



# **EU Cross-Border Parcel Regulation**

## **Malta Communications Authority**

### **Assessment 2023**

#### **Non-Confidential Version**

##### [Abstract](#)

The EU Regulation on Cross-Border Parcel Delivery Services in Article 6 focuses on the examination of the outbound cross-border tariffs of the Universal Service Provider. This report provides a summary of the analysis that the Malta Communications Authority undertook to assess the outbound cross-border tariffs.

# Contents

1	Objective.....	1
1.1	Approach and Methodology .....	2
1.2	Structure of this Document.....	3
2	Pre-Assessment Filter Mechanisms .....	4
2.1	Overview of the Pre-Assessment Filter Mechanisms .....	4
2.1.1	Commission Pre-Filter Mechanism .....	4
2.1.2	Other Pre-Filter Mechanisms .....	4
2.2	Supplementary Pre-Filter Mechanism .....	5
2.3	The Filter Mechanism Outcomes .....	6
2.3.1	Commission Pre-Assessment Filter .....	6
2.3.2	Additional Pre-Assessment Filter .....	6
3	Investigation Analysis .....	10
3.1	Weight Composition.....	10
3.2	Cost Information .....	11
3.2.1	Share of volumes.....	12
4	Assessment and Way Forward .....	13

# 1 Objective

The purpose of this report is to provide a description of the methodology and a summary of the main findings of the assessment carried out by Malta Communications Authority ('MCA') in terms of the EU Cross-Border Parcel Regulation<sup>1</sup> ('Regulation'). Article 6 of the Regulation establishes that the assessment should focus on the cross-border tariffs of the Universal Service Provider ('USP'), which in the case of Malta is MaltaPost plc ('MaltaPost').

The assessment process, according to the Regulation, takes place in two stages:

1. The first stage deals with the identification of those cross-border rates that the National Regulatory Authority ('NRA') objectively considers necessary to assess ('Pre-Assessment Filter Mechanism');
2. The second stage is for the NRA to objectively evaluate those rates and investigate further, taking into consideration relevant evidence provided by the USP, to identify any cross-border tariffs that the NRA may consider to be unreasonably high.

The categories of cross-border delivery services that were subject to the assessment process mentioned above were, in line with the Annex to the Regulation, the following:

Standard / Registered / Track & Trace Mail	Standard / Track & Trace Parcels
500g	1kg
1kg	2kg
2kg	5kg

*Table 1: Weights and Mail Type considered for the assessment.*

The Regulation requires that NRAs take into account the following elements:

- a) the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and the destination Member State;
- b) any application of a uniform tariff to two or more Member States;
- c) bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards;
- d) the likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely

---

<sup>1</sup> Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden.

The Regulation also states that the NRA may, when it considers necessary, in particular, also take into account the following elements:

- a) whether tariffs are subject to a specific price regulation under national legislation;
- b) abuses of dominant market position established in accordance with relevant applicable law.

The European Commission ('Commission') published Guidelines<sup>2</sup> to NRAs ('Guidance') on the transparency and assessment of cross-border parcel tariffs.

Furthermore, the European Regulators Group for Postal Services ('ERGP') also issued to the European Commission ('Commission') and NRAs, its opinion/technical assistance on the implementation of the Regulation on cross-border parcel delivery services, specifically on the assessment of cross-border tariffs according to Article 6 of the Regulation.

## 1.1 Approach and Methodology

The MCA followed the principles laid out in the Regulation, Commission Guidance, and ERGP technical advice. Further details on the procedure and methodology are given in this document. Similar to last year, some factors need to be considered:

1. The MCA, as described further below, adopted the Commission Pre-Filtering Mechanism set out in its Guidance and also supplemented it with one of the Pre-Filter Mechanisms described by ERGP for all mail types.
2. The assessment is carried out within a limited period of time.
3. During the evaluation process, factors requiring further investigation have been identified but were beyond the timeframes of this study.

The MCA considers that the above factors do not impact on the overall conclusions of this assessment. At the same time, the MCA notes that possible methodological enhancements might be carried out in the future.

