

DÁIL ÉIREANN

AN COMHCHOISTE UM IOMPAR AGUS CUMARSÁID

JOINT COMMITTEE ON TRANSPORT AND COMMUNICATIONS

Dé Céadaoin, 19 Samhain 2014

Wednesday, 19 November 2014

The Joint Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Michael Colreavy,	Senator Sean D. Barrett,
Deputy Timmy Dooley,	Senator Terry Brennan,
Deputy Michael Fitzmaurice,	Senator Eamonn Coghlan,
Deputy Tom Fleming,	Senator Paschal Mooney,
Deputy Brendan Griffin,	Senator Ned O'Sullivan,
Deputy Noel Harrington,	Senator John Whelan.
Deputy Seán Kenny,	
Deputy Eamonn Maloney,	
Deputy Michael McCarthy,	
Deputy Michael Moynihan,	
Deputy Patrick O'Donovan,	

DEPUTY JOHN O'MAHONY IN THE CHAIR.

The joint committee met in private session until 9.50 a.m.

National Postcode System: Discussion (Resumed)

Chairman: I welcome the officials from the Department of Communications, Energy and Natural Resources and the representatives of Capita Business Support Services Ireland Limited. The purpose of this meeting is to engage with them as well as representatives of An Post and BearingPoint on the development, roll-out and operation of the national postcode system, Eircode, which was launched on 28 April. Members will recall that we met representatives of Freight Transport Association Ireland and some of its members on this matter on 5 November.

On behalf of the committee, I welcome Mr. Eamonn Molloy, assistant secretary, and Ms Patricia Cronin from the Department, Mr. Liam O’Sullivan, mails operations director at An Post, Mr. Liam Duggan, business development director at Capita Business Support Services Ireland, and Mr. Paul Allen, stakeholder manager at BearingPoint. I draw their attention to the fact that, by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. I also wish to advise them that any submission or opening statement they have submitted to the committee will be published on the committee’s website after the meeting. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Molloy to make his opening remarks.

Mr. Eamonn Molloy: Good morning. My name is Eamonn Molloy and I am an assistant secretary in the Department of Communications, Energy and Natural Resources. I thank the committee for giving me and representatives of An Post and Capita the opportunity to contribute on an important topic this morning. Our objective is to present information and answer whatever questions members have in an open and straightforward manner.

I will begin with a bit of background information on myself. As assistant secretary, I ran the postcode procurement process and was responsible for the advice and recommendations flowing from it to the Minister. I also report to him on the project’s implementation. With me, I have my colleague Ms Patricia Cronin, who will bring members through a short presentation on the project as a whole. Mr. Liam O’Sullivan will then make a statement on the issues arising for An Post. Finally, but very importantly, Mr. Liam Duggan of our postcode operator, Capita, will take members through a presentation on Capita’s element of the project. Members should have copies of the various documents with them. Is that okay, Chairman?

Chairman: That is fine.

Ms Patricia Cronin: I thank members for the opportunity to give this short presentation, which I expect will take approximately ten minutes. Before commencing, I will briefly outline

the challenges and provide information on the Eircode design, the consultation and the next steps in the process.

As members can see from the slide showing the timeline of key events, the project has been on the go for quite a while, having started with a Commission for Communications Regulation, ComReg, symposium in 2003. In 2006, the national postcode project board's report recommended that Ireland should introduce a postcode system. A good Oireachtas report was also done in 2010. It examined many of the issues with postcodes and recommended that a unique identifier be considered for the Irish addressing situation. The procurement process started in 2011 and the contract was awarded in 2013. The contract was approved by the Government in October of that year and signed in December. The code's design went to the Government in April and was launched the same month. Since then, a great deal of work has been undertaken.

Before I get into the detail of the codes, it might be useful to refer to some of the issues with addressing in Ireland. As many members are aware, there are 2.2 million addresses in Ireland, 200,000 of which are commercial. Ireland is unique compared with other countries, particularly those in the OECD, in that more than 35% of our addresses are non-unique. Effectively, this means that many people have the same address as others. Another relevant point is that, between 1991 and 2011, there was a 44% increase in the countryside's population as opposed to a 30% increase in the State overall. There was not an identical increase in housing, but there was considerable new build. I imagine that many of the new addresses are non-unique. This gives a sense of the scale of the addressing challenges applying in Ireland.

Also relevant is the fact that there can be surname clustering, particularly in rural areas. None of the names in the slide we have supplied are real, but they give a sense of an area where many people can have the same surnames and initials because they are John, James, etc. This poses a difficulty for deliveries. An Post does a good job, but the world has changed and there has been considerable centralisation of call centres. For utilities, delivery companies and emergency services, finding people in rural areas can be challenging. The development of the project is meant to address this major issue.

The addressing challenges do not stop in rural areas, as there are also issues in urban areas. For example, there is no mandated form of addressing in Ireland. As such, people tend to choose a form of address that suits them. They can have multiple forms of address for the same house, as highlighted in the slide. There are also vanity addresses. Even in cities, finding people can be difficult because the same house can have three or four types of address.

The question was what would be the best system to deal with the non-unique issue in rural areas and the addressing issues in urban areas. After a long and detailed procurement process, a great deal of work and many reports on finding the best solution for Ireland, the one that resulted was Eircode. Unique to each address, it is a seven-digit code divided into three and four digits. The first three relate to a post town. The example used is A65. Currently, there are postcodes in Dublin like D12 and D24. These are routing areas. The Dublin codes will stay the same, including D6W. After a routing area, a unique four-digit, alphanumeric code will be assigned to each address. This unique code will mean that in Ireland, nobody will have to change their form of address. Unlike in other countries, there will be no mandated form of addressing. Nobody will have to put up signs on roads all over the country. People will not have to put anything up on their houses. In effect, this system will allow people to have unique identifiers without having to do anything themselves, aside from getting their codes next year.

I would like to deal with an issue that has been raised with regard to the unique identifier.

People have asked why the code cannot be sequenced. Intuitively, one would expect that this would be a good idea. If one thinks about it, however, one will appreciate that unique identifiers that are allocated in a sequenced way will not last very long. It would be impossible for new builds to be given codes that follow the sequence. The documentation that has been furnished to the joint committee uses the example of a new house that is built between two existing houses. In such a circumstance, it would not be possible to sequence that code. Similarly, if a house were knocked to facilitate the development of apartments, it would not be possible to have a sequence. It is possible that if we adopted a sequenced system with a unique identifier, we would have the worst of all worlds because people would think it was sequenced but it could turn out not to be sequenced. In such circumstances, there would be a great deal of confusion among code holders, call centre staff and the emergency services. We have adopted a non-sequential system to make sure that when a person gets a code, that code stays with that property. When a person gets a code on a property, he or she will always have that code. That means the system we have adopted is very future-proofed. We feel it will work very well going forward. I will give an example. The use of seven digits in a three-digit and four-digit formation means that in any individual post town, one would have to go over 300,000 individual identifiers before one would run into any kind of issue. Clearly, we are a very long way from that. This shows how the system has been future-proofed.

The design of the postcodes is an issue that has been raised. People have asked whether we should have considered the UK system. Clearly, many systems were considered as part of the procurement process. In terms of the output, the system that was chosen is one that will effectively meet the needs of the Irish addressing situation, as opposed to an addressing situation anywhere else. We have adopted a non-sequential system as part of our approach to this unique situation. As there will be many addresses in each area, we hope to avoid the situation in the UK, where a postcode can define a lot about individuals in terms of where their children go to school and where they can avail of the services of doctors. We are avoiding the issue of postcode discrimination as it exists in the UK. Postcode ghettos will not apply here. We expect that the system will have many beneficial uses. When people get their codes next year, they are likely to start using them for online ordering, etc. However, the use of the system is not mandatory for individuals. No one will be forced to use the system. We believe the benefits of the codes are such that most people will start using their codes when they get them.

I would like to speak about the key benefits of this approach. It is important to think about what is in it for people on the ground and what they feel are the benefits of the codes. As part of Capita's communications strategy, it conducted a *vox pop* in urban and rural areas to ask people what they perceive to be the benefits of postcodes. Many people who engage in online ordering said that they would like to be able to insert a postcode when asked, just as people in other countries can do, and that this would help them to get deliveries. There was a recognition that this infrastructure is important in so far as it will allow Ireland to be up there with every other country. I think the system we have chosen is world-beating because the unique identifier suits the Irish situation. Many people, especially, in rural areas, said they clearly understand that it can be hard for the emergency services and others to find locations in rural areas if they are not sure where people live. This problem is exacerbated by the extent of new builds, the prevalence of surname clustering and the other issues I have mentioned. Those who were asked about the codes could see many benefits of them. We feel that when the codes are disseminated next year, the take-up will be very high. Many people, especially those who engage in online ordering, already know about the real benefits of the introduction of these codes.

