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Variations to fixed-term telecommunications contracts - Consultation

Comment by Teletech Solutions in response to the Consultation Paper issued by the Channel Islands Competition and Regulatory Authority in May 2013.

Introduction

Teletech Solutions welcomes the opportunity given by the Channel Islands Competition and Regulatory Authority (CICRA) to comment on the Consultation Paper in respect of "Variations to fixed-term telecommunications contracts" issued in May 2013.

This document contains the response of independent telecom consultancy Teletech Solutions (Teletech) to the CICRA document.

Response

Teletech broadly welcomes the CICRA's investigation and consultation in this matter, which appears in line with similar moves by OFCOM in the UK, and which follow JT's unfortunate decision to remove an inclusive data bundle from its mobile phone tariffs in January 2012, the effect of which probably went unnoticed by the majority of subscribers at the time, but which will have materially affected many since.

In considering whether to intervene, and in proposing options to address, CICRA should be mindful of whether this matter is actually a consumer protection issue, rather than something specific to the telecoms industry. There are, no doubt, other service contracts issued by other organisations within the Channel Islands that allow the service provider to vary its terms as and when it likes and which affords the customer no protection or right of recourse. On this basis, it could be argued that CICRA is unfairly singling out and penalising local telecoms operators by imposing specific consumer protection rules on them and not others. On the other hand, telecoms operators are licensed and therefore already subject to rules and conditions that exceed those generally in place.

With this in mind, Teletech believes it is appropriate for CICRA to intervene in this matter in order to prevent any future consumer harm arising from price rises and product changes in fixed-term contracts.

The basis of this view is that it unreasonable for telecom operators (or other companies) to alter the terms of a fixed term contract without giving the customer a right to exit that contract without penalty if they wish.

In respect of which of the two proposed methods should be used to protect consumers in fixed term contract, Teletech would support either option, but suggests CIRCA are mindful of the following in making its decision:

1. The chosen option should apply to *standard* business mobile phone contracts, as well as consumer. The basis of this is that businesses, particularly smaller ones, are equally vulnerable to enforced contract changes, and the financial effect on them may be higher. Furthermore, consumers are not precluded from opting for standard business-orientated tariffs, and thus may be affected by contract changes.
2. That the issue of a reimbursing a handset subsidy in the event of a customer opting to terminate their contract in response to a change needs careful consideration. The value of a handset is far from transparent to the consumer, and this could be used as a means to prevent customers leaving.
3. That is not clear that a distinction should be made if the telecoms operators incurs costs as a result of actions of other bodies outside their control, i.e. government or regulatory. Individual telecoms operators can decide whether to absorb those costs or pass on to their customers. In the event the decision is to pass on, this is still a contract variation and therefore the customer should have the right to terminate.

Ends