Synthetron

Linking people for conclusive discussions

Report for the ComReg's Symposium on "Consumer Benefits from Postal Liberalisation"

Conducted on Thursday March 19th 2009 for

Commission for Communications Regulation

Synthetron

Synthetron report – ComReg: Realising the Benefits of Postal Liberalisation

The session took place on March 19th 2009 with a total of 23 active participants. The session was moderated by Professor Paul R. Kleindorfer of INSEAD, an expert in postal economics and regulation. ComReg recognised that attending a conventional conference or symposium can be time consuming for participants and that this restricts the participation of many stakeholders, especially those who live some distance from the venue. ComReg decided therefore to ask Synthetron to arrange the “Virtual” Symposium to encourage greater participation. Rather than get 30 people together for a day of their time, and let 4 or 5 individuals hold forth in the usual fashion, this approach gets 20-30 people together and allows them ALL to express their opinions. There are naturally benefits to both approaches, most importantly having anonymous inputs from a range of people in the Synthetron approach. This is something one does not obtain from the usual workshop discussion.

Participants generated and ranked 199 statements, out of which 35 became “synthetrons”. This reflects a rather low level of consensus when compared to Synthetron’s benchmarks for groups of similar size and activity level. This may be a consequence of the different perspectives from two participating sub-groups (the “consumers” and the “service providers” – as discussed in detail below).

A strong majority of participants indicated that they favour this type of debate, especially as it gave them an opportunity to share ideas and to see the variety of perspectives associated with the impact of Postal liberalisation.

The reader should, of course, keep in mind the objective of the symposium. The results must be distinguished from those that would emerge from a more structured survey of all market participants and stakeholders, or from a more conventional workshop or conference.

Management summary

Postal liberalisation carries with it a potential for both benefits of competition but also risks and transition costs. This session was directed at understanding the importance of various issues that might enhance the benefits of liberalisation, and mitigate potential risks and costs, for all consumers. The discussion was explicitly focused on letter mail and not on parcels or unaddressed mail where competition is already active in Ireland.

Liberalisation in any market has a natural focus on the current incumbent (An Post in this case) and on transition issues surrounding new entrants and their role in promoting increased product variety, service quality and price-cost-value alignment. Thus, as expected, service quality and increased customer focus of service providers were major themes that arose in this discussion and that were explored in detail. As will be seen in the summary below, certain key ingredients for the infrastructure of competition (e.g., the development of postal codes) were viewed as central by participants who identified themselves as "clients" (i.e., postal customers or representatives of such customers). Clients also argued for the importance of the role of ComReg and the Government in assuring a level playing field for competition. The general tone of the discussion was that there is an expectation that liberalisation has the potential to benefit Irish postal customers, but there are some important necessary conditions that must be monitored and assured in order to promote trust and confidence on the part of customers and competitors that liberalisation is proceeding with customer benefits in mind.

An interesting further element of the discussion was the notable differences in the perspectives of participants who described themselves as "service providers" from those who described themselves as "clients". Clients seem much more concerned about the structure of provision - that there is fair competition, that market forces play a constructive role and that rural areas, costs and regulatory structures are well thought through. Service Providers' comments were more about the quality of the service and determining and meeting customer needs. The concept of service is key to them and they are concerned about any detrimental impact on service (and perhaps implicitly on financial viability) brought about by the planned liberalization of the postal market.

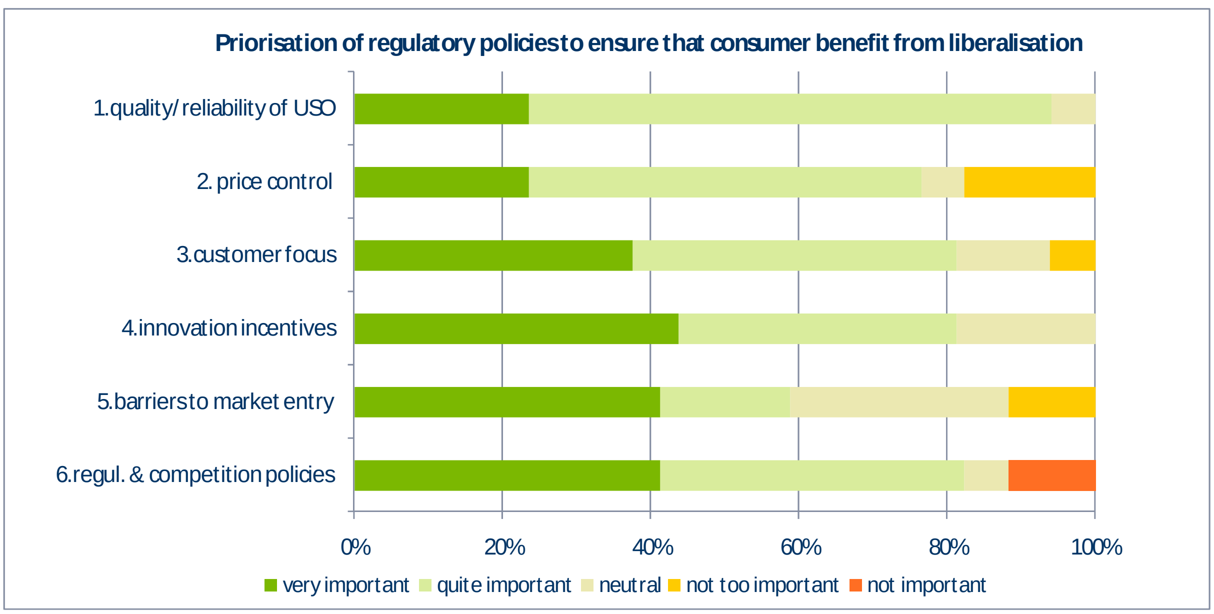
Analysis of symposium's consolidated results

