



Source of Funding for the net cost incurred in providing universal service obligations during 2013

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 December 2014 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 2013.

In April 2015 the MCA commissioned Ernst & Young (hereafter ‘EY’) as an expert consultant to evaluate the reasoning behind this claim, and to audit and verify the various calculations that were used to enable the Authority determine if the claimed net costs found in the USO funding application actually resulted in an unfair burden on GO.

In October 2016 the MCA published a proposed decision for consultation entitled ‘*Review of GO plc’s application for funding of the net costs claimed to have been incurred to provide universal service obligations during 2013*’. A subsequent decision notice with the same title was published in December 2016. Both documents included an annex with an abridged version of a report on the findings of this exercise.

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 €101,538:

USO COMPONENTS	AUDITED NET COST (€)
Geographic component	(7,257)
Payphones	(33,166)
Social tariffs	(245,659)
Directory enquiry service	(46,419)
Intangible benefits	230,963
Total	(101,538)

Table 1

¹ Subsidiary legislation 399.28 of the Laws of Malta

Decision on the Source of Funding for the net cost incurred to provide universal service obligations during 2013

On 5th January 2017, the MCA published a proposed decision on the source of funding for the net cost claimed to be incurred by GO during 2013 entitled '*Proposed Decision on the Source of Funding for the net cost incurred to provide universal service obligations during 2013*'. Interested entities were invited to submit their comments and feedback in writing to the Authority by not later than the 27th January 2017. No feedback was received and no changes are being made to the proposed decision presented by the MCA as depicted in section two below.

2. 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.

Decision

Following an analysis on the final assessment of the claim for funding in relation to the USOs provided by GO during 2013, the Government of Malta has decided that the established total amount of €101,538 shall be financed from public funds. The Government of Malta declared that this decision solely refers to the USO claim for 2013 and is without prejudice to any position it may take on any future USO financing related claims.