


# Source of Funding for the net cost incurred in providing universal service obligations for electronic communications services during 2018

## Decision

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## 1 Background

In accordance with the provisions established in the Electronic Communications Networks and Services (General) Regulations<sup>1</sup> (hereafter the “Regulations”), the Malta Communications Authority (hereafter the “MCA”) received from GO plc (hereafter “GO”) a detailed application for funding in relation to the net cost GO claimed to have incurred in providing universal service obligations (hereafter “USOs”) in the electronic communications sector during 2018.

The MCA commissioned Ernst & Young Limited (hereafter “EY”) as an expert independent consultant to evaluate the reasoning behind this claim, and to review and verify the various calculations of the net cost that were used to enable the MCA determine the net cost incurred by GO for the provision of USOs during financial year 2018.

Following the completion of the review and verification exercise by EY, in September 2023 the MCA published a consultation and proposed decision on the review of GO’s funding application entitled “Review of GO plc’s application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2018”. The MCA received feedback from GO and Melita Limited during the consultation period as detailed further in the Decision Notice<sup>2</sup> which was published in October 2023. Both documents included an annex with an abridged version of the Calculation Accuracy Phase Report on the findings of this exercise which was prepared by EY.

GO’s funding application for financial year 2018 included the following components of the USOs, namely: public payphones, social tariffs (including free Telecare service and free line rental service), and a comprehensive electronic directory. The final assessment of the calculated cost and reviewed results for the provision of each element of the USOs being claimed by GO were established as depicted in Table 1 overleaf.

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<sup>1</sup> As a result of the transposition of the European Electronic Communications Code, Cap. 399 of the Laws of Malta was amended by Act Number LII of 2021, whereas SL 399.28 of the Laws of Malta was repealed by LN 379 of 2021 and replaced by SL 399.48. All these new laws came into force as on the 1<sup>st</sup> October 2021. **The references to the legislation prior to the amendments to the applicable laws that came into force as on the 1<sup>st</sup> October 2021 have been retained in this Decision since the claim is related to a period (2018) which is prior to the coming into force of the amended or new legislation.** The provisions which were previously included in regulations 30 and 31 of SL 399.28 have been substantively retained in regulations 76 and 77 of SL 399.48 respectively.

<sup>2</sup> <https://www.mca.org.mt/consultations-decisions/decision-review-go-plcs-application-funding-net-cost-claimed-have-been>

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GO has also included the brand enhancement element as a component of intangible benefits in the funding application for 2018 and its reviewed value is deducted from the costs of the other components as shown in the following table, resulting in a net cost amounting to a total of €126,547.

USO Component	Reviewed net cost €
Payphones	( 40,314)
Social tariffs	(244,444)
Comprehensive electronic directory	( 6,649)
Intangible benefits:	
- Brand Enhancement	164,860
<b>Total</b>	<b>( 126,547)</b>

Table 1: Reviewed net cost for each USO component included in GO's funding application for 2018

## 2 Responses to Proposed Decision

In November 2023, the MCA issued a proposed decision entitled “Source of Funding for the net cost incurred in providing universal service obligations for electronic communications services during 2018”. This proposed decision focused on the source of funding to compensate the designated undertaking, GO, for the net cost found to have been incurred for the provision of the universal services in the electronic communications sector during 2018. The unfair burden and corresponding net cost incurred by GO were determined following the analysis and verification process of GO’s application by EY, and the subsequent consultation process which resulted in the publication of the MCA Decision Notice<sup>3</sup> entitled “Review of GO plc’s application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2018” in October 2023. The abovementioned proposed decision invited interested stakeholders to submit their written feedback during a consultation period which ran until the 21<sup>st</sup> November 2023.

After taking into consideration that no feedback was received to the aforementioned consultation, the MCA has decided to publish this decision on the same lines of its proposed decision.

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<sup>3</sup> <https://www.mca.org.mt/consultations-decisions/decision-review-go-plcs-application-funding-net-cost-claimed-have-been>

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### 3 Source of Funding

In the assessment process undertaken by EY, it was established that GO, as the universal service provider, has suffered an unfair burden for the provision of the public payphones, social tariffs including free Telecare service and free line rental service, and comprehensive electronic directory during the financial year 2018.

In accordance with applicable legislation as mentioned above, when the MCA 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 by the MCA on the final assessment of the claim for funding in relation to the USOs provided by GO during 2018 and in line with a decision by the Government of Malta, the established total amount of €126,547 may be financed from public funds. Such a decision by the Government of Malta solely refers to the analysed USO claim and is without prejudice to any position that Government may take on any future financing of USO related claims.

#### ***Decision***

In line with a decision by the Government of Malta the established total amount of €126,547 pertaining to the net cost incurred by GO plc to provide universal service obligations in the electronic communications sector during 2018 shall be financed from public funds.



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