

Maltapost plc - Quality of Service Requirements Consultation Document

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1 Foreword

The Postal Services Act came into force on the 1st June 2003. The provisions of the Postal Services Act reflect the European Union (EU) Postal Directive 97/67/EC as amended by 2002/39/EC (hereinafter referred to as 'the Postal Directive'),¹ which embraces the principle of liberalisation within the postal sector, subject to safeguards relative to the provision of the universal postal service.

In May 2004, the Minister for Competitiveness and Communications (MCMP), after consultation with the Malta Communications Authority (MCA), designated Maltapost plc (hereinafter referred to as 'Maltapost') as the Universal Service Provider (USP) with the obligation to provide all the universal services required by or under the Postal Services Act. The Postal Services Act describes universal services as follows:

Article 17(1)

In this article it is stated that users are to have access to a universal service for the provision of postal services and at affordable prices for all users. The Authority, through consultation if necessary, shall issue directives as to the quality of the postal services offered. These directives shall be published in the government gazette.

Article 17(4)

The USP shall guarantee one clearance and one delivery not less than five days a week and the Authority may issue directives, after consultation, to ensure compliance by the USP.

Article 17(5)

The universal service is to include the following minimum facilities:

- clearance, sorting, transport and distribution of postal articles up to 2 kg;
- clearance, sorting, transport and distribution of postal packages up to 20 kg;
- services for registered mail;
- services for insured items to and from Malta and all countries that are willing to admit such articles; and
- a basic counter service.

Beyond the quantitative requirement, that is the obligation on the part of the designated USP to tend to the provision of these universal services at an affordable price, there is the equally important qualitative aspect to address. The provision of a postal service that meets **objective quality of service (QoS) standards** is therefore a requirement that is also incumbent on the USP.

¹ Refer to http://www.europa.eu.int/comm/internal_market/post/index_en.htm.

The need for the USP to ensure a postal service of an appreciably high quality is also reflected in specific provisions of the Postal Services Act as follows:

- The Authority shall ensure that QoS objectives are set and published in relation to universal service.
- The establishment of quality standards with respect to inland and cross border mail (objectives for cross border mail shall be set by the European Parliament and Council for services and by the respective Member State for national services).
- The QoS objectives shall focus in particular on routing times and on the regularity and reliability of services.
- Independent performance monitoring shall take place at least once a year under standardised conditions.

It is noted that, the universal service requirements of the Postal Directive are defined as minimum requirements and these may well be over-performed by national policies. The European framework allows Member States to individually develop national QoS frameworks by setting objectives and requirements reflecting their specific characteristics and needs.

This consultation paper addresses the obligations of the USP and the rights of consumers with respect to QoS in the provision of the universal postal service. The QoS perspective is a key element of the postal regulatory framework.

The MCA is seeking the views of all interested parties on the proposals in this paper and looks forward to receiving responses to this consultation so that the QoS standards incumbent on Maltapost can be calibrated correctly to reflect what customers need and in full appreciation of the technical and financial issues involved.

2 Scope of Consultation

The MCA is responsible for the regulation of universal postal services in Malta in accordance with national and European Commission (EC) legislation. The MCA is the National Regulatory Authority (NRA) for the purpose of that legislation. In carrying out its functions under the legislation, the MCA is obliged to take into account the views of interested parties.

The MCA is now undertaking a consultation intended to elicit public response on the minimum QoS requirements incumbent on Maltapost as the designated USP. These requirements are explicitly laid out in the Postal Directive 97/67/EC as amended and transposed in the Postal Services Act.

The QoS requirements incumbent on Maltapost are stipulated in the modified licence published in the Government Gazette on the 10th December 2004 (Legal Notice 500/2004 - Maltapost plc. Licence (Modification) Regulations, 2004).² As indicated in the modified Maltapost licence, within three months of the grant of the licence, Maltapost is required to submit to the MCA, for its approval, a schedule of the minimum QoS standards (refer to **Appendix A**) that it shall achieve for each of the products set out in Schedule A of the licence.

This consultation paper addresses the implementation of these QoS requirements. It reflects the MCA's viewpoints and is meant to facilitate the way forward towards the establishment of QoS standards and monitoring systems specifically in relation to:

- routing times for the delivery of local and overseas mail;
- complaints handling and compensation; and
- reporting requirements.

The MCA welcomes comments from interested parties in relation to any of the questions raised in this consultation paper. The closing date of the consultation is the 15th February 2005. Please refer to **Section 6** for full details about submitting comments. It is premised that the outcome of this consultation process together with discussions that will be held between the MCA and Maltapost should serve to assist Maltapost in the compilation of their proposal on the QoS measures to be adopted.

While standards in relation to other universal postal service activities are not discussed in this document, it is premised that a number of these will be addressed at a later stage. **Appendix B** gives an indication of the possible standards that can be addressed beyond the ones that are the focus of this consultation document.

It is noted that Maltapost has been open and forthcoming in providing the status of its current QoS standards and procedures in the course of discussions and has also provided available documentation.

² Refer to <http://www.doi.gov.mt/EN/legalnotices/2004/12/LN500.pdf>.

3 End-to-End Measurement

3.1 European Directive

Under Article 16 of the Postal Directive, Member States shall ensure that QoS standards are set and published in relation to the universal service in order to guarantee a postal service of good quality. QoS standards shall focus, in particular, on routing times and on the regularity and reliability of services.

These QoS standards shall be set by the:

- Member States in the case of national services.
- European Parliament and the Council in the case of intra-Community cross-border services. The Postal Directive sets the D+n³ standard in the Annex as follows:
 - 85% of items must be delivered in D+3
 - 97% of items must be delivered in D+5

Future adjustment of these standards to technical progress or market developments shall be made in accordance with the procedure laid down in Article 21.

Independent performance monitoring shall be carried out at least once a year by external bodies, having no links with the USP, under standardised conditions to be specified in accordance with the procedure laid down in Article 21 and shall be the subject of reports published at least once a year.

3.2 Maltese Legislation

The Postal Services Act reflects the provisions of the Postal Directive. For ease of reference the main features relative to QoS standards for routing times and service reliability are found in Articles 24 and 25 of the Act. The highlights of the content of these provisions are reproduced below:

Article 24 stipulates that QoS standards, in particular, routing times and reliability of service in relation to the universal service, are to be determined by the MCA and published (by the MCA) from time to time, having taken into account such views of interested parties as necessary.

