

Review of Quality of Service (QoS) Targets and Requirements to be Achieved by MaltaPost Plc

Overview of Response to Consultation and Decision Notice

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Executive Summary

An essential element of postal services regulation, and probably the one that enjoys the highest profile in the public eye, is the establishment and monitoring of the universal service provider's (USP) quality of service (QoS) obligations, mainly with respect to its efficiency in the provision of a reliable 'end-to-end' postal service. Reliability of the universal postal service essentially entails a delivery time which meets customers' needs and the avoidance of loss or damage to mail. A letter or parcel delayed or lost can mean disappointment and possibly worse, to either sender or receiver, occasionally to both.

The Malta Communications Authority (MCA) has to make sure that licensed postal operators and especially MaltaPost Plc (hereinafter referred to as MaltaPost), as the USP, meet the needs of postal service users throughout Malta, by offering a good quality and reliable postal service.

The issues relating to the quality and reliability of the universal postal service can be assessed from a number of perspectives. Measuring the USP's performance against the transit time targets set for each of the universal postal services offered, constitutes an important dimension of quality measurement. However, besides transit time measurement, the measurement of the percentage of lost and substantially delayed postal items provides vital information about the reliability of the universal postal service and provides an indication of possible problems with QoS and the integrity of mail. It is also crucial to have an adequate overview of the number of complaints received and their cause. The latter can flag existing problems which might not be immediately evident through the measurement of the quality of service transit times.

A consultation process initiated in August 2010,¹ consulted upon a review of some of the quality measurement aspects already established (such as the review of the quality of service targets to be achieved by MaltaPost on its universal service products) and to tackle other important quality of service measurement aspects. The latter included methods to monitor and measure loss and substantial delay of inland single piece mail and bulk mail products, and ways on how MaltaPost's information and reporting requirements with respect to the handling of end-user complaints and enquiries could be improved. MaltaPost and Informa Consultants² responded to the consultation.

After taking into consideration the responses received to the consultation, the MCA is now issuing its Decision on the issues consulted upon.

Through this Decision:

- The MCA is adopting a technical specification (TS 14773) for the measurement of loss and substantially delayed mail items, whereby for measurement purposes a mail item shall be considered as lost, or substantially delayed, if the item has not been received by the recipient within seven (7) days (i.e. D+7)³ after which it has been posted.

¹ Refer to <http://www.mca.org.mt/newsroom/openarticle.asp?id=903>.

² Informa Consultants are presently the independent contractor appointed by MaltaPost to conduct the quality of service monitoring exercises.

³ The date of deposit D to be taken into account shall be the same date as that on which the postal item is deposited, provided that the deposit occurs before the latest collection time notified from the access point to the network in question (i.e. 19.00 hrs from Monday to Friday and 15.00 hrs for a

- MaltaPost is now required to start reporting on the quality performance measurement of inland ordinary mail and bulk mail as a percentage of postal items delivered within the defined service standard by: (a) excluding postal items not delivered up to D+30⁴ from the calculation; and by (b) including postal items not delivered by D+30 in the calculations.
- In the case of the inland ordinary mail and bulk mail products, the collective compensation scheme⁵ which addresses any failures by MaltaPost to reach established QoS targets will be calculated based on the performance achieved by MaltaPost, taking into consideration the inclusion of the postal items not delivered by D+30. However, for the financial period October 2010 to September 2011 only, if the D+1⁶ QoS target for the inland bulk mail product is not achieved, the collective compensation scheme for this product will be calculated based on the D+1 performance achieved with the exclusion of the postal items not delivered by D+30 from the calculation.
- The D+1 QoS targets for the following inland mail products: ordinary mail, bulk mail, registered mail and parcel post, will remain the same for MaltaPost's financial year October 2010 to September 2011, but will increase by one percentage point for the following two years.
- Transit times for intra-community cross-border ordinary mail will continue to be measured and monitored by MaltaPost in line with the targets specified in the EU Postal Directive (85 per cent of mail to be delivered within D+3 and 97 per cent within D+5).⁷
- The D+1 outbound cross border mail targets (loading on airline) with respect to: ordinary mail, bulk mail, registered mail and parcel post, for European Union (EU) countries, Australia, Canada and the United States of America (USA) will remain the same for the financial year October 2010 to September 2011, but will increase by one percentage point for the following two years.
- The D+3 outbound cross border mail targets (loading on airline) with respect to ordinary mail, bulk mail and registered mail for all other countries will remain the same for the following three year period. The target for parcel post will remain the same for the financial year October 2010 to September 2011, but will increase by one percentage point for the following two years.
- MaltaPost is required to submit to the MCA a reviewed code of practice ('Committed to Customer Care') containing: a clear definition of what constitutes an enquiry in line with EN 14012, and how this will be tackled by

Saturday). When deposit takes place after this time limit, the date of deposit to be taken into consideration will be that of the collection on the following working day.

D+7 represents seven (7) working days from the date of deposit to delivery to the addressee.

⁴ D+30 represents thirty (30) working days from the date of deposit to delivery to the addressee.

⁵ This collective compensation scheme came into force at the start of October 2005. MaltaPost is liable to pay the MCA a percentage of the yearly turnover of the postal product concerned (i.e. the difference between the annual service target achieved for that particular product and the set standard) multiplied by a factor of 0.25. The maximum level of compensation that will be paid is 5% of the yearly turnover multiplied by a factor of 0.25 of any one postal product.

⁶ D+1 represents five (1) working days from the date of deposit to delivery to the addressee.

⁷ D+3 represents three (3) working days from the date of deposit to delivery to the addressee. D+5 represents five (5) working days from the date of deposit to delivery to the addressee.

MaltaPost (separately from the complaints handling procedure); and a reviewed categorisation of complaints and enquiries.

- MaltaPost is required to review all customer care terminology used on its website and on published material to introduce the distinction between an enquiry and a complaint.
- MaltaPost should also start to report on the enquiries received in a separate section of its quarterly and annual reports on complaints handling.
- MaltaPost's annual report on complaints handling should now also include a narrative explaining emerging and recurring themes e.g. district/hub specific issues, personnel administrative issues etc., actions taken to correct them and where applicable explanation of issues which impact on MaltaPost's service.

1. Introduction

This document presents the MCA's decision on the new QoS targets, covering a period of three (3) years, to be achieved by MaltaPost in respect of the transit times for the following universal service postal products:

- **Inland mail:** ordinary mail (i.e. single piece *priority* letter mail), bulk mail,⁸ registered mail and parcel post.
- **Cross-border mail:** ordinary mail, bulk mail, registered mail and parcel post.

It also presents the MCA's decision with respect to the measurement and monitoring of the level of loss and/or substantial delay of postal articles, as well as improvements to MaltaPost's information and reporting requirements on the handling of end-user complaints and enquiries.

Each section presents: (a) summaries of the issues raised in the Consultation Paper and the respondents' views; (b) the MCA's analysis; and (c) the MCA's position and formal decision.

MaltaPost and Informa Consultants⁹ responded to the consultation.

As stated in the Consultation Paper this document does not address the following QoS requirements:

- complaint handling mechanisms;
- compensation schemes for loss, damage or delay; and
- the collective compensation scheme.

These above-mentioned QoS standards and monitoring systems to be achieved by MaltaPost, have been established in the decision notice published in June 2005,¹⁰ and will continue to apply. The MCA reserves the right to review these requirements at a later stage.

Legal Basis

The MCA has the specific responsibility for setting standards for the QoS to be achieved by MaltaPost within the framework set out in European and National legislation. QoS standards and related targets must focus, in particular, on routing times and on the regularity and reliability of universal postal services. The MCA has to monitor MaltaPost's performance against the targets set and must from time to time report on the results of the monitoring exercise. Where the MCA is of the opinion that QoS targets have not been met the MCA must ensure that corrective action is taken where necessary.

In addition MaltaPost must ensure that transparent, simple and inexpensive procedures are in place to deal with complaints by users, particularly in cases

⁸ This includes all types of addressed priority bulk mail including: letter mail, direct mail (which is a particular form of bulk mail as defined in the Postal Services Act), magazines, and newspapers.

⁹ Informa Consultants are presently the independent contractor appointed by MaltaPost to conduct the quality of service monitoring exercises.

¹⁰ Refer to MCA's Decision on MaltaPost's QoS Requirements published on 8th of June 2005 <http://www.mca.org.mt/infocentre/openarticle.asp?id=667&pref=16>

involving noncompliance with service quality standards. These procedures enable disputes to be settled fairly and promptly and in an inexpensive manner. MaltaPost must at least once every calendar year publish information on the number of complaints received - detailing what they were about and how they were dealt with.

A more comprehensive statement of the legal position can be found in **Appendix A**.

QoS Targets

The QoS target for inland mail is set in the form of:

- D+1¹¹ measuring the percentage of mail delivered on the working day after injection into the system (regularity); and
- D+3¹² measuring the percentage of mail delivered within three working days of injection into the system (reliability).