An extensive amount of consultation took place during the pre-tender phase in 2010 and

2011 and again during the post-tender phase. I will not go through all of it, obviously, but I will give a sense of what was done. While we did not engage in consultation after the design was adopted, we contacted those who will be affected by the design, including the emergency services, to ask them whether it would work for them. The Department and Capita have both engaged significantly with stakeholders. The Department has set up a forum with all the public sector bodies that will be adopting the codes next year. The response has been overwhelmingly positive. These bodies see the real benefits of the codes in terms of delivering services on the ground and, at a more strategic level, in terms of policy-making. The codes will help public bodies to identify where people live and where services such as schools and doctors' surgeries are located. They will give these bodies a sense of where the cohort of people they are trying to serve are living.

I will give a sense of how the cost of the project, which is approximately €27 million, is divided. The biggest part of the project in terms of individual payments relates to the encoding of public sector databases, such as those held by the Department of Social Protection, the Revenue Commissioners and the Department of Transport, Tourism and Sport. The rationale for the encoding of those databases is to make sure people start using the codes immediately. When the codes have been launched, the Department of Social Protection and the Revenue Commissioners, etc., will start writing to people and the dissemination of the codes will begin. People will obviously get a letter about the codes next year, but they will also start getting letters from State bodies with their codes. This will give them a sense that something is really happening on the ground. We feel that will support people taking up the codes. Other payments are being made to An Post in respect of its dissemination of the codes next year, to GeoDirectory in respect of its database, which is one of the main ways to populate the Eircode database, and to Capita in respect of the design it has produced and the population of databases. Some 18% of the costs are being paid to them.

As we roll out this very large infrastructure project next year, it will be very important for us to take the communications element of it very seriously. The Department and Capita have put a great deal of work into designing a high-end communications strategy that will explain clearly to people why they are getting the codes and the potential benefits of the codes. There will be community engagement as well as part of that. The precise modalities of that have not been worked out. This is part of the work we will be doing. Capita and the Department will have a strategy there.

The issue of data protection has been raised. The Minister has made it clear to us that he expects a belt-and-braces approach to data protection to be adopted. We fully accept this requirement. The contract with Capita contains very strong protections in regard to data protection. I know that when Capita is doing the accreditation with the value-added resellers, it will emphasise the importance of data protection. When the codes are launched next year, obviously our aim will be to ensure all members of the public have absolute confidence that their privacy concerns regarding this project are being addressed. While it is not yet strictly necessary to do a privacy impact assessment - it is not a statutory requirement - the Department has undertaken such an assessment. It has engaged with many stakeholders in the public and private sectors by asking them whether they envisage that any data protection or privacy issues will arise for individuals. They have overwhelmingly said they do not expect such issues to arise. However, they have emphasised that this is an important issue that must be managed. They clearly feel that the protections that have been provided to date are quite strong. We are satisfied that we are on the right road from a data protection perspective.

NATIONAL POSTCODE SYSTEM: DISCUSSION (RESUMED)

It might be useful to outline to the committee what the next steps with this project will be. We are working hard on the encoding of the public sector databases. We have put in dummy codes for the moment. Clearly, the next step is for the large owners of databases like the Departments of Social Protection and Transport, Tourism and Sport to test the codes to ensure they fit in with those databases. Most of them have a number of databases. It is important for them to be satisfied that the codes will work. Capita, which has already done a great deal of work around stakeholder engagement, will start a more intensive phase of that process in the new year. It has already set up a website, *eircode.ie*, which is worth looking at. It proposes to start a media campaign with the public in the early summer of 2015. The Minister has said that in mid-2015, the codes will be launched and everybody will get a letter from An Post with their codes. I thank the committee again. I will be happy to take any questions.

Chairman: I thank Ms Cronin. I call Mr. Liam O'Sullivan of An Post.

Mr. Liam O'Sullivan: I am the mails operations director of An Post. I and my team are responsible for the collection and delivery of all mail in the State and for all inbound mail from all other postal operators worldwide. An Post, as the national postal services provider, collects, sorts and delivers more than 600 million letters and parcels annually - 2.5 million to 3 million letters and parcels per day. An Post fully supports the introduction of the new Eircode system and when it is launched we will use the code in our automated sortation systems and manual systems throughout the network.

The postcode design chosen by the Department of Communications, Energy and Natural Resources through the competitive tendering process, on which Capita is doing the fine-tuning, developing and deployment, works for An Post. It works with our systems and we intend to fully utilise it.

In 2012 we completed a major multi-year capital investment programme, replacing and upgrading all our automated sorting machines and all of the technology behind that. We were well aware that a vital piece of national infrastructure was being rolled out and when specifying that equipment we had it designed in order that it could and would cater for the arrival of postcodes, now called Eircodes, in Ireland.

As the national service provider, we have been working closely with the Department throughout the years on this project. Since Capita was awarded the contract, we have worked closely with it. As Ms Patricia Cronin said, we will be carrying out the task of notifying everybody in the country, via mail next year, of what their Eircode is.

An Post has a detailed implementation plan for integrating the new codes into our mail operation, manual and automated. Execution of that plan is well advanced at this stage. Our target is to be ready by May 2015 in order that all our people and manual systems are ready to start to receive mail into our systems with the eircode carried on it and we are currently on track to meet that deadline.

Mr. Liam Duggan: I thank the committee for the opportunity to address it. I have a brief presentation and I am aware that I last to speak before members put their questions. I want to give them a sense of what Capita is and of our credentials. Capita is the largest business process re-engineering company in Europe and we employ more than 64,000 people. Our annual turnover is just under €5 billion for 2014 and when we announce our results it will be more than €5 billion and our profitability after tax will be in excess of €500 million. We are a FTSE 500 company and ranked 52nd in the FTSE 100. We are larger as an organisation than Marks &

Spencer, easyJet, and Sainsburys. Roughly 50% of our revenue comes from public sector contracts, so we have a good deal of experience in dealing with major contracts and we have over 30 years experience of delivering major projects of this nature. We are now the largest business process re-engineering company in Ireland. We are also the highest rated asset management company in Europe. We employ more than 2,000 people in Ireland and an additional 1,050 people in Northern Ireland. Thus, more than 3,000 people employed by Capita on the island of Ireland. The jobs that we create in Ireland are high-end jobs. We have people in financial services, insurance, IT and various other roles. Some of the contracts we operate in Ireland are with NAMA, the insurance industry, Aviva, Prudential, MetLife. We have a contract with the Department of Jobs, Enterprise and Innovation, with the Department of Agriculture, Food and the Marine. Our locations in Ireland are in Dublin, Kildare and Cork.

The next slide illustrates the implementation programme. We have a methodology we use in implementing programmes. There is a good deal of detail behind this. This sets out the high-end programme in a pictorial form.

The issues we trying to address in Ireland are those that Mr. Liam Duggan, Ms Patricia Cronin and Mr. Eamonn Molloy outlined. The issue we have in Ireland is finding locations or addresses. It is particularly an issue in rural Ireland with regard to those non-unique addresses. I have a few illustrations that outline that in more detail. It is an issue mainly but not exclusively in rural areas. In rural areas, townlands are rarely signposted and the boundaries are not visible. Boundaries often overlap and, compounding that, there are multiple locations with the same placenames such as Kilmore, Rathmore and Borris. To compound that further, in some instances there are two or three locations called Kilmore. Finding locations is difficult in Ireland. As Ms Cronin outlined, there is also the vanity issue in terms of mistaken addresses where people are identified in one postal district or one townland when they are in another one. Also, some towns and cities cross county borders such as Athlone which is both in County Roscommon and County Westmeath.

The next slide illustrates what we are talking about in terms of a non-unique address. It shows a townland in County Meath that is roughly halfway between Slane and Navan. It is known as Gormanlough and the next townland to the west is Causestown and the next one to the east is Stackallen. There are no signposts. Villages tend to have a signpost indicating one is entering the village and another way indicating one is leaving the village but townlands do not have such signposts. It is rare to have a signpost that identifies where the townland is. At the south of this illustration there is the main road between Navan and Slane and the signpost that leads one to that road points one in the direction of Kells but there is no mention on it of Gormanlough, Stackallen or Causestown. Therefore, finding locations is difficult. If one finds Gormanlough, it is not obvious from the road which are addresses and which are outbuildings. When people are talking about structured or sequential codes, sequential codes may work in a city where there are streets with numbers on the premises but even with that there are some difficulties because some streets have even numbers on one side and odd numbers on the other side. There is the matter of how to sequence to provide for that. Finding addresses in towns and cities is not the issue; rather, it is finding addresses in this sort of location. Trying to come up with a sequence for this type of location is impossible. Where does one start and finish, given that the townland is not demarcated and one does not know what is a building that is an address that one will want to find and what is an outbuilding. Trying to build a structure in a sequence around that is impossible.

The next illustration sets out the townland as it will be when we will introduce Eircodes.

Each building will have a unique identifier or Eircode. A person living in Gormanlough will be able to say this is my Eircode and one can verify that Eircode is in Gormanlough and it will also give the X and Y co-ordinates for the location. If a service delivery person is delivering a package or goods or a person from the emergency services is calling to the location, that Eircode will bring them to the exact location. It does solve the problem posed by the non-unique addresses in Ireland.

