

ACCC/AER Regulatory Conference 2013  
«Customer involvement and pricing»  
Thursday July 25th 2013, Sofitel, Brisbane

# Session 1: Customer Involvement: the next frontier for regulatory reform or a smokescreen hiding other failings?

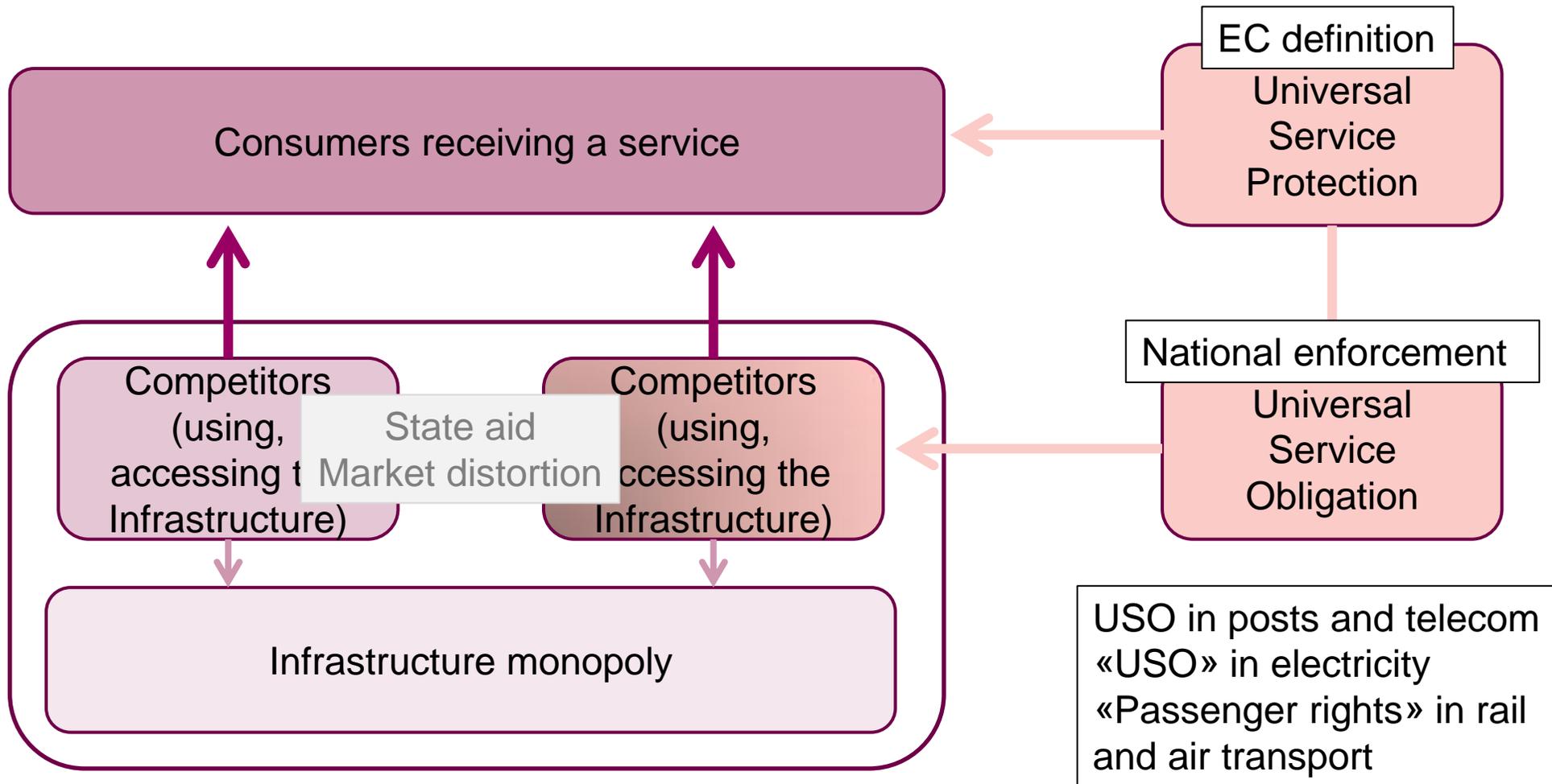
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# 1. What is the European (Commission's) approach to “customers/consumers”?

