



House of Commons
Committee of Public Accounts

**Energywatch and
Postwatch**

**Fourteenth Report of
Session 2005–06**

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Summary

In 2000, the Government established two new consumer bodies, Energywatch and Postwatch. Their remit was to strengthen the voice of the consumer in energy and post by investigating complaints referred by consumers who are not satisfied with a company's initial response, representing the views of consumers and providing them with advice and information.

Energywatch and Postwatch have handled a total of over 300,000 complaints and achieved compensation for consumers who have suffered poor service. Their overall achievements are, however, unimpressive. In energy, the level of complaints has remained over 80,000 for each year of Energywatch's existence. Consumers have received late and inaccurate bills, and suppliers have unfairly blocked their customers from switching to cheaper providers or adopted aggressive sales tactics to induce consumers to switch.

In post, consumers have complained about the amount of misdelivered or lost mail, which Royal Mail estimates at around 14.5 million items each year. Complaints have increased every year since Postwatch's inception. In addition, Postwatch represent consumer interests when a post office is selected for closure by Post Office Limited, though they do not have the power to prevent a post office closure.

Energywatch and Postwatch have not gained significant consumer recognition, with recognition levels at around 2% of consumers, and consumers are also represented by many other Government and voluntary bodies such as the Office of Fair Trading, Citizens Advice and Age Concern.

Despite their modest record, the costs of both Energywatch and Postwatch have escalated since their inception and they operate from expensive London headquarters backed by a network of small regional offices. Our recommendations highlight areas where Energywatch, Postwatch and the Department of Trade and Industry could improve performance and reduce their costs.

On the basis of a Report by the Comptroller and Auditor General,¹ the Committee examined whether Energywatch and Postwatch have achieved benefits for consumers and are operating efficiently.

1 C&AG's Report, *Energywatch and Postwatch: Helping and protecting consumers* (HC 1076, Session 2003–04)

Conclusions and recommendations

- 1. It is not sufficient to rely on complaints as a way of understanding what concerns consumers.** Complainants may not be representative of the full range of consumer experience as a whole. Energywatch and Postwatch should undertake more research into consumer concerns, focusing in particular on the needs and problems of the elderly and low income groups.
- 2. Energywatch and Postwatch are unable to say whether those who suffer poor service are more likely also to be socially or economically disadvantaged.** And they have not tried to quantify the losses suffered by consumers from poor quality of service. They should research the relationship between deprived areas and poor quality of service, starting with an analysis of the postcodes from which they have received complaints.
- 3. Energywatch and Postwatch should provide better measures of the benefits they have achieved for consumers.** Energywatch and Postwatch have only recently started to gather data on the compensation they achieve on behalf of consumers. They should record and report this information systematically.
- 4. The role of Energywatch and Postwatch is not well understood by consumers.** Energywatch and Postwatch need to be more innovative in communicating with consumers, by developing partnerships with bodies who have greater public recognition and regular contact with consumers on a broader range of issues, such as Citizens Advice, and the new Consumer Direct helpline introduced by the Department of Trade and Industry.
- 5. Energywatch and Postwatch do not need to have their headquarters in London.** The range of contacts they maintain with the London-based media and government departments is not so wide as to provide a compelling reason for a central London location. Locating outside London would reduce costs, without materially detracting from their ability to represent consumers.
- 6. Energywatch and Postwatch could also reduce costs by sharing support services such as Information Technology and human resources.** But they need authority from the Department to share costs. The Department of Trade and Industry should allow Energywatch and Postwatch to share back-office services.
- 7. The costs of Postwatch have increased by 21% since its creation in 2000, to £10.3 million in 2003–04.** This increase partly reflects the fourfold rise in the volume of complaints it has received. It is hard to see why it now has a larger budget than that of Postcomm, the economic regulator of post. And its expenditure is similar to that of Energywatch (£12.8 million in 2003–04), even though the scale of consumer expenditure on postal services is far lower than on energy.
- 8. Only 72% of consumers are satisfied with how Postwatch has handled their complaint.** Postwatch take up complaints on behalf of consumers where the consumer is not satisfied with the response from Royal Mail. The satisfaction ratings

it achieves for its resolution of complaints have been falling and it needs to improve these ratings.

1 Understanding consumers

1. In 2000, the Government established the Gas and Electricity Consumer Council, known as Energywatch, and the Consumer Council for Postal Services, known as Postwatch. Energywatch and Postwatch have three main duties:

- to investigate complaints referred by consumers who are not satisfied with a company's initial response;
- to represent the views of consumers; and
- to provide advice and information to consumers.

2. Understanding consumers lies at the core of the work of both bodies. They need to identify what concerns consumers, how they would like to see their energy and postal services develop and the problems encountered by different groups of consumers. They have two sources for this information: analysis of complaints and queries received from consumers; and research into consumer attitudes and concerns.

3. Both bodies analyse complaints and queries to identify patterns and problem areas. But not all consumers have the ability or motivation to complain. So the profile of complaints does not give a comprehensive indication of consumer concerns or the underlying factors. Energywatch's approach in particular has been influenced by its analysis of complaints it has received.²

4. They have also commissioned research, for example into the accuracy of energy bills received by consumers and misdelivery of mail.³ Each body spends £300,000 a year on research⁴ but it has been sporadic. For example, Energywatch do not undertake a regular sample survey of consumers to see whether they are achieving the best available deal for their household energy.⁵ As a result they do not fully understand consumer needs and concerns.⁶

5. Energywatch and Postwatch have also undertaken only piecemeal analysis of the status of vulnerable consumers. For example, they have not analysed the postcodes of those who suffer from poor service to ascertain whether they correspond to economically deprived areas.⁷ Postwatch do however focus on access to post offices and quality of postal services

2 C&AG's Report, para 10

3 *ibid*, Appendix 4

4 *ibid*, Figure 2

5 Qq 28–30

6 C&AG's Report, para 10

7 Qq 42–48

for those in rural and urban deprived areas.⁸ Energywatch know that those whose energy supply is most likely to be disconnected come from areas of high deprivation.⁹

6. Energywatch identified the main challenge as getting targeted information to vulnerable groups to help them save money on their bills, for example by switching away from pre-payment meters and by increasing the energy efficiency of their homes. It is reaching out to vulnerable groups through partnership with other Government and voluntary organisations.¹⁰

7. As well as Energywatch and Postwatch, there is a wide range of other consumer bodies, including the newly-established WaterVoice, the Rail Passengers Council, the Ofcom Consumer Panel and the National Consumer Council. The Department of Trade and Industry is currently trialling Consumer Direct, a new one-stop shop for consumer advice. It expects a small percentage of the calls to Consumer Direct to concern energy and postal issues.¹¹

8. In 2004, the Department of Trade and Industry consulted on proposals to rationalise its policy on consumer representation by consolidating these bodies into a single consumer council, supported by the Consumer Direct advice line. Energywatch and Postwatch support the principle of closer working and have established a Consumer Action Network including bodies such as WaterVoice and the Rail Passengers Council.¹²

8 Q 4

9 Q 42

10 Qq 28–30

11 Qq 22–25

12 Qq 101–103

2 Handling complaints

9. Energy and post are essential services which play an important role in modern life. Disruption to these services, especially electricity, can have serious implications for customers, particularly vulnerable consumers. Both markets can suffer from poor service. Persistent postal problems include lost and mis-delivered mail. In energy, some consumers have received late and inaccurate bills, and suppliers have unfairly blocked their customers from switching to cheaper providers.

10. Consumers who suffer poor service can complain to the company concerned. If they are not satisfied with the response, they can refer the complaint to the relevant consumer body. Between 2001 and 2003, the volume of complaints has increased to 87,600 for Energywatch and to 27,500 for Postwatch (**Figure 1**).

Figure 1: Complaints received by Energywatch and Postwatch¹³

	<i>Energywatch</i>	<i>Postwatch</i>
2001–02	87,300	6,300
2002–03	109,600	15,800
2003–04	87,600	27,500
TOTAL	284,500	49,600

Source: *Energywatch and Postwatch*

11. The complaints cover a wide range of problems. The most significant complaints in the energy market concern problems with billing (43% of complaints); difficulties in changing supplier (25%); and overly aggressive sales tactics, particularly from door-to-door salespeople (8%). In the postal market, consumers complain about a range of issues (**Figure 2**). The largest single source of complaints, at around 25%, is lost mail, and Royal Mail estimating that around 14.5 million letters are lost each year.¹⁴

¹³ C&AG's Report, Figure 4

¹⁴ *ibid*, Figure 5, para 1.14

Figure 2: Main types of complaints by Postwatch in 2002–03¹⁵

Complaint	% of complaints	Main activity
Lost mail	25%	Campaign in 2002. Evolved into a campaign on mis-delivery starting in 2004. Major research planned on lost mail in 2004–05.
Redirection service failure	8%	Study in 2003–04. Results currently being evaluated.
Misdelivery	8%	Current campaign. Commissioned Misdelayed Mail Research from MORI. Summary published April 2004.
Inadequate response	6%	Mystery shopping by MORI of complaints handling at Consignia (Royal Mail) May 2002.
Damaged mail	5%	Research by MORI on Christmas Postal services in 2001. Lobbied Royal Mail Group to introduce a new information system in post offices that prompts staff to ask customers prescribed questions to minimise damaged mail.

Source: PwC benchmarking review of Energywatch and Postwatch (March 2004)

12. Although there are now other companies offering a postal service, virtually all complaints about post concern Royal Mail. In the energy market, Energywatch monitors both the total number of complaints and the companies involved. **Figure 3** shows the volume of domestic complaints by company for the first 9 months of 2004–05 and that the majority concerned the accuracy and timeliness of energy bills.

Figure 3: Complaints to Energywatch for each major company¹⁶

Company	Number of complaints			
	Billing	Direct selling	Transfer to another supplier	Total
British Gas Trading	8,075	1,205	2,741	12,021
Npower	7,054	187	1,880	9,121
Powergen	5,759	106	2,007	7,872
Scottish Power	3,327	203	1,585	5,115
EdF	2,081	32	742	2,855
Scottish and Southern	562	120	281	963
Total	26,858	1,853	9,236	37,947

Source: Energywatch

13. 86% of consumers who referred complaints to Energywatch were satisfied with the way it handled the case.¹⁷ In addition, for the first time in 2004, it calculated that in 2004 it achieved just under £10 million in refunds and compensation to consumers from its complaints handling.¹⁸

15 C&AG's Report, Figure 5

16 Ev 44–51

17 C&AG's Report, para 2.8

18 Q 3

14. Only 72% of consumers were satisfied with the way Postwatch handled complaints, partly because around a quarter related to lost mail, where it is difficult for Postwatch to resolve the problem. Its satisfaction levels have fallen in all areas except politeness, with for example customer satisfaction with speed of response falling from 86% to 75% between 2001–02 and 2003–04.¹⁹ Following the Committee’s hearing, it has started to report the compensation it has achieved. In 2004-05, it achieved compensation or goodwill payments of £314,700 for consumers.

¹⁹ C&AG’s Report, para 2.8, Figure 11

3 Representing and advising consumers

15. Energywatch and Postwatch were established to strengthen the consumer's voice in the post and energy markets, and they have a primary statutory duty to represent the views of consumers. In doing so, they work with the Government, the regulator and regulated companies.

16. The relevant sector regulators are the Office of Gas and Electricity Markets (Ofgem) and the Postal Services Commission (Postcomm) respectively. Ofgem and Postcomm issue licences, can fine companies and require them to improve quality of service. They also set prices and quality of service standards for any companies in the industry with a dominant market position. In the energy industry, direct control of prices is confined to the companies who own the pipes and wires through which gas and electricity is distributed. In the postal market, only Royal Mail Group, with over 90% of the market, is subject to direct regulation of price and quality of service.

17. The interests of the consumer body and the regulator may diverge.²⁰ For example Postwatch has criticised the short consultation periods allowed by Postcomm for important elements of Royal Mail's price control, and Energywatch has argued that Ofgem should reintroduce price controls for consumers on prepayment meters.²¹

18. Post Office Limited has proposed to close around 2,700 urban post offices and Postwatch represents consumers in the consultation process under the Urban Reinvention programme. Postwatch has examined each proposal, and its intervention has contributed to the withdrawal of 60 closure proposals and the modification of a further 140. But it can be difficult to compare the influence of Postwatch with that of others such as local councils and MPs when a closure is modified or withdrawn.²² **Figure 4** illustrates the limitations in the influence that Postwatch has in the closure process.

Figure 4: Post Office closures²³

In December 2003, the Post Office decided to close 6 post offices in one town and open up a new one in a petrol station. The local MP was concerned that the new post office would be inconvenient for many local residents. He consulted Postwatch who provided some helpful information. The MP then suggested to two local supermarkets – Morrisons and the Co-Op – that they could take on a Post Office franchise. The Co-Op eventually did so and the new branch opened in November 2004.

Source: Postwatch

19. Energywatch and Postwatch also have a duty to advise consumers and can use the media to communicate with them directly. For example, Energywatch has 'named and shamed' companies who are providing a poor quality of service and praised companies that

20 Q 19

21 C&AG's Report, Figure 15. Issues surrounding prepayment meters have been covered in the 13th Report from the Committee of Public Accounts, *Ofgem: The Social Action Plan and the Energy Efficiency Commitment* (HC 442, 2004–05).

