**Decision No. 1/4 of the Board of the Public Utilities Commission**

Adopted 31 March 2022

**Methodology for the Calculation and Determination of the Net Costs of Fulfilment of Obligations of the Universal Postal Service**

*Issued pursuant to*

*Section 30, Paragraph three of the Postal Law and Section 25, Paragraph one of the law On Regulators of Public Utilities*

1. Methodology for the calculation and determination of the net costs of fulfilment of obligations of the universal postal service (hereinafter – the methodology) prescribes the procedures by which the provider of the universal postal service calculates and determines the net costs of fulfilment of obligations of the universal postal service (hereinafter – the net costs), and also the amount of information to be submitted to the Public Utilities Commission (hereinafter – the Regulator) and the procedures for submitting it in order to approve the net costs.

2. The provider of the universal postal service shall calculate the costs that are related to the provision of the universal postal service according to the methodology for the calculation of tariffs of the universal postal service (hereinafter – the tariff methodology) laid down by the Regulator.

3. The provider of the universal postal service shall calculate the net costs for the calendar year, calculating separately the net costs of each postal service included in the composition of the universal postal service, according to the division of costs determined in the tariff methodology, in conformity with the following formula:

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Where

TI – sum of the net costs (EUR);

TIi – the net costs for each particular postal service included in the composition of the universal postal service which are indicated from TI1 to TI4;

TI1 – the net costs for the collection, sorting, transportation, and delivery of inland and cross-border letter-post items (including registered and insured items) the weight of which does not exceed two kilograms (EUR);

TI2 – the net costs for the collection, sorting, transportation, and delivery of inland and cross-border postal parcel items (including insured items) the weight of which does not exceed 10 kilograms (EUR);

TI3 – the net costs for the delivery of cross-border postal parcels (including insured) which are received from other European Union states and the weight of which does not exceed 20 kilograms (EUR);

TI4 – the net costs for the collection, sorting, transportation, and delivery of subscribed press publications (EUR);

IzarUP – the expenses arising from ensuring the postal service included in the particular universal postal service if obligations of the universal postal service have been determined (EUR);

IearUP – the revenue arising from ensuring the postal service included in the particular universal postal service if obligations of the universal postal service have been determined (EUR);

IzbezUP – the expenses arising from ensuring the postal service included in the particular universal postal service if obligations of the universal postal service have not been determined (EUR);

IebezUP – the revenue arising from ensuring the postal service included in the particular universal postal service if obligations of the universal postal service have not been determined (EUR).

4. The sum of the net costs does not exceed losses from the provision of the universal postal service which have been calculated in accordance with the tariff methodology.

5. The provider of the universal postal service shall calculate the additional benefit according to the following formula:

|  |  |  |
| --- | --- | --- |
| PI = Ac × (1 – | Ac | ) × pp |
| Ak |

where

PI – the additional benefit (EUR);

Ac – the revenue (turnover) of the provider of the universal postal service from other services provided and not included in the universal postal service if the acquisition of such revenue is possible only by providing the universal postal service (EUR);

Ak – total turnover (revenue) (EUR);

pp – interest percentage calculated as the proportion between the profit or losses of merchants after taxes and the turnover of merchants (in the field of postal and courier activities) by using the last available information published by the Central Statistical Bureau on the financial analysis indicators of merchants.

6. If the provider of the universal postal service submits, by 1 September of the current year, to the Regulator the calculation of the net costs and the justification thereof for the previous calendar year for approval, the provider of the universal postal service shall prepare and concurrently submit also the following information to the Regulator:

6.1. the calculation of the additional benefit according to the formula specified in Paragraph 5 of the methodology;

6.2. the calculation justifying that the provider of the universal postal service is subject to an unfair financial burden in accordance with that laid down in Section 30, Paragraph seven, Clause 3 of the Postal Law;

6.3. a sworn auditor’s report on the review of the calculation of the net costs;

6.4. information on the sum of compensation from the State budget if such has been assigned.

7. Decision No. 1/29 of the Public Utilities Commission of 11 October 2013, Methodology for the Calculation and Determination of the Net Costs of Fulfilment of Obligations of the Universal Postal Service (*Latvijas Vēstnesis*, 2013, No. 204; 2015, No. 240), is repealed.

8. The Methodology shall come into force on the day following its publication in the official gazette *Latvijas Vēstnesis*.

**Informative Reference to European Union Directives**

The methodology contains legal norms arising from:

1) Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service;

2) Directive 2002/39/EC of the European Parliament and of the Council of 10 June 2002 amending Directive 97/67/EC with regard to the further opening to competition of Community postal services;

3) Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.

Chair of the Board of the Public Utilities Commission A. Ozola