



The Consumer Council

Consultation on independent Review of Economic Policy (DETI and Invest NI)

A response from the Consumer Council

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1. Introduction

- 1.1 The Consumer Council welcomes the opportunity to respond to the consultation, given our role as a DETI Non Departmental Public Body responsible for promoting and safeguarding the interests of consumers and campaigning for the best possible standards of service and protection.
- 1.2 Our legislative role is to give consumers a voice - and make sure that voice is heard by those who make decisions that affect consumers. Set up by statute in 1985 as a Non-Departmental Public Body, the Consumer Council's role is to promote and safeguard the interests of all consumers in Northern Ireland.
- 1.3 This response will outline the importance of placing consumers firmly on the cross cutting economic agenda. It will also cover specific Energy, Transport and Water issues raised in the consultation paper.

2. Consumers and the Economy

- 2.1 It is vital that the role of the consumer is recognised, embedded and fully supported within the economy of Northern Ireland. Confident, skilled and financial savvy consumers are able to drive up business performance and productivity which in turn benefits individual consumers, business and the economy as a whole. Where consumer confidence is low as it is currently, spending decreases, even among consumers who have not had a decrease in income. Therefore consumer behaviour has a large impact on economic growth and stability. We believe there needs to be a renewed focus on how we rebuild confidence in an economy that we can all feel part of, both on a local and national level.
- 2.2 The Consumer Council is committed to working with businesses and the Government to grow a dynamic and vibrant economy. Many businesses are thriving because they focus on excellent customer care. However, our research shows that not all businesses have realised the power of placing customers first and putting things right when they go wrong. Helping businesses to focus on consumers and their needs is a key priority for the Consumer Council.

3. Financial Capability and Economic Growth

- 3.1 The Consumer Council leads the Northern Ireland Financial Capability Partnership which brings together government, banks, building societies, credit unions, education and the community and voluntary

sector to ensure that we all help consumers to manage their money and make it work best for them. The Council views this as a key contribution to sustaining and growing consumer confidence. Also, by facilitating development of relationships between those who work directly on debt management and consumer advice with financial institutions who are at times contributing to good and not so good practices, solutions are found to practical problems and consumer confidence increases. As stated above, an increase in consumer confidence has the potential to make a significant impact on the economy.

- 3.2 The Consumer Council also continues to work with partners to ensure financial products such as bank accounts and insurance are working for consumers. In March 2009, the Consumer Council launched our research report “Quote...Unquote” The cost of insurance in Northern Ireland. The report has identified key recommendations to lower the cost of insurance and increase the uptake of appropriate insurance in Northern Ireland. This will require coordinated action between Government, the insurance industry, legal institutions, consumer representatives and consumers themselves. The Consumer Council is committed to ensuring that the recommendations are progressed over the next three years.

4. Energy

- 4.1 Affordable, sustainable energy is not only an issue for individual consumers but a major component of the profit base of local businesses. As energy prices are volatile and subject to hikes and spikes, it plays a key role in economic stability. The Consumer Council recognises that determining energy policy will always be a difficult balancing act. It is about seeking to make a realistic and coherent assessment of the energy challenges we face today and in the future.

In securing Northern Ireland’s future energy needs; Government, the Utility Regulator and the Energy Industry need to fairly balance the needs of:

- Affordability
- Security of Supply, and;
- Sustainability

- 4.2 The recent economic downturn has had a severe impact on Northern Ireland. Energy prices continue to make up a major component of household and business expenditure in Northern Ireland. Therefore, minimising the price consumers pay for their energy will be a vital contribution to re-creating a successful economy, and the Consumer Council will continue to work to ensure that there is a downward pressure placed on the ultimate energy price that consumers pay.

- 4.3 The new Strategic Energy Framework for Northern Ireland is a major piece of work which will have a significant impact on Northern Ireland consumers for many years to come; as it sets out a strategic framework for Northern Ireland's energy future, to 2020. Northern Ireland needs a clear and detailed policy framework, which works in the interests of all consumers, and looks proactively and constructively across Government at setting an energy pathway to 2020 and which fairly tackles the issues of affordability, energy security and climate change.
- 4.4 The Consumer Council welcomes the overall vision within the Strategic Energy Framework consultation, however the Consumer Council is greatly disappointed that this Government does not look to fully tackle the affordability aspect of energy within the Strategic Energy Framework consultation. Some observers, including Department for Social Development officials, have suggested with current energy prices, the incidence of fuel poverty within Northern Ireland could have reached as high as 50 per cent of households, and this is not acceptable. It reflects the fact that general poverty levels in Northern Ireland are the highest in the UK, and so tackling the issue with a range of measures is crucial.
- 4.5 Through the development of the Strategic Energy Framework, Northern Ireland's Government is now in a position to decide if it continues with ever increasing imports of energy; which will continue to be subject to price fluctuations and disturbances in the world market; or move to more indigenous supplies of energy which if designed correctly will give Northern Ireland greater control over their energy supply and ultimately the prices that it pays for its energy. The Consumer Council believes that this is a necessary transition, which is not only right for the consumer, but for energy security, job creation, and the supporting Government's emissions and renewable energy targets.
- 4.6 In 2006, the Stern Review concluded that if emissions are reduced in a low cost way to a level that avoids the most dangerous risks of climate change, then the costs of acting could be as low as 1 per cent to 2 per cent of global GDP by 2050, but the costs of uncontrolled climate change could be in the range of 5 per cent to 20 per cent of global gross domestic product (GDP) per year, averaged over time. The Consumer Council recognise that it is therefore in the interests of the economy that carbon emissions are dealt with in a costly and timely manner, and supports the new strategic goal to increase the amount of electricity from renewable sources to 40 per cent by 2020.
- 4.7 We understand that there will be costs in the transition, and that the cost of inaction would be far greater. The task for Government is to ensure that the costs of this transition are kept to an absolute minimum and that they are spread fairly across all stakeholders and do not just default to energy consumers.

