ODPM: HOUSING, PLANNING, LOCAL GOVERNMENT & THE REGIONS COMMITTEE

The ODPM: Housing, Planning, Local Government & Regions Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Office of the Deputy Prime Minister and its associated public bodies.

Current Membership
Andrew Dismore MP (Labour, Enfield and Walthamstow) (Chairman)
Sir Paul Beresford MP (Conservative, Mole Valley)
Chris Huhne MP (Labour, Sheffield, Brightside) &
Mr Allan Bhatt MP (Conservative, North East Bedfordshire)
David Clelland MP (Labour, Tyne Bridge)
Mr John Cassonings MP (Labour, Easington)
Chris Mole MP (Conservative, Gospel Ward)
Mr Bill O'Brien MP (Labour, Normanston)
Dr John Pugh MP (Conservative, Southport)
Christine Russell MP (Labour, City of Chester)
Mr Gary Streeter MP (Conservative, South West Devon)

† Member of the Urban Affairs Sub-Committee
‡ Chairman of the Urban Affairs Sub-Committee

Powers
The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 132. These are available on the Internet via www.parliament.uk.

Publications
The reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/publications/committees/comodevelopment_development_OU/media/committees/index.html

Contacts
All correspondence should be addressed to The Clerk of the Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is 020 7219 4632; the Committee's e-mail address is odpmenvm@parliament.uk.
TRANSPORT, LOCAL GOVERNMENT AND THE REGIONS COMMITTEE

The Transport, Local Government and the Regions Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Transport, Local Government and the Regions and its associated public bodies.

Current Membership
- Mr Andrew F Bennett MP (Labour, Dagenham and Rainham) (Chairman) *  
- Mrs Carolyn Davidson MP (Labour, Crewe & Nantwich) (Chairman) **  
- Sir Paul Beresford MP (Conservative, Mole Valley)  
- Mr Clive Betts MP (Labour, Sheffield Attercliffe)  
- Mr Gregory Campbell MP (Democratic Unionist, East Londonderry)  
- Mr John Cummings MP (Labour, Finsbury)  
- Mr Brian H Donohoe MP (Labour, Cunningham South)  
- Mrs Louise Ellman MP (Labour/Co-operative, Liverpool Riverside) ***  
- Mr Chris Grayling MP (Conservative, East and North) **  
- Helen Jackson MP (Labour, Sheffield Hillsborough)  
- Ms Dawn King MP (Labour, Bethnal Green and Bow)  
- Miss Anne McIntosh MP (Conservative, Vale of York) **  
- Mr Bill O’Brien MP (Labour, Normanton)  
- Dr John Pugh MP (Liberal Democrat, Southport) **  
- Christine Russell MP (Labour, City of Chester)  
- Mr George Spencer MP (Labour, Stoke-on-Trent South)  
- Mr Bill Wragg MP (Conservative, Leominster)

* Member of the Transport Sub-Committee
** Member of the Urban Affairs Sub-Committee

Powers
The Committee is one of the Departmental select committees, the powers of which are set out in the House of Commons Standing Orders, principally in SO No. 142. These are available on the Internet via www.parliament.uk.

Publications
The Reports and evidence of the Committee are published by The Stationary Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/completion/committees.html.

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FIRST SPECIAL REPORT

The Committee on the Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions has agreed to the following Special Report:


Introduction

This paper sets out the Government's response to the Transport, Local Government and the Regions Committee's report on Ordnance Survey (HC 481 published 22 June 2002).

The Government welcomes the Committee's recognition that Ordnance Survey represents a trusted brand both nationally and internationally and is seen as a leading mapping organisation by its users. The Government also welcomed the Committee's awareness that there are a variety of contexts, constraints and tensions surrounding a government organisation that aims to balance national interest and commercial considerations in the most effective way.