There has been talk about structures and it has been asked why can it not be obvious in the code what the structure is. If we put a structure in a code, it will suit one specific industry - it may suit the logistics industry, but it will not necessarily suit other industries. The next slide shows an illustration of County Kildare. It sets out the district electoral divisions and Garda divisions for Kildare, which are different. By starting with an individual address point and the GPS co-ordinates, the X and Y of that, one can build up any area information one wants. One can put in one's own boundaries and therefore every service delivery requirement is catered for. One decides what the boundaries are and the database of addresses and corresponding Eircodes will give the demarcations to suit that. If one wants to deal in counties, district electoral divisions, or Garda subdivisions, one can do that and have them crossing borders. One builds one's sequence to suit oneself from the database of codes and co-ordinates.

The next slide is another illustration. It is not easy to see but it is a town and the red lines mark the district electoral division areas of the town and the picture on the right shows those buildings that fall within that district electoral division area marked out. In a database one would have those subdivided and one could illustrate that on a wall and have the map on a wall with one's particular small areas marked out - it would not be predetermined. We have a website with information for the general public and also information for businesses advising them what they need to do to get ready. We are engaged in consultation processes with individual companies and industry bodies.

I thank committee members for their time.

Chairman: I thank all of the delegates for their presentations. This topic has aroused a lot of debate since representatives of the Freight Transport Association Ireland appeared before us a few weeks ago. It stated that the postcode system was not fit for purpose and that it was costly. In the presentation made today we have heard about a cost of €27 million. The FTAI used a figure of €80 million. How does one explain the difference in the amounts?

The word "useless" was also used to describe the postcode system. In the previous presentation it was indicated that the emergency services were engaging with the Department on the postcode system but all members have since been contacted and told that this is not the case and that the view of the emergency services is that the system might cost lives. We hear that the Eircode system is of no use in the case of a road traffic accident or hillwalking or mountaineering accidents. I would welcome a comment from the delegates in that regard.

Delegates at the previous meeting indicated they had not been consulted. There has since been clarification that they had been contacted but that they were not really consulted. There is a difference of interpretation of what consultation has taken place.

I have another question to put to Mr. O'Sullivan who has indicated that An Post will use the system fully. Will he confirm this? There was a suggestion in some correspondence we received that would not be the case.

My final question before I hand over to members relates to an issue arising in my area. Letters to some parts of County Mayo are not being delivered on the basis that they are wrongly addressed. People are being told that they should write “County Roscommon” on their letters. Will the Eircode system solve this problem? It might be a small issue nationally, but it is big one for the people who have contacted me.

Mr. Eamonn Molloy: I will deal, first, with the the issue of cost. The cost of the project to the State will be in the order of €27 million, of which €10 million relates directly to the geo-code. Of the remaining €16 million, approximately €6 million is non-IT related. A total of €1 million is to be spent on dissemination, advertising, communications and design. That is the extent of the State’s direct investment in the programme. As with any postcode project, IT systems in businesses around the country will be adjusted and adapted for the purposes of using the Eircode and these services will be made available generally. They will be available in a competitive market and only to those businesses that wish to access them.

Chairman: Will it be very costly for businesses? We hear about the numerous costs of small businesses and that they have reached tipping point. Is that where the difference lies between the figures of €80 million and €27 million?

Mr. Eamonn Molloy: It is not going to be of that order. I will make two points. I will let the representatives of Capita, which is managing that side for us, deal with the issue of cost. Ultimately, what is being offered is a business solution which solves a fundamental problem and will generate an awful lot of value. Effectively, we have a situation in terms of delivery in Ireland where it is extremely difficult for businesses making deliveries in rural Ireland to find the point of delivery. That is giving rise to very significant costs. We have been told that the absence of a postcode in Ireland is creating issues around competitiveness because it is simply a more expensive country in which to engage in any type of logistical operation. Dealing with the competitiveness problem requires us to address the issue of non-uniqueness. The figure of 35% of addresses is very big and it does not just relate to homes; it also relates to business addresses. In talking to major UK multinationals, as well as Irish companies involved in doing business in Ireland, it is clear it is a significant issue for them. An important point for us is that it is a penalty which applies principally in rural areas and the regions. The cost penalty does not arise in cities. Looking at the project during the years, if one could say what the significant change has been in terms of mindset from 2010 on, ultimately it has really been about dealing with the uniqueness issue. Dealing with uniqueness is not easy, but it has to be done. In fairness, the committee was one of the first to deal with it, which very much helped the process. It became clear that if one were to have a postcode, one would have to deal with the uniqueness issue.

I have provided the direct cost to the State. I am very glad to confirm that there has been a very extensive process of consultation since the beginning of the procurement process and even preceding it. Ms Cronin’s slides show that ultimately we have dealt with a very large number of people. Having a postcode is a topic which excites a great deal of interest and there are very diverse opinions when it comes to postcodes. Different people hold different views and they are held passionately, honestly and openly. There is no issue in that regard, but, ultimately, when one is making a final design available, one must look for something that is in the public interest that meets most requirements most of the time, and where it does not, it should be possible to deal with the issue by way of very minor and cost-effective adaptations.

In terms of the most extensive of consultation processes which happened prior to procurement, we consulted no less than eight groups of bodies - for example, financial, retail and other bodies. On the logistical side, we had reasonably frequent contact with the various companies

involved, including significant players in the FTAI. We also dealt with significant delivery operators which were not part of the FTAI, some of whom had made their opinions known to the committee. In fairness, regardless of what one could say about where the project stands, it is not due to a lack of consultation.

Mr. Duggan will speak about the issue of costs.

Mr. Liam Duggan: In terms of cost, it is for every business to decide whether it sees a benefit in the system because not all businesses will benefit in the same way. I take issue with the position of the FTAI. I also take some responsibility. We have an engagement in which we are meeting various stakeholders, of which Mr. Allen is in charge. We have met people, but perhaps some of the communication was not at the level it should have been. In the case of the FTAI which predominantly represents British-based carriers, its expectation was that the code would be similar to the system in place in the United Kingdom, where it is a cluster based system that does not identify individual addresses but clusters of, typically, 12 to 25 addresses. Because of the uniqueness of the situation in Ireland with rural addresses, that system simply would not work. The expectation of the FTAI is one thing, but what we are delivering is something else. In addition, what it describes in terms of sequencing solves a problem that we do not have - finding addresses in urban areas - but does not solve a problem that we do have, namely, finding addresses in rural areas. What we have done since representatives the FTAI appeared before the committee two weeks ago is engage with each individual member of the FTAI, the larger members, to explain the issues we have encountered, what we are trying to achieve and how the system will work. The process is ongoing. I think it is fair to say the engagement has been very positive and that there is now a better understanding of what we are doing, as opposed to what was the case.

Costs are down to individual businesses in the sense of whether they find a benefit in using the system. If it is a small business with 100 customers, it is probably best to wait until a customer makes contact again and then collect the Eircode from it as opposed to buying the database because at that level it is probably not of significant benefit. As the owners of a small business in a rural area know where their customers are, they do not have the same challenges as a bigger business. A large business that may want to undertake a geospatial analysis, for instance, has a very different set of requirements, but if a small business wants to access the information, there will be a number of products of offer. It is not just a single database with includes all of the information. One product will be a simple database containing the addresses and the Eircodes. Another will include the addresses, the Eircodes and the GPS co-ordinates. Not all businesses require them but some do.

We have also built an alias file because people represent their address differently. That is a topic about which we could talk for a long time, but I will not do so. However, aliases are key in addressing the question of matching.

We will have a number of products. We have not yet finalised the pricing with the Department, but they will be priced either on a per user basis in terms of the number of people on a computer screen within an organisation who access the data or on a per transaction basis, namely, the number of records they look up. If a small business is using the system, it will probably do so on a per transaction basis. We are talking about cent per transaction, not euro - probably less than 10 cent per transaction. If a small business has a requirement to look up 100 addresses in a month, typically it will pay about €10. That is the level we are talking about. If a very big business wants access to all 2.2 million addresses and the other information available such as district electoral division, DED, areas or small areas, it will pay significantly more,

but it will gain the benefit of it. It will be up to each business to engage in its own cost benefit analysis and if it believes there is value to be had, it will buy it, as happens in the case of any other service, including software for which people buy software licences and so on. It is down to the individual business to engage in its own cost benefit analysis, but for a small business, we are talking small, not large, amounts of money.

Chairman: I do not know who is taking the question on the emergency services and the current problems with postal addresses in counties. Also, is there any other country which uses the Eircode system?

Mr. Liam Duggan: I will deal with the emergency services first, if the Chairman does not mind. The comments did not come from the emergency service operators but from a trade body that represented some of the employees in the emergency services. We have met, for instance, the Health Service Executive's ambulance service personnel who are totally supportive. They have issued a statement of support. They do find it of benefit, understand how it works and will use it.

The majority of calls for emergency services come from addresses. I do not have the percentage of calls, but the majority are from addresses, not the roadside and hills. There is not a postcode system in the world that provides a solution to the problem of accidents occurring by the side of a road and a postal system is not a suitable place to start. It is not designed to suit all purposes; it is certainly not designed for that purpose. The car industry is working on a solution to that problem in that it is building in GPS devices. Where a car is involved in an accident in the air bag is activated, it will send a location signal to the local emergency services identifying the GPS co-ordinates. A postcode system was never designed for that purpose.

