COMREG's SYMPOSIUM ON POSTCODES

24th November 2003

Gresham Hotel, O'Connell Street, Dublin 1

INTRODUCTION BY CHAIRPERSON

Ladies and Gentlemen.

Welcome to ComReg's 2003 Postal Symposium on 'Postcodes'.   It is a great pleasure to see so many people gathered here today to discuss what of necessity is a very technical subject.

Very many of the names we give to places, streets and counties are rooted deep in Irish history, some are the result of developers' marketing research as to what will sell a new estate.

The needs of the postal services are often not so well served by these names. Since the advent of Penny Postage in the 19th Century the Post Office has been asking users of the post to use instead "postal addresses" devised specifically for the purpose of getting postal items to the intended recipient as quickly as possible. Some of these yield peculiar results with people living in a large part of East Clare for example, being required to use Limerick as part of their address for postal purposes.

In more recent times businesses and residents of Dublin are asked to use a District number. But district numbers may not be enough even in urban areas. In some cases it is still necessary to use also locality name, eg if you live in Pembroke Cottages in Dublin 4 the postman still needs to know whether it is the Pembroke Cottages in Ringsend or the one in Donnybrook. However, 40% of the Irish population live outside urban areas. Thus in many cases the address is limited to the townland or village name, and in which many families have the same surname, and individuals are often distinguished solely by nicknames.

Before the introduction of postal automation, the local knowledge of the delivery postman and the more general knowledge of the postal sorter ensured that the postal service was generally able to cope with the divergence from the official names for each townland, locality, street, town or county.   However, this way of organising postal services is too expensive and slow given modern postal volumes and costs of the various elements of postal services.

Throughout the world as Post Offices began to automate their sorting offices the need for a postal code that enabled each postal item to be sorted to its destination became an imperative. However, by the time An Post came to implement its automation programme in the early 1990's OCR technology had moved forward to such an extent that it was

considered feasible to dispense with a public postcode. Nevertheless to transfer the local knowledge of each postman into machine code based on an OCR reading of the address on an envelope proved a formidable challenge for An Post. The initial Irish automation programme was confined to Dublin, where a majority of mail is prepared by businesses, and it sought to sort the mail only to the post-town. This programme has now been extended to the whole country and will involve OCR sorting of most mail to the delivery post-person's route.

Furthermore, postal services are no longer the preserve of national state-owned Post Offices. There are many other service providers, both within the postal sector and outside it, that need a more precise and concise form of address than the traditional ones. For many of these a publicly available post-code, in general use by the population would be very valuable and I will set out the reasons why. If it is to be used in this way it needs to be simple and as intuitive as possible and many would argue that a public structured or partially structured postcode is easier to use than a map reference or Geodirectory code.

Which brings us to the core issues for discussion today.

In most countries the postal code was developed at a time when the public postal operator was a state owned monopoly. The driving force was operational necessity. The spin off benefits, both for the postal sector in terms of stimulating the direct mail market and its use by other operators, and for the economy generally, came afterwards.

There was no specific legislation requiring its introduction or use in those countries. It was done on the initiative of the postal operator and the postal operator has reaped the benefit of its initiative.

The fact that other sectors of the economy made use of the postcode has benefited the post by increasing the public awareness of the postal services. Nowadays the British Post Office reports that the percentage of mail with a postcode is in the high 90's, compared with rates of 70% around twenty five years ago

So what are the advantages and disadvantages of postcodes for the postal sector? Will they enable operators in Ireland to be more efficient? Or has technology moved on and is the postcode now superfluous to the needs of a postal operator?

Drawing on the replies we received to the public consultation we held earlier this year, and our own inquiries, it is possible to draw up a list of some of the key points. They will be challenged and crystallised during our symposium today.

Firstly, would post codes kill off local traditions and history bound up in place names? There are concerns that every townland name in rural Ireland will have to be replaced by road names and house numbers, although this is a red herring as we will see during the debate. You can have codes for the existing names right down to individual houses.

