



Price Revisions for Certain Postal Services

MaltaPost plc proposal

14 June 2022

MCA/C/ 22-4628



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1 Summary

The Universal Postal Service (hereafter 'US') that MaltaPost plc (hereafter 'MaltaPost') provides to its customers comprises various elements such as Domestic Single-Piece Mail, Domestic Bulk Mail and Foreign Outbound Mail. Given that these services form part of the US, they are provided by MaltaPost nationwide in line with the requirements of Maltese Law.

MaltaPost has proposed to the Malta Communications Authority (hereafter the 'MCA') two separate requests to increase the prices of a number of services. The first request made by MaltaPost is to review the tariffs of Domestic Single-Piece and Domestic Bulk Mail services. The second request made by MaltaPost is to review 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-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 ('UPU') international terminal dues, as well as internal costs, which in combination continue impacting on the sustainability of the universal service.

The MCA reviewed MaltaPost's requests, with the analysis including cost-accounting examinations and assessing the compatibility of the proposed tariffs with ensuring an affordable universal service.

The Authority is publishing MaltaPost's proposals and in doing so is enabling stakeholders to provide feedback as required by Article 4A of the Malta Communications Authority Act [Chapter 418 of the Laws of Malta].

The changes being proposed by MaltaPost are described in Section 2 of this document. Section 3 provides an overview of the MCA's main evaluation points. Feedback may be sent to the MCA as 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 US, MaltaPost is required to seek the MCA's approval before increasing tariffs for certain regulated services. Accordingly, MaltaPost maintains an Activity-Based Cost-Accounting ("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 has become an unfair financial burden. Furthermore, MaltaPost submitted that the US 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 US 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 st 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 st Weight Step	Varies per Zone	€1.25	€1.40	€1.50

Table 5: MaltaPost proposed Outbound Single-Piece Tariffs

3 MCA's Evaluation

The MCA reviewed the price changes proposed by MaltaPost and the various justifications given by the 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 VAT for non-EU low-value packets all 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. Therefore, the MCA considers that the postal tariff increases proposed will have a low impact on affordability, given the low yearly household expenditure.

In view of the above, the MCA is consulting on 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	Current	MCA Consultation		
			FY22	FY23	FY24
Domestic Ordinary Mail	0-50g	€0.30	€0.37	€0.37	€0.38
Domestic Bulk Mail	0-50g	€0.27*	€0.28*	€0.33*	€0.36*
Outbound Mail	Postcards	€0.86	€1.25	€1.40	€1.50
Outbound Mail	1 st Weight Step**	Varies per Zone	€1.25**	€1.40**	€1.50**

Table 6: Tariffs for consultation

*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.



4 Consultation Framework

In accordance with Article 4A of the Malta Communications Authority Act [Chapter 418 of the Laws of Malta], the Authority welcomes written comments and representations from interested parties and stakeholders during the national consultation period from 14 June 2022.

The Authority appreciates that respondents may provide confidential information in their feedback to this consultation document. This information is to be included in a separate annexe and marked as confidential. Respondents are also requested to state the reasons why the information should be treated as confidential.

For the sake of openness and transparency, the MCA publishes a list of all respondents to this consultation. The Authority will take the necessary steps to protect the confidentiality of all such material as soon as it is received at the MCA offices in accordance with the MCA's confidentiality guidelines and procedures. Respondents are, however, encouraged to avoid confidential markings wherever possible.

All respondents should be submitted to the Authority in writing by no later than 12.00hrs on **Friday 24 June 2022**, and addressed to:

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