Initial polls

The symposium started with a series of polls aiming to identify from the participants perspective; the relative importance of a number of key issues in "developing and implementing regulations and policies to assure that all consumers benefit from postal market liberalisation"

The results of these polls indicate that:

- the "quality and reliability of the Universal Service" clearly comes up as the most critical theme for action with 95% of participants ranking the topic "very important" or "quite important".
- "building a better customer focus" and "assuring innovation incentives from competition and reducing barriers to new service introductions" follow with rather similar levels of importance (82% each).
- "building certainty regarding the regulatory and competition policies…in 2010 and beyond"; was also ranked as "very important" or "quite important" by 82% of participants, but 12% said it was "not too important"
- the ranking is less clear-cut with respect to on "Price control (level, predictability, …) of the Universal Service" with 77% ranking the topic "very important" or "quite important" but a substantial minority (18%) ranking it not very important.
- "barriers to market entry, including access to infrastructure" was the one topic where participants seemed to be split about the criticality of the issue – with only 59% ranking it as "very important" or "quite important" but a minority (12%) indicating that it was "not very important – with 29% of participants neutral.



Looking at the results from a segment/"role" perspective

An interesting further element of the discussion was the notable differences in the perspectives of participants according to the self-revealed role they have in the liberalisation process**.**

In the following observations, we consider three groups:

1. Clients
2. Service providers
3. Other (including those who did not specify)

In general there is a marked difference in the importance attached by Clients to the topics polled - they have an average score of 0.71 compared to an average of 0.44 in the other two groups (scores can range from +1.00 – everyone thinks the issue(s) are very important - to -1.00 – everyone thinks the issues are not important). The difference observed is logical since Clients are more likely to benefit from the change and are less likely to have to do the work in making new provisions possible.

Clients are most enthusiastic about "building certainty regarding the regulatory and competition policies..." (0.85 vs. 0.31 for providers).

Providers were most interested in "quality and reliability of universal service..." (0.63 for providers and 0.69 for clients).

Analysis of all synthetrons generated during the discussion (see the list of all "synthetrons" at the end of this document)

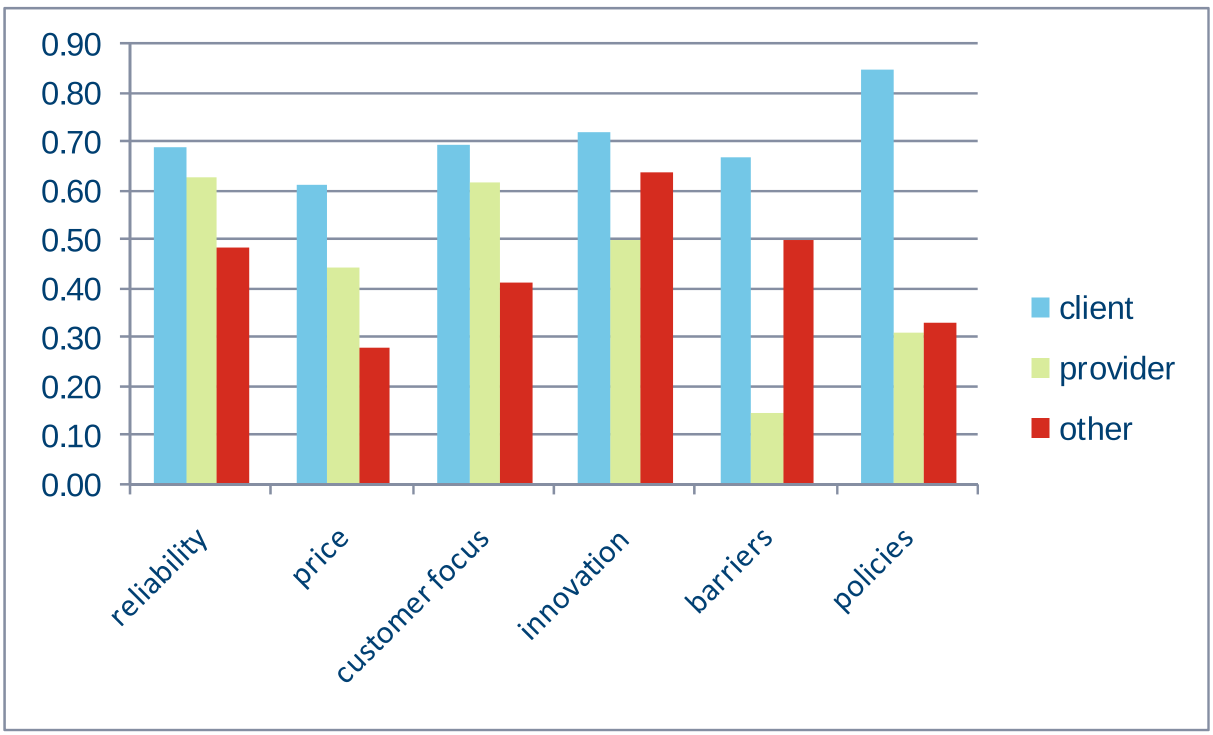
With respect to the **benefits of the liberalisation for quality and reliability** of the Universal Service, participants put forward that they expect to see:

- globally higher levels of service quality
- more diversity in product/services offering based on an increased customer-orientation, though they also underline that there should be a balance between price, quality and value

When looking at the **positive impacts** of the liberalisation **on customer orientation** *(low synthetrons),* they are expecting

- a better customer interface and improved control on service quality
- an improved alignment between price, costs and value delivered
- a richer offer with respect to price and service offerings
- more transparency on An Post pricing policy

Discussing the possible **challenges and risks** brought by deregulation **in relation to the service quality**, participants state that



- there is a need to identify the "appropriate" level of regulatory control, in particular to provide for multiple levels of quality and price.
- customers in rural areas could face discrimination in terms of service level and pricing
- they question the willingness of the regulator to challenge An Post in relation to the introduction of postcodes
- there is a risk of decrease in reliability
- a single standard should be applied to all companies in measuring the service quality, especially for the USO
- new entrants should not be allowed to "cherry pick" the most profitable services *(low synthetron)*

In the course of the discussion, participants made a number of **additional comments** regarding the impact of liberalisation (*all low synthetrons*):

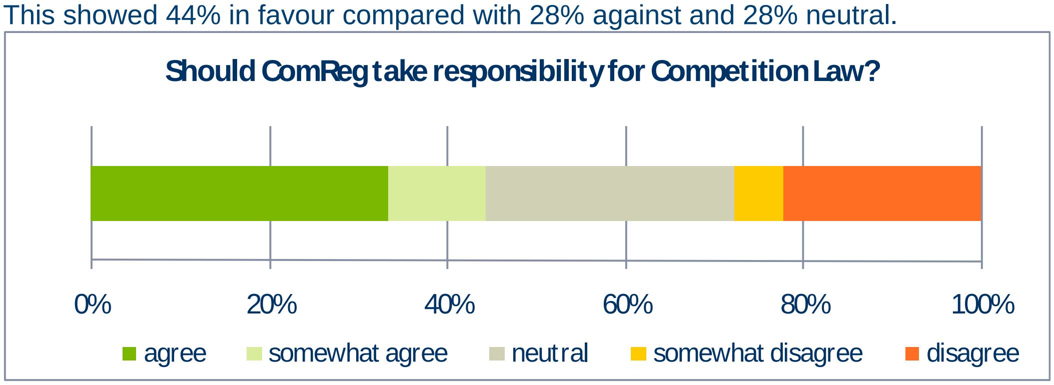
- customer orientation is a key driver for evaluating the impact of liberalisation
- competition from logistics providers is not everything
- a possible decrease of employment standards is not an important issue

The lack of consensus was apparent with regard to price control. One low synthetron argued that ComReg should publish a review of an post's costs - an efficiency study and assurance as to cost allocation while another low synthetron disagreed with the proposition that Price control is absolutely essential and that the powers of ComReg must be strengthened so that the pitch is levelled to encourage competition in the delivery of letter mail.

Participants did not succeed in achieving a strong level of consensus when discussing the **role of Government /of ComReg** in terms of information or policy studies they should undertake to track the progress of postal liberalization and to assure the benefits" (*low synthetrons*):

- some participants oppose an increase in the regulatory power of ComReg to stimulate competition … whilst some other ask for the opposite

There was a low synthetron that suggested The Competition Authority should be taking an interest in the postal service in Ireland. This suggested a concern that competition law was not being enforced. As ex ante regulation is the more usual way of enforcing competition law pending the emergency of effective competition an additional poll was held regarding "Should ComReg take responsibility for applying Competition law in the Postal sector as it does for the Telecom sector?" This showed 44% in favour compared with 28% against and 28% neutral.

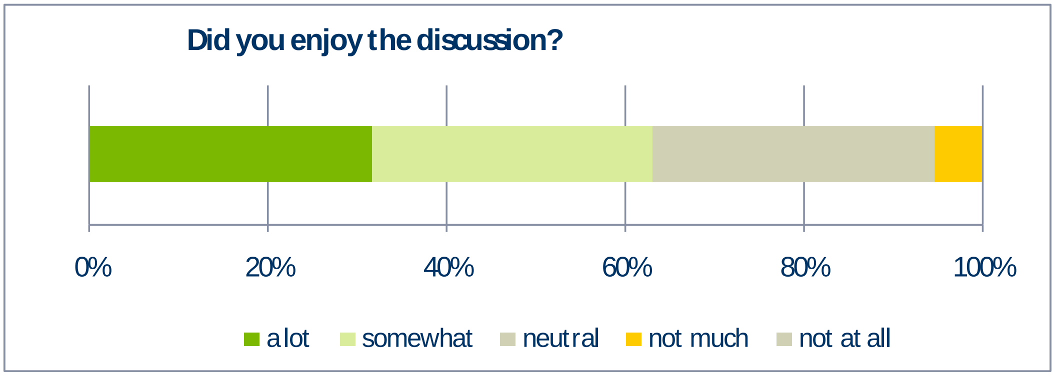


However, the highest level of consensus in the course of the discussion was reached when participants addressed the **key areas for action** for ComReg and the Government. They expect that:

- the government clearly communicate commitment towards USO ;though some participants ask for national debate on this specific topic
- the immediate introduction of a country-wide postcode system
- equality of treatment for all is enforced and that rural areas should not suffer from a fall in service levels
- this equality of treatment among all citizens should be enforced by an appropriate measurement system
- though some of the participants ask that less emphasis should be put on customer studies ("low synthetron")

- the introduction of a wide-ranging measurement system (of quality, of entrants market share, of access volumes and conditions); whilst ComReg should be taking the lead in conducting regular surveys on customer satisfaction
- ComReg should make An Post's costs more transparent
- the forthcoming Act should be reviewed in 3 -5 years time

When asked about their opinion about the **use of the “virtual brainstorm” format** to collect and share ideas about the expected impact of the Postal liberalisation, more than 65% of participants declared that they enjoyed “a lot” or “somewhat the Synthetron discussion

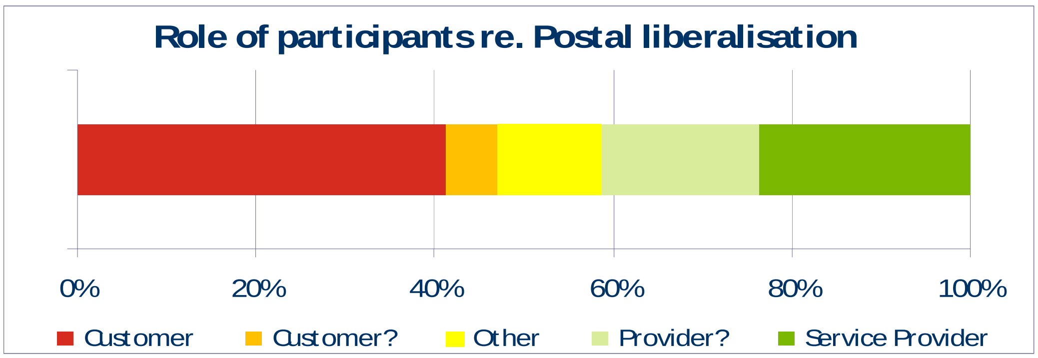


Several comments following this poll expressed the view that one of the key benefits of this approach was to allow participants to be exposed and inspired by a variety of different opinions.

Looking at the results from a segment/“role” perspective

Results from the poll on the participants’ role with respect to the liberalisation issue

As will be observed from the above there was less consensus than might have been expected. To validate whether this was due to the background of the participants a **poll** addressed the background of the participants’ role with respect to the postal liberalisation: *“Just to give us an idea of who participated today, could you let us know which of these best describes your role in the context of mail services”*. “Customers” and “Service providers” sub-groups each represent around 45% of the participants:



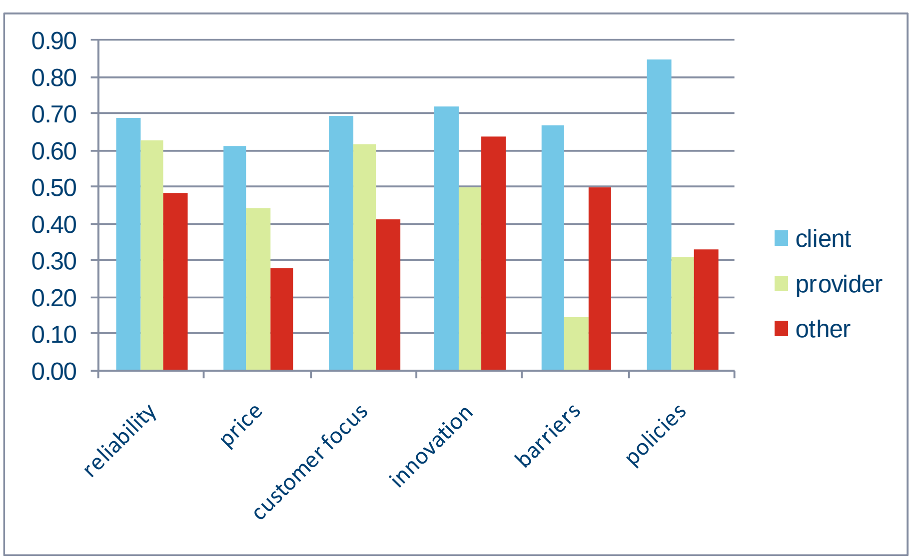
Although the sample size is small, we are able to observe some tendencies when looking at participants in the discussion according to the self-revealed role they have in the liberalisation process**.**

As mentioned earlier, we consider three groups (based on the classification each participant provided for his/her role in the postal liberalisation process):

1. Clients
2. Service providers
3. Other (including those who did not specify)

Enthusiasm for change

In general and as discussed earlier there is a marked difference in the importance attached by Clients to the issues polled – this is best illustrated in the following chart:



When asked if ComReg should take responsibility for applying competition law, Clients were more positive (0.49) than Providers (0.14) while others opposed this suggestion (-0.28).