22 Q 55

23 Q 38

are performing well. Postwatch has highlighted concerns with Royal Mail's service. For example, it advised consumers not to use first-class post for their Christmas mail in 2004 because of Royal Mail's poor track record over the Christmas period. Postwatch advised consumers to post their Christmas cards earlier but using second-class post (a three day service) which is cheaper and more reliable.²⁴

20. There are a large number of organisations, both public and private, representing consumers, including the National Consumer Council, the Citizens Advice and the new Consumer Direct advice service established by the Department of Trade and Industry. This array of organisations is confusing, and consumers may not be sure which one to contact.²⁵ To help raise their profile, Energywatch and Postwatch meet Members of Parliament but other initiatives, such as sending out desk calendars with the consumer body's contact details, may not always be the most effective way of engaging with MPs.²⁶

21. Awareness of Energywatch and Postwatch remains low. For example, just 2% of people mentioned Energywatch as the organisation they would consult if they had a problem with their energy service. Energywatch's contact details are provided on gas and electricity bills. There is no similar channel for raising awareness of Postwatch, but since 2002 the Royal Mail has passed on Postwatch's details when replying to complainants.²⁷

24 Postwatch advises customers to use 2nd class stamps at Christmas, Postwatch News Release, Monday 29 November 2004

25 Q 117

26 Q 119

27 C&AG's Report, para 2.21

4 Reducing costs

22. In the three years to 31 March 2004, Energywatch spent £57 million and Postwatch £27 million. These costs are borne by a levy on the companies in the energy and postal industries respectively. Both bodies employ over 100 people, and in the case of Postwatch the expenditure exceeds that of Postcomm, the economic regulator.²⁸

23. Average household spending on post is £26 a year, compared with the £520 spent on electricity and gas. Yet the budgets of Postwatch and Energywatch are similar. In 2003–04 the running costs of Postwatch were £10.3 million and it dealt with 27,500 complaints, some £374 per complaint. In the same period, Energywatch incurred running costs of £12.8 million and dealt with 87,600 complaints, only £146 per complaint.²⁹

24. Postwatch said that the postal market was very different from energy, with business as the main sender (around 86% of mail) and households the main recipient (similarly over 80% of mail). It had to balance the interests of the 400,000 business users of the postal system and the 60 million recipients. It added that the costs it incurred in handling complaints were similar to those faced by Energywatch, even though the amount of expenditure in question was typically far lower for postal than energy complaints.³⁰

25. Energywatch's expenditure in 2003–04 was 13% more than in 2002–03. Since Postwatch was set up its budget has increased from £8.5 million to £10.3 million, an increase of 21%.³¹ The main influences on cost are the volume of complaints received and overheads, particularly accommodation. Postal complaints have increased dramatically in the three years since Postwatch was founded (Figure 1). Complaints received by Energywatch have not increased to the same extent and Energywatch considers that the peak has passed and the number is falling.³²

26. Just under £12 million of Energywatch's expenditure was used to close down its predecessor bodies, the separate consumer councils for gas and electricity (Figure 5). This included £3.8 million to vacate buildings no longer required and Energywatch continues to pay for some leased buildings that it does not occupy. Some buildings are up for sale but others have proved difficult to dispose of because they are unattractive with long term leases.³³ Energywatch has reduced its expenditure on unoccupied buildings from £156,000 in September 2004 to £74,000 from April 2005.³⁴

28 Postwatch's budget for 2003–04 was £10.3 million. For the same period, Postcomm's budget was around £6.5 million.

29 Qq 20, 67

30 Q 20

31 Q 1; C&AG's Report, Figure 19

32 Q 1

33 Q 76

34 Qq 77–79

Figure 5: Costs incurred by Energywatch in closing down its predecessor bodies³⁵

	£m
Redundancy payments	4.1
Office closures	3.8
Revenue and capital spend on IT	2.7
Staff development	0.4
Onerous leases	1.0
TOTAL	12.0

Source: Energywatch

27. Both bodies have their headquarters in the Victoria area of central London. They justify this location by pointing to the wide range of London-based contacts they must maintain. These include Ofgem, Postcomm, the Department of Trade and Industry, Parliament, regulated companies and the media.³⁶

28. In addition, Energywatch has seven regional offices and Postwatch has nine, three of which are outsourced. Postwatch's regional offices are consulted on Post Office Limited's closure programme. Energywatch's regional offices have a less obvious role, because the energy industry is organised nationally with 6 large companies operating across the United Kingdom. In a letter to the Committee, the Energy Retail Association pointed out that all energy suppliers are national and few issues fit in with Energywatch's regional structure.³⁷

29. Energywatch has taken some action to cut costs and its budget for 2004–05 is around £1 million lower than for 2003–04.³⁸ Postwatch has also sought to cut costs by outsourcing its contact centre, and locating it in Belfast, which is cheaper than many other parts of the UK.³⁹

30. Energywatch and Postwatch could reduce overhead costs further by sharing or contracting-out administrative functions. They are considering a range of options for sharing functions such as human resources and Information Technology, but at present their powers do not allow them to raise invoices to charge for the services they provide each other. They need authority from the Department of Trade and Industry and the Treasury to do so.⁴⁰

31. The budgets for both bodies are agreed by the Department of Trade and Industry. The Department has not taken into account the level of consumer detriment in each sector in agreeing budgets. Nor has it compared expenditure on consumer protection in these sectors of the economy with others, such as expenditure on household appliances or the purchase of second-hand cars, where consumers can direct complaints to the Office of Fair Trading.⁴¹ The Department's proposals to merge consumer bodies, and its consultation on

35 Ev 19

36 Qq 84–100

37 Ev 18–19

38 Q 1

39 C&AG's Report, para 3.8

40 Qq 108–110

41 C&AG's Report, paras 3.22–3.24

the creation of a new Consumer and Trading Standards Agency, should enable a more coherent approach to budget-setting and reductions in duplicated expenditure.

Formal minutes

Monday 7 November 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Greg Clark

Kitty Ussher
Mr Alan Williams

Draft Report (Energywatch and Postwatch), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 31 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fourteenth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 9 November at 3.30 pm]

Witnesses

Wednesday 19 January 2005

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Professor Edward Gallagher CBE, Mr Allan Asher, Energywatch, and Mr Gregor McGregor, Postwatch

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The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 19 January 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan
Mr Richard Bacon
Mr Ian Davidson
Mr Frank Field

Mr Brian Jenkins
Jon Trickett
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, further examined.

Ms Paula Diggle, Second Treasury Officer of Accounts, HM Treasury, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

Energywatch and Postwatch (HC 1076)

Witnesses: **Professor Edward Gallagher CBE**, Chairman and **Mr Allan Asher**, Chief Executive, Energywatch and **Mr Gregor McGregor**, Chief Executive, Postwatch, examined.

Q1 Chairman: Good afternoon, welcome to the Committee of Public Accounts where today we are looking at the Report on Energywatch and Postwatch, helping and protecting consumers. We are joined from Energywatch by Professor Edward Gallagher who is the chairman and Mr Asher who is the chief executive and we are joined from Postwatch by Mr Gregor McGregor, chief executive of Postwatch. You are all very welcome. As regards Energywatch, I will address my questions to you as you are chief executive Mr Asher, which is our normal procedure, but if Professor Gallagher wants to take the question then it is up to you who takes the question. May I please ask both our witnesses to look please at Figures 18 and 19 which you can find on page 25 of the Comptroller and Auditor General's Report? You will see there, if you look at your running costs, that Postwatch's running costs were £10.3 million in 2003–04, that is up 26% on the previous year. Energywatch's were £13.8 million, that is up 13% on the previous year. Gentlemen, are your costs out of control?

Mr McGregor: Since you mentioned Postwatch first, perhaps if I might answer first. Yes as you have correctly identified, our costs did go up by 26%. There were two main reasons for this. First of all, we have experienced a doubling in the number of complaints that we had to handle; they went up from very nearly 16,000 to 27,500. Secondly and this was the major area of increase, the Government and Post Office Limited launched the Urban Reinvention Programme, in which we had a major role in assessing proposed closures of urban post offices. Those two items of additional work explain all of the increase in our costs.

Mr Asher: In the case of Energywatch, there was also quite a huge increase in the complaint load in that first year. That was also the year in which we had a lot of work following the October storms. Energywatch, as a result of that, received an extra

several million pounds to employ more frontline staff. I might point out though, that for next year we will be reducing our operating budget by a full million pounds, now that hump has passed and the number of complaints is falling.

Q2 Chairman: If we look at the same page and look at paragraph 3.2, we can see that the money your organisations spend comes from licence fees. These licence fees are paid by the electricity, gas and postal companies rather than from general taxation. What I must put to you is that you have exploited this arrangement to allow you to spend more than is strictly necessary. In other words, you are not as efficient, there is no consumer voice holding you back.

Mr McGregor: Our funding, and indeed that of Energywatch, comes from the DTI. The DTI view bids that we have to make every year as though it were their own expenditure. We have to be just as rigorous in making a case to DTI in defence of our budget bid as any spending division within DTI. The fact that the Treasury subsequently recovers the costs through licence fees, certainly does not affect our attitude to setting our budgets, nor does it affect the degree of rigour which DTI applies to our bids.

Mr Asher: In addition to that, we are subject to a full NAO audit and of course the NAO evaluation we are discussing now and also during the year Energywatch and Postwatch were both subject to a Treasury/DTI effectiveness review too. In both cases those reports point out that we do represent good value for money.

Professor Gallagher: Just a minor reinforcement there. I have dealt with both deficit funding and funding of this sort and in my experience, the rigour to which we are being subjected at the moment is quite strong.

Energywatch and Postwatch

Q3 Chairman: All right. Let us just see what you are doing now for the consumer shall we? You will see, if you look at paragraphs 13 and 14 of the summary, which you can find on page 5, that it says there right at the top “Energywatch and Postwatch have not developed a coherent approach to monitoring and demonstrating their impact on behalf of consumers”. What I must put to you is: how do you justify this level of expenditure, rising, you say, because of the level of complaints you are getting, but still rising, how do you justify this level of expenditure, when apparently you do not have any clear idea of what benefits you are actually achieving for the consumers?

Mr Asher: In relation to Energywatch, the initial work that we do is of course responding to consumer complaints and our statutory duty is to respond to every complaint that we get. We measure fairly carefully, especially after the commencement of the NAO work. They were able to point us to different areas in which we can evaluate our services: an extended range of KPIs and our satisfaction ratings with consumers are high, the number of results that we are getting is high and we have instituted something else, which was called for both by NAO and the DTI/Treasury Report, an evaluation of compensation. We have been able to calculate that in the last year, we have achieved just under £10 million for consumers in refunds and compensation.

Mr McGregor: We agree with the comments and the criticism of us in the way in which we have been measuring our performance. The performance indicators that we are working to at the moment were established with DTI when we were set up, now some four years ago. It is quite clear that those indicators are not now the correct indicators for the objectives and the work that we are doing.

Q4 Chairman: Thank you for saying that; that is an honest answer. If you look at paragraph 3 of the Executive Summary, you can see “Energywatch received 87,600 complaints in 2003–04 and Postwatch receiving 27,500”. That raises the question, as you do not have a clear idea, or do not do any proper research on what the public actually want from your organisations, as to whether you are skewing all your activities too much to those who complain and you therefore may be forgetting the interests of people, maybe the disadvantaged people who do not have the time or energy to complain. Of course it also raises the question, that if you are getting so many complaints, are you doing your job properly?

Mr McGregor: You have raised two or three points there. First of all, I think it is right that we have been responding very much either to the complaints that we have received, or to the regulatory agendas, or to the reform agendas which have been put forward by Royal Mail. We are now, but do bear in mind this Report is looking at us as a three-year-old, changing the focus of our activities and we have found the recommendations of the report very helpful in doing that. You mentioned vulnerable consumers and looking at groups like that. We have put a huge amount of effort into looking at the various groups

of customers that we have a statutory duty to pay special attention to and we have worked very closely with a wide range of groups, for example, with elderly customers over access to post offices. For those on low income we worked on the move to direct payment of benefits, we have also been very concerned about post office closures in urban deprived areas and if we look, say, at rural consumers, we have again looked very carefully at the pattern of deliveries, postal deliveries in rural areas and such issues as the costs of delivering to remote rural areas and particularly in the Scottish Highlands. So a lot of the work we have been doing has been a response. I would accept that it has been piecemeal and we therefore welcome recommendations that say we should now be taking a much more coherent and overall approach.

Mr Asher: We, in response to a similar question posed in the Treasury/DTI study, negotiated with them four clusters of areas in which we could better measure our effectiveness and we have been very active in those in the last year. One, a whole set around improving industry performance and there we can point to a substantial reduction in the number of complaints about selling. We can point to work on disconnections where we have changed the whole profile of consumers being disconnected, delivering much more useful benefits to consumers. There has been a research programme where we have actually polled a large sample of consumers to get them to place a value on the services Energywatch provides. In our current work plan consultation document, we have put these new priorities out to stakeholders to comment upon. Then internally, we have done a lot of reorganisation to take a lot of costs out and to ensure that our quality, productivity and efficiency are much higher. As with Postwatch, I think we acknowledge that it is the NAO Report and the Treasury report that have pointed us to some of these areas.

Q5 Chairman: Lastly to Mr McGregor, summing it up. Everybody knows that the postal service has declined. We used to get early morning deliveries; we do not get them any more. We know that huge numbers of letters are lost in the post, we know that you are living in a very crowded market; we have Citizens’ Advice Bureaux, local trading standards, energy efficiency advice centres, the Department of Trade and Industry proposes to merge consumer bodies. Is there any point to your organisation? Has it actually achieved anything?

Mr McGregor: Yes, I think there is a point and yes, I think we have achieved a lot. First of all, the very fact now that we are receiving the level of complaints that we do, shows that there is a need for customer redress and customer protection in the postal market on a level which I think people three or four years ago simply had not appreciated. Secondly, the government in setting up sectoral consumer councils was clearly of the view that the economic regulators, who had traditionally been charged with customer protection, were not able to deliver the degree of customer protection that was necessary in monopoly markets or in market places where there are major

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problems for consumers. As the Report points out, we are not doing enough at the moment and that is why we welcome the chance to refocus our activities so that yes, we can bring even more benefits to customers.

Q6 Mr Allan: I want to come at it from the customer perspective where I certainly believe there is still a considerable degree of confusion out there. I am interested in exploring your relationship with the regulators. You usually have at least three parties involved and often more, a company, a regulator and yourselves, the watch body. Can I start with you Mr McGregor on the Postwatch side to try to understand the scope of your service? Am I right in thinking that you will cover complaints about any registered postal operator and we are not just talking about Royal Mail?

Mr McGregor: Yes, that is right. As competition is starting to develop we are extending our range of activities to the new competitors who are entering the marketplace.

Q7 Mr Allan: But the current situation, would I be right in thinking, is that the vast majority of your complaints and issues are to do with Royal Mail?

Mr McGregor: That is right, yes.

Q8 Mr Allan: Is there anything outside Royal Mail? If I use, for example, an existing DHL or private kind of courier service, are you at all interested in complaints about those?

Mr McGregor: Yes, we are and we are starting to have new co-operative arrangements with the competitors like DHL. At the moment, the level of complaints that we are experiencing from the competitive side of the market is very small indeed.

Q9 Mr Allan: Do you expect that to grow?

Mr McGregor: Yes, I expect that to grow.

Q10 Mr Allan: In terms of the type of people that complain to you, one of the key differences between yourselves and the energy side is that most of the business that goes through Royal Mail is business to business, rather than residential to business. Is that correct too?

Q11 Mr McGregor: Yes that is right: 87% of mail that goes through the system is business mail as opposed to social mail.

Q12 Mr Allan: Can and do businesses come to you with complaints, as opposed to individual consumers?

Mr McGregor: Yes, they can and do very frequently and we have a major group called the Trade Association Forum which represents about 300,000 of the major posters in the country and we have a very regular dialogue with them across a whole range of issues.

Q13 Mr Allan: Is your funding, the funding that you receive to deal with these complaints, public funding?

Mr McGregor: It is funding from the DTI, so it is public funding, which is then reimbursed by Royal Mail through its licence. Interestingly, once the competitors start reaching a particular critical threshold, then they too will be contributing towards the regulatory costs of the system.

Q14 Mr Allan: On the basis of the size of their business rather than the number of complaints.

