

Quality of Service (QoS) Targets to be Achieved by Maltapost Plc Consultation Paper

20th August 2007

Table of Contents

	Page
Foreword	3
1. Introduction	5
2. Quality of Service Measurement and Monitoring.....	8
3. Establishment of Quality of Service Targets	14
4. Conclusion	20
5. Submission of Comments.....	21
Appendix A – Quality of Service – Existing Targets and Performance.....	22
Appendix B – European Standardised Measurement System	24
Appendix C – Consultation Questions	26

Foreword

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 an 'end-to-end' postal service. A letter or parcel delayed or lost can mean disappointment and possibly worse, to either sender or receiver, occasionally to both.

In June 2005 the Malta Communications Authority (MCA) published its decision notice entitled 'Maltapost plc – Quality of Service Requirements' in order to secure improvements in the quality of services of the USP.¹

The decision notice, amongst others, set the QoS targets, in respect of routing times, to be achieved by Maltapost plc (hereinafter referred to as Maltapost) as the designated USP for the delivery of inland and cross-border mail covering a three (3) year period coupled with a collective compensation scheme in case of failure to achieve its annual QoS targets.

In establishing Maltapost's annual QoS targets (in terms of the percentage of postal items to be delivered by the next working day) the MCA took into consideration the public expectations on the local front² as well as standards adopted by other European Union (EU) Member States.

Other aspects that had been taken into account included the QoS performance measurement that had previously been carried out by Maltapost³ and those factors that make it uneconomic for Maltapost to achieve a 100% next day delivery service.

The results achieved by Maltapost over the past two (2) years have shown a constant improvement in the quality of service whereby Maltapost has, in the main, exceeded the established QoS targets (refer to **Appendix A**).⁴ Furthermore, a recent customer perception survey indicated that consumers are generally satisfied with the time taken for Maltapost to deliver mail and with Maltapost's overall QoS performance.⁵

In line with the above-mentioned decision notice, the MCA is now required to set new QoS targets to be achieved by Maltapost for the coming three (3) years (i.e. October 2007 – September 2010).

The establishment of postal QoS targets are of importance to both customer and operator. The view of the customer should take into consideration the main factors that influence quality, the price for which the service is being offered and the level of service the customer enjoys from its postal service provider. The

¹ Refer to MCA's Decision - <http://www.mca.org.mt/infocentre/openarticle.asp?id=667&pref=16>.

² Refer to the postal customer perception survey carried out in November 2005 which examined the attitudes of residential consumers and small businesses towards the local postal services <http://www.mca.org.mt/infocentre/openarticle.asp?id=558&pref=18>.

³ Independent performance measurement of the local ordinary mail product started in October 2005 prior to which Maltapost carried out its own performance measurement of the local ordinary mail product.

⁴ **Appendix A** – Quality of Service – Existing Targets and Performance.

⁵ Refer to <http://www.mca.org.mt/infocentre/openarticle.asp?id=1012&pref=18>.

operator's view, on the other hand, should take into consideration the current status of the operator in terms of ongoing work to improve quality, and the constraints – some of which are within Maltapost's control and some outside.

The MCA welcomes comments from all parties and welcomes in particular views of customers for whom the QoS targets are especially important. The MCA also invites Maltapost to identify any factors (apart from those mentioned in the consultation paper) that impact quality, the improvement that is achievable and a timeframe to which Maltapost are working to provide an improved quality of service to its customers.

This consultation will run to **10th September 2007** during which time the MCA welcomes written comments on any of the issues raised in this paper.

It is the MCA's intention to publish a response to consultation coupled with the new QoS targets to be achieved by Maltapost for the coming three (3) years by not later than the end of **September 2007**.

1. Introduction

The purpose of this consultation paper is intended specifically to determine 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 service⁶ postal products:

- **Inland mail:** ordinary mail (i.e. single piece *priority* letter mail), bulk mail,⁷ registered mail and parcel post.
- **Cross-border mail:** ordinary mail, bulk mail, registered mail and parcel post.

It is important to note that this consultation does **NOT** extend to the other aspects of QoS standards and monitoring systems to be achieved by Maltapost that have already been established in the above-mentioned decision notice and relate to:

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

In line with the above-mentioned decision notice, Maltapost operates a complaint handling mechanism via which users can express dissatisfaction and claim compensation for existing services when postal items get lost, are damaged or not delivered in accordance with agreed delivery standards.⁸

Such a complaint handling mechanism also serves to facilitate the identification and effective resolution of routine problems and the factors that may contribute to the non-achievement of the set QoS targets thereby making it easier for Maltapost to focus on improving core business processes that make for better service quality and heightened customer satisfaction.

As depicted in the above-mentioned decision notice, the MCA also introduced a collective compensation scheme that is collected by the MCA and injected into the Government's consolidated fund should Maltapost fail to achieve its annual QoS target (i.e. next day delivery) for any of the above-mentioned inland mail and cross-border postal products.⁹

⁶ Users at all points in Malta shall enjoy the right to a universal service involving the permanent provision of a range of postal services of specified quality, as may be prescribed, and at affordable prices for the benefit of all users. These mail products, amongst others, form part of the universal service and subject to next day delivery. It is noted that Maltapost operates a single mail stream and its customers do not have a choice between priority (next day) service and an economy service (e.g. second class mail).

