



# Providing Sustainable Universal Postal Services

## Report on Consultation and Decision Notice

MCA Reference: MCA/D/23-5051

Publication Date: 21 August 2023

 (+356) 2133 6840     [info@mca.org.mt](mailto:info@mca.org.mt)     [www.mca.org.mt/](http://www.mca.org.mt/)

 Valletta Waterfront, Pinto Wharf, Floriana FRN1913, Malta

# TABLE OF CONTENTS

1	Summary .....	1
2	MaltaPost's Requests .....	2
2.1	Background.....	2
2.2	The basis for the proposals and the requested price revisions .....	2
2.3	MaltaPost proposals on service characteristics .....	2
2.3.1	Single-piece and bulk mail next-day delivery targets.....	2
2.3.2	Earlier cut-off times for collection from letterboxes.....	3
2.3.3	Earlier cut-off time for consignment of Bulk Mail .....	3
2.3.4	Revision of the free months of the Redirection mail service .....	3
2.3.5	Removal of services from the Universal Service .....	3
2.4	MaltaPost's Proposed Tariff Revisions.....	4
2.4.1	Outbound Parcels.....	4
2.4.2	Domestic Single-Piece, Domestic Bulk and Outbound Mail .....	5
3	Report on Consultation and Assessment .....	6
4	MCA Decision and Way Forward .....	8

## 1 Summary

On 4 August 2023, the Malta Communications Authority (hereafter 'MCA') published for consultation a set of proposals by MaltaPost plc (hereafter 'MaltaPost') on revisions to specific postal service characteristics and tariffs to sustain the provision of universal postal services.

During Financial Year (hereafter 'FY') 2022, MaltaPost faced several challenges in terms of market developments, including the continuation of market trends aggravated by Covid-19, BREXIT, the introduction of VAT for low-value items from non-EU countries, and other global market forces. 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.

MaltaPost has taken measures to contain costs, and additionally, to ensure the sustainability of the Universal Service, it submitted various proposals dealing with reviews of specific postal service characteristics and revision of tariffs.

The first set of MaltaPost requests included the review of specific postal service characteristics, such as the quality of service (QoS) performance targets in line with updated users' needs, that certain postal services should no longer be part of the Universal Service, reducing the Mail Redirection service free months, reviewing the earliest collection times from letter boxes, and changing the cut-off time for Bulk Mail.

The second set of requests included the review of Foreign Outbound Parcel tariffs and bringing into force earlier the already approved tariffs for Domestic Single-Piece Mail, Domestic Bulk and Outbound Mail which had been envisaged to become effective from FY2024<sup>1</sup>.

MaltaPost submitted the above revisions to the MCA since, as the Universal Service Provider, it is required to obtain approval from the Authority for any revisions of services that fall within the scope of the Universal Service.

The MCA considered MaltaPost's requests by undertaking cost-accounting examinations and assessing the compatibility of the proposed changes in postal service characteristics with the objective of ensuring the sustainable provision of affordable universal service.

The consultation published by the MCA offered the opportunity for stakeholders to provide feedback. During the public consultation period, which closed on 17 August 2023, the MCA received no feedback.

The changes which were proposed by MaltaPost are described in Section 2 of this document. Section 3 provides an overview of the MCA's assessment. Finally, the MCA's decision and way forward are laid out in Section 4.

---

<sup>1</sup> <https://www.mca.org.mt/consultations-decisions/price-revisions-certain-postal-services-0>

## 2 MaltaPost's Requests

### 2.1 Background

As mentioned, MaltaPost submitted several considerations to collectively counter the ongoing market challenges and safeguard a sustainable Universal Service. The details of MaltaPost's proposals are described below.

### 2.2 The basis for the proposals and the requested price revisions

During these last financial years, MaltaPost faced several market challenges that impacted the sustainability of the Universal Service; during the financial year 2022, the universal postal service reported a loss of approximately €500,000. Postal volumes continued decreasing due to the impact of Covid-19, Brexit, the introduction of VAT for low-value items from non-EU countries and further digitalisation. At the same time, pressures acting on costs kept increasing locally, such as Cost of Living Allowance (COLA) and inflation, and internationally, such as terminal dues and transport costs.

