

# **CERP Working Group Supervision/Market Data**

## ***PT Relations with Consumers***

### Rationale

It is clearly essential for postal operators to take account of the needs of large mail customers and of individual consumers, both for commercial and for regulatory reasons. Regulators, on the other hand, when implementing the requirements of the Postal Services Directive, have to strike a balance between developing policies based on economic factors and those (often conflicting) which arise directly from customer needs. The national regulatory framework does not usually establish NRAs with the resources necessary to develop consumer expertise themselves; rather they tend to rely on input from national consumer bodies. However, the CERP Working Group Supervision/Market Data has identified an increasing need for postal regulators themselves to understand the requirements of users – and to communicate with them – in order to fulfil their regulatory responsibilities in the increasingly liberalised European postal market.

### Process

Early in 2006 the Working Group therefore resolved to investigate the extent to which postal regulators are in touch with users of postal services. A Project Team was established consisting representatives from 7 member States, ANEC and the European Commission in order to develop a questionnaire which would explore this issue. The questionnaire was developed in the second half of 2006 and circulated in Spring 2007 for completion by CERP members.

### Content

The questionnaire attempted to explore a wide range of situations in which there might be interaction between regulators, postal operators and consumers. It was divided into eight sections covering:

- Complaints – the extent to which regulators are directly involved in the process of complaint handling, the powers they exercise to resolve complaints and whether the information received from complaints has led to any form of enforcement action.
- Compensation – the extent to which compensation is available to customers (on an automatic or discretionary basis – or not at all); the mechanisms by which customers are made aware of their right to compensation and the role played by regulators in monitoring the process for such payments.
- Postal Operators – the frequency with which information on services is provided to regulators by postal operators (the Universal Service Provider and others); the power possessed by regulators to obtain such information and the use to which it is put.
- Statistics – the frequency with which regulators receive statistical information on issues of direct importance to consumers (loss, damage, delay etc); the

power possessed by regulators to obtain such information and the extent to which it is used for regulatory purposes.

- Contact with consumers and their representatives – the frequency with which regulators provide statistical information directly to postal users; the level of direct contact, the extent to which consumer surveys are undertaken and how the results are communicated.
- Delivery and collection by the Universal Service Provider – a section addressing the specific issue of obligations placed on the USP to advertise and undertake mail collections and deliveries by a particular time of day.
- Customer-focussed aspects of the Postal Services Directive – the extent to which regulators require all operators to take responsibility for mail integrity, and whether they require the USP to implement EN14012 (the complaints and redress standard).
- Access points – a final specific question on how regulators define the number or density of access points available to consumers.

### Objectives

The questionnaire was principally intended to provide a preliminary overview of the extent to which practice varied across member States. It was never expected to result in definitive conclusions or recommendations, but rather to give an indication of the level of interaction between regulators and consumers in various areas and – if possible – to identify examples of good practice. It was also intended to help with the identification of areas where more detailed investigations might be useful in the future.

### Outcome

18 member States responded to the questionnaire:

Belgium (BE)	France (FR)	Netherlands (NL)
Cyprus (CY)	Hungary (HU)	Norway (NO)
Germany (DE)	Ireland (IE)	Portugal (PT)
Denmark (DK)	Lithuania (LT)	Sweden (SE)
Estonia (EE)	Latvia (LV)	Slovenia (SI)
Spain (ES)	Malta (MT)	United Kingdom (UK)

The questionnaire itself appears at Annex 1 with the detailed results of each section at Annex 2. The remainder of this report provides an overview of the responses received and makes a number of observations on the level of involvement of regulators. It is in no way intended to be critical of the approach in any member State; rather it is intended to help CERP members to understand how interaction with consumers is handled elsewhere in order to assist them in deciding upon the appropriate level of regulatory involvement with consumers and their representatives.

### Way Forward

This exercise has succeeded in illustrating that there are many different approaches to postal regulation in Europe and many different ways in which

regulators interact with consumers. Whilst it may be thought useful to explore certain issues in more detail in the future, the current study has raised a number of questions which European postal regulators may wish to consider at this stage.