Mr McGregor: Yes.

Q15 Mr Allan: Just turning to Energywatch, again thinking about where you sit in the market, you are obviously dealing with mis-selling complaints. You have a hugely more complex market than Postwatch, I think it is fair to say at the moment.

Mr Asher: In 1999 the market was liberalised and we have had full retail competition. A whole range of consumer complaints come from that, consumer information and representing consumer interests. That is a good part of our work, but we also have a statutory responsibility for classes of disadvantaged consumers, for those living with disabilities and the aged and people living in remote areas. So we have programmes for all of those.

Q16 Mr Allan: According to the Report, we are told that you work very effectively with Ofgem, your regulator, to try to resolve things, or something like mis-selling. Here is where I am coming from a consumer perspective. I am sitting there, I have got into this terrible mess, I am very stressed out, I just want someone to stop these companies, I want these companies just to sort things out and I am still very confused at the moment. Do I go to you, do I go to the companies, do I go to Ofgem? It seems to me that Ofgem are the people who can really do something.

Mr Asher: It is a partnership. Initially, we actually encourage consumers to go back to the supplier first to try to resolve the issue themselves. If they are not successful there, then Energywatch is the complaints handling and complaints investigation body, but we lack any enforcement powers, we lack powers to order compensation or sometimes we cannot get the companies to change their behaviour. That is where the partnership with Ofgem comes in. We have been able to put evidence before Ofgem which has led to almost five enforcement actions over the last two years, with fines of some millions of pounds and also the development of various industry codes. That would not have happened without us and Ofgem leaning on the companies to do that and the best example is in this selling one. Three years ago, we were getting 50,000 complaints a year about selling. That is down to 5,000 now, a radical reduction. We hope that we can do that in some of the other outstanding areas of consumer detriment.

Q17 Mr Allan: So your objective is to do yourselves out of a job. You would like to see your budgets fall as the level of complaints fall.

Mr Asher: Yes, that is exactly right. We are quite active in trying to empower consumers to look after their own interests. We think that is the way for the market to work best.

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Q18 Mr Allan: But if the consumer goes to Ofgem, say with a mis-selling complaint, Ofgem will send them to you. You are dealing with the particular and Ofgem is dealing with the general in a sense.

Mr Asher: Generally speaking that is right.

Q19 Mr Allan: On the Postwatch side, again we have some example of complaints here. It is something like somebody putting in a registered item that got lost and they did not get back the full recompense for it. They would again be advised to go to Royal Mail first, they fail to get satisfaction from them, they should not go anywhere near Postcomm, they should come to you. It is an exactly parallel structure?

Mr McGregor: It is an exactly parallel structure and indeed Postcomm have described us as their eyes and ears in the postal marketplace because obviously we do have a regional structure, we do have a lot of outreach and therefore we are able to report quite regularly to Postcomm where things are going well in the market place, but, more importantly, where things are not going well and where we believe they should be taking corrective action.

Q20 Mr Allan: There is no problem when you beat them up over network reinvention or something, they are still nice to you.

Mr McGregor: Obviously as a consumer council, our interests and those of the economic regulator are going to diverge from time to time, but yes, we maintain a sensible working relationship with them even when there are disagreements around policies.

Q21 Mr Allan: Specifically, when you look at this Report, you can see that Energywatch deals with large numbers of ordinary residential consumers who are spending £520 a year on average and putting in quite a substantial number of complaints. You are dealing with a much smaller economic interest for most consumers and a much smaller number of complaints, yet you do not seem to be spending that much less. Does this give you pause for thought?

Mr McGregor: The marketplace for post is very different from that for gas and electricity. We have already noted that about 86% to 87% of the mail goes from business mailers and therefore only 13% to 14% goes from the social posters. We have an equal responsibility to the 60 million social users of the system as we do to the 300,000 or 400,000 business users of the system. The costs of the complaint that we have to deal with are very similar to the costs of complaint that Energywatch have to deal with, even though customer bills on the social side tend to be larger for those utility services.

Q22 Mr Allan: So the costs reflect the cost of the administration of dealing with a complaint, irrespective almost of the value of the items covered by that complaint.

Mr McGregor: Yes, or indeed the value of the annual expenditure say by a household, which I agree with you is very low in the postal services.

Q23 Mr Allan: Finally in the last couple of minutes, just to look at what is going to happen in the future, we are told that the DTI is going to set up something called Consumer Direct, yet another one-stop shop. Do you have views on that, are you involved in the debate around that? It seems to me that if the government are setting up a one-stop shop, there is potentially scope for even more confusion as we introduce another player into the market. I should be very interested if you have a view on it.

Mr McGregor: We are indeed. We are closely involved and we like to think that we are assisting Consumer Direct in setting up their organisation. Consumer Direct is in trial mode at the moment, so we are trying to work out, first of all, what impact Consumer Direct would have on the number of calls, because it is being set up as a call centre, that consumers overall will be making and what is likely to be the percentage of those calls that Consumer Direct would need to forward on to us and also on to Energywatch for action.

Q24 Mr Allan: They might reduce your costs, because as a call centre, they might do some of the front-end work for you.

Mr McGregor: Yes, and to the extent they do, that would be welcome to us.

Q25 Mr Allan: Energywatch.

Mr Asher: We have been closely involved with the formation of Consumer Direct. A number of our national and regional directors are on some of the Consumer Direct committees and we have helped them with software and complaints handling systems and we have developed cross-referral mechanisms. The idea is that Consumer Direct gets the first call and it is designed particularly for people who in the past would not have complained, who would not have had a voice. The Consumer Direct call centre then passes those on to various agencies for investigation.

Q26 Mr Allan: Seamlessly?

Mr Asher: Well that is the goal and so far the four Consumer Direct offices have passed to us about 200 matters that have involved energy.

Q27 Mr Field: Could I pick up a point which Richard touched upon? There is a summary table of your expenditure. Mr Asher, your expenditure is £12.8 million and Postwatch is £10.3 million. As Richard said, postal expenditure on average per household is £26 and fuel expenditure is £520. Would that suggest to you that you do not spend enough, or that Postwatch spends too much?

Mr Asher: In relation to our own expenditure, we have a fairly tight set of key performance indicators: the time in which we deal with complaints, customer satisfaction, we are now measuring the amount of compensation we receive, we are doing a lot of research from consumers. All of those are telling us that consumers are generally pleased. I do not mean to be complacent, but we are generally pleased with

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the direction we are headed in, so I think that our level of expenditure per complaint seems to be quite reasonable.

Q28 Mr Field: In the introduction to the Report, the National Audit Office reminds us that part of your job is to represent the views of the consumer. There is a table further up in the Report which shows, as we all know from holding constituency surgeries, that the middle class have bushy tails on this issue and they can turn up in quite large numbers. Looking at your expenditure, both of you has got £0.3 million for research. I just wanted to probe you further on what you do with this money. When we had a monopoly supply and there was the Post Office and there was the Gas Board and the Electricity Board, we might have all been ripped off, but we were all in the same boat together. Now there is a huge medley of supplies, particularly for energy, and I never understand which deal I should be on. It does not matter too much for me but it does matter for other people, given their resources. I just wondered whether you would tell us what proactive work you do to see whether, at the end of the day, particularly poorer consumers are getting the best deal they could get from this free market.

Mr Asher: I should love to because that is one of our key priorities and on our website we publish for all of the companies the tariffs for customers who are pre-payment meter customers and by various credit types and by low, medium or high consumption. We also put in an evaluation of complaints against the companies. For those who do not have access to a website, we have a call centre where this information, at a phone call, will be provided in hard copy form to consumers. We accredit a whole range of bodies who will help consumers switch from one account to another and right now we are setting up a dedicated team just working on the interests of disadvantaged consumers.

Q29 Mr Field: May I ask a question to which we might get an answer when we come back? It is one thing to provide this information about what people should be doing, but do you actually do surveys to see, after you have provided this information, whether a representative group of consumers ends up now with the best deal? If not, what move might you make to advise them on what best deal they could get?

The Committee suspended from 4pm to 4.09pm for a division in the House

Mr Asher: There were two parts to the question: one about research and then one about aspects of our effectiveness for vulnerable consumers. In relation to research, we have a pretty full programme of research underway at the moment which is going to be looking particularly, not only at the needs of vulnerable consumers, but trying to find some novel ways of reaching vulnerable consumers. We think it is going to be through partnerships with NHS Trusts, with Age Concern and groups of that sort, where we will see our role as equipping them to pass information and assistance to disadvantaged consumers, but, in addition to that, about making

markets work. There are many features of the market that do not work well, especially for disadvantaged consumers. There are those on pre-payment meters who do not get to switch to lower prices, there are those who technology prohibits from changing anyway and there are those who are not even on networks. Our research is also trying to and find ways of overcoming those problems. In terms of our impact and effectiveness, we have been working particularly with the Scottish Executive to get companies to come up with social tariffs for people who just are not able to afford the full tariffs, with the companies to establish trust funds for the alleviation of poverty and we also have been working with the Energy Savings Trust on 10,000 referrals which we are making this year and we shall be following those up by phoning people back afterwards to see what use they have made of that advice.

Q30 Mr Field: I was asking a slightly different question and that was: do you have a regular sample survey of consumers to see whether at any one point in time, and then to regularly do that each year, whether people are understanding how to work the market to get the best possible deal? If you did such a survey and it showed that, say, 70% of poorer people, however we define them, could, with better knowledge, get a better deal, it would suggest that the market is not working very well, would it not?

Mr Asher: There are those gaps, certainly.

Q31 Mr Field: Are you going to fill them?

Mr Asher: Just last month we launched a campaign with the Secretary of State for Trade and Industry called Energy Smart. The key part of that is bringing targeted information to groups of less well-off consumers to tell them how to change payment methods to save, how to buy different sorts of energy services and then to give them also energy saving advice to save as well.

Q32 Mr Field: But unless we know how many are getting the wrong end of the stick on all of this, there is no urgency in all of this. So I ask you again, for the third time of asking, whether you are going to carry out a survey which would present for the first time how well this market in fuel is working or is not working.

Mr Asher: Apologies that you have needed to ask three times. We do a number of regular surveys, one of which does poll consumers' experience, their knowledge of the market and their switching behaviour.

Q33 Mr Field: Let us narrow it down to my constituency. I do not know how many of my constituents could get a better deal in buying fuel than they currently do. It is answering those sorts of questions.

Mr Asher: We know that every consumer who has not switched at all is almost immediately able to save 10% or 15% a year and we know that every consumer

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of five out of the six companies who is on a pre-payment account is paying more than they need to. We are finding ways of bringing this information to such consumers.

Mr Field: Chairman, I have finished my questions, but Richard has one on this very point. Might I give him my two minutes?

Q34 Mr Allan: On the prepayment question, this is a problem we have identified in other areas in this Committee. The poorest consumers in general end up paying higher energy prices than wealthy consumers on direct debit. You have described the problem, but what can you, Energywatch, do? What do you do to sort this out? It is still there, it has not changed.

Mr Asher: There are several things. So many pre-payment meter customers actually also have a large amount of debt and they cannot switch from one supplier to a cheaper supplier because they are blocked by that debt. We have encouraged Ofgem to at least give them partial relief from that. Now, if your debt is £100 or less, you are allowed to switch. We want to see that limit increased and we also want to see companies reduce the difference in price between their rates to pre-payment customers, where there is no credit risk because they pay in advance generally, and some of their credit customers. We find that for some that margin is shrinking. There is one company now where there is almost no difference between their credit customers and pre-payment meters, but for the vast majority, there is still a margin and that is an area where we are actively lobbying the companies. That is what I meant by encouraging them to come up with social tariffs, tariffs which are designed for people for whom the market just does not work.

Q35 Mr Allan: So in that respect you are a lobbying organisation and if that gap does not narrow, you have failed in your lobbying.

Mr Asher: Yes that is right.

Q36 Mr Jenkins: Mr McGregor, I see on page 25 that your staff costs have risen from £2.1 million in 2002 to £4 million in 2003–04, that is staff costs have almost doubled. I presume you must have twice as many staff.

Mr McGregor: Yes, our numbers of staff have been going up and the two reasons underpinning that have been the quadrupling of the number of complaints that we have had to deal with over the past two years and also the launch of the urban reinvention post office closure programme.

Q37 Mr Jenkins: I notice in Figure 22 that the actual percentage of the rent in the Midlands for instance is 2% of the overall rent paid by your organisation for premises. Does that reflect the seriousness with which you regard the Midlands area or does it reflect the fact you need so many of your staff in your headquarters and in London?

Mr McGregor: It certainly is not a reflection of the importance of the Midlands region, because we view all our regions as being of equal importance. Yes,

there is an element within that that obviously our office accommodation in central London is considerably more expensive on a square foot basis than those office spaces that we have in the regions. That is why we are looking to move staff and functions out of London and into the regions.

Q38 Mr Jenkins: I hope so, because it will then make sure that the Midlands is worth more than 2% of your budget on premises and indicate that you may take it seriously.

Mr McGregor: Yes, although I would say on that, that in fact we have just taken out a new office in the Midlands, because in fact the old office was really not fit-for-purpose. The Midlands team moved into that about three or four months ago.

Q39 Mr Jenkins: It says you are to increase your staff for the urban post office closures programme. I had a lot of involvement in that and I should like to take you through a case and ask how you can justify to me our different roles. When the figures came out—and I was not pre-warned until it appeared in the press by the way—that the Post Office were going to close six post offices in my town and open up a new one in a garage, I considered it inappropriate. I then got onto the Post Office and met the Post Office on 19 December 2003 and took them on a tour round the area to show them the inappropriate nature of the siting of new Post Office. When I worked out the figures, and saw that it covered less than 50% of the population in an urban area, I said we would need to relocate it. I then had consultations with Postwatch, very nice people in Postwatch and they did what they could, no problem with them. I started negotiating with the Post Office and I found it a very arrogant organisation and I had to go to the top and I actually had to go to the top in the government. When they told me that they could not force people to take over the post office and they actually indicated they had written to them, I wrote to the two companies in the very centre of this location, one being Morrison's and the other being the Co-op. They replied that they had had no contact at all with the Post Office. Upon further investigation and after a bit of prodding, the Post Office came back and said to me that in light of the representations made by me during the consultation period regarding alternative options available, they were currently in talks with the Midland Co-op to negotiate a new branch office in the area. The Post Office promised me that it would be open before local election day. Was it? No. I opened it on 29 November. It had taken 12 months. I had to get involved in doing a job I thought firstly that you would have been involved with. I found out then that you did not have the teeth or the drive and the Post Office were just as caring of you as they are of the ordinary members of the public. I have another one now which has come up. We allowed them to go ahead with the closure of one post office in Amington, a poor area of the town, one of the most deprived wards in the country, therefore it has a status. We let them close one and to pool all their activities into the existing one to make it sustainable, part of the overall plan. But unfortunately this one

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has been taken over by Tesco and they no longer wish a post office to be there. When they gave notice to the Post Office, the Post Office then had two applicants for this and I handed in a petition on 9 July. The post office closes today. Have a guess where the alternative post office is. You are right: after six months of negotiation, they still have not come to an agreement to move it into the local Co-op and Tesco are now providing a bus to run their customers on a Tuesday morning two miles down to the nearest post office. It has taken over six months. Any business in the private competitive industry which takes six months over a negotiation like this would go out of business rather quickly. So can you tell me and justify your existence as far as the cases my constituency have suffered are concerned? Although you are very nice and very caring, are you effective? Can you tell me why you are there please?

