Ordnance Survey

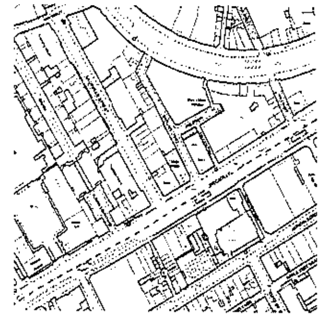
Ordnance Survey: mapping change

Confidential advice to Ministers – For the Minister and private office only

Sir Rob Margetts CBE
Vanessa Lawrence CB
Charlie Villar

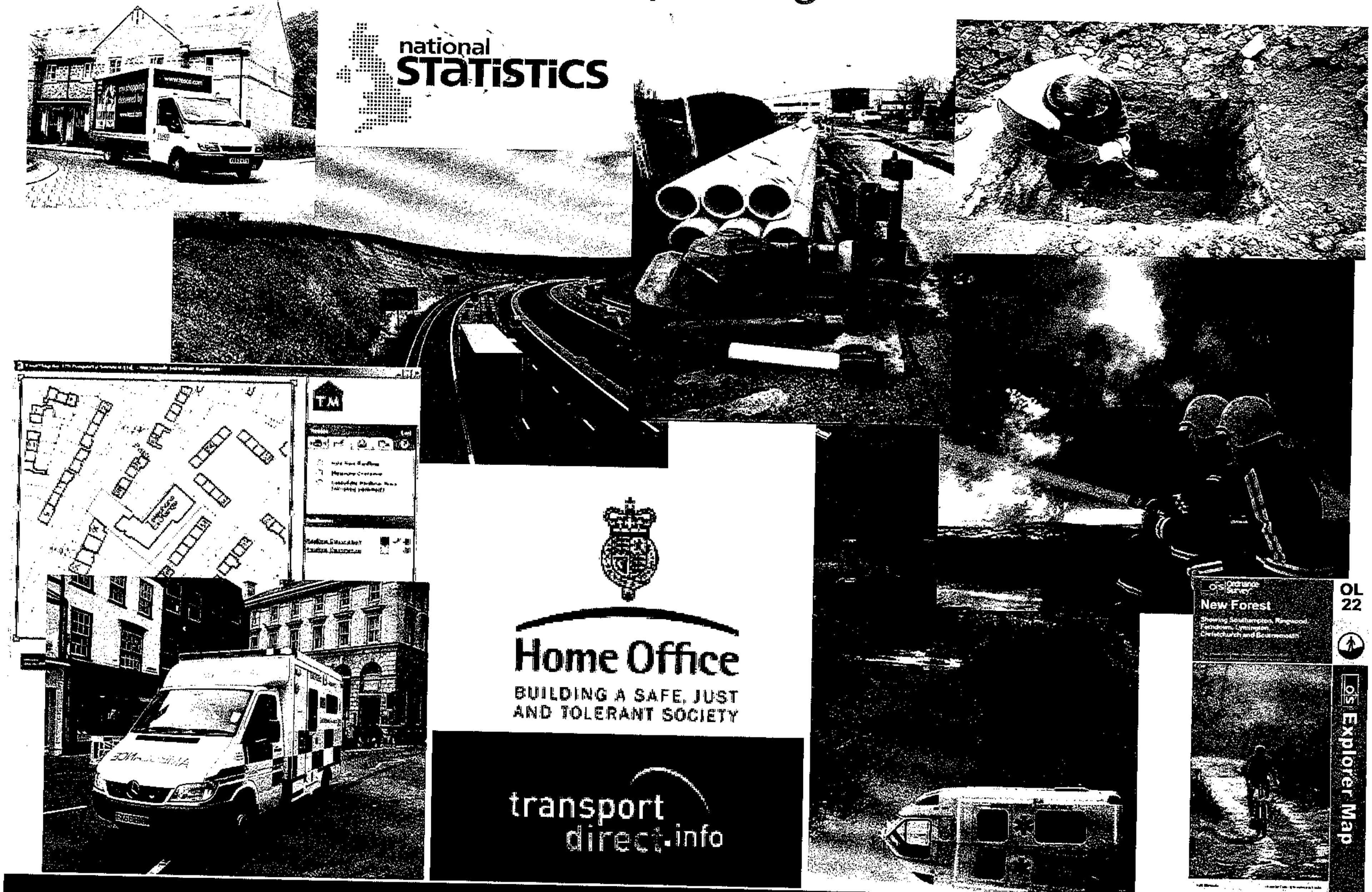
Ordnance Survey Great Britain

- Ordnance Survey maintains the digital 'master map' of Great Britain, including building level detail, every street and every kerb
- Trading revenues £117m. £102 million licensing data; £10 million map sales; £5 million from services
- Ordnance Survey meets the market need by servicing customers directly, via licensing the data to partners who create added value products and via a network of high street outlets
- Great Britain comprises of 240,000 square kms; the database holds 460 million features; 5000 changes are processed daily; 99.91% changes to real world features are shown within 6 months of collection; and accuracy is to within 40 cm on the ground
- Headquarters in Southampton with 30 field offices around Great Britain. Ordnance Survey employs 1430 staff



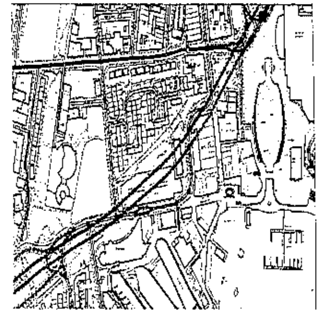

Provides the underpinning geographic framework
for Great Britain

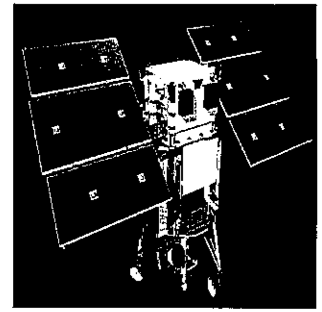
Ordnance Survey: underpinning the nation

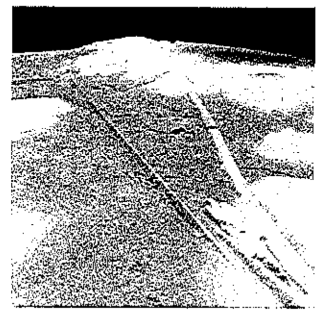


Why does Ordnance Survey's current business model need to change?

- The business model needs to evolve due to:
  - Exponential growth in the use of geographical data into many new markets in both the public and private sector
  - Innovation and speed of market change
  - Technological change including the convergence of many technologies
  - Government is changing PSI policy
  - To improve the positioning of Ordnance Survey to realise and support the growth opportunities
- Ordnance Survey is well positioned to play a major part in this sector so long as changes are made to the current business model







The Ordnance Survey Board's objective is to secure a sustainable business model which is more responsive to an increasingly dynamic market

Our approach will:

1. Increase the utility and innovative use of our data
2. Make our data more widely available at more affordable prices over time
3. Offer all of the public sector truly joined up data provision
4. Increase take up of data and services by business through progressive price reductions thereby addressing the £28M subsidy of the public sector
5. Deliver significant cost savings
6. Enhance value

Potential business models for Ordnance Survey

There are broadly three types of model that have been explored:

1. Utility model

- Administrative body/not cost effective/not customer focussed/ lack of vibrancy
- No paid-for licences
- Decreasing quality of data

