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**CONSUMERISM: MANAGEMENT CHALLENGE  
OF CONSUMER PROTECTION IN  
NATIONAL ENTERPRISES**

**by**

**AZUBUIKE SONNY A. NWANKWO**



**City University London**

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**AZUBUIKE SONNY A. NWANKWO B.Sc., MBA, Dip.M, MCIM**

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### **Declaration**

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Azubuike S. A. Nwankwo

## **ABBREVIATIONS**

<b>BT</b>	<b>- British Telecommunications.</b>
<b>DGGS</b>	<b>- Director General of Gas Supply.</b>
<b>DGT</b>	<b>- Director General of Telecommunications.</b>
<b>DTI</b>	<b>- Department of Trade and Industry.</b>
<b>ECC</b>	<b>- Electricity Consumers Council.</b>
<b>ECE</b>	<b>- Economic Commission for Europe.</b>
<b>EEC</b>	<b>- European economic commission.</b>
<b>GCC</b>	<b>- Gas Consumers Council.</b>
<b>ITU</b>	<b>- International Telecommunications Union.</b>
<b>MCL</b>	<b>- Mercury Communications Ltd.</b>
<b>NCC</b>	<b>- National Consumer Council.</b>
<b>NEDO</b>	<b>- National Economic Development Office.</b>
<b>NITEL</b>	<b>- Nigerian Telecommunications.</b>
<b>OECD</b>	<b>- Organization for Economic Co-operation and Development.</b>
<b>OFGAS</b>	<b>- Office of Gas Supply.</b>
<b>OFT</b>	<b>- Office of Fair Trading.</b>
<b>OFTTEL</b>	<b>- Office of Telecommunications.</b>
<b>PTO</b>	<b>- Public Telecommunications Operator.</b>
<b>TAC</b>	<b>- Telecommunications Advisory Committee.</b>
<b>TMA</b>	<b>- Telecommunications Managers Association.</b>

## **CHAPTER 6**

### **CASE STUDY AND DATA PRESENTATION**

#### **6.0. OVER-VIEW**

In the preceding chapter, we tried to provide a framework to guide the analysis of managerial approach to consumer protection vide conceptualization of a dichotomized model of management response behaviour. More than that, we methodologically proposed the adoption of a 'single case' approach to structure the analytical procedure. It is pertinent to recall that in chapter 2, we delineated the philosophical boundaries of the national enterprise. The framework, in addition to structurally defining the general contextual base of the study, will come in handy as the mooring or frame of reference as we focus on field data.

What we intend to do in this chapter is to throw the searchlight on the telecom industry in general, then narrow down to the British Telecom in keeping with the 'single case' procedure. We have proposed that, basically, most of the national enterprises bear common features in terms of market characteristics, commonalties relative to socio-political constraints and opportunities. It is hoped that information gleaned from the case study will, in a general sense, describe the market situation of the enterprise class. However, efforts will be made to draw parallels and differences where appropriate.

#### **6.1. TELECOMMUNICATIONS IN PERSPECTIVE**

The definition and description of telecom services market is generally complicated by changing service availabilities through proliferation, and also changing national definitions. Often a break-down between basic and enhanced/value-added services is proposed. In such a break down, basic services are taken to include voice transmission, telegraphy, telex, and all



other services would be included under the enhanced label. But there is little agreement over what constitutes a network function or can be considered a service function. The problem is that high degree of technological change characteristic of the telecom industry and the evolving service concept have not only influenced boundaries between services which may be considered value-added at present but also basic in future. What it portends is that no matter whichever way one looks at it, telecom will become pervasive in all aspects of social and economic relations. This makes it increasingly difficult to clearly delineate the boundaries between private and public interests.

Telecom sector broadly defined is both a service activity and a manufacturing industry. In the present case study, we are limited to point-to-point communication, (voice, data, record), and therefore excludes broadcasting as well as the following:

- the production of equipments (eg. switching, transmission and terminal equipments) which interconnect to provide the infrastructure and networks of telecom services.
- the network and equipments which are based on convergence of computer and telecom technology - this is forming the base for a wide range of new industries.

By this exclusion, we are concerned with telecom as a service industry. There is a parallel here with the energy industry where distinction is usually made between the core service and the value-added services, eg. Gas supply as distinct from the appliance market. According to published report, (O E C D, 1988), the proportion of the equipment sub-sector is approximately one-third of the telecom market and the remaining two-thirds derive from services sub-sector. However the reasons for excluding the equipment aspect are based on the following :

(i) The demand for telecom equipment is derived from the demand for its services. The significance of the equipment industry in terms of its growth potentials, and in its adjustment process as a whole therefore mainly stem from its impact on the range and quality of telecom services offered.

(ii) Service providers' influence over the equipment market has tremendously declined. This is largely because the sector relishes in a

visibly high level of innovativeness. Over time, the range of equipment attached to or included in the telecom network has steadily expanded, thereby blurring the boundaries between data processing, standard office equipment and telecommunications.

(iii) As a consequence of (ii) above, there is a high degree of competition in the sub-sector. Therefore, the monopoly characteristics of the industry does not extend to the sub-sector.

(iv) Our concern with enterprises of interest lie in their market dominant positions, basically resulting from market failure . Since the equipment sub-sector can not be so categorized, it consequently fall outside the purview of the study.

#### 6.1.1. MARKET STRUCTURE

Major structural changes have affected and continues to affect the telecom industry. These changes have encompassed technology, regulatory frameworks and market structures. In some places, the industry's output have transformed it's image from that of a placid public utility offering limited services and operating in an unchanging market structure, to an industry at the fore-front of technological change, providing a range of services destined to transform societies and economic structures.

Two factors have been important in changing telecom, and therefore in the description of the sector. First, supply in most instances have changed from simply building up the network to advancing the quality of the network and meeting diversified telecom needs. Secondly , demand characteristics have changed, especially in the business market which now view information activities and therefore telecom, (eg. voice, data and document exchange) as a necessary and important factor in day-to-day activities. The need to respond to these changes linked with the rapid advancement in technological innovations have created pressures for reform in the industry. Responses to such pressures have however varied, reflecting in part philosophical arguments , in part differences in national market characteristics, and to a



large extent the differences in the market structure ie., whether the services should be offered by State monopolies or by private regulated companies.

Several basic arguments are usually put forward in support of, or against the provision of telecom services through a monopoly structure. In many cases, little consensus have been reached as to the validity of arguments. In some cases where changes have been made with regard to structure, they have often been based on the wider economic and political considerations. Naturally, monopoly characteristics have often been invoked to justify telecom monopoly market structure. The argument is that competitive entry would lead to inefficiency and consumer welfare loss. Extensive analytical studies have been carried out to examine the empirical validity of this strand of argument. In general, the outcome have been inconclusive and often contradictory.

#### **6.1.2. THE RATIONALE FOR MONOPOLY**

There are basically two hypotheses often considered in justifying monopoly provision of telecom services:

- (i) Telecom infrastructure is a natural monopoly; competition would lead to higher costs.
- (ii) A regulated monopoly provides an effective framework for achieving social goals embedded in telecom objectives.

Natural Monopoly: In chapter 2, we identified natural monopoly characteristics as important to the classification of the national enterprise. Like the gas and electricity enterprises for example, telecom has traditionally been regarded as a natural monopoly. That is, an industry where costs are minimized by relying on a sole supplier. This presumption rests on three factor:

- (a) Economies in Network Components: The argument is that unit cost of individual network components, that is, total cost per unit of traffic handling capacity, typically falls over a fairly large range as rated capacity increases.

An example is the local distribution cable. A single wire-pair is generally sufficient to fully handle the traffic requirements of individual subscribers.



The needs of larger users can be met by increasing the number of copper pairs or by using a higher capacity medium (eg. coaxial cable) while still relying on a sole duct and termination equipment. Under normal circumstances it would be highly inefficient to duplicate these facilities, which accounts for the system's embedded costs.

Individual components of the inter-exchange network also display substantial economies of scale. The average cost per circuit mile for transmission media falls sharply as capacity increases. Data now available suggests that scale economies will be even greater for optical fibre technologies than they were for coaxial cable. Since these relations depend on capacity, it is generally efficient to build ahead of demand, so that increment to capacity best exploit the cost savings available from the future growth of traffic. It follows that at any point in time, individual components are typically benefiting from economies of fill: growing traffic can be absorbed by existing plant, variable costs are very low relative to fixed costs, hence total incurred costs decline as volume approach rated capacity,(see Littlechild,1979; Waverman,1975).

(b) Economies in network design and management: This arise mainly from the special features of telecom demand, and can be summarized as follows:

- Demand is largely time dependent, ie. a particular connection is required at a particular time while supply is non storable ( calls can not be produced in advance of when they are required).
- Demand is highly variable over time, in a pattern which has both predictable and random components, (eg. peak working hours and cheap rate hours).
- The value of the network to a user is an increasing function of the number of subscribers, (eg. there is little point in being the sole subscriber to a two-way communication system).

Three main implications flow from these features:

- i. For a given blocking probability, capacity must reflect the volume of traffic when demand is at its peak, (Taylor,1980; Sharkey,1982,pp.182-187).
- ii. The greater the number of users, the more likely it is that traffic will be evenly distributed over time thus minimizing the economic waste inherent in the excess of capacity over off-peak demand.

iii. Though traffic pattern reflect the existence of "communities of interest" among users, the interconnection of subscribers itself increases the consumer surplus arising from the network, (see Willing,1979).

Economies of scale in individual network components accentuates the economies of network design. By concentrating traffic flows, a sole supplier of network services can more easily benefit from scale economies in individual components. When demand is uncertain, the capacity expansion path of a sole supplier is more likely to approximate the cost-minimizing solution than would the unco-ordinated paths of competing suppliers. Moreover, relative to several competing small networks, a single network will secure economies of network management , ie. efficiencies in managing day-to-day flow of traffic over the installed facilities. These arise from greater flexibility with which a sole supplier can re-route traffic flows.

(c) Economies of scope: This refer to a situation where two or more products can be supplied at lower cost by the single supplier than by two or more separate suppliers. Two major factors underlie economies of scope in telecom - complementarity of equipment and transaction costs. The greater the sunk costs involved in providing complementary services, the less likely it is that contractual arrangements among independent or competing suppliers will fully exploit whatever economies of scope are available, (Williamson, 1979). This has obvious implication to so highly capital intensive an industry as telecom.

On the natural monopoly contention, we can conclude by saying that :

- given substantial economies of scale to individual network components, economies of network design and management, and economies of scope in the provision of complementary services, monopoly supply of telecom services seem to be more cost efficient than supply on fragmented basis.

- contrary to compelling hypotheses developed by econometrics (eg. Vickers and Yarrow, 1988), technological change does not seem to be dramatically reducing the potential extent of these cost efficiencies.



We must accept that our conclusions touch on an area that is highly controversial. For example, econometric studies have been churning out statistical data to suggest that as demand and technology grows, the case for competitive mechanism would strengthen and what used to be natural monopoly would cease, (Evans & Heckman, 1984; Charnes et al, 1985;). Sharkey, (1982, p. 213) had earlier declared of the telecom industry that "quite clearly the industry has many of the characteristics of natural monopoly". At the same time, changing technology is expanding the boundaries of the industry and blurring the distinctions between communication and information processing. Certainly under the broadest definition this evolving industry is not a natural monopoly". Even though we fundamentally disagree with Sharkey's conclusion as already indicated, we are sensitive to the developments in the industry which was why we excluded the equipment sub-sector. Therefore, the question of taking the industry in its "broadest definition" does not arise because to do so would tantamount to encompassing the multifarious dimensions of information technology, including broadcasting.

#### 6.1.3. CROSS SUBSIDIZATION

Cross subsidization between markets is a prominent feature of the telecom market structure, and in a way, goes to underlie the market failure connotations in telecom services.

In a competitive market, the extent to which consumers can be forced to pay more than cost is limited by the threat of competing entry, and price charged for service to any group of users will be bound by the cost to those users of obtaining comparable services on a 'stand-alone' basis. In practice, the structure of telecom prices appear to deviate substantially from attributable costs. A number of objectives begins to manifest, some of them political, social and outside the realms of economics. For example, the goal of 'universal service at a uniform price' leads to prices charged in densely populated and metropolitan areas and on thick routes subsidizing users in rural and thin routes. We take this issue further in the next section when we delve into the realm of public service obligations.

The issue of competition in telecom services is highly complex involving more than the resolution of theoretical arguments. The issue is not simply whether there should be competition or not, but where should it be allowed to take place, to what extent, and what are the likely spill-over effects. The full long term effects of competition in telecom services are not readily evident but intricately linked with the question of tariff structures, social equity goals such as universal service objectives. Some Governments (eg. UK) in favour of competition view the adjustment to a competitive telecom environment as a longer term process requiring flexibility. Not even in the United States of America, with its pro-competitive stance have radical changes occurred.

The basic question in the debate on monopoly versus competition in the provision of telecom services concerns the expected potential net benefits which can be derived from competition. The benefits are often too difficult to evaluate, the costs appear much immediate and much clearer. The difficulty in evaluating benefits is that they rest on more general economic concepts such as improved resource allocation, productivity, innovation, consumer choice, lower regulatory burden and cost involved in overcoming these regulations. In short, the benefits are those attained from market competition as supposedly the most efficient tool of resource allocation. We have in the previous chapter noted how spurious that strand of argument could be.

Despite these general assertions, little concrete analysis is available to determine the impact of structural changes in telecom. The difficulty in undertaking such analysis is based on rapidly changing technology and difficulty in predicting developments in more liberalized markets. Also, little concrete evidence exist to indicate that at present level of global network development, existing structure are optimal. Most telecom managers, for example, while stressing the strategic importance of and the role of competition readily contradict the argument by opposing free entry to the market in order to develop and stimulate the industry. It is widely believed that, for example, cross subsidization between markets create strong uneconomic incentive for competitive entry even in the long distance market which proponents have



held as potentially open to free competition. We shall very shortly see how this factor plays in BT's relationship with Mercury Communications Ltd.

Furthermore, there is a strong contention that as a result of technological change in switching and network facilities, as well as alternative transmission technologies (eg. microwave, satellite, cellular radio, fibre optics, etc.), that any natural monopoly characteristics which may have existed would have been significantly eroded. The move towards Integrated Services Digital Network (ISDN) and Integrated Broadband Communications (IBC) may, according to some analysts reinforce the trend. Arguments have also been put forward that, irrespective of natural monopoly considerations, ease of entry and exit or the threat of entry will discipline the monopolist to implement cost-based pricing, thereby limiting the use of predatory pricing techniques, stimulating innovation and management efficiency. Market contestability can therefore replace direct regulation as a policy and reduce any potentially adverse monopoly practices. Structural changes in the USA and UK have implicitly rejected the use of natural monopoly concept as a defense of monopoly supply. Questions regarding the existence of natural monopoly were not at the fore-front of arguments for change in the case of BT. Rather emphasis was placed on the need to improve management efficiency, innovative ability and service flexibility. The efficacy of such a policy has been strongly questioned. On the question as to whether local services should be open to competition, it has been demonstrated that a large dose of natural monopoly characteristics are involved and since it is viewed as the mainstay of universal service, the question is seldom seriously considered. Rather the main policy question is, to what extent is it possible to allow competition in the less basic long-distance and other telecom services without jeopardizing the goal of universal service.

The back-bone of the universal service concept is that basic telecom services should be available at a reasonable cost to the majority of the population. It is evidently clear that it is difficult to define what constitutes 'reasonable cost' as we would find out later. Obviously, historical prices paid by consumers would influence their perception of what is reasonable. It is worth noting that Gas and Electricity are viewed on the same basis. The choice most governments face therefore is between relying on the necessarily imperfect

control exercised by market competition or by the imperfect regulatory control. The choice is not an either/or decision . Whether monopoly provision is desirable does not solely depend only on the characteristics of telecom technology. It also depend on whether regulatory framework can be devised which :

- provide incentive for efficient operation of the infrastructure.
- prevent the abuse of monopoly power.
- limit the scope of political interference.
- allow the flexibility required to adjust to changing market circumstances.

#### 6.1.5. REGULATION

The fundamental reason, historically, for regulation in the telecom is the notion of a private industry serving the public, and therefore, where public interest considerations arise should be constrained by regulatory oversight to prevent the abuse of dominant position. The concept of the industry as a natural monopoly conjures a rationale for maintaining a monopoly market structure and reinforced the regulatory requirement in order to ensure that the monopoly is serving the public interest. Technological advancements have changed the perception of telecom services from a luxury to a necessity. This provides a further rationale for the regulation of the service industry in order to promote and protect universal service considerations with its concomitant aim regarding price, quality of service, protection of the network as well as the consumer.

Defenses in the type of monopoly, (public or private), have been based on differences in national institutions, legal and political traditions. Nationalization by many countries reflect the use of an instrument commonly thought of as optimal when public interest considerations are viewed as being important. A range of political economy theories have emerged to explain regulatory behaviour. Notions have emerged suggesting that regulation acts to transfer wealth, based on the perceived domination by a small group, (implying that producers gain at the expense of consumers), hence the need for regulation as a forum for arbitrating adversary claims; or that regulation provide stability and therefore help reduce risk. Despite contradictions as to the outcome of regulation, the common thread within those theories is that

regulation aims at altering the distributive outcome of market solutions. It needs to be recognized that inherently, there is a fundamental conflict between economic efficiency based on competition on one hand, and regulation on the other. Competition laws are often thought inadequate to respond to market imperfections. In contrast, when public interest requirements need to be met, resort to regulation is needed. However, with regulation, not only is there the difficulty of balancing competing interests but also in meeting conflicting objectives such as service efficiency and social goals.

In effect, regulation can create difficulties which may be amplified when rapid technological change occurs. This is because technological changes can create new economic entry opportunities, can impose economic costs if the regulatory process is slow to adjust to the change and can alter the structural supply characteristics of specific segments of the industry. Many countries, particularly the developed ones, have significantly adjusted their regulatory frameworks. It must be added that in many countries, the issues have been decidedly politicised because of divergent interests of pressure groups. Nevertheless, independent regulatory bodies exist in several countries such as in UK with the OFTEL, set up by the Telecommunications Act of 1984. Although the importance of an independent regulatory authority has always been stressed, it must also be recognized that major policy initiatives have not always, and cannot be expected to emanate from such authorities. Government policy makers do play a crucial role, particularly as regards the broader framework conditions.

In brief, it does appear that whatever its advantages, competition will not and of itself reduce the need for regulation. On the contrary, greater demand may be placed on the regulatory process by the transition to partial liberalization. This underscores the importance of increasing the efficiency of the regulatory mechanisms. The contents of regulatory reforms obviously will depend on the specific circumstances of individual countries, in particular, their regulatory background, administrative and political institutions. On the whole, the search for more efficient and effective regulatory procedures remain a major challenge.



In the following section, we explore how these broad factors impact on management behaviour and the challenges they pose for managing the national enterprise.

## **6.2. FRAMEWORK FOR CONSUMER PROTECTION IN BRITISH TELECOMMUNICATIONS**

As pointed out in chapter 3, it is not easy to be precise on what consumer protection is, because the concept is value-laden, with philosophical and ideological connotations. However, it is more probable to come up with a basket of issues underlying what consumer protection should consist of. In trying to appraise consumer policies and practices, we look at a number of policy areas such as customer care, quality of service, company's orientation in relation to competition, regulation, philosophy of business, complaint management and responsibilities to the consumer.

### **6.2.1. THE BEGINNING**

There is a common historical thread weaving around telecom enterprises in most countries of the world, Britain inclusive. They usually start off as part of the Post Office. Until the 1981 British Telecom Act, telecom services in Britain were the responsibility of the Post Office - a State owned monopoly. The Act separated telecom from postal services and established British Telecom. The company became a public limited enterprise in April of 1984 and subsequently, privatised in November of that year when more than 3 billion shares, representing 50.2% of the company's equity were offered at 133 pence per share. Since privatisation, the company has been restructured in response to competition and regulation. Its operating divisions, (see BT's 1989 Annual Report) are as follows:

- UK Communications: Operates the company's local and long distant networks, and is responsible for the supply of and maintenance of customer premises equipment. The division was recently formed by amalgamating the previously Local Communications and National Network divisions.
- British Telecom International: Operates the group's worldwide communications network by providing wide range of international services including air, sea and off-shore telecommunications



- British Telecom Enterprise: Mainly concerned with value added services (eg. yellow pages, prestel, developing and selling apparatus).
- International Products Division: Set up in 1986 with the responsibility for the development, design, manufacture and international marketing of the company's portfolio of telecommunications and information technology products.
- Overseas Division: Created especially to prospect, understand and respond to overseas market opportunities through consultancy and training to overseas telecommunications administrators. This division basically sells the company's knowledge and expertise abroad.
- Research, technology and Material Division.

As evident from its structure, BT does not see itself as just a UK telephone company but as a company that operates one of the largest telecom networks in the world. The group's turn-over for the year ended 31 March 1990 stood at £12,315 million, with operating profit of £3,210 million and staff strength of 244,418.

The general policy framework for telecom in the UK was established by the Telecom Act of 1984. Under its provisions, BT was deprived of the privilege of exclusively running the telecommunications system. A very important creation of the 1984 Act is the Office of Telecommunications (OFTEL), under the Director General of Telecommunication, (DGT). OFTEL bears the great bulk of the regulatory burden although the government, through the Secretary of State for Trade and Industry may become involved in matters pertaining to over-all policy framework or in general licensing. In addition, Monopolies and Mergers Commission may be asked periodically to contribute recommendation on specific issues to which its attention has been drawn by OFTEL. The Director General of Telecom (DGT), has the duty of exercising functions given to him by the Act, including modification and enforcement of license conditions, reviewing all activities connected with telecom services in the UK, investigating complaints, ensure that telecom services in the UK will satisfy reasonable demand. In addition, he is obliged to exercise his functions in such a manner which he considers is best calculated to promote such matters as interests of consumers in respect of prices charged and quality of telecom services, and effective competition between persons engaged in commercial activities connected with telecom in the UK.

It must be mentioned that after 5 years of promulgation of the statutes liberalizing the industry in the UK, the story of telecom services is still, in the main, the story of BT. The company more or less dominates every aspect of the industry, taking over 90% share of the market. Of course, it should be recognized that there are competitive tendencies emerging from the sidelines. The 1984 Act also empowers the Hull City Council to run its local telecom network, Mercury Communications Limited to become a public telecom operator (PTO), which as a matter of fact is the only national telecom network operator competing with BT. Mercury Communications Limited, (MCL) is a subsidiary of Cable and Wireless - erstwhile public enterprise privatised fully in 1985. To enable MCL get a foothold in the industry, Government decided not to license further competitors, at least, until 1990. That deadline may well pass without eliciting a sudden rush of new entrants given the enormous cost of setting up a rival network. The Director General of Telecom, (DGT) does not look very optimistic either. His opinion is that "other things being equal, it would be cheaper to provide additional services by expanding an existing network rather than establishing a new one. The cost savings resulting from efficiencies generated by competitive pressures can outweigh this cost factor and judgment has been that such savings are very likely to be sufficient to justify the establishment of Mercury. The prospect of further savings of a similar kind may or may not justify the licensing of a third and subsequent competitors in or after 1990", (Carsberg, 1987, p.4). However, he made it clear that the statement that Government is willing to consider issuing licenses to new applicants in and after 1990 might be highly desirable because it would caution existing operators against collusion and that new contenders would probably come forward only if they saw a reasonably promising market opening. On paper, that review is scheduled to take place from November, 1990. However, unpublished report of a study commissioned by OFTEL (conducted at the London School of Economics) advised against further licensing of more PTO's at the moment. Though OFTEL is yet to announce its official recommendation, one can infer that the DGT's position has not substantially changed. In an internal working paper, he reiterated his belief "that experience over the last years in United Kingdom shows clearly the power of competition to improve things for the consumer ... We must also keep in mind that, in an industry like telecom, although competition can frequently improve value for money for the customer, it can also decrease that value for



money ...because these networks involve economies of scale ... the existence of economies of scale would mean that it would always be cheaper to provide a given increase in service by expanding an existing network rather than establishing new one".

It is therefore sensible to view the network as a duopoly consisting of two unequally sized competitors. Mercury launched its services in 1986 with the aim of getting 5% of the UK market by 1990. That, it intends to accomplish through the establishment of new digital network, high capacity optical fibre and micro-wave to link major business centres. Its main target is the business and international markets.

There is a lot of parallels and some subtle differences to be drawn from the position of BT and the British Gas. Unlike the case of BT, Government did not retain a sizable share-holding when the public utility was transferred to the private sector following the implementation of the Gas Act 1986, but for most parts the two utility privatisations are marked by their similarities rather than their differences. For example, the sale of British Gas was accompanied by the creation of a new independent consumer representative body ( Gas Consumers' Council), and a regulatory body ( Office of Gas Supply, OFGAS), under the Director general of Gas Supply (DGGS), with functions akin to those of the DGT. British Gas supplies over 90% of natural gas used in the UK.

#### 6.2.2. CONSUMERS: THE DUTY OF CARE

From philosophical standpoint, the duty of care and consequently protection of consumers have always remained unassailable in corporate policy statements. Theoretical under-pinnings of this have been amply elaborated upon in the preceding chapters. On the face value, the enterprises of interest are not remarkably different from the effectively competitive types in terms of eloquent testimonies with respect to caring for consumers. For instance, the Group Managing Director of BT (Graeme Odgers), reported that the hall-mark of the company's service is to build a business culture geared towards " meeting customers requirements first time, every time". This perhaps underlie the company's campaign theme: "It's you we answer to". Also in an interview reported by Roy Hill, (Hill,1989), the Chairman, Mr Iain Vallance

acknowledged the main challenges facing the company as that of turning "an introverted organization to one looking outward, towards the customer". He explained that the bottom-line is training , " particularly customer care training; and partly it's having a network and support systems that allow your people to give good service. There is far more pleasure in giving good service than in taking brickbat". One may wonder how such a dominant outfit like BT would all of a sudden cultivate a culture of customer care such that consumer interests are genuinely promoted without prodding through public policy initiatives. The Chairman accepts the challenges entailed because, as he rightly pointed out " we had almost a cultural vacuum, with a lot of people from outside, with their own views of how things should be run and a lot of people from inside, some defending the way in which things had been run before and some wishing to change them... Today, many of BT's staff are still at heart, old Post Office men. But slowly the culture is changing. A pride in customer service is diffusing through the organization".

Retrospectively, one can notice a remarkable shift from the way the company perceived its customers prior to privatisation . The Chairman confessed that it was a " culture dominated by engineers, with customers out of sight and out of mind. We didn't even call them customers. We called them subscribers, or 'subs' for short". It is a paradox of history that today, some 1.2 million of those 'subs' are not only customers but shareholders as well. They are part of an army of 23 million phone owners who need to be placated by speedy and efficient services. However, it remains to be seen whether this new culture has diffused through the organizational hierarchies and how seriously the company is determined to promote it.

On the part of British Gas, while affirming that it has built a customer base of about 17 million, that is , around "79% of all households in Great Britain and over 88% of homes in areas where gas is available", now more than ever before seem ready to reconcile its commitments and responsibilities as a public limited company and also as a public gas supplier. The ground rules have been laid by the out-going Chairman who, declared that " we shall continue to put our customers first; our business depends on it", (Sir Dennis Rooke, Annual Report, 1989). Taking up the issue, Ron Probert, (Managing Director, Marketing), stated without equivocation that "it is vitally important that our customers are satisfied with the services we provide... A commitment to



customer service in its widest sense is a vital ingredient in the success of British Gas", (underline mine to show emphasis).

From the foregoing, one may be persuaded to conclude that at last, consumers are becoming the cardinal thrust of corporate policy and that a consumer-centered orientation is taking hold. Michael Gibson, Chairman of East Midland Gas Consumers Council (1979 - 1982) agrees that the ethos of the enterprises have changed. On the gas industry, he opines that prior to privatisation, the impression was sometime given by the staff that the corporation could do no wrong, that its interests and public interests were necessarily synonymous. " The industry was largely 'engineer-driven', and a primary qualification for reaching most senior levels of management ... was a background in gas engineering", (see Price and Gibson, 1988). This view positively correlates with those earlier quoted but the question still remain, is it really true that those enterprises have succeeded in cultivating a truly consumer oriented culture ? Has management demonstrated substantial appreciation of the peculiar situation of consumers in the peculiar market place ?

Even the Managing Director of Nigerian Telecommunications Limited, (NITEL), affirmed that there can never be any doubt on the amount of emphasis and importance the company places on customer care. The story of NITEL is virtually a replication of BT's - although it is still being run as a Federal parastatal (ie. public enterprise under the auspices of the Federal Government of Nigeria). We might as well add that Cable & Wireless was for a long time involved in the development of telecom (international) services in Nigeria and in fact, was the first and only private company to operate external services (telephone and telegram) before the Government decided to nationalize it in 1972. After then, external telecom services became the responsibility of a public enterprise, the Nigerian External Telecom Limited. It operated on a different pedestal from the internal telecom services which was, traditionally, under the Post Office which itself was part and parcel of the civil service, located in the Federal Ministry of Communication. However, under a consultancy agreement with BT, the Federal Government accepted a study proposal which called for a unified management of the nation's telecom network. This implied that the telecom functions should be extricated from

the Post Office, then merged with the already well structured and commercially oriented external telecom services. The arrangement was completed in June 1984, and the result is what is now known as the Nigerian Telecommunications Limited, (NITEL), with BT still acting as the technical consultant. It is therefore no surprise that the echoes emanating from Nigeria merely reflect, in a narrow sense, the emerging culture and service concept of BT. For instance, in spite of the acclamations about the esteemed place of the consumer, it does not appear that enough has been done to convince the public that the company no longer dresses up the customer in the 'subscriber's' garb and treats him as such. Of course, the company is in no doubt about the negative image it exudes, even though management will readily rationalize just about everything. The president of the Consumer Association of Nigerian summed up the feelings of most consumers when he said that the company is "raiding the pockets of consumers ... If there is anything like care, it is the consumer that does the caring, not the other way round", explaining that the concept of customer care has been bastardized because the public end up caring for the company rather than the other way round.

However, in Britain with much more advanced network and developed market system, a number of fundamental issues arise. If attestations to customer care are correct and duly reflect in management practices, why are there significant rumblings of discontent among consumers ? They can only mean one thing; either that the 'new orientation' has not been effectively pushed down through the hierarchies so as to reflect in corporate practices or that the enterprises are not serious about their commitment to customer care - in which case managers are not doing what they ought to be doing.

Perhaps further insight into where the consumer is located in corporate policy can be gained by examining the enterprise mission statements, which in a sense could serve as a guide to action. From British Gas point of view, the company's plans for gas supply business addresses three main challenges: increase the number of customers; maximizing profitable growth in sales; and ensuring that sufficient gas is available to meet customers requirements in the most efficient way.