---

<sup>2</sup> COM(2018) 838 final - Communication from the Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263

## 1.2 Structure of this Document

The following is an overview of how the document is structured:

- Section 2 deals with the Pre-Assessment Filter Mechanisms;
- Section 3 provides an insight into the MCA subsequent review and assessment;
- Section 4 provides a summary of the findings and way forward.

## 2 Pre-Assessment Filter Mechanisms

### 2.1 Overview of the Pre-Assessment Filter Mechanisms

The Commission highlights in its Guidance that the application of different pre-filter mechanisms by the various NRAs can result in a non-comparable assessment being carried out by NRAs. Hence the Commission considered the following approach as the primary mechanism for all NRAs, although the Guidelines state that each NRA has the flexibility to assess additional tariffs based on its own decision or another pre-assessment filter mechanism<sup>3</sup>.

#### 2.1.1 Commission Pre-Filter Mechanism

The Commission's mechanism identified rates based on a ranking of the cross-border tariffs of all Member States, which was made available for the NRAs on the web-application of the Commission:

- The focus of this filtering mechanism is to capture those rates that fall within the upper 25% of the tariffs.
- The published tariffs are first adjusted to reflect the purchasing-power parities so that all the rates are similarly valued in real terms across the EU countries.
- The rates per weight and mail type are ranked to capture those tariffs that fall within the top 25% percentile.

#### 2.1.2 Other Pre-Filter Mechanisms

Apart from the filtering mechanism adopted by the Commission, the following are the other four pre-filters identified by ERGP that the NRA might consider for additional pre-assessment.

##### *Pre-Filter Mechanism 1:*

- This pre-filter aims to compare the USP local tariffs with the USP Outbound rate (per country or zone, as applicable).
- If the resulting comparison ratio is above a certain threshold, then the USP Outbound tariff is subject to investigation.
- The value of the threshold is up to the NRA to determine.

---

<sup>3</sup>[https://eur-lex.europa.eu/resource.html?uri=cellar:4fd5f9aa-fdf8-11e8-a96d-01aa75ed71a1.0023.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:4fd5f9aa-fdf8-11e8-a96d-01aa75ed71a1.0023.02/DOC_1&format=PDF)

*Pre-Filter Mechanism 2:*

- The pre-filter objective is to obtain an Evaluated Outbound rate and compare with the Actual USP Outbound tariff.
- The Evaluated Outbound rate is composed of the sum of the USP Domestic tariff and the corresponding Member State USP Domestic Tariff. In conjunction with this summation, a surplus rate is included to cover for the transit cost.

$$(USP\ Domestic\ rate + Other\ Member\ State\ USP\ Domestic\ Tariff) + Surplus$$

- The NRA has to estimate the surplus that applies to the various weight steps and mail types.
- If the Evaluated Outbound rate is lower than the Actual USP Outbound rate, then the Actual Outbound rate is subject to further review.

*Pre-Filter Mechanism 3:*

- This filter aims to rank the USP Outbound tariffs, and the rates that fall within the highest percentage are subject to further investigation by the NRA.
- The threshold percentage that determines which tariffs are considered or not for further review is up to the NRA.

*Pre-Filter Mechanism 4:*

- This filter mechanism is a two-step evaluation process. In this way, further fine-tuning is applied to identify the tariffs that need reviewing.
- The first step deals with obtaining a ratio between the USP Outbound tariff for a particular Member State and the counterparty Member State's USP Outbound tariff towards Malta.
- The second step reflects the comparison of the USP Outbound tariff to the USP Domestic tariff.
- The rates that are subject to further analysis are those tariffs for which the ratio obtained in Step 1 is higher than the ratio obtained in Step 2.

## **2.2 Supplementary Pre-Filter Mechanism**

As in last year's analysis, the MCA considered that Option 4 is an additional pre-assessment mechanism that provides further insight into those rates that may merit further assessment.

The MCA, therefore, applied Pre-Filter Mechanism 4 but implemented a slight variation in the second step, as explained further below.