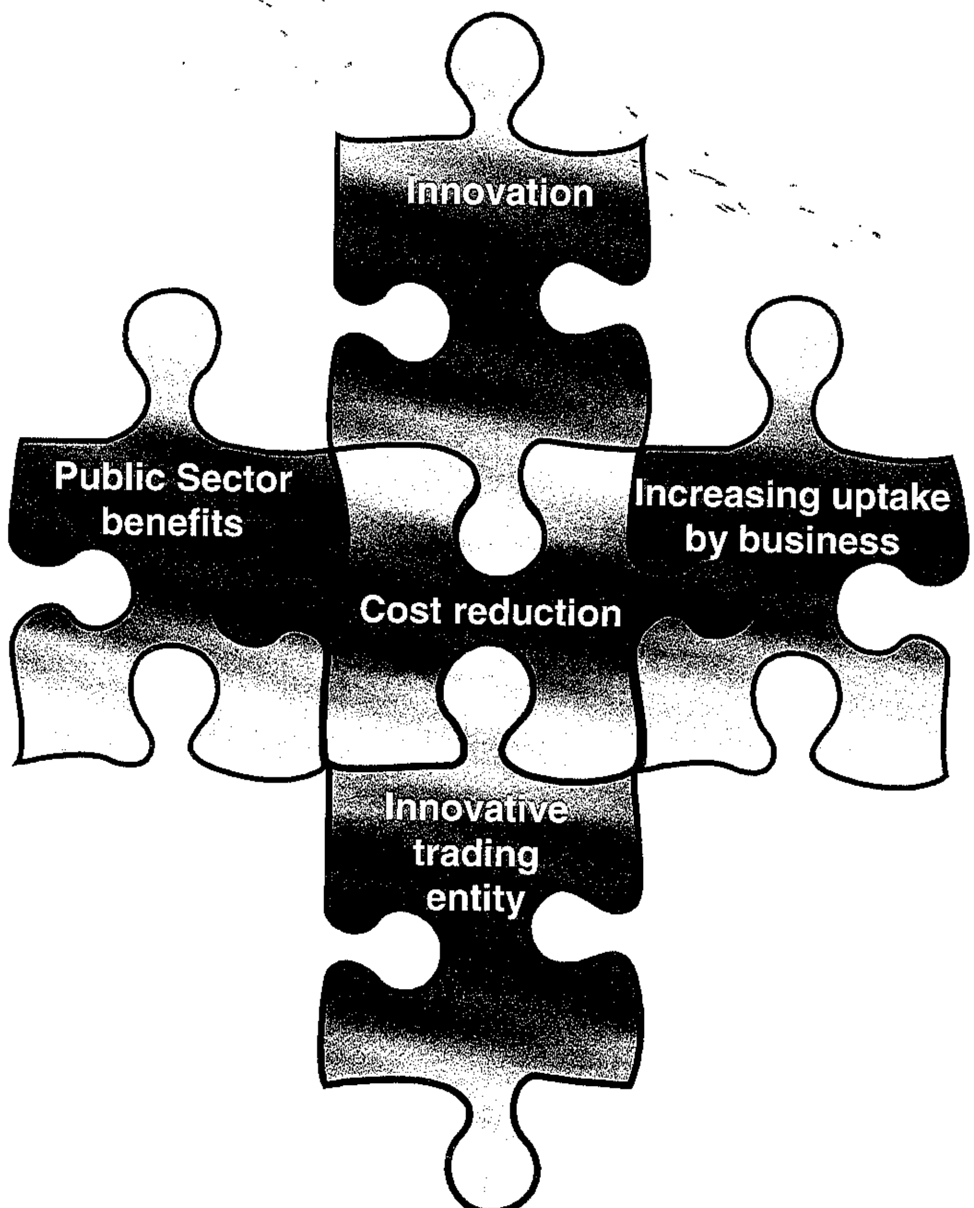
2. Hybrid model

- User pays
- An indivisible data business complemented by an innovative trading entity
- More flexible licences and improved data access
- Supports innovation and growth
- Data quality is maintained
- Tariff rebalancing taking place to enable increased take up by business
- Provides free access to data services to trigger innovation through OS OpenSpace

3. Commercial model

- Maximisation of profit
- Full exploitation of intellectual property
- More restrictive licences
- Spill over benefits reduced

The elements of the hybrid model



Benefits of the hybrid model

- Data continues to be licensed directly to end users
- Providing wider rights across the whole of the public sector, enhanced data sharing and clarifying non commercial re-use of derived data
- Widening use and innovation through an innovation ladder and also flexible licenses
- Tariff rebalancing to reduce the price for private sector users and remove the restrictive licence framework to the public sector
- Innovative trading entity established to provide maximum transparency and level playing field for competitors
- Cost reduction programme