The MCA may, by regulation, establish QoS standards in respect of cross-border mail (these will not - in any event - be less than those established in the Postal Directive).

Compliance with the set QoS standards by the USP is to be monitored by the MCA, which is to report on its findings from time to time. The MCA shall set the QoS standards to be maintained by the USP and the Authority shall monitor such performance. Where the Authority is of the opinion that quality standards have not been met, the Authority shall ensure that the USP takes corrective action.

³ Where D is the date of posting (before the last collection time for the day) and n is the number of days between posting and delivery to the final delivery point.

Article 25 states that the MCA shall set QoS standards for inland mail. Such standards may be required to be in line with international standards.

3.3 Maltapost's Current Position

Measurement

Maltapost undertakes its own QoS surveys. These surveys include end-to-end measurement for domestic mail and bulk mail (both business and social mail are included in the measurement).

To sample domestic mail, Maltapost issues letters to customers selected randomly throughout Malta and Gozo. Their sample size is reportedly one hundred (100) letters per month. The stated response rate to the survey is deemed as good. The samples consist of brown and white envelopes and include hand written and typed addresses.

Maltapost also measures overseas mail flows to its four major destinations, using the International Post Corporation (IPC) developed UNEX Lite measurement system.⁴

Registered Post

Maltapost provides a registered mail service that meets the requirements of Article 3, Paragraph 4 of the Postal Directive, which states that the universal service includes, among others, services for registered items.

3.4 The MCA's Position

Measurement

Maltapost has set up a measurement system without any external pressure on it to do so. However, both the Postal Directive and Maltese law lay down the requirement for an independent audit. Beyond the purely legal aspect, Maltapost is at a disadvantage when quoting its own internal measurements. It is inevitably open to criticism as to the partiality of such data. There is therefore an inherent advantage in a system of independent monitoring.

Article 16 of the Postal Directive states that independent performance monitoring shall be carried out at least once a year by external bodies having no links with the USP(s) and shall be the subject of reports published at least once a year. Article 24 of the Postal Services Act puts the onus of monitoring compliance of the USP on the MCA.

It is noted that with any measurement system the following factors must be taken into consideration:

- The surveys must meet the requirements of European Standard EN13850 – Measurement of the transit time of end-to-end service for single piece priority mail and first class mail (it is noted that the standard mail service in Malta equates to first class mail). The EN13850 standard has been made mandatory on all member states, for local mail flows, with effect from the 1st of January 2004.

⁴ The results are published half-annually on the IPC website www.ipc.be.

However it is understood that it is not for the moment being mandated on new member states.

An exercise is currently being undertaken by a Project Team within Working Group 1 of TC331 on "*Postal Services – Quality of Service – Extension of existing standards to new EU members*". The outcome of the exercise should be a simplified procedure for those countries with relatively small mail flows. However it is understood that the resultant standard is not likely to be introduced before 2006.

- All geographical areas are covered in the surveys. This would need to include areas where post is sent from and where post is received.

The MCA has identified two potential ways of addressing this obligation that is incumbent on both Maltapost and the MCA.

Option 01

The MCA appoints an independent company to carry out the measurement of QoS on an ongoing basis. The measurement exercise would be carried out on a quarterly basis.

Option 02

Maltapost appoints an independent company to carry out the measurement of QoS, and the MCA appoints a company to audit them. The audit would focus on the methodology used by the company doing the monitoring. It would take place on a once-a-year basis.

Option 01 would be more invasive of Maltapost's systems and processes. It would basically shadow Maltapost's own measurement system on an ongoing basis. In this case there would not be the need for an audit.

Option 02 entails that the MCA-appointed auditor would only test the measurement methods used by the Maltapost-commissioned measurement company. It is therefore less likely to leave room for dispute. Both the options comply with the relevant EU standards and should provide an accurate measurement system. The MCA is of the opinion that Option 02 is the most feasible option.

Q01. Do you agree that Option 02 is the most feasible option with respect to the measurement and performance monitoring of the transit time of end-to-end service for single piece priority mail and first class mail? If you disagree, please state why.

Registered Post

The MCA sees no issue with the measurement of QoS for registered mail in a similar fashion to that for standard mail. Maltapost attempts to deliver the registered mail three times before leaving it at the Delivery Office/Mail Centre for collection. Measurement should start at the time it is posted until the time delivery has been attempted. The main concern is that if the customer is not aware that delivery has

been attempted the item could be measured as D+2, or D+3 even if delivery is attempted at D+1. It is understood that Maltapost advises the client of attempted delivery on the first attempt – this should ensure that measurement of D+1 is feasible.

In addition, with respect to registered mail, it is worth considering the European Standard EN14137 on the Measurement of Loss of Registered Mail and other types of postal services using a track and trace system. However, this standard is not as yet mandatory, and is unlikely to be made mandatory in the immediate future.

Adopting an independent end-to-end measurement system may go some way to removing the problem around attempted delivery. However, the MCA notes that the best method of measuring performance and increasing customer satisfaction would be the introduction of a track and trace system. It is nonetheless acknowledged that track and trace systems have historically been expensive. Moreover, a track and trace system standard that can be universally used (i.e. can also be used for cross border mail) is not yet available.

Q02. Do you agree that a registered service should be measured in the same fashion as for single piece priority mail and first class mail? If you disagree, please state why.

Q03. Do you agree that the measurement of the registered service should be monitored in line with Option 02 identified above? If you disagree, please state why.

Q04. Do you agree that the best method of measuring performance and increasing customer satisfaction with respect to registered mail is by introducing a track and trace system? If you disagree, please state why.

Standards

In order to correctly determine the level at which targets for local mail should be set, it is important that customer expectations and experience 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 performance is poor then targets should be raised to match expectations.

Another useful benchmark is that provided by the respective Member States' established targets. In all Member States with the exception of Austria, transit time objectives for domestic priority mail are regulated. In the case of parcels only eight (8) countries have introduced regulatory transit times. All USPs have a D+1 objective as indicated below. Spain is the only country with a D+3 objective.

