Section 2
Consumer Issues

This section focuses on the issues that affect consumers within particular sectors of the economy: the retail sector (with particular reference to alcoholic and non-alcoholic beverages, fruit and vegetables, and pharmaceuticals); passenger transport, planning and utilities (electricity and telecoms)

3

The Retail Sector

Expenditure on personal consumption of goods and services is estimated to be in the region of €63 billion for 2003[27]. This chapter examines key areas of the retail sector where there has been public perception of high prices. The Group carried out a number of research studies, looking at the retail sector as a whole as well as carrying out some specific analysis on alcoholic and non-alcoholic beverages, fruit and vegetables and pharmaceuticals.

3.1 Structure of the Retail Sector in Ireland

The structure and dynamics of the retail sector have changed dramatically over the past decade, with retail sales now accounting for 15.1 per cent of GDP, having grown by over 40 per cent in the period 1999–2003. Although there was little change in the number of food and non-food retail outlets, total retail floor space grew by 36.1 per cent from 7.2 million square metres to 9.8 million square metres. Table 6 gives summary data for the retail sector. See Appendix J for further details on the types of retail outlets and regional distribution.

Table 6: Summary Data for the Retail Sector

Year	1999	2000	2001	2002	2003
Retail sales (€ million)	14,596.4	16,119.2	17,719.0	18,828.7	20,568.2
Retail sales as a per cent of GDP	16.6	15.6	15.5	14.5	15.1
No. of food retailers	11,208	11,204	11,232	11,239	11,251
No. of non-food retailers	21,975	22,110	22,245	22,380	22,515
Total no. of outlets	33,183	33,314	33,477	33,619	33,766
Total floor space (million sq metres)	7.2	7.7	8.3	9	9.8
Growth % in Total floor space	–	6.9	7.8	8.4	8.9
Sq. metres per outlet	217	231.1	247.9	267.7	290.2

Source: Euromonitor and CSO.

Forty four per cent of retail outlets are in Leinster. Dublin, with 29 per cent of the population, has only 19.5 per cent of outlets, but these have higher average floor space.

Ireland is well served in terms of number of outlets per head of population and is above the EU average. In 2003 Ireland had 8.6 retail outlets for every 1,000 people compared to an EU average of 8[28].

27 *CSO, 2004.*

28 *Euromonitor, 'Retail Outlets per 1,000 Population for a Selection of EU Member States, 2003.*

The Irish retail sector exhibits some degree of concentration especially with regard to groceries. In terms of turnover the three largest players are Musgraves (Centra and Supervalu), Tesco and Dunnes Stores. In terms of outlets Musgraves has the highest number (513), followed by BWG (400), Londis (300), Dunnes Stores (87) and Tesco (80). More information on leading retailers and retail groups in Ireland by retail turnover is presented in Appendix J.

Independent specialist stores traditionally played an important role in Irish food retailing, particularly in rural areas, which generally are unable to sustain large supermarket outlets. However changes in lifestyles and different buying patterns have meant that specialist shops such as butchers, bakery shops and greengrocers have all lost market share. Food sales from convenience stores now represent 42.2 per cent of sales compared to 38.1 per cent in 1999 - see Appendix J.

Between 1999 and 2003 food sales at discount supermarkets such as Aldi and Lidl in Ireland rose some 469 per cent, from sales of 29 million to 165 million euro. This was driven by new store openings and consumers' growing acceptance of the new format. Aldi and Lidl together now account for 3 per cent of total retail grocery sales.

Sales through alternative selling channels (e.g. catalogue shopping, internet retailing, direct selling, vending machines and non-petrol sales at service stations) increased by an estimated 37 per cent during 1999–2003 to more than €1.1 billion[29].

Structure of the Retail Sector in Ireland: Conclusions

There is a relatively high level of concentration in Ireland's food retail industry. Apart from the main players discussed above, the introduction of discount stores such as Aldi and Lidl has had a considerable impact. The Group considers that increased competition in the Irish market by more overseas retailers establishing in Ireland would go some way to ensuring that consumers get better value for money.

"Businesses have all the clout and can more or less do as they wish in regard to the consumer"

Source: From a submission to the CSG

29 CSO, Company Accounts and Euromonitor Analysis.

3.2 Alcoholic and Non-Alcoholic Beverages

In 2003, 80 per cent of alcohol consumed in Ireland was beer, followed by wine at eight per cent, cider at six per cent and spirits at three per cent. Eurostat 2003 index figures show that Ireland is the most expensive country in the EU15 for alcoholic drinks as outlined in Table 7 and the World Health Organisation (WHO) European drink price comparisons, 2003, confirms that Ireland is the most expensive country in the EU for beer and wine.

