



Wissenschaftliches Institut für
Infrastruktur und Kommunikationsdienste

**Competition in Postal Services:
A Return to Senders?**

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Commission for
Communications Regulation

Meeting customer expectations in a liberalised postal market

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Overview

This presentation covers:

- the research done by ComReg on customer needs, satisfaction, and expectations.
 - What ComReg does.
 - Comparable studies.
 - Practical issues.
 - Key Findings
 - The consequences of the postal monopoly
- the political/regulatory consequences.
 - European consumer protection initiatives affecting the postal sector
 - What needs to be done to make the liberalised market responsive to customer needs



Meeting customer expectations in a liberalised postal market

**The research done by ComReg on
customer needs,
satisfaction, and
expectations.**



What ComReg does

Qualitative Market Research surveys each year since 2002:

- Approx 500 rising to 800 business users
- Approx 750 households / 1000 adults 18>74

Public Consultations

Complaints Received

Postcode Symposium (November 2003)

Consultancy Report "Ensuring that consumers benefit from the opening of postal markets to competition" – LECG

ComReg's National Conference 2007 "Postal Services for the 21st Century"

Focus Groups

Neu für
2008



Topics covered by annual surveys

BUSINESSES

Overall Satisfaction;
Specific Issues;
Complaints;
Complaint handling;
Mail Volumes / Annual spend;
Volume Trends;
Factors that might stimulate
volume growth;
Awareness of other operators;
Reasons for using other
operators;
Reasons for switching;
Level of contact;
Desired improvements.

RESIDENTIAL

Overall Satisfaction;
Pricing;
Information;
Specific Issues;
Complaints;
Complaint handling;
Volume received;
Who Delivers;
Volume sent
Volume Trends;
Factors that might stimulate
volume growth;
Awareness of other operators.



Comparable studies

Eurobarometer for European Commission

- Focus on
 - Citizens, and
 - comparisons with other services of general interest

ECORYS web-based questionnaire for “Main developments in the postal sector (2006-2008)” European Commission Sept 2008

- Focus on principal users of the post.



Representative sample - of what?

BUSINESSES

All businesses;
All postal users;
Large / Medium scale users;

Letters (White collar occupations);
Parcels/Express (Blue collar occupations);

Management;
Post room manager;
Secretary.

Example (2003)

All respondents 506
(use of Direct Mail)
Senders >2000 letters p.w. 40

RESIDENTIAL

All Population;
All Adults;
Adults 18 > 74
Adults 15 > 74
(Mobile phone users)

Heads of Household;
Homemaker;

Community activists;
Home Workers.

Example (2004 v 2007)

Female respondent 63% v 50%
Age under 35 15% v 42%



Procurement Issues

ComReg subject to public procurement guidelines
Combined annual contract for all Telecoms and postal research

	BUSINESS	RESIDENTIAL
2002	MB IMS	MB IMS
2003/4	TNS mrbi	TNS mrbi
2005/6	MB IMS	Amárach
2007/8	MB IMS	MB IMS