Table 3-4: Regulatory transit time objectives for domestic priority or 1st class mail in 2003²⁷

Member State	Objectives				
	D+1	D+2	D+3	D+4	D+5
AT ¹	95%	98%		100%	
BE	92%	97%			
DE	80%	95%			
DK	97%				
EL	82%		93%		
ES			90%		98%
FR ²	84%	98%			
IE	94%		99.5%		
IT	87%	98%	99%		
LU	95%	99%			
NL	95%				
PT ³	93.2				
SE	85%		97%		
SF	95%				
UK ⁴	92.5%			99.9%	

1. Objectives for 2004. No regulatory objectives in Austria so far.
2. Objectives for 2002. Objectives for 2003 not yet established.
3. Additional objective in Portugal: 99.84% D+10.
4. The stated objectives refer only to stamped and metered 1st class mail. In addition, for 83% of the postal code areas next day delivery shall success at least in 90% of all deliveries. For objectives of other kinds of 1st class mail see the table below.

Source: Final Report on Quality of Service Objectives, performance and measurement in relation to community universal postal services (WIK Consult August 2003)

A D+1 objective would have to be set locally by the MCA and this would have to be determined after talks with Maltapost on what target would be attainable for the company whilst also being in line with users' needs. Targets for the USPs of the fifteen 'old' EU Member States range from between 92% and 97%. This should serve as an indicator as to where one should set the transit time targets locally. The MCA will also hold discussions with Maltapost as to any additional standards that may be required with respect to D+2 and D+3 deliveries.

It is recognised that it would be difficult and probably unnecessary to separate business and social mail into different targets and as such one should consider adopting the current system of one measure and one target for all mail.

The targeted standard for local parcel post is taken as being the same as for letter mail. This target is set on delivery to the home on the first attempt. Measurement should be facilitated by the fact that Maltapost staff leave a notification to the client in case of an unsuccessful delivery attempt.

The MCA is of the opinion that registered mail should be measured and targeted separately and should be subject to a higher D+1 standard than ordinary mail, in order to truly separate it from the ordinary mail stream.

As far as overseas mail standards are concerned, the minimum standards specified in the Postal Directive for cross-border mail within the EU should be considered as the standards to be achieved by Maltapost.

Standards for non-EU destinations should also be established, especially for those destinations where mail flows are significant. Such destinations would include the United States, Australia and Canada. Maltapost should propose QoS standards for non-EU overseas destinations.

- Q05. Do you agree that in the shorter term, a target in the region of 90% - 95% D+1 should be adopted as the official standard for local ordinary mail? If you disagree, please state why.**
- Q06. Do you agree that it is not necessary to separate business and social mail into different targets and that the current system of one measure and one target for all mail, including parcel post is sufficient? If you disagree, please state why.**
- Q07. Do you agree that registered mail should be measured and targeted separately and the relevant standard should be set higher than that considered for ordinary mail? If you disagree, please state why.**
- Q08. Do you agree that with respect to overseas mail standards, the minimum standards specified in the Postal Directives should be considered as the minimum standards to be achieved by Maltapost? If you disagree, please state why.**
- Q09. Do you agree that standards for non-EU destinations should also be established, especially for those destinations where mail flows are significant (e.g. United States, Australia and Canada)? If you disagree, please state why.**

3.5 Reporting Procedures and Requirements

With respect to the QoS measurement options contemplated above, Maltapost should provide the MCA with QoS reports on a quarterly basis. The reports should distinguish between the various categories of service provided by Maltapost and show the variances from any established standards.

As a minimum, any such report should distinguish between local mail and overseas mail, and be categorised by social, bulk and registered mail. EMS, which is an express mail service and as such not considered as falling within the ambit of the universal postal service does not need to be measured for quality. The report should also contain the measurements for the quarter together with the cumulative measurement for the year to date.

The above-mentioned categories constitute the outline of the QoS report. Further discussion as to the report breakdown would be held with Maltapost with a view of Maltapost submitting a first report by the end of March 2005 on its QoS standards for mail flows from postage to delivery to the customer. The first report should relate to quarter one of 2005 and should be submitted on the basis that Maltapost are currently measuring their performance.

It is premised that Maltapost already have the capability of submitting such a report in accordance with the envisaged breakdown. If not, Maltapost should submit any such report in accordance with their current capabilities. Subsequent reports should, however be on the basis of an established breakdown.

QoS reports will be published by the MCA. These reports will indicate the QoS standards that have been set and Maltapost's performance against them. The

minimum frequency of the report is once a year, but publication of quarterly reports is envisaged.

Maltapost also have the responsibility to adequately communicate QoS standards to their clients. The main issue here is which medium should be used to pass on the information. The information may be provided at a number of locations and through a variety of media as follows:

- At the time of posting
- All post offices
- Website
- Annual reports and accounts
- By mail to households
- All advertising media

Q10. Do agree that the proposed publication media is adequate to communicate QoS standards? If you disagree, please state why.

Q11. Is there any other information that Maltapost should be required to publish in respect of QoS standards for mail flows from postage to delivery to the customer? Please give your reasons.

4 Complaints Handling

4.1 European Directive

Under Article 19 of the Postal Directive, Member States shall ensure that transparent, simple and inexpensive procedures are drawn up for dealing with users' complaints, particularly in cases involving loss, theft, damage or non-compliance with QoS standards.

Member States shall adopt measures to ensure that those procedures enable disputes to be settled fairly and promptly with provision, where warranted, for a system of reimbursement and/or compensation.

Without prejudice to other possibilities of appeal under national and community legislation, Member States shall ensure that users, acting individually or, where permitted by national law, jointly with organisations representing the interests of users and/or consumers, may bring before the competent national authority cases where users' complaints to the USP have not been satisfactorily resolved.

In accordance with Article 16 of the Postal Directive, Member States shall ensure that the USPs publish, together with the annual report on the monitoring of their performance, information on the number of complaints and the manner in which they have been dealt with.

4.2 Maltese Legislation

Article 27 of the Postal Services Act states that in terms of client complaints, the USP shall draw up 'transparent, simple and inexpensive' procedures to deal with such complaints.

The USP is also bound to publish information relating to the number of complaints, what they are about and how they were handled at least once every calendar year.