Mr McGregor: You have quoted a couple of examples of a process which has affected nearly 3,000 urban offices. You are quite right when you say that we do not have any formal powers. Our role in assessing closures and whether the right offices are closing is purely down to the influence that we are able to bring to bear. We have said to government and we have said to DTI that we do not think this is a satisfactory position, so far as consumers are concerned. We do believe, particularly where very large sums of public money are involved, both in the urban reinvention programme and in supporting rural post offices, that there should be the right of veto over commercial decisions by Post Office Limited, which is the operating arm of Royal Mail which controls the post offices, by a public body in order to ensure that consumer interests are properly safeguarded. Now I said that the role we had developed in discussion with Post Office Limited and with the Department of Trade and Industry was to help with the consultative process, to improve the consultative process, to make sure that the right people in the local community were being contacted and were being consulted. At the end of the day, you are correct in saying that we are not able to put our hand up and actually prevent a closure. If I may just quote two or three figures about what has happened overall, because I have said this is a programme that has been affecting some 3,000 urban offices, we have, to date, actually received nearly 2,700 proposals to close particular offices. Out of those, some 60 offices have been withdrawn by Post Office Limited from the closure programme before consultation has begun, for about 140 of those offices the proposals have been modified as a result of our influence and the consultations that we have had. We have formally opposed the closure of very nearly 400 of those offices that have been put forward and out of those 400, some 290 have either been withdrawn completely from the closure process or have been significantly modified. So although we do not have formal powers, I do believe that we have had quite a constructive influence on the way in which the reinvention programme has happened.

Q40 Mr Jenkins: So you feel satisfied you have sufficient power, authority, to deal with the Post Office.

Mr McGregor: No, we do not. We would hope, indeed learning from the experience of the urban reinvention programme, that should there need to be a further look at a rationalisation of the post office network, we will be given a much greater influencing role and that either ourselves or some other public body should be given the right to veto closures of particular branches, or at least to ensure that there is the continued provision of a post office service within a particular locality.

Q41 Mr Jenkins: The Chairman did mention the delivery side of Royal Mail. I do not know whether other colleagues have the same experiences in their constituency that I have, but at one time I used to have a very effective post office and a very, very good post person walking around at half past eight in the morning delivering. Over recent months, the delivery is taking up to maybe half past five in the afternoon, it looks as though we have temporary workers drafted in from some temp agency, they spend up to seven hours sorting and seven hours delivering to start with and they are shifting people around. In fact, the service went down so rapidly, it was hard to believe. If it had been an ordinary company, the shareholders would have lost substantially, the directors would have taken a very handsome payoff in redundancy pay and enhanced pension and it would have been put in liquidation. Having seen this, having seen that once again you do have not have the power, the authority to do anything about it, what do you suggest?

Mr McGregor: The Royal Mail Group has had, it is fair to say, a chequered history over the past three to four years. When the group transferred from being a nationalised industry into a public limited company, one of the consequences of that was that the group went into making major losses. Three years ago it was losing money of the order of over a billion pounds a year. Clearly losses on that scale are not sustainable in the long term.

Q42 Mr Jenkins: That is the Post Office's problem. I am asking you what you can do about it.

Mr McGregor: What we did about it was that we recognised that there was a need for the Royal Mail Group to modernise, to modernise its outdated working practices and to modernise its services. So there have been some benefits to that, and yes, there have been some drawbacks. You refer to the changing pattern of deliveries. We thought that was a necessary part of the modernisation programme, we thought that it was not implemented effectively or sensitively by the Royal Mail management, but we do believe that the changes that have come about will be in the longer-term interest of customers because it will result in a sustainable business.

Mr Jenkins: May I just say that it sounds as though you are part of the problem rather than the solution. You are supporting the Post Office.

Q43 Mr Davidson: I wonder whether I could pick up paragraph 1.18 about Energywatch's priorities first of all; this is the point which has already been mentioned about your workload being driven by

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your correspondence. I wonder whether I could pursue this. Have you done any research to identify, for example, the postcodes of those who have written to you and correlated that with the areas of poverty?

Mr Asher: Yes, we have. In a recent project where we were concerned about the number of consumers who were disconnected, we were able to use some computer software to track, by postcode, which consumers came from high areas of deprivation and we found that it was overwhelmingly the case that consumers who were likely to be disconnected also come from areas of high deprivation with young children, high levels of poverty and people living with disabilities. We were able to use that information very powerfully to have the industry change its code of practice for disconnections quite radically. We think that is a very powerful tool.

Q44 Mr Davidson: In terms of the general mail that you are getting in though, are there other issues that are more prevalent in areas of deprivation?

Mr Asher: Yes. I think the point that NAO made was that, by just relying on complaints, it might be that we were missing out on many genuine concerns of people who do not have voices and we have taken that quite seriously. Each of our officers, in addition to answering complaints, is responsible for going out into the community to work with welfare agencies, with MPs and others, and over the last year alone, we have made 800 such visits and we have been collecting a wide range of information. What we have learned is that consumers, or very specially disadvantaged consumers, are very interested in hearing more about the priority service register, whereby ageing people can be given bills in plainer language, in larger type to get special controls to operate their appliances and things like that. There is a whole set of information.

Q45 Mr Davidson: Had the National Audit Office not come along and pointed you in that direction, would you have discovered this route yourselves?

Mr Asher: We were doing some of it, but the truth is that the NAO has given us a real boost in that area.

Q46 Mr Davidson: Why do you think you did not think of this yourselves then? It is clearly part of government policy in terms of trying to direct resources at those in greatest need.

Mr Asher: Yes.

Q47 Mr Davidson: Why did an agency like yourselves not have this thought brought to your attention by the supervising department or not be sufficiently tuned to government policy to pick it up yourselves?

Mr Asher: There are two clear factors: one is a timing one. Energywatch had only been established two or three years. Prior to that we were in the process of moving, from having 22 offices which were being closed down and opening up a new set.

Q48 Mr Davidson: So paying attention to, as it were, government policy on combating poverty was an add-on that could be dealt with later. Surely it should have been designed in right from the very beginning.

Mr Asher: It was designed from the very beginning, but a consequence of doing that and starting from a very, very high number of complaints—in those years we were receiving something like 125,000 complaints a year and we have a statutory obligation to deal with every complaint—is that there is a point at which you simply cannot do more. We did start to do that a couple of years ago and we have accelerated that in recent years.

Q49 Mr Davidson: Okay, the same issues to Mr McGregor. In terms of complaints you receive, you presumably have access to postcodes and have you correlated where they are coming from with areas of poverty?

Mr McGregor: The issues of poverty are different in the postal market from those in the energy market.

Q50 Mr Davidson: Is that a no then, is it?

Mr McGregor: It is no, but if I may explain—

Q51 Mr Davidson: No, I just want to be clear whether or not you had correlated the number of complaints you had received with areas of poverty and you are saying no, you had not.

Mr McGregor: No, we have not.

Q52 Mr Davidson: Again the same point. It is clearly part of government policy to locate areas of difficulty and deprivation and to see how policies, in a joined-up fashion, can be adapted to accommodate those. Why was that not either brought to your attention by the supervising department or why did it not occur to you?

Mr McGregor: As has already been noticed, the expenditure on postal services amongst social customers is comparatively very small compared to the energy bills.

Q53 Mr Davidson: So that is okay then, is it?

Mr McGregor: It is of the order of £25 to £26 per year for the average family.

Q54 Mr Davidson: I am fascinated by this defence. By the very nature of poverty, people are spending less money on every service where they have to pay for it. By that argument, presumably they would always come at the end of the queue if you are simply looking at volume. The whole point surely of government policy is that there is a focus, a disproportionate focus, upon those who are in greatest need and for whom the cost of postage will be a higher percentage of their available income, even for a single postage stamp.

Mr McGregor: Yes, that is right, but we do not think that the geographical pattern is necessarily a good guide for dealing with that particular problem.

Q55 Mr Davidson: How do you know, because you did not correlate?

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Mr McGregor: The problem that we have identified so far is very much about disadvantaged and poor customers having access to postal services and also, particularly, access to post offices. That we have looked at very carefully and on a postcode and geographical basis when considering post office closures. Particularly when it comes to urban deprived areas, we have been particularly concerned to make sure that there are no, as it were, wrong or improper closures that are going to disadvantage the poorer customers in urban deprived areas.

Q56 Mr Davidson: I hear from my colleagues constantly that their post offices in deprived areas are closing nonetheless. You quoted some figures earlier on about where you had been involved in campaigns to save post offices, and I was not clear to what extent the closures which had been avoided were as a result of your activities and to what extent they had been avoided as a result of other activities that were also taking place and to which you might have added something. How do you separate out in those circumstances your input from the input of everyone else who was involved?

Mr McGregor: Obviously the consultative process is a kind of co-operative consultative process where, as was the case with Mr Jenkins, local MPs and local councillors are involved. Then it is indeed difficult for us to say what proportion was just our influence and what proportion was the influence of others.

Q57 Mr Davidson: That is why I am asking that.

Mr McGregor: Where we have been leading on campaigns to keep particular offices open we have caused about 200 offices to be withdrawn from the process altogether.

Q58 Mr Davidson: I do not want to hear that because that is going over the stuff that I heard before and I am not sure it is helping me much. May I just clarify something with Mr Asher? You mentioned the question of the website that you have—and substantial numbers of people in my area, for example, would not have access to websites—and this question of the call centre. Again, they would not necessarily have access to the information which would send them in the direction of the call centre. How are you managing to make people in greatest need aware of what you can provide to them?

Mr Asher: We have several ways. In addition to the website and the call centre, each utility bill carries our telephone number and that is the main source of contact.

Q59 Mr Davidson: Have you followed up who is then calling you as the result of that and to what extent they are disproportionately from areas of deprivation, where presumably, as Mr Field indicated earlier, the need for your service is greatest?

Mr Asher: It is an under-representation and we have just started a fairly major research project to work with advisors in disadvantaged communities to see how we can more effectively make ourselves known. One small way, if I could give an example, is that we

are about to launch in a week or so, a programme for the elderly to be listed on this priority services register. We will be sending out, to every radio station in the Great Britain—

Q60 Mr Davidson: Sorry, time is limited, which is why I want to hurry on. Does it not seem reasonable to you that I should form the view that these things that you are doing to tackle deprivation as far as you can are sort of bolt-ons? They have been thought of later on, have been brought to your attention by the NAO, rather than being something that you started with at the forefront of your mind in the way that I would have thought you should have.

Mr Asher: No, that is not the case. It is the case that execution of some of those has come later, but that is largely because of some unavoidable set-up issues. It is not as though there were none: it is just that we were not as effective as we could be. That is the point that the NAO has made and we acknowledge that.

Q61 Mr Davidson: The final point I want to make is that we have all had letters from the Green Party complaining bitterly about the incompetence of Royal Mail in delivering their election leaflets. Are you aware of this?¹

Mr McGregor: No, I was not aware of that particular complaint.

Mr Davidson: I was just going to make the point that I think it is important that all the Opposition parties receive the same level of service. If the other Opposition parties could please receive the same level of incompetence as shown in delivering the Green Party leaflets, then those of us in the Government will be very happy.

Chairman: You are assuming, Mr Davidson, that people read all this stuff, which is a big assumption.

Q62 Mr Bacon: Mr McGregor, it says in the Report, on page 18, that satisfaction levels for Postwatch have declined in all areas except politeness. Why do you think that is?

Mr McGregor: It is because we have, quite frankly, had difficulty keeping pace with the sheer volume of complaints that we have been receiving. As the Report notes, the number of complaints has quadrupled, has gone up from about 6,500 to current levels of about 36,000 complaints within a period of three years. Unfortunately, I think largely because of the rigour with which we have to argue our budgetary cases with DTI, the additional resources to tackle that very steep increase in complaints have always come after the event and not before the event. This means that we have had to run to catch up with the complaints that we have been dealing with and inevitably the quality of our complaint-handling service has declined as a result.

Q63 Mr Bacon: You used to be a DTI official, did you not?

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Mr McGregor: Yes, I used to be a DTI official.

Q64 Mr Bacon: You do not have much clout with your old pals back at the DTI to get the resources you need.

Mr McGregor: No, there is no inside track, I am afraid.

Q65 Mr Bacon: What was your budget three years ago since when complaints have quadrupled?

Mr McGregor: The budget three years ago was just over £8 million.

Q66 Mr Bacon: And now your running costs are £10.3 million, is that right?

Mr McGregor: Yes

Q67 Mr Bacon: So your budget has not gone up that much; it has not gone up anything like as much as the number of complaints is what you are saying.

Mr McGregor: No it has not, but—

Q68 Mr Bacon: Would that not suggest then that you need to direct more of what budget you do have towards complaints as opposed to other things? When I looked through the Report and compared Energywatch with Postwatch, on page 3 there is a breakdown showing the amount that is spent on complaint handling, so-called, and on other things. If you take the total cost of your organisations and divide that by the number of complaints, Energywatch spends £12.8 million and deals with 87,600 complaints, which works out at £146 per complaint. If you take your total running costs of £10.3 million and divide them by your 27,500 complaints, you get £374 per complaint. I appreciate that that is a crude measure, but nonetheless it is an index of how much more expensive your operation is than Energywatch's. Should you not be directing what resources you have towards complaints, since, in the eyes of the public, that is the main reason you are there?

Mr McGregor: Your point is well made and well taken. I would just say, as the notes to that particular table identify, we are not able to have a straight comparison of costs between ourselves and Energywatch because we have yet to fully implement a system of resource accounting which will properly allocate some of our overhead costs to complaint costs. Much more importantly, what we have been doing—

Q69 Mr Bacon: At the end of the day, you are more expensive per complaint by quite a long way, if you take your running cost and divide it by the total number of complaints, than Energywatch, are you not?

Mr McGregor: On that measure, yes, but, as you yourself said, that is a crude measure and I do not believe that it is a directly comparable measure either. What we are doing is that we are developing with Royal Mail a system of direct charging for the handling of complaints. Now we think this is going to have a number of benefits.

Q70 Mr Bacon: Sorry, can you repeat the first bit?

Mr McGregor: A system of direct charging for our handling of complaints.

