



Source of Funding for the net cost incurred in providing universal service obligations during 2012

Decision

Published: March 2016

Internal Reference: MCA/D/16-2514

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

T + 356 2133 6840

F + 356 2133 6846

E info@mca.org.mt

W www.mca.org.mt

CONTENTS

1. BACKGROUND	3
2. SOURCE OF FUNDING	5
3. DECISION	6

1. BACKGROUND

In accordance with the provisions established in the *Electronic Communications Networks and Services (General) Regulations*¹ (hereafter the “Regulations”), in September 2013 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 2012.

In July 2014 the MCA commissioned Ernest & 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 2015 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 2012*’. A subsequent decision notice with the same title was published in January 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 €125,110:

USO COMPONENTS	AUDITED NET COST (€)
Geographic component	(23,736)
Payphones	(32,897)
Social tariffs	(278,499)
Directory enquiry service	(21,220)
Intangible benefits	231,242
Total	(125,110)

Table 1

¹ Subsidiary legislation 399.28 of the Laws of Malta

On the 3rd February 2016, the MCA published a proposed decision entitled '*Source of Funding for the net cost incurred to provide universal service obligations during 2012*'. Interested parties were invited to submit their feedback and responses in writing to the MCA by not later than the 22nd February 2016. No feedback was received from interested entities and no changes are being made to the proposed decision presented by the MCA as depicted in section three 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.

Following an analysis on the final assessment of the claim for funding in relation to the USOs provided by GO during 2012, the Government of Malta has decided that the established total amount of €125,110 shall be financed from public funds. The Government of Malta declared that this decision solely refers to the USO claim for 2012 and is without prejudice to any position it may take on any future USO financing related claims.

3. DECISION

As decided by the Government of Malta the established total amount of €125,110 pertaining to the net cost incurred by GO plc to provide universal service obligations during 2012 shall be financed from public funds.