For BT, the main objectives are :

- to provide world class telecommunications and information products and services, and
- to develop and exploit the network at home and overseas so that the company can
- meet the requirement of customers
- sustain growth in the earnings of the group on behalf of shareholders, and
- making a fitting contribution to the community in which business is conducted.

What is left to be seen in these statements are such strongly worded enconiums as "meeting customer requirements first time, and every time", and "in its widest sense". Critical observation would reveal that there seem to be more emphasis on the product than on consumers. This in essence portends a definition of customer care based on company's specific factors, particularly when it is realized that market circumstances are such that "a customer gained is effectively a customer captured", (Winward, 1989). British Gas which enjoys absolute monopoly in terms of gas-on-gas competition in the domestic market with inherent obligations as a public gas supplier, the prudence of exhorting a policy package aimed at "maximizing profitable growth in sales" poses more questions than answered. The new Chairman, (Robert Evans), did not help matters either when in his maiden interview declared that the company will continue to build on past tradition and that "there will be no flights of fancy", (Management Today, August, 1989). What is suggested therefore is that the company is not in a hurry to shake off the relics of its past. Perhaps the apparent slow pace of response to changes may have strengthened the resolve of cynics who still view the company as "collector of economic rent ... for which the nation should be grateful", (Price and Gibson, 1988).

In the case of BT, the attitude based on the mission statement could be seen as comprising two principal elements: (1) the first-order objectives (ie. providing world class telecommunications, information products, and exploitation of the networks); and (2) second-order objectives comprising three sub-elements (ie. meeting customer requirements, sustain growth in earning and making fitting contribution to the community). From the way they are stated, it seems that attending to second-order objectives is dependent

on attaining the first-order objectives. If this is true, then it implies that the concept of customer care is not only relegated to the background in terms of policy guide but could not therefore become a strong impetus to direct managerial actions. To buttress this viewpoint, we contrasted the position of BT with that of its main and only competitor, Mercury Communications Ltd. Mercury is widely accepted as being high-profile on consumer issues - this may be dependent on its newness to the market and size relative to BT. Mercury's corporate statement asserts as follows, " We aim to be flexible and responsive to our customers' needs and to provide them with a high quality service, while generating profit sufficient to finance the expansion of our business and provide shareholders with a return that will sustain their confidence in our progress", (Cable & Wireless, Annual Report & Accounts, 1989, p.1). One notices here, in contrast to BT, that responsiveness to customer's need is regarded as a cardinal philosophy, upon which will depend profitable returns. Marketing chieftains at Mercury seem thrilled in the loophole they are exploiting by asserting that the company "can justly claim to offer a revolution in innovation, excellence, flexibility and cost-savings for every customer ... to provide the most competitive service possible at lower costs, placing the needs of the customer first", (MCL: A Guide To Service, October, 1989. Underline mine for emphasis).

To explore this further, we asked our interviewees to respond to a set of questions on the general consumer policy of the enterprise, vis-a-vis, attitude towards the philosophy of business (see appendix 1a).

### 6.2.3. PHILOSOPHY OF BUSINESS

Martin Tredwell is the head of BT's Teleconsult, the unit which markets the company's knowledge and expertise, and Andrew McIntyre (who was invited to the interview by Martin), is a senior manager in the division - responsible for African regional operations. Explaining the philosophy of the company's operation in terms of consumer policy, Martin said, " We subscribe to the philosophy of total quality management. Under that we lay down our missions and objectives for providing the customer with a first class product first time and at the right price. Our objective is to provide good quality service, that's our main aim". There was an interjection that unless it is



qualified, determination of what 'good quality of service' means may become very subjective. He agreed that it may be difficult to define 'good quality of service' with precision but added that there are certain indicators which could suggest the level of attainment in that regard. Andrew took over, " we know our quality of service by the number of complaints we receive from our customers". The same view was echoed by Jane Walsh (head of Customer Services at BT headquarters). Chris Holland, (Director, Chairman office Services), tidied up by explaining that the hallmark of BT's consumer policy is to reduce consumer complaints as far as possible. " This is an area where it is easy to do market research because customers are telling you what they think of you ... we have corporate communications unit which run consumer panels whereby managers in local and district areas meet consumers on monthly basis or something like that ... They get together to talk about issues, not specific complaints ... BT is one of the first, if not the first to introduce something like that ... We actually take away a great deal of issues that come up from those panels and try to feed them back into the policy making process".

The headquarters Director of Corporate Affairs for British Gas, (Ivan Whitting), while explaining his company's consumer policy said that, basically, two issues must be grasped.

"One would be supply of gas and the other would be ancillary services such as sale of appliances and customer service in the sense of servicing things when they go wrong, installation and so on". Asked the rationale for such distinction, he continued, " the competitive position in those two sub-areas of our activity are quite different. It is true that in gas supply, there is no direct gas-on-gas competition. I should state that there are enormous competition in the sense of electricity. They will very much like to take away our market from us. In that sense there is strong competitive element. In terms of gas-on-gas, we are the only company making gas available in this country to residential customers and for the quality we give in terms of the actual product itself is near perfect... Reliability to supply is very very high".

Attention was drawn to the fact that the duty to supply is part of the conditions for authorization. Ivan agreed but explained, " that is not the reason why we, in a sense, give high quality of supply. It is in the nature of

gas supply. It would be very dangerous to ever fail to maintain continuous supply because if air gets into our pipe, we could have explosive moisture and that could be very dangerous". Is it then correct to say that the thrust of consumer policy is to ensure security of supply ? " Yes. One of the things in gas supply is to maintain a reliable, safe and continuous supply because we are dealing with a product that needs to be treated with great care. If gas escapes or if anything happens to the pipe in which it is carried, then dangerous situation can arise".

What can be inferred is that British Gas has two sets of consumer policy objectives - one geared towards fighting competition (particularly in the appliances market) and the other attuned to much more placid and monopolistic marketplace. Cardinal considerations in the second realm are quality of service and security of supply. Quality of service is of course as defined and determined by the company. Ivan came out much clearer when he was asked to review the principal determinants of the company's consumer policy. " The prime objective of consumer policy are really two fold. On the one hand, a safe and reliable supply, and on the second, an economically and competitive supply. Those are the objectives in terms of the actual product itself but in terms of the market, we are anxious to bring gas to areas of the country where customers do not at present have it. So, at the moment, something like 90% of the country actually have access to a gas supply and of those people living in those particular areas, about 90% actually chose to have gas supply. If you take those two together, we actually supply over 80% of households in this country. It is our objective to increase the number of households that have access to gas supply and actually to increase the number of households that choose gas supply in preference to other sources of energy. You see, anything you can do with gas, you can do with electricity. People choose gas if these two conditions are satisfied, namely, that it is the supply they can rely on, and that it is competitive in price relative to other sources of energy. Although in some ways we are a monopoly supplier but we are not a monopoly in the sense that a customer can walk away from us and choose other fuels".

From both the positions of BT and British Gas, we are persuaded by responses obtained to infer that even though management is increasingly becoming



aware, at least in principle, that the consumer is the central focus of all activities, the attitude remains that of keeping faith with corporate mission statements. If those mission statements are taken as the philosophical thrust of the enterprise, then their inadequacies as guide to consumer policy becomes obvious. Unmistakable emphasis on product attributes tend to suggest that policies are product-driven. Moreover, it is very important that product policy is not confused with consumer policy. Monopoly privileges carries with it certain amount of responsibilities. Part of those responsibilities is that product offered should meet certain standard. So, meeting those expectations, in respect of which the enterprise enjoys State protection, can not be taken as breaking new grounds or expanding the frontiers of customer care. Mercury's position is impressive . The General Manager, Enhanced Services, (Mr Peter Bury) stated that " Mercury is committed to providing a different kind of service to telecom customers. This means high quality and responsive customer service ... working very closely with customers to enhance their total use of communications". Even though Mercury emphasizes quality, it never fails to relate it to customer needs, thereby adopting a much more consumer oriented approach. For instance, Dave Foot, (Head of Marketing - Direct services), claimed that the company's commitment to quality of service is not superficial because it genuinely runs through the whole organization, " from the very top down".

However, implicit in the response of BT and British Gas is a tacit acknowledgment that because of developments wrought by emerging technology, the enterprises are gearing up towards a more turbulent marketplace, as distinct from the placid environment they are used to. This is without regard to the strangle-hold they may have on consumers for the time being. Over time, a 'customer gained' may not necessarily remain a 'customer capture'. The way forward therefore is to make a determination on how to manage and carry consumers along as the enterprise chart the terrain of the future that is becoming less certain. The companies' strategic policy will have to expand to accommodate other factors beside the quality of service and reliability of supply - which of course, are no less in importance. We must add that BT seem mindful of challenges posed which stem from the inadequacies of its policy framework. For example, going by a policy proposal put forward by the Chairman in May 1990, and adopted for implementation from April 1991, the company will be restructured to abolish district manager

system. BT will be split into two different types of businesses, one concentrating on marketing and customer services, the other on engineering. Of importance are the Personal and Business communications divisions which will focus on the needs of individuals and business customers respectively. As enunciated by the Chairman, the "new organization will allow us to be flexible and fast-moving in our dealings with the customer ... by understanding our markets in depth and focusing on the differing needs of our many customers".

In the course of data collection, it was observed that as similar as they might look, some subtle differences exist in the management structure of BT and British Gas. One of such is the degree of control exerted by the central administration. In BT, control from the headquarters is much more close and effective than in British Gas where the regional offices have very wide discretion on methods of attending to consumer issues. The implication is that views expressed at BT headquarters more or less reflect what obtains in the field while as in the British Gas, the loose structural relationship make it necessary for one to cross-check between the two strata before reaching a conclusion. Consequently, the British Gas Regional Director of marketing for the North Thames area, Mr Terry Pinchin, was invited to give his views on the general consumer framework of the company. His views did not deviate from those obtained at the headquarters; emphasizing that the general policy directions vis-a-vis consumer policy has not changed by the change of ownership but the company is very conscious about keeping consumers satisfied. " If you think of the consumer as being a captive customer because they need the service, then inevitably the business would go down. So, one of our major priorities in this region is improving customer satisfaction ... Overall our policy is to give the customer a good deal because that is the culture of the industry and also because it is good business in terms of customers coming to us because they know we are going to be there tomorrow". If gas consumers turn to British Gas principally because of the perception that the company has a staying power, it impliedly underlie the near strangle-hold the company has over its market. However, in recognizing the unfolding dynamics of the market place in terms of increasing degree of substitutability between energy sources, he added that the company " is trying to be pro-active rather than just responsive. We are trying to respond to the needs of the market, needs of the customer".



Could it be possible that the company is unsure about its attitude towards the consumer, ie. uncertain as to whether it is pro-active or reactive: " We have always been a service based industry. In that sense, almost to extreme the culture was that we look after peoples equipment and keep it going and we provide a lot of free services... Increasingly as commercial pressure come on us, we have to look at those services and say someone has got to pay at the end of the day. Therefore, increasingly we have to determine what things we can do free in the area of consumer policy and what things to charge for". As we did mention in section A, competition in the appliance sub-sectors of both BT and British Gas are not in doubt and because they are not characterized by market failure conditions, they were excluded. The Director was drawn to the non appliance market, ie. gas supply where competition is virtually non existent. " We always do things that we think are better than minimum legal standard and when consumer legislation have been passed in the last 15 years, even in the implied terms, we have always generally been better than those ... We haven't actually changed what we do ... so what we have tended to do in the recent years, 10 or 15 years, is gradually focus on a lot of things we do free. We still do a lot of free things such as free checks for the elderly and the infirmed. We also do so many things that are less than full economic price ... One area we do not compromise is the quality of service".

With regard to the Nigerian Telecom Limited, (NITEL), the position is understandably clear. The Managing Director, the Director Corporate Services, and the Deputy Director of Corporate Strategy, in separate interviews reiterated that the company's consumer policy is inextricably aligned to public policy - to make telecom services available to more people, and ensure that those who avail themselves of the services at the moment get fair and continually improved services. It must be understood that telephone penetration rate in Nigeria is very low relative to Britain. The overall objective therefore is to improve the networks in terms of expansion and quality. Quality of network components is taken very seriously because of high rate of obsolescence resulting from rapid technological changes in the industry. What consumers get at the end of the day will depend on the quality of telecom system in place. As the managing Director stated, " quality of service to network subscribers is dependent on the quality of network components ... It is therefore important that the company is very meticulous

in its choice of technology so that network systems do not become obsolete soon after installation".

What can one then say is the driving force of consumer policy of national enterprises ? From the different backgrounds we have explored, quality of service remained a very prominent feature, be it in network design (as the case with Nigeria), or service delivery ( as the case with Britain with much more advanced network system). Is it therefore enough to say that management orientation towards improved quality of service is ultimately consumer oriented ? One has to make a determination of what management attitude really portend. This has important implication for consumer protection. We have already pointed out the dangers of confusing product policy with consumer policy . Perhaps a deeper insight could be gleaned from a closer look at quality of service performance.

#### 6.2.4. QUALITY OF SERVICE

Talking about the telecom industry, the DGT asserted that "a change has taken place in the attitudes of people in the industry. They are thinking more entrepreneurially today. They are thinking up new approaches to business and looking for new kinds of services to offer. They are thinking

thoughts that they did not bother to think previously", (Carsberg,1987,p.12). BT management chorused in agreement. The new dispensation is summed up in what they refer to as 'total quality management' which in essence entails building a culture that extol the virtues of top quality in the provision of network services and their delivery system to consumers. BT Chairman declared that the over-riding objective of the Management Board is to secure the company's traditional business by providing excellent service, " providing quality of service expected of us is as important to shareholders as it is to customers. It is only by meeting our customer's individual requirements, and by offering good value for money, that we will ensure continued growth and profitability", (Annual Report, 1988). The statement, "providing quality of service expected of us" buttresses the point made earlier that quality of service is ordinarily a responsibility, more aptly, an obligation that goes with



monopoly privileges. Failure in this regard would tantamount to abuse of monopoly rights for which public policy makers could demand explanation.

Widespread dissatisfaction with BT's quality of service since privatisation have been expressed by consumer groups, and was reported in a survey published by the National Consumer Council (NCC) in July of 1987. According to the survey, BT's record on servicing faults, making installations, and dealing with complaints was worse than that of other public services in Britain. Majority of users regarded its prices as being unreasonably high. However, not all the Council's findings were based on objective scientific evidence and it must be granted that 1987 was particularly a bad year for the BT following work stoppages by the striking engineering union.

BT had stopped publishing quality of service statistics just before it was privatised, claiming that to continue to do so would not only harm its interest but against the spirit of the liberalization regime. During 1987, OFTEL undertook a considerable amount of work on the assessment of quality of services provided by BT, repeating and extending the surveys carried out in 1986. A very important outcome of the exercise was to get BT to agree to resume publication of its own quality of service indicators. In the 1986 OFTEL survey, (Quality of Telecommunications Services), 72% of those surveyed considered that there had been no change in the domestic telephone service provided by BT since its privatisation. The number who thought there had been an improvement were almost exactly equal to the number who detected a deterioration. However, far more people detected a deterioration when it came to public call box services. Another indicator of poor service was that in the year to August 1986, as many as 10% of new customers had to wait more than three months to get a telephone installed, and 24% between one to three months. The number of people reporting a fault on their telephone was also higher than it had been. BT claimed that it was improving the service by investing heavily on the modernization of its exchanges, with £500,000,000 a year committed to new digital exchanges. Phone boxes were replaced by better design and card phone installed to reduce the incidence of vandalism. The cumulative result was that when Mercury commenced provision of public call box services in July 1988, following a determination by OFTEL in 1987, BT had exceeded its target of having 90% of call boxes working by the end of March 1989, (independent survey showed 94% of call boxes to be in working

order). When Mercury came onto the scene, it strategically positioned its call boxes in city centers where they are not likely to suffer any disadvantage in terms of revenue returns unlike BT which is obliged to maintain nation-wide spread (whether urban or rural, low density or high density areas). BT pointed out that its pay phone network, because of uneconomic spread, has been operating at a loss and in the spirit of fair competition, it would no longer feel obliged to maintain them (ie. the loss making ones). OFTEL disagreed and reminded the company that the loss is relatively small in the context of its overall financial results and even if it may be expected to remain so for some time (ie. loss making pay phones), BT can not shirk its public service obligation.

OFTEL has not surveyed the quality of service for business users - who perhaps can more easily look after themselves. They can look to Mercury, which is bound to provide a better quality of service since it had begun with a green-field site using the most up-to-date technology. This allowed it to offer new services such as itemized billing, and to respond more quickly to faults because of its limited customer base. The question therefore has been whether BT would try to meet these standards or give enhanced quality of service delivery a miss and concentrate on competing on tariffs.

A report in 1986 for the Telecom Manager Association (TMA) was particularly critical of the time taken to repair transmission faults. In 1985, only 13% of those surveyed by the Association reported that faults were sorted out the same day, and 19% the following day. In 1986, the figure worsened to 5% and 10% respectively. The overall conclusion was that BT's quality of service had not deteriorated since privatisation but it had not improved much either. Given the rate of advance in telecom technology, the record is poor and does not square with the view that privatisation by itself enhances efficiency and responsiveness to consumer demands. So far, OFTEL had felt obliged to give BT the benefit of doubt, accepting that benefits of modernization necessarily take time to feed through to consumers. BT seem to be aware that sooner or later, OFTEL or other interest groups will be demanding concrete evidence to match its high profile rhetorics on quality of service.

Since the financial year ended March 1989, the company has taken few strides to expand the scope of its quality of service performance. There are now



grounds for compensating consumers who suffer poor services. That was part of the package forced down on the company by OFTEL. We might as well add that the company is not legally bound to accept such initiatives and it can, if it so desires, repudiate them outright or challenge them in court, with all the consequences thereto. In any case, the company now accepts contractual liability for delayed fault repair and delayed provision of new exchange lines. BT will pay compensation to customers at a minimum rate of £5 a day if it fails to repair faults within 2 working days of their being reported and if it fails to provide new exchange lines within 2 days of an agreed date. Customers who have suffered larger losses can claim compensation up to a limit of £1000 in the case of residential customers, and £5000 for business customers. BT can escape liability if the delay was attributable to events beyond its control. Even though the exemption clauses provide loopholes for the company, the arrangement represents an important safeguard for consumers but as OFTEL conceded, they do not cover all aspects of quality of service which potentially are of concern to consumers.

BT management argue that the company has done much more than has been publicly acknowledged. Statistics dished out from the corporate headquarters tend to buttress the argument. For instance, at the end of 1988, 62.2% of orders for residential telephones were completed within 8 working days (60% for business customers), as against 18% and 28.4% respectively at the same period in 1987. Also 90.2% of faults were cleared within 2 working days (Mercury's figure for this is 98.6%) compared with 73.9% for 1987; 86.7% of operator calls (100) answered in 15 seconds,(83.5% for 1987); 81.2% of directory inquiries answered in 15 seconds (77% in 1987); 1.9% local calls failing due to systems outage (2.2% in 1987); network faults per line per annum 0.22% (0.25% in 1987); and percentage of public pay phone serviceable 92% (76% as at October 1987); - other figures relating to 1987 were as at March.

It is pertinent to point out that in spite of the compelling attraction of BT's performance statistics, OFTEL special report of December 1988 showed that 18% of consumers felt dissatisfied with BT's services,(3% neutral); 24% considered its services bad value for money (10% neutral). The results are not precisely comparable to the National Consumers Council (in March 1987), and the Consumer Association (in November 1987) but in a way, the total of 60% of NOP (National Opinion Poll) respondents who thought BT's service

represented good value is a noticeable improvement on the findings of earlier surveys. But the number on the negative side and those seating on the fence, who could tilt either way, is still worrisome. On the level of representation made to OFTEL, the figure should be treated with caution. The volume of complaint may be related to the level of publicity given to BT in the press or the high profile and offensive image already cultivated by OFTEL. For example, in 1988, 30% of those surveyed had heard about OFTEL compared with 13% in 1987. It might not be easy to disentangle cause and effect in this. Furthermore, OFTEL report, (No.5 of March, 1990) showed higher rate of call failure than BT's own figure would suggest. For example, Operator call answered in 15 seconds slipped to 80.6% and directory inquiries answered in 15 seconds came down to 77.9%.

Another problem with BT's quality of service measure is that some of them address the company's self perception of the service, not how consumers experience it. For example, the gauge for the response time for the directory inquiry service measures the response time of all calls that get a ringing tone but ignores calls that end with engaged tone. This would not be satisfactory from consumers point of view because to the consumer, engaged tone means that he can not get his calls through (call failure), and that must be accounted for in any meaningful performance measure. It is clearly possible to show an improvement on response times by reducing the number of calls that get through. An adequate measure would combine the two.

In the case of British Gas, management efforts have primarily been directed at quality of the product per se, by way of ensuring the safety of the physical product because of its delicate nature, and consumer services seem to be regarded as auxiliary. At the time of privatisation, safety standards were strengthened perhaps in recognition that the company, when relieved of close political scrutiny, might be tempted to be reluctant to exceed the minimum required to satisfy safety regulations. A similar attitude governed the interpretation of the code of practice on disconnections. Management position is that consumers have a role to play in setting quality standards, particularly in areas of consumer services. In relation to quality of gas supply, there are statutory rules for things like chemical composition, calorific value, pressure at which it is supplied, etc. Those were all laid down as part of the authorization and regulatory injunctions. As Mr Whitting emphasized, "as far



as quality is concerned, we work within defined limits ... We operate in such a way as to meet those requirements". Reliability of supply, as we have noticed, is a very crucial part of the process because the company has to ensure that under thick or thin, gas will continue to flow through pipe. These areas are more or less taken care of by the regulatory regime so that management efforts in upholding any of those aspects will be taken as basic responsibility of the enterprise and may not be interpreted as being outwardly consumer oriented. For instance, if the company fail to ensure continuity and quality of supply, it would have breached the terms of its authorization and that may set in motion a number of public policy options for corrective action.

The crucial area is consumer services - an area where management claims it has done a lot. In the Autumn of 1988, the company embarked on a campaign blitz, requesting customers to come forward with whatever gas problems they were having. Needless to say that the result of that exercise has not been made public to enable observers know how many people did indeed contact the company and with what problems. Again in October 1989, the Chairman sent out letters to consumers inviting complaint, suggestions and assuring that " ... I want you to know that providing high quality of service to our customers remain our top priority ... It is very important that we try to consult our customers fully as we introduce changes". British Gas claims that its effort in building rapport with consumers with a view to promoting high quality of service is paying off. Report published on the 20th of April 1989 claimed appreciable success in reducing the rate of disconnection over the past year by 35% - from 0.4% of domestic credit customers in March 1988 to 0.25% in March 1989. Confirming that it was not a happen-stance, the senior manager, public relations said, " We are greatly encouraged by this trend and we will do our best to see that it continues". Still applauding the trend he continued, " It is the company's intention to develop its commitment to customers in a way that builds on what independent research shows, and the Director General of OFGAS confirms, is a highly regarded standard of service". As part of that commitment, Carol Ifanti, (the company's Home Service Officer), said there exists a team of Home Service Advisers whose job it is to advice groups and individuals on the safe and efficient use of gas, offering particular help to disabled customers. To tone down the level of bureaucratic bottle-neck, the company has also introduced a number of service concepts such as Network Control; Service Visit Simplicity,(eg. service call booking can be picked up off

the database as a job ticket by the service engineers, thereby cutting down the flow of paper work and reducing the possibility of mistakes) ; Speed Payments(eg. a reading band which when waved over a customer's bill captures immediately all informations - payments by whatever method can be handled by the terminal and all the details of the transaction are sent to the central mainframe, average transaction time is 30 seconds, thus dealing with customers more quickly).

Buttressing the point to show that the company is really in touch with consumers, Mr Pinchin said that " the first thing is to establish what consumers want and try to be pro-active. We set what we call standard of service. We have had these in different forms for at least 16 years ... They are important because they determine how much we invest in services. Over the years, our staff are expected to answer most of the telephone calls within 10 seconds. That means we have spent so much on telephone equipments, on staff to answer the telephone and we review the standards".Pressed to elucidate how the standards are set in terms of consumer input and effects, he said, "The standards we have had for many years are not published in any direct sense. We sometimes say what the standards are but we do not publish them like the British Telecom. At the moment, we are looking at whether to publish some of the standards". If standards of service are not formally stated, that means they are not measurable ? He continued, " If you go to a restaurant to have a good meal or go to Macdonald to get a hamburger, you don't really need to know whether the standard in Macdonald is that you should get a hamburger in 10 seconds. What you need to know is that you got an acceptable level of service. You are going to measure it as a customer from the overall package you get".

How far management has gone in upholding quality of service may not yet be clear because there are no consumer-based performance indicators, as those currently being introduced by BT. Management feels reluctant to commit itself to stated and verifiable goals, even though there could be some internal measures which in any case are highly subjective and may be regarded as, more or less, self-serving to the organization. The regulatory regime of OFGAS and GCC have in a way made it somewhat smooth sailing for the company by not insisting on proof of most of the claims made by the company or demand



an independent study of some of the consumer issues the company claim to be addressing. For instance, while British Gas in its 1989 Annual Report and Account claimed general improvement in all facets of its activities, GCC report relating to the same period, (Annual Report,1988), recorded increased complaint statistics comparative to the year before in such areas as service/repair, fuel debt, etc. On gas account where the report showed no change, it went ahead to say that " the rate of complaints about budget payment scheme was almost three times higher than average"(p.11). If the statistics are credible, then that should constitute enough ground to demand that the company provide specific targets in terms of consumer service measurements.

Also, in October 1989, British Gas issued a statement announcing that it was embarking on massive survey of its more than 17 million customers with a view to getting opinions on customer service. Neither OFGAS nor GCC considered it worthwhile to set up machinery to monitor the progress and result of such a survey and follow up action by British Gas. Rather, GCC responded in an apologetic manner, stating that " many major companies - including other major UK utilities - recognize that customer care must begin by setting the standards customers can expect. We urge British Gas to set down in black and white for all to see the minimum standards of service it is prepared to meet", (GCC press release, October 20, 1989). As if GCC was unsure of its role, the Director, Ian Powe, was quoted in the statement as saying that " every year we deal with 100,000 British Gas customers and they have convinced us that they would welcome a customer guide covering areas such as appointment keeping, complaint handling and the effects of the mains-laying on small businesses". If after 3 years of existence the organization is still dithering over such basic issues as reported above, obviously much is left to be desired. In any case, it must be mentioned that no evidence exist to suggest that British Gas has neglected standards in the supply of the core product - an area management has very much orchestrated - but since management behaviour in that regard is governed by regulation, one can only say that it is living up to its responsibility, for which an authorization was granted.



The way a company organizes or manages consumer complaints and its disposition towards the consumer representative organization could give an inkling into its attitude to consumer protection. We have observed that over the years, representation made to OFTEL and complaint data published by GCC have been on the increase. There are three possible explanations for this trend. First, may be the enterprises have established structures that encourage consumers to voice out more of their complaints. Second, the watch-dogs may have gained more credibility and visibility or third, the enterprises have developed what was referred to in chapter three as 'corporate deaf ear' which could make consumers more determined to have their say.

Whichever the case, responses have been mixed, reflecting positions and interests respondents want to portray. Terry Lloyd, (in-charge of Consumer Affairs - OFTEL), stated unequivocally that more people are now aware and convinced about the effectiveness of OFTEL and therefore, have no qualms in contacting the organization when they have problems with BT. His position was supported by the face-to-face random omnibus survey for the organization in 1988 which showed that 30% of the respondents claimed they have heard of OFTEL as against 9% in 1985. The GCC Director and his Director of Field Operations respectively took similar stand for their organization - with statistical evidence of consumers writing in to express satisfaction with the organization's services.

On the part of the enterprises, the general stand is that a lot of 'loosening up' have occurred. BT's Chris Holland said, " I have been with this company for more than 10 years and I can see both sides of the coin. Previously, it was like a civil service kind of attitude. There was no threat from competition. It was a Government department in effect and no urgency attached in doing things. Since liberalization, they have changed dramatically". When reminded that realistically speaking, complaint statistics should show a down-ward trend instead of upward since the company now feel more attuned to serving consumers better than ever before. He rejected the idea about upward growth

in complaint statistics but conceded that even if they were real (which data available to management did not support, he insists), it could mean that " as the service grows, expectations of consumers increases ... It is a bit of self-fulfilling prophecy, as the service goes on so does the expectation of customers ... The relationship is a good sign because it does put some pressure for you to meet customers demand. Customers are very demanding". OFTEL report for 1989 showed that complaints against BT increased by about one-third over 1988 figure. This obviously gives cause for concern. Reason that OFTEL was becoming better known is no longer tenable because it had achieved a high level of public awareness by 1988. Statistics shows that the number of people who are aware of OFTEL was higher at the end of 1988 than the same period in 1989. OFTEL position is that complaint level indicate a lack of success in BT's efforts. In the 1989 report, the DGT expressed great concern about the trend which he construed as "insufficient interest by BT in serving the customer and insensitive and inconsiderate dealings with customers".

From the fore-going, and having regard to the framework developed in chapter three, what can one then say is the company's attitude towards consumer complaints? Does management see consumer complaints as stimulus for greater initiative and creative action or as indictment of corporate policy? The Chairman of British Gas, (in the Autumn 1989 letter to consumers), stated as follows, " ...since such small proportion of our customers complained we felt that confirmed there was a good measure of satisfaction with our services". Chris Holland of BT said that the end purpose of the company's consumer policy is " to reduce consumer complaints as far as possible". This viewpoint was corroborated by other interviewees. What it implies therefore is that complaint statistics is seen as a yardstick for gauging levels of consumer satisfaction. The less the number of complaints, the higher the degree of satisfaction, and vice versa. In chapter three, we elaborated on the futility of using complaint volume as a standard for measuring the level of satisfaction/dissatisfaction. What is left to be said is that management, where the level of complaint is seen as directly related to the level of satisfaction/dissatisfaction, can not genuinely accept complaint behaviour as a healthy impetus towards better customer orientation. If this thesis hold, then management will be more disposed to stifling complaint than encouraging it. This may perhaps explain why the enterprises do not give highlights to complaint trends in their annual



reports. If complaint statistics is taken as indicative of the level of consumer satisfaction, then corporate initiatives tied to the maximization of consumer satisfaction objective becomes, in itself, flawed. We shall return to this in the next chapter.

It is pertinent to comment on the complaint handling procedure in BT, which is broadly the same as in British Gas. In a normal complaint circumstance, an aggrieved customer is advised to go to the local or district office where it is hoped the issue will be sorted out. If the matter can not be resolved at that level or the customer is not satisfied with the outcome, the first line of escalation would be to write to the Chairman. There is a division at the company's headquarters called the Chairman's Office Services which handles matters sent in for Chairman's personal attention. A Director, (Chris Holland holds the office at the time of this study), runs the Chairman's private office including briefings, has delegated powers from the Chairman to seek to sort out complaints from individual customers, interest groups (eg. politicians, etc.). The Chairman maintains a close tab on the goings-on within the division as some matters would require his personal attention.