In the case of intra-Community cross-border mail services, QoS standards are set by the European Parliament and the Council. The EU Postal Directive has set QoS objectives for transit times concerning the fastest standard category of intra-Community cross-border mail services at 85 per cent of mail to be delivered within D+3 (speed) and 97 per cent within D+5 (reliability).¹³

These intra-Community cross-border service targets must be achieved not only for the entirety of intra-Community traffic but also for each of the bilateral flows between two Member States.

QoS Standards

The postal regulatory framework emphasises the importance of standards in providing an appropriate level of service to users including the reliability of services and the treatment of problems of loss, theft or damage. With respect to the end-to-end measurement¹⁴ of ordinary mail, performance monitoring must be in conformity with the CEN standard EN 13850 on the measurement of the transit time of end-to-end service for single piece priority mail and first class mail. This standard has been developed to ensure that the transit time for ordinary mail is monitored on a standardised basis, and its use is mandatory (both for inland and cross-border mail) in respect of such services provided by universal service providers throughout the EU.¹⁵

¹¹ The quality standards for inland mail are established in relation to the time limit for routing measured from the end to end for postal items of the fastest standard category according to the formula D+n, where D represents the date of deposit and n the number of working days which elapse between that date and that of delivery of the addressee. D+1 represents one (1) working day from the date of deposit to delivery to the addressee.

¹² D+3 represents three (3) working days from the date of deposit to delivery to the addressee. Whatever target is set it is necessary to address what happens to those letters that are not delivered the next day.

¹³ The (+3) and (+5) express the number of days before final delivery during which time collection, sorting, national and international transport, and delivery take place.

¹⁴ End-to-end routing is measured from the access point to the network to the point of delivery to the addressee i.e. from the point mail is placed into the collection / acceptance system under the responsibility of the collecting postal operator to the final delivery point under the responsibility of the delivering postal operator.

¹⁵ The EN 13850 standard was made mandatory on all Member States for domestic mail from January 2004 and for cross-border mail from January 2005. The standard has also been extended to cover

Currently, this is the only EU mandatory standard applicable for all Member States. However, if the measurement of other aspects of the postal service is required by the respective Member States it is necessary to use the appropriate standards.¹⁶

Appendix B provides information regarding the available European standards for the measurement of the quality of postal services.

Document Format

The MCA's decisions on each of the aspects consulted upon are presented in the following three sections:

Section 2 depicts the MCA's decision with respect to the monitoring of the transit time of various types of inland mail (ordinary mail, bulk mail, registered mail and parcel post) and cross border mail. It also presents the MCA's decision with respect to the measurement and monitoring of the level of loss and/or substantial delay of inland mail.

Section 3 depicts the MCA's decision on the new QoS targets to be achieved by MaltaPost, for the three year period from October 2010 to September 2013, in the various categories of mail being measured and monitored.

Section 4 introduces: revisions to MaltaPost's code of practice which should portray the distinction between an enquiry and a complaint; revisions to the customer care terminology used by MaltaPost on its website and on published material; changes to MaltaPost's quarterly and annual complaints report; and modifications to MaltaPost's annual report on complaints handling to include a narrative explaining emerging and recurring themes and actions taken to correct them.

flows with smaller mail volumes in an enlarged EU catering for those countries with relatively small mail flows.

¹⁶ It is noted that Member States can mandate other standards for the measurement of other postal services / activities.

2. Quality of Service Measurement and Monitoring

This section sets out the MCA's proposals on the quality of service measurement and monitoring for inland and cross-border mail products, considers the responses received to the consultation and outlines the MCA's position and formal decision.

2.1 Summary of Consultation Issues

Inland Mail - Ordinary Mail Service / Bulk Mail service

MaltaPost's ongoing performance measurement of its inland ordinary mail product is measured in conformity with the CEN standard EN 13850.¹⁷

MaltaPost's ongoing performance measurement for the inland bulk mail product is measured in conformity with the CEN standard EN 14534.

These performance measurements are carried out by an independent organisation appointed by MaltaPost. In addition, the MCA carries out an annual audit of the methodology employed by the MaltaPost-commissioned organisation responsible for carrying out the performance monitoring in line with the above-mentioned standards.

Inland Mail – Loss and Substantial Delay of Ordinary Mail and Bulk Mail

Postal services provide vital infrastructural support for the economy and society in general. Customers need to have assurance that the mail they entrust to the USP will arrive at its destination in time and is not lost or substantially delayed (e.g. due to mis-delivery) in transit.

From an audit of the QoS monitoring surveys for ordinary mail it transpired that during October 2008 and September 2009 approximately 1.5% (22 out of 1482) of the total test mail items posted were never received. From figures available to the Authority, during October 2009 and September 2010, the percentage of lost mail items, out of the total test mail items posted, amounted to approximately 0.56% (9 out of 1618) for single piece mail items, and 0.87% (11 out of 1,262) for bulk mail.

At present these test mail items are considered as invalid, based upon the discretion allowed in the standard. The standard states that postal items not delivered within 30 days (i.e. D+30) can be excluded from the measurement. By inference, this means that the number of pieces of mail that are posted and never received after D+30, can be included in the measurement if circumstances so warrant.

In addition to the 1.5% of test mail items lost in transit, the MCA noted that during MaltaPost's last financial year (i.e. October 2009 to September 2010) complaints about lost mail totalled 8.41% (226 out of 2686) of the total complaints received. On the other hand complaints about mis-delivered mail totalled 27.44% (737 out of 2686) of the total complaints received.¹⁸ These are

¹⁷ The ordinary mail product offered by MaltaPost equates to single piece priority mail and first class mail in terms of the CEN standard EN 13850. Single piece letter mail is the ordinary day-to-day correspondence posted by individuals and businesses, big and small (other than bulk mail), at street letterboxes or over the counter at post offices.

¹⁸ Refer to <http://www.MaltaPost.com/page.asp?p=9380&l=1> – (process complaints made with MaltaPost).

being considered jointly, as mis-delivery is deemed to be one of the main causes of lost mail.

From the results of the market research carried out by the MCA in 2009, out of the total number of households who had made some form of complaint to MaltaPost (31%), 16.7% remarked about the loss or substantial delay of postal items and 34.7% remarked about mis-delivery.¹⁹ In the small businesses market research²⁰ the same percentage for loss and substantial delay rose to 22.2% out of those who had made some form of complaint (41.7%).²¹

The MCA recognises that MaltaPost strives to reduce the number of mail items lost or substantially delayed via, amongst others, the strengthening of mail integrity procedures²² (such as the ongoing training given to employees responsible for the sorting and delivery of postal articles to reduce as far as possible lost or significantly delayed mail e.g. due to mis-deliveries) and via the ongoing monitoring of complaints. Nevertheless, the MCA is still concerned with the significantly high loss of test mail items being reported coupled with the number of complaints registered with MaltaPost on a quarterly basis related to lost and/or mis-delivered mail.

The number of lost test mail items in transit was also highlighted by the organisation appointed by the MCA to audit the methodology employed by the independent performance monitoring organisation that carries out the QoS monitoring surveys.

In the consultation document the MCA highlighted that substantially delayed and lost mail items should be monitored separately to have a more precise measure than that which can be obtained solely from the measurement of complaints. In addition the MCA noted that MaltaPost should continue to provide ongoing training to its postal staff and keep consumers updated on the appropriate use of postcodes and addresses. MaltaPost should take all the necessary action to cut the amount of mail that is mis-delivered, lost or substantially delayed.

The MCA also noted that the measurement of loss and substantial delay of mail would provide the MCA with more information on whether there are issues related to the integrity of mail. In line with the minimum standards on the protection of the integrity of mail the MCA may carry out or request MaltaPost to carry out an audit to ensure compliance with the established minimum standards focusing on the areas related to collection, sorting and delivery processes.

In 2004 the Technical Committee CEN/TC 331, responsible to establish quality of service standards for postal services, published a technical specification (TS 14773)²³ which outlined the methods for measuring the level of loss and substantial delay, using a survey of test letters.²⁴ In this specification a minimum

¹⁹ MCA (2009), Overview of MCA's Household Market Research on Postal Services [available at: <http://www.mca.org.mt/infocentre/openarticle.asp?id=1357&pref=19>]

²⁰ MCA (2009), Overview of Small Businesses Market Research on Postal Services [available at: <http://www.mca.org.mt/infocentre/openarticle.asp?id=1369&pref=18>].

²¹ The sample size for the purpose of the household market research consisted of 553 households whilst that for small businesses consisted of 258 entities.

²² Refer to MCA's Decision on the minimum standards for protecting the integrity and security of mail.

²³ A technical specification (TS) is different from a European Standard (EN). A Technical Specification is a normative document provided and approved by a Technical Committee. A CEN/TS can be developed by a CEN Technical Committees as a pre-standard. A TS does not have the status of an EN but may be adopted as a national standard.

²⁴ European Committee for Standardisation (September 2004), Postal Services – Quality of Service – Measurement of loss and substantial delay in priority and first class single piece mail using a survey of test letters. Technical Standard CEN/TS 14773, Brussels: CEN

period is defined, after which an item that has been sent is treated as if it has been lost or substantially delayed. This is because it is impossible to distinguish between items which will never arrive and those which have been delayed for a very long time.