Q71 Mr Bacon: Do you mean you will charge the customer?

Mr McGregor: No, no; this will be a direct charging to Royal Mail. Complaints only come to us after Royal Mail has failed to satisfy the customers who complain to it in the first place. So we think a system of hard charging will first of all give a strong incentive to Royal Mail to handle its complaints much better.

Q72 Mr Bacon: Do you have the power to do that now?

Mr McGregor: We do not have the power, but we have the agreement of Royal Mail and the DTI to do this and the costs per complaint, which indeed have been based on the work of the NAO in analysing our costs, come out at £45 per complaint for the first 27,000, which is the historic level we were looking at, but in order to improve our efficiency, we are agreeing to drive that cost down to £36 per complaint for each and every complaint that we have to deal with above that initial threshold. We believe those are very much the real costs that we have in handling complaints.

Q73 Mr Bacon: Mr Asher, you said something in answer to an earlier question which slightly surprised me, which was that in the first instance you encourage people who complain to go back to the company first. In light of what Mr McGregor was saying, things only come to you when, as it were, the company has not been able to solve it. Is it not the case generally with consumer watchdogs that people come to you because they could not get satisfaction from the company and if they had been able to, they would not have come to you in the first place?

Mr Asher: That is not our experience. Our experience is that there is a mixture of people who just call when they first have the complaint and those who have been to companies. Where they have been to the company, we will immediately record that as a complaint and start an investigation. For those who have not, in the case of people who we feel can be empowered to do that—if they are consumers who have been disconnected or if they are consumers who we feel are in distress or are in need of urgent attention, we do not place any such requirement on them—we do think it is important that the market be made to work, that the companies be forced to shoulder more and more of the responsibility for making this work as well. Our experience is that in most respects, with the obvious exception of billing, they are responding well.

Q74 Mr Bacon: On page 25, it says that in the first three years, Energywatch spent just under £12 million on closing down its predecessor bodies, £4.1 million on redundancy payments and £3.8 million in respect of offices not required. What was the other £4 million or so on? This is paragraph 3.3.

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Mr Asher: May I send you a note on that? I will research that and send it to you.²

Q75 Mr Bacon: That would be very kind. It says in the next sentence that you continue to have leased buildings in various places which are not used, but because of the terms of the leases, you cannot sell them or they are difficult to sell. When do you expect to be able to dispose of them?

Mr Asher: We are hoping that one of them will be subject soon to a compulsory acquisition. We are in negotiation with another by a purchaser of the site for redevelopment. It is an empty site. There are three of them which are actually empty and a number which are tenancies.

Q76 Mr Bacon: So they are being knocked down and redeveloped?

Mr Asher: One of them is and we think that will solve that problem.

Q77 Mr Bacon: Will you make a profit on it?

Mr Asher: No. Most of these are regarded as onerous leases and we are facing an annual outgoing for these which just comes really off the budget. We are actively trying to reduce this portfolio, or to find somebody who might take them over, but the truth is that a number of them are just highly unattractive buildings with very long-term leases and we do not see an immediate prospect of being able to take them off our books.

Q78 Mr Bacon: So you have a net loss reduced to £156,000, it says here, because you rent some of them out.

Mr Asher: That is right.

Q79 Mr Bacon: Are saying that for the foreseeable future, you are just going to be paying out money for offices that are really of no use and that are unoccupied?

Mr Asher: Exactly so.

Q80 Mr Bacon: How much. How much are you paying out gross?

Mr Asher: This year, we shall reduce that outgoing to £74,000 net.

Q81 Mr Bacon: Some of the offices you have are still empty, are they?

Mr Asher: Yes, that is right.

Q82 Mr Bacon: Excluding the one which will be redeveloped, there will still be offices which are empty?

Mr Asher: Yes, that is correct.

Q83 Mr Bacon: Have you thought of allowing some squatters to take them over and occupy them?

Mr Asher: We are taking various initiatives with the Department of Trade and Industry and other government agencies, but there are just some great difficulties in this, although we have not explored the option that you suggested.

Q84 Mr Bacon: Are you going to?

Mr Asher: Possibly not. I think there are certain accounting requirements on us that might make that unlikely.

Q85 Mr Bacon: This is really for both of you. You both have offices in London. Why do you need to be in London at all? First Mr Asher.

Mr Asher: We have two offices in London. One is our head office and we have a regional office. May I just divide them for the moment? In relation to our head office, we have very, very frequent contact with Ofgem, the regulator, with various parliamentary committees, the Trade and Industry Select Committee twice in the next two weeks, with the Department of Trade and Industry, many of our key stakeholders. There are quite powerful reasons for some of our policy and head office functions here. We do also have a regional office here; there the arguments are not so strong. When it was first set up in 2000, that was as a result of a quite wide consultation. We shall be reviewing that at the next available opportunity when lease breaks and things come up, but, again, I think the Committee—

Q86 Mr Bacon: You have set up a regional office in London?

Mr Asher: Yes.

Q87 Mr Bacon: That was to do what? To liaise with your regional offices?

Mr Asher: No, it is responsible for dealing with the South and East of England in receiving and handling complaints.

Q88 Mr Bacon: Why did you not put it into some of your empty accommodation in Bristol or Chester or wherever and save money?

Mr Asher: In co-locating, it was felt at the time of establishment of Energywatch that certain efficiencies would come from that.

Q89 Mr Bacon: Mr McGregor, why does your organisation need to be in London at all?

Mr McGregor: Our position is very similar. Government is here, Parliament is here, the Royal Mail is headquartered here in London, many of our stakeholders are also headquartered in London and also, which is important to our influencing role, much of the media is based here in London to which we obviously need to have regular access. For all of those reasons, we think it is important to have a London based presence.

Q90 Mr Williams: There is just a mantra, is there not, as far as London is concerned, a standard mantra? How many times have you been before a select committee since you have been set up, each of you? Let us start with energy. How many days have

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you spent in front of a select committee since you were established? I have forgotten the date on which you were established.

Mr Asher: In November 2000. The Trade and Industry Select Committee on four occasions—

Q91 Mr Williams: Oh well, that is a pressing need to be in London, is it not? That really is convincing. Now when you talk about stakeholders, what do you mean by stakeholders? Are they the people who are providing you with your funds?

Mr Asher: I mentioned those separately.

Q92 Mr Williams: Yes, but who are they?

Mr Asher: The Department of Trade and Industry is a key party with whom we are dealing all of the time and Ofgem.

Q93 Mr Williams: They seem to have no problem keeping in touch with their regional offices, so why would they have trouble keeping in touch with you? I am sure they do not need to be in touch with you all that often, do they?

Mr Asher: For Ofgem, we find there are daily contacts on a whole range of issues.

Q94 Mr Williams: Do you mean you have to pop over there, or do they phone you?

Mr Asher: It is both. We use the phone; we have just a few meetings.

Q95 Mr Williams: They could phone wherever you are.

Mr Asher: Yes.

Q96 Mr Williams: So they do not need that and there is such a thing as e-mail as well. I should like some sort of schedule of your actual visits.³

Mr Asher: To all of our stakeholders?

Q97 Mr Williams: Yes. Who are the other stakeholders?

Mr Asher: Parliament itself. We make visits to Parliament to have surgeries with MPs and discussions.

Q98 Mr Williams: You have surgeries with MPs.

Mr Asher: Yes, in fact one in the next week or two, where we will be advising MPs on problems of constituents with disconnections.

Q99 Mr Williams: It would not be possible just to send someone by rail to go to do one of those, would it?

Mr Asher: I am sure there are many ways in which that could be done.

Q100 Mr Williams: It sounds to me as though you are just determined you are going to stay in London whatever happens and you are just looking for excuses. What about the postal side? At least you have had time to look at it. What is the answer there?

Mr McGregor: We think the needs to have a London presence are similar to those for Energywatch.

Q101 Mr Williams: Highly nebulous.

Mr McGregor: In addition to the kind of contacts that Allan has been describing, we also of course need to deal with Royal Mail, we need to deal with Royal Mail's customers and, as I have already mentioned, the postal market is perhaps distinct because there is a smaller number of very large users of the postal service and most of those large customers are based in London.

Q102 Mr Williams: Can the two of you see any good reason why there should not be mergers of organisations such as yours? Way, way back in history, when I was Consumer Minister, I set up 60 consumer advice centres around the country. They were all-purpose centres. Would it not be more logical? There are so many different consumer contacts, that the public have no knowledge of where they are, who they are, what is available. Would it not be logical in fact to pull them together into a single cohesive unit and be multi-purpose?

Mr Asher: Indeed in the middle of last year the Department of Trade and Industry released a consultation paper that had that as a recommendation.

Q103 Mr Williams: Have you written in favour of it?

Mr Asher: We have indeed. We have said that, not only are there very sensible ideas there, but we have not seen any need to wait until that sort of formal legislative merger and that a group of us, there are ten agencies in all—

Q104 Mr Williams: Who are the ten?

Mr Asher: There is Postwatch, Watervoive, Rail Passengers' Council, Airline Passengers, National Consumer Council, Energywatch and we have set up five joint projects where we are sharing costs and research, we are sharing information on our software and complaints handling systems, we are looking to do joint consumer education.

Q105 Mr Williams: So what about organisational integration?

Mr Asher: We cannot do that while we have separate legal entities.

Q106 Mr Williams: I recognise that there is a willingness to do it, but it seems to me, it might be a willingness to do it now voluntarily on a fragmented basis in order to stop the minister making you do it on a one-stop basis instead of an integrated basis.

Mr Asher: Far from it. We have shown the Government and stakeholders a willingness to achieve all of these efficiencies, economies and better service to consumers and the government is currently considering all of the responses to that report. We are just now waiting for the DTI.

Q107 Mr Williams: Are you part of this integration?

Mr McGregor: Yes, and we would be very pleased to see a much higher degree of integration.

³ *Note by Witness:* Between 1 October 2004 and 31 January 2005, 206 external meetings were attended by Energywatch staff in London.

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Q108 Mr Williams: Are you planning then to integrate headquarters or something like that?

Mr McGregor: We are indeed thinking—

Q109 Mr Williams: You might collectively actually manage to make one case for someone being in London between you all.

Mr McGregor: We could do. We are considering a wide number of options for jointly sharing a whole range of functions and facilities, but there is one quite simple step that is needed for that, certainly on our side and I think on Energywatch's side: we need to have the financial freedom to be able to charge for services and also to receive money for services, some form of a trading account that would enable us to share common functions much more efficiently than at the moment.

Q110 Mr Williams: I am sure that is not beyond the wit of technology, as long as you avoid IT, or you could get in a thorough mess.

Mr McGregor: The technology is there and the willingness on our side is there. We have not yet been able to persuade the Department of Trade and Industry, or for that matter the Treasury, of the wisdom of this move.

Q111 Mr Williams: You would be very happy, if we were to try to persuade them on your behalf?

Mr McGregor: We should be very grateful if you were willing to do that.

Q112 Mr Williams: That is useful. What about the OFT? I see that over two years ago the OFT were given super complaints powers. I do not know what they are. Have either of you ever needed to contact OFT on those. What are they precisely?

Mr Asher: I should mention that I am a member of the board of the OFT and that the super complaints status was part of the Enterprise Act two years ago. It allows designated consumer bodies to bring complaints to the OFT or another regulator about a market or a feature of the market that is not working. We applied, at the beginning of last year, for super complaint status and I can tell you that last week, we received a note from DTI saying that our application had been accepted.

Q113 Mr Williams: It must have gone to his post, did it, that it took a year to get it? We are told in our briefing that it was set up to facilitate swift action. Here we are, two years on, it has not done a thing. It took them a year to reply to you, which does not exactly suggest they are going to be terribly energetic.

Mr Asher: There have been six super complaints filed so far.

Q114 Mr Williams: Have there? By you, or generally?

Mr Asher: No, two by *Which?*, one by Citizens' Advice and one by the Northern Ireland consumers' organisation. I am not sure of the other two.

Q115 Mr Williams: Did any of them involve your field of activity?

Mr Asher: Yes they have. One involved doorstep selling and credit for energy.

Q116 Mr Williams: I ask genuinely for information. Why did they need to take that to OFT instead of you being able to deal with it?

Mr Asher: Because the OFT has all of the enforcement powers under the Enterprise Act, which might include looking for price-fixing or bid-rigging or to mandate the need for a code of conduct.

Q117 Mr Williams: Their record on codes of conduct is abysmal. OFT has been one of the great consumer disappointments and I was in the Opposition when that was set up. The Free Trading Act was a very good creation and the whole idea behind it was good; OFT, on the other hand, has not been so good. What about you, have you had any of these super cases?

Mr McGregor: Our designation as a super complainant is still in the post, but we expect to get it very shortly. In anticipation of that, we have had a trial run and we put a super complaint on a voluntary basis to OFT around postal services. Unfortunately, in our view anyway, the OFT decided to put that super complaint to the sectoral regulator, Postcomm. One of the reasons why we thought it appropriate to go to the OFT was that Postcomm does not have the same kind of powers as the OFT does under the Enterprise Act?

Q118 Mr Williams: It seems that we should have had OFT and a representative of the Department here as well today, because it is a bit unfair. You cannot carry out the integration, the Department can, OFT is supposed to be providing the central role and seems to be doing everything but actually deliver, as yet, after two years. You can understand why the public are a bit cynical about the consumer protection systems that have been set up, can you not? You can see from a consumer's point of view how difficult it is to have wide-ranging organisations. They do not know who they are, they do not know where they are, they do not know how to contact them. Could you, for example, supply each MP with a small wall type sticker that we could, if we wanted to, have in our surgery giving the numbers, how to contact each of your organisations?

Mr Asher: We should be delighted to.

Q119 Mr Williams: I would be quite helpful. Members might not want to use it, but I certainly would and it would be a helpful gesture.

Mr Asher: Each of our regional officers each year has a programme where, I understand, they visit as many MPs as they can and have activities and provide training materials and things. It is far from complete, but it is our goal to try to reach all of those who are able to have contact with individual consumers so that this information can get out. I think that is an excellent suggestion.

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Q120 Mr Williams: Are you willing to do something to see whether you can help?

Mr McGregor: We have already done that in the form of sending out, to MPs and indeed to a range of interested stakeholders, a desk calendar with just that information on it, in the hope that people would place it on their desk and should they need the number, it would be there in front of them.

Mr Williams: The trouble is that we would need room for about 50 different calendars, would we not, if you all do that? I am very grateful; I assume somewhere there is a calendar for me. I have not actually seen it, but I am sure there is. It is not exactly the most advantageous way of enabling an MP. It is very helpful actually to have on a board alongside where you are working and in the middle of the afternoon, when you are dealing with a case, you can dial that number. Turn your thoughts to how you can help us carry out our role.