Another line of escalation is to go to OFTEL. The DGT (OFTEL), has a duty under the Telecom Act 1984 to investigate any complaint brought to him which is not frivolous. If OFTEL desires to take the matter up with BT, Alan Sherwell (BT's Head of Regulatory Matters at the time of this study) is the first contact point. He deals with consumer issues that are informally raised, Government directives, communication with OFTEL, European Commission as well as various other regulatory issues.

If it is a matter that concerns policy issue or an issue confined to a locality, the local Telecom Advisory Committee, (TAC), - which is the organized consumer pressure group - would take it up with the relevant District Office or the National Advisory Committee on Telecom (England, Wales, Scotland or Northern Ireland). The National Committee could then call the attention of the DGT for his enforcement powers if breach of license conditions or modification thereof is involved. The major difference with the gas industry is that the regulator, OFGAS, does not directly investigate individual consumer complaints, rather the responsibility is bestowed on GCC under the Gas Act 1986. Since GCC does not have the enforcement powers, it can make referrals



to OFGAS if it fail to reach an agreement with British Gas. OFGAS will then determine the need for exercising enforcement powers, in which case it might seek a modification of the authorization as a last resort.

The scenario above differs with the Nigerian case in the sense that there is neither an independent regulator with enforcement powers nor organized consumer representative body. Escalation procedure for conflict resolution within the company framework is the same as in BT, outside of which the aggrieved consumer may take his case to the Public Complaints Bureau, the Ombudsman, or the supervising ministry ( Ministry of Communications). Government is the final arbiter.

We have looked at consumer representation as provided by the authorization instruments in Britain. What is left to be seen is whether the existence of those bodies really give expression to a deliberate commitment to consumer protection or merely to score political point. This is important because Government intentions would help to explain the incentive system managers face. Retrospectively, during the era of nationalizations, there was little concern for organized consumer representation. The reason was that removal of profit motives would destroy any incentive to exploit consumers, and that public interests with ministerial purview would constitute an adequate guide to management. As explained above, the situation is still the same in Nigeria but a lot of changes have occurred in the UK. There are now organized consumer representative bodies for the enterprises, thus removing government from the day to day intervention. The 1978 white paper on nationalized industries somewhat sharpened the issue: " The Government sees an important continuing role for the nationalized industry consumer councils as spokesmen and guardians of the consumer interest". In responding to the suggestion that the Secretary of State should have a general power to issue directives to an industry, following recommendation that there should be statutory right of access to information, the white paper stated, " For the most part, normal relations between the consumer councils and their industries will make Government intervention of this kind unnecessary". This approach was put even more firmly in the 1982 Department of Trade and Industry consultative document on consumer councils: " The Government agrees that the industries must co-operate in providing information - even at additional cost and trouble to themselves - if the nationalized industry consumer councils are to do their

jobs effectively". Changes brought about by current developments, (eg. the 1986 Gas Act and 1984 Telecom Act), have succinctly streamlined the functions and powers of consumer watchdogs. But, what views does the enterprises hold of those bodies? Are they seen as old, docile outfit, threat or as partners in progress? Views on these are important because they could indicate where a company is positioned in the consumerism industry, that is, whether the attitude is to compete, fight or flight, and may in fact explain the overall attitude towards consumer responsibilities.

While giving his assessment, Mr Pinchin noted that there has not been a dramatic change in relations between the British Gas and GCC since privatisation. " Method of operation is still the same ... GCC is a safety valve, we are not seen to do a good job. Our aim is to put GCC out of business by giving good quality service so that consumers do not feel a need to go elsewhere to get help. But it is quite a healthy thing that consumers can go elsewhere". Would the company wished that GCC never existed ? " GCC performs a useful function and obviously it raises issues that force us to rethink our consumer policy. We don't pretend to have got it perfect, so we do change in response to what GCC raise with us, sometimes we say no ... It is like an itinerative process where consumers have got a champion to focus their thought". He went on to explain that given the wide customer base of the company, consumers as individuals do not have one point of view and this has become more complicated since privatisation because many customers now have two views - one view as a customer, the other as a shareholder. On the structural changes in GCC since privatisation, he said, " I don't think there would have been a need for dramatic change. That would have suggested that GCC wasn't functioning effectively. Clearly, there are shifts on emphasis but with OFGAS having the regulatory responsibilities, the GCC continue to have basically the role of consumer champion".

There is the classical argument that the essence of privatisation was to open up the industry for competition and eventually , with free competition, sponsored consumer councils would no longer be needed. Mr Pinchin agreed in principle but stated that even where free competition exist, there would still be need for some form of consumer point to refer to, whether they are vested in interest groups or not. " Speaking personally, one of the difficulties is that free competition isn't perfect and the higher



the manufacturing base, the less perfect it becomes. Whether the consumer movement has a role in that is not clear". In the same vein, Mr Whitting said that the company accepts that GCC is a necessary part of being a privatised industry particularly where monopoly power is involved. He sees the changes in the role of GCC as "coincidental with a general rise in the emphasis given to consumer protection". Emphasis on consumer protection and quality of service has never been higher, he argued. On how the Councils role will likely develop into the future, he sees it in the light of dealing with more referrals from other suppliers of appliances other than British Gas, because at the moment, not many people in that category feel that they are affected by the regulatory process. This view was supported by data published in the annual report of the GCC,(1989).

BT's position is basically the same as described above. However, management attitude is that of 'aloofness' - a belief that the company can compete effectively on grounds of consumer protection with whoever gets involved in the industry. This aura of confidence is based on the fact that management need no persuasion to put on the table its score-card on consumer protection. The attitude seem to boarder on offensive approach rather than defensive. When asked to sum up the kind of input system or stimulus the company gets from the consumer body, Mr Holland said, "generally, we try to form our own policy from internal data based on interface with consumers. In this office, we don't get too involved with them". It must be pointed out that unlike the gas industry where there is an independent consumer representative body, such a body or something akin to it in the telecom industry (Telecom Advisory Committee, TAC) is structurally integrated into the regulatory arm. The last thing management want is to have regulatory decision imposed on its activities. To keep ahead, it makes extensive use of Consumer Panels and other forms of consumer liaison channels. Asked whether management's posture is not a calculated attempt to take the sting off those grass-root associations, Alan Sherwell (in-charge of regulatory matters) vehemently rejected the insinuation and argued that if anything, management is highly receptive to ideas and criticisms - no matter where they come from. It is on record, (internal memo, 12/5/90) that the Chairman, while commenting on some of the issues raised by politicians stated as follows, "we have to deal with real



customers more rather than their surrogates the regulator and the politicians who determine the shape of the market".

In Nigeria, the situation is remarkably different from the ones above. Management is opposed to any form of organized consumer pressure group or independent regulator. The Managing Director conceded that despite the appeals of such structure, at least from consumer point of view, the company is still undergoing teething problems and therefore ill prepared for such challenges. The arrangement whereby the Government, through the Federal Ministry of Communications is both the regulator and consumer representative body suits the company perfectly fine. The reason is that pressures from Government for reforms or improved quality of service is ironically met with counter pressure from the company for more financial appropriation to undertake the needed reforms. Government usually backs down because of inadequate resources.

One hotly debated and equally contentious issue is whether the structure of the regulatory/consumer representative regime could have an effect on the behaviour of the captive enterprise. The principal features and structures have been described in chapter 4. What was not decided is whether, for instance, an aggregatively structured watchdog (eg. OFTEL), is better suited to induce pro-active , consumer oriented behaviour from the captive enterprise than a disaggregatively structured type (eg. OFGAS/GCC). Reactions to this view are mixed and inconclusive.

Mr Whitting, almost echoing views expressed by Mr Macleod, (OFGAS - Consumer Affair Adviser) and Ian Cooke (OFGAS - Public Affairs Adviser), stated that " there is a lot to be said for separating the consumer body from the regulatory body because by doing that, consumers have a body that is 100% motivated to serve consumer interest. For the regulator, although he has regard to consumer interest, he has got much more other requirements. He has to balance the concerns of consumers against the concerns of the company. He has certain legal obligations and certain legal powers and so on. He has got a duty to exercise those in a proper way". Mr Macleod stated that consumer bodies are supposed to see issues mainly from consumers' perspective which may not be the case with the regulator. In his opinion, consumers' interest is better protected when the two bodies are

separated. Mr Pinchin reiterated that the irony of integrating the bodies into one is obvious because " if the two are together they will have to finish up having different departments anyway". Most members of GCC surveyed, including the Director (headquarters) and his Field Director all chorused in agreement, (summary of survey result is presented in appendix 2b).

On the other side of the divide, OFTEL and BT management tend to think that the model they operate is most appropriate for consumer protection. Terry Lloyd of OFTEL pointed out that more than anything, the system removes confusion which consumers are likely to face in not knowing who to approach in case of difficulties, and also make it easier for actions to be followed through much more effectively. Alan Sherwell of BT argue that a single structure makes for more power and co-ordinated strategy. He however conceded that there are two sides to the issue. Occasion may arise when independent consumer body could prove an advantage especially where the regulator is implementing Government policy because some Government policies tend to be objectionable to consumer groups. If the consumer representative body is part of the regulator, it becomes impossible for it to take a different stand. The question, he concluded, " is whether the consumer body has actually got enough powers to force a resolution to a problem".

As noticed from the above, views of respondents are polarized, each trying to defend the status quo. We shall return to synthesize the viewpoints in the next chapter.

#### **6.2.6. PUBLIC SERVICE OBLIGATION**

As pointed out in chapter 2, in the enterprise category where it may be imprecise to draw a line of demarcation on where private interest ends and where public interest begins, what management construes as its public service obligation becomes important factors in assessing its position on consumer protection.

The license granted to BT by the Secretary of State (Department of Trade and Industry, 1984) has four schedules of which schedule one deals with BT's public service obligations (eg. emergency services, call boxes,



directory information, rural services etc.). The hallmark of public service obligation is the concept of universal service. In this regard, UK legislation appear to be lukewarm. In the 1984 Act, the requirement is for BT to provide service except in so far as the provision thereof is impracticable or not reasonably practical, (see part 1, section 3, subsection 1a of the Act). Costs to customers are not mentioned. Also in the Gas Act 1986, priority seem to have been placed on efficiency at the expense of the industry's social role. Obligation to supply outlying consumers at the same rate as those nearer to the centers of distribution remained virtually unchanged, but managers were left in no doubt that the criteria upon which their performance could be judged were economic, not social. Consequently, almost no progress has been made in the evaluation of social objectives. Cross-subsidy remain the most common way of accounting for them.

However, it must be pointed out that the understanding of what is meant by universal service is by no means uniform. A lot of issues are involved, such as those raised by Hills, (1989): Does the term mean that every one has the right of access to a telephone? Must they be able to afford to use it on a regular basis or should demand simply be met at whatever price the market will stand? Does the term include right of access to 'basic' service ( and if so what is basic service) or right of access to all service? Does the term mean that all citizens, no matter where they live, should be charged the same for access and service? What pricing strategy should be involved - should access for poor people be subsidized? Should those in rural areas pay the higher costs associated with the provision of infrastructure? Should richer urban areas cross-subsidize poorer areas and should business cross-subsidize residential users? Should long distance cross-subsidize local rates? Defining what constitutes universal service is by no means straightforward but could guide the determination of management approach to consumer policy issues. Unfortunately, various authorization instruments and licenses did not provide a definitive standpoint. Decisions in those areas squarely fall within the domain of public policy.

A great deal of problems arise from the fact that there are heavy infrastructural fixed costs involved in the establishment of the network, and that the network is utilized by a number of differentiated services. Being in the 'service of collectivity', traditionally speaking, substantial part



of the infrastructural costs have been provided through public money. The problem therefore is determining how the benefits could be redistributed, in the spirit of equity, so that those on whose behalf the investments were originally undertaken would be entitled to the benefits appertaining thereto.

In its 1986 annual report, BT asserted that " the majority of the group's assets and costs relate to the provision of the main inland telecom network. The costs incurred in the operation of this network are for the common benefit of all the services who make use of it ... the group carries out an annual review to enable those costs that are not directly attributable to a single service to be allocated to services on bases considered by management to be appropriate. The attribution of such costs ... involve a degree of judgment", (p.48). The implication here is that management is deeply involved in making decisions which are as political as they are economic. This can not be easy unless the main political institution of the State could provide a guideline for making those decisions, especially those with a high degree of political dent. This is where the instruments of authorization and licenses for both British Gas and BT fall short of expectation because they did not provide the specificity required for performance evaluation. The problems are already emerging. For instance, the low user rebate provided by BT is voluntary, not statutorily mandated hence BT threatened to withdraw it when OFTEL reached decisions on Mercury's interconnections which it (BT) did not originally approve of.

Universal service tend to be measured by the extent of penetration. It is therefore possible to argue that the higher the rate of penetration, the more committed is the company towards the universal service objective. Of course, there are some fundamental flaws to this argument. One is that management can not force down the service on unwilling customer but yet, eyebrows would be raised when penetration level starts to show a downward trend. The picture therefore is that management is totally bounded. There is a limit below which its performance will become unacceptable to the citizens vide the political institution and also, there is a limit beyond which its economic capability will be called into question. Management challenge, in the face of silent regulatory instrument would be to strike an appropriate blend amongst all the forces. Between 1973 and

1984, the spread of telephone network in the UK was 3% per annum, on the average. Between 1984 and 1986, the figure again was 3%, suggesting that penetration has neither been hastened nor retarded. The current penetration, on aggregate is put at 81% of households ( many reports accept this data with skepticism, ECE and EEC figures are between 73% and 76%). As a result of increase of households in real terms this figure means that roughly, the same number of households were without telephone in 1987 as were without one in 1981,(see Social Trends,1987). What is not known at the moment is the 'churn factor' - that is, number of people dropping off the network. No figures are issued by BT on disconnections or collected by OFTEL, although the DGT in a television interview announced his intention to provide data on this,(BBC2 TV, Reportage, November 5, 1989).Such data would be very revealing of management attitude towards its public service obligations in general and will also bring into focus a number of subtle issues which have not yet been positioned for critical scrutiny - as happened in the case of British Gas on disconnections policy which culminated in the modification of its authorization, by agreement, (see OFGAS Report, April 20, 1989).

Stagnation in the rate of penetration is worrisome. One possible explanation could be that management is creating unintended barriers for potential customers wanting access to, and usage of, the networks. Note that telephone cost has three components - the connection charge ( and associated deposits), rental charge, and tariffs. Taking the issue of access, charges are paid up-front. How much one pays as deposit before connection differs according to which part of the country one lives in, and subject to the discretion of local managers. BT management denied that there is a policy of taking long term security deposits from 'bad debtor'. It was revealed that 'bad debtor' may not refer to the individual customer but the address. This might put those in rented accommodation at risk of paying long term security deposits which may be kept for one year or longer. The problem is that the so-called bad debtors may have nothing to do with the bad debt as those who incurred them would have moved out , yet subsequent occupants of the premises remain case-file for BT. In any case, management affirms that they are reviewing the issue on case by case basis. For most of its existence, OFTEL has hardly concerned itself with these contractual arrangements enforced by BT which may constitute barriers to



network access. The implication is that because of BT's virtual strangle-hold on residential customers, it has been able to impose terms on consumers so long as it does not breach any express provision of its license conditions. The situation, as far as public service obligation is concerned, is exacerbated by the suggestion that charges may be introduced on 'inquiry services'.

On the 'emergency call' (999 service), public telecom operators (PTOs) are required, under the terms of their licenses, to provide emergency call service without charge to the caller. The licenses are silent on how the service should be funded. In practice, PTOs absorb the cost but expect emergency authorities to pay for the circuit lines. BT's rationalization of its exchanges - reducing the number of Operator centers - is causing concern to emergency authorities because of costs inherent in accepting calls from other services. OFTEL is currently reviewing the situation but the position of BT is that over time, it will shake-off some strings which will likely put it at a disadvantage when competition heats up. Meanwhile, the pledge is that the company will do everything possible to improve the service rather than see it relapse.

The controversy over loss making public call boxes has been discussed, on which the DGT declared, "I shall want to be sure that a formal scheme had been developed, and demonstrated to be feasible, for guaranteeing the financing of call boxes that failed to make a profit but meet significant social needs", (OFTEL, Annual Report, 1988). This squarely lies with BT because at the moment, Mercury is receiving some compensating advantages such as "freedom from a complete social service obligation and from other social obligations". OFTEL has pledged to modify the position as soon as competitive balance changes. However, in order to stand up to the perceived skimming of the public call box market by Mercury, BT management resolved to launch a counter offensive by positioning its call boxes (both coin operated and phone card services) within 100 yards of one another in London and other major cities. Official management position is that it aims to create greater access to the network. However, as we gathered from inside sources, the end purpose is really two fold. One is to ensure that losses in the rural call boxes are compensated by enhanced revenue from urban ones. Secondly, to make sure that the market is



saturated, thereby checking Mercury's adventurism. This information seems credible because BT's offensive was launched after Mercury had concluded arrangements with Boots, Shell, Trusthouse Forte and Associated Leisure to have its pay-phones installed in their national retail and leisure outlets. Such arrangement was to enable Mercury achieve its goal of increasing the number of its pay-phones from about 400 at the end of 1989 to 9,000 by Christmas of 1990, (BT's public pay-phones in working order as at May 1990 was 90,000).

In spite of the constraints, BT contends that telephone service has become cheaper in relation to other services. However, in view of BT's dominance of UK telecom industry and self perception as one of the world's largest telecom carrier, it may be worthwhile to see how its performance squares with contemporaries in other countries. Tables 6.0 and 6.1 give a vivid illustration.

**TABLE 6.0:** Percentage Growth of (a) telephone main lines, (b) telephone sets per 100 of inhabitant, and (c) telecom income relative to GDP in selected countries

COUNTRY	A Main Lines (1974-1984)	B Sets (1974-1985)	C Income Relative to GDP (1974-1985)
Sweden	2.1	3.8	1.77
U.S.A	2.9	3.2	3.24
Switzerland	2.8	3.2	2.65
Denmark	4.2	5.6	2.17
Canada	2.3	2.0	2.6
Germany	7.2	6.8	0.24
France	12.2	9.2	5.78
Australia	4.7	3.9	3.88
Netherlands	5.4	5.3	1.71
Japan	3.2	4.4	0.72
UK	4.5	3.7	2.58
Austria	6.4	5.9	4.81
Belgium	5.0	4.5	4.38
Italy	5.7	5.6	3.75
Spain	6.5	5.7	4.75
OECD Average:	4.3	3.8	
ECC (10) :	6.7	6	
Sources: (1)	ITU (1986): Yearbook of Common Carrier Telecom Statistics (ITU, Geneva, 13th ed.)		
(2)	OECD (1988).		

As can be seen from the table above, UK falls below the ECC average on the percentage growth of telephones main lines relative to 100 inhabitants, and slightly above OECD average between 1974-1984. On telephone sets per 100 of the population, the position is below both the ECC average and OECD. According to the OECD report,(OECD,1988), up to the year 1985, percentage of telephones main lines for UK was 5.5% of OECD total compared to the United States 36%, Japan 14.3%, Germany 8%, and France 7.2%. According to the European Economic Commission report, (U.N.1987), it was revealed that as at 1983, the highest telephone density in the world was found in Sweden, followed by United States, and Switzerland respectively. The position of UK's London vis-a-vis other major capital cities is presented in table 6.1, where London was trailing behind Oslo, Washington, New York, Helsinki, Ottawa, Paris, etc. in terms of telephone penetration per 100 of the population.

**TABLE 6.1: Telephone Per 100 of Population In Selected Countries.**

Canada	Ottawa	84
United States	Washington	173
	New York	74
Austria	Vienna	73
Belgium	Brussels	76
Denmark	Coperhegen	97
Finland	Helsinki	98
France	Paris	107
Germany	Bonn	85
	Hamburg	94
Italy	Milan	74
Norway	Oslo	97
Spain	Madrid	59
Sweden	Stockholm	133
Switzerland	Berne	98
UK	London	75
Japan	Tokyo	85

**SOURCE:** OECD,(1988,p.98).

It may be argued that BT has taken significant strides since the publication of the report in the area of network expansion. Nevertheless, such statistics would serve as a reference point to the company's management.



The position of NITEL management on the public service objectives is rather ambivalent. The problem with Nigeria as with most developing countries is how to fund the desired network expansion. Thus, with so much in other spheres of public investment vying for very meagre resources, poor countries seem ill prepared to rapidly develop their telecom network to keep abreast with global developments. For example, in the ECE report,(UN 1987), it was revealed that while as the United States alone account for nearly one-third of the world's telephone population; 9 countries in the developed economies account for 75%; 15 countries in same region account for 90%, (with less than one-third of the world population). Telephone densities in most third world nations does not exceed 1 in every 100 of the population. In fact, 36 least developed countries have only 0.15% of world telephones and more than half of the world's population live in countries where telephone penetration is less than 1 for every 100 inhabitants. The position of Africa is depicted in table 6.2, which in essence underlies the obvious need to for expanding and improving network facilities.

**TABLE 6.2: Estimate of World Telephones - Regional Distribution (excluding the USSR) As At 1983**

Region	Total No. (telephones)	Percentage (World total)	Percentage (privately operated)	Telephones (per 100 of population)
North America	176,204,113	36.2	86.3	66.2
Africa	5,693,942	1.2	0.1	1.8
Europe	180,292,237	37.0	22.7	39.7
South & Central America	24,126,970	5.0	16.1	7.1
South Pacific	13,128,034	2.7	5.0	4.8
Far East	74,289,903	15.3	4.3	41.2
USSR	NA	NA	NA	NA
Middle East & South East Asia	12,926,356	2.7	3.8	1.4
World Total	486,661,564	100	41.7	17.8

Source:- UN (1987): Economic Commission for Europe

From the data presented in table 6.2, one would be left in no doubt why telephone is mostly perceived as luxuries in most third world countries. Apparently, this has affected decision about public service objectives. Nigerian Government once said that her priorities in terms of funding development projects would be governed by a principle of 'most benefit to most people'. What this meant is that emphasis should be given to those projects whose benefits cut across the vast majority of the population. In regard of telecom, while public service objectives are cherished, there is obvious lack of will to attend to them. The experience of the UK does not seem to provide a particularly encouraging scenario if universal service, for instance, is taken as a driving goal. It appears that if meaningful approach is to be adopted, legislative backing which allows government agencies to intervene to protect the consumer would be very essential.

#### 6.2.7. TRENDS IN COMPETITION

The regime of competition established for the British telecom industry represents a radical departure from a long-standing earlier practice. The earlier approach was aimed at limiting competition and for Government to run the industry according to public interest objectives broader than the pursuit of profit. Prior to Beesley report, (Beesley,1981), most of BT's activities were protected by statutory monopoly rights. It has been argued that much of that protection was unnecessary since the technological and economic characteristics of telecom systems were such that monopoly was in any case inevitable. This is no longer the case. There are now new prospects for the competitive structure of the telecom industry. Beesley was impressed by the potential for competition that, in regard of general principles of reselling BT's capacity, he concluded that public interest was best served by permitting unrestricted resale. BT on its part argued that it would lose revenue and profit if business was transferred to leased lines, that cross-subsidization would be made more difficult, that concerns would arise over standards and compatibility, and that cost efficiency advantages of natural monopoly would be lost. However, the 1981 British Telecom Act was promulgated to open the way to competition. That was subsequently followed in 1982 by the Department of Trade and Industry White Paper on the 'Future of Telecommunications in Britain' in which Government's plan to privatise BT was announced. The process was completed by the Telecom Act of 1984.



The Act contained a lot of conditions to check anti-competitive practices. The conditions require BT to connect licensed systems and apparatus to the public network. It prohibits undue preference and discrimination, cross-subsidizing a particular sector of the business from the other, and discrimination in BT's supply of services in favour of customers using apparatus supplied by BT, eg., tie-ins, aggregate rebates and anti-competitive use of intellectual property rights. The elaborate conditions give indication or understanding of possible distortion a company in BT's position can wreck on the competitive framework. This arises from the fact that the company was privatised as a whole (a lot of critics still find it irksome), the same pattern was followed when British Gas was privatised. In any case, privatisation decision in itself was political, hence a lot of political considerations guided the happenings of the period. For instance, Newman, (1986, pp. 12-13), described how BT acted during the debates on its privatisation bill, eg. conducted numerous programmes to brief members of parliament and representatives were always present at the debates in the parliament, including standing Committees. BT even put forward its own amendment to the legislation and very close links were maintained with officials at the Department of Trade and Industry. License conditions were even negotiated with BT. BT's aims were mainly three-fold, namely, (1) to avoid break up of the company, (2) to minimize competitive threats, and (3) to secure a light-handed regulatory regime so as to have as much discretion as possible.

Adoption of competition (real or potential) in the telecom and Gas industries have a lot in common. Just as BT lobbied strenuously against a split, it is on record that in negotiation with Government over the form of privatisation, Sir Dennis Rooke, (then Chairman of British Gas), insisted as a condition for his support, that the corporation be privatised as a single entity. Also the 1982 Oil and Gas (Enterprise) Act along with Energy Act 1983, and Gas Act 1986 reflected a discernible shift in public policy towards an increased emphasis on the use of competitive forces - in the manner of 1981 BT Act and Telecom Act 1984. But unlike BT, the dominance of British Gas was never and does not seem as yet to be threatened - we would look more closely at this when we discuss the regulatory practice.

To be able to assess the impact and the challenge of the competition statutes on management behaviour, it is pertinent to take a retrospective look at what

the intentions of the Government were at the time of privatisation. Did Government really mean to introduce genuine competition? If it did, what possible justifications could there be for leaving those quangos in situations where they could effectively control their respective markets ?

These issues are by means easy to resolve. The ideological motivations contain a mixture of strands. Government has consistently professed belief in the virtues of private ownership. There was also the question of getting rid of problems associated with controlling public enterprises. The clearest statement of political objective was a speech by John Moore, (Moore, 1983) a Cabinet Minister, who signaled a distant shift in emphasis towards competition and efficiency as Government's principal objective. He explained Government's belief that where competition is impractical, privatisation policies would be introduced and developed to an extent that regulated private ownership of natural monopolies will be preferable to nationalization. Hew emphasized that "the long term success of the privatisation programme will stand or fall by the extent to which it maximizes competition. If competition can not be achieved, an historic opportunity will have been lost". The reason why only one public telecom operator was licensed to compete nationally with BT was based on the assumption that it may lead eventually to stronger competition as more competitors at the start might mean weaker competition because each would be vying with the other to win business from BT and the result would be that BT might remain strongly dominant. As Carsberg, (1987), puts it "if the door are thrown wide open, without adequate planning and preparation, the result is likely to be confusion, instability in prices and provision of services, and perhaps a situation in which the original monopolist is able to re-establish its dominance", (p.8).

Attitude of OFTEL towards competition has never been in doubt. The DGT has always seen his role as principally introducing and sustaining competition in the industry. OFTEL's objectives therefore appear to be diverse and in some instances mutually exclusive. For example, ensuring that persons who provide telecom services can finance those services and promoting competition between persons engaged in telecom activities may well clash if a company is about to go bankrupt through competitive pressure. Where does that leave the consumer? It is not always clear whose interests are supposed to be OFTEL's priority. Thus in his first Annual Report, 1984, the DGT declared, "I attach high priority to my duty to promote effective competition and I have quickly come to believe that this is one of the most important and urgent



of the duties laid upon me by the Act",(p.8, underline mine) . This has remained the main theme of his subsequent reports, up to the latest, in which he said, " ...

promotion of competition is the most potent regulatory weapon and should be seen as complementary to other regulatory approaches ... The main thrust of OFTEL's policy continues to be to encourage the development of effective competition as a protection to consumers", (underline mine).

Notice the superlative degree in which competition has been qualified, and eventually its alignment with consumer protection. From OFTEL's point of view, consumer protection must largely rest with competitive mechanisms, (see also Carsberg, 1989). Before we go on to consider what the industry's stand is, we must add that OFTEL paradoxically accepts that effective competition is inapplicable to some facets of telecom services: " ... competition can not be expected in all areas of the country. However, if competition is effective in some areas, and it leads to greater efficiency of supply, the benefits of efficiency can be carried over to other areas through application of the rule in BT's license against undue preference and undue discrimination". DGT himself accepts that " many areas of BT's business remain untouched by competition and some of them may remain untouched for the indefinite future", (Carsberg,1987,p.9). He subsequently counseled that Mercury and others will consider the viability of extensions to their networks on case by case basis and " they will not compete on routes or in areas of the country where the economics are unfavourable". The regulator enumerated the difficulties in establishing local competition (eg. sunk costs which we have highlighted) and proffered that " the economies of scale are large and competition reduces the extent to which economies of scale can be enjoyed".

In his 1989 report, the DGT notes that when competition is introduced into a situation that has previously been a total monopoly, "the effect of inertia on the part of customers and other considerations may create difficulties". On the whole, OFTEL's policy has been one of promoting competition as an end in itself. It looks at competition as a potential means of achieving objectives relating to efficiency and innovation, and to weigh its benefits in terms of those broader objectives against the potential costs with respect to the impact rates, social goals and so on. All this is in the context of the agency's mandate which for telecom is very broad but little in the way of specific policy guidance.

It is necessary to note that in gas supply in Britain, as in telecom services in Nigeria, competition is still a non issue. The Gas Act effectively excludes competition from the domestic market which constitutes both the largest and most profitable market segment. The Director General of Gas Supply,(DGGS) has a duty to allow competition only with respect to supplies to larger customers in the commercial and industrial market (those using over 25,000 therms). There is therefore little prospect that an alternative national gas supplier will emerge to compete with British Gas in the way that Mercury has managed to do in the telecom industry.

OFTEL's 1988 report asserts that competition is already a strong force and having a significant influence on the telecom industry. To what extent it has affected managerial actions and the type of challenge it poses in the realm of consumer protection is not yet clear.

Ian Vallance, (BT Chairman) in an interview with Roy Hill,(Hill, 1989) admitted that " for the bulk of our customers we still run a de facto monopoly on our basic services. We need an incentive to get those services up to the standard we would like ". If BT is seriously concerned with competition at the moment, it is with the equipment sub market and value added services ( which are not our concern here). In the provision of basic services, what management is really wary about is the threat of competition and not the effect per se. As Chris Holland stated, " competition is coming now and it is real. If you don't face up to the challenge then the company goes down the drain - that's a very simplistic way of putting it. We have a duty to maintain our market position. I would personally like to disagree with the notion that real competition can not exist in the telecom industry. It may not be so now but the day will come when there will be effective competition ". Well, until that day comes, consumer protection, contrary to OFTEL's official position can not be decided by the direct action of competitive forces - which in essence is why the organization exists. The implication is that consumer protection should be sought for, not from the market place but from extra-market mechanisms. Much therefore lie in what management conceives of its roles and where it places the consumer within that set up. Also important is how the regulatory regime interpret those roles and the kind of input system it generates in policy formulation. We shall return to this in the next chapter.