The Government is committed to the continued operation of Ordnance Survey within the most appropriate financial and business management regime. It operates in a complex world. Indeed, the Committee reports that Ordnance Survey produces a very wide range of products for different and often highly specialised markets. The paying customers range from individuals who buy single maps for as little as £3.99 to major companies and government departments who can pay in excess of £5 million per annum for licensed products and services. It is important that Ordnance Survey and its partners continue to be able to satisfy a range of user needs in the most effective way.

The pace of change in the technological and business environment for geographic information is increasing all the time. It is crucially important that there is a greater understanding of the power of mapping, address data, imagery, transport networks and development information within central and local government and the private sector. Up to date and accurate geographic data needs to be available and distributed in the most effective way at the right price, to ensure such that there is benefit for all sectors of the community.

The Government found the Committee's report helpful in providing additional focus and emphasis on a number of the most important topics facing Ordnance Survey management today and the various options for dealing with them. With officials throughout Government, but primarily within the Office of the Deputy Prime Minister and Ordnance Survey,direction and staff will continue to develop its business and contribute to the policy agenda that meets the needs of its diverse customer, partner and stakeholder base in the most effective manner.

The Committee's report focuses on how some of the current issues can be resolved and it highlights a number of conclusions. The Government's response to these is set out below.

(a) That Ordnance Survey were able to cut the price in the case of one significant service to business from £800,000 to £125,000 a year simply as a result of renegotiation suggests to us that a similarly vigorous series of renegotiations may prove advantageous to all parties.

The price reduction refers to ADDRESS-POINT, which is Ordnance Survey's major address generation product. Licences were substantially reduced from 1st April 2001. There have also been significant reductions for Royal Mail in the product within the Post Office Address File managed by Royal Mail, as well as data collected by Ordnance Survey. The price change was determined by a combination of carefully maintained costs and the impact of market forces.
The royalty arrangements with Royal Mail have not changed substantially. Ordnance Survey has also recognised the growing demand for customer licences for smaller geographic areas, and has adjusted the pricing structure accordingly.

ADDRESS POINT can be used in both consumer and business markets. It is a useful tool for more detailed datasets that has potential for increased volumes in deriving from a substantial price reduction. Overall revenue has remained almost unchanged as a result of the price change. Ordnance Survey's market research indicates that large geographic data mapping is unlikely to generate the same price reduction as volume increase scenario.

The Government has expected Ordnance Survey to ensure that its pricing and licensing policies meet the needs of the market place while maintaining the quality that is required.

In Britain, clear, accurate maps are necessary to so much of modern life and are an essential tool to an effective democracy. In making maps available for such purposes, it is reasonable for Ordnance Survey to charge the full cost of providing the maps whether on a website for downloading or in paper form. But the Ordnance Survey should not be seeking to obtain a return from provision of these services in order to cover its general overheads nor to contribute to the costs of map data collection.

It is not entirely clear whether this conclusion is directed solely at the use of mapping in the democratic election process as specifically highlighted in the Committee's terms of reference, which highlighted the provision and funding of maps for electioneering and data protection implications. In that regard, the Ordnance Survey website http://www.electoral-maps.co.uk would seem to be at the Committee's conclusion. Street mapping showing Constituency and Ward boundaries is provided free of charge on this website for the purposes of electioneering. Ordnance Survey has published the availability of this service within the main user community, and the feedback received from parliamentary and local government elections has been positive.

This conclusion is directed at the generality of Ordnance Survey operations but there is a conflict with the Trading Fund model that the Government has directed Ordnance Survey to operate within, and which has been reaffirmed following the recent Quinquennial Review of Ordnance Survey. Trading Funds are an important part of the Government's policy to generate returns on assets and reinvest in improving the infrastructure of the country. Ordnance Survey encourages users to generate a specific Return on Capital employed in the period 1 April 1999 to 31 March 2004. To achieve this, users of Ordnance Survey mapping data and information are asked to pay a fair market value for money and generates a small profit to Ordnance Survey for investment, and from April 2004, dividend payments to Government.

