End specialist mobile telecoms regulation [1]

Written by **Blog Editor** [2] | Friday 5 June 2009

In a new study published this week the Adam Smith Institute?s Senior Fellow Keith Boyfield argues that regulation of mobile telephones in the UK is far too detailed and cramps innovation. It needs to be rolled back to allow this highly successful industry to adapt to the next wave of technological change. The report, entitled *Regulating Mobile Phones: A fresh look* [3], published by the European Policy Forum, points out that the mobile sector is characterised by a wide raft of suppliers who have delivered consumer satisfaction rating of 94% - far higher than other markets such as rail, water and energy. They have also provided tremendous value for money: prices have tumbled by 17% a year over the last five years.

Why then is Ofcom, the sector regulator, showing increasing signs of wanting to tighten its regulatory hold on the mobile telecoms market? It is currently in the middle of a Mobile Sector Assessment exercise aimed at reviewing its whole approach to regulation. However, there are few indications that it is seeking to withdraw from regulatory intervention in the market.

Keith?s study identifies a number of clear disadvantages in Ofcom?s current approach and the damage to the market caused by unnecessary regulation. Ofcom?s micro regulatory management has limited innovation by reducing competitive advantage; it has further limited the incentive to invest in new products and services. Ofcom?s regulatory approach has tended to focus too much on the concerns of a few voices rather than the bulk of consumers. As a result, overall costs ? and prices ? are higher than they could be if market mechanisms were unshackled. ?Relations between the sector and the regulator do not reflect the achievements of the market?, says Keith. ?Increasingly regulation is a hindrance to the consumer. The pace of technological change in the sector is not slowing down, providers must continue to adapt. Heavy-handed regulation weakens incentives for investment and opportunities for innovation.?

He adds, ?Ofcom needs to adopt best practice in regulation ? which is to step back where competition is delivering for the consumer. Regulation will always be a second-best approach to meeting consumer needs. Successful sectors often outgrow the regulator. We no longer have specialist regulation of fixed line telecoms, the time has come to withdraw from mobile specialist regulation as well.?

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The report identifies a number of specific examples of a heavy-handed regulatory approach, including:

- Micro-management of customer service: Ofcom is asking operators to gather and publicise information of no interest to customers

- Efforts to improve price transparency on national numbers that may lead to Ofcom setting the price of individual calls
- Slow regulator reaction over misselling complaints ? industry self-regulation reduced complaints by 95% while Ofcom were still drafting their consultation
- Attempts to reduce the time to port a number between operators to less than 48 hours, even though this timescale is satisfactory for consumers
- Demanding mobile providers deliver 100% mobile coverage across the UK, even though this would take resources away from investment in new technology and improved services.

The report sets out a series of recommendations which emphasise the ample opportunities for Ofcom to withdraw from detailed regulation. With this goal in mind the report recommends that the regulator should prepare a timetable for phased regulatory withdrawal across the sector. In this context, it is important to note that the recently strengthened EU Consumer Rights Directive provides an unprecedented opportunity to wind up sector-specific consumer rights regulation and replace it with a set of robust consumer rights based on the new EU Directive.

Accordingly, the report calls for a systematic toolkit to be developed in order to stimulate greater competition and ensure that consumers enjoy similar rights across a raft of sectors, such as energy, telecommunications and water services. This should be a welcome development for consumers who should find such an overhauled system easier to use and consistent across the entire range of goods and services offered in the UK retail market.
