

Prime Minister

Agree to write as recommended?

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Date to 7/11/85

PRIME MINISTER

1 November 1985

Chief Sec office copy the
are chat to write, saying they have not
agreed, and copying F in F
panels as with a note into the cover page. Mod 5/11

ORDNANCE SURVEY

Yes

CS to c.b.

Last year, Ordnance Survey cost the taxpayer

£21.3 million. In December last year, Government announced in the Commons that Ordnance Survey has been through a period of long uncertainty about its future, and that this uncertainty was now ended. This referred to our decision that OS would not be privatised. This you repeated in a letter to Mr Ross Stewart on 29 July this year, but you added: "Government-owned trading activities . . . should be run, so far as possible, on a commercial basis". In September, guidelines for Ordnance Survey for the current year were issued to Treasury for their approval (attached). Treasury has refrained from giving permission because they were aware that we were researching this matter.

We have concluded that:

1. Pricing policy of Ordnance Survey is far from commercial: they have arbitrarily decided to sell their large-scale maps at less than half price. They have also aimed to recover from their other sectors - ie their provision of services, and their publication of small-scale maps and books and royalties only a break-even return or 10% excess revenue". They have failed to adopt a policy which would cross-subsidise their

loss-making sector. Nor, in their commercial publications, have they done any research as to what prices the market would bear. It is obvious to us, having looked at the prices and royalties charged, that OS could recoup more for their so-called "commercial work" and should be charging more to the 60% of their public sector customers for their large-scale maps.

2. Despite using Saatchi and Saatchi(!) to promote their products, the users of Ordnance Survey - both Government Departments and the public - have not been made aware that they are being helped and subsidised by the taxpayer. (Maybe Saatchis were understandably confused by OS's lack of normal policy.) So while Government is spending valuable resources comparable to most of the drugs programme, we are receiving no credit, and some brickbats, for this hand-out.

3. The aim of Ordnance Survey to recover 35% of costs is too low, even allowing for return on Exchequer grant this year of £1.5 million for digitisation. We believe a figure nearer to the commercial target the Government has set would be 40-50% return on costs. Even though it may be too late to change their objective for this year halfway through the year, we suggest that next year should be the first of a 3-year régime aiming, in the third year, to recover 100% costs. [We note that the objective of OS this year to recover 35% of costs

was put up to the Exchequer 6 months after the financial year began. If they are to be commercial, they must put up their objective next year well before March.]

We recommend that you write to John MacGregor saying that you are not happy with the aim of 35% this year; and that you ask officials urgently to consider ways in which a much higher percentage may be recovered next year. The new management that has been approved should be asked to draw up a clear plan as to the ways in which, and the timetable when, they will recover 100% of their costs.

Sources

The above is based on internal documents produced by OS; their published reports and price lists; two meetings with the Director General and his Finance Director; one visit to Southampton headquarters; and a meeting with their Marketing Director.

H. Booth

HARTLEY BOOTH



Wgandy to Mr H Booth
Policy Unit, No 10 Downing St
Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

[Signature]
1.10.85

CHIEF SECRETARY	
REC.	27 SEP 1985
ACTION	MH Instone
COPIES TO	PTD EST MST EST
	Sir Peter Middleton
	Mr Jamason Mr Schell
	Mr Turnbull Mr Cooper

26 September 1985

Mr Baulby

Dick Meadows

Mr Lord

[Handwritten initials]

ORDNANCE SURVEY FINANCIAL OBJECTIVES

In January 1984, the Secretary of State for the Environment announced his intention "that targets for financial performance of the Ordnance Survey should continue to be set and should in future be reviewed about every three years."

I am writing to let you know that following discussions between your officials and Ordnance Survey officials on this matter, I have now agreed that the Ordnance Survey financial objectives for the three years April 1985-March 1988 will be:-

- A. To aim to recover 35% of the total costs of core activities.
- B. To aim to maximise revenue on Commercial activities and to recover not less than 110% of total costs of that category.
- C. To recover 100% of the total cost of both Public Sector repayment and Overseas business categories.
- D. To aim to reduce the net operating cost (excluding additional bid money for accelerated digital mapping programme) of the Department by 1% each year in real terms.

I intend to announce this by means of a written Question soon after the House reassembles.

This is essentially for information. Unless you officials have a point to raise.

[Handwritten signature]

WILLIAM WALDEGRAVE

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File
Rayner

pk



10 DOWNING STREET

Ordinance Survey

Working Documents
for the file

JPS

1.11.85.

Commercial in Confidence.