Meanwhile, we may briefly look at some of the fall-outs of the competitive process. Interconnection of Mercury to BT network systems became a crucial issue which management of both companies were unable to resolve and therefore needed a decision by the DGT. That was sequel to a preliminary court ruling on the motion brought about by BT praying the court to restrain the DGT from extravagant exercise of his powers. BT did not approve of the interconnection arrangements. License condition was vague on the issue, though it vested in the DGT the powers to determine the arrangements where parties involved can not do so on their own. The court ruled that the DGT did not over-step his bounds, hence in October 1985, the DGT made that decision, giving Mercury extensive rights of interconnection at BT's exchanges of its choice. Consequently, that decision established the ground rules for competition between Mercury and BT. Without such decision, Mercury's strategy would collapse because it depends on BT's circuits to run its local and international services. Mercury would pay BT for carrying its traffic and such charges are linked to an index of costs of providing voice telephony (switching and transmission, etc.). The charges would depend on the time of the day, whether they are local or national and because the charges were based on BT's costs, Mercury pays substantially less than BT's normal charges for the use of its circuits.

The problems facing the industry was still not over after the celebrated decision on interconnection. BT announced in August 1987, to the acclaim of consumer interest groups, that it was freezing charges for its main inland services that year - despite being allowed under the price control arrangement to raise charges by 1.2%. That singular act cost BT £58,000 in lost revenue. Critics argue that the company was merely responding to criticisms about poor quality of services at the time. The company at the same breath took the opportunity to re-balance relative prices of local and long distance calls because it was believed that users of long distant services were being over-charged relative to users of local services. What emerged eventually was that the whole re-balancing arrangement involved cutting prices where competition from Mercury was present and raising them where competition was absent. This would mean that BT could recoup any losses from competition by welding its monopoly powers in local networks. That helped BT's position vis-a-vis Mercury because Mercury was competing fiercely (comparative to its strength) in the trunk and international call markets as a

result of favourable interconnection arrangement, but offering no real competition on local routes.

In a way, it may be said that the re-balancing of the tariff system was forced on BT by Mercury's entry into the market, particularly, the long distance and international markets. Mercury's modern network did offer the opportunity

to under-cut BT's rates significantly in selected and related profitable markets once its cost advantage was maintained through favourable interconnection charges. This implied that BT would have to re-balance charges between its various market segments if it was to prevent Mercury from eroding its market share in markets where Mercury chose to compete most strongly. As a matter of fact, Mercury began public telephone services in May 1986, six months after the ruling on interconnection. It set its prices for long distance calls 15% to 20% below those of BT, claiming that the differential was essential in view of BT's entrenched position and that a customer would require substantial cost saving to compensate for the cost of changing supplier. Of course, BT responded by re-classifying the long-distance routes, reducing cost of calls over 30 miles. In spite of this, leaked document (excerpts published in the Financial Times of 23 April 1990) revealed that BT was making upward of 79% profit margin on some international routes. This indicates that on the average, telephone users were being charged well over twice costs even after taking into account depreciation and other appropriations. Labour Party said this was a case of "blatant profiteering" - leading the DGT to threaten referral to MMC if something is not done soon. BT, of course, is not alone in this game because Mercury has been accused of over-charging by sending faulty bills.

A casual observer may conclude that initial skirmishes between BT and Mercury point to some evidence of rivalry between the PTO's. In our opinion, the prospects for real competition, even in the long run, are not so cozy. In the interim, although Mercury may be able to gain return on its investment, it can only take a minute proportion of BT's market share. OFTEL has already warned that the re-balancing exercise has gone far enough and enunciated measures to check further developments, particularly to guard against predatory pricing. Moreover, it is very unlikely that any of the enterprises would cut costs across board, and since the regulatory mechanism stand



opposed to selective price cutting, what will happen is that BT would become more entrenched in its dominant position while Mercury will remain a market nicher. BT's subtle manipulation of Mercury is evident in its recent pricing policy, particularly in the international market. BT decided that the best way of meeting the threat from Mercury was not to launch a price war but to create an umbrella under which Mercury could safely set its rates. BT calculated that so long as Mercury could claim cheaper services, it would not want to under-cut it anymore Mercury seem even more reliant than BT on profits from its international services. This approach seem to be working successfully. The TMA found in a 1989 survey that 87% of respondents had been over-charged by BT and 42% by Mercury. Government's unreadiness to license further competitors until after 1990 makes the picture even clearer. Perhaps the presence of a new licensee in the market may cause a subtle dis-equilibrating stir just as occurred on the entrance of Mercury, after which the enterprises would assume their natural positions. Except something is done to dismember or restructure BT, the potential and in fact, the resources to maintain overwhelming dominance of the telecom industry can not be in doubt as far as BT is concerned. Therefore, for a very long time into the future, BT will continue to dictate the pace of consumer policy initiatives in the industry.

#### 6.2.8. THE PRACTICE OF REGULATION

If we may reiterate the logic built up in chapter 1, the idea of the regulation of the enterprise market place is a tacit acknowledgment that unbridled competitive market forces can not be relied upon as a framework for consumer protection. Regulatory process therefore serve to instill a balance in an otherwise disequilibrated market situation, serving as proxy for market mechanism. The very essence and presence of the regulator therefore constitute an enormous challenge to management because not only has it (management) got to face up to, and balance the demands of a peculiar market situation, it has also got a referee looking over its shoulders. This perhaps account for the reason why management usually feel uncomfortable with a powerful regulatory regime. The cases of BT and British Gas illustrate this point: both strove for the lightest possible regulatory framework during the process of their privatisations. We have noted the powerful influence and pressure exerted by BT management during the process. The case of British Gas was more glaring because of the unequivocation of its chairman, (Sir

Dennis Rooke), about his demands and expectations. The general impression is that Sir Dennis Rooke got away with most of the things he wanted because the Government needed his co-operation to pull through with the privatisation exercise in view of stiff opposition from many quarters at the period.

While describing the general features of the 1984 Telecom Act, we covered the principal functions of the DGT and the objectives that he must seek; ( ie. to secure the provision of telecom services to meet all reasonable demands in the UK and to ensure the ability of suppliers to finance their operations, and other objectives of protecting consumers interests, competition etc.). In a general sense, as we earlier acknowledged, there is a great deal of similarity between the functions of the DGT and the DGGS. At the inception, the regulatory regimes were not given much chance of success, mostly on account of glaring disparity in terms of resources between them and their captive enterprises. For instance, at 31 December 1984, OFTEL had a total staff strength of 58 in comparison with over 200,000 of BT, and its budget was almost an infinitesimal proportion of BT's as well.

In view of the wide discretionary powers conferred on the DGT, and dwarfed resources vis-a-vis BT, cynics expected that OFTEL would be dependent on BT for information and more likely to equate the interests of BT with the needs of an efficient telecom system. This will reduce the to playing the role of consumerist pressure group - reacting to levels of complaints by consumers. The obvious danger therefore was that it would become a subject of regulatory capture. The cynical view was therefore one of ineffectual regulatory regime whose failure was already predetermined. The consequence then would be that consumers would have no vested constituency, left in the lurch and without a voice because Government had statutorily, on the face value, divested itself of direct responsibility for consumer protection in the industry - a role assumed by what would then more aptly look like a glorified complaint handling department of its supposedly captive enterprise.

But this was not to be. OFTEL can hardly be described as a failure or running any risk of regulatory capture. The danger of agency capture would be real when the regulatee is the main source of contact for the regulator and when systematic contacts do not take place with groups having opposing interests. The DGT has established a procedure of issuing consultative documents on major policy issues, commissioning independent studies, meets



regularly with representative associations dealing with consumer interests. He also has six national advisory committees, one each for England, Wales, Scotland and Northern Ireland; and two others dealing with special interests such as small business, elderly and disabled. These structure have more than created immense barriers against any threat of agency capture. We might as well add that a few factors have helped OFTEL to speed up its transformation in response to the dynamism of the industry. First is the co-operation it receives from Government. Government has the ultimate power in determining license conditions but it has willy-nilly adopted all recommendations proposed by OFTEL, without exception. The DGT is therefore seen as not only having a free hand in administering the regime but does so without overt political interference. As one commentator put it, " BT has been prevented from forestalling the impact of liberalization by going behind Carsberg's back direct to the Secretary of State".

Secondly, the willingness on the part of BT not to opt for the easy way out in every case has worked considerably fine in transforming the industry. It is true that much remains to be done, but progress should be necessarily measured in relation to the original position. The quality of BT's management is a contributory factor. The view is that the upper echelon of management has adopted a pro-Marketing orientation, although lower down the hierarchy, there is still a measured resistance. Corporate Marketing orientation has been fostered by a culture of 'total quality management' adopted by the company. This has seen it not only making concessions when it can easily cling to the strict letters of its license and also taking a frontline position in many consumer policy initiatives (eg. quality of service measurement, contractual service obligations etc.).

The third factor which is very important has to do with the quality of leadership. The DGT without doubt has shown a great deal of acumen in discharging his responsibilities. It may not be an exaggeration to say that the success of OFTEL, is in a way, the triumph of Prof. Carsberg. There is no doubt in the corporate circle and beyond about the zeal and determination of the DGT to steer the regulatory framework to higher heights in terms of accomplishments. In the words of the DGT himself, "... I have strong powers, powers to impose orders which can lead to the imposition of financial penalties following a breach of the rules and powers to initiate procedures to

change the rules. I am not debarred from taking an interest in any aspect of the activities of licensees that fall within the telecommunications industry. challenges that the new regime has established", (Carsberg,1987,pp. 12 -13). This enthusiasm, no doubt, has permeated and manifested in major aspects of the DGT's activities as well as OFTEL's. He is very aware of the enormous powers given to him by the Act and does not show any cold-feet or shyness in exercising them. For example, in contrast to most reports emanating from extra ministerial or governmental agencies, the DGT consistently uses the first-person singular in all his presentations and decisions (viz. I, I shall, I have, I decided, I do, I ordered, I must, my policy, my functions, my role, my aim, etc.). In a way, he personalizes his roles and bring immense personal idiosyncrasies to it. Consequently, any word coming from OFTEL is treated with seriousness. This perhaps explains why a senior manager in BT is assigned the role of liaising with the agency, ensuring that all communications and every dealings with the body is handled meticulously and with dispatch.

It should be noted that even though the DGT appear to have very wide powers, close scrutiny reveals a number of constraints on the extent to which he can apply those powers. Some of the constraints are legislative oversights but have wide implication for the practice of regulation in the industry. For instance, the license granted to BT is largely silent on the terms under which BT offers its services to the public. Condition 16 requires the company to publish standard terms and conditions for its services, but fail to give OFTEL or anybody else a say in their content. Also, clause 2 sets the contractual quality of services to be provided, but sets it at the level BT itself considers appropriate. It also removes any contractual liability for meeting any dates it may agree in providing a services ( although OFTEL has negotiated a change in this starting from 1 April 1989). Other clauses give BT unrestricted power to alter a customer's telephone number; to demand a deposit of any size at any time and to pay interest on the deposit at the company's discretion and at the rate it decides; to avoid liability for any fault caused by third parties or ' acts of God'. Some of the clauses are almost certainly unenforceable. The reform of BT's standard contract remains a regulatory problem. OFTEL has no direct power over its content, although the license does require BT to consult OFTEL on its code of practice.



It is true that OFTEL has managed to negotiate a lot of changes with BT. Nevertheless, success in negotiating with the industry does not alter the fact that its formal powers of regulation, especially in the monopoly aspects of BT's services, are weak. Formal powers of sanction are weak as well, eg., license holders can not be penalized directly for breaching license conditions. OFTEL must first discover the breach and then issue a 'specific order'. As long as the license holder complies with the order, there is no penalty. If a license holder ignores the order, OFTEL can apply to the courts for 'suitable relief'. Also, the crucial role of the Monopoly and Merger Commission (MMC) in determining license conditions underlie some of the weaknesses in OFTEL's regulatory powers. An extreme view may be to say that OFTEL's primary responsibility is enforcement of license condition, not the determination thereof. However, as already shown, Carsberg has added new dimensions to all spheres of the regulatory process.

The picture in the gas industry is somehow different. While we see a regulator in the telecom industry who can 'bark' as well as 'bite', the gas industry seem to present a situation where the regulator can 'bark' but, somehow, due to structural flaws, the 'bite' belong to the enterprise, (the British Gas, particularly under Sir Dennis Rooke). Although the regulatory framework established for the gas industry has numerous weaknesses, but as the DGT has demonstrated, an active regulator can use the discretion afforded by the initial regime to remedy some of the legislative difficulties.

One has to recognize that the formal powers of the DGGS are not great in comparison to those of the DGT. There is no Mercury equivalent in the gas industry, and technological advancement is not as dynamically pervasive as in the telecom. Even though the regime is not that old, one can not help observing that the balance of power tilted in favour of British Gas - the structure Sir Dennis as chairman perfectly engineered. A few instances which caught our fancy could suffice to illustrate this point.

In June 1987, British Gas announced it was cutting prices by 4.5%. Its decision was based on dwindling oil prices at the period. Since that was relevant in the calculation of gas cost under the pricing formula, DGGS asked to be provided with the details of the various supply contract. British Gas refused, arguing

that the information was commercially sensitive. The company, on its discretion, later obliged after Mr Mackinnon, (DGGS), offered to examine the data on the company's premises. The implication of this is, if the DGGS had difficulty in obtaining plain objective data, what would happen when subjective data which may be susceptible to manipulation are concerned is left to anybody's imagination. As one insider told me, the incidence merely highlights the relative weak position of the DGGS and continuing difficulties with respect to the acquisition of information can be anticipated.

The second instance concerned British Gas intention to acquire 33% of Bow Valley, a Canadian oil and gas company, with an option to increase its holding up to 51% in 1990. Sir Dennis Rooke, as chairman of British Gas declared that the acquisition was the first of what might be many of such transactions and indicated that oil and natural gas exploration and development would be an area of major importance for the company in future. The issue involved here is the methodical approach of the company in reversing the process that occurred when its oil interests were transferred to Enterprise Oil prior to flotation, especially when Bow Valley's interest in the

UK continental shelf is known. This apparent integrative strategy would ensure for British Gas not just effective control over its market but also its source of supply - with all the implications thereto. A Bryan Carsberg would have called for extensive report or possible referral to the Monopoly and Merger Commission.

The third issue add to show how personality trait of an individual could help chart the course of corporate consumer policy. Following a disagreement between British Gas and its industrial customers over pricing policy in the contract market (the matter went to the European Commission in Brussels), the group, ie. consumers, in 1987 nominated Sir Ian MacGregor (former chairman of British Steel and Coal respectively) for a seat on the Board of British Gas. Sir Dennis Rooke strongly opposed the move, arguing that it was wrong for a Director to be appointed to look after a section of customers. He mustered the support of shareholders and Sir Ian was not elected to the Board. The case itself is not as important as its significance. Contract customers pressed their case with Office of Fair Trading, the European Commission, but not with OFGAS. The DGGS was virtually seen to have no jurisdiction in the matter, a very damaging development.



One inescapable conclusion can be drawn - that is, a great deal can depend on the chief executive in determining whether an organization can be active or passive. A DGT or DGGs can choose to give weight to any one of a number of objectives and developments in that area will depend on the amount of weight he can, and is actually prepared to, throw. The DGT captured the essence when he declared that " ... to some extent of course, the independence of the regulator is a function of his attitude of mind and this must be judged by others", (Carsberg, 1987, p.12).

Regulatory phenomenon is not a one-way process. As noted above, both the regulator and the regulatee affects as much as they are affected. OFTEL probably would not have taken so many remarkable strides if BT had decided to stand opposed to it inch by inch. So, how does the industry view the regulatory process? It is important that this aspect be touched because given a strong regulator with wide discretionary powers, the tendency to get too involved or get deeply drawn into internal management decisions can not be ruled out. As Kay, (1984) pointed out, " it is not in the interest of BT management that any reduction in accountability to government should be replaced by an increase to someone else. Competition provides a degree of accountability to consumers; regulation to the regulatory authority", (p.78). Mr Sherwell of BT, while pointing out possible areas of conflict between the company and the regulator commented that, " they do sometimes see themselves as running the telecom system instead of being a regulator ... We do have to resist, sometimes very vigorously when they get involved in our day to day management decisions". Echoing similar views, Mr Whitting of British Gas stated that regulation should not go beyond laying down a framework and then companies should be allowed to operate freely within those rules. " It is bad for a company if the regulatory system is constantly interfering with the running of the business or try to second-guess the decision of the management. Regulatory framework that lays down certain principles or rules, in a sense is workable because the company can get on with doing its job within the framework of those rules because it understands what is permitted and what is not permitted and it can maximize its operations, maximize customer satisfaction and maximize return to shareholders on the other hand within that sort of framework". He further argued that it is a complete myth to think that maximizing shareholders' return mean giving customers a bad deal or low services. " It doesn't work

like that and companies that are most profitable are those with the highest level of customer satisfaction ... So, I think the idea that companies like us are sort of motivated to give bad service is not just right at all, it is completely the other way round".

BT management is however united in affirming that relationship with OFTEL has worked perfectly normal, because the company is most of the time a step ahead of the regulator. Asked to react to the view that BT may perhaps be over-regulated, Mr Sherwell retorted, " I think in a sense the regulation is generally fair and logical extension of our special circumstance". If BT actually do feel a burden about the regulatory regime, the logical approach would be to make a case to review its license with a view to easing off the burden. If that should be the case, management would welcome more Government involvement in the market place. Mr Sherwell opposed the view: " I don't certainly think that Government should be more involved. If it came down to competition, having competition where Government changes the rules of competition by involving itself is worse than not having competition in the first place. The position of the company is quite clear". What it therefore boils down to is that with religious adherence of the DGT to promoting competition, and reinforced by the company's pro-competitive stance, the question of shifting accountability from consumers to the regulator would not arise, as Kay,(1984) worried.

The obvious question to come to mind is the relationship between a pro-active watchdog and pro-active company's consumer policy. Could there be a direct relationship between the aggregatively structured watchdog and pro-active corporate consumer policy on one hand and a disaggregatively structured watchdog and reactive corporate consumer policy on the other ? Opinion is rife that BT's pro-active stance lies in the nature of the regulatory framework facing it (ie, structure of the situational constraint according to the model we developed in chapter 4). In essence, the regulatee is reacting to the cues emanating from the regulator so that where such cues are high pressured, inevitably the regulatee takes a very high stimulus input which shapes its response behaviour. In the telecom industry, OFTEL issues two paper, on the average every month (ie, consultative documents, reports, excluding press interviews). The consequence is that BT is left in no doubt about the offensive approach of the regulator,



which it must respond to as a matter of shoring up its credibility. Mr Lloyd of OFTEL was very positive that BT's pro-consumer policies derive from the stance of OFTEL and that the company would not have treaded the length it has so far in the absence of a regulator of OFTEL's mold.

BT's reaction to this is mixed. While acknowledging the enormous work being done by OFTEL, it disagreed that the regulator should in any way take responsibility or commendation for the company's new orientation. Consensus of opinion suggest that it all narrows down to accepting that good service and high profile in consumer perception could pay off in the end. According to Mr Holland, "If we are seen in bad light, then a great deal of public pressure which at the end of the day means political pressure can be put on us. So, there is self interest reason for being high profile on consumer service ... good customer relation saves money. We became aware of this since privatisation".

Illustrating further, Jane Walsh, ( BT's Head of Customer Services), added that " prior to privatisation, we operated like a Civil Service department. Our income came from Government. Most of the problems were seen as Government's problems, which isn't the case any more". Therefore, management position, contrary to widely held view, is that the structure of the regulatory regime is of little relevance to the posture of the company.

The position of British Gas is undoubtedly akin to that of BT. Mr Whitting, when asked to comment on what he thinks make BT to tick said, " I would hope that BT would be very alive to giving good services even without the watchdog. Certainly, I hope we would be and therefore, the function of the watchdog really is to make sure that consumers have a voice and articulate their concerns. The idea that the company, if left to itself wouldn't deliver good service, I am not sure is right". Mr Pinchin was also asked to assess his company's performance vis-a-vis BT in relation to their environmental constraints and level of consumer orientation each has achieved. The idea was to find out whether he will concede that the regulatory regime of the telecom industry has, in relation to the gas industry, catalyzed the enterprise towards higher levels of customer orientation. He disagreed: " My perception is that BT has become very active because their service was poor. I would have to say that the gas industry has had to respond to consumer issues much more quickly than telecom".

Mr Macleod (OFGAS Consumer Affairs Adviser), adopted a much more philosophical approach. He reasoned that the level of consumer orientation really depends on management, whether to go above what the regulation says or just stay within the confines of the authorization terms. In his opinion, what the regulation is there to do is to ensure that the company does not slip behind the minimum requirements of the regulation. How high or low they want to go beyond that level is up to management. It has got nothing to do with the structure of the regulatory regime because the regulator can not go beyond the powers legally given to him by the enabling Act.

It was expected that neither British Gas nor OFGAS would give a direct indictment of the regime they operate. BT too was not expected to accept that its much orchestrated high profile on consumer issue is, after all, consequent upon prodding from OFTEL. Whatever the case, we shall return to tidy up this strand of argument, in the next chapter. Meanwhile, what can be said is that regulation is required not only to protect consumers in the absence of effective competition but also to foster competition where artificial barriers obstruct entry. Not only must consumers be protected from direct exploitation through the use of monopoly powers, also competitors to BT and British Gas must be protected from unfair competition so that they can become effective additional constraints on the enterprises.

#### 6.2.9. THE PRICING RULE

One important area of consumer protection fostered by the regulatory regime which we have not overtly emphasized is the price rule. We stated in chapter 2 that price, in a general sense, is amongst the uncontrollable elements of the marketing mix facing the national enterprise management. The basic approach chosen by the regulatory framework has been one of limiting price increases to a formula based upon the retail price index, (RPI). From this index, the permitted increase will be set by subtracting an X factor to reflect the scope for cost reductions and hence increase efficiency.

That formula, RPI - X has been applied to both BT and British Gas as well as a few other privatised enterprises such as British Airport Authority. The



essence of the price regulation has been to ensure that monopolies are not completely ignored both at political as well as economic levels. The basic concern is to ensure that the enterprises do not exploit their powers at the expense of consumers. For BT, the price rule encompasses both domestic and industrial markets, but does not apply to international call and a number of sub-activities deemed to be competitive. For British Gas on the other hand, the rule is confined to the domestic market, not because natural monopoly elements are weaker in the industrial market but because competitive substitutes exist, (eg. heavy fuel oil). In such case, it has been claimed, exploitation of natural monopoly could be constrained by competition, regulation may not always be necessary even where there was natural monopoly. This is not to say that competition can remove natural monopoly, rather, the issue here touches on the definition of the industry. Unlike the telecom industry, gas could be implicitly broadened to energy supplies as a whole, (eg. oil, electricity, coal, gas), - at that level, the natural monopoly begins to disappear as we have shown in chapter 2.

Quite a number of controversies have been generated by the pricing rule, especially on the components of the RPI - X: such as how large X should be relative to other retail price index, how it should be monitored and revised, what should be done if the forecast underlying the formula turn out to be incorrect, etc. In each of the enterprises, different answers have been given, (such subtle complexities have been the primary domain of econometrics and need not bother us). For instance, there is the argument that retail price is not an ideal rule because it represents a basket of retail prices to the consumer, such as mortgage costs, food, clothing, etc. and therefore combines relevant costs with those that are irrelevant. Cynics have argued that prior to privatisation, the selected X represents, in both BT and British Gas, that level sufficient to maintain a rate of return beneficial to the Government for a predetermined asset valuation. Most of the mundane issues were addressed in the Littlechild study, (Littlechild, 1983), which in essence was the genesis of the RPI - X formula.

As a regulatory rule, RPI- X has a number of superficial attractions. It ensures that consumers receive a measure of price protection, and it imposes limited incentives on the enterprise to be cost efficient as well. However, the real impact depend on practical implementation. An inside source informed

that " RPI - X is a shell into which the regulator has a range of options to insert" . This may also apply to the enterprise. Another source said that as a result of the above, the outcome has been sadly predictable and inevitable. " Rather than RPI - X fulfilling a well defined regulatory purpose, it has had to serve a plethora of conflicting objectives for which it is ill-defined. The consequences are bound to be less than satisfactory, especially where the regulated enterprises have considerable strategic power over disclosure of information to the regulatory authorities". It is worth noting that the X factor for BT was fixed at 3% on privatisation, which was to last till July of 1989. On 7th of July 1988, the DGT announced that he had reached agreement with BT on a new price formula for controlling average annual price changes in the main basket of charges which will be RPI - 4.5% effective from 1st August 1989, (from September 1990, telephone cost is expected to rise by 9%).

In reaching the agreement with BT, DGT declared that he considered " the extent to which competition has removed the need for price controls. The purpose of price control is to prevent the abuse of monopoly power and there is no need to do this in a competitive market. However, I do not believe that competition has yet developed to the point at which present controls on prices can be abandoned. Even though Mercury has been successful in bringing vigorous competition to a sector of the market, that competition is still in its early stages, Mercury's market share is small, and several regions of the country still have no practical alternative to BT". Above statement captures the stark reality of the telecom market place and the continued need for intervention. The statement also underlies the flawed argument that consumer protection strategies under circumstances studied can be anchored on the competitive framework. However, the real danger of using regulatory instrument is that so much of the day-to-day business of the enterprises may come under the regulators' scrutiny so much so that the new system becomes sucked into more and more detailed supervision of the enterprises - a role that it is ill devised to fulfill. Nevertheless, if at the end of the day consumers are better off, without running the risk of making the enterprises less efficient, then the aim of the regulatory process, price rule inclusive, would have been achieved considerably.



### **6.3. Post Script**

British Gas in April 1990 published its "standard of service" which is nothing more than a public relations document. It dealt mainly in generalities and trivialities without clearly thought-out commitment to consumers or consumer input in the design process. For example, it says that at interface with consumers, the company will be "helpful, courteous and friendly" with presentable staff in uniform. It failed to provide yardstick upon which the company's performance can be measured, eg. response time to written or oral communications, appointment keeping and penalty for failure, and other forms of contractual obligations which will mandatorily compel the company to compensate consumers for lapses in quality standards.

## **CHAPTER 7**

### **CONSUMER POLICY FRAMEWORK : A SYNTHESIS**

#### **7.0 OVER-VIEW**

The last chapter dealt with data from field interviews, anecdotal data obtained from company sources, and secondary data collected vide published records. In presenting them, efforts were made to draw attention to their possible ramifications and consequences implied for corporate consumer policy. For example, we were able to examine the force which a company's policy statements in relation to its philosophy of business can give to managerial actions in taking consumer policy initiatives. Furthermore, it was possible to take account of differences, where applicable, between the views of top managers on consumer protection and the actions taken by the companies to implement or promote those views.

This chapter will evaluate hypotheses formally given in chapter 5. As already stated, the hypotheses were developed within the context of their application and since insights were grounded in data, discussions in this chapter will therefore be a continuation and syntheses of issues built up in the preceding chapters. The starting point will be to summarily present data obtained through the questionnaire survey. This is important because it is often said that a system is better appreciated from outside than from within. It does not really mean that the subject category (ie. respondent class) is considered to be outside of the system in the wide sense of it, but only does not fall within the functional nucleus of the enterprises. As consumer representative bodies, they have as much part to play in the consumer policy arena as the regulators or the enterprises themselves.



## **7.1 QUESTIONNAIRE DATA**

Copy of the questionnaire administered to the members of GCC and ECC is attached as appendix 2a and analysis thereof follows as appendix 2b. Over-all response rate of 86% was achieved in terms of number of questionnaire duly completed and returned, (80% for GCC and 91% for ECC). There was close agreement amongst respondents that consumer protection, inspite of developments within the industries, still remain a very topical issue. However, they expressed divergent views on the extent of consumer focus in the industries' policy decisions. 60% of ECC respondents positively opined that consumers are getting a fair deal from the industry, corresponding figure for GCC is 38%. They all agreed that consumers are not worse-off today than they were 5 years ago. The intention here was to find out whether there would be variations in responses on account of different status of the enterprises, viz. one operates as public enterprise while the other as private. It was expected that the two classes of respondents will react differently since the classical argument posits that the enterprises face different incentive systems and therefore different approaches to consumer issues. While there was a consensus among respondents that consumer protection practices have improved rather than suffered in the recent times, they also opined that a lot still need to be done to improve on what is obtainable at the moment,(see question 10). Areas where improvements are needed include "standard of service", " quality of customer service, communications with customers", " meeting customer needs rather than organization's needs", " performance objectives, cost reductions, customer opinions", " better training of employees so that they understand the customer better", " need for clear definition of respective rights and duties of customers and suppliers. Customers must have these made clear to them". These are sample of responses given by respondents, the recurrent theme among all is quality of customer service.

On a scale of 5, (using the Likert system), all respondents answered in the first-two upper scales that consumer protection should be pursued from outside the market system, ie., market mechanism can not be relied upon as a viable framework for structuring consumer protection strategies. Majority,

(72%), accepted that existence of institutions they represent is an infringement on the market system. There was no evidence of disappointment with the present state of consumer protection. This perhaps strengthens the views that consumers may indeed be better off today than they were some years back. Be that as it may, majority disagreed with the view that reliance on management discretionary efforts, instead of the statutes, can further the ends of consumer protection. Attitude of respondents therefore seem to be to keep faith with continued regulation. This means that the political mechanism is a preferred option for consumer protection than the market mechanism.

The survey further revealed that even though respondents have interest and confidence in the regulatory system, they also believe that regulation per se can not be everything or provide a perfect panacea for consumer protection. They also believe that management can not be trusted with the duty to protect consumers, but their co-operation is indispensable if meaningful protection is to be achieved. Hence, in response to question 17,(appendix 2a), overwhelming majority (94%) disagreed with the notion that by simply obeying the laws and conforming with the relevant statutes (with all the consumer rights entrenched in them) management would have done enough to protect consumers' interests. Response was almost unanimous, so much so that the few who did not outrightly disagree were neutral, (ie. 4% undecided). This is insightful in a way because it was suggested to the respondents (question 16) that without voluntary co-operation of management, consumer watchdogs would be less effective in protecting consumers' interests. Majority agreed. Here are some of the comments given: " it would be more difficult to obtain the same protection for the consumer. But the consumer is a customer ... it is in the interest of the enterprise to co-operate", (A.G Wilson, ECC East Midlands); "this is certainly true - the operation must be a partnership based on mutual respect", (D.L.McKay, ECC); "I agree. If a watchdog has to fight every inch of the way it has to concentrate only on the major issues", (D.H. McAuslan, ECC); "A agree. A reasonable working relationship is necessary", (M.J.Boxall, GCC); "This is absolutely true", (Lady Studholme, GCC). Response pattern was virtually the same all through.



