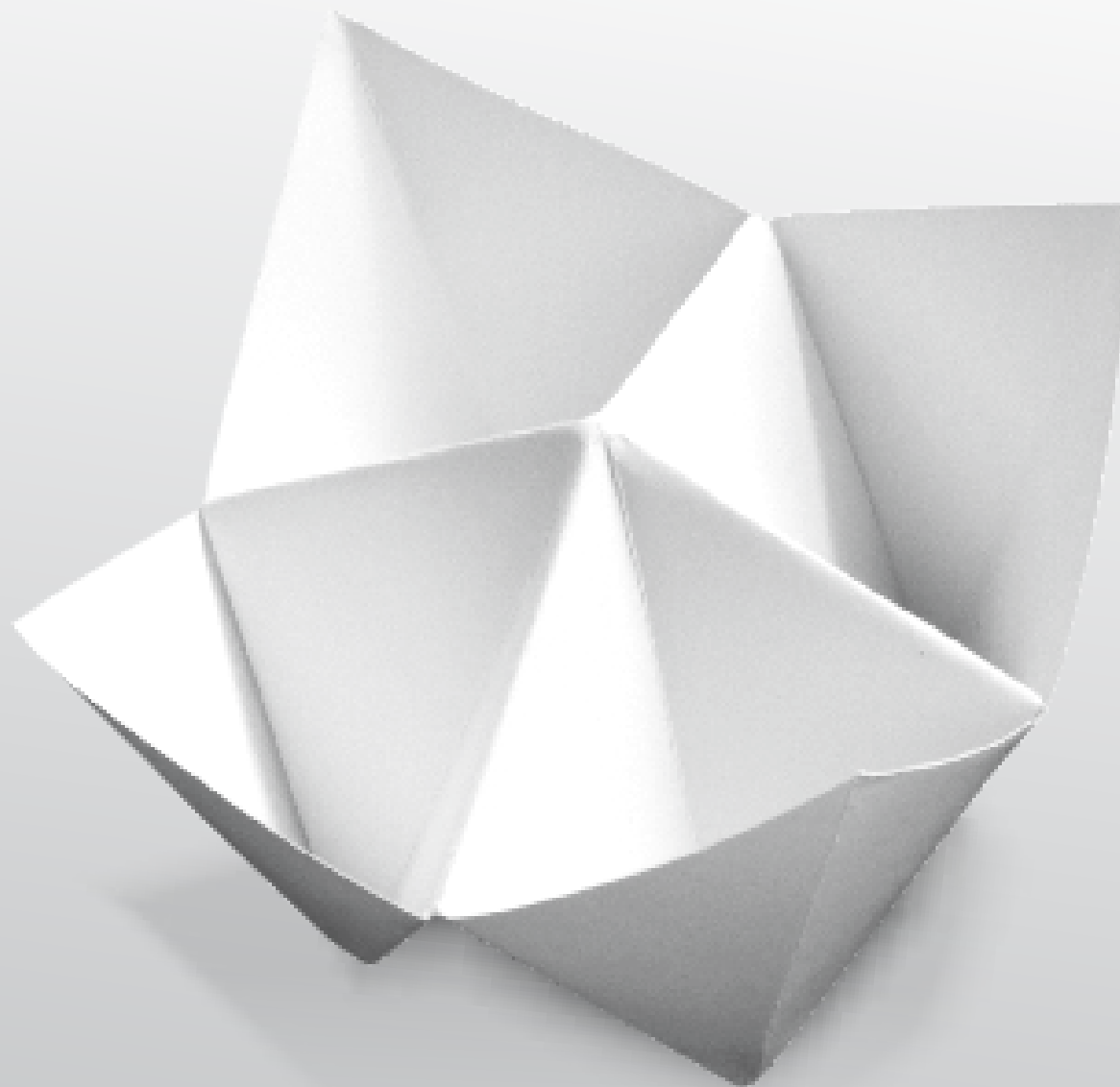


ANNUAL  
REPORT  
& financial  
statements  
2008



# contents

04	Chairman’s Message
08	Board Members
10	Management Committee
12	Market Overview
20	Electronic Communications
46	Postal Services
54	eCommerce & ICT Initiatives
60	End User & Legal Affairs
64	Inside MCA
68	Financial Statements

# Chairman's Message

“We must ensure that the sector continues to invest in innovation and new technologies and that Malta continues to make important steps towards becoming a digital economy which all citizens benefit from.”

Philip Micallef, Chairman





As the regulator for a field as dynamic as the communications sector, this Authority is well accustomed to adapting to market developments requiring changes in regulatory stances. This Authority is also well accustomed to taking on new functions, such as when it assumed responsibility for the postal sector in June 2003 and for spectrum management in 2004. Notwithstanding, the assumption of new roles, in June

2008, related to eInclusion and eBusiness, was significant from an institutional perspective.

On the other hand, the Authority had enjoyed constancy in its leadership since its establishment in 2001; the appointment of a new Chairman and Members of the Board in April 2008, therefore, was an important development.

This report reflects the strong elements of continuity from the previous Board, but also points towards the signs of change brought about by the new Board.

Internally, the Authority continued to pursue its objectives to achieve a global reduction in costs as well as greater internal efficiency. The Authority also sought to achieve stability in terms of number of personnel whilst not compromising on capacity or competencies. On the regulatory front, the Authority placed additional focus on the reliability and security of networks, especially in emergency situations.

In this regard, the Authority faced unprecedented events when one of the cables linking Malta to the rest of the world suffered two significant faults in a period of six months. The event led to greater voluntary collaboration between operators with a view to providing backup services to each other in such eventualities. It also highlighted a legal lacuna that prevented the MCA from intervening directly in such instances. Consequently, following consultation with interested parties, the Authority proposed the adoption of new regulations by Government aimed at ensuring continuity of supply of international electronic communications. It is expected that the Regulations will be adopted early in 2009.

The Authority developed measures to promote more efficient use of radio frequencies placing a greater focus on market approaches to spectrum management, taking into account the prospective, more stringent application of the principles of technology and service neutrality. During this year, the Authority strengthened its consumer

affairs function to reflect the ever increasing focus on quality of service. It also laid the groundwork for the digital switchover set for 2010.

The communications market generally exhibited growth in all key sectors. The electronic communications market contributed over 3% of the overall economic growth, a significant increase over the 2.5% of GDP produced in 2007. The sector employed 2,459 people creating nearly 120 new jobs, while at the same time increasing profits by €40 million over 2007. These are encouraging results for the economy as a whole which is dependent on this sector for continued growth and development.

Across the board, there are strong indications that the improvements, particularly in terms of price and choice, brought about by competition are generating a positive response from the general public in terms of take-up and usage.

The most dynamic of the electronic communications sectors was the mobile telephony sector where, in the last quarter of 2008, Malta witnessed the launch of two new Mobile Virtual Network Operators as well as the final preparations for the launch of a third generation network operator. Mobile subscriptions grew substantially to reach 94% of the population by the end of 2008. Competition continued unabated while number portability remained an extremely popular service with a staggering 35,000 subscribers choosing to switch service provider while retaining their original mobile number.

In 2008, further reductions in roaming tariffs fuelled a marked increase in both

# Chairman's Message

inbound and outbound roaming traffic. Local SMS traffic, on the other hand, declined in the second half of the year while subscribers continued to make more voice calls. This latter shift is a welcome development as it reflects a reduction in the price difference between SMS and voice tariffs generally driven by promotional offers featuring free minute bundles.

The fixed telephony sector remained very strong, experiencing a growth in traffic of 3.5% or 22.1 million minutes over 2007 with subscriptions growing by 4.81% to reach 239,252. This is just one of the areas where trends in Malta depart from those generally experienced in the EU where fixed telephony is on the decline.

The digital TV market was no exception

to the positive overall trend with just under 23,000 new subscribers in 2008 alone. Not surprisingly the number of households dependent only on free-to-air analogue TV reception dropped from 17% to 12%. This augurs well for the work commenced in 2008 on the free-to-air TV digital switchover.

Broadband remained particularly strong, registering the highest growth rate in the EU. Our penetration rate has now surpassed the EU average reaching 24.6% by the end of 2008.

Unsurprisingly postal mail volumes declined when compared to 2007; however, gains were reported in relation to inbound registered mail, bulk mail items and parcel post. While Maltapost continued to exceed its quality of service obligations, the MCA established rules on

the measurement of the Universal Service obligations incumbent upon the same operator.

The regular MCA survey on eCommerce indicates an ongoing growth in take-up coupled with more frequent shopping expeditions by online shoppers – 15% of eCommerce users made 10 online purchases or more over a six month period. Local eCommerce websites are also gaining in popularity.

In mid-2008, the MCA broadened its remit when it assumed responsibility for implementing the national policy on eInclusion and eBusiness as reflected in the National ICT strategy – the Smart Island Strategy. The new functions allow the MCA to take a more holistic approach to the eCommerce sector. The eInclusion work stream allows it to gain a deeper

insight into the impact of the electronic communications sector on individuals, particularly disadvantaged groups. In this regard, during the year under review the MCA continued to implement the Smart Start scheme and the PC for 99c which jointly helped over 9,000 families to acquire a PC. It also facilitated the operation of Community Technology Learning Centres which have provided IT training to over 1,200 persons. In parallel, the Authority laid the groundwork for a number of projects including the development of a new eCommerce Trustmark and the provisioning of free WiFi services in public places.