Table 7: Index of Alcoholic Beverage Prices in the EU

Ireland	Finland	Sweden	United Kingdom	Denmark	Portugal	Italy	Netherlands	Austria	Greece	Germany	Belgium	France	Luxembourg	Spain
182	181	152	150	131	105	102	98	92	92	88	87	87	83	78

Source: Eating, Drinking, Smoking, Price Levels in EU, EFTA and Candidate Countries 2003, Eurostat.

Irish consumption is the second highest in the EU15 one might reasonably expect that prices would be lower if supply were unconstrained and the market operated freely. The Group's research highlights four areas that may be contributing to these higher prices.

- Excise duties combined with a 21 per cent VAT rate (EU15 average is 18.4 per cent) are a major component of the price of alcohol – up to 40 per cent for beer and 55 per cent for spirits, in 2003. Ireland has the highest excise duty rate for wine in the EU, the second highest for spirits and one of the highest for beer. Table 8 shows a Euromonitor breakdown of the selling margins of popular beer and spirit brands sold in a off-licences in Ireland in 2003

Table 8: Share of Total Price of Typical Beer and Spirit Brand in Off-Licences, 2003

	Beer	Spirits
VAT	17.4	17.4
Excise	22.0	38.4
Retailer	20.0	12.6
Distributor	11.3	12.6
Manufacturer	29.3	19.0
TOTAL	100.0	100.0

Based on: Heineken 500ml, €1.89; Jameson 350ml, €14.30 Source: Euromonitor, May 2004

- The Liquor Licensing Laws, in place since 1902, control retailer entry into the market and at present no licence can be issued without another being extinguished. Licences are issued through the courts and by the Revenue Commissioners. With almost 80 per cent of alcohol being sold on-trade this restrictive practice has done little to encourage innovation in the pub sector which in turn places little pressure on the supply chain
- Additionally, the current alcohol licensing system specifies that to transfer a licence to a new pub, the owner must make a case that the new pub will not affect the viability of existing pubs in the area. There has been much discussion recently regarding the possible deregulation of pub licences, and it is clear that planning regulations will have a determining influence on future public house proposals. Proposals for new or extended public houses give rise to planning issues similar to those associated with retailing, with additional concerns over possible anti-social behaviour
- There is at present a concentration in the draught beer supply market with three large suppliers dominating (Diageo, Heineken and Beamish & Crawford). An increase in competition at retail level would in turn lead to increased competition amongst suppliers. The recent reduction in duty on micro-breweries announced in the 2004 budget may have some positive impact in this sector.

Soft Drinks

Ireland was also the most expensive country in the eurozone for soft drinks (mineral waters, soft drinks, fruit and vegetable juices) in 2003, with carbonated drinks accounting for almost 80 per cent of the sector[30]. Table 9 shows comparative price level indices for Ireland and other eurozone countries.

Table 9: Comparative Price Level Indices for the Soft Drinks in the Eurozone Countries 2003, EU25=100

	Ireland	Finland	Belgium	Greece	Denmark	Netherlands	Italy	Luxembourg	France	Portugal	Austria	Spain
Soft drinks (retail)	143	141	110	102	101	101	100	99	98	93	89	74

Source: Eurostat, Statistics in Focus, eating, drinking, smoking, comparative price levels in the EU, EFTA and Candidate countries for 2003

The soft drinks market in Ireland is dominated by two suppliers, Coca-Cola Bottlers (Ireland) Ltd. and C&C (Ireland) Ltd., which together control over 70 per cent of all distribution to retail and on-trade shops. This high concentration at supplier level may be driving the higher prices in the soft drinks market.

Excessive on-trade prices for non-alcoholic and soft drinks are driven by the fact that a soft drink consumed in an on-trade environment is not the same as a soft drink purchased for consumption on the go or in the home. Publicans can charge a high rate for these drinks as they provide an extra service in the form of accommodation and ambience. A soft drink can be consumed as a mixer. Where this is the case, the soft drink becomes a part of the overall alcoholic drink, changing its value and allowing it to command a premium.

As noted above, a lack of competition in the retail on-trade sector, particularly in Dublin, has facilitated publicans in charging higher prices.

Alcoholic and Non-Alcoholic Beverages: Conclusions

Ireland is the most expensive country in the EU15 for alcoholic and non-alcoholic beverages. Indirect taxes such as excise duty and VAT are major components of the final price of an alcoholic product and are comparatively high in the EU. Entry into the on-trade market place is restricted by the Liquor Licensing Laws. While the aim of this law was to safeguard the public interest, it now limits competition and this is not in the consumers' interests.

