

House of Commons  
Transport, Local Government and  
the Regions Committee

**ORDNANCE SURVEY**

Tenth Report of Session 2001–02

*Report and Proceedings of the Committee  
together with Minutes of Evidence  
and Appendices taken before the  
Urban Affairs Sub-Committee*

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## 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.

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### Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the memorandum number, eg OS 01.

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# TENTH REPORT

**The Transport, Local Government and the Regions Committee has agreed to the following Report:**

## **ORDNANCE SURVEY**

### **Introduction**

1. In accordance with our remit to examine the executive agencies of the Department for Transport, Local Government and the Regions (DTLR), the Urban Affairs Sub-Committee visited Ordnance Survey's Headquarters in Southampton in January 2002, and took evidence from the Director General in a one-off evidence session. During the course of this session wider issues emerged, and the Sub-Committee decided to lengthen the inquiry. The terms of reference of the inquiry covered:

Ordnance Survey's pricing structure in relation to copyright charging, the current pricing model's effect on planning appeals, licence fees for guide books, the cost of updating and maintaining databases, the effect of new technology on costs  
The provision of maps for electronic use, the funding of this, and the Data Protection implications.

2. The Sub-Committee's visit to Ordnance Survey (OS) took place shortly after the publication of the Stage 1 report of the department's Quinquennial Review of Ordnance Survey, which recommended that it be transformed into a Government Owned Public Limited Company (GOPLC). Ministers and OS have responded with enthusiasm to this proposal. The memoranda received by the Sub-Committee and the evidence taken during the visit to OS highlighted a number of issues requiring further examination. The Sub-Committee was not convinced that the Quinquennial Review had adequately addressed these wider issues; for example, the dual role of OS as a public service provider and a commercial organisation<sup>1</sup>, the boundaries between OS's operations and those of its licensed partners;<sup>2</sup> the difficulties caused in pricing and copyright negotiations by OS's dominant position in the market; and the availability and cost of OS data. The Sub-Committee decided to hear at first hand from some of the witnesses who had raised these concerns, and from the responsible Minister at the DTLR.

### **The Quality of Ordnance Survey's Maps**

3. There is little doubt that OS's maps are extremely popular and are of a high quality. OS represents a trusted brand both nationally and internationally. As the Director General noted in evidence:

"The Ordnance Survey brand is known throughout Great Britain and in fact throughout the world".<sup>3</sup>

OS generally exceeds international comparators, particularly in its 1:25,000 scale range and other maps used for walking. The Association of Geographic Information (AGI) confirmed OS's prominent international position in its submission:

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<sup>1</sup> See for example OS17

<sup>2</sup> See for example OS17, OS14

<sup>3</sup> Q2

"Ordnance Survey is seen as a leading mapping organisation by its peers... It has been active in collaborative ventures between European mapping agencies... Former Ordnance Survey staff have leading positions in the national mapping agencies of Ireland and Northern Ireland".<sup>4</sup>

Indeed the United States Geographical Survey has often sent staff to OS to learn the secrets of its success.<sup>5</sup>

### **New Technology**

4. In the 1980's OS's experiments with new technology were less than successful. OS is not at the cutting edge of technology, indeed the Minister stated in evidence:

"OS does not want to be at the cutting edge of technology because you sometimes need to be a little bit removed from it".<sup>6</sup>

However, these earlier digital experiments have paved the way for recent technological advances. For example, the current MasterMap project promises to be an:

"entirely new concept in digital map data, identifying each feature on the British landscape by a numerical code. OS MasterMap™ will give Ordnance Survey's customers and partners increased flexibility in choosing precisely the data they need".<sup>7</sup>

The MasterMap will eventually provide a bank of data of varying types which will be useful at many different levels. It will constitute a valuable national asset.