Financial headlines: comparing the models

	Current Year £m	Utility Model Year 1 £m	Utility Model Year 5 £m	Hybrid Model Year 1 £m	Hybrid Model Year 5 £m
Revenue	117.5	39.3	11.3	117.5	134.5
Costs	-93.3	-92.0	-71.0	-95.2	-101.2
Trading Margin	**24.2**	**-52.7**	**-59.7**	**22.3**	**33.3**
Revenue/Grant from Government	-47.1	-30.6	-53.0	-47.1	-53.9
Investment costs	n/a	-26.6	-10.0	n/a	n/a
Restructuring costs	n/a	-24.7	-1.3	n/a	n/a
Dividend & surplus cash	22.5	-17.5	0.0	-1.3	50.1
Cost to Government	**-24.6**	**-99.4**	**-64.3**	**-48.4**	**-3.8**
Cumulative cost to Government			**-367.1**		**-181.2**
Indicative enterprise valuation (based on EBITDA multiple)					**400**

Notes. *(i)* ***Trading margin in the Current and Hybrid Models is used to fund investment and restructuring costs***

(ii) In Year 1 of the Hybrid Model, the 'Cost to Government' rises temporarily due to the need to use surplus cash to fund investment and restructuring

(iii) In the Hybrid Model, investment costs over five years of £118m and restructuring costs of £24m are funded out of own resources and are not therefore a cost to Government, subject to a short term funding requirement at the end of financial years 2010 and 2011 of £6m and £15m respectively

(iv) The cost to Government of the Utility Model excludes the opportunity cost to Government for procurring from third parties competed products no longer maintained by Ordnance Survey

What is new and what is changing in the hybrid model

Elements will be developed to meet the needs of customers and the general public; these include:

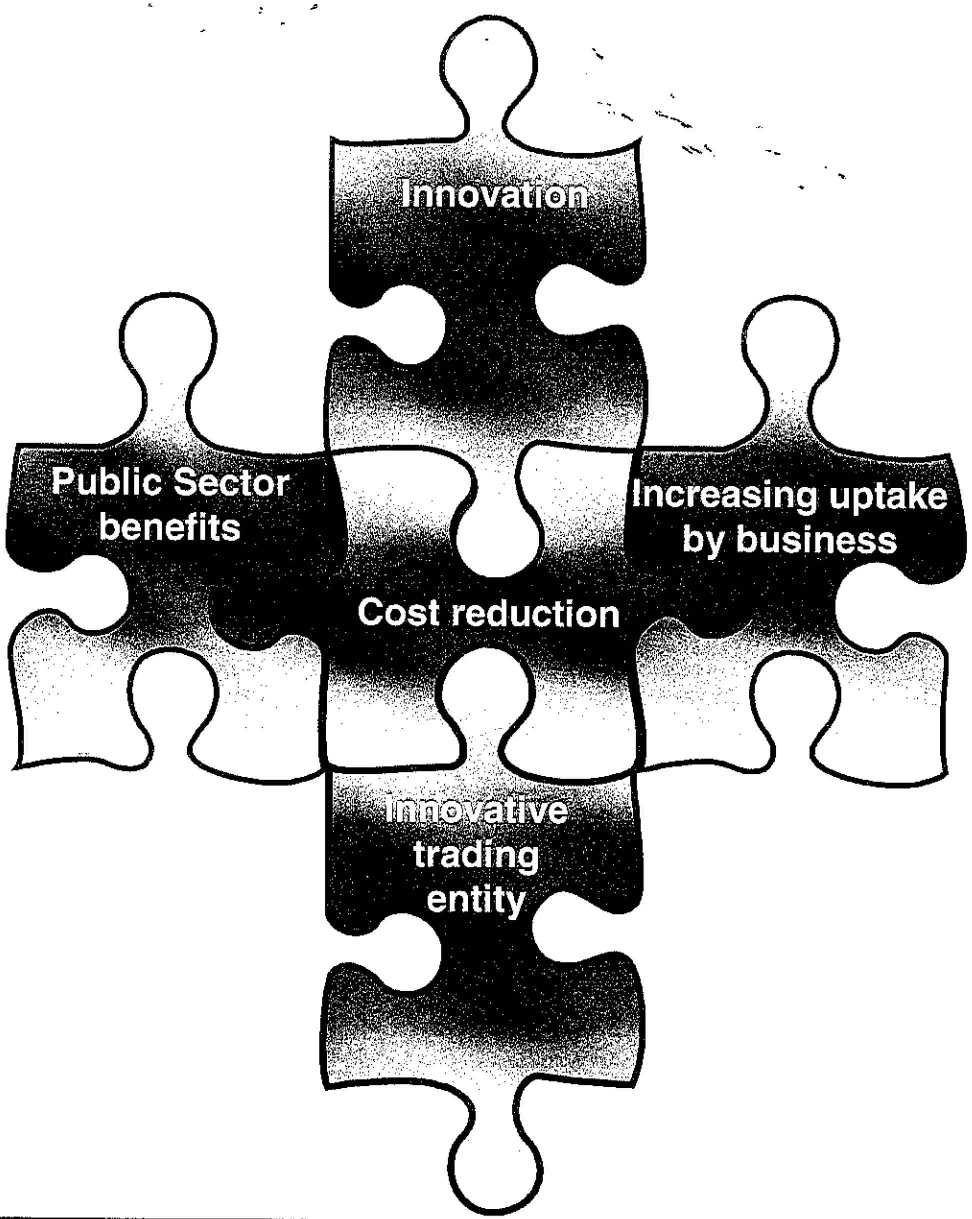
Part 1: OS OpenSpace and the innovation ladder

