

Market competition sets tone for lower cost of UK mobile phone contracts, research shows

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Healthy and competitive markets—and not stringent regulations—help dial back the cost of mobile phone contracts, according to new research.

Consumers in the UK benefit from comparatively cheaper bills than many of their counterparts abroad because regulations over contract length and costs are kept to a minimum.

Instead, [market](#) competition, where companies vie to offer the best deals to customers, provides the most effective way of keeping prices down and promoting a good service.

A team of law experts from the universities of Warwick and Exeter conducted the new study by comparing the strength of regulations of several countries worldwide.

While factors such as geography can also play a role, the research team found that [consumers](#) face higher bills and costs—and have less choice over which provider to select—when contracts are tied up in greater amounts of regulation.

The experts suggest that keeping regulations to a minimum creates "friendlier markets" for both providers and consumers, which can lead to significant price decreases.

Dr. Timothy Dodsworth, from the University of Exeter Law School said: "We have found competition should be a key part of the [mobile phone](#) market, as it means companies must provide the best service for consumers in order to stay in business. It is part of the reason the UK has some of the lowest bills in the world.

"Smaller businesses find it harder and more expensive to function in a highly regulated market, and strict regulations mean only a few top companies dominate it.

"This means there is very little competition, and therefore no real reason to lower prices and improve services."

Academics examined the way mobile phone contracts were regulated in Germany, Britain, USA and Canada for the study.

They found regulating mobile phone contracts can discourage new companies from entering the market, and so reduce competition and choice for consumers.

While in Europe the length of contract is now determined by the EU, Canada has introduced more regulations in an attempt to manipulate the market to be more competitive.

However, this meant that companies with no flexibility to reduce or adjust fees and costs, meaning contract prices have stagnated—compared to price falls in many other countries.

"Adverse effects can also be seen in Europe though.", Christopher Bisping from the University of Warwick explained, "Before the EU introduced a sector-wide maximum length of 24 months, there was a range of different contract lengths available, allowing consumers to to pick whatever length best suited their needs."

The USA is thought to have the least regulation of mobile phone contracts in the world, but official statistics are not kept.

In the UK the regulator Ofcom has introduced new rules around contract length but has taken the decision to not introduce other [regulation](#) because it considers there is enough competition in the market.

Dr. Dodsworth said: "Ofcom are acting in a sensible way by letting the UK market balance itself, and this should remain their policy if consumers are to have the best service. Examining other countries show if you try to regulate how contracts are renewed or the initial commitment period this has a knock-on effect on the price people pay or

has other unintended consequences."

In Canada [prices](#) for consumers with lower than average consumption rose by roughly 16 per cent after the introduction of the "Wireless Code" legislation in 2014. However, for average consumption users, the cost remained steady between 2013 and 2014, and higher than average consumption contracts (CAN\$80 and above) dropped from an average price of CAN\$93 in 2013 to CAN\$80 in 2014.

More information: C. Bisping et al, Consumer Protection and the Regulation of Mobile Phone Contracts: A Study of Automatically Renewable Long-Term Contracts Across Jurisdictions, *Journal of Consumer Policy* (2019). [DOI: 10.1007/s10603-019-09417-0](https://doi.org/10.1007/s10603-019-09417-0)

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