⁷ 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.

⁸ Refer to above-mentioned Decision Notice Section 4 - Complaints Handling and Compensation and Maltapost's Code of Practice with respect to Complaints Handling and Compensation - <http://www.maltapost.com/page.asp?p=9381&l=1>.

⁹ 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.

Furthermore, in line with the above-mentioned decision notice Maltapost publishes information regarding QoS objectives and performance and informs customers about the level of service provided.¹⁰

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, and defines the decision-making process regarding further opening of the postal market to competition.

The EU Postal Directive was transposed into national law on the 1st June 2003 by the Postal Services Act (Cap 254). The MCA's obligations under the Postal Services Act in relation to QoS are as follows:

- under Article 17(1) to issue directions to Maltapost in respect of the quality of postal service to be provided.
- under Article 17(4) to issue directions to Maltapost for the purpose of ensuring compliance with its obligations.
- under Article 24(1) to set and publish QoS standards in relation to the universal service, paying attention in particular, to routing times and to the regularity and reliability of services taking into account the views of interested parties as deemed necessary and to establish quality standards in respect of cross-border mail.
- under Article 24(2) to monitor compliance with QoS standards by Maltapost and make a report on the results of the monitoring exercise.
- 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.

Maltapost's obligations under its licence¹¹ 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).¹² 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

¹⁰ Refer to Appendix D – Information to be provided by Maltapost of MCA's Decision Notice on Maltapost's QoS Requirements.

¹¹ Refer to Legal Notice 500 of 2004 – Maltapost plc Licence (Modification) Regulations.

¹² 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 above-mentioned decision notice.

- 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.

2. Quality of Service Measurement and Monitoring

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 services.

Furthermore, 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. The most important point to be borne in mind therefore is that the QoS target for inland mail is to be set in the form of:

- D¹³+1¹⁴ measuring the percentage of mail delivered on the working day after injection into the system (regularity); and
- D+3¹⁵ 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).¹⁶ 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.

The EU emphasises the importance of standards (refer to **Appendix B**)¹⁷ in providing an appropriate level of service to users.¹⁸ With respect to end-to-end measurement¹⁹ of ordinary mail, performance monitoring must be in conformity with the CEN standard EN 13850 on measurement of the transit time of end-to-end service for single piece priority mail and first class mail.

¹³ 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 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.

¹⁴ The quality standards for local 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.

¹⁵ 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.

¹⁶ 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.

¹⁷ Refer to **Appendix B** – European Standardised Measurement System.

¹⁸ 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. The CEN standards for postal services have been developed by a dedicated Technical Committee within CEN/TC331 (refer to <http://www.cen.eu>).

¹⁹ End-to-end routing is measured from the access point to the network to the point of delivery to the addressee.

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.²⁰

Currently, this is the only EU mandatory standard applicable for all Member States. However, if the measurement of other activities is required by the respective Member States it is necessary to use the appropriate standards.²¹

Inland Mail - Ordinary Mail Service

Following the publication of the above-mentioned decision notice Maltapost entered into a contract with an independent organisation to carry out the ongoing measurement of Maltapost's performance with respect to the inland ordinary mail product²² in conformity with the CEN standard EN 13850, taking into account the proposed extensions to the standard to cover countries with relatively small mail flows.

Subsequently, the MCA appointed an audit firm to audit the methodology employed by the Maltapost-commissioned organisation responsible for carrying out the performance monitoring in line with the above-mentioned standard.

Inland Mail - Bulk Mail Service

Maltapost provides a bulk mail product²³ that does not, from a QoS measurement or a cost / price standpoint, differentiate from the ordinary mail product. The QoS performance targets set and achieved for ordinary mail apply to both the single piece priority mail product and the bulk mail product (including direct mail²⁴).

Nevertheless, it is noted that Maltapost's bulk mail product does not form part of the QoS measurement system carried out by the independent organisation appointed by Maltapost to carry out the measurement of inland single piece priority mail items. This means that the actual performance in terms of routing

²⁰ 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. An exercise is currently being undertaken by a project team within TC 331 on the adaptation of the standard to cater for those countries with relatively small mail flows.

²¹ It is noted that Member States can mandate other standards for the measurement of other postal services / activities.

²² 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. It represents approximately 45% of local letter post by volume and value. This comprises correspondence in standard envelopes (i.e. envelopes no larger than C4) which do not require special facilities at either the collection or delivery stage.

²³ Bulk mail means correspondence, documents or publications consisting of a substantial number of similar items which are deposited with Maltapost, at the same place and at the same time to be conveyed and delivered to the addressees indicated on the items themselves or on their wrapping. Currently, Maltapost does not provide special tariffs to bulk mailers and the same QoS in terms of next day delivery is offered for single piece priority mail and bulk mail.