4.3 Maltapost's Current Position

Resources

A seven-person team is dedicated to complaint handling within Maltapost. There exists a basic computerised based system for the logging of enquiries and complaints. It is noted that at present paper records of compensation claims are kept. The majority of enquiries and/or complaints are by post.

If the customer is not satisfied with Maltapost's handling of the complaint it can be referred to the MCA. In the event the customer is still unsatisfied, the case can be referred to the Board of Appeal set up statutorily under the Malta Communications Authority Act.

Complaint Handling

Maltapost have printed a booklet entitled 'Committed to Customer Care' for their clients' consumption. The pamphlet deals solely with instances of loss or damage to

postal articles, which quite likely constitute the majority of complaints received. Maltapost's stated commitment to customers is:

To finalise the complaint/enquiry within 7 days of receipt for items posted locally, within 90 days from receipt for items posted internationally (notwithstanding circumstances beyond Maltapost's control)

Complaints will be acknowledged within 2 days of receipt.

Enquiries/complaints on loss or damage to locally addressed items can be made after 10 days and within 6 months of the date of posting, 1 month and 6 months in the case of international items.

Complaints Handling Charges

Maltapost charges a handling fee of Lm0.17c for enquiries on loss or damage to local mail and Lm0.50c on similar enquiries in relation to overseas mail (excluding complaints on AR cards - i.e. advice of delivery - which do not necessitate a charge).

Compensation

Compensation is available on registered mail items, EMS and parcel post. Customers must fill in a complaint form in order to make a claim. The stated compensation limits are in relation to loss or damage to the item. There is no reference to compensation in the case of other issues, such as delays in delivery or other aspects of inadequate service.

As a rule, compensation is not payable on postal items sent by normal mail (whether sent individually or in bulk). This applies to individual mail items as well as bulk mail.

A discretionary system of goodwill payments is also in operation but does not appear to be monitored or governed by a code of practice.

4.4 The MCA's Position

Resources:

The customer service department is, according to Maltapost, capable of handling the complaint volume.

Appropriate information management systems are essential if complaint handling is to be monitored and regulated. Maltapost must be in a position to keep records of all customer contacts, and their responses to complaints and/or enquiries. This requirement goes beyond the regulatory reporting necessity. It is a key management tool for Maltapost to be able to monitor frequency of issues and establish patterns, with a view to implementing effective remedies.

Complaint Handling:

The guidelines published in the Maltapost booklet entitled 'Committed to Customer Care' are considered reasonable and have been produced independently of any regulatory requirement. All the points listed below, are already published as Maltapost's current complaint handling targets.

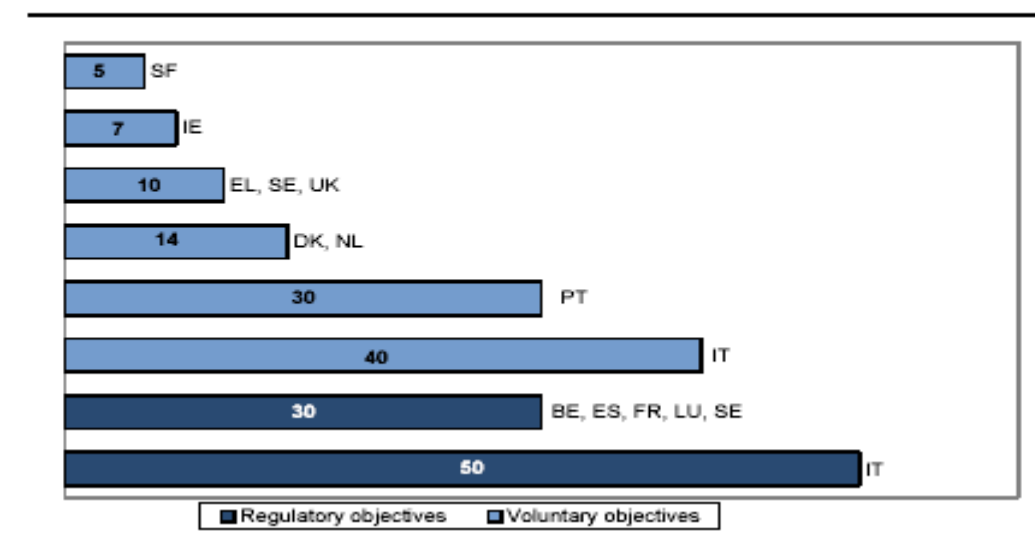
- 100% of complaint/enquiries to be finalised within 7 days of receipt for items posted locally, within 90 days from receipt for items posted internationally (notwithstanding circumstances beyond Maltapost's control)
- 100% of complaints/enquiries will be acknowledged within 2 days of receipt (either by telephone or post).
- 100% of enquiries/complaints on locally addressed items can be made after 10 days and within 6 months of the date of posting, 1 month and 6 months in the case of international items.

It is recommended that the above commitments are retained and their scope extended to include complaints other than those that deal with loss, damage or delay. Nevertheless an additional target is recommended:

- 100% of telephone contacts are answered within three (3) rings / five (5) seconds.

As far as comparability with Member States is concerned, the table below indicates the maximum handling times of complaints as reported by WIK.⁵

Figure 3-20: Maximum handling time objectives for domestic mail (in days)



The targets set by Maltapost are considered as being acceptable. However, one must also bear in mind the relative size of Malta, which should facilitate a quicker turnaround in complaints handling.

With regard to the handling of complaints on overseas postal matters, Maltapost's target of a 90-day turnaround is considered to be the high side but within acceptable limits.

⁵ Refer to Wik Consult: Quality of Service Objectives, Performance and Measurement I, Relation to Community Universal Postal Service. Appendices Table A 7-1.

A key issue relates to the actual measurement and reporting of Maltapost performance against the QoS standards that will be set. The levels of the Maltapost targets and their measurability can only be based on an analysis of current procedure. This could be hindered due to the information management systems currently employed. It is deemed necessary for Maltapost to introduce a new information management system for recording complaints/enquires and wait until a few months' worth of data has been captured in order to ensure the target levels are achievable and realistic. If Maltapost is failing, or greatly exceeding its complaint handling targets then revision is in order.