### **The Availability of Geographic Information - public access and charging policies**

5. OS produce a bewildering range and variety of products for different and often highly specialised markets. The paper maps for which OS is most well known for amongst the general public make up only a small fraction of its work, and produce just 7.5% of its annual revenue.<sup>8</sup> OS pricing policy is based on the classification of data products into large scale products, business geographics products and other products.<sup>9</sup> OS provided detailed information about its pricing structure and has made price lists available on the Internet as part of its attempt to ensure that its policy in this area is transparent.<sup>10</sup> OS charges typically cover charges for the use or reproduction of a set of data. Prices for business products and datasets are based on either an annual licence or in some cases on the number of computer terminals given electronic access to OS data. Use of data on the Internet is covered by an Internet licence fee which is the same as the price for the use of a product on a single computer terminal.<sup>11</sup> Pricing can be complex, although OS maintains that it has simplified its charging policy.<sup>12</sup> For some digital products there can be an initial charge, a data maintenance fee and a copyright fee. Some services are provided free on the Internet through the OS or other websites; but this is unlikely to be sufficiently detailed to be of use to commercial companies.

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<sup>4</sup> OS17

<sup>5</sup> OS17

<sup>6</sup> Q300

<sup>7</sup> OS22

<sup>8</sup> OS22

<sup>9</sup> OS22

<sup>10</sup> See OS22a

<sup>11</sup> OS22a

<sup>12</sup> OS22

6. The high cost of OS data, and the effects this has on its accessibility to users, was raised by many witnesses, including both small and large OS customers. The Association of Geographic Information (AGI) states that high prices have caused many problems, especially for small organisations and companies, hampering the development of:

“any significant secondary market for OS data”.<sup>13</sup>

English Nature complained about the effects of the high costs of data. It criticised the:

“damaging effect on our ability to fund essential work across English Nature and jeopardise both Biodiversity Action Plans and Public Service Agreement Targets”.<sup>14</sup>

The Herpetological Conservation Trust and the Bat Conservation Trust have told the Committee of the lack of freely available, good quality data and have stated that currently:

“the copyright and licencing fees serve to decrease the availability of information and add further procedural and financial barriers”.<sup>15</sup>

The Ramblers Association have informed us that the cost of larger scale paper products puts them out of their reach and that of other similar organisations.<sup>16</sup> The Central Council for Physical Recreation (CCPR) suggested that the OS copyright regime restricted the free flow of information to public and voluntary bodies.<sup>17</sup> The British Library complained that OS have been inconsistent in interpreting the 1988 Copyright Act.<sup>18</sup> Other witnesses told us that annual licence fees for data can be prohibitively expensive; it was argued that landscape planners should be able to buy data for limited time periods.<sup>19</sup>

7. Larger customers of OS have also raised concerns. Utilities companies, who provide 23% of OS’s revenue, have worries about new charging mechanisms. According to the memorandum from the Joint Utilities Group, the advent of digital mapping and Master Map are likely to mean 25-50% price increases for a type of information that utilities rely on.<sup>20</sup> Unless the utilities increase prices to cope with OS price rises, they will have to look for alternative means of mapping their assets. They will scarcely be able to justify higher prices to consumers without any increased business benefit.<sup>21</sup>

8. There is doubt as to whether high prices are justified by the costs to OS of data collection. Witnesses highlighted the reduction in the costs of surveying. What is more, much survey data is now collected “second hand” from developers and local authorities. Some, although by no means all, local authorities regularly update geographic data.<sup>22</sup> Updating data is therefore at least partially funded from the public purse:

<sup>13</sup> OS1

<sup>14</sup> OS1

<sup>15</sup> OS1

<sup>16</sup> OS10

<sup>17</sup> OS2

<sup>18</sup> OS10

<sup>19</sup> OS10

<sup>20</sup> OS10

<sup>21</sup> OS20

<sup>22</sup> Q83

"OS product pricing can take 'unfair' advantage from its huge volume of 'legacy' data, much of which requires very little updating and where the cost has already been amortised through the public purse".<sup>23</sup>

9. OS have put up prices for their small scale paper maps such as the Explorer range. This was not an issue that witnesses raised as a matter of concern. The Ramblers association were wary of further price rises.<sup>24</sup> OS justified these price rises on the basis that 50% of these maps are not profitable and that:

"customers must pay a fair price for our maps to help maintain the quality, consistency and national coverage of the range".<sup>25</sup>

