

# CCRP ROUNDTABLE “SOCIAL OBLIGATIONS IN A DIGITAL WORLD” 21 JANUARY 2016.

## Chairman’s Comments

The 2016 Roundtable was held at the offices of the UK Competition and Markets Authority. The panellists were: Alex Chisholm (CEO at the CMA), Xenia Dassiou (Director of the CCRP at City University), Professor Amelia Fletcher (Norwich Business School, UEA), Eliana Garces-Tolon (Deputy Chief Economist, DG for Internal Market and Industry, EU Commission, Brussels), Jonathan Oxley (Group Director Competition Group, Ofcom) and David Stewart (Partner, Towerhouse LLP).

The themes discussed at the Roundtable included:

- (i) *Disadvantaged consumers and accessibility* - including rural and elderly consumers;
- (ii) *Disengaged consumers* - able but digitally non-active consumers;
- (iii) *New forms of dominance* - Including new levels of social responsibility, such as enhanced transparency obligations;
- (iv) *Consumer protection in a digital world* - Including implications for optimal market solutions, regulation and competition policy arising from digital search; and
- (v) *National versus supranational solutions* - including EU and other international requirements.

Most of the speakers focused on two of these issues and some of their contributions have been set out elsewhere in the Roundtable report.

## Chairman’s Introductory Remarks

In my introductory remarks, I focused on the first issue **Disadvantaged consumers and accessibility**. The examples I discussed were *rural consumers and producers* and the *elderly*. There are, in addition, the well-known and longstanding issues of digital access and proficiency for low income and social class groups and for people with poor reading and computation skills. The former may at least partially be addressed by computer access and assistance in libraries and similar and also by social outreach providers. In the longer term, these problems should improve with lower cost and easier-to-use electronic devices including voice-activated instructions.

The problems of rural consumers and producers are well-known. The UK government has now effectively mandated a Universal Service Obligation for mobile telephony and internet access. There are problems of delivery and level of service, but Ofcom has clearly recognised the problem and has been working on how best to handle it. (This issue was discussed by Jonathan Oxley of Ofcom along with other access issues.)

The elderly – and particularly the very elderly – present a more difficult problem. We have a mixed economy for welfare with many of the services provided to the very elderly and these services are increasingly being provided by market transactions. This includes sheltered housing, care homes and nursing homes where digital media are important both for *finding* such services and for *assessing the quality* of these services. Assessing quality is not easy and much depends on the reliability and comparability of ratings. This is likely to be particularly difficult in ‘thin’ local and regional markets for these services.

The problem is most acute for the elderly suffering from dementia and other mental deterioration (e.g. following a severe stroke). Expecting these and similar groups to use digital services effectively is absurd. So, they are totally dependent on their children, neighbours, care workers and others for digital information gathering and contracting.

The scale of this problem is very large and growing. Currently, the Alzheimer’s Society estimate that around 7% of UK citizens over 65 suffer from one or other form of dementia. However, US evidence suggests that between 25-50% will suffer from dementia by age 85 – its incidence seems to double for every 5 years after 65. The latest UK ONS population statistics report that the average (cohort) life expectancy for men aged 65 is now over 20 years and it is around 23 years for women. Life expectancies for the elderly have been rising and are expected to continue to rise. The growing numbers of very elderly people may be offset by some decline in the number of dementia sufferers – and of people with similar disabling mental capacity inducing illnesses. But, even allowing for this, the number of people with such illnesses will certainly increase dramatically.

This leads directly to the question of how we are going to meet the consumer needs of the elderly and very elderly in a progressively more digital world. It also raises serious questions for these groups about consumer protection, economic regulation and competition policy. However, it is also arguable that these problems have long been common for the very elderly in a world of less developed (off-line) markets or information – implying that the digital world may well have better revealed rather than created the market access issues.

I also briefly introduced issues raised by topics (iii) and (iv) - **new forms of dominance and consumer protection in a digital world**. These raise questions about digital markets and the implications for economic welfare, in particular where sellers can identify and tailor their offers to different customers. This has implications for the efficiency of digital markets and fairness in practice.

These topics also have potentially serious implications for economic theory. Behavioural economics has raised questions about the robustness of the optimality of consumer search in many markets. The digital issues further increase the salience of these issues and raise the possibility of ‘abusive dominance’ in the behaviour of companies. (The practical issues for competition policy were discussed by Alex Chisholm and David Stewart. The underlying economic issues were discussed by Xenia Dassiou and Amelia Fletcher.)

## Points Raised in the Discussion

The discussion ranged widely but the following were among the main points made:

- (i) Some of the issues raised on access were issues that had been present in the pre-digital retail world but had become much more obvious in the digital world. That particularly applied to rural and other areas with limited numbers of shops and/or high transport costs.
- (ii) The process of competition in a digital world often produced new entry or innovation that significantly alleviated or eliminated the original problem (e.g. competition from new entry in pay-tv movie and sports markets).
- (iii) For competition to work effectively in these markets, there was often a need for regulators and the CMA actively to use ‘regulation for competition’.

## Concluding Thoughts

We are clearly still in the middle of the development of the digital world. Transformational technologies like ICT typically develop over 30-50 years. However, the UK broadband internet service is under 20 years old and consumer-oriented smartphones were only introduced in 2007. Media news reports continuously announce (and promote) major new developments: new apps, the arrival of artificial intelligence, robotic and other major digital threats to employment, the potential arrival of a world of plenty for all, etc.

Living in the digital world is reminiscent of living in the railway age in the 1840s – or the electricity age of the 1920s. We are aware of some of the threats but find it hard, if not impossible, to predict the future benefits from the development of digital technology or of its uses. In the 1840s, people found it hard to describe what the railway age actually was or what it implied for the future. That only became clear 25-30 years later e.g. with the growth of suburbs and commuter railways and growing weekend/holiday traffic to accompany the freight traffic. 25-years from now, observers will be much clearer as to what the digital age has actually brought and what have been its consequences. But, we have to make policy decisions now about how best to deal with the competition and other issues that are created; we can’t wait 25 or more years for the information.

During the 1840s, Wordsworth famously opposed the building of the Kendal & Windermere railway line. He composed a sonnet protesting bitterly against the technological and tourist incursions into his beloved, wild landscape by railway-borne tourists. That is well-known. What is much less well-known is that George Heald, a contracting engineer for the railways also wrote an impassioned poem in 1847 arguing in favour of the Kendal & Windermere railway and what it had brought. He argued strongly for the benefits from the arrival of the railway to the Lake District and, in particular, the cultural and social benefits for (and from) the new tourists newly able

to visit the area and admire the lakes and peaks. (See [https://en.wikipedia.org/wiki/Kendal\\_and\\_Windermere\\_Railway](https://en.wikipedia.org/wiki/Kendal_and_Windermere_Railway) for these poems and a discussion.)

I have not yet seen any equivalent poems about what ICT and the digital age will bring. However, I would argue strongly for the optimism of George Heald rather than the pessimism of Wordsworth. The Roundtable revealed serious competition and regulatory policy concerns but the overall tone was – rightly – about the opportunities that the digital world had (and would almost certainly) bring as well as the relative manageability of these concerns.

Jon Stern  
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