The rescinding of the Broadband Wireless Access frequency licence by one of the operators was a major set-back for the MCA's plans for further proliferation of broadband networks, as the number of

operative networks in this field remained static. This was partially precipitated by the global financial crisis in the latter part of 2008.

In all, 2008 proved to be another year where competition has helped increase subscriber numbers and penetration levels in all communications sectors. Digital technology has given rise to a quiet revolution over the past decade. Many of us now take for granted a world of constant communication; of data transfer from home to work and vice-versa; innumerable television and radio channels; user-generated content on the worldwide web; instant connectivity with virtual communities of friends and interest groups and practically free video communication with friends and family across the globe. Malta must ensure that our wired and wireless communications

and broadcasting networks can continue to meet, and if possible spur on, the demands of today's knowledge-based economy.

As a result, the MCA will continue to face tough challenges in 2009 as it seeks to establish the regulatory parameters for next generation networks. The objective here is to encourage innovation and investment in state-of-the-art infrastructures while continuing to facilitate competition for the benefit of end-users. Another challenge will be the transposition of the EU electronic communications framework into Maltese legislation, which, following a hectic year of debate at the EU level during 2008 and in which the MCA participated actively both at the European Regulators Group (ERG) level and the Council level, will start in earnest in 2009.

Inevitably, the most important challenge for the MCA will be to ensure that the existing competition in all communications sectors results in improved quality of service to end-users in line with the level of excellence that our citizens expect. The Authority will also strive to engender improved cooperation between undertakings in the sector. There is no question that a greater level of collaboration will lead to the creation of a stronger and more resilient sector, without in any way diminishing or stifling the healthy competition which is starting to take root. This is particularly important in a small economy such as ours and I invite industry players to respond positively to this call. No less challenging will be the need to, in the face of an economic downturn, ensure that the sector continues to invest in innovation and new technologies and

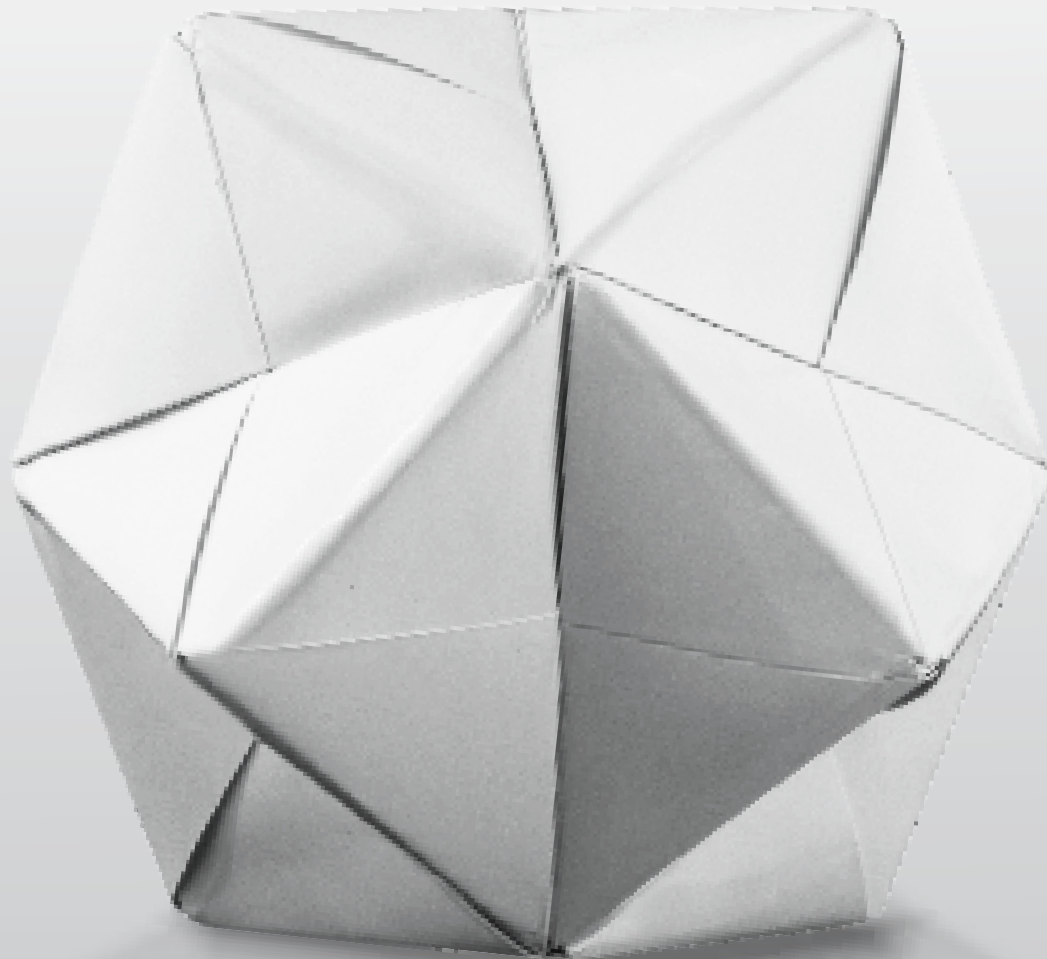
that Malta continues to make important steps towards becoming a digital economy which all citizens benefit from.

Yours,



Philip Micallef  
Chairman

# Board Members



“This report reflects the strong elements of continuity from the previous Board, but also points towards the signs of change brought about by the new Board.”

Philip Micallef, Chairman



FROM LEFT:

01 Berta Sullivan  
Member

02 Marcel Cutajar  
Member

03 Antoinette Vassallo  
Member

04 Antonio Ghio  
Member

05 Celia Falzon  
Board Secretary

06 Ivan Bartolo  
Member

07 Reuben Balzan  
Member

08 Philip Micallef  
Chairman



FROM LEFT:

**01 Helga Pizzuto**  
Chief Technical Officer

**02 Ian Agius**  
Chief of Operations

**03 Paul Micallef**  
Chief Legal Adviser

**04 Celia Falzon**  
Chief of External Relations

**05 Philip Micallef**  
Chairman

**06 Roberta Tabone**  
PA to Chairman

**07 Patrick Vella**  
Chief of Policy and Planning

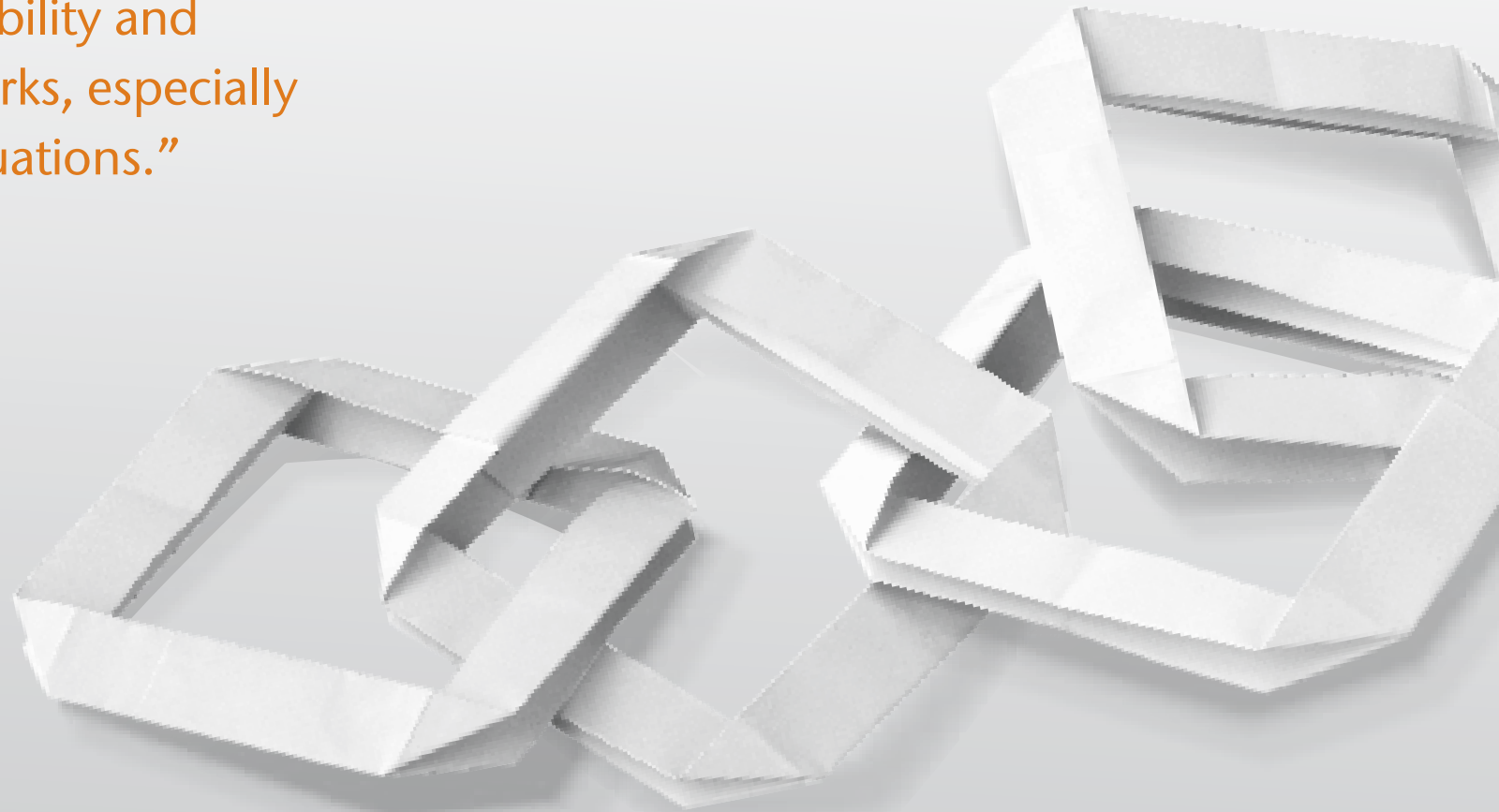
**08 Peter Gatt**  
Chief of Corporate Services