Key Recommendations

Alcoholic and Non-Alcoholic Beverages

- Abolish the limit on the numbers of pub licences.
  Responsibility: Department of Justice, Equality and Law Reform
- Introduce new forms of licences (for example, for cafes) designed to cater for changing consumer tastes in the market place.
  Responsibility: Department of Justice, Equality and Law Reform
- Ensure that planning is not used as a barrier to entry in respect of pub and other forms of licence.
  Responsibility: Department of Environment, Heritage and Local Government

30 *Datamonitor, Soft Drinks in Ireland, June 2004.*

3.3 Fruit and Vegetables

Ireland is the most expensive country in the eurozone for fruit, vegetables and potatoes. However, equal price comparisons are complicated by differing local consumer tastes and factors such as the different grades or quality of produce available on the shop shelves and whether the produce is loose or pre-packed.

Bord Bia monitors the retail value of the fresh produce market through the TNS-MRBI household panel[31] which in 2003 valued the fruit and vegetable market at €843.7m, up 4.5 per cent on 2002. According to Forfás estimates (based on industry sources), Ireland is approximately 80 per cent self-sufficient in the fruit and vegetables that can be grown here.

Higher Production Costs

It costs more to produce fruit, vegetables and potatoes in Ireland than in other European countries for the following reasons:

Scale	Smaller farm sizes in Ireland contribute to lower unit areas resulting in higher overheads and variable costs per hectare
Seasonality/Yield	As well as determining the times of year when outdoor growing can take place, climate also impacts on the yield per hectare. Other European countries have climatic advantages over Ireland providing them with higher yields and therefore lower costs
Availability of Crop Protection Products	Because of the small size of the Irish production market, many crop protection products are not licensed in Ireland because it is too expensive for the agro-chemical companies to do so. A consequence of this is that there are fewer such products for sale here and those that are available are more expensive than elsewhere.

Fresh produce is a low margin, high volume business. Ireland's relatively small population, combined with the low density of population contributes to the relatively higher cost per kilo of fruit and vegetables.

Consumer Demands and Tastes

Irish consumers want fruit and vegetables that are blemish free and of a similar size, colour and shape. Consequently up to 40 per cent of fresh produce grown in Ireland can be discarded, so adding to the price paid by the consumer[32].

National tastes also affect prices. For example, Irish consumers prefer 'floury' potatoes which tend to achieve a lower crop yield, sometimes up to 20 per cent lower, making the potatoes we eat relatively more expensive[33].

Changing lifestyles are also a factor – Irish consumers purchase more pre-packed and pre-prepared fruit and vegetables than countries such as France and Spain. These tend to be more expensive per unit cost than fresh produce.

31 *The TNS household panel continuously tracks the spend of a representative sample of 1,350 households in Ireland on a range of consumer products, including fresh produce.*

32 *Forfás, Study Interviews, 2004.*

33 *Bord Bia, 2004.*

Unlike other European countries, fruit and vegetable markets are not a significant channel for fresh produce sales. The operation of such markets is governed by the Casual Trading Act, 1995[34]. In 2002, the Competition Authority undertook a study to investigate how the Act had been implemented by local authorities and to examine its effects on competition in local markets. It found a lack of consistency in the implementation of the Act, notably large variations in fees, differences in the levels of facilities being provided and the provision of pitches that were too small for traders' stalls.

Fruit and Vegetables: Conclusions

Irish consumers do not just want low cost produce; they also want choice and quality. Consumer tastes and demands as well as production costs and population size are all determining factors in the final price that consumers pay for fruit and vegetables. The Irish retail fruit and vegetable market is moderately concentrated with three quarters of produce sold in the multiples. Unlike other European countries, fruit and vegetable markets are not a significant channel for fresh produce sales.

Key Recommendations

Fruit and Vegetables

- Increase the number of licences granted to traders.

  Responsibility: Department of Enterprise, Trade and Employment

- Apply a consistent approach to casual trading regulations across all local authorities by means of statutory based guidelines. This may require an amendment to the Casual Trading Act of 1995.

  Responsibility: Department of Enterprise, Trade and Employment

3.4 Pharmaceuticals

Cost of living data from 2001[35] shows Ireland to be the fourth most expensive country in the eurozone for medicinal/pharmaceutical products (below Germany, Italy and Austria). The price index for pharmaceutical products in Ireland and its components – prescribed drugs and other medicines – shows that recent price inflation in pharmaceutical products has been consistently higher in prescription drugs than in other medicines. At present, the process of setting the price of prescription drugs in Ireland is regulated by the Department of Health and Children.

