

30 June 2010

Royal Mail Group

Robert Whittaker

By Email: Request-21238-bxxxxxxx@xxxxxxxxxxxxxxxxxxx

Freedom of Information Unit
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Dear Mr Whittaker

Re: Freedom of Information Act Request

I refer to your email dated 17 February 2010 and my subsequent email dated 3 June 2010. We have now had a chance to consider further the points raised by you in your email.

In light of these and additional analysis by Royal Mail, I confirm that we are now able to disclose the information requested in your email of 17 February. Please find attached documents entitled as follows:

- AMU costs 2008-9 [with redactions]
- Revenue by Licence 2008-9
- Out-sourced providers and services they provide
- AMU IT costs 08/09 [with redactions]
- AMU hardware and software
- Description of the data supplied by third parties for use in PAF
- Data supply
- Staff costs by area

You will note that two of the documents are partially redacted. This information is being withheld under section 43 of the Freedom of Information Act 2000 (FOIA) as disclosure would be likely to prejudice the commercial interests of Royal Mail or a third party.

(i) AMU costs 2008-9

The information redacted relates to the cost details of outsourced services. As previously explained, following consultation with the providers of these services, Royal

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Mail is satisfied that release of this information would be likely to prejudice their commercial interests. The information would be of significant use to those third parties' competitors when the terms on which the services were provided are re-negotiated by AMU. I note that you accept this position in your email dated 17 February 2010.

(ii) AMU IT costs 08/09

The redacted information relates to the costs of certain IT services. AMU is currently reviewing these services in order to determine whether it would be more effective if they were outsourced. If a decision is made to contract these services out, the release of this information would be likely to distort any future tender exercise and affect the competitiveness of bids. Potential contractors would gain a valuable advantage in knowing the current pricing and costs details and could use this information to leverage their position in negotiations with Royal Mail.

Section 43 is subject to the public interest test. Royal Mail understands that there may be a level of public interest in the transparency of external contracts. However, there is also a public interest in ensuring that Royal Mail is in a usual, competitive position for negotiating contracts and in allowing normal market forces to operate. Royal Mail understands that its contractors will be aware of its obligations under the FOIA and that information may be made public as a result. However, the information in question is significant pricing information, the release of which would be likely to disadvantage these contractors, which may impact on the future interest of companies looking to bid for Royal Mail contracts. It is clearly contrary to public interest if Royal Mail is not in a position to secure services at usual competitive rates.

Further, as I have previously explained, the revenues and costs of PAF are subject to close scrutiny both by the regulator, Postcomm, and the PAF Advisory Board. The existence of both these bodies satisfies the public interest in ensuring that the AMU complies with the regulations which apply to this product. Royal Mail therefore believes on balance that the greater public interest lies in withholding this information.

I hope you are satisfied with the information we have provided. I understand you have made a formal complaint to the Information Commissioner's Office in relation to this matter following our delay in responding to you. I would be grateful if you would confirm to me whether you intend to pursue your complaint in light of the information we have now provided.

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I look forward to hearing from you.

Yours sincerely

Colin Young
Freedom of Information Manager
Company Secretary's Office

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Annex 1: AMU costs 2008/09

	£k
Direct Costs	
Staffing	1,267.20
Royal Mail UK Addresses CD	redacted
Royal Mail UK Addresses CD (New Supplier)	redacted
Licence Compliance (DQM)	redacted
Delivering the new licence	105
Agency fees	redacted
Marketing and Communications	18.1
Office Support	29.5
Travel and Subsistence (T&S)	99.1
Solutions Providers Database	redacted
Connect	redacted
Addressing Consultancy	0
Revenue Modelling	redacted
PAF Quality	43.8
PAF Advisory Board (PAB)	28.3
Data Supply	redacted
Finance and Fulfilment	180
PH Desk & IT Desktop Charge	128
Legal Costs (External)	redacted
Legal Costs (Internal)	102.6
Postage	256.8
Training	17.2
Web Development	16.4
	3,411.10
Customer Services Charge	
Postcode Enquiry Line	424.3
PAF Maintenance (Doxford)	2,061.90
AMU Overhead Charge	64.3
	2,550.50
Service Delivery Maintenance and Data Supply	
RM Address Validation	11,154.10
Service Delivery Penalty	0
Customer Reported Query	17.6
RM Data Supply Redirection	111.8
RM Data Supply Siebel	4.4
RM Quality Mailing	88.7
PAF Related Census	89.3
	11,465.90
Information Systems	
PAF System Support Costs	4,567.50
	4,567.50

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Annex 2 Revenue by Licence for 2008/9 (current)

Licence type	Revenue
System	£12.3m
Multi-system	£2.9m
Users	£7m
Clicks	£1.1m
Corporate	£0.8m
Data supply	£0.8m
Total	£24.9m

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Annex 3: Out-Sourced Providers and services they provide

DQM: auditors (ie check returns etc from solutions providers)

Dawleys: data management

Open: marketing services

Eulogy: PR

Landmark: database services

Bernard Hodes: recruitment

BMS: recruitment

Data Advance: training

CSC: hosting service for PAF and associated applications

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Annex 4 - AMU IT costs 2008/09

