



## **Review of Quality of Service Standards to be achieved by MaltaPost Plc for the Universal Postal Service**

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Response to Consultation and Decision

MCA/D/16-2703

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## EXECUTIVE SUMMARY

Postal service users, both residential and commercial, are entitled to an affordable high-quality universal postal service that meets their reasonable needs. This includes quality of service (QoS) standards related to (1) the time permitted for delivery and (2) the regularity and reliability of the universal postal service.

MaltaPost Plc (hereafter referred to as ‘MaltaPost’) is the only postal operator designated to provide the universal postal service in Malta and is subject to the relevant obligations. These include meeting the reasonable needs of postal service users throughout Malta by offering an affordable high-quality and reliable universal postal service.

In line with the law the Malta Communications Authority (MCA) sets QoS standards relating to the universal postal service provided by MaltaPost as part of its Universal Service Obligations (USO).

In setting such QoS standards the MCA reserves the right to review them periodically in order to ensure that the universal postal service is adequately provided and reflects the reasonable needs of all postal service users as well as the specific characteristics of the Maltese market.

In July 2016 the MCA published a consultation document entitled ‘Review of QoS Standards to be achieved by MaltaPost for the Universal Postal Service’. The consultation focused primarily on the QoS targets to be achieved by MaltaPost for the coming years, specifically the retention of the current QoS targets for domestic and cross-border mail. The MCA received one response, from MaltaPost, to this consultation.

After giving due consideration to the response it received, the MCA is now publishing its final Decision (referred to as the ‘2016 QoS Decision’) on the issues consulted upon. Through this Decision the MCA has decided in favour of retaining the current QoS standards which have been in effect over the past two years.

While the MCA’s Decision is effective as from 1<sup>st</sup> October 2016, the MCA will be monitoring market developments and reviewing MaltaPost’s QoS obligations as necessary. The QoS standards set out in this Decision will remain applicable unless any emerging developments necessitate a re-assessment.

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## 1. INTRODUCTION

As regulator for postal services the MCA is responsible for setting the QoS standards of the universal postal service in Malta. As the designated Universal Service Provider (USP) MaltaPost must adhere to its obligations at law and ensure that its performance is in line with the set QoS standards. The results must be presented to the MCA and published on a regular basis.

In June 2005 the MCA published its first Decision notice on the QoS requirements in order to start a process to secure improvements in the quality of the universal postal service. This Decision established the QoS standards, with respect to transit time objectives, to be achieved by MaltaPost for the delivery of domestic and cross-border mail covering the period October 2004 - September 2007. This Decision introduced a collective compensation scheme in case of failure, on the part of the USP, to achieve its annual QoS targets. The Decision also set the direction for the improvement of MaltaPost's complaints handling and compensation mechanisms and established the information and reporting requirements for performance monitoring and complaints handling.

In December 2007 the MCA published its second Decision on the QoS standards to be achieved by MaltaPost, whereby the QoS targets were revised for a further three-year period covering the period October 2007 - September 2010. This Decision also established, as a separate requirement, the measurement and monitoring of the domestic bulk mail service provided by MaltaPost as part of its Universal Service Obligation (USO).

In November 2010 the MCA published its third Decision on the QoS standards to be achieved by MaltaPost, whereby the QoS targets were once again revised for a further three-year period covering the period October 2010 - September 2013. This Decision established, as a separate requirement, the measurement and monitoring of loss and/or substantial delay of mail. In addition, this Decision also introduced revisions to MaltaPost's code of practice with respect to the classification of complaints and enquiries.

In January 2014 the MCA published its fourth Decision on the QoS standards to be achieved by MaltaPost, whereby the QoS targets were once again revised for a further three-year period covering the period October 2013 - September 2016. The revised QoS targets established in this Decision reflected the expected performance of an efficient, high quality universal postal service in Malta. This Decision also updated the information and reporting requirements with respect to QoS performance monitoring and complaints handling.

The results achieved by MaltaPost over the past ten years have shown a constant improvement in the quality of the universal postal service whereby MaltaPost has regularly exceeded the established QoS targets. Furthermore, a recent customer perception survey indicated that consumers are generally satisfied with MaltaPost overall QoS performance.<sup>1</sup>

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<sup>1</sup> Refer to 2014 postal perception surveys: <http://www.mca.org.mt/surveys>

This document presents the MCA's 2016 QoS Decision on the annual QoS standards to be achieved by MaltaPost as from 1<sup>st</sup> October 2016 for the following universal postal services:

<b>Domestic mail:</b>	Ordinary mail (i.e. single piece priority letter-post mail) Bulk letter-post mail Registered letter-post mail Parcel post
<b>Cross-border mail:</b>	Ordinary mail Registered letter-post mail Parcel post

In addition to the setting of the QoS standards for the above-mentioned universal postal services, the MCA's 2016 QoS Decision also updates the reporting requirements with respect to performance monitoring and complaints handling.

The MCA's 2016 QoS Decision does not extend to the methodology for measuring and monitoring the actual performance against the set QoS standards. The methodology as reflected in **Decision 1** and **Decision 2** of the MCA's 2014 QoS Decision<sup>2</sup> (refer to **Appendix A**) will continue to apply.

In addition, the MCA's 2016 QoS Decision does not extend to other aspects of QoS standards and monitoring systems established in the MCA's 2005 QoS Decision<sup>3</sup> related to:

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

The above-mentioned QoS measurement and monitoring systems have been effective in ensuring a high quality universal postal service in Malta and will continue to apply. Although changes to these requirements are not currently deemed necessary, the MCA reserves the right to review these requirements at a later stage, should the need arise.

<sup>2</sup> Refer to MCA's 2014 QoS Decision:

<http://www.mca.org.mt/sites/default/files/attachments/decisions/2014/QoS%20Decision%20Notice%20-%20Final%20-%2022nd%20January%202014.pdf>

<sup>3</sup> Refer to MCA's 2005 QoS Decision:

<http://www.mca.org.mt/sites/default/files/attachments/decisions/2012/qos-decision-notice-7-june-05.pdf>

## 1.1 LEGAL BASIS

The MCA is required to set and publish QoS standards in relation to the universal postal service, within the framework set out in European and national legislation, paying attention in particular to routing times and to the regularity and reliability of services.

The European Commission emphasises the importance of standards required for the provision of an appropriate level of postal service to users.<sup>4</sup> These include standards for the QoS measurement regarding the reliability of postal services and the treatment of problems of loss, theft and damage.

MaltaPost, as the designated USP, must meet the reasonable needs of postal service users throughout Malta by offering high-quality and reliable universal postal services. The MCA monitors MaltaPost's performance against the set QoS standards. Further to this MaltaPost must report on the results of the monitoring exercise on a regular basis. The MCA ensures that corrective action is taken in cases where the QoS standards have not been achieved.

MaltaPost must also ensure that transparent, simple and inexpensive procedures are in place to deal with complaints by users, particularly in cases involving non-compliance with service quality standards. Such procedures enable disputes to be settled fairly, promptly and in an inexpensive manner. Furthermore, MaltaPost is obliged to publish information on the number of complaints received. This must be done at least once every calendar year and should go into detail regarding the nature of the complaints received and how they were dealt with.

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

## 1.2 QUALITY OF SERVICE STANDARDS

The QoS measurement for domestic mail is set in the form of a transit time objective of:

- D+1<sup>5</sup> measuring the percentage of mail delivered on the working day after injection into the system (regularity); and
- D+3<sup>6</sup> measuring the percentage of mail delivered within three working days after injection into the system (reliability).

