



Performance Audit

**Malta Communications Authority
Regulation of the Universal Postal Service**

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List of Abbreviations

CEN	European Committee for Standardisation
EU	European Union
GATS	General Agreement on Trade in Service
GDP	Gross Domestic Product
ICT	Information and Communications Technology
MCA	Malta Communications Authority
MEPA	Malta Environment and Planning Authority
NAO	National Audit Office
NRA	National Regulatory Authority
NSO	National Statistics Office
PSA	Postal Services Act (Chapter 254, Laws of Malta)
QoS	Quality of Service
SOP	Standard Operating Procedure
UPU	Universal Postal Union
USO	Universal Service Obligation
USP	Universal Service Provider
WTO	World Trade Organisation



Executive Summary

Executive Summary

1. The postal market is vital to the social, cultural and economic life of modern society. Even in an age of widespread use of digital and electronic technology, the postal market remains an essential pillar of the country's infrastructure.

2. The universal postal service consists of distinct postal services and products which all users are entitled to anywhere in the country. There are clear social and business needs for the provision of a universal service and public policy makers are committed to the service's continuation, regulation and monitoring.

3. The European Union (EU) aims to implement a single market for postal services and has been opening up the sector to competition in a gradual and controlled way whilst ensuring a universal service. Postal Directive 97/67/EC as amended by Directives 2002/39/EC and 2008/6/EC (hereon referred to as the EU Postal Directives) outline the minimum basic obligations of Member States for the provision of the universal service. Within the framework of these Directives, and in line with the principle of subsidiarity, Member States have considerable freedom to define the universal service at a national level including the full and detailed range of products and ancillary services that should be classified as part of the universal service.

4. The main national legislation governing the provision of the universal service in Malta is the Postal Services Act (Chapter 254 - hereon referred to as 'the PSA'). The PSA transposes the provisions established under the EU Postal Directives and establishes the criteria on which the universal service should be set. Subsidiary legislation (namely the Postal Services (General) Regulations and the Maltapost p.l.c. Licence (Modification) Regulations), further delineates the services that currently constitute the universal service.

5. The Malta Communications Authority (MCA) and the Minister responsible for the postal sector are

responsible for the regulation of the postal services sector. The PSA and the Postal Regulations specify MCA's regulatory powers in the postal services sector. At the heart of this regulatory framework is the provision of an affordable universal service. MCA also has the responsibility for promoting consumer interests by, for example, insisting on high standards of service, proper compensation, affordable prices and effective competition. MCA must also ensure that the designated postal service provider is able to provide the universal service obligation.

6. Maltapost p.l.c. (hereon referred to as 'Maltapost') is the dominant mail operator in significant parts of the postal market and the principal provider of the universal service in Malta. In May 2004, Maltapost was designated as the Universal Service Provider (USP) with the obligation to provide all the services listed as part of the universal service in the PSA and the Postal Regulations. Moreover, the modified licence for the USP, issued in December 2004, requires Maltapost to adopt minimum standards of service, complaint handling procedures, compensation schedules and mail integrity procedures. It also regulates the pricing of the universal service. The partial monopoly enjoyed by Maltapost in the 'reserved area' of the universal service will legally end by 31 December 2012.

7. Against this background, NAO undertook a performance audit to examine the appropriateness, timeliness, adequacy and impact of the measures and actions undertaken by MCA to regulate the activities and performance of the USP with respect to the achievement of:

- (a) Quality of service requirements and targets to be achieved by Maltapost (Decision Notices of June 2005 and December 2007).
- (b) The minimum standards for protecting the integrity of mail (Decision Notice of June 2006).
- (c) Maltapost's Universal Service Obligations:

Accessibility, Daily Delivery and Provision of Information (Decision Notice of September 2008).

8. In addition, NAO's examination took into consideration recent Decision Notices and Consultation Papers. On the other hand, the NAO study excluded issues related to the USP's accounting separation obligations, as well as tariff and price principles in relation to the universal service as these merited a separate in-depth study.

9. The study was carried out between April and August 2010. Unless otherwise stated, findings in this report reflect conditions up to August 2010. Details of the methods applied to this study are outlined in Appendix A.

Key conclusions and recommendations

10. *Accessibility*

- (a) It is MCA's legal responsibility to monitor and ensure that Maltapost fulfils its obligations as the USP and operates, for the benefit of consumers, a sufficiently dense network of postal access points across the country.
- (b) In September 2008, MCA published, as part of an overall Decision Notice on universal service obligations (USOs), the criteria to be followed when determining Maltapost's minimum density of postal access points.
- (c) Since the publication of this Notice, MCA's regulatory actions concerning compliance with the Authority's decisions on accessibility have centred around the following specific issues such as the approval of Maltapost's annual shutdown days, the sanctioning of early letter box collections, the relocation or closure of letter boxes, post office branches or sub-post offices, as well as changes in the opening and closing hours of a post office branch.
- (d) During 2009, MCA also commissioned surveys asking questions, amongst others, on accessibility. These surveys indicated that, generally, the majority of users held strong positive views on various aspects of accessibility. Nevertheless, some concerns were also flagged.
- (e) With regard to Maltapost's network of public letterboxes and stamp vendors, demographic and urban changes could eventually require Maltapost to make changes to its network in order to remain compliant with the minimum requirements. It is, therefore, important that MCA remains vigilant in this regard.

11. *Daily Delivery*

- (a) A fundamental element of postal regulation is MCA's responsibility for ensuring that Maltapost fulfils its essential daily collection and delivery obligations with respect to the universal postal service.
- (b) The Authority in its decision on this issue in September 2008 concluded that Maltapost's existing collection and delivery arrangements were adequate and in line with the provisions of the PSA and the obligations of the licence.
- (c) Since MCA has been satisfied with Maltapost's existing arrangements for the guarantee of daily delivery, no direct regulatory action has been taken in this regard by the Authority as this was deemed unnecessary.
- (d) NAO, nonetheless, recommends that MCA considers taking further pro-active action in the monitoring of certain critical elements of Maltapost's reported arrangements regarding daily collection and delivery. For example, the Authority could consider including in its plans an independent systems audit of Maltapost's electronic logging system in order to test the robustness and consistency of the USP's reported monitoring and control mechanisms.

12. *End-to-End Measurement*

- (a) MCA also has the specific legal responsibility to set and publish the Quality of Service (QoS) standards and related targets to be achieved by Maltapost within the framework of European and national legislation. The Authority also has the duty to monitor and enforce Maltapost's performance against these established performance levels and to report, from time to time, on the results of the monitoring exercise.
- (b) The first Decision Notice on QoS Requirements was issued in June 2005. This was followed by the second Notice that was published in December 2007. In September 2010, the third Notice for QoS targets covering the period October 2010 to September 2013 was planned to be published soon. Various measures are being deployed by Maltapost and MCA to measure the end-to-end transit times of different postal services.
- (c) Significant work has been undertaken by MCA to establish, revise, monitor and enforce robust QoS targets and to encourage Maltapost to develop reliable end-to-end measurement systems to

measure progress and achievements. A number of critical challenges, however, remain. Key to these are the obstacles highlighted by the auditors of the methodology used in the 'Quality of Service Monitoring Surveys'. Furthermore, MCA can consider including in its monitoring arrangements an audit of Maltapost's 'track and trace' measurement system.

13. *Protecting the Integrity of Mail*

- (a) Mail integrity constitutes a key element in ensuring consumer confidence in the market. Risks to mail integrity can emanate from the people who have access to that mail, whether authorised or otherwise. In June 2006, MCA published a Decision Notice on the minimum standards to be achieved by licensed and authorised postal operators for the protection of the integrity of mail.
- (b) A mail integrity audit was commissioned by MCA in December 2006 in order to independently assess Maltapost's position with respect to the fulfilment of its mail integrity obligations. The exercise led to the identification of a series of observations and recommendations highlighting areas where improvements were necessary in order to ensure compliance with the minimum standards.
- (c) NAO concluded that a new comprehensive mail integrity audit of Maltapost's revised policies and procedures is urgently required. This exercise will provide MCA with an accurate and up-to-date assessment of Maltapost's level of compliance with the established minimum standards on mail integrity and on the progress made since the last audit.

14. *Provision of Information*

- (a) MCA has the mandate to ensure that Maltapost (as the USP), using the appropriate media and locations, provides the general public and businesses with regular, clear, detailed and up-to-date information on the universal postal service. The Authority's stated policy on this aspect of the universal postal service is that users need to know exactly what they have a right to expect in terms of price, quality, service standards as well as the conditions relating to each particular service or product falling under the universal service.
- (b) MCA's Decision Notice on QoS requirements, issued in June 2005, established the locations and media to be used to communicate QoS information. During 2008, MCA, in order to drive additional improvements by Maltapost, published a Decision

Notice which, amongst other issues, further delineated the USP's legal obligations with regard to what information should be provided, the manner in which postal schemes should be published and what media should be used to communicate key information on the universal service.

- (c) MCA monitors, on an ongoing basis, Maltapost's publication of information. This is being done mostly through informal periodic checks of information made available on the USP's website. NAO confirmed that the Authority has not carried out, for example, any physical checks at access points (such as through periodic inspections or mystery shopping exercises) to ascertain whether the USP is, through other channels, also fully complying with the specified obligations related to the provision of information.
- (d) With regard to postal service schemes, NAO established that a number of such schemes are available over the internet through a dedicated page on Maltapost's website. It is recommended that MCA considers taking further action to monitor how postal service schemes are effectively communicated and promoted to the users through different channels apart from the website (such as through post offices, when handling customer enquiries, or through newsletters). The Authority can also consider gauging (for example, through its periodic national surveys) the public's general awareness of such schemes and other customer information.

15. *Complaint Handling and Compensation*

- (a) A key fundamental principle of the universal postal service is that users are not deterred from expressing any dissatisfaction with existing services provided by the USP. They should also be provided with the proper procedures for redress and any eventual compensation. In June 2005, MCA published a Decision Notice that addressed, amongst others, this 'qualitative' aspect of universal postal service. Since then, MCA has required Maltapost to submit quarterly statistics on handled complaints. Surveys were also carried out in 2009 to assess users' perceptions.
- (b) A significant development on this aspect of postal regulation was MCA's independent review, in 2009, of Maltapost's compliance with the decisions on complaint handling and reporting procedures. A number of critical shortcomings were identified from this exercise and MCA has indicated that since this assessment Maltapost has satisfactorily improved its systems and documentation. NAO,

nonetheless, encourages MCA to continue to carefully scrutinise and assess the reported progress being made by Maltapost and to consider a new audit at the opportune time.

16. *Management of common issues in a multi-operator environment*

- (a) In view of the full liberalisation of the postal market in the near future, MCA has been involved in a number of preparations and actions in order to be in a better position to regulate postal services in this new market environment.
- (b) In December 2009, MCA issued an important Decision Notice introducing arrangements for managing common operational issues in a multi-operator environment. Through this Decision, MCA established the framework required to minimise any potential postal operator and consumer misunderstanding that can emerge with the complexities of increased competition and the full market opening of the postal sector by the end of December 2012.
- (c) MCA's rationale regarding this aspect of postal regulation was that by establishing the arrangements to be made by Maltapost and other licensed operators, safeguards would thus be in place to ensure an efficient and timely handling and delivery of postal articles from different operators. Moreover, users' confidence in the postal system would be sustained in this more complex environment.

17. *Financing the regulation of the universal service*

- (a) MCA's regulatory activities are financed by different mechanisms depending on the respective remits of the Authority in different market sectors. With regard to the regulation of the postal sector, MCA operates under a Government-approved budget. This allocation is intended to finance all the activities falling under MCA's remit in the postal sector, including accounting separation and price control activities, licensing, the monitoring and enforcement of universal service obligations and standards as well as the development of postal regulation.
- (b) The relevant proportion of MCA's administrative and operational expenses, staff costs and capital expenditure, together with consultancy costs which were allocated for the regulation of postal services are offset against this budget.
- (c) In 2010, the budget for the regulation of the postal sector amounted to €230,000. MCA is required to design its work programme in line with this budget. Prioritisation of regulatory activities is often required due to budgetary constraints. NAO recommends that a more flexible financing mechanism is established to ensure that sufficient resources are available for the different regulatory activities carried out by the Authority in the postal sector.



Chapter 1

Regulatory Policy, Structure and Context

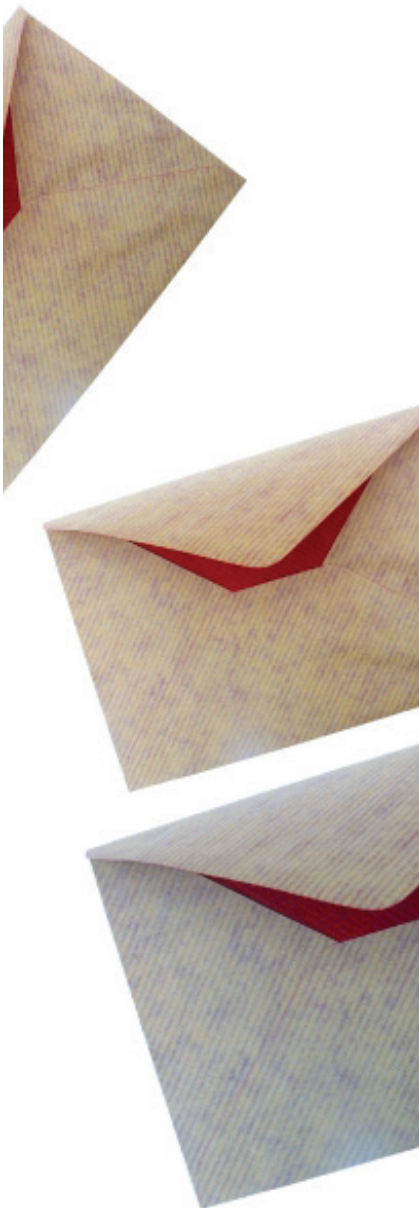


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Chapter 1 – Regulatory Policy, Structure and Context

Chapter 1 defines the legislative and market context in which the universal postal service is regulated. It also refers to the statutory duties and the strategic objectives of the Malta Communication Authority with respect to the regulation of the universal service. Moreover, the Chapter outlines the scope, objectives and criteria used for this study.

1.1 The relevance and importance of the postal market in modern society

1.1.1 The postal market is vital to the social, cultural and economic life of modern society. Even in an age of widespread use of digital and electronic technology, the postal market remains an essential pillar of the country's infrastructure as it:

- (a) facilitates communication between individuals, business and government;
- (b) helps to increase social cohesion;
- (c) supports commercial activity; and
- (d) provides quick flows of information and knowledge across the country.

1.1.2 The postal market consists of a number of important segments, including the collection, sorting, transport and delivery of letter, document, registered and parcel mail items as well as the provision of express or courier services. The benefits of an efficient and modern postal service network are wide-ranging. Domestic and commercial users depend on the postal market for various reasons, whether it is to receive goods ordered over the internet, send a birthday card or a gift to a relative, pay a utility bill, submit an insurance claim form, dispatch promotional material to prospective clients, or mail an invoice to a customer. The postal service also provides employment to hundreds of employees and annually contributes around 0.2 per cent to Malta's Gross Domestic Product (GDP).

1.1.3 The latest data published by the National Statistics Office (NSO) reveals that, in 2009, 45 million items were handled in Malta by the various operators offering postal, express and courier services. In addition, during the first quarter of 2010, a further 11 million items had been received or dispatched using such services (Table 1.1).

Table 1.1: Postal market volumes in Malta (January 2009 – March 2010)

Period	Total traffic: Items received and dispatched		
	Domestic, inbound and outbound postal services (including parcels and other items)	Courier services for letters, documents and parcels	Total
January - March 2009	10,417,290	67,620	10,484,910
April – June 2009	10,852,413	71,535	10,923,948
July - September 2009	10,421,572	101,593	10,523,165
October - December 2009	12,854,213	108,468	12,962,681
January - March 2010	10,797,750	102,781	10,900,531

Source: National Statistics Office (2009-2010)

1.1.4 New technologies and business practices are reshaping the supply of and demand for postal and courier services. Volumes in letter post items have been decreasing considerably over the years, apart from the peaks that are normally experienced during the Christmas period. On the other hand, postal and courier operators have registered significant increases in parcel operations with the growth of internet shopping. There have also been reported increases in volumes of bulk mail and registered mail items. The market is evidently responding to evolving needs of society and to the opportunities offered by changing times.

1.2 What is the universal service?

1.2.1 The universal postal services (hereon referred to as the ‘universal service’) consist of distinct postal services and products which all users are entitled to anywhere in the country. The development of an efficient and accessible universal service is a primary objective of the Universal Postal Union (UPU) - the specialised institution of the United Nations on postal matters.


1.2.2 Over the past decade, proposals on the universal supply of quality basic postal services as well as on unrestricted market access to postal and courier services have also been included in the services negotiations of the World Trade Organisation (WTO). The principles of trade in postal and courier services (including express delivery) are contained, as for all services, in the General Agreement on Trade in Service (GATS). However, a number of countries have presented negotiating proposals on the national treatment and delivery of these services.

1.2.3 At a European level, the European Union (EU) aims to implement a single market for postal services and has been opening up the sector to competition in a gradual and controlled way whilst ensuring a universal service. Postal Directive 97/67/EC as amended by Directives 2002/39/EC and 2008/6/EC (hereon referred to as the EU Postal Directives) outline the minimum basic obligations on Member States for the provision of the universal service. Within the framework of these Directives, and in line with the principle of subsidiarity, Member States have considerable freedom to define the universal service at a national level including the full and detailed range of products and ancillary services that should be classified as part of the universal service.

1.2.4 The main national legislation governing the provision of the universal service in Malta is the Postal Services Act (Chapter 254 - hereon referred to as ‘the PSA’). The PSA transposes the provisions established under the EU Postal Directives. The PSA defines the five generic areas of the universal service (Table 1.2). It also establishes the criteria on which the universal service should be set.

1.2.5 The PSA specifies that the universal service must be of a specified quality standard and must be identical under comparable conditions. It must also be accessible to all users and must be offered every working day on a permanent basis and in a non-discriminate way. The PSA also stipulates that universal service can only be interrupted or stopped in cases of *force majeure*. In addition, the universal service must be provided at prices that are affordable as well as geographically uniform. The service must also be compliant with the essential requirements imposed by the authorities, such as those aimed at safeguarding the confidentiality of correspondence, the security of the postal network or the number of access points in the postal network.

Table 1.2: The five generic areas of the universal service

	<p>The PSA identifies the following five generic areas of the universal service:</p>
<ul style="list-style-type: none"> (a) The clearance, sorting, transport and distribution of postal articles up to two kilogrammes. (b) The clearance, sorting, transport and distribution of postal packages up to twenty kilogrammes. (c) Services for registered articles. (d) Services for insured articles within Malta and to and from all countries. (e) A basic counter service throughout Malta, that is a network of access points distributed across the country that provides a number of key services such as selling stamps and postal stationary, mailing and collection of postal items (including parcels and bulk mail), as well as the registration and insurance of postal articles. 	

Source: Postal Services Act (Chapter 254, Laws of Malta)

1.2.6 The PSA also requires that the products and services forming part of the provision of the universal service can increase or decrease depending on society’s evolving needs and new developments in the technical, economic and social environment. In July 2010, an amendment was made to Article 17 in the PSA. When this amendment will be brought into force by the Minister responsible for the postal sector, the universal services listed in Table 1.2 will no longer be legally considered a cumulative service consisting of all the specific services but rather a number of different services which may be divided and shared among different operators. This change to the legislation was made in preparation for the removal of all legal monopolies in the postal market by 1 January 2013.