At a high level it appears that there is considerable variability in the extent to which regulators obtain information on customer issues, the way in which they acquire this information, the powers they have to address problems and how willing they are to use such powers as they possess. NRAs may therefore wish to consider specifically:

- Are they making best use of technology – specifically web pages on the internet – to communicate with consumers?
- Is there also scope for using more direct means of seeking customer views (such as the Portuguese complaints book system or undertaking consumer surveys)?
- Are NRAs doing enough to publicise their own existence and to let consumers know what they can do to help?
- Are they making full use of the consumer information at their disposal to influence their regulatory decision making processes?
- Do they have adequate power to encourage – or ultimately to force – operators to take account of customer needs?

And more specifically:

- Are postal regulators confident that the low level of direct contact by consumers confirms that operators resolve complaints to the customers' satisfaction – especially where there is no alternative resolution available to consumers?
- Should compensation schemes be more widely publicised, and if so – how?
- Should postal operators be required to publish information on the services they provide and the quality of service they achieve?
- Should such requirements apply equally to universal services providers and to their competitors?

Looking to the future, are NRAs preparing for the effects of full market liberalisation and potentially a significant growth in competition? For example:

- Will commercial pressures lead to significant changes in patterns of collection and delivery?
- Will it also lead to a reduction in the availability of access points where the full range of universal service products (eg registered and insured items) is available?
- Are postal regulators satisfied that the criteria specifying the location and density of access points are robust?
- Are regulators confident that they have the powers to ensure a network of access points which fully meets the needs of consumers?

## Complaints (Section A)

*This section of the questionnaire was designed to explore the extent to which regulators are directly involved in the process of complaint handling, the powers they exercise to resolve complaints and whether the information received from complaints has led to any form of enforcement action.*

**A.1:** Approximately how many complaints about postal services do you, the Regulator, receive each year; and how many of these are not appropriate for you to deal with (eg should have been directed to the USP, or do not relate to regulated services)?

*Of the complaints that are appropriate for you, the Regulator, to handle:*

**A.2:** Who do you receive complaints from?

**A.3:** How do you receive the complaints?

**A.4:** If you receive complaints, what can you do for the customer?

Once you receive the complaints, do you offer a service to resolve the issue?

If you do offer a service to resolve complaints, do you have the power to enforce your decision?

If you do not offer a service to resolve complaints, who handles them?

**A.5:** Have you used the information you received from complaints [to...]

**A.6:** If so, do you undertake a public consultation before taking these steps?

**A.7:** If you do not handle complaints about postal services in your country or if someone else also handles them, who deals with such complaints?

Once they receive the complaints, do they offer a complaint resolution service?

If yes, do they have power to enforce their decision?

If no, does anyone else have this power?

## *Results*

This section of the questionnaire is particularly difficult to summarise because it invited respondents to provide numerical data in respect of complaints. Inevitably the figures cover a wide range and are easily open to misinterpretation. However, it is clear that in general regulators receive only a relatively small number of complaints; most of these concern universal services and most are received from individual consumers. Most complaints are received by letter, telephone or e-mail, but very few through a website.

More than half the regulators who responded reported that they offered a service to resolve the complaint, although powers to enforce this decision related principally to the provision of universal services.

And whilst a small number of member States reported the existence of a formal ombudsman there remained a few where no alternative dispute resolution procedure appeared to be available to a consumer whose complaint was not satisfactorily resolved by the postal operator.

Relatively few respondents claimed to have used the information received from complaints to amend or withdraw licences, adjust targets or even to impose fines.

## *Comments*

Whilst it is not surprising that most complaints received by the postal regulators come from individual consumers and relate to universal services, this is not necessarily a fair indication of major issues affecting the provision of postal services in a particular country. It does, however, provide an indication of the importance of regulators maintaining regular contact with consumers in order to understand the issues which are of direct concern to them.

That said, it is interesting to note that postal regulators do not seem to make great use of the intelligence they gather from complaints to implement changes to the regulatory enforcement framework.

It is clearly appropriate for the operator (usually the universal service provider) to be given the opportunity to resolve complaints before they are passed to the regulator and that this should result in a very small number being appropriate for the NRA's attention. But it might be interesting to understand whether it is the USP's satisfactory complaints resolution procedure that results in such a small number being directed to the regulator or whether there are other contributory factors such as lack of awareness of the NRA, its functions and powers.

Similarly, although there is no obvious need for regulatory power if complainants are satisfied with the response they receive from the USP, it is somewhat surprising that postal regulators do not have more power to resolve complaints and to enforce their decisions – in case the USP (or other postal operator) is not fulfilling its role responsibly.