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<sup>4</sup> The European Standardisation Committee (CEN) has been entrusted with developing European measurement methods (standards) for a number of aspects concerning the quality of postal services (refer to <http://www.cen.eu>).

<sup>5</sup> The quality standards for mail are established in relation to the time limit for routing measured from end-to-end for postal items of the fastest standard category according to the formula D+n, where D represents the 'day of posting' of a postal article and 'n' represents the number of working days after the 'day of posting' after which the postal article will be delivered to the addressee in due course of post.

<sup>6</sup> D+3 represents three (3) working days from the date of deposit to delivery to the addressee. Whatever target is set is necessary to address what happens to those postal articles which have not been delivered on the next working day.

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<sup>7</sup> has set QoS objectives for transit times concerning the fastest standard category of intra-Community cross-border mail services at 85% of mail to be delivered within D+3 (speed) and 97% within D+5 (reliability). These intra-Community cross-border mail standards must be achieved not only for the entirety of intra-Community traffic but also for each of the bilateral mail flows between two Member States. The QoS transit time objective for cross-border mail to all other foreign addresses is set at D+9 (i.e. up to nine days).

### 1.3 DOCUMENT FORMAT

The MCA's 2016 QoS Decision on each of the following aspects consulted upon is presented in the following two sections:

**Section 2** sets out the MCA's decision with respect to the annual QoS standards to be achieved by MaltaPost for domestic and cross-border mail as from October 2016 onwards.

**Section 3** sets out the MCA's decision on the revised reporting procedures with respect to QoS performance monitoring and complaints handling.

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<sup>7</sup> Refer to European Postal Services Directive:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0006&from=en>

## 2. QUALITY OF SERVICE TARGETS

This section sets out the MCA's proposals on QoS performance targets to be achieved for domestic and cross-border universal postal services provided by MaltaPost, as the designated USP. It further provides the MCA's analysis of the response received to the consultation and outlines its decision with respect to the issues consulted upon.

### 2.1 CONSULTATION ISSUES - DOMESTIC MAIL SERVICES

MaltaPost is required to provide a universal postal service in which domestic mail (also referred to as Inland Mail) that is posted before the established latest time of posting is delivered on the next working day (D+1). The following domestic mail services are subject to the next-day delivery and quality of service standards:

- **Single piece letter-post mail** (also referred to as ordinary mail) is the domestic mail posted by individuals and businesses, big and small (other than bulk mail), at street letterboxes or over the counter at postal outlets (such as post offices or sub-post offices).
- **Bulk letter-post mail** consists of a substantial number of similar letter-post items deposited with MaltaPost at the same place and time, to be transported and distributed to the addressees indicated on each of the postal articles.

A high-quality bulk mail service is essential for the effective functioning of government, business and commerce in Malta as it provides a valuable means of communication between such entities and their respective audiences. Large business mailers need to be able to send mail such as statements, advertising mail and bills to all their customers, regardless of where in the country they live. Access to an efficient bulk mail service is also imperative for smaller businesses, facilitating contact with their customer base.

- **Parcel post service** (also referred to as ordinary parcel service) is the service that provides for the transmission of packages (other than a letter, large envelope or packet) deposited over the counter, either single or in large quantities. Parcels are distinct from letter-post items and transportation freight respectively in consideration to weight and size limits.
- **Registered mail service** provides a flat-rate guarantee against risk of loss, theft or damage, and supplies the sender with, where appropriate and upon request, proof of handing in of the postal article and/or of its distribution to the addressee. Whilst registration of single piece letter-post items and bulk letter mail (including advice of receipt) is an option at an additional fee, parcels include registration as part of the service.

In its consultation document the MCA reviewed the QoS standards for the above-mentioned universal postal services. In its analysis the MCA acknowledged MaltaPost's history of steady progress and commitment to improvement in the quality of the universal postal service.

### **Next Day Delivery QoS Standards**

The set QoS standards for domestic mail must be consistent with the objective of providing next day delivery, barring exceptional factors that could hinder MaltaPost's attempts to provide a 100% next day delivery service.

The exceptional factors that could legitimately be taken into account in setting a QoS standard against which to measure MaltaPost's performance mainly include: human error resulting from an entirely manual mail sorting process and unforeseeable variations in volumes.

It is recognised that the main problems encountered in maintaining a high QoS standard for next day delivery of mail in Malta arise from human error. However, the ongoing training of postal employees responsible for the sorting and delivery of postal articles ensures that human error is kept to a minimum. Furthermore, incentives for bulk mailers to present their mail pre-sorted by postcode could speed up the processing of mail by freeing up resources to give priority to, for example, the sorting of single piece priority mail items and unsorted bulk mail items.

The current next day deliver QoS standard of 95% for ordinary mail and bulk mail allows for a reasonable 5% (i.e. 5 letters out of 100 could be delivered after D+1) to cater for exceptional factors. As registered mail and parcel post are measured by means of a track and trace system, this enables a postal article to be monitored and its location established at any time, the QoS standards or 98% are set higher than those established for ordinary mail and bulk mail products.

Together with the QoS standard for next-day delivery (regularity) the MCA sets a standard of 99% for delivery of ordinary mail within three days of posting and for parcel/registered mail within two days. This applies to mail which is not delivered on the next working day by MaltaPost and thus relates to the reliability of the service. Any such mail which failed next day delivery service because of exceptional factors mentioned above should be delivered by the second working day for parcels and registered mail, and the third working day for ordinary mail. However, there may be some further minor factors which could constrain this. The MCA makes allowance of a further 1% which, in effect, means that 99% of parcel/registered mail and ordinary mail should be delivered within the second and third working day respectively.

### **QoS Standards – Current Scenario**

The MCA's latest consumer perception survey indicated that households, small businesses and large bulk mailers are generally satisfied with the overall quality of postal services provided by MaltaPost (89% of households, 83% of businesses and 83% of large bulk mailers were satisfied with the overall quality of services provided by MaltaPost).<sup>8</sup>

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<sup>8</sup> Refer to the postal perception surveys carried in 2014: <http://mca.org.mt/surveys>

The current QoS standards achieved by MaltaPost for domestic mail reflect the expectations of the users of postal services.

At 95% Malta's current D+1 standard for ordinary mail is above the European average and is among the highest QoS standards in a number of EU Member States (see **Table 1<sup>9</sup>**).

**Table 1: D+1 Quality of Service Standards for Single Piece Letter Mail (Ordinary Mail) in 2014 (94% and above)<sup>10</sup>**

Switzerland	97%
Austria	95%
The Netherlands	95%
Slovenia	95%
Malta	95% (as from FY 2014/15)
Portugal	94.5%
Ireland	94%

The current D+1 standard for bulk mail (95%), registered mail and parcel post (98%) also fall within the range of the top performance amongst the EU Member States that measure the performance of such services.

### **QoS Standards – Analysis**

The cumulative measures gradually mandated over the past years have allowed MaltaPost to meet and exceed the envisaged maximum next day delivery target of 95% for ordinary mail as considered by the MCA in its first consultation document on QoS standards published in 2005.

The MCA is of the opinion that there are no reasons why the current QoS performance targets to be achieved by MaltaPost for domestic mail need to be further increased as Malta already enjoys one of the highest QoS standards within the EU.

Jurisdictions having characteristics such as remote areas, requiring airlines to fulfill the set QoS obligations, have seen the reduction of QoS standards as a possible source of cost-efficiency. A low QoS standard for domestic mail to allow for the longer time needed for the delivery of mail to remote areas, as is the case in some larger countries, is not considered reasonable for Malta.