Not Strictly comparable one year with another

but **IMPORTANT POINT** is

It's qualitative research not statistical measurement

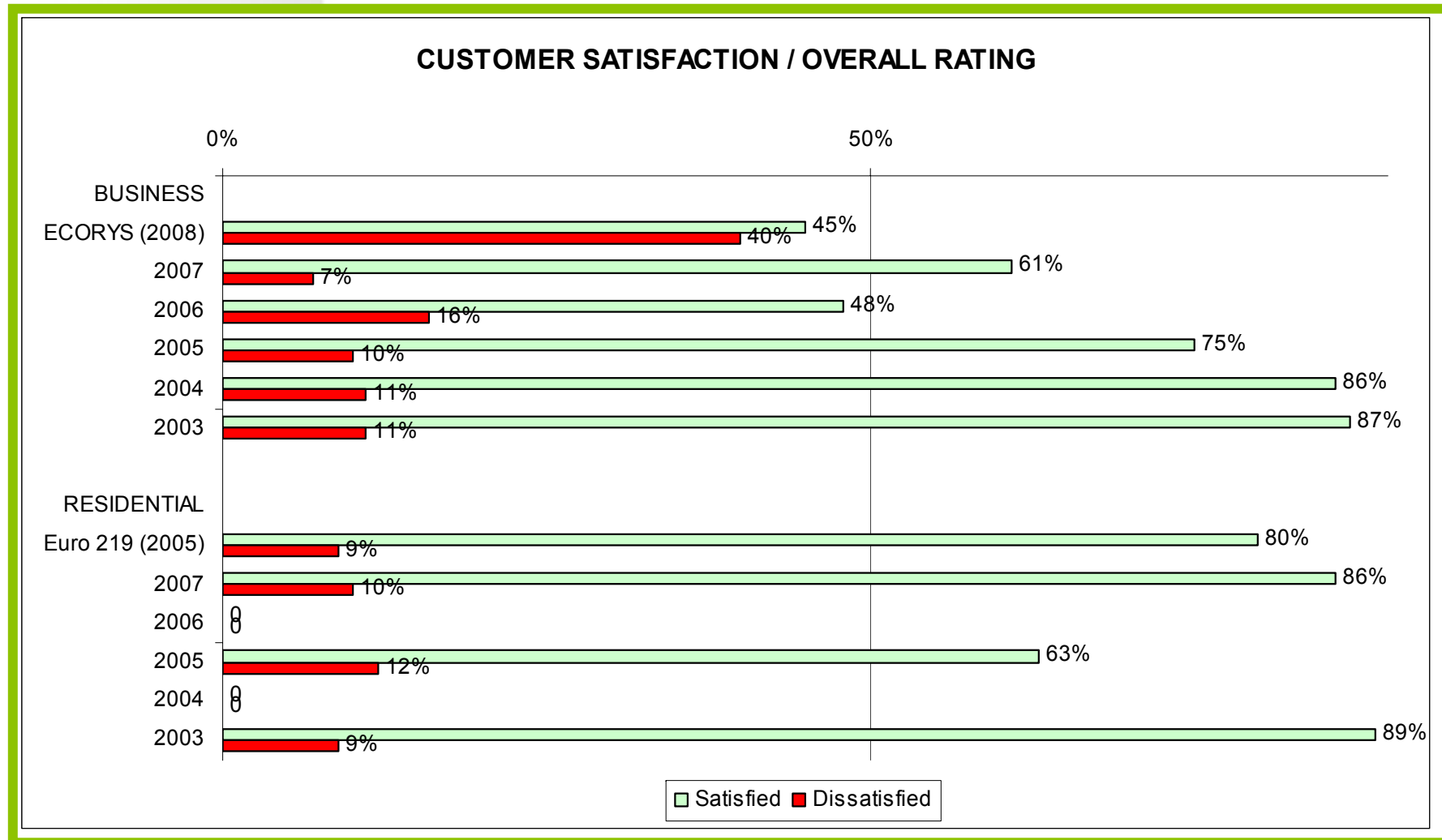


Some Key Results

1. Customer Satisfaction / Overall Rating
2. Complaints
3. Issues – Overview
4. Issues – Pricing
5. Issues – Quality
6. Volume Trends