Sales by Customer Category 1984/85

Category	LS Maps £K	SS Maps £K	FPS £K	Copyright £K	Repayment £K	TOTAL £K	% of GRAND TOTAL	% excluding SS & ODA	% excluding SS, ODA & Repay
Local Authorities	116.0	161.2	520.2	2600.0	154.7	3552.1	13.5	18.6	27.5
Public Utilities	154.7	201.5	502.8	2896.5	274.5	4030.0	15.4	21.0	30.2
HMLR	356.2	0.3	48.4	681.0	1552.0	2637.9	10.0	14.4	9.2
Other Govt. Dept's	256.3	66.7	168.4	404.0	4052.0	4947.4	18.9	26.7	7.1
Education	59.6	145.6	-	3.0	163.1	371.3	1.4	1.2	0.5
Librarians	51.4	39.4	14.8	-	-	105.6	0.4	0.4	0.6
Publishers	-	-	-	685.0	-	685.0	2.6	3.8	5.8
Professionals	402.3	201.5	442.6	896.5	-	1942.9	7.4	9.5	14.8
Private customers	72.6	3649.7	307.7	125.0	292.0	4447.0	17.0	4.4	4.3
ODA	-	-	-	-	3503.0	3503.0	13.4	-	-
GRAND TOTAL	1469.1	4465.9	2004.9	8291.0	9991.3	26222.2	100	100	100
	% 5.6	17.1	7.6	31.6	38.1	100			

MANAGEMENT IN CONFIDENCE

DATE 18/04/85

1985/86

BBS 5 V2

BUDGET.

COST OF SALES/REVENUE BY PRODUCT GROUP

FINANCE AND AUDIT COMMITTEE REF 11/85 - REVISED

	COST OF SALES + 10c	REVENUE	PROFIT/LOSS
CORE			
. 1:1250	18,080	5,299	-12,781
. 1:2500	12,152	4,412	-7,740
. 1:10000	3,138	1,283	-1,855
. MISCELLANEOUS	2,718	149	-2,569
. 1:25000	2,346	620	-1,726
. OUTDOOR LEISURE	483	623	140
	38,917	12,386	-26,531
. 1:50000	2,901	3,581	680
TOTAL CORE	41,818 75	15,967 52	-25,851
COMMERCIAL			
. 1:250000	369	518	150
. 1:625000	160	144	-16
. TOURIST	262	221	-41
. TOWN MAPS	124	81	-43
. CD PUBLICATIONS	843	1,144	301
. MISC PRODUCTS	409	109	-300
. REPAYMENT SERVICES	994	821	-173
	3,160 6	3,038 10	-122
REPAYMENT (HOME)			
. MOD	2,206	2,600	395
. LAND REGISTRY	2,587	2,650	63
. BOUNDARIES	198	220	22
. EXCHEQUER OTHERS	100	123	23
. BGS	417	416	-1
. NATS	184	150	-34
. MET POLICE	1,009	904	-105
. NON-EXCHEQUER OTHER	133	200	67
	6,833 12	7,265 24	430
REPAYMENT (OVERSEAS)			
. CORE	954	935	-19
. PROJECTS	3,159	3,150	-9
. REPAYMENTS	55	100	45
. MERGER	97	100	3
	4,265 7	4,285 14	20
TOTAL	56,076 100	30,553 100	-25,523
Cost absorbed in stock increase	270		
Under recoveries, Spare accommodation and Loaned & Seconded Staff	1,624		
	57,970	30,553 100	-27,417

Minister for Local Government



Please fax a copy of this
urgently to Mr H Booth
Policy Unit, No 10 Downing St
Department of the Environment
2 Marsham Street London SW1P 3EB

Telephone 01-212 3434

1.10.85

CHIEF SECRETARY	
REC.	27 SEP 1985
ACTION	MH Instone
COPIES TO	PTM EST MST EST
	Li Peter Middleton
	Mr Jamson Mr Schide
	Mr Turnbull Mr Goyne

26 September 1985

Mr Bailey

Mr Lord

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This is essentially for information: Unless you should have agreed the time.

