

Tender HMT167; External research study on models of public sector information provision by Trading Funds

Purpose of study

The study is to inform Government decisions on charging and availability of public sector information by Trading Funds. It stems from the recent OFT market study on the commercial use of public sector information and the independent Power of Information report to PSX(E) Cabinet committee.

It is aimed at providing cost and benefit information for possible alternative models of supply and charging for public sector information by Trading Funds. It does not cover policy advice, on Trading Fund structure or other matters

Proposed scope:

The study should analyse the costs and benefits of existing and alternative models for public sector information provision by Trading Funds. Pricing strategies covered should include market price; full cost recovery; marginal cost of distribution; and free.

The study should estimate for each model:

- economic costs and benefits to both the producer and consumers
- fiscal costs and benefits. This is likely to include:
 - o the impact on Trading Funds' revenue, costs and return to the exchequer; taking account of the impact on their business model, and investment requirements
 - o any direct government spending required to support current levels of data collection, maintenance and production and to finance future investment and product development
 - o tax revenues generated to the UK by the use of public sector information by businesses and consumers.
- Estimate the impact, in costs and benefits, for the information market, specifically:
 - o Any changes to data quality
 - o Future information collection / production costs not picked up above
 - o Levels of competition in the market
 - o Expected level of innovation

Costs and benefits should be split between those that are one-off adjustment costs and benefits, and those expected to continue for a longer period. Suitable discounting of one-off and future costs and benefit flows should be presented.

The modelling should also estimate the impact of changing from the current data distinctions of raw / value added to unrefined / refined as recommended by the OFT. These terms are described in the background section below. The researchers may also consider other data distinctions if they consider this valuable.

For context, some consideration should be given to the experience of other countries and a wider perspective of the challenges in markets trading digital information goods.

Consultation

The key Trading Funds and the Shareholder Executive should be consulted in developing the estimates of the costs and benefits of models. Researchers would be assisted in obtaining relevant data from those trading funds. Annual reports and Accounts will also provide an important source of information for the researchers.

Background documents:

The following documents provide useful background to this issue:

- *Economic Paper - How Can The Government Improve The Dissemination Of Its Information Resources?* Prepared as part of the Review of Government Information in 2000 as part of the Cross-cutting review of the knowledge economy. (www.hm-treasury.gov.uk/spending_review/spending_review_2000/associated_documents/spend_sr00_ad_ccrappc.cfm)
- The OFT report on the commercial use of public information:
http://www.oft.gov.uk/advice_and_resources/resource_base/market-studies/public-information
- *Economic Value And Detriment Analysis, Annex G* prepared as part of the OFT market study on the commercial use of public sector information. (www.oft.gov.uk/shared_oftr/reports/consumer_protection/oft861g.pdf)
- The government response to the OFT report:
<http://www.dti.gov.uk/bbf/competition/market-studies/public-information/page39978.html>
- The Power of Information report, and the government response to it:
http://www.cabinetoffice.gov.uk/strategy/downloads/work_areas/power_information/power_information.pdf

Outside of scope

For clarity, the following are outside of the scope of the study:

- implications for other public sector information holders
- regulation of sector (ie roles, functions and funding of Office of Public Sector Information)
- any changes to the legal status of public sector information Trading Funds

Background

The OFT published a market study on the commercial use of public sector information in November 2006. Its recommendations were aimed at improving the availability and pricing of public sector information for commercial re-use. The OFT estimated that significant economic benefit could be achieved from reforms to this market.

The government welcomed the study in June 2007 and accepted the majority of the recommendations. On Trading Funds it considered that it needed further information, particularly on likely costs, before deciding on changes to information pricing and availability.

Current position

Public bodies that choose to make their information available for re-use, except Trading Funds, are expected to:

- make data collected in the course of their public task (raw data) available at the marginal cost of providing the data to those who request it,
- charge market price where data has been manipulated to add value beyond that required for the public task (value added data).

Public bodies have discretion about whether or not to provide public sector information.

Trading Funds have wider flexibility in how they charge for information. Their core duty is to cover costs and earn at least a specified rate of return (usually around 5%). Marginal cost pricing was not applied to Trading Funds, on the basis that if additional demands for information eventually require more capital investment, then these extra costs will have to be funded from taxation. Instead the Review considered price differentiation through product differentiation was appropriate for Trading Funds, and encouraged them to improve access to their information.

