

**The price of everything
but the value of nothing**

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Commercial Use of Public
Information**

Context of the market study

- **Market studies examine whether markets are working well for consumers**
- **Where they are not working well we:**
 - Present evidence
 - Explain why
 - Suggest remedies proportionate to size of detriment & size & potential size of market

Key points from CUPI study

- **PSI valuable & vital input for businesses**
- **Potential competition problems where PSIHs are also value-adders**
- **Important to identify what is monopoly element**
- **Need to ensure access to PSI at earliest point in refinement it is useful to business & on equal basis internally & externally**

Improvements could lead to doubling value of PSI to £1bn pa

- **OFT not assessing whether full/marginal cost/market price/no charge is best overall**
- **Commissioned Dot.Econ to estimate consumer detriment under current PSI policy**
- **Intention to demonstrate to government the value of our recommendations to the economy**

Methodology - previous studies

- **Previous studies considered *gross value added by PSI in the economy* – a ‘*top-down approach*’**
 - These studies often overestimate the true value of PSI to the economy by ignoring the substitutes available in the absence of PSI
 - In effect, this methodology can only demonstrate the ‘value that can be linked with PSI’ rather than the value of PSI itself

Methodology – OFT's study

- **estimated the value today with current PSI, considering the *net* economic value of PSI: ie willingness to pay for PSI minus cost of producing & supplying it – a '*Bottom-up approach*' - estimated by adding together:**
 - The amount people are willing to pay for PSI over & above what they currently pay
 - The extent to which PSIHs gain revenues from PSI which exceed the costs of producing & supplying it

- **OFT's study also estimated possible consumer detriment. This considered:**
 - **The types of detriment that may occur**
 - **The likelihood of that occurring for particular groups of PSIHs**
 - **The potential magnitude of the detriment**
 - **Three types of detriment were considered:**
 - A: unduly high pricing
 - B: restriction of downstream competition
 - C: failure to exploit PSI

Methodology – Data available to OFT

- **key source was survey undertaken by OFT of the revenue received by PSIHs from their information activities**
- **public information from the Office of Public Sector Information**
- **information from the larger individual PSIHs**
- **little existing literature relevant to the type of analysis we undertook, consequently conservative assumptions were used with sensitivity analysis of these**

Results of the analysis

- **net value of the PSI sector in the UK found to be approx £590 million p.a.**
- **detriment from the three types (A,B & C) amounted to approx £520 million p.a.**
 - Type A: £20 million p.a. from unduly high pricing
 - Type B: £140 million p.a. from restrictions of downstream competition
 - Type C: £360 million p.a. from failures to exploit PSI
- **If all the problems identified above were resolved, the net value of the PSI sector in the UK could be approx £1.1 billion p.a.**

Reactions to the study

- **Many stakeholders see our estimate of value as under-estimate**
- **Government has accepted many of our recommendations but Treasury commissioned academics to do cost benefit analysis of alternative pricing models for Trading Funds & crucial decision of whether to split accounts into up & downstream is being delayed until this has reported**
- **Some PSIHs have already reviewed their pricing**