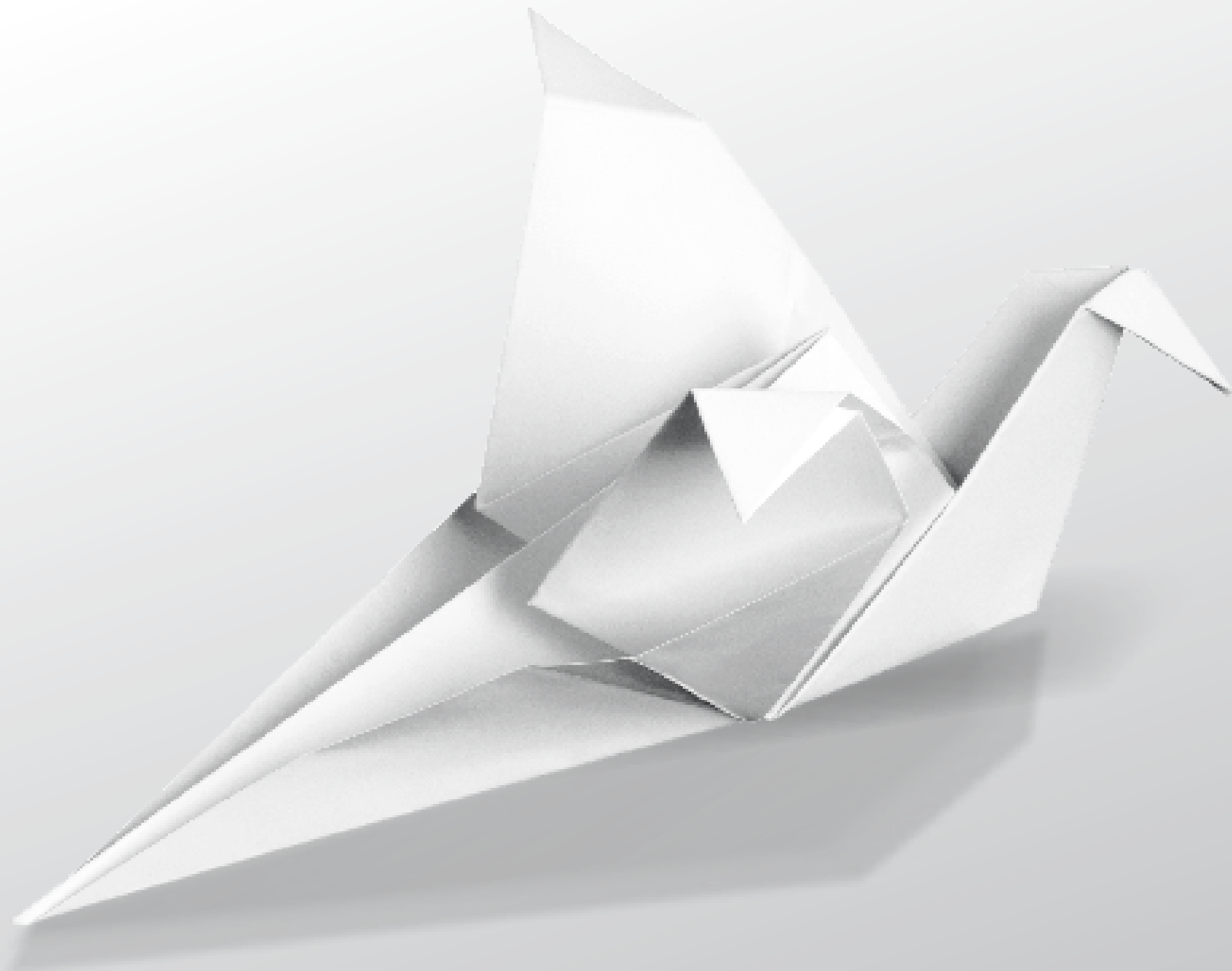


# Management Committee

“On the regulatory front, the Authority placed additional focus on the reliability and security of networks, especially in emergency situations.”

Philip Micallef, Chairman





# MARKET OVERVIEW

“The communications market generally exhibited growth in all key sectors.”

Philip Micallef, Chairman

## OVERALL PERFORMANCE OF THE COMMUNICATIONS SECTOR

The telecommunications industry registered overall positive results during 2008 contributing 3.1% to GDP in 2008, up from 2.5% in 2007.

Expenditure in the domestic economy was around €92 million compared to €113.2 million in 2007. Labour costs reached €41.5 million, up from €39.1 million. Overall in 2008, the sector yielded an output of €266.8 million, representing an additional output of €18.3 million over the corresponding figure in 2007.

In 2008, the operating surplus (profit) of the

telecommunications sector reached €93.4 million, compared to €53.8 million in 2007. This growth was registered despite the level of expenditure for goods and services consumed locally, the increases in labour costs and the general tendency of falling prices registered across the sector. The industry also had a positive impact on employment levels through the creation of 110 full-time and seven part-time jobs during 2008.

The postal sector's contribution to GDP remained practically the same at 0.3% while labour costs declined from €11.2

million in 2007 to €10.4 million the following year. On the other hand, the sector's expenditure in the domestic economy increased by €1.4 million. Overall, the postal sector registered an increase in output, up from €21.4 million in 2007 to €23.9 million last year. However, it registered a negative operating surplus of €5.2 million during 2008. Full-time jobs in this sector declined by 13 during the same period.

## FIXED LINE TELEPHONY

In 2008, users in Malta continued to choose fixed telephony as their preferred telephony service with the number of fixed telephony minutes growing by 3.5% over 2007.

2008 saw a very significant increase in fixed-to-fixed traffic of 44.4 million minutes, representing an increase of 8.9% over 2007. This growth was driven by competitively priced offers for on-net calls by the

service providers. Higher traffic was also registered in terms of fixed-to-mobile, with traffic increasing by 9.5 million minutes. Fixed to international minutes, on the other hand, decreased by 3 million minutes.

Increases in fixed line originating traffic were reported, despite the decline of 28.9 million minutes registered in dial-up Internet access and notwithstanding the competition from

unmanaged PC-based VoIP call services (such as Skype).

The number of fixed line subscribers in Malta also continued to register growth with an increase of 10,990 subscribers, or 4.8%, over the number of subscribers registered as at the end of December 2007, to reach 239,252 as at the end of the fourth quarter of 2008. The continued growth in subscribers in the fixed line sector is attributed to a good

# Market Overview

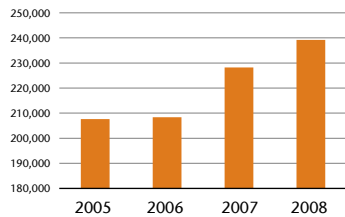
number of consumers purchasing fixed line access to the public telephone network from more than one operator, instead of switching. This choice offers consumers the possibility of benefiting from cheap on-net call

tariffs offered by different operators. At the same time, one cannot ignore the fact that users need time to try out new service providers before they actually decide whether or not to switch.

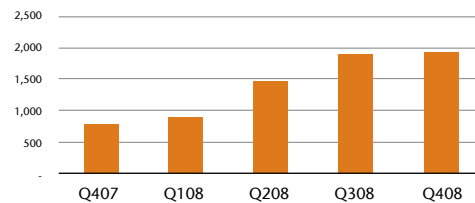
As at the end of 2008, a total of 2.6% of subscribers

(6,226) ported their fixed line number. This reflects a very significant increase over 2007, by the end of which 2,200 subscribers had ported their fixed number.

**FIXED TELEPHONY SUBSCRIPTIONS**



**FIXED PORTINGS**



## Malta and the EU

The Maltese fixed telephony market continues to go counter to European trends where this market continues to exhibit a year on year decline.

From a competition perspective, the availability of new operators in the Maltese fixed line telephony

sector has continued to push prices down further.