Part 2: Public Sector benefits

Part 3: Formation of an innovative trading entity

Part 4: Cost reductions across the whole of the data business

The elements of the hybrid model



Part 1: Ordnance Survey supporting innovation

A strong commitment to innovation:

1. Extending the OS OpenSpace mapping service
   - Allows innovation activities without the burden of Geographic Information specific technical knowledge
2. Evolving the existing Developer Programme
   - Programme to be opened up to a wider professional development community, removing financial barriers
3. Creating the Ordnance Survey Innovation Network
   - An interdependent, mutually supportive community of commercial and non-commercial developers, partners and resellers
4. Enabling an easy growth path from development to light and full commercial use

Ordnance Survey

OS OpenSpace™

Part 1: Expanding OS OpenSpace

Extended user groups:
- Local community groups – WI/Parish/Societies
- National special interests – smaller charities
- Innovators – application developers

Women's Institute

The Neuroblastoma Society
Fighting Childhood Cancer
www.nsoc.co.uk
Registered Charity No. 326385

Extended uses
- Use of the mapping service for non-commercial purposes
- Allow advertising and sponsoring

Google™ AdWords

Content includes:
- Official boundaries and OS Streetview (10K)
- Greater volumes of use up to certain pre-determined limits

Microsoft Advertising

Parameters to minimise commercial overlap
- Use for non-commercial and other innovative use – to combine control and flexibility and limit misuse
- Usage levels – sufficient for local/specialist/development
- Not for use inside business (behind firewall) or direct commercial exploitation