For the first step, the MCA compared MaltaPost's Outbound rate with the relevant counterparty's Outbound rate to Malta<sup>4</sup>. For the second step, the MCA compared the average MaltaPost Outbound rate with the MaltaPost Domestic rate but with the following difference:

$$\frac{\text{Average MaltaPost Outbound Rate} - 70\% \text{ MaltaPost Domestic Rate}}{\text{MaltaPost Domestic Rate}}$$

*Equation 1: Evaluation of the second step ratio*

The purpose of reducing 70% of the Domestic rate from the Average Outbound tariff, is to capture the Outbound fee that is related to the costs of delivery. The 70% is as per the current UPU evaluation of Terminal Dues.

The combination of these two steps assisted the MCA in the identification of MaltaPost tariffs that the assessment needs to focus. The following section provides an overview of the results obtained for the various weight steps and mail types.

## **2.3 The Filter Mechanism Outcomes**

### **2.3.1 Commission Pre-Assessment Filter**

The Commission's filtering mechanism identified that in the case of Malta, for the standard and registered mail, all country tariffs would require further investigation. In the case of parcels, the result depends on the weights, as Maltapost only offers track and trace parcel. For the latter no tariffs were identified for further investigation.

### **2.3.2 Additional Pre-Assessment Filter**

As mentioned earlier, the MCA considered that a supplementary pre-assessment mechanism is useful to understand further the rates charged for cross-border delivery services between member states. This section provides the results of the additional filtering procedure and examples of whether such outbound tariffs would proceed for further investigation or not.

---

<sup>4</sup> The Commission has made available to NRAs the domestic and cross-border pricing information collected pursuant to Article 5 of the Regulation.



### 2.3.2.1 Mail Analysis

As already stated above, the Commission’s pre-filter mechanism identified all the tariffs of the standard and registered mail.

Although the MCA acknowledges that the pre-filtering stage according to Article 6(1) of the Regulation is separate from the assessment stage according to Article 6(2) and 6(3) of the Regulation, the MCA is aware that from cost accounting information, the profitability of outbound mail services is not excessive. Since MaltaPost has one rate for these mail services to the EU zone, which varies by weight, an additional pre-assessment of such mail services was carried out to identify whether there are specific destination countries which merit even more detailed analysis.

Consequently, the following are the countries that were identified to require further insight after implementing the supplementary pre-filter methodology.

Weight	Standard Mail	Registered Mail
500g	Bulgaria Cyprus Lithuania Luxembourg Poland Romania Slovakia	Cyprus Latvia Lithuania Poland Portugal Romania Slovakia Slovenia
1Kg	Austria Cyprus Latvia Lithuania Luxembourg Poland Romania Slovakia Slovenia	Cyprus Latvia Lithuania Poland Romania Slovakia Slovenia
2Kg	Austria Latvia Lithuania Luxembourg Romania Slovenia Sweden	Austria Cyprus Latvia Lithuania Luxembourg Netherlands Poland Romania Slovakia Slovenia

Table 2: Mail Pre-filter analysis outcome

The following are some examples of how the additional filter mechanism assisted the MCA to identify those countries that require further information from MaltaPost.

Austria – Standard Mail			
	500g	1Kg	2Kg
MaltaPost Domestic Tariff	€3.40	€5.40	€9.40
MaltaPost Outbound Tariff	€8.30	€15.80	€30.80
Average MaltaPost Outbound Tariff	€8.30	€15.80	€30.80
Austria USP tariff to Malta	€6.50	€6.50	€6.50
Step 1 Ratio	$\frac{8.30}{6.50} = 1.28$	$\frac{15.80}{6.50} = 2.43$	$\frac{30.80}{6.50} = 4.74$
Step 2 Ratio	$\frac{8.30 - (0.7 * 3.40)}{3.40} = 1.74$	$\frac{15.80 - (0.7 * 5.40)}{5.40} = 2.23$	$\frac{30.80 - (0.7 * 9.40)}{2.58} = 2.66$
Outcome	$Step 1 \text{ ratio} < Step 2 \text{ ratio}$ Additional analysis not required	$Step 1 \text{ ratio} > Step 2 \text{ ratio}$ Additional analysis required	$Step 1 \text{ ratio} > Step 2 \text{ ratio}$ Additional analysis required