1.2.7 Subsidiary legislation namely the Postal Services (General) Regulations and the Maltapost p.l.c. Licence (Modification) Regulations - hereon collectively referred to as ‘the Postal Regulations’ - further delineates the services that currently constitute the universal service. These include:

- (a) the withdrawal of postal items before delivery to the addressee;
- (b) Poste Restante - a service where the post office holds mail for a limited period until the recipient calls for it. It is typically used by individuals who are visiting a particular location and have no need, or no way, of having mail delivered directly to their place of residence at that time;
- (c) the re-direction of mail;
- (d) the issue of a certificate of posting or a certificate of loss or damage;
- (e) the Business Reply Service and private delivery boxes;
- (f) services for the blind or partially sighted persons;
- (g) the collection and onward transmission of postal articles for destinations outside of Malta; as well as
- (h) the receipt and delivery of postal articles originating from abroad for addresses in Malta. This also includes the requirements as defined by the UPU.

1.3 Who regulates the universal service?

1.3.1 There are clear social and business needs for the provision of a universal service and Government is committed to the service’s continuation, regulation and monitoring. Table 1.3 highlights the importance of a national regulatory framework for the postal sector.


1.3.2 Two bodies regulate the postal services sector:

- (a) The Malta Communications Authority (MCA); and
- (b) The Minister responsible for the postal sector.

1.3.3 The duality of competence necessarily means that MCA’s role in the regulation of the postal services sector and the universal service is limited to those areas that do not require Ministerial intervention.

1.3.4 The Minister has the overall responsibility to set policies and a general power to issue regulation over the sector. Concurrently, MCA has specific regulatory functions, including establishing the manner in which postal articles are to be handled and transmitted as well as determining the quality of service. The Authority is also empowered to issue decisions and directives and to carry out investigations. Moreover, MCA is responsible for ensuring that regulations, decisions and directives are complied with. In fact, the Authority has the power to impose penalties and other measures to enforce compliance.

Table 1.3: The importance of a national regulatory framework for the postal sector

	<p>The national regulatory framework is needed, amongst others, to:</p> <ul style="list-style-type: none"> (a) regulate the market and the issue of licenses to postal operators; (b) provide related information and issue guidelines to the public and to commercial entities; (c) promote the interests of postal users, including those who are disabled or of a pensionable age, especially with regard to the prices being charged for, and the quality and variety of services provided for; (d) assure high quality services and enforce the universal service obligations as well as integrity and security requirements; (e) establish reasonable prices; (f) facilitate innovation in the market; and (g) encourage competition and increased provision of services by multiple operators through gradual and controlled liberalisation of the postal market.
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Source: NAO Working Papers (2010)

1.3.5 In carrying out its duties, MCA is bound to follow specific provisions as well as ensure fair and transparent regulation. For example, the Authority is expected to consult widely and publish reasons for individual key decisions and directives related to postal services. MCA is also bound to follow any written policy directions given by the Minister.

1.3.6 MCA was established as a statutory public body on 1 January 2001 with specific responsibilities for the communications sector. MCA’s mission, mandate and functions derive from the Malta Communications Authority Act (Chapter 418 – hereon referred to as ‘the MCA Act’). Apart from postal services, MCA is also responsible for the electronic communications (telecommunications, radio communications and broadcasting transmission) and electronic commerce.

1.3.7 The PSA and the Postal Regulations specify MCA’s regulatory powers in the postal services sector. At the heart of the postal regulatory framework is the provision of an affordable universal service. The Authority also has the responsibility for promoting consumer interests by, for example, insisting on high standards of service, proper compensation, affordable prices and effective competition. MCA must also ensure that the designated postal service provider is able to provide the universal service obligation.

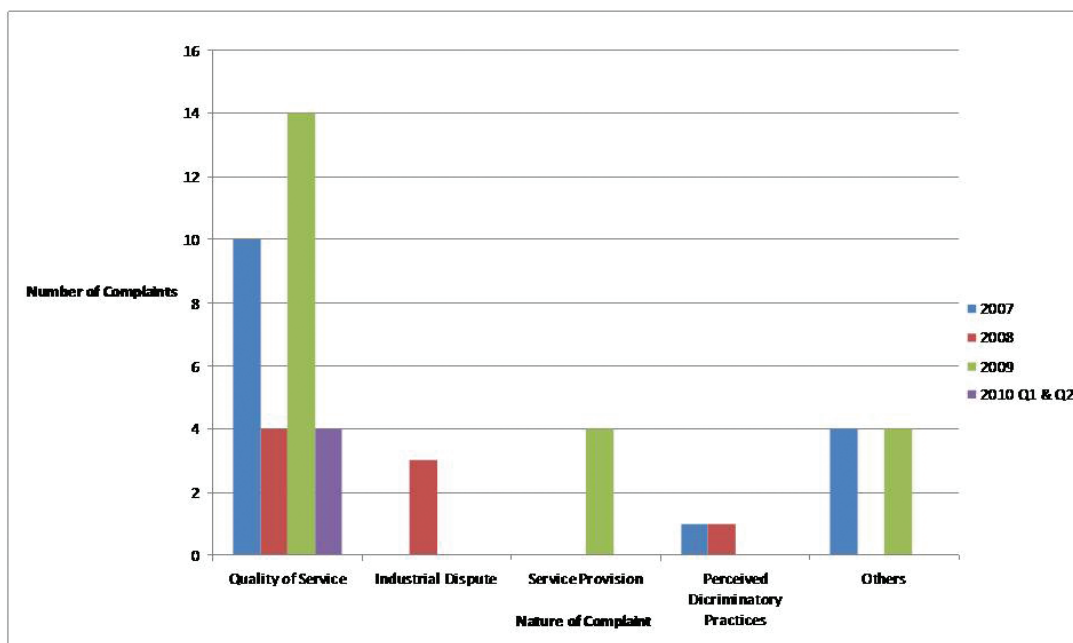
1.3.8 MCA is governed by a Board that is responsible for the overall direction of the Authority and for the delivery of MCA's mandate. MCA is required to provide Government with a business plan in advance of the start of each fiscal year and submit an annual report at the end.

1.3.9 The organisation, headed by the Chairman and Director General, is divided into six functional units with responsibilities for policy and planning, operations, spectrum management and technology, corporate services, legal affairs and external relations. In practice, work is divided among cross-functional teams with members from different relevant backgrounds, allowing in the process the sharing of use of information and data which, in several instances, have cross-sectoral relevance.

1.3.10 Within the Authority, with regard to the regulation of the postal market:

- (a) The Policy and Planning Unit serves as a focal point for the MCA's policy development and review. The Unit ensures coordination of this role with strategic business planning and performance review. Backed by research, the Unit is also responsible, amongst others, for: (i) MCA's long-term thinking about priorities in each sector; (ii) market analysis/reviews, and (iii) the issuing of market information updates. Identifying and gathering relevant market information to enable the MCA to forecast any new developments and future trends is a core activity of this Unit.
- (b) The Operations Group is responsible for regulatory policy and compliance. This includes, management of the general authorisation / licensing regime, competition and markets, regulatory accounting, monitoring of compliance with general authorisation conditions, protection of the universal service as well as day-to-day issues concerning pricing and the regulation of the market. MCA indicated that, in 2009, approximately 225 working days were allocated for the regulation of the postal sector by staff within this Unit (including accounting and price control aspects).
- (c) The External Relations Unit is responsible for external communications including consumer protection and customer care. The Unit also coordinates interactions with external entities and international institutions – including the institutions of the European Union, in particular the European Commission. Figure 1.1 provides an indication of the number and nature of complaints related to the postal services that were handled by this Unit from January 2007 up to June 2010.
- (d) The Legal Affairs Group provides advice on legal issues and deals with any litigation concerning the MCA, inter-operator disputes and users versus operators complaints. Other tasks include the legal vetting of the Authority documents as well as the monitoring of legal developments in other EU member states and in other countries.

Figure 1.1: Number and nature of complaints concerning postal services received by MCA between January 2007 and June 2010



Source: MCA (2010)

1.3.11 MCA's regulatory activities are financed by different mechanisms depending on the respective remits of the Authority in different market sectors. With regard to the regulation of the postal sector, MCA operates under a Government-approved budget. This allocation is intended to finance all the activities falling under MCA's remit in the postal sector, including accounting separation and price control activities, licensing, the monitoring and enforcement of universal service obligations and standards as well as the development of postal regulation. The relevant proportion of MCA's administrative and operational expenses, staff costs and capital expenditure, together with consultancy costs which were allocated for the regulation of postal services are offset against this budget. In 2010, the budget for the regulation of the postal sector amounted to €230,000. MCA is required to design its work programme in line with this budget. Prioritisation of regulatory activities is often required due to budgetary constraints.

1.3.12 On a national scale, MCA's priorities with regard to the universal service have been linked to the following three primary strategic goals. Table 1.4 highlights MCA's key activities in the following areas:

- (a) Ensuring the continued availability of a universal service at affordable prices.
- (b) Attaining, within envisaged timeframes, a liberalised environment that ensures ease of entry to new undertakings and is capable of sustaining competition among the respective players.
- (c) Assuring that residential and business consumers get a transparent and best value-for-money service whilst also addressing social inclusion aspects.

1.3.13 Moreover, MCA, in 2007, acted as a defendant in appeals submitted to the Communications Appeals Board on its decisions regarding postal services. The Authority has also undertaken investigations relating to allegations of unauthorised persons providing postal services.

1.4 Who provides the universal service?

1.4.1 Maltapost p.l.c. (hereon referred to as 'Maltapost') is the dominant mail operator in significant parts of the postal market and the principal provider of the universal service in Malta employing over 600 employees.

1.4.2 In 2010, Maltapost operated a network of thirty-two branches, thirty sub-post offices and a mobile office, apart from arrangements with commercial outlets to sell stamps. The Company also had 470 mailboxes throughout the country. Table 1.5 outlines relatively recent changes to the shareholding of Maltapost, including the full privatisation of the company in 2008.

1.4.3 In May 2004, the incumbent national postal service provider (Maltapost p.l.c. – hereon referred to as 'Maltapost') was designated as the USP with the obligation to provide all the services listed as part of the universal service in the PSA and the Postal Regulations. Moreover, the modified licence for the USP, issued by the Minister responsible for posts in consultation with the MCA in December 2004, requires Maltapost to adopt minimum standards of service, complaint handling procedures, compensation schedules and mail integrity procedures. It also regulates the pricing of the universal service.

1.4.4 The partial monopoly enjoyed by Maltapost in the 'reserved area' of the universal service will legally end by 31 December 2012. The Company has an exclusive authorisation to provide mail services related to the clearance, sorting, transport and delivery of inland correspondence (Malta to Malta); cross-border mail (from Malta to abroad and vice-versa); and direct mail (identical commercial communications but each with a different address, such as addressed flyers), whether by accelerated delivery or not, of mail items that:

- (a) weigh less than or are equal to 50 grams; and
- (b) the price of which is less than two and a half times the public tariff for an item of correspondence in the first weight step of the fastest category.

1.4.5 MCA, as the regulator responsible for the universal service, is bound to ensure that Maltapost provides the stipulated services and that the USP's reserved area is not infringed.

1.4.6 The rationale behind the reserved area is that it compensates the USP for its universal service and uniform tariff obligations. The reserved area will be removed following the full liberalisation of the sector by 1 January 2013. The EU Postal Directives allow Malta to designate more than one operator to provide different elements of the universal service or cover different parts of the territory. These arrangements are subject to certain conditions based mainly on the principles of transparency, non-discrimination and proportionality.

1.4.7 In addition, within the scope of the universal service, Maltapost is also obliged to provide services on a non-exclusive basis within the 'non-reserved area', that is the clearance, sorting, transport and delivery of postal articles over 50 grams and up to two kilograms as well as postal packages up to twenty kilograms, services of registered articles, services for insured articles with Malta and to and from all countries that are members of the UPU, and a basic counter service throughout Malta.

1.4.8 Authorisation to operate in this non-reserved segment of the market has also been granted for a ten year period to two other postal operators: DHL International

Table 1.4: MCA’s role in the regulation of the postal service

In June 2003, MCA was designated as the competent National Regulatory Authority (NRA) for the postal services sector.

Initially, MCA was focused on the following series of coordinated processes aimed at reforming and setting the foundations for regulation of the postal sector:

- (a) ***A complete overhaul of several sets of existing postal regulations and the design of a new coherent regulatory framework for the postal sector.*** This required a clear distinction between the roles of Government, the Regulator and the Universal Service Provider (USP); the drafting of new Postal Regulations; identifying those services that are subject to regulation; defining the universal service; as well as establishing the conditions that must be satisfied by operators.
- (b) ***Building the Authority’s capabilities to handle specific regulatory responsibilities and challenges relating to the postal sector.***
- (c) ***Establishment of the relevant parameters of a new comprehensive licensing/general authorisation framework.*** This included determining the reserved area; revising the licence of the USP; establishing the principles governing the provision of non-reserved services; as well as defining rules relating to fees to be paid on an annual basis to the Authority (the modalities of payment).
- (d) ***Development of key regulatory measures to protect the universal service.*** For example, safeguards were developed to monitor: non-discrimination in tariffs, quality standards, performance targets, the integrity and security of mail, the right of redress, as well as consumer perceptions.
- (e) ***Establishment of the principles governing transparency of accounts.*** Work in this area included a review of the incumbent USP in order to establish a basis for setting the ‘X’ factor in the RPI-X formula, as well as to develop a system that ensures that prices are geared to costs and that, in the absence of competition, the USP is incentivised to make efficiency gains and reduce costs without increasing retail prices.
- (f) ***Consultations with operators, users and other stakeholders.*** This form of engagement was essential in order to gather information and to inform the public on MCA’s objectives, rationale and intended approach on different policy areas. The Authority also published a number of key decision notices.

In the last five years, the activities of MCA also focused on implementing and reinforcing regulatory mechanisms. Key initiatives have included the:


- ***Issue of new or updated proposals, consultation papers, decision notices and/or directives.*** These related to amendments to the PSA, the Postal Regulations and the proposed regulatory direction; the universal service obligations; the quality of service targets; as well as on the management of common operational issues in a multi-operator environment.
- ***Carrying out of monitoring, investigative and review exercises*** in connection with the universal service obligations, performance targets and the submission of regulatory accounts.
- ***Participation in European and international committees on evolving postal regulations and related developments.***

In parallel, MCA, as part of its oversight responsibility for the postal sector, has worked closely with the USP on various issues including:

- Issues related to cost-orientation, cost-accounting regulatory accounts, as well as compliance with tariff controls;
- The introduction of a new alpha-numeric post codes;
- Improvements to the USP’s postal network (including suitable access to the universal service); and
- Issues concerning the quality of service performance, universal service obligations, the integrity and security of mail, and inter-operator relationships.

Source: NAO Working Papers (2010)

Table 1.5: Changes to the shareholding of Maltapost plc


	<p>Maltapost is a registered public limited company that was set up by Government in 1998 to take over the operations of the former Posts Department.</p>
	<p>In July 2007, Lombard Bank p.l.c became the majority shareholder in Maltapost raising its stake to 60 per cent.</p>
	<p>In 2008, Government divested of the remaining 40 per cent of its holding in the organisation following an Initial Public Offering launched in January 2008.</p>

Source: NAO Working Papers (2010)

Limited (on 3 February 2010) and Premiere Post Limited (on 13 March 2007). The latter currently delivers the majority of the traffic summons issued through a registered type of postal service (in line with Legal Notice 133 of 2004). Prior to the entry of Premiere Post Limited into the postal market, Maltapost was the sole entity delivering this type of mail using its registered mail service.

1.4.9 In recent years, Maltapost has experienced radical changes from a regulatory, operational and technological perspective. Today, Maltapost is driven by market and regulatory principles. Table 1.6 highlights some of the key observations.

Table 1.6: Specific issues concerning Maltapost’s provision of the universal service

	<ul style="list-style-type: none"> (a) Since the initial implementation of the PSA, Maltapost has seen a gradual reduction in the weight limits and price thresholds of postal services reserved to it as the USP, the definition of the tariff principles, as well as the introduction of quality standards, mail integrity and security requirements, and universal service obligations. (b) Through the full privatisation of Maltapost, the boundaries between the responsibilities of Government and Maltapost have changed and become clearer. The Government had acted previously both as a minority shareholder and as the national authority setting the legal and regulatory framework. (c) The wider take-up of technology has confronted Maltapost with new forms of competition from other communication services (such as electronic mail, online services and text messaging) but also presented new opportunities (for example, the growing acceptance and development of electronic commerce continues to increase the market size for parcel post). (d) The full liberalisation of the market by 1 January 2013 can encourage new entrants and lead to more competition and choice for the consumer. Within this context, Maltapost’s challenge is to be competitive and innovative in the way it accommodates users’ needs for reliable, diverse, affordable and flexible services. Maltapost’s strategy is centred around the expansion of its products and services through its retail network. (e) Annual comparative analyses undertaken by the Free and Fair Post Initiative (FFPI) and Deutsche Post, show that nominal stamp prices in Malta for domestic letter items and for letters to Europe are the most favourable in Europe and well below the EU average.
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Source: NAO Working Papers (2010)

1.5 Objectives and scope of the study

1.5.1 Against this background, NAO undertook a performance audit to examine the appropriateness, timeliness, adequacy and impact of the measures and actions undertaken by MCA to regulate the activities and performance of the USP with respect to the achievement of:

- (a) Quality of service requirements and targets to be achieved by Maltapost (Decision Notices of June 2005 and December 2007).
- (b) The minimum standards for protecting the integrity of mail (Decision Notice of June 2006).
- (c) Maltapost's Universal Service Obligations: Accessibility, Daily Delivery and Provision of Information (Decision Notice of September 2008).

1.5.2 In addition, NAO's examination took into consideration recent developments, including the:

- (a) Decision Notice issued in December 2009 on the management of common operational issues in a multi-operator environment;
- (b) Consultation Document on quality of service targets and requirements to be achieved by Maltapost in the forthcoming years; as well as
- (c) Consultation Paper on the proposed regulatory direction on specific aspects of the universal postal service.

1.5.3 The NAO study excluded issues related to the USP's accounting separation obligations, as well as tariff and price principles in relation to the universal service as these merited a separate in-depth study.

1.5.4 Moreover, the scope of the audit was limited to MCA's regulatory and monitoring activities concerning Maltapost's operations and services as Malta's USP. The study did not examine MCA's actions with respect to the two other licensed operators within the non-reserved area of the universal service.

1.5.5 The study was carried out between April and August 2010. Unless otherwise stated, findings in this

report reflect conditions up to August 2010. Details of the methods applied to this study are outlined in Appendix A.