Enjoyment of the discussion was broadly similar, though Providers were a little more enthusiastic.

In general, the Providers shared more points of view and had higher convergence among them than the customers did. This is quite reasonable as the providers may be operating within a single sector and there is likely to be more diversity among the clients.

Providers favour a cost-plus pricing mechanism; clients are more in favour of market forces.

Points of difference

The top issues were different for the groups, as shown in the table below (comments ranked by importance to that segment). Those in bold were particularly strong. The only shared priority was the need to consult and share views in this way.

Topic	Clients	Providers	Other
Barriers to progress	**Get postcodes done NOW**	The willingness of the regulator to challenge the incumbent service provider and the introduction of a country-wide postcode system Get postcodes done NOW	In my opinion, one of the key possible barriers is that the amount of "correct" regulatory control of quality is unknown or not well understood. Could too much regulation of quality hamper competition or put An Post at a disadvantage? How do we know we have the quality-price trade-off correct? How do we know there should not be multiple levels of quality and price?
Conditions of deregulation	All consumers should profit - also those in rural areas. New entrants should not be allowed to only cherry pick and should also provide services in unprofitable areas.	**I expect higher levels of service quality, but more importantly customer-specific products and services that align price, quality and value.** I assume "efficiently" here means also meeting quality standards with high reliability, and not just "efficiency" in a cost sense. More transparency of An Post's prices and charges	A clear commitment to the USO needs to be explicit in any debate The greater commercialisation must not be to the detriment of rural services. Logistics companies offer poor service in rural areas Prices aligned to costs

Buzzwords

Considering the three groups we looked at the weight of certain words according to the level of agreement that segment had around Synthetrons.

Clients

Clients seem much more concerned about the structure of provision - that there is fair competition, that market forces play a constructive role and that rural areas, costs and regulatory structures are well thought through.

The concept of competition is key to them.

Service Providers

Service Providers talk much more about the quality of the service and the customers' needs

The concept of service is key to them and they are concerned about any detrimental impact on service (and perhaps implicitly on financial viability) brought about by the planned changes.

Appendix

Script

The script was structured along the following questions:

1. How important are the following issues in developing and implementing regulations and policies to assure that all consumers benefit from postal market liberalization? (Scale: not important (1) to very important (5)

   Q1: Quality and reliability of the Universal Service and in particular the letter post services.
   Q2: Price control (level, predictability, …) of the Universal Service
   Q3: Requirements for building a better customer focus (e.g. consumer information, product design and delivery, and recovering from service failure)
   Q4: Assuring innovation incentives from competition and reducing barriers to new service introductions by all market participants, including the USP
   Q5: Barriers to market entry, including access to infrastructure (e.g. address databases, redirection information, absence of a postcode system etc)
   Q6: Building certainty regarding the regulatory and competition policies that will govern the Irish postal market in 2010 and beyond
   Q7: What other issues (policies, regulations, information, &), if any, do you see as important to assure that all consumers benefit from postal liberalization in Ireland?

2. (Given the outcome of the initial poll, the next 4 questions were selected as focal questions to explore.) What are the key opportunities, and your expectations, regarding the benefits of postal liberalization related to service quality?

3. What are the key barriers/challenges which may need to be overcome in assuring the benefits of postal liberalization related to service quality?

4. What are the key opportunities, and your expectations, regarding the potential of postal liberalization for building a better customer focus (e.g. consumer information, product design and delivery, and recovering from service failure)?

5. What are the key barriers which may need to be overcome in building a better customer focus (e.g. consumer information, product design and delivery, and recovering from service failure)?

6. What are the most important steps that the Government and its postal regulator ComReg can undertake to assure the benefits of postal competition for all consumers?

7. What specific recommendations would you make to Government and / or ComReg in terms of information or policy studies they should undertake to track the progress of postal liberalization and to assure the benefits of postal liberalization for all consumers

8. Did you enjoy this discussion? and explain what specifically in a short sentence

Two additional questions were added at the end of the session in the light of issues raised during the discussion:

9. Just to give us an idea of who participated today, could you let us know which of these best describes your role in the context of mail services