Q121 Mr Allan: In the run-up to this hearing, the Energy Retail Association sent us a letter which I think they copied to you. They were quite robustly critical, saying that "... we are concerned that recently Energywatch has been pursuing a name and shame strategy that is undermining consumer confidence without good cause". In the privacy of this room, can you tell us who you have been naming and shaming?⁴

Mr Asher: I hope that many members will have seen that Energywatch has been highly critical of energy suppliers who are costing consumers tens of millions of pounds a year by incompetent billing, use of estimated bills, erroneous bills, not sending people bills for years and years and then threatening legal action to enforce them. We are saying that consumers should not have to put up with such incompetence and they had better fix it or we will.

Q122 Mr Allan: I was hoping to encourage you to become a serial offender and I am glad you have. Professor Gallagher, so that we do not entirely waste your time this afternoon, can I put to you from the same letter that the Energy Retail Association have a suggested agenda for you which really says that you should close your regional offices, cut your costs and stop being such a pain. Are you going to put their agenda to your board? Do you think that they are likely to approve it?

Professor Gallagher: We will want to continue to be a pain while the sorts of activities are going on that Allan has mentioned. With regard to the regional offices, again as Allan has said, we have been looking very closely at how we can be most effective. There has been a suggestion that we should consolidate all our activities in one office which is electronically efficient and handles the post very quickly. As has come out in discussion this afternoon, all that will do is very efficiently deal with people who are quite capable of dealing with the problem themselves; the articulate, the well-organised, those who are robust

and persistent. Our regional offices give us an opportunity, including the London office, of meeting people face to face. For example, from our Manchester office we have been out visiting an estate which had had very, very poor quality heating and we have solved the problem for that estate with the help of the local council, the energy companies who have responded positively, with the help of local charity and pressure groups. It is very difficult to do that sort of positive thing which results in real benefits to people when you stuck in some efficient electronic tower, either in London or in Wales or in some other part of the country. However, we have come down from 23 offices to seven. It may be that we can do an effective job with fewer than seven. I should be very worried if we ever got to the stage where we sat behind desks and read letters. We really do need to have that contact with the local communities. One way of doing that effectively is to have some sort of regional presence and some sort of opportunity to pilot projects on a small scale before we roll them out on a national scale. I am not answering your question, but I hope I have illustrated the process by which we will come to a decision.

Q123 Mr Jenkins: At the top of page 24, paragraph 2.30 it says "Measuring the effectiveness of Energywatch and Postwatch is not an easy task". A third of the way down, "Invariably, they are one of many stakeholders working within their respective markets that are seeking to improve the service provided to consumers". A very laudable aim. But if you were to disappear tomorrow, what effect would that have on the average consumer out there, do you feel?

Mr Asher: I would observe that since Energywatch was formed, it has dealt with 300,000 consumer complaints and some millions of contacts with consumers, where we have provided them with information, advice or resolved complaints. I believe that we have been instrumental in the substantial reduction in complaints about mis-selling, about disconnections. I believe that we have been able to assist many consumers who have been victims of storm damage and lost power and help them to get reconnected or compensation, where that has been due, and that until the market is working fully and effectively there would be a great welfare loss to consumers of Great Britain if Energywatch stopped or if the services that we provide, by whoever, ceased.

Mr McGregor: Similarly, 100,000 people who have complained to us would have been disappointed because they would not have had an independent champion on their side to take up their complaint and to get redress for it. We have, I think, had a significant influence in the development of the regulatory regime and putting forward customer views on things like price controls and the levels of prices and the levels of service. As we were discussing earlier, we have had an influential role, but not obviously a determining role, in the whole of the post office closures.

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Q124 Mr Jenkins: When you appear before us next time, this heading will obviously not be appearing “Measuring the effectiveness . . . is not an easy task” and we and the NAO will be able to measure how effective you really are and how you can justify your existence and expenditure.

Mr Asher: I believe that the NAO Report has concluded that on balance we are providing value for money. I hope that next time we shall be able to do that even more strongly. We have adopted a range of measures for evaluating our impact that are currently being implemented and perhaps by the time that the Committee’s Report is out, we might be able to provide more information to you on that.

Q125 Mr Davidson: May I pick up this letter we received from the Energy Retail Association, basically complaining about the strategy of naming and shaming. May I seek clarification from you about what led you to believe that naming and shaming is appropriate in these circumstances and why the route of moderation and liaison and so on was not effective?

Mr Asher: It is a practice which has come through sheer experience. From 2000, when Energywatch was formed, there were clear areas of consumer complaint: mis-selling, disconnections, billing and a couple of others which we had targeted. Despite all of our early efforts of working with industry associations, we found they were not responsive. It was only when we started vigorous naming and shaming campaigns, recruiting Ofgem to undertake enforcement work and things, that the industry introduced its billing system. Similarly with the customer transfer process, they were reticent until we, Ofgem and the Minister, started to make strong public representations and they put that right. In relation to billing, it is an outrageous breach of consumer rights, they have so far failed to do anything at all about it and we feel it is necessary to expose them to adverse publicity such as has happened on GMTV this week and then they might listen.

Q126 Mr Davidson: I must confess that I missed that on GMTV. May I seek clarification about whether or not the naming and shaming of an individual firm, in your experience, tars unfairly the rest of the industry, or have you been able to handle it in such a way that focused only on the worst culprits? To be fair, I was not entirely sure, from what you were saying earlier on, whether or not the issues of billing and transfer were generic, or whether it was particular firms which their colleagues were not able to police adequately through a voluntary arrangement.

Mr Asher: Where the behaviour is generic, our criticisms are. Where it is specific, our criticisms are. Recently PowerGen, which runs a scheme for consumers who use a large amount of energy because they have a particularly inefficient home, wrote to some hundreds of thousands of them threatening to kick them off that tariff and leave them without supply. We took that up very publicly and we were able to force them to change their mind

on that and to give consumers a much fairer deal in those arrangements. Similarly, when British Gas increased its prices far more than anybody else, we singled them out for criticism and I am really pleased to say that more than one million and a quarter consumers have switched away from British Gas since we did that to discipline them for price rises which were just far too high.

Q127 Mr Davidson: Given that the point of naming and shaming is to name them—and we have generally been quite supportive of that—you have managed to work in both PowerGen and British Gas. If I had asked a slightly longer question, would you have wanted to give anybody else’s name?

Mr Asher: I regret to say that it is possible to name every company for something or other. I should like to add, if I may, that that also includes praising companies for doing good things. We think that British Gas, in the establishment of their £10 million trust fund, and others have done a great job. It is not all one way. We think the market should work and they should respond to consumers’ needs.

Q128 Mr Davidson: The follow-on from that, to Mr McGregor, is, given that Royal Mail have an apparent virtual monopoly and apparently also have no shame, this is not a strategy which works for them. What is your equivalent?

Mr McGregor: Our equivalent is that where Royal Mail provide poor service—and unfortunately there have been rather too many incidences of that recently—we do our best to publicise that. First of all we try to prompt Royal Mail to put right the obvious market failings they have, but, secondly, also to alert customers, for example to the existence of compensation, should they have paid for a particular service which they have not received. A very good example of this was just before Christmas, when, because of a sharp fall-off, which happens every Christmas, in the performance of the first class post, we were advising customers to use the second class post, but to make sure they posted a little bit earlier. We thought that was a good value-for-money solution for customers. It is fair to say that this prompted a considerable amount of ire on the part of Royal Mail, who thought that we were just trying to depress their revenues in the run-up to Christmas by persuading people not to use first class stamps. In fact what our role was and what we were trying to do was to point out to customers that there was a better value for money alternative than reliance on first class mail over the Christmas period.

Q129 Chairman: I thought perhaps we treated the complaint from the Green Party too lightly. Did you say you had not received it, Mr McGregor?

Mr McGregor: No, I am not aware of it.

Chairman: It says it is copied to Postwatch; it has obviously been lost in the post somewhere, or in your organisation. It is a catalogue of errors and a serious point. They say “It was also logistically one of the most complex operations we have undertaken, but its complexity was amplified enormously by the utter disarray in which the Royal Mail approached

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the project". He talks of a report "... which describes the extent of the last-minute changes, unclear reporting structures, over-bureaucratic systems, lack of planning and failure to deliver leaflets handed over well before time. Figures for households in a region given by Royal Mail varied massively from one week to the next. Artwork was lost in the post or destroyed by fire. Guidelines were unclear or absent. And then, finally, we received over six hundred complaints of poor or non delivery, including late delivery, delivery inside other publications or junk mail, delivery to the wrong regions, or just wholesale dumping of leaflets. In total, we estimate that 15% of our Electoral Communication leaflets were not delivered acceptably". That is a massive indictment of an organisation.

Mr Williams: Otherwise it was all right.

Q130 Chairman: Otherwise it was all right. In the Comptroller's own Report, paragraph 1.14, it says "... lost and mis-delivered mail remains a persistent problem. Royal Mail estimates that some 14.5 million letters are lost each year, of which nearly 60% are delivered to the wrong address". Are you asleep on your watch? What are you doing about this, Mr McGregor? If you cannot do a better job in trying to get some redress for the public, then maybe you should step down and get somebody more vigorous to do it. This is a scandal.

Mr McGregor: When we began, nearly four years ago now, it was the case that Royal Mail refused to admit to losing any single item of mail. We went to them and said that 30% of the complaints we received in our postbag were about lost mail, so they must be losing mail. For a period of 18 months to two years, the Royal Mail management stoutly maintained that they never lost a single letter. Although progress is slow, we have made substantial progress in getting Royal Mail management, first of all to realise that there is a problem, and, secondly, to address that problem. What we have done is to work with Royal Mail to understand what the causes of lost mail are. Some 80% of lost mail is in fact mis-delivered mail; the other main causes are mail stolen, mail destroyed, mail sometimes dumped by errant postmen. Having actually got the management to admit that there is a problem, and got the management then to look at the causes of the problem, the management—and we are working with them on this—are now starting to put those fundamental causes right. We have had a major influence. Yes, perhaps we might have tried to get the issue addressed sooner than we have, but we think we have acted as quickly as we could.

Chairman: You have put this on the agenda.

Q131 Mr Williams: Could I ask you to give us a report in 12 months' time on what progress you have made in that vast area you have talked about with the Royal Mail, so that we can then consider, in light of what you say, whether we want Royal Mail here to talk about these matters?

Mr McGregor: Yes, I should be very pleased to do that and also I should be very pleased to investigate personally the Green Party complaint.

Q132 Mr Bacon: We all expect a general election fairly soon; it certainly has to be by June next year. Roughly 2,500 people will be standing for Parliament, all of whom are entitled to send their election address to each person entitled to vote. Have you had any discussions yet or meetings with the Royal Mail to discuss that important task or are you going to wait until you get complaints from people in various political parties about how the operation is run?

Mr McGregor: We have had those discussions with Royal Mail and we have also had discussions with Royal Mail about the recent experience of postal balloting, which has turned out to be something of a mixed experience for a variety of reasons.

Q133 Mr Bacon: I have the Green Party letter here. Are you not aware of that?

Mr McGregor: Personally, no, I am not.

Q134 Chairman: I think he is aware of it now.

Mr McGregor: I am now.

Q135 Mr Bacon: Are you saying that as a result of your discussions with the Royal Mail you are confident about the Royal Mail's capacity to deliver election addresses for all candidates of each political party when the election comes, including the Green Party?

Mr McGregor: The straight answer to that is yes. What I might have some doubts about is whether they are capable of delivering them within the existing timeframes which are set down in their quality of service targets. Royal Mail have been missing those targets recently and we put a lot of pressure on them to try to hit those targets.

Q136 Mr Bacon: Just a minute. My question was: are you satisfied about their ability to deal with this, their ability to do the job? You said yes, but not within the existing timetable. Are you saying that you are confident they can deliver, but that it might arrive after election day? Is that what you are saying?

Mr McGregor: No; I should hope not after election day. What is happening is that rather too much of the mail is perhaps arriving a day late according to their quality of service targets and that is why we want them to hit their quality of service targets, so customers can be fully guaranteed and satisfied that they are getting the service they are paying for.

Q137 Mr Bacon: Is it possible you could send us a note summarising your discussions with Royal Mail and summarising the criticisms you have had of their quality or service targets, specifically relating to election candidates? This is something which is very important for our democratic process, it affects every Member of Parliament and it affects every candidate for Parliament as well.

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Mr McGregor: Yes, we should be pleased to do that. Since you have raised your concerns this afternoon, we will in turn raise those concerns again with Royal Mail.⁵

Chairman: I should say that I paid for a report from parliament to go out to my constituents. I live in my constituency and, as an *ad hoc* test, it was never delivered to my address.

Q138 Mr Williams: They know you are a lost cause. As one who regards with great disquiet the move towards ubiquitous postal voting, because to my mind the capacity for fraud and electoral corruption there is massive, in those areas where wide-scale postal voting was allowed, did you come across any disproportionate number of complaints in relation to the volume sent out? Did you pick up many complaints?

Mr McGregor: No. We were aware that there were complaints. These were directed towards the Electoral Commission, whose role it is to assess the pros and cons of postal balloting. We only received two or three complaints about the lateness and volume of the mail going through. The actual substance of the issue was that where issues were raised, they have been dealt with by the Electoral Commission.

Q139 Chairman: We should like to have a list by category of complaint for each of the energy suppliers. Is that possible?

Mr Asher: Certainly.⁶

Chairman: Gentlemen, thank you very much. We wish you well in your efforts, Mr Asher, in naming and shaming. We wish you well, Mr McGregor, in naming and shaming the Royal Mail and others. Thank you very much.

⁵ Ev 51

⁶ Ev 44-48

Letter from the Green Party to Royal Mail

I would like to register a formal request for compensation against the Royal Mail for the appalling service and failures of delivery that we experienced in the Electoral Communication programme for the European Parliament Elections of this year.

As you are no doubt aware, the Electoral Communication facility is a service that is stipulated by Act of Parliament and in Royal Mail's contract as a national service provider, and forms a key part of the state support of the democratic process. The Royal Mail is charged to deliver publicity from each party with a paid deposit in an election to every household or individual voter in the constituency. In the document "Elections in the United Kingdom: Operational Requirements for Election Mail" they state their aim, agreed with the Department for Constitutional Affairs, as being seven clear working days for delivery. This they utterly failed to do. It is up to the DCA to pursue remuneration for the broken contract, however we have wasted time, effort and money in our attempts to make use of this theoretically guaranteed facility, and we seek compensation for this.