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<sup>9</sup> Refer to ERGP 2015 Report on QoS, consumer protection and complaint handling:

[http://ec.europa.eu/growth/sectors/postal-services/ergp/index\\_en.htm](http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm)

<sup>10</sup> Ibid.

The MCA is of the opinion that reducing the QoS standard for next day delivery of postal articles in the face of significant growth in eCommerce and declines in letter mail volumes could be detrimental to postal services. It may impact the trust placed in postal services and further accelerate the decline in letter mail volumes, and could also impact MaltaPost's parcel post business.

Geographic, demographic and other factors relevant to Malta (small size, high population density, predominantly urban, good road network, efficient address management) all point towards maintaining a high next-day delivery QoS standard.

The MCA considers it reasonable to maintain the current annual QoS standards which have been in force over the past two years. Maintaining the current QoS standards would benefit all postal service users in Malta who are entitled to an affordable high-quality universal postal service which meets their reasonable needs.

The MCA is of the opinion that the current QoS standards for the universal postal services continue to reflect customer expectations, MaltaPost's overall performance, efficiency gains during the past years and efficiency gains envisaged for the coming years. The MCA also considers that maintaining a high QoS standard should play a part in ensuring that users of postal services continue to trust the postal service in light of the increased use of e-substitution.

### 2.1.1 RESPONDENT'S VIEWS

MaltaPost welcomed the consultation on the forthcoming QoS standards to be achieved for the universal postal service at a time of rapid change. MaltaPost noted that since these standards were last reviewed in 2014 the postal industry continued to undergo significant transformation, and therefore looks forward to a revision of QoS standards that meet the reasonable needs of postal service users in a way that guarantees service sustainability in present day circumstances.

MaltaPost claimed that the revised QoS standard from 94% to 95% for delivery of mail by the next working day since the last review (in January 2014) did not provide an optimal threshold that could be realistically achieved at an affordable cost. MaltaPost claimed that such a high QoS target does not support the long-term viability of the universal postal service since significant and additional resources would have to be invested in an attempt to meet this QoS performance target.

In its response MaltaPost recommended a return to the QoS threshold of 94% as a more reasonable standard that reflects both market expectations and the present and future challenges of sustaining the universal postal service. MaltaPost noted that, in view of the fact that quality standards have a direct bearing on the cost of providing the universal postal service, setting quality standards that meet the needs of consumers and businesses which can be achieved at a reasonable cost is key.

MaltaPost noted that the universal postal service meets a fundamental social need that all residents in Malta should have access to: reliable and affordable postal services. MaltaPost noted that it is proud to provide such a service through its integrated network that services 160,000 addresses every day – an address database that continues to grow.

MaltaPost noted that over the years it has never stood still and, through its continuous endeavours, has managed to drive significant productivity and quality improvements that provide Malta with one of the lowest postal service rate cards in Europe and a record quality of service delivered. This notwithstanding the fact that the obligations borne by MaltaPost with respect to the universal postal service exceed those in most countries in Europe. For example, MaltaPost is required to collect and deliver mail 6 days a week as part of its USO, whereas the EU minimum requirement is 5 days a week. MaltaPost claimed that this continues to impact on the cost of providing the universal postal service. MaltaPost noted that despite this, prices for postal services have remained amongst the lowest in Europe.

### **Market Developments**

MaltaPost noted that the Maltese postal market continues to experience significant declines in volumes year on year as consumers move away from traditional mail and shift towards digital means of communication, or unregulated competitors. These forces, against a backdrop of rapidly rising fixed costs, are placing great strains on the viability of the universal postal service. Therefore an assessment of the relevance of the current QoS targets (that were set more than two years ago) must be viewed within the context of postal market evolution as well as that of the whole communications market.

MaltaPost anticipates the decrease in letter mail volumes to persist at a rate of more than five percent annually in the short-term. The increased prevalence of the internet and social media, instant messaging and email provide more immediate and cheaper means of communications. Businesses are sending more of their communications and seeking to reach their clients more quickly and personally via online means. Furthermore they are imposing additional charges on clients who request physical rather than electronic exchange. As a result users avail themselves of a growing range of options of instant communications and are therefore less reliant on the universal postal service.

MaltaPost stated that it faces declining revenues due to growing competition from providers that are otherwise unburdened with the USO and thus benefit from more flexibility in developing and pricing (albeit cheaper) propositions that are guided by commercial impetus. MaltaPost also stated that, apart from hindering a level playing field, this state of play is facilitating customer misinformation and overpricing of services in scenarios where express services are actually treated as next-day delivery services and/or courier delivery that are, according to MaltaPost, inferior to standard parcel post services. It is within this context that MaltaPost adds that it is being challenged by increasing fixed costs and heavily manual operations. MaltaPost noted that it is seeking to undertake the necessary transformation to leverage the growing parcel business. However, this entails reducing costs to keep the delivery of mail accessible, affordable and reliable.

While agreeing with the MCA that reducing the QoS target to a suboptimal level could catalyse a decline in letter mail volumes and impact its parcel post business, MaltaPost stated that the enforcement of an excessively high QoS target in the above context would restrict its ability to respond to market and customer needs.

#### **Comparison of QoS target with that of other EU Member States**

Making reference to the MCA's analysis of QoS targets of other EU Member States, MaltaPost acknowledged the findings in this regard as well as the MCA's recognition of MaltaPost's efforts over the years to meet such high objectives. MaltaPost recognises the usefulness of such comparative analysis in gauging a QoS target with those in comparator countries. QoS results across the EU vary considerably, with most of them (as well as the EU average) having objectives that are far below Malta's threshold. MaltaPost noted that unless such a QoS comparison is seen against a proper broader backdrop, its relevance could turn out to be misleading or inappropriate for the purpose of the review.

MaltaPost noted that the comparison with other countries does not indicate if they also provide non-priority service in addition to a priority service. MaltaPost further contended that the ERGP's report which provides a cross-country comparison does not indicate whether the statistics of the countries being considered relate to a full year of postal operation, as is the case of Malta, or if it discounts specific months which exhibit variances that would otherwise skew the USP's actual QoS performance. The comparison does not, claimed MaltaPost, 'provide insight about the ability of the referenced Member States to actually achieve set QoS targets and the implications of this happening.'

MaltaPost argued that the QoS measurement is, in some aspects, more stringent than that fulfilled in other countries. For example the EN13850 standard for domestic single piece mail does not mandate measurement of unaccounted for items that fail end-to-end delivery beyond D+30. Despite this MaltaPost is required to measure mail which is lost or significantly delayed, a measure which relies on the measurement panel's reliability.

MaltaPost noted that an international comparison for the purposes of reviewing the QoS measurements should also consider the fact that QoS standards have been relaxed in a number of European countries over the past years. MaltaPost specifically made reference to Denmark (97%, reduced to 93% in 2005), Finland (85%, reduced to 80% in 2011) and Italy where, since 2015, a system of alternate mail delivery has been gradually adopted in some regions.

#### **Local Context**

MaltaPost acknowledged that, while 'specific Maltese geographical and/or demographic traits could be conducive to higher QoS in comparison with other jurisdictions, it should also be pointed out that the local context also exhibits unique constraints that hinder achievement of such high standards.' For this reason MaltaPost placed great emphasis on finding the optimal QoS target.