The resulting overall figure for loss and substantial delay is expressed as a percentage of the total posted priority and first class, single piece test mail items. In the case of D+1 mail items the technical specification indicates that a test mail item shall be considered as lost, or substantially delayed, if the item has not been received by the recipient within seven (7) days of it having been posted.

The technical specification has been developed from and is compatible with the requirements of EN 13850 for the measurement of the transit time of end-to-end services for single piece priority and first class mail. Thus, the same survey may be used to measure loss and substantial delay of priority ordinary mail in line with TS 14773. In the consultation document the MCA stated that the adoption of this technical specification would not lead to an increase in the costs of the measurement of quality of service results, as the same survey to establish the quality of service of the transit times of end-to-end single piece priority mail items would be used.

Furthermore, in line with EN 13850 and EN 14534, the MCA proposed to separately measure the QoS performance by including, in the measurement calculations, items lost or substantially delayed (i.e. arriving after D+30 or not arriving at all). As already mentioned, QoS performance measurements currently exclude items delivered after D+30 as these are considered as invalid test items based upon the discretion allowed by the standard.²⁵ This means that with the current measurement MaltaPost can still achieve its QoS targets if any amount of test mail is lost or significantly delayed in transit.

In the consultation document the MCA stated that the inclusion of test mail items not received within 30 days would give a more balanced picture of the actual QoS results achieved by MaltaPost and motivate MaltaPost to address problems related to loss or substantially delayed postal items.

Inland Mail - Registered Mail and Parcel Post Services

Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post is organised by MaltaPost by means of a track and trace system that enables the travelled distance of a postal item to be monitored and its location to be established at any time.²⁶ Such a system also provides accurate information and enables clients to use the Internet or the telephone to monitor the progress towards the delivery of a particular item.

Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post is carried out in conformity with the EN 14137 standard for the measurement of the loss of registered mail and other types of

²⁵ It is noted that in line with EN 13850 and EN 14534 test mail items with imprecise dates of deposit or delivery shall always be excluded from the calculations. The respective standard clearly delineates the validation rules of test items.

²⁶ MaltaPost's registered mail and parcel post D+1 delivery standard implies that registered mail posted at retail counters before 12.30 p.m. (Malta) and 12.00 p.m. (Gozo) on the day is to be delivered the following working day. Since registered mail and parcel post require a signature on delivery as a proof of delivery, if the addressee is absent a notification notice is issued after the first delivery attempt.

postal services using a track and trace system.²⁷ MaltaPost is also required to take into consideration the CEN technical report TR 15472 for the measurement of transit times for parcels by the use of a track and trace system.

MaltaPost started to monitor the performance measurement of registered mail via an in-house track and trace system from July 2006. The performance measurement of parcel post started in July 2007 following the implementation of a track and trace system for parcel post.

Cross-Border Mail – Ordinary Mail Service

MaltaPost measures the transit time of cross-border mail flows by means of the International Post Corporation (IPC)'s UNEX programme²⁸ and the Universal Postal Union (UPU)'s Global Monitoring System (GMS).²⁹ These monitor the QoS of the fastest standard category (i.e. ordinary mail) of cross-border mail.

2.2 Summary of Respondents' Views

In its response to the consultation paper MaltaPost indicated that the QoS standards and customer care requirements should be imposed on all postal operators. According to MaltaPost *"only then can customers truly compare between the quality of service being delivered by different postal operators, and in parallel reach an informed decision about the best 'value for money' operator, in evaluating both price and quality, as well as other features, such as customer service and levels of integrity."*

MaltaPost also proposed a revision to the position adopted in the MCA's 2007 Decision Notice, on MaltaPost's QoS requirements, with respect to the discounting of non-functioning days. According to MaltaPost, days of shutdown and other non-functioning days should not be measured for quality purposes. MaltaPost commented that *"this approach has effectively reduced the days of shutdown taken by MaltaPost p.l.c. from four annually to two annually. There is no reason why MaltaPost p.l.c. employees should not enjoy proper days of shutdown like all other employees in Malta, once the universal service is adequately provided."*

Moreover, MaltaPost indicated that days of shutdown are generally bridged with other holidays where volumes of mail are low. Thus, MaltaPost is of the opinion that increasing the days of shutdown would not have a negative impact on fulfilling its universal service obligation.

In its response to the consultation paper MaltaPost agreed with the adoption of TS 14773 on the measurement of loss and substantially delayed priority and first class single piece postal items.

²⁷ EN 14137 specifies methods for measuring the level of loss and substantial delay of registered letter mail for service providers which have a track and trace system in place. It can also be used to measure the level of loss for other postal services which have a suitable track and trace system in operation.

²⁸ Quality of service for intra community cross border traffic is measured by the IPC's UNEX end-to-end monitoring system - Refer to the IPC website <http://www.ipc.be/> for additional information. The 2009 results for intra community cross border mail may be viewed via the following web-link: http://www.ipc.be/en/Media/News/Press_Releases/~media/Documents/PUBLIC/UNEX/Full%20Year%20Results/2009/UNEX%20Leaflet%202009_English.ashx

²⁹ The Global Monitoring System is based on the inbound weights as received over a calendar year from each country, with the topmost 7 countries forming the permanent link. The next two countries in the list form Pool 1, while a country from each UPU region forms Pool 2. The countries in Pool 2 are randomly selected. The sending countries from Pool 2 remain anonymous. This system is linked to the terminal dues receivable by any country.

MaltaPost however, did not support the MCA's proposal to include in the measurement calculations of the QoS measurements for inland ordinary mail and bulk mail, postal items not delivered by D+30. According to MaltaPost, *"if the lost and substantially delayed mail were to be included in the same report – which to date have never been included – the quality targets would have to be revised downwards, as the current and proposed targets are designed on the current model where the lost and substantially delayed mail are not measured, in line with the EN 13850 standard."* Moreover, MaltaPost commented that neither the IPC (UNEX measurement), nor the Universal Postal Union (UPU), nor other postal administrations include lost items in their results.

MaltaPost however agreed with the separate reporting of test postal items arriving after D+30 (i.e. lost or significantly delayed) for both inland single piece mail and bulk mail.

On this aspect Informa Consultants commented that *"from a monitoring point of view one must be cautious when dealing particularly with bulk mail performance monitoring"*. They also indicated that *"unlike the single piece mail monitoring where the organisation carrying out the performance monitoring has direct control and supervision over the actions of their own panellists participating in the exercise, this is less so in the case of bulk mail panellists. Although the latter are clearly instructed on any procedures to adopt, it is difficult to fully guarantee that all procedures are followed accordingly. Therefore when dealing with substantially lost or delayed items one must be able to guarantee that the test letters have actually been posted by the bulk mail panellist, before confidently stating that they are in fact substantially lost or delayed. Such a guarantee can be limited in such cases, which consequently calls for caution when determining whether to penalise the Postal Service provider when such a case arises."*

2.3 MCA Position and Decision

MaltaPost is currently the only designated USP in Malta and therefore, in line with European and local legislation, QoS standards are established for MaltaPost to guarantee a regular and reliable universal postal service of good quality. The present QoS obligations on MaltaPost also reflect a situation where MaltaPost has a dominant position on the postal services for which the QoS targets are set.

Other postal service providers (providing services within the scope of the universal service) have obligations in their licence whereby they are obliged to collect, convey, and deliver postal articles according to standards agreed upon in the terms and conditions of individual contracts negotiated with customers. Moreover, they are also obliged to operate adequate systems for: (a) measuring and recording their performance in achieving their contract standards; and (b) recording, analysing and responding to customer complaints. Furthermore, every postal service provider must establish and apply adequate mail integrity procedures. The MCA believes that the present measures are currently enough to monitor other postal operators' performance.³⁰

³⁰ Article 9 of the Postal Services Directive clearly outlines that: *"For services which fall within the scope of the universal service, Member States may introduce authorisation procedures, including individual licenses, to the extent necessary to guarantee compliance with the essential requirements and to ensure the provision of the universal service. The granting of authorisations may: . . . if necessary and justified, impose requirements concerning the quality, availability and performance of the relevant services."* Article 8 of the Postal Services Act (Ref to Act No. XII of 2010) has also been amended to this effect, in that: *"the granting of authorisations may: . . . (b) in all cases including of universal service providers: (i) if necessary and justified, impose requirements concerning the quality, availability and performance of the relevant services."*

With respect to MaltaPost's request to discount its non-functioning days (including days of shutdown), for QoS measurement purposes, the MCA notes that, in line with the CEN QoS measurement standards, non-functioning of the postal operator and days of strike or industrial disputes shall not be discounted. Only, in the case of '*force majeure*' events, deductions in the corresponding period may be considered in agreement with the MCA.³¹ Moreover, these shall be indicated in the reporting.

With regard to MaltaPost's emphasis on shutdown days and the fact that their workers are not in a position to enjoy proper days of shutdown like other employees in Malta, the MCA notes that the universal postal service provided by MaltaPost constitutes an essential service. Postal services provide a vital infrastructural support for the economy and society in general. Consequently, disruptions to the universal postal service should be treated with extreme caution.