Mr. Eamonn Molloy: To clarify, my understanding is that at European level there are proposals for a directive which will impact on the car industry from 2016.

Arising from the discussion on the emergency services, the public sector is a substantial and important stakeholder for this purpose and a very important part of the public sector involves the Department of Health, the HSE and the emergency bodies which have been working intensively with us on this project. I confirm that they are part and parcel of its implementation.

Mr. Liam O'Sullivan: Some of the questions were related to An Post. To confirm, we will be using the Eircode system in all of our mail operations. We have four large automated mail centres. We have in excess of 350 delivery units of various size around the country. We will definitely be using every element of the Eircode system in sorting letters, packages and parcels. Whether we sort them using machinery or by hand, we will definitely be using the Eircode system.

It is possible for anybody to check his or her correct postal address on the An Post website. Once the Eircode system is launched, we will be adding it in order that all members of the public will be able to verify their Eircode free of charge. Our intention is to ensure it will become integral to how we run our mail operations, as is the norm in many other countries where the postal operator uses a postcode in its business and we will do the same.

On the issue of stickers on items, next day delivery is hugely important for An Post. We have a stretching target of 94% for next day delivery. We are exceeding that figure in the year to date in that we are running at 98%. We have had many initiatives during the years to try to improve on the levels not quite reaching the target. A recurring theme among the group is

consistency of addresses. It is a service we provide. Where mail is not correctly addressed and there are elements missing, we put stickers on it advising people of the correct address.

Chairman: I want to call members but the point I am making is that in terms of the correct address, according to An Post it is going to the wrong county. In other words, people are living in County Mayo but their correct postal address according to the stickers is County Roscommon. In Ireland, where there is a huge sense of place, that is causing problems. However, that is another issue and I do not want to digress.

Mr. Liam O'Sullivan: On the second part of the Chairman's question, he referred to what would happen when the Eircode system was introduced. It will certainly be of enormous benefit to us if people use the correct Eircode. In terms of stickers, when the Eircode system is launched, if people do not use the correct Eircode, we will advise them of this.

Chairman: Is there any other country using the system An Post is proposing to introduce?

Mr. Liam Duggan: There is no other country using a unique identifier postcode. It is a world first.

Mr. Liam O'Sullivan: I have been involved a long time in the postal industry. The other countries that have not adopted a unique code took the decision to name and number every street and thoroughfare. With a figure of 35% for non-unique addresses, where streets are not numbered or named, having a unique identifier is the solution. We have almost 5,000 people carrying out deliveries on the highways and byways every day and a regular feature for us is our competitors stopping our postpersons to look for directions. We are always very helpful and not afraid of competition-----

(Interruptions).

Mr. Liam O'Sullivan: Absolutely, we are part of the community. We are stopped by service providers in looking for the address they are trying to get to in providing other services, not just the delivery of goods.

Deputy Michael Moynihan: I welcome the delegates. A number of issues arise. I raise the issue of the emphatic way in which the trade sector has expressed its concerns in how to go forward with the Eircode system. The delegates have touched on this issue, but it is a major one, if the sector is emphatically against its introduction.

Mr. Duggan has said his organisation has been discussing the HSE's emergency services. There appears to be an undercurrent of concern among some of those involved in the emergency services that in practice this system may lead to slower rather than faster response times. Was it a mistake not to put in place geographically recognised codes? There is also, of course, the issue of data protection. At this stage nearly every sector that holds personal information such as addresses or other data has a huge issue with data protection. The delegates might go into this matter also.

I also ask the delegates to address the costs of establishment and the figures of €27 million and €80 million. While they have touched on that issue, I would like them to expand on their comments. In terms of the outlay by the State and the Department, what has been spent on consultants' fees in the past two and a half to three years in the establishment of the Eircode system? While the delegates have addressed some of the issues the Chairman raised, there is still deep concern among those who will operate the system. The delegates might use the time

to try to explain this or alleviate the very genuine concerns some people have.

Mr. Eamonn Molloy: To deal with the point on consultants, the cost to date over four to five years is approximately €1.3 million. We expect total costs by the end of the project to be approximately €1.8 million. Consultants' fees for the project will come in just a little below 6% of the overall cost of the project. If one looks at the type of project with which we are dealing, it is very much a global first, including the legal and contracting issues involved. The sums are not unreasonable in that context, but I am not the judge.

On the freight sector, Mr. Duggan has dealt with the issue of communications requirements. We accept that it is a job that must be done and done well for the sake of the project. I will ask Ms Cronin to deal with the data protection issue.

Deputy Michael Moynihan: On the consultants, where has the bulk of the money been spent to date? On what type of consultancy was the money spent?

Mr. Eamonn Molloy: The bulk of the money has been spent on specialist technical consultancies on postcodes. Money has also been spent on legal consultancies. These are the two main headings in broad terms. Nothing has jumped out at me as being hugely surprising in that context.

Deputy Michael Moynihan: Were the postcode consultants brought in from outside the State?

Mr. Eamonn Molloy: The key people operating on that project are based here and have a good record in terms of their knowledge and experience of the project.

Ms Patricia Cronin: The data protection issue which Deputy Michael Moynihan has raised is an important one. Clearly, in order to have confidence in the project, it is very important that members of the public have absolute confidence that their privacy issues will be addressed. Issues were raised about the project by the Data Protection Commissioner in his last annual report. Clearly, it is the job of the commissioner to raise these issues. We have had a great deal of engagement with the Commissioner and understand the concerns of the office. We have explained in great detail what we are doing.

I have mentioned the contract with Capita which includes a great deal of material on what it must abide by in terms of data protection, the way it stores information, the Minister's right to inspect its data protection facilities and, very importantly, the accreditation process for the people who will be selling on the Eircode database. There will be very strict requirements on which Capita will insist. We have insisted on this as part of the contract.

On foot of our engagement with the Data Protection Commissioner, we have also undertaken a privacy impact assessment which is a specialised document whereby one looks at a project such as the Eircode system and reviews it from beginning to end to determine if there is a potential impact on anyone's privacy. As part of this, we have spoken to many stakeholders. We have spoken to the National Consumer Agency, logistics companies and Digital Rights Ireland, with which we have had an in-depth conversation to see if there is anything in the proposal that might be considered to have an impact on anyone's privacy. Broadly, they are satisfied with what we are doing.

Clearly, on foot of the commissioner's recommendations, we will include additional requirements for Capita such as a privacy statement on its website in order that members of the

public will have a good sense that privacy is taken very seriously as part of the project. In addition, when everybody receives his or her letter next year, there will be a link in the draft notice with the fact that there will be a privacy statement on the Capita website. I am sure Capita's call centre staff will be trained to address any privacy issue any member of the public might have. The call centre will operate from next year.

It is not the case that we have done a lot and stopped. Clearly, as part of the implementation of the project and the privacy impact assessment which is a working document and not one we have finalised, we will continue to take views on board. Where we believe we can do better on the privacy issue, we will certainly work with Capita on it.

Deputy Noel Harrington: I am a sub-postmaster in west Cork and, in that regard, at the end of the delivery chain in delivering mail. In the area in which I work there are approximately 600 delivery addresses. In one rural town there are five people with the exact same name and surname at different addresses. Equally, we had a situation where the delivery address was Castletownbere, Bantry. That was the correct postal address, but it was 35 miles from the Bantry area. Visitors come to Bantry, get off a bus and look for Castletownbere. The local community decided arbitrarily to strike Bantry from the address, which helped the tourism sector. They decided they would simply use Castletownbere, County Cork. It worked fine for that purpose, but it made deliveries a bit of an issue. There is a constant issue with non-unique addresses. I accept the point being made in that regard. However, I have a couple of questions.

At what stage in the conception or procurement stage of the process was it decided that it would be a unique address, a unique identifier postcode? Was it at the very beginning of the process? How are the X-Y co-ordinates embedded in the seven digit postcode and how can it be used for an ordinary punter who might want to use them to find a location? Are there data protection issues in that regard? Was any consideration given in the roll-out of the Eircode system to having a pilot project or area to determine what practical issues might be encountered in using the system? Was the tender designed to accommodate users with higher volume delivery items? As Mr. O'Sullivan said, was it for operators with 2 million plus items per day as opposed to 10,000 large items per day?

Is there scope within the Eircode system to use non-delivery addresses in the future? Some of the issues in rural Ireland include where one has a delivery address to the home but adjacent to it may be a small engineering office or garage. Is there scope to use a second code to identify the commercial element where there is a mixed-use address?

Mr. Eamonn Molloy: I will respond first before Mr. Duggan replies. The initial project is fundamentally about addresses. However, once the initial system has been embedded and the issue of addresses has been taken care of, there will be scope to consider an expansion. Speaking as a cautious civil servant, it is better to approach these matters by taking a number of steps rather than a great leap, particularly as so much of the project will be different not only at national level, but also internationally.