MaltaPost noted that its operations, unlike that of any other USP in the EU, are completely manual. Every operator referred to in the ERGP's cross-country comparison benefits from automated mail handling systems, operations and capabilities that sort mail to the street level, minimising significantly human dependencies, errors and delivering much higher service resilience.

MaltaPost is of the opinion that having a QoS target equivalent to or higher than other countries is unrealistic, despite the MCA's acknowledgement of human element as the main quality performance

detractor. MaltaPost noted that, notwithstanding historical performance, its significant dependence on the human factor in present-day circumstances is increasingly challenging its ability to provide a sustainable, affordable and high-quality universal service. Further to its continuous improvement programme and ongoing initiatives (that include the recommendations put forward in the consultation document), MaltaPost believes that the tipping point has been reached beyond which sustaining current or higher QoS performance levels would entail considerable expenditure and investment. MaltaPost noted that it is vital that the forthcoming QoS targets are holistically manifest of customers' needs, their willingness to pay and ensuing cost implication to deliver proposed service quality levels.

#### **Growing Impact of Poor Local Addressing Implementations**

In its response MaltaPost also claimed that several addressing-related factors hinder the efficiency of its operations. Such factors include:

- » the sub-standard adoption of correct postcodes, relative to other jurisdictions, that increasingly hinders and creates multiple error opportunities in the end-to-end mail delivery process;
- » incomplete addresses (incorrect/missing house number, missing locality and postcode, etc);
- » street names written differently in Maltese/English - this complicates the postal sorting and delivery operation, particularly for new postal employees; and
- » unauthorised delivery operators practices clogging letterboxes with unaddressed mail.

MaltaPost noted that accentuating the impact of the above, and thus hindering the D+1 delivery of mail further, are the presently unfinished tasks (by the competent authorities) of updating street names and door numbering. MaltaPost also noted that QoS performance achievements are challenged by the increased adoption of inadequate letterbox arrangements and posting facilities as well as use of non-unique letterboxes.

MaltaPost estimate that 70% of the local letterboxes are not up to standard. The net effect in this regard is a growing inconvenience for both society as well as postal delivery. MaltaPost claimed that it has to resort to multiple delivery attempts as well as unorthodox commutes to deliver mail in localities or apartments wherein posting facilities are not adequately accessible from the street in line with legal obligations.

MaltaPost noted that it has been striving to mandate the conformance of local letterbox (es) with EN13724:2013 within a mutually agreeable period of time that caters for the needs of all stakeholders involved but so far there has not been a positive response on the matter. The above standard has been transposed into an officially recognised local standard by the Malta Competition and Consumer Affairs Authority (MCCA) since 2003 but so far the standard has not been mandated. The latter requires the enforcement by the MCA in line with the powers granted to it by the Postal Services Act.

#### **Methodology to Determine QoS target**

MaltaPost does not agree with the MCA's 'top-down approach based on the premise that MaltaPost should organise its operations so as to provide 100% next-day delivery, all year round [...] A target of 100% is unreasonable as it fails to consider the holistic expectations of postal users and places an unrealistic financial burden on MaltaPost in putting valuable resources in place to meet such a target.'

MaltaPost pointed out that other instances, in addition to human error, impact the quality of service, including exceptional staff absences (e.g. due to a workforce strike) and regional flooding (manifesting in localities such as Msida, Birkirkara, parts of Qormi, Xlendi, Marsalforn) in bad weather. In addition, company shutdowns are not discounted from the measurement exercise.

#### **Maintaining the current QoS targets to be achieved by MaltaPost**

MaltaPost believes that the prolonged retention of such an onerous next day delivery of domestic mail (D+1) target within the present day context will ultimately increase the cost of providing the universal postal service in Malta and threaten its sustainability. To this end MaltaPost recommended that the QoS target be revised downwards to 94% to better align this target with the reasonable needs of postal users, the capabilities and costs of providing the universal service as well as its pricing. In addition MaltaPost recommended the removal of lost and substantially delayed mail from the measurement.

MaltaPost argued that this reduction, at par or lower than QoS target relaxation implemented in other EU jurisdictions, would still see Malta amongst the top ranking EU Member States. At such a high QoS target this relaxation of D+1 target would have a minimal effect of quality elasticity and thus neither exacerbate current e-substitution trends nor catalyse the market dynamics referred to in the consultation document anymore than happened in EU countries that have already followed suite in light of their circumstances. MaltaPost noted that it is not in its interest to propose a recommendation that expedites a decline in its core services; MaltaPost has its own commercial, shareholder and listed company interests spurring it to provide quality services that improve its competitive position. MaltaPost believes that this proposal provides the necessary flexibility for it to better focus on other pivotal aspects of customer experience that encourage customer trust, such as customer care.

MaltaPost noted that the D+2 and D+3 QoS objectives, applying to mail which is not delivered on the next working day and thus relating to the reliability of the service, are still appropriate. In addition MaltaPost acknowledged that there may be some further minor factors which could constrain this, however, the 1% allowance made by the MCA in this regard is deemed adequate.

MaltaPost requested that the MCA intervene to ensure that these QoS regulatory obligations be imposed on all alternative postal providers in a uniform manner, and to take all such other action as may be necessary. MaltaPost believes that, in order to ensure that all postal service users get an affordable and high-quality service that meets their reasonable needs, these regulatory obligations should not be tied solely to the USP.

## 2.1.2 MCA'S COMMENTS AND DECISION

The universal postal service continues to play a key role in meeting social and economic needs of Malta. The MCA sees the availability of an efficient, high-quality universal postal service at par with the best in Europe as crucial in maintaining consumer confidence in postal services and one that is central to enabling businesses in Malta operate efficiently.

Since 2005 the MCA has closely followed MaltaPost's QoS improvements with respect to the universal postal service and regularly reviewed the QoS targets. The cumulative measures gradually mandated over the past years have allowed MaltaPost to meet and exceed the established annual QoS standards for domestic mail (refer to **Appendix C**).

The MCA is aware that, as a result of declining letter mail volumes, some countries have implemented changes to the USO (such as reducing the number of clearance and deliveries from six to five days in line with the minimum requirements of the EU Postal Services Directive) in order to reduce costs involved in providing the USO, whilst continuing to ensure the reasonable needs of users of postal services. In addition, some jurisdictions having characteristics such as remote areas have seen reductions of the next-day delivery QoS standards as a possible source of cost-efficiency. Universal postal service providers have also introduced measures to improve efficiency (such as by increasing the level of automation in the sorting of mail) and reduce costs.

The MCA recognises that the USO imposed on MaltaPost may, in the future, have to be adapted to accommodate changes in the market and the requirements of postal service users, together with the need to ensure its long-term sustainability. Nevertheless, the MCA is of the opinion that declining letter mail volumes should not translate into a reduction in the QoS standards of domestic mail. A reduction in the QoS standards may impact the trust placed in postal services and further accelerate the decline in traditional mail volumes.

In Malta, unlike some countries, distribution of mail does not rely on an expensive air network for a next-day delivery service, whereby a reduction in the QoS standard would remove the need for such a network. Neither would a lower QoS standard allow for the longer time needed for the delivery of mail to remote or inaccessible areas. Malta's characteristics (small size, high population density, predominantly urban, good road network and efficient address management) all point towards feasibly maintaining a high next-day delivery QoS standard.

Re-assessing the need for the current level of USOs in light of present-day user requirements, such as by reviewing the number of clearance and delivery days and/or the minimum density of access points, coupled with the implementation of further efficiency gains on the part of MaltaPost would, in the MCA's opinion, be a more effective way of addressing any concerns with the long-term sustainability of the USO, as opposed to a reduction in QoS standards.