The reliability of postal services implies the avoidance of loss and damage as far as possible and the achievement of an end-to-end transit time which meets customer needs. Therefore the provision of a highly reliable universal postal service implies that the network of postal services needs to be organised in such a way that it covers the complete postal value chain from collection to delivery, fulfilling all the different QoS dimensions.

MaltaPost agrees with the MCA that a letter or parcel delayed or lost can mean disappointment and possibly worse, to either sender or receiver, occasionally to both. However, in its response to the consultation, MaltaPost did not provide information on how it is addressing problems related to the loss or delay of mail (as a result of the number of quarterly complaints received by MaltaPost regarding lost and mis-delivered mail and the number of recorded lost test mail items).

The current QoS measures put in place by the MCA to monitor the regularity and reliability of the universal postal service have proved successful and provide a valid and reliable estimate of the percentage of mail delivered by D+1 and D+3 where the percentage is based on all items delivered within D+30 (i.e. items delivered after 30 days are currently excluded from the measurement). The measurement of transit times for inland mail against the set targets have proved to be a useful benchmark, both for the MCA to measure MaltaPost's performance and for MaltaPost to gear up its operations to improve its QoS.

Nevertheless, besides transit time measurement, the measurement of the percentage of lost and substantially delayed postal items provides vital information about the reliability of the universal postal service and provides an indication of possible problems with QoS and the integrity of mail.

MaltaPost agrees with the implementation of TS 14773 on the measurement of loss and substantial delay of priority and first class single piece postal items. This

This means that although the obligation to monitor the quality of service rests on the provision of universal services, quality standards can also be imposed on other operators, besides the universal service provider, if necessary.

³¹ European Committee for Standardisation (March 2007), Postal Services – Quality of Service – Measurement of the transit time of end-to end-services for single piece priority mail and first class mail. *ibid.*, par. 4.2.2, p.12

Thus in case of natural disaster, or terror attacks the MCA would consider the deduction of the corresponding period during which operation is affected in such a way that conveyance times cannot be guaranteed by 'normal' postal operations.

will provide the MCA with an annual overall figure for the loss and substantial delay of ordinary mail expressed as a percentage of the total posted single piece mail items.³²

The MCA is of the opinion that such a measurement on its own would not lead to a reduction in the amount of significantly delayed or lost mail. Thus, the current QoS measurement should take into consideration items lost and substantially delayed, and should be measured against a set QoS target, coupled with a fair and justified compensation mechanism if such targets are not achieved. This will provide MaltaPost with the necessary incentive to actively deal with problems related to the loss or substantial delay of mail.

The CEN standards EN13850 and EN 14534 allow the possibility to eliminate, for measurement purposes, items arriving after D+30 (i.e. postal items lost or substantially delayed). However, the standard does not exclude the possibility to record in the measurement calculation the number of mail items that are received after D+30.

The MCA is of the opinion that the performance measurement including lost and substantially delayed test mail items (i.e. not arriving within 30 days) should be separately measured and monitored. Without the inclusion of postal items not arriving within 30 days in the performance measurement, MaltaPost could still achieve the set QoS targets, irrelevant of the amount of test mail items lost or substantially delayed in transit. The inclusion of the number of lost and substantially delayed postal items in the QoS performance measurement coupled with the already established compensation mechanism (i.e. the collective compensation scheme established in the MCA's 2005 Decision)³³ if the D+1 QoS targets are not achieved would provide the necessary motivation for MaltaPost to deal with any problems related to loss and substantial delay of mail.

As already mentioned above, the number of lost test mail items (1.5% of the test single piece mail items were reported lost during the period Oct 2008 – Sep 2009) is considered to be high. This is also significant when compared to the percentage of lost mail reported by other European Member States. In a study carried out this year by Copenhagen Economics on behalf of the European Commission, when asked about the percentage of lost mail, the following countries responded as follows: Czech Republic (0,012%); Finland (0,001%); Luxembourg (0,000185%); Portugal (domestic 2009 – non priority mail not delivered in D+15 = 0.21%; priority mail not delivered in D+10 = 0.21%); Slovakia (0,006%); Slovenia (0.0037%); and Norway (0,047%).³⁴

The MCA also notes that Anacom (the Portuguese NRA) has established QoS targets for the measurement of loss and substantial delay of mail items.³⁵ These are expressed in the form of a percentage of mail that is not delivered within a

³² This technical specification is not suitable for measuring the level of loss or substantial delay for bulk mail services. This only relates to the measurement of the so called ordinary mail given to private persons / households that post mail at street letterboxes, or over the counter at post offices.

³³ In line with legislation where the MCA is of the opinion that QoS targets have not been met the MCA must ensure that corrective action is taken where necessary (refer to Article 76A of the Postal Services Act).

³⁴ Ref to: Copenhagen Economics (2010), *Postal sector country fiches* <http://www.copenhageneconomics.com/Postal.aspx> [viewed 28/09/2010]

³⁵ Anacom (2008), *Anexo. Indicadores de Qualidade do serviço postal universal* (on-line) : http://www.anacom.pt/streaming/anexo_conv_qual_spu.pdf?contentId=616237&field=ATTACHED_FILE

set time period. In the case of ordinary mail³⁶ this time period has been set at 15 days. In other EU Member States measurements of the rate of loss or substantial delay for inland mail are undertaken on a voluntary basis.

The MCA strongly disagrees with MaltaPost that the QoS targets should be revised downwards if the items not arriving within D+30 are included in the performance calculations. To do so would be going against MaltaPost's own interests, given that Maltapost has consistently striven - and successfully managed - to improve its efficiency in the face of rising targets.

The MCA is of the opinion that the set QoS targets are achievable even when mail items not arriving within D+30 are included in the performance calculations. The QoS targets should therefore remain as established in **Section 3** below.³⁷ As explained in **Section 3** the targets are based on customer expectations, MaltaPost's overall performance and efficiency gains during the past years and the efficiency gains envisaged for the coming years. They also take into consideration exceptional factors that make it uneconomic for MaltaPost to provide a 100% next day delivery service (for example, due to human errors resulting from an entirely manual sorting process which could also impact the correct delivery of mail – although these errors are expected to be rare and exceptional).

The MCA notes that the D+1 targets (set at 93% for the financial year October 2010 – September 2011 increasing to 94 % for the following two years) of inland mail, delivered correctly the next day, are reasonable and justified, as well as within the European average, but still below the targets set in the following countries: Austria, Belgium, Luxembourg, Denmark, the Netherlands, Slovenia and Slovakia (showing targets \geq to 95%).³⁸

With regard to the arguments put forward by Informa Consultants with respect to the possible difficulties associated with the bulk mail panellists, the MCA notes that detailed requirements are set out in the respective QoS standards on the appropriate creation of test mail items (e.g. to ensure that the performance monitoring organisation knows the correct date of posting of each individual mail item),³⁹ the appropriate validation rules to be used for test mail items and the control of information provided by panellists. In addition, in line with the respective standards, panellists are continuously monitored and provided with the necessary guidance and training on the panellists' obligations and the mechanisms to report the sending and receipt of postal items accurately.

The MCA is therefore of the opinion that any concerns, albeit hypothetical ones, expressed by Informa Consultants with regard to the procedure to be followed by the bulk mail panellists, can be verified and addressed over a period of time. The

³⁶ This is a second class type of service whereby mail is delivered within 3 working days of it being posted.

Ref to CTT, *FAQ Ordinary Mail* [available at <http://www.ctt.pt/fectt/wcmservlet/ctt/faqs/en/faq4.html>] [viewed on 05/08/10]

³⁷ The MCA notes that Maltapost operates a *clear floor* policy for all mail. A D+1 target of 93% means that 7 letters out of a 100 letters posted are delivered after D+1. A D+3 target of 99% means that 1 letter out of a 100 letters posted is delivered after D+3. The set targets are deemed to be reasonable even if items not delivered by D+30 are included in the measurement calculations.

³⁸ ITA Consult – WIK Consult (August 2009), *The Evolution of the European Postal Market since 1997*, p. 114 (on-line) : http://ec.europa.eu/internal_market/post/doc/studies/2009-wik-evolution_en.pdf

³⁹ As stated in the standard test mail items with imprecise dates of deposit or delivery shall always be excluded from the calculations.

MCA is also of the opinion that with the right processes in place there is no reason why appropriately trained bulk mail panellists would not be in a position to report the sending and receiving of mail accurately and to be relied on to objectively report if they have not sent an item, or if they could have received it but mislaid it.

To this end, the MCA retains its position that, in addition to ordinary mail, the measurement of bulk mail should also include test mail items not arriving within D+30 (i.e. lost or substantially delayed) in the performance calculation. Nevertheless, in the case of bulk mail, the MCA deems it fair to provide a transitory period of one year prior to putting into effect the collective compensation scheme if the set targets are not reached via the performance measurement, when taking into consideration the inclusion of test mail items not delivered within 30 days. This will allow enough time for the independent performance monitoring organisation to effectively improve its current processes and procedures in line with the procedures depicted in the bulk mail QoS standard to ensure, amongst others, the quality of the panellists and the validation rules of test mail items.