1.5.6 NAO would like to convey its appreciation to the invaluable collaboration extended by MCA throughout this audit.

1.6 Structure of the report

1.6.1 The rest of the report is structured around the following four key areas:

- **Chapter 2 – Accessibility, Daily Delivery, and End-to-End Measurement:** This Chapter assesses the measures taken by MCA to monitor and ensure that the USP provides sufficient access to the universal postal service, guarantees daily delivery, and achieves established minimum standards of performance.
- **Chapter 3 – Protecting the Integrity of Mail:** Chapter 3 examines how MCA ensures that Maltapost achieves the established minimum standards for the protection of mail. It also evaluates the actions taken by the Authority to assess and enforce compliance with key requirements.
- **Chapter 4 - Provision of Information, Complaints Handling and Compensation:** This chapter examines MCA's role in ensuring adequate publication of information of what is on offer with regard to the universal postal service (including prices and conditions). It also evaluates the actions taken by MCA to ensure that appropriate procedures and remedies are applied by the USP to effectively deal with users' complaints.
- **Chapter 5 - Preparing for Future Challenges:** This chapter explores emerging developments in the regulation of a fully liberalised postal market including shifts in MCA's regulatory approach in order to respond to a potentially more competitive multi-player environment as well as the introduction of new standards that address inter-operator issues.





Chapter 2

Accessibility, Daily Delivery and End-to-End Measurement

Chapter 2 – Accessibility, Daily Delivery and End-to-End Measurement

Chapter 2 assesses the measures taken by MCA to monitor and ensure that the USP provides sufficient access to the universal postal service, has in place adequate arrangements that guarantee daily delivery, and achieves established minimum standards of performance. These obligations are regulated by the legislative framework governing the postal sector as well as by Decision Notices and Directives issued by the Authority since 2005. They also complement other work streams undertaken by MCA to safeguard the universal service, including actions to ensure appropriate integrity and security of mail (discussed in Chapter 3) as well as measures to protect the rights of consumers with respect to the provision of information, complaint handling and compensation (covered in Chapter 4).

2.1 Access to the universal postal service

Legal Context



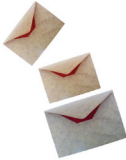
2.1.1 It is MCA's responsibility to monitor and ensure that Maltapost fulfils its obligations as the USP and operates, for the benefit of consumers, a sufficiently dense network of postal access points across the country. Article 17(1) (a) of the PSA (the primary legislation governing postal services in Malta) states that "...users at all points in Malta shall enjoy the right to a universal service". Moreover, without prejudice to any law regulating planning development, this requirement includes accessibility to disabled customers. The PSA also declares in Article 17 (2) that "...the Authority shall issue directives to ensure that the density of access points takes account of the needs of users".

2.1.2 The PSA defines 'access points' as physical facilities where customers may deposit postal articles within the public postal network. Table 2.1 outlines the key access points of the universal postal service, as defined by legislation and by MCA in its published papers on this issue.

2.1.3 The following are some key principles governing the regulation of postal access points.

- (a) In relation to post offices, the Postal Regulations state that the "...Authority may by directive require the USP to establish post offices at such premises and from such dates as it may determine so as to ensure a basic counter service throughout Malta". Article 39 of the PSA also gives MCA the power to establish the core hours during which post offices must be open to the public.
- (b) Article 17.4 of Maltapost p.l.c. Licence (Modification) Regulations issued in December 2004, stipulates that the USP may only close or move access points in agreement with the MCA and that the Authority may also request for the opening of new access points. In addition, the regulations, state that, MCA must also make provisions for the principles and procedures to be followed by Maltapost with respect to the closure or movement of existing access points or the establishment of new access points.
- (c) Moreover, Regulation 9 of the Postal Regulations requires that the USP ensures that, where feasible, there is available a facility to buy postage stamps in the vicinity of every letterbox. Regulation 11 further stipulates that there must be sufficient stock of postage stamps to satisfy the needs of each locality and that the Authority may in order to "...ensure the availability of postage stamps and postage stationery in any given locality, issue any such directives it considers appropriate to ensure that the USP abides with its obligations under this regulation."
- (d) Furthermore, Article 18 (e) of the PSA stipulates that universal service should evolve in response to the technical, economic and social environment and to the needs of users.

Table 2.1: The main access points of the universal service

	<p>The USP's public letterboxes: This is the normal pillar/wall letterbox (also referred to as post-boxes) provided for the public by the USP either inside or outside a post office or at the side of a public road. The public letterboxes constitute an important access point for single piece mail as these enable consumers to post their letters without having to go to a post office.</p>
	<p>Retail counters operated by the USP (referred to by Maltapost as branch post offices) and sub-post offices operated by third parties: Retail counters (also referred to as postal outlets) represent the only access points for the following universal service products: packets, parcels, insured and registered items. Because of the size of the item or the service required, the item must be handed to an authorised representative of the USP and/or be made available for collection from the premises of the USP. Moreover, the 'basic counter service' is specified in the Postal Regulations as including:</p> <ul style="list-style-type: none"> (a) the sale of stamps and postal stationery; (b) the posting and collection of postal articles including parcels; (c) the posting and collection of bulk mail; (d) the registration and insurance of postal articles; and (e) any other service as the MCA may, from time to time, by directive, require the USP to provide.
	<p>The facilities provided to deposit bulk mail: 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 correspondence. A form of bulk mail is direct mail as defined in the PSA. Maltapost considers bulk mail postal articles as being of identical format and size, and consisting of one hundred items or more.</p>

Source: NAO Working Papers (2010)

MCA's Decision on accessibility

2.1.4 In September 2008, MCA published, as part of an overall Decision Notice on universal service obligations (USOs), the parameters to be followed when determining Maltapost's minimum density of postal access points. MCA's overall objective was to rationalise existing levels of services and practices with respect to the minimum density of access points. In issuing directions to Maltapost, MCA also sought to balance the needs of consumers with the sustainability of providing the facilities.

2.1.5 The Decision Notice, amongst others:

- (a) Laid out the criteria (based on distance) for access to public letterboxes, depending on the density of the population within each particular locality.
- (b) Established the minimum number of retail counters offering basic counter services that should be made available throughout Malta and Gozo.
- (c) Confirmed the retention of existing provisions for access to bulk mail facilities.
- (d) Defined the procedure to be implemented by Maltapost when permanently closing or re-siting

existing access points, or when it is necessary to establish new access points. The Decision Notice also re-confirmed that, in the case of temporary closure of any access point, Maltapost is required to abide by MCA's Directive 1 issued in June 2006 (refer to Appendix B of this report).

- (e) Examined the availability of facilities to purchase postage stamps within the vicinity of every letterbox and defined the term 'vicinity' as found in the postal regulations.
- (f) Included a review of the frequency and timing of collections from Maltapost's access points, concluding that no further provisions were required.

2.1.6 Prior to the publication of the decisions on access to the universal postal service, MCA published, in April 2008, a Consultation Paper which covered, amongst other issues, aspects of accessibility to universal postal services. The document included:

- a detailed explanation of the legal context and MCA's policies;
- a comprehensive review of the existing situation, such as details on the density of Maltapost's network of letterboxes, retail counters and stamp vendors;
- comparisons with criteria used in other countries

- for ensuring adequate access to the universal postal services;
- information on the services offered by the USP;
- data on the current population densities in each locality in Malta and Gozo; as well as
- references to relevant key results of a customer perception survey.

2.1.7 The publication of the Consultation Paper attracted responses from Maltapost and the Malta Environment and Planning Authority (MEPA). This feedback assisted MCA in forming a view on the several issues. However, it was also indicated by MCA in its Decision Notice, that although the Consultation Paper was also sent to all local councils in Malta and Gozo as well as consumers' associations, no feedback was received from these entities on this issue.

2.1.8 MCA decisions on accessibility are presented in Appendix C of this report. In brief, these decisions covered the following key areas:

- Access to public letterboxes.
- Access to retail counters.
- Permanent closure or re-siting of existing access points.
- The facilities to buy postage stamps.
- The frequency and timing of collections.

Follow-up action by MCA

2.1.9 Since the publication of the Decision Notice in September 2008, MCA's regulatory actions concerning compliance with the Authority's decision on accessibility issues as well as with Directive 1 of 2006 have centred around the following specific issues:

- (a) The approval of Maltapost's annual shutdown days.
- (b) The sanctioning of early letter box collections from various localities on particular days.
- (c) The relocation or closure of letter boxes.
- (d) The temporary/permanent closure or relocation of post office branches or sub-post offices.
- (e) Changes in the opening and closing hours of a post office branch.

2.1.10 MCA indicated that each of these issues was effectively addressed with Maltapost complying with the procedures established by the Authority before making changes to access points or adjusting the timing of a particular service.

2.1.11 Moreover, MCA commissioned national market research surveys among households, small business and large business mailers during 2009. The questionnaires included questions on the users' satisfaction with the:

- (a) opening and closing times of Maltapost's retail outlets;
- (b) Maltapost's shutdowns during the year;

- (c) time spent queuing for a postal service at a post office;
- (d) ability to buy postage stamps when and where required;
- (e) availability of a letterbox where to post letters;
- (f) delivery/collection of registered mail from large business mailers; and
- (g) time the post is delivered each day.

2.1.12 The results of these surveys indicated that, generally, the majority of users held strong positive views on various aspects of accessibility. Nevertheless, some concerns were also flagged. For example, a high level of large business mailers did not consider the times of delivery/collection of registered mail as being convenient. Moreover, a significant minority of small business respondents gave low ratings to certain key issues such as time spent queuing for a postal service; the time the post is delivered each day; the ability to buy postage stamps when and where required; and/or the opening and closing times of Maltapost's retail outlets. Among households, apart from a negative rating by a significant share of the respondents on the time spent queuing for a postal service, minimal levels of dissatisfaction were registered in these surveys.

2.1.13 With regard to Maltapost's network of public letterboxes and stamp vendors, MCA gave the USP up to 1 January 2010 to ensure that its network is in line with the minimum parameters for access to the universal service.

2.1.14 MCA has explained that, given that the minimum parameters established by the Authority broadly reflected the network of access points available at the time that the Consultation Paper and Decision Notice were published, the Authority has relied on the requirement that Maltapost is obliged to notify the MCA of changes to its network when monitoring the USP's level of compliance. MCA also confirmed that the Authority monitors the density of the network from the lists of letterboxes and stamp vendors available on Maltapost's website.

2.1.15 Nonetheless, demographic and urban changes could eventually require Maltapost to make changes to its network in order to remain compliant with the minimum requirements. It is therefore important that MCA remains vigilant in this regard.

2.2 The guarantee of daily delivery

Legal Context

2.2.1 A fundamental element of postal regulation is MCA's responsibility for ensuring that Maltapost fulfils its essential daily collection and delivery obligations with respect to the universal postal service

2.2.2 Article 17(4) of the PSA stipulates that the collection and delivery of postal articles are to take place on every working day and not less than five days a week. Article 18(d) of the PSA also states that the universal service can only be interrupted or stopped in case of force majeure. In addition, Article 39 of the Act gives the power to the Authority to establish the core hours during which post offices must be open to the public. The same Article empowers the Authority to “...give directives establishing the manner and times in which postal articles shall be posted and delivered”.

2.2.3 Furthermore, Regulation 17.1 of Maltapost p.l.c. Licence (Modification) Regulations of 2004 requires Maltapost to provide on “...every working day at least one (1) delivery to each postal address or other delivery point and at least one (1) collection from each current access point or as may be agreed to with the Authority from time to time; provided that the delivery and collection shall apply to all postal articles which are not dangerous and illegal and which weigh up to 20 kilograms.”

MCA’s decision on the USP’s arrangements for the guarantee of daily delivery

2.2.4 MCA’s decision on the guarantee of daily delivery and the underlying rationale are covered in the Consultation Paper of April 2008 and in the Decision Notice of September 2008.

2.2.5 The Authority in its decision on this issue concluded that Maltapost’s existing collection and delivery arrangements were adequate and in line with the provisions of the PSA and the obligations of the licence. MCA noted that the USP delivered to each addressee in Malta and Gozo and performed at least one collection from each access point on each working day, six days a week. MCA also observed that Maltapost had special delivery arrangements in place for bulky packets, parcels and registered items. Further details of these reported arrangements are presented in Appendix D of this report.

2.2.6 MCA also referred to Maltapost’s electronic logging system that monitored and audited the operations involved in the collection of mail. This system was installed by the USP in order to ensure that the mail collected from all collection is sorted in a timely manner, thereby securing next day delivery to the level required by the mandated quality of service standards.

2.2.7 In addition, the Authority took into consideration that Maltapost’s deliveries were structured in a way that met the requirements of the majority of customers. MCA used the results of a customer perception survey carried out between September and October 2006 during this process.

Monitoring activities by MCA

2.2.8 Since MCA has been satisfied with Maltapost’s existing arrangements for the guarantee of daily delivery, no direct regulatory action has been taken in this regard by the Authority as this was deemed unnecessary.

2.2.9 Moreover, other work streams of the Authority, such as monitoring activities carried out by MCA in relation to accessibility (discussed in section 2.1) and end-to-end measurement (covered in section 2.3) are providing the Authority with periodic indications of whether Maltapost is fulfilling this critical obligation. Moreover, the latest surveys carried out in 2009 by MCA with households, small businesses and large business mailers have indicated that the majority of respondents were satisfied or highly satisfied with the time the post was delivered each day.

2.2.10 NAO recommends that MCA considers taking further pro-active action in the monitoring of certain critical elements of Maltapost’s reported arrangements regarding daily collection and delivery. This will provide greater assurance to the Authority and to the users of the postal service that the USP is fulfilling this universal service obligation. For example, the Authority could consider including in its plans an independent systems audit of Maltapost’s electronic logging system in order to test the robustness and consistency of the USP’s reported monitoring and control mechanisms.

2.2.11 Additionally, other recommended actions proposed by NAO in this report, particularly those related to MCA’s complementary work to monitor end-to-end performance of the USP (refer to Section 2.3 below) and the integrity and security of mail (discussed in Section 3.5 in Chapter 3) would also strengthen MCA’s monitoring of this fundamental aspect of postal regulation.

2.3 End-to-End Measurement

Legal Context

2.3.1 An essential component of MCA’s regulation of the universal postal service is the measurement and monitoring of Maltapost’s performance with respect to its reliability and efficiency in the provision of ‘end-to-end’ services.

2.3.2 MCA, as the NRA, has the specific legal responsibility to set and publish the Quality of Service (QoS) standards and related targets to be achieved by Maltapost within the framework of European and national legislation.

2.3.3 The Authority also has the duty to monitor Maltapost’s performance against established performance

levels and to report, from time to time, on the results of the monitoring exercise. As part of this process, routing times are measured from the postal network’s access point to the point of delivery to the addressee.

2.3.4 In addition, MCA must also ensure that the appropriate corrective action is taken by Maltapost when the Authority concludes that performance levels are lower than the established performance thresholds. By setting and pursuing the achievement of these targets, MCA aims to encourage Maltapost to improve on its current quality issues.

2.3.5 Table 2.2 outlines MCA’s relevant obligations under the PSA with regard to QoS. This section of the report evaluates MCA’s responsibilities concerning the monitoring of end-to-end routing times for inland and cross-border mail. Other QoS requirements (namely, those concerning complaint handling mechanisms and compensation schemes for loss, damage or delay) are assessed in Chapter 4 (Section 4.2).

2.3.6 With regard to end-to-end measurement of transit times, Maltapost, as the designated USP, is bound by the following specific obligations in line with the Maltapost p.l.c. Licence (Modification) Regulations:

(a) The adoption of the minimum standards of service approved by the MCA for each of the products falling within the universal service area [Regulation 19 (1)].

(b) The carrying out of independent performance monitoring at least once a year and the publication of results [Regulation 19(2)].

(c) The implementation of any modifications to the standards as proposed by MCA within such time as the Authority may stipulate [Regulations 19(3)].

Other QoS obligations of the USP concerning compliant-handling and compensation are discussed in Chapter 4 (Section 4.2)

MCA’s decisions on end-to-end measurement

2.3.7 The first Decision Notice on QoS requirements to be achieved by Maltapost (including conditions related to end-to-end measurement) was published by MCA in June 2005. This Decision Notice included, amongst others, the annual QoS targets on routing times to be achieved by Maltapost between October 2004 and September 2007, as well as information on the rationale, standards and methodology to be applied.

2.3.8 QoS targets for transit times cover the following universal service postal products:

- **Inland mail:** ordinary mail (i.e. single piece priority letter mail), bulk mail, registered mail and parcel post. Since the Decision Notice of 2007, separate targets were set for the measurement and monitoring of domestic bulk mail. This includes all types of addressed bulk mail such as letter mail, direct mail, magazines, and newspapers).

Table 2.2: MCA’s legal responsibilities concerning the regulation of Maltapost’s QoS standards and related targets

Article in the PSA	MCA’s responsibilities
17(1)	Issue directions to Maltapost on the quality of postal service to be provided.
17(4)	Issue directions to Maltapost for the purpose of ensuring compliance with the USP obligations.
24(1)	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. MCA must also take into account the views of interested parties as deemed necessary and to establish quality standards in respect of cross-border mail.
24(2)	Monitor Maltapost’s compliance with QoS standards and compile a report on the results of the monitoring exercise.
25(1)	Prescribe quality standards for inland mail.
25(2)	Monitor Maltapost’s performance in accordance with the quality standards for inland mail.
27	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.
	Impose an obligation on the USP to publish at least once a year information on the number of complaints received, detailing what they were about and how they were dealt with.

Source: MCA (2010)

- **Cross-border mail:** ordinary mail, bulk mail, registered mail and parcel post.

2.3.9 In December 2007, the Authority published the second Decision Notice on annual QoS Targets to be achieved by Maltapost. This Decision Notice outlined the targets from October 2007 to September 2010.

2.3.10 In August 2010, in preparation for the third Decision Notice on QoS, MCA published a Consultation Paper with its proposals on new targets to be achieved by Maltapost from October 2010 to September 2013. This practice was also adopted for the previous two Decision Notices.

2.3.11 In the August 2010 Paper, MCA proposed that Maltapost's targets are revised marginally upwards (by one percentage point from 2011-2012) and that these targets also cater for loss and substantial delay. As at the end of September 2010, a decision still needed to be taken by the Authority on the final targets to be achieved by Maltapost for this period.

Measurement Requirements

2.3.12 In line with EU requirements, QoS targets for inland mail have been set in the following form:

- **'D+1':** This measures the percentage of mail delivered on the working day after injection into the system (regularity).
- **'D+3':** This measures the percentage of mail delivered within three working days of injection into the system (reliability).
- In brief, this formula ('D+n') sets the expected standards for the end to end routing times of the fastest standard category of inland mail. 'D' represents the date of deposit and 'n' is the number of working days which elapse between that date and that of delivery to the addressee. Therefore, 'D+1' represents one working day from the date of deposit to the date of delivery to the addressee.
- MCA also stipulates that the date of deposit 'D' to be taken into account should 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 (that is, 19.00 hrs from Monday to Friday and 15.00 hrs for a Saturday). When the deposit takes place after this time limit, the date of deposit to be taken into consideration should be that of the collection on the following working day.

2.3.13 In the case of intra-Community cross-border mail services:

- (a) QoS standards are set by the European Parliament and the Council of the European Union.
- (b) In December 1997, the EU Postal Directive 97/67/EC published the applicable QoS objectives for transit times concerning the fastest standard category of intra-Community cross-border mail services. The targets were:
 - 85 per cent of mail has to be delivered within 'D+3' (speed); and
 - 97 per cent should be received within 'D+5' (reliability).
- (c) As explained above, 'D+3' and 'D+5' signify the number of days before final delivery. During this period, collection, sorting, national and international transport as well as delivery must take place.
- (d) 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.