As one of the smaller political parties, with an income mainly from private membership donations and local activist fundraising, we have to direct our resources extremely cautiously. The Electoral Communication is one of the few ways available to us of getting our message across to the electorate unmediated, and as such, it is an opportunity that we have seized. The design, printing and delivery operation for this scheme formed the largest single expenditure made by the Green Party in 2004. It was also logistically one of the most complex operations we have undertaken, but its complexity was amplified enormously by the utter disarray in which the Royal Mail approached the project. I have attached to this letter a copy of the internal report prepared on the matter for the Green Party Executive, which describes the extent of the last-minute-changes, unclear reporting structures, over-bureaucratic systems, lack of planning and failure to deliver leaflets handed over well before time. Figures for households in a region given by Royal Mail varied massively from one week to the next. Artwork was lost in the post or destroyed by fire. Guidelines were unclear or absent. And then finally, we received over 600 complaints of poor- or non-delivery, including late delivery, delivery inside other publications or junk mail, delivery to the wrong regions, or just wholesale dumping of leaflets.

In total, we estimate that 15% of our Electoral Communication leaflets were not delivered acceptably. We therefore claim 15% of total printing costs back from Royal Mail—we consider this fair, taking into account the extra staffing, transport and postage costs that dealing with this incurred. The total print run cost us £175,000—we therefore claim compensation of £26,000.

Mark Hill
Freepost Co-ordinator

30 December 2004

Memorandum submitted by Postwatch

You raised at the hearing yesterday the letter that had been circulated to you and your Members from the Green Party about delivery failures they had experienced in the electoral communication programme for the European Parliament elections of last year. You kindly let me have a copy of the letter and I promised to look into it urgently.

Although the letter was dated 30 December, neither we nor yourselves received it until 11 January. We acknowledged receipt that same day but noted that since the complaint had been addressed to Royal Mail Customer Services it was appropriate for them to be given the opportunity to respond first (you will recall we only investigate complaints which Royal Mail has not dealt with to the satisfaction of the customer). I understand that the Royal Mail will be replying shortly. If Mr Hill of the Green Party is unhappy with the response then I hope he will let us know.

I will be in touch again about Royal Mail's preparedness for handling electoral communications, particularly should there be a General Election this year.

I am copying this letter to Adam Crozier, Royal Mail's Chief Executive, who I am sure would wish to be aware of this complaint and to Mr Hill.

Gregor McGregor
Chief Executive

20 January 2005

Memorandum submitted by the Energy Retail Association

In advance of your Committee's evidence session with energywatch on 19 January, you may wish to consider the following observations from the Energy Retail Association on behalf of the energy supply sector. The Energy Retail Association (ERA), established in October last year, is the only dedicated trade association for UK energy suppliers. All the main energy suppliers operating in the domestic market in the UK are members of the association: British Gas, Scottish & Southern Energy, RWE npower, E.ON Powergen, EDF Energy and ScottishPower.

The Gas and Electricity Consumer Council, known as energywatch, has played an important role in representing consumer interest in respect of the activities of energy suppliers. The combined efforts of the regulator, Ofgem and energywatch in identifying and bringing sectoral issues to the attention of the industry have ensured that improvements have been driven from within the industry that have directly benefited customers.

However, we are concerned that recently energywatch has been pursuing a name and shame strategy that is undermining consumer confidence without good cause. We believe that intervention on behalf of a consumer watchdog, particularly where this is brought to public attention, must be evidence-based, focused, and shown to be necessary with clear rationale. Any intervention must be of clear benefit to consumers.

It is our strong belief that the industry itself must be allowed the opportunity to effectively resolve issues through self-regulation. This is a policy followed by Ofgem. In a recently published letter by Ofgem's Chairman, Sir John Mogg, states that he intends Ofgem "to be more explicit in recognising the contribution you [the industry] are already making, to enhance trust in your efforts."¹ ERA members have at times found it uncomfortable to be the subject of a policy campaign by a consumer body such as energywatch, but accept that this can benefit customers where there is an opportunity to respond and an option for self-regulation.

The industry has demonstrated its proficiency in self-regulation through the success of the ERA's Code of Practice for the Face-to-Face Marketing of Energy Supply, the Customer Transfer Programme and its revised policy on disconnection of vulnerable customers. All these are issues which have been resolved with full involvement of stakeholders, but without further intervention. We are currently undertaking work to develop self-regulatory solutions to concerns raised about billing, theft of energy and supporting those in fuel poverty.

It is important for the successful operation of a competitive market that consumers have confidence in their energy suppliers. It is our belief that recent energywatch campaigns have put public exposure above public education. For example, extensive media interest was given to a claim that suppliers receive some 60 million complaints from customers each year about their bills. Further inquiries have revealed that the actual figure is considerably less than this and in fact energywatch themselves receive some 40,000 such complaints on this subject (0.1% of all customers). Energywatch conceded that this was a misrepresentation, but the ERA is still being called upon to defend in the media energywatch's original claim. Across the sector complaints figures recorded by energywatch against accounts and billing, sales practice and customer transfers between suppliers have fallen by 15%, 73% AND 39% respectively over the last 12 months. On another occasion energywatch attracted a good deal of media interest by suggesting at a fuel poverty summit that the vulnerable should switch their energy supplier to save hundreds of pounds. This

¹ Ofgem Press Release, R/79.

may be a simple message for a journalist to write up, but it is not necessarily sound advice for the most vulnerable people. Tackling fuel poverty cannot be addressed by a one size fits all solution. Energywatch shares the responsibility with energy suppliers to provide helpful advice to meet individual needs.

The findings of the National Audit Office in their recent study into the utility watchdogs² concluded that energywatch has a detailed knowledge of its respective markets but “does not have a comprehensive understanding of current consumer needs and that until it develops a better understanding of consumer needs, there remains a risk of failing to focus on important areas for consumers.” The ERA believes that energywatch should pursue an agenda that informs and educates consumers about developments in the industry to encourage more engagement in the retail offers available, such as energy efficiency schemes and measures that support customers in fuel poverty. It is in consumers’ interest to be able to make informed choices about what to buy and from whom. The industry is very keen to actively engage with energywatch to ensure that this happens.

Although the figures are not readily comparable, it is of some concern that energywatch’s expenditure on complaint handling, including accommodation, is around £7.6 million, which makes the cost per complaint roughly three times that of the Citizens Advice Bureaux. The ERA welcomes recent reports by the DTI and HM Treasury³ into consumer representation in the utility sector and bodies. The NAO’s study into energywatch. Both Reports suggest a review of functions for utility consumer bodies. The NAO reports that both energywatch and Postwatch could be more proactive in seeking to reduce costs. Independent statutory bodies are approximately 10 times more expensive to run than organisations embedded in the regulator, the Financial Services Consumer Panel. The difference in costs is driven by the extent of regional activity, and the degree to which complaint handling is a core function.

We strongly support the Report’s recommendations on regional offices. All energy suppliers are national and the few local issues rarely fit the regional structure. The costs of widely decentralised complaint handling outweigh the benefits and make consistency difficult to achieve. The Gas and Electricity Consumer Council currently operates from seven regional energywatch offices, each handling customer contact from a specific geographical area. We question the effectiveness and value that this actually delivers.

Through the ERA energy retailers are addressing the problems that had been inherent in the processes adopted from the nationalised energy industry. In order to further this work, we believe energywatch needs to raise its profile through establishing itself as a vehicle for consumer education rather than through negative campaigns.

Duncan Sedgwick
Chief Executive

16 December 2004

Memorandum submitted by Energywatch

Q74 (Mr Richard Bacon):

The information on the breakdown of the £12 million costs it incurred in closing down its predecessor bodies is as follows:

	£m
Redundancy payments	4.1
Office closures	3.8
Revenue and capital expend on IT	2.7
Staff development	0.4
Onerous leases	1.0
Total (to 31/03/04)	12.0

Q 138 (Chairman):

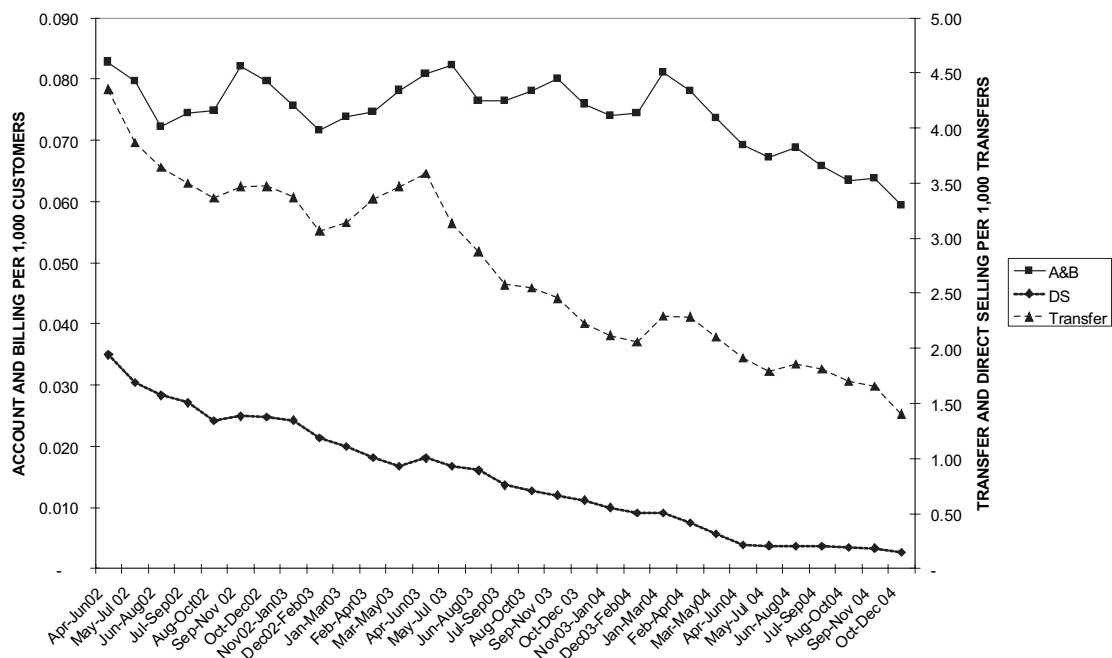
The following note covers complaints received by energywatch for each of the six major domestic suppliers in the three principle areas—account and billing, direct selling and transfers. Except in the cases of EdF and Powergen, this information dates back to April 2002. The note also includes industry graphs showing these three areas to enable a comparison to be made between the six companies. The graphs show three-month rolling averages per 1,000 customers of account and billing complaints (pink line), direct selling (blue line) and transfers (yellow line).

In addition, we have included the actual number of complaints in each of the three areas for each of the six suppliers and the industry as a whole.

² Energywatch and Postwatch, Helping and protecting customers, Report by the Comptroller and Auditor General, HC 1075 Session 2003–04.

³ Consumer Representation in Regulated Industries, A Report by the Department of Trade and Industry and HM Treasury, July 2004, URN 04/1341.

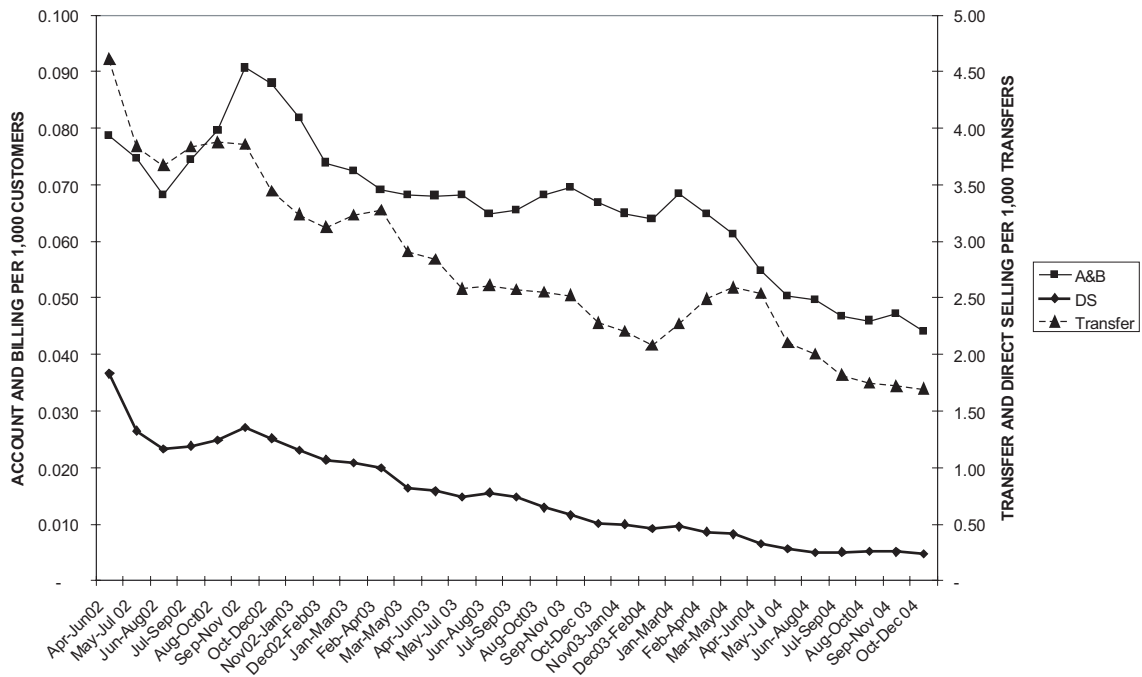
OVERALL DOMESTIC INDUSTRY AVERAGES COMPLAINTS⁴



Industry	Year 2002-03	Year 2003-04	Apr to Dec 2004
Account & billing complaints	43,057	42,736	27,462
Direct selling complaints	12,949	4,217	1,064
Transfer complaints	31,404	17,019	9,535

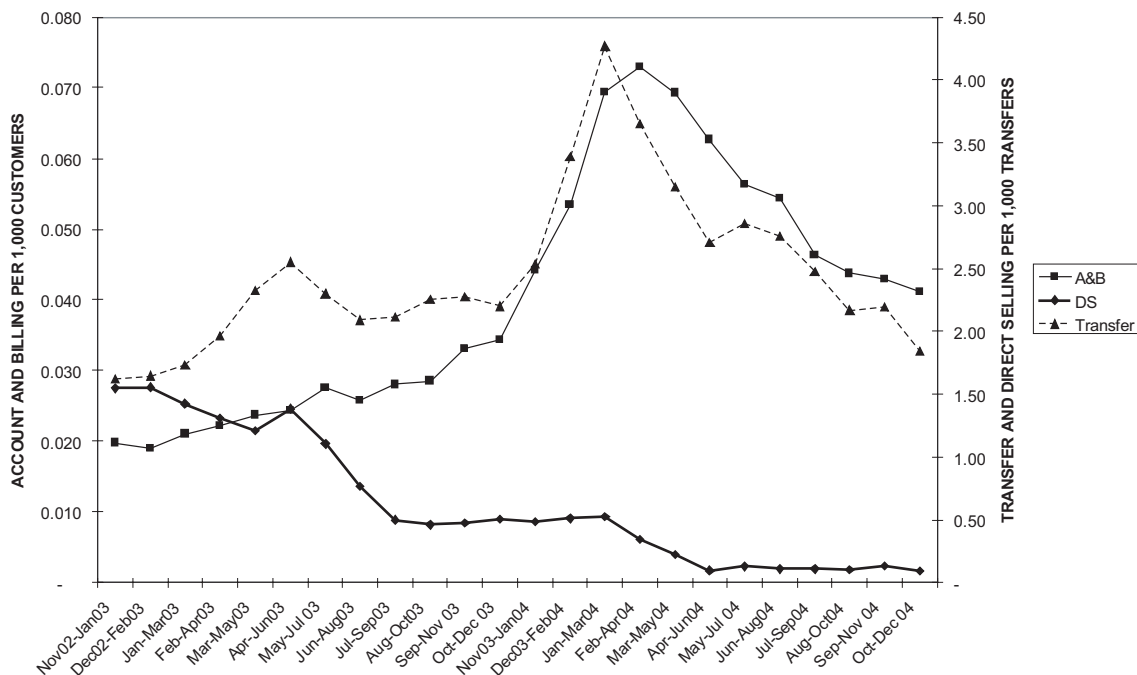
⁴ Please note that, in each table, the Y axis on the left only applies to account and billing complaints per 1,000 customers, the right hand side axis is for the other two complaint areas.