As with QoS targets, the only real way to judge if these conditions are acceptable to the general public is to carry out some detailed research into their expectations. The MCA may therefore conduct customer satisfaction surveys on a periodic basis and publish the results accordingly.

Customer perceptions and expectations may vary from the QoS standards that may have been set by Maltapost. However, it is deemed that the complaints handling parameters set by Maltapost should be approved by the Authority as the official standards. Should the results of any eventual customer survey show significant divergence between customer expectations and existing standards (as distinct from the actual level of the current service) then the latter will eventually need to be reviewed accordingly.

Q12. Do you agree that Maltapost should retain the above-mentioned commitments and that their scope extended to include complaints other than those that deal with loss, damage or delay? If you disagree, please state why.

Complaints Handling Charges:

Charging out for complaints handling is a questionable practice. The MCA would like to see Maltapost voluntarily doing away with such a practice.

The complaint charge does not serve to recover costs in any way. The likelihood is that such a practice results in a poor relationship between Maltapost and its clients and could lead to a multiplier effect resulting in an overall negative perception of Maltapost's customer focus.

The European Standardisation Committee (CEN) standard that deals with complaints handling is EN14012. This standard is envisaged to become mandatory on the 1st January 2006. A synopsis of this standard, which is reproduced from the WIK report entitled 'Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service', may be seen in **Appendix C**. On the question of charging out for complaints, WIK describe the requirement in EN14012 as follows:

"The usual means of communication (by letter, email, telephone, in person, by an official form) shall be available and at least one way to complain must be free of charge. Information about the ability to complain and how to make a complaint shall be clear, complete and simple. All personnel in contact with customers shall be able to explain how someone can make a complaint."

This is evidently a minimum requirement and the MCA is of the opinion that ideally all complaints should be free of charge. It is therefore recommended that Maltapost do away with the practice of charging its clients for complaints.

Q13. Do you agree that all complaints should be free of charge? If you disagree, please state why.

Compensation:

Maltapost's current compensation system is considered as being basic. The MCA considers the introduction of a compensation scheme for loss, damage or delay on ordinary mail as a required addition to the current scheme. Compensation of at least fifty (50) and preferably one hundred (100) times the value of an ordinary mail stamp at the lowest weight scale is deemed appropriate for loss, damage or delay of ordinary mail.

The MCA recognises that any compensation scheme for ordinary mail would come up against the problem of balancing the right of customers to claim redress for loss, damage or delay and the need to the service provider to limit its exposure to fraud. There is no simple 'right answer' to this and any scheme should be based on the specific requirements of customers in Malta.

The current system in Malta relies on strict evidence requirements and only applies to registered mail. The facility to offer 'goodwill' payments seems to be entirely based on the judgement of the individual case handler.

The MCA is of the opinion that a compensation scheme for normal mail should be introduced containing as a minimum:

- a statutory amount that customers can claim for loss, damage or delay (e.g. 50 x the price of a stamp);
- clear guidelines on what conditions customers should meet to be eligible to claim (e.g. correctly address the item, obtain certificate of posting etc); and
- details of how to appeal an unsuccessful claim.

It is to be clarified that the introduction of such a scheme would not detract from Maltapost's prerogative to dismiss any claims that are deemed to be unreasonable or dishonest. In the main, it is unlikely that customers would go through the trouble of making a complaint just for the reward.

Should there be any abuse of the system, the likelihood is that complainants would resort to repeated representations in order to get any mileage. A robust complaints handling mechanism would easily weed out such individuals and would provide Maltapost with the necessary proof that the relative complaints are not in good faith and, as a result, not liable to compensation.

The opening up of the compensation measure to include ordinary mail would serve to provide Maltapost with a better picture of the 'weak spots' in its service delivery and direct management to those areas which need attention.

It is unlikely that Maltapost will need to resort to any additional procedures to cater for this new measure. Over and above, there is a public relations benefit that Maltapost are likely to derive from adopting such a measure.

In the United Kingdom (UK), compensation is tied into incidents other than loss, damage or delay to postal items, although a look at the relevant statistics shows that the lion's share of compensation payments are given out in respect of these three issues. The MCA does not feel that it is essential for Maltapost to have formal schemes to compensate users of the service for issues beyond loss, damage or delay in delivery. However it is ultimately up to Maltapost to decide, and it is certainly their prerogative to compensate individual cases if circumstances so warrant.

In the case of bulk mail items, the UK arrangement is for the USP to compensate bulk mailers with the difference between the annual service target achieved and the standard set. If it fails to reach this service standard the client will be compensated by an equivalent percentage of the yearly spend. It is clarified that bulk mail clients are not eligible for compensation with respect to individual cases of delay.

It is recommended that this mode of compensation for delay be adopted in the case of bulk mail items.

Q14. Do you agree that a compensation scheme for ordinary mail should be introduced containing as a minimum the requirements identified above. If you disagree, please state why.

Q15. Do you agree Maltapost should adopt the above-mentioned mode of compensation for delay of bulk mail? If you disagree please state why.

Q16. In your view are there any other key important points that should be included in a compensation scheme that Maltapost is required to draw up? Please state your reasons.

4.5 Reporting Procedures and Requirements

All of the targets referred to above, both for mail delivery and complaint handling, should be measured on a yearly basis. This gives a sufficient amount of time to demonstrate an improvement on any areas of poor performance and institute long term plans. The shorter the time period of measurement, the more samples are necessary to provide a valid result.

It is important for MCA to monitor Maltapost's QoS requirements throughout the year and it will therefore be necessary for Maltapost to submit quarterly reports on QoS and complaint data to the MCA.

As far as data requirements are concerned, EN14012 (refer Appendix C) contains the categories under which complaints should be listed. This standard is not as yet mandatory but is approved and should be in force by 2006. It would therefore be ideal to replicate the categories listed in Appendix C and reproduced hereunder for ease of reference:

- a. delay,
- b. loss or substantial delay,
- c. damage,
- d. change of address,
- e. mail delivery or collection,
- f. mis-delivery,
- g. access to customer service information,
- h. access to postal services,
- i. how complaints are treated, and
- j. other complaints.

Reporting frequency should be by quarter, and the reporting with respect to each of the above categories should contain the following columns:

- a. opening balance of unresolved complaints at start of period,
- b. complaints received in quarter,
- c. resolved in quarter,
- d. unresolved at end, and
- e. total recompense paid out.