2.3.14 In addition, the European Commission requires, in case of end-to-end measurement of ordinary mail (both for inland and cross-border mail), that performance monitoring is in conformity with the applicable standard of the European Committee for Standardization (CEN), namely EN 13850:2002+A1:2007 on the measurement of the transit time of end-to-end services for single piece priority mail and first class mail. This standard has been developed to ensure that the transit time for ordinary mail is monitored on a standardised basis and its use is mandatory. Currently, this is the only EU mandatory standard applicable for all Member States. Moreover, EU States can mandate other standards for the measurement of other postal services / activities.

2.3.15 In the case of bulk mail services, EN 13850 clarifies that, due to various factors, this service requires different measurement systems and methodologies when compared with single piece mail. Therefore, inland bulk mail is measured in conformity with another CEN standard, namely EN 14534:2003+A1:2007 for the measurement of transit time of end-to-end services for bulk mail.

2.3.16 Moreover, with regard to registered mail and parcel post, given that the transit times of these postal services are measured using 'track and trace' technology, the Authority requires that Maltapost's measurements should be in conformity with CEN standard EN 14137:2003 (standard for the measurement of the loss of registered mail and other types of postal services using a track and trace system).

When applying this standard, Maltapost is obliged by MCA to 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.

MCA's monitoring and enforcement of end-to-end measurement activities

2.3.17 Appendix E presents the four Decisions taken by MCA on QoS targets that had to be achieved by Maltapost between October 2007 and September 2010.

2.3.18 MCA's position with regard to Maltapost's achievements in this area are comprehensively documented and discussed in the QoS Consultation Paper published in August 2010. MCA noted in this Paper that the results achieved by Maltapost over the previous years had shown a constant improvement in the quality of service. The Authority also observed that Maltapost had, in the main, exceeded the established QoS targets (refer to Appendix F). Furthermore, MCA referred to the 2009 customer perception survey, the results of which had indicated that consumers were generally satisfied with the time taken for Maltapost to deliver mail. However, the Authority, whilst acknowledging significant improvements made by the USP, also opined in this Paper that Maltapost could further improve the efficiency of the postal service by, for example, reducing as far as possible the number of mis-delivered mail items (as one of the main causes of lost and substantially delayed mail) and by promoting incentives that could speed up the processing of mail.

2.3.19 In addition to these documented observations by MCA, NAO also confirmed with the Authority, during fieldwork carried out between April and May 2010, the following issues related to the measurement of transit times of different postal services:

(a) Single-piece priority mail and bulk mail

- (i) Maltapost has, throughout the period, used an external independent organisation to undertake the mandatory 'Quality of Service Monitoring Surveys'. In line with the Decision Notice of June 2005, the organisation that was contracted to carry out these surveys had to be competent, experienced, reputable and with no links with Maltapost. In 2005, an organisation was commissioned by Maltapost to regularly measure the quality of service for single-piece priority mail (in accordance with EN 13850:2002 and subsequently the revised EN 13850:2002+A1:2007). In addition, since 2008, the measurement of transit times for bulk priority mail (in accordance with EN 14534:2003+A1:2007)

was added in line with the requirements of the QoS Decision Notice of 2007.

- (ii) In parallel, since 2006, MCA has engaged an established audit firm to carry out annual audits of the methodology employed by the independent organisation for the carrying out of these surveys. The appointed auditors have consistently carried out their audits and submitted comprehensive reports to MCA. The main points identified in these reports were regularly forwarded to Maltapost and were used as the basis for discussions on required improvements and changes. The following are some relevant facts and observations identified by NAO from these audits:

- The independent auditors were engaged to report on whether the independent organisation's procedures for the surveys on local ordinary mail services and, more recently, also on bulk mail postal services, were being operated in accordance with EN 13850 and EN 14534 respectively. Moreover, they were requested to give their opinion on the validity of the reported results within the required levels of accuracy at national level, and whether there were any factors which would materially affect the validity of the results for general publication and for determination of penalties for failure to meet quality of service targets.
- The auditors' annual reports have provided detailed accounts on the reliability and accuracy of the reported results, repeatedly highlighting critical concerns regarding some aspects of the methodology used by Maltapost and the contracted independent organisation to measure the achievement of QoS targets. These included the following three key issues:

- *The rotation of panellists and the alternation of days when test items for local ordinary mail are posted:* The auditors annually highlighted the possibility that the lack of rotation on a regular basis could result in the risk that the tests do not fully reflect actual postal performance. The auditors also recommended improvements to the monthly postal plans prepared by the independent organisation allowing for increased rotation in days of induction.

Undoubtedly, such measures improve the accuracy and reliability of the current measurement system and MCA has been reviewing these arrangements. In 2009, the Authority explored this issue with an academic expert on statistics. During the same year, MCA also requested Maltapost to instruct the

independent organisation to rotate the posting days between panellists and postal areas.

In response to this recommendation, Maltapost's position was that EN 13850:2002+A1:2007 requires rotation of panellists only every four years and that additional rotation and alternation is not required by the standard.

- *The inability of Maltapost to provide to the auditors the necessary justifications and workings supporting the determination of the sample size for both surveys (that is the surveys on the local ordinary mail and on bulk mail).* This matter has been pending for several years and, in January 2010, the auditors urged MCA once again to immediately address this issue.

It is important to point out that in the latest draft reports presented by the auditors to MCA (dated January 2010), it is stated that “...doubts on the validity of the sample size, coupled with the lack of rotation, ...may put the whole QoS measurement methodology, and results therefrom, into question. It is recommended that MCA insists on receiving the requested information as soon as possible.” Clearly, this is an area that MCA needs to continue to monitor closely and act upon.

A recent development has been the presentation given by Maltapost to the Authority in February 2010, during which the sampling of mail and volume capture processes were outlined and discussed with the Authority. Moreover, in July 2010 MCA indicated to NAO that, following an internal assessment, it was concluded that the sample size used by Maltapost appeared to be reasonable.

However, the Authority also indicated to NAO that it is Maltapost's responsibility to justify any change in the sample size and that MCA will continue to insist that the real mail studies are completed and implemented in this respect.

- *The need for updated real mail studies in order to remove any ambiguity and uncertainty related to stratification and to ensure that measurement is representative of actual mail flows.* Despite various requests from the auditors since 2006, Maltapost has been unable to provide comprehensive real mail studies to allow proper verification by the auditors of the basis used for stratification.

The same applies for the reported exclusion of certain discriminate mail characteristics (such as different thickness, weight and payment methods). Information obtained from the MCA indicated that Maltapost had based its stratification and mail flow calculations on internal, but diverse, reports which had been carried out by the company for other purposes rather than QoS measurement.

MCA has confirmed that comprehensive real mail studies, specifically carried out for the purpose and in line with agreed specifications and European standards, are being undertaken by Maltapost during 2010 and that these should contribute toward rectifying these concerns. Nonetheless, the auditors also recommend in their latest draft report on these surveys that “...MCA monitors the real mail study to ensure that results can then be used for the purposes of the QoS measurement.”

- MCA has indicated that some of these concerns have been resolved (such as the issue concerning the rotation of panellists or the discounting of shutdown days) or are currently being dealt with (as in the case of the ongoing real mail study or the treatment of postal items not delivered by ‘D+30’). However, there still remain specific outstanding issues which have still to be appropriately and conclusively resolved (as in the case of the recommended alternation of days for posting of test items by the same panellists).

(b) *Registered Mail and Parcel Post*

- (i) In addition, Maltapost has used its own ‘track and trace technology’ to measure its performance for the delivery of registered mail (since July 2006) and parcel post (since July 2007). This system enables the travelled distance of a postal item to be monitored and its location to be established at any time.
- (ii) However, no audits have, as yet, been carried out by MCA to independently assess whether Maltapost's measurement methods are in accordance with EN 14137 and are taking into due consideration the CEN technical report TR 15472:2006. Nonetheless, MCA has stated in its Decision Notice that it can in the future audit these methods if this is deemed necessary.
- (iii) Moreover, it is significant to note that in 2008 MCA requested a payment of €746.75 from Maltapost

as compensation for failure to achieve the annual service target for registered mail (refer to QoS data presented in Table F.1 in Appendix F).

(c) Cross-border ordinary mail

- (i) With regard to cross-border ordinary mail services, Maltapost measures and monitors the quality of service by means of the International Post Corporation (IPC) UNEX programme.
- (ii) This programme measures cross-border mail flows of the fastest standard category from the time of posting to when the item is delivered. The high technology UNEX system is designed to comply with EN 13850. Moreover, the validity and independence of the statistics are guaranteed by the UNEX external monitoring contractor.

2.3.20 In addition to the above, Maltapost has regularly submitted to MCA reports on a quarterly basis with QoS results. These reports distinguish between the inland mail and cross-border mail products and contained the measurements of performance attained for the quarter together with the cumulative measurement for the year to date.

2.3.21 Significant work has been undertaken by MCA to establish, revise, monitor and enforce robust QoS targets and to encourage Maltapost to develop reliable end-to-end measurement system to measure progress and achievements. A number of critical challenges, however, remain. Key to these are the obstacles highlighted by the auditors of the methodology used in the ‘Quality of Service Monitoring Surveys’. Furthermore, MCA can consider including in its monitoring arrangements an audit of Maltapost’s ‘track and trace’ measurement system.

2.4 Conclusions and recommendations

2.4.1 MCA has undertaken considerable activity in the development and monitoring of regulatory mechanisms in order to ensure that the USP provides sufficient access to the universal postal service, has in place adequate arrangements that guarantee daily delivery, and achieves established minimum standards of performance.

2.4.2 NAO encourages MCA to continue building on its work in this sector and to give due consideration to the following matters when planning its future activities:

- (a) The need to obtaining assurance that Maltapost’s current network of public letterboxes and stamp is, and remains, in line with the minimum parameters for access to the universal service (this status had to be achieved by Maltapost by 1 January 2010).
- (b) The need to take further pro-active action in the monitoring of certain critical elements of Maltapost’s reported arrangements regarding daily collection and delivery, such as the carrying out of an external audit of Maltapost’s electronic logging system of collections from access points in order to test the robustness and consistency of the USP’s reported monitoring and control mechanisms.
- (c) Ensuring that appropriate, timely and conclusive action is taken to resolve the concerns repeatedly raised by the auditors with regard to the methodology being applied to measure transit times of local single-piece priority mail and bulk mail.
- (d) An audit of Maltapost’s ‘track and trace’ measurement system to ensure that end-to-end measurements of transit times for registered mail and parcel post are being diligently carried out in line with the applicable EN standard.



Chapter 3

Protecting the Integrity of Mail

Chapter 3 – Protecting the Integrity of Mail

Chapter 3 examines how MCA ensures that Maltapost, as a licensed postal operator and the designated universal service provider, achieves the established minimum standards for the protection of mail. The Chapter also includes an evaluation of the actions taken by the Authority to monitor and enforce key requirements.

3.1 Decision Notice on the minimum standards for protecting the integrity of mail

3.1.1 Mail integrity constitutes a key element in ensuring consumer confidence in the market. Risks to mail integrity can emanate from the people who have access to that mail, whether authorised or otherwise. Moreover, risks can be the result of uncertain future events, such as the loss or destruction of mail (through, for example, flooding and other natural disasters); the closure of postal facilities (for example, a fire gutting a post office); accidents (such as vehicle accidents exposing mail to security hazards); or physical harm to employees and consumers (such as biological or chemical threats).

3.1.2 In June 2006, MCA published a Decision Notice on the minimum standards to be achieved by licensed and authorised postal operators for the protection of the integrity of mail. These standards are not linked in any way to a postal operator's size, structure or classification as all mail should be protected. The USP, other providers operating within the universal service area, as well as those providing postal services outside this area are all bound by these requirements.

3.1.3 In essence, the Decision Notice established the standards necessary to provide customers with an assurance that the mail they entrusted to any postal operator arrived at its destination and was not interfered with, lost, damaged or stolen. The Decision Notice also provided a comprehensive framework through which postal operators could establish

clear and consistent policies and procedures together with any measures that may be required in order to achieve the standards and minimise the risk that offences, as listed under Part XI of the PSA, occur.

3.1.4 The following standards are covered by the Decision Notice on mail integrity:

- (a) The prevention of unauthorised access to mail.
- (b) The management of authorised access to mail.
- (c) The prevention and management of damage and/or injuries resulting from natural disasters, accidents and the transmission of dangerous and prohibited goods.

3.1.5 Apart from physical infrastructure, mail integrity incorporates the policies, measures and procedures that need to be in place to protect, on a day-to-day basis, the security of mail and ensure, as far as possible, that items sent by customers reach their intended recipients.

3.1.6 The various minimum standards announced in the Decision Notice are outlined in detail in Appendix G. The establishment of such standards benefits both postal operators by facilitating the establishment of clear and consistent written policies and procedures, as well as customers by providing them with sufficient confidence and trust in the postal sector.

3.2 MCA's regulatory approach to the protection of the integrity of mail

3.2.1 Prior to the publication of the Decision Notice, in line with the requirements of the Postal Regulations, MCA issued (in February 2006) a Consultation Paper seeking the views of all interested parties with regard to key issues concerning mail integrity. This was the first step in developing the minimum standards. Only one representation was received by the Authority through this process, namely the submission made by Maltapost.

3.2.2 In the Decision Notice of June 2006, MCA explained it would monitor compliance with the mail integrity standards by taking a risk-based approach. The Authority also made it clear that its intention was to strike a balance between protecting the interests of the consumer and maintaining a ‘light touch’ regulatory regime where the Authority is not unnecessarily intrusive and does not act as an operational hurdle. MCA also explained that, in terms of the Postal Regulations, the Authority could issue directives to postal operators operating within the universal service and that it would consult interested parties before issuing these directives, as deemed appropriate in the circumstances.

3.2.3 MCA emphasised in the Decision Notice that postal operators should retain the freedom to develop their own individual business models and operate their business effectively, provided that they met the required minimum standards. The Authority explained that when seeking to achieve the minimum standards for protecting the integrity of mail, postal operators should tailor their policies and procedures to their own circumstances, including the size and structure of the organisation.

3.2.4 It is, therefore, up to the operator to consider what written policies, procedures and monitoring mechanisms they wished to put in place to meet or exceed the established standards. Whilst keeping the standards at an acceptable minimum for the benefit of users of postal services, postal operators are encouraged by the Authority to build on these foundations by factoring in ‘added value’ to their mail integrity protection procedures over and above the established minimum standards.

3.2.5 The Decision Notice also encouraged postal operators to be pro-active by carrying out regular audits for the purpose of ensuring compliance with the mail integrity standards and, therefore, to identify any needed improvements.

3.2.6 Moreover, the Authority recognised in its Decision Notice that postal operators might incur some costs associated with compliance with the minimum standards, such as the cost of developing and managing the required procedures, managing operations in accordance with the procedures and ensuring that these procedures remain ‘fit for purpose’. However, MCA considered these as ‘one-off’ costs which, in any case, would have been voluntarily incurred by most postal operators in order to ensure adequate mail integrity and security.

3.2.7 MCA’s Decision Notice also stipulated that should a postal operator breach the proposed minimum standards, this would automatically translate into a breach to the conditions of the licence or the general authorisation. Under such circumstances, MCA bound itself to assess

the type of action that needed to be taken in line with the provisions established in the PSA.

3.3 Maltapost’s obligations

3.3.1 Maltapost, as a licensed postal operator, is obliged to operate in line with the standards set out in this Decision Notice. As the USP, Maltapost is also expected to implement and maintain policies and procedures that adequately cover the conditions set out in the Maltapost p.l.c. Licence (Modification) Regulations issued in December 2004. Overall, Maltapost is bound, through its licence, to use all reasonable endeavours at all times to apply its mail protection procedures.

3.3.2 Amongst others, the Regulations stipulate the following:

- (a) Maltapost should establish and apply adequate mail integrity procedures. These are to be established with the aim of:
 - (i) Minimising the exposure of postal packets conveyed by Maltapost to the risk of loss, theft, damage or interference.
 - (ii) Minimising the risk of offences listed in the PSA in relation to postal articles conveyed by Maltapost (such as unlawfully opening postal articles).
 - (iii) Improving the performance of Maltapost in these key areas.
- (b) The USP’s mail integrity procedures should cover the following matters, with MCA being given the authority to specify additional areas:
 - (i) The selection, vetting, training, provision of incentives to and disciplining of its staff, agents, sub-contractors, directors and officials.
 - (ii) The security of Maltapost’s buildings and vehicles.
 - (iii) The avoidance, identification and action to be taken in respect of offences listed in the PSA in connection with the conveyance of postal articles.
 - (iv) The collection and analysis of statistics on the achievement of these mail integrity objectives.
- (c) MCA verifies that the procedures developed by Maltapost reflect and conform with all legal requirements.

- (d) The Authority also has the power to require Maltapost to amend its procedures in order to ensure that matters stipulated in the legislation are provided for. In addition, the Authority could review the mail integrity procedures at least every two years and that Maltapost was bound to cooperate with the conduct of such assessments.
- (e) MCA has the legal authority to inspect all matters relating to the mail integrity procedures and any related physical facilities.

3.3.3 Furthermore, the Postal Services (General) Regulations give MCA the authority to issue additional directives to Maltapost to ensure the protection of the integrity of mail, provided that, before issuing any such directives, the Authority consults with such interested parties as deemed necessary in the circumstances.

3.3.4 Moreover, in the Consultation Paper on the mail integrity standards that was published in February 2006, MCA reported that Maltapost had submitted for approval its procedures adopted for protecting the integrity of mail. Following examination, MCA opined that although Maltapost's submission, in the main, covered the key elements that were considered adequate for the protection of the integrity of mail, the submitted procedures were deemed by the Authority as being high-level.

3.3.5 MCA also indicated that Maltapost should have in place detailed written policies and procedures covering all the elements required to achieve the mail integrity objectives. In addition, the Authority highlighted the importance of appropriate document control and that

Maltapost diligently acts in accordance with these written policies and procedures.

3.3.6 Subsequently, in the Decision Notice on the minimum standards for protecting the integrity of mail issued in June 2006, Maltapost was required to meet, as from 1 August 2006, all minimum mail integrity standards that cover six areas (Table 3.1). By doing so, MCA allowed an interim period between June and July 2006 during which Maltapost could modify and implement policies, procedures and measures covering all areas outlined in the Decision Notice.

3.3.7 In parallel, MCA committed itself to audit these policies and procedures and assess compliance with the established minimum standards within three months from the publication of the Decision Notice. The Authority also planned to review the minimum standards at least once every two years. This possibility is provided for in the Postal Regulations.

3.4 MCA's actions to monitor and ensure the USP's achievement of minimum standards


3.4.1 In August 2006, MCA issued a request for proposals to professional organisations to carry out an audit of the mail integrity policies, practices and procedures adopted by Maltapost. The objectives of this independent and external audit were to assess Maltapost's compliance with the established minimum standards for protecting the integrity of mail as well as to assess whether these satisfied the mail integrity objectives laid down in the Maltapost p.l.c. Licence (Modification) Regulations (Subsidiary Legislation 254.14).

Table 3.1: Key aspects of mail integrity

Elements of Mail Integrity	Areas to be Addressed
Recruitment	Procedures related to the selection and vetting of prospective employees.
Training	Procedures related to the initial and ongoing training to be given to employees.
Security of Mail	Details of the measures to be put in place and actions to be taken to:
	<ul style="list-style-type: none"> • prevent problems occurring with the security of mail in premises, vehicles and equipment used to handle and deliver mail; and • to prevent damage and/or injuries to people from dangerous and prohibited goods, accidents and natural disasters.
Disciplinary Procedures	Details of the standards of conduct expected of each employee.
Agents and Subcontractors	Procedures for dealing with agents or subcontractors.
Information and Reporting Requirements	Procedures for recording and reporting information, and dealing with mail integrity problems.