How Pharmaceutical Prices are Set

The price of pharmaceuticals in Ireland is set on a five year basis under the terms of a process negotiated between the Department of Health and Children and the Irish Pharmaceutical Healthcare Association (IPHA). Under the terms of this process (first agreed in 1972), the Department of Health and Children sets the price of each individual drug by comparing the UK price and the price in a basket of five countries (the UK, Denmark, France, Germany and the Netherlands) – adopting the lower of these two. Since 1992, such a price may not subsequently

34 *New regulations, effective from 1 May 2004, remove certain perishable fruits and vegetables goods (strawberries, raspberries, blueberries, gooseberries, blackberries, loganberries, currants and potatoes having loose skins) from the scope of the Casual Trading Act 1995. The exemption covers a specific period in any given year (1st May to 30th September) and is restricted to growers, their agents and employees.*

35 *Mercer Human Resources, Cost of Living Survey, 2001.*

be increased. This means that any inflation in the prescription drugs market arises principally from new, more expensive drugs entering the market.

Wholesalers purchase drugs at the set price under the pricing process outlined above and add a 15 per cent mark-up to form the ingredient cost that pharmacies pay.

State Refund Scheme

The State distinguishes two categories of consumer for prescription drugs:

GMS (Medical Card) patients	Approximately one third of the population are GMS patients and, typically, they visit their doctor and pharmacist more frequently than other types of patient. GMS patients receive both prescribed drugs and doctors visits free of charge.
DPS and other patients	Under the Drugs Payment Scheme (DPS), individuals and families who are not part of the GMS Scheme do not have to pay more than €85 in any calendar month for approved prescribed drugs.

Table 10 sets out the price of prescription drugs charged by pharmacists. The pharmacist is reimbursed by the Government for all prescriptions drugs dispensed to GMS patients and for those to DPS patients above the €85 per month threshold.

Table 10: Reimbursement for Pharmacists

GMS Patients	DPS and other Patients
• The ingredient cost of the drug • A dispensing fee of €2.98 • VAT where appropriate	• The ingredient cost of the drug • A 33 per cent margin (50 per cent mark-up) on the ingredient cost of the drug • A dispensing fee of €2.59 • VAT where appropriate

Branded versus Generic Drugs

Approximately 85–95 per cent of prescriptions in Ireland are for branded drugs[36]. The potential savings that could be made by substituting generic drugs for branded drugs in 11 of the top 30 drugs dispensed has been estimated at €5.65 million[37]. In some EU countries, pharmacists may substitute a prescribed branded drug with a cheaper generic equivalent. In Ireland pharmacists, at present, are not allowed to substitute. While there is in place a government scheme to incentivise doctors to prescribe generically, at present it is optional and the take-up is low.

36 *Both patented and generics may be branded.*

37 *Irish Medical Journal, June 2003, Volume 96, No 6.*

Pharmaceuticals: Conclusions

The process of setting the price of prescription drugs in Ireland is regulated by the Department of Health and Children and the next round of negotiations is due to take place in July 2005. Historically, there has not been a consumer representative involved in these negotiations. The present high prices immediately affect all DPS patients, whether they reach the monthly limit of €85 or not.

Prescriptions issued in Ireland are predominantly for branded drugs which are much more expensive than their generic equivalents. In some EU countries, pharmacists may substitute a cheaper generic equivalent for a prescribed branded drug – this is not allowed in Ireland. To reduce costs to the consumer and to the State there is a need to strengthen and broaden the incentive scheme for doctors to prescribe generic drugs and consumers need to become more aware of generic alternatives.

Key Recommendations

Pharmaceuticals

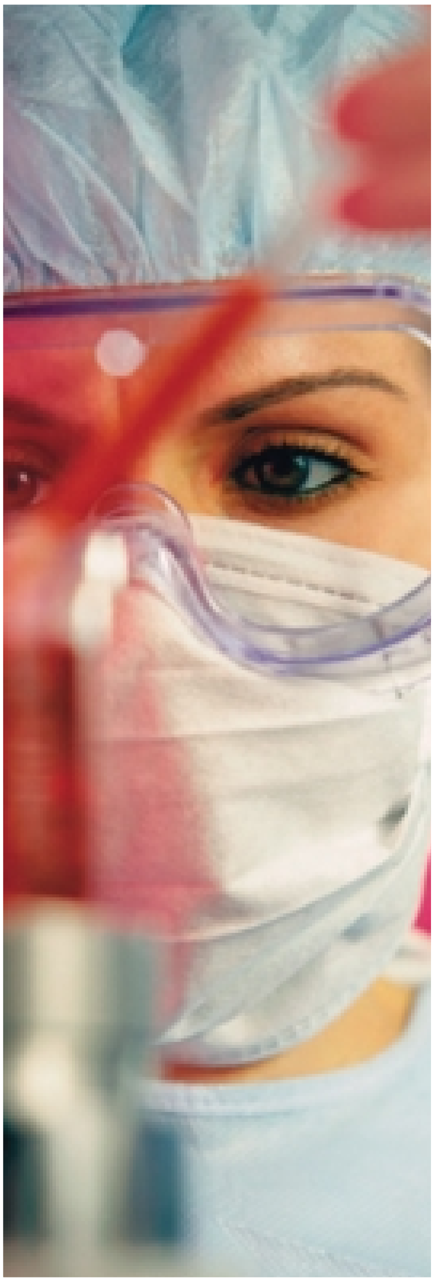
- Change the current methodology for establishing manufacturers' prices of pharmaceuticals. Include a consumer impact assessment to ensure that all consumers are getting best value for money.
  Responsibility: Department of Health and Children

