



# Price Revisions for Certain Postal Services

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## MaltaPost plc proposal

**Response to Consultation and Decision Notice**

27 June 2022

MCA/D/22 - 4643



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## 1 Summary

On 14 June 2022, the Malta Communications Authority (hereafter 'MCA') published for consultation a proposal submitted by Maltapost plc (hereafter 'MaltaPost') requesting a revision of tariffs for certain postal services.

MaltaPost has proposed to the MCA two separate requests regarding the prices of several services. The first request made by MaltaPost related to the tariffs of Domestic Single-Piece and Domestic Bulk Mail services. The second request made by MaltaPost related to the Foreign Outbound Single-Piece tariffs.

MaltaPost submitted that such increases in prices are needed due to various reasons. MaltaPost highlighted that the COVID-19 pandemic accelerated the transition to digitalisation, while Brexit and the introduction of VAT on non-European Union (hereafter 'EU') low-value purchases had a negative impact on inbound packets and parcels, with these developments having negative effects on revenue flows. At the same time, the postal market is also affected by increases in external costs, such as international conveyance costs, Universal Postal Union (hereafter 'UPU') international terminal dues, as well as internal costs, which in combination continue impacting seriously on the sustainability of the universal service.

The consultation published by the MCA offered the opportunity for stakeholders to provide feedback and complemented several interactions with MaltaPost that included detailed analyses of cost accounting information. During the public consultation period, which closed on 24 June 2022, the MCA received no feedback.

This report on consultation and decision now contains the MCA's final assessments, based on the cost-accounting reviews, after considering the compatibility of the proposed changes with ensuring an affordable universal service, and taking into account any feedback received from public consultation.

The changes that MaltaPost proposed are described in Section 2 of this document. Section 3 provides an overview of the consultation feedback and the MCA's response. Finally, the MCA's decision and way forward are laid out in Section 4.



## 2 MaltaPost's Requests

### 2.1 Background

MaltaPost provides nationwide domestic and foreign outbound single-piece and bulk mail services. Single-piece mail refers to mail where the customer attaches a stamp before mailing it. Bulk mail refers to large numbers of postal articles (50 or more) of identical size and format presented at a post office counter, which is charged less than the single-piece rate.

MaltaPost requested different tariff revisions for various weight steps, as described below in more detail.

### 2.2 The basis for the requested price increases

In line with EU and national norms, the universal postal service prices should be in line with cost-recovery principles and a fair rate of return. Furthermore, as the designated provider of the universal service, MaltaPost is required to seek the MCA's approval before increasing tariffs for certain regulated services. Accordingly, MaltaPost maintains an Activity-Based Cost-Accounting (hereafter "ABC") system and prepares regulatory separated accounts that are audited annually, showing the financial performance of the individual universal postal services.

MaltaPost stated that the overall profitability of the entire Universal Postal Service is decreasing, and the latest results indicated that its performance had become an unfair financial burden on MaltaPost. Furthermore, MaltaPost submitted that the universal service financial performance would continue to decline without any price adjustments, given the ongoing challenges such as cost increases and other operational challenges. MaltaPost also mentioned that internal and external costs are continually increasing, and these considerations impacted universal service profitability.

### 2.3 Current status

The tariffs currently charged by MaltaPost for these services depend on specific weight-step except for the registered mail service. The following are the current rates for local single-piece services:

Current Rates	Domestic Single-Piece	Domestic Bulk Mail
0 - 50g	€0.30	€0.27*
51-100g	€0.50	€0.39
101-150g	€0.70	(various depending on weight)
151-200g	€2.20	
201-2Kg	(various depending on weight)	

Table 1: Current MaltaPost Local Single-Piece and Bulk Mail tariffs

\*A bulk mailer sending above a threshold of 2,000 mail items daily is charged a surcharge of 2 cents.

Apart from varying by weight step, the price for Foreign Outbound mail also varies by zone. MaltaPost classifies the Foreign Outbound mail in five zones; with European countries in zone A1 and other Non-European countries categorised as zone A2, B, C or D.