Exc. Vat		
Indicative Application expenditure	Total (£k)	
Wintel (NT) Charges		Basis of cost allocation
AMC H'line	0.0	
AMN (redacted)		AMU Specific cost
PAF (NT) (redacted)		
Postcodes On-line (redacted)		AMU Specific cost
Quick-Address Pro	23.5	AMU Specific cost
Postcodes online intranet (Replaces PAF above)	13.7	AMU Specific cost
Address Services (Replaces PAF above)	6.2	AMU Specific cost
UNIX Charges		
PAF (redacted)		AMU Specific cost
RMGTT/PAF (redacted)		AMU Specific cost
Main Frame costs (redacted)		
PAF (redacted)		AMU Specific cost
DR (redacted)		AMU Specific cost
ASSAM costs		
PAF (redacted)		AMU Specific cost
Type 1 (redacted)		AMU Specific cost
Type 2 (redacted)		Total value of ARCFs raised
Postcodes On-line Intranet:	9.2	AMU Specific cost
Postcodes On-line Internet:(redacted)		AMU Specific cost
AMN: (redacted)		AMU Specific cost
AMC Helpline		
Address Services (redacted)		AMU Specific cost
Quick Address Pro	4.4	AMU Specific cost
PAF Updates (redacted)		AMU Specific cost
AMC Online	6.9	AMU Specific cost
EAIS		
PAF	35.7	AMU Specific cost
I*Net - Storage		
AMC (redacted)		AMU Specific cost
Postcodes online (redacted)		AMU Specific cost
I*Net - Traffic		
PAF updates (redacted)		AMU Specific cost
Postcodes online (redacted)		AMU Specific cost
AMC (redacted)		AMU Specific cost
Postcode online finder app		
Cost to serve postcode finder pages (redacted)		Usage Apportionment
Address Finder	435.8	Usage Apportionment
PAF Product Media Production	219.8	AMU Specific cost
Ebusiness Management Services (redacted)		Overhead apportionment
Helpdesk, XFS, Security etc proportion of costs	620.7	Overhead apportionment

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Annex 5

AMU hardware and software	
Total Staff in Post	32
Vacant post	1
Test Machine	1
Total PCs (including Laptops)	34
Hardware/Software	Number of Users
Laptop	19
Desktop	15
Printer	6
Lotus Notes	33
Windows	33
Adobe Acrobat Professional	2
Adobe Acrobat Reader	33
Internet	33
Eicon Aviva	23
ESFS	9
Action/Request/System (Remedy User)	1
MS Visio	3
Citrix	31
Checkpoint/Pointsec	19
Respond 3	6
UK Adds	17
Symantec	33
Access	10
E-Learning	7
Brother Printer Driver	6
Omniture	1
AS400	6
ATG Control Centre 6	1
Adobe Photoshop 6.0	33
Terminal Services Client for CRS (AMN)	4
Autoroute	2
Siebel	1
Microsoft Project	1
Odyssey	5
Cisco Systems VPN Client	19
Microsoft Outlook 8	1
Microsoft Office Live Meeting 2007 (Webex)	33
Microsoft Office Communicator 2007 R2 (live messenger)	33

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Annex 6: Description of the data supplied by third parties for use in PAF

Third party	Description of data supplied
Local authorities in England, Wales and NI	Details of planned new build properties, house name changes, street name changes (data which is collated ancillary to the Local Authorities' statutory duties)
General Register Office for Scotland	Details of planned new build properties, addresses not on PAF for checking
Land & Property Services NI	General address queries e.g. address not on PAF, address on PAF but not yet built, duplicate addresses for checking (e.g. if house name and number so appears as two addresses but in reality is one)
Land Registry	General address queries (as above)
Environment Agency	General address queries (as above)
Local health authorities	General address queries (as above)
Ordnance Survey	General address queries, multiple residence addresses, duplicate addresses, addresses incorrectly held on PAF, addresses OS believe have been demolished but are held on PAF
Office of National Statistics	General address queries (as above) (related to Census)
TV Licensing	General address queries – addresses not on PAF or addresses they can't find e.g. not delivery points e.g. tv in a officers' mess but delivery point only at front office
BBC/Capita	As with TV Licensing
SAGA	General address queries (as above)
London Society of Chartered Accountants	General address queries (as above)
Sainsburys PLC	General address queries (as above)
Pharmacy 4U	General address queries (as above)
Centrica	General address queries (as above)
Customers	General address queries (as above)

Note: Royal Mail receives a lot of 'general' queries where people can't find an address on PAF either because it has been missed or more often because the file they are using is out of date and needs to be refreshed.

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Annex 7: Data supply

New wording

Question: Is data supplied under contract and/or in return for any payment?

Answer: Some data is supplied under contract and some is supplied voluntarily. On certain occasions Royal Mail makes contractual payments, sometimes goodwill contributions to costs and sometimes no payments at all. Royal Mail is looking to formalise all relationships going forward.

NOTE: PLEASE SEE BELOW FOR PREVIOUS WORDING FOR COMPARISON

Question: Is data supplied (i) under contract and (ii) for payment?

Answer: For the most part the address queries received by Royal Mail are dealt with as a general customer query and there is no contract or financial arrangement in place with the supplier. For the Census work for ONS and a small piece of work with GROS, Royal Mail has been paid for the address checking it has undertaken and for ONS this was under a legal agreement. Royal Mail is looking to introduce contracted work with its major address suppliers, i.e. those that submit more than 10,000 queries annually, but to date no formal arrangements have been established and no money has changed hands. With the Local Authorities Royal Mail makes a goodwill payment for each address that they provide. This is not done under contract.

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Annex 8: Staff costs by area (expressed in percentage)

	Address maintenance - £2.55m			
		%		
1	Updating addresses	84.90%		
2	Managing the postcode enquiry line	15.10%		
		100.00%		
	Address management - £1.27m			
		%		
3	Customer relationship management	13.03%		
4	Marketing	17.96%		
5	Customer services	14.65%		
6	Finance	8.22%		
7	Licensing	11.37%		
8	Quality control	25.73%		
9	Hd of AMU & support	9.04%		
		100.00%		