²⁴ Direct Mail is a particular form of bulk mail consisting solely of advertising, marketing or publicity material and comprising an identical message, except for the addressee's name, address and identifying number as well as other modifications which do not alter the nature of the message, which is sent to a significant number of addressees, to be conveyed and delivered at the address indicated by the sender on the item itself or on its wrapping and includes cross-border as well as domestic mail. Bills, invoices, financial statements or other non-identical messages and communications combining direct mail with other items within the same wrapping shall not be included as direct mail.

times and the regularity and reliability of Maltapost's bulk mail product is currently not formally measured.²⁵

The CEN standard EN 13850 makes it clear that bulk mail requires a different measurement system and methodology compared with that of single piece priority mail.²⁶ The CEN standard EN 14534 for the measurement of the transit time of end-to-end services for bulk mail emphasises the differences between single piece priority mail and bulk mail standards.

A separate standard is required for the measurement of bulk mail for the following reasons:

- Mail posted in bulk may be mailed under a contract between the sender and the postal operator. Typically bulk mail services require customers to undertake a level of pre-sortation or to present mail in different ways.
- Members of the public sending single items are replaced by companies, small in number, posting large volumes.
- Bulk mailings may contain hundreds or thousands of items.
- On-time performance measures may be expanded depending on what is agreed with the customers.
- The rules and requirements for bulk mails with respect to dates of deposit are more complex and may be specific to the contract between customer and postal operator.
- Test items have to match the characteristics of customer mailings.

Although it is recognised that bulk mailers may have their own ways of ensuring that Maltapost delivers mail to the standards agreed and an appropriate complaint handling and compensation mechanism is already in place to deal with lost, damaged or delayed bulk mail items,²⁷ the MCA is of the opinion that it is important to separately measure and monitor the performance of Maltapost's bulk mail product (i.e. next day delivery) for the following key reasons:

- ordinary mail and bulk mail items under 50g fall within Maltapost's designated reserved area thus closed to competition and no competition is currently operating a similar service in the unreserved area;
- bulk mail constitutes a large proportion of inland mail items -approximately 55% of all inland mail items in terms of volumes and revenues are posted in bulk;

²⁵ It is noted that Maltapost operates a next day delivery policy for all mail flows and to the MCA's knowledge Maltapost does not discriminate between ordinary mail and bulk mail with respect to transit times and regularity and reliability of the two services. In the above-mentioned decision notice the MCA had stated that it would consider the benefits of setting and implementing separate targets and measurement system for bulk mailers.

²⁶ The EN13850 standard states that the standard is not applicable for measuring the end-to-end transit time distribution of large bulk mailers' services and hybrid mail, which require different measurement systems and methodologies.

²⁷ In the above-mentioned decision notice the MCA had directed Maltapost to implement a compensation scheme open to all claims – single piece items and bulk mail clients. Prior to this decision bulk mail customers were not eligible for compensation with respect to individual cases of delay.

- bulk mail is essential for the effective functioning of business and commerce in Malta;²⁸
- a customer perception survey carried out in October 2006 amongst large businesses indicated that the mean score level satisfaction with this service was just about average - a mean score of 2.2 (1 very good – 5 very bad);²⁹
- consumers have no knowledge of the current performance of the bulk mail product with respect to transit times and the regularity and reliability of the service.

The MCA is therefore seeking the views of all interested parties on whether performance of Maltapost's bulk mail product with respect to the routing times and regularity and reliability of the service should be separately measured and monitored.

Considering that the measurement and monitoring of inland ordinary mail (i.e. single piece priority items) is already organised by Maltapost, the MCA is of the opinion that this obligation on Maltapost should be extended to include the measurement and monitoring of the bulk mail product in line with the CEN standard EN 14534 taking into account the proposed extensions to the standard to cover countries with relatively small mail flows.

An alternative option would be for the MCA to appoint an independent organisation to carryout the performance monitoring and measurement of Maltapost's bulk mail product. In addition to the reasons mentioned in the above-mentioned decision notice, the MCA considers the former option as the most feasible and cost effective option and in line with Maltapost's licence requirements.³⁰

The MCA will, as necessary, continue to audit the measurement methods used by the independent organisation appointed by Maltapost to conduct the performance monitoring.

Q1. Do you agree with the need to measure and monitor the QoS performance with respect to routing times and the regularity and reliability of the bulk mail product? If you disagree, please state why?

Q2. Do you agree that Maltapost's obligation with respect to the performance measurement of ordinary mail by an independent organisation is extended to include the performance measurement of bulk mail? If you disagree, please state why?

²⁸ Bulk mail is essential for the effective functioning of business and commerce in Malta. 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.

²⁹ Refer to <http://www.mca.org.mt/infocentre/openarticle.asp?id=1015&pref=18> for an overview of the market research for postal services amongst large business mailers.

³⁰ Regulation 19(2) Maltapost is to ensure that independent performance monitoring is carried out at least once a year and that the results are published.

Inland Mail - Registered Mail and Parcel Post Services

Measurement and monitoring of Maltapost's performance with respect to registered mail³¹ and parcel post³² 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.³³

The MCA is of the opinion that this is the best method of measuring performance and increasing customer satisfaction with respect to the registered mail and parcel post product. Such a system also provides accurate information and enables clients to use the Internet or the telephone to monitor the progress towards delivery of a particular item.