Accordingly, MaltaPost put forward several proposals for a review of particular characteristics of the postal service and the need for revision of tariffs.

In line with EU and national norms, the prices of universal postal services should be affordable in a manner that allows users to access the services, cost-oriented, and give incentives for efficient service provision. Furthermore, as the designated provider of the Universal Postal Service, MaltaPost is required to seek the MCA's approval before increasing tariffs for certain regulated services. For this purpose, 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.

### 2.3 MaltaPost proposals on service characteristics

The following are the proposals that MaltaPost considered as part of the initiatives to support the sustainability of a continued universal postal service.

#### 2.3.1 Single-piece and bulk mail next-day delivery targets

Postal service users, both residential and commercial, are entitled to an affordable high-quality universal postal service that meets their reasonable needs. This includes quality of service (QoS) standards related to: (1) the time permitted for delivery; and (2) the regularity and reliability of the universal postal service. As part of its monitoring of the universal postal service, the MCA sets targets that MaltaPost, as the Universal Service Provider, is required to maintain. The objective of MaltaPost's QoS performance targets is to ensure that consumers receive an adequate level of service. One such target is the speed of delivery for specific mail

services that MaltaPost is required to handle daily. Currently, the next-day delivery target for local single-piece mail and bulk mail is 95%, meaning that MaltaPost is required to deliver on average 95% of the mail collected on one day by the following day. The MCA will be consulting separately on revisions to such QoS performance targets in the near future. The assessment of the current QoS performance targets (that were last set in 2016) must be viewed within the context of the postal market evolution as well as that of the developments in the wider communications market.

### **2.3.2 Earlier cut-off times for collection from letterboxes**

One of the proposals raised by MaltaPost was to review the earliest collection time from letterboxes to 7am. MaltaPost mentioned that with the revision of timings, the postal network would be more efficient since the post-person could collect the mail from the letterboxes and simultaneously deliver the mail. Mail posted in letterboxes at, or nearby, MaltaPost retail counters (post offices or sub-post offices) would be collected after 12:30pm.

### **2.3.3 Earlier cut-off time for consignment of Bulk Mail**

Another proposal was to review the current bulk mail cut-off times for high-volume mailers to consign bulk mail (50 or more postal articles of identical size and format) from 3:30pm to 10am. MaltaPost highlighted that such a shift in timings would facilitate its operations and provide a more efficient service.

### **2.3.4 Revision of the free months of the Redirection mail service**

Currently, a non-business end-user can opt for the first six months of the mail redirection service for free. MaltaPost indicated that these free months do not encourage users to inform senders of their new addresses and generate numerous complications due to legal and social reasons. Hence, MaltaPost proposed reducing the number of free months.

### **2.3.5 Removal of services from the Universal Service**

Another three proposals raised by MaltaPost were that the PO Box Mail service, Newspaper Post Services and Registered mail service should no longer be part of the Universal Service.

In this regard, the MCA noted that the registered mail service is an obligation set by the EU Postal Service Directive; accordingly, the removal of Registered Mail from the Universal Service was not consulted upon.

An additional fourth proposal made by MaltaPost was that cross-border parcel services should no longer be part of the Universal Service as the cross-border market is very competitive.

In this regard, the MCA noted that according to the Postal Services Act (Cap. 254), parcels that weigh less than or equal to 20kg are part of the Universal Service. The MCA considered MaltaPost's proposal and noted that the EU Postal Services Directive allows room for flexibility in setting the threshold between 10kg and 20kg. Such an adjustment would require

amendments in the Maltese Law, and the MCA will be consulting separately on weight thresholds of parcels within the scope of the universal service in the near future, before following up with further recommendations on this matter to Government given also that if matters are to be taken forward in this regard then the law will have to be amended.

## 2.4 MaltaPost’s Proposed Tariff Revisions

### 2.4.1 Outbound Parcels

#### 2.4.1.1 MaltaPost proposed tariff revision

The outbound parcel service is one of the highest loss-generating services provided by MaltaPost. As mentioned earlier, given the challenges encountered, MaltaPost requested to review the Outbound Parcel tariffs and simultaneously implement a pricing structure by zone. The following table reproduces the proposal submitted by MaltaPost for each zone, with different rates for the initial weight and each additional kilo.