- Review mark-ups in the DPS and other schemes.
  Responsibility: Department of Health and Children

- Strengthen and broaden the current optional incentive scheme for GPs to encourage generic prescribing.
  Responsibility: Department of Health and Children

- Display prices for branded and generic drugs in pharmacies at point of purchase.
  Responsibility: Department of Health and Children; Department of Enterprise, Trade and Employment

- Allow pharmacists to provide generic substitution for branded drugs.
  Responsibility: Department of Health and Children



4

Passenger Transport

4.1 Transport in Ireland

Transport is a key enabler that allows consumers to access other goods and services – for example, by providing access to retail outlets. It is also an important public policy issue with broader concern than purely consumer issues.

In Ireland, the State plays a very strong role in transport provision generally. This includes basic infrastructure provision, regulation of most transport services, and in some cases direct ownership and control of service providers in rail and bus. This combination of regulation and restricted provision means that consumer issues are even more important in transport than in sectors with open competitive service provision. In this regard it should be noted that the Department of Transport acts as regulator of all bus and rail services. But it is also (through CIE) the owner of the majority of bus services and all rail services. There is thus an inherent conflict of interest.

There are a number of key factors that have been involved in the evolution of Ireland's current transportation system including:

- Lack of competition in bus services
- Deregulation of the taxi and hackney market
- Continued preference for private cars
- Lack of infrastructure in rail services during the 1980s and 1990s
- Growth of new low cost air carriers
- Decline in the number of people travelling by sea.

4.2 Consumer Efficiency and Effectiveness

Despite recent investment, Ireland is still playing catch-up after years of under-investment. The NCC's Annual Competitiveness Report for 2003 cited data from the World Economic Forum which found that Irish transport infrastructure was 'poorly developed and inefficient' relative to most other developed countries. Its assessment of overall infrastructure quality in a number of developed countries ranked Ireland 15th out of 16. A survey by the International Institute for Management Development (IMD) reached similar findings. Furthermore recently published figures from the NCC indicate that transport-related consumer prices in Ireland (including motoring costs) are the second highest in the eurozone, with only Finland having higher costs.

Table 11 provides an overall rating of different types of transport/service according to a series of consumer-oriented criteria.

Consumer choice varies widely by mode, by type of service and by location. Choice is generally lower in the bus and rail sectors than for air and sea. This is particularly so for choice of provider and for price competition, while less so for choice of route, frequency of service and available pricing options. Choice for local and rural bus services is also limited.

Choice tends to be best where some form of competition exists. This is most evident for air and sea travel. Choice on major inter-urban bus routes between the larger cities and towns is improving due to the increase in competition in the more commercial parts of the bus sector.

Table 11: Consumer Efficiency and Effectiveness of Passenger Transport Services

	Choice of Provider	Choice of Routes	Service Frequency	Price Competition	Pricing Options	Availability Information and Advice	Access to Safeguard Redress
Private Car							
vehicles servicing, fuel	●	●	n/a	●	●	▲	▲
related services	▲	n/a	n/a	▲	▲	▲	▲
Bus Services							
major inter-urban	▲	▲	●	▲	▲	▲	▲
other inter-urban	□	▲	▲	□	▲	▲	▲
urban/commuter	□	▲	●	□	▲	▲	▲
other local and rural	□	▲	□	□	□	▲	▲
non-scheduled services	●	●	n/a	●	●	▲	▲
Taxis and Hackneys							
urban areas	●	●	n/a	□	□	▲	□
rural areas	□	●	n/a	▲	▲	▲	□
Rail Services							
inter-urban	□	▲	▲	□	▲	▲	▲
Dublin urban/ commuter	□	□	●	□	▲	▲	▲
other urban/ commuter	□	□	□	□	▲	▲	▲
Air Services							
international	●	●	●	●	●	●	●
domestic	□	□	▲	□	▲	●	●
Sea Services							
international	●	▲	▲	●	●	●	●
island ferries	□	▲	▲	□	▲	▲	▲

Key to Symbols ● = High ▲ = Medium □ = Low n/a = not applicable

Source: CSG Research

Consumer Information

Levels of information, advice and support available to the consumer generally appear quite good and relatively accessible through a variety of channels such as printed media, telephone services and the Internet. While the Internet has improved consumers' access to information it should be remembered that not all consumers have access to the Internet and not all consumers are able to use the Internet. This is particularly the case for vulnerable groups in society, such as older people, people on low incomes or the mobility impaired[38]. These groups will therefore continue to need access to more traditional forms of information provision, such as telephone-based services.