Source: MCA (2006)

Table 3.2: Terms of Reference for the commissioned mail integrity audit

 <p><small>Image: healingsdream / FreeDigitalPhotos.net</small></p>	<p>The audit objectives were threefold:</p> <ol style="list-style-type: none"> (1) to verify whether Maltapost’s mail integrity policies, practices, and procedures reflected and conformed to all legal requirements and the established minimum standards; (2) to confirm whether the policies and procedures, and any related physical facilities were being implemented and operated in accordance with the established minimum standards; and (3) to confirm whether Maltapost’s activities present cause for concern, or bring to light issues that needed to be addressed and followed up with regard to Maltapost’s adherence to the mail integrity objectives.
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Source: MCA (2007)

3.4.2 Table 3.2 outlines the terms of reference for this exercise. The audit was commissioned in December 2006 and a report was presented to MCA in February 2007.

3.4.3 The mail integrity audit provided MCA with a comprehensive analysis of Maltapost’s position (as at February 2007) with respect to the fulfilment of its mail integrity obligations. It also included a series of observations and recommendations highlighting where important processes and critical stages were necessary in order to ensure compliance with the minimum standards. Table 3.3 summarises the main conclusions and recommendations of the independent auditor.

3.4.4 In response to the outcome of the mail integrity audit, MCA presented the results to Maltapost between March and April 2007 and invited the latter to provide feedback on the audit’s conclusions and recommendations. Maltapost’s reply, received in July 2007, indicated that whilst the USP agreed with some of the conclusions and recommendations, this was not the case for other issues. Moreover, Maltapost pointed out that it was not able to implement some of the recommended actions.

3.4.5 MCA, on its part, reiterated its position and, in August 2007, officially informed Maltapost that the Authority was concerned on the lack of appropriate policies and procedures in relation to the minimum requirements related to the protection of the security of mail.

3.4.6 MCA referred particularly to the policies and procedures necessary in relation to the security of the relevant premises, the use of vehicles and equipment for the collection, conveyance and delivery of postal articles, as well as risks related to accidents, natural disasters and those related to the transmission of dangerous and prohibited goods. Reference was also made to other shortcomings

in the achievement of minimum mail integrity standards related to agents and subcontractors as well as incident information and reporting.

3.4.7 Deadlines were set by the Authority for Maltapost’s submission of the revised documented policies and procedures. The USP was also informed that the lack of implementation of the appropriate policies and procedures in line with the minimum standards constituted a breach of the conditions in Maltapost’s licence. In this regard, MCA could take appropriate action in accordance with the provisions set out in the PSA if the revised documents were not submitted and the necessary measures were not taken by Maltapost to meet the minimum standards within the stipulated timeframes.

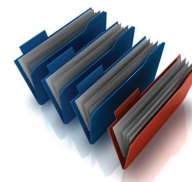
3.4.8 However, these deadlines had to be revised by MCA after Maltapost requested more time to improve its policies and procedures. A set of updated SOPs were submitted on time in September 2007. A second set was, however, submitted belatedly in April 2008. MCA explained to NAO that Maltapost was unable to present the required SOPs on time due to significant internal changes brought about by the USP’s privatisation process. In addition, 120 employees, many of them amongst the longest serving, had opted to return to the civil service creating additional internal difficulties for the USP to meet its deadlines. A new Collective Agreement for Maltapost employees was also agreed during this period with the agreement being finalised in August 2007.

3.4.9 Furthermore, MCA indicated to NAO that, following the 2007 audit, the Authority had considered conducting a follow-up investigation in order to assess the USP’s compliance. However, in August 2008, MCA decided to review Maltapost’s customer care complaints handling system instead as this was more pressing. MCA’s

Table 3.3: Main conclusions and recommendations of the 2007 mail integrity audit

Maltapost provided Standard Operating Procedures (SOPs) on four categories of its operations:

- Human Resources
- Operations
- Agents and Sub-contractors
- Incidents and Reporting Requirements



The independent auditor reviewed these SOPs together with other complementary documentation forwarded by Maltapost and compared them against the minimum mail integrity standards and the relevant legal requirements.

Through this initial review, several ‘gaps’ were detected and this led to the identification of a number of policies, procedures and organisational arrangements that required critical attention and strengthening. In some cases, the auditor found the SOPs to be generally compliant and highlighted additional measures that could be taken to further improve processes and related documentation as well as address particular risks or restrictions. On the other hand, for certain aspects of the mail integrity framework, the auditor expressed a number of serious concerns related to incomplete SOPs, the need to allocate additional resources and key organisational limitations.

A “Gap Register” was prepared. This Register scored Maltapost’s policies and procedures against the minimum standards laid down by MCA. SOPs were classified as sufficiently satisfactory, partially satisfactory or significantly unsatisfactory. The auditor’s overall conclusion (as at February 2007) was that Maltapost’s SOPs were not fully compliant with the mail integrity objectives. The Authority pointed out that existing SOPs required strengthening while additional documented procedures needed to be systematically developed.

Moreover, it was recommended that these SOPs had to be officially approved, signed and issued to functional department heads and promulgated within the organisation. Within this context, it was also acknowledged that Maltapost was undergoing considerable organisational change at that time as it attempted to re-engineer much of its business operations and inculcate a different work culture.

A Summary Risk Register was compiled by the auditor outlining the specific areas that Maltapost should consider in its efforts to meet compliance requirements. It was recommended that Maltapost prepared a project plan with specific implementation timelines and assigned responsibilities, and that MCA determined an appropriate time to conduct a follow-up audit.

Source: MCA (2007)

decision was based on the rationale that improvements to Maltapost’s customer care complaints handling system would be effective in bringing about improvements in the company’s overall practices, including mail integrity.

3.4.10 The Authority also explained that it carried out site visits at the USP’s Head Office between 2008 and 2009. During these visits, Maltapost showed the Authority’s officials the investment it had made in new training facilities at the USP’s premises and in newly installed closed circuit cameras at strategic locations. Various fixed induction posters were also observed by MCA officials on the operations floor.

3.4.11 Moreover, MCA highlighted the fact that Maltapost is submitting to the Authority on a periodic basis reports of detected mail integrity incidents together with the USP’s actions with respect to each individual incident. MCA explained that such incidents had resulted in disciplinary action being taken by the USP, including the

dismissal of postal staff, the filing of reports to the police and the arraignment of the alleged perpetrators in court. MCA considers such actions by the USP as an important development as they serve as an effective deterrent against such illegal behaviour.

3.4.12 In 2009, MCA also carried out market research on postal services with households, small businesses and large business mailers. Among the questions asked in these national surveys, a number focused on users’ perceptions on certain aspects of mail integrity, namely the courtesy and reliability of the postman as well as the levels of confidence that registered mail and parcels are delivered safely. Overall, the results showed that the different users had positive perceptions about these issues.

3.4.13 Another related development has been the publication of a Consultation Paper by MCA in August 2010 on the QoS targets and requirements to be achieved by Maltapost in the forthcoming years. The Authority

proposed in this Paper that Maltapost introduces the measurement of lost and substantially delayed domestic single piece priority mail items. It also proposed that Maltapost should include in the sample population, for the purpose of the measurement of the QoS of ordinary mail and bulk mail, items which are substantially delayed or lost. Such proposals are intended to encourage Maltapost to not only improve its procedures but also to ensure that these result in tangible improvements to service levels and benefits to the end-users.

3.4.14 Nevertheless, NAO noted that, following the last submissions of SOPs in 2008, limited follow-up action has been taken by the Authority with regard to the review of these documented procedures. The following are two key observations made by NAO after reviewing the forwarded information and feedback obtained from interviews held with MCA officials between May and June 2010:

- (a) Overall, NAO noted that the revised SOPs submitted by Maltapost to MCA in September and April 2010 did not cover all the required revisions of documented policies and procedures as requested through MCA's letter of August 2007 and as highlighted in the audit report of February 2007. This is a critical concern that requires the attention and follow-up action of the Authority.
- (b) Furthermore, MCA confirmed that a full review of the forwarded SOPs and an assessment of the remedial measures undertaken by Maltapost to meet minimum mail integrity standards since the 2007 audit have, as yet, to be undertaken by the Authority. MCA indicated that a mail integrity audit, which was

postponed from 2009 in order to conduct a review of Maltapost's customer care complaints handling system, will be commissioned to independent auditors by the end of 2010. The conclusion of this exercise is required for MCA to obtain assurance that Maltapost has, in all respects, put in practice the established minimum standards in compliance with its obligations. Any shortcomings identified should be listed and brought, as soon as possible, to Maltapost's attention in order to ensure compliance with all aspects of the minimum standards.

3.5 Conclusions and recommendations

3.5.1 Based on the above findings, it is evident that a new comprehensive mail integrity audit of Maltapost's revised policies and procedures is urgently required. This exercise will provide MCA with an accurate and up-to-date assessment of Maltapost's level of compliance with the established minimum standards on mail integrity and the related objectives set out in the USP's modified license of 2004.

3.5.2 Various measures have been taken by MCA to improve mail integrity. Nevertheless, given the seriousness of the concerns raised in the 2007 audit as well as the limited documentation that was provided by Maltapost in the interim to address some of these issues, NAO urges MCA to expedite the commissioning of this audit. Furthermore, NAO recommends that MCA takes any necessary timely action should this audit subsequently identify any critical inadequacies related to the USP's management of mail integrity and security issues.





Chapter 4

Provision of Information, Complaints Handling and Compensation

Chapter 4 – Provision of Information, Complaints Handling and Compensation

This chapter examines MCA's role in ensuring adequate publication of information of what is on offer with regard to the universal postal service (including prices and conditions). It also evaluates the actions taken by the Authority to ensure that appropriate procedures and remedies are applied by the USP to effectively deal with users' complaints.

4.1 Publication of information and postal service schemes

Legal Context

4.1.1 MCA has the mandate to ensure that Maltapost (as the USP), using the appropriate media and locations, provides the general public and businesses with regular, clear, detailed and up-to-date information on the universal postal service. The Authority's stated policy on this aspect of the universal postal service is that users need to know exactly what they have a right to expect in terms of price, quality, service standards as well as the conditions relating to each particular service or product falling under the universal service.

4.1.2 In fact, Article 19(1) of the PSA states that “...the universal service provider shall provide users with regular, detailed and up to date information on the particular features of the universal service, with special reference to the general conditions of access to the service, as well as to prices and quality standard levels”. Article 19 (2) further stipulates that information shall be published at least annually in a manner that is satisfactory to the Authority.

4.1.3 In addition, the Postal Regulations require that the USP:

- (a) Submits to the Authority updated lists of postcodes and shall publish them in a manner that ensures reasonable publicity including but not limited to

affixation on the notice board of each of its post offices [Regulation 15(2)].

- (b) Publishes the following information, once every calendar year, ensuring also reasonable publicity [Regulations 42(1), 42(2) and 42(3)]:
 - the location of all access points including each of its post offices and letterboxes;
 - the times of opening and closing of each of its post offices and times of collection and delivery;
 - a contingency plan setting out the measures to be taken by the USP to ensure, as far as practicable, the provision of the universal postal service in the event of an industrial action, emergency or natural disaster; and
 - the arrangements the USP has established or intends to establish to ensure that its post offices, including its letterboxes, are accessible to persons with disabilities.
- (c) Publishes and amends postal service schemes as directed by MCA [Regulations 43((1) and 43(2)].
 - These schemes regulate the commercial relationship between Maltapost and the customer and must include certain key details, such as:
 - what the user will be charged for a particular postal service or product;
 - the applicable terms and conditions;
 - information on the procedures in place for dealing with the complaints; as well as
 - details of the compensation that may be awarded in case of failure in the delivery of the service.
 - Regulation 43(3) also states that “...A scheme or any amendments to a scheme under this regulation shall be forwarded to the Authority which shall ensure that the USP at its expense gives such publicity to the scheme or any

amendments thereto as the Authority may consider appropriate.”

- In addition, Regulation 43(5) stipulates that “... any obligations undertaken by the universal service provider made in accordance with this regulation shall bind the universal service provider as if such obligations form part of the terms and conditions of a contract at law, and may be enforced against the universal service provider accordingly.”

4.1.4 The Maltapost p.l.c. Licence (Modification) Regulations further stipulate that:

- the USP is required to publish prices for universal postal services as public tariffs (Regulation 17.2), and
- each access point should display the collection times (Regulation 17.6).

MCA’s Decision on the publication of information and postal service schemes

4.1.5 MCA’s Decision Notice on QoS requirements, issued in June 2005, established the locations and media to be used to communicate QoS information. These included providing details on QoS standards and requirements:

- (a) at the point of posting;
- (b) by way of notice at all post offices;
- (c) in written form at all post offices for subsequent reference at home or business premises;
- (d) in written format at selected post offices, or on request by post, for subsequent reference at home or business premises;
- (e) over the internet;
- (f) through advertising media; and
- (g) in the Company’s annual report.

4.1.6 During 2008, MCA, in order to drive additional improvements by Maltapost, published a Consultation Paper and a Decision Notice which, amongst other issues, further delineated the USP’s legal obligations with regard to what information should be provided, the manner in which postal schemes should be published and what media should be used to communicate key information on the universal service.

4.1.7 In these publications, MCA observed that, in 2008, Maltapost was already providing information on the universal postal service using different channels of communication and publications, such as:

- (a) Maltapost’s website and a published information booklet (entitled ‘Committed to Deliver’);
- (b) the USP’s customer care office and retail counters;
- (c) press releases;
- (d) published postal service schemes (containing information and conditions on postal services); as well as

- (e) information plates found on public letterboxes. Such information plates contained details on the days when mail is collected and the last collection time, the customer care helpline, the code number of that particular street letterbox, and advice to the public that postal articles containing valuables must be sent by registered post.

4.1.8 Moreover, the Authority reported that its postal perception surveys carried out in 2006 among different categories of users had indicated that customers were generally satisfied with the information being provided by Maltapost.

4.1.9 In 2008, MCA reported that participation throughout the consultative process leading to the Authority’s decisions was limited, despite the efforts of the Authority. Feedback on the proposals in the Consultation Paper was received from two stakeholders (Maltapost and MEPA). In addition, through the Consultation Paper, MCA had also publically invited interested parties to inform the Authority on whether Maltapost should be required to publish any other information about the universal service. However, no replies to this question were forthcoming.

4.1.10 In September 2008, through the published Decision Notice, MCA extended, to all elements of the universal postal service, the established requirements made in the Decision Notice of 2005 on the provision of information at various locations and using different media. MCA also directed Maltapost to provide better search facilities (including the publication of a map of its network on its website) to allow users to find the nearest stamp vendor, sub-post office and other postal access points.

4.1.11 Moreover, the Authority imposed on Maltapost more rigorous obligations and criteria for the publication of postal schemes. Through the decision of 2008, MCA delineated:

- (a) in what format a postal service scheme should be published;
- (b) on what media it should be published; and
- (c) the updates on the published postal service schemes that should be given to the Authority annually.

4.1.12 Details of MCA’s decisions on the provision of information and postal schemes are presented in Appendix H of this report.

Follow-up action by MCA

4.1.13 Since the issue of the Decision Notice, in September 2008, MCA indicated that it had continued to monitor, on an ongoing basis, Maltapost’s publication of information. This has been mostly through informal periodic checks of information made available on the USP’s website. NAO confirmed that the Authority has not carried

out, for example, any physical checks at access points (such as through periodic inspections or mystery shopping exercises) to ascertain whether the USP is, through other channels, also fully complying with the specified obligations related to the provision of information.

4.1.14 In parallel, however, MCA has also been involved in reviewing Maltapost's actions in relation to information given when changes are made to access points or collection/delivery arrangements (for example, in the case of announcements of the USP's shutdown days and changes in letter box collections). Section 2.1 in Chapter 2 highlights some examples of the measures taken by MCA to ensure that the public and businesses are kept well informed of changes made to particular postal services.

4.1.15 Moreover, MCA commissioned national market research surveys among households, small business and large business mailers during 2009. The questionnaires included questions:

- (a) on the users' satisfaction with the level of information available about the services offered by Maltapost; with the quality of service provided over the telephone; and with the USP's website; as well as
- (b) on their awareness of the current postcode format; the letterbox standard size; and whether or not (in their opinion) their letterbox conformed to the appropriate standard size.

Table 4.1: List of Postal Service Schemes published on Maltapost's website (as at October 2010)

Scheme	Contents of the Scheme
Posting and Delivery Requirements	A detailed document specifying several terms and conditions, namely: <ul style="list-style-type: none"> - fees for various inland, outbound and parcel services, - limits of size and weight of postal articles, - method of address, - the affixing of postage stamps, - used envelopes not transmissible by post, - postal articles for different persons, - postal articles containing different items, - payment of postage fees and postal identifier, - underpaid postage, - closed correspondence, - packaging and posting, - prohibitions (postal articles not transmissible by post), - compulsory registration, - certificate of posting, - certificate of loss or damage, - articles for the blind, - exemption from postage payment, and - information on the letterboxes to be provided in all premises.
Business Reply Service	Details on the service being provided, the respective fees, the terms and conditions, customer service options, standards of services and on other forms of redress.
Private Posting Box	Information on the offered service, fees as well as terms and conditions.
Newspaper Post	A definition of what is considered as a newspaper or a periodical, details on inland and outbound postage costs, the registration procedure and related charges, the conditions of posting, the procedure for lodging an enquiry/complaint, Maltapost's commitment, as well as other forms of redress.
Private Delivery (PO) Box	Information on the service provided, business hours, fees, terms and conditions, as well as details on Maltapost's commitment, on lodging an enquiry or a complaint and other forms of redress.
Redirection of Mail	Details on the applicability of the scheme, the relevant terms and conditions, Maltapost's commitment, as well as on the procedures for lodging an enquiry or a complaint and other forms of redress.
Temporary Custody Scheme	Application form with details of fees, the standard of services, as well as on how to lodge an enquiry or complaint and on how to seek other forms of redress.

Source: Maltapost (2010)

4.1.16 The results of these surveys indicated that the majority of users were generally satisfied with the level of provision of information by Maltapost.

4.1.17 With regard to postal service schemes, NAO established that a number of such schemes are available over the internet through a dedicated page on Maltapost's website (Table 4.1). The published schemes are, in most cases, available in both Maltese and English. They also provide information that is of direct interest to the consumer.

4.1.18 MCA has indicated that, since September 2008, the Authority has reviewed new schemes (such as the scheme setting out posting and delivery requirements) and periodically checked what schemes are being made available to the public from Maltapost's website.

4.1.19 In addition, MCA has taken the initiative to promote these schemes by contributing to a consumer education project (entitled 'DOLCETA') that is supported by the European Commission. DOLCETA provides online modules that focus on different consumer topics. In 2009, MCA uploaded to this website information on the local postal service schemes.

4.1.20 Overall, NAO recommends that MCA considers taking further action to monitor how postal service schemes are effectively communicated and promoted to the users through different channels apart from the website (such as through post offices, when handling customer enquiries, or through newsletters). The Authority can also consider gauging (for example, through its periodic national surveys) the public's general awareness of such schemes and other customer information (such as awareness on the rights and obligations related to the use of these services, the possibilities of redress and the expected standards of service).

