

## Questionnaire Finance Model

**Name of organisation: UK Hydrographic Office**

**Person questioned: Rear Admiral Ian Moncrieff, UK National Hydrographer**

### **1. What are the basic characteristics of the present finance model?**

- a. The UKHO is a Ministry of Defence Trading Fund Agency, which means it has the freedom to trade commercially to generate revenue to cover its running costs. It is currently required by the Ministry of Defence to achieve a return on capital employed (ROCE) of at least 9% on a three-year rolling basis.
- b. UKHO makes some sales of products and services to the UK government, mainly to other parts of the Ministry of Defence; this amounts to about 10% of turnover. Otherwise, UKHO receives no funding from central government.
- c. UKHO costs include payments to some data providers, including some other HOs.

### **2. What is the influence of the European directive PSI and INSPIRE on your present finance model?**

- a. The PSI Directive and INSPIRE have no direct influence on the current finance model. Both Directives specifically allow for charges to be made for re-use of our data. Revenue from licensing of data is small compared with revenue from sales of products, and the licence fees are set in accordance with the PSI Directive (which says that the fees should be set such that the licensees pay a fair contribution towards the cost of creation of the data, plus a reasonable rate of return [again, currently set at 9%]).
- b. The collection of some of our source bathymetric data is funded by another government department (the Maritime and Coastguard Agency of the Department for Transport). These source data will be made available free of charge by UKHO, with very limited restrictions on re-use. We are putting the infrastructure in place to support this and we plan for it to be ready during 2011<sup>1</sup>. This will make UKHO the Data Archive Centre (DAC) for our national bathymetry and is one of a number of other DACs (eg British Geological Society with sea bed geology data) forming part of a Marine Environment Data Infrastructure Network (MEDIN). However, we make a clear distinction between these data and the SOLAS products we produce (where we have added value to the data).
- c. There has been a recent UK government initiative to consider making taxpayer-funded data available free of charge. The government recently made some land mapping data from the UK Ordnance Survey available free of charge. The Ordnance Survey is a Trading Fund like UKHO, but it has been stated that the resulting loss in its income will be made up from central government funds.

### **3. What are the basic considerations for the wholesale and retail prices of the SOLAS products?**

The UKHO sets the wholesale prices (payable by its main distributors) within which we seek to charge a fair market price. Increases to wholesale prices are usually applied annually and take account of inflation. The UKHO publishes recommended retail prices but distributors are not under any obligation to charge these.

### **4. What kind of opportunities and threats do you foresee if the Netherlands free licensing initiative will be followed by NLHO?**

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<sup>1</sup> There is of course a cost to doing this: in making the data discoverable through a web portal and then having to transfer data requested, where it is of high volume, onto hard disk drives which also cost time, effort and payment for the disks themselves.

#### Opportunities:

- The opportunities presented are limited. From a UKHO perspective, our core focus is on navigational use of data. The re-use of data for non-navigational purposes is neither our core nor do we believe the low cost presently charged for re-use has been an inhibitor to innovation.

#### Threats:

- It would put greater pressure on other HO's to follow suit.
- It would decrease revenue for those HO's which followed suit, which could affect data quality. HO's might be more reliant on funding from central government which could place a greater pressure on resources especially in these harsh economic times. There are examples of this in the UK, most recently the Ordnance Survey which will have to limit its innovation in data collection to match its new reduced funding level.
- If free supply is extended beyond source data to include compiled products this could have an adverse effect on safety. The businesses of existing distributors could be undermined leading to lower service levels. For ENC's in particular, and to a lesser extent paper products, service delivery contributes to safety. This is why HO's and RENC's are selective in their choice of service providers and distributors, ensuring that appropriate investment is made in service solutions, for example, training correctors for paper products or developing online delivery solutions for digital products.
- It would become easier and cheaper to produce non-official products and services which look like the official ones. There might need to be a clear and universally applied system of service provider certification for the regulated SOLAS market to protect standards, and thus safety. There might also be greater pressure for a "type approval" route to multiple channels of official product supply.

### **5. Any other remarks or perspectives for this subject?**

a. We are a custodian for NL licensing. If NL were to follow a free licensing arrangement ( and even free licensing may require administration on conditions of re-use) then we could not continue to do this as it would become unfunded work unless we were allowed to continue to charge for the service!

b. If NLHO provides free SOLAS products, which is a much greater step than just licensing its products for free re-use, would this include NLHO paying for the printing, distribution and updating costs for paper products for all users, or would only digital files be made available?

c. If NLHO decides to make its ENC's available free of charge it will need to take into account the RENC charge as well as its own internal costs. This is currently passed on to the user along with the HO's manufacturer margin – and together they make up the wholesale price. If the RENC supplies to VAR's at no charge then the RENC charge has to be passed from user to HO, thus increasing the HO's cost base. This is approximately £400k p.a. for IC-ENC members collectively, and an equitable system for dividing this up would need to be established – especially if we have a mixed economy across the membership.

d. The UKHO's policy is not to license the re-use of a third party's data within UKHO's products unless permission for this has been granted by the third party. If NLHO moved to free licensing of all its source data, would this include any data for which the intellectual property rights are owned by another organisation?