10. On pricing policy generally, OS emphasised that a number of products used by business customers have recently reduced in price:

"Over the last two years, Ordnance Survey has held or reduced the price of its flagship large scale data products even though the Ordnance Survey investment programme has been extended substantially in the same period".<sup>26</sup>

The Director General of Ordnance Survey said in oral evidence:

"Since September 2000 our data prices have been held and we have seen many prices come down quite considerably. Landline, which is our large scale database, the precursor to OS MasterMap, had a five per cent reduction in prices: I believe in September 2000 we held the price. For our service level agreement we are under the terms of the agreement able to put the prices up by RPI. We did not do that last year. In our business geographies, they have continued to fall progressively and there are some data sets (a good example being Address Point) where we have completely looked at the market and the way that people wish to use the data and did some renegotiation with our partners in that, who are Royal Mail Consignia, and now we have dropped the price for a site licence from £800,000 to £120,000 per year".<sup>27</sup>

**That Ordnance Survey were able to cut the price in the case of one significant service to business from £800,000 to £120,000 a year simply as a result of renegotiation suggests to us that a similarly vigorous series of renegotiations may prove advantageous to all parties.**

11. OS pricing policy may be affected by proposals currently under consideration by HMSO whereby not-for-profit organisations would have to pay the same rates for public sector copyright information as private sector companies.<sup>28</sup> This could have serious implications for such bodies who currently benefit from reduced rates for OS products.<sup>29</sup>

12. Conversely, recent proposals from the European Commission may ease these problems in the future. AGJ have highlighted the European Commission draft legal framework *Towards an EU Framework for the exploitation of Public Sector Information (PSI)* published in January

<sup>23</sup> OS27

<sup>24</sup> OS10 from the Ramblers' Association states that it thinks that these products are still good value but are wary of further price rises

<sup>25</sup> OS27 Annex E

<sup>26</sup> OS22

<sup>27</sup> Q12

<sup>28</sup> OS18

<sup>29</sup> OS23, OS26, OS13

2002 that seeks to enhance access to public sector data.<sup>30</sup> This and other European initiatives such as the EU Draft Directive on *Public Access to Environmental Information* and the EC Director General Initiative *INSPIRE (Infrastructure for Spatial Information in Europe)*, are intended to assist individuals and smaller voluntary bodies in gaining access to data. The Minister told the Sub-Committee in writing :

"The EU Framework for the Exploitation of PSI currently proposes that public sector information should be made available at a price that ensures that total charges levied do not exceed the cost of producing the information. Ordnance Survey currently operates as a trading fund and is required to meet agreed performance targets, including a rate of return on capital employed. Depending on the finally agreed formulation of the EU requirement, the EU proposals could impact on the current OS trading model...The INSPIRE initiative currently proposes EC legislation that aims to ensure that geographic information is readily available for use by EC policy-makers and citizens. This provides an opportunity for the GB-wide standards advocated by Ordnance Survey to be adopted throughout Europe. The proposed legislation is likely to affect the market for geographic information and may impact on the current approach to the pricing and licencing of Ordnance Survey data".<sup>31</sup>

The European proposals were not considered at Stage 1 of the Quinquennial Review but will be looked at in Stage 2.<sup>32</sup>

**13. 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 web-site 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.**

### Mapping in the National Interest

14. Government funding is provided to support some of OS's activities which are not commercially viable but are in the national interest.<sup>33</sup> These activities include revision and maintenance of rural mapping which would be needed in case of emergency (e.g. the Foot and Mouth crisis). Such non-commercial activity is largely funded under the National Interest Mapping Service Agreement (NIMSA), at an annual cost to Government of around £14 million.<sup>34</sup> Some witnesses suggested that NIMSA funds should also be used to fund the production of paper maps to allow prices to remain low; but OS were concerned that subsidy of these products would breach UK and European competition law.<sup>35</sup> There were also allegations that OS used NIMSA funds to fund commercial activities. OS strongly denied that there was any cross-subsidy and explained in evidence that NIMSA funds were not used specifically for products or services, but rather contributed towards maintenance of OS's database.<sup>36</sup> **There is plainly a need for 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.**

<sup>30</sup> OS13b OS, UK Government and AUI have all participated in consultation exercises relating to this proposed Framework.