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MaltaPost's request focuses on the Postcards and the first weight step (0-20/30g) for all zones.

Mail Type	Weight Step	Zone A1	Zone A2	Zone B	Zone C	Zone D
Postcards	Flat rate	€0.86				
Letters	1 <sup>st</sup> Weight Step	€0.59	€0.37	€0.51	€0.63	€0.86

Table 2: Current MaltaPost Outbound Single-Piece Mail tariffs for postcards and first weight step for all zones

### 2.4 MaltaPost's Proposed Tariffs

MaltaPost is proposing new tariffs for the various reasons described earlier in this document, 'across the whole range of weight categories. The changes proposed by MaltaPost are shown in the following tables:

Domestic Single-Piece Tariffs	Current	Proposed		
		FY22	FY23	FY24
0-50g	€0.30	€0.36	€0.37	€0.38

Table 3: MaltaPost proposed Domestic Single-Piece Tariffs

Domestic Bulk Mail Tariffs	Current	Proposed		
		FY22	FY23	FY24
0-50g	€0.27*	€0.30	€0.35	€0.38

Table 4: MaltaPost proposed Domestic Bulk Mail Tariffs

\*A bulk mailer sending above a threshold of 2,000 mail items daily is charged a surcharge of 2 cents.

Outbound Single-Piece Tariffs	Current	Proposed		
		FY22	FY23	FY24
Postcards	€0.86	€1.25	€1.40	€1.50
1 <sup>st</sup> Weight Step	Varies per Zone	€1.25	€1.40	€1.50

Table 5: MaltaPost proposed Outbound Single-Piece Tariffs



### 3 Consultation Feedback and Responses

The MCA reviewed the price changes proposed by MaltaPost and the various justifications given by the said company. As part of this process, the MCA requested additional information on the company's proposals and further evaluated other aspects that could impinge on the service provided by MaltaPost to end-users. The MCA also considered service affordability and the importance of service efficiency and reliability to end-users.

The MCA considered various parameters in evaluating the impact of the tariff increases on MaltaPost's profitability. Also, the MCA believes that the financial year 2021 cannot be considered a 'normal year' given the COVID-19 situation, and hence the MCA analysis also considered various scenarios for the long-term impact when disruptions caused by the pandemic and other factors gradually decline. Nonetheless, the effect of the COVID-19 pandemic accelerating digital substitution, the impact of Brexit, and the introduction of Value Added Tax (hereafter 'VAT') for non-EU low-value packets appear unlikely to reverse. In addition, due account is also taken of the international increases in conveyance costs and terminal dues for cross-border mail mandated by the UPU in recent years.

In 2021, the MCA carried out a household postal survey, and one of the questions was regarding the household expenditure on postal services. The survey results show that the majority of the households reported spending much less than €30 per year on postal services provided by MaltaPost. Therefore, the MCA considers that the postal tariff increases proposed will have a low impact on affordability, given the low yearly household expenditure.

During the consultation period, the MCA did not receive any feedback



## 4 MCA Decision and Way Forward

### Decision 1

The MCA is allowing a limited release from price control up to the price caps indicated in the table below, with effect from 1 July 2022:

Mail Type	Weight Category	FY22	FY23	FY24
Domestic Ordinary Mail	0-50g	€0.37	€0.37	€0.38
Domestic Bulk Mail	0-50g	€0.28*	€0.33*	€0.36*
Outbound Mail	Postcards	€1.25	€1.40	€1.50
Outbound Mail	1 <sup>st</sup> Weight Step**	€1.25**	€1.40**	€1.50**

\*A bulk mailer sending above a threshold of 2,000 mail items daily is charged a surcharge of 2 cents.

\*\* Given the various weight categories, a tariff increase in the first weight step will lead to a marginal increase in higher weight step tariffs.

The MCA also considers that while price increases do sustain revenues, particularly in the short run, to dampen future price increases, strategic realignments to the scope and level of the universal postal service would provide the opportunity to shape cost evolution in the future to support commercial sustainability. This process will require the full collaboration of MaltaPost.