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18 March 2013

**Freedom of Information Act Request - Request for Internal Review**  
**Your ref: DTUP-952HHC**

Dear Sirs,

Thank you for your e-mail and letter dated 15 March 2013.

Please pass this on to the internal panel that conducts Freedom of Information reviews.

I am writing to request an internal review of Royal Mail's handling of my FOI request ref DTUP-952HHC in respect of information held by Royal Mail and redacted from the non-confidential version of Ofcom's public consultation on the Postcode Address File (PAF).

At the time of writing Ofcom's consultation is ongoing, with a closing date of 21 March 2013.

Royal Mail has declined to provide the redacted information to me on the basis that it is exempt from disclosure under Section 43(2) of the Freedom of Information Act - Commercial Interests, after application of the 'public interest test'.

In my view Royal Mail has not presented an adequate argument for reliance on the Section 43(2) exemption, and has also applied the public interest test incorrectly. In the remainder of this letter I have set out some points in support of that view, which I hope the panel will consider.

Royal Mail's argument for the exemption is as follows:

"The Address Management Unit (AMU) is the team responsible for all matters relating to PAF. We consider that information that relates to the costs of this team, and specifically those costs which relate to the PAF, is commercially sensitive and exempt from disclosure under Section 43(2) of the Freedom of Information Act - Commercial Interests. Royal Mail's address products are well respected and there is competition for the products and services offered by the AMU. We believe that information relating to the costs of the AMU and the PAF would be likely to be utilised by our competitors in order to understand how to replicate our products. Any disclosure may in turn reduce any potential income from selling our address related products and impact on our provision of the Universal Service."

As a counter to that argument I would make the following points:

1. Most of the redacted information relates to costs "incurred by Royal Mail, absent the provision of the PAF product, in order to fulfil its obligations under the universal service". These figures are referred to in the consultation document as 'internal costs', and include the costs of frontline services provided to the AMU by Royal Mail Operations. The figures do not offer any separate insight into costs of the AMU team itself or into the costs of providing PAF products or services for external use.
2. Production and maintenance of PAF is a monopoly held by Royal Mail under statutory authority. PAF relies on address information provided to Royal Mail by local authorities under unique arrangements. Royal Mail has exclusivity in creating the official postcode and other data fields. There is therefore little or no potential for any third party to produce a data product in direct competition with PAF itself. A study of the economic value of PAF released last year by the PAF Advisory Board found no viable alternatives to PAF, and concluded that development of a true alternative to PAF "would require a full change to the whole infrastructure for postal operators and goods distributors, and migration for all commerce and public service provision to an alternative". While the AMU does face some limited competition for products and services based on PAF, the redacted cost figures are not specific to any of those products or services and could not plausibly be used by competitors "in order to understand how to replicate" AMU products.
3. Other financial information relating to PAF, including pricing and licence fee income broken down by industry sector market, is already published by Royal Mail. In a traditional competitive environment that type of information would normally be treated as commercially sensitive. In contrast Ofcom have said, in a discussion of whether PAF costs should be recovered from the universal services, they "doubt that the approach to PAF cost recovery will result in material competitive distortions either way." This strongly suggests that release of the redacted high-level PAF cost stack figures is unlikely to have an impact on competition for AMU products or services.
4. Even if it were the case that disclosure of this information had potential to reduce the AMU's income from selling address-related products, it is highly unlikely any such reduction would affect Royal Mail's provision of the Universal Service. Royal Mail's gross turnover for 2011-2012 was slightly more than £9.5 billion. The most recent annual revenue figure for the AMU is £27.5 million. It strains credibility to suggest that the Universal Service would be put in jeopardy by increased competition for 0.3% of Royal Mail's turnover.

In its response to my FOIA request Royal Mail recognised that Section 43(2) is a qualified exemption, and applied the public interest test as follows:

"We acknowledge that there is public interest generally in transparency and accountability. However, we do not believe that the requested information would significantly serve the interests of the wider public in this respect. Revenue streams, such as selling licences for use of the information contained on the PAF database is one way in which Royal Mail supports the six days a week universal service. We believe that the public interest in protecting the commercial interests of Royal Mail Group outweighs that of disclosure."

I would make the following points to argue that a correct application of the public interest test supports disclosure:

5. It is not clear from the response whether Royal Mail has considered the redactions in the Ofcom consultation document individually. The redacted information is not homogeneous. Some of the PAF cost stack figures relate to internal costs, with no clear connection to the revenue streams that Royal Mail generates from external provision of PAF products and services. In particular it is difficult to understand how disclosing the

estimated minutes per week per walk (spent by each postman or woman on verifying address data) would prejudice Royal Mail's commercial interests, since this activity arises purely from Royal Mail's PAF monopoly function. I would ask the review panel to ensure that Royal Mail has applied the public interest test separately to each of the various pieces of redacted information.

6. I certainly accept that there is a public interest in maintaining the Universal Service, and that both the PAF database and the commercial viability of Royal Mail are important to maintaining that service under the current postal framework. However Royal Mail has applied the Section 43(2) exemption based only on the potential impact on PAF-related revenue streams. As noted in point 4 above it is implausible to suggest those revenue streams by themselves underpin the Universal Service, and indeed Royal Mail's Universal Service obligation does not require it to produce commercial products based on PAF. Royal Mail is therefore incorrect in presenting support for the Universal Service as a significant factor against disclosure when applying the public interest test.
7. Royal Mail may have commercial interests, but it is also a public body and benefits from the investment of public funds. There is always a general public interest in ensuring transparency of accountability and the effective use of public money. However this is particularly the case in the context of monopoly arrangements such as PAF, where costs are less likely to be constrained by competition pressures. As you may be aware, the ODUG and others have recently questioned the scale of costs attributed to Royal Mail's PAF operations and there is an ongoing debate in civil society about the best arrangements for future provision of national address data. The redacted information is highly pertinent to those discussions. I would ask the panel to consider this as a factor in favour of disclosure when reviewing application of the public interest test.
8. A substantial portion of Ofcom's public consultation on PAF is taken up by consideration of the PAF cost base and the basis for recovery of those costs. One of the stated objectives of the consultation is to drive efficiency in the maintenance and distribution of PAF, and Royal Mail's cost base for PAF was explicitly brought within the scope of the review at the request of the Postal Affairs Minister. However the redactions made to the consultation document at the request of Royal Mail make it impossible for anyone without insider knowledge to comment with confidence on those parts of the consultation, or to effectively scrutinise the regulatory changes Ofcom has proposed. I would ask the panel to consider the effect of the redactions on the credibility of Ofcom's public consultation process as a strong factor in favour of disclosure when applying the public interest test.

Thank you for your attention to this review request. I look forward to your response.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Owen Boswarva', written in a cursive style.

Owen Boswarva