In setting the QoS standards for next-day delivery (D+1) of mail, the MCA adopts a "top down" approach, based on the premise that MaltaPost should organise its operations so as to provide a 100% next day delivery all year round, and then takes account of those justifiable exceptional factors that would likely prevent it from achieving such a perfect delivery performance.

In the case of MaltaPost, these exceptional factors mainly relate to human error that may occur in the sorting and delivery of mail (e.g. letters sorted by error or delivered to the wrong address). Human error can however be mitigated via ongoing training given to postal employees responsible for the sorting and delivery of postal articles, and by the ongoing monitoring of complaints. In line with mail integrity standards, MaltaPost is required to ‘maintain and adhere to a training policy that provides for employees to receive initial and ongoing training (tailored to their job specific needs).’<sup>11</sup> The MCA is of the opinion that a 5% allocation to cater for exceptional factors that may hinder MaltaPost in its attempt to provide a 100% next day delivery service for ordinary mail and bulk mail is appropriate and proportionate.

In order to capture a true and accurate picture of MaltaPost’s QoS performance, unaccounted-for addressed mail items that fail end-to-end delivery beyond D+30 (i.e. mail which is significantly delayed or lost) are also taken into consideration. The MCA believes that not including this particular aspect of operation in the QoS measurement could yield a final result which shows a higher QoS performance than is actually provided.

The ongoing measurement and monitoring of significantly delayed and lost mail items remains an important component to ensure the provision of a high-quality universal postal service in Malta. This ensures that MaltaPost continues to take all the necessary action to reduce, as far as possible, the amount of mail mis-delivered, lost or substantially delayed. This parameter provides MaltaPost with a more precise measure than that which can be obtained solely from the measurement of complaints. Furthermore, the measurement of lost and substantially delayed mail provides MaltaPost with additional information on whether there are issues related to the integrity of mail.

In its response to the consultation MaltaPost noted that there are other instances (in addition to human error) that impact its QoS performance, including exceptional staff absences (e.g. due to a workforce strike) and regional flooding in bad weather. MaltaPost also remarked that company shutdowns are not discounted from the QoS measurement. The MCA notes that, in line with QoS measurement standards (refer to **Appendix A**) the QoS system must be continuous. All periods of the year should be considered, including Christmas, Easter and summer holiday periods. Non-functioning of the postal operators and days of strike or industrial disputes must not be discounted from the QoS measurement. Deductions in the corresponding period may only be considered by the MCA in the case of *force majeure* events.

The MCA recognises that postcodes are a useful tool for facilitating the sorting and distribution of postal articles and in assisting the postal operator in reducing the potential of mis-delivered mail and other delivery related errors. In October 2016 the MCA issued a public consultation document entitled ‘Postcodes to be Considered as an Integral Part of a Postal Address’.<sup>12</sup> The MCA on behalf of Government is proposing changes to legislation such that addressed postal articles should include a

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<sup>11</sup> Refer to MCA’s 2006 Decision entitled ‘Minimum Standards for Protecting the Integrity of Mail’: <http://www.mca.org.mt/sites/default/files/attachments/decisions/2012/decision-notice-mail-integrity.pdf>

<sup>12</sup> Refer to MCA’s Consultation Document published on the 21<sup>st</sup> October 2016:  
<https://www.mca.org.mt/notices-and-announcements/postcodes-be-considered-integral-part-postal-address>

postcode. The MCA is proposing that locally addressed postal articles shall include a postcode written immediately after the town or village of the address. Locally addressed postal articles which do not include a postcode would still need to be delivered by the postal operator. The postal operator would, however, not incur any liability for compensation to any person in cases of delay or mis-delivery of any postal article caused by a missing or erroneous postcode. The adoption of postcodes as an integral part of the postal address will only be applicable once the MCA determines that MaltaPost is complying with a number of regulatory conditions. The regulatory conditions are aimed at facilitating access by users to postcode information and in providing consumers and businesses with information on the benefits of using the correct postcode.

The adoption of postcodes as an integral part of the postal address would further assist MaltaPost in achieving the next day delivery (D+1) QoS performance target of 95% for ordinary mail and bulk mail, which have been in effect over the past two years and which MaltaPost has demonstrated that it can meet. Although the adoption of postcodes as an integral part of the address should assist MaltaPost in achieving an even higher QoS, the MCA is of the opinion that the current 5% allocation to cater for exceptional factors would remain appropriate. With the adoption of postcodes as an integral part of the postal address, the QoS measurement and monitoring of domestic mail (refer to **Appendix A**) would need to take into consideration that a correctly addressed postal article should include the postcode.

The MCA is of the opinion that the current QoS standards for domestic mail continue to reflect the expected performance of an efficient, high-quality universal postal service in Malta. Maintaining the current QoS standards which have been in place for the past two years would benefit all postal service users in Malta who are entitled to an affordable high-quality universal postal service which meets their reasonable needs. The MCA also considers that maintaining the current QoS standards should also benefit MaltaPost in contributing towards retaining customers in the face of competition in the broader communications sector, particularly from e-substitution. The MCA will nevertheless keep the matter under observation and review its decision, if or as required, at a future date.

### Decision A - QoS Performance Targets for Domestic Mail

The QoS annual performance targets to be achieved by MaltaPost as from 1<sup>st</sup> October 2016 for the processing and delivery of domestic mail are set as depicted below:

Domestic Mail QoS Annual Performance Targets applicable from 1 <sup>st</sup> October 2016			
	D+1	D+2	D+3
Ordinary mail	95%	98%	99%
Bulk mail	95%	98%	99%
Registered mail	98%	99%	99%
Parcel Post	98%	99%	99%

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

## 2.2 CONSULTATION ISSUES - CROSS-BORDER MAIL SERVICES

Although digital technology has become increasingly indispensable postal services remain highly relevant, most especially due to the growth in cross-border e-commerce. The EU Postal Directive defines cross-border mail as ‘mail from or to another Member State or from or to a third country’<sup>13</sup> i.e. an end-to-end postal service from one country to another.

MaltaPost is required to monitor and measure the QoS for intra-Community cross-border mail services from time of posting to when they are delivered in line with the targets specified in the EU Postal Directive (85% of mail to be delivered within a D+3 window and 97% within a D+5 window). The 2014 results of the IPC UNEX measurement system showed that, on average, the time for a letter to be delivered in Europe amounts to 2.4 days. 90.6% of letters were delivered within three days of posting and 97.8% within five days.

All inbound cross-border mail services (i.e. ordinary mail, registered mail and parcel post) arriving at MaltaPost’s office of exchange<sup>14</sup> before 7pm between Monday to Friday and 5.30pm on Saturdays must be processed on the same working day and delivered with the same QoS performance targets as those of domestic mail products. MaltaPost is also required to separately monitor the performance of outgoing cross-border letter-post mail, registered mail and parcel post from time of posting until dispatch to destination (i.e. loading on airline in Malta) against set QoS performance targets.

With respect to a universal cross-border mail service the sending operator has control only until its mail leaves its borders; upon reaching the destination country the mail becomes the responsibility of that country’s postal operator. In practice this means that MaltaPost is responsible for the local leg and part of the transit.

