



Domestic Single-Piece and Bulk Mail Services

MaltaPost plc proposal

23 April 2019

MCA/C/19-3580

www.mca.org.mt

(+356) 2133 6840
info@mca.org.mt

Valletta Waterfront, Pinto Wharf,
Floriana FRN1913, Malta





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1 Summary

The postal Domestic Single-Piece and Domestic Bulk Mail services are part of the Universal Service (hereafter 'US') offered by MaltaPost plc (hereafter 'MaltaPost') to its customers. Given that the single-piece and bulk mail services are part of the US, MaltaPost offers these services on a nationwide basis.

MaltaPost has written to the Malta Communications Authority (hereafter the 'MCA') requesting a revision of the local single-piece and local bulk mail tariffs, since MaltaPost contends that these services have been loss-making for a number of years, that the internal costs are constantly increasing, and these are weighing heavily on financial performance and the US sustainability.

The MCA is reviewing MaltaPost's request and its analysis includes cost-accounting reviews, as well as assessing the compatibility of the proposed changes with ensuring the availability of an affordable universal service.

At this stage the MCA has some concerns and is not in agreement with certain aspects of MaltaPost's proposals which would increase tariffs for 3 consecutive years, and while the Authority furthers its analysis, it is publishing MaltaPost's proposals and offering the opportunity for stakeholders to provide feedback as required by Article 4A of the Malta Communications Authority Act [Chapter 418 of the Laws of Malta].

The changes being proposed by MaltaPost are described in Section 2 of this document, and feedback may be sent to the MCA as laid out in Section 3.

1.1 Structure of this Document

The document is structured as follows:

- Section 2: An overview of MaltaPost's request;
- Section 3: Framework to send comments.



2 MaltaPost’s Request

2.1 Background

The domestic single-piece and bulk mail services are provided by MaltaPost on a nationwide basis. Single-piece mail refers to mail on which the customer attaches a stamp before mailing it. Bulk mail refers to mail that is sent in a large number of items (50 or more) in identical size and format at a post office counter, and which is charged at a reduced rate than the single-piece rate.

MaltaPost requested different tariff revisions for particular weight-steps as will be described below in further detail.

2.2 Current status

MaltaPost maintains an Activity Based Cost-Accounting (“ABC”) system and prepares regulatory separated accounts which are audited on an annual basis. MaltaPost submitted that the domestic single-piece and bulk mail services have been incurring losses. MaltaPost also stated that even the overall profitability of the entire Universal Postal Service, which includes other products, is constantly decreasing and that the latest results indicated profitability that is only just within the acceptable range of return set by the MCA. In addition, MaltaPost submitted that without any price adjustments, the US profitability would continue to decrease below that level, given the ongoing challenges such as internal and external cost increases and other operational challenges.

The tariffs currently charged by MaltaPost for these services depend on the specific weight-step of the single-piece or bulk mail. The following are the rates that are currently charged for the domestic service by MaltaPost:

Current Rates	Domestic Single-Piece	Domestic Bulk Mail
0.50g	€0.26	€0.24
51-100g	€0.42	€0.36
101g – 2Kg	additional €0.20 <i>(for each additional 50g)</i>	additional €0.20 <i>(for each additional 50g)</i>

Table 1: Current MaltaPost Local Single-Piece and Bulk Mail tariffs

2.3 MaltaPost’s Proposed Tariffs for Local Single-Piece and Bulk Mail

MaltaPost is proposing new tariffs taking into account the loss-making situation of the domestic single-piece and bulk mail services shown from the audited separated accounts. MaltaPost also highlighted that its operating expenditure is constantly increasing, and the trend indicates that this will be the



ongoing pattern. MaltaPost in particular submitted that it is currently incurring increasing costs mainly originating from the two main sources listed below:

- Staff costs which are subject to constant yearly growth; and
- Other costs that are influenced by various factors, including general inflation.

In its proposals MaltaPost requested the lowest increases in the domestic bulk mail tariffs. The largest increase proposed by MaltaPost is for single-piece mail above 150g which in terms of mail articles represent less than 1% of total domestic single-piece and bulk mail flows.

The changes proposed by MaltaPost are shown in the following tables:

Domestic Single-Piece Tariffs	Current	Yr 1 (2019)	Yr 2 (2020)	Yr 3 (2021)
0-50g	€0.26	€0.30	€0.33	€0.36
51-100g	€0.42	€0.50	€0.52	€0.54
101g – 150g	€0.62	€0.70	€0.72	€0.74
151g – 200g	€0.82	€1.45	€1.65	€1.85
201g+ - 2kg	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>

Table 2: MaltaPost proposed Domestic Single-Piece Tariffs

Domestic Bulk Mail Tariffs	Current	Yr 1 (2019)	Yr 2 (2020)	Yr 3 (2021)
0-50g	€0.24	€0.28	€0.29	€0.30
51-100g	€0.36	€0.38	€0.39	€0.40
101g – 2kg	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>	€0.20 <i>(for each additional 50g)</i>

Table 3: MaltaPost proposed Domestic Bulk Mail Tariffs



3 Consultation Framework

In accordance with its obligations under Article 4A of the Malta Communications Authority Act [Chapter 418 of the Laws of Malta], the Authority welcomes written comments and representations from interested parties and stakeholders during the national consultation period which shall run from the 23 April 2019 to the 15 May 2019.

The Authority appreciates that respondents may provide confidential information in their feedback to this consultation document. This information is to be included in a separate annex and should be clearly marked as confidential. Respondents are also requested to state the reasons why the information should be treated as confidential.

For the sake of openness and transparency, the MCA publishes a list of all respondents to this consultation. The Authority will take the necessary steps to protect the confidentiality of all such material as soon as it is received at the MCA offices in accordance with the MCA's confidentiality guidelines and procedures. Respondents are however encouraged to avoid confidential markings wherever possible.

All respondents should be submitted to the Authority, in writing by not later than 12.00hrs on **15 May 2019** and addressed to:

Chief of Operations
Malta Communications Authority
Valletta Waterfront, Pinto Wharf Floriana, FRN 1913 Malta
Tel: +356 21 336 840 Fax: +356 21 336 846
Email: coo@mca.org.mt