Table 3: Austria Standard Mail analysis example

Cyprus – Registered Mail			
	500g	1Kg	2Kg
MaltaPost Domestic Tariff	€5.90	€7.90	€11.90
MaltaPost Outbound Tariff	€13.80	€21.30	€36.30
Average MaltaPost Outbound Tariff	€13.80	€21.30	€36.30
Cyprus USP tariff to Malta	€6.38	€8.88	€14.88
Step 1 Ratio	$\frac{13.80}{6.38} = 2.16$	$\frac{21.30}{8.88} = 2.40$	$\frac{36.30}{14.88} = 2.44$
Step 2 Ratio	$\frac{13.80 - (0.7 * 5.90)}{5.90} = 1.64$	$\frac{21.30 - (0.7 * 7.90)}{7.90} = 2.00$	$\frac{36.30 - (0.7 * 11.90)}{11.90} = 2.35$
Outcome	$Step 1 \text{ ratio} > Step 2 \text{ ratio}$ Additional analysis required	$Step 1 \text{ ratio} > Step 2 \text{ ratio}$ Additional analysis required	$Step 1 \text{ ratio} > Step 2 \text{ ratio}$ Additional analysis required

Table 4: Cyprus Standard Mail analysis example

### 2.3.2.2 Parcel Analysis

In the case of Malta, a parcel is an item that weighs from 2Kg up to 20Kg and MaltaPost, as part of its parcel service, automatically provides Track & Trace functionality.

The MCA further investigated the ratio between the MaltaPost outbound rate and the corresponding country's outbound rate to Malta. The following tables are examples of how

the MCA determined whether to investigate further with MaltaPost regarding that particular Track & Trace outbound rate or not.

Austria – Track and Trace Parcel		
	2kg	5kg
MaltaPost Domestic Tariff	€9.00	€9.00
MaltaPost Outbound Tariff	€12.60	€15.81
Austria USP tariff to Malta	€15.50	€20.50
Step 1 Ratio	$\frac{12.60}{15.50} = 0.78$	$\frac{15.81}{20.50} = 0.77$
Step 2 Ratio	$\frac{12.60 - (0.7 * 9)}{9} = 0.64$	$\frac{15.81 - (0.7 * 9)}{9} = 1.06$
Outcome	$Step\ 1\ ratio > Step\ 2\ ratio$ Additional analysis required	$Step\ 1\ ratio < Step\ 2\ ratio$ Additional analysis not required

Table 5: Austria parcel analysis example

Given the above evaluation process, the following outcome was obtained, which lists those country parcel rates that require further investigation.

Weight	Track & Trace Parcel
2Kg	Austria Poland Slovenia
5Kg	n/a

Table 6: Parcels pre-filter assessment outcome

## 3 Investigation Analysis

During the investigation stage, the MCA made use of cost accounting information which had already been made available by MaltaPost to the Authority for other purposes. This information was supplemented by additional data that was provided by MaltaPost specifically for this exercise.

The general process was that after assessing the information already in the Authority's possession, the MCA corresponded with MaltaPost regarding the identified countries and requested more information.

The following are some of the additional elements that the Authority asked MaltaPost to provide:

- bilateral volumes,
- detailed costs such as terminal dues and transport/conveyance costs, and
- any other relevant information.

MaltaPost accordingly provided the following information that is described in further detail below:

1. Weight composition of the mail flows between Malta and the identified countries;
2. The costs related to the delivery of an item in the other Member State and conveyance costs;
3. Other relevant information that assisted in understanding the outbound market and pricing bases.

### 3.1 Weight Composition

The first set of information which the MCA considered was about the weight flows to and from Malta. The following tables reflect the weight (in Kg) of Outbound and Inbound mail. Malta is an island Member State of the EU, and as reflected in Table 7, Table 8 and Table 9, it is evident that the Inbound market weights are quite higher than the Outbound market weights. In fact, in the case of standard mail, the inbound mail flows are five times those of the outbound mail flows by weight, whereas that of the registered mail is three times as much. In the case of parcels, the incoming weights are approximately six times more than the outgoing weights.