Having carefully considered the views of the respondents and based on the fact that the measurement of loss and substantial delay of postal items will provide the MCA with additional information about the reliability of the universal postal service, coupled with the need to motivate MaltaPost to reduce, as far as possible, the number of lost or substantially delayed mail, the following additions will be included as part of MaltaPost's QoS measurement obligations:

- The adoption of TS 14773, on the measurement of loss and substantially delayed mail items, as indicated in the consultation document. For measurement purposes a mail item shall be considered as lost, or substantially delayed, if the item has not been received by the recipient within seven (7) days (i.e. D+7) after which it has been posted. The measurement, in line with TS 14773, will provide for a more precise measure of the level of loss and substantial delay of single piece priority mail than can be obtained solely from the measurement of complaints.
- The reporting on the quality performance measurement of inland ordinary mail (EN 13850) and bulk mail (EN 14534) should be expressed as a percentage of postal items delivered within the defined service standard by:
(a) excluding postal items not delivered up to D+30 from the calculation;
and by (b) including postal items not delivered by D+30 in the calculations (i.e. postal items lost or substantially delayed⁴⁰).
- To encourage MaltaPost to address problems related to loss or substantial delay of postal items (e.g. due to mis-delivery of postal items), the collective compensation scheme established by the MCA in its 2005 Decision for failure to achieve its annual next day delivery (D+1) target, for the inland ordinary mail and bulk mail product, will be calculated based on the performance achieved by MaltaPost taking into consideration the inclusion of the postal items not delivered by D+30 in the calculations (i.e. postal items lost or substantially delayed). For the financial period October 2010 to September 2011 only, if the D+1 QoS target for the inland bulk mail product is not achieved, the collective compensation scheme will be

⁴⁰ It is impossible in practice to distinguish between items which will never arrive and items which have been delayed by a very long time. Items received after D+30 are considered as being lost or substantially delayed for the purpose of measurement.

calculated based on the D+1 performance achieved with the exclusion of the postal items not delivered by D+30 from the calculation.

Decision 1 – QoS Measurement and Monitoring of Inland Mail

(a) Ordinary Mail Services / Bulk Mail

The measurement and monitoring of single piece priority mail and bulk mail will continue to be organised by MaltaPost in conformity with the CEN standards EN 13850 and EN 14534. This measurement is to continue to be carried out by an independent organisation appointed by MaltaPost.

The MCA will, as necessary, audit the measurement methods used by the independent organisation appointed by MaltaPost to conduct the performance monitoring for inland ordinary mail and bulk mail.

(b) Loss and Substantial Delay of Ordinary Mail / Bulk Mail

Measurement of loss and substantial delay of single piece priority mail items (ordinary mail) will be organised by MaltaPost in conformity with TS 14773. A mail item shall be considered as lost, or substantially delayed, if the item has not been received by the recipient within seven (7) days (i.e. D+7) after which it has been posted. The resulting overall figure for loss and substantial delay will be expressed as a percentage of the total posted priority single piece test mail items.

The TS 14773 measurement methods are compatible with the requirements of EN 13850 for the measurement of the transit time of end-to-end services for single piece priority and first class mail. Thus, the same survey will be used to measure loss and substantial delay of priority ordinary mail in line with TS 14773.

This measurement is to be carried out by the same independent organisation appointed by MaltaPost for the measurement of the EN 13850 and will start as from the **1st January 2011**. MaltaPost is required to provide the MCA with quarterly QoS reports on the measure of loss and substantially delayed ordinary mail in line with **Decision 5** of its 2005 Decision Notice on QoS Requirements.⁴¹

The MCA will, as necessary, audit the measurement methods used by the independent organisation(s) appointed by MaltaPost to conduct the performance monitoring of the loss and substantial delay of ordinary mail.

Reporting on the QoS performance measurement of ordinary mail (EN 13850) and bulk mail (EN 14534) should be expressed as a percentage of postal items delivered within the defined service standard by: (a) excluding postal items not delivered up to D+30 from the calculation; and by (b) including postal items not delivered by D+30 in the calculations (i.e. lost or substantially delayed postal items).

The collective compensation scheme established by the MCA in its 2005 Decision for failure by MaltaPost to achieve its annual next day delivery (D+1) target, for the ordinary mail and bulk mail product, will be calculated based on the performance achieved by MaltaPost taking into consideration the inclusion of the postal items not delivered by D+30 in the calculations (i.e. postal items lost or substantially delayed).

For the financial period October 2010 to September 2011 only, if the D+1 QoS target for bulk mail is not achieved, the collective compensation scheme will be calculated based on the D+1 performance achieved with the exclusion of the postal items not delivered by D+30 from the calculation.

(c) Registered Mail and Parcel Post

Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post will continue to be organised by MaltaPost by means of the track and trace technology.

Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post will be generally in conformity with the EN 14137 standard for the measurement of the loss of registered mail and other types of postal services using a track and trace system. MaltaPost is also required to take into consideration the CEN technical report TR 15472 for the measurement of transit times for parcels by the use of a track and trace system.

⁴¹ Refer to MCA's 2005 QoS Decision Notice (Decision 5) - <http://www.mca.org.mt/infocentre/openarticle.asp?id=667&pref=16>

The MCA will, as necessary, audit the measurement methods used by MaltaPost to monitor the quality of service in terms of delivery of registered mail and parcel post via a track and trace system.

Decision 2 – QoS Measurement and Monitoring of Cross Border Mail

Ordinary Mail, Registered Mail and Parcel Post

MaltaPost is required to continue to measure and monitor the performance of:

- intra-Community cross-border ordinary mail;
- ordinary mail of non-EU destinations where mail flows are significant;
- outbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) from time of posting until dispatch to destination (i.e. loading on airline in Malta); and of
- inbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) arriving at MaltaPost's office of exchange⁴² until delivery to the addressee.

⁴² An 'office of exchange' is the place where MaltaPost accepts cross-border mail from a postal operator of another country.

3. Establishment of Quality of Service Targets

This section sets out the MCA's proposals on the quality of service targets to be achieved by MaltaPost, considers the response received to the consultation and outlines the MCA's position and formal decision.

3.1 Summary of Consultation Issues

QoS Targets - Inland Mail Services

The MCA is required to monitor MaltaPost's QoS performance in accordance with the set quality standards and targets for inland mail.

In order to correctly determine the level at which QoS targets for inland mail should be set, it is important that both the customer viewpoint and the operator viewpoint are taken into account. If customers are entirely happy with the current level of service then targets should be set to reflect this. If there is a feeling that the performance is poor then the targets should be rated to match expectations.

Another useful benchmark in determining the level at which QoS targets for inland mail should be set is that provided by the respective Member States' established targets for single piece priority mail. More than half of the EU Member States have transit time targets of 90% or more for single piece mail items. The current target for Malta of 93% (for MaltaPost's financial year Oct 2009 – Sep 2010) is around the European average but below the targets set in countries, such as, Austria, Belgium, Luxembourg, Denmark, the Netherlands, Slovenia and Slovakia.⁴³

MaltaPost's operations (i.e. MaltaPost's network and circulation plans throughout Malta and Gozo) are designed to provide full next day delivery for all inland mail products (i.e. ordinary mail, bulk mail, registered mail and parcel post). Nevertheless, it is inevitable that unforeseeable circumstances will arise and that there will be exceptional factors that make it uneconomic for MaltaPost to provide a 100% next day delivery service. The established QoS targets are therefore reflected to cater for these unforeseeable circumstances.

QoS Targets - Cross-border Mail Services

MaltaPost monitors the quality of service for cross-border mail from time of posting to when they are delivered in line with the targets specified in the EU Postal Directive (85 per cent of mail to be delivered within D+3 and 97 per cent within D+5).⁴⁴

In addition, MaltaPost separately monitors the performance of outbound cross-border mail from dispatch to destination (i.e. loading on airline in Malta)⁴⁵ and inbound cross-border mail from MaltaPost's office of exchange to delivery against set QoS targets.

⁴³ ITA Consult – WIK Consult (August 2009), The Evolution of the European Postal Market since 1997, p. 114 (on-line) : http://ec.europa.eu/internal_market/post/doc/studies/2009-wik-evolution_en.pdf

⁴⁴ The validity and independence of the statistics are guaranteed by the UNEX external monitoring contractor. Refer to the IPC website <http://www.ipc.be/> for additional information.

⁴⁵ Cross-border mail that is posted before 19:00hrs between Monday and Friday and 15:00hrs on Saturday in the Maltese Islands is collected, processed and dispatched to destination (loading on airline) the following working day for any EU countries, Australia, Canada and USA, and following three (3) working days for all other countries.

3.2 Summary of Respondent's Views

MaltaPost agreed with all the proposed QoS targets for the delivery of inland mail covering the period October 2010 to September 2013, except for the proposed D+3 target. In its consultation paper the MCA proposed that the D+3 target should be raised by one percentage point to 100% for ordinary mail, bulk mail, registered mail and parcel post.