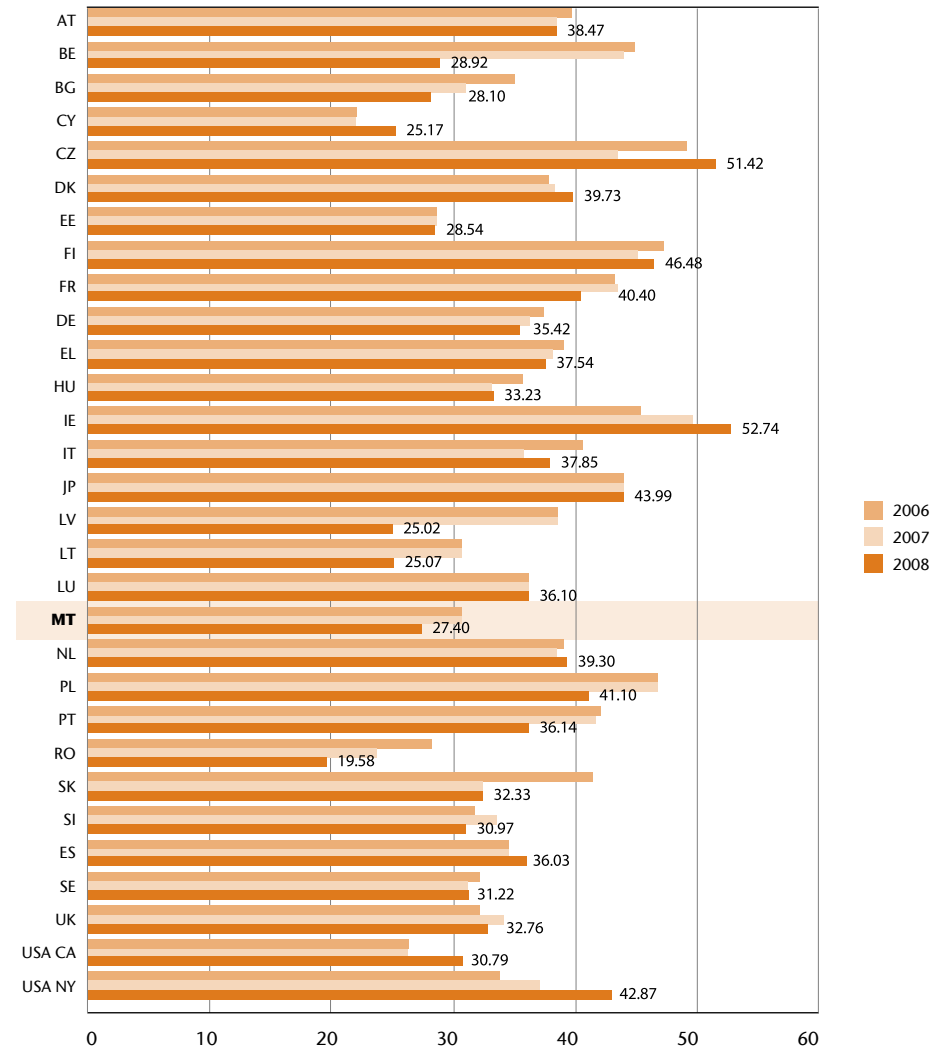
In terms of fixed number portability, the popularity of this service in Malta could also be partially attributed to the fact that Malta continues to have one of the best services in the EU, in terms of timeframes for porting where the average porting time is 7.5 days,

against 5 days in Malta<sup>1</sup>.

Moreover, retail fixed line call rates in Malta are significantly lower than the EU average, where the European Commission is reporting that the average/typical fixed telephony communications consumer price in Malta is €27.40/month as against €36.13/month in the rest of the EU.

## MEDIUM USAGE RESIDENTIAL BASKET

€ per month, VAT included



<sup>1</sup> 14<sup>th</sup> Progress Report on the Single European Electronic Communications Market – 2008.

### MOBILE TELEPHONY

As 2008 progressed, it became apparent that the mobile sector was set to maintain a healthy growth path across all its subsectors. Competition intensified in 2008 with the arrival of two new service providers – Bay Mobile and RedTouch Fone - which both use Vodafone’s infrastructure to offer services. Also during the year under review,

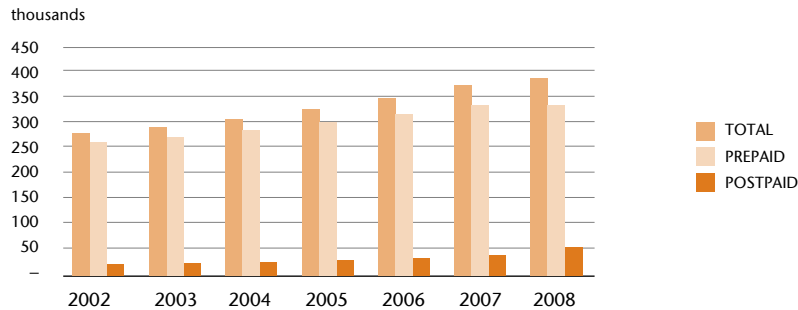
Melita deployed its own mobile infrastructure, thereby setting the scene for more infrastructure-based competition in the mobile sector in the coming months.

In terms of subscriptions, the figures show that, as at the end of 2008, the total number of mobile subscribers reached 385,636. This figure represents an increase of

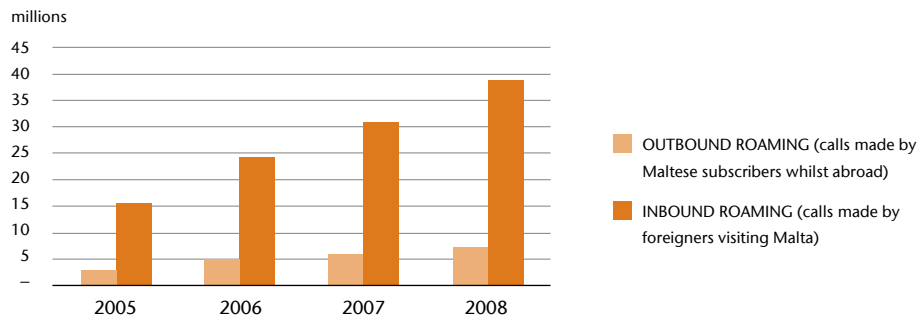
17,106 subscribers, or 4.6%, over the corresponding figure recorded by the end of the fourth quarter of 2007.

As at the end of 2008, approximately 14% of all mobile subscribers held a postpaid plan with the remaining 86% opting for prepaid services. These shares translate into 52,569 postpaid subscribers and 333,067 prepaid subscribers

### MOBILE TELEPHONY SUBSCRIBERS



### ROAMING MOBILE MINUTES



as at the end of the period under review. Compared with the corresponding period in 2007, the number of registered prepaid subscribers declined by 998 whilst the number of postpaid subscribers increased by 18,104. In line with the developments highlighted above, the local mobile penetration rate as at the end of the fourth quarter of 2008 stood at 94% of the population.

During 2008, the number of mobile portings increased as well, with 35,327 subscribers having ported when compared to 22,325 portings reported in the previous year. Both

in 2007 and 2008, the bulk of mobile portings were reported during the fourth quarter of each respective year, mainly reflecting a consistent strategy of local operators in launching new offers during this period.

In terms of mobile originating traffic, local service providers registered an increase of 26.7 million minutes in 2008, representing a 12% increase over the corresponding traffic reported for 2007. In 2008, mobile-to-mobile minutes accounted for approximately 88% of all mobile originated traffic.

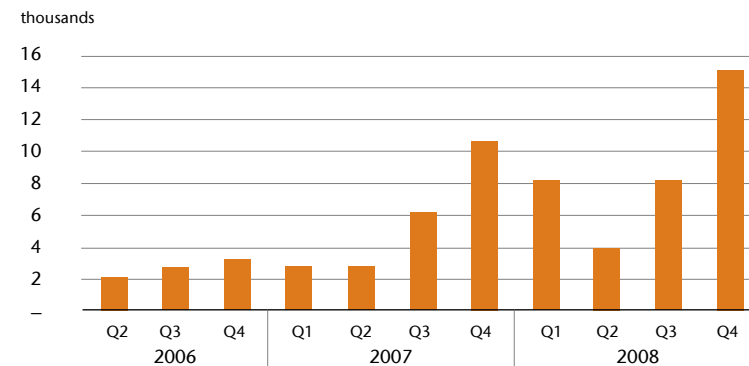
In 2008, SMS traffic declined from 511.4 million SMSs in 2007 to 503.8 million SMSs last year.

This decline in SMS traffic is mainly attributed to the promotional offers featuring free minute bundles which enticed users to make mobile calls instead of sending an SMS.

MMS traffic continued to suffer a downward trend, declining from 562,556 in 2007 to 360,195 in 2008. This negative performance may reflect tariff complexities, cost considerations and the consumers’ need (or the lack thereof) to send an MMS.

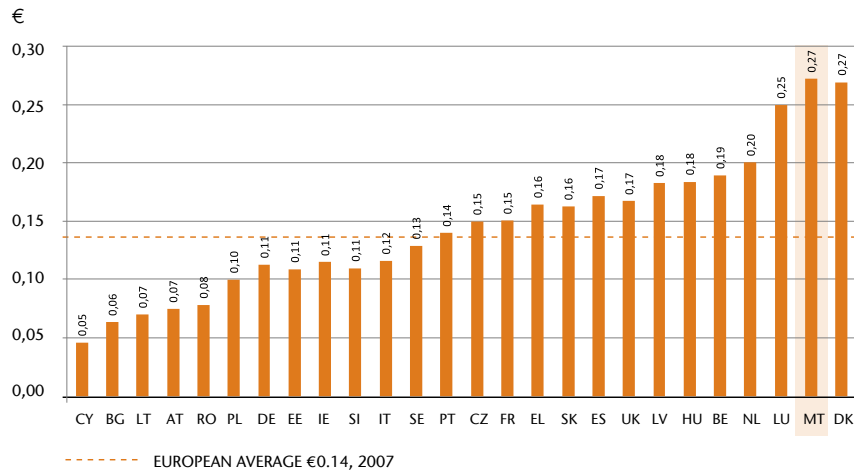
In terms of roaming, it is worth noting that both outbound and inbound roaming minutes in 2008 experienced a significant increase of 21.7% and 25.2% respectively. Voice traffic

### MOBILE PORTINGS



# Market Overview

## MOBILE TELEPHONY CHARGE PER MINUTE OF VOICE COMMUNICATION



CZ value added tax included. DK, EL and LV data revenues and subscription revenues included.

originated and received by Maltese mobile subscribers travelling abroad increased by 672,069 minutes and 605,012 minutes respectively. The reported increases were expected, as with the introduction of the EU regulation on roaming (the Eurotariff) in June 2007, those travelling within the EU now have the opportunity to communicate across borders at more affordable and transparent prices. Roaming traffic is also seasonal in nature, with most minutes made or received during the summer months.