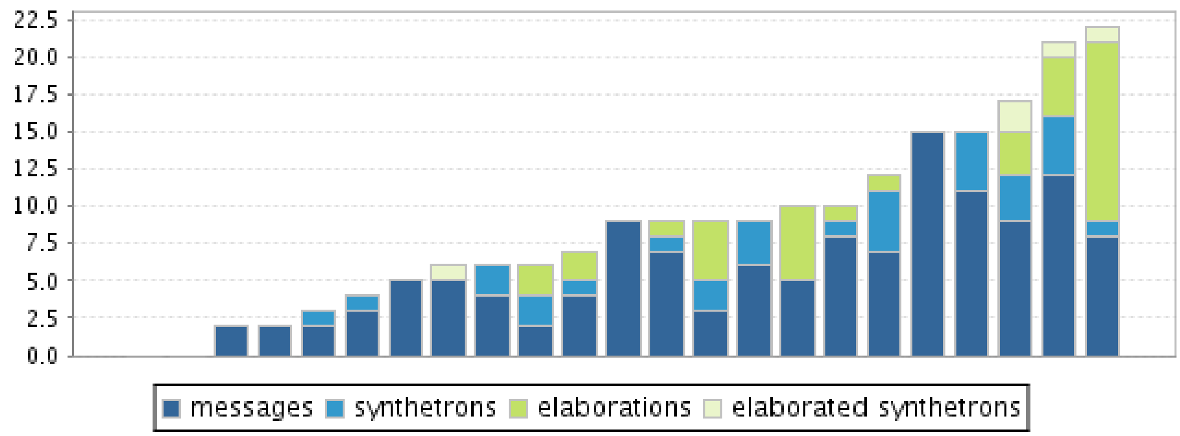
10. Should ComReg take responsibility for applying Competition law in the Postal sector as it does for the Telecom sector?

Analysis of the dynamics of the discussions

Participation

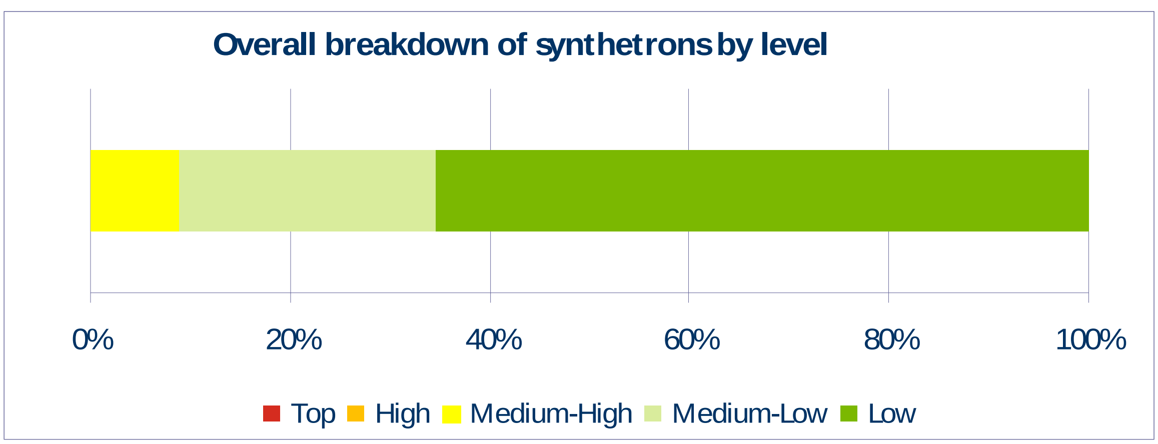
A total of 23 participants took part to the discussion out of 26 who attended

- The participants produced a total of 199 messages, of which 18% received sufficient support to become synthetrons. This is a below average percentage (typical range between 25 and 35%) compared to other discussions with similar number of participants, indicating a rather low level of consensus amongst participants.
- Some of the participants listened and reacted to each other's comments pro-actively. This compares reasonably well compared to other discussions: this is indicated by an overall percentage of messages elaborating on other participants' statements of 20%. In highly interactive discussions this percentage can reach 50%.
- A small group of participants took a "watch and see" attitude, scoring the ideas others generated but not collaborating well in the brainstorm



Overall breakdown of synthetrons

The group did not succeed in generating "top" or "high" synthetrons, which shows a low level of common ground.



Level of consensus by question

Questions 6 and to a lesser extent Question 3 generated a higher than average levels of consensus, having produced each a -relatively higher- number of medium synthetrons:

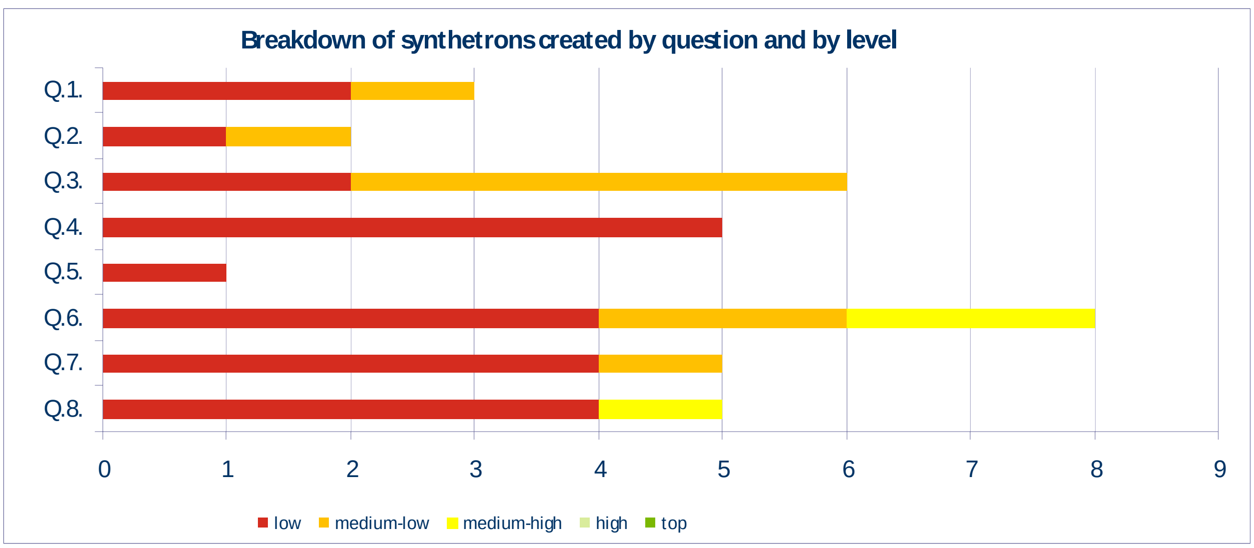
- **Q.6.** What are the most important steps that the Government and its postal regulator ComReg can undertake to assure the benefits of postal competition for all consumers?
- **Q.3**. What are the key barriers/challenges which may need to be overcome in assuring the benefits of postal liberalization related to service quality?

Participants were moderately consensual with respect to questions 4, 7 and 8:

- Q.4. What are the key opportunities, and your expectations, regarding the potential of postal liberalization for building a better customer focus (e.g. consumer information, product design and delivery, and recovering from service failure)?
- Q.7. What specific recommendations would you make to Government and / or ComReg in terms of information or policy studies they should undertake to track the progress of postal liberalization and to assure the benefits of postal liberalization for all consumers
- Q.8. Did you enjoy this discussion? and explain what specifically in a short sentence

There was very little common ground among participants for questions 1, 2 and 5:

- Q.1.What other issues (policies, regulations, information, &), if any, do you see as important to assure that all consumers benefit from postal liberalization in Ireland?
- Q.2. What are the key opportunities, and your expectations, regarding the benefits of postal liberalization related to service quality?
- Q.5. What are the key barriers which may need to be overcome in building a better customer focus (e.g. consumer information, product design and delivery, and recovering from service failure)?



Synthetrons

Key:

Type of support	Synthetron Level	Theme Heading
Agree/ Disagree	(Top, High, Medium-high, Medium-low, Low)	Theme sub-heading

Support	Synthetron Level	Synthetron Text
		Benefits of deregulation re. service quality
		globally higher levels of service quality
agree	medium-low	**I expect higher levels of service quality**, but more importantly customer-specific products and services that align price, quality and value.
agree	low	**increased competition will enhance service** by the incumbent and new entrants.
		more diversity in product/services offering based on increased customer-orientation and a balance between price, quality and value
agree	medium-low	I expect higher levels of service quality, but more importantly **customer-specific products and services that align price, quality and value**.
		Challenges and risks brought by deregulation re. service quality
		identifying the "appropriate" level of regulatory control
agree	medium-low	In my opinion, one of the key possible barriers is that **the amount of "correct" regulatory control of quality is unknown or not well understood**. Could too much regulation of quality hamper competition or put An Post at a disadvantage? How do we know we have the quality-price trade-off correct? How do we know there should not be multiple levels of quality and price?
agree	medium-low	In my opinion, one of the key possible barriers is that the amount of "correct" regulatory control of quality is unknown or not well understood. Could too much regulation of quality hamper competition or put An Post at a disadvantage? **How do we know we have the quality-price trade-off correct? How do we know there should not be multiple levels of quality and price?**
		risk of decrease in service levels in rural areas
agree	medium-low	There is a fear that **consumers in rural areas may be discriminated against in terms of service or pricing. We must protect against such eventualities**
		willingness of regulator to challenge An Post
agree	medium-low	**the willingness of the regulator to challenge the incumbent service provider** and the introduction of a country-wide postcode system
		risk of decrease in reliability
agree	medium-low	**reliability**
agree	low	I assume **"efficiently"** here **means also meeting quality standards with high reliability,** and not just "efficiency" in a cost sense. ***Elaborates on:*** **give ComReg teeth to ensure the last mile is delivered efficiently**