Much of this information is provided by the operators themselves or by transport agencies and there is not a structured, impartial source of information, advice and support on services available to consumers. Market research studies indicate that consumers are unsatisfied with how well transport companies inform them about service alterations – for example, where these are caused by infrastructural works or unforeseen circumstances.

For most passenger transport services, mechanisms for safeguard and redress appear reasonable and are in place, at least in principle. However, from a consumer perspective, a key issue with regard to safeguards is the extent to which they are enforced. There are also other areas where consumer interests are inadequately considered – for example, Dublin Bus's refund policy.

Integration of Passenger Transport

Another important issue for consumers is the integration or lack of integration of passenger transport services. Better integration of services could help to enhance the transport choices available to consumers and is particularly important given the small and spatially dispersed population in Ireland. Research conducted by the Group indicates that while there is some integration in passenger transport, both within and between modes, the overall level of service integration needs to be improved further and the different modes have traditionally been planned largely in isolation from each other. There is therefore a need for a much more integrated approach to transport planning in the future by further integration of infrastructure, timetables, fares, ticketing and information.

38 *It should be noted that the websites for the three CIÉ companies all have versions that are suitable for use by the visually impaired.*

4.3 Consideration of Consumer Issues

At national and regional levels, transport policy is becoming more consumer-oriented in terms of its intended outputs. However, organised, structured or evident consumer inputs into the planning of transport policy and legislation at a national level are still very limited. An exception to this is the National Taxi Advisory Council which has two consumer representatives on its eighteen-member council. The Taxi Regulation Act, 2003, allows for the Commission for Taxi Regulation to have a consumer remit, which includes the establishment of a complaints procedure for consumers and the power to seek consumer views on the sector.

Consultation, where it exists, is also largely focused on public consultation rather than seeking specific consumer inputs. There is no statutory consultee representing consumer interests in the planning of transport or in the setting of prices. The level of direct actual consumer input into planning transport is mainly restricted to the efforts of operators seeking the views of their customers, as outlined in Table 12.

Table 12: Dedicated consumer input into transport planning processes

	Operator Planning	National Planning	Regional and Local Planning
Private car usage	n/a	□	□
Bus infrastructure and services	△	□	□
Taxis and hackneys	△	△	□
Rail infrastructure and services	△	□	□
Air infrastructure and services	△	□	□
Sea infrastructure and services	△	□	□

Key to Symbols ● = High △ = Medium □ = Low n/a = not applicable

Source: CSG Research

Organised consumer representation in the transport sector in Ireland is quite weak. A few organised lobby groups have emerged in the rail sector and have proved capable of making an input into planning at a national level. Such groups include the West-on-Track lobby[39] group and Platform 11[40].

4.4 Passenger Transport: Conclusions

Direct consumer input into the transport planning in Ireland is very weak. Public consultation is the main input channel available to consumers.

While the information and advice available to the consumer is quite good, it is provided by the individual operators. There is a lack of structured, impartial sources of information, advice and support on transport options. This could be delivered through an independent, centralised information system.

The Group considers that the Department of Transport has a conflict of interest in that it acts as both regulator and owner of the majority of bus services and all rail services and considers that these functions should be separated to provide the consumer with a greater choice of transport modes. However, the Group does not wish to add further to the multiplicity of sectoral regulators that already exist. In the transport area, there are separate regulators for the aviation industry and for taxis. The Group considers that there is a strong case to be made for combining all the regulatory activities which impact on transport into a single body.

39 *www.westontrack.com*

40 *www.platform11.org*

Key Recommendations

Passenger Transport

- Separate the regulatory and ownership functions of the Department of Transport.
  Responsibility: Department of Transport
- Broaden the remit of the Aviation Regulator to include taxis, buses and other forms of passenger transport.
  Responsibility: Department of Transport
- Undertake an independent pilot study to evaluate the introduction of a centralised information system, which would also include integrated route planning.
  Responsibility: Department of Transport

"There is a lack of structured, impartial sources of information advice and support on transport options"

Source: From a submission to the CSG

5 Planning

Planning in Ireland is now a central policy issue. The population has grown and economic development has been rapid. As well as raising issues for the environment, there are growing concerns about the location of economic activity, dwellings, leisure space, and the infrastructural implications of particular patterns of development. Since land is a finite resource, its allocation is a matter of major public concern. The National Spatial Strategy (NSS) has been an important step forward in providing guidelines for development in the future. However, given the commitment in economic policy to a strong role for the market, the main means of resolving issues in terms of consumer access to goods and services in the future will be the planning process. This means that it will not be enough to have a consumer input: the needs of consumers will have to be a central focus of planning strategy.

