

## Consumer Impact Assessment of Data Localisation

### Introduction

The digital technology revolution has bolstered globalisation, turning the world into a global village. Not only has it enhanced People to People (P2P) connectivity, but has also catalysed Business to Business (B2B) interaction. Reports suggest that cross-border data flow contributed US\$2.8tn to the global economy in 2014, which is expected to touch US\$11tn by 2025. However, governments of many countries have been prompted to restrict cross-border data flow and mandate 'data localisation'. Some of such countries include China, Russia, Vietnam, Indonesia etc., which have drafted provisions requiring localisation of certain data. Select provisions of different countries which have mandated Data Localisation (DL) in certain instances has been compiled by various previous studies.

### Problematique

India has also begun walking on the same path. There are several arguments put forth by various stakeholder groups both in favour and against such a move. The Srikrishna Committee report recognises, 'India would have to carefully balance possible enforcement benefits of localisation with the costs involved in mandating such a policy in law'.

The Committee also noted that no evidence of a Cost-Benefit Analysis (CBA) was presented before it to determine if the costs of local data processing outweigh benefits to companies having access to burgeoning consumer database. Any regulation on cross-border data flow needs to consider interests of different stakeholder groups. These include, *inter alia*, consumers, government and service providers, among other stakeholders.

### CUTS Study

Various studies have estimated the potential impact of DL on various stakeholders. However, a void has been observed in capturing or presenting the impact on consumers, emanating from DL. This gap needs to be filled. A bottom-up approach needs to be adopted for taking a consumer perspective.

Understanding consumer impacts is critical to the success of public policies. Consumer Impact Assessment (CIA) has been recognised as an important scientific tool by many countries. It is instrumental in measuring and ensuring the success of proposed regulations. Being a consumer-facing organisation (and considering the previously conducted above-mentioned studies), Consumer Unity & Trust Society (CUTS) is undertaking an evidence-based CIA, i.e. a CBA, with the objectives mentioned below.

### Proposed Objective

The primary objective of the study is to gauge the impact on consumers, on parameters of uptake, usage, trust on select digital technology-driven services. This will be measured based on change in indicators of quality of service, data security, data privacy, innovation etc., emanating from the mandate of data localisation.

### Proposed Methodology

The study will follow a bottom-up approach, i.e. putting consumers first. It shall involve components of research, advocacy and networking. The following methodology may be adopted for the same.

- **Desk research:** Extensive literature review would be undertaken to gather evidence/information on the baseline scenario. It will also help in mapping and studying previously conducted studies in the realm. Secondary data, statistics and primary information collected from CUTS own consumer perception surveys on Over-The-Top services, and Data Privacy will also be referred in this regard.
- **Stakeholder Interactions:** Stakeholder Interactions via online means or in person (through Focus Group Discussions and/or Key Informant Interviews) would be undertaken to gather primary information about the experiences and perceptions on the issue of data localisation. These may include relevant subject experts, service providers, consumer groups etc.
- **Consumer Survey:** A consumer survey may also be undertaken to gather primary on-ground evidence of change in consumer trust, uptake and usage of digital technologies in select sectors.

## Expected Outputs

The findings of the study will yield an evidence-based research report on the subject. Appropriate number of op-eds, briefing/discussion papers, event reports etc. may also be prepared.

## Envisaged Outcome

The study will estimate the impact on consumer welfare, and bring forth a consumer perspective on data localisation. This will not only help us deepen our own understanding on the issue, but also help us in evidence-based advocacy for developing a regulatory framework which enhances consumer welfare.

## Timeline

The final output emanating from the study is expected to be prepared by November 2019.

