

Speech for Mrs. Kuneva

at

Digital World Conference

"Challenges and Opportunities in a Digitalised World"

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Berlin, Germany

Ladies and Gentlemen, Minister Seehofer

I am very glad to be here today at the opening of this Conference to mark World Consumer day. I am also pleased that the Commission has been able to co-fund this conference with the German Presidency.

The challenges and opportunities for consumers in the digital world are some of the central themes of the Commission's plans for consumer policy from 2007-2013.

As you may know, the Commission adopted a strategy for this period only on Tuesday. This morning I will present the Commission's plans to you, highlighting the digital element of this work.

But first I should emphasise the importance of presenting digital issues as part of a general framework for consumer policy. We should not allow ourselves to get carried away by the digital revolution and think that everything needs to be completely different for digital issues.

The challenges and opportunities of the digital world are fast moving and exciting. Consumer Protection needs to adapt to the digital world, as indeed it must always adapt to market developments.

But the fundamentals of consumer protection should remain the same.

We need to keep the digital aspect in proper perspective, when still only 40% of EU households have access to the internet (and only 16% have broadband). For very many European consumers, the digital world is irrelevant to their everyday lives.

I will also use the term "digital" in the broadest sense. For me it covers the whole range of market developments, not just digital products such as music but also digital retailing methods, such as e-commerce and m-commerce and also the role of the Internet in providing information used by consumers in the offline world.

Challenges and Opportunities of the Digital World

The digital world has considerable potential to improve European consumers' lives for the better and to boost the competitiveness of the EU economy. The changes it is bringing about are therefore an important part of the rationale that underpins the new consumer strategy.

Let me pick out some of the digital developments that are important for us.

First, retail markets are becoming more sophisticated and better at tailoring products to individuals, often through using the Internet. This is undoubtedly a good thing, but it does bring about new challenges in relation to market transparency and comparability. The discussion this afternoon on credit scoring is a good example.

Second, the **e-commerce** revolution in retailing has barely begun. We are certainly a long way from critical mass. Once broadband is more widely used, this will begin to change.

E-commerce has great potential to improve consumer welfare, by making a greater range of products available, boosting price competition and developing new markets. It also brings significant new challenges for consumers, business and consumer protection.

In particular, it weakens the grip of traditional advertising and retail mediums over consumer markets. This will challenge traditional modes of regulation, self-regulation and enforcement. The global nature of e-commerce poses a particular challenge to us all.

E-commerce gives SMEs more direct access to consumers throughout the EU. But traditional consumer rights will be less and less adapted to the digital age.

E-commerce is also a very important opportunity for the internal market. Before the development of the internet, the potential for integrating retail markets in the EU was fairly limited. E-commerce opens up the possibility that EU consumers and traders can credibly begin to use the internal market in a new way.

Being able to shop easily across borders is key to unlocking the internal market. Once cross-border e-commerce is established as an alternative to domestic shopping, it can begin to put competitive pressure on domestic retail markets.

Third, the Internet will continue to develop as a vital source of information for consumers to use in the offline world. It offers the possibility of transparent markets with low search costs for consumers. But consumers also need to trust the information they find and be able to make sense of it all.

Fourth, the acceleration of digital technologies runs the risk of creating a real digital divide – a divide between those who can afford access and those who cannot. And between those who can easily use new technologies and those who cannot.

Consumer Policy Strategy

These are the particular opportunities and challenges of the digital world that take their place alongside the wider challenges for EU consumer policy.

I believe that EU consumer policy is uniquely well placed to help the EU rise to the twin challenges of growth and jobs, and reconnecting with its citizens.

I see three main objectives for Consumer Policy over the next seven years.

1. I want to **empower** Europe's consumers. This means creating the right market conditions for them to be able to make informed, considered and rational choices and equipping them with the tools to do so.
2. I want to **enhance** the economic and non-economic welfare of Europe's consumers, in terms of price, choice, quality and affordability.
3. And I want to protect consumers **effectively**. Market failures for consumers fall into two categories – those that individuals cannot address and those that they should address themselves. Consumer laws should effectively protect consumers from the former and equip them to deal with the latter.

