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MCA Consults on the review of the Postal Tariff Mechanism to safeguard the sustainability of the Universal Postal Service.

The Malta Communications Authority (hereafter "MCA") considers that the financial sustainability of the universal postal service and its future viability is of primary importance.

During Financial Year (hereafter 'FY') 2022, the universal service provided by MaltaPost plc (hereafter "MaltaPost") faced several challenges following the continuation of market trends aggravated by COVID-19, BREXIT, the introduction of VAT for low-value items from non-EU countries, and other global market developments. Apart from postal market dynamics, costs kept increasing both locally and internationally. The aggregate effect of these elements negatively impacted the financial performance of the Universal Postal Service, which incurred a loss of € 0.5 million in FY 2022. During FY2023, although MaltaPost managed to mitigate its costs, sustainability remains very volatile in view of market developments.

In view of these challenges, the MCA is consulting on a price control mechanism that has the objective of supporting continued service provision of universal postal services in an efficient manner. The proposed mechanism will establish price caps in line with the principle of cost orientation, below which it provides flexibility to the universal service provider to vary its tariffs in response to challenging market conditions and doing away with the process of seeking case-by-case approvals from the MCA.

The mechanism is primarily based on audited regulatory accounts submitted annually by MaltaPost. Furthermore, the mechanism requires further cost-related inputs related to wages and salaries, terminal dues, conveyance costs, and the inflation rate. These cost aspects are then mapped accordingly to the various universal service products and cost elements. The mechanism foresees that the tariff caps would be revised every three years; however, should there be unforeseen extraordinary circumstances occurring during the three-year cycle, the mechanism incorporates two additional triggers: one related to costs and the other related to volumes, that would enable tariffs to be revised during the three-year cycle.

Given the recent and ongoing challenging market developments impacting on the postal sector, the proposed mechanism will result in prices being more reflective of increases in costs. Hence the MCA also considered service affordability, and in terms of expenditure on postal services notes that the vast majority of households spend less than €20 every year on postal services.

The new postal tariff mechanism is proposed to come into effect as from 1st September 2024.

The proposed decision on the price control mechanism can be accessed on the MCA's website <https://www.mca.org.mt/>. Stakeholders are invited to participate in this consultation process and submit their feedback to the Authority by 9th August 2024.