



Source of Funding for the net cost incurred in providing universal service obligations during 2014

Decision

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Malta Communications Authority
Valletta Waterfront,
Pinto Wharf, Floriana,
FRN 1913, Malta

T + 356 2133 6840 **E** info@mca.org.mt
F + 356 2133 6846 **W** www.mca.org.mt

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1. Background

In accordance with the provisions of the *Electronic Communications Networks and Services (General) Regulations*¹ (hereafter the “Regulations”), in November 2015 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 2014.

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.

In November 2017, 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 2014*’ and a subsequent decision notice with the same title was published in January 2018. 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 €33,542:

USO COMPONENTS	AUDITED NET COST (€)
Geographic component	(0)
Payphones	(36,356)
Social tariffs	(226,667)
Directory enquiry service	(13,220)
Intangible benefits	242,701
Total	(33,542)

Table 1

¹ Subsidiary legislation 399.28 of the Laws of Malta

2. Responses to Proposed Decision

In February 2018, the MCA issued a proposed decision on the Source of funding to compensate the designated undertaking for the net cost incurred during 2014 for the provision of the universal services. The Proposed Decision is entitled “*Source of Funding for the net cost incurred to provide universal service obligations during 2014 – Proposed Decision*”. The MCA invited interested parties to submit their written feedback on the proposed decision during a consultation period which ran until 13 March 2018.

No feedback was received to the aforementioned consultation, and the MCA has decided to publish the 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.

Decision

Following an analysis on the final assessment of the claim for funding in relation to the USOs provided by GO during 2014, the Government of Malta has decided that the established total amount of €33,542 shall be financed from public funds. The Government of Malta declared that this decision solely refers to the USO claim for 2014 and is without prejudice to any position it may take on any future USO financing related claims.