I want the Commission to be able to tell all EU citizens by 2013 that they can shop from anywhere in the EU, from corner-shop to website, confident they are equally effectively protected; and to be able to tell all retailers that they can sell anywhere on the basis of a single, simple set of rules.

Let me set out the Commission's priorities for action during this period.

Better monitoring of consumer markets and national consumer policies

Monitoring markets from the perspective of consumer outcomes is essential to better regulation. We intend to develop better tools to monitor consumer satisfaction and consumer detriment and to identify and diagnose market failure.

Across many policy areas we currently lack much of the data needed. For example, we do not have enough evidence to help us compare consumer prices across the internal market.

We also need to develop a more sophisticated model of consumer behaviour so that policy is built on an understanding of consumers as they really are – rather than the entirely rational (almost robotic) beings presented in the textbooks.

We urgently need, in particular, a better understanding of how consumers, especially younger consumers, behave in the digital environment.

Better consumer protection Regulation

We need a robust and modern regulatory framework fit for the modern economy, more sophisticated markets and an integrated retail internal market. Consumers have to have a high level of protection, wherever they shop, if they are to be confident.

I recently launched a major consultation exercise (Green Paper) on the review of EU consumer law, the so-called consumer "acquis".

This review is the legal cornerstone of the consumer policy I intend to develop. It provides a unique opportunity to address regulatory fragmentation and inconsistencies in the current regulatory framework.

I would encourage all stakeholders to respond to the consultation and identify the most critical issues that call for in-depth analysis and action.

In particular, I would urge you all to identify the areas where the current regulatory framework is not suitable for the digital world, for example, in relation to online auctions and faulty software.

Better enforcement and redress, information and education

We also need effective and responsive enforcement mechanisms that allow national authorities to co-operate in real time. Rogue traders using spam and fraudulent websites move very quickly indeed to avoid being caught.

The enforcement cooperation regulation adopted in 2003 provides for effective cross-border enforcement, making it possible for national authorities to work together.

The network of European Consumer Centres will continue to play a crucial role in advising and informing consumers of their cross-border rights and helping them get their money back. E-commerce will continue to grow as a proportion of their work.

Getting money back when things go wrong is, of course, crucial for consumers. We will be looking to see what we can do to improve the situation, including the possibility for consumers to work together to seek redress, when the amount lost is smaller than the likely legal costs.

Putting consumers at the heart of all EU policies and regulation

Finally I will seek to bring a greater consumer dimension to many other EU policies. Energy, telecoms, transport, competition, trade, research, statistics and of course the internal market could all benefit from a consumer oriented approach.

The recent Single Market Review of the European Commission has underlined the need for a consumer approach. The Commission will therefore continue to work to ensure affordable access for all to the essential services necessary for economic and social inclusion.

In the digital context, it is clear that access to the digital world is becoming increasingly essential.

Telecommunications, and more specifically access to broadband internet, are of utmost importance to consumers in the modern world. They are a pre-condition for accessing online markets, being able to compare prices, finding relevant information on products and sharing experiences with other users.

I intend to work with my colleagues to ensure that consumers fully benefit from liberalisation, increased competition and new technologies.

Conclusion

I have of course only been able to give a limited picture of what is in the new strategy. Other important work is planned on consumer safety, consumer education, international relations and many other issues.

But I hope I have been able to give you a good flavour of the direction in which EU consumer policy is heading.

Consumer policy is integral to many of the economic, social and political challenges facing the EU. The opportunities and challenges of the digital environment will play an important role in the Commission's strategy.

But we must not get swept away by the hype.

The fundamentals of consumer protection remain – and we must find the best way of enhancing the welfare of all citizens in the digital world.

I wish you all a productive and thoughtful conference.

I trust you share my belief that through sound consumer policy, the EU can make a significant contribution to competitiveness and also help re-connect Europe with its people.

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