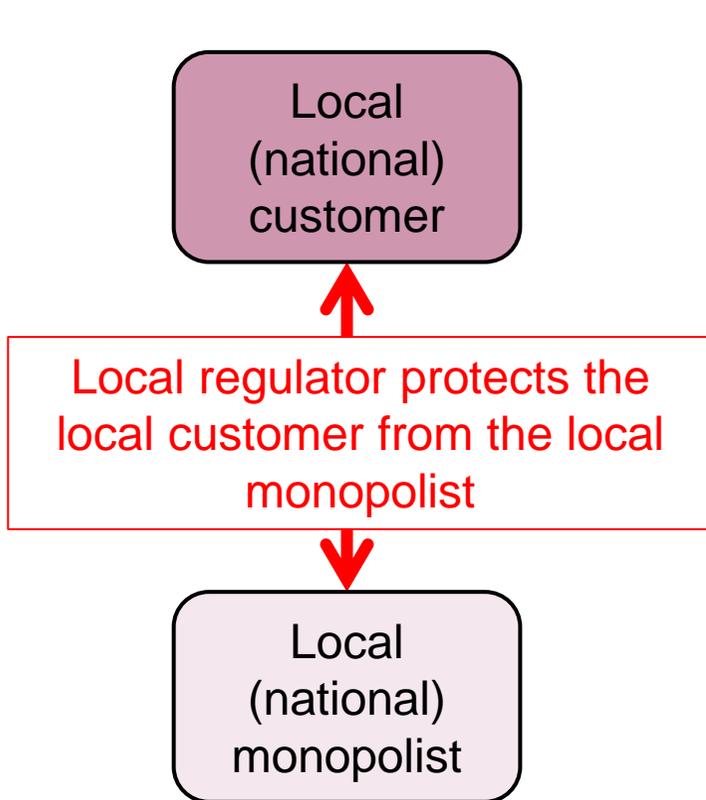
- The European approach is first of all one of consumer protection (small, weak)
- Consumer protection is before all an answer to competition (not to monopoly), which leads to cherry picking (the most lucrative consumers) and more generally to the erosion of the traditional public service (provided by the SOEs or other local public service providers)
- The original idea stems from the postal sector, and was then extended to telecoms
- Consumer protection in Europe is called “Universal Service”, or Universal Service Protection (USP)
- At least one operator is always tasked with the Universal Service Obligation (USO)
- USO is a conceptual innovation and as such a compromise between different conceptions of what the State's role in providing services is all about (S vs N)
- The Universal Service is a minimum (public) service to which all inhabitants – i.e., consumers as citizens – are entitled, regardless of where they live
- Universal Service is before all a political notion (with financial consequences), defined in terms of:  
(1) accessibility to services, (2) quality of service, and (3) affordability