Proposed Outbound Parcel Tariff				
Zone <sup>2</sup>	Zone A	Zone B	Zone C	Zone D
Country	All Countries	All Countries	All Countries	All Countries
<b>2001g rate</b>	€ 36.50	€ 46.50	€ 55.50	€ 74.50
<b>Each additional 1000g</b>	€ 5.00	€ 10.00	€ 15.00	€ 20.00

Table 1: MaltaPost Proposed Outbound Tariffs

#### 2.4.1.2 Current tariffs

The tariffs currently charged by MaltaPost for Outbound Parcels vary by country and weight<sup>3</sup>. The table below provides an overview of the current outbound parcel tariffs for specific destinations.

Current Outbound Parcel Tariff					
Country	UK	Germany	USA	Australia	Japan
<b>2001g rate</b>	€ 28.59	€ 26.20	€ 27.41	€ 39.67	€ 28.59
<b>Each additional 1000g</b>	€ 3.70	€ 1.88	€ 8.66	€ 12.16	€ 3.70

Table 2: Current Outbound Tariffs for specific destinations.

<sup>2</sup> MaltaPost’s international zones are given at <https://www.maltapost.com/pdf.aspx?f=62171>

<sup>3</sup> Parcel Air Mail Rates – Full reckoner (excel): <https://www.maltapost.com/postagerates?l=1>

## 2.4.2 Domestic Single-Piece, Domestic Bulk and Outbound Mail

### 2.4.2.1 Proposed by MaltaPost

Domestic single-piece and bulk mail are also amongst the highest loss-generating services provided by MaltaPost. Cost factors (locally and internationally) are constantly increasing, and the ongoing local and international challenges are causing a burden on the sustainability of the Universal Service. In line with the following table, new tariffs for FY24 had already been approved by the MCA Decision on Price Revisions of 27 June 2022. MaltaPost requested that the prices already approved for FY 2024 (as shown below) should come into force as soon as possible.

Mail Type	Weight Category	Current FY23	Already Approved FY24
<b>Domestic Single-Piece Mail</b>	0-50g	€0.37	€0.38
<b>Domestic Bulk</b>	0-50g	€0.33*	€0.36*
<b>Outbound Mail</b>	Postcards	€1.40	€1.50
	1 <sup>st</sup> . Weight Step	€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.

Table 3: Current and already approved FY24 other mail services tariffs.

### 3 Report on Consultation and Assessment

The MCA reviewed MaltaPost’s proposals along with the justifications provided. As part of this process, the MCA requested additional information and clarifications 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. At the same time, the MCA weighted the importance of the continued sustainability of the universal postal service and its future viability, given that the universal service reported a loss of approximately €500,000 in FY2022 while market dynamics remain challenging.

The MCA evaluated various scenarios and considered several parameters for assessing the impact of the proposals mentioned above and the tariff increases on service profitability and the Universal Service. Also, the MCA took note that household expenditure on postal services is extremely low, with the largest segment of households (41%) spending less than €5 annually.

The MCA consulted on the following aspects:

1. The change in the earliest collection time from letterboxes to 7am in order to enable the post-person to collect mail. Mail posted in letterboxes at, or nearby, MaltaPost retail counters (post offices or sub-post offices) would be collected after 12:30pm;
2. The change in cut-off time for high-volume mailers to consign bulk mail (50 or more postal articles of identical size and format) from 3:30pm to 10am to facilitate operations and provide a more efficient service;
3. A reduction in the number of months at which the mail redirection service is provided for free, from six (6) months to three (3) months;
4. The PO Box Service remaining part of the Universal Service but being released from price control;
5. The Newspaper Post remaining part of the Universal Service, but the tariffs will be equivalent to normal respective postal services;
6. Tariff Revision of Outbound Parcels

Proposed Outbound Parcel Tariff				
Zone	Zone A	Zone B	Zone C	Zone D
Country	All Countries	All Countries	All Countries	All Countries
<b>2001g rate</b>	€ 36.50	€ 46.50	€ 55.50	€ 74.50
<b>Each additional 1000g</b>	€ 5.00	€ 10.00	€ 15.00	€ 20.00

Table 4: Outbound Parcels tariffs for consultation



7. Bringing forward the tariffs already approved for FY 2024 for the Domestic Single-piece mail, Bulk mail and Outbound mail to come into force as soon as possible.