The relevance of these flows is to put into perspective MaltaPost's Outbound market when compared to the Inbound market. The high asymmetry is indicative, for instance, of the

difficulty for MaltaPost to reach comparable economies of scale for its own outbound articles, as opposed to those which generally may be possible for the counterparty countries' outbound articles. The total (inbound plus outbound) weights do not generally place MaltaPost in a better negotiating position since postal operators usually have independent commercial arrangements in place with the airline operators.

Furthermore, Malta's insularity places a significant dependence on air transportation. The peripheral location of Malta in Europe further makes land transportation less adequate for cross-border delivery services.

[✂ text redacted due to confidentiality ✂ ]

*Table 7: MaltaPost Standard Mail Outbound and Inbound Kilos*

[✂ text redacted due to confidentiality ✂ ]

*Table 8: MaltaPost Registered Mail Outbound and Inbound Kilos*

[✂ text redacted due to confidentiality ✂ ]

*Table 9: MaltaPost Standard Parcels Outbound and Inbound Kilos*

According to the weight information, some countries may show net flows which are different from the general trend. Nonetheless, such country-specific weights (in particular the inbound weights) have to be interpreted with caution, since it is possible that some oversea service providers do not directly route to Malta but use a transit country for that purpose.

## 3.2 Cost Information

The second set of data that MaltaPost provided and which was considered by the MCA was regarding the costings, such as Terminal Dues and Conveyance costs. For the respective countries, weights and mail types, MaltaPost provided additional cost information for the MCA to understand the margins of the retail price.

This information was relevant to carry out the detailed analysis since the cost-accounting information which is generally available to the MCA for other purposes is not compiled on a route-by-route basis for the various weight categories established in the Regulation. The combination of the different sources of information hence assisted the MCA to make further

estimations. In line with standard costing methodologies, different costs may be directly allocated or indirectly attributed, depending on the extent to which cost-causation/recovery drivers may be identified, and also depending on the information that is available for that purpose. The process seeks to be proportionate and objective, but such estimates may always be subject to refinements going forward.

The tables below reflect the estimations carried out for the respective mail types (depending on the category and weight). The principal components of the tables show three main types of costs: Terminal Dues, Conveyance, and Other Costs.

[✂ text redacted due to confidentiality ✂ ]

[✂ text redacted due to confidentiality ✂ ]

*Table 10: Other Cost Calculation*

[✂ text redacted due to confidentiality ✂ ]

*Table 11: MaltaPost Standard Mail 500g margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 12: MaltaPost Standard Mail 1Kg margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 13: MaltaPost Standard Mail 2Kg margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 14: MaltaPost Registered Mail 500g margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 15: MaltaPost Registered Mail 1Kg margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 16: MaltaPost Registered Mail 2Kg margins*

[✂ text redacted due to confidentiality ✂ ]

*Table 17: MaltaPost Track & Trace Parcel 2Kg margins Other Considerations*

### **3.2.1 Share of volumes**

Additional information that MaltaPost submitted, and which was considered by the MCA is related to the shares of the different weights of outbound delivery services and the conditions that MaltaPost applied when determining the retail outbound price.

[✂ text redacted due to confidentiality ✂ ]

*Table 18: MaltaPost Standard Mail Weight Distribution*

## 4 Assessment and Way Forward

The MCA took into perspective all the information available to it, including cost accounting information and other information made available by MaltaPost to the MCA for this assessment.

Based on all these factors, the MCA's main findings are as follows:

- The outbound mail flows are considerably lower than inbound mail flows with resulting implications on the ability to achieve comparable economies of scale.
- During Financial Year 2021, all outbound and inbound mail volumes decreased by [~~text redacted due to confidentiality~~] and [~~text redacted due to confidentiality~~] respectively when compared to Financial Year 2022.
- In general, MaltaPost's Outbound rates for standard mail is based on a Zonal Pricing system and the prices, therefore, have pockets where the ratio of price-to-cost is not uniform.
- The prices that were under scrutiny according to the Regulation, represent a share of [~~text redacted due to confidentiality~~] of the outbound weight flows.
- Since Malta is an island Member State within the EU at the periphery of Europe, the conveyance costs are mainly related to air transport.

The MCA will keep monitoring these tariffs in line with local and international market developments.



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