### Malta and the EU

Despite the achievements in the local mobile sector over the last few years, there are instances where the sector lags behind its EU counterparts. The area of most concern is that of pricing where, according to the European Commission, Malta registers the highest mobile voice telephony prices in the EU, with the local average cost per minute being €0.27 as against the EU average of €0.14.

The Commission's 14<sup>th</sup> Progress Report underlines that mobile voice telephony costs are twice as much in Malta as in the rest of the

EU. The report states that the average/typical mobile communications consumer price in Malta is €22.73/month as against the EU average of €19.49/month.

In terms of average revenue per user, Malta ranks the 7<sup>th</sup> highest in the EU, indicating that there should be room for competition to thrive in this sector. Malta enjoys a mobile penetration rate of 94%, which is still lower than the EU average penetration rate of 119%. Italy is the leading country in terms of mobile penetration, having surpassed the 150% mark as at October 2008.

## INTERNET

Total Internet subscriptions reached 102,908 by the end of 2008. Broadband subscribers accounted for 98% of total Internet subscriptions, reaching 100,915. The latter figure translates into a broadband penetration rate of 24.6% of the population.

Dial-up Internet subscriptions continued to decline, with just 1,993

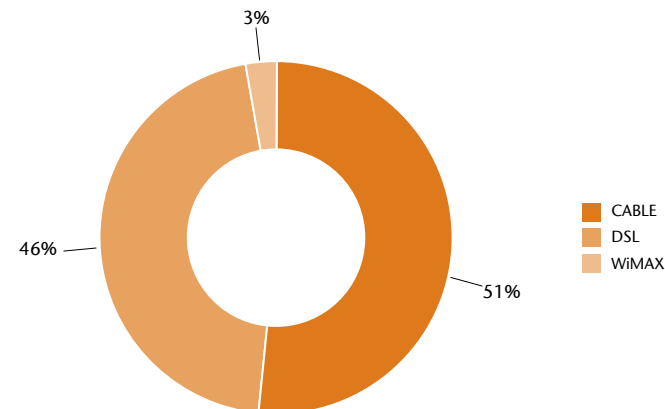
subscribers registered by the end of the fourth quarter of 2008 compared to 5,426 subscribers registered as at the end of the corresponding period a year earlier. In line with such a decline, Internet dial-up minutes in 2008 registered a drop of 29 million minutes over 2007.

During 2008, Digital Subscriber Line (DSL) subscriptions increased

to 46,050 whilst cable subscriptions increased to 51,983. Another increase was registered in terms of fixed WiMAX<sup>2</sup>, with subscribers to this service increasing from 949 as at the end of 2007 to 2,882 as at the end of 2008. This corresponds to a market share of 51.5% for cable, 45.6% for DSL, and 2.9% for WiMAX.

The positive increase in

### INTERNET SUBSCRIPTIONS



→ See also: Chart on Malta Fixed Broadband Penetration, Section Electronic Communications, page 45

<sup>2</sup> Vodafone Malta is the first local mobile operator to offer broadband and Voice over IP services to residential and business customers through fixed WiMAX (Worldwide Interoperability for Microwave Access), on the 3.5 GHz spectrum. Fixed WiMAX, also known as 802.16d, is a technology aimed at providing high-speed wireless broadband and VoIP telephony services to home and business consumers.

broadband connections experienced in 2008 was mainly a result of the significant price decreases and offers launched by broadband providers, and also due to the successful take-up of Project Blueskies which was launched by Government in the first quarter of the same year. The scheme was intended to provide a broadband connection to those households having no Internet at home or those having a dial-up connection.

**Malta and the EU**

In 2008, Malta exhibited the highest growth rate (7%) in terms of broadband penetration in Europe with the result that the local penetration rate surpassed the EU average of 22.9% ranking Malta in the 11th place in terms of absolute penetration. Perhaps a more important indicator relates to broadband penetration by household, where at 55%, Malta ranks 7th of all EU Member States.

The European market is exhibiting a significant growth in take-up of mobile data. Take-up in Malta has reached a

penetration rate of 10% as against the EU average of 13%. The penetration of dedicated mobile data service cards which stands at 1.2% remains below the EU average of 2.8%.

Another important indicator in terms of broadband connections is broadband speed where, in Malta, the vast majority of subscribers (approximately 95%) enjoy a speed of 2 Mbps compared to around 75% in the EU who enjoy a similar speed.

**PAY TV**

During 2008, Pay TV maintained a steady growth path with substantial increases in terms of subscriptions recorded for both Cable (digital) TV and Digital Terrestrial Television (DTTV). These increases more than compensated for the declines registered for Cable (analogue) TV.

In terms of overall market share, Cable TV subscriptions account for 75% of all subscriptions reported by the two local operators providing

Pay TV services as at the end of 2008.

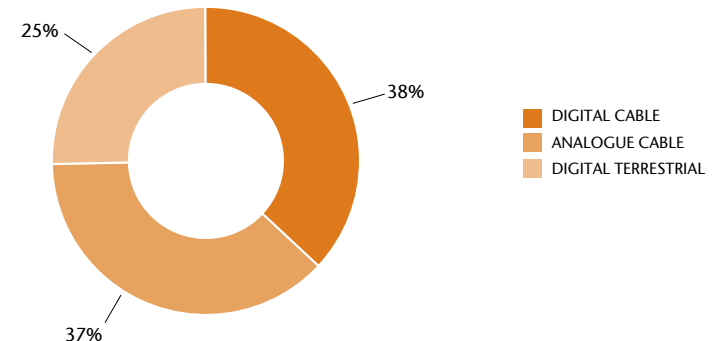
The subscriber base for Cable (digital) TV strengthened to 48,047 by the end of the fourth quarter of 2008, an increase of 13,169 over the corresponding 2007 figure. DTTV also registered substantial gains, with subscribers reaching 32,172 by the end of 2008, representing an increase of 10,678, or 49.7%, over the corresponding figure a year earlier.

Cable (analogue) TV

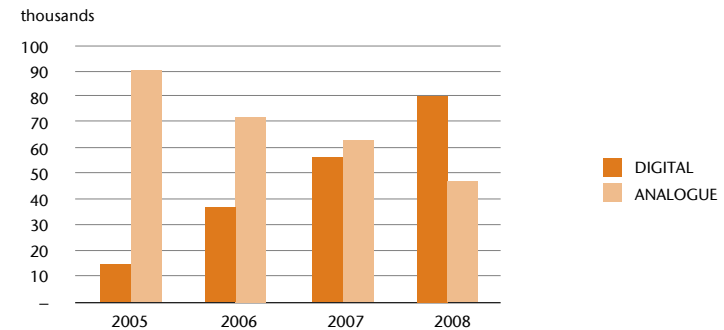
registered a drop in subscriptions, from 63,180 subscriptions by the end of the fourth quarter of 2007 to 47,126 subscriptions by the end of the fourth quarter of 2008.

Overall, digital TV subscriptions accounted for 63% of the total subscriber base, with the remaining 37% being analogue TV subscriptions. Analogue and digital TV subscriptions amounted to 127,345 as at the end of 2008.

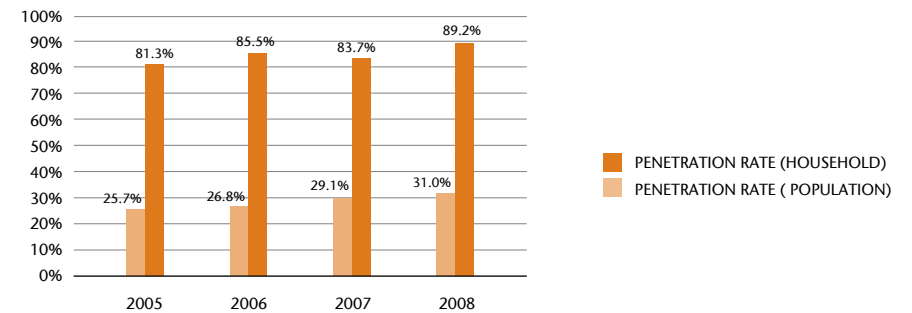
**TELEVISION SUBSCRIBERS**



**TELEVISION SWITCH FROM ANALOGUE TO DIGITAL**



**PENETRATION OF TV SUBSCRIPTIONS**





# Market Overview

## Malta and the EU

Malta, together with Luxembourg and Cyprus, enjoys the highest television penetration rate with virtually all households having at least one television.