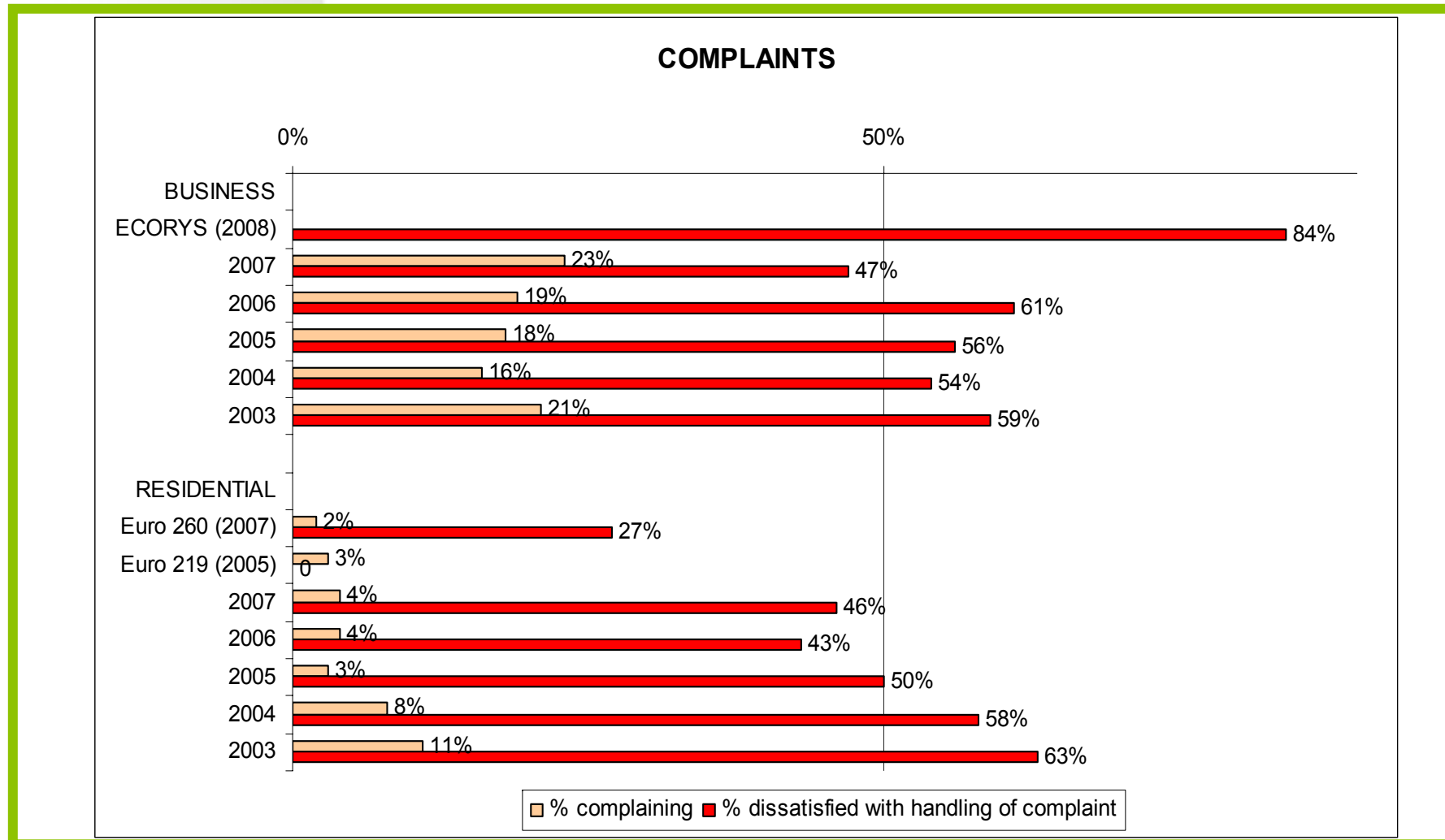


Some Key Results



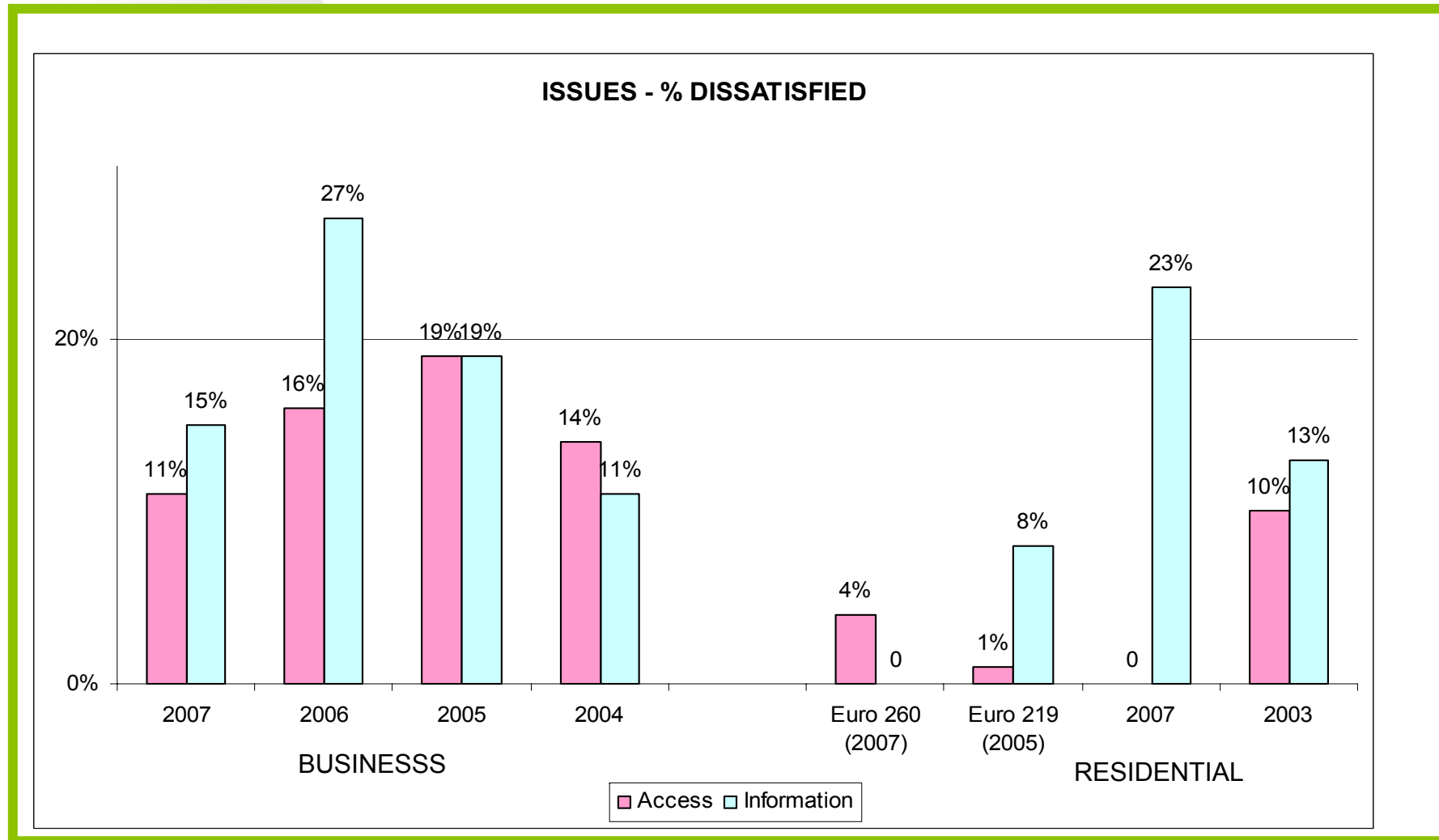


Some Key Results



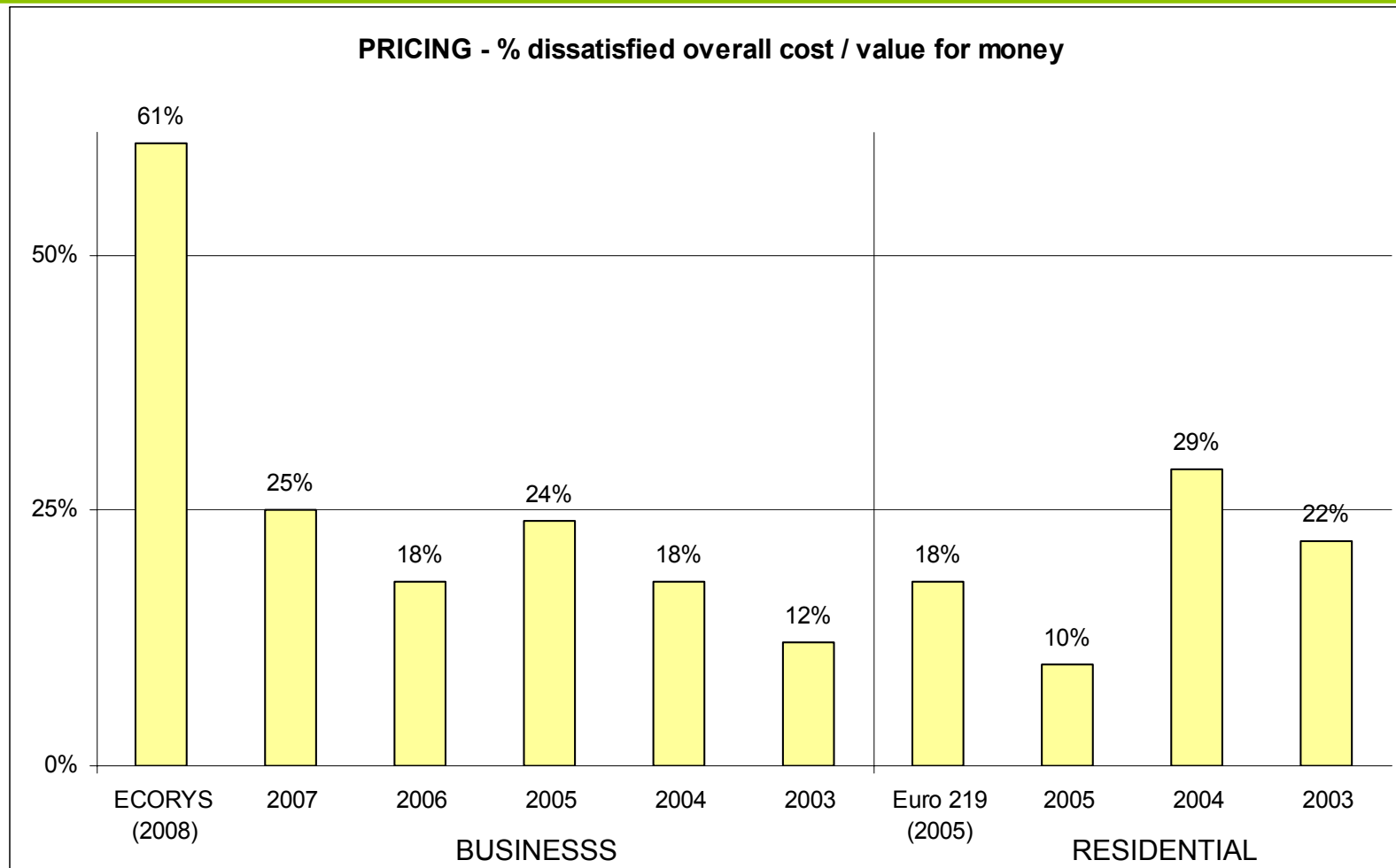


Some Key Results



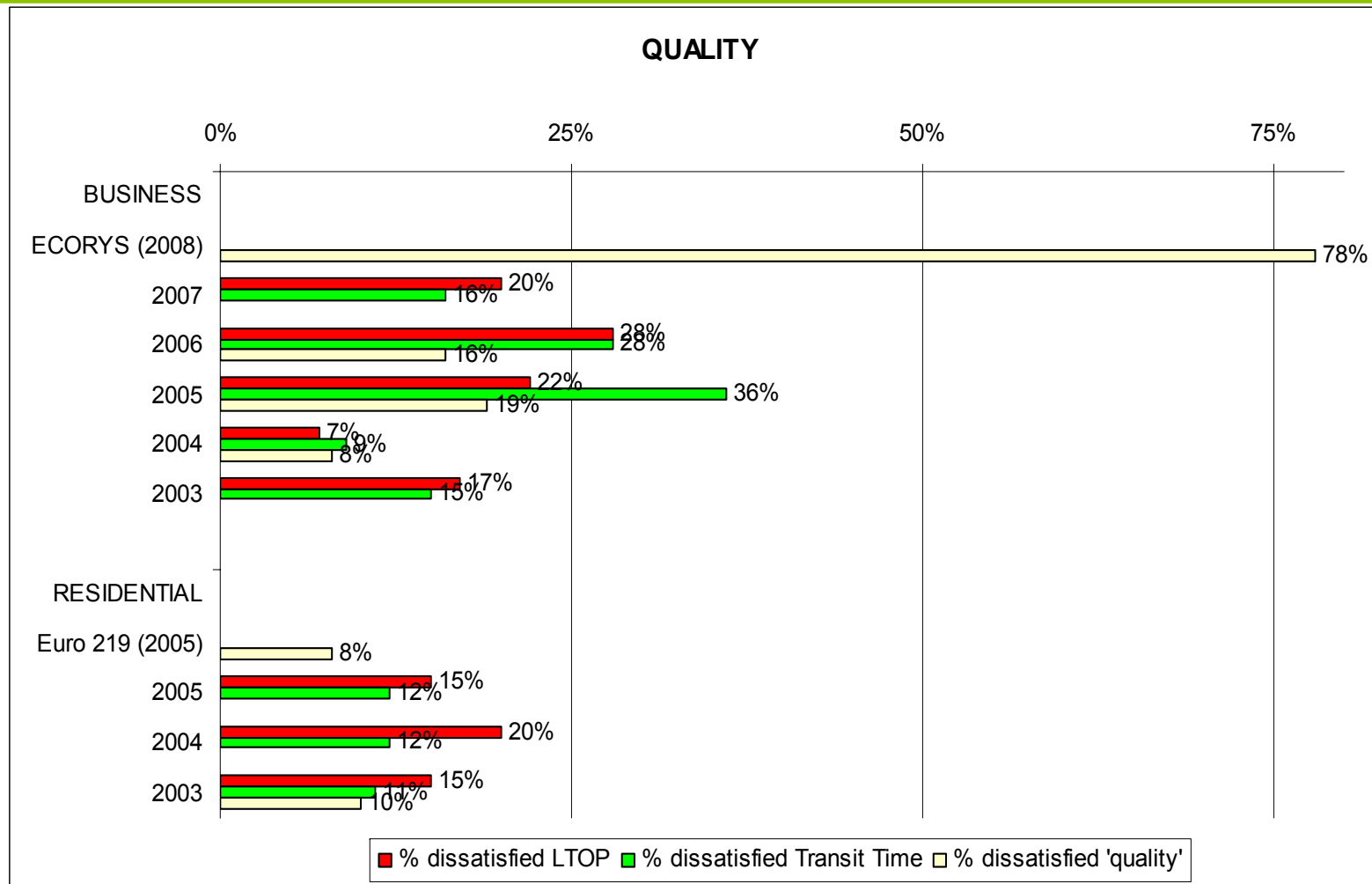


Some Key Results



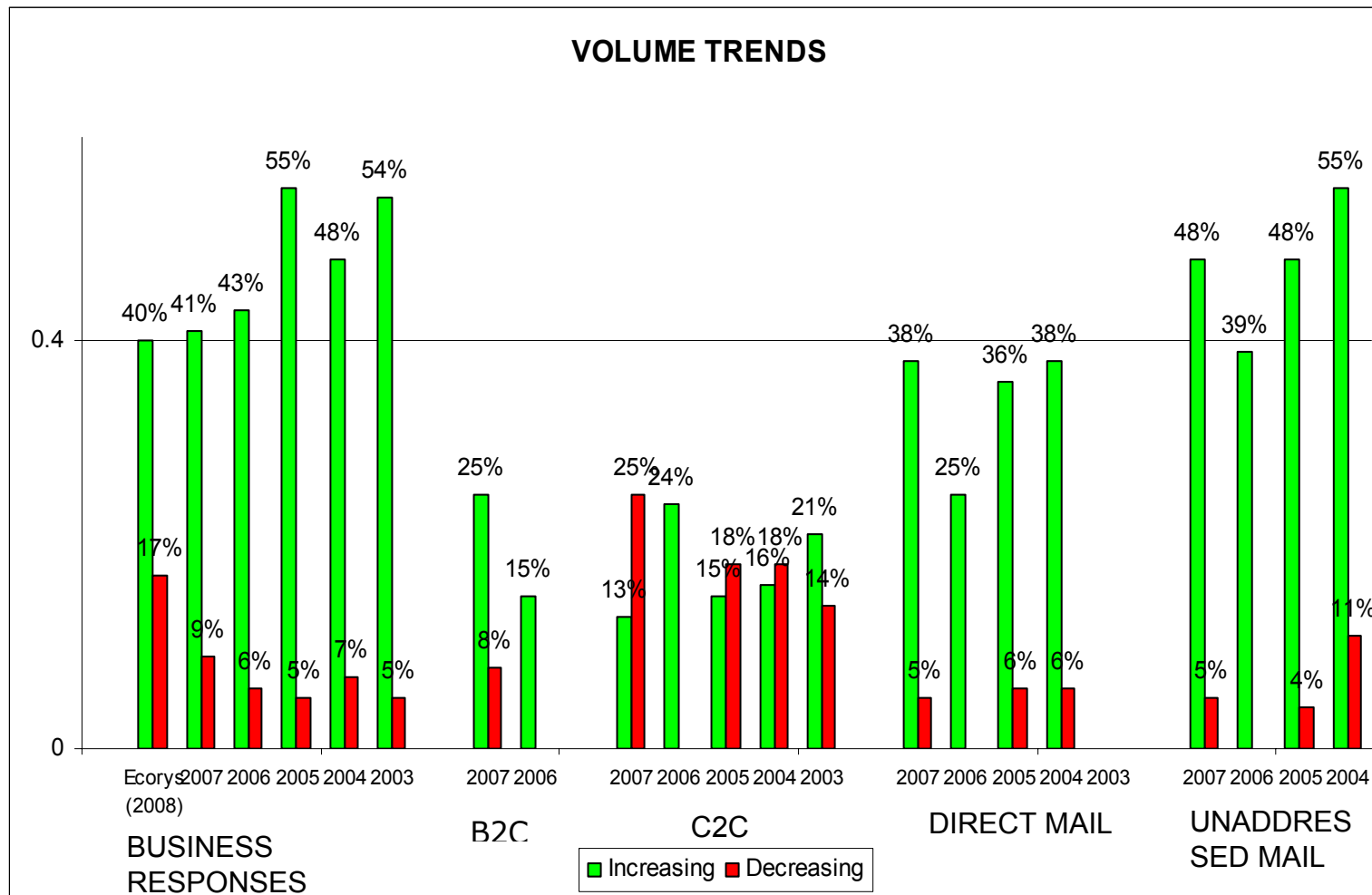


Some Key Results





Some Key Results





“Ensuring that consumers benefit from the opening of postal markets to competition” – LECG

- ComReg retained consultants (LECG) to consider how best to ensure that all consumers benefit from the opening of the postal market to competition in Ireland focusing on three key issues:
 - What is the most appropriate form of price regulation for the Irish market following liberalisation?
 - How should quality standards for universal service be defined, set and regulated?