The Deputy made a good point when he asked whether the tender was based on large users only. If the tender had been focused on large users and urban areas only and had not been equally focused on users in rural and regional areas, we would not have taken the approach we did. We have a scenario where we are basically dealing with external commercial operators and there is a high level of awareness and interest. The Nightline Group is a simple example. It is a very big company but we are also aware of other companies. The system will work for large and small businesses and the real benefit is in rural and regional areas, which is not to say

the cities are different. I did a quick check before the meeting which showed that the problem with addressing is not confined to rural areas. In my case, I checked and found that while I have a unique address, there are four different versions in common use scattered around various Government databases. There is a fundamental problem. I do not know how An Post manages to achieve 95% next day deliveries but this is an enormous achievement. If so many versions are attached to unique properties, the non-unique properties must be an even greater problem.

I will ask Mr. Duggan to address the issue of piloting, on which I will say only that we have embarked on a staged process and we test at every step we take. It is not the case that we will explode onto the scene with something that has not been reasonably well tested in the background. My colleagues will provide further detail on that point. Mr. Duggan will also respond to the question on X-Y co-ordinates.

A good question was asked on procurement and when we made a decision to take the unique identifier option. As the person responsible for procurement, I can state that we had not made a decision to go unique when we started the procurement process. We are often accused of opting to go unique because it suited corporate interests or whatever. We had not made that decision in 2010. Administratively, there will always be a reluctance to do things in a radically different manner. What happened was that we engaged in an extensive process of consultation. I can state categorically that, as a public servant, I did not meet a single person during the engagement process who believed it was worthwhile doing the postcode nationally without dealing with the uniqueness issue. It was not the case that we chose to make a decision. We were forced to make it because we did not meet anyone who had a different opinion. This was a remarkable turnaround, which highlights the benefit of the type of procurement process in which we engaged, that is, a competitive dialogue. Ultimately, we were engaging with people to ascertain what solution would work. The solution is based on Irish requirements and the specific contingencies of the Irish market. It is not based on problems that do not exist here but real problems faced by Mr. Duggan on the ground every day.

Mr. Liam Duggan: The X-Y co-ordinates are stored in the database, not the code. They are 16 characters long and do not lend themselves to being memorised as one cannot expect people to remember a 16 digit string. A phenomenon known as chunking, which is used primarily in the telecoms industry, is where people remember groups of numbers in twos, threes and fours. What we are doing is using a seven character code consisting of two chunks of three digits and four digits, respectively. This has been done for memorability reasons.

As to the reason the X-Y co-ordinates are in the database as opposed to the code, if they were in the code one would leave oneself open to obsolescence and a lack of future-proofing. By storing the co-ordinates in the database, one has them in the background. We have a licence to operate for ten years. Ten years ago, there were no tablets and smartphones were in their infancy. We cannot predict at this stage what technology will be available in ten years. By storing the information in the database, we can easily change what is in the background. If the X-Y co-ordinates change and, for instance, three dimensional co-ordinates or some other form of co-ordinates are implemented, we can embed them in the database without having to change the code upfront, whereas if they were in the code and some new methodology was introduced, we would have to reissue the codes. The co-ordinates are stored in the database for future-proofing and memorability reasons because one simply would not remember them.

In terms of the pilot, the presentation features a high level programme overview. There is a large amount of detail behind this and quality assurance testing is done at every single step. In terms of the dissemination, we will run a pilot when we write to people because we want to

ensure, especially where we are using non-unique addresses, that we achieve absolute accuracy and get the right letter through the right door informing the householder of the Eircode for his or her address.

In terms of running a pilot for the overall project, while it would not be impractical to do so, if we were to start to issue codes to people, they would start using them on mail. As the mail sorting system is not yet ready to recognise and use the codes, they would cause confusion and potentially damage An Post's ability to hit their service level agreement targets. We are doing pilots and quality assurance testing at every step. The key one will be when we write to people and we will do a pilot on that.

Deputy Noel Harrington: On public confidence, would the witnesses not consider a pilot to help members of the public get a feel for how the system will work, how they will use it and what will be its impact? Perhaps a pilot should have been considered for that reason.

Mr. Liam Duggan: The concept was considered but unless the codes are in use, they are of no use. It is all very well to tell someone this is the code for his or her address but if he or she cannot use it, for example, to identify his or her address to the emergency services or to contact a logistics company to ask for a delivery, the only purpose of the pilot would be to inform people of the code for their address. As there was no usage involved, the idea of having a pilot was pointless.

Mr. Liam O'Sullivan: On the testing and proofing, An Post intends to be ready by May and we have a detailed implementation programme. We have created tens of thousands of items with Eircodes attached, without Eircodes, with incorrect Eircodes, with incorrect addresses and codes and every possible combination thereof. Our testing programme on every item of sorting equipment is to test every possible variation. When the Department and Capita Ireland launch the system in May, we are certain the postal system will continue to function to a high level. We have a great deal of certainty and quality assurance built into our programme.

Mr. Eamonn Molloy: I assure Deputy Harrington that an extensive communications will be used. A specifically community outreach campaign will be implemented to help people to understand what the codes are, what use they will have, how they will get them and what they should do if they have any problems. We will do extensive community work, which is intended to produce a good result in terms of public understanding of the codes.

Deputy Michael Colreavy: I thank the witnesses for coming before the joint committee. I like to figure things out in my mind and keep them simple. If I can understand them, I can then explain to people the reasons a measure has been introduced, what is its purpose and what will be its benefits to society in general. Reading the documentation and listening to the presentation, I am still some distance from reaching that stage in regard to Eircodes. I will explain the reasons. Someone mentioned vanity addresses. There are also vanity projects and I fear that there is a little vanity about this project. Latitude and longitude do not change, nor do X-Y co-ordinates. The X-Y co-ordinates will be used to identify houses or premises built next door to another house or premises; therefore, we are discussing the process of translating X-Y co-ordinates into something that can be used to enable a letter to be dropped. That should be straightforward, but we seem to have come up with an expensive and extensive system to do this.

I have looked at all of the documentation on the reasons the system was put in place in the first place and all sorts of claims are made about the financial benefits that will ensue for various

sectors, including the public service, but there is no explanation of how these financial benefits will accrue. It seems rational that automating the delivery of pieces of paper to addresses will make life easier for those engaged in business or the public service, but do we need to spend this much on the system in order to achieve that outcome? It is unclear to me precisely what business or public service problem we are trying to address with the Eircode system.

I have some questions about the process of the project. Typically in a project such as this someone identifies problems to be solved and, through a process of discussion with others, begins to think through what system is needed to solve them. Following that process of discussion, a high level functional specification is devised to find a system to solve the problems identified. That system is improved and the concept is generally proved at that point before one moves to the technical specification. One then prepares a request for proposals and tenders, to build or buy the system or modify the one already in place, test and implement it. It all hangs from the very first point on what problem we are trying to solve. Typically people are engaged in an advisory capacity with the Department because some specialist knowledge is required during these steps. Are there individuals who or companies which were engaged to advise the Department through the various stages of the process and are now involved in the ongoing project management? Last December it was announced that a monitoring body would be set up. I think BA Consulting had the contract. Was the contract ever awarded?

Indemnity insurance for €22.5 million formed part of the request for proposals. That seems extraordinary when we consider the costs of the project as outlined by the delegates.

Mr. O'Sullivan said An Post will fully use the Eircode system. In its current form, if 100,000 documents, letters and parcels entered the sorting office in Athlone or wherever else, would the Eircode format, as constituted, support scanning and automatic sorting, or would there have to be a translation process? Could the Eircode format, as structured, facilitate scanning and mechanical sorting of these documents, letters and parcels?

Mr. Eamonn Molloy: As the person involved in procurement, the basic objective was to give Ireland a postcode system. Our sense was that members of the public saw the need for postcodes. They were tired of making them up every time they were doing business on many websites and explaining to people elsewhere how it was that Ireland, of all countries in the OECD, did not have a postcode system, when it seemed to be a key part of the way in which businesses in other economies operated. As we got into the project, we saw that uniqueness was a problem, but that was not where we started. It was the scale of the problem and its impact not just in terms of economics in rural and regional Ireland but also in the way public bodies did business. Uniqueness is so valuable to the public sector in the way it plans and runs its business. The project is actually about providing better public services. It would be very difficult to get many of the people in question, with whom I have worked for years, involved unless there was something very significant in it for them. I am glad that the CSO-----

Deputy Michael Colreavy: Is there any empirical evidence that in the absence of a postcode system the delivery of postal services is costing more than it would with the geocode system?

Mr. Eamonn Molloy: The Government and the public bodies with which we are dealing see the Eircode system as having a significant impact on their ability to deliver better and more efficient services-----

Deputy Michael Colreavy: The delivery of letters.

Mr. Eamonn Molloy: It includes delivery, but public bodies are dealing with all forms of public service. I will let Mr. O'Sullivan deal with the letters part of the problem.

The Deputy is making a reasonable point generally in respect of it being a vanity project, but I cannot honestly and respectfully say there is much about the project from our perspective that corresponds with what he has said. I said one would travel a long way to get as many people to do something they did not have to do. The key question is why this is being done. It is being done because it will make a significant difference. That is the feedback we are getting, not just from a relatively small number of people. There are measures with which we are dealing that will make a difference, particularly in the regions and given the competitiveness disadvantages we face, having regard to the figure of 35% for uniqueness.