<sup>31</sup> OS17a

<sup>32</sup> OS17a

<sup>33</sup> OS13

<sup>34</sup> OS17

<sup>35</sup> OS10, OS22b

<sup>36</sup> OS14, Q19

15. Witnesses told the Sub-Committee that OS data, partially funded by the public and carried out in the national interest, is not used to its full potential by Government bodies and Agencies. DTLR has noted that 80% of Government data is spatially related, but that only 40 of a possible 500 governmental bodies actively use OS data.<sup>37</sup> Service Level Agreements (SLA) cover the rates and levels of provision of data, services and products from OS to public sector users.

16. Four years ago a consortium of fifteen Departments and Agencies joined together in an attempt to maximise their collective bargaining power in negotiations with OS.<sup>38</sup> This produced savings to them of more than £10 million a year. But most departments and agencies either continued with their own SLA or, as in the case of some major Departments such as the Home Office and the Department of Health, had no SLA. There are now plans for a "Pan-Government Service Level Agreement", which the Committee understands was started as a pilot in April 2002. This would bring together all Central Government bodies as a single 'customer' for a single global fee.<sup>39</sup> There could be significant savings.<sup>40</sup> Unfortunately no funding for the Pan-Government SLA has been agreed beyond the end of 2002. Although the value of geographic information has been recognised by the Prime Minister's Office and the Cabinet Office, no source of long-term funding has been identified.<sup>41</sup> **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 the Government gets the best value for money. This should be done by the start of the 2003/04 financial year.**

### **The Boundaries of Ordnance Survey's Work and its Relationship with its Licensed Partners**

17. OS cannot provide all the geographic data and services needed nationally. Some services and products benefit from being provided by the private sector. OS has a number of licensed partners who develop derived products and re-sell information and data. The evidence suggests that the boundaries between the work undertaken by OS and the work undertaken by its partners needs to be clarified, to avoid further conflict and misunderstanding.<sup>42</sup> There have been conflicts with other geo-data organisations, including some of OS's licensed partners. Some suggest that OS should focus its attentions on its core products leaving its licensed partners to develop derived products.<sup>43</sup> In some cases OS has started to develop and sell products which its partners are already selling, leading to ambiguity for customers.<sup>44</sup> One licensed OS partner claimed that OS had developed a product that the partner had pioneered and then had deliberately excluded the partner from involvement.<sup>45</sup> Some argue the lack of clarity also makes it very difficult for new businesses starting out in the geographic information industry. The possibility that OS may decide to provide a service using its vast resources of legacy data is:

"an important risk factor to be considered by any new enterprise within the GI sector".<sup>46</sup>

<sup>37</sup> OS 7

<sup>38</sup> OS 7b

<sup>39</sup> OS 7

<sup>40</sup> OS 7

<sup>41</sup> OS 2b

<sup>42</sup> OS 1, OS 2, OS 8, OS 14

<sup>43</sup> OS 2, OS 3

<sup>44</sup> OS 2

<sup>45</sup> LA 14

<sup>46</sup> LA 10

18. Copyright and pricing have long been areas of contention between OS and its partners, hampering these important relationships. In 2001, for example, OS won a £20 million payout from the Automobile Association after a legal battle over copyright. AGI argues that the reasons for such problematic relations lie in OS's dominant position in the market and its obligation to recover its full costs and make a return on capital employed. AGI told the Sub-Committee:

"This combination of circumstances makes Ordnance Survey's relationship with its major customers in local government, the utilities, central government and other agencies such as Her Majesty's Land Registry (HMLR) at times difficult. As a result Ordnance Survey become embroiled in many counter productive debates with its principle customers over 'fair' pricing. The effect of these debates is often to damage Ordnance Survey's relationship with its principal customers: to reduce the use of Ordnance Survey data in parts of government that cannot afford to pay the prices charged to other major customers, and to waste a great deal of time and energy amongst public servants pretending to be operating market based discipline".<sup>47</sup>

19. Ordnance Survey and the Minister responsible at the Department both denied that OS has a monopoly position in the market. OS's Director General said :

"we are not actually a monopoly. At large scale increasingly and also at smaller scale for a long time we face competition. The only monopoly area is the work we do in the uneconomic areas that we have talked about which are covered by NIMSA. That is the nearest thing to a monopoly"<sup>48</sup>

Whether or not OS are prepared to accept if they are seen by their customers and partners as a *de facto* monopoly. The problems OS has experienced with its customers and partners are undoubtedly linked to its powerful market position and its participation in both commercial and public service/national interest activities.