 - What steps if any need to be taken to secure the provision of universal service?



“Ensuring that consumers benefit from the opening of postal markets to competition” – LECG

Findings from LECG Report

- The risks to the provision of the **universal service** posed by full market opening are low, and likely to emerge slowly, if at all. LECG believe that they can be addressed through the monitoring of universal service provision by ComReg.
- Consumers will benefit most from the opening of the postal market to competition if An Post, is subject to ex-ante **price** regulation and if the NRA has adequate enforcement powers.
- The development of the postal industry will benefit from regulatory oversight of new entrants. Poor **quality** entry risks undermining the competitive impact of entrants generally, and thereby the development of the industry as a whole. LECG believe that there may be benefits to a licensing rather than an authorisation regime, since the threat of potential licence removal may help to secure sustained quality levels.
- This will require amending primary legislation.



Meeting customer expectations in a liberalised postal market

**What have been the consequences
of the postal monopoly on
customer satisfaction**



The consequences of the postal monopoly

The Universal Postal Union Convention

Article 21

Liability of postal administrations. Indemnities

Postal administrations shall not be liable for items other than registered / insured items and parcels

Article 22

Non-liability of postal administrations

Article 23

Sender's liability

Article 24

Payment of indemnity

USA insistence that it deals with all claims for items posted in US no longer an issue?



The consequences of the postal monopoly

The Universal Postal Union Convention

Article 17

Inquiries

“the acceptance of inquiries about the non-receipt of ordinary letter-post items shall not be mandatory”

Article RL 150

Inquiries

“The first administration to receive the CN 08 form and accompanying documents from a customer ...”

Article RL 158

Payment of indemnity

“postpone payment of the indemnity to the rightful claimant in cases where the form is not properly completed or incorrect”

“the administration concerned shall be authorized not to indemnify the rightful claimant.”