BRITISH GAS DOMESTIC COMPLAINTS



<i>British Gas Trading</i>	<i>Year 2002-03</i>	<i>Year 2003-04</i>	<i>Apr to Dec 2004</i>
Account & billing complaints	17,521	14,617	8,075
Direct selling complaints	3,757	1,205	371
Transfer complaints	10,645	5,215	2,741

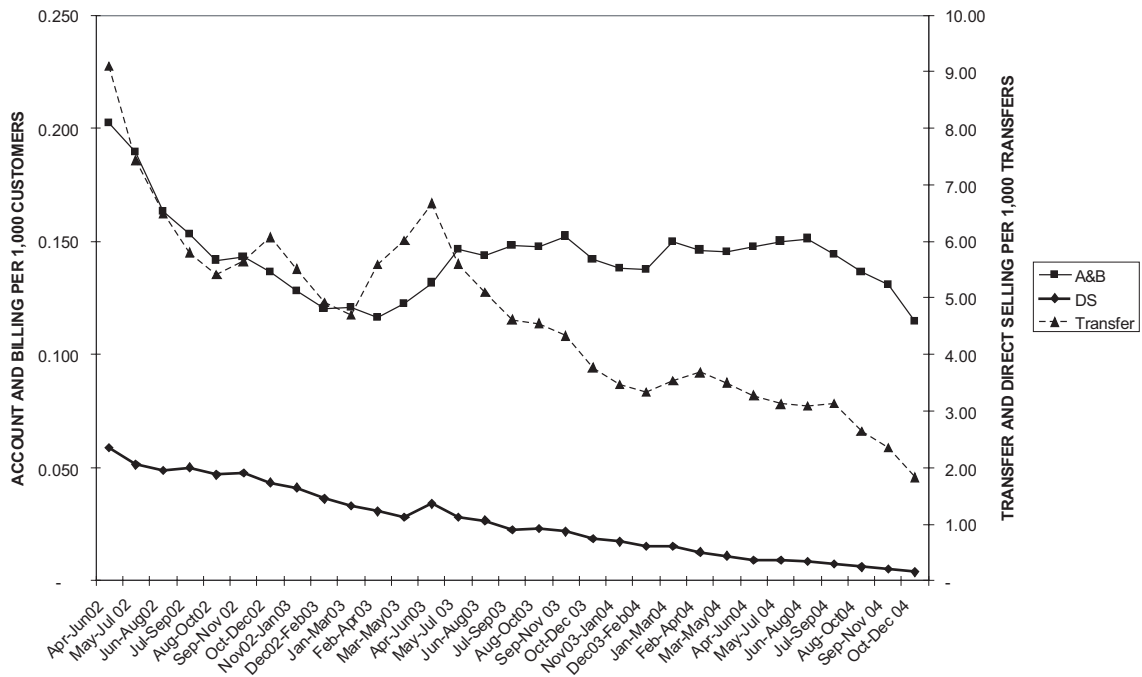
EdF DOMESTIC COMPLAINTS⁵



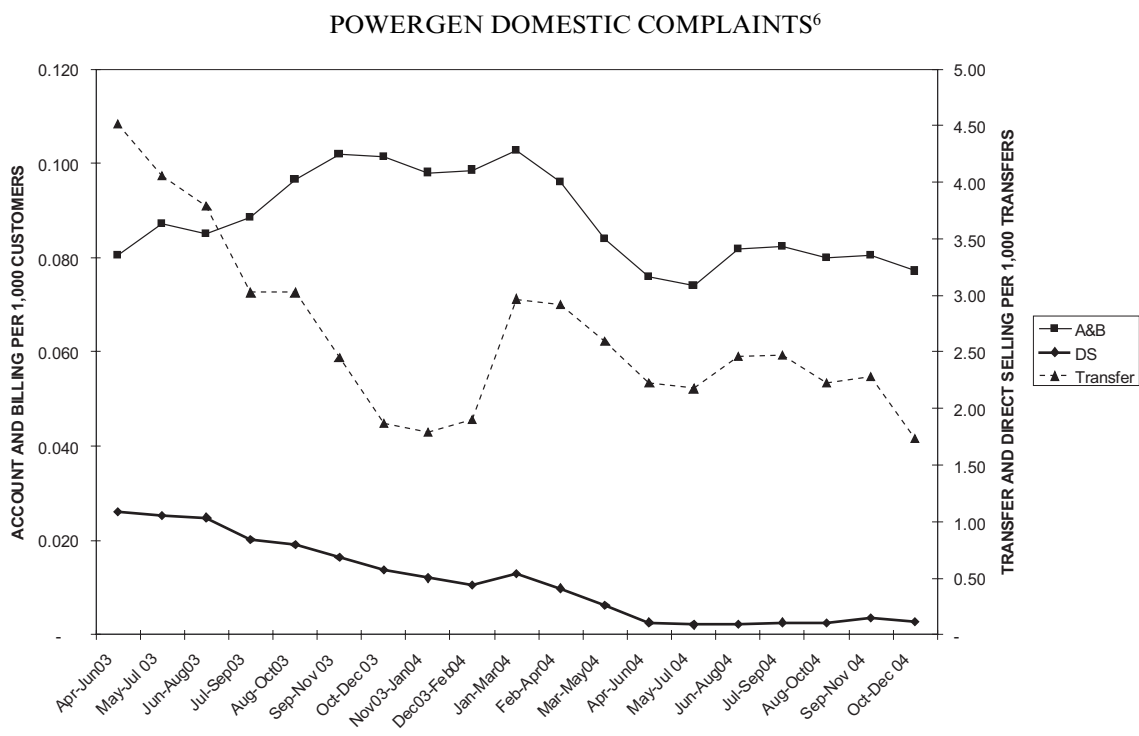
EdF	Nov 2002 to Mar 2003	Year 2003–2004	Apr to Dec 2004
Account & billing complaints	506	2,581	2,081
Direct selling complaints	419	191	32
Transfer complaints	475	1,082	742

⁵ Figures for EdF energy date back to November 2002 when SEEboard complaints were first incorporated into EdF's figures.

NPOWER DOMESTIC COMPLAINTS



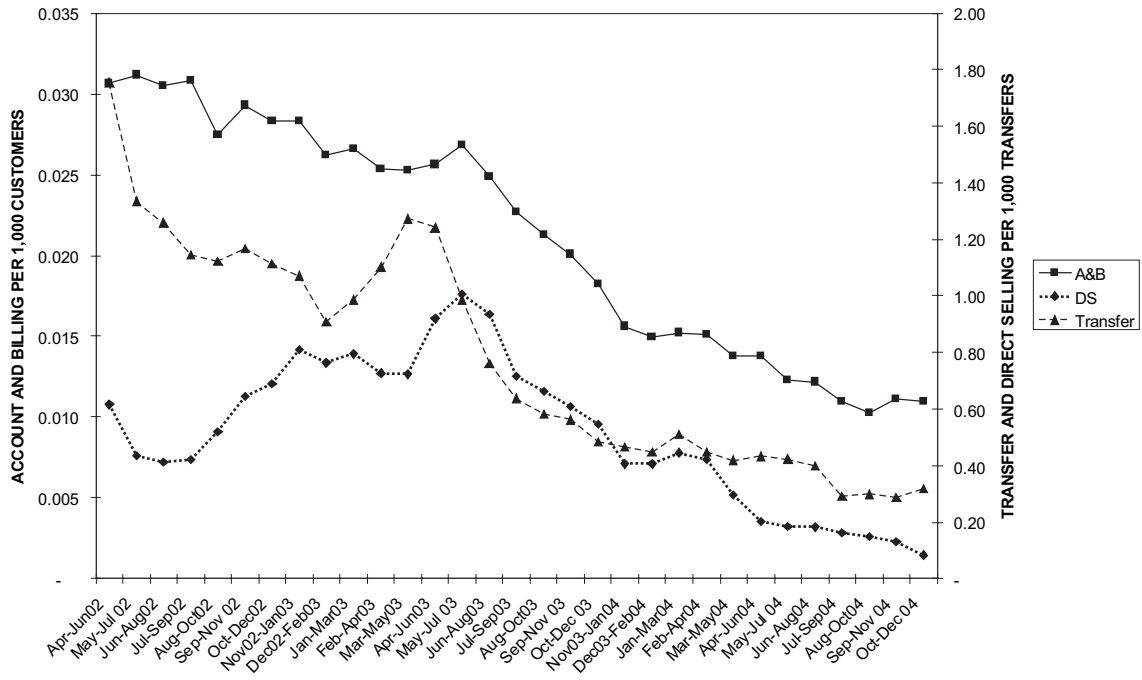
<i>Npower</i>	<i>Year 2002-03</i>	<i>Year 2003-04</i>	<i>Apr to Dec 2004</i>
Account & billing complaints	11,372	10,279	7,054
Direct selling complaints	2,175	640	187
Transfer complaints	7,492	3,494	1,880



<i>Powergen</i>	<i>Year 2003-04</i>	<i>Apr to Dec 2004</i>
Account & billing complaints	9,087	5,759
Direct selling complaints	886	106
Transfer complaints	3,906	2,007

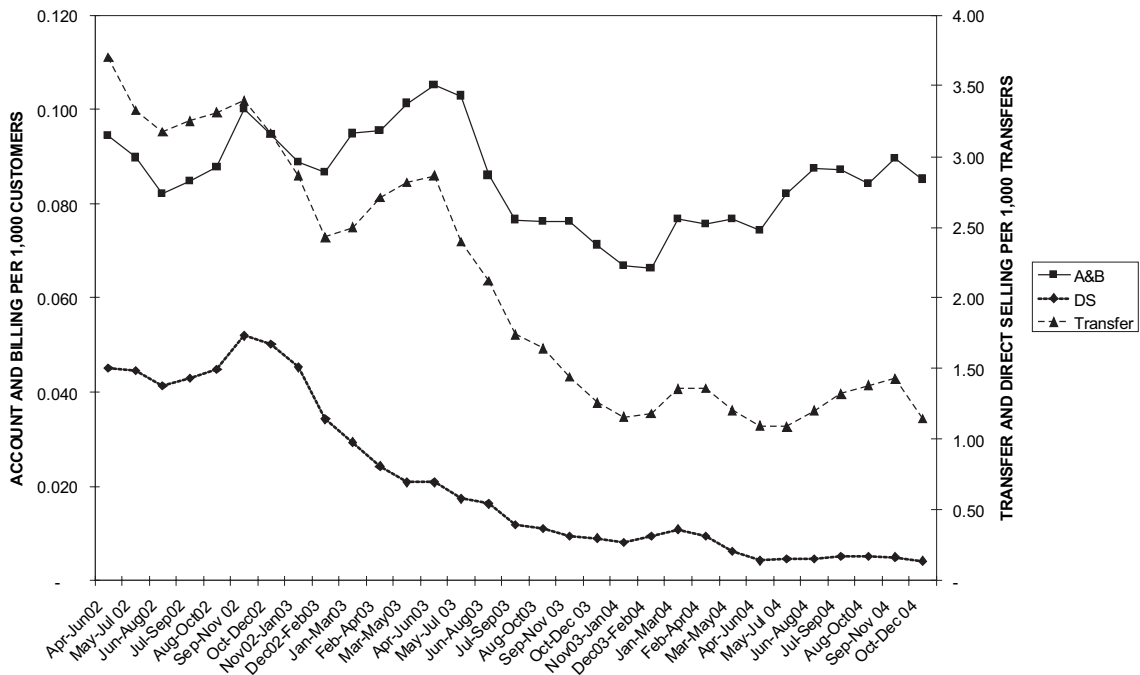
⁶ Powergen’s figures are shown from April 2003 onwards, when TXU/Amerada complaints began to be incorporated into Powergen’s figures.

SSE DOMESTIC COMPLAINTS



<i>Scottish and Southern Group</i>	<i>Year 2002-03</i>	<i>Year 2003-04</i>	<i>Apr to Dec 2004</i>
Account & billing complaints	1,607	1,090	562
Direct selling complaints	582	599	120
Transfer complaints	1,120	593	281

SCOTTISH POWER DOMESTIC COMPLAINTS



Scottish Power	Year 2002-03	Year 2003-04	Apr to Dec 2004
Account & billing complaints	3,830	3,530	3,327
Direct selling complaints	1,267	432	203
Transfer complaints	2,853	1,896	1,585

Memorandum submitted by Postwatch

When Postwatch appeared before the Committee of Public Accounts on 19 January the Committee was concerned about whether election addresses would be delivered reliably by the Royal Mail in the run up to the general election. The Committee had been dismayed by evidence from the Green Party that some 15% of their election addresses had not been delivered by Royal Mail during the European Parliament elections in June 2004. I undertook to raise these concerns with the Royal Mail and report back.

We have sought a meeting with the Royal Mail but this was refused. They appear confident that election addresses can be delivered on time. We find this worrying given that in 2003-04 Royal Mail failed all 15 of its service targets and in 2004-05 looks set to meet only 3 of the 15.

Also increasing our concern is the fact that the complaint made by the Green Party has yet to be resolved by the Royal Mail, two months after it was submitted and only weeks away from a possible general election. Strictly speaking Postwatch cannot get involved until the discussions between the Green Party and Royal Mail have concluded. This is deeply unsatisfactory from our point of view, as we cannot provide you with any reassurance that the problems identified by the Green Party will be resolved before the election.

Given Royal Mail's refusal to meet with us, we cannot give the Committee the reassurances it asked for. We have also reached the limits of our powers in this area. You may therefore wish to raise the matter directly with Alan Leighton at Royal Mail, to whom I am copying this letter.

Gregor McGregor
 Chief Executive
 Postwatch

17 March 2005