It is pertinent to emphasize the trend emerging from the survey. Respondents do not trust enterprise management to sincerely pursue consumer protection initiatives hence the belief that regulation is inevitable. But, there is a limit to what the regulatory system can achieve, voluntary co-operation of enterprise management is absolutely essential. The implication is that a satisfactory level of consumer protection can only be achieved when regulatory initiatives are complemented by readiness of enterprise management to go along. If this hold, then one might be tempted to suggest that if consumer bodies like GCC and ECC were abolished or integrated into the regulatory structure, consumer protection initiatives will not be retarded. Survey data did not support this line of reasoning. Consensus was that without such bodies, management would slacken their consumer protection efforts,(78% positive; 6% negative and 16% neutral). Here are a few of the reasons given by respondents: "a consumer council can use publicity to make management address consumer issues. A regulatory body has the statutory power to compel management to act. Without one of these there is no guarantee of consumer focus", "Consumer organization is absolutely necessary because of human nature in a monopolistic situation", "from experience of handling complaints", "consumer protection costs money in staff training and systems", "The market is nowhere near perfect and can not provide the customer service motivation", "Management needs real incentive to improve".

Question 18 was intended to serve as a lead to questions 19 to 27, exploring the regulatory structure with the most appeal to respondents. As revealed, all agreed that consumers can avail themselves of a better form of protection when the regulatory mechanism is independent of direct government control. This then call into focus the form such regulatory system may assume, vis-a-vis, the aggregative structure (eg. OFTEL) or the disaggregative structure (eg. OFGAS/GCC), or even the less attractive alternative in which either/both the regulator/consumer body operate from within government department as the case with Nigeria. Respondents were provided with a series of cues on which to base their judgment, such as effectiveness in dealing with the captive enterprise, getting quicker effect, resolving customer complaints, accessibility to consumers, visibility, etc. Result revealed a dichotomized view, such as observed in chapter 6. It seem to suggest that the

attitude of respondents is to 'stand by what you have'. If the data is treated as a single whole, ie. GCC and ECC combined, it will be observed that majority favour the aggregative structure. Based on the cues, scores in favour ranged from a minimum of 61% to a maximum of 78%. This data can not be accepted without drawing out the inherent caveat. Number of subjects drawn from GCC and ECC varied, (GCC represented 44% of the population and ECC 56%). This means that results could be influenced by a section of the population, particularly if they responded unanimously. To overcome this constraint, we delved into the analysis of the intensity of responses among the two classes of respondents.

ECC sample favoured overwhelmingly the single structure, scoring 100% in all cues except on two accounts where responses were split,(ie. cues regarding (i) effectiveness in resolving consumer complaints and (ii) accessibility). GCC sample favoured the plural structure, but not with such overwhelming intensity as shown in the ECC sample. Scores varied from a minimum of 50%(on one account only. ie. effectiveness in dealing with the captive enterprise) to a maximum of 75%(on most of the other cues). It is therefore not surprising that over-all data tilted in a discernible direction - dissenting minority views from GCC reinforced the almost monolithic pattern of responses from ECC.

Probing further, respondents were asked to state their idea of a protected consumer. Expectations were that pattern of response will clearly reveal true fancies. Some of the responses given are as follows: " A person who knows who to complain to when things go wrong", (M.Haynes, GCC), "one whose rights are protected by an independent organization with a final recourse to the courts. One with powers of determination", (A.G.Wilson, ECC), "one who is protected from exploitation by a monopoly supplier", (D.H.McAuslan, ECC), "someone with a body to represent him, all consumers and safeguard their interests", "one who is aware of remedies via GCC and OFGAS", (Boxall, GCC), "a consumer with ability to go to a consumer organization to handle complaints effectively", (Stephenson, GCC), "a consumer who know his rights and duties and who knows how to obtain redress from an organization with authority to take action on his behalf", (W.J.McClume, ECC). Comments



presented here represent a broad reflection of views expressed by members of GCC and ECC. Careful analysis reveals that it is not possible, across-the-board, to discern a consistent pattern of response in such a way as to help in compartmentalizing them into a bi-focal standpoint.

Other conclusions can be reached on the basis data obtained from the survey. First, the status of the enterprises in terms of ownership structure(ie. private or public) is not an issue as far as consumer protection is concerned. Ownership per se is not likely to be a primary issue in determining enterprise behaviour towards consumers. This conclusion is consistent with those reached by the National Consumer Council,(NCC,1989). Secondly, though national enterprises are bracing up to new challenges in consumer policy arena relative to what obtained in the past, issues on protection of consumers' interests are still very much topical, oftentimes eliciting sensitive, if not emotive reactions. Thirdly, the role of management in the delivery of consumer policy initiatives is absolutely crucial. Forthly, quality of customer care remain an area that is worrisome to consumers. The enterprises do not seem to have done enough in that regard. This leads one to question whether it is not proper for the enterprises to delineate the boundaries between, (i) quality of service and (ii) quality of customer care. There is a clear difference between the two. As observed in the last chapter, quality of service efforts of the companies have tended to centre on product policy without a concerted consumer focus. Quality of customer care will obviously entail a much more concern for, and openness to, consumer input in policy decisions.

## **7.2                    SCALING THE FREE RESPONSE DATA**

In chapter 4, we presented models to explain basic approaches to consumer protection and to explore management response behaviour. These culminated to the consideration of what we classified as critical management variables in the subsequent chapter. Thus, systematically moving from one but interdependent sphere to another by way of exploring a wide array of issues ranging from the intentions of the enterprise to influences on the enterprise. Issues explored touched on such areas as what standards affecting the company's policies and practices are applied, kinds of pressure on the

company either to observe or ignore any particular standard, what degree of pressure can be applied and how easily or effectively it may be resisted. These factors sum up the company's response to a considerable number of issues which can influence the way it acts.

The company's basic intent may be advanced or retarded by its strength, size, structure and organization, political connection, and nature of control. Also important are such factors as requirements of law, standards and codes of practice, public or special interest. It is therefore important to determine whether the enterprise has the capability (in all elements of the organization including design) sufficient to ensure policy implementation. Are policies clearly understood as authoritative statements of intent at all levels ? Do policies fully explain the company's commitment? Are responsibility and authority for policy implementation appropriately designed, by what authority may changes in policy be made ? These questions serve to buttress the point earlier made in chapter 3 that there is no point in having a policy which can not be implemented or making commitments which can not be honoured, and that no policy can be effectively implemented unless:

- the company is appropriately organized to do so,
- responsibilities and authorities are actually assigned and,
- every one concerned can understand and accept the responsibilities they are expected to take.

The consequences of having a policy but failing to ensure that it works is worse than having none at all, thus reinforcing the view earlier expressed that cosmetic consumerism could be worse for management than not responding at all.

As we look at how the enterprises score in the sub-areas and over-all, we must caution that consumer policy is in a state of fluidity, receiving a great deal of attention in recent times and enterprises are increasingly modifying their positions. This means that improvement on performance level is fairly rapid, and can potentially render current data quickly obsolete. We have elaborated on this in the preceding chapter. It could be recalled that in chapter 6 we presented data obtained through field interview. No effort was made to scale them in accordance with the approach proposed in chapter 5. It was indicated



(section on methodology) that the approach devised and used by Kotler,(1977) - ie. Marketing Effectiveness Audit - will be applied in the treatment of interview data. Such a treatment will present the basis for judging how management scores in relation to behaviour towards protection of consumers' interests. To illustrate, the audit system works as thus: each question attract values ranging from lower to upper limits,(see appendix 1b). The two extremes on the scale represent minimum and maximum commitments - along which management may be positioned.

For example, response could be outwardly negative in which case the score will be zero, or outwardly positive with a score of 2. The third possibility is where response may be neutral, without showing any predilection, the score becomes 1 which is half way between 0 and 2. The upper limit could be stretched depending on possible options given to a specific question. Management attitude is then scaled according to how it is positioned along the continuum - ranging from hostile disposition to genuine commitment (ie. low profile to high profile). As shown, the questionnaire comprises 7 subject categories, viz. attitude toward the philosophy of business, consumer responsibilities, consumer satisfaction/dissatisfaction, regulation, philosophy of consumer protection, philosophy of responsiveness and reaction to market processes. By using the audit method we can gain an insight into management disposition on each of the subject category, within and between subject categories. Synthesis thereof will lead to proper assessment of management position on the total policy framework.

The essence of the interview guide was to find out what management attitude is on each of the key variables. This will help in understanding what standards of behaviour can reasonably be expected and how such standards can be defined and compliance with them guaranteed. Couched in those guides were questions exploring the intentions of the companies, eg. whether the enterprises have any over-all or specific objectives which might affect performance on consumer protection, how those objectives are expressed, how they are likely to be interpreted and enforced, and evidence of commitment by those concerned. A company's objectives may be expressed in various ways such as through policy statements, resolutions, literature,

speeches, interviews, etc. Evidence from such sources are normally collected and analyzed as we have done in the last chapter, with the aim of establishing whose interests or what interests are affected - and to what extent they are promoted, retarded or overlooked - by what the company does, and whether company's policies do indeed work as intended. As already noted, the enterprises publish formal statements of their overall objectives and/or their commitment to protecting consumers' interests. Existence of such statements in themselves may not mean much. Some may be mere window-dressing. There are no formal, generally accepted standards by which such statements can be judged. If they are precise enough to mean anything, then they set standards in themselves. Ultimately, as our analyses have indicated, such statements stand as a rough measure of the company's intent to serve itself, serve itself by serving consumers or the unpalatable scenario of serving consumers to the extent of denying its own commercial interests, (the last option was not indicated in our survey result).

On the 'attitude toward the philosophy of business', median score was 9 (overall). If considered on enterprise by enterprise basis, the score ranged from a low of 3 to a high of 11. For example, we found management attitude in respect of business philosophy to be company oriented, (BT, British Gas and NITEL were located at different points on the scale). Attitude towards consumer responsibilities was equally on the lower half of the continuum - median score of 4 was recorded. In the third sub-area, ie. consumer satisfaction/dissatisfaction, management approach was to pursue an objective based on achieving maximum satisfaction in contrast to that of achieving minimum dissatisfaction. According to the scaling technique, the later alternative was presumed to be better suited than the former for reasons already enunciated in chapter 3 - median score was 4. We shall review this further when we appraise the hypotheses. Regarding the fourth sub-area, (attitude toward the philosophy of regulation), both BT and British Gas appear pro-active on the issue, NITEL was decidedly reactive. The same pattern was indicated in the rest of the sub-areas - median scores were 7, 4, and 8 respectively.



What then can one make out of those scores? In a study like this it is difficult to adopt an appraisal mechanism that is based on 'pass' or 'fail' criteria. However, it is possible to discern a pattern which can help to form an opinion on where the enterprise is positioned and where it may be heading to. This is what the 'audit method' has helped us to achieve. Thus we note that based on low median score of 9 to a high of 44 (company by company analysis) and a score of 36 on the aggregate, we can conclude that national enterprise management is low profile in real terms on consumer issues. As the rating indicates, (see appendix 1b), we can also infer that management is not hostile to consumer protection or the broad consumer policy, at least in principle. They seem to accept that the challenges involved are necessary and inextricable tasks of management. Such awareness may have sharpened management focus on the issue, though methods adopted to practicalize that level of awareness leaves much to desire. The degree of 'low profile' is marginal, indicating that pace of development in the consumer policy arena is gaining more impetus. Marginal 'low profile' may metamorphose into marginal 'high profile' with a little more effort. BT and British Gas have come a long way, no doubt. Based on the information obtained from company survey, one can say that if the scaling was done 5 years ago, the degree of 'low profile' would have shown greater intensity, not just marginal but decidedly so.

In scaling the data, it is pertinent to mention that it was originally thought that views expressed by managers within an organization may vary amongst one another, thus making it more difficult to form an opinion on the posture of the enterprise. What emerged was very revealing. There was a consistent pattern of relationship in the responses given by each subject class, (ie. managers within an organization) to specific and general cues. For example, (taking managers interviewed in BT as one subject class; 1 in appendix 1a as general cue, and questions a - g under 1 as specific cues), we noticed that responses given by interviewees (for each subject class) did not substantially

diverge from one another. This gives an appreciable level of positive correlation and makes a point for reliability and validity of data.

### 7.3 ANALYSIS OF HYPOTHESES

#### (a) Hypothesis 1:

**DETERMINANTS OF CONSUMER PROTECTION WILL VARY DEPENDING ON THE DIMENSION OF MANAGEMENT INTERPRETATION.**

We have noted that the meaning of consumer protection varies and could be stretched along a continuum. Definitions have been categorized according to whether the focus is on the consumer or the company. The posture adopted by an organization in this regard indicate its level of sensitivity, hence enterprises could be pro-active or reactive. As pointed out earlier, determining the level of corporate sensitivity on avowed expressions or through public pronouncements may be fraught with danger. The most conclusive evidence therefore is on managerial practices. It is possible for a company to have , in principle, eloquent definitions and structures for protecting consumers but fail to reflect them in real practice. When this happens, management is more or less engaging in cosmetic consumerism and its behaviour will appropriately qualify as reactive. The implication therefore is that no matter what structure a company may have in place for the purpose of advancing the ends of consumer protection, the level of protection the company offers in real term is simply a matter of management disposition.

According to the framework developed in chapter 4, even though consumer protection can not be concisely defined but its constituent elements can be addressed. The literature is clear on this. What it means is that in addressing or appraising those constituent elements, those involved in such tasks unwittingly bring in a measure of value judgment, rooted in idiosyncrasies. This will depend on the objective ( conscious or subconscious) which the decision making unit pursues. The objective could be to genuinely achieve



higher levels of consumer protection based on measurable performance; it could be to adopt an offensive approach to what may be perceived as interference with internal decision making of the enterprise; it could be defensive by trying to sweep the issues under the carpet or pursue a pretentious strategy which may involve the company in double standards. Our thesis therefore is that position taken by management, its perspectives and orientation invariably determines the amount, quality and level of protection available to consumers. Anti-thesis would be that the level of consumer protection is not a function, and therefore independent, of management behaviour. Let us pursue the later alternative a bit further. The standpoint is that since some of the enterprises operate as monopolies or in less than effectively competitive market environment, there must be rules and regulations to govern their behaviour. Regulation therefore serves as proxy for the market mechanism. This has been the basis for applying political processes to achieve consumer protection objectives. The belief is that regulatory injunction will fundamentally direct the company, and consequently management approach to consumer protection. On the broad perspective, that may be true but when it comes to the nitty-gritty, the inherent flaws begins to manifest.

Regulation primarily serves dual purpose - protecting the consumer much in the same way as it protects the enterprise. This was exemplified by what we discovered of regulatory agencies, especially OFTEL. Consumer protection is pursued to the extent that the interests of the company is not hindered. As shown in the telecom industry, the onus is on the regulator to ensure that the industry operates efficiently, in such a way as to ensure growth, stability, meeting up with technological developments. It may be argued that consumer interest is better served when the industry operates efficiently. The obvious question that arises is, whose interests comes first, the consumer's or the company's ? This is a thorny area but what can be said is that the focus of regulation seem geared towards the pursuit of public policy objectives relating to the industry. This also raises another question, does pursuit or attainment of public policy objectives amount to meeting specific consumer objectives ? If the two are concomitant, then regulation can be relied upon,

on a stand alone basis, to give consumers all the protection they reasonably require. Our survey findings did not support that contention.

Consequently, if the two objectives are mutually exclusive, it means that pursuit of one may not necessarily lead to the attainment of the other. We observed that one of the reasons for advocating a separate and independent consumer representative body hinges on the conviction that occasion could arise where Government policy (ie. public policy) may not directly or adequately address specific consumer concerns. Obviously, good intentions of the Government, through public policy initiatives to protect and promote consumers' interests can not be in doubt. What is in doubt is the extent to which those initiatives go and what they accomplish, from consumers point of view. As observed, regulatory procedures in regard of quality of service and pricing, for example, are on the face value, conditions for granting licenses. A lot of those conditions focus on serving general public policy for which the regulatory mechanisms were established to guard. Facts emerging from our survey confirm that in principle, there is a difference between general public interest of which the regulator is a watchdog, and specific consumer interest which is only a part or can be located in the realm of the general public interest but may escape the purview of the regulator.

A few examples may suffice to make the point clearer. Regulation can set general service standards but does not normally specify how those standards can be met, consequences for not meeting them and remedies available to those who suffer from the company's inability to keep the standards. Regulation can give price ruling by setting a range over the enterprise can price its product. It is up to the enterprise to determine whether to adopt the very minimum within that allowable range or go right to the maximum. Furthermore, regulation adopts a pricing system based on a basket of factors that are aimed towards attaining broad public policy objectives such as ensuring that the enterprises generates enough money not only to pay their ways through but to contribute to public coffers. Specific consumer interest in this regard might require that level of cost of service to the consumer does not extend beyond actual services offered, that charges are reduced to the barest minimum, that Government subsidizes those developmental projects



which might lead to increased costs to consumers. In this sense, we notice that even though specific consumer interests may be located within the general public interest, pursuit of the latter may not necessarily lead to the attainment of the former. This therefore implies that regulation per se, as watchdog of public interest, may not be an optimal strategy for accomplishing higher level of consumer protection. It can not be an end in itself.

As revealed in our data, there was a consensus that consumer protection objectives would be retarded if the enterprises decide to fight every regulatory move, inch by inch. Respondents, (both ECC and GCC) agreed that the enterprises would not have done enough if they simply obeyed the rules and did nothing more. This implies that a lacuna exist between what was intended and what obtains in practice. Management therefore becomes the bridging gap. It is the management that shape those structures which guide performance and delivery pattern of consumer policy packages. Structure in this respect becomes a primary determinant of conduct, and forms the context within which policy can take place. The impact could therefore be seen from a dual standpoint. First, it affects the incentives of members of the organization and provides motivational directions within which the enterprise identifies and defines its behaviour. Secondly, it defines the form and type of information provided to the regulator, consumer organizations and consumers generally. All these are management tasks and responsibilities. The type of structure management adopts will determine its performance in the consumer policy arena. As already noted, actual performance is the real measure of the amount of protection consumers can avail themselves.

One of the drawbacks arising from apparent confusion of specific consumer interest with general public interest has been shown in the approach adopted in pursuing consumer protection initiatives. During the era of nationalizations in UK for instance, it was hoped that by bringing the enterprises under close governmental supervision, having politicians or government appointees serve on the Boards, protection of consumers would have been assured. Even though the position has changed as evident with BT and British Gas, the point still remain that over the years, neither the Government nor the enterprises have really come to terms with the dialectics

of consumer protection. If any progress has been made, it has been with trying to set up the general framework for addressing such issues. The result, or rather the set-back is that such frameworks have tended to be multi-faceted, viewing consumer issues in such wide perspective that tend to show a degree of incoherence. Consequently, when standards or quality of service are mentioned, often they appear too broad-based to provide any meaningful guide for managerial actions. It was therefore not surprising to observe that when managers talk about consumer protection, they usually delve into the discussion of the physical product - which in essence are those aspects where the regulatory mechanisms are more specific, the standards which must be met as a condition for enjoying licenses or authorizations. For example, customer survey results published by British Gas in April 1990 illustrates this point. Indices which the company presented to consumers were product-specific, eg. maintaining gas supply, attending to gas leaks, installing and servicing appliances, repairing gas pipes, meter reading, etc. These are basic components of product policy. They have implications for consumer policy but can not be the driving force. Genuine efforts in protecting consumers, as we discovered, does not necessarily rest in doing what the statutes say, but in managerial practices when not guided by enforceable injunctions. In this sense, operating according to the letters of the regulation, while not being overtly anti-consumer, but definitely does not show the imaginative and dynamic response expected of management. Pursuit of specific consumer interests, which is a sub-set of the general public interest becomes a management responsibility.

Ample evidence exist to illustrate this point. For example, the Telecom Act enjoins OFTEL to ensure high standards of telecom services in the UK. The Act did not specify or provide any guide as to how the issues could be pursued. It becomes the responsibility of BT management to define what standards of service consumers can expect, viz. that inquiries should be answered in x seconds, requisitions and installations could be completed in x days, that x% of public pay-phone should be in working order at any given time, faults must be cleared within x days of their being reported or compensation paid to whoever suffer losses or disruption of services. The same pattern is also true of British Gas - which has not made public its



standards of service in a formal way and OFGAS seem statutorily helpless in forcing the company to do so. Regulatory injunctions therefore can be seen as more of conditions of business. It is up to management to interpret and apply those conditions, and how that is done becomes a very crucial determinant of consumer protection. In the light of this, the anti-thesis can not stand, thereby reinforcing the hypothesis.

Further to the point made earlier about incoherent approach to the pursuit of consumer protection under the ambit of general public policy initiatives, attention should be drawn to a number of shortfalls in the approach adopted by the enterprises. None of the enterprises studied has a coherent picture of what consumer protection means or what it should consist of. As a matter of fact, none has any formal statement on the issue. The reason can not be difficult to fathom. It is all part of the consequences of cuing from oftentimes verbose and imprecise general public policy framework. As observed, the thrust of public policy towards the industries is to subject them to the competitive market mechanism. The irony is that market forces do not exist as to exert appreciable pressure on management decisions in regard of protecting consumers' interests. Initial reaction of management, (as in the cases of BT and British Gas) have been a show of enthusiasm, bordering on new found freedom from direct political control, access to capital market, enthusiasm about shaping up to a competitive framework without effective competition. The result is that management appear somewhat confused about what to do with consumers. It is only lately that the realization dawned on them that if they should carry the consumer along, there is need to take a detailed retrospective look at the peculiar condition of the consumer, and then take steps to go beyond the general public policy guidelines to design appropriate strategies for dealing with subterranean issues that touch on consumers' interests. We must add that BT is taking bold steps in that direction as already disclosed and recently confirmed by the DGT,(see Financial Times, Feb.5, 1990,p.30). Reorganization exercise on the company's agenda, due for implementation from the first quarter of 1991, will obviously see the company pursuing more vigorous consumer policy. British Gas also is moving towards greater involvement in the area,(see survey report in the Sunday Mirror, Feb.11,1990,p.29).

The obvious conclusion to be drawn from the above is that management's apparent disposition to take on greater responsibilities on consumer issues in no small way put the consumer in a better focus. Such behavioural tendencies are increasingly shaping the focus as well as the determinants of consumer protection. It should be made clear that the position of this hypothesis does not suggest that the general public policy framework has retarded or lacked an effect on broad consumer protection initiatives. The effects are enormous but should be regarded as part and parcel of the business environment, just like fiscal policies. When it boils down to the aspect to emphasize or give effect to, the buck stops with management.

A very important implication flow from this. It is erroneous to continue to assume that in circumstances of market failure, the most effective way to further the ends of consumer protection is recourse to political processes, as Hirschman,(1970) postulated. It is equally erroneous to hope that market processes are an alternative to the "cumbersome political mechanism" as Friedman,(1962) postulated and seemed to have gained favour with regulatory authorities. What emerges therefore is that any serious talk about promoting and sustaining consumer protection must acknowledge and address the internal dynamics of the enterprises, and the crucial position of management put in proper perspective. The challenge of consumer protection in the national enterprise is, in effect, a management challenge.

## **HYPOTHESIS 2:**

**A SET OF EVALUATIVE VARIABLES CAN BE IDENTIFIED WHICH WILL RELATE IN CHARACTERISTICALLY THE SAME PATTERN TO THE DIMENSION OF MANAGEMENT ORIENTATION.**

This hypothesis is a corollary to the first. If the determinants of consumer protection could vary depending on the dimension of management interpretation, a number of issues consequently come into focus. How do we ensure that management receives the right type of input in shaping consumer policies, how do we ensure that performance can be evaluated, how do we determine the acceptable level of performance, what factors can be applied



in such evaluative mechanism ? Answer to these questions are crucially important because as we observed, management discretionary activities are often viewed with a lot of misgiving from the point of view of consumer representative organizations. Much as it was affirmed that management involvement is absolutely necessary in providing adequate protection to consumers, there was also a consensus that some kind of incentive system is necessary, something akin to a performance benchmark.

It is not surprising that consumer representatives showed uneasiness about management's predilection to seriously protecting the interests of consumers. In none of the enterprises surveyed was there any integrated framework or formalized structures for appraising performance on consumer protection. Some of the decisions were made on the spur-of-the-moment premise, each case treated as peculiar to itself and as deemed convenient at the time. In other instances, general approach tended to be more atavistic than anything else, ie. reversion to earlier types in such a manner that management digs deep into traditional or paternalistic ways of dealing with such cases. Such conservative approach in a way stifles initiatives and may have been responsible for deep-rooted dissatisfaction consumers have hitherto expressed about the performance of the enterprises. Management on its part appear to be waking up to this reality. Pattern of response indicate that they are now showing greater sensitivity in trying to reach the consumer.

Structurally, this hypothesis rest on framework developed in chapter 5. It was noted that no known normative framework exist to guide the analysis of managerial attitude to consumer protection. The need for such a guide can not be over-emphasized. In the first place, it will enable management to conduct internal self examination of its policies with a view to determining how consumer oriented they are. Secondly, it will afford management the opportunity to device specific targets, provide guidelines which ensures that actions and their consequences are tailored towards a common goal. We observed that there exists different levels of awareness in terms of consumer orientation along the different hierarchies of the enterprises surveyed. While top managers, ( particularly those in the first-three levels), are increasingly becoming aware of the crucial (or potentially crucial) position of consumers

and are adopting the philosophy of the Marketing Concept, those at the lower levels do not seem to share the same degree of consumer awareness. What obtains therefore is that consumer policies, packaged with the best of intentions at the top level gets watered-down as they descend through to the operating levels. Managers at the lower levels do not seem to have the same amount of zeal and consequently less prepared than top level managers to pursue consumer oriented policies.

The problems posed are more evident when it is realized that the 'less consumer conscious' managers are usually the first point of contact between the consumer and the organization. At that level of interface, customer management is very essential. If managers fail, the customer goes away with frustration which may have serious consequences for the organization, depending on how consumers choose to express their frustration. As a result of the seeming divergence in orientation between various levels of management, a 'cultural vacuum' exists as the Chairman of BT eloquently put forward, with a lot of people, (ie. managers at the lower hierarchies) defending the ways in which things had been done before. The need therefore arises for the organization to evolve structures which could serve as a guide to the various strata of management, to ensure harmonization of approach. Policies can only be effectively carried through when such harmony, both in outlook and performance exist. This is why a system of evaluative criteria becomes inevitable.

It has been observed that a company does not become high profile on consumer protection simply because its chief executive said so. For such statements to be valid, they must be based on known premise - the more reason why the framework developed in chapter 5 and upon which the hypothesis is based - becomes very pertinent. It addresses the root problems of acculturation within the organization and forces it to focus perceptively on outcome of consumer policy initiatives.

On the issue of identification of evaluative variables, the forms have been dealt with in chapter 5. We observed that consumer protection is a dependent variable which is influenced by the behaviour of management. The variables



identified therefore focus on management behaviour, assessed in the light of how it fulfills its tasks and responsibilities. Variables considered appropriate for this purpose are those of definition, sensitivity, measurement and implementation. How management rates with each of these variables will indicate where the enterprise is positioned. As decisional input, they will help management not only to appraise its position but also in making clearly focused decisions on where the enterprise is heading to, ie. which direction the enterprise will go, what goals to pursue, how to assess whether those goals have been attained, what deviations have occurred between target and performance, and eventually how to correct those deviations. For instance, using the concept of definition in the evaluative framework, it is possible to gauge the enterprise behaviour towards consumer protection based on definitional stand it takes. It might choose to define it based on company perspectives (ie. using corporate specific factors). When that is the case, management emphasizes functional fulfillment which is more or less given, a constant in the consumption situation. Such an approach targets those aspects of consumption which may have been taken care of by the regulatory mechanism, eg. universal service, pricing, etc. When a company defines consumer protection using corporate specific factors, it merely focuses the end of consumption behaviour chain, using parameters that are more or less forced on it by regulation. This does not indicate customer orientation, it is company orientation.

Another way of using the concept of definition to evaluate a company's position is to look at it from the point of view of the consumer, ie. whether the definition addresses consumer specific factors according to the parameters specified in chapter 5.

If consideration is on the concept of sensitivity as a guide for evaluating management position, a two-state schema can be applied. The issue would be whether management approach is pro-active or reactive. If reactive, it means that management is inward looking, focuses on symptomatic factors, passive, defensive and more likely to need an external push to act. Reactive sensitivity indicates that management is low profile on consumer issues and therefore positioned at the lower rung of the continuum. Pro-active

sensitivity on the other hand means that management approach is not mechanical but based on perceptive marketing research. As in the case of definition, parameters indicating dimensions of sensitivity have been given.

Another way through the the process of evaluation is to look at the framework for measurement and implementation. We emphasized that a vowed corporate disposition to protection of consumers' interests is meaningless unless those ideas can be translated into actions and deeds. Why this is necessary is because corporate statements may give false understanding of management concern for consumer protection. For instance, a company might decide to highlight those aspects that promote its interests but actually not geared towards serving genuine interests of consumers. Therefore, implementation strategies as a system of evaluation tries to separate management intentions from management actions. It creates management tasks and responsibilities which in themselves become a benchmark for appraising the extent to which management goes in meeting specific consumer interests. This is where the last variable (measurement) comes in. In this regard, one would be interested in the kind of measures management applies, ie. whether formal or informal measures. Informal measurement techniques indicates paternalism and lack of structured direction. On the other hand, formal measurement depicts management that has clearly set and verifiable standards, and preparedness to compete constructively in the consumerism industry.

Having identified the variables, it is left to be seen whether any relationship exist between them. We can do this by going back to the survey data. Our data revealed that definition, for instance, has been expressed using corporate specific factors. None of the enterprises has clear statement on consumer protection, no set and verifiable objectives. Where objectives were stated, they address functional fulfillment which we have shown are not really critical consumer issues. Feedback mainly derive from general public interest instead of specific consumer interests. Consumer representative bodies like GCC, and ECC have no enforcement powers, hence conformity to consumer wishes depend on the discretion of management. Consumer bodies can make referrals but regulators which serve as appellate bodies are themselves watchdog of



general public interest. In the end, management hears what it wants to hear, highlights issues it (not consumers) deem important. We did not find enough evidence to suggest that management takes policy cues from consumers. Of course, issues raised by consumers through formal and informal means are fed into the policy process. That does not obliterate the fact that policy decisions may not have been engineered by consumer concerns and therefore not consumer-driven. However, we must advise some caution in drawing conclusions from this premise.

Appraisal system applied assumed a continuum structure such that enterprises were located at different points along the continuum. For example, while NITEL was located at the lowest end of the scale, BT marginally tilted in the same direction but with great potential to move over to the other side of the scale.