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 January 2007 following the implementation of a track and trace system for parcel post.

In line with the above-mentioned decision notice Maltapost's measurement and monitoring with respect to registered mail and parcel post is to continue to be generally in conformity with the EN 14137 standard for the measurement of the loss of registered mail and other types of postal service using a track and trace system.³⁴

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, continue to audit 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

Maltapost measures cross-border mail flows by means of the International Post Corporation (IPC) UNEX programme which monitors the quality of service of the fastest standard category (i.e. ordinary mail) of cross-border mail from time of posting to when they are delivered.

³¹ Maltapost shall provide a registration service whereby every postal article may be registered. A registered article means a service providing a flat-rate guarantee against risks of loss, theft or damage and supplying the sender, where appropriate upon request, with proof of the handing in of the postal article or of its delivery to the addressee;

³² This comprises correspondence in larger envelopes or packages, or documents (i.e. larger than standard envelopes) and goods weighing up to 20 kg per item, or which requires specific services such as registration in addition to normal postage. Because of the size of the item or the service required the postal item must be handed to an authorised representative of the USP and/or be delivered personally to someone at the address on the item (or if that is not possible, to be made available for collection from the premises of the USP).

³³ 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 requires a signature on delivery as a proof of delivery, if the addressee is absent a notification notice is issued after the first delivery attempt.

³⁴ The EN 14137 specifies methods for measuring the level of loss and substantial delay for domestic and cross-border registered 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.

It is to be clarified that, in the case of cross-border mail, despite effecting the required end-to-end measurement, Maltapost only has control over the local leg and part of the transit. The inland leg of the destination country is the responsibility of that country's universal service provider. It is noted that extra complications, such as the lack of daily available direct flights, are incurred by Maltapost with respect to those destinations having low volumes. Nevertheless, Maltapost should continue to endeavour, as far as reasonably possible, to minimising the effects of these complications.

The MCA ensures that Maltapost monitors the performance of inter-Community cross-border mail and that the results are published against the targets set by the European Commission. The MCA also ensures that Maltapost monitors the performance of those non-EU destinations where mail flows are significant (via the IPC UNEX system) and that the results published.³⁵ The MCA ensures that Maltapost separately monitors the performance of outbound cross-border mail (i.e. ordinary mail via the IPC UNEX system and registered mail and parcel post via Maltapost's track and trace system) 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 and that the results are published against the set QoS targets.

³⁵ Refer to <http://www.ipc.be> for the cross-border mail results for 2006.

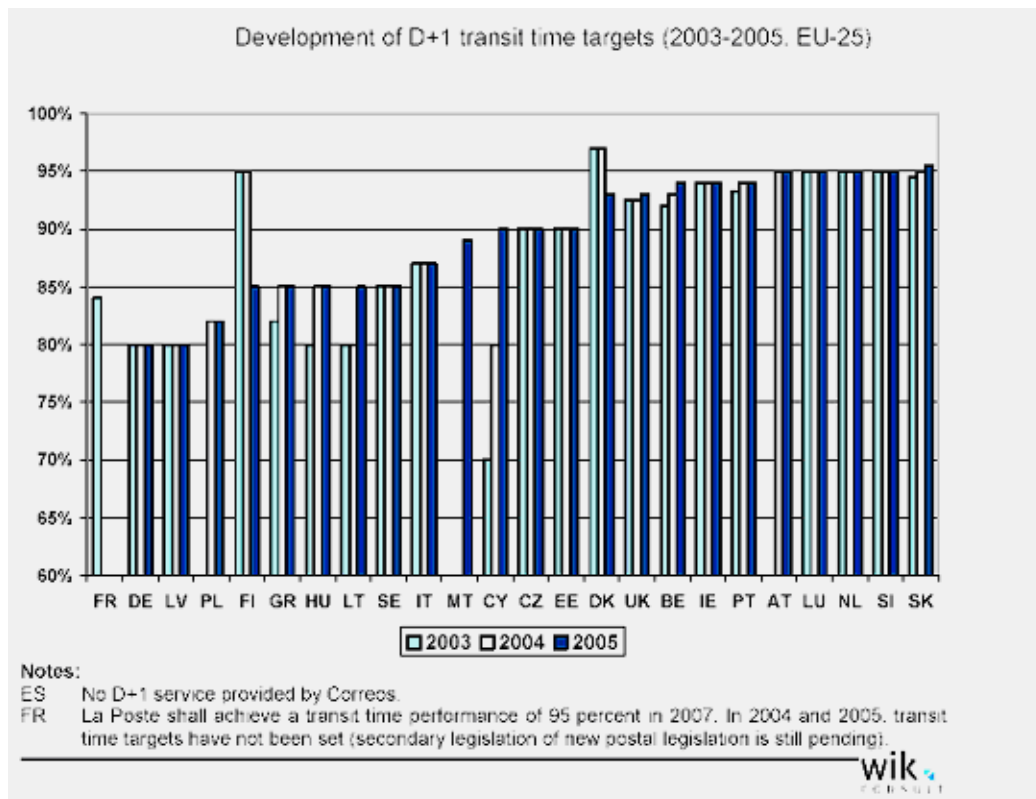
3. Establishment of Quality of Service Targets

Inland Mail Services

In order to correctly determine the level at which 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. As already mentioned above, a customer perception survey carried out between September 2006 and October 2006 indicated that households and small businesses are generally satisfied with the time taken to deliver mail and with Maltapost's overall performance.³⁶

Another useful benchmark used 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.



