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Global Forum on Competition

THE ROLE OF CONSUMERS IN PROMOTING PRO-COMPETITIVE REFORMS

Presentation by Samuel Ochieng

-- Session III --

This presentation is submitted by Mr. Samuel Ochieng (President of Consumers International) under session III of the Global Forum on Competition to be held on 21 and 22 February 2008.

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La voix des Consommateurs
à travers le monde

The global voice
for consumers

La voz global para la defensa
de los consumidores



The politics of reform: consumers & competition

Samuel Ochieng
President, Consumers International
21 February 2008

What is Consumers International?

- The global federation of consumer organisations
- 220 member organisations (mostly independent, some governmental) in 115 countries
- Offices in London, Santiago, Kuala Lumpur, Harare

CI & Competition

- Practical action by national members in specific sectors eg telecoms, sportswear, music downloads
- Capacity building by members for CI such as CUTS, *Which* (UK), and by CI for members eg EU project on 3 sectors in 14 countries
- Formal representation to competition authorities, eg France, NL, Spain, Lithuania, UK
- Work with OECD, UNCTAD, WTO, ICN, EU.

CI members in developing countries: emphasis on infrastructure

- Developing country members, especially Africa - emphasis on infrastructure including impact of monopolies on consumers
- Water – Chad, Mali, Kenya, Zambia, Senegal, Ghana
- Energy – Zambia, Kenya, Senegal, Cameroon
- Telecoms – Bangladesh, Indonesia, Pakistan, Thailand, Chad
- And others, coming on stream, recently Gabon

Thesis 1

- *Public monopolies have perverse effects where coverage incomplete* resulting in:
 - High connection charges
 - Access stuck at low level
 - Black market
 - The poor pay more/unit to informal sector.

Thesis 2

- *Private monopolies have proved unstable, prone to collapse or renegotiation*
- Have resulted in exclusive deals to keep out competitors
- DC infrastructure water and energy services often not natural monopoly but treated as such.

Thesis 3

- *Developing countries should not adopt Northern natural monopoly model*
- North emphasises tariff and choice; for developing countries issues are access/coverage and continuity
- Tenders based on price competition starve services of resources and benefit existing connected not poor.

Telecoms expansion

- 49 poorest countries: tripling of telephony 1960-95; x 6 in 1995-2000
- Chad – 8,500 lines 1998; 250,000 in 2005
- Latin America – coverage 2x more with competition than without
- Competition within state sector in China/Vietnam
- USO funds unspent in Brazil & India
- Sectoral or generic competition regulation?

Energy in Africa

- Two thirds use wood fuel and no other source
- SSAfrica 23% electricity coverage; electricity only 3% of energy consumption
- What is there to unbundle?
- The poorest 40% untouched by private investment, but many served by small scale providers.

An energy standard?

- Applicable to non-integrated systems
- Equitable distribution of service
- Contractual rights for consumers
- Public participation in regulation
- Pricing based on capacity to pay, costs, return on capital and historic levels
- Account for needs of the poor in tariffs and subsidies

Water and Sanitation

- Private concessions widespread 'distress' and renegotiation (74% water contracts 1985 – 2000 in Latin America)
- Africa falling short of MDG
- Poor pay more syndrome: 10 unit price differential eg Nairobi
- World Bank in 49 countries: Network/non-network differentials greater than public/private.

Legal exclusivity

- By statute in public sector
- By contract in private sector
- Undermined by black market – people must eat and drink.

Competition through tender

- Price competition:
 - W. Manila 43% decrease;
 - Buenos Aires 27%
- Both reversed
- Conflict between price cuts and system extension
- Uni-dimensional competition takes away policy trade-offs.

De-monopolisation

- Manila
- Dar-es-Salaam
- Maharashtra
- Legalisation of black market through licensing/third party recognition
- Recognition that where networks are not complete, water and sanitation are not natural monopolies.

Some encouraging examples

- Concession contracts based on expansion
- Recognition of small scale providers
- Licensing incomers
- Development of off-grid systems including cooperatives
- Development of micro-credit.

Consumer strategies

- Within the boardrooms – membership of regulatory bodies
- Outside the boardrooms – critiques of anti-competitive regimes
- Promotion of alternative provision
- Political and service based decentralisation.

Future approach

- Formal rights for consumer organisations to participate in competition policy
- General training and practical support
- Mechanisms for redress (including collective)
- Support programmes for redress mechanisms,
- Guaranteed standards for basic services
- Enshrining consumer welfare as primary objective of competition law and regulation