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WILLIAM WALDEGRAVE

Re Hon John McGregor OBE MP

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7. Financial

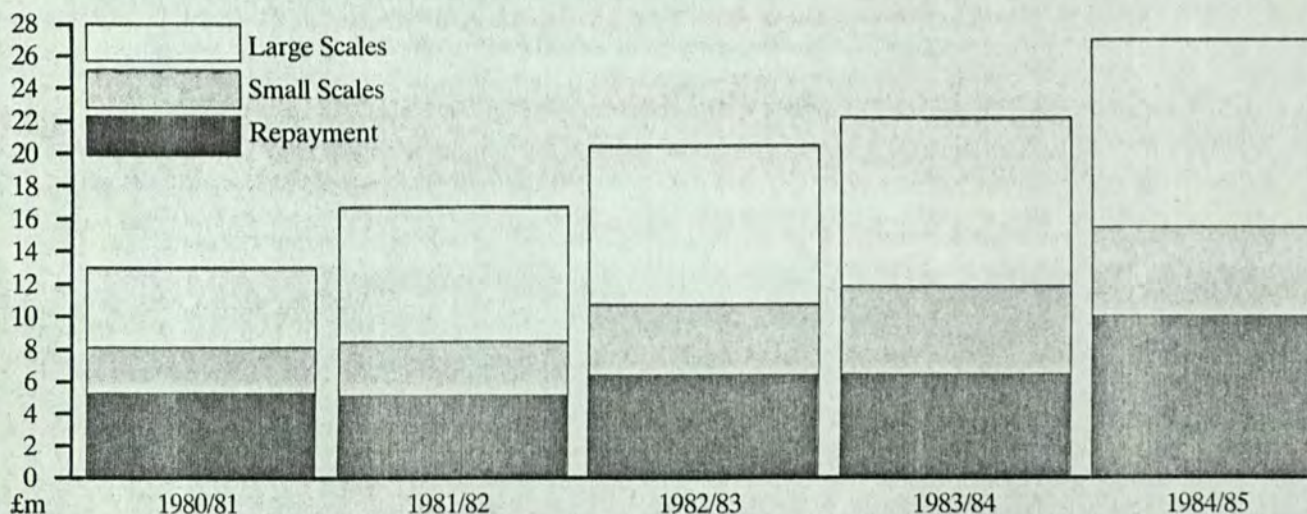
The figures for 1984/85 are provisional and unaudited. Audited accounts for 1984/85 will be published later in 1985 and will be available from Ordnance Survey Headquarters.

Revenue

	1982/83		1983/84		1984/85	
	Quantity in thousands	£000	Quantity in thousands	£000	Quantity in thousands	(Provisional) £000
Large Scales and 1:25 000 Copyright	869	3 265	948	3 638	792	4 066
	—	6 397	—	6 543	—	7 363
Total Large Scales	869	9 662	948	10 181	792	11 429
Small Scales	2 830	3 688	2 753	4 542	2 690	4 591
Copyright	—	594	—	763	—	805
Total Small Scales	2 830	4 282	2 753	5 305	2 690	5 396
Repayment Services	—	6 387	—	6 471	—	10 032
Total	—	20 331	—	21 957	—	26 857

Note Repayment Services revenue in 1984/85 includes the Overseas Surveys Directorate.

Revenue Expressed Graphically



Expenditure

	1982/83 £m	1983/84 £m	1984/85 £m (Provisional)
Staff salaries and superannuation	27.7	27.7	30.3
Other operating costs	6.2	7.9	9.1
Accommodation	3.4	3.1	3.4
Depreciation and interest	4.6	5.2	5.3
Total	41.9	43.9	48.1

Revenue and expenditure by product group

Product Group		1980/81	1981/82	1982/83	1983/84	1984/85 (Provisional)
Large Scales and 1:25 000						
Revenue	£m	6.6	8.1	9.7	10.2	11.4
Expenditure	£m	30.0	31.8	31.7	33.1	33.6
Revenue as % of Expenditure		22%	25%	31%	31%	34%
Small scales and repayment services						
Revenue	£m	8.4	8.7	10.6	11.8	15.4
Expenditure	£m	8.4	9.0	10.2	10.8	14.5
Revenue as % of Expenditure		100%	97%	105%	109%	106%
Totals						
Revenue	£m	15.0	16.8	20.3	22.0	26.9
Expenditure	£m	38.4	40.8	41.9	43.9	48.1
Revenue as % of Expenditure		39%	41%	49%	50%	56%
Exchequer support as % Expenditure		61%	59%	51%	50%	44%

Note Expenditure includes interest on capital charges determined retrospectively by HM Treasury.

Capital employed at 31 March 1985

		(Provisional) £m	
Fixed Assets (see note)	Land and Buildings	19.4	
	Plant and Equipment	<u>9.3</u>	
		28.7	- 35.
Current Assets	Stocks and work-in-progress	4.5	- 4.9
	Debtors, prepayments and bank balances	<u>7.1</u>	- 7.9
		11.6	- 4.9
Current Liabilities		3.9	8.4 (note)
Net Current Assets		7.7	4.6
Net Assets		36.4	39.

Note The value of fixed assets reflect revaluation to net replacement cost at 1 April 1983. Depreciation is calculated on the estimated useful lives of the assets.