Source: Main developments in the postal sector (2004-2006) - (WIK Consult GmbH - May 2006) – refer to http://ec.europa.eu/internal_market/post/studies_en.htm.

³⁶ The customer perception surveys showed that 32.6 % of households interviewed were very satisfied with the time it takes Maltapost to deliver letters, 33.1% were satisfied and 20.9% were neither satisfied nor dissatisfied. 65.7% of households interviewed were of the opinion that the overall quality of service provided by Maltapost was fairly good, 12% were of the opinion that the service was very good.

As shown in the above graph more than half of the EU Member States have transit time targets of 90% or more for single piece mail items.³⁷ The current target for Malta of 92% (for Maltapost's financial year Oct 2006 – Sep 2007) is around the European average but below the targets set in countries, such as, Austria, Luxembourg, Denmark, the Netherlands, Finland and Slovakia.

The MCA is of the opinion that Maltapost's operations (i.e. Maltapost network and circulation plans throughout Malta and Gozo) are designed to provide full next day delivery for all inland mail products. 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 factors that could legitimately be taken into account in setting a target against which to measure Maltapost's performance include, for example, the interruption of the normal service between Malta and Gozo (e.g. due to exceptional weather conditions)³⁸ and other areas such as unforeseeable variations in volumes,³⁹ exceptional staff absence and human errors resulting from an entirely manual mail sorting process.⁴⁰

When looking at the issue from the operator's viewpoint the MCA must take into consideration the factors that impact on next day delivery (such as those mentioned above), the quality impact that each of those factors has on current performance and distinguish between those factors within Maltapost's control and the need for a remedial plan on the part of Maltapost to address these factors.

It is noted that Maltapost's recent increase in price for inland mail within the reserved area⁴¹ should, amongst others, enable Maltapost to further improve the QoS offered to its customers. With respect to variations in mail volumes it is noted that Maltapost has put in place a plan to handle the increased volumes during the Christmas period.

The obligation incumbent on Maltapost, to achieve next day delivery for mail posted at the close of the normal business day means that the collection and outward sorting processes of all inland mail has to be completed within a rather short time frame. The MCA is of the opinion that Maltapost should be in a position to adjust the system capacity to cope with day-to-day fluctuations in the volume of business.

Furthermore, a number of initiatives being implemented by Maltapost coupled with other efficiency gains that can be further achieved by Maltapost should lead to improvements in the quality of the universal services.

³⁷ In the UK Royal Mail set a target of 91% for bulk mail for the year 07/08. Refer to www.royalmail.com.

³⁸ It is noted that in reality the incidence of such weather conditions is extremely limited.

³⁹ It is noted that mail is manually sorted thus enabling Maltapost to relatively easily adjust the system capacity to cope with day-to-day fluctuations in the volume of business.

⁴⁰ In line with the EU standards, non-functioning of the postal operator and days of strikes or industrial action shall not be discounted. However in the case of 'force majeure' events, deductions of corresponding period may be considered and shall be indicated in the reporting.

⁴¹ Refer to <http://www.mca.org.mt/infocentre/openarticle.asp?id=878&pref=18> Maltapost plc Tariff Adjustment Proposal – May 2006 Report on Consultation and Decision published on 11th September 2006.

The MCA is of the opinion that Maltapost could improve efficiency of bulk mail by promoting incentives,⁴² for example, for the pre-sorting of mail, the early presentation of mail, the introduction of bar-coding facilities, the inclusion of a deferred delivery service, and for the authorisation of appropriate postal marks or impressions to indicate payment of postage and fees by the user.⁴³ Such incentives 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.⁴⁴

The recent introduction of a new postcode system should lead to an overall improvement of QoS (e.g. the speeding up of the sorting process and the reduction of mis-delivered postal items). This should also be accompanied by further information: regarding the appropriate way to display a postal address on the envelope; the suitable private letterbox size, the importance of an appropriate postage stamp, mark or impression (indicating that the postage has been paid or that the sender has entered into an agreement with Maltapost for postage to be paid) on every postal item;⁴⁵ and the quality of the address in terms of handwriting, font, location on envelope and the use of an appropriate post code.

In addition, as part of Maltapost's commitment to meeting QoS standards, Maltapost should continue to ensure that all mail is appropriately postmarked (also referred to as date-stamped).⁴⁶ A date-stamp reflects the date which the postal operator acknowledges receiving mail for processing (also referred to as the cancellation date), the name of postal operator and any additional information – such as place and time.

