



Source of Funding for the net cost incurred in providing universal service obligations during 2016

Decision

MCA -OPS/tf/20-4078

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Contents

1. Background	3
2. Responses to Proposed Decision	4
3. Source of Funding	5

1. Background

In accordance with the provisions established in the *Electronic Communications Networks and Services (General) Regulations*¹ (hereafter the “Regulations”), in December 2017 the Malta Communications Authority (hereafter the “MCA” or the “Authority”) received from GO plc (hereafter “GO”) a detailed application for universal service obligations (USO) funding in relation to the net costs it claimed to have incurred in providing universal services during 2016.

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.

Following an auditing exercise by EY, in August 2020 the MCA published a consultation and proposed decision entitled ‘Review of GO plc’s application for funding of the net costs claimed to have been incurred to provide universal service obligations during 2016 – Consultation and proposed decision’. The MCA did not receive any feedback during the consultation period and to this effect a subsequent decision notice based on the proposed decision was published in October 2020. 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 being claimed by GO were established as depicted in table 1 below, totalling €66,438. GO has included the intangible benefits as part of the claim as per the Regulations and the amount is deducted from the other components as shown in the table below:

USO COMPONENTS	AUDITED NET COST (€)
Payphones	(61,559)
Social tariffs	(181,616)
Comprehensive electronic directory	(6,991)
Intangible benefits	183,728
Total	(66,438)

Table 1

¹ Subsidiary legislation 399.28 of the Laws of Malta.

2. Responses to Proposed Decision

In November 2020, the MCA issued a proposed decision on the Source of Funding to compensate the designated undertaking, GO, for the net cost found to be incurred during the analysis and audit of the claim for the provision of the universal services during 2016. The Proposed Decision was entitled “Source of Funding for the net cost incurred to provide universal service obligations during 2016 – Proposed Decision”. The MCA invited interested parties to submit their written feedback on the proposed decision during a consultation period which ran until 17th November 2020.

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.

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.

Following an analysis by the MCA on the final assessment of the claim for funding in relation to the USOs provided by GO during 2016 and in line with a decision by the Government of Malta, the established total amount of €66,438 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 USO financing related claims.

Decision

In line with a decision by the Government of Malta the established total amount of €66,438 pertaining to the net cost incurred by GO plc to provide universal service obligations during 2016 shall be financed from public funds.