The Government believes that the user pays model best meets the market needs for up-to-date fit for purpose geographic information. Users who pay for services are best placed to influence the quality and up-to-dates of the mapping and data they need.

The Government requires Ordnance Survey to control its cost base, generate efficiencies in its operations and meet the market needs for pricing, delivery and content. Experience with Ordnance Survey operating as a Trading Fund indicates that pricing is not a major issue. The fitness for purpose of Ordnance Survey geographic data and maps continues to improve while prices are generally being held constant in real terms year on year.

(c) There is implicitly assumed that greater transparency in the way that Ordnance Survey uses the public funding passed to it under the National Interest Mapping Service Agreement, so that all parties can be satisfied that it is being used as intended.
The Government agrees with the need for transparency in the way that public funding is used within the National Interest Mapping Service Agreement (NIMSA). The NIMSA Annual Report and the NIMSA Review Group process are both designed to deliver this transparency.

NIMSA charges are audited every year and have never been the subject of adverse audit comment since NIMSA was established on 14 April 1999.

However, it is recognised that there is significant interest in the use of NIMSA funds and there may be scope for further information about the use of NIMSA funding to be made available in the public domain.

NIMSA Review Group will continue to develop improved reporting mechanisms. The NIMSA Annual Report will be the primary reporting document to be published. The Report for 2001/02 has recently been published and is available on the Ordnance Survey web-site at http://www.ordnancesurvey.co.uk in the About Us section.

(d) The Committee recommends that the Government provides funding for a long-term Pan-Government Service Level Agreement to ensure widespread use of Ordnance Survey data across Government, so as to ensure that Government gets the best value for money. This should be done by the start of the 2003/04 financial year.

The Government welcomes the Committee's recognition of the importance of converting the pilot into a sustainable long-term agreement and will work to identify an effective funding mechanism to achieve this in the earliest possible timescale.

Geographic information plays a vital role in policy and operational aspects of government activity, both central and local. An effective Service Level Agreement has been in place between Ordnance Survey and Local Government for nearly 10 years and this has led to a standardisation of geographic information practices in this sector. This in turn has generated efficiencies, Local Government has been able to influence improvements in quality and content of Ordnance Survey products.

The pilot Pan-Government agreement, implemented on 17 April 2002, has already shown the potential for significantly increased use of Ordnance Survey data within Central Government. Within the first six months of the pilot, the amount of data delivered to Central Government has already doubled in comparison to the similar period last year and the number of smiles has more than doubled from 40 to 86.

(e) The Committee concludes that there is a clear need to define the boundaries of Ordnance Survey public service and national interest work. If Ordnance Survey wants to enter into commercial activities we can see no reason why it should not do so, but these activities ought to be separately accounted for and its commercial arm should pay the same copyright fees as any other organisation/competition.

The Government accepts that there should be as much clarity as possible about Ordnance Survey's operating remit. It also recognises that Ordnance Survey operates in a dynamic public and private sector environment where technological and business change is occurring all the time. However, there is unfortunately no clear line between national interest and commercial activities.

All Ordnance Survey operations contribute to commercial revenue generation in some way, but in some cases the level of commercial revenue derived from market processes would not justify a separate approach to quality nationwide. Surveys and cybersecurity are merely working on national interest activity and commercial work thereafter. There will
always be a need for cost allocation between commercial and national interest activity. Work undertaken in rural and remote areas today may be crucially important in the future.

To ensure national consistency and quality, NIMSA contributes to some database collection and enhancement activities. The use of Ordnance Survey mapping during the recent Foot and Mouth outbreak and the regularly used Mapping for Emergencies (MFE) service show the benefit of NIMSA investment in a nationally consistent and up-to-date database.

The NIMSA Annual Report identifies two costs that are attributed to the not-for-profit activity; these have always been subject to audit and are also scrutinized closely by the NIMSA Review Group, chaired by OPMAC, at quarterly meetings. Additionally, the NIMSA Review Group regularly assesses the performance and value for money that NIMSA delivers and ensures that the NIMSA funding is focused on national interest activity and is not used to cross-subsidise products.