The MCA recognises that there may be difficulties when measuring the end-to-end QoS performance of the outgoing cross-border ordinary mail and bulk mail items to non-European countries and destinations with low mail volumes.<sup>15</sup> The set transit time should serve as an indication of the performance that should be achieved by MaltaPost for these mail flows. MaltaPost has a good grasp of the indicative timeframes for delivery to these destinations and should therefore keep the public informed of the lead times to expect for the end-to-end delivery of letter-mail items to these countries. MaltaPost is still required to measure and publish the results achieved for outgoing cross-border registered mail and parcel to these countries, as performance measurement is carried out through its track and trace system.

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<sup>13</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31997L0067&from=EN>

<sup>14</sup> An ‘office of exchange’ is the place where MaltaPost accepts cross-border mail from a postal operator of another country.

<sup>15</sup> In line with the CEN EN 13850:2012 standard, participants may opt to refrain from sending outbound test mail to countries with mail flows of less than 11,500 mail pieces per year (Category 4: Very small size flows) subject to agreement with the National Regulatory Authority (NRA).

The MCA is of the opinion that the current cross-border delivery standards continue to reflect the reasonable needs of postal service users in Malta. No changes are envisaged to MaltaPost's current QoS requirements with respect to cross-border mail and should continue to apply as from 1<sup>st</sup> October 2016. The MCA will keep the matter under observation and review again, if or as required, at a future date.

### 2.2.1 RESPONDENT'S VIEWS

In general MaltaPost agrees with the QoS targets for outbound cross-border mail from dispatch to destination and inbound cross-border mail from MaltaPost's office of exchange to delivery.

MaltaPost believes that pursuit of such measurement with a standardised methodology such as EN13850 is beneficial in order to enhance the transparency of measurement and the comparability of the performance results, provided further that the cost of measurement should be in due proportion to the imparted benefits.

MaltaPost noted that the re-inclusion of the outgoing cross-border bulk mail requires different measurement systems and methodologies to that of ordinary cross-border mail. Based upon the premise that the costs of measurement should be in due proportion to the benefits, MaltaPost is concerned about the feasibility of pursuit of such measurement in light of the negligible volumes it transacts coupled with the cost involved to recruit the outbound panel(s) and conduct such measurement accordingly.

### 2.2.2 MCA'S COMMENTS AND DECISION

The MCA recognises that there may be difficulties in measuring the QoS performance of outgoing cross-border bulk mail items. The set transit time and related performance targets for outgoing cross-border ordinary mail should, however, serve as an indication of the performance that should be achieved by MaltaPost for outgoing cross-border bulk mail. MaltaPost should keep the public informed of the lead times to expect for cross-border bulk mail items to the various destinations. MaltaPost should also make this information available to the MCA.

## Decision B - QoS Performance Targets for Cross-border Mail

The QoS annual performance targets to be achieved by MaltaPost, applicable from 1<sup>st</sup> October 2016, for the processing and delivery of cross-border mail are set as depicted below:

### Cross-border Mail Annual QoS Performance Targets applicable from 1<sup>st</sup> October 2016

#### (a) End-to-End Cross Border Mail

EU intra-community cross-border mail is to continue to be measured and monitored by MaltaPost in line with the end-to-end QoS targets specified in the EU Postal Directive – 85% of items to be delivered within D+3 (speed) and 97% within D+5 (reliability).

#### (b) Outgoing Cross-border Mail

The QoS performance targets to be achieved by MaltaPost for the delivery of outgoing cross-border mail (i.e. ordinary mail, registered mail and parcel post) from dispatch to destination (i.e. loading on airline in Malta) are listed below:

	D+1	D+3
<b>Ordinary Mail</b>		
EU Member States, Switzerland, Australia, Canada and USA	95%	99%
All other countries	-	99%
<b>Registered Mail</b>		
EU Member States, Switzerland, Australia, Canada and USA	95%	99%
All other countries	-	99%
<b>Parcel Post</b>		
EU Member States, Switzerland, Australia, Canada and USA	95%	99%
All other countries	-	96%

#### (c) Incoming Cross-border Mail

All incoming cross-border mail arriving at MaltaPost's office of exchange before 7pm between Monday to Friday and 5:30 pm Saturdays is to be processed on the same day and delivered within the QoS performance targets of the domestic mail products.

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

### 3. INFORMATION AND REPORTING REQUIREMENTS

It is important for the MCA to monitor MaltaPost's QoS requirements throughout the year and therefore it is necessary for MaltaPost to submit appropriate reports on its QoS measurement and results achieved against the established transit time objectives and set targets. Such reports enable both MaltaPost and the MCA to identify any issues with the quality of the universal postal service which may need to be addressed.

As mentioned in its consultation document the MCA has revised the timeframe allowed for submitting QoS reports.

The timeframe for submitting quarterly QoS reports for domestic ordinary mail and bulk mail is being revised from twenty working days to not more than thirty-five working days. This allows for any mail remaining unaccounted for within a 30 working day timeframe (i.e. substantially delayed or lost postal items) while allowing sufficient time for the measurement service provider to finalise the report thereafter.

The timeframe for submitting the biannual QoS reports for cross-border mail has been revised from twenty working days to thirty-five working days to cater for any data verification exercise on cross-border mail that may be required by the measurement service provider. The MCA may, at its discretion, grant an extension of a further fifteen working days.

The changes in the reporting requirements are reflected in **Decision C – Information and Reporting Requirements** below.

## Decision C - Information and Reporting Requirements

### Information Requirements

MaltaPost is required to continue conveying information about the universal postal service with respect to QoS standards and related targets, performance achievements and complaint measurement and redress procedures through, as a minimum, a variety of media<sup>16</sup>:

- at the point of posting;
- by way of notice at all post offices;
- in written form at all post offices for subsequent reference at home or business premises;
- on the Company's website;
- through advertising media; and
- in the Company's Annual Report.

With regard to information on the time of last collection to secure next day delivery, MaltaPost is required to make the following information available:

<b>All posting points</b>	<ul style="list-style-type: none"><li>■ The days when mail is collected;</li><li>■ Last collection time;</li><li>■ Freephone customer care helpline:<ul style="list-style-type: none"><li>■ To enquire or lodge a complaint</li><li>■ To report any irregularities, such as apparent interference with a letterbox</li><li>■ To ask questions regarding whether or not a collection has been made</li></ul></li><li>■ The code of a particular street letterbox;</li><li>■ Advice to the public that postal articles containing valuables must be sent by registered mail.</li></ul>
<b>MaltaPost's website</b>	<ul style="list-style-type: none"><li>■ The time of last collection from access points to secure next day delivery;</li><li>■ Comprehensive information with respect to QoS targets for all aspects of the universal postal service.</li></ul>
<b>All offices owned</b>	<ul style="list-style-type: none"><li>■ The time of last collection from access points to secure next day</li></ul>

<sup>16</sup> Also refer to MCA Decision 2008 – MaltaPost Universal Service Obligations – Accessibility, Daily Delivery, Provision of Information: <http://www.mca.org.mt/sites/default/files/attachments/decisions/2012/postal-uso-decision-final-sep-08.pdf>

<b>and/or controlled by MaltaPost providing the universal service</b>	<p>delivery</p> <ul style="list-style-type: none"><li>■ Comprehensive information with respect to QoS targets for all aspects of the universal postal service.</li></ul>
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### Reporting Requirements

With regard to QoS targets and the performance achievement of those targets, MaltaPost is required to make the following information available:

MaltaPost is required to continue providing the MCA with the following reports on its QoS performance against the set targets in line with the format agreed with the MCA:

- Domestic ordinary mail and bulk mail on a quarterly basis and not later than thirty-five working days after the end of each quarter;
- Domestic registered mail and parcel post biannually and not later than twenty working days after the end of April and the end of October;
- Cross-border mail biannually and not later than thirty-five working days after the end of April and the end of October. The MCA may, at its discretion, grant an extension of a further fifteen working days.

