

The functioning of consumer administration

The level of Finnish consumer protection is generally considered good. Nevertheless, consumer problems and related complaints to consumer authorities have steadily increased in recent years. There have been shortcomings in the availability of municipal consumer advice and the Consumer Dispute Board has been hampered by a large backlog.

Consumer protection is also tied to the consumer administration's resources. The tight funding of consumer policy actors has received attention on numerous occasions, for example in the Parliamentary Finance Committee. The National Productivity Programme has placed additional pressures on resources, which were already considered insufficient. Key authorities responsible for consumer policy and consumer matters spend about 20 million euros a year, or about 4 euros per inhabitant.

Consumer administration mainly comes under the Ministry of Trade and Industry, which is responsible for directing consumer policy. However, consumer matters are dealt with in many administrative sectors and by many agencies, units and other actors. The complex nature of consumer matters is a real challenge for administration.

The present audit looked at consumer administration as a whole. It investigated the objectives that have been set for consumer policy and administration as well as administration's activities to achieve these objectives and evaluated the functioning and economy, efficiency and effectiveness of consumer administration. The main question in the audit was this: Does Finnish consumer administration function in the best possible way to increase consumer welfare, as the Consumer Policy Programme envisions. The question is also timely because the Consumer Policy Programme approved by the Government will conclude at the end of 2007 and the decision has been made to centralize municipal consumer advice.

Owing to the complex nature of consumer matters, a number of boundaries were set. The audit focused on consumer administration under the Ministry of Trade and Industry and on the Consumer Dispute Board, which operates under the Ministry of Justice. Key actors included the Consumer Agency, the National Consumer Research Centre, the state provincial offices' Competition and Consumer Departments, municipal consumer advice and consumer organizations.

It is not possible to give a simple answer to the audit's main question, but key actors generally considered that the state of Finnish consumer protection is fairly good and that Finnish consumer administration generally functions fairly well. The audit did not uncover matters that would lead to other conclusions. On the basis of the audit one could also describe the situation by saying that the framework of consumer policy - legislation and key institutions - are in order, but the system does not work as well as it should in practice.

The audit indicated that the weight that is given to consumer matters in decision-making is generally quite small. The effective handling of consumer matters is hampered by a certain marginality.

Evaluating the efficiency, economy and effectiveness of consumer administration is made difficult by the vagueness of the objectives that have been set for consumer policy and administration. Since market efficiency has not been defined in concrete terms, the achievement of this objective is also hard to evaluate. Furthermore consumer policy is conducted in such a broad stakeholder environment that individual actors' role is hard to evaluate.

The audit found that, in the report on the final central government accounts, reporting on effectiveness objectives is limited mainly to describing what actions and development measures have been taken in the area of consumer policy during the past year. This is probably due to the difficulty in reporting outcomes, which in turn is no doubt due partly to shortcomings in monitoring information. Nor have linkages between objectives and resources been described.

Evaluating the efficiency, economy and effectiveness of consumer administration and developing indicators is all the more difficult because consumer policy is meant to be preventive by nature. Emphasis should therefore be placed on measures that increase pre-

ventiveness and knowledge on the part of businesses and improve consumers' own possibilities to act.

In the opinion of the National Audit Office, it is important to develop indicators for key areas of consumer policy, which would allow comparisons over the long term, including comparisons with other countries insofar as these are possible. The critical evaluation of the achievement of objectives and efficiency should be clearly deepened.

On the basis of the audit, it is difficult to evaluate whether the consumer administration's resources have been used in the most efficient way to enhance consumers' welfare. As a matter of fact all the key actors in the consumer administration have complained about tight resources for years. The shortage of resources has not led to any impasse so far. If personnel reductions must be made, for example because of the National Productivity Programme, in the opinion of the National Audit Office, the need to amend legislation regarding authorities' tasks and responsibilities should be considered.

On the other hand, administrative solutions that have been made or are being planned should lead to the more efficient use of resources in future. The audit indicated that the Consumer Agency has actively strived to rationalize and reorganize its activities and find new operating methods and models to respond to increasing complaints. Good examples are the bundling of reports according to subject in the SAVA system and the development of new online services.

Consumer matters are handled by practically every ministry but do not fall within any ministry's core activities. The fact that consumer policy and consumer matters have a certain marginality can be regarded as a universal phenomenon. Work to increase the weight that is given to consumer matters requires the strengthening of these matters' position in decision-making at the ministries that are responsible for consumer matters. In this respect there is also a need for clear and stronger steering on the part of the Government.

The approval of the Consumer Policy Programme for 2004-2007 in the form of a Government resolution was a step in this direction. The programme has steered consumer authorities' activities fairly well but has had little effect on other authorities' activities.

The monitoring of the Consumer Policy Programme at the Ministry of Trade and Industry has in practice been limited to summarizing measures. No comprehensive analysis of the programme has been performed. In the opinion of the National Audit Office, the monitoring of the Consumer Policy Programme should produce essential information for decision-makers and different actors not only concerning the achievement of objectives but also to aid the planning of future measures. A comprehensive analysis of the new Consumer Policy Programme should be performed in a few years.

The general direction of consumer policy has been entrusted to the Ministry of Trade and Industry, where consumer policy has been developed as part of business policy. In addition to business policy, consumer policy can also be regarded as falling in the category of welfare policy. The establishment of the new Ministry of Labour and Industry offers an opportunity to reorganize consumer and competition policy in the ministry.