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

## 4 MCA Decision and Way Forward

Based on the cost-accounting reviews, after considering the compatibility of the proposed changes with ensuring an affordable universal service, and after issuing MaltaPost's proposals for public consultation, the MCA is implementing the following decisions as of **28 August 2023**.

### Regarding Proposal 1:

The change in the earliest collection time from letterboxes to 7 am in order to enable the post-person to collect mail during delivery beats. Mail posted in letterboxes at, or nearby, MaltaPost retail counters (post offices or sub-post offices) would be collected after 12:30 pm;

#### **Decision 1:**

The MCA allows the earliest collection time from letterboxes<sup>4</sup> to commence at 7 am, and from 12:30 pm at or nearby MaltaPost retail counters (post offices or sub-post offices).

### Regarding Proposal 2:

The change in cut-off time for high-volume mailers to consign bulk mail (50 or more postal articles of identical size and format) from 3:30 pm to 10 am to facilitate operations and provide a more efficient service;

#### **Decision 2:**

The MCA allows the cut-off time for bulk mail consignments<sup>4</sup> to be set 10 am.

### Regarding Proposal 3:

A reduction in the number of months at which the mail redirection service is provided for free, from six (6) months to three (3) months;

#### **Decision 3:**

The MCA allows that the number of months at which the redirection mail service is provided for free is reduced to three (3) months.

### Regarding Proposal 4:

The PO Box Service remaining part of the Universal Service but being released from price control;

#### **Decision 4:**

The MCA directs that the PO Box Service remains part of the Universal Service, but is no longer being considered subject to price control.

### Regarding Proposal 5:

---

<sup>4</sup> MaltaPost is to ensure that the revised times are appropriately displayed at each access point.

The Newspaper Post remaining part of the Universal Service, but the tariffs will be equivalent to normal respective postal services;

**Decision 5:**

The MCA directs that the Newspaper Post Service remains part of the Universal Service, but may be charged at the tariffs equivalent to normal respective postal services.

Regarding Proposal 6:

Tariff Revision of Outbound Parcels

<b>Proposed Outbound Parcel Tariff</b>				
<b>Zone <sup>5</sup></b>	<b>Zone A</b>	<b>Zone B</b>	<b>Zone C</b>	<b>Zone D</b>
<b>Country</b>	<b>All Countries</b>	<b>All Countries</b>	<b>All Countries</b>	<b>All Countries</b>
<b>2001g rate</b>	€ 36.50	€ 46.50	€ 55.50	€ 74.50
<b>Each additional 1000g</b>	€ 5.00	€ 10.00	€ 15.00	€ 20.00

*Table 5: Outbound Parcels tariffs for consultation*

**Decision 6:**

The MCA allows MaltaPost to review the Outbound Parcel tariffs as indicated in the table above.

Regarding Proposal 7:

Bringing forward the tariffs already approved for FY 2024 for the Domestic Single-piece mail, Bulk mail and Outbound mail to come into force as soon as possible

**Decision 7:**

The MCA allows MaltaPost to bring forward the already approved tariffs for FY2024 for the Domestic Single-piece mail, Bulk mail and Outbound mail.

Apart from these decisions, the MCA intends to consult separately in the near future on MaltaPost’s other proposals regarding a review of next-day delivery targets and on revising the weight threshold of parcels falling within the scope of the universal service.

Furthermore, the MCA is working in collaboration with MaltaPost to review the commercial sustainability of the Universal Service through other possible measures.

---

<sup>5</sup> MaltaPost’s international zones are given at <https://www.maltapost.com/pdf.aspx?f=62171>



MALTA COMMUNICATIONS AUTHORITY

-  (+356) 2133 6840
-  [info@mca.org.mt](mailto:info@mca.org.mt)
-  [www.mca.org.mt](http://www.mca.org.mt)
-  Valletta Waterfront, Pinto Wharf,  
Floriana FRN1913, Malta