4.2 Complaints handling and compensation

Legal Context

4.2.1 A key fundamental principle of the universal postal service is that users are not deterred from expressing any dissatisfaction with existing services provided by the USP. They should also be provided with the proper procedures for redress and any eventual compensation.

4.2.2 Article 27 of the PSA stipulates that MCA shall ensure that transparent, simple and inexpensive procedures are drawn up for dealing with users' complaints, particularly in cases involving loss, theft, damage or non-compliance with QoS standards. The Act also imposes an obligation on the USP to publish at least once a year information on the

number of complaints received, detailing what they were about and how they were dealt with.

Decision Notice

4.2.3 In June 2005, MCA published a Decision Notice that addressed this 'qualitative' aspect of universal postal service as well as other related elements of performance (namely, the QoS targets and the measurement of end-to-end transit times of different services referred to in Section 2.3 of Chapter 2).

4.2.4 In this Decision Notice, MCA acknowledged Maltapost's new investment in information and communications technology (ICT) based solutions to support its complaint handling system. Maltapost's system was described by the Authority as including the facility to track and monitor complaints as well as compile customer care statistics.

4.2.5 Moreover, MCA also commented positively in the 2005 Decision Notice on Maltapost's code of practice for dealing with consumer complaints and redress procedures as reflected in a booklet entitled 'Committed to Customer Care'. Overall, MCA considered the guidelines published in this booklet as reasonable and recommended that Maltapost should retain the commitments stated in this booklet and extend their scope to include other categories of complaints other than those that deal with loss, damage or delay (refer to Appendix I of this report). The Authority also set an additional target – 100 per cent of telephone contacts were to be answered within three rings / five seconds during the hours available to the public.

4.2.6 MCA, through this Decision Notice, highlighted as well the importance that Maltapost's complaint handling system reflects the provisions of the applicable standard of the European Committee for Standardisation (CEN), namely EN 14012 on the measurement of complaints and redress procedures. This standard requires, amongst others, that:

- (a) a customer who wants to make a complaint can do so easily;
- (b) all complaints are registered and counted.
- (c) simple instructions are available and all personnel in contact with users must be able to explain how a complaint can be submitted; and
- (d) the main complaint categories are defined so that these can be tracked more accurately.

4.2.7 Maltapost was required, through this 2005 Decision Notice, to ensure that its systems maintain the records of all customer complaints, including information on: (i) every complaint that is received, (ii) the responses to such complaints or enquiries, and (iii) details of complainants'/enquirers' contact details. MCA stressed that this was a key management information tool for

Maltapost to be able to monitor frequency of issues and to establish patterns, with a view to implementing effective remedies.

4.2.8 Moreover, MCA, at that time, emphasised the importance that Maltapost made improvements to the existing compensation system in particular for loss or delay on the local ordinary mail product. It also introduced the principle of 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 targets discussed in Section 2.3 of Chapter 2.

4.2.9 In addition, the Authority expected Maltapost to ensure that the customer care booklet was kept updated with new clarifications and was effectively publicised.

4.2.10 MCA envisaged at that time that such mechanisms would also lead to improvements in the quality of service and higher levels of customer satisfaction.

Follow-up action by MCA

Collection of information on complaint handling and compensation

4.2.11 Since the publication of the Authority's decisions on complaint handling and compensation in June 2005, MCA has continued to receive updated information from Maltapost on its complaint handling and compensation system.

4.2.12 The principal regular source has been the quarterly reports on processed complaints that are submitted by Maltapost to MCA and also published on the USP's website. These reports are presented in line with the Authority's existing requirements. NAO confirmed with MCA that no further formal inquiry with Maltapost is taken by the Authority upon receipt of these reports, such as investigations on the more prevalent types of complaints (for example, mis-delivered postal items). This is an area that could be further explored by the Authority, in particular in cases where there are persistent complaints (for example, in the case of failure by the USP to provide a proper 'change of address' delivery service).

4.2.13 MCA indicated to NAO that the information in the quarterly reports is monitored and used by the Authority when formulating policy initiatives. For example, MCA's proposals to introduce the measurement of lost and substantially delayed mail items were included in the August 2010 Consultation Paper within this context.

4.2.14 In addition, MCA also has an established consumer complaints handling procedure for consumers

requesting the assistance of the Authority to reach a successful resolution of their complaints with Maltapost. Complaints can be submitted electronically or by post. MCA confirmed that six per cent of the complaints received by the Authority between 1 January 2009 and 30 June 2010 related to postal services. A breakdown of the nature of these recorded complaints is provided in Figure 1.1 (Chapter 1).

4.2.15 Furthermore, during 2009, MCA's national surveys on postal services carried out among households, small businesses and large business mailers focused, amongst others, on the following issues:

- (a) Respondents' awareness of Maltapost's complaint handling procedures.
- (b) Percentage of respondents (within each of the three categories) that made a personal complaint to Maltapost about any aspect of the postal services in the previous twelve months.
- (c) The main types of complaints that were made by households, small businesses and large business mailers.
- (d) Percentage of households, small businesses and large business mailers who indicated that they had complained and that their complaints had been addressed.
- (e) Percentage of households, small businesses and large business mailers who were satisfied with Maltapost's complaint handling procedures.
- (f) Respondents' ratings of the way complaints were dealt with.
- (g) Respondents' opinions on: (i) whether they were not appropriately compensated for loss, damage or delay of postal items or for non-compliance with established quality of service standards, and (ii) on the amount that was compensated.

4.2.16 The results of these 2009 surveys highlighted a number of key concerns that MCA and Maltapost need to comprehensively address and minimise. These included a relatively high proportion of respondents within all or some categories (households, small businesses and /or large business mailers) who indicated that:

- they were unaware of Maltapost's complaint handling procedures;
- they had made a personal complaint to the USP and that their complaints were linked to mis-delivery or loss/substantial delay;
- the complaints had not been resolved (only in the case of households and small businesses);

- they were dissatisfied with Maltapost’s complaint handling procedures (in the case of households and small businesses);
- their complaint was dealt with very badly or fairly badly; and
- in their opinion they were not appropriately compensated for loss, damage or delay of postal items or for non-compliance with established quality of service standards.

MCA’s 2009 review of Maltapost’s compliance with the decisions on complaint handling and reporting procedures

4.2.17 A significant development on this aspect of postal regulation was MCA’s independent review, in 2009, of Maltapost’s compliance with the decisions on complaint handling and reporting procedures.

4.2.18 This exercise, commissioned to an independent business advisory services firm, was conducted during February of that year and a report was presented to the Authority in April 2009. In the report, the reviewers outlined the key areas that Maltapost should address in order to achieve full compliance with Decisions 6 and 8 of the Decision Notice of 2005. Moreover, the submitted report highlighted other aspects that would be beneficial to MCA’s and Maltapost’s objectives.

4.2.19 Among the issues identified from the 2009 independent review, the following were the main concerns:

- (a) Maltapost had not revised the ‘Customer Care’ booklet in line with the 2005 Decision Notice. MCA had instructed the USP to broaden the complaints classifications within three months of the Decision Notice. Moreover, clarifications had to be made in the document on what constitutes an ‘enquiry’ and what is a ‘complaint’ about a service.
- (b) Customer care operational information on procedures and practices for handling different complaints was disparate. Existing SOPs had to be expanded to include documentation of all procedures, processes and best practices. The overall recommendation was that these improved documented procedures should be compiled into a formal Customer Care Manual.
- (c) The Quarterly Complaints Statistics reports to MCA could be significantly improved in terms of format, level of detail and accuracy. Such changes would allow better monitoring of complaints, enquiries and corrective actions. A number of recommendations were made by the business advisory firm in this regard.

4.2.20 In response to this comprehensive report, in November 2009, MCA sent a letter to Maltapost highlighting the main conclusions as well as the actions that the Authority considered as critical for addressing such issues. Further communications ensued between MCA and Maltapost. In the interim, certain documents (such as the revised Customer Care booklet, standard operating procedures and schedules) were created or revised by Maltapost and submitted to the Authority for approval.

4.2.21 In 2010, MCA informed NAO that it was generally satisfied with the various actions taken by Maltapost to follow up on the recommendations of the independent review. The Authority also explained that in cases where no documented evidence had been forwarded by the USP, written explanations and justifications were instead provided. Nevertheless, the Authority also indicated that it will continue to monitor Maltapost’s progress in these areas and possibly consider a new audit in 2011.

4.2.22 Moreover, MCA used the insights gained from this exercise to develop new proposals for the QoS targets to be achieved by the USP between October 2010 and September 2013. MCA proposals, published in August 2010, included the publication of a new code of practice reflecting the recommendations made in the independent review as well as fundamental changes to Maltapost’s annual report on their complaint handling. On completion of the NAO audit at the end of September 2010, a decision on the new QoS targets was still in the offing.

4.3 Conclusions and recommendations

4.3.1 Over the past years, MCA has carried out considerable work as part of the Authority’s overall efforts to regulate the USP’s mechanisms for the provision of information and for the proper handling of complaints and compensation.

4.3.2 NAO encourages MCA to continue to build on these sound foundations by pursuing expected improvements and the achievement of established standards. Key areas that the Authority can consider giving additional attention to include:

- (a) the independent monitoring of Maltapost’s arrangements for the provision of required information through communication channels other than the USP’s website;
- (b) the gauging (for example, through the existing periodic national surveys) of the public’s general awareness of postal service schemes;
- (c) follow-up investigations of the most common types of complaints (such as those reported by the USP in

the quarterly reports or by users in the Authority's periodic surveys) with the aim of promptly addressing the causes of these failures and directing Maltapost to take the appropriate remedial actions; and

- (d) continued monitoring by MCA of the progress being made by Maltapost to adequately address the shortcomings and areas for improvement identified by the independent reviewers of the USP's complaint handling and reporting systems.



Chapter 5

Preparing for Future Challenges

Chapter 5 – Preparing for Future Challenges

This chapter explores emerging issues concerning the regulation of a fully liberalised postal market, including recent decisions and proposals of the Authority in response to a potentially more competitive multi-player environment.

5.1 Introduction

5.1.1 In view of the full liberalisation of the postal market in the near future, MCA has been involved in a number of preparations and actions in order to be in a better position to regulate postal services in this new market environment.

5.1.2 In December 2009, MCA issued an important Decision Notice introducing arrangements for managing common operational issues in a multi-operator environment. Through this Decision, MCA established the framework required to minimise any postal operator and consumer confusion that can emerge with the complexities of increased competition and the full market opening of the postal sector by the end of December 2012.

5.1.3 It is also important to point out that MCA's efforts in the context of developing an appropriate regulatory framework for an inter-operator environment also included the earlier identification of amendments to the postal legislation with respect to the need for all postal operators to identify mail intended for another operator and to re-route accordingly.

5.1.4 Moreover, in July 2010, the Authority published a non-binding Consultation Paper with proposals on specific aspects of the universal postal service. MCA launched this Paper with the purpose of encouraging feedback from interested parties on the following four key areas:

- (a) The establishment of a clear definition on how to classify postal products and services within the scope of the universal service.

- (b) The introduction of the priority bulk mail product as a specific universal service product in the Universal Service Provider's licence.
- (c) The introduction of tariff regulations for services which do not form part of the USOs but fall within the scope of the universal service.
- (d) A definition of the express mail service for regulatory and authorisation purposes.

5.1.5 In August 2010, MCA also published a Consultation Paper with revised QoS targets to be achieved by Maltapost for a three year period starting in October 2010. In addition, this Paper put forward new proposals, namely:

- (a) new measures to address concerns related to lost and/or substantial delay of mail; and
- (b) the introduction of improvements to consolidate Maltapost's information and reporting requirements with respect to the reporting and handling of complaints.

References to these issues were made in Chapter 2 (Section 2.3) and Chapter 4 (Section 4.2) respectively. At the end of September 2010, MCA informed NAO that a Decision Notice on these targets and requirements was in the offing.

5.1.6 The following section focuses on MCA's only decision so far on the above issues, namely the decision on common operational issues in a multi-operator environment.

5.2 MCA's decisions related to the regulation of a multi-operator environment

Rationale

5.2.1 The Decision Notice on managing common issues in a multi-operator environment, published in December 2009, provided an important platform from

which commercial relations, as well as back-end and front-end operations among different licensed operators offering services within the scope of the universal service can be developed.

5.2.2 Prior to this Decision, MCA conducted a consultation process which included the publication of a Consultation Paper in August 2009 and the receipt of a single response from an interested party (Maltapost). The feedback from the USP was used by MCA when forming its final view on the issues covered in the Consultation Paper.

5.2.3 In this Decision Notice, MCA laid out in detail a set of minimum standards on the duties and obligations of licensed postal operators within the context of a multi-operator environment. These particularly focused on the following two aspects:

- (a) How operators are expected to work together.
- (b) The systems and procedures required to deal with any ‘overlaps’ that might occur between different operators.

5.2.4 MCA explained in its published documents that, although there were no existing problems between the licensed postal operators operating at that time within the scope of the universal postal service, it was, nonetheless, important that a framework would be established in order to regulate the relationships among these and future operators.

5.2.5 MCA’s rationale regarding this aspect of postal regulation was that by establishing the arrangements to be made by Maltapost and other licensed operators, safeguards would thus be in place to ensure an efficient and timely handling and delivery of postal articles from different operators. Moreover, users’ confidence in the postal system would be sustained in this more complex environment.

MCA’s decisions and minimum standards

5.2.6 The established minimum standards laid out in the Appendix of the Decision Notice included the following key regulatory decisions and considerations:

- (a) *Decision on the Postal Identifier Mark:* The existing Postal Service Regulations already clearly define the characteristics of the postal identifier mark. Overall, this identifier mark is an essential component of the universal service as it ensures accountability during the entire chain of conveyance. In addition, the postal identifier mark allows stakeholders (namely, MCA, postal operators, as well as senders and recipients) to trace which operator was tasked with

handling specific postal articles.

This Decision Notice confirmed the cardinal principle that postal licensees are to have a postal identifier mark that is clearly and legibly marked on each handled postal article. This mark must also be easily identifiable and should clearly show that it belongs to the relevant licensee.

In addition, through this decision, licensees are required to register their own postal identifier marks with the Authority.

- (b) *Decisions on access to postal infrastructure and services:* Access to elements of the postal infrastructure and services is considered as an important step towards creating a more competitive environment.

Regulation 67 of the Postal Regulations clearly stipulates that “...postal operators shall have a right and, when requested by other postal operators, an obligation to negotiate access with each other for the purpose of providing postal services.” The same regulation also specifies that the “...Authority may issue directives to the USP requiring it to meet reasonable requests for access to, and use of, specific elements of the public postal network in situations where the Authority considers that denial of access, or unreasonable terms and conditions having a similar effect would hinder the emergence of a sustainable competitive market or would not be in the interest of the end-user.”

MCA, in both the Consultation Paper and the Decision Notice, highlighted the importance that the postal infrastructure and the services of any postal operator should not represent obstacles for new postal operators entering the market. In this regard, MCA published the following three decisions:

- (i) *Decision on sharing of postcode information:* MCA decided that Maltapost, as the USP and the originator of the nation-wide postcode system, is to keep an updated list of postcodes and is to offer to share the use of postcode information, keeping applicable tariffs and conditions reasonable and justifiable.

MCA explained in its Decision that postcodes are essential in order to ensure minimum quality of service and that postal articles can be delivered to the person or organisation for which they are intended.

- (ii) *Decision on sharing of redirection information:* Another decision of MCA was that Maltapost

must, upon reasonable request, make available, in a timely manner, to other licensees the redirected address of any recipient who has requested the mail redirection service. The recipients must also be informed accordingly by Maltapost.

The Authority also stipulated that such information is to be provided free of charge by Maltapost to the licensees.

On the other hand, licensees are required, through this Decision Notice, to make use of the redirection information provided by Maltapost only for the purpose of a redirection of service. Moreover, MCA stipulated that requests for the redirection service can also only be made to Maltapost. Licensees must also clearly inform their customers as to whether they offer a redirection service based on the redirection information provided by Maltapost.

(iii) *Access to post office delivery boxes:* MCA decided that every licensee that operates private delivery boxes (more commonly referred to as post office – PO – boxes) must allow other licensees access to their post office boxes and that the conditions and tariffs for such access must be reasonable, transparent, non-discriminatory and justifiable.

(c) *Decisions on operational issues:* These covered the following three issues:

(i) *Decision on arrangements to be made for misdirected postal articles:* This decision referred to the following cases of misdirected postal articles being received by a licensee:

- *Incidents of reposted postal articles*, that is items that have been delivered by a postal operator but then ‘reposted’ into the incorrect network by the recipient of the item.
- *Incidents of misposted postal articles* when the items enter the wrong postal network due to a sender error.

MCA decided that in the case of misdirected articles entering a network, the recipient licensee is to inform the licensee to whom the misdirected postal articles were intended before noon on the day following identification of the reposted or misposted postal articles. Arrangements were also specified by the

Authority on when the misdirected mail is to be made available by the recipient licensee and when it is to be collected by the appropriate licensee.

(ii) *Decision on arrangements for miscollected postal articles:* This decision mostly relates to incidents concerning the collection of bags such as bulk mail, or other containers, rather than individual postal items.

The Authority’s decision was that in the event that a licensee erroneously miscollects postal articles intended for another licensee, the former must promptly return all miscollected articles to the latter by the next working day or, at the latest, by the next working day after the mistake is discovered. MCA also stipulated that the cost of doing so is to be borne by the licensee that miscollected the articles.

Furthermore, MCA stipulated that, upon receipt of the miscollected postal articles, the intended licensee must ensure that these items are delivered in a timely manner.

With respect to the measurement of the quality of service of bulk mail (EN 14534:2003) – refer to Section 2.3 in Chapter 2 - in the event that a postal operator miscollects postal items, MCA clarified that the transit time would start to be monitored when the postal items are in the hands of the intended operator.

(iii) *Decision on procedures to be used for misdirected customer service enquiries:* MCA decided that when a licensee receives a complaint or an enquiry that should have been directed to another licensee, the receiving licensee shall treat that complaint or enquiry with the same level of importance and caution that it would have done had this communication been intended to it. In addition, the Authority stipulated in the Decision Notice that the licensee shall, in this case, also explain to the complainant that the latter is to contact the intended licensee and henceforth provide all the relevant details of that licensee.

(d) *Decision on the reference offer to be made by Maltapost, as the designated USP, to other licensees.* MCA also took into consideration in its Decision Notice the procedures to be adopted by Maltapost when making a standard offer to other operators on reciprocal arrangements. Whilst not being too prescriptive, the Authority, through this decision, wanted to ensure that there is the

appropriate framework for the negotiation of such arrangements.

The Authority also stipulated in its Decision that such commercial arrangements between Maltapost and other licensed operators, referred to as the ‘reference offer’, must:

- specify the applicable prices, terms and conditions on which Maltapost will offer to share postal code information;
- stipulate the applicable terms and conditions on which Maltapost will share redirection information; and
- establish reciprocal arrangements with other licensees.

Moreover, Maltapost is required to submit to MCA the proposed reference offer for review by the Authority and, following consultations with interested parties, also for its final approval.

MCA also stipulated that Maltapost must then publish its reference offer in the manner as required by the Authority and that the USP must obtain MCA’s prior approval for any modification to the established arrangements. Moreover, MCA may, from time to time, by notice to Maltapost specify additional requirements that must be adopted in the reference offer.