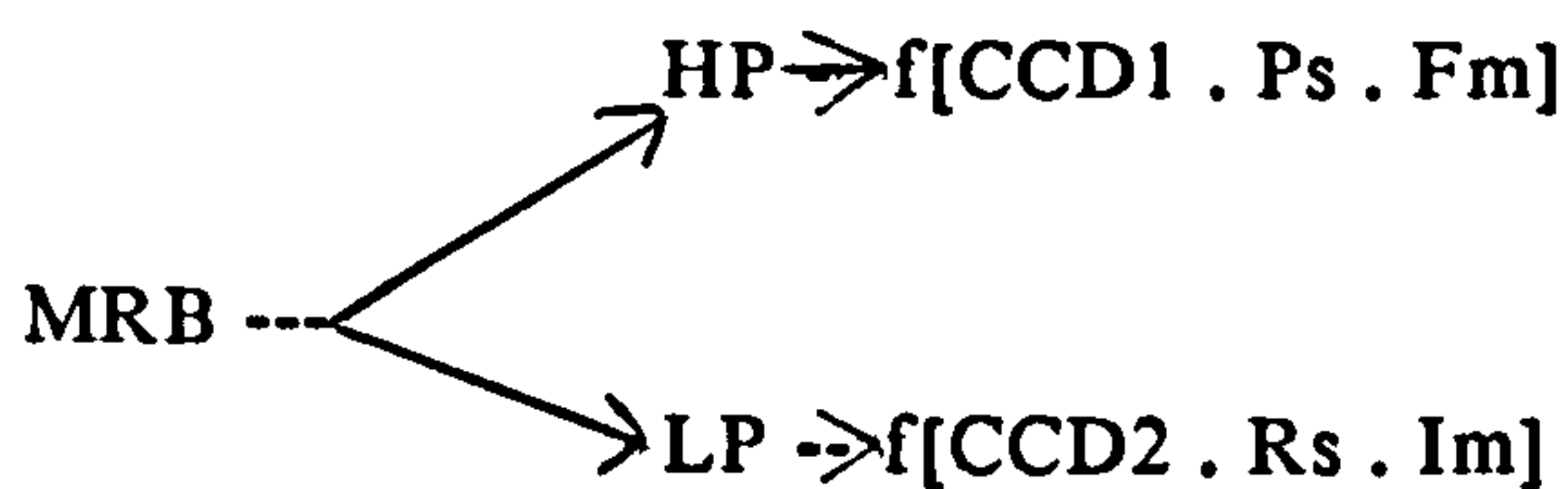
The same pattern also express the level of sensitivity. In British Gas, for example, we understood there was not to be 'any flights of fancy' in management approach. It is not difficult to conclude that management orientation is somewhat passive and defensive, which was why an organization like British Gas thought it plausible to conduct a meaningful survey of its more than 17 million customers, concluding and publishing the result within 6 months. BT, which incidentally is getting visibly active on consumer issues, claim it is doing so as a matter of good business orientation. We observed that behind every major consumer initiative taken by the company lies a very critical or potentially devastating report. There were enough evidence to explain the concern the company showed in many areas of quality of service improvements. The obvious conclusion is that management actions were more or less coerced, ie. pressurized to act. This squarely classifies management sensitivity as reactive.

System of measurement and implementation did not deviate from observed pattern in relation to definition and sensitivity. No formal measurement standards were observed. BT had some sort of standards in some

aspects of its operation such as aggregate percentage of functional pay-phones, installation and repair time. Those standards were internally induced, the company decided to put standards it felt capable of living up to. Consumers were not consulted and therefore did not make any input in setting those standards. To that extent, they are self-serving to the organization, though a very bold step forward.

What emerges therefore is that there is a consistent pattern of relationship between management behaviour and the evaluative variables examined. The posture taken by management on consumer protection is dictated by the type of definition, sensitivity, implementation and measurement technique it applies. Since the variables show a consistent pattern of relationship, it follows that, for example, company centered definition will characteristically relate to reactive sensitivity and informal measurement techniques. In the same manner, consumer centered definition positively correlates with pro-active sensitivity and formal measurement techniques. The obvious conclusion therefore is that marginally low profile performance observed in the evaluative scale is a function of the pattern of relationships also observed in the evaluative variables. The relationship can be represented as shown below.

**Fig. 7.0 : Causative relationship between management behaviour and dimensions of management variables.**



where:  
 MRB = management response behaviour  
 HP = High profile  
 LP = Low profile  
 CCD1 = Consumer-centered definition  
 CCD2 = Company-centered definition  
 Ps = Pro-active sensitivity  
 Rs = Reactive sensitivity  
 Fm = Formal measurement  
 Im = Informal measurement.



Above is the fundamental premise of management response model developed in chapter 4. On the strength of data available to us, the model holds as well as the hypothesis derived from it.

### **HYPOTHESIS 3:**

**PATTERN OF MANAGEMENT RESPONSE, (MANAGEMENT RESPONSE BEHAVIOUR) IS SHAPED BY THE STRUCTURE OF SITUATIONAL CONSTRAINTS SUCH THAT THE AGGREGATIVE STRUCTURE RATHER THAN THE DISSAGGREGATIVE WILL MORE LIKELY INDUCE PRO-ACTIVE MANAGEMENT RESPONSE BEHAVIOUR.**

This hypothesis derives from the framework set in chapter 4,(see fig. 4.2). Hypotheses 1 and 2 have established that management disposition will greatly determine the amount of real protection consumers can enjoy, and that management response behaviour can be appraised using a number of variables which characteristically relates in a correlative sequence. The hypothesis under consideration takes it a little further; it posits that management response behaviour is shaped by the structure of situational constraint in such a way that a particular structure,(aggregative type) is better suited for eliciting consumer oriented management behaviour and consequently, improved performance on consumer protection.

Let us recap the major points of the situational constraints with a view to establishing how they impact on management decisions. One of the most fundamental is what we referred to as the 'core belief'. This, in essence, depicts the rudimentary enterprise value, (SC1 in fig. 4.2). At this realm is a basket of issues which are endogenous to the organization. They are the factors which guide the internal motivations of the enterprise - the nexus of the enterprise concept as discussed in chapter 2. They are the essential elements which establishes the enterprise character, definable in terms of field of activity of a business character, the concept of investment and returns, marketing of goods and services, etc. They are usually regarded as the core characteristics of the enterprise, and provides the rationale for activity variable, the relation between costs and prices. A number of

implications flow from such a relationship. Foremost is a need to establish a system of commercial accounts. This means that management is fundamentally accountable to the enterprise for the use of its resources. For this purpose, management endeavours to apply the enterprise resources to most profitable (possible) uses in terms of investment and return relationship. Management would therefore want to protect its internal decision making processes from perceived disruptive influences such as those which are likely to retard its drive to enhanced profitability. This therefore suggests that management's loyalty, first and foremost, is to the enterprise. Consequently, core values of the enterprise serve as formidable stimuli in directing managerial actions. For example, when management talks about being consumer oriented 'as a matter of self-interest', they are in essence saying that whatever policy packages adopted by the organisation will invariably help in serving the enterprise better. No management activity is undertaken without a purpose, which normally (rightly or wrongly) must be to enhance services to the organization, at least in the long run.

Apart from the enterprise 'core belief', there are other intervening variable which impacts on management response behaviour. They are part and parcel of the situational constraints, facing management (SC2 & SC3 in fig. 4.2). In this realm are the regulatory processes and consumer representative organizations. Regulatory functions can be carried out either through direct intervention by Government or indirect intervention vide the creation of extra-Ministerial departments. The basic taxonomies have been discussed in chapter 4. The regulatory regime lays down general policy guidelines. Those guidelines becomes very crucial factors in the enterprise environment which management must internalize. By adapting to them, management inputs public policy considerations into its internal decision processes. All our interviewees conceded that they regard very highly cues emanating from the regulatory regime they face. This aspect has been examined in the previous chapter, as well as the relationships with consumer representative organizations. It was also observed that regulatory institutions can be structured in a way that their functions as well as those of consumer representative bodies are carried out either jointly,(ie, aggregative structure, eg. OFTEL), or independently,(ie disaggregative structure, eg. OFGAS/GCC)



Having observed the situational constraint ramified through (a) enterprise 'core belief', (b) countervailing power vide the regulatory processes, and (c) collective action through consumer pressure groups, we note that all have considerable impact on the way management responds to market opportunities. The question that arises is, can structure of the situational constraints have an effect on management behaviour in such a way that a particular structure could be preferred to another in terms of inducing management to be pro-active on consumer issues ? We must clarify the position here. Those aspects of SC1,(ie. enterprise core belief) need not be structurally defined because they merely reflect values internal to the enterprise. This therefore means that when situational constraints are referred to, such references are to the regulatory processes and consumer representative organizations. In other words, the two state schema we are concerned with are the aggregative and the disaggregative structures. We started out with a three-state schema, the third being a structure where the Government directly intervenes as exemplified in the case of NITEL. Consideration of this option was dropped as overwhelming majority of respondents did not consider it as a viable alternative to either of the two under consideration,(see appendix 2b; 19-27).

The crux of the thesis is that the aggregative structure will more likely induce pro-active management response behaviour to consumer protection than the disaggregative structure. The hypothesis is predicated on conclusions reached after the preliminary field work. Opinions emerging from majority of those interviewed during that stage suggests that in a situation where the regulator and the consumer body operate as a single unit, there is bound to be more pressure on the captive enterprise to adopt pro-active consumer posture. If it did not, it would be lot more easier for the watchdog to set in motion corrective measures that would not have been the case if the watchdog comprised two independent bodies. Augments for the single structure are many and varied, stretching from such mundane factors as being less bureaucratic because of advantage of slimmer size, to ability to react more quickly to innovative ideas because of better understanding of the technical and complex aspects of the enterprise operation. The more cogent arguments are that such watchdog possess the ability to initiate actions and execute

them, can 'bark' as well as 'bite', thereby avoiding delays, trivialities and structural inefficiencies in dealing with consumer issues.

It was against such background that the hypothesis was formulated to consider in-depth whether an optimal structure is possible. It was also considered that management will be in a better position to contribute dispassionate information to guide such an analysis rather than the watchdog organizations. In doing so, it was considered appropriate that a number of issues should be put in perspective which will form the basis for appraisal. As a result of the delicate nature of regulatory procedures, there is need to avoid the regulator working by second-guessing the behaviour of the enterprise. The regulator has to make judgment on how the industry has performed, how it should have performed and how it is likely to perform in future. This process is by its nature uncertain and its outcome can not be pre-determined. The regulator will therefore be able to exercise discretion in deciding what is a reasonable performance. This will in turn mean that parties with an interest in the outcome of regulatory process would wish to influence regulator's decisions. The parties will clearly include both business and consumers. Whether consumers will be able to exert such influence by working from within the ambit of the regulatory regime or from outside the body becomes an important consideration.

As explained earlier, the regulatory process fundamentally looks after 'general public interest' or some other interests as defined by Parliament, then balancing the interests of more narrowly focused groups. Even though part of the regulatory role may be to enforce certain specific regulations designed to protect the industry's consumers, guarding the 'general public interest' may not necessarily mean guarding specific consumer interests. The regulator is not supposed to be partisan because of the balancing role he is expected to play. The industry, for instance, is as much interested in the outcome of regulatory process as consumers. In the inter-play, will consumers get a better say if the regulatory process serve as the structural platform for their representation or another body designated to do so?



Data from our survey did not offer any clear guide upon which a conclusive statement could be made. During the preliminary survey, impressions were that the single structure is better suited to address consumer issues. Examples were cited, highlighting the achievements of OFTEL in the telecom industry. Executives at the ECC directorate spoken to were so enthralled that they advocated similar structure for the electricity industry in the impending privatisation plans. It was not therefore surprising that members of ECC polled unanimously opted for the OFTEL model in preference to OFGAS/GCC. In contrast, GCC, both the directorate staff and council members opted for separate and independent structure - affirming confidence in what they have at the moment. In the same way, views obtained from OFTEL and OFGAS were polarized along the same line, so also were those of BT and British Gas management.

Data obtained from our survey and circumstantial evidence in regard of each industry's performance on consumer protection do not seem so convincing as to lead one to uphold the hypothesis that the aggregatively structured watchdog could lead to a better performance than the opposite. Our reason, in part, is based on tasks bestowed on the regulator and the extent to which the responsibility of consumers' interest articulation can be boldly incorporated into those tasks. As a result of ineffective competition, consumers obviously need to have a defined constituency to be able to exert effective pressure on the industry. This implies that a consumer champion should be in a position where he is able to 'see through consumers' eyes'. This means a degree of partisanship. The regulator can not afford to be that partisan because he has got other interests to protect other than consumers'. He has legal obligation to other constituencies of interests. Consumers would therefore need to be provided with the help and expertise in putting their cases across to the industry and if necessary, to the regulator.

There may also be a need for more general policy representation on behalf of consumers. This results from the facts of monopoly positions of the enterprises. Management in a competitive market knows that unless they provide standard of service and of the quality consumers approve of, they will go out of business. Monopolists face no such incentive. Of course, it will

be the function of the regulator to negotiate appropriate standards and quality of service, but unless he has direct input from a body representing consumers in a partisan way he may have to rely on the industry for information. This is likely to be inadequate. What most people do not seem to understand is that consumer advocacy is a necessarily partisan activity. This would therefore entail that any mechanism for consumer representation should be independent of the regulator.

On the question of industries' performance, we have enough evidence to conclude that performance with regard to protecting consumers' interest is not a function of the structure of the watchdog mechanism but of individuals either within the industry or the regulatory regime. Validity of substantial part of this statement has been established vide hypothesis 1. If we recall the statements of the DGT and OFGAS Consumer Affair Adviser, and place them alongside observed performance, we would be persuaded to affirm that structure, in terms of aggregative or disaggregative, really has nothing to do with management performance. As observed in the case of OFTEL, for example, its powers over BT are weak in areas where monopoly characteristics are strong. However, such weakness has not meant inaction on the part of the regulator. As demonstrated by the DGT, an active regulator can apply his initiatives and drive to over-come some constraints inherent in the regulatory instrument.

In the final analysis, based on data available to us, we did not deduce any conclusive evidence to affirm that the aggregatively structured watchdog is better suited to induce pro-consumer management behaviour. Contrarily, there was equally no conclusive evidence to suggest that the disaggregative model is a better alternative. After thorough scrutiny of BT, OFTEL and their performance on consumer protection, we did not notice any substantial areas where consumers suffered any disadvantage as a consequence of lack of partisan representation or defined consumer advocacy. On the other side also, data obtained from OFGAS and GCC did not in any way indicate that consumers have suffered or likely to suffer any disadvantage as a result of the two bodies working separately. Each scenario has a lot going for it as well as some setbacks which can not be ignored. All put together, none came out



convincingly better than the other. We are therefore persuaded on the strength of this to reject the hypothesis.

#### HYPOTHESIS 4:

**CROSS ADOPTION OF CONSUMER POLICY FRAMEWORK BETWEEN INDUSTRIES AND ACROSS COUNTRIES WILL MORE LIKELY PROVE COUNTER-PRODUCTIVE IN REAL TERMS.**

It was noted in chapter 2 that the euphoria of privatising what used to be public enterprises is catching on, extending even to third world countries like Nigeria. What arises out of that phenomenon is apparent difficulty is deciding on what regulatory framework to design for the newly privatised enterprises and how those still in the public sector can fit into the framework. The problems are exacerbated because experience in those areas is short and therefore not a lot of precedent to draw from. During the preliminary interview stage, we gathered from staff of ECC that they would prefer something in the mold of OFTEL on privatisation. As a matter of fact, virtually all discussion papers issued by the organization on the subject favoured the integrative unit. Also, it was observed that policy proposal drawn up for NITEL by BT's Teleconsult envisaged the establishment of a regulatory structure modeled after OFTEL. At issue therefore is whether cross-adoption of consumer policy framework could work successfully. For instance, because a given structure worked for an industry, does it provide any rational ground to presume that such success could be repeated with another industry? Furthermore, if a regulatory system is successfully applied in one environment, what reasons are there to presume that a comparable measure of success can be achieved if applied to similar industry in another environment?

We have noted that there is nothing like an optimal regulatory structure, at least given the present state of knowledge. To suggest that, for example, OFTEL model is more effective and therefore preferred to OFGAS/GCC is intellectually flawed. As plans to privatise the electricity industry heats up, the issue becomes very pertinent. To address this, we look at the framework

proposed for the industry with a view to seeing how it squares with the types already examined.

Government proposal for the privatisation of electricity industry is rooted in six broad principles,(see House of Commons, CM 322, Feb. 1988). Those broad principles are that:

- Decisions about the supply of electricity should be driven by the needs of customers.
- Competition is the best guarantee of customers interests
- Regulation should be designed to promote competition, oversee prices and protect the customers' interests in areas where natural monopoly will remain.
- Security and safety of supply will be maintained.
- Customers will be given new rights, not just safeguards.
- All who work in the industry should be offered a direct stake in the future, new career opportunities and freedom to manage their commercial affairs without interference from Government.

Preliminary perusal tend to suggest that structurally, attempts are being made to correct the anomalies of previous privatisations, viz. telecom and gas. Crucial points of the proposal are that industry should be 'driven by the needs of customers' who should be given 'new rights, not just safeguards'. It further stated that Government is interested in seeing that regulation should go beyond price to incorporate standards of service. It stated that Government will not only create and maintain strong and effective safeguards on prices alone but also on the standards and safety of service provided, through co-ordinated action. "Legislation will therefore create new system of guaranteed standards of service to be overseen by the Director General of Electricity Supply". The main point as far as quality of service is concerned is that its constituents will no longer be the prerogative of the enterprise as the case with BT and British Gas. Defined levels of service will be set by the Director General after discussion with the distribution companies. Where companies fail to meet that level of service customers will receive a pre-determined level of financial compensation. The code will be included in the privatisation legislation and licenses issued to the industry. What we are therefore seeing in the proposal is that what BT and British Gas today regard



as standard of service will become obsolete as most of the parameters would simply become conditions of business. This is the point made in chapter 6.

Much as the proposal seem attractive as it relate to protection of consumers' interests, it is of interest to find out what structural arrangements have been proposed for ensuring that consumers do indeed get the benefits as intended. The Secretary of State for Energy stated that competition is the best guarantee of consumers' interests. The falsity of basing consumer protection framework on the competitive mechanism when market failure characteristics are apparent have been addressed. We might as well recall that despite the attempt of the Energy Act 1983 to introduce competition, the industry remains an effective monopoly. It is outside the scope of this work to delve into the analysis of the industry's structure. All that need to be said is that whatever way it is viewed, strong monopoly characteristics will remain, especially on the distribution side. Area Boards will continue to maintain effective monopoly of supply in their various areas. It is the activities of those Boards that are of interest to consumers, not the generators who feed into the grid. It is ironic, if not contradictory, that the proposal accepted the scenario but still insist that competition will provide a panacea: "Even after privatisation, the supply activities of the distribution companies and the national grid will remain in large part, natural monopolies. An effective regulatory regime would therefore be established by legislation to promote competition and to safeguard the interests of consumers". It is doubtful the extent to which legislation can make regulatory regime effective, considering information we presented earlier. Of course the report accepted that the issues to be addressed in constructing an effective regime are, however, complex.

The report did not leave any doubts as to the regulatory framework envisaged for the industry. "Responsibility for supervising regulation will rest with a Director General of Electricity, who will enforce the provisions of licenses ... In addition, the Director General will be given statutory duties to safeguard the interests of customers and promote competition in the industry". On consumer representation, it stated that "an arrangement for maintaining an effective voice for customers' interest will be made to ensure

that none of the benefits of the existing consumer representation by Electricity Consultative and Electricity Consumers Councils are lost". No such arrangement was contained in the proposal or further alluded to. It is quite obvious that the aggregative framework is to be applied to the industry.

The proposal, in a broad sense, reflect views held by ECC. The position was made clear through reaction to a number of cues which, in the opinion of members, will make the aggregative structure better suited for consumer protection. Those cues have been elaborated upon. However, GCC report of 1989 stated that 87% of consumers surveyed by the council judged its services as excellent or good; 83% felt that the council had completely or mostly solved their problem; 94% said that GCC had solved their problem quickly or fairly quickly; 97% said they would recommend the council to others. These statistics go to reinforce the point made earlier that no evidence exist to indicate that gas consumers are under any disadvantage resulting from the structure of watchdog mechanism established for the industry - which also applies to telecom industry. If therefore the adoption of the aggregative structure were to be based on the cues to which ECC members responded to, the outcome might be counter-productive because the premise is flawed. This may become more apparent if the post of Director General is occupied by a personality that is not of Prof. Carsberg's mold. If that happens to be the case, consumers would obviously wish they had an independent body to channel their collective voice. As it is, whether consumers will be better off or worse will depend on how the Office of Electricity Supply (OFES) will function, more importantly, who plays what role in the organization .

The other aspect of the hypothesis concern the adequacy or otherwise of adopting a framework that worked in an environment to another - as NITEL blueprint indicates. From the point of view of management, consumers' needs in those two environments are different. In UK, management attention is mainly on delivery processes of consumer policy packages. In Nigeria, attention is on the design of such processes. The networks are not yet fully developed as in the UK. Management standpoint is that protection of consumers' interests should start by ensuring that appropriate network



systems are installed, telecom services made more accessible to more people and eventually, bold decisions on consumer protection incorporated into the service concept. What it implies therefore is that if the kind of UK structure is applied to Nigeria, it will be faced with roles quite different from those of the antecedent source. Such roles at the moment have not been properly addressed and this might lead to some sort of a vacuum. As Mr Tredwell of teleconsult pointed out, "... they really need to evolve gradually. There is great tendency to have the latest and the best ... they are suffering from problems of new and old technology". An insider in the Teleconsult,(whose name can not be given because of his position and involvement in African regional operations) commented that "... your management structure is based on us ... but because the structure works over here does not mean to say that it is going to work in Nigeria. In some instances, I think it is a very big mistake to model a system of what happens here or anywhere else. It is very much better to adapt than to adopt".

On the role of management, indicators suggest that management is not yet properly oriented to take on challenges in consumer policy arena. Mr McIntyre of Teleconsult likened the present attitude to what used to obtain in BT some years ago - "the big monopolies could almost provide with an attitude of 'as if they are doing you a favour'. This is something that changes, especially with competition". On the rationale for recommending OFTEL model, he said, "I think it would be more streamlined to have just one body. But on the other hand, if you have consumer associations as well, people on it would perhaps be non-representative of the majority of consumers. They would be inclined to favour the more powerful, the more rich or so, whereas in a unified body, it could have more power". This does not seem to address the main issue - the unified structure stand as much chance of running the risk of agency capture because the regulatory environment is like a 'no-man's land' with immense yawning gaps. Mr. Tredwell interjected, "the environment seem really under regulated. Any business, particularly unscrupulous business, I dare-say will take advantage of consumers. That's not a good thing but the question is, will the company stay in business if there were competition? It is self-defeatist"

Given that the Nigerian environment is under-regulated and in view of the implications already pointed out, it would appear that an independent consumer advocacy ultimately becomes a necessity. This is not to suggest that a plural structure, with an independent consumer representative body would be better in dealing with consumer issues comparative to the single structure. Rather, consideration is determining the policy adequacy or inadequacy underlying the adoption of single structure. Our source in Teleconsult gave his judgment as thus: "I think that something like OFTEL is no good for you unless it can bite. Bryan Carsberg is always willing to come and have a go at BT if it is necessary. In Nigeria, ... it is very difficult. At the moment, NITEL is tied to the Government. Why should Government give any help to anyone rather than its own? With perhaps commercialization, you can start to make a head-way". Our informer was informed that NITEL is now commercialized, he continued, "Yes it is commercialized but it is suffering from (a) lack of competition, (b) I would tend to think that the Government probably has a strong hold over it. It is very much answerable to the Government ... I think another problem is, if they regulate, they would end up with a regulatory body which would be swamped and perhaps would panic into making rules and regulations which seemed okay but not thought-through, so it would be counter productive",( underline mine for emphasis).

Experience from working in the industry enjoins that above impressions could not be further from the truth. More or less, it reflects the views of industry chieftains in the country. We are therefore persuaded to conclude that cross-adoption of consumer policy framework between or across countries could be liable to neglecting some crucial and salient issues which could in the final analysis negate rather than positively contribute to improvements on consumer policy, vis-a-vis, consumer protection. In the circumstance, cross-adoption will be counter-productive. How the hypothesis would come-off were consideration centered on enterprises within one industry,(eg. cross-adoption from gas to electricity or coal) might be very interesting to explore, but not considered here.



### HYPOTHESIS 5:

**THE GREATER THE EFFECT OF NATIONAL ENTERPRISE POLICY ON PROTECTING CONSUMERS' INTERESTS THE GREATER THE MANAGERIAL EMPHASIS ON MINIMIZING CONSUMER DISSATISFACTION RATHER THAN MAXIMIZING CONSUMER SATISFACTION.**

Considerable amount of groundwork for this hypothesis was done in chapter 3, where the theoretical arguments for and against managerial pursuit of objectives based on attaining maximum consumer satisfaction on one hand and minimum dissatisfaction on the other were presented. Our thesis is that the reason why national enterprises have not been able to come out unscathed as far as consumers are concerned is that management, more often tend to pursue policy packages anchored on a wrong premise. When wrong cues form substantial part of policy input, the result obviously would be sub-optimal goals. Management therefore need to recognise the dangers of an environment in which objectives were ill-defined, and in which it may be difficult to determine ex-post whether or not they had infact been achieved. This is an area management would need to act with precision to redress the poor image consumers have built up about the enterprises over the years. More than trying to influence consumers' perception, management need to measure how well and effective their services are meeting consumers needs and wants. If management pursues wrong strategies, the result would be counter-productive in the sense that what comes back as feedback will only reflect transitory attainments. Short-term results might appear satisfactory but might be difficult to sustain in the long-run. The core issues will remain poorly attended to.

The issues involved are complex, no doubt. As Chris Holland of BT conceded, "it is really not easy because very often you can't tell the effect you have had on customers. It is very difficult to measure but there is something we are generally looking at and try to get a meaningful statistical analysis ... we look at pattern of customer complaints to see whether they are revealing a

fundamental problem, but I don't think we measure it in a very concrete way". One of the methods BT uses in such measurement is what they call Telecare - whereby customers would be asked what they think of the company's services. As Chris said, "we can use them to measure satisfaction ... In hard terms, you can look at profit, that may not be a reliable indicator. What we look at is customer complaints". As already pointed out, it is very important that management is clear about the goals it pursues, and important also to know when those goals have been attained. From BT's point of view, for instance, if complaint statistics serve as an indicator of the level of customer satisfaction, how would the company approach either of the scenario, ie (a) satisfaction, and (b) dissatisfaction ? Chris continued, "... we might not always be aware when they are satisfied because they might not tell us. We just have to make assumptions ... but it doesn't necessarily follow. A lot of us might be dissatisfied with something but haven't got the time to make a point of that".

From British Gas standpoint, determining satisfaction or dissatisfaction could emerge from regional or district competitions, in which the district with the best returns in terms of consumer rating is awarded a trophy by the regional headquarters. All the 12 regions will then come together for the national competition - this tradition has lasted for about 12 years,(referred to as the Gold Flame Award). Mr Pinchin of the North Thames (regional Director of Marketing) pointed out that "complaint is not a good measure of consumer satisfaction. They are approved measure. If you run a good business and give good service customers will come back but if you give mediocre service, many customers will just not come back but they wont say they are dissatisfied. So you can't look at the number of GCC complaints and say that is a full measure of dissatisfaction ... the main thing really is to go out there and measure it ... not just measuring in number but in feelings because we found we get a lot from qualitative research, not just quantitative or statistics".

From data obtained, we observe that consumer satisfaction remain the cardinal objective managers pursue. Complaint statistics were in real term regarded as yardstick for gauging consumer satisfaction. The less the number of complaints, the higher the level of satisfaction. In other to achieve this,



managers at the operational level appeared willing to go beyond consumer expectations, in some instances, to resolve complaints. Managers preferred personal contacts rather than contacts through letters or third parties - the reason might be to guard against critical publicity. Overall attitude was decidedly liberal as far as complaint handling was concerned. Managers perception that their actions would lead to satisfaction apparently led to commitment of more resources to complaint resolution. The inductive analysis revealed three perspectives among managers. Some managers believe that "rehabilitation" effort is needed to help consumers with their problems. Some preferred the "care-taking" effort aimed at just keeping the system running; and still some managers favoured a "laissez-faire" approach which entail no overt interference and each party guarding its specific interests. Majority of managers came under the first-two categories, hence the importance attached to complaint handling. The question therefore is whether targeting organizations' resources on complaint handling really address the fundamental issues involved in protecting consumers interests. Answer to this question depend on what goal management wishes to pursue. The goal may be to maximize consumer satisfaction as apparently the case or to minimize dissatisfaction, and whether they wish to measure consumers' perception or some objective reality.

It was pretty obvious to discern the direction from where the enterprises were coming. However, the question was put starkly to management. British Gas Director of Corporate Affairs stated as follows: "Obviously, you do want to minimize dissatisfaction but, I would say that the management job is to give high degree of satisfaction because of two reasons. (1) we want those customers to go on using gas, (2) if you give satisfaction when you do a good job, in a sense that job is done and put behind so that you can move on to the next job and next customer". He explained that the worst bit from the company's point of view is to do a job improperly in such a way that the same job get repeated over and over again. "That's the sort of thing we have over the years tried to keep at a minimum because that's the thing that cause great unhappiness on the part of customers". Mr Pinchin's views reflected what has been stated already. According to him, "the primary objective is to target satisfaction. We are not just getting rid of the negatives, we are also building

the positives. At the end of the day, we are also looking at satisfaction and from the point of view of saying, are there things that causes dissatisfaction which can be minimized. There are some areas where by policy some people would be dissatisfied. Some people would always feel dissatisfied because by definition, you can't satisfy everybody". These statements are revealing in the sense that they tend to indicate that even though management realizes the efficacy of targeting minimization of consumer dissatisfaction objective, they choose the alternative (ie. targeting maximization of consumer satisfaction objective) because it is convenient for them to do so. For satisfaction objective, it is easy to come up with quantifiable data, something management could easily place on the table as reflective or measure of its efforts. Dissatisfaction objective on the other hand may not show such readily discernible results. Notice that British Gas, for example, emphasizes that complaint is not a good measure of satisfaction but an approved measure - because it serves the company's purpose to use that parameter.

BT says it pursues both objectives. However, analysis show that what the company actually target is satisfaction maximization objective. According to Chris Holland, "the philosophy is that you should actually get something out of these complaints and stop them from coming in. Customers shouldn't hopefully have a need to complain. However, you can not actually reach such a high level but in the long term, that should be the objective - to see everybody happy, that's what our total quality management is all about".

Although the body of knowledge on consumer satisfaction, dissatisfaction and complaining behaviour has grown rapidly in the recent years, none has examined the problem from the point of view of managers operating under conditions of market failure. The essence of many marketing activities, including complaint management, involve synchronization of company's resources with consumers needs and with the marketing environment. Achieving an acceptable match between a particular response desired by management and response managers are willing to give may be difficult unless they (managers) are clear about what strategies may most likely elicit the desired response behaviour. In this analysis, we have been able to provide the legitimacy managers attach to consumer complaints, objectives they



pursue when responding to complaints, and strategies adopted in trying to achieve higher levels of consumer protection.