It enables Maltapost, amongst others, to identify and track mail, as required for service performance⁴⁷ or security reasons, from where mail has been processed. In addition, the MCA is of the opinion that a date-stamp clearly benefits consumers (both as senders and recipients of mail) who will be in a position to know when Maltapost acknowledged receipt of a particular postal item and will be conscious that the QoS obligation is being guaranteed.⁴⁸

⁴² Maltapost does not offer any incentive for, amongst others, the pre-sorting and postmarking of bulk mail. In line with the Postal Services Act (Article 21) Maltapost may also promote services under which discounts are normally given based on the avoided costs as compared to the standard service covering the complete range of features.

⁴³ E.g. allowing customers to have an approved Maltapost postal stamp or mark, impression, logo, which denotes payment or that the sender has entered into an agreement with Maltapost for postage to be paid.

⁴⁴ Currently bulk postal articles should be handed over to Maltapost at least one hour before the time of closing of mail as they may be delayed if their dispatch interferes with the scheduled dispatch of other postal articles. The sender may avoid such delay by the prior sorting of these postal articles by localities and by placing them in such a way that the address sides face the same direction.

⁴⁵ Maltapost may itself use and authorise others to use any postage stamp or mark, impression sticker, label or other device it considers suitable, to indicate payment of postage and fees, to cancel postage stamps or for any postal purpose it considers appropriate. Also refer to the Universal Postal Union (UPU) Letter and Parcel Post Manuals for additional information regarding payment of postage - www.upu.int.

⁴⁶ Showing the office responsible for cancelling and the date of that operation applied to the address side of items by Maltapost or by means of impressions considered suitable by Maltapost. Postmarks are also used to ensure postage isn't used more than once and to identify the postal operator that has carried the mail. Also refer to the Universal Postal Union (UPU) Letter Post and Parcel Post Manuals.

⁴⁷ Maltapost would also be in a position to measure 'live mail' i.e. mail as it is presented to postal employees on a day-to-day basis. Live mail can only be measured from the date of post-mark stamped by the postal employee on the envelope to the time of delivery to the intended recipient. Therefore live mail can only be used for calculating performance from an operator's perspective.

⁴⁸ It is also noted that the date of the postmark can be quite important, for example, for the submission of 'returns' (e.g. an application by post whereby the postmark date on the envelope is regarded as the date of application.) whereby the 'return' would be viewed as being filed 'on time' if

The MCA is of the opinion that the proposed 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 the efficiency gains envisaged for the coming years, as well as to provide Maltapost with the necessary incentive to maintain and improve the regularity and reliability of their services over the envisaged timeframes.

The targets against which to measure Maltapost’s performance must be consistent with the objective of providing next day delivery taking into account the legitimate ‘exceptional factors’ and ‘unforeseeable circumstances’ and in full appreciation of the financial issues involved.

The MCA is proposing the same QoS targets for both the ordinary mail and bulk mail products as Maltapost operations are designed to provide full next day delivery for all inland mail products and Maltapost does not, from a QoS measurement or a cost / price standpoint, differentiate between single piece priority mail and bulk mail.⁴⁹

As registered mail and parcel post are measured by means of a track and trace system the QoS targets for registered mail and parcel post are set higher than those established for ordinary mail and bulk mail.

The proposed targets to be achieved by Maltapost taking into consideration the above-mentioned factors for the coming three (3) years are depicted below:

Proposed Inland Mail QoS targets			
Financial Year (FY)	D+1	D+2	D+3⁵⁰
Ordinary Mail⁵¹			
FY 2007/08	92%	97%	99%
FY 2008/09	93%	98%	99%
FY 2009/10	94%	98%	99%
Bulk Mail⁵²			
FY 2007/08	92%	97%	99%
FY 2008/09	93%	98%	99%
FY 2009/10	94%	98%	99%
Registered Mail and Parcel Post⁵³			

the date of the postmark is no more than one date after the date the service is supposed to have been made.

⁴⁹ As indicated in the above-mentioned Decision Notice the target established for the ordinary mail product included that of the bulk mail and direct mail product.

⁵⁰ A target of 99% within 3 days is suggested for this mail thus making allowance for failures outside the control of Maltapost, e.g. mail which is delivered to the wrong address (Maltapost’s fault) may not be reposted by the person who receives it in error (outside control of Maltapost).

⁵¹ Includes letters, postcards, printed papers, locally registered newspapers and articles for the blind.

⁵² As mentioned above 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.

FY 2007/08	97%	98%	99%
FY 2008/09	97%	98%	99%
FY 2008/10	98%	99%	99.9%

- Q3. Do you agree with the exceptional factors that make it uneconomic for Maltapost to provide the service and with the unforeseeable circumstances that may impact the delivery of mail? If you disagree, please state why?**
- Q4. What would you say is a reasonable percentage to allow for these exceptional factors and unforeseeable circumstances?**
- Q5. Do you agree that ordinary mail and bulk mail is subject to the same performance targets? If you disagree, please state why?**
- Q6. Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for delivery of inland mail as depicted above? If you disagree, please state why?**

Cross-border Mail Services

Maltapost monitors the quality of service for cross-border ordinary 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).⁵⁴

All inbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) arriving at Maltapost's office of exchange⁵⁵ before 19:00 hrs between Monday to Friday and 16:30 hrs on Saturdays is processed on the same day, and delivered with the same performance targets as that of the inland mail products identified above.⁵⁶

The proposed targets to be achieved by Maltapost for delivery of outbound cross-border mail (i.e. ordinary mail, bulk mail, registered mail and parcel post) from dispatch to destination (i.e. loading on airline in Malta) for the coming three (3) financial years are depicted below:

Proposed Outbound Cross-border Mail (Loading on Airline in Malta) QoS Targets			
Ordinary Mail / Bulk Mail			
EU countries, Australia, Canada, and USA:	D+1	92%	FY 2007/08
	D+1	93%	FY 2008/09
	D+1	94%	FY 2009/10

⁵³ As registered mail and parcel post requires 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.

