

Dear Adam / Kamak,

I have a query relating to the consultation document issued on 31st March, which I hope you can clarify for me. I'm a member of the Postcode Address File (PAF) Advisory Board and my query relates to PAF.

In section 4.50 the document says:

"The performance of PAF against an agreed target operating margin continues to be important to us and stakeholders."

I'm aware that Postcomm, as the previous postal regulator, set a target range for PAF profitability in 2007 which was a voluntary target profit cap on PAF of 8-10% above operating costs.

However, my understanding is that this target was removed by Ofcom when it issued the PAF Review statement on 22nd July 2013. Section 6.32 of that says:

"With regard to the current profit cap, we remain of the position that this cap provides no incentive for Royal Mail to grow the take-up and use of PAF, as to comply with the cap it would have to reduce prices and would make no additional profit. It also creates a perverse incentive to increase costs. These incentives contradict the general objectives for our review, particularly our objective to ensure that the new framework incentivises wider take-up of PAF, and drives efficiency in the maintenance and provision of PAF. We consider that the profit cap should be removed with immediate effect."

I don't remember another profit cap or target operating margin being agreed, so my query is - what agreed target operating margin is now in effect?

Yours sincerely,
Ian Paterson.