The reports should contain the QoS measurements for each quarter together with the cumulative measurement for the year to date.

MaltaPost is required to keep the public informed on the expected lead times for end-to-end delivery for all postal articles to both European destinations and other countries. MaltaPost should also make this information available to the MCA.

MaltaPost is required to continue monitoring its complaints in conformity with the CEN standard **EN 14012** on complaints-handling principles and make the following information available:

- A Code of Practice (i.e. via MaltaPost's booklet entitled 'Committed to Customer Care') for handling complaints and redress in line with guidelines mentioned in **Appendix D**. The Code of Practice should be made available for subsequent reference at home or business premises from larger post offices. The same information should be made available on MaltaPost's website;
- MaltaPost is required to publish information on the number of complaints and enquiries received on a quarterly basis on its website and forwarded to the MCA by not later than twenty working days following the end of each quarter;
- MaltaPost is required to publish information on the number of complaints and enquiries received and the manner in which they had been dealt with in its annual 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 have an 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.

- The reporting with respect to each of the identified complaint categories (refer to **Appendix D**) should contain the following columns:
  - opening balance of unresolved complaints at start of period;
  - complaints received in quarter;
  - complaints resolved in quarter;
  - complaints resolved at end of quarter; and
  - total recompense paid out.

## APPENDIX A: QUALITY OF SERVICE MEASUREMENT AND MONITORING

This Appendix sets out the methodology for the measurement and monitoring of the performance achieved by MaltaPost against the QoS standards set for domestic and cross-border universal postal services as reflected in **Decision 1** and **Decision 2** of the MCA's 2014 QoS Decision.

### DOMESTIC MAIL SERVICES

#### Ordinary Mail

MaltaPost's ongoing performance of its domestic ordinary mail product is measured in conformity with the CEN standard **EN 13850** on the measurement of the transit time of end-to-end postal services for single piece priority mail and first class mail.

#### Bulk Mail

MaltaPost's ongoing performance measurement of its domestic bulk mail product is measured in conformity with the CEN standard **EN 14534** on the measurement of the transit time of end-to-end services for bulk mail.

#### Loss and Substantial Delay of Ordinary Mail and Bulk Mail

In addition to the QoS measure of the transit time for ordinary and bulk mail MaltaPost is required to measures its QoS performance related to the loss and substantial delay of single piece priority letter mail items (ordinary mail) in conformity with **TS 14773**. A mail item is considered as lost, or substantially delayed, if the item has not been received by the recipient within seven (7) days after which it has been posted (i.e. D+7).

Reporting on the QoS performance measurement of ordinary mail (**EN 13850**) and bulk mail (**EN 14534**) is 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
- b. Including postal items not delivered by D+30 in the calculations (i.e. including the lost or substantially delayed postal items).

The collective compensation scheme for failure by MaltaPost to achieve its annual next day delivery (D+1) target, for the ordinary mail and bulk mail product, is 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).

#### Registered Mail and Parcel Post Services

MaltaPost measures and monitors the QoS of its registered mail and parcel post products in line 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.

#### Performance Measurements Audit

The performance measurement of the domestic ordinary mail and bulk mail products is carried out by an independent organisation appointed by MaltaPost. The MCA carries out an annual audit of the methodology employed by the organisation commissioned by MaltaPost responsible for carrying out the performance monitoring in line with the appropriate standards.

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

#### CROSS-BORDER MAIL SERVICES

The MCA ensures that MaltaPost monitors the performance of end-to-end inter-Community cross-border letter-post mail (ordinary mail) in line with **EN13850** and that the results are published against the transit objectives and targets set by the European Commission.<sup>17</sup>

The MCA also ensures that MaltaPost monitors the performance of end-to-end cross-border mail to other foreign destinations against the set transit time objective. The performance of cross-border mail flows for registered mail and parcel post are monitored by MaltaPost via its track and trace system.

MaltaPost is required to separately monitor and measure the performance of outbound cross-border letter-post mail, registered mail and parcel post from time of posting until dispatch to destination (i.e. loading on airline in Malta) and the delivery of inbound cross-border mail (arriving at MaltaPost's office of exchange until delivery to the addressee). The results are published against the established transit time objectives and set QoS targets.

Until January 2016 the QoS standard for European cross-border traffic of ordinary letter mail was measured by IPC's UNEX end-to-end monitoring system. As from January 2016 the measurement of cross-border end-to-end services for single piece priority mail is being carried out by PwC. MaltaPost also monitors the performance of inbound cross-border mail flows by means of the Universal Postal Union (UPU's) Global Monitoring System (GMS).

These systems monitor the quality of service of the fastest standard category of cross-border letter-post mail from time of posting to when they are delivered. It is noted that the measurement carried out by PwC is limited to the measurement of European participants and GMS is based on incoming international cross-border mail.

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<sup>17</sup> Conformance to this standard is mandatory for the EU Member States as well as Iceland, Norway and Switzerland.

## QoS MEASUREMENT AND MONITORING

**Decision 1** and **Decision 2** of the MCA's 2014 QoS Decision will continue to apply and are being reproduced below for ease of reference:

### **Decision 1 - QoS Measurement and Monitoring of Domestic Mail**

#### **Domestic mail - Ordinary Mail and Bulk Mail**

The measurement and monitoring of single piece priority letter-post mail (ordinary mail) and bulk letter-post mail (bulk mail) will continue to be organised by MaltaPost in conformity with the:

- **CEN standard EN 13850 on the measurement of the transit time of end-to-end postal services for single piece priority mail and first class mail; and**
- **CEN standard EN 14534 on the measurement of the transit time of end-to-end services for bulk mail.**

This QoS measurement and monitoring 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 domestic ordinary mail and bulk mail.

#### **Domestic mail - Loss and Substantial Delay of Ordinary Mail and Bulk Mail**

Measurement of loss and substantial delay of single piece priority letter-post mail (ordinary mail) will continue to 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 after which it has been posted (i.e. D+7).

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 continue to be used to measure loss and substantial delay of ordinary mail in line with **TS 14773**.

Reporting on the QoS performance measurement of ordinary mail (**EN 13850**) and bulk mail (**EN 14534**) is to continue to 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 QoS Decision for failure by MaltaPost to achieve its annual next day delivery (D+1) target 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).

#### **Domestic mail - 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 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.

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 – Cross-Border Mail**

MaltaPost is required to monitor and measure the performance of cross-border mail (letter-post mail, registered mail and parcel post) in line with the set transit time objectives for:

- end-to-end EU intra-Community cross-border mail;
- end-to-end cross-border mail for non-EU destinations where mail flows are significant;
- outgoing cross-border mail from time of posting until dispatch to destination (i.e. loading on airline in Malta); and
- incoming cross-border mail arriving at MaltaPost's office of exchange until delivery to the addressee.

## APPENDIX B: LEGAL BASIS

The 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) thereof to prescribe quality standards for inland mail which standards shall be compatible with those for Intra-Community cross border mail as established by the European Parliament and Council;
- under Article 25(2) thereof to monitor the performance of the universal service provider in accordance with the quality standards for inland mail; and
- under Article 76A(2) issue directives to a universal service provider in respect of the quality of postal services to be provided, including compliance with any quality standards that the MCA may establish and any corrective action as it may consider necessary in this regard.