Every planning decision affects the consumer in one way or another. Whether it involves the zoning of land in a development plan or the granting or refusal of a development proposal, planning has considerable impact on the choices and services available to us, on the level of competition in particular sectors, and on the final price we pay for certain commodities. Specifically, planning decisions affect:

- The location of housing and thus where consumers live
- The location and scale of shopping facilities
- The location and scale of many consumer services, such as medical services and crèches
- Other facilities on which the consumer is indirectly dependent, such as supply chain infrastructure.

The main themes in current planning that have an impact on consumers are in the areas of sustainable development, the review of the deregulation of pub licences, developments in transport and the retail planning guidelines.

5.1 The Planning System

The planning system in Ireland is designed to be transparent and to allow for interaction through public consultation between the planning authorities and interest groups and individuals. The principal means of redress is through appeals to An Bord Pleanála. In Ireland, there is a universal right of appeal for all citizens – this is unusual in Europe.

All planning decisions are taken on the basis of balancing complex sets of issues and interests, including environmental matters, traffic and amenity concerns. The planning system is structured, through statutory requirements for public consultation, to accommodate and consider representations. The level of representation made by interest groups may influence the balance achieved in any particular case. Many interests are represented by well-structured and organised groups – for example, manufacturers, retailers, small businesses and environmentalists. However, there is no organised consumer voice in the planning process.

5.2 Consideration of Consumer Issues

In practice, how much consideration is given to consumer issues during the planning process? An examination of a range of forward planning documents was undertaken on behalf of the Group – these included Development Plans and over 80 case studies of planning decisions made by An Bord Pleanála on applications relating to retail outlets, medical facilities and leisure centres. This study revealed little evidence of direct consideration of consumer issues such as competition and choice and no consideration of other consumer-related issues such as the impact of planning on prices. The study further revealed that:

- For many planners, the interests of consumers are assumed to be the same as those of the public in general. Thus considerations of consumer interest are taken into account only indirectly or through the actions of other representative groups. The main concerns and arguments tend to be based on compliance with Development Plans, Retail Planning Guidelines (RPGs) and other policy documents as well as technical issues regarding the proposed development. This is the case with first and third party appeals and appeals by observers
- References to both communities and community and local benefits were made, but often there was little direct consultation with the communities in question as to what they needed or wanted in their area. Very few if any of the submissions to the case studies were from consumer representative bodies.

Retail Planning Issues

The RPGs issued by the Department of the Environment, Heritage and Local Government (DoEHLG) are guidelines for local authorities in relation to retail development in their area, covering both the location of sites and retail floor space. They are not mandatory but have strongly influenced the formulation of retail strategies in each local authority area.

The guidelines suggest a quantitative methodology to assist planning authorities in determining the appropriate level of future floor space needed. Results are extremely sensitive to the variations in the inputs used in terms of estimated expenditure per capita, population projections and turnover rates. Some planning authorities view the calculated estimated requirements in a prescriptive manner, using them as targets. The result is that they become floor space caps rather than minimum levels of provision. This may result in planning authorities under-estimating future retail floor space requirements of an area and responding negatively to planning applications that are seen to exceed the quantitative guidelines. The result of this is likely to restrict competition and choice, and is hence clearly against the interests of consumers.

In Scotland retail capacity is not a requirement for policy formulation. Each application is instead considered in terms of its potential impact. There is thus flexibility in the Scottish system that enables each application to be assessed on its own merits.

The RPGs also provide guidance on floor space caps for convenience shops and retail warehouses. For convenience shops the cap is 3,500 sq. metres for the greater Dublin area and 3,000 sq. metres for the rest of the country. A recent Government decision has removed the 6,000 sq. metres cap on non-food retail warehouses, in the functional areas of the four Dublin local authorities and in the other NSS Gateways. The Group welcomes this announcement and believes that it will lead to a greater choice and lower prices for consumers.

5.3 Planning: Conclusions

The planning process is currently accessible to all members of the public and incorporates a redress mechanism, unique in Europe, through An Bord Pleanála. However, consumer interests are not considered in the planning process to the same extent as other relevant interests and there is no effective consumer voice in the planning area. If consumer issues are to be adequately taken into account and represented in the planning process the following actions must be taken:

- The Government must ensure that the views of consumers are sought and taken into account
- A consumer representative structure must have input into the planning process.