## 2. Graphic representation

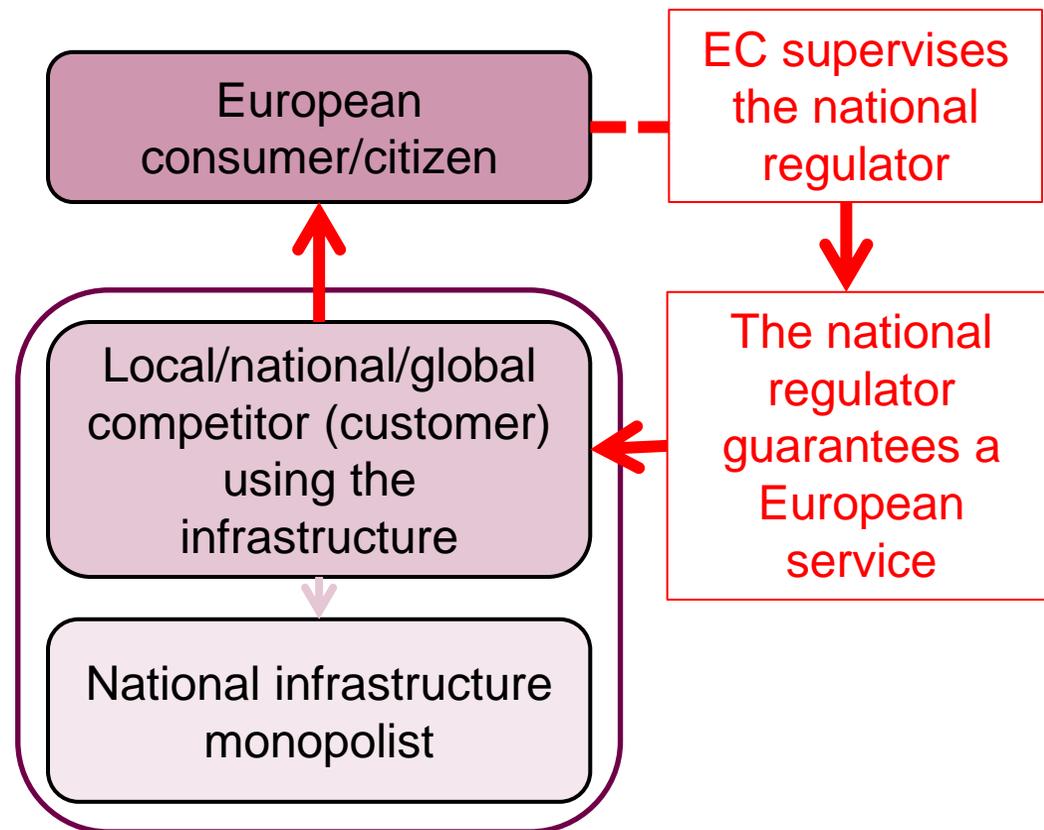


### 3. How does the EU differ from the US (UK)?

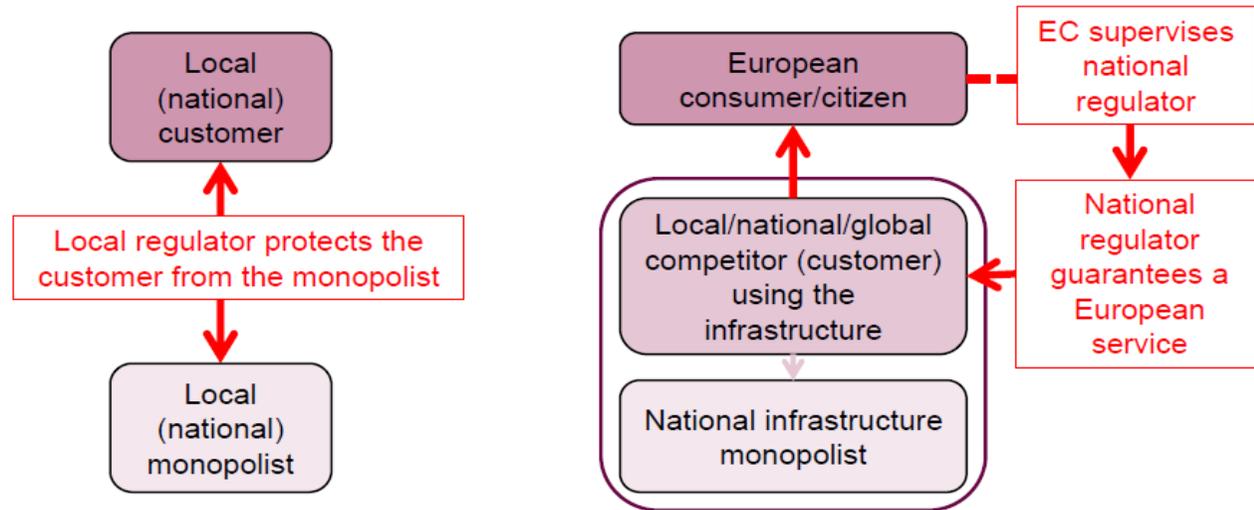
#### US approach



#### EC approach



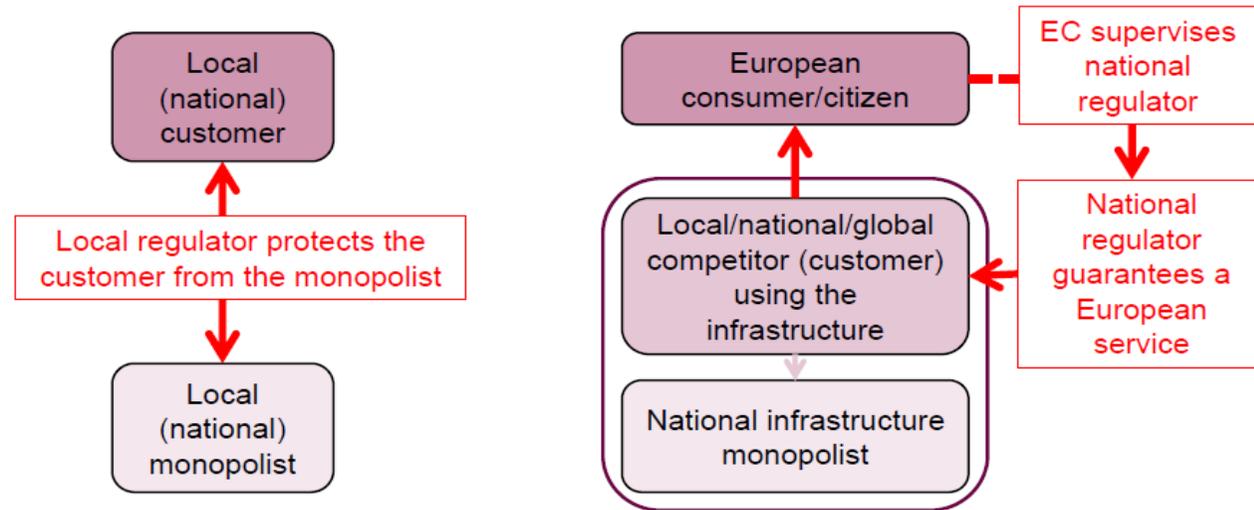
# 4. What function(s) do customers have for regulators? Q2: forms of customer involvement



- «Customer involvement», because
- Customers are the very «raison d'être» of regulators
- Questions: (1) are regulators «mediators» or «consumer advocates»; (2) which customers to protect?

- «Consumer involvement», because
- Regulators need to stay focused (as they do other things; their «raison d'être» is to create and sustain competition)
- Question: «theory» versus «practice» → how to stay focused?