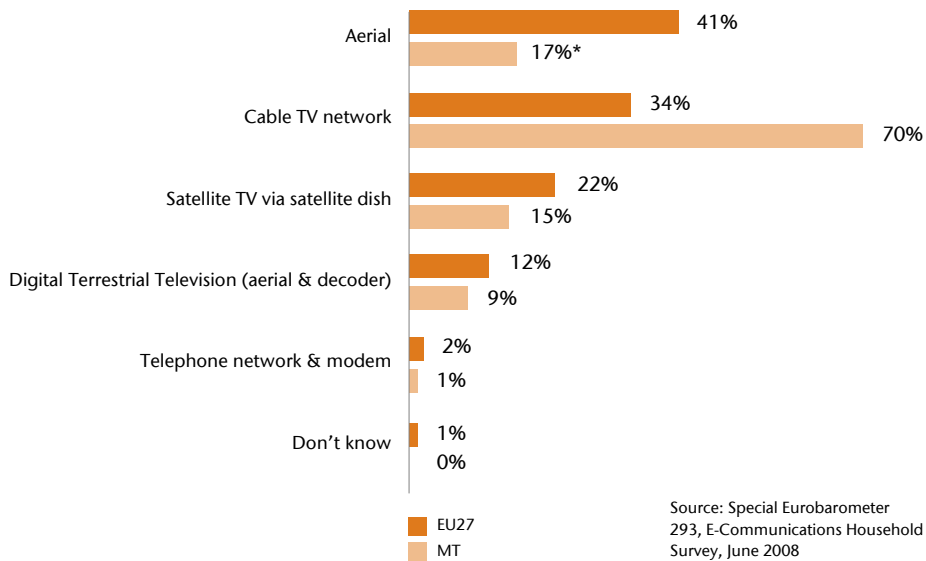
Cable TV is the most popular means of viewing television. The proportion

of households with cable access is twice as high as that for all households in the EU. Whereas in the EU, access via aerial (analogue free-to-air) is the most common method (41%), this is less common in Malta (12%). As at June 2008, access to digital terrestrial television stood at 9% compared to the 12%

EU average. Satellite TV reception enjoys a 15% penetration. However it is noted that no Maltese channels are available on this platform.

A proportion of households also receive television through more than one means of reception.

## PENETRATION OF TV RECEPTION PLATFORMS



\* The Broadcasting Authority reported a drop from 17% in 2007 to 12% in 2008.

## POSTAL SERVICES

The postal services sector in Malta is characterised by the designated Universal Service Provider (USP), namely Maltapost plc, and another 16 registered postal operators, which offer services falling outside the universal service area. The USP is obliged to provide services both within the reserved<sup>3</sup> and non-reserved part of the universal service area. It is also of note that, in March 2007, Premiere Post Ltd. was granted a licence to provide non-reserved postal services within the scope of the universal service area, bringing the total number of players in the market to 18.

During 2008, Government divested 40% of its holding in Maltapost following an Initial Public Offering launched in January. Following the introduction of Maltapost plc on the Malta Stock Exchange, Lombard Bank Malta plc acquired a further 3.8% stake in the company increasing its majority

shareholding to 63.8%.

The Quality of Service (QoS) offered by the USP is monitored by the MCA. In 2008, all QoS targets for ordinary and registered mail items were achieved by Maltapost. However, the results achieved by Maltapost for domestic mail during 2008 were below those achieved in 2007. This may be attributed to the restructuring undertaken by Maltapost during the year under review, whereby the influx of new employees may have had an impact on the efficiency of the USP.

On the other hand, performance with respect to registered mail improved. During the same year, total postal items (domestic, outbound and inbound cross border mail) processed by the same operator declined when compared to 2007. Total postal items processed in 2008 amounted to 47.3 million items, that is, 3.7 million items less than those processed in the previous year.

## Malta and the EU

The trends in mail volumes experienced in Malta can be compared to the trends experienced in other European Member States during the 2004-2006 period (the most recent period covered by the reports available). Although, during this period, mail volumes, especially in new Member States, continued to increase, in Malta, growth in mail volumes was experienced only in the bulk mail sector.

The trends in postal volumes experienced in Malta may indicate that an increasing share of the mail market is dominated by mail originating from businesses, something which is also being experienced in other EU Member States, particularly in mature European mail markets such as the United Kingdom.

<sup>3</sup> The reserved area refers to mail weighing up to 50 grams and/or costing less than two and a half times the basic tariff, i.e. €0.19. Only the USP can operate within this area. The rationale behind the reserved area is that it compensates the USP for taking on the uneconomic burden of universal services. The reserved area will be removed following the full liberalisation of the sector which will take place no later than the end of 2012.

## STAMP PRICES FOR BASIC DOMESTIC LETTERS

COUNTRIES	2008 PRICE IN EUR
Denmark**	0.67
Italy	0.60
Austria	0.55
Germany*	0.55
France**	0.55
Ireland	0.55
Belgium**	0.54
Finland*	0.53
Greece**	0.51
Luxembourg	0.50
Netherlands	0.44
Bulgaria**	0.41
Poland	0.40
Lithuania	0.39
Czech Republic	0.38
Sweden*	0.36
Estonia*	0.35
Cyprus	0.34
Slovakia	0.33
Latvia	0.31
Portugal**	0.31
Spain**	0.31
United Kingdom*/**	0.31
Romania	0.27
Hungary**	0.27
Slovenia**	0.19
Malta	0.19

All tariffs are for mail items of a weight under 50g with the exception of the tariff for Spain which refers to mail items of a weight under 100g.

\* Countries where postal market is fully liberalised

\*\* Countries where stamp prices increased

Prices do not include VAT.

## ECOMMERCE

Statistics for 2008 indicate a positive trend in online purchasing by the Maltese population. It is interesting to note a rise in the amount of people purchasing from both foreign and Maltese sites, which is attributed to an increase in local sites offering eCommerce services.

The respondents to an MCA survey identified better prices as the main reason for shopping online. Electronic goods emerge as the most sought-after items on the Internet whilst the number of people purchasing more than 10 times in six months is showing a steady growth. The surveys carried out by the MCA also show that people are becoming more security savvy when transacting via the Internet with the use of PayPal (up from 10% in 2006 to 31% in 2008) substituting, to some extent, the use of credit cards (down from 93% in 2006 to 73% in 2008). Notwithstanding, the latter still remain the most popular method of payment when buying online.

Only 15% of respondents in an MCA survey have experienced a problem when purchasing online in the last six months,

out of which 75% have had their problem sorted out satisfactorily, with only 5% of these claiming that they will never buy again via the Internet. Security and threat of fraud remain key concerns when buying online.

## Malta and the EU

When comparing European statistics with those collected by the MCA, it transpires that the percentage of Maltese people having access to the Internet from home exceeds the EU average, 64% versus 60%. Nevertheless, when it comes to using the Internet, the amount of Maltese who do so (49%) is still well below the EU average (64%). Moreover, despite Malta being ranked second in the EU as regards the provision and quality of eGovernment services offered online, only 17% of the Maltese claim to make use of such services compared to 28% of all EU citizens.

On a positive note, Malta is close to the EU average as regards the use of online banking, with 28% of Maltese opting to carry out banking transactions over the Internet compared to 29% of EU citizens.

When it comes to buying

online, at 30%, Malta is also fairly close to the European average of 32%. Malta is understandably well above average as regards online shopping from other EU countries, with 29% of the Maltese claiming to make cross-border purchases compared to 7% of the Europeans.



# ELECTRONIC COMMUNICATIONS

“There are strong indications that the improvements brought about by competition are generating a positive response from the general public in terms of take-up and usage.”

Philip Micallef, Chairman

During 2008, the MCA continued to intervene directly in the electronic communications sector. It imposed obligations on undertakings found to have significant market power (SMP) in specific markets within this sector.

The markets subject to regulation are determined, at European level, by means of a Recommendation published by the European Commission. This Recommendation<sup>4</sup>, when first published in 2003, included 18 retail and wholesale markets, which were reviewed by the MCA between 2005 and 2008. The Recommendation<sup>5</sup> was revised in 2007, bringing the markets to be analysed down to seven. The Authority is required to analyse all these markets, as well as those markets which are no longer included in the Recommendation, but in which the Authority had imposed obligations in the first round of reviews. Before identifying an undertaking as having SMP in a market, the Authority is required to notify its findings to the European Commission for approval.

The major obligations

imposed by the Authority are primarily intended to enable undertakings, which have not deployed their own network, to enter the market. These obligations are further supplemented by other obligations, such as price control and non-discrimination, in markets which are not found to be competitive. The Authority initially analyses the markets in question – see *Table “Markets susceptible to ex-ante regulation”, page 22-23* – and subsequently imposes, confirms or removes existing obligations on market players found to have significant market power. Existing obligations are regularly reviewed to reflect developments, as well as to address any shortcomings, which may be identified when these obligations are being implemented.

The MCA’s interventions have enabled SKY Telecom to enter the fixed telephony market on the basis of regulated wholesale products, offered by GO, in conformity with obligations imposed by the Authority. The finding of SMP in the market for access and call origination on

mobile telephone networks also spurred the existing mobile operators into providing access to their networks that allowed the entry of Bay Mobile and Redtouch Fone into the mobile telephony market.

The Authority also enabled more competition in the electronic communications market by making available radio spectrum for the provision of such services. In 2008, this led to the roll-out of a third mobile network operated by Melita.

The resultant increase in the number of market players continues to influence the prices charged for electronic communications services by pushing them down further. In turn, revised prices are affecting consumer behaviour patterns, particularly with respect to voice telephony and SMS. Competitive forces in the broadband and television markets are also resulting in lower tariffs and stimulating the take-up of broadband and television services.

<sup>4</sup> COMMISSION RECOMMENDATION 2003/311/EC of 11 February 2003 on relevant product and service markets within the electronic communications sector susceptible to ex-ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services

<sup>5</sup> COMMISSION RECOMMENDATION 2007/879/EC of 17 December 2007 amending COMMISSION RECOMMENDATION 2003/311/EC

# Electronic Communications

## MARKETS SUSCEPTIBLE TO EX-ANTE REGULATION

The MCA's market reviews under the EU Regulatory Framework.