MaltaPost commented that *"the target of 100% is excessive. Postal sorting and delivery work is heavily reliant on human effort, and although the company strives to minimise such errors – as is evident in our quality of service standards achieved over the past years – eliminating all forms of error may be rather unrealistic."*

MaltaPost made the same comment for inbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) items. Inbound cross-border mail items arriving at MaltaPost's office of exchange before 19:00 hrs between Monday to Friday and 16:30 hrs on Saturdays are processed on the same day, and delivered with the same performance targets as that of the inland mail products.

MaltaPost also commented that it agreed with the proposed standards for the delivery of outbound cross-border mail items. However, it indicated that since it *"relies on the UNEX programme run by IPC (and based on the EN 13850 standard) to measure its single-piece cross-border mail, it is not in a position to supply data in relation to Australia, Canada and the USA. UNEX testing is limited to European participants and therefore no outbound information to countries outside of Europe is available. The GMS design (formerly the QLMS) is based on inbound mail."*

3.3 MCA Position and Decision

MaltaPost is surpassing its D+3 target of 99% for its inland mail products.⁴⁶ MaltaPost's operations are also designed to provide full next day delivery. Therefore the MCA would expect a D+3 target of 100% to be achievable by MaltaPost. However, the MCA also recognises that there are legitimate factors that need to be taken into account in setting targets against which to measure MaltaPost's performance, due to for example, human errors resulting from an entirely manual sorting process. Nonetheless, the MCA would still expect that these errors would be rare and exceptional and that efficient and effective processes and procedures would identify and remove any issues due to the sorting of postal items.

The MCA has considered MaltaPost's response to the consultation document and recognises that a 99% target for D+3 would still be adequate to ensure the reliability of the universal postal services. As stated above substantially delayed or lost mail will be separately measured and monitored and will be another tool used by the MCA to ensure the reliability of the universal postal services. The MCA has therefore accepted MaltaPost's proposals with respect to the reduction in the proposed D+3 target from 100% to 99%.

The MCA acknowledges the difficulties highlighted by MaltaPost with regard to the performance measurement of the QoS for outbound cross-border mail (loading on airline in Malta) with respect to Australia, Canada and the USA. MaltaPost indicated that *"since MaltaPost relies on the UNEX programme run by IPC (and*

⁴⁶ For the financial year ending 2009 MaltaPost achieved the following results vis à vis its D+3 target of 99%: Ordinary Mail – 99.93%; Bulk Mail – 99.83%; Registered Mail – 99.76%.

based on the EN 13850 standard) to measure its single piece cross border mail it is not in a position to supply data in relation to Australia, Canada and the USA. The UNEX testing is limited to European participants, and therefore no outbound information to countries outside of Europe is available. The GMS design (formerly the QLMS) is based on inbound mail.”⁴⁷

Whilst the MCA acknowledges the difficulties portrayed by MaltaPost, the MCA refers to MaltaPost’s letter dated 28th May 2010 and the MCA’s reply on 1st July 2010. In their letter MaltaPost had informed the MCA that following the changes to the Universal Postal Union (UPU) ’s Global Monitoring System (GMS) it *“is no longer in a position to report the quality of service achieved vis-à-vis mail coming from Australia and Canada in the usual manner.”* The system run by the UPU provides results on the quality of service achieved on the delivery of inbound mail coming from abroad (from MaltaPost’s office of exchange to delivery to the addressee).

In its response the MCA acknowledged the changes made to the reporting of the GMS which applied only to the quality of service results of inbound cross border mail. No reference in MaltaPost’s communication was made to any problems related to the QoS performance measurement for outbound mail items to these countries for which, targets were set in the MCA’s 2005 and 2007 QoS Decision notices. The MCA also refers to its 2005 Decision Notice whereby it was indicated that as *“from January 2006 MaltaPost will extend the IPC UNEX measurement system to cover additional countries such as United States, Australia and Canada.”⁴⁸*

Given MaltaPost’s obligations as the USP, the MCA is of the opinion that the QoS performance targets for these countries - to which the outbound cross border mail outflow is still significant - should remain. Although there are difficulties to measure the QoS performance against the set targets of the outbound cross border ordinary mail items to these countries, the set performance targets should serve as an indication of the performance that should be achieved by the USP for these mail flows. It is premised that MaltaPost already has a good grasp of the indicative timeframes for delivery to these destinations and should therefore keep the public informed on the lead times to expect for end-to-end delivery of letters to these countries. The MCA notes that the monitoring problems referred to, relate only to the measurement for cross-border ordinary mail and bulk mail. MaltaPost will still be required to measure and publish the results achieved on the registered and parcel outbound cross border mail to these countries, as the results would be available through MaltaPost’s track and trace system.

The MCA is of the opinion that the new QoS targets for the postal products depicted below, to be achieved by MaltaPost, reflect customer expectations, MaltaPost’s overall performance and efficiency gains during the past years and

⁴⁷ **UNEX** refers to the measurement system adopted by the International Post Corporation (IPC) that measures the end-to-end performance (from posting to delivery to the final addressee) of cross border (intra EU) single first class / priority letter mail against the performance set by the European Commission of 85% of these items to be delivered within three days and 97% of these items to be delivered within five days.

The UPU **Global Monitoring System** (GMS)’s objective is to provide for each designated postal operator, precise diagnostic quality of service performance results for **inbound mail** that are linked to terminal dues remuneration (these refer to payments effected between countries for handling international mail). The measurements consider the time required by the designated postal operator of destination from the arrival of the test items, to their final delivery.

⁴⁸ MCA (2005), *MaltaPost plc – Quality of Service Requirements. Decision Notice*, p. 13 [available at <http://www.mca.org.mt/infocentre/openarticle.asp?id=667&pref=18>] [viewed on 27/09/10]

the efficiency gains envisaged for the coming years and take into consideration exceptional factors that make it uneconomic for MaltaPost to provide a 100% next day delivery service. They also provide MaltaPost with the necessary incentive to maintain and improve the regularity and reliability of its universal postal service over the envisaged timeframes.

Decision 3 – QoS Targets Inland Mail

The QoS targets to be achieved by MaltaPost, over the next three (3) financial years, for the delivery of inland mail are set as depicted below:

Inland Mail QoS targets			
Financial Year (FY)	D+1	D+2	D+3
Ordinary Mail⁴⁹			
FY 2010/11	93%	98%	99%
FY 2011/12	94%	98%	99%
FY 2012/13	94%	98%	99%
Bulk Mail⁵⁰			
FY 2010/11	93%	98%	99%
FY 2011/12	94%	98%	99%
FY 2012/13	94%	98%	99%
Registered Mail and Parcel Post⁵¹			
FY 2010/11	97%	99%	99%
FY 2011/12	98%	99%	99%
FY 2012/13	98%	99%	99%

The MCA will review the above-mentioned schedule of QoS targets at least once a year and may propose modifications to the targets in consultation with MaltaPost or any third parties.

Decision 4 – QoS Targets Cross-border Mail

(a) Cross-border Mail

Intra-community cross-border ordinary mail is to continue to be measured and monitored by MaltaPost in line with the targets specified in the EU Postal Directive (85 per cent of mail to be delivered within D+3 and 97 per cent within D+5).

(b) Outbound Cross-border Mail

The targets to be achieved by MaltaPost for delivery of outbound cross-border mail from dispatch (date of posting) to destination (loading on airline in Malta) for the next three (3) financial years are set as depicted below.

⁴⁹ This includes letters, postcards, printed papers, locally registered newspapers and articles for the blind.

⁵⁰ This includes all types of addressed bulk mail including: letter mail, direct mail (which is a particular form of bulk mail as defined in the Postal Services Act), magazines, and newspapers.

⁵¹ As registered mail and parcel post require a signature on delivery as a proof of delivery, the QoS target refers to the first delivery attempt. If the addressee is absent a notification notice is issued by MaltaPost after the first delivery attempt.

Outbound Cross-border Mail (Loading on Airline in Malta) QoS Targets			
Ordinary Mail / Bulk Mail			
EU countries, Australia, Canada, and USA ⁵² :	D+1	93%	FY 2010/11
	D+1	94%	FY 2011/12
	D+1	94%	FY 2012/12
All other countries:	D+3	99%	FY 2010/11
	D+3	99%	FY 2011/12
	D+3	99%	FY 2012/13
Registered Mail			
EU countries, Australia, Canada, and USA:	D+1	93%	FY 2010/11
	D+1	94%	FY 2011/12
	D+1	94%	FY 2012/13
All other countries:	D+3	99%	FY 2010/11
	D+3	99%	FY 2011/12
	D+3	99%	FY 2012/13
Parcel Post			
EU countries, Australia, Canada, and USA:	D+1	93%	FY 2010/11
	D+1	94%	FY 2011/12
	D+1	94%	FY 2012/13
All other countries:	D+3	95%	FY 2010/11
	D+3	96%	FY 2011/12
	D+3	96%	FY 2012/13

(c) Inbound Cross Border Mail

All inbound cross-border mail arriving at MaltaPost's office of exchange before 19:00 hrs between Monday to Friday and 15:00 hrs on Saturdays is to be processed on the same day, and delivered with the performance targets of the inland mail products identified in **Decision 3** above.⁵³

The MCA will review the schedule of QoS targets depicted in (b) and (c) above at least once a year and may propose modifications to the targets in consultation with MaltaPost or any other third parties.

