



Source of Funding for the net cost incurred in providing universal service obligations during 2015

Decision

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1. BACKGROUND

In accordance with the provisions established in the *Electronic Communications Networks and Services (General) Regulations*¹ (hereafter the “Regulations”), in November 2016 the Malta Communications Authority (hereafter the “MCA” or the “Authority”) received from GO plc (hereafter “GO”) a detailed application for USO funding in relation to the net costs it claimed to have incurred in providing universal services during 2015.

During 2014, the MCA had proposed a revised decision of the Universal Services to analyse and identify which services should be considered as universal services, whether to update and/or waive any of the services being provided, and to identify which undertaking or undertakings should be designated as responsible to provide these universal services. Following a public consultation process, it was decided that certain elements of the universal services had to be updated and/or revoked, and entities willing to provide universal services were invited to express their interest to the Authority. Taking into account that no undertaking had shown its interest in providing one or more of the universal services and considering GO’s technical abilities, experience and knowledge in the subject, GO was designated to continue providing the identified universal services. As a result of this, GO submitted its application of USO funding claim taking into account in its calculations the revisions made in the MCA Decision which came into effect on 1st July 2015².

In September 2017, the MCA commissioned EY as an expert consultant to evaluate the reasoning behind the claim submitted by GO, and to audit and verify the various calculations that were used to enable the Authority determine if the claimed net costs found in the Universal Service Obligation (hereafter “USO”) funding application actually resulted in an unfair burden on GO.

Following an auditing exercise, in February 2019 the MCA published a proposed decision for consultation on GO’s claim entitled ‘*Review of GO plc’s application for funding of the net costs claimed to have been incurred to provide universal service obligations during 2015*’. A subsequent decision notice with the same title was published in April 2019. Both documents included an annex with an abridged version of a report on the findings of this exercise.

¹ Subsidiary legislation 399.28 of the Laws of Malta

² Decision entitled Universal Service Obligation on Electronic Communication Services

The final assessment of the calculated cost and audited results for each element of the USO were established as depicted in table 1 below totalling €122,644:

| USO COMPONENTS | AUDITED NET COST (€) |
|---------------------------|-----------------------------|
| Payphones | (39,733) |
| Social tariffs | (266,014) |
| Directory enquiry service | (10,033) |
| Intangible benefits | 193,136 |
| Total | (122,644) |

Table 1

2. RESPONSES TO PROPOSED DECISION

In June 2019, the MCA issued a proposed decision on the Source of funding to compensate the designated undertaking for the net cost incurred during 2015 for the provision of the universal services. The Proposed Decision was entitled “*Source of Funding for the net cost incurred to provide universal service obligations during 2015 – Proposed Decision*”. The MCA invited interested parties to submit their written feedback on the proposed decision during a consultation period which ran until 27 June 2019.

Taking into consideration that no feedback was received to the aforementioned consultation, the MCA has decided to publish this decision on the same lines of its proposed decision.

3. SOURCE OF FUNDING

Regulation 31(1) of the Regulations states that when the Authority establishes that a designated undertaking has suffered an unfair burden to provide a universal service, it shall:

- introduce a mechanism to compensate the universal service provider from public funds with the approval of the Government; and/ or
- establish a sharing mechanism between providers of electronic communications networks and services.

Following an assessment on the final calculation of the claim for funding in relation to the USOs provided by GO during 2015, the established total amount of €122,644 shall be financed from public funds which have been budgeted by Government for this purpose. This decision solely refers to the USO claim for 2015 and is without prejudice to any position that may be taken on any future USO financing related claims.

Decision

Following an assessment on the final calculation of the claim for funding in relation to the USOs provided by GO plc during 2015, the established total amount of €122,644 pertaining to the net cost incurred by GO plc to provide universal service obligations during 2015 shall be financed from public funds.