It is noted that the UK categorisation is more comprehensive than the above categorisation and includes details on complaints relative to post office activities. Complaint types (not necessarily all) that can be included in addition to the basic EN14012 requirement are:

- a. customer service at transaction,
- b. advice provision,
- c. branch facilities,
- d. change discrepancies,
- e. service failure,
- f. transaction procedures,
- g. waiting times, and
- h. opening hours.

Whatever the final categorisation that is ultimately agreed to, this reporting requirement is mandatory. It should therefore be incumbent upon Maltapost to submit the results of quarter one of 2005 to the MCA by the end of March 2005.

As indicated earlier on in this document, Article 16 of the Postal Directive states that Member States shall ensure that the USPs publish, together with the annual report on the monitoring of their performance, information on the number of complaints and the manner in which they have been dealt with (Article 27 of the Postal Services Act).

As for the means of communication available to Maltapost in transmitting the information to their clients, this aspect has been referred to in the section dealing with end-to-end measurement and applies equally in this case as well.

Q17. Is there any other information that Maltapost should be required to publish in respect of compliant handling beyond the requirements of the EN14012 standard? Please give your reasons.

5 Enforcement Action

There exist several enforcement options available to the MCA should Maltapost fail to comply with any of its targets, once these are established:

- Pre-emptive: Any future price rises would be made conditional on the achievement of QoS targets. Any such requirement would be included as a condition within a price control formula.
- Reactive: Fines could be levied for failure to achieve the established targets. The amount and method of payment would be decided by the MCA in each individual case based on the severity of the failure and any mitigating factors. Furthermore, the proposed compensation system for bulk mail operators could be extended to the rest of the postal operation and levied as a penalty if Maltapost fails to reach established targets.

Beyond enforcement action that could be taken to ensure that Maltapost does live up to its targets, there is the possibility of the monitoring of Maltapost's activity, possibly in relation to specific issues. One example could be the auditing of sorting centres to ensure that all mail is cleared on to delivery every day.

The MCA envisages the adoption of a mix of all the above measures in the event that enforcement action is required.

Q18. Do you agree that enforcement action, as outlined above, would be an effective means of ensuring that Maltapost achieves its targets? If you disagree, please state why.

6 Submission of Comments

The consultation period will run from 14th January 2005 to 15th February 2005 during which the MCA welcomes written comments on any of the issues raised in this paper. Having analysed and considered the comments received, the MCA will review the QoS standards to be set for the provision of the universal service obligation and a report will be published on the consultation which will, inter alia, summarise the responses to the 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. Respondents may also make comments on any aspect of the consultation by referring to the specific sections of this document when making their submissions.

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

Chief, Policy and Planning
Malta Communications Authority
Il-Piazzetta, Suite 43/44, Tower Road
Sliema, SLM 16, Malta
Tel: +356 21 336840
Fax: +356 21 336846

Email: pvella@mca.org.mt

Appendix A - Licence Schedule of the Minimum Standards of Service

19. Standards of Service

19.1 The Licensee shall adopt the minimum standards of service approved by the Authority. Within three months of the grant of this licence, the Licensee shall submit to the Authority for its approval a schedule of the minimum standards of service it shall achieve for each of the products set out in the Appendix to this Licence. The schedule shall:

- (i) specify routing times and the regularity and reliability of services to be achieved;
- (ii) specify standards for national and intra-Community cross border mail consistent with the Annex to the Postal Services Directive 97/67/EC as in force from time to time;
- (iii) incorporate targets for the improvement of service standards within specified timeframes;
- (iv) provide for regular monitoring reports on the achievement of service standards using testing methodologies consistent with European Union requirements.

The Authority may specify other standards from time to time required in consultation with the Licensee and any other stakeholder as necessary.

19.2 The Licensee will ensure that independent performance monitoring is carried out at least once a year and that the results are published.

19.3 The schedule of service standards will be reviewed by the Authority at least once a year and the Authority may propose modifications to the standards in consultation with the licensee and any other third person as necessary. The Licensee shall implement any modifications as the Authority may finally decide upon, within such time as the Authority may stipulate.

20. Compensation

20.1 The Licensee shall implement compensation measures as approved by the Authority. Within three months of the grant of this licence, the Licensee shall submit to the Authority for approval a schedule setting out arrangements for compensating customers affected by any failure to meet the standards of service required under paragraph 19.1 of this Licence.

The schedule shall:

- (i) differentiate between senders and receivers of mail;
- (ii) set out the compensation to apply to domestic users, small and medium users and users of bulk mail services;
- (iii) set out the compensation to apply to users buying services under contract;
- (iv) establish compensation payments which are mandatory and those which are at the discretion of the Licensee.

20.2 The compensation schedule shall be reviewed at the same time as the standards of service schedule and the Authority may propose modifications in consultation with the Licensee and any other third person as necessary. The Licensee shall implement any modifications as the Authority may finally decide upon, within such time as the Authority may stipulate.

20.3 The Licensee shall ensure that the compensation schedule is well publicised and sent to any person who complains about a service.

21. Complaint Handling

21.1 At the grant of this licence, the Licensee shall submit to the Authority procedures for handling complaints from all types of customers about all postal services. The Authority shall verify that the procedures reflect and conform with all legal requirements. The procedures shall:

- (i) be transparent, simple, inexpensive and prompt;
- (ii) cover in particular complaints involving loss, theft, damage or noncompliance with service standards;
- (iii) identify where responsibility lies if more than one postal operator is involved;
- (iv) offer appropriate compensation as stipulated in paragraph 20 above;
- (v) publicise the Licensee's contact details for making complaints.

21.2 The Authority may require the Licensee to amend its procedures to ensure that the conditions mentioned in paragraph 21.1 are satisfied.

21.3 The procedures shall demonstrate that the Licensee has the necessary processes and trained staff in place.

21.4 The Licensee shall publish, at the same time as the standards of service report under paragraph 19.3, details of the number and nature of complaints it has received and how these have been dealt with.

21.5 Where a customer is not satisfied with the way the Licensee has handled his complaint, the Licensee shall ensure that he is informed that they may refer the complaint to the Authority for investigation. If, in the opinion of the Authority, the number or nature of complaints referred to the Authority indicate (or if the Authority otherwise becomes aware) that the Licensee's complaint handling procedures are not adequate, the Authority may require the procedures to be reviewed and improved.