Before going into the detail on codes let me start by noting that 'postcode' is the term generally applied to a public code of numbers/letters which are requested or required by the postal service to be applied on letters by the public. An Post's codes are a non-public system which are not expected to be applied by the public – their machines read the address and stamp barcodes on them with the necessary coded information. In both cases, OCR machines read what is on the envelope and sort the letters into bundles for delivery to particular town or indeed even into particular postpersons' delivery route.

A postcode simplifies the task of sorting postal items by concentrating on the code on the envelope. Instead of having to read a traditional address with a variable number of words on one, two, three or more lines, the code is always the same format, and with the use of check digits it is possible for machines to validate that all the other information is correct.

To work at the optimum level, OCR machinery needs to be presented with the information to be read in a specific format; ideally printed in black on a white background, in a particular part of the envelope, with a particular typeface and intensity of ink. There are European standards that set out exactly what is required.

However, in Ireland a large proportion of envelopes are still handwritten. A postcode however might enable a proportion of these to be read by OCR machines and would simplify the task of coding the envelope for machine processing of those that can be automatically sorted. The question is – is this more efficient than the An Post system outlined below?

Because a postcode is unique to a particular address, or a group of addresses in close proximity, the sorter – whether human or machine – does not have to make a judgment as to which of many possible locations it might relate to.

For example the Ordnance Survey Dublin Street Guide lists 71 streets begining with GRANGE, including 4 Grange Road's, 3 Grange Park's and 10 Grange Park's with a suffix such as Rise or Road. And their Road Atlas of Ireland lists 285 places in Ireland beginning with BALLY, including 5 Ballyduff's, 4 Ballyglass, 3 Ballybrack, Ballydavid, Ballynamona, Ballynakill (and 1 Ballynakilla) and Ballynahown (and 1 Ballnahow),

When services are provided locally a woman going for a breast check up in Limerick might give her address as Ballylanders, and the clerk would enter it in the records as that. Another woman attending a similar clinic in Cork might do the same. No problem when services are provided locally. Both the clinics can identify their patient with reasonable certainty, and An Post or any other postal operator would get a letter containing the results of tests to the right destination.

But what happens when the sorting of mail, or the maintenance of records, is concentrated onto a single centre in Cork? Now the sorter needs additional information, such as the county name or the name of a near by town.

As I am sure we will hear today, keeping an address database clean and up to date is one of the biggest challenges for any modern business, be it a financial institution wishing to

maintain contact with its customers, a direct marketing company wishing to identify potential customers or a major hospital wishing to keep contact with its clients.

Most computer programmes now use the postcode field as the main means of sorting addresses and identifying duplicate addresses. How often have you connected to the internet and tried to book a flight or a hotel, or order goods. You are presented with a screen to enter your name and address and credit card details.

If you leave the postcode box blank you will invariably get a response such as YOU MUST ENTER A POSTCODE! Irish businesses have to pay a premium price for industry standard software to be adapted to cope with the lack of a postcode.

In an era when the provision of all types of services is being concentrated onto major centres, and in some cases to centres outside the country, that vital ingredient of local knowledge is often lost.

A structured, or partly structured, postcode written on the face of an item to be delivered enables the delivery person, however unfamiliar with an area to identify the broad geographical area in which to find the address. Linking it with a geodirectory system enables the precise location to be identified.

Time and money is often wasted trying to find the correct address and quality suffers also if the item has to be re-routed, in the case of our example, from the Ballylanders in Limerick to the Ballylanders in Cork. And of course these arguments do not apply only to postal services but to all other organisations that need to identify where to send their staff, eg the utility companies undertaking repairs and the emergency services responding to calls for assistance.

Turning to the disadvantages for a moment. The argument is made that the cost of designing and drawing up a national postcode address file would be very significant, there would also be significant costs in keeping the file up to date, and there would be a need for substantial publicity costs to advise customers of their postcode and to persuade them to use it. Major mailing companies would be faced with the costs of amending their address databases.

Is there a case to be made that Ireland does not now need a public postcode because An Post have already made a substantial investment in developing a database which their own sorting machines can interrogate to sort postal items in an efficient and effective manner, and that they have built up a significant file of aliases so that it doesn't matter whether the address is spelt as Kinsealy with an E or Kinsaley without the E it will still get through.