GO

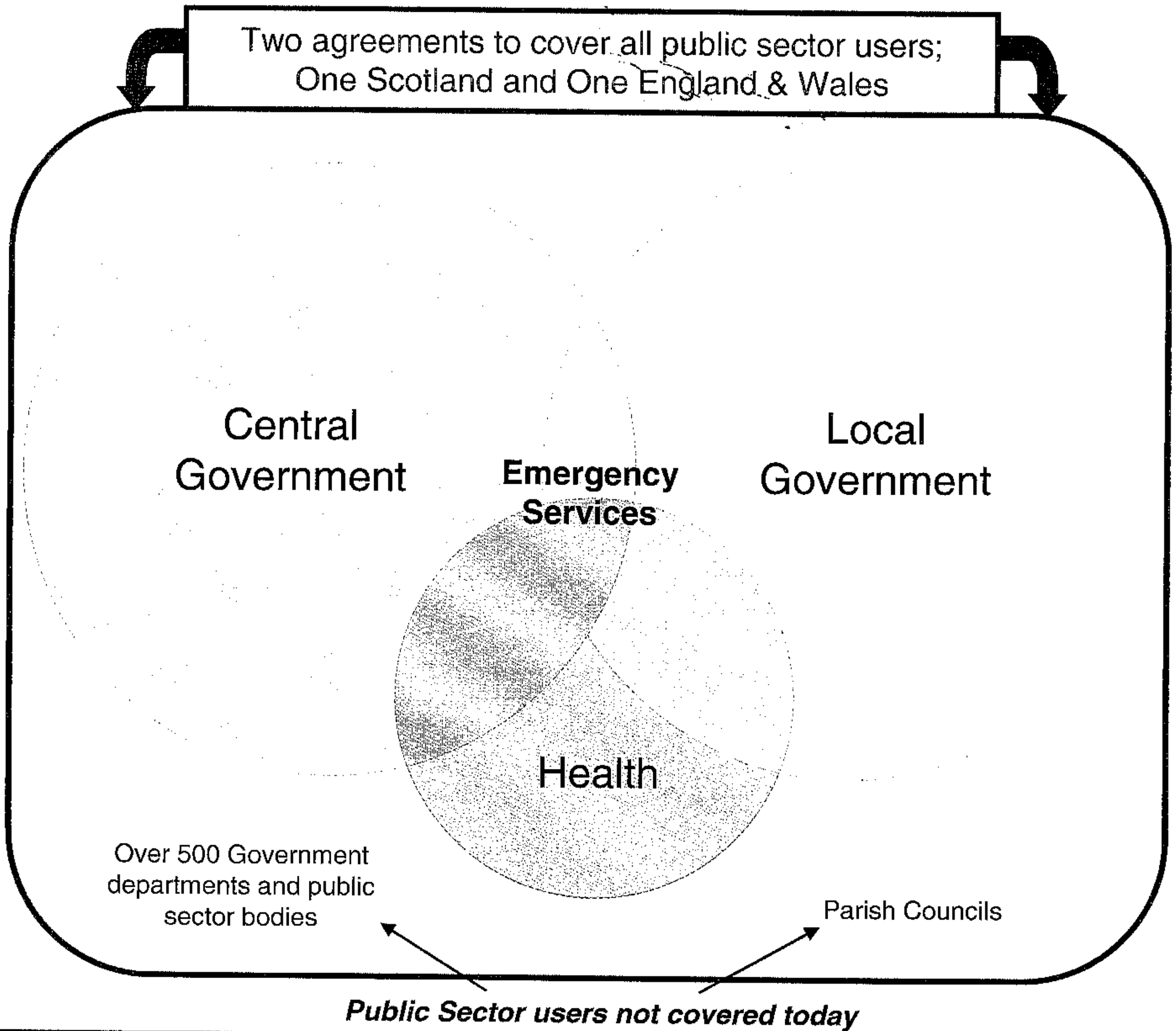
STOP

Where the use becomes commercial, users can move up the 'Innovation Ladder'

Part 1: The Innovation Ladder

	Who?	What?	What will they pay?
Partners	• Partners	• Use of data and web access for development • Access to OS Innovation Network • Low royalty minimums to support start up	• Licence minimums will be lowered to £0 for year 1 and £1000 for year 2
Registered Developers	• Professional developers • OS OpenSpace graduates • Partners • System Integrators	• Use of data and web access for development • Access to OS Innovation Network • Technical, business and sales support from Ordnance Survey	• Will change to a free licence; is £500 now • Commercial use to be licensed
Incubator Zone	• Professional developers • OS OpenSpace graduates • Partners • Direct customers • Charities and social groups	• Use of OS OpenSpace • Access to OS Innovation Network • Technical and business support from Ordnance Survey • Competitions and challenges	• Free at the point of use • Commercial use to be licensed
Individuals and Organisations	• Web developers and entrepreneurs • Charities and social groups • Outdoor enthusiasts	• Use of OS OpenSpace • Technical support from Ordnance Survey • Use of Explore! portal	• Free at the point of use • Commercial use to be licensed
Education	• Primary and secondary schools • Higher & further education	• Free maps for 11 year olds • Use of OS OpenSpace • 'Digimap' service for Higher and Further education e.g. research • Use of other online resources	• Free at the point of use