## Compensation (Section B)

*This section of the questionnaire was designed to explore the extent to which compensation is available to customers (on an automatic or discretionary basis – or not at all); the mechanisms by which customers are made aware of their right to compensation and the role played by regulators in monitoring the process for such payments.*

**B.1:** Do postal operators give financial compensation for standard letter items in the following circumstances?

Is there any automatic financial compensation for registered/insured items?

**B.2:** Who (if anyone) uses the following mechanisms to make customers aware that compensation is available?

**B.3:** Do you, the Regulator, monitor the process for payment of compensation?

### *Results*

At least half the respondents reported that compensation was not available to any class of user for loss, damage or delay to standard letter items (ie those not registered or insured). And in only about half those member States where compensation was available for such items was there an *automatic* entitlement to compensation.

Almost all regulators appear to rely on the universal service provider to make customers aware that compensation is available. Only four of the regulators who responded claimed to offer such a service – all making use of their website.

Finally, only three respondents said that they monitored the process for payment of compensation.

### *Comments*

This is one of the most surprising – and even disappointing – areas of response. Compensation is a key factor for users of postal services, and it would therefore seem to be an area where the regulator should be very closely involved. Postal regulators might have been expected to take a very keen interest in the nature of claims, the entitlement of users and the whole process by which operators compensate them for service failures in order to help them to regulate the industry.

The process appears to be driven largely by the operators themselves, both in terms of the provision of information and the decision to provide financial compensation. Further work could be undertaken in this area to establish the scale of the problem and the extent to which consumers are dissatisfied with – or even unaware of – the arrangements which exist.

## Postal Operators (Section C)

*This section of the questionnaire was designed to explore the frequency with which information on services is provided to regulators by postal operators (the Universal Service Provider and others); the power possessed by regulators to obtain such information and the use to which it is put.*

**C.1.** How frequently (eg monthly, annually, never) do you (the regulator) receive information from postal operators on new services or changes to services they provide?

**C.2.** What powers do you have for obtaining that information?

**C.3.** What do you do with this information?

### *Results*

All respondents appear to have the power to obtain information from the USP on new services or changes to existing services, and most have similar powers in respect of other licensed operators. However, whilst such information is provided comprehensively by the USP, considerably less seems to be acquired on other operators' services.

Whilst relatively few regulators publish this information, the majority of respondents claim to use it for regulatory purposes and/or in assessing the impact on a competitive market.

### *Comments*

It is interesting to note that there is no standard frequency with which this information is provided. However, there is no reason why every regulator should receive such information in a similar way. It is clearly important from a consumer point of view that the regulatory authority is fully informed about the full range of universal services offered by the USP and it is understandable that regulators should receive less information about services provided by other operators or by the USP on a non-universal basis. But it is reassuring to note that even these later two categories are considered in the context of a competitive market and for regulatory purposes.

It is also somewhat surprising to see how few regulators publish this information. Presumably the majority consider that this is the responsibility of the operators (whether USP or competitors); and presumably it is in their commercial interests to ensure that information on competitive products and services is well advertised. On the other hand, it is important that regulators should not underestimate the importance of ensuring that comparative data are published in order to encourage competition. Many consumers – including commercial organisations – place great emphasis on aspects of performance (such as reliability of delivery) as well as price when selecting an operator to meet their postal requirements.

Finally, it might be interesting to explore the extent to which regulators satisfy themselves that information in respect of 'monopoly' universal service products and services is indeed readily available and accessible to users.



## Statistics (Section D)

*This section of the questionnaire was designed to explore the frequency with which regulators receive statistical information on issues of direct importance to consumers (loss, damage, delay etc); the power possessed by regulators to obtain such information and the extent to which it is used for regulatory purposes.*

**D.1.** How frequently (e.g. monthly, quarterly, annually, never) do you as a Regulator receive statistical information on general questions or on *complaints about the following issues* from the Postal Operator? Please indicate against each category.

**D.2.** What powers do you have to obtain this type of information?

**D.3.** How is this information used for regulatory purposes?

## *Results*

Nearly all postal regulators appear to have the power to obtain statistical information from both the Universal Service Provider and other licensed operators on general questions or on complaints. The results of this survey show that most respondents receive data on complaints from the USP. Such information appears usually to be provided on an annual basis and covers the major issues of concern to customers (loss, damage, delay, compensation etc). However, very few regulators receive such information from other licensed operators.