21.6 The Licensee shall comply with any laws relative to data protection and privacy.

Appendix B - European Standards

The information shown hereunder gives an indication of the number of European standards that have been approved or are under discussion. Ultimately a number or all of these standards may have to be adhered to by the USP as well as by other postal operators.

1. European Standards

The following are standards that have been published.

Number of Standard	Title of Standard	Data Approved
EN 13850	Measurement of the transit time of end-to-end service for single piece priority mail and first class mail.	Approved: January 2002. Mandatory from January 2004 (Domestic) and from January 2005 (International). (Note: These do not currently apply to new EU members.)
TR 14709	Implementation Paper for EN 13850.	Approved: December 2002
EN 14012	Measurement of complaints and redress procedures.	Approved: November 2002
EN 14508	Measurement of the transit time of end-to-end service for single piece non-priority mail and second class mail.	Approved: December 2002
EN 14534	Measurement of the transit time of end-to-end service for bulk mail.	Approved: March 2003
EN 14137	Measurement of the loss of registered mail and other types of postal service using a track and trace system.	Approved: June 2003

2. Standards Under Approval

Technical Specification - TS14773 - Measurement of loss and substantial delay of priority and first class single piece mail using a survey of test letters is under approval.

3. Work Items Under New Mandate.

3.1 Extension of Existing Standards to New EU Members and to Multiple Operators

A project team, PT6, has been set up to work further on these two work items. The project team has produced two reports to be considered.

3.1.1 Extension of Existing Standards to New EU Members

For cross-border mail flows it is proposed that the level of sampling should depend on the size of the mail flow. This means that for smaller flows the full level of accuracy will only be achieved after a number of years. The project team has recommended that flows are divided into three categories according to size: for flows in categories 1, 2, and 3 the full accuracy will only be reached after 1, 2, and 3 years

respectively. The project team has also proposed that flows with extremely low real mail volumes (<10,000 letters per year) might be excluded by agreement with the national regulatory authority.

WG1 will shortly be sending a draft proposal to CEN/TC 331, who will then circulate it to member countries seeking their comments.

For domestic mail flows it is proposed that annual results will always be reported but that the accuracy required will depend on the volume of domestic mail.

3.1.2 Extension of Existing Standards to Multiple Operators

The project team has identified two separate cases for multiple operators:

- Parallel Operations: In parallel operations there is more than one operator in the market but each operator carries out the whole operation relating to the posting and delivery of mail items from end to end.
- Partial Pipeline Operations: In this situation, an item of domestic mail is handled by more than one operator during its transit. For example, one operator might collect the item from the customer, do some processing, and hand the item to another operator to deliver.

The project team has concluded that:

- The existing standards can be used to measure end-to-end transit time for either of the multiple operator cases.
- A technical report or reports should be produced giving clarification of the use of standards EN 14534, EN 14508, EN 13850 and TS 14773 for end-to-end measurement when there are multiple operators.
- A new standard will be required if it is felt necessary to have a standard which can be used to measure only part of the pipeline. However, the postal market is still developing, in ways which cannot entirely be predicted, and the project team considers it is too early to determine what the requirements of a new standard would be.
- A number of issues have been identified about the measurement of complaints and redress procedures when there are multiple operators. These concern the use of EN 14012 by operators that are not USPs and the treatment of complaints that are made to the wrong operator. These issues cause relatively small problems in the application of EN 14012 at present but will become more significant as the liberalised postal market develops. It will be necessary to amend EN 14012 but not yet.
- It has been recommended that the situation be reviewed in two years.

WG1 will shortly be sending a draft proposal to CEN/TC 331 who will then circulate it to member countries seeking their comments.

3.2 Measurement of End-to-End Transit Time of Parcels Using a Track and Trace System

A project team has been set up to work on this subject. A report, N520, on the conclusions of the project team was prepared for TC331 to consider at the Plenary in February 2004.

WG1 will shortly be sending a draft proposal to CEN/TC 331 who will then circulate it to member countries seeking their comments.

3.3 Quality of Access to Postal Services and of Postal Delivery

A project team has been set up to work on this subject. The work item has a very wide scope and the first task of the project team has been to identify which topics should be developed into standards. In order to do this, the project team produced a questionnaire which was sent to regulators, operators and other organisations throughout Europe.

After considering the importance attached to measurement and the practicality and usefulness of standardised methods, the project team has recommended the development of four standards.

1. Information available on postal services.
2. Population coverage for access to postal services.
3. Percentage of mail delivered to the wrong person or address.
4. Correct notification of a parcel or registered item.

A report, N519, on the conclusions of the project team was prepared for TC331. PT8 has begun work on 1 and 2. The standard for Item 1 is in the process of being produced.

A questionnaire has been circulated to member countries requesting information on measurement systems. The information received from the questionnaires will help when the work on the standard on population coverage for access to postal services.

3.4 Quality of Service of Hybrid Mail Services

The project team began its work in January 2004. However, WG1 will be recommending to CEN/TC 331 not to develop a standard for the measurement of Hybrid Mail Services.

3.5 Quality of Service of Non-addressed Mail Services

The project team began its work in January 2004.

Note 1: European Standard EN 13850 – Measurement of the transit time of end-to-end service for single piece priority mail and first class mail. This Standard is mandatory. However, there is work currently being undertaken by a Project Team within Working Group 1 of TC331 on “Postal Services – Quality of service – Extension of existing standards to new EU members”.

WG1 will be recommending to CEN/TC 331 not to develop a standard for the measurement of non-addressed services.

Appendix C - Requirements of European Standards

Requirements of EN 14012 – extract from WIK report on Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service⁶

The Postal Directive requires USPs to publish once a year information on the number of complaints they receive and on the time needed to deal with those complaints. The adopted European standard EN 14012 shall ensure that this information is collected, analysed, and reported in a consistent manner. The standard does not specify the process for handling complaints. However, it lays down minimum requirements for a complaints management system in relation to the treatment of complaints and redress which enables to measure complaints and the speed with which they are handled.