⁵² The monitoring problems referred to in the Decision Notice relate only to the measurement for ordinary mail and bulk mail. MaltaPost will still be required to measure and publish the results achieved on the registered and parcel outbound cross border mail to these countries.

⁵³ Also refer to <http://www.maltapost.com/page.asp?p=9370&l=1> regarding inbound cross-border mail.

4. Complaints Handling – Information Requirements

This section sets out the MCA's proposals on the information requirements with respect to the complaints handled by MaltaPost as the USP, considers the response received to the consultation and outlines the MCA's position and formal decision.

4.1 Summary of Consultation Issues

End-to-end measurement standards consider only the measurement of transit time (expressed as the percentage of mail delivered within D+n days end-to-end) and do not cater for other qualitative aspects of service performance.⁵⁴ Therefore, simple, transparent and low-cost complaint handling mechanisms constitute important channels via which service users can express dissatisfaction with existing services.

Complaints facilitate the identification and effective resolution of routine problems thereby making it easier for MaltaPost to focus on improving core business processes that make for better service quality and heightened customer satisfaction. They also constitute important sources of information that flag existing problems which may not be captured through the measurement of end-to-end transit times. Information about complaints received complements the measures already referred to above, in order to ensure that QoS targets imposed on MaltaPost vis-à-vis the regularity and reliability of the universal postal service are effectively achieved.

To this end MaltaPost's management information system to track and monitor complaints is a key management tool for MaltaPost to be able to monitor frequency of issues and establish patterns, with a view to implementing effective remedies, thereby improving QoS, with resultant customer satisfaction and reduction in costs.

The MCA's 2005 decision notice, among others, states that:

- Complaints handling should be in conformity with the EN 14012 standard on the complaints handling principles.
- MaltaPost would retain the commitments in the booklet entitled 'Committed to Customer Care' (also referred to as the Code of Practice) and extend its scope to include complaints other than those that deal with loss, damage or delay;
- MaltaPost update the above-mentioned booklet within three (3) months from the publication of the Decision Notice according to guidelines published in the same decision notice (Ref to **Appendix E** of the same Document);
- This booklet would be kept updated and may require an annual review. It was also stated that this should be published and made available for viewing by all its customers as indicated in guidelines contained in the same decision notice (Ref to **Appendix D** of the same Document); and that

⁵⁴ For example, the date of deposit is defined by the last collection of the day but the standard does not measure whether the timing of the last collection of the day meets customers' requirements. Similarly EN 13850 considers the date of delivery but does not take into account the time of day when the item was delivered, the condition of items when delivered, access to customer service information or the post office counter service waiting times, etc.

- MaltaPost must provide the MCA with quarterly statistical reports on the complaints received and resolved. MaltaPost was also required to provide an annual report that consolidates all quarterly statistical reports and explanation of actions MaltaPost had taken to address the complaints.

In 2009 the MCA reviewed MaltaPost's complaint handling requirements and procedures.⁵⁵ Based on the outcome of the review the MCA instructed MaltaPost to review some of its procedures including, amongst others: (a) the creation of an internal customer care manual; and (b) the way complaints are recorded and addressed.

Subject to this review the MCA made the following proposals, in its 2010 consultation document:

- MaltaPost should clearly introduce the distinction between an enquiry and a complaint. Consequently, all customer care terminology used on its website and on published material should be reviewed to ensure consistency throughout. The MCA noted that the booklet entitled 'Committed to Customer Care' does not distinguish between an enquiry and a complaint, together with the relevant processes and procedures for handling each of these two distinct types of customer interaction.
- Changes to the categories of complaints as listed in its code of practice⁵⁶ are to reflect the modified categories of complaints as published by MaltaPost in its quarterly report submitted to the MCA and published on MaltaPost's website.⁵⁷

The MCA also proposed that the annual report submitted to the MCA on the complaints received should encompass a higher level of detail in that it should be accompanied with a narrative that explains emerging and recurring themes e.g. district / hub specific issues, personnel administrative issues etc., and actions taken to correct them and where applicable explanations of issues which impact on MaltaPost services over which they have no authority to effect corrective actions.

4.2 Summary of Respondent's Views

With respect to the distinction between an enquiry and a complaint⁵⁸ MaltaPost agreed with the MCA that these are different in nature. To this end MaltaPost indicated that: *"with respect to the distinction between an enquiry and a complaint, we understand that it is important for clients to be aware that they can lodge both submissions . . . Generally, when clients present submissions to the company, they are themselves aware whether they are either complaining or*

⁵⁵ Ref. to AG Norris Consulting Ltd (2009), *Complaints Handling Requirements and Procedures. Internal report.*

⁵⁶ Ref. to MaltaPost Plc., Committed to Deliver (on-line) : <http://www.MaltaPost.com/page.asp?p=9381>

⁵⁷ Ref. to MaltaPost Plc, Complaints by MCA Classification. 1st January 2010 to 31st March 2010 (on-line) : <http://www.MaltaPost.com/filebank/MCA%20Reports%20%20Customer%20Care/MCA%20REPORT%2001.01.10%20-%2031.03.10.pdf>

⁵⁸ Complaints are requests given by users of the postal service in order to communicate that they feel that the service provided has not met the standard they expect or the standard the service provider has to comply with

European Committee for Standardisation (March 2003), Postal Services – Quality of Service – Measurement of complaints and redress procedures European Standard CEN/EN 14012, Brussels – CEN, p. 4

requesting information. Our staff are also well versed with the difference between the two categories."

MaltaPost also commented that in line with EN 14012, enquiries should be considered as *"suggestions, communications, service enquiries and requests for information."*⁵⁹

MaltaPost also proposed that the three categories related to enquiries included in the quarterly and annual reports should be changed as follows:

- *"'Enquiry concerning locally posted mail' should read 'locally posted mail'*
- *'Enquiry concerning incoming item (foreign)' should read 'incoming postal article (foreign)'*
- *'Enquiry concerning outgoing item (foreign)' should read 'Outgoing postal article (foreign)'*

MaltaPost agreed with the MCA's proposal relating to the provision of a more detailed annual report on the complaints received and actions taken by MaltaPost to address the complaints.

4.3 MCA Position and Decision

The MCA notes that the distinction between an enquiry and a complaint should be in line with EN 14012. Enquiries include suggestions, communications, service enquiries and requests for information. The MCA reiterates its position that the consumer should also be well informed of this distinction.

To this end: (a) all customer care terminology used on its website and published material, and (b) its booklet entitled 'Committed to customer care', should be reviewed in order to clearly distinguish between an enquiry and a complaint.

The MCA reiterates its position that there should be a different mechanism for making a complaint or an enquiry. These mechanisms should be distinct and portrayed separately in the booklet entitled 'Committed to customer care' and on their website section entitled 'Committed to Deliver'.

Enquires, in addition to complaints, remain an important source of information to indicate areas where MaltaPost could improve, especially with regard to information provision on specific service areas. Information on enquiries received should therefore continue to be recorded and reported.

However, the MCA acknowledges that enquiries should not continue to be grouped with the complaints in the quarterly and annual reports submitted to the MCA, given their distinct nature. These should be presented in a separate section of the same report. Information on enquiries related to postal items should also be published on MaltaPost's website. The report for the quarter ending December 2010 and the annual report for the financial year ending October 2011 should reflect this distinction.

The annual report should be accompanied with a narrative that explains emerging and recurring themes e.g. district / hub specific issues, personnel administrative issues etc., and actions taken to correct them and where applicable explanations of issues which impact on MaltaPost services over which they have no authority to

⁵⁹ Ibid., p. 8

effect corrective actions. The annual report for the financial year ending October 2011 should start containing such an explanation.

Decision 5 – Complaints Handling – Information Requirements

(a) Handling of Complaints

In line with the 2005 Decision Notice complaints handling must be in conformity with the EN14012 standard on the measurement of complaints and redress procedures.

(b) MaltaPost's Code of Practice ('Committed to Customer Care')

Within three months of the publication of this Decision MaltaPost should submit to the MCA a reviewed code of practice containing:

- a clear definition of what constitutes an enquiry in line with EN 14012, and how this will be tackled by MaltaPost (separately from the complaints handling procedure); and
- a reviewed categorisation of complaints and enquiries including the following:

Complaints	Enquiries
<ul style="list-style-type: none"> ○ Delay ○ Substantial delay ○ Loss ○ Damage ○ Change of address (re-direction) ○ Mail delivery or collection ○ Mis-delivery (to the wrong address) ○ Access to customer service information ○ Access to postal services ○ How complaints are treated ○ Other complaints ○ Clients instructions ○ Registered mail ○ Behaviour and competence of postal personnel ○ Post office counter service waiting times ○ Mail left partially out of the letterbox ○ Mail not posted in letter box/posting slot ○ Postal officer did not knock (failure to attempt delivery for large mail items or those requiring a signature) ○ Wrong endorsement of registered postal item 	<ul style="list-style-type: none"> ○ Locally posted item ○ Incoming postal item (foreign) ○ Outgoing postal item (foreign)

This categorisation of complaints and enquiries should not prejudice the MCA from further reviewing these categories in consultation with MaltaPost and other third parties, if necessary.