Moreover, less than half the respondents state that this information is used for regulatory purposes.

## *Comments*

This appears to be an area where regulators have the opportunity to gather information of direct relevance to customers, and more than half the respondents do indeed receive data on a regular basis. However, this is almost exclusively in relation to the performance of the USP (not other licensed operators) and it is not clear that this is being used to any great extent to further the interests of users.

It is surprising to note that a small number of respondents do not claim to receive any of the statistics on the subjects identified in the questionnaire. And again it is interesting to observe that even those postal regulators who do collect statistics do not seem to make great use of the information they gather from them to implement changes to the regulatory enforcement framework.

Finally, it would be interesting to understand whether regulators have taken a conscious decision not to seek information from other licensed operators. Is there any justification for treating the USP and its competitors differently in this respect?

## Contact with consumers and their representatives (Section E)

*This section of the questionnaire was designed to explore the frequency with which regulators provide statistical information directly to postal users; the level of direct contact, the extent to which consumer surveys are undertaken and how the results are communicated.*

**E.1.** How frequently (e.g. monthly, quarterly, annually, never) do you as a Regulator provide statistical information on general questions or on *complaints about the following issues* to consumers and their representatives?

**E.2:** How many contacts do you (the Regulator) receive each year from users by the following methods?

**E.3:** Do you undertake consumer surveys?

If yes, which of the following methods are used to conduct these surveys, and how frequently (e.g. annually)?

**E.4:** How are users informed of the results of these surveys?

### *Results*

Although the response table at Annex 2 again appears well populated, only a small proportion of respondents claim to provide regular statistical information to consumers and their representatives. Indeed, closer examination reveals that a surprisingly large number of respondents do not provide any such hard data to consumers.

In general the postal regulators who responded to the survey have considerably greater contact with users over complaints than on questions relating to products and services. But all the numbers quoted are relatively low – with the notable exception of Portugal whose complaints book<sup>1</sup> generated nearly 4,000 contacts.

Over half of respondents (11 out of 18) reported undertaking consumer surveys, with ‘market research’ appearing to be the most popular method. Communication of the results was predominantly by means of the regulator’s website.

### *Comments*

The number of direct contacts between regulators and users is remarkably low. It is not entirely surprising how few contacts relate to products and services – one might expect users to approach operators directly for this information. However, this could be one further indication that regulators are not well known and that methods for contacting them are not well developed. It would also be reassuring to receive confirmation that it is a conscious decision on the part of postal

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<sup>1</sup> In Portugal, all postal operators must have a complaint book in each store and send all complaints registered therein to the Regulator

regulators not to provide regular statistical information to consumers and their representatives.

Whilst a commendable proportion of regulators claim to undertake consumer surveys, it would be interesting to explore further the precise nature of these exercises to investigate the breadth and depth of their scope.

And while it is pleasing that the results of the surveys are published, the responses showed that the preferred method is posting them on a website. It would be interesting to explore whether this is a successful means of dissemination given the low profile of the regulators and the proportion of people who do not have access to the internet. Even for those that do, they may not be likely to look for the results unless their attention is drawn to their existence – for example by an article on the results appearing in the press.

## Delivery and collection by the Universal Service Provider (Section F)

*This section of the questionnaire was designed to explore the specific issue of obligations placed on the USP to advertise and undertake mail collections and deliveries by a particular time of day.*

Do you as a Regulator receive many questions about earlier final collections or later deliveries, and if so from whom?

**F.1.** Is the USP under any obligation to deliver mail by a certain time? If yes, what are the latest delivery times?

**F.2.** What is the earliest final collection time allowed by you, the Regulator?

**F.3:** Are final collections advertised on the collection point?

**F.4:** Are consumers advised on the collection point that the final collection has taken place that day?

### *Results*

No evidence was found of any regulator placing a formal obligation on the Universal Service Provider to deliver mail by a certain time of day. And only three respondents stated that they imposed a condition on the earliest final mail collection time.

All respondents reported that final collection times were advertised on collection points; but a much smaller number stated that confirmation was provided of the final delivery having taken place.