The most important focus for achieving consumer influence in the planning process is at the forward planning level - in the formulation of objectives and policies in the national, regional and local plans. This ensures that consumer interests are considered at the highest level.

Key Recommendations

Planning

- Oblige local authorities to demonstrate how needs of consumers have been explicitly taken into account at the forward planning level stage and in dealing with planning applications in relation to retail and other service provisions.
  Responsibility: Department of Environment, Heritage and Local Government
- Interpret the Retail Planning Guidelines in a manner that promotes competition and which is consistent across all local authorities.
  Responsibility: Department of Environment, Heritage and Local Government

6
Utilities

6.1 Electricity

Every day we use electricity in countless ways without giving it much thought. From a consumer perspective we have to pay for the electricity that we use and in addition the price of electricity impacts on the prices of goods and services generally.

The electricity market in Ireland is the second smallest of the EU15, and even an all-island market would be only a fraction of the size of most other EU electricity markets. Until 2000 the ESB was the primary provider for electricity and therefore the consumer had no choice of supplier. The liberalisation of the market began in February 2000, with a 28 per cent market opening, allowing major industrial consumers of electricity to choose a supplier of their choice. The market has been fully liberalised to all consumers since February 2005, in principle allowing consumers to choose their supplier of electricity.

Plans to bolster competition in the market include the following:

- Enhanced cooperation between the markets north and south of the border, with a long-term view of creating an all-island energy market
- The development of two 500MW electrical interconnections between Ireland and Wales, which would facilitate trade with the UK.

Security of supply and high price levels are the two principal problems facing the electricity market in Ireland over the short to medium term. The security of supply problem is:

- Under-investment in infrastructure
- Rapid increases in demand
- The failure to attract new entrants to the market.

> "There is no choice in gas or electricity and one has to accept the service they provide, and pay whatever charges they levy"
>
> *Source: From a submission to the CSG*

Electricity Tariffs

Electricity tariffs for domestic customers were among the lowest in Europe through the mid 1990s. However they have increased rapidly since 2000, resulting in tariffs above the EU15 and EU25 average. The CER approved two rounds of price increases in September and October 2004 giving a net price increase for domestic customers of 16.6 per cent. The key factors feeding the changes in electricity tariffs are increases in global fuel costs and the significant underinvestment in the electricity infrastructure in the 1980s.

Up to now, consumers have not had any formal representation in the CER, and this issue was highlighted in discussions with the Commissioner of Energy Regulation. By contrast, in Northern Ireland, the General Consumer Council of Northern Ireland (GCCNI) has statutory powers and an obligation to review and comment on any proposed changes in the price of energy by suppliers.

6.2 Telecommunications

The telecommunications market has been liberalised for several years but true competition has only been apparent in the last couple of years.

Ireland's geographical location and the emphasis on high-technology industries means that Ireland is more dependent than other countries on an efficient telecoms sector. Ireland currently offers competitive voice calls and the lowest international leased line costs in the OECD.

The market for mobile phones is highly concentrated with two suppliers accounting for 94 per cent of market share. In terms of cost, Ireland ranks poorly for medium and high-volume mobile phone users. Irish mobile operators' average revenue per user (ARPU) at €47 per month is estimated to be the second highest in the EU. Forty six per cent of all adults with a fixed line telephone also have Internet access at home.

Broadband

Increasingly, consumers have been moving to broadband services to improve the speed and quality of their Internet access. There are, however, some issues relating to broadband usage:

Availability	Ireland has improved in terms of Digital Subscriber Line (DSL) coverage and it is estimated that coverage has increased to 81 per cent of the country.
Quality/Speed	There remain issues regarding the quality and speed of broadband services and the level of choice available. In particular the definition of broadband in Ireland refers to a level of service that is far behind what is available to consumers in Japan or Korea.
Price	The cost of basic broadband services has dramatically improved and Ireland is now competitive for residential and small business customers. The entry of wireless and satellite technologies now offers competitive alternative routes to broadband access.
Information	Information on the options available – there is a lack of customer awareness about the benefits that broadband offers and there is also a lack of understanding of the choices available.

6.3 Utilities: Conclusions

Despite their importance to people's everyday lives and to the functioning of the economy, there is a lack of consumer representation in the electricity and telecoms sectors in respect of the provision of services and price setting. Both regulators (CER and ComReg) have highlighted the need for a consumer voice.

Key Recommendation

Utilities

- Provide a strong consumer voice in the regulated sector to complement the regulators, especially in energy and telecommunications, in order to ensure full consideration of consumer issues in the regulatory process.
  Responsibility: Department of Communications, Marine and Natural Resources; Department of Enterprise, Trade and Employment