On the measurement scale,(appendix 1b), management behaviour was primarily seen as targeting on maximization of consumer satisfaction. For instance, it was observed that they measure quality of service using corporate specific factors instead of consumer specific factors, contented with measuring outward satisfaction instead of subterranean factors in consumer behaviour, uses complaint statistics as suggestive of level of satisfaction instead of consumer statistics in terms of data relating to the behavioral chain, reacts to expressed or voiced complaints instead of evolving an integrated approach to expressed and unexpressed behavioral variables, perceives consumer complaints as revealing of consumers preference pattern instead of offering just an insight into pattern of dissatisfaction, and rationalizes high level of complaint as reflective of consumers restlessness with just about everything,(ie. problems related to the economy generally and not mainly faults with corporate strategy). We can see therefore that targeting consumer satisfaction is an easier way out for management, more or less, an appropriate strategy for resolving organizational problem in the short-run. In the long-term, the inadequacies would become obvious, and management will realize that it has not done the job it should have done.

There are a lot more shortcomings associated with management strategy geared towards achieving maximum consumer satisfaction as against minimum consumer dissatisfaction. In the works reviewed earlier in chapter 3, it was established that it is inconceivable of ever trying to make all consumers satisfied, a standpoint our survey data amply supported. Maximizing consumer satisfaction therefore becomes an elusive goal. Nothing can be further from the truth when one looks at the enterprises, eg. BT with a share of over 90% of UK telecom market, British Gas with absolute dominance of gas supply ( with a domestic customer base of over 17 million) or NITEL which bestrides the Nigerian telecom market like a colossus. Apparently, adopting strategies aimed at maximizing consumer satisfaction fundamentally ignores market place pluralism. The market is not homogeneous, consumers fall into widely diversified categories and needs. A

policy framework that ignores the imperatives of the market place ultimately becomes structurally and intellectually flawed.

Besides methodological problem inherent in scaling satisfaction, complaint statistics which is the most handy instrument managers use involve a lot more than could easily be discernible. Research has established that overwhelming majority of dissatisfied consumers do not complain - a proposition confirmed by our survey data. This means that what managers really deal with is merely a tip of the iceberg, more or less symptomatic factors. It has also been established that where complaint statistics is used as performance parameter, management would be more disposed to stifling complaint rather than encouraging it. A policy based on minimizing dissatisfaction encourages complaint. It is an irony that managers surveyed acknowledged the shortcomings inherent in satisfaction maximization strategy and yet emphasize it in corporate strategy. Management actions should be goal-oriented; pursuit of short-term goal, ( which is what maximization objective can achieve) is self-defeatist. Therefore, in the light of data considered, we uphold the contention that an integrated approach aimed at promoting and protecting long-term interests of consumers can be more effectively accomplished by addressing those variables that cause dissatisfaction.



## **CHAPTER 8**

### **CLOSING REFLECTIONS**

#### **8.0. OVER-VIEW**

The study explored consumer protection behaviour of national enterprises. This was done by looking at the policies, practices, intervening variables which determine or influence consumer policy decisions when the competitive mechanism is hindered, and the challenges posed for management in such bounded marketing environments. The study is essentially exploratory and should be regarded as a preliminary study to establish the base or ground-rules for studying consumer protection under conditions of market failure. In the circumstance, the descriptive approach was adopted to enable us capture the basic arrangements and how management behaviour is influenced or affected.

In this chapter, we aim to highlight the salient points of the study in such a form that tie them up in a logical sequence. For the avoidance of repetition and because of the nature of the study, we are impelled to treat the three components of the chapter, (summary, findings and conclusions) simultaneously rather than taking each on a single platform.

#### **8.1. SUMMARY/FINDINGS/CONCLUSIONS**

Fundamentally, the theoretical framework for the study was based on multi-disciplinary approach, collapsed into two broad perspectives. Multi-disciplinary approach was adopted because no known normative framework was obvious which clearly address the imperatives of consumer protection under conditions that deviate from the traditional public/private enterprise classification. The two broad perspectives relate to

mechanisms for enforcing and promoting consumer protection through, (1) private enforcement, ie. market processes, and (2) public enforcement, ie. political processes.

Private enforcement is rooted in the belief that the market process, vide competition, is the most effective mechanism for maximizing consumers' interests, and for limiting monopoly powers. Its essence is rivalry and freedom to enter a market. What counts is the existence of competitive threat for potential as well as existing competitors. The aim may not be perfect competition per se, rather emphasis is on some kind of practical means to introduce and increase rivalry in the hope that such structure will not only make for enhanced efficiency but force enterprises to be more consumer oriented. The end purpose is that competition or the threat thereof will result to better consumer protection rather than recourse to some ideological or public interference.

On the other hand, public enforcement vide the political process posit that rudimentary assumptions usually advanced for the free market system do not in real life operate in accordance with conceptual connotations. Even if they were to operate, there are some structural constraints inherent in the market circumstance of some enterprises. Those structural constraints will more readily retard rather than promote the ends of consumer protection - if anchored on the market processes. Classic examples given are those enterprises that operate in market failure conditions. Therefore, in the absence of the full competitive system, proxies for the market force must be sought. The decision on, and choice of such proxies are ultimately political. Furthermore, there is the contention that consumer expectations for business behaviour become legitimate only when Government requires compliance, and to the extent that governmental regulations exact penalties, consumer concerns get managed like any other business problem rather than being considered as peripheral.

From the broad theoretical perspectives, we went further to establish the contextual base of the study. It was absolutely necessary to provide a mooring because the classical arguments have been that the market process



relate to the competitive system in which private enterprises thrive while the political process relate to monopoly market structure in which public enterprises mainly operate. Issues involved were explored, highlighting the intellectually and philosophically flawed argument that there is a clearly compartmentalized structures for the two enterprise categories. It was observed that for some enterprise categories, it would be clearly difficult to classify them as strictly private enterprises according to traditional parameters. In the same vein, they may not be acceptable as public enterprises. In those situations, it was clearly difficult to delineate the boundaries between private interests and public interests. For instance, to regard British Gas as a private enterprise and Electricity supply as public enterprise, both with manifestly differentiated structure for consumer protection clearly beg the question because both face common market characteristics. To address this problem, we evolved the concept of the national enterprise - structurally putting on the same pedestal those enterprises that can not be strictly accommodated in the dual typology of private/public categorization.

Advancing the concept of the national enterprise is one of the major highlights of the study. Many a researcher have acknowledged the problems inherent in the private/public model but none addressed the issues as was done here. Our conceptual framework provides a parallel to an earlier study. For instance, the study conducted by the National Consumer Council,(NCC 1989) did not observe any difference in the incentive structure faced by management of our enterprise category in their response to consumer issues. It concluded that privatisation per se or ownership structure is not likely to be an issue in consumer policy arena. This is a major conclusion which will provide great insight for countries without adequate background in operating private-sector but market dominant enterprises side-by-side with public enterprises.

In trying to identify approaches to consumer protection, we observed that parties involved have adopted different strategies. Government's position is the least clear and consistent. In the beginning, Government felt that by nationalizing the enterprises where market failure characteristics exist and by having politicians or government appointees serve on their Board, it would invariable provide adequate safeguard for the protection of

consumers' interests. Emphasis was on the use of political instruments to check enterprise behaviour. Lately, emphasis has changed. Government now feel that recourse to the market mechanism through the introduction and sustenance of competition would, more than political controls, achieve better protection for consumers. In doing so, Government has not applied all the basic requirements for the competitive framework to operate. It created political checks and balances vide regulatory regimes and organized consumer councils. The enterprises, those already privatised, were not restructured to enable meaningful competition to take place. The result is that while Government emphasizes the market process, it applies strategies that are enmeshed in market and political instruments. The consequence is that the paraphernalia government has set up in some instances tend to pursue divergent constituencies of interest. For example, the regulatory regimes in the telecom and gas industries see their roles primarily in terms of introducing and protecting competition, in the hope that competition will concomitantly protect consumers' interests.

Consumer councils on the other hand tend to pursue objectives ingrained in more articulation of consumers' voice. The assumption is that one of the most important determinants of, or factors influencing developments in, consumer policy is the articulation of the consumer voice. The main thrust of consumer voice is seen in terms of activities which aim to reduce or eliminate consumer problems through changing the market behaviour of the supplier, or as the case may be, through the establishment of more powerful market position on the part of the consumer. The most significant dimensions of consumer voice articulation lie in, (i) relative power, (ie. acceptance among the general public and in the market segment, and on the positive reception by the media and political decision makers), and (ii) degree of concretization, (ie. ability to focus meticulously on individual firm or industry - the notion of the captive enterprise). The result is that company awareness of consumer voice is influenced by these characteristics, which in turn determines its reactions in terms of consumer strategies.



The irony, from public policy point of view, is that competition has not developed or seem likely to develop in the near future to such a level where the system will be that competitive as to direct enterprise behaviour. Public policy framework designed by government, of which the regulators are watchdog did not explore the subterranean issues in consumer protection, ie. what it should consist of, actions, reactions and consequences. By and large, the powers of consumer councils have not changed to reflect the changes or impending changes in the industry. Furthermore, very few specific consumer protection functions have been given to the regulatory bodies. Consumer protection functions given to them are couched in terms that merely express general public policy objectives, which we observed, could deviate from the pursuit of specific consumer interests.

It therefore became the responsibility, not of the government but those institutional structures, (regulators, regulatees and consumer bodies) to work to narrow the gap between public policy objectives and specific consumer policy objectives - but this can not obliterate the lapse that technically exists. Much therefore has tended to depend on the goodwill of the management to direct and accelerate the course of developments as far as practical application of consumer initiatives are concerned. What became apparent is that policy makers as well as consumer researchers appear to be concentrating on ancillary cues in the consumer policy arena. Our conclusion therefore is that concrete efforts to locate the domain of consumer protection within the national enterprise framework must re-appraise the internal dynamics of the enterprises. At the level of packaging those policies and in their delivery system, consumer protection ceases to be a political challenge or a challenge of the market process. It becomes a management challenge. The conclusion drawn from this analysis may be summarized by referring again to the objectives raised in chapter 1, section 1.6. It is a fulfilment of sub-section (b) and in part, (a), which runs through the entire exercise.

A lot of people, (public policy makers, consumer researchers, consumer activists, etc.) tend to believe that by tightening the regulatory process,

enterprise behaviour could be brought more in line with consumer protection aspirations. This impliedly suggests that the determinants of consumer protection would vary depending on the nature of the regulatory process. Thus, if the regulatory mechanism is strong and endowed with enforcement powers, it could whip the captive enterprise into conformity if it relapses in the pursuit of consumer interests. This presumption may have been responsible for non creation of organized, statutorily independent and partisan consumer representative body for the telecom industry, or why the consumer councils (eg. GCC and ECC) have no enforcement powers. It has already been pointed out that regulatory objectives could, to some extent, be at variance with consumer objectives. More-than that, we observed that as a result of legislative flaws, determinants of consumer protection varies not according to regulation per se, but according to management orientation. It is possible to have a tight regulation and still notice that the enterprise's performance on consumer protection is lukewarm. Our data suggest that what consumers tend to get at the end of the day depend, to a great extent, on actors on the scene. A strong regulator could go beyond the legislative flaws to push consumers' case to the fore-front, in the manner a docile regulator with enormous regulatory powers may not. Forbes,(1985) recognized this dimension and postulated that a successful consumerism organization could depend on the capabilities of an individual. However, concessions obtained for consumers would depend on the orientation of management. Pro-active and consumer oriented management could compete in consumer activism while reactive management may become involved in cosmetic consumerism. If management decides to take refuge in their licenses/authorization with all the loop-holes inherent in them, there is not much the regulator could do, at least in the short-run. Even if the regulatory instruments were perfect, a reactive management could thwart and retard consumer policy designs. Consequently, managerial posture determines the pace of developments in consumer policy. In fact, two things are involved here: idiosyncrasies of the regulator and management orientation. In the final analysis, the buck stops with management. Obvious conclusion is that consumer protection is a dependent variable whose behaviour is affected by variations in management practices. By and large, consumer protection is a



discretionary agenda item. This conclusion tidies up section 1.6 (d) in chapter one.

It is pertinent to highlight the parallel which exists between the above conclusion and those reached in different studies. Flickinger, (1983) offers strong support for the conclusion that consumer protection becomes a crucial public issue "through the discretion of policy makers rather than as channeled item reflecting the strength of consumer interest groups". Contrarily, Pestoff, (1989) concludes that success of consumer policy depends, to a large extent, on the participation of consumer interest groups. It does not rest exclusively in the public domain, neither is it simply left to the whims of the market. The common ground between these apparently contrasting conclusions and ours is the discretionary nature of consumer protection which can neither be exclusively located in the political process nor in the market mechanism.

One of the major problems which national enterprise managers face is arriving at a decision on how to precisely define consumer protection. The concept is value-laden. It may be difficult to define it with precision but its constituent elements can be addressed. What is normally done in this respect is to concentrate on the key aspects of consumer interest which, incidentally, may be as ambiguous as the concept it seeks to explain. The problems posed are of two kinds. First, it may be difficult for an observer to assess management performance given that kind of fluid situation. Secondly, it may be difficult for management to audit its performance since there is no reference point to alert it on how good or bad it is performing. These problems relate to sub-section c & f of section 1.6 in chapter 1 - the framework was discussed in chapter 4 and tidied up in chapter 7. To tackle the problems, we provided a framework for the contextual analysis of managerial approaches to consumer protection. It developed further to offer a set of dimensions to guide the analysis of managerial behaviour towards the concept. The models provided in chapters 4 and 5, taken together, presents a systematic over-view of basic approaches to consumer protection and ultimately, a guide for understanding and appraising management behaviour vide the management

response model. The model can help managers think through major consumer issues being faced. Though it does not claim to provide the answer to how management could go, it does provide a conceptualization that could lead to a better managed consumer protection programme.

Moreover, it could be used as a planning tool and as a diagnostic problem-solving tool. The model can assist management identify categories within which the organization can be situated, showing how response behaviour can be positioned in the consumer protection performance continuum. The national enterprise will face many controversial consumer issues as developments unfold and the model can come in handy to help management assess its stance on those issues, help determine its motivations, action and response strategies. The net result could be more systematic attention being given to the whole realm of corporate consumer performance.

In this regard, management may choose to adopt a consumer-centered or company-centered definition in its approach to consumer protection. It may opt for pro-active or reactive sensitivity, formal or informal measurement techniques. Dimensions of these variables indicate management orientation and could therefore help an observer to locate where management is positioned in terms of consumer protection behaviour. We observed that the variables show a functional relationship, ie. they relate characteristically in a correlative sequence such that consumer-centered definition could of necessity relate to pro-active sensitivity and formal measurement techniques. This pattern of relationship explains management response behaviour. Therefore, anybody wanting to know whether management is low profile , high profile or where management is positioned along the continuum, all the person need to do is to look at the variables, how they relate and strength of that relationship, rather than statements emanating from within the company. Constituent elements of each of the dimension was addressed by the study, hence the parameters to use as bench-mark for any appraisal mechanism were given. For instance, factors which would indicate whether management definition is based on consumer or company factors, whether sensitivity is pro-active or reactive were provided and aptly captured in the dichotomized model of management response behaviour.



The study also looked at situational constraints which could have an effect on management response behaviour. It was hypothesized that the constraining factors could be structured in such a manner that a particular system could more likely induce pro-active and consumer oriented management behaviour. For example, the regulatory procedures were examined as well as the system of consumer representation. The impression was that the regulatory system which incorporates the functions of consumer advocacy is more likely to induce consumer oriented management behaviour than a structure where the regulatory functions are separated from partisan consumer advocacy. The single structure, (ie. consumer representation is structurally integrated into the regulatory system, eg. OFTEL), we classified as the aggregative type while the disaggregative type refer to the structure in which the role of consumer representation is carried out independent of the regulatory authority. Our findings did not support the hypothesis that a particular structure is more likely to have greater effect on management behaviour than the other, especially if the choice is between the aggregative and the disaggregative structures. However, we did observe that the system whereby the regulatory functions and those of consumer advocacy are carried out from within the government (eg. the case with NITEL) did not get positive response. In the circumstance of UK environment therefore, it was not seen as a viable alternative to either of the structures considered. Contrarily, it did not receive such an intense thumbs-down from Nigerian respondents.

The obvious conclusion that can be deduced from the above is that since no evidence was uncovered to suggest existence of any optimal structure, it is baseless to think that because a system seemed to work fairly effectively under a given set-up, it could be transferred to another set-up with the same amount of result. This conclusion is important because it hits at the recurrent and contentious issue in the field of consumer policy and reflects on item (e) as stated in the study objectives. For instance, most members, including staff of the ECC surveyed opted for a single structure because of what they perceive of the telecom industry. Some observers also feel that consumers will be better-off in the gas industry if GCC is structurally integrated into OFGAS in the manner of OFTEL model. The

arrangement in the telecom industry equally has not come out unscathed as some observers feel that the industry could do better if there were consumer reference point to refer to. Example usually cited is the cavalier manner in which BT treats the TACs. This study therefore illuminates these contentious issues. What accounts for better performance on consumer protection does not lie with the structure of watchdog mechanism facing an industry.

The study also explored the dimensions of consumer satisfaction/dissatisfaction in the corporate consumer policy framework. It was necessary to take a deep view of the inter-relationship between the concepts because the approach to each may hold the key to the understanding, more aptly, unveiling the long term objectives of the enterprise in terms of consumer policy directions, and likely consequences emanating from pursuit of such objectives. Our findings revealed that management concern is with designing strategies geared towards achieving 'maximum' consumer satisfaction. They tend to believe that achieving higher levels of satisfaction, more or less, is an indication that the enterprise is consumer oriented, that it is good business decision and in the long term interest of the enterprise. For this purpose, complaint management was regarded as a cardinal strategy. What has happened is that management overly concentrates on attending to customer complaints. The draw-backs in pursuing such a strategy was addressed, such as the limitations and consequences of using complaint statistics as measures of level of satisfaction, the methodological and philosophical problems in scaling satisfaction. Ironically, management did not seem unaware of those constraints, but appear to favour the strategic thrust as a matter of convenience. Conclusion drawn from the analysis is that if management insist on pursuing strategies to maximize consumer satisfaction, they obviously will be addressing mainly symptomatic and peripheral issues in consumer protection. Such strategy will not give management the opportunity to understand the consumer, his motivations, action tendencies, deep-rooted and unexpressed resentments. Addressing these issues are vitally important for the long term survival and growth of the organization. It was therefore felt that management could achieve more



enduring results, not short-term praises, if they adopt strategies aimed at achieving minimum level of dissatisfaction rather than maximum level of satisfaction.

This conclusion makes sense in view of the wide customer base of the enterprises. For instance, with both BT and British Gas absolutely dominating the telecom and gas markets respectively, how plausible would it be to go about trying to satisfy everybody who uses telecom or gas? If they insist on doing so, they will only be scratching the surface of the main problem. Meaningful approach to those problems is to probe them and get to the core. By doing so, management would have succeeded in carrying the broad spectrum of consumers along, more or less, conforming to the welfare economics axiom of optimality: no one is made worse-off and more made better-off. This can only be possible by minimizing dissatisfaction as against trying to achieve a somewhat utopian state of maximum satisfaction.

As a step forward, the study tried to provide the basic framework for designing an index of consumer satisfaction on one hand and dissatisfaction on the other. Satisfaction index basically involves elements of the marketing mix such as decisions on product quality, availability, pricing policy and other variables that go into creating place and time utility. Dissatisfaction index was developed from Organization theory, drawing from the work of Herzberg,(1959) -the hygiene factors - and includes complaint handling, consumer representation, consumer information, consumer education, consumer advocacy, redress assistance, accessibility, and consumer responsibilities. This area obviously will need further research .

On the wider scope of consumerism, we observed that consumerism, by and large, is about consumer protection. The full force of consumerism has hitherto not been brought to bear on the national enterprise. The signs are ominous as consumer protection behaviour of those enterprises increasingly come under careful scrutiny. Contrary to widely held opinion that consumerism has stagnated and therefore on the decline, for the

national enterprise, consumerism is only beginning to show a new awakening. As those enterprises are divested of collective public share-holding, consumers, as well as their intermediaries, (eg. advocates, representatives, politicians, etc) are more likely to adopt new value systems in evaluating the performance of the enterprises. Obviously, the challenge to management in this regard can not be over-emphasized. The signs are that as a result of over-all changes affecting or likely to affect the enterprises, consumerism will show greater impetus in the years ahead. It is the responsibility of management to face up to those challenges by designing appropriate strategies. It will be a great tragedy to get caught-up in the consumerism cross-road.

## **8.2. RECOMMENDATIONS**

It is difficult to offer specific recommendations in a study like this. Though the enterprises show certain basic commonalities, we anticipate some level of peculiarities in the strategy-mix which management may adopt to attain desired goals. There is no 'one best' approach. What we have had to do is to present and synthesize the issues in such a way as to provide greater insight, so that management can then develop whatever strategies it considers appropriate or suitable to its position. Over-all objective, (super-ordinate goal) might be the same but the means to attain that goal may vary from one set-up to another. Our recommendations would therefore be presented in the form of general policy guidelines.

## **8.3. Management Tasks and Responsibilities**

It was observed that the determinants of consumer protection will vary according to management orientation. Consequently, management response behaviour becomes very crucial in determining the actual level of consumer awareness the organization shows. Since management orientation and actions are such crucial input, it follows that consumer protection efforts should be concentrated on the input system for the desired quality of output. It makes sense to view the configuration as input-output relationship. If quality of management is improved, concomitantly, quality



of company performance will be improved. The obvious question is, what aspects of management input system should be emphasized ? Those considered appropriate are as follows:

**8.3.1. Role of chief executive:** The chief executive of the company has a very formidable part to play in this area. The weight he gives to the matter will reflect the level of seriousness the company attaches to it. This will permeate through the whole strata of the organization and to consumers as well. The chief executive should therefore epitomize what stand the organization is to take. First, he must recognise the matter to be important. He should rationalize his interest as a matter of corporate responsibility or as far-sighted self-interest. His involvement would be marked by several actions such as speaking out on the issue at management meetings, become active in organization and committees involved in studying the issue or influencing opinion on it, commit corporate resources to special projects, eg research. Soon, he perceives the need for up-to-date company policy which he must take pains to communicate to all managers in the organization. Speaking out is important because company behaviour, in a sense, reflects his values. If he says there will be "no flights of fancy", such would be reflected in corporate practices. If he says the issue is important enough to become the corner-stone of company policy, then the company will find itself being pro-active on the mater.

There is however the danger of over-loading the chief executive - his time and energy are limited. This is why a strong supportive framework may need to be created to complement and carry through the 'dreams' which the chief executive has initiated.

**8.3.2. Consumer Specialist:** The key element heralding the beginning of a new era is appointment of a consumer specialist staff (eg. Consumer Affairs Director or General Manager for Consumer Relations) to co-ordinate the company's activities in the area of consumer concern. The job of the specialist is essential for the eventual implementation of consumer policy. He crystallizes the issues for top management, unearths, collects and collates a great deal of information which serves to clarify

what will be expected of the company in the future and the techniques or technologies that will be available to fulfill those expectations.

New skills and knowledge are particularly necessary in the formative stages of the company's response, otherwise one would find so many managers wanting to "do things the way they had been done before". The specialist should have free hand to scan unfamiliar environments, collect and analyze vast amount of information both internally and externally. He may have difficulties in developing new approaches, designing systems to permit planning and evaluation of programmes for adapting to company's needs. His role, at inception, should be construed in the light of an 'agent of change'.

It is vitally important that the office of the consumer specialist is not subjugated to any functional department. This assures that his functions will not be compromised. Moreover, he should be given commensurate authority and also possess demonstrable skills to enable him carry through his responsibilities.

8.3.3. Design appropriate incentive system: For many big and lethargic organizations, directives from top management, couched in terms of appeals to long term benefits and corporate responsibility often fail to provide acceptable action or achievement. Heads may nod in agreement but operational directives are constantly ignored. As we observed with BT, managers at the operating units lack evidence of the company's commitment to the course of better customer management, responsibilities are unclear, score-cards lacking, and rewards for success or penalty for failure are absent. It is not unlikely that some will view as foolhardy any attempt to implement the policy at the risk of sacrificing financial and operating performance. There is need therefore to ensure effective corporate-wide response.

A viable way forward is to device an incentive system that will make it worth the while of managers to pursue the course according to the spirit in which they were designed. It is difficult to see how an organization



could obtain middle managers support for consumer responsibilities if their careers do not, in some explicit way, depend on it. Incentive system should be worked into the process through which resources could be allocated and, ultimately, careers decided. Since reporting on implementation may not be easily integrated into the control system, it should be communicated separately so that it can compete for attention with other regular reporting systems.

However, the snag here is that it is doubtful that a manager who has met his economic targets will be criticized, let alone severely punished for failure to perform adequately in the area of consumer concern. In any case, a company that is serious about the issue should have a way to over-come such constraints.

**8.3.4. Organizational culture:** Customer orientation should be seen as a business philosophy, a culture which must permeate the entire facets of the organization. Response to consumer issues entail a willingness to choose among multiple objectives and uses of resources. Fundamentally, such judgments are a general management responsibility. As the company positions itself to address the core consumer issues, management would see the organizational rigidities to be more serious than previously acknowledged. These can not be waved away with a policy statement nor can they be flanked with non functional structures. Instead, the whole organizational apparatus has to become involved, this can be accomplished by institutionalizing the policy process.

A well known characteristics of large organizations, including the ones studied, is that unless somehow provoked to do otherwise, they tend to approach today's problems in the same way that worked yesterday, even though the context in which the new problem arise may be different. This is one of the major problems which the chairman of BT identified in the slow pace of his organization's response to consumer issues. 'Old habits die hard', they say. From organizational standpoint, there is need for a response process through which issues can be recognized and formed into policy, implications and possible solutions explored, and finally, plans

integrated to govern actions. The challenge for management is to facilitate the means of organizational learning and adaptation that pursues flexible and creative response to consumer issues as they arise.

**8.3.5. Formulate response strategy:** To plan a coherent, rational sequence of activities in support of goals in the area of consumer policy, a response strategy is necessary. It is a mistake to think that this is an exclusive preserve of top management. Placing the responsibility for formulating these strategies with middle level managers who may also set operating strategy will exploit rather than subvert the organizational strength. There is also the need to insist on a direct parallel between consumer response strategies and the more familiar business strategy. Benefits arising from this standpoint are laudable, eg.:

- The response becomes anticipatory, no longer reactive.
- The response will demand a level of analysis that may be lacking when resources are allocated to consumer problems. It may not be possible or even worthwhile to measure such costs and benefits in economic terms. However, requiring rigorous justification for the action to be taken makes the best use of the information and analytical tools available.
- The articulation of a strategy will provide the basis for subsequent measurement and evaluation.

**8.3.6. Device audit system:** There is need for the adoption of a 'lowest common denominator' that can be used for allocating resources and making comparisons among units operating in different business and geographical environments. The organization need to work to arrest any possible divergence. Top management may have to tolerate a greater degree of complexity in the measure it uses to evaluate performance of middle level executives. The path need not lead to more subjective or less result oriented evaluations. Indeed, if attention has been paid to setting strategy in the core areas of consumer concerns, the power of the results orientation may actually increase over a procedure that does not subject consumer programmes to planning and analysis.



Therefore, to integrate and reflect the greater complexity and scope of management responsibility across-board, a system of audit procedure becomes inevitable. Components of the audit system will vary from industry to industry as certain specificity might be more apt for some industries than others. Operational procedure might be developed from those addressed by Mitchell,(1983) - consumer performance indicators and targets - but making sure that they are expanded beyond price and quality of service considerations. Inputs from interest groups, particularly consumer organizations are absolutely vital. Attending to consumer protection, especially in market failure situations, is not an exclusive preserve of management - which is the more reason why the audit system should be open and verifiable.

#### 8.4. GUIDELINES FOR PUBLIC POLICY

Consumer protection has wide implications for public policy. Whenever questions are raised or shortcomings highlighted , it does not only underscore the difficulties of management tasks involved but also the limitations of public policy framework. Even though we have accepted that consumer protection, particularly at the delivery level, is a management challenge, public policy should not shirk the responsibility of setting the agenda. It should provide the broad framework which should make it possible to identify and address consumer issues by making such processes less indeterminate and indecipherable either from consumer's standpoint or those entrusted with guarding his interests.

8.4.1. Consumer Councils: Since this study is not intended to be prescriptive, we refrain from advocating statutory creation of formalized consumer councils where they do not exist at the moment or integrating their functions into the regulatory regime where at the moment they are separated. Our survey data did not indicate that consumers are better or worse-off under either of the structures. However, the implications should be put in proper perspective, from consumers point of view. On the preponderance of probability, the integrative structure,(ie. the aggregative) is more likely to be less innocuous or more devastating for consumers'

interests especially where a weak regulator is in position. The obvious question to which public policy makers should need to provide answer is, who regulates the regulator? There should be a system of checks and balances to send the alert signal when the regulator is not performing well or when he gets embroiled with the interests of a particular constituency to the detriment of the others. A support body, (eg. National Advisory Committees on Telecom), with wider power base should need to exist for each regulated industry to help strengthen the institutional influence of consumers.

Also, the role of consumer councils, where they exist, need to be re-assessed from time to time to determine what aspects are out of tune with requirements of the day and those to strengthen. This will enable them to have a clearer view of the job they should be doing in representing consumers, and make them more adventurous and more purposeful than what obtains at the moment. The job of representing consumers in market failure situations requires more than a complaint handling service. A case reported by Jennifer kirkpatrick, (kirkpatrick, 1988) illuminates this point. The incidence happened when members of the Domestic Coal Consumers Council appeared before a Select Committee on Energy, in 1986. The Council's evidence laid it open to severe criticism during the course of questioning. Its representatives seemed to know little about the National Coal Board's pricing policies and regimes, and to have no clear view of the job which it should be doing in representing consumers. During the course of questioning, Mr Ted Leadbitter, MP, commented to Council's representative as follows, "I have read your memorandum. It took me thirty seconds. I did it while you were chatting here. It was not impressive. It told me nothing, so can we now find out exactly who we are and what we are doing". Above incidence goes to underlie the need to periodically review the role of Consumer Councils in such a way that they can be exposed to their failures as well as successes.

8.4.2. Public service objectives: The circumstance of most of the national enterprises is that it may not be easy to draw a sharp line of demarcation on where public interests should stop and private interests begins.



Evidently, the enterprises provide services some of which may be un-economic in terms of prices and costs. Procedures for establishing public service objectives need to be clearly specified. Privatisation does not necessarily create healthy competition. It therefore becomes necessary that those services which are, for example, socially desirable but can not be catered for through the competitive framework be properly defined and means for attending to them clarified. Privatisation instruments of BT and British Gas were vague on public service obligations of the enterprises, so much so that precise requirements in some areas of activity became a matter of conjecture. One such area is the 'universal service obligation' which we elaborated upon. Clarity in policy framework on such issues would inevitably make enterprises' approach less fuzzy.