- 4.8 Last Year, following the unprecedented 52 per cent rise in electricity prices, the Utility Regulator, commissioned Douglas McIlldoon to undertake a report on the regulation of Northern Ireland's electricity industry. His Report, Northern Ireland's Electricity Consumers – Orphans in the Energy Storm, was critical of some aspects of the structure of the electricity industry, and concluded that consumers in Northern Ireland are paying more than they need for their electricity. The report also concluded that Northern Ireland had the opportunity to create a well regulated energy market which could not only deliver lower costs to customers but also manage the transition to the a low carbon economy.
- 4.9 Northern Ireland needs an energy policy framework that transcends government departmental structures and silos for the sake of the consumer, the economy and the environment. It must incorporate the relevant policy drivers such as affordability, energy security, climate change, sustainability, energy efficiency, demand management and fuel poverty. We recognise that in Great Britain, the Department of Energy and Climate Change has been formed to bring together both energy and climate change policy into one government department, as energy policy needs to ensure that in the move to a low-carbon future that energy is secure, affordable and efficient. The Consumer Council would ask government within Northern Ireland to watch the development of this department, to see if this joined-up approach brings greater benefits for consumers and businesses in providing fair, affordable and sustainable energy costs to all.

5. A Joint Approach

- 5.1 The proposed approach to economic policy will only work if there is buy-in across all sectors of government. A more joint up, focused approach by government may involve the streamlining of certain department functions, as suggested for Department for Enterprise, Trade and Investment and Department for Employment and Learning. The review report proposes that DETI takes a lead role in the development of economic policy, along with a role to improve accountability and governance arrangements and the Council welcomes this proposal. However, others also have a valid and clear contribution to economic development, such as the Department for Regional Development with responsibility for public transport, roads and water infrastructure, Department of Education which sets our school agenda, and the Department of Social Development which strategic responsibility includes urban regeneration and community and voluntary sector development. It is vital that the Economic Policy is taken forward strategically and cohesively by the Northern Ireland Executive, led by DETI.

6. Transport

- 6.1 Effective transport links are vital to the Northern Ireland economy. Access to air and sea ports contribute to our economy, employment opportunities and tourism. However, poor transport and public transport can reinforce social exclusion people experience in terms of accessing employment and education opportunities.
- 6.2 There is a clear need to promote accessibility to jobs, employment and education facilities through improvements to our transport infrastructure and public transport services.
- 6.3 Access to our sea and air ports is an essential aspect to developing the Northern Ireland economy - The air and sea ports have a significant role in accessing markets, encouraging inward investment and boosting tourism. The ports should have high class access to encourage travel.
- 6.4 Tackling deprivation and social exclusion is a key objective of any economic development programme in Northern Ireland. We need to look at more flexible public transport solutions that connect more people in urban and rural areas to employment opportunities.

7. Water

- 7.1 Currently the Consumer Council is responding to the first ever Price Control (PC10) for NI Water by the Utility Regulator. This will set NI Water's revenue requirements from 2010 until 2013. There has been great investment in the water and sewerage infrastructure in Northern Ireland in recent times. Investment in the water and sewerage network needs to continue to ensure services are fit for purpose. NI Water therefore has a vital role in supporting and helping to grow the local economy.
- 7.2 The Utility Regulator ensures that the level of capital investment is correct for NI Water and that capital projects are delivered efficiently. The Consumer Council believes that the possibility of delivering more capital projects with the savings from efficiency gains should be considered. This is particularly the case at the current time when construction contracts can be favourably negotiated.
- 7.3 The Northern Ireland Executive and Assembly's decision around the future financing and funding of NI Water has huge implications for the Northern Ireland economy. To implement domestic water charging will have consequences for every household in Northern Ireland but to continue to publicly fund these charges could have potentially greater and more significant consequences for the economy as a whole.

8. Conclusions

The Consumer Council appreciates the opportunity to contribute to the Independent Review of Economic Policy (DETI and Invest NI) and has responded within the context of our statutory remit and ensuring that the consumer voice is heard and counted in this consultation process.