The price of everything but the value of nothing

Antoinette Graves
Leader of market study on the 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 PSIJs
- 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