean that companies that previously would have used Thoroughfare PAF, (due to its lower price), which has less address information within it, will move to using full PAF, thereby improving the quality of their addressing data and improving service levels to customers. The new licence and pricing approach will allow use of PAF across a wide range of products and services, thereby increasing companies use of the data which in effect will promote and promulgate the use of accurate addressing.

- *The terms employed to protect the IPR vested in PAF should be consistent with, and no more onerous than, the prevailing precedent established by European and UK case law*

7.4 We note and agree Postcomm's statements (paragraphs 8.21 – 8.24 of its document) that Royal Mail may impose appropriate terms in the licensing of PAF to ensure that its intellectual property rights ("IPR") in the PAF are appropriately safeguarded. Such protection of Royal Mail's IPR must of course be consistent with the statutory and licence duties to ensure that in any event that PAF is made available on reasonable terms so as to facilitate the identification of delivery points by other operators for the provision of postal services. Royal Mail does not over-extend its IPR.

7.5 With regard to the IPR, PAF is protected by database rights pursuant to EC Directive 96/9/EC on the Legal Protection of Databases and the Copyrights and Rights in Databases Regulations 1997, as well as individual PAF entries being covered by copyright. Database rights were created by EC law and brought into operation under the UK implementing legislation after the introduction of the present standard reseller agreement for PAF. Accordingly future reseller agreements will need to include appropriate provisions safeguarding Royal Mail's database rights (as well as copyright). Royal Mail has made substantial investment in the collection and assembly of the data included in the PAF, in the application of internal postcode and other coding, and in the software, IT and computer operations necessary to maintain the PAF.

7.6 It is necessary for Royal Mail to require resellers or licensees of PAF to impose corresponding restrictions on any sub resellers or agents of the reseller, so as to ensure that Royal Mail is able to take action against those users in the event of any use of PAF which may infringe Royal Mail's IPR. It is also necessary for Royal Mail to impose reporting and accounting obligations to ensure that appropriate financial returns are received by Royal Mail in respect of normal usage of the PAF and that PAF is not exploited in a way that circumvents the normal payment obligations. Such terms are necessary to avoid unfairness as between licensees and to avoid Royal Mail being deprived of proper return on its investment in the PAF.

7.7 In addition to IPR protection, it is necessary for Royal Mail to include appropriate provisions ensuring compliance by Royal Mail with data protection requirements under the Data Protection Act 1998, and ensuring compliance likewise by resellers. Whilst only very limited personal data is included in PAF, it is important for Royal Mail to impose terms in the licensing of PAF for the purposes of ensuring compliance with EU and UK data protection legislation.

- *The terms of the licence should be designed to maximise PAF usage and to encourage good addressing*

7.8 Royal Mail has sought to develop and believes it will introduce a new licensing regime that will reduce the entry-level price and thereby incentivise PAF usage. Furthermore, Royal Mail intends utilising some of the revenue received through the sale of PAF to encourage its use through an education programme thereby encouraging and promoting better addressing..

- *Postcomm does not propose to take an active role in setting PAF process or licence terms unless Royal Mail holds back on implementing these changes on a voluntary basis*

7.9 Royal Mail is fully committed to introducing a licence and pricing regime that delivers the benefits that the market requires. We do not consider it appropriate or necessary for Postcomm to take an active role in setting PAF prices or licence terms, and in any event consider that Postcomm does not have the power to do so. Of course, if Royal Mail were to set terms or prices that do not comply with Condition 20 then it would be for Postcomm to investigate and it may in those circumstances be appropriate for Postcomm to require certain, proportionate steps to be taken.

8 Chapter 9 – Maintenance, quality and development

8.1 Within this chapter Postcomm looks at the ongoing maintenance and product development necessary to ensure PAF retains its currency and value. In particular it makes the following proposals (paragraph 9.30):

- *Royal Mail should secure key sources of information necessary to keep PAF current by formalising supply conditions and introducing contractual arrangements with suppliers that include performance measures and incentives/penalties for performance*

8.2 As set out in response to earlier proposals, AMU will be introducing service level agreements for the provision of key sources of data, for example, from Royal Mail Operations and externally from Local Authorities.

- *Royal Mail should continue, with greater reference to external users (including an advisory board), to invest in and develop PAF*

8.3 Royal Mail has over a number of years invested resource to improve PAF not only for postal purposes but recognising that other stakeholders have a key interest in its development and growth. This is demonstrated by the turnover of the data market linked to PAF. This investment has resulted in the continued provision of a top quality data set. Consultation with a wide range of users and different stakeholders does take place and opportunities for feedback on proposals are sought. The Licence consultation is a recent example of where Royal Mail, via the Address Management Unit has proactively communicated with stakeholders, utilising written communications, group forums and workshops as well as face-to-face meetings with key Royal Mail personnel. Royal Mail expects that consultation of this nature will continue in the future on issues of similar significance.

- *Royal Mail develop, in consultation with stakeholders, and publish on its website, quality measures and targets for PAF*

8.4 The AMU is not opposed to publishing details of the quality checks and balances that are in place to ensure PAF is maintained as accurately as possible. However, as Postcomm knows, the previous bi-annual PAF accuracy measure is being replaced with an ongoing PAF validation process through which each entry on PAF will over time be validated and given a date stamp against which future levels of confidence in the address details can be gauged. Royal Mail is happy to share this information with users.

- *Performance against these targets should be measured, with annual performance against targets published. This should include analysis of any exceptions or where it has failed to meet targets and the steps taken to ensure those targets are met.*

8.5 The introduction of a PAF validation measure does mean that it will be possible to provide details of the proportion of the file that has been validated, for example 80% of PAF has been validated and now includes a date stamp against each

address. That is not to say that the remaining 20% is inaccurate, but rather that it has not yet been validated. Expected levels of validation could be shown.

9 Chapter 10 – Ownership

9.1 Royal Mail welcomes Postcomm’s recognition that a legislative change would be required in order to give Postcomm the power to enforce ownership separation. We do not believe that it is necessary in any event as the steps that Royal Mail is proposing will appropriately deal with the issues that Postcomm has highlighted in its consultation document. Ringfencing the PAF data set should in particular address any perceptions around the manner in which Royal Mail conducts itself with respect to PAF.