MaltaPost's Code of Practice should be kept updated on an annual basis. The changes made should be reflected both on its published booklet ('Committed to customer care') and on their website ('Committed to deliver').

The MCA may propose modifications to the said documentation in consultation with

MaltaPost or any third parties.

(c) Review of Customer care terminology used on MaltaPost's website and published material

Within three months of the publication of this Decision all customer care terminology used on MaltaPost's website and on published material should be reviewed to introduce the distinction between an enquiry and a complaint.

(d) MaltaPost's quarterly report

MaltaPost's quarterly report should start treating enquiries and complaints separately. The enquiries received in that quarter should be portrayed in a separate section of the same report. This should start to be portrayed in the report for the quarter ending December 2010.

(e) MaltaPost's annual report

MaltaPost's annual report should start treating enquiries and complaints separately. These should be portrayed within separate sections of the same report.

The annual report should also include a narrative explaining emerging and recurring themes e.g. district / hub specific issues, personnel administrative issues etc., and actions taken to correct them and where applicable explanations of issues which impact on MaltaPost service. The scope of this narrative should be to monitor the ongoing nature of complaints and inquiries and take any corrective action as necessary.

This should start to be portrayed in the report for the year ending October 2010.

5. Conclusion

A large proportion of the postal services market is still closed to competition due to the designated reserved area which has been assigned to MaltaPost, and the limited competition available in the non-reserved area.

Nevertheless, the QoS standard of first-day service achieved by MaltaPost over the past six (6) years has registered notable improvements in the quality of postal services and has ensured an appreciably high level of customer service on the part of the USP.

Bearing in mind the interests of all postal users, the MCA is of the opinion that further improvements can be made to the current level of quality that would, amongst others, improve the reliability of the universal postal service.

The attainable targets established above for inland and cross-border postal products over a three (3) year period should enable MaltaPost to further address current quality issues.

Moreover, the changes to be implemented to MaltaPost's Code of Practice on the handling of complaints and the way complaints and enquiries are reported should effectively ensure greater transparency and lead to a better service to customers, via improvements to work processes and procedures.

The MCA will be monitoring the situation on a constant basis in order to verify the robustness of this decision and may make periodic adjustments as necessary should circumstances warrant.

Appendix A – Legal Basis

The European Union (EU) Postal Directive establishes a harmonised framework for postal services throughout the EU and for securing improvements in the QoS provided.

The EU Postal Directive was transposed into national law under the Postal Services Act (Cap 254). The MCA's obligations under the **Postal Services Act** in relation to QoS of the universal postal service are as follows:

- under Article 25(1) to prescribe quality standards for inland mail;
- under Article 25(2) to monitor the performance of MaltaPost in accordance with the quality standards for inland mail;
- under Article 25(3) to provide for exemptions from any quality standards as may be prescribed in accordance with the Act, if it is satisfied that exceptional situations relating to infrastructure or geography so require
- under Article 76A (1) the Authority may in accordance with the provisions of article 4(6) and (7) of the Malta Communications Authority Act, issue any such directives to any postal operator as it may consider to be necessary for the purposes of and in accordance with the provisions of this Act.
- under Article 76A (2) without prejudice to the generality of sub-article (1) the Authority may in particular issue directives to an universal service provider in respect of any of the following: (a) the quality of the postal services to be provided, including compliance with any quality standards that the Authority may establish and any corrective action as the Authority may consider necessary in this regard.

The MCA's obligations under the **Postal Services General Regulations** in relation to the QoS of the universal postal service are as follows:

- under Regulation 7H (1) the MCA shall ensure that transparent, simple and inexpensive procedures are drawn up for dealing with users' complaints, particularly in cases involving loss, theft, damage or non-compliance with QoS standards;
- under Regulation 7H (2) imposes an obligation on the USP to publish at least once a year information on the number of complaints received, detailing what they were about and how they were dealt with;
- under Regulation 24A (4) adopt measures in respect of non-compliance with established quality of service standards, by the USP.
- under Regulation 24A (1) to prescribe quality-of-service standards in relation to the universal service;
- under Regulation 24A (2) to establish quality standards in respect of cross-border mail; and
- under Regulation 24A (3) ensure compliance with quality of service standards by the USP.

MaltaPost's obligations under its **licence**⁶⁰ in relation to QoS are as follows:

- Under Regulations 19.1 MaltaPost shall adopt the minimum standards of service approved by the MCA for each of the products falling within the universal service area (i.e. products listed in the Appendix of the Licence).⁶¹ The schedule of the minimum standards of services shall:
 - specify routing times and the regularity and reliability of services to be achieved;
 - specify standards for national and intra-Community cross border mail consistent with the Annex to the EU Postal Service Directive;
 - incorporate targets for the improvement of service standards within specified timeframes; and
 - provide for regular monitoring reports on the achievements of service standards using testing methodologies consistent with EU requirements.
- Under Regulations 19(2) MaltaPost must ensure that independent performance monitoring is carried out at least once a year and that the results are published.
- Under Regulations 19(3) the MCA will review the schedule of service standards at least once a year and may propose modifications to the standards in consultation with MaltaPost and any other third person as necessary. MaltaPost shall implement any modifications as the MCA may finally decide upon, within such time as the MCA may stipulate.
- Under Regulations 21.4 the Licensee shall publish, at the same time as the standards of service report under paragraph 19.3, details of the number and nature of complaints it has received and how these have been dealt with.
- Under Regulations 21.5 where a customer is not satisfied with the way the Licensee has handled his complaint, the Licensee shall ensure that he is informed that they may refer the complaint to the Authority for investigation. If, in the opinion of the Authority, the number or nature of complaints referred to the Authority indicate (or if the Authority otherwise becomes aware) that the Licensee's complaint handling procedures are not adequate, the Authority may require the procedures to be reviewed and improved.

⁶⁰ Refer to Legal Notice 500 of 2004 – MaltaPost plc Licence (Modification) Regulations.

⁶¹ The QoS standards to be achieved for a series of ancillary services depicted in the Appendix of the licence that also form part of the universal service (such as withdrawal of postal articles, re-direction, certificate of posting, certificate of loss or damage, Business Reply Service and private delivery boxes) are as specified in the decision notice published in June 2005.

Appendix B – European Standardised Measurement System

The European Committee for Standardization has a number of standards for the measurement of the quality of postal services (refer to CEN/TC 331 Published Standards)⁶²:

EN 13850:2002+A1:2007: Postal services – quality of service - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail.

EN 14012:2008: Postal services – Quality of services – Complaints handling principles.

EN 14508:2003+A1:2007: Postal services – quality of service – Measurement of transit time of end-to-end services for single piece non-priority mail and 2nd class mail.

EN 14534:2003+A1:2007 Postal services – quality of service – Measurement of transit time of end-to-end services for bulk mail.

EN 14137:2003: Postal services – quality of service – Measurement of loss of registered mail and other types of postal service using a track and trace system.

CEN/TS 14773:2004 Postal services - Quality of service - Measurement of loss and substantial delay in priority and first class single piece mail using a survey of test letters.

The only EU mandatory requirement to implement these standards is in respect of EN 13850. However if measurement of other activities is undertaken it is necessary to use the appropriate standards.

Section 1 (Scope of EN 13850) makes it clear that Bulk Mail requires different measurement systems and methodologies compared with single piece mail. The introduction to EN 14534 emphasises the differences between the single piece and bulk mail standards. The main reasons to support a separate standard for the measurement of bulk mail include the fact that most bulk mail will be subject to a contract and explains why it is not possible to combine the measurement of single-piece and bulk mail in a single system.

MaltaPost, following a procurement process, engaged 'Informa Consultants' to measure the quality of service for single-piece priority mail in accordance with the European Standard EN 13850 and bulk priority mail in accordance with the European Standard EN 14534. Subsequently, the MCA appointed the audit firm 'Ernst & Young' to audit the methodology employed by 'Informa Consultants' to carry out the Quality of Service Monitoring Surveys.

Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post is organised by MaltaPost by means of the track and trace technology. Measurement and monitoring of MaltaPost's performance with respect to registered mail and parcel post must be generally in conformity with the EN 14137 standard for the measurement of the loss of registered mail and other types of postal services using a track and trace system and take into consideration the CEN technical report TR 15472:2006 for the measurement of

⁶² Refer to

<http://www.cen.eu/cen/Sectors/TechnicalCommitteesWorkshops/CENTechnicalCommittees/Pages/Standards.aspx?param=6312&title=CEN/TC%20331#>

the transit time of end-to-end services for parcels by the use of a track and trace system.

The MCA, as necessary, audits the measurement methods used to monitor the quality of service in terms of delivery of registered mail and parcel post via a track and trace system.

MaltaPost provides the MCA with QoS reports (in line with the respective European standards) on a quarterly basis and not later than twenty (20) working days after the end of each quarter. Reports distinguish between the inland mail and cross-border mail products. The reports contain the measurements for the quarter together with the cumulative measurement for the year to date.

Complaints handling must be generally in conformity with the EN 14012 standard on the measurement of complaints and redress procedures.