The Ministry of Trade and Industry's management of consumer matters was viewed as rather feeble and passive by other actors in the consumer administration. In their opinion promoting consumer interests has taken a back seat to promoting the interests of business. On the basis of the audit, the management of consumer matters at the Ministry of Trade and Industry has not been entirely problem-free. In decision-making the consumer viewpoint has to be coordinated with other interests, particularly those of business.

Consumer policy has nevertheless received considerable attention in the Ministry of Trade and Industry's recent business and future policy lines, in which the ministry has raised consumption and consumers closer to the core of innovation and business policy. The goal of consumer policy has become active, informed and skilled consumers who act as an economic engine and source of innovations. Only the coming years will show what results this produces and how technology authorities, for example, adopt the new approach.

Traditional consumer policy - consumer protection - has remained on the sidelines in recent discussion as well as the steering of administration. In the opinion of the National Audit Office, vulnerable consumers should be given more attention in consumer policy, both at the strategic level and in consumer research.

At the Ministry of Trade and Industry the Technology Department is responsible for steering the National Consumer Research Centre, while the Trade Department is responsible for steering the Consumer Agency. The audit indicated that this dual steering model causes problems, since consumer matters are not viewed as a whole. Owing to the division of responsibility the ministry has not coordinated consumer research in relation to other consumer policy.

The organizational position of the National Consumer Research Centre has been a subject of discussion for years. In the opinion of the National Audit Office, uncertainty regarding the centre's future should be eliminated in a way that ensures the future of consumer research.

Under the Technology Department the National Consumer Research Centre has been fairly systematically developed to serve technology and innovation policy in recent years. In principle the centre's research activities could be oriented differently. There is also a need for more research concerning consumer rights as well as more practical research concerning consumer problems and markets. The audit indicated that the research that is being conducted at the National Consumer Research Centre does not serve other consumer authorities in the best possible way: the consumer administration has made little use of the research information produced by the centre.

The audit indicated that there is little analytical research information on the situation or functioning of different markets or problems that have arisen on markets. More information concerning consumers' conditions on different markets is needed. In order to succeed, consumer policy also requires research work that interprets development trends, delves deep into problems and guides future activities.

One point of departure in consumer protection is that consumers are entitled to get help to ensure their legal rights. The Consumer Protection Act, which essentially governs consumer authorities' activities, is based on a hierarchic resolution model, which includes consumer advisers, the Consumer Dispute Board and the Consumer Ombudsman. The European Consumer Centre Finland, which operates in connection with the Consumer Agency, also guides consumers in cross-border trade,

Most disputes between consumers and businesses are resolved at the local level. Local consumer advice thus reduces the handling of cases by the Consumer Dispute Board, the courts and other appellate bodies. The availability and quality of municipal consumer advice services vary in different parts of the country, however, which means that citizens are in an unequal position. Poorly functioning consumer advice has increased the load on other consumer authorities.

In connection with the project to restructure municipalities and services, the decision has been made to shift the arranging of consumer advice and related costs to the state. On the basis of the proposals that have been made, the number of consumer advice offices will be substantially reduced. Ensuring regional coverage, closeness and easy access to services will be a challenge.

The National Audit Office considers it good that steps have been taken to correct the situation and ways have been studied to develop activities from the viewpoint of availability, uniform quality and efficiency. In the opinion of the National Audit Office, the quality and availability of consumer advice should be monitored and the adequacy of resources for this purpose should be evaluated in a few years. The need to set qualitative and quantitative criteria for consumer advice could also be evaluated at the same time.

The Consumer Dispute Board (formerly the Consumer Complaint Board), which has operated under the Ministry of Justice since autumn 2005, has issued recommendations in individual cases. Throughout its existence the board has been backlogged and the handling of matters has taken too long. The board's tasks and resources were increased in March 2007, when the Consumer Complaint Board was abolished. In the opinion of the National Audit Office, the Ministry of Justice should closely monitor the development of the Consumer Dispute Board's operating conditions and the effectiveness of measures aimed at improving the handling of measures by the board.

The Consumer Ombudsman can intervene in illegal marketing and unfair contract terms, take cases to the Market Court and assist individual consumers in legal proceedings if a matter has broader significance. At present the Consumer Ombudsman's market surveillance is toothless in some respects because of a lack of means.

Most citizens are still unaware of the European Consumer Centre's activities.

In the opinion of the National Audit Office, the adequacy of market surveillance means should be studied. At the same time attention should be paid to the possible costs and impacts of additional regulation on business and society.

On the basis of the audit, the current organization of consumer authorities can be considered fairly clear and the division of labour among authorities functions well for the most part. Some overlap or risks of overlap in the division of labour were observed, however. The centralization of municipal consumer advice will offer an opportunity to study issues regarding the division of labour among local authorities, the state provincial offices and the Consumer Agency.

Centralization will also provide opportunities to develop and streamline operating methods in consumer advice and education. The functioning of the consumer administration could be improved if the Consumer Agency had a service centre that would refer customers' problems and questions to the proper authority.

Finnish consumers' welfare is being promoted with a clearly authority-driven administrative model. Consumers' own organizations - the Finnish consumer movement - have remained rather weak and fragmented.

Consumer organizations have long suffered from a lack of resources. On the basis of the audit, consumer organizations mainly play a supplementary role. They perhaps focus too much on the same matters as the Consumer Agency. Thought should be given to what they could add to the managing of consumer affairs.

During the course of the audit a number of shortcomings were observed in the administration and control of state aids for consumer organizations. In the opinion of the National Audit Office, the Consumer Agency should improve the steering and control of the state aids that are granted to consumer organizations.