20. Some have suggested radical measures to help soothe the situation. AGI have noted in their memorandum that:

"it can be argued that Ordnance Survey, as the national mapping and geo-data agency, should withdraw from activities that can be carried out by the other companies or organisations or from the provision of products that can be supplied by a competitive private market".<sup>49</sup>

Accepting that it would not be simple to break down OS's activities into clear categories, it warned that "the disputes between OS and its partners threatened to tarnish an otherwise excellent reputation. Unfortunately, the Quinquennial Review failed to address this problem, which has been at the root of many of the complaints about OS received by the Sub-Committee. **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 the two activities ought to be separately accounted for and its commercial arm should pay the same copyright fees as any other organisation/competitor.**

<sup>47</sup> OS13

<sup>48</sup> Q66

<sup>49</sup> OS13

### An Arbitrator/Regulator for OS

21. The establishment of some sort of regulator or arbitrator could reduce the number of cases where OS is in conflict with other organisations, and provide a channel for grievances to be dealt with short of recourse to legal action. Some companies may be sensitive about complaining about pricing or business practice when OS is the monopoly provider of the raw data on which they depend.<sup>50</sup> Many of those who submitted evidence to the Committee were aggrieved, and some highlighted OS's difficulty in acting as regulator, supplier and competitor. There was concern about the involvement of OS in joint ventures which benefit from OS's "de facto monopoly status". Some have argued that the fact that OS participates in joint ventures with other parties concerning the supply of "non-core" services to an end user means that some companies are in direct competition with their supplier/licensor.<sup>51</sup>

22. In September 2000 the Cross Cutting Review of the Knowledge Economy was accepted by Government. It recommended that a "re-positioned" Her Majesty's Stationary Office (HMSO) should be established as a regulatory body to oversee Crown Copyright. There is currently a consultation process is currently underway to determine the exact role and scope of the repositioned HMSO. AGI told us that:

"it is proposed that HMSO will take on the role of regulator for both for bodies that disseminate government information at low or no cost (charges being levied only to cover the costs of that dissemination) and for trading funds, that are required to cover their costs in full".<sup>52</sup>

AGI highlighted the proposal in the discussion document that there should be full transparency of trading fund pricing policies and are concerned:

"this may make it necessary to remove price advantages that are enjoyed by, for example, the charitable and educational sectors".<sup>53</sup>

This is an example of the contradiction facing OS as a public service provider and commercial organisation as it may be asked by HMSO to distribute its main product, data, below cost. Obviously this would be at odds with commercial objectives.

23. Regardless of the outcome of the consultation process about the regulatory role of HMSO, the question of arbitration of disputes between OS and its partners and customers will remain.<sup>54</sup> Ordnance Survey are opposed to increased regulation and have stated:

"Whatever the theoretical benefits of regulation, they must be set against the costs of administration as well as possibly, the drag they may apply to the market by hindering the response of businesses to emerging opportunities. This is likely to present a significant obstacle in the case of geographic information, since the regulatory overhead would be very high in relation to market value".

The Committee is not convinced by this argument. **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**

<sup>50</sup> OS07

<sup>51</sup> OS07

<sup>52</sup> OS13

<sup>53</sup> OS13

<sup>54</sup> Indeed, HMSO regulation may cease to be applicable if OS becomes a Government Owned PLC.

to be considered in some detail but there is also a clear need for some form of regulation, if only to arbitrate cases of dispute.