The MCA's obligations under the Postal Services (General) Regulations (SL254.01) in relation to the QoS of the universal service are as follows:

- under regulation 7H(1) thereof postal operators are required to, in accordance with guidelines laid down by the MCA, draw up transparent, simple and inexpensive procedures to deal with complaints by users, particularly in cases involving loss, theft, damage or non-compliance with quality of service standards;
- under regulation 7H(2) thereof the USP and where the MCA may consider appropriate, any operator providing services within the scope of the universal service, shall 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;
- under regulations 24A(1) thereof quality of service standards in relation to the universal service, with regard to routing time and the regularity and reliability of services, shall be set and published from time to time by the MCA, having taken into account the views of interested parties as it may deem necessary;
- under regulation 24A(2) thereof the MCA may establish quality standards in respect of cross-border mail, provided that in respect of intra-Community cross-border mail, such standards shall be set in accordance with those set by the European Parliament and the Council;

- under regulation 24A(3) thereof compliance with quality of service standards by the USP shall be monitored by the MCA which shall from time to time make a report on the results of the monitoring exercise;
- under regulation 24A(4) thereof the MCA may, when establishing quality of service standards under this regulation, adopt those measures that it considers to be appropriate in respect of non-compliance with such standards by the universal service provider - such measures may include requiring the universal service provider to pay such administrative fines as the Authority may establish in accordance with its powers at law;
- under regulation 24B(1) thereof any USP shall provide users and postal operators with regular, detailed and up to date information on the particular features of the universal service offered, with special reference to the general conditions of access to the service, as well as to prices and quality standard levels; and
- under regulation 24B(2) thereof information shall be published at least annually by the USP in a manner that is to the satisfaction of the MCA.

## APPENDIX C: DOMESTIC MAIL QUALITY OF SERVICE PERFORMANCE

QoS standards set and actual performance achieved for domestic mail (Ordinary Mail, Bulk Mail, Registered Mail and Parcel Post) are summarised in the table below:

Domestic Mail QoS Targets / Performance Achieved						
Financial Year (FY)	D+1		D+2		D+3	
<b>Ordinary Mail</b>						
	Target	Performance	Target	Performance	Target	Performance
FY 2004/05	89%	90.78%	95%	99.18%	97%	100%
FY 2005/06	90%	92.14%	96%	98.68%	98%	99.84%
FY 2006/07	92%	94.86%	97%	99.18%	99%	99.85%
FY 2007/08	92%	93.29%	97%	99.03%	99%	99.72%
FY 2008/09	93%	95.13%	97%	99.17%	99%	99.93%
FY 2009/10	93%	95.09%	98%	99.31%	99%	99.75%
FY 2010/11	93%	96.73%	98%	99.36%	99%	99.74%
FY 2011/12	94%	95.58%	98%	98.59%	99%	98.98%
FY 2012/13	94%	95.61%	98%	98.77%	99%	98.97%
FY 2013/14	94%	94.66%	98%	98.75%	99%	99.14%
FY 2014/15	95%	95.17%	98%	99.27%	99%	99.67%
<b>Bulk Mail</b>						
FY 2007/08	92%	91.82%	97%	99.50%	99%	100%
FY 2008/09	93%	95.25%	97%	99.08%	99%	99.83%
FY 2009/10	93%	95.98%	98%	99.51%	99%	99.84%
FY 2010/11	93%	96.73%	98%	99.35%	99%	99.76%
FY 2011/12	94%	95.27%	98%	98.80%	99%	98.88%
FY 2012/13	94%	95.09%	98%	98.44%	99%	98.77%
FY 2013/14	94%	94.83%	98%	98.77%	99%	99.01%
FY 2014/15	95%	96.63%	98%	99.10%	99%	99.43%
<b>Registered Mail</b>						
FY 2007/08	97%	98.28%	98%	99.47%	99%	99.67%
FY 2008/09	97%	98.22%	98%	99.65%	99%	99.76%
FY 2009/10	97%	99.65%	99%	99.86%	99%	99.90%

FY 2010/11	97%	99.75%	99%	99.91%	99%	99.95%
FY 2011/12	98%	99.59%	99%	99.91%	99%	99.95%
FY 2012/13	98%	99.01%	99%	99.89%	99%	99.95%
FY 2013/14	98%	99.27%	99%	99.90%	99%	99.96%
FY 2014/15	98%	99.17%	99%	99.87%	99%	99.92%
<b>Parcel Post</b>						
FY 2007/08	97%	99.60%	98%	99.81%	99%	99.87%
FY 2008/09	97%	99.45%	98%	99.89%	99%	99.94%
FY 2009/10	97%	99.96%	99%	99.97%	99%	99.98%
FY 2010/11	97%	99.99%	99%	99.99%	99%	100%
FY 2011/12	98%	99.12%	99%	99.67%	99%	99.81%
FY 2012/13	98%	98.43%	99%	99.53%	99%	99.80%
FY 2013/14	98%	99.20%	99%	99.79%	99%	99.88%
FY 2014/15	98%	98.60%	99%	99.64%	99%	99.80%

## APPENDIX D: COMPLAINTS AND REDRESS GUIDELINES

### Points of Contact

Customers should have clear and up-to-date information on how to contact MaltaPost in the event of enquiries or complaints. MaltaPost should make available specific details of contact names (if appropriate) and addresses for contact in person or by post; an e-mail address for contact by e-mail; and hours of opening, telephone number (together with hours of manual operation, hours when recording facility will be in place) and email addresses.

MaltaPost should provide a freephone number and other alternatives for low cost access such as e-mail, mailing address or Internet web page form.

### Records of Complaints

MaltaPost shall publish statistics of complaints and enquiries on a quarterly basis in a format as described by the MCA.

### Process of Lodging Complaints for Resolution

MaltaPost shall clearly specify all the procedures which customers and providers of the postal services should follow in the event of a particular category of complaint. The steps to be taken by either party should be flexible and easily understandable. Good practice should result in customers being kept informed of the progress of their complaint when an immediate resolution is not possible.

### Response times

MaltaPost shall specify a guaranteed response time for different categories of complaint, bearing in mind that different categories of complaints require different levels of investigation.

### Category of complaints and enquiries

MaltaPost is required to monitor the following categories of customer complaints and enquiries which are non-exhaustive:

Complaint Category	Enquiry Category
- Delay	- Postage
- Substantial delay	- Incoming postal item (foreign)
- Loss	- Outgoing postal item (foreign)
- Damage	- Opening Times
- Change of address (re-direction)	- Delivery Time
- Mail delivery or collection	- Redirection
- Mis-delivery (to the wrong address)	- Temporary Mail Custody

- 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
- Postcodes
- Notifications posted
- Locally posted mail
- Others

In order to ensure that response times for specific categories of customer complaint are adhered to and also to give the postal service provider an opportunity to demonstrate its commitment to meeting those response times, MaltaPost should indicate the process for compensation and/or reimbursement in its code of practice.

**Right to seek other forms of Redress and/or Independent Advice**

MaltaPost shall clearly specify a customer's right to seek other forms of redress or independent advice. This right to seek other forms of redress or independent advice should only be allowed when the mechanics of the postal service provider's established code of practice have been exhausted without resolution of the complaint.

**Publication of the Code of Practice**

MaltaPost shall publish its Code of Practice and ensure that it is readily available for viewing by all its customers. The Code of Practice shall be kept up to date on an annual basis.