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Review of the Postal Tariff Mechanism: Safeguarding the Sustainability of the Universal Postal Service

The Malta Communications Authority (MCA) considers the financial sustainability and future viability of the universal postal service to be of primary importance.

During Financial Year (hereafter 'FY') 2022, the universal service provided by MaltaPost plc faced several challenges following the continuation of market trends aggravated by COVID-19, BREXIT, the introduction of VAT on low-value items from non-EU countries, and other global market developments. Apart from postal market dynamics, costs kept increasing both locally and internationally. The aggregate effect of these elements negatively impacted the financial performance of the Universal Postal Service, which reported a loss of € 0.5 million in FY 2022. During FY 2023, although MaltaPost managed to mitigate costs, sustainability remained very volatile because of continuing market developments.

MaltaPost is continuing to take measures to mitigate costs incurred to provide the universal service. However, a comprehensive strategy to support sustainability also requires MaltaPost to be able to revise its tariffs.

Accordingly, following discussions between the MCA, MaltaPost, and the Government, a mechanism that automatically caps price increases was developed. On 12 July 2024, the MCA published a consultation on the proposed postal tariff mechanism which closed on 9 August 2024. The MCA has now published its decision after reviewing input from two entities.

The Automated Price Mechanism is based on certain principles and requirements.

- The focus of the mechanism is to cap the tariffs of those services that:
 - Fall within the scope of the Universal Postal Service;
 - Are subject to price regulation;
 - Their profitability is lower than a determined return on sales.
- The mechanism is based on the audited regulatory accounts of MaltaPost.

- The main cost drivers modelled are wages and salaries, terminal dues, conveyance costs, and the inflation rate.
- Based on the inputs and trend analysis, the mechanism estimates volumes and costs for the following financial year.
- The mechanism foresees that the tariff caps will be revised every three years; however, should unforeseen extraordinary circumstances occur during the three-year cycle, the mechanism incorporates two additional triggers: one related to costs and the other related to volumes, which could enable tariffs to be revised during the three-year cycle.

MaltaPost will have the flexibility to offer commercial agreements under the reviewed postal tariff mechanism. Thus, the new mechanism does not prohibit MaltaPost from offering special more advantageous rates based on sender profile or volumes over a certain period of time. The MCA also considered that generally low and declining expenditure levels on postal services indicate that prices should continue to remain affordable. Nonetheless, as part of the ongoing exercise to evaluate continued sustainability, the MCA will continue monitoring the postal market and contribute to discussions on maintaining sustainability for postal services with stakeholders.

The Decision can be read in its entirety on the [MCA website](#).