Recommendations in OFT study

The OFT study recommended that all public bodies including Trading Funds charge:

- not more than full cost (including any required rate of return) for unrefined data
- and no less than full cost for refined information.

Unrefined and refined data are alternative concepts to raw and value added. Unrefined data is that which cannot be substituted from other sources and refined data exists where there are alternative sources (ie provision is open to competition). Further details on these terms are in the OFT report.

Power of Information Review

In parallel with the preparation of the government response to the OFT study, the Cabinet committee PSX(E) requested and received a report on the Power of Information. The Review was motivated by the rapid change in information technology and a desire to ensure that government was well positioned to take

advantage of it. It built on the OFT analysis to suggest that there had been fundamental changes in the market for use of digital public information. These included a massive decline in costs for the production of information goods and new approaches such as 'mash-ups' presenting a new opportunity for innovators and market entrants, many of whom were not companies at all but individuals and voluntary organisations.

The researchers judged that there was not a case for exempting trading funds from the presumption of marginal cost pricing on a blanket basis. They recommended an independent review be undertaken of the costs and benefits of the current trading fund charging model for the re-use of public sector information, with a particular focus on the five largest Trading Funds that trade in public sector information.

Terms and Conditions

HMT General T&Cs and Specific T&Cs for Consultancy apply. No others will be accepted

Supplier Questions

Any queries should be submitted by e-mail to robert.hardman@ogc.gsi.gov.uk by noon on Weds 11 July 2007.

Deadline for return of tender proposals

Tenders must be received by Rob Hardman **by noon on 20 July 2007**. They should be submitted by e-mail to robert.hardman@ogc.gsi.gov.uk.

Evaluation Criteria

Tender proposals will be assessed against the following criteria, which are listed in order of importance:

- proposed methodology
- price
- on time delivery
- evidence of similar projects delivered
- evidence of qualifications
- understanding of the requirement and its context

Timeframe for tender process and study

Timeframe for Tender process

4 July 2007	Invitation to tender issued
20 July 2007 by noon	Deadline for return of tender proposals

Timeframe for Study

Late July 2007	Successful bidder informed of result
20 August 2007	1 st Interim discussion on progress of the study
22 October 2007	2 nd interim discussion on progress of the study
19 November 2007	Submission of completed study

Tender Process and terms of offer

These Terms of Reference (TOR) have been sent to a number of potential providers for this study. Each has been invited to submit a quote together with an outline of the way they propose to approach the work. The timeframe for the tender process and the study itself is set out above.

Tenders should be set out to show the proposed method of delivery and a pricing schedule. They should also highlight any previous contracts on related issues and any potential conflict of interests. This is to ensure any such conflicts can be managed appropriately.

This tender process is confidential. Tenders should not disclose the fact that they have been invited to tender and must not disclose or otherwise make available this information to any third party other than the tenderer may communicate, disclose or otherwise make available this information to an employee or a professional adviser who requires the information in connection with the preparation of the tender, provided they are bound by equivalent conditions.

This work is subject to the Freedom of Information Act 2000 and any information submitted to the review may be subject to disclosure to a third party. You should identify any information included in your submission that you consider exempted from disclosure under the Act. If you would like more information about this aspect, please contact us.

HM Treasury shall acquire title to all new intellectual property rights in the finished study and shall be at liberty to publish it in part or in its entirety with due acknowledgement.

Prices stated in the offer must remain open for acceptance for 90 days.

Prices must be firm for a minimum period of 12 months.

The contract will be awarded on the basis of the most economically advantageous offer judged on price, quality of products and service, delivery performance and overall cost effectiveness factors.

The Authority shall have no liability for any cost or expense you may incur as a direct or indirect consequence of your tendering for the provision of the services.

The authority does not bind itself to accept the lowest or any tender.

You are advised that nothing in this letter or its appendices or any other communication made between the Authority and any other party shall be taken as constituting a contract, agreement or representation between the Authority and any other party (save for the award of contract made in writing by the Authority), nor shall such be taken as constituting a contract, agreement or representation that any contract shall be offered in accordance herewith or at all.

You are also advised that except as otherwise expressly provided, no communication to you shall have any validity under any resultant contract unless made in writing on behalf of the Authority