The Government policy for Ordnance Survey is quite clear. The organisation's primary focus is on the collection, maintenance, marketing and licensing of appropriate national geospatial datasets that underpin policy, planning and operations across the complete range of public and private sector activities. The Framework Document published in April 1999 indicated that Ordnance Survey would develop existing markets, enter new markets, increase efficiency and productivity, and facilitate the operation of government by collaborating with other data providers and users. It also stated that Ordnance Survey would introduce new geographical information and mapping-related products to meet essential national requirements or enhance user needs.

Ordnance Survey is charged with making its data and information available in a useful and effective way at realistic prices that meet market needs and generate a return on the assets (tangible and intangible) that it manages. The NIMSA element of this work is treated as 'not for profit' activity – NIMSA covers its costs and no more.

The Government believes very clearly that Ordnance Survey has not and must not engage in pricing and licensing policies that do not treat similar requests for data and mapping fairly and equitably, nor will it implement pricing and licensing policies that breach competition law. At the same time, users of Ordnance Survey data who develop commercial services based on such data must follow similar pricing and licensing policies.

(4) In light of the evidence received and the volume of current and past legal action between Ordnance Survey and its partners, there is a clear need for some form of independent arbitration so that conflicts could be resolved without going to the courts. The exact form of any regulator obviously needs to be considered in more detail, but there is also a clear need for some form of regulation, if only to arbitrate cases of dispute (paragraph 23).

The Government has carefully considered all the evidence presented to the Committee and, in terms of regulation, conflict resolution and arbitration has concluded that there is no need for additional formal regulation. Over the past fifteen years, the level of Ordnance Survey legal actions has averaged just once per year, no more than two in any one year. Virtually all disputes are resolved by discussion between the various parties. Given the current nature of the disputes that arise, it is considered that there are appropriate avenues for dispute resolution through the Major's Stationary Officer (MISO), the Office of Fair Trading, the Parliamentary Commissioner for Administration and the Courts.

Indeed, the forthcoming introduction of the Fair Trader Certificate by HMSO will introduce an additional effective channel for conflict resolution in respect of any concerns about Ordnance Survey's licensing policy.
(a) The Committee recommends that a panel of at least three advisers is established to advise Government on geographic information issues in order to avoid any possible conflicts of interests. Membership of this panel should include the Chairman of AGI, the Director General and Chief Executive of Ordnance Survey, and one or more representatives of the private sector (paragraph 35).

The Government recognises that geographic information covers a very diverse range of subjects, going wider than Ordnance Survey's datasets alone. It is also accepted that the Government should have access to a wider range of sources of advice on this issue such as those raised by the Select Committee. Discussions are taking place between ODPM, Ordnance Survey, and the AGI on how best to assess and incorporate these views into advice available to Ministers.

(b) The Committee is strongly opposed to Ordnance Survey's proposed transition to Government Owned Public Limited Company and sees no case at all for change from its current status. Ordnance Survey has experienced no problems with borrowing while operating as a trading fund. The Committee finds it hard to believe that the only way to pay staff better is by becoming a Government Owned Public Limited Company. The broad problems affecting Ordnance Survey, such as the definition of its boundaries of work, will not be resolved through transition to Government Owned Public Limited Company. It is inadvisable to impose on Ordnance Survey a legal framework designed for a commercial organisation, without a proper assessment of what the role of a national mapping agency should be and the extent to which it should be involved in commercial activities. The Committee recommends that the Government rejects the option of making Ordnance Survey into a Government Owned Public Limited Company (paragraph 31).

The Government rejected the option of moving Ordnance Survey to a Government Owned PLC when announcing the conclusion of the Stage 2 Quinquennial review on 23rd July 2002. The announcement stated that Ordnance Survey should maintain its current Trading Fund status within the guidance of an enhanced Framework Document (Official Report Column 19450).