Article RL 159

Period for payment of indemnity

Should get your money within 3 months



The consequences of the postal monopoly

Irish Legislation - Postal & Telecommunications Services Act, 1983

Limitation of Liability of the Postal Company

64. (1) Subject to subsection (3), **the company shall be immune from all liability** in respect of any loss or damage suffered by a person in the use of a postal service by reason of-
- (a) failure or delay in providing, operating or maintaining a postal service,
 - (b) failure, interruption, suspension or restriction of a postal service.
- (2) The members of the staff of the company shall be immune from civil liability except at the suit of the company in respect of any loss or damage referred to in subsection (1).
- (3) (a) Section 39 of the Sale of Goods and Supply of Services Act, 1980, shall not apply to the provision of international services by the company.
- (b) The said section 39 shall not apply to the provision of postal services within the State until such date as the Minister for Trade, Commerce and Tourism, after consultation with the Minister, by order provides, whether in relation to such services generally or in relation to services of a class defined in the order in such manner and by reference to such matters as the Minister for Trade, Commerce and Tourism, after such consultation, thinks proper.



The consequences of the postal monopoly

British Legislation - Postal Services Act 2000

90 Exclusion of liability

(1) No proceedings in tort shall lie or, in Scotland, be competent **against a universal service provider in respect of loss or damage suffered by any person in connection with the provision of a universal postal service** because of—

(a) anything done or omitted to be done in relation to any postal packet in the course of transmission by post, or

(b) any omission to carry out arrangements for the collection of anything to be conveyed by post.

(2) No officer, servant, employee, agent or sub-contractor of a universal service provider shall be subject, except at the suit or instance of the provider, to any civil liability for—

...

(3) No person engaged in or about the conveyance of postal packets and no officer, servant, employee, agent or sub-contractor of any such person shall be subject, except at the suit or instance of the universal service provider concerned, to any civil liability for—

...

(4) ...

(5) This section is subject to section 91. .



The consequences of the postal monopoly

Slovenian Legislation - Postal Services Act

Article 53

(Liability for damage caused)

(1) Postal services providers shall be liable for damage caused during the conveyance of registered and insured postal items and postal parcels due to:

1. loss, damage, theft or robbery;
2. exceeding the time limit for conveyance;
3. unexecuted or incompletely or incorrectly executed postal services.

(2) In addition, postal services provider shall be liable for damage caused during the conveyance of postal items delivered on the basis of a receipt.

(3) Notwithstanding the preceding paragraph, postal services provider shall not be liable for damage caused if he can prove that:

1. ... ;
7. damage occurred due to a lawful action by competent bodies.



The consequences of the postal monopoly

“It is one of the remarkable facts of Post Office history that all the really important innovations and reforms were the work of outsiders, who usually did not achieve success until the strenuous opposition of Post Office Officials was overcome.”

Feldman and Kane, HANDBOOK OF IRISH POSTAL HISTORY



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Meeting customer expectations in a liberalised postal market

**the political/regulatory
consequences**



European Consumer Protection Legislation

1. Directive 93/13/EEC – Unfair Terms in Consumer Contracts
2. Directive 97/67/EC
 - Recital 34 “Whereas Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts applies to postal operators”
 - Article 19 Complaints Procedures/Compensation mandatory for USPs
3. Directive 2002/39/EC
 - Complaints Procedures/Compensation mandatory for USPs and discretionary for other postal operators
4. Directive 2006/123/EC – the “Services Directive”
5. Directive 2008/6/EC
 - Complaints Procedures/Compensation mandatory for all postal operators
 - Encouragement for “Out of Court Settlement Procedures”



Directive 2008/6/EC

Recital 42

In line with existing rules in other service areas and in order to increase consumer protection, it is appropriate to extend the application of minimum principles concerning complaint procedures beyond universal service providers.

With a view to increasing the effectiveness of complaint handling procedures, it is appropriate to encourage the use of out-of-court settlement procedures as set out in Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes and Commission Recommendation 2001/310/EC of 4 April 2001 on the principle for out-of-court bodies involved in the consensual resolution of consumer disputes.

Consumer interests would also be furthered through the enhanced interoperability between operators resulting from access to certain elements of infrastructure and services, and the requirement for cooperation between national regulatory authorities and consumer protection bodies.

In order to protect the interests of users in the event of theft or loss of, or damage to, postal items, Member States should introduce, where warranted, a system of reimbursement and/or compensation.



Directive 2006/123/EC - the "Services Directive"

Key features of interest to Postal Sector

Freedom of establishment for service providers (Articles 5-8)

Rules governing conditions for granting authorisations (Articles 10-13)

Free movement of services:

Country of Origin principle (Article 16)

- specific exemption for postal service providers (not just USPs)

Rights Of Recipients Of Services

- Access to services (Article 19-21)
- Information on providers and their services (Article 22)
- Policy on quality of services (Article 26)
- Redress procedures (Article 27)



What needs to be done to make the liberalised market responsive to customer needs

ComReg's VISION

- ComReg's vision for the postal sector is of a dynamic and competitive market which provides all consumers (individuals, businesses or organisations) with access to an increasingly wide range of competitively-priced quality products and services.
- Our vision is of a postal market with an innovative, customer focused and efficient public postal network operating alongside the existing delivery networks operated by express and parcel operators and supplemented, where markets dictate, by new networks responding to social and technological change and its impact on consumer needs.
- Our vision is of ComReg supporting the development of the postal market with the long term aim of growing mail volumes per capita towards the level of those in key comparator economies elsewhere in the EU.
- To aid the achievement of our vision, ComReg will encourage the development of e-commerce and e-government services which generate a significant demand for postal services in fulfilment of transactions initiated electronically.