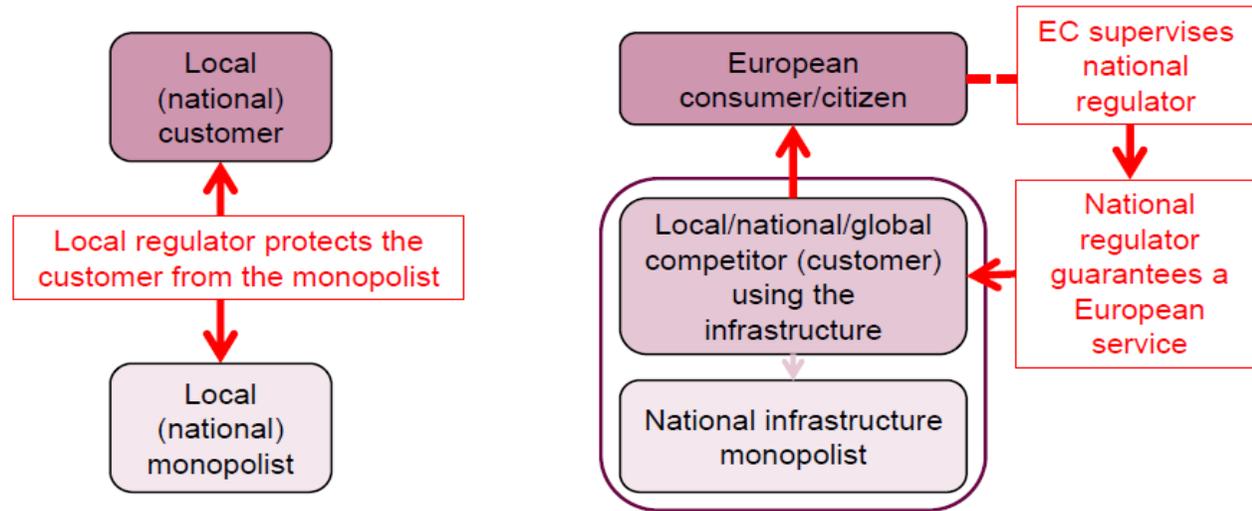
# 5. Q3: is there a risk of short-termism?



- This is the question of the type consumer to protect (industrial consumers versus citizens)
- Too narrow consumer protection always entails a risk of short-termism

- This is not really a risk in Europe, to the contrary (not enough protection)
- Regulators have to balance «consumer protection» with «security of supply», which plays into the hand of firm lobbies

# 6. Q1: what problems can customer/consumer involvement solve?



Regulatory capture: customers as counter-power

Rent extraction: customers as counter-power

Information asymmetry: customers as informers

Legitimacy problems: consumers as source of legitimacy

Consumers as members of regulatory bodies?