According to EN 14012 any customer who wants to make a complaint must be able to do so easily. Otherwise it would be possible to reduce the number of complaints by making it difficult for users to complain. The usual means of communication (by letter, email, telephone, in person, by a official form) shall be available and at least one way to complain must be free of charge. Information about the ability to complain and how to make a complaint shall be clear, complete and simple. All personnel in contact with customers shall be able to explain how someone can make a complaint.

The standard defines main categories of complaints, in order to classify them more accurately. These categories are:

- a. delay*
- b. loss or substantial delay,*
- c. damage,*
- d. change of address*
- e. mail delivery or collection*
- f. mis-delivery*
- g. access to customer service information,*
- h. access to postal services,*
- i. how complaints are treated*
- j. other complaints*

Each category is precisely described. Additionally, EN 14012 requires a unique identification code for every complaint. It must be possible by this to trace each complaint throughout the whole postal organisation. Thereby it shall be ensured that complaints do not get "lost" as they move from one part of the system to another.

The postal operator has to define a maximum time for the receipt of complaints. Furthermore the postal operator is required to determine maximum handling times within which the complaints shall be resolved. If the investigation is expected to take longer, the service provider shall give an initial acknowledgement reply. Moreover, the response should include information on the formal arbitration and regulatory or legal resources which are available to a dissatisfied complainant.

The postal operator could fail to fulfill its requirements. According to EN 14012 the postal operator has to publish the criteria leading to compensation in this case. Detailed information must be available on how the redress procedures work.

⁶ Page 231 – item 4.2.4.1

Nevertheless, the standard does not state what the level and form of compensation should be. The operators shall determine these matters in conformance with the NRAs.

Requirements of EN 13850 – extract from WIK report on Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service.

4.2 Measurement of Quality of Service

CEN's Technical Committee 331 has been developing a number of European standards for postal services to provide a common framework for the measurement of quality. The standards do not aim for an exactly defined common measurement system. They outline minimum requirements to be adopted. The particular national measurement should fulfill the minimum requirements to satisfy the information interests of the NRAs, the postal customers and the postal operators themselves. According to the principles outlined in the framework of the Postal Directive Committee, the permanent (EN) CEN standards concerning QoS measurement within the universal service are eligible to become "standardised conditions". They have to be applied if the USP is required to measure the respective dimension of QoS according to the national regulatory framework or does so voluntarily (see section 3.1.2.4 for more details). According to the rationale in the Postal Directive standardised measurement methods should enable the monitoring of QoS convergence across the Community.

Among other issues, CEN has been mandated to work out measurement standards for the following postal services:

- End-to-end transit time of single-piece priority and 1st class mail (EN 13850).
- End-to-end transit time of single-piece non-priority and 2nd class mail (EN 14508).
- End-to-end transit time of bulk mail (EN 14534).
- Loss and substantial delay of registered mail (EN 14137) and of non-registered mail (prTS 00331029).
- Complaints and redress procedures (EN 14012)

Chapter 4.2 describes the developed CEN standards and evaluates if they are qualified to overcome some important shortcomings identified in chapter 3 in an appropriate way. Particularly, the analysis shall provide an assessment whether the related methods allow for a measurement at reasonable cost and whether they are suitable against the background of the ongoing EU enlargement. This subsection deals with the question whether the defined measurement standards should become mandatory.

This chapter is not only dedicated to the adopted CEN standards. Additionally, a focus lays on customer satisfaction surveys. We first discuss, whether an obligation for conducting such surveys is necessary. In a second step the opportunity to develop and apply a standard method for customer satisfactions surveys will be considered, independently from a regulatory obligation to measure.

Finally, standardisation perspectives are highlighted. We address the importance of new CEN standards taking into account the stakeholders' view.

4.2.1 Transit time measurement of single-piece items

4.2.1.1 Requirements of EN 13850 and EN 14508

EN 13850 specifies a method to measure the end-to-end transit time for priority single piece and first class mail for domestic and cross-border flows. This methodology makes use of a representative sample of all relevant types of 1st class single piece letter mail. The underlying sample should adequately reflect the structure and the distinctive features of the respective real mail flows. EN 13850 clearly defines the minimum requirements in terms of geographical stratification and discriminate mail characteristics. The requirements for the design involve the selection and distribution of test items sent and received by selected independent panelists. In order to fulfill the specifications of stratification and geographical coverage senders and receivers should be spread all over the analysed postal areas.

The QoS indicator is the contingent of respective letters that were successfully delivered through the analysed postal network within the defined time objective (on-time performance). The overall transit time QoS result should be the percentage of mail items arriving within the specified timeframe $D+n$. Depending on the test sample these results are estimates of the probability that the transit time of a randomly selected item has attained the specifications. With respect to the domestic transit time EN 13850 allows for an accuracy level of $\pm 1\%$. Cross-border flows shall be measured with an accuracy of $\pm 5\%$.

Pursuant to EN 13850 end-to-end runs from the point mail is placed into the collection or acceptance system to the final delivery point, at each case under the responsibility of the postal operator. The definition of the day of deposit in this way implies that posting takes place before the published last collection time of the particular induction point.

In order to obtain the information needed for the sample design, the real national and cross-border mail flows have to be analysed prior to the implementation of the test mail measurement system. Within these real mail studies information should be collected that is an essential input for the latter sample test design. Due to possible shifts of the market and study environment over time real mail studies shall be conducted at least every third year. According to the changes in real postal flows the sample design shall be revised.

The standard for transit time measurement of 2nd class letter mail has been developed on the basis of the requirements of EN 13850. EN 14508 focuses on single-piece 2nd class items: letters sent without priority receiving slower processing compared to priority mail. Both surveys may be undertaken simultaneously whereas the estimated transit times have to be reported separately.

4.2.1.2 Adaptation

EN 13850 should be applied to 1st class and priority mail from 01/01/2004 for national services, as decided by the Postal Directive Committee. Since IPC faces some problems with regard to the adaptation of the current measurement methods (identification of real mail flows, accuracy of the measurement which requires changes in the panellists), the standard shall be applied to cross-border services as of 01/01/2005.

EN 14508 has recently been formally adopted by CEN. The point in time when the principle of this standard will become "standardised conditions" as well as the related implementation deadline (if applicable) have not been decided yet.