- (e) *Decision on enforcement:* In the Decision Notice, MCA also clarified that a breach of the minimum standards would constitute a breach to the conditions of the licence. In such an event, the Authority would take such enforcement measures as it considers appropriate in line with the applicable legislation. This may also include the imposition of administrative fines.
- (f) *Decision on complaint handling and dispute resolution:* Apart from the above conditions regulating relations among licensed operators, MCA also laid out in the Decision Notice the necessary mechanisms within the established framework for the handling of complaints as well as

for the resolution of any eventual disputes between operators.

These include, where appropriate:

- The launch of an investigation against a Licensee whenever MCA deems that this is necessary (e.g. following the receipt of a complaint).
- The participation of the Authority in the resolution of a dispute in relation to the requirements of the minimum standards if one of the involved parties opts for this arrangement after failure to reach an agreement with the other operator/s.

- (g) *Decisions on required information and reporting:* Another important decision taken by the Authority in this Decision Notice was that every licensee was to annually provide MCA with details of the total number of misdirected postal articles, broken down to show, if relevant, each intended operator. Licensees, since January 2010, have also been required to forward MCA with their updated customer service contact details and other information that the Authority may require in relation to these minimum standards.

5.3 Conclusion

5.3.1 As clearly indicated by MCA in its latest annual report, the forthcoming complete liberalisation of the postal sector means that the Authority must rethink its existent regulatory approach in order to be able to regulate the sector in a fully liberalised environment.

5.3.2 NAO concluded that the Authority is progressively building the foundations of a new comprehensive regulatory framework which deals with a multi-player environment and the competitive reality that this brings with it, as well as with the continued provision of the universal service at specified quality of service levels in the interest of users. NAO opines that such initiatives and efforts by the Authority are timely and commendable as they create the right regulatory conditions for the new market environment.





Appendices

Appendix A - Methodology

A.1 A range of information sources and analytical techniques were used to carry out this performance audit.

A.2 Prior to the launch of a full-scale study in April 2010, preliminary research was carried out by NAO in order to compile the required background information and obtain a better understanding of:

- (a) the applicable legislation and standards governing this sector;
- (b) Government's priorities and plans for the postal market;
- (c) the measures being taken by MCA to actively regulate the sector; and
- (d) other critical issues of a social, economic and technical nature.

A.3 During the issue identification stage of the study, information collected by NAO during 2007 as part of an earlier fact-finding exercise was taken into consideration.

A.4 In addition, literature on the topic available in the public domain was extensively reviewed. The reference material of the INTOSAI Working Group on Privatisation, Economic Regulation and Public-Private Partnerships was also consulted and contact was established with the Chair of the Working Group to obtain supplementary information. The bibliography used to inform this study is listed in Appendix J.

A.5 When developing the audit criteria and key questions, NAO also referred to EU and national legislative framework and related policy documents as well as MCA's Decision Notices.

A.6 Semi-structured interviews were used to collect the required information from MCA. These were followed up by requests for supplementary documentary evidence and data to corroborate the collected feedback. These interviews focused primarily on MCA's work in relation to the following Decision Notices:

- (a) Maltapost plc - Quality of Service Requirements (8 June 2005).
- (b) Postal Sector – Minimum Standards for Protecting the Integrity of Mail (8 June 2006).
- (c) Quality of Service (QoS) Targets to be achieved by Maltapost Plc (6 December 2007).
- (d) Maltapost Plc's Universal Service Obligations - Accessibility, Daily Delivery, Provision of Information (10 September 2008).
- (e) Postal Sector – Managing Common Operational Issues in a Multi-Operator Environment (1 December 2009).

Appendix B - MCA's Procedure for Effecting Changes to Days and Times of Postal Access Points

Key provisions in MCA's Directive 1 of June 2006

The following provisions come into force in June 2006.

The purpose of the Directive was to establish the procedure that the USP must follow in effecting changes in relation to the days and/or times of opening of any post office (including any branch or any sub post office run or operating for or on behalf of the USP) as well as changes to the days of delivery and/or collection of postal articles. It is also pointed out in this Directive that the USP is obliged to provide a regular service without interruption and therefore the scope of this directive is in respect of any changes that are deemed as being of an exceptional nature.

The following are the established steps that the USP and MCA must follow:

- When there is the need to change the days and/or times of a service covered by this Directive, the USP must submit a request in writing to MCA. The USP must also ensure that this request is received by the Authority at least twenty days before the day when the USP proposes to implement the requested change in the provision of the service.
- In submitting any such request, the USP must provide MCA with sufficient reason to justify the need to resort to any such change as well as the necessary contingency plans in order to minimise,

as far as is reasonably possible in the circumstances, any inconvenience to the public.

- MCA, on receipt of the request by the USP (in accordance with this Directive), is bound to communicate its Decision to the USP within five working days of such receipt and to publicise the Decision on the MCA website.
- The USP should not undertake any changes to a service without the prior express approval of the Authority.
- Moreover, the USP should not change the dates and/or times of a service as approved by MCA without first giving adequate notice to the public of any such change.
- This notice must be provided between three to five working days before the date when the USP intends to effect such change in the service. The USP should take all reasonable measures as are necessary to ensure that the public is adequately informed of such changes. Such change must be communicated to the public by the USP in the various media, including Maltapost's own communications channels. The USP should also affix in a prominent place at all post office sites, adequate information advising the public about such changes and, where applicable, on alternative arrangements being made to minimize the inconvenience to the public.

Appendix C - MCA's Decisions on Access to the Universal Postal Service

Extracts from MCA's Decision Notice of 10 September 2008

Decision 1 – Access to public letterboxes

- i. There should be a letterbox as near to each town or village centre as practical from which collection is made six (6) days a week (i.e. Monday to Saturday, excluding public holidays) to secure next day delivery nationwide.*
- ii. In addition to the availability of letterboxes as described in (i) above, in localities where the population density is higher than the national average not less than 98% of users or potential users of postal services should be within 400 metres of a letterbox.*
- iii. In addition to the availability of letterboxes as described in (i) above, in localities where the population density is lower than the national average not less than 98% of users or potential users should be within 800 metres of a letterbox.*
- iv. The permanent closure or re-siting of existing letterboxes must follow the process depicted in Decision 3 below.*

The above parameters do not preclude Maltapost from the requirement to:

- i. provide additional public letterboxes, as may be required, to meet consumer needs (such as in the main commercial and tourist areas or where circumstances clearly justify such a requirement); and to*
- ii. consult with the local council(s) concerned on the most appropriate distribution of public letterboxes in a particular locality.*

Through this Decision Notice, MCA expected that Maltapost's public network of letterboxes to be in line with the minimum accessibility parameters included in this Decision by not later than 1st January 2010.

Decision 2 – Access to retail counters

- i. Maltapost should guarantee, as a minimum, not less than fifty-nine (59) postal outlets providing access to an efficient and effective basic counter service (including, amongst others, appropriate queuing waiting times for access to such services)* throughout Malta and Gozo in line with the current distribution of postal outlets. ***

* MCA noted that Maltapost planned to provide additional services which do not form part of the universal postal services (i.e. basic counter services). The MCA stated that it would monitor the provision of Maltapost's access to the basic counter services, including amongst others, queuing waiting times, as necessary.

** In line with the twenty-eight (28) demographic areas as defined by Maltapost for operational purposes.

- ii. Maltapost should strive to provide a basic counter service in every locality throughout Malta and Gozo and as close to the town or village centre as practical.*
- iii. The permanent closure or re-siting of existing postal outlets must follow the process depicted in Decision 3 below.*

MCA also stated in the Decision Notice that given that Maltapost was already abiding by the above-mentioned minimum parameters this decision formalised with immediate effect the existing arrangements.

Decision 3 – Permanent closure or re-siting of existing access points

Prior to the permanent closure or re-siting of a particular access point Maltapost must, at least four (4) weeks in advance, inform the MCA of its intention to permanently close or re-site any existing access point together with:

- the reasons why a particular access point is to be closed or re-sited;
- evidence that the access parameters established for that particular access point are satisfied;
- evidence that it has consulted adequately with the local council(s) concerned on the matter with respect to, amongst others, the most appropriate distribution of the access point(s) - particularly in those localities where the population density is lower than the national average and/or when a particular locality faces specific circumstances that need to be considered;
- justification that customers will still have access to meet their needs (such as users in the main residential, commercial and tourist areas); and
- evidence that it has consulted with the Malta Environment and Planning Authority (MEPA) with respect to environmental or planning issues- Maltapost should also consult with MEPA regarding those letterboxes situated within sensitive areas such as Urban Conservation Areas and it must be ensured that permits are in place, as necessary, prior to permanently closing or re-siting a particular access point.

Should a particular local council disagree with the closure or re-siting of a particular access point, Maltapost may refer the matter to the MCA. The MCA will then examine the facts and any representations placed, together with any other information as may be required, and determine whether the removal or re-siting of a postal access point is justified, stating its reasons. This is without prejudice to the need for Maltapost to comply with any reasonable conditions prescribed by any authority having jurisdiction over the road, street or public place as the case may be. It is noted that the access point in question must remain open and Maltapost must continue to provide the same level of service until the MCA has determined whether the removal or re-siting of a postal access point is justified.

The four (4) week period stated above would not apply in the event that a postal outlet that is operated by a third party under contract with Maltapost needs to be

permanently closed due to reasons beyond the control of Maltapost. Maltapost would however need to immediately inform the MCA, provide evidence of such an occurrence and do its utmost to make available, in the shortest time possible, another postal outlet providing access to such services including, amongst others, the interim provision of a mobile post office where the minimum access parameters are not satisfied.

Maltapost must provide adequate notice to the general public of any closure or resiting of a particular access point and appropriately communicate such a change to the public. In addition, Maltapost must also affix adequate information prior to the closure or re-siting of a particular access point advising the public about such changes and any alternative arrangements.

The MCA may request Maltapost to establish any new access point in consultation with Maltapost, users of the service and other stakeholders, as necessary, if consumers do not have appropriate postal access services to meet their needs (refer to Maltapost's licence obligations – Legal Notice 500 of 2004 Regulation 17.4). In addition, as stated in Maltapost's licence, access points must be readily accessible to disabled customers.

The above procedure for the permanent closure or re-siting of existing access points included in this decision was deemed effective immediately.

Decision 4 - Facilities to Buy Postage Stamps

The term 'vicinity', as mentioned in the Regulations (Regulation 9 of the Postal Services (General) Regulations), should be defined as being within a 100 metres radius of the nearest retail outlet to the letterbox. This need not be a postal outlet (i.e. post office/sub post office) and may be automated. (A facility where postage stamps are sold does not necessarily entail a physical retail outlet but could also be an automatic stamp vending machine).

MCA indicated in the Decision Notice that Maltapost should ensure that its current network of stamp vendors satisfies, where feasible, the parameters included in this decision by not later than 1st January 2010.

Decision 5 - Frequency and Timing of Collections

The MCA may request information from Maltapost regarding any variations from the official collection time and the reason for these variations should issues with the QoS of mail and/or any complaints from the users of the service occur.

This Decision was deemed to be effective immediately.

Appendix D - MCA's Decision on the Guarantee of Daily Delivery

In MCA's Consultation Paper of 4 April 2008 and the Decision Notice of 10 September 2008, MCA noted that:

- Maltapost delivered to each addressee and performed at least one collection from each current access point on each working day. This was in line with Article 17(4) of the Postal Services Act and the obligations under its licence (Regulation 17.1). Special delivery arrangements were also in place for bulky packets, parcels and registered items.
- Maltapost's arrangements to guarantee daily delivery were reported as follows:
 - Standard single piece letters are posted in consumers' letterboxes, whereas parcels and registered items must be delivered personally, either because they are too large to fit through the aperture of the consumer's letterbox or because the person sending the item requires proof of delivery such as in the case of registered and insured articles.
 - The recommended dimensions of a consumer's letterbox or letter plate and the location of such letterbox or letter plate for the respective premises and apartments are listed in Maltapost's Postal Service Postal and Delivery Requirements Schemes.
 - All postal items, except bulky packets and parcels, are delivered daily throughout Malta and Gozo between 09:00hrs and 14:00hrs. Bulky packets and parcels are delivered daily between 07:00hrs and 19:00hrs (delivery may continue for longer periods depending on the daily volume of work).
- For parcels and registered items, it is not always the case that there would be someone at home to accept the postal article when the post-person calls. In these cases a notice is left stating that an attempt was made at delivery, and stating how the addressee could obtain the postal item. In the case of registered mail, additional delivery attempts are made to the addressee.
- The addressee is given the option of collecting the item from the closest postal outlet within a specified period and during specified hours, or to arrange for another delivery subject to the payment of a reasonable fee and at a time agreed to with the addressee.
- A request can also be made via Maltapost's website for a registered item or bulky packet to be collected from a specified Maltapost retail counter. A customer care officer then contacts the customer and advises him/her on the date and time he/she may collect the item from the chosen retail outlet.
- MCA's Decision was that existing arrangements with respect to the guarantee of daily delivery were adequate and no further changes were warranted in this area.

Appendix E - QoS Targets and Monitoring of Inland Mail and Cross-Border Mail

Extract from MCA's Decision Notice and Response to Consultation Paper of 6 December 2007 (covering the period October 2007 and September 2010)

Decision 1 – QoS Measurement and Monitoring of Inland Mail

(a) Ordinary Mail and Bulk Mail

Maltapost's obligation with respect to the measurement and monitoring of inland ordinary mail by an independent organisation in conformity with the CEN standard EN13850 is to be extended to include the separate measurement and monitoring of bulk mail in line with the CEN standard EN 14534. (Refer to the MCA's Decision Notice entitled "Maltapost Plc – Quality of Service Requirements" dated 8th June 2005).

For both quality measurement standards Maltapost is to take into account the proposed extensions to the respective standards to cover countries with relatively small mail flows.

Maltapost is therefore required to enter into a contract for the ongoing performance measurement and monitoring of inland bulk mail in conformity with the above-mentioned standard with a competent, experienced and reputable independent organisation in sufficient time to enable the measurement of bulk mail to commence by the 1st of April 2008.

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

(b) Registered Mail and Parcel Post

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

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

Decision 2 – QoS Measurement and Monitoring of Cross Border Mail

Ordinary Mail, Registered Mail and Parcel Post

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

- *Intra-Community cross-border ordinary mail;*
- *Ordinary mail of non-EU destinations where mail flows are significant, for example, Australia, Canada and USA;*
- *Outbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) from time of posting until dispatch to destination (i.e. loading on airline in Malta); and of*
- *Inbound cross-border mail (i.e. ordinary mail, registered mail and parcel post) arriving at*

Maltapost's office of exchange until delivery to the addressee. An 'office of exchange' is the place where Maltapost accepts cross-border mail from a postal operator of another country.

Decision 3 – QoS Targets Inland Mail

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

Table E.1 Inland mail QoS targets

Financial Year (FY)	D+1	D+2	D+3*
Ordinary Mail**			
FY 2007/08	92%	97%	99%
FY 2008/09	93%	97%	99%
FY 2009/10	93%	98%	99%
Bulk Mail***			
FY 2007/08	92%	97%	99%
FY 2008/09	93%	97%	99%
FY 2009/10	93%	98%	99%
Registered Mail and Parcel Post****			
FY 2007/08	97%	98%	99%
FY 2008/09	97%	98%	99%
FY 2009/10	97%	99%	99%
* 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).			
** Includes letters, postcards, printed papers, locally registered newspapers and articles for the blind.			
*** 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.			
**** As registered mail and parcel post require a signature on delivery as 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.			

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

Decision 4 – QoS Targets Cross-Border Mail

(a) Cross-Border Mail

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

(b) Outbound Cross-Border Mail

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

Table E.2 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	93%	FY 2009/10
All other countries:	D+3	99%	FY2007/08
	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	93%	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	93%	FY 2009/10
All other countries:	D+3	95%	FY2007/08
	D+3	95%	FY 2008/09
	D+3	95%	FY 2009/10

(c) Inbound Cross-Border Mail

All inbound cross-border mail arriving at Maltapost's office of exchange before 19:00 hrs between Monday to Friday and 16:30 hrs on Saturdays is to be processed on the same day, and delivered within the performance targets of the inland mail products identified in Decision 3.

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

Appendix F - Maltapost's Achievement of QoS Targets

Data taken from MCA's Consultation Paper of 18 August 2010

Table F.1: QoS Targets set and actual performance achieved for inland mail

Inland Mail						
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%	94.86%	97%	99.18%	99%	99.85%
FY 2007/08	92%	93.29%	97%	99.03%	99%	99.72%
FY 2008/09	93%	95.13%	97%	99.17%	99%	99.93%
FY 2009/10	93%	-	98%	-	99%	-
Bulk Mail *						
FY 2007/08	92%	91.82%	97%	99.50%	99%	100%
FY 2008/09	93%	95.25%	97%	99.08%	99%	99.83%
FY 2009/10	93%	-	98%	-	99%	-
Registered Mail **						
FY 2004/05	95%	-	96%	-	99%	-
FY 2005/06	96%	-	97%	-	99%	-
FY 2006/07	97%	96.06% ***	98%	97.88%	99%	98.37%
FY 2007/08	97%	98.28%	98%	99.47%	99%	99.67%
FY 2008/09	97%	98.22%	98%	99.65%	99%	99.76%
FY 2009/10	97%	-	99%	-	99%	-
Parcel Post ****						
FY 2004/05	95%	-	96%	-	99%	-
FY 2005/06	96%	-	97%	-	99%	-
FY 2006/07	97%	-	98%	-	99%	-
FY 2007/08	97%	99.60%	98%	99.81%	99%	99.87%
FY 2008/09	97%	99.45%	98%	99.87%	99%	99.94%
FY 2009/10	97%	-	99%	-	99%	-

- * Maltapost started recording the quality of service measurement of the priority bulk mail product in April 2008.
- ** Maltapost started recording the quality of service measurement of registered mail via a “track and trace” system as from July 2006.
- *** Maltapost failed to achieve the target for registered mail during FY2006/2007 due to industrial action related to this service during the months of May and June 2007.
- **** Maltapost started recording the quality of service measurement of parcel post via a “track and trace” system in July 2007.

Table F.2: QoS targets set and actual performance achieved for outbound cross-border mail*

Outbound Cross-Border Mail from dispatch to destination (i.e. loading on airline in Malta)			
		Target	Results
Financial Year 2005/06			
Ordinary Mail	D+1	90%	92.80%
Registered Mail	D+1	90%	-
Parcel Post	D+1	90%	-
Financial Year 2006/07			
Ordinary Mail	D+1	92%	92.2%
Registered Mail	D+1	92%	-
Parcel Post	D+1	92%	-
Financial Year 2007/08			
Ordinary Mail	D+1	92%	96.7%
Registered Mail	D+1	92%	-
Parcel Post	D+1	92%	-
Financial Year 2008/09			
Ordinary Mail	D+1	93%	97.6%
Registered Mail	D+1	93%	-
Parcel Post	D+1	93%	-
Financial Year 2009/10			
Ordinary Mail	D+1	93%	-
Registered Mail	D+1	93%	-
Parcel Post	D+1	93%	-

- * As regards outbound cross border mail items the following countries are currently being tested: Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Estonia, Spain, France, United Kingdom, Hungary, Ireland, Italy, Lithuania, Latvia, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovak Republic. MCA has reported that, due to a revision in the standard for the QoS measurement of cross border, mail testing of small mail volume flows with less than 10,000 mail items per annum per flow can be discontinued. Each country is responsible for their outbound mail flows only and a country’s inbound flows are determined by the sending countries. During the year end 2011 the following countries i.e. Latvia, Lithuania, Bulgaria, Ukraine, Estonia, Romania, and Iceland will be withdrawn from the sample measured. However, the sample will now include Luxembourg, Denmark, Greece and Finland.