*Markets listed under old Recommendation*

MARKET	TYPE	DESCRIPTION	LISTED UNDER NEW RECOMMENDATION	FIRST ROUND OF MARKET REVIEWS			SECOND ROUND OF MARKET REVIEWS	
				Market players	SMP	Decision notice date	Market players	SMP
1	Retail	Access to the public telephone network at a fixed location for residential customers	Yes	GO/Melita	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
2	Retail	Access to the public telephone network at a fixed location for non-residential customers	Yes	GO/Melita	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
3	Retail	Publicly available local/national telephone services provided at a fixed location for residential customers	No	GO/Melita	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
4	Retail	Publicly available international telephone services provided at a fixed location for residential customers	No	GO/Melita/ISPs	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone/ISPs	Market to be reviewed in 2009
5	Retail	Publicly available local/national telephone services provided at a fixed location for non-residential customers	No	GO/Melita	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
6	Retail	Publicly available international telephone services provided at a fixed location for non-residential customers	No	GO/Melita/ISPs	GO	20/09/2006	GO/Melita/SKY Telecom/Vodafone/ISPs	Market to be reviewed in 2009
7	Wholesale	The minimum set of leased lines	No	GO	GO	16/08/2006	GO/Melita	Market to be reviewed in 2009/10
8	Wholesale	Call origination on the public telephone network provided at a fixed location	Yes	GO/Melita	GO	18/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
9	Wholesale	Call termination on individual public telephone networks provided at a fixed location	Yes	GO/Melita	GO/Melita	18/09/2006	GO/Melita/SKY Telecom/Vodafone	Market to be reviewed in 2009
10	Wholesale	Transit services in the fixed public telephone network	No	GO/Melita/Mobisile Communications/Vodafone	GO (international transit)	18/09/2006	GO/Melita/Vodafone	Market to be reviewed in 2009

MARKETS SUSCEPTIBLE TO EX-ANTE REGULATION – *continued*

MARKET	TYPE	DESCRIPTION	LISTED UNDER NEW RECOMMENDATION	FIRST ROUND OF MARKET REVIEWS			SECOND ROUND OF MARKET REVIEWS	
				Market players	SMP	Decision notice date	Market players	SMP
11	Wholesale	Unbundled access (including shared access) to metallic loops & subloops for the purpose of providing broadband & voice services	Yes	GO	GO	03/05/2007	GO	Market to be reviewed in 2009
12	Wholesale	Broadband access	Yes	GO/Melita/ISPs/Vodafone	None	14/11/2008	GO/Melita/ISPs/ Vodafone	Market to be reviewed in 2010
13	Wholesale	Terminating segments of leased lines	Yes	GO	GO	16/08/2006	GO/Melita	Market under review in 2009/10
14	Wholesale	Trunk segments of leased lines	No	GO	GO	16/08/2006	GO/Melita	Market under review in 2009/10
15	Wholesale	Access and call origination on public mobile telephone networks	No	Vodafone/Mobisile Communications	Vodafone/Mobisile Communications	21/11/2006	Vodafone/Mobisile Communications/Melita Mobile/Redtouch Fone/Baytel	Market to be reviewed in 2009
16	Wholesale	Voice call termination on individual mobile networks	Yes	Vodafone/Mobisile Communications	Vodafone/Mobisile Communications	21/12/2005	Vodafone/Mobisile Communications/Melita Mobile/Redtouch Fone/Baytel	Market under review in 2008/9
17	Wholesale	National market for international roaming on public mobile networks	No	Vodafone/Mobisile Communications	No market analysis due to EU Regulation	Not applicable	Vodafone/Mobisile Communications/Melita Mobile/Redtouch Fone/Baytel	Not applicable
18	Wholesale	Broadcasting transmission services to deliver broadcast content to end users	No	GO/Melita	None	24/11/2008	GO/Melita	Market under review in 2010

# Electronic Communications

## STRATEGIC OBJECTIVE 1

Consolidating an electronic communications environment that is capable of sustaining competition among existing providers, whilst ensuring ease of entry to new undertakings.

## MARKET ANALYSIS

### Conclusion of first round of market reviews and commencement of second round

During 2008, the MCA continued to review electronic communications markets with a view to determining whether regulatory intervention was necessary. During the year, the first round of market reviews was finalised with the re-notification of the last two pending market analyses, namely the Wholesale Broadband

Access and the Wholesale Broadcasting Transmission Services markets, to the European Commission.

The analysis of the Wholesale Broadband Access market was concluded in April 2008 and, following a consultation period, was notified to the Commission in October 2008. Similarly, the analysis of the Wholesale Broadcasting Transmission Services market was issued for consultation in August and subsequently notified to the Commission in October

2008. In both cases, the MCA did not find any operator having significant market power and therefore it concluded that there is no need to intervene directly in these markets. The European Commission agreed with the conclusions reached by the MCA and a final decision on each was published in November 2008. These decisions closed the first wave of market reviews.

*The Wholesale Broadband Access Market Analysis – Why did the MCA lift Regulation?*

*This market relates to those services which are provided by network operators to Internet Service Providers*

*(ISPs), so that these may provide retail Internet services to subscribers. The Maltese wholesale*

*broadband market is somewhat unique due to the existence of two nationwide fixed network operators.*

*The MCA first analysed this market in 2006, at which time the Authority determined that Maltacom (now GO plc) and Melita Cable both enjoyed SMP in this market. The European Commission, however, contended that the market was sufficiently competitive to warrant the lifting of the obligations imposed upon these operators by the MCA and despite exhaustive discussions, it threatened to veto the MCA's decision.*

*On the MCA's request, the European Regulators Group*

*(ERG), which is composed of the regulators of all the EU Member States, established a review team to check on the MCA's findings. The team's findings were inconclusive as it was not possible to assert that competition in the market was lacking and it was equally hesitant to affirm that a healthy state of competition existed.*

*In November 2007, the market experienced significant price/quality improvements, coupled with the entry of Vodafone via a wireless network. This led the MCA to determine that there was no longer enough evidence to prove, beyond doubt, that any undertaking*

*enjoyed dominance in the market. The MCA, consequently, proposed the removal of the regulatory obligations imposed upon the network operators in relation to the provision of access to ISPs. Such access will, following the withdrawal of these obligations, be subject to commercial negotiations. The European Commission approved the new findings of the MCA.*

*The removal of the obligations in question comes into force in July 2009. This interval should serve to give ample notice to interested parties to conclude commercial agreements as required at law.*

In 2008, the MCA started the second round of market reviews with the Wholesale Voice Call Termination on Individual Mobile Networks market. Its decision, published in October 2008, sets the regulatory framework for termination rates charged by existing mobile operators for the period 2009-2011. The section on Fixed Telephony Interconnection Pricing Review, later on in this report, provides an overview of the work undertaken to establish mobile termination rates and how this impacts

consumers. A fresh analysis of the Retail Fixed Calls markets was also concluded and issued for national consultation in December 2008. This analysis captures the main developments in what were previously identified as four separate markets for the provision of retail calls over fixed lines. In addition, the MCA also initiated work on the review of the Retail Fixed Access markets and the analysis is expected to be published in the first quarter of 2009. All remaining markets are expected to be reviewed

during 2009/2010.

During the second round of reviews, the MCA is expecting to deregulate a number of markets where regulation has had the desired effect of increased competition levels and consumer benefit in terms of a larger number of offers, more innovation, lower prices and better quality of service.

## ENABLING NEW PLAYERS TO COMPETE IN THE ELECTRONIC COMMUNICATIONS MARKET

Undertakings which are found to have significant market power in the market reviews, discussed above, are subject to regulatory obligations aimed at ensuring that other market players can compete in the market.

One of the main strands of regulation relates to enabling third party undertakings to access and interconnect with the networks of undertakings having significant market power.

### Access and Interconnection

Access remedies enable new entrants to operate in the electronic communications market without incurring the extensive cost of building their own network. Access to the networks of undertakings having SMP is granted on the basis of public offers - namely the Reference Unbundling Offer and the Reference Interconnection Offer. These set out public terms and conditions, as well as tariffs, which are approved by the Authority.

To establish the cost of access and interconnection, the Authority imposes accounting separation on

the undertakings having SMP. The Authority has also developed a cost model of the specific elements included in the provision of access and interconnection to be able to establish the cost of efficiently providing these services. The undertakings in question also submit regulated accounts which the Authority uses in tandem with the cost model.

### Accounting Separation

In 2008, the MCA started carrying out a review of the 2002 Decision on Accounting Separation, in order to propose amendments based on the experience gained by the MCA from interactions with undertakings, on which the MCA had imposed obligations to maintain separated accounts. The review took into account the European Commission's Recommendation on accounting separation published in September 2005, which advocates the application of consistent principles, and stresses the need to improve transparency of the accounting systems, the methodologies used, the data elaborated, the auditing and the overall

reporting process. The review resulted in a consultation document which also covered current cost accounting methodologies. In this consultation, the MCA proposed not to mandate current cost accounting for accounting separation on operators having SMP obligations. However, the MCA will still endeavour to continue meeting its objective of achieving efficient wholesale rates for access and interconnection in line with EU Recommendations through the extensive use of Next Generation Network (NGN<sup>6</sup>) Bottom-Up Cost Modelling and also through the use of EU benchmarks. It is envisaged that a final decision will be published in 2009.

### Weighted Average Cost of Capital (WACC) methodology and calculations

The WACC is a calculation of a company's cost of capital, that is, the overall return a company must achieve in order to reward and incentivise investors. In 2006, the MCA issued a consultation document on the methodology to be used in estimating the

WACC of SMP undertakings operating in the electronic communications sector. Following an analysis of the responses received, the MCA issued a final decision in August 2008. This decision established a detailed methodology that each SMP operator must follow when calculating their respective WACC rate. Furthermore, WACC rates were mandated for application to the Regulatory Accounts ending on or after December 2007.