Support	Synthetron Level	Synthetron Text
		a single standard should be applied to all companies in measuring the service quality, especially for the USO
agree	medium-low	any metrics undertaken in relation to customer satisfaction must cover a representive sample of the whole country, rural and urban. **the same metrics should also apply to the logisitcs companies so that a real comparison can be made**
disagree	low	**it isn't clear why measurement is needed or practical for companies without significant market power**. ***Elaborates on***: In the future it will be important for the USO that all operators are measured where An Post is measured to allow a level playing pitch and ensure consumers can make informed choices.
		prevent new entrants to "cherry pick" the most profitable services
agree	low	**New providers will want to cherry pick the most profitable aspects of the service. This must not be allowed** happen to the detriment of other aspects of the service
		Benefits of deregulation on customer orientation
		better customer interface and improved control on service quality
agree	low	What we have seen in other industries undergoing liberalisation is a **move towards much better customer interface on billing and service quality reporting**. I definitely expect the same here!
		improved alignment between price, costs and value delivered
agree	low	**prices aligned to costs**
agree	low	**if customer service is improved, customers will stay loyal and profits will be protected**
agree	low	And hopefully also **aligned to customer value delivered**. **Elaborates on: prices aligned to** costs
		richer offer with respect to price and service offerings
agree	low	Set an access price and let the market **provide a range of prices and service levels that suit the customers needs**
		more transparency on An Post pricing policy
agree	low	**More transparancy of An POsts prices and charges**
		Other issues associated with liberalisation
		customer orientation is a key driver for evaluating the impact of liberalisation
agree	medium-low	It is vital for the consumer that competition from the logistics companies is not allowed to have excessive sway in the development of how deregulation evolves. T**he customer, and the return on customer investment (be it in one stamp !) must be at the heart of decision making.**
		competition from logistics providers is not everything
agree	medium-low	It is **vital for the consumer** that **competition from the logistics companies is not allowed to have excessive sway in the development** of **how deregulation evolves.** The customer, and the return on customer investment (be it in one stamp !) must be at the heart of decision making.
		A possible decrease of employment standards is not an important issue
disagree	low	**Avoid social dumping and erosion of employment standards** as has happened in other liberalised markets

Support	Synthetron Level	Synthetron Text
		ComReg's role
		Some participants oppose an increase in the regulatory power of ComReg to stimulate competition
disagree	low	Price control is absolutely essential. **The powers of ComReg must be strengthened. The pitch must be levelled to encourage competition in the delivery of letter mail.**
agree	low	Who will lead the industry in to the next decade ? **Most of our problems come from a lack of leadership and direction. Surely not the regulator's job ?**
		whilst some other ask for the opposite …
agree	low	The **Competition Authority should be taking an interest in the postal service in Ireland**
		Key areas of action for Government / ComReg
		communicate on clear commitment from government to USO
agree	medium-high	A **clear commitment to the USO needs to be explicit in any debate**
		though some participants ask for national debate on USO
agree	low	**Key Takeaway:** There **needs to be an informed national debate on the USO**
		immediate introduction of a country-wide postcode system
agree	medium-high	**Get postcodes done NOW**
agree	medium-low	the willingness of the regulator to challenge the incumbent service provider and **the introduction of a country-wide postcode system**
		maintain equality of treatment for all : prevent rural areas to suffer from a fall in service levels
agree	medium-low	the **greater commercilisation must not be to the detrement of rural services**. **Logistics companys offer poor service in rural areas**
agree	medium-low	**All consumers should profit - also those in rural areas.** New entrants should not be allowed to only cherry pick and should also provide services in unprofitable areas.
disagree	low	**I do not accept that "logistics" companies offer poor service in rural areas.** Most of the large parcel operators for example Nightline, DPD, DHL cover all areas every day. It is quite often sted that market liberalisation would affect service in rural areas. This hasn't been proven or demonstrated ***Elaborates on:*** the greater commercialisation must not be to the detriment of rural services. Logistics companies offer poor service in rural areas
		the equality of treatment among all citizen must be supported by an appropriate measurement system
agree	medium-low	**any metrics undertaken i**n relation to customer satisfaction **must cover a representative sample of the whole country, rural and urban.** the same metrics should also apply to the logistics companies so that a real comparison can be made
		though some other ask to put less emphasis on customer studies
agree	low	Apart from the pretty pie chart **I am not sure benefit of** previous **consumer studies in the absence of any real change in Irish postal market** - focus money for studies elsewhere

Support	Synthetron Level	Synthetron Text
		introduce a wide-ranging measurement system
agree	low	**Measurement, measurement, measurement** (of quality, of entrants market share, of access volumes and conditions)!
		ComReg should take the lead in conducting regular surveys on customer satisfaction
agree	low	The forthcoming Act should be formally reviewed in 3-5 years time and not be set in stone for the next century. **ComReg should undertake bi-annual studies to measure progress and user** satisfaction.
		ComReg should make An Post's costs more transparent
agree	low	**ComReg shoud publish a review of an post's costs** - an efficiency study and assurance as to cost allocation
		Feedback about the symposium's format
		positive: allows participants to be exposed and inspired by a variety of different opinions
agree	medium-high	**hearing everyone's different views was helpful, it always helps to hear things you might not have thought of**
agree	low	**Such an exchange of views adds to the limited information available in this market**
agree	low	**good mix of inputs from people with different stakeholders in the market**

Participants

An Post
Bank of Ireland
Chambers Ireland
Consumers Association of Ireland
CWU
D'Arcy Smyth & Associates
Forfás
IFA Countryside
Indecon
International Post Corporation
Isolde Goggin
Mason Hayes+Curran
Matheson Ormsby Prentice
MSC Mission Support Centre
Neopost Ireland
NewAddress.ie / MyAddress.ie
Nightline
PostEurop
PriceWaterhouseCoopers
The PostalGroup
TNT Express
westnet
Wheels Couriers