A counter-argument to this is that the non-public database is by accident or design a means to hinder competition. Postal services involve the collection, sorting, transportation and delivery of postal items, each of which according to the European Commission is a separate market. There is also the market for the preparation of mail

items in which until recently the major postal operators did not compete. An Post do sell their non-public database, but we are informed that the format does not meet the needs of other postal operators, nor it is appropriate for large companies involved in internet and telesales.

By using a coding system in An Post sorting machines which are not open and transparent and which seem not to be effectively usable by other operators it, is argued that it is difficult for new entrants to compete in the market for sorting. Customers who use other operators for the higher quality of service offered have to pay the extra costs that these operators incur as a result of the lack of a publicly available postcode.

If I could try to summarise key elements of the merits and counter-merits of these arguments. It appears that An Post has focussed resources on building up a database of how people actually address their correspondence and other postal items, and on persuading customers to present those items in a form that their machines can read – for example, specified positioning of address on envelope, limited range of clear typefaces etc.

Is this more effective and efficient than developing a postcode and persuading people to use it? Is it an appropriate way for Ireland to progress? Two points need to be reviewed.

The first is that An Post have obligations to provide a Universal Postal Service. The universal service is designed particularly to protect the needs of all customers. It may be feasible to expect An Post's business customers to present their mail in a machine readable format. But for many private customers and some smaller business this would impose significant and in many cases unreasonable costs. An Post has the obligation to ensure they get the same, improving quality of service – how is this to be achieved?.

The second is that it seems to be focussed almost entirely on the operational and production requirements of An Post. This is of concern in terms of enabling competition in postal services which is clearly needed to provide the stimulus to improving service quality and may have wider implications.

The volume of mail delivered to each household in Ireland is among the lowest in Europe, largely because the Direct Mail market is so underdeveloped. If postcodes had been introduced 10 or 20 years ago, when they were being introduced in other countries, would this most important part of the postal sector have developed differently? Would the introduction of a postcode now help to address this deficit?

Many of the arguments which we will hear today suggest that it is the "spin off" benefits from postcodes that are the most important. No only do they help the users of postal services keep the databases of their customers and contacts clean, accurate and up to date, reducing costs for both customers and operators by eliminating duplicate and incorrectly addressed items. Postcodes also make postal services a more cost effective advertising medium by enabling the message to be sent only to those who are interested. The more cost effective a service the more likely it is to be used.

Even if there was unanimous agreement that the introduction of a postcode in Ireland would have significant benefits for the postal sector specifically, or the economy generally, would a voluntary sector specific approach be acceptable or would there need to be legislation? And who should bear the costs involved in designing and maintaining the postcode file? It is interesting to note that the European Commission has recently provided funding through the PHARE programme to some of the small, new democracies in Central and Eastern Europe to enable them to introduce postcodes.

This is a very big agenda for today's meeting. And we need your co-operation in ensuring that we do not stray from that agenda.

We have divided the symposium into two sections.

The first, between now and the coffee break, will be chaired by Commissioner John Doherty and will focus specifically on the needs and concerns of the postal sector.

The second, after the coffee break, will be chaired by Commissioner Isolde Goggin and will focus on the needs of the wider audience and there will be an opportunity for An Post to respond. As you know the new Chief Executive, Donal Curtin, is currently undertaking a major strategic review and An Post may not be able to give us the answers to all our questions pending completion of that review process.

There will be an opportunity to ask questions after each session to clarify what our speakers have said, but we have a very crowded agenda and we want to leave as much time as possible after the presentations for each of you to put your point of view in the debate.

Following this symposium, ComReg will publish a report early in the new year. It will summarise the submissions we received in response to our earlier public consultation and the debate here today. And it will set out ComReg's conclusions on the topic and options for the way forward. There are many players involved and all interests will need to be considered.

So the time has come to hand over to Commissioner John Doherty to introduce the first session.

Etain Doyle
24th November 2003