⁵⁴ 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.

⁵⁵ An 'office of exchange' is the place where Maltapost accepts cross-border mail from a postal operator of another country.

⁵⁶ Refer to <http://www.maltapost.com/page.asp?p=9370&l=1>.

All other countries:	D+3	99%	FY 2007/08
	D+3	99%	FY 2008/09
	D+3	99%	FY 2009/10
Registered Mail			
EU countries, Australia, Canada, and USA:	D+1	92%	FY 2007/08
	D+1	93%	FY 2008/09
	D+1	94%	FY 2009/10
All other countries:	D+3	99%	FY 2007/08
	D+3	99%	FY 2008/09
	D+3	99%	FY 2009/10
Parcel Post			
EU countries, Australia, Canada, and USA:	D+1	92%	FY 2007/08
	D+1	93%	FY 2008/09
	D+1	94%	FY 2009/10
All other countries:	D+3	95%	FY 2007/08
	D+3	95%	FY 2008/09
	D+3	95%	FY 2009/10

The MCA will continue to ensure that Maltapost monitors the performance of cross-border mail in line with EU performance targets and that Maltapost separately monitors the performance of outbound cross-border mail from dispatch to destination (i.e. loading on airline in Malta)⁵⁷ and inbound cross-border mail from Maltapost's office of exchange to delivery and that the results are published against the targets set for delivery.

- Q7. Do you agree that the minimum cross-border mail standards specified by the EU Postal Directive should be considered as the minimum standards to be achieved by Maltapost? If you disagree, please state why?**
- Q8. Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for outbound cross-border mail from dispatch to destination (loading on airline in Malta) as depicted above? If you disagree, please state why?**
- Q9. Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for inbound cross-border mail from Maltapost's office of exchange to delivery as depicted above? If you disagree, please state why?**

⁵⁷ 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.

4. Conclusion

The arguments raised in this paper will facilitate the debate about the quality of service targets to be achieved by Maltapost for the coming three (3) years.

A large proportion of the postal services market is at present closed to competition due to the designated reserved area which has been assigned to Maltapost, and limited competition is available in the unreserved area. Nevertheless, the QoS standard of first-day service achieved by Maltapost over the past three years has secured improvements in quality of the postal services and has ensured a high level of customer service as well as sustainability 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 Maltapost's next day delivery performance.

The MCA is obliged by law to set and monitor QoS targets to be achieved by Maltapost for the provision of the universal service. The proposed attainable targets for inland and cross-border postal products over a three (3) year period should enable Maltapost to further address current quality issues.

The MCA may modify the above-mentioned proposed QoS targets to be achieved by Maltapost following the responses received to the consultation.

5. Submission of Comments

The consultation period will run from **20th August 2007** to **10th September 2007** during which the MCA welcomes written comments on any of the issues raised in the paper. Having analysed and considered the comments received, the MCA will establish the new QoS targets to be set for the provision of the universal service obligation and a report will be published on the consultation which will, amongst others, summarise the responses to consultation.

Receipt of comments will be acknowledged. Comments will be made publicly available by the MCA and on the MCA's website unless declared confidential. Respondents are therefore asked to separate out any confidential material into a clearly marked annex.

Respondents are also kindly requested to preferably refer their comments to the numbered consultative questions (refer to **Appendix C**). Respondents may also make comments on any aspect of the consultation by referring to the specific sections of this document when making their submissions.

The MCA appreciates that the issues raised in this paper may require respondents to provide confidential information. Respondents are requested to clearly identify confidential material and if possible include in a separate annex to the response. Such information will be treated as strictly confidential if in line with MCA's confidential guidelines and procedures.⁵⁸

All responses to this consultation should be clearly marked "**Reference: Maltapost plc – Quality of Service Targets**" and sent by post, facsimile or e-mail to the:

Chief, Policy and Planning
Malta Communications Authority
Valletta Waterfront
Pinto Wharf,
Valletta FRN1913
Malta

Tel: +356 21 336840
Fax: +356 21 336846
email: postal@mca.org.mt

⁵⁸ Refer to <http://www.mca.org.mt/infocentre/openarticle.asp?id=544&pref=1>.

