



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

### Proposed Decision

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## 1. BACKGROUND

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In accordance with the provisions established in the *Electronic Communications Networks and Services (General) Regulations*<sup>1</sup> (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.

In September 2017, the MCA commissioned 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. During 2015, the MCA published a revised decision to analyse and identify which services should be considered as universal services, whether to update and/or waive any of the current services, 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 GO was designated to continue providing the elements of the 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 1<sup>st</sup> July 2015<sup>2</sup>.

Following an auditing exercise, in February 2019 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 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.

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<sup>1</sup> Subsidiary legislation 399.28 of the Laws of Malta

<sup>2</sup> 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:

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

Table 1

## 2. SOURCE OF FUNDING

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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 analysis on the final assessment of the claim for funding in relation to the USOs provided by GO during 2015, the Government of Malta decided that the established total amount of €122,644 be financed from public funds. The Government of Malta declared that this decision solely refers to the USO claim for 2015 and is without prejudice to any position it may take on any future USO financing related claims.

### *Proposed Decision*

As decided by the Government of Malta 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.

### **3. SUBMISSION OF FEEDBACK**

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Interested parties and stakeholders may submit any comments and representations to this proposed decision in writing by not later than 1200hrs on 27 June 2019 and be addressed to:

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