Part 2: Public Sector benefits



Part 2: Public Sector benefits

Thoughts have been expressed by customers that following new Government PSI policy an independent user group should be formed to represent public sector requirements for all geospatial data. Funding for public sector requirements will be channelled through this new body.

The proposed Public Service Agreement could include:

- One England & Wales and One Scotland agreements
- Use of data and non commercial re-use of derived data across the whole public sector
- Improved cross public sector sharing of data
- Cost to government in year 1 unchanged
- Simplified procurement

Part 3: Innovative trading entity

- Building on the strengths of the Ordnance Survey brand
- Realises the opportunity presented by the rapid growth and evolution of the personal location and business markets
- There are two current identified areas of opportunity:
  - Consumer leisure mapping portal
  - Ordnance Survey branded merchandise
- Achieved through improved ‘speed to market’ and working with selected out-sourced providers
- The trading entity will be set up as a separate legal organisation

Part 3: Innovative trading entity

Consumer leisure mapping portal

- Extension to the current Web 2.0 Outdoor Explore Portal
- A website for the 12 million outdoor leisure enthusiasts
- Subscription service that provides downloads of mapping and related content to their PC or mobile device e.g. walking routes

Ordnance Survey branded merchandise

- Investigate the opportunities

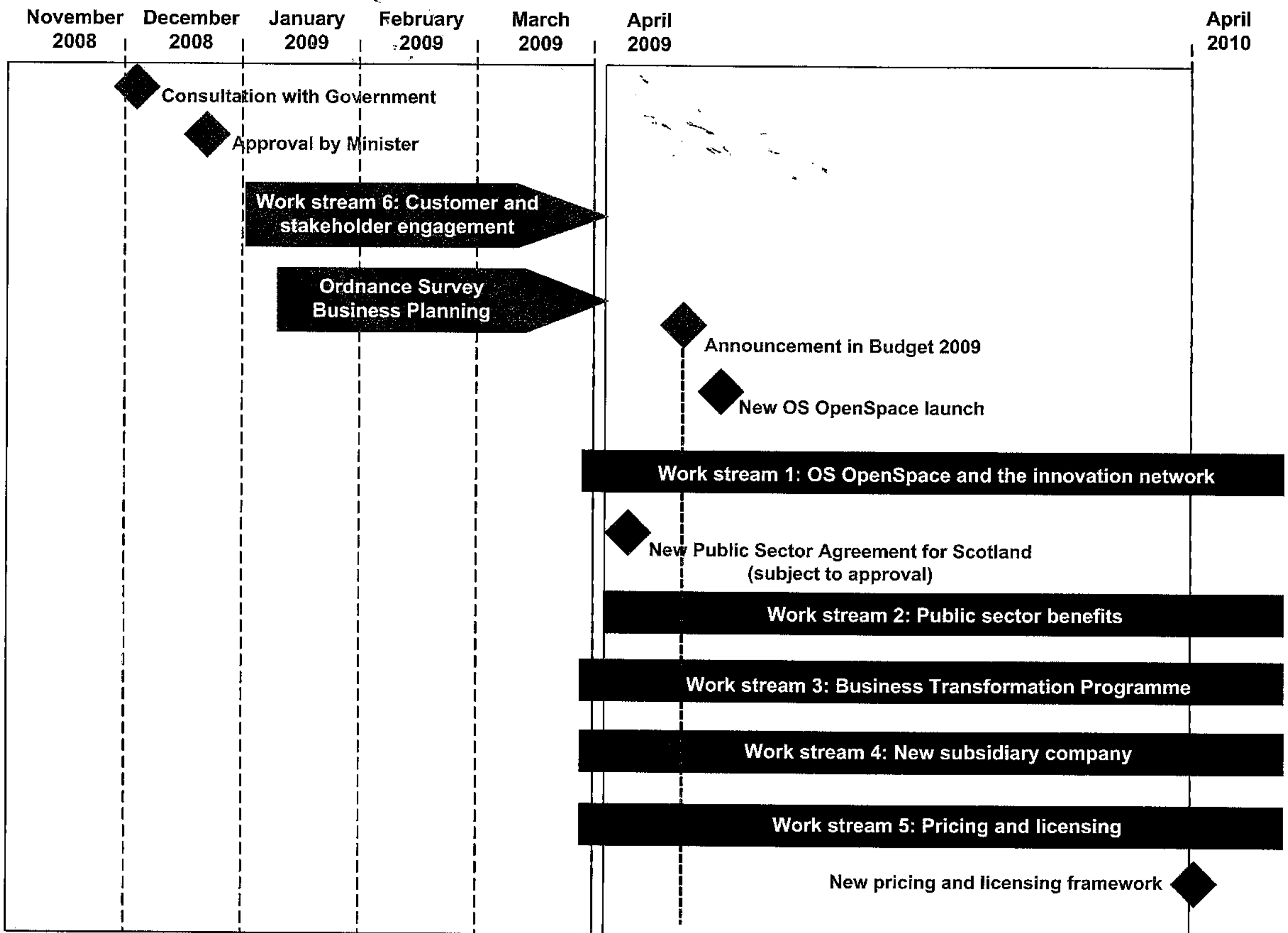
Part 4: Cost Reduction Programme

- A comprehensive process engineering piece of work will be undertaken to align activities of the organisation with required outcomes
- Cost reduction of 5% per year in underlying cost base of the data business. This will result in savings of more than £20m per annum in 5 years time
- Embedding further cost reduction into the culture of Ordnance Survey staff
- Certain activities maybe outsourced that are not core business for Ordnance Survey
- Drive the organisation to greater competitiveness