### Advisers to Government

24. Both AGI's memorandum and a recent article in Geographic Information News highlight a possible problem with OS's role of official adviser to government on geographic information.<sup>57</sup> Government takes advice on issues such as the need for a definitive national source of information (national spatial data infrastructure) to avoid confusion such as that caused by the lack of standardisation of street names between the various national databases such as the National Street Gazetteer and the Royal Mail Postcode Address File. Some have been understandably concerned about a possible conflict of interest in OS's role of advising Government on such matters where OS is a key player in what it claims is a competitive market. As Robert Barr, one time Chairman of the AGI highlighted:

"Even with a super human ability to build Chinese walls, it is difficult to see how the role of adviser can be combined with that of Chief Executive of a commercially liberated agency, without conflicts of interest arising".<sup>58</sup>

25. OS have said that they understand some of the reasons underlying the views expressed by AGI and others.<sup>57</sup> OS has recommended a possible solution to the problem:

"One way forward may be establishment of a small team of experts to advise Ministers on geographic information policy across central and local government. We could envisage a team of three with a clear understanding of the potential of geographic information. Membership should comprise the chair of the Association of Geographic Information, the Director General and Chief Executive of Ordnance Survey together with a representative from the private sector".<sup>58</sup>

This is a very sensible proposal. **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.**

### The Way forward for OS - Transition to Government Owned PLC?

26. The Quinquennial Review of Ordnance Survey published its Stage 1 report in December 2001. This recommended that OS evolve into a Government Owned Public Limited Company (GOPLC) with government owning 100% of the shares. The Review considered other options for OS and found that:

"Whilst operation as a Trailing Fund is proving a successful step forward, the additional commercial freedoms offered by GOPLC are considered essential if the organisation is to drive out further performance improvements, achieve greater agility in the market place, and so deliver its full potential".<sup>59</sup>

<sup>57</sup> 14813, *Choosing the Best Route for OS*, GI News, April, May 2002.

<sup>58</sup> *Choosing the Best Route for OS*, GI News, April/May 2002.

<sup>57</sup> 14823.

<sup>58</sup> 14823.

<sup>59</sup> Quinquennial Review of Ordnance Survey: Stage 1 Report, C.M.G. Adrain, December 2001.

The responsible minister at DTLR responded in a written answer that:

"I am minded to accept the Review's recommendation and have authorised the Steering Group to proceed to a Stage 2 review which will be asked to undertake a detailed analysis of the best structure of the company, confirm the benefits and costs compared to the current Trading Fund status, consider the right operating framework, and propose a means of removing any obstacles which will influence the establishment of Ordnance Survey as a government owned company by 1<sup>st</sup> April 2003. Stage 2 will also investigate how further public private partnerships might benefit Ordnance Survey".<sup>60</sup>

Ordnance Survey welcomed the recommendation in a News Release which quoted the Director General and Chief Executive:

"If we become a government-owned company, we will be able to adopt the best practices of the private sector balanced by public sector ethos. It will ensure that we are able to develop and deliver our products and services more effectively, while continuing to provide national coverage of quality, definitive geographic information backed by the stamp of government integrity".<sup>61</sup>

When asked in oral evidence, OS stated that the main reasons for its support of the move toward GOPLC status were

an increased ability to borrow money and  
extra flexibility to pay higher salaries thus attracting well-skilled staff.<sup>62</sup>

It is likely that OS will become a GOPLC by 2003. We understand that the Minister is to make an announcement on the findings of Stage 2 of the Quinquennial Review before the 2002 Summer recess.

27. There is nothing to suggest that the proposed change to a GOPLC would address the problems of OS's status as a commercial and public service provider in terms of cost recovery, regulation, costs, competition and the boundaries of OS business; nor that the issues of borrowing money or rewarding staff are such as to be solved by a change in legal status. As the Director of AGI put it:

"Our view is that the case was not sufficiently well made in the stage one report of the Quinquennial Review. We appreciate that Ordnance Survey does find difficulty in attracting appropriate staff at appropriate levels of salary they are able to pay; but our feeling is that it is insufficient grounds for a recommendation that it should change from a trading fund to a Government Owned PLC. Our fear is that the greater commercial freedoms (although we are not exactly clear on what those would be) which a Government Owned PLC will allow it will further worry those who are potentially brought into competition with it, as it may extend its activities beyond its traditional role as the national mapping agency".<sup>63</sup>

28. Consignia, which recently became a GOPLC, is cited in the Quinquennial Review as an example where:

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<sup>60</sup> 19 December 2001.