Table F.3: QoS targets set and actual performance achieved for inbound cross-border

Inbound Cross-Border Mail (arriving at Maltapost's office of exchange)			
		Target	Results
Financial Year 2005/06			
Ordinary Mail	D+1	90%	-
Registered Mail	D+1	96%	-
Parcel Post	D+1	96%	-
Financial Year 2006/07			
Ordinary Mail	D+1	92%	95.5%
Registered Mail	D+1	97%	-
Parcel Post	D+1	97%	-
Financial Year 2007/08			
Ordinary Mail	D+1	92%	93.2%
Registered Mail	D+1	97%	-
Parcel Post	D+1	97%	-
Financial Year 2008/09*			
Ordinary Mail	D+1	93%	95.2%
Registered Mail	D+1	97%	-
Parcel Post	D+1	97%	-
Financial Year 2009/10			
Ordinary Mail	D+1	93%	-
Registered Mail	D+1	97%	-
Parcel Post	D+1	97%	-

* The following sample was used to measure the quality of service of incoming cross border mail items for the financial year 2008-2009: EU: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, the Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovak Republic. Non-EU: Switzerland, Iceland, Norway.

Appendix G - Minimum Standards for Protecting the Integrity of Mail

Extract from MCA's Decision Notice of 6 June 2006

1. Introduction

1.1 The purpose of establishing minimum standards is for postal operators to be in a position to achieve their mail integrity objectives depicted in Section 1.2 below.

1.2 The mail integrity objectives are to minimise the exposure of postal articles conveyed by postal operators to the risk of loss, theft, damage and/or interference and to minimise the risk of offences under Part XI of the Postal Services Act (Cap 254).

1.3 These minimum standards set out the requirements to be followed in order to satisfy the mail integrity objectives mentioned in Section 1.2 above.

1.4 The minimum standards apply to all postal operators and postal articles conveyed, received, collected, sorted, delivered or otherwise handled by postal operators.

1.5 Postal operators should allocate responsibility to specific personnel within their organisations for the implementation of and compliance with these minimum standards.

1.6 In meeting their obligations with respect to the integrity of mail postal operators should have due regard to the size and nature of their organisation and operations.

1.7 Where the minimum standards require the establishment of a policy and procedures, the said policy and procedures must be clearly documented, kept under document control, and available to those specific members of staff within the postal operator's organisation who are responsible for the implementation of and compliance with the said policy and procedures.

1.8 Reference to employee(s) means permanent, temporary, casual or part-time employees or workers (including those under a contract for service), who are (or may be) involved in conveying, receiving, collecting, sorting, delivering or otherwise handling postal articles or who are reasonably likely to have access to postal articles in the course of their work.

2 Recruitment

2.1 If a postal operator employs or uses the services of (or intends to employ or use) employees, the postal operator must:

- i. establish, maintain and adhere to a recruitment policy in relation to the employment or utilisation of employees designed to facilitate the achievement of the mail integrity objectives;
- ii. allocate responsibility to specific personnel within its organisation for the implementation, compliance and monitoring of that recruitment policy; and
- iii. ensure that a prospective employee shall not enter upon the duties of an officer of a postal operator unless he / she has first made an oath, the declaration contained in the First Schedule of the Postal Services Act.

2.2 The recruitment policy and procedures should include:

- i. a description of the various different jobs, roles and responsibilities in respect of which the recruitment policy should apply;
- ii. the information about a prospective employee that the postal operator requires;

- iii. the steps which the postal operator needs to take to satisfy itself of the identity of the prospective employee;
- iv. the steps which the postal operator needs to take in order to confirm a prospective employee's work history;
- v. a requirement for prospective employees to declare any criminal convictions or any cautions or conditional discharges for offences relating to postal articles or dishonest conduct generally and guidelines on how any such convictions, cautions or conditional discharges declared by prospective employees will be taken into consideration in deciding whether or not to employ the prospective employee; and
- vi. the ongoing monitoring of employees.

2.3 Postal operators must regularly monitor implementation of and compliance with the recruitment policy.

2.4 Postal operators must regularly review the recruitment policy and, where necessary, update or amend the policy to ensure that it continues to meet the mail integrity objectives.

3 Training

3.1 If a postal operator employs or contracts the services of employees, the postal operator must:

- i. establish, maintain and adhere to a training policy that provides for employees to receive initial and ongoing training (tailored to their job specific needs) so as to facilitate achievement of the mail integrity objectives;
- ii. allocate responsibility to specific personnel within its organisation for the implementation of and compliance with that policy; and
- iii. ensure that all employees are informed of the provisions of Part XI of the Postal Services Act and be made aware of the seriousness of the offences detailed in those sections.

3.2 The training policy and procedures should include:

- i. the levels of training required to meet the mail integrity objectives, including the minimum level of training;

- ii. the levels of training required taking into account the responsibilities of and work undertaken by employees in relation to postal articles;
- iii. an explanation of how the training will be provided;
- iv. the frequency with which training should be provided; and
- v. details of how training is delivered, recorded and monitored.

3.3 Postal operators must monitor on a regular basis the implementation of and compliance with the training policy.

3.4 Postal operators must review on a regular basis the training policy and, where necessary, update or amend the policy to ensure that it continues to meet the mail integrity objectives.

4 Disciplinary Procedures

4.1 If a postal operator employs or contracts the services of employees, the postal operator must:

- i. make employees aware of the standards of conduct expected of them, with these standards facilitating the achievement of the mail integrity objectives; and
- ii. establish, maintain and adhere to a disciplinary policy (code of behaviour) in relation to the action to be taken if an employee fails to adhere to the standard of conduct expected of him or her and should act in accordance with this.

4.2 The standards of conduct and disciplinary policy should be such as to facilitate achievement of the mail integrity objectives.

4.3 Postal operators must allocate responsibility to specific personnel within their organisations for:

- i. making employees aware of the standards of conduct expected of them; and
- ii. the implementation of and compliance with the disciplinary policy.

4.4 The disciplinary policy and procedures should include:

- i. an explanation of what constitutes a failure to meet the required standards of conduct and

what action will be taken in the event of such a failure;

- ii. an explanation of how the postal operator ensures that all employees understand when a failure to meet the standards of conduct might also constitute a criminal offence and how this will be dealt with;*
- iii. a provision for appropriate records to be maintained detailing any action taken against employees for failure to meet the standards of conduct; and*
- iv. a process to identify consistent failure to meet the relevant standards of conduct and the taking of appropriate remedial action.*

4.5 *Postal operators must monitor on a regular basis the implementation of and compliance with the standards of conduct and disciplinary policy.*

4.6 *Postal operators must review on a regular basis the standards of conduct and disciplinary policy and, where necessary, update or amend the standards of conduct or disciplinary policy, as the case may be, to ensure that they continue to meet the mail integrity objectives.*

5. Security of Mail

5.1 *Postal operators must establish, maintain and adhere to such other policies and procedures as may reasonably be necessary to facilitate the achievement of the mail integrity objectives in relation to the security of relevant premises, the use of vehicles and equipment for the collection, conveyance or delivery of postal articles and risks related to accidents, natural disasters and from risks related to the transmission of dangerous and prohibited goods.*

5.2 *Postal operators must allocate responsibility to specific personnel within their organisation for the implementation of and compliance with the policies and procedures specified in Section 5.1 above.*

5.3 *Postal operators must regularly review the policies and procedures and, where necessary, update or amend those policies and procedures to ensure that they continue to meet the mail integrity objectives.*

5.4 *The policies and procedures should include:*

- i. a process for undertaking regular risk assessments;*

- ii. the maintenance of records detailing, as far as reasonably practicable, which employees in each case were responsible for the conveyance, receipt, collection, sorting, delivery or handling of specific postal articles;*

- iii. measures taken to prevent or detect loss or theft of, damage or interference to mail by third parties or unauthorised third party access to the mail;*

- iv. measures taken to prevent the exposure of mail to security hazards due to natural disasters and terrorism attacks;*

- v. measures taken to prevent, and respond to threats related to weapons of mass destruction, mail bombs and bomb threats;*

- vi. measures taken to identify the transmission of postal articles which are prohibited;*

- vii. measures taken to prevent damage and/or injuries to people due to dangerous and prohibited goods in the mail;*

- viii. measures to be taken, including monitoring, to prevent or detect loss or theft of, damage to, or interference with, postal articles from or a premises, vehicles or equipment; and*

- ix. provisions for monitoring places where mail is handled or conveyed.*

6. Agents and Sub-Contractors

6.1 *Each postal operator shall take all reasonable steps to ensure that all of its agents or sub-contractors who are involved in the conveyance, receipt, collection, sorting, delivery or handling of postal articles, comply with these standards as though these standards applied to the agent or sub-contractor.*

6.2 *Each postal operator shall take all reasonable steps to ensure that all of its agents or sub-contractors who are responsible for providing it with employees shall comply with these standards as though these standards applied to the agent or sub-contractor.*

6.3 *Where the agent or sub-contractor is a postal operator, it shall be sufficient for the postal operator which appoints the agent or engages the sub-contractor; as the case may be, to rely on the direct application of mail integrity procedures to that postal operator in fulfilment of its obligations.*

7. Information and Reporting Requirements

7.1 All incidents of loss or theft of, damage to, or interference with postal articles must be recorded in reasonable detail.

7.2 Information to be recorded includes:

- i. the date, time and place of the incident;
- ii. the number of (or where the precise number is not known, a reasonable estimate of the number of) postal articles;
- iii. the subject of the incident;
- iv. as far as is reasonably practicable the employees involved in the conveyance, receipt, collection, sorting, delivery or handling, as the case may be, of the postal articles in question;
- v. the circumstances pertaining to the incident; and
- vi. any other particulars relating to the incident which the postal operators may require.

7.3 If a postal operator decides to instigate a prosecution in relation to any incident, it shall notify the MCA immediately and provide such information in relation to the relevant incident and prosecution that the MCA may require.

7.4 Postal operators must review on a regular basis the information recorded as specified above with a view to identifying any trends, patterns or other notable features.

7.5 Postal operators must submit to the MCA reports regarding incidents relating to mail integrity by not later than twenty (20) working days from the end of each quarter to which those reports relate, which include:

- i. the number of (or where precise numbers are not known, reasonable estimates of the numbers of) postal articles during the relevant quarter which were lost, stolen, damaged and/or interfered with; and
- ii. details of any trends, patterns, or other notable features (such as above average incident levels at certain locations) in relation to the incidence of loss or theft of, damage to, or interference with, postal articles.

7.6 Postal operators must also submit to the MCA on an annual basis and not later than twenty (20) working days from the end of each financial year, a statement of the measures that the postal operator took or intends to take to remedy any failures or patterns of failure to achieve the mail integrity objectives and to reduce the numbers of postal articles lost, stolen, damaged and/or interfered with.

7.7 Postal operators should inform customers when mail is stolen, dumped or wilfully delayed so that customers can take action accordingly.

7.8 Postal operators must allocate responsibility to specific personnel within their organisation for meeting the recording, reporting and other requirements with respect to information and reporting requirements

Appendix H -MCA's Decisions on the Provision of Information on the Universal Postal Service

Extracts from MCA's Decision Notice of 10 September 2008

Decision on the Provision of Information

The following locations and media should be used for the provision of information related to all elements of the universal postal service (such as information on prices, the location of all its access points, the times of opening and closing of each of its post offices / sub-post offices, the times of collection from access points and the times of delivery of postal items):

- at the point of posting;
- by way of notice at all post offices;
- in written form at all post offices for subsequent reference at home or business premises;
- in written form at selected post offices, or on request by post, for subsequent reference at home or business premises;
- over the Internet (Company's website etc.);
- through advertising media; and
- in the Company's annual report.

The information currently being provided on the plates of its letterboxes, that is the days when mail is collected and the last collection time, the Customer Care helpline, the Code Number of that particular street letterbox, and advice to the public that postal articles containing valuables must be sent by registered post, should remain.

The implementation of this Decision was to be completed by not later than 1 March 2009.

Decision on Postal Service Schemes

Postal Service Schemes which regulate the commercial relationship between the USP and the customer should be published in the following way:

- Be available in both Maltese and English.
- Be clear and easily understood and have clear and unambiguous provisions (complete, consistent, clear and concise).
- Include all the information needed by a customer to make an intelligent decision to purchase and use the service (or product) needed without any other assistance.
- Follow a format that makes sense and appeals to the broadest cross-section of readers.

A postal service scheme should also be available through the following media:

- in written form at all post offices for subsequent reference at home or business premises;
- in written form at selected post offices or on request by post, for subsequent reference at home or business premises;
- over the internet.

It should also be available in a summarised format on other advertising media such as, for example, the USP's quarterly newsletter.

Maltapost must submit to the MCA on an annual basis and not later than twenty (20) working days from the end of each financial year, a list of all current postal service schemes together with a link to the web address depicting the scheme and a summary of any significant changes and/or amendments carried out during the year.

The implementation of this Decision was to be completed by not later than 1 March 2009.

Decision on Provision of Information Regarding Access Points

Besides the facilities already provided on its website to search for information regarding its postal access points such as letterboxes and the USP post offices, Maltapost

should also make available to consumers similar facilities to allow users to search for the nearest stamp vendor and sub-post office. Maltapost should also provide a map on its website indicating the location of all postal access points (that is letterboxes and postal outlets).

The implementation of this Decision was to be completed by not later than 1 March 2009.

Decision on Provision of Information on Post Codes

MCA decided that the current provision of information was adequate and no further measures were needed. However, Maltapost should, in line with the Regulations and on an annual basis, provide MCA with an updated list of postcodes and that this shall be published in a manner that ensures reasonable publicity.

Appendix I -MCA's Decisions on Complaints Handling and Compensation

Extracts from MCA's Decision Notice of 8 June 2005

Decision on the Complaints Handling

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

Maltapost will retain the commitments in the booklet entitled 'Committed to Customer Care' and extend their scope to include complaints other than those that deal with loss, damage or delay.

Maltapost will submit, for approval by the MCA, a formal Code of Practice (an update to their current booklet entitled 'Committed to Customer Care') within three months from publication of this Decision Notice.

Maltapost will ensure that the Code of Practice adheres to the following guidelines

- Points of Contact

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

In an effort to minimise the cost to consumers of making a complaint, Maltapost should offer a freephone number and other alternatives for low cost access such as e-mail, mailing address or Internet web page form.

- Records of Complaints

Maltapost shall submit statistics of complaints on a quarterly basis for publication in the MCA's market reviews as well as publishing them annually in their Annual Report.

- Process of Lodging Complaints for Resolution

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

- Response times

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

- Categories of complaints

As different categories require different response times it would be useful to distinguish the nature of complaints received. The MCA will monitor the following categories of customer complaints which are non-exhaustive:

- *Delay.*
- *Loss or substantial delay.*
- *Damage.*
- *Change of address.*
- *Mail delivery or collection.*
- *Mis-delivery.*
- *Access to customer service information.*
- *Access to postal services.*
- *Behaviour and competence of postal personnel.*
- *Post office counter service waiting times.*
- *How complaints are treated.*
- *Other complaints (not included in above).*

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

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

Maltapost shall clearly specify a customer's right to seek other forms of redress or independent advice (this may involve seeking assistance from the Consumer and Competition Division or the MCA). This right to seek other forms of redress or independent advice should only be allowed when the mechanics of the postal service provider's established code of practice have been exhausted without resolution of the complaint.

- Publication of the Code of Practice

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

The media to be used by Maltapost to convey information about the universal postal service with respect to QoS standards and related targets, performance achievements and complaint measurement and redress procedures are several.

The following are the channels to be used by Maltapost for the provision of specific information requirements together with the information and reporting requirements to be provided to the MCA.

- Information should be made available at a number of locations and through a variety of media:

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

The following information regarding QoS standards and related targets shall be made available:

- The time of the last collection to secure next day delivery should be made available by way of notice prominently displayed in all offices owned or

controlled by Maltapost and used for the provision of the universal service.

- The same information should be made available over the Internet.
- The time of the last collection to secure next day delivery for both local and cross-border delivery should be prominently displayed at all posting points.
- A free phone number should also be provided to report any irregularities (e.g. apparent interference with the pillar box or questions about whether a collection has or has not been made).

With regard to QoS targets and the performance achievement of those targets, Maltapost will make the following information available:

- Comprehensive information in respect of targets for all aspects of the universal service should be made available by way of notice prominently displayed in all offices owned or controlled by Maltapost and used for the provision of the universal service. The same information should be made available over the Internet.
- A booklet setting out the targets should also be available for subsequent reference at home or business premises from larger post offices, or on request by post. Advertisements should be placed in appropriate national advertising media.
- Maltapost will provide the MCA with QoS reports on a quarterly basis and not later than twenty (20) working days after the end of each quarter. The reports should distinguish between the various categories of service provided by Maltapost and show the variances from any established targets. Reports should distinguish between local mail and cross-border/overseas mail (including outbound cross border mail for dispatch to destination i.e. loading on airline in Malta), and be categorised by ordinary mail, parcel post and registered mail. The reports should also contain the measurements for the quarter together with the cumulative measurement for the year to date.

With regard to complaint measurement and redress procedures, Maltapost will make the following information available:

- A Code of Practice for handling complaints and redress in line with guidelines mentioned above and taking into consideration MCA's decisions is to

be submitted to the MCA for approval within three months from publication of the Decision Notice.

- A booklet depicting the Code of Practice should be made available for subsequent reference at home or business premises from larger post offices, or on request by post. The same information should be made available over the Internet. Advertisements should be placed in appropriate national advertising media.
- Maltapost shall publish information on the number of complaints and the manner in which they had been dealt with in its Annual Report. The same information should be made available on a quarterly basis over the Internet.
- Reporting frequency will be by quarter, and the reporting with respect to each of the identified compliant categories should contain the following columns:
 - o Opening balance of unresolved complaints at start of period.
 - o Complaints received in quarter.
 - o Resolved in quarter; unresolved at end
 - o Total recompense paid out.
- Reports are to be made available to the MCA on a quarterly basis and forwarded to the MCA not later than twenty (20) working days following the end of each quarter.

Decision on the Compensation

A compensation scheme for local ordinary mail will be introduced as proposed by Maltapost, however it will be revised to include the additional requirements and changes identified above and will come into force as from the start of October 2005.

The collective compensation scheme for failure to achieve the annual QoS targets for local mail products and outbound cross-border mail products for dispatch to destination (ordinary mail, parcel post and registered mail) will come into force as from the start of October 2005.

Should Maltapost fail to reach established targets by the end of September 2006 and be required to make compensation, this will accrue within twenty (20) working days of the publication of the official QoS reports for the year in question.

The above-mentioned Code of Practice will include details on compensation for local ordinary mail and on the collective compensation scheme. Maltapost will ensure that the Code of Practice adheres to the guidelines.

Decision on Reporting Procedures and Requirements

Maltapost will make available the information on complaints measurement and redress for each complaint category as set out above.

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