

Role of telecommunication competition in economic change- a consumer view

**Michelle Childs
Head of Policy Research**

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Overview

- ✍ Benefits of competition to consumers
- ✍ Factors necessary to ensure delivery of benefits
- ✍ Digital consumer issues
- ✍ future issues

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Importance of competition policy for consumers

- ✍ Competition brings benefits to most consumers :
- ✍ Directly: lower prices,new entrants,more choice,wider access, better service,
- ✍ Indirectly: productivity gains;efficiency gains.
- ✍ It is key part of consumer protection

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Consumer focused competition policy

- ✍ Should focus on consumers!
- ✍ Traditional analysis focused on supply side
- ✍ Must understand and reflect actual consumer behaviour - not 'rational'
- ✍ Danger - deregulate prematurely or remedies inappropriate

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Competition delivering benefits for consumers

- ✍ Competition benefits gradual . Initial focus on business and urban consumers. Continual issue with rural areas
- ✍ Key factors: Nature and control of infrastructure
- ✍ Independent,transparent regulation & redress
- ✍ Consumer involvement.

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Consumer organisations role

- ✍ Ranging from:
- ✍ Information/advice
- ✍ Intervention in formal competition investigations
- ✍ Intervention in regulatory processes
- ✍ Generating interest in sectors through research highlight good and bad practice (e.g Which?articles- policy research)
- ✍ Interventions directly in the market - e.g Which?Webtrader seal programme.

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Experience in UK

- ✍ UK telecoms was innovative and relatively successful
 - ✍ Initial object was to privatise not to liberalise – hobbled later efforts
- ✍ Privatised structures relatively untouched for consumers
- ✍ Dominance is now a problem in stifling innovation and market entry for new services

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Experience in UK

- ✍ Fixed&mobile 60%
- ✍ Fixed line only 33%
- ✍ Mobile only 5%
- ✍ Neither 2% [source: OFTEL]
- ✍ **But: BT has (Q12001/02)–**
 - ✍ 71% of all calls, (74% local, 66% national, 59% international)
 - ✍ 87% of all line rentals
 - ✍ 76 % of call and exchange line rentals

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Delivering benefits to consumers

- ✍ Often problems through out value chain:
- ✍ Infrastructure
- ✍ Poor sales information/advice
- ✍ barriers to switching
- ✍ Product complexity
- ✍ barriers to new entry

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No single solution

- ✍ May require:
- ✍ Competition law sanctions
- ✍ sector specific regulation
- ✍ Use of general consumer protection legislation
- ✍ self regulation
- ✍ education

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Factors determine switching

- ✍ Opportunity - accessibility of competitors & ease of switching
- ✍ Inclination - perceived benefits of switching and/or desire to leave exiting service
- ✍ Perception of risk/disinclination - the greater the perception of risk the lower the likelihood a consumer will switch [source DTI]

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Tackling barriers to switching

- ✍ Structural- number portability/local loop unbundling
- ✍ Behavioural - comparable information
- ✍ Promotion of ease of switching
- ✍ Tackling anti competitive behaviour/misleading advertising
- ✍ brand strength of incumbent/mistrust new entrants

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The digital consumer

- ✍ Key consumer telecoms needs:
 - ✍ Broadband as provider of new services
 - ✍ Closely tied to Internet and route into new markets and greater competition in existing (broadcast)
 - ✍ Role of Digital TV?
 - ✍ Internet as medium for commerce and communication
 - ✍ Existing connection speeds cannot deal with step up in use
 - ✍ Safeguard of universal service style obligations
 - ✍ Need to ensure that access is reasonable and fair for all consumers

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Addressing consumer concerns

- ✍ Barriers to take up- technical and fears
- ✍ Affordability: 2.8 billion people live on less than \$2 a day
- ✍ Drives take up e.g pre paid mobiles:
- ✍ Cellnet-50%, Vodafone- 58%, Orange- 57%, One2one- 63% [source: OECD]
- ✍ Relevance: consumers buy services not technology.

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Addressing consumer concerns

- ✍ 51% of EU consumers not connected gave as a reason lack of interest or knowledge
- ✍ Low income : 60% v 9% affordability [Source: European Commission]
- ✍ 85% non users of e commerce
- ✍ 3/4 non users of digital TV and mobiles in UK
- ✍ Matching expectations: CI survey of e-commerce half provided delivery info many failed to meet it. 10% failed to arrive at all.

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What Which? Web Trader means for Consumers

- ✍ a code of practice for e-commerce which will give consumers the confidence to shop online
- ✍ a code which will improve some standards of e-commerce for consumers
- ✍ A European partnership of consumer organisations - 7 countries +

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Web Trader: example conditions

- ✍ prices - clear & fully inclusive
- ✍ comply with all (UK) legislation such as Data Protection, etc
- ✍ site must be secure
- ✍ a delivery date must be provided
- ✍ refunds within a maximum of 30 days
- ✍ complaint handling procedure must be in place

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What Which? Web Trader means for Businesses

- ✍ e-commerce advice -good practice checklist for SME's
- ✍ consumer feedback
- ✍ brand enhancement- for SME's
- ✍ source of customers
- ✍ 5,000+ applications -2500 full web traders

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Future issues

- ✍ unravelling of cross subsidies
- ✍ digital divide- age/literacy /intermediaries
- ✍ Competition issues- transborder mergers/gateway controls of technology & content
- ✍ Delivering sufficient added value services

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