Have we met the objective to secure a sustainable business model which is more responsive to an increasingly dynamic market?

1. Increase the utility and innovative use of our data
   - OS OpenSpace and the Innovation Ladder
   - Widest possible use through new Public Sector Agreement
   - Increased uptake by the business sector
   - Trading entity innovates in value-added services
2. Make our data more widely available at more affordable prices over time
   - Public Sector Agreements reach more users for same price
   - Private sector prices reduce over time to encourage uptake
3. Offer all of the public sector truly joined up data provision
   - High quality data is maintained
   - Facilitates data sharing across the whole of Public Sector
4. Increase take up of data and services by business through progressive price reductions thereby addressing the £28M subsidy of the public sector
   - Tariffs rebalanced over reasonable time frame
   - Promotes wider use and innovation in the private sector
5. Delivers significant cost savings
   - Cost reduction programme delivering 5% savings year on year
6. Enhances value
   - Maintains the benefits of a focussed data business
   - Able to generate income from licensing intellectual property

Timeline



November 2008
December 2008
January 2009
February 2009
March 2009
April 2009
April 2010
Consultation with Government
Approval by Minister
Work stream 6: Customer and stakeholder engagement
Ordnance Survey Business Planning
Announcement in Budget 2009
New OS OpenSpace launch
Work stream 1: OS OpenSpace and the innovation network
New Public Sector Agreement for Scotland (subject to approval)
Work stream 2: Public sector benefits
Work stream 3: Business Transformation Programme
Work stream 4: New subsidiary company
Work stream 5: Pricing and licensing
New pricing and licensing framework

Next steps

- Obtained Ministerial agreement to the recommended strategy – w/c 8/12/08
- Consultation with key customers and partners – as from 15/12/08
- Detailed business plan to be approved by end of March 2009
- New approach announced in Budget 2009