Implications of Full Market Opening

A New Role of Regulators:

- While there is a “reserved area” regulators must:
 - Ensure **all** users are provided with appropriate services;
 - Dominant position is not abused by excessive pricing in order to cross-subsidise other activities.
 - Ensure Quality is maintained / improved
- With Full Market Opening a functioning market will ensure:
 - customers are provided with appropriate services;
 - Quality is maintained / improved;
 - Prices are ‘keen’
 - Product development and innovation
- But a functioning market will emerge only slowly, so regulators must ensure:
 - legacy operators do not use dominant position to prevent competition emerging;
 - legacy operators do not charge excessive prices in non-contested markets; and
 - New entrants do not undermine the ‘integrity of mail’.



Post is important for competitiveness

"The postal sector provides essential infrastructure for our citizens and companies to communicate with each other. We can't have a state of the art economy without a state of the art postal sector."

Charlie McCreevy, European Commissioner for the Internal market 2008

Postal market is diverse

- It ranges from large global express carriers to local bicycle couriers.
- Incumbents like An Post only represent about half the market
- For every job in postal services there are about two more jobs related to postal activities, i.e. directly dependent on, closely related to or induced by the postal sector, e.g. printing, envelope manufacture, etc



Developing Competition

Requirements

- Precise and unambiguous regulatory framework
- Level Playing Field

What type of entry:

End to End

Entrants provide a full postal services solution from collection point to delivery point

Downstream Access

Entrants part prepare mail and inject into the back end of the USP network for delivery only (i.e. 'delivery of the final mile')

Hybrid

Entrants provide a full postal services solution from collection point to delivery point in selected areas and access public postal network in areas when economies of scale and scope suggests that this is the most viable option

What section of market:

Entrants are likely to target the more profitable Business section initially
Indications that some operators are moving into the Private consumer market e.g. GLS and DHL Parcel Shops



Limited scope for developing competing networks in smaller countries

- Key requirements for success:
 - High Level of urbanisation
 - High Population density in Urban areas
 - High Levels of mail per capita
 - Reluctance by the incumbent to provide “wholesale” services.
- Incumbents have numerous advantages:
 - Ubiquity of coverage (daily delivery to every address)
 - Brand (high regard for delivery postmen, postmasters)
 - Economies of scale and scope in delivery



Postal Services are at a crossroads

- Traditional letters (business and private) in decline
- Direct Mail (still) increasing
- International mail increasing
- Internet / Mail Order fulfilment increasing

"At the same time as volumes were falling, the average weight of items was rising" John Allen CEO NZ Post

The alternatives are changing also:

- Growth of Social Networking Websites – Bebo, Facebook etc
- TV Advertising – no longer a limited choice of channels
- Newspapers – declining readership, more titles
- Flyers – ecological concerns
- Email
- Telephone – cold calling restrictions



Must aim for Innovation & Growth not stagnation and decline

"... where they are granted special or exclusive rights, postal operators may let the quality of the service decline and omit to take necessary steps to improve service quality."

(para 2.7 Postal Competition Law Notice 1998)

	Ireland	Britain
Internet Stamps	NO	YES
Hybrid Mail (electronic transportation / local printing)	NO	YES
First & Second Class Services	NO	YES
Worksharing (downstream access)	Discouraged	Encouraged
Next Day Delivery	77%	92-94%



What opportunities will Full Market Opening offer?

Volume of Mail per capita 2005

(source: Eurostat – Postal Service in Europe, June 2007)

	Italy	Ireland	Germany	France	Sweden	Netherlands	Norway	Britain
Volumes per capita	103	156	191	289	304	324	326	330*

* Figure for 2002; Eurostat did not publish figure for Britain

Potential growth areas include

- direct marketing / internet fulfilment (purchases must be delivered),
- more efficient distribution of information and goods to consumers,
- targeted reduction in unaddressed leaflets delivered
- competition at the retail level
- natural growth through product/price innovation



And in conclusion – the Key Issue is Pricing

Effect of inappropriate pricing

Services overpriced:

- encourages inefficient entry;
- reduces size of market; and therefore undermines An Post's capacity to provide universal service
- profits can be used to distort competition in other markets
- 'excessive pricing'?
- affordability principle;

Services underpriced:

- Forecloses on competition
- 'predatory pricing'?
- Encourages inappropriate usage of the mail, e.g. Unaddressed leaflets rather than targeted mail;
- Businesses price their products around services / prices that cannot be sustained.

Ex Ante Regulation of Dominant operators is essential.



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