The Deputy raised a number of other relevant points. We have had consultants and advisers who have done a very good job, but their job is to advise. Ultimately, the project has been driven by many of the people sitting on the public sector side of the table. While we will take advice, one must make certain calls and stand over and take responsibility for them. I have no difficulty in being open with the committee on this issue. A contract has been awarded for the implementation of the project which was advertised last year. The PA is involved in that it was awarded the contract.

Deputy Michael Colreavy: Has it been involved since the beginning of the project?

Mr. Eamonn Molloy: It has been involved at various stages.

Deputy Michael Colreavy: How can it offer quality assurance on what it advised?

Mr. Eamonn Molloy: We are dealing with the implementation of what is involved under the contract. The issue is whether we are delivering what we are supposed to deliver under the contract. PA brings very good actuarial skills to the table and I am very happy to stand over the appointment which was made through open procurement by the individual members see sitting before them. If there is an issue, there is an issue, but it was a good appointment which was not compromised in any way and was of people with very good skills who were qualified to do the job. As ever, advisers do not run projects. Departments should run projects, make calls and stand over them. However, given that this is a significant national project, when there are people with particular technical skills, we are obliged to obtain good advice in order that when we deal with Ministers and other Members, we can say we are doing our best to do what the Department is supposed to be doing.

Deputy Michael Colreavy: While I understand, my concern is that if I propose the Michael Colreavy system to a customer, in 12 months' time I will not say it is not meeting requirements. There is a potential conflict of interest.

Mr. Eamonn Molloy: While I do not suggest that is not a point people can make, it suggests Departments are not accountable for what they do. I assure members that Departments are accountable. When Departments have a job to do, it behoves them to make the appointments they believe are right, based on particular expertise. There is no point in telling them white is black. Anyone who does so should not be in a position of adviser. This is not the case and if the Deputy has any doubt about it, I assure him that we are ultimately accountable.

Deputy Michael Colreavy: While I have no grounds for specific doubt, there is a potential conflict of interest when those involved in proposing a system also stand in judgment on whether the system also meets its objectives.

Mr. Eamonn Molloy: There is a slight difference. We are dealing with the question of whether delivery under the contract is proceeding. That is different from saying whether the system is great or not so great. Certain things must be delivered under a contract. We all operate in an environment in which jobs are done transparently. If a job is not done transparently, it would be a very foolish appointment. It is a reasonable question and I hope I have reassured the Deputy.

Ms Patricia Cronin: An external process auditor sat in on all stages of the procurement process and it was this person's job to ensure everything was done to the highest standard, as it obviously was. The person was a retired public servant of absolute integrity. It is important we understand and address perceptions, in addition to what happened on the ground.

Deputy Michael Colreavy: Will the delegates explain why the indemnity fees were so high?

Mr. Eamonn Molloy: This is a very substantial project dealing with a very substantial and wide-ranging piece of work. It includes dissemination issues and IT upgrades. As civil and public servants, we are out to get the very best deal for the State, one that represents value and protects the State. I would not be doing my job effectively if I did not take advice and put in place arrangements designed to protect the State in the event of contracts not being implemented properly. I can provide further information if members would like more detail on the particular reasons for it.

Chairman: I want to move on as quickly as possible.

Mr. Liam Duggan: We did not answer the Deputy's first and excellent question on the reason we had not translated the X-Y co-ordinates into a code, given that they did not move. While people do not know their X-Y co-ordinates, they know their addresses. Therefore, we decided to take the address as a starting point, plot the X-Y co-ordinates for the address and translate them into a code.

Mr. Paul Allen: The Deputy asked about the benefits for business. As the stakeholder manager for the team, I have met 900 representatives of approximately 600 or 700 companies. Predominantly, the feedback is that there is major support for the introduction of postcodes and the Eircode system. The benefits include not just deliveries but capturing addresses accurately, knowing exactly where an address is and being able to remove duplicates from databases. Members have seen the examples of the many forms an address can take. People can leverage these variants in addresses to perpetrate fraud on companies that deliver or supply services or products. This will give companies the ability to recognise that different variations correspond to one address. I have met organisations covering everything from financial services to utilities, small firms, charities, the retail sector, software, transport and logistics companies and they are interested in seeing how this system can benefit them. There is very good support for the use of postcodes.

Deputy Michael Colreavy: I did not-----

Deputy Patrick O'Donovan: In fairness, Chairman-----

Deputy Michael Colreavy: I was not asking about the value of postcodes, which is self-evident.

Deputy Patrick O'Donovan: Chairman, we have been here for an hour and a half.

Deputy Michael Colreavy: May I have an answer to the question on whether there are companies which have been involved in the project from the very beginning and which are still involved?

Deputy Patrick O'Donovan: The Deputy has made approximately six interventions, while Deputy Brendan Griffin, Senators Eamonn Coghlan and Sean D. Barrett and I have been waiting for an hour and a half. Fair is fair. I would like us to move on, please.

Deputy Michael Colreavy: May I have an answer to my question?

Deputy Patrick O'Donovan: After six interventions, enough is enough.

Chairman: Will the delegates note Deputy Michael Colreavy's question and return to him at the end? We will get everybody in.

Deputy Patrick O'Donovan: Thank you, Chairman. I was beginning to think you had forgotten about the rest of us.

Chairman: I would never forget about the Deputy.

Deputy Patrick O'Donovan: It was more of a conversation than a question and answer session.

I welcome the Eircode representatives. It is so long since the initial statement was made, one would nearly want to have a rewind function. The delegates mentioned that they wanted to avoid socially generated addresses that would associate people with different strata of society. In that context, why not get rid of the Dublin area numbers? If the Eircode system will work as well as the representatives say it will, why is there a need to retain the Dublin area codes?

According to media reports, there was a degree of criticism of the Department by the European Commission about its failure to include companies below a certain turnover level in the initial tendering process. Has the Department replied to the Commission's criticism? Although the Commission did not stop the process, it was critical of the Department's position of blocking some companies from tendering. In this blocking of some companies from tendering, Eircode, either intentionally or otherwise, blocked an existing system developed in Cork from being eligible for consideration. Given that the Commission was critical of Eircode, according to media reports, what impact has it had on the selection of the chosen system?

In regard to the use of the Eircode system, An Post has indicated that it is not ready to use it. I presume An Post will be making a capital investment to develop a system that meets the requirements of Eircode. How much capital has An Post set aside to implement such a system? Ms Cronin has noted that as new properties come on board, new codes will need to be generated. What is the annual cost of running a system that generates codes for new properties?

On Deputy Noel Harrington's point about the absence of a pilot scheme, the pilot scheme will include the entire State. If it goes wrong, it will go wrong for the entire State. Would it not have been a good idea to begin with an individual county with large urban and rural bases?

Mr. Allen has indicated that he met representatives of those who will be using the system in the future. What capital costs will the typical haulier or delivery agency incur in developing a system that can use the unique identifier system? Presumably, the consumer will ultimately meet the cost.

In regard to the ongoing costs of Eircode, will it be a stand-alone entity in the Department and who will identify new properties? We had difficulties recently with water charges and property taxes for granny flats. Has Eircode learned any lesson from the property tax experience in identifying properties for the purpose of collecting the tax? How has it identified properties that are taxed separately but located on the same site?

Mr. Eamonn Molloy: The Deputy is correct that issues were raised with the European Commission on foot of the procurement process. The Commission wrote to us about them. We have responded in full on all of the issues raised and the Commission has deemed the file to be closed. Any answer the Commission requested has been provided and I am not aware that there is anything outstanding.

Deputy Patrick O'Donovan: That was not the point I made. I pointed out that if the process had been based on a different mechanism, a company in Cork would have been eligible to tender. The Commission found that the company was ineligible because the turnover bar had been set too high.

Mr. Eamonn Molloy: The Deputy raised the issue of whether answers to the Commission from the Department remained outstanding. I hope I have reassured him on that point.

Turnover bars have not been an impediment for companies of all sizes in participating in the Eircode consortium. I will ask one of my colleagues to reflect on the way in which the consortium is structured.

The Deputy asked a fair question about why we would establish financial and technical benchmarks for a project. He made the point better than I could have explained it. This is a significant project that is national in scale and involves a considerable investment not only on the part of the State but also the business sector. The key issue is getting the project up and running. The use of turnover limits is not unusual in the procurement of projects of this type; in fact, they are reasonably advisable. On whether we set out implicitly or explicitly to stop people from participating, I cannot say there is evidence of that happening because it was never our intention to do so and it was never the effect of what we did.

Mr. Liam O'Sullivan: The Deputy has asked two questions which are probably more in the sphere of An Post. He has referred to the Dublin postal districts. One of the principal tenets set by the Department in selecting a code is that people should not have to change their current address. This is related to the Chairman's point about sense of and attachment to place. The Dublin postal districts are viewed by residents living in these areas as part of their current addresses. To attempt to change or remove Dublin 4 would be the equivalent of taking away the name of a town for people who live in provincial Ireland. It does no violence to people's current addresses and is carried into the code as designed.