<sup>61</sup> 19 December 2001.

<sup>62</sup> Q4

<sup>63</sup> Q179

"a commercial operation which has a strong public interest is enabled to operate within the private sector, covering its costs and building up reserves through its own commercial style operations".<sup>64</sup>

Recent examination of Consignia by the Trade and Industry Committee indicates that conversion to a GOPLC has not resolved the tension between public service obligations and commercial operation.<sup>65</sup> Indeed, it seems that the tension has only been further compounded by GOPLC status; Consignia must provide a key public service but is obliged to provide a return to its shareholder, the Government, even during financial difficulty. Basing the evolution of OS on the Consignia model could prove to be a dangerous misjudgement.

29. We are also aware that mapping agencies in other countries that are operated on a commercial basis have experienced problems. For example, mapping by the national mapping agency of the United States, for which state funding is not guaranteed, has often been out of date and has generally been less detailed than that generally offered by OS.<sup>66</sup>

30. Transition to GOPLC may be a step towards privatisation. The Quinquennial Review considered the option of privatisation and found that it was unsuitable for a variety of reasons. These included:

"The dependence of Government, businesses and citizens on the high quality data which would require a long term supply agreement which guaranteed supply whilst not allowing the provider to exploit dependence unreasonable; intellectual property issues; loss of a national asset and subsequent implications for the maintenance of public records; the current NIMSA (National Interest Mapping Service Agreement) by which the Government pays OS for "non-commercial" services which would be difficult to obtain from the private sector; the conflict between national and commercial interest; the need for greater regulation if the OS with its monopoly position were privatised; risk of endangering existing partnerships; and the likelihood that the cost and disruption would outweigh the benefits".<sup>67</sup>

However, the Review also recognised that conversion to GOPLC could be seen as a first step to privatisation, stating that there are some models of "Incorporated Organisation" that can be seen as "precursors to potential partial or full privatisation".<sup>68</sup> Even though the Review does not see the GOPLC model as a necessarily a step towards privatisation, it is always possible that the Government could consider selling some or all of its shares at a later date. The review stated in its discussion of the privatisation option that "Full privatisation requires an initial change of status to Government Owned PLC and a further move to sell the government shares".<sup>69</sup>

**31. 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**

<sup>64</sup> Quinquennial Review of Ordnance Survey, Stage 1 Report, CMG Admin., December 2001

<sup>65</sup> See Minutes of Evidence published as HC 453 v. It is expected that the Trade and Industry Select Committee will publish a report on this subject later in 2002

<sup>66</sup> OSU

<sup>67</sup> Quinquennial Review of Ordnance Survey, Stage 1 Report, CMG Admin., December 2001

<sup>68</sup> Quinquennial Review of Ordnance Survey, Stage 1 Report, CMG Admin., December 2001

<sup>69</sup> Quinquennial Review of Ordnance Survey, Stage 1 Report, CMG Admin., December 2001

**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.**

## LIST OF CONCLUSIONS

- (a) That Ordnance Survey were able to cut the price in the case of one significant service to business from £800,000 to £120,000 a year simply as a result of renegotiation suggests to us that a similarly vigorous series of renegotiations may prove advantageous to all parties (paragraph 10).
- (b) 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 web-site 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 (paragraph 13).
- (c) There is plainly a need for 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 (paragraph 14).
- (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 the Government gets the best value for money. This should be done by the start of the 2003/04 financial year (paragraph 16).
- (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 the two activities ought to be separately accounted for and its commercial arm should pay the same copyright fees as any other organisation/competitor (paragraph 20).
- (f) 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 some detail but there is also a clear need for some form of regulation, if only to arbitrate cases of dispute (paragraph 23).
- (g) 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 25).
- (h) 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).