Appendix A – Quality of Service – Existing Targets and Performance

Targets set and actual performance achieved for inland mail are summarised in the table below:

Inland Mail QoS Targets						
Financial Year (FY)	D+1		D+2		D+3	
Ordinary Mail						
	Target	Results	Target	Results	Target	Results
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%	-	97%	-	99%	-
Registered Mail⁵⁹						
	Target	Results	Target	Results	Target	Results
FY 2004/05	95%	-	96%	-	99%	-
FY 2005/06	96%	95.74%	97%	99.00%	99%	99.38%
FY 2006/07	97%	-	98%	-	99%	-
Parcel Post⁶⁰						
FY 2004/05	95%	-	96%	-	99%	-
FY 2005/06	96%	-	97%	-	99%	-
FY 2006/07	97%	-	98%	-	99%	-

The targets set and actual performance achieved by Maltapost for delivery of outbound cross-border mail from dispatch to destination (i.e. loading on airline in Malta) the financial year 2005/06 are summarised in the table below:

Outbound Cross-border Mail (Loading on Airline in Malta) QoS Targets			
Financial Year 2005/06		Target	Results
Ordinary Mail	D+1	90%	92.80% ⁶¹
Registered Mail ⁶²	D+1	96%	-
Parcel Post ⁶³	D+1	96%	-

⁵⁹ Maltapost started recording the quality of service measurement of registered mail via a 'track and trace' system as from July 2006, and therefore the measurement data being reported covers the fourth quarter 2006.

⁶⁰ The recording of quality of service measurement of parcel post via a 'track and trace' system has not yet started and is to start this year.

⁶¹ Outbound to the following countries: Quarter 1-3: Cyprus, Czech Republic, France, Germany, Hungary, Italy, Poland, Slovak Republic, Slovenia and United Kingdom. Quarter 4: Estonia, Lithuania and Latvia added to the above countries. Reporting on the performance measurement of additional countries such as United States, Australia and Canada will start in the second quarter of 2007.

⁶² The recording of quality of service measurement of cross border registered mail via a 'track and trace' system has not yet started and is to start this year.

⁶³ The recording of quality of service measurement of cross-border parcel post via a 'track and trace' system has not yet started and is to start this year.

The targets set and actual performance achieved by Maltapost for delivery of inbound cross-border arriving at Maltapost's office of exchange for the financial year 2005/06 are summarised in the table below:

Inbound Cross-Border Mail (arriving at Maltapost's office of exchange) QoS Targets			
Financial Year 2005/06		Target	Results
Ordinary Mail	D+1	90%	90.70% ⁶⁴
Registered Mail ⁶⁵	D+1	90%	-
Parcel Post ⁶⁶	D+1	90%	-

⁶⁴ Inbound mail from the following countries: EU - Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom. Non-EU: Iceland, Norway, and Switzerland.

⁶⁵ The recording of quality of service measurement of cross-border registered via a 'track and trace' system has not yet started and is to start this year.

⁶⁶ The recording of quality of service measurement of cross-border parcel post via a 'track and trace' system has not yet started and is to start this year.

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:

EN 13850:2002 Postal services – quality of service - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail. The standard is in the process of being amended to cover, amongst others, countries with relatively small mail flows.

EN 14012:2002: Postal services – Quality of services – Measurement of complaints and redress procedures.

EN 14508:2002: 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: Postal services – quality of service – Measurement of transit time of end-to-end services for bulk mail. The standard is in the process of being amended to cover, amongst others, countries with relatively small mail flows.

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.

The only EU mandatory requirement to implement these standards is in respect of EN 13850:2002. However if measurement of other activities is undertaken it is necessary to use the appropriate standards.

Section 1 Scope of EN 13850:2002 makes it clear that Bulk Mail requires different measurement systems and methodologies compared with single piece. The introduction to EN 14534:2003 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 taking into consideration countries with small mail flows. 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 service using a track and trace system and take into consideration the CEN technical report TR 15472:2006 for the measurement of 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.

Appendix C – Consultation Questions

List of Questions:

- Q1.** Do you agree with the need to measure and monitor the QoS performance with respect to routing times and the regularity and reliability of the bulk mail product? If you disagree, please state why?
- Q2.** Do you agree that Maltapost's obligation with respect to the performance measurement of ordinary mail by an independent organisation is extended to include the performance measurement of bulk mail? If you disagree, please state why?
- Q3.** Do you agree with the exceptional factors that make it uneconomic for Maltapost to provide the service and with the unforeseeable circumstances that may impact the delivery of mail? If you disagree, please state why?
- Q4.** What would you say is a reasonable percentage to allow for these exceptional factors and unforeseeable circumstances?
- Q5.** Do you agree that ordinary mail and bulk mail is subject to the same performance targets? If you disagree, please state why?
- Q6.** Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for delivery of inland mail as depicted above? If you disagree, please state why?
- Q7.** Do you agree that the minimum cross-border mail standards specified by the EU Postal Directive should be considered as the minimum standards to be achieved by Maltapost? If you disagree, please state why?
- Q8.** Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for outbound cross-border mail from dispatch to destination (loading on airline in Malta) as depicted above? If you disagree, please state why?
- Q9.** Do you agree with the proposed QoS targets to be achieved over Maltapost's financial year for inbound cross-border mail from Maltapost's office of exchange to delivery as depicted above? If you disagree, please state why?