On the investment by An Post, I noted in my opening statement that we had completely replaced our automated sorting equipment over several years up to 2012. Now that we have changed that equipment, we are able to introduce new systems - the technology changes very quickly - which are capable of dealing with postcodes. We have a small software capital investment of approximately €1 million, but we see it being repaid very quickly, given the benefits we will get from our use of the Eircode system. It is up to each company to use the code to its benefit. We see benefits in how we apply it. As an example, we are entering into the busiest time of the year for An Post, with our volumes doubling or even trebling. This is most welcome in terms of revenue, but it is also a huge logistical challenge. During the month of December

we hire approximately 1,000 casual staff for our large sorting centres. Even though they are untrained and will not be carrying a natural geography of the entire country with them, we require them to sort the country's letters for delivery. When we have the Eircode system which will be in place by next Christmas, we will be asking the staff we hire in to sort letters by hand simply by matching a portion of the code. That will make our Christmas operations far more efficient than they are. We have made a capital investment, but we see significant benefit for us.

Deputy Patrick O'Donovan: How much is it?

Mr. Liam O'Sullivan: It is €4 million.

Mr. Liam Duggan: Dublin postal district information is in common usage. According to the way in which we structure the code, or the way in which we do not put a structure on the unique identifier element, we are not further subdividing it in a way that is obvious in the code. Nobody could say, for example, that Dublin 4A is better than Dublin 4Z. We are avoiding the postcode discrimination or ghettos to which Mr. Molloy referred. That is an important point.

I addressed the pilot scheme issue. Quality assurance testing is carried out at every stage, but a meaningful pilot scheme requires us to test what happens in real life. If we had merely picked a county or an area to assign codes and the service providers in these areas did not know the codes, the pilot scheme would have been of little or no benefit. We are absolutely sure every element of the project has been tested and subjected to quality assurance.

On the cost for hauliers, many small hauliers around the country use Sat Nav or GPS to find locations. The difficulty with current Sat Nav technology arises from non-unique addresses. The haulier may receive a GPS location for Gormanlough that does not identify the exact house. We are discussing this issue with the various Sat Nav and digital mapping companies which will incorporate the Eircode system into their systems, perhaps not on its launch but certainly in time. All a haulier will need to do is put the Eircode information into the Sat Nav device to obtain the exact location of the delivery address. It will not just bring him or her to Gormanlough, it will identify the exact house. There will be no cost for the haulier because he or she will be using an existing system.

Mr. Paul Allen: Some hauliers use route sequencing software which calculates the most efficient route when a number of deliveries are being made. If they want to update these systems with the Eircode system, there will be a capital cost. They will either purchase the database or else purchase a service that uses it.

Chairman: I now will take the final three members, namely, Senator Eamonn Coghlan, Deputy Griffin and Senator Barrett.

Senator Eamonn Coghlan: I welcome the witnesses and having lived in the United States with zip codes, I certainly welcome the Eircodes. When people ask me for my address in Ireland, I tell them it is in Dublin. When they ask me what is my zip code, I reply it is Dublin 15 and they often express surprise and ask if that is all. We also have found it difficult to buy online from the United States to Ireland without a zip code.

While some of my questions have been addressed by Senator O'Donovan, it was stated that this is the first system of its kind in the world and obviously, there will be a great number of teething problems as it progresses. However, if this proves to be an enormous success and if other countries around the world wish to have a similar system, who has the ownership of this system and the associated royalties? Is it the Department or is it Capita? From where does the

formula for the unique identifier come and how is it determined? An example was given of two addresses that might be 150 m apart between which a third home may be built. How will the new unique identifier for that house be identified?

To revert to the question of Sat Nav, if we are trying to be more efficient, why would small businesses be obliged to pay for the new unique identifier? The approaching Christmas season was mentioned and in a scenario in which I send out my Christmas cards this year and the address for one happens to be 4 Kildare Street, Dublin 2, it will go to the sorting office. Does An Post then take that envelope and apply the unique code to it, after which it arrives at 4 Kildare Street, Dublin 2? Likewise, if I intend to send out 100 Christmas cards, does that mean the onus is on me to identify the new zip code or Eircode for those to whom I may be sending them? Another area on which a point was made concerned Google Maps. If I, for example, intend to travel somewhere in the United States and enter the area code 10580, it will take me to Rye, New York. Under this system, if one puts in the Eircode, it could bring one exactly to the house. Will Sat Nav companies such as Google Maps and others be buying this system from the witnesses in the future? Finally, do the witnesses anticipate much of a backlash from the public and the unions and if so, are they ready to deal with it?

Deputy Brendan Griffin: As a resident of a very rural part of County Kerry, I appreciate the difficulties that exist at present pertaining to a number of people having the same name at the same address. Where I grew up in Caherfealane, there were five Michael Griffins, while in the adjacent townlands of Shanahill and Shanakeal, there were about ten John Foleys or Seán Foleys or whatever, but everyone could add a nickname. I am unsure whether the witnesses are aware of the cultural implications whereby these unique identifiers actually could kill the Irish nickname forevermore. Anyway, I hope that does not happen because those nicknames say a lot about us. I have a couple of questions. My impression is this really is a fallback position and is a verification. While we will rely primarily on the address, where there is ambiguity this is to prove beyond doubt that the item in question is intended for John Foley in a certain house that has this code. What will happen if someone has the correct address on the letter but the code is wrong? Will the letter be delivered to that person in any event? If the code is different, will it be taken that the reasonable likelihood is that the address is correct? Will there be a way of working this out?

Can someone simply put down the code alone on a letter, put it into the post and expect it to get the intended recipient or must someone have a reasonable amount of information on both sides? Further to this point, what are the implications in respect of unsolicited or junk mail? At present, for example, An Post has direct mail services in which one can take a geographical area and send out flyers, leaflets and whatever else. What will the implications of this system be for such businesses and for those who previously were not affected? At present, the direct mail service will attempt to verify that something being sent out is legitimate and is not fraudulent or associated with any kind of dodgy business or whatever. Will this system have safeguards and how localised will be the availability of the database? Will it be at a national level or, for example, if I had a business from which I sought to distribute everything within the mid-Kerry area, could I seek all the relevant codes and, if so, what information would I get? To be specific, would I get the names and addresses or just the codes? I ask the witnesses to clarify this point. As for people who are deceased or have gone away, if the name and the code for the particular property are on the envelope, will the letter simply go through the letter box? At present, it will come back to the sender with a message to the effect the recipient is deceased or gone away. What will happen in those circumstances? Will it be delivered and will An Post's responsibility for that item of mail be finished at that point? The point has been made that this system is

voluntary and is not compulsory at present. Is there a future cut-off date beyond which it will be compulsory? For example, will it be announced that from 1 January 2022, it will be necessary to use the code as otherwise, the item will not be accepted or will not be delivered? Have the witnesses thought about this or will this definitely not happen?

Ms Patricia Cronin: The benefits of the code-----

Chairman: We will finish the questions first.

Deputy Brendan Griffin: Yes. The other question I wished to ask pertains to the codes themselves. I note that a combination of numbers and letters is being used. Have the witnesses considered potential difficulties that may arise from the use of letters such as a lower-case “l” and the numeral “1”? Sometimes, people will use lower-case letters with their computers or whatever. In looking at my notes, I cannot tell the difference between the numeral “1” and a lower-case “l”. Have the witnesses given consideration to this? Have they decided not to use those characters or other characters, such as “T” or “7” and so on, which could be scribbled down in writing?

Senator Sean D. Barrett: I welcome the witnesses. There should be a cost-benefit analysis of this project. While social benefits are being claimed on the other side of the House, it is verbal and so on. It should meet the project appraisal guidelines set by the Department of Finance, the views of which I would welcome because I am afraid this will be one for the Comptroller and Auditor General. What is being done here? Members have heard that 97% of the post is delivered, which is fantastic and I congratulate Mr. O’Sullivan and his staff. They are well known throughout the country for knowing where everyone is located and they are brilliant at handling the five Brendan Griffins and so on. In common with many people, my wife orders online and they know where the house is located because they use Sat Nav. Consequently, I do not know with what problem this investment is supposed to be dealing. I have serious concerns about the escalation of costs. When I raised this issue in the Seanad on 4 July 2013, I noted €15 million was the figure reported by *The Irish Times*. The then Minister, Deputy Rabbitte, stated one should not believe the numbers one reads in the newspapers, the clear implication being that I was exaggerating the €15 million. It then became €24 million on 20 April and is €27 million today. Moreover, one figure provided to members concerns that the consultants’ fee at €6 million or 3% of the cost. That would make it a €50 million project and people appeared before this joint committee at the last meeting suggesting it was an €80 million project.

Were this project to come before the Seanad, I could not vote for it on the basis of what I have heard. I do not know what the benefits are supposed to be compared with the Sat Nav used by the independents and the excellent network the post office already has. In fact, it might undermine the post office, if its advantage in knowledge through its local people becomes available through this system. I made the point at the last meeting that given the nature of the Trinity College constituency, I have constituents in both counties Monaghan and Fermanagh. All my letters to Clones get through but it is an added nuisance in Newtownbutler to include the seven-digit code. Do we not have technology that can recognise where Mayo is? Must it have seven digits after it? After what I have heard this morning, I now am more sceptical than ever. Certainly, were any estimate to come before the Seanad on this, I could not support it without a cost-benefit analysis, as well as much more convincing evidence that this is a project with which it is worth proceeding.