### *Comments*

If universal service providers are allowed to collect mail as early in the day as they wish and to deliver it as late in the day as they see fit, users are potentially being deprived of their right to a next-day service. Indeed, if mail were collected so early on J1 that it had to be prepared on J0, and it was then delivered 'first-class' 'next-day' – but not until the end of J2 so that it could not in practice be actioned until J3, this is more akin to a 'second-class' J+3 service.

It is difficult to assess whether there is a problem with when final collections actually take place. In the UK, research indicated that a significant number of post boxes were being emptied before the final advertised collection time – causing a problem for consumers who could not be sure whether or not they had missed the final collection. It may be that in other countries no final collections take place earlier than advertised, or it may be that the issue has simply not been investigated.

## Customer-focussed aspects of the Postal Services Directive (Section G)

*This section of the questionnaire was designed to explore the extent to which regulators require all operators to take responsibility for mail integrity, and whether they require the USP to implement EN14012 (the complaints and redress standard).*

**G.1:** Integrity of mail – Do you, the Regulator, require all postal operators to take responsibility for integrity of mail?

If yes, what is the sanction if they fail?

**G.2:** Have you required the USP to implement EN14012 Complaints and Redress standard?

### *Results*

All respondents required the USP to take responsibility for the security of mail which formed part of the universal service obligation; and all but one required the USP to be responsible for the integrity of mail carried outside the USO. The vast majority also extended this mail integrity requirement to other licensed operators.

A range of appropriate sanctions was described which could be imposed on operators who failed to ensure the security of mail they carried.

The picture in respect of EN14012 was, however, much less clear. Approximately equal numbers of respondents reported that this standard was either fully implemented or not implemented at all.

### *Comment*

At first sight, the situation in respect of mail integrity appears very satisfactory – although it would be interesting to understand more about the methods each regulator uses to check that mail is indeed being handled securely and the sanctions which are actually imposed when a breach is identified.

However, it can be argued that it is a fundamental responsibility of postal regulators to ensure that operators take full responsibility for the integrity of the mail they carry. Any relaxation of this duty (for example in respect of mail handled by competing operators, or even 'non-USO' mail carried by the USP) is a serious issue. It is also unclear from the questionnaire responses whether all regulators require full protection of USO mail – including that carried by operators other than the USP. There is therefore no room for complacency in this area, and possibly a need to investigate the situation in greater detail to dispel such concerns.

So far as procedures for complaints and redress are concerned, this raises interesting questions over the value of standardisation in this area. Given the crucial importance of this subject to users and the fact that a European standard exists, it is surprising that more regulators have not chosen to require compliance by universal service providers within their countries.

## Access points (Section H)

*This section of the questionnaire was designed to explore a final specific issue of how regulators define the number or density of access points available to consumers.*

**H.1:** Is there legislation requiring the USP to provide a certain number or density of access points?

**H.2:** How is access point density measured? Is it by:

### *Results*

5 of the 18 respondents reported that legislation exists requiring the USP to provide a certain number of posting boxes, and one additional country has such a requirement in relation to post offices.

However, nearly twice as many regulators reported that there is a requirement for the USP to provide a specified density of access points.

Where access point density is required, it is not apparent that there is any preference for defining this with reference to distance, population or a combination of these factors.

### *Comment*

The Postal Services Directive requires member States to take steps to ensure that the density of points of contact and of access points takes account of the needs of users. One might therefore have expected all regulators to have introduced a density requirement in respect of access points; but the questionnaire results suggest that this is not the case for about one third of respondents.

Given that both posting boxes and Post Offices are access points, it was to be expected that criteria would be defined which applied to both (although clearly not the same requirement in each case). Both types of access point are essential to customers: a post box is simply a means of introducing pre-paid mail into the postal pipeline whereas the latter is the means by which consumers can gain access to the full range of universal service products.

However, in the future – particularly with the introduction of automated postal centres and the trend towards Post Offices providing a wide range of services among which postal offerings continue to decline – it might be worth considering the extent to which an access point is redefined to ensure that users do indeed have adequate access to universal postal services.

Finally, it is not surprising that there is no consensus over whether to measure access point density with reference to distance, population or a combination of the two. In the absence of any well-defined criteria (or standards) for the application of such criteria there are advantages and disadvantages to both methods.