8.4.3. Regulatory regime: In view of information obtained regarding regulatory procedures in telecom and gas industries, and proposal for the electricity industry, since experience in those area is thin, one wonders if it should not have been more appropriate to try out another dimension for the electricity industry. Much as we believe that there is no optimal structure, and that regulating such an important sector as electricity should not be done on trial-and-error basis, we also believe that regulatory approach must consider all the inter-relationships and synergies that potentially exist with other sectors, and be more or less futuristic.

A great deal of discussions on the regulatory pattern for electricity have emanated from inside the sector. We noted the position of ECC on the issue as well as that of the government. The position taken by Kirkpatrick, (1988) - one time chief executive of ECC - is procedurally different though conforming with the broad framework. She envisaged the creation of the Office of Electricity Commissioner with two major departments, consumer protection and regulation, each with regional structures to deal with regionalised distribution and/or generation. The arrangement conceptually is commendable but difficulties in terms of operationalization are easy to see. Basically, the Commissioner is entrusted two conflicting and almost irreconcilable roles - consumer protection as one of the two major sub-areas, and regulation as the other. The two departments would, of

necessity, end up operating in such a way that consumer protection (consumer advocacy) would become partisan and regulatory department more forcefully drawn into seeing business as its constituency. It is a different scenario if there is no such functional departmentalization as exemplified by OFTEL.

What we rather recommend as more plausible and enduring is an industry-based framework, such that there will exist a dual body, for example, one regulatory authority for the whole of energy industry (gas, coal, electricity, etc.), and consumer representation under a common umbrella. The Energy Supply Commission under a Director General should have divisions for each of the energy sources but ensuring that undue bureaucracy is not introduced into policy procedures. Such an arrangement will entail that research and policy instruments are precisely targeted, and at the same time enjoying synergistic effects. The structure would be more like the Federal Communications Commission,(FCC), in the United States, but definitely not the Public Utilities Commission. The consumer body, Energy Consumers Council, should reflect the pattern as currently obtain with gas and electricity, major difference being expansion in scope of activities and resources to match such expansion.

Cardinal advantage of the above pattern is that it will make it possible for the whole industry to face common incentive structure. This makes sense bearing in mind that they face common market characteristics. That would also remove the chance of one enterprise being under or over-regulated relative to others, or any enterprise put at a disadvantage on account of its regulatory mechanism. It would therefore ensure a co-ordinated rather than fragmented industry approach.

#### 8.5. OUTLOOK FOR DEVELOPING COUNTRIES

Consumer problems in developing countries like Nigeria are much more complex than is known at the moment. The problems are exacerbated when the national enterprise dimension is introduced. Most of the national enterprises in those environments operate as public enterprises. Often, the



dividing line between public policy and consumer policy is so much blurred because of effective involvement of government in the day-to-day activities of those enterprises. Consequently, managers, from top to bottom, face incentive system quite different from those observed in developed economies. It would be preposterous to try to address those problems here because to do so will only amount to scratching the surface of the issues involved.

One major set-back of course is that there is scarcity of research of direct relevance to the needs of those countries. A bold step forward therefore will be to recognise the urgent need for more research, and take steps to ensure that future research efforts essentially focus and build on the paradigm of policy processes in such peculiar environments. There is no doubt that in the years ahead, drive towards better consumer protection would be more vigorously pursued from within and outside government.

The enterprises must gird their lions now if they must wade through the turbulence. Management and public policy makers should be alert to potential problems and opportunities in effectively and efficiently dealing with consumer issues. Considerably, more research is needed to form a consistent and well articulated body of knowledge to guide policy decisions in the area.

#### **8.6. FUTURE RESEARCH**

This study did not aim to prescribe or dictate policy options for consumer protection. Rather, the over-riding aim is to enrich knowledge and provide the desired framework on which further studies may be based. In our judgment, this aim has been achieved. This is easily grasped by referring to a set of objectives specified in chapter 1, (section 1.6), and collapsed into a set of postulates ,(section 1.8). These were systematically followed through in chapters 3 and 4, sharpened through structuring theses highlights and subsequently given as formal hypotheses in chapter 5. Thus, based on field data presented in chapter 6, the hypotheses were synthesized and evaluated in chapter 7, upon which conclusions were drawn in chapter

8. Through these processes, we addressed consumer protection in its various ramifications. More importantly, we stretched it to an area hitherto under-explored. However, this is not to suggest that this work is all encompassing. Several areas for further research have been identified.

Different degrees of consumer awareness was observed between top management and those at the operating level. Further research is needed to explore this issue and determine whether, for instance, the near-zealous approach to complaint handling was based upon caution to ensure a satisfied customer or on a miscalculation of what was needed. The nature of managerial responses and conditions under which those responses occur need to be investigated. Areas for investigation would include these: Are responses based on manager's individual goals or corporate objectives, or both? How do managers reconcile the objective of protecting consumers' interests and protecting those of the enterprise? What factors may lead to favorable or an unfavorable response? Are merits of complaints important or do managers act in order to avoid bad publicity and unfavorable review?

Further research should also be directed toward manager and consumer expectation about consumer protection. Do managers pursue objectives different from those of the consumers? Understanding what constitutes consumer protection and how this could vary across consumers and industries is an important area for future research.

It would also be of interest to explore further the dialectics of management response behaviour; the determinants, inter-relationships and the strength or intensity of relationships. Index of consumer satisfaction and dissatisfaction should be further researched to determine whether they realistically reflect Herzberg's two-factor theory and implications for consumer management.

With regard to the concept of the national enterprise, this work provides a broad canvas within which further studies can and should be undertaken to ascertain the true nature of the concept, examine the essential



characteristics, boundary limits, parameters of the definition , and to work out a framework for taxonomical purposes. By this we mean that intensive research studies should be conducted into the various aspects of the definitional and taxonomical issues with a view to providing better understanding of the identity and character of the national enterprise. This would have wide implications for Marketing because as a philosophy and function of business, it should be held accountable for the design and delivery of consumer policy processes appropriate for the multifarious constituencies of interest.

## **APPENDIX 1A**

### **SEMI-STRUCTURED INTERVIEW : QUESTIONNAIRE**

**NOTE :** The following questions provide guidance in determining management approach to a number of issues with consequences on consumer protection. The questions may not be rigorously followed in the sequence in which they appear. Some of the questions may be restructured, without losing the substance, to reflect the realities of the particular enterprise, ie. adapting the questions to achieve particularization.

**PROCEDURE :** Explain the purpose of the interview, emphasizing that it is not a test of any individual's ability or knowledge. Point out that some questions may appear repetitive, interviewees could respond if they see them in a new light or draw interviewer's attention earlier response. Start the interview by talking on generalities, ( but very mindful of time constraints), ie., knowing the interviewee's background, Office, functions etc.

**CLOSING :** Ask whether there are areas or issues which the interviewee consider important but not raised or not properly addressed in the course of the interview.

A vote of thanks - but making sure that there is an open channel in case a repeat visit becomes necessary.

### **QUESTIONS**

#### **1. ATTITUDE TOWARDS PHILOSOPHY OF BUSINESS**

- a. What do you consider the major thrust of the enterprise consumer policy? (objectives & expectations).
- b. How would you like to describe the consumer in your particular market place ? Who is he ? How does he react to your marketing cues ?
- c. Generally, what do you have to say about the marketplace, in terms of the level of competition, marketing approach, and any other peculiarities ?
- d. What would you say are the major determinants of your consumer policy, what determines or shapes it's focus ?
- e. Managing consumer policy in a big organization like yours must pose enormous challenges. What do you consider the major challenges ? the high and low points, and how do you see them developing in the future ?
- f. Do you have a market intelligence system of any sort?  
What kind of information do you receive, how do you process and use them?
- g. Generally, what views do consumers have of the organization?



## **2. ATTITUDE TOWARDS CONSUMER RESPONSIBILITIES**

- a. What is your general assessment of the consumer organization (named) ?
- b. How do you relate to the consumer organizations, (named), how do they impact on corporate policy formulation and implementation ?
- c. What changes, if any, have you noticed in the role of consumer representative organizations (named) as the company undergoes the transformation from public to private enterprise?
- d. Do you consider such roles ( C above) necessary in today's marketplace? How would you like to see them function in future?
- e. In terms of the company's relationships with it's publics (shareholders, gov't, regulators, consumers,etc.), where does the company's responsibility lie?  
What effect has this on consumer policy?
- f. Which, among it's publics do you consider as exerting the greatest pressure on consumer policy (give a rating) and why?

## **3. ATTITUDE TOWARDS CONSUMER SATISFACTION/DISSATISFACTION**

- a. Is management concerned with the quality of service the company offers? How do you determine acceptable level, what measures do you apply ?
- b. Generally, do you think that consumers are satisfied with the company's performance ?
- c. What indicators would suggest to you that:  
(i) consumers are satisfied  
(ii) consumers are not satisfied ?
- d. How do you react to each of the scenario above, ie., what do you do if they are satisfied or if they are not satisfied?
- e. What approaches does the company apply to the management of consumer complaints ?  
What messages does consumer complaint convey to the company?  
Is there specialized structure within the organizational framework for the management of consumer complaints ?
- f. Statistics (provide data) shows that the level of consumer complaints has continued to grow over the years. Does this reflect the level of consumer dissatisfaction or simply a wave of consumer restlessness with just about everything ?
- g. How best do you think consumer interests could be better targeted? Should corporate strategies be addressed to :  
(i) maximizing consumer satisfaction objective  
(ii) minimizing consumer dissatisfaction objective ?

#### **4. ATTITUDE TOWARDS REGULATION**

a. How would you describe the company's regulatory environment?  
Do you think that the company is over-regulated, under-regulated, or is the regulatory system just alright?

b. What do you think about the role of government in the company's marketplace?  
Should the government be more involved, or less involved with the goings-on, or not get involved at all? Why?

c. Is it correct to say that the type of regulatory environment facing a company will determine its behaviour in the marketplace?  
Could you reflect from your company's perspective.

d. It has been suggested that the reason why B.T, for example, is very much alert on consumer issues is because it's got an offensive watchdog perpetually on its tail.  
Could you react to this statement.

e. Ideally, what kind of relationship between the company and the regulatory agencies would you propose as a good framework for addressing consumer protection issues?

f. It has been suggested that a regulatory framework in which the regulator and the consumer body operate under a single canopy, (eg.Oftel), could be more alive and pro-active on consumer issues than a situation where the two bodies operate independently,(eg, Ofgas).  
How do you react to this view?

g. What do you consider the major strengths and weaknesses of the regulatory structure under which you operate now?

h. From hindsight, what kind of changes, if any, would you want to see in the regulatory framework facing the organization?  
Why do you think such changes are necessary?

i. Opinions have been expressed to the effect that if companies like BT,BG are successful in keeping the law, ie., meeting up with their authorization instruments, they would have succeeded in meeting high standards of consumer protection.  
Do you share this view?

#### **5. PHILOSOPHY OF CONSUMER PROTECTION**

a. What does the term,'consumer protection' mean to you?  
How would you define it, what do you consider to be the ingredients, ie., constituent factors?

b. Has the company got any written statement relating specifically to consumer protection?



c. Could you describe the level of management involvement in formulating consumer protection policies.

At what level(s) are such policies initiated, and implemented ?

d. Are there any structural changes which have been introduced by the organization in response to consumer protection demands?

Elaborate also on investments made by the organization in the area, general or specific problems being encountered in the implementation of the programmes.

e. How do you evaluate your consumer protection programmes ?

Are there a set of standards upon which performance can be gauged , or any system of measurement?

## **6. PHILOSOPHY OF RESPONSIVENESS**

a. In deciding on consumer protection packages, obviously management feels a sense of responsibility. Does this responsibility go beyond economic and/or legal?

In what ways?

b. What are the typical issues for which consumers have expressed concerns? (consumers' expression of their concerns)

In what areas do you really think that consumers need protection ? (mgt. view).

c. How would you describe management's philosophy of response to consumer issues?

Is it the policy to react to issues as they arise, or anticipate them? (pro-act, action tendency)

d. Are there organizational or managerial mechanisms, procedures, arrangements, or behavioural patterns which you would say marks the organization as more or less capable of responding to consumer protection pressures?

e. How would you rate management discretionary behaviour on consumer protection, ie., when it is not mandated or regulated to do so?

How do you determine and take those decisions, what effects have they had, and what kind of emphasis do you place on such practices?

## **7. REACTION TO MARKET PROCESSES**

a. What role does market forces play in the design of your consumer policy?

b. Opinions have been expressed to the effect that inspite of the market failure characteristics of companies like yours, market mechanism still play a vital role in charting the course of consumer policy?

c. It has been argued that enterprises can rise beyond the handicap of both the market and political processes to evolve discretionary strategies for consumer protection. Standing up to this challenge has been recognized as an integral part of management process.

How has your company approached the issue?

d. "The key to genuine consumer protection lies with what management comes up with, not necessarily what the rule books say " .  
Would you agree with this statement?  
What are the likely problems which could result from such a standpoint?



## APPENDIX 1B

### APPRAISAL SHEET: PRELIMINARY SCORING OF APPENDIX 1

**1. Attitude toward the philosophy of business:**

Lower Limit ----- Upper Limit.

(Company orientation). (Customer orientation)

**a. Thrust of consumer policy, (objectives and expectations).**

0 - Company centered.

1 - Market centered.

2 - Consumer centered. - 2

**b. How the consumer is viewed.**

0 - Profit instrument.

1 - Market opportunity.

2 - Marketing opportunity. - 2

**c. How the market place is viewed.**

0 - Turbulent and atomistic.

1 - Placid and controlled.

2 - Perfect market failure. - 2

**d. Determinants of consumer policy.**

0 - Legal realities.

1 - Economic values.

2 - Consumer realities. - 2

**e. Challenges of consumer policy.**

0 - Ensuring continuity in organizational services.

1 - Adapting the organization to the exigencies of market realities.

2 - Attainment of customer loyalty. - 2

**f. Orientation of market intelligence system.**

0 - Emphasis on statistical data.

1 - Macro-economic trends.

2 - behavioural trends. - 2

**g. Perceived consumers' view of the organization.**

0 - Not sure.

1 - Favourable.

2 - Very favourable. - 2

----- Min.0 : Max. score 14.

**2. Attitude toward consumer responsibilities:**

**Lower Limit ----- Upper Limit.**

**(low attitude  
towards  
responsibilities)**

**(high attitude  
towards consumer  
responsibilities).**

**a. Assessment of relationship with named  
consumer organization.**

**0 - Cordial.**

**1 - Co-operative.**

**2 - Invaluable.**

**b. Perceived impact of named consumer  
organization on policy formulation.**

**0 - No direct impact on policy formulation.**

**1 - Though have open-door policy but internal  
decision processes are protected from  
external forces like consumer organizations.**

**2 - Recognizes consumer organizations as  
partners in progress and co-opts them in  
formulating consumer policy.**

**c. Noticeable changes in the role of the named  
consumer organization as the enterprise  
transforms from public to private outfit.**

**0 - Not much has changed, the same old outfit  
trying to adapt to the realities of the  
situation.**

**1 - Aggressive with dispositions to try to run  
the enterprise.**

**2 - Pro-active with highly skilled and adaptive  
resources to make constructive input in  
consumer policy arena.**

**d. Perceived relevance of the role of consumer  
organizations.**

**0 - Not absolutely necessary, because of  
anti-competitive implications.**

**1 - Somehow relevant.**

**2 - Absolutely relevant.**

**e & f. Categorization of stakeholders in terms  
of input and policy orientation.**

**0 - Shareholders.**

**1 - Regulators.**

**2 - Consumers.**

**Min. 0 : Max.10**



**3. Attitude toward consumer satisfaction/dissatisfaction.**

Lower Limit ----- Upper limit.  
(Satisfaction minimization) (Dissatisfaction maximization)

- a. Measures of quality of service.
  - 0 - No laid down criteria.
  - 1 - Corporate specific factors.
  - 2 - Consumer specific factors.
- b. Perceived degree of satisfaction with company's performance.
  - 0 - Outwardly satisfied.
  - 1 - No opinion.
  - 2 - Measured response.
- c. Indicators suggesting level of consumers' satisfaction/dissatisfaction.
  - 0 - Complaint statistics.
  - 1 - Business statistics in terms of sales volume and profit.
  - 2 - Consumer statistics in terms data relating to behavioural chain.
- d. Corporate reaction to scenario in (c) above.
  - 0 - Do trends analysis of nature of complaint ie. react to expressed complaints.
  - 1 - Do market analysis to re-position marketing mix variables.
  - 2 - Do integrated consumer research to explore both expressed and unexpressed behavioural variables.
- e. Perceived message inherent in consumer complaints.
  - 0 - Reveal customer preference pattern.
  - 1 - Reveal flaws in corporate strategy.
  - 2 - Offers insight into pattern or degree of dissatisfaction.
- f. Explanation as to increasing wave of consumer complaints.
  - 0 - Somehow, reflects a wave of consumers' restlessness with just about everything, ie. problems related to the economy.
  - 1 - Nothing more than what the complaints in themselves say.
  - 2 - More consumers are availing themselves of avenues of expressing their dissatisfaction.

- g. Perception on how consumer interest should be best targeted or optimized.
- 0 - Corporate strategies should aim at achieving consumer satisfaction.
- 1 - Not very sure how this could be achieved.
- 2 - Minimization of consumer dissatisfaction.

Min.0 : Max.14

**4. Attitude towards regulation**

Lower Limit ----- Upper Limit.  
(Reactive). (Pro-active)

- a. Perception of the company's regulatory environment.
  - 0 - Under-regulated.
  - 1 - Regulatory system just alright.
  - 2 - Over-regulated.
- b. Expectations on the role of government in the market place.
  - 0 - No opinion.
  - 1 - Greater involvement by the government.
  - 2 - Less involvement by government.
- c & d. Reaction to the proposition that enterprise behaviour is shaped by the nature of the regulatory environment.
  - 0 - Outwardly positive.
  - 1 - Neutral.
  - 2 - Outwardly negative.
- e. Envisaged relationship between the company and the regulator.
  - 0 - No meddling in each other's affair
  - 1 - Identify areas of co-operation by working together.
  - 2 - Shared over-all goal but compete in the consumerism industry.
- f. Reaction to the proposition that the enterprise facing a structurally aggregative regulatory environment is more likely to be pro-active on consumer issues than a case of disaggregative framework.
  - 0 - No definite opinion.
  - 1 - Negative.
  - 2 - positive.
- g & h not susceptible to coding.
- i. The enterprise which meets up with authorization instrument invariably has succeeded in meeting high standards of consumer protection.



- 0 - Outwardly positive.
- 1 - Non committal response.
- 2 - outwardly negative.

Min.0 : Max.12

**5. Philosophy of consumer protection**

Lower limit -----Upper Limit.  
(Hazy orientation). (Clearly defined).

- a. Definition of consumer protection and its constituent factors.
  - 0 - Definition based on product characteristics, ie. product-led definition.
  - 1 - Definition based on market characteristics ie. market-led definition.
  - 2 - Definition based on needs and fulfillment, ie. marketing-led definition.
- b. Existence of written or verifiable statements on consumer protection.
  - 0 - Unwritten and informal statements.
  - 1 - Written but used only for internal decisions.
  - 2 - Written and publicly acclaimed, ie. communicated to the public.
- c & d can not be coded.
- e. Evaluation of company's consumer protection programmes in terms of performance measurement.
  - 0 - No system of measurement.
  - 1 - Informal measurement.
  - 2 - Formal measurement.

Min.0 : Max.6

**6. Philosophy of responsiveness.**

Lower Limit -----Upper Limit.  
(Reactive). (Pro-active).

- a. Degree of consumer factor input in designing consumer policy programmes.
  - 0 - Uncertain.
  - 1 - Positive but without clear guide to policy initiatives.
  - 2 - Positive and well articulated.
- b. Company's views of areas where consumers need protection.
  - 0 - Degree of protection as currently exist is adequate.
  - 1 - product attributes.
  - 2 - Marketing system.

c. Company's response philosophy on consumer issues.

0 - Unclear.

1 - Reactive, ie. reacts backward from the market place.

2 - Pro-active ie. anticipates problems before they are fully blown.

d. Existence of verifiable organizational mechanisms for responding to consumer protection.

0 - Non committal response.

1 - Outwardly negative.

2 - Outwardly positive.

e. Role of discretionary input in consumer policy decisions.

0 - Not considered necessary on account of elaborateness of authorization instrument.

1 - Dictated by moral considerations or social responsibility objectives.

2 - Dictated as a matter of self-interest and therefore veritable policy input.

7. Reaction to market processes:  
(Scaling as above)

a & b. Role of market forces in the design of consumer policy.

0 - Unsure.

1 - Covert, measured agreement.

2 - Overt, full agreement.

c & d. Reaction to the importance of extra political and market processes as alternative guide for consumer protection.

0 - Outwardly negative.

1 - Neutral.

2 - Outwardly positive.

Min.0 : Max. 14

Aggregate Score: Min.0 Max.70

RATING:

0 - 14 > Hostile.

15 - 28}

29 - 42} > Low Profile.

43 - 56}

57 - 70} > High Profile.



## APPENDIX 2A

### QUESTIONNAIRE

NOTE: Please tick or encircle as appropriate.

1. Name of organization: Oftel: Ofgas: GCC: ECC:(check one)

2. Name of respondent:  
(optional) -----

3. Title (position in the organization)-----

4. Consumer protection in the Gas/Telecom/ Electricity market has remained a topical issue. Do you think that consumers are having a fair deal?

- (a) Yes.-----
- (b) No.-----
- (c) Don't know -----

5. Do you think that Gas/Telecom/Electricity consumers are better off or worse off today than they were 5 yrs. ago?

- (a) Better off-----
- (b) Worse off-----
- (c) Don't know.-----

6. To what extent do you agree/disagree that consumers deserve more protection than what the free market system can offer?

- (a) Agree to a great extent.---
- (b) Agree to a limited extent.---
- (c) Disagree to a limited extent.---
- (d) Disagree to a great extent.----
- (e) Not decided.-----

7. How do you rate the present state of consumer protection in the Gas/Telecom/Electricity market?

- (a) Very adequate.-----
- (b) Adequate.-----
- (c) Inadequate.----
- (d) Very inadequate.---
- (e) Not decided.----

8. Some people have argued that advocates of consumer protection are interfering with the free market system and consequently, in enterprise affairs. How much do you agree or disagree with this?

- (a) Strongly agree.---
- (b) Agree.-----
- (c) Disagree.-----
- (d) Strongly disagree.---
- (e) Undecided.----

9. It has been suggested that consumer protection in Gas/Telecom/Electricity can be better improved through internal discretionary management efforts of the enterprise rather than reliance on statutes. To what extent do you agree/disagree with this view?

- (a) Strongly agree.---
- (b) Agree.-----
- (c) Disagree.-----
- (d) Strongly disagree.---
- (e) Undecided.-----

10. Which areas of consumer protection do you think Gas/Telecom/Electricity management need to pay more attention to?

.....

.....

.....

11. How effective do you think statutes have been in inducing 'responsible' behaviour from the enterprise?

- (a) Very effective.---
- (b) Effective.---
- (c) Ineffective.---
- (d) Very ineffective.----
- (e) Don't know.-----

12. Overall, do you think that statutes can be relied upon for adequate consumer protection in the Gas/Telecom/Electricity market?

- (a) Yes.--- (go to Q.13)
- (b) No.--- (go to Q.14)
- (c) Don't know.---(go to Q.15 )

13. If your answer to Q.12 is Yes,in what ways?

.....

.....

.....

(go to Q.15)



14. If your answer to Q.12 is No,how do you think they could be made more effective?  
-----  
-----

15. Do you agree/disagree with the view that without the consumer watchdog, enterprise management would slacken their consumer protection efforts?

- (a) Agree.---
  - (b) Disagree.---
  - (c) Undecided.----
- Why do you say that?  
-----  
-----  
-----

16. Some people have argued that without the voluntary co-operation of the enterprise,a consumer watchdog would be less effective in protecting consumers' interests. What do you feel about this ?  
-----  
-----  
-----

17. It has been suggested that by obeying the laws and conforming with the relevant statutes, with all the consumer rights and privileges entrenched in them, the enterprise would be taken to have done enough for consumer protection. To what extent do you agree/disagree with this?

- (a) Strongly agree. ---
- (b) Agree. ---
- (c) Disagree. ---
- (d) Strongly disagree. ---
- (e) Undecided. ---

18. From the options given below, (a - f ), which one do you think can most effectively advance the cause of consumer protection in the Gas/Telecom/Electricity market? (CIRCLE ONE).

- (a) Industry-wide self regulation. Eg. codes
- (b) Voluntary Management efforts, not induced by legislation.
- (c) Direct government intervention through the use of State machineries.  
Eg. government ministry.
- (d) Specialized consumer watchdog, independent of direct government and enterprise control.  
Eg. Oftel.
- (e) General consumer protection agencies.  
Eg. CABx
- (f) None of these.

19A. Looking at 3 possible types of consumer watchdog, Viz.,

- (a) Where the consumer body and the regulator operate as one unit. Eg. Oftel.
- (b) Where the consumer body and the regulator operate as separate units .Eg. GCC & Ofgas.
- (c) Where the consumer body and the regulator operate from within a government Ministry. Eg. Dept. of Trade.

\*\*\* Which one of the options above, (a- c), most aptly reflects each of the following statements as it applies to Telecom/Gas/Electricity. Write your answer,(A , B,or C )for each of the statements (19 to 27).

- 19. Most likely to get quicker effect.----
- 20. Most effective in dealing with the captive enterprise.---
- 21. Most effective in resolving consumer complaints. ---
- 22. Most likely to bark as well as bite.---
- 23. Most likely to be accessible to consumers.---
- 24. Least likely to get caught in bureaucratic hang-ups.---
- 25. Most likely to have highest level of visibility.---
- 26. Most likely to have better understanding of the complexities and peculiarities of the specific enterprise (Gas/Telecom/Elec.) market.---
- 27. Most likely to be pro-active rather than reactive on consumer issues.---
- 28. It has been said that the market situation in the Gas/Telecom/Electricity industry will still undergo changes, which will also cause changes in consumer protection strategies. How far do you agree/disagree with this view?
  - (a) Completely agree.--- (go to Q.29)
  - (b) Agree a little. -----(" " )
  - (c) Disagree a little.---(go to Q.31)
  - (d) Completely disagree.---(" " )
  - (e) Don't know.---

29. If your answer to Q.28 is a or b, what kind of change envisage?  
-----  
-----



On consumer issues? -----  
-----  
-----

30. How do you see such changes affecting your organization?  
-----  
-----  
-----  
(go to Q.32)

31. If your answer to Q.28 is c or d, why do you say so?  
-----  
-----  
-----

32. What is your idea of a protected consumer in the  
Gas/Telecom/Electricity market?  
-----  
-----  
-----

33. What is your vision of a perfect consumer protection watchdog  
in relation to the Gas/Telecom/Electricity industry?

COMMENT: Do you have any other comment on consumer  
protection in the Gas/Telecom/ Electricity industry, or about this  
questionnaire. -----  
-----  
-----  
-----  
-----

THANK YOU

NB.  
PLEASE RETURN IN THE ENCLOSED ENVELOP.

## APPENDIX 2B

### ANALYSIS OF SELF-COMPLETION QUESTIONNAIRE

TABLE --: Pattern of questionnaire distribution and collection.

	: GCC	ECC	TOTAL
No sent	10	11	21
No returned	8	10	18
Percent (as per no. sent)	80	91	86

KEY: GCC - Gas Consumers' Council, (2 Area offices, North Thames & South East were omitted.

ECC - Electricity Consumers' Council, (1 Area office was omitted, London Electricity Consultative Council).

n = 18

	GCC			ECC		
	: +ve	-ve	N.	+ve	-ve	N.
4a. Consumer protection is a topical issue.	8	-	-	10	-	-
4b Consumer are having a fair deal.	3	1	4	6	3	1
5 Consumers are worse today than they were five years ago.	-	8	-	-	10	-
12. Efficacy of statutes to protect consumers.	5	3	-	1	8	1
15. Without consumer watchdogs, enterprises would slacken on consumer protection.	6	1	1	8	-	2

Key:



**+ve Positive; -ve Negative; N Neutral.**

**n = 18**

-----  
-----  
  
-----  
**6. Consumers deserve more protection.**

**7. Perception of present state of consumer protection.**

**8. Existence of consumer watchdogs mean interference with the market system and free competition.**

**9. Consumer protection will be better improved through appeal to enterprise conscience than relying on statutes.**

**11. Perception on effectiveness of statutes in inducing responsible corporate behaviour.**

**17. By obeying relevant regulations, enterprise should be taken to have done enough for consumer protection.**

**28. Expectation that unfolding market situation will cause changes in consumer protection strategies.**

**Key: ++ve Strongly Agree.  
+ve Agree.  
-ve Disagree.  
--ve Strongly Disagree.  
N Neutral.**

-----						
-----						
-----						
19. Most likely to get quicker effect.	3	5	-	10	-	-
20. Most effective in dealing with the captive enterprise.	4	4	-	10	-	-
21. Most effective in resolving consumer complaints.	2	6	-	9	1	-
22. Most likely to bark as well as bite.	2	6	-	8	1	1
23. Most likely to be accessible to consumers.	2	6	-	9	1	-
24. Least likely to get caught up in bureaucratic hang-ups.	3	5	-	10	-	-
25. Most likely to have highest level of visibility.	3	5	-	10	-	-
26. Most likely to have better understanding of the complexities and peculiarities of the enterprise market situation.	2	6	-	10	-	-
27. Most likely to be pro-active on consumer issues.	2	6	-	10	-	-

Key:  
A = Structural arrangement where the regulator and the consumer representative body operate as a single entity.  
B = The two bodies operate independently.  
C = Both bodies operate from within government ministry.



AGGREGATE SCORE : SUMMARY OF RESPONSES.

-----						
No.	Positive	%	Negative	%	Neutral	%
-----						
4a.	18	100	-	-	-	-
4b.	9	50	4	22	5	28
5.	-	-	18	100	-	-
12.	6	33	11	61	1	6
15.	14	78	1	6	3	16
-----						
6.	18	100	-	-	-	-
7.	17	94	-	-	1	6
8.	5	28	13	72	-	-
9.	5	28	13	72	-	-
11.	14	78	4	22	-	-
17.	-	-	17	94	1	6
28.	14	78	3	16	1	6
-----						
	<u>A</u>		<u>B</u>		<u>C</u>	
19.	13	72	5	28	-	-
20.	14	78	4	22	-	-
21.	11	61	7	39	-	-
22.	10	55	7	39	1	6
23.	11	61	7	39	-	-
24.	13	72	5	28	-	-
25.	13	72	5	28	-	-
26.	12	67	6	33	-	-
27.	12	67	6	33	-	-

Key:  
A = Regulatory regime where the regulator the consumer representative organization work jointly.  
B = Both bodies operate independently.  
C = Both bodies operate from within government department.

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