Chairman: We will take the questions in the order they were asked.

Mr. Liam O’Sullivan: The question was whether it was up to individuals to find out the Eircode location code of the people to whom they were writing. No, it is not. It is not mandatory, nor will it ever be made mandatory by An Post. If the code is on the letter, we will use it and if it is not, we will continue to deliver mail, as we normally do. Therefore, there should be no concern in that regard.

Senator Eamonn Coghlan: For the sake of efficient delivery, if the code is not on the letter when it goes into the sorting office, will An Post staff put it on it electronically?

Mr. Liam O’Sullivan: I was just about to come to that. When the parcel, package or letter comes in, if we are sorting it by machine, it tries to read the characters using optical character reading technology and breaks down and segments the letters used. The Senator gave the example of Kildare Street. It recognises the “K”, “I” and “L”. If the code was on it, it would attempt to recognise it. If it recognised it, it would not apply anything to the mail piece; it would simply recognise where to sort it to. If the code was not present, it would do the same with the textual address - it would recognise where to sort it to.

For the people we employ who sort manually, the same process applies. If the code is present, which is easier for us, they will recognise it very simply and know where to put it, but they will not put anything on the mail. If there is no code, they have to read several lines of textual address, which in some cases is not well written, to figure out its destination. However, we will not be attaching the code to the mail. Our view - it is sensible and how it works worldwide - is that the sender applies the postcode. We are not the only postal operator, but I do not imagine any of our competitors will start adding the codes either.

Deputy Brendan Griffin asked about cases where the address was correct but the code was incorrect. The technology in our sorting centres is very sophisticated. When it is reading a mail piece with a textual address and a code, it checks whether they match. That is how we intend to use the code. Therefore, it is extra verification.

Deputy Brendan Griffin: If it does not, does it go back for manual sorting?

Mr. Liam O’Sullivan: If our system cannot be absolutely certain it can make the decision, it sends an image of the letter to the person operating a video screen. These trained An Post staff then make the decision. The quality is very important. We want to keep it very high and risk free.

The Deputy also asked if it would impact on how An Post operated for deceased persons or people who had moved away. It does not have any impact in that regard. We will continue how we operate when the Eircode system is launched; there will be no change.

Deputy Brendan Griffin: I presume the postman or the person with the local knowledge would kick in.

Mr. Liam O’Sullivan: Local knowledge is very important for us. We provide services whereby people who move can formally request redirection and we will forward mail to their new address. In the case of deceased persons, because we are switched into every part of the country, our staff generally know when somebody is deceased and we deal with the matter appropriately. We will continue to operate in that way.

Mr. Liam Duggan: Following on from the last point, the Eircode database contains no personal information. It does not contain names; it only contains address information. Therefore,

nothing on the database can indicate whether someone is alive or dead.

The Deputy asked about optical character recognition and potential confusion with letters and numbers. We have stripped out areas of potential confusion. Where there is a “zero” and the letter “O” and even a “Q”, which can be confused, we have gone with the “zero”. Where the lower case “i” and the capital letter “I” can look like the number “1”, we have left in the number “1” and taken out the lower case “i” and the capital “I”. In verbal recognition as the letters “M” and “N” can sound alike, we have taken out the letter “M”. Therefore, if someone is verbally giving a code and says “O”, we will know that it is a “zero”. There are 25 characters in the set, including the ten numbers from zero to nine. When the various letters are taken out, we are left with 25 characters.

We have gone through an exercise to take out rude or offensive and real names. Senator Eamonn Coghlan spoke about the backlash when we launched. With 25 characters in the second block - the unique identifier - the potential number of combinations, when 25 is multiplied by 25 by 25 and by 25, comes to 390,625. Members can believe me when I say that. We have taken out more than 90,000 potentially offensive and rude words, real names and so on. As an exercise, we bought online Scrabble. We looked at all four and three letter words and so on. We had our people based in Maynooth visually go through what was left and some unexpected things showed up when one was looking for words. If there is a “V” beside another, it looks like a “W” and thus can create something else.

Deputy Brendan Griffin: What about something like “IRA”?

Mr. Liam Duggan: That would not be included. There are other things also. I will give an example and ask the Deputy to excuse the example used. If there is an “F” with anything in the next field followed by the letters “CK”, it looks like a word. Therefore, the word “Feck” will not be included. We have engaged in that exercise. When we launch, we will have a contact centre, with people available to take calls and deal with the general public. The website look-up tool will be in operation at that time. Therefore, we will be geared up to deal with the general public and queries they may have.

We are in discussions with Google Maps which licenses the data used elsewhere in the world. It would like to license the data used here and imbed them in its Google Maps system.

We will have a code of practice for junk mail. When we are selling on the database to service providers and so on, we will have a code of practice specifying how the data can be used. It predominantly covers data protection issues, but there are other issues also.

The Deputy mentioned Christmas cards. There is no charge for looking up an address in the look-up site. We will have a limit on the number of look-ups that can be made in one day. It will be limited to something like 15, but we will relax this figure at times like Christmas when people will have a list of addresses to which they want to send mail. They will be able to enter the addresses and get the codes.

Mr. Eamonn Molloy: Senator Sean D. Barrett made an important point about the cost benefit. I can offer to provide some material in that respect for the Senator through the committee secretariat. I will also provide more detail on cost in order to clarify any issues around escalation. I will provide a separate detailed note on both of these issues. If there is any requirement for a follow-up, I will be very happy to follow up with anybody individually.

Chairman: Is that acceptable to Senator Sean D. Barrett?

Senator Sean D. Barrett: It is, of course.

Deputy Michael Colreavy: It should also be provided for other committee members.

Chairman: It will come through the clerk and we will circulate it to everybody.

Senator Eamonn Coghlan: My first question was related to this being the first of its kind in the world and ownership of the system. Does it belong to Capita or the State?

Mr. Eamonn Molloy: The system is owned by the State but being operated on its behalf by Capita.

Mr. Liam Duggan: We have a licence to operate it for ten years, but the IP belongs to the State.

Senator Eamonn Coghlan: Therefore, if Saudi Arabia likes the system and decides to go with it, the State will benefit from the royalties.

Mr. Eamonn Molloy: We do not have copyright on the system globally, but the Senator is right. We believe the success of the State in undertaking this project will have a significant impact in terms of our ability to sell related services from Ireland. I understand there is a fair degree of interest from elsewhere. It is a very unusual one-off. The Deputy is absolutely correct in stating there will be significant benefits.

Deputy Brendan Griffin: For the purposes of clarification, am I correct in saying there will be no cut-off date?

Ms Patricia Cronin: There will be no cut-off date. We are sure, as a result of the benefits involved, that there is no requirement to make it mandatory.

Mr. Liam Duggan: To qualify that remark, An Post is not going to make it mandatory that people use postcodes, etc. At present, however, an individual company such as an international delivery business will, because we do not have a postcode system, take it at face value that an address is correct. If a cut-off point were to be imposed, that company might make a private commercial decision in respect of those who purchase the services it provides.

Chairman: A vote has been called in the Dáil. To wrap up proceedings quickly, I ask the Deputy to be brief.

Deputy Brendan Griffin: What will be the position on local databases?

Mr. Liam Duggan: Any subdivision can be-----

Senator Eamonn Coghlan: Thom's Directory has a listing of all postal addresses in Ireland. Will postcodes be included in future editions of the directory?

Mr. Liam Duggan: If Thom's Directory licenses the data, they will be included in the directory.

Deputy Michael Colreavy: I have two final questions. Will there be a saving to An Post in terms of sorting office operations and will delivery performance be improved as a result of the introduction of the new system? What is the position on the people or companies, or people associated with companies, that have been involved in the project from the outset and continue to be involved in the management of the contract?

NATIONAL POSTCODE SYSTEM: DISCUSSION (RESUMED)

Mr. Eamonn Molloy: Those who were involved with the project in the past are still involved with it. The Department is satisfied that the appointment has been made on an appropriate basis and we are happy to defend this.

Mr. Liam O'Sullivan: In the context of An Post, delivery performance rates have been running at exceptionally high levels. We do not believe the use of postcodes will lift us beyond the figure of 98%. We are almost in the margin of error as to whether the rate is 100%. The example I provided in respect of Christmas time shows that there will be a financial as well as an efficiency benefit. An Post staff who are recruited to sort mail manually are obliged to undergo an extensive training programme. The process in the future will be much simpler because once Eircode location codes are included in mail, it will be simple to match individual items to sorting destinations. We will achieve some cost reductions as a result of the introduction of the codes.

Deputy Michael Colreavy: If people use them.

Mr. Liam O'Sullivan: Yes.

Chairman: I thank our guests for attending and providing answers for many of the questions posed. I am sure the debate on this matter is going to continue for some time and that the committee will hold further hearings to discuss it. The main point is that it is important for our guests to continue to communicate with the various stakeholders and members of the public. If people are to feel comfortable and satisfied with the new system, all possible advantages and disadvantages must be explored and explained. I again thank our guests for their attendance.

The joint committee adjourned at 11.55 a.m. until noon on Tuesday, 25 November 2014.