### Bottom Up Cost Model (BUCM)

The BUCM is an important regulatory tool, developed by the MCA over the years, to calculate the cost of efficiently provided services. This model has contributed considerably to more efficient wholesale access and interconnection pricing, resulting in reduced barriers to entry. Throughout 2007 and the first six months of 2008, the BUCM was extended to incorporate cost-oriented wholesale and retail pricing for both local and international leased lines.

This review of the BUCM also enabled the section of the cost model, dealing with the pricing of termination rates for fixed telephony, to be further refined, triggering reductions in the related rates.

### Local Leased lines pricing review

Leased lines are secure communications links offering dedicated capacity used to connect two geographically remote areas together. During 2008, in addition to the extension of the BUCM, the MCA undertook extensive consultation with GO plc as well as an in-depth analysis of leased lines prices in other EU member states. In February 2008, the MCA issued a public consultation outlining its findings and proposing a way forward with regard to pricing. Subsequently a final decision was issued mandating:

- revised leased lines prices which, in certain instances, saw a drop of more than

50% in prices; and  
- a split in prices between terminating and trunk segments allowing interested parties, in particular other market players that do not have their own network, to purchase the required components individually rather than in a bundle. This enables alternative operators to only purchase elements that they need and offers the possibility of increased competition in the leased lines market itself.

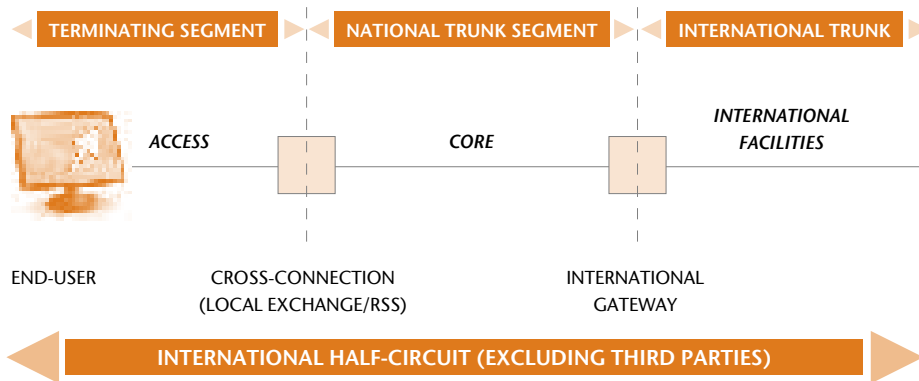
The MCA will keep the prices under review by monitoring market developments in the area such as service take-up, any changing demand patterns that may occur following the deployment of these revised prices, as well as keeping track of any developments occurring at an international level.

<sup>6</sup> A packet-based network able to provide telecommunication services and able to make use of multiple broadband, QoS-enabled transport technologies and in which service-related functions are independent from underlying transport-related technologies. It enables unfettered access for users to networks and to competing service providers and/or services of their choice. It supports generalised mobility which will allow consistent and ubiquitous provision of services to users (ITU-T Rec. ITU Year 2004).



# Electronic Communications

## SCHEMATIC OVERVIEW OF LEASED LINES SEGMENT



### International leased lines pricing review

The ever-increasing demand for communications generated by today's information-based societies and economies is reflected in a growing demand for international leased lines services. In July 2008, the MCA issued a decision on international leased lines. This decision required GO plc to start offering international leased lines at speeds of 34 Mbps and 155 Mbps (STM-1). The

decision also significantly lowered prices for these services, with prices falling by 40% compared to prices before the coming into force of the decision.

The MCA also designed its price review in such a manner as to offer flexibility to interested parties who may opt to buy an international link up to GO's designated network node (international and local trunk segments) and continue towards the required local location (terminating segment) by

making use of either their own infrastructure, or that of another provider. This also offers the opportunity to make use of different types of services offered by GO and other local operators, such as an Asynchronous Transfer Mode (ATM) or Ethernet connection, when it is technically feasible to do so. As is the case for local leased lines, the MCA intends to keep the prices under review.

Market players require **leased lines** in order to interconnect with other networks and provide communications services to their subscribers. Lower leased lines prices consequently enable

undertakings in the market to offer retail prices at more competitive levels.

Leased lines are not only used by electronic communications service providers but also by businesses that need to

securely connect distinct places of businesses. Lower leased lines prices therefore also contribute to the competitiveness of the Maltese economy.

**International connectivity** is a wholesale service provided by network operators, having an international link, to service providers or end-users requiring large quantities of international bandwidth, for the provision of broadband services and other international data services.

Prior to 2005, international connectivity was only provided via one international link operated by GO plc. (at the time Maltacom plc.). During that year Vodafone Malta Ltd. deployed a second cable to Sicily thus ensuring, for the first time, resiliency and choice in the provision of international connectivity services. Following the entry of Vodafone in this market, the MCA acknowledged a marked improvement in the availability of international connectivity services for customers requesting these services directly. This improvement was reflected in

lower prices per MB, increased capacity, resiliency and two different international providers of connectivity.

Furthermore, in 2006 the MCA designated GO plc. as being dominant in the provision of international leased lines, which are an essential element in the provision of international connectivity to service providers or end users.

Following this finding, the MCA undertook an overall assessment of the leased lines infrastructure of GO plc, and in 2008 the MCA published new cost-oriented prices for international leased lines.

These new prices resulted in very significant cost savings for service providers and end-users wanting to purchase an international leased line. They also enabled interested parties to directly negotiate international bandwidth with foreign providers, thus by-passing the need to acquire bandwidth directly from GO or Vodafone.

This facility places competitive pressure on Vodafone and GO with respect to the fees they charge for international bandwidth. In 2008, GO plc. deployed a second cable to Sicily thus bringing the number of international links to three. This development resulted in a further increase in the potential capacity of international bandwidth, resiliency and quality. Within this context, the MCA decided that the provision of international connectivity is not subject to any dominant market player.

During 2009, the MCA expects further improvements in this area as Melita plc. has announced the deployment of its own international link.

### Fixed telephony interconnection pricing review

Interconnection allows subscribers of one network to connect with subscribers of another network, or to access services provided by the other network. Following the

extension to the BUCM to incorporate leased lines pricing, the fixed telephony interconnection rates were also reviewed. This extension, which entailed further analysis and dimensioning of the various network elements used by leased lines, brought about changes

that directly impacted the fixed interconnection rates. Following a consultation process and subsequent decision issued in June 2008, interconnection rates fell by a further 9% to an average of €0.73 per minute.

*Lower termination rates, amongst other factors, enable service providers to offer lower tariffs to end-users as they bring down the cost of calls made to third party networks. Lower tariffs are the key contributing factor to the*

*continued increase in usage of fixed telephony services experienced in Malta in 2008. When compared to other EU member states, Malta fares particularly well in terms of fixed telephony prices. The European*

*Commission reported<sup>7</sup> that the average monthly fixed telephony communications consumer price in Malta was €27.40 as against the EU average of €36.13.*

### Review of GO's Reference Interconnection Offer

The Reference Interconnection Offer (RIO) is used as a basis for interconnection contracts. In January 2008, the MCA published a decision on the Review of the RIO. The Consultation was initiated in 2007 and had proposed amendments to specific clauses of the RIO, including revisions to the various timelines

and revisions to the forecasting process.

These revisions provide undertakings, interconnecting with GO's network, improved terms with a view to facilitating the process of interconnection and, in general, ensuring that GO complies with access and interconnection obligations incumbent on it under relevant legislation.

### Local Loop Unbundling

Late in 2008, the MCA initiated a review of GO plc's Reference Unbundling Offer (RUO). The RUO is published by GO in accordance with its regulatory obligations as the undertaking having SMP in the fixed access market. It sets out the terms and conditions attached to GO plc's Wholesale Local Loop Unbundling services, which permit the

leasing to third parties of the final part of the company's infrastructure, providing connections to its subscribers, in order to allow alternative operators to offer telephony or broadband services. This review is split into two phases, and will look at the various terms and conditions established in this Offer. The first phase will comprise an operational and technical review while the second phase will focus on the financial terms of the RUO.

### Guidelines on Mobile Virtual Network Operator (MVNO) services and operations

A Mobile Virtual Network Operator is a mobile operator that does not own or operate a radio network, but offers services to customers by accessing the radio networks of other mobile operators. In April 2008, guidelines were published by the MCA to provide general regulatory guidance to undertakings intending to offer such mobile services.

In October 2008, two new undertakings, namely Bay Mobile and Redtouch Fone, started offering mobile services to the general public. Both are utilising the infrastructure and support of the Mobile Virtual Network Enabler, Aspider Solutions. The radio element of the network is being provided by Vodafone Malta.

### Numbering Management and Number Portability

Another important function carried out by the MCA is the management of number ranges assigned to specific operators. There are a number of projects that were carried out in this regard during 2008.

### Decision on the Framework for Freephone services in the 800 range

In August 2008, the MCA published a decision which mandates local fixed and mobile telephony operators to establish interconnection with other telephony

operators for the purpose of providing Freephone services. As a result of this decision, all fixed and mobile network subscribers can access Freephone numbers within the '800' range. Calls to '800' range numbers originating from fixed telephones are free; however, calls from mobile telephones can be charged at a rate not exceeding that of an ordinary call to a fixed network. This decision also introduced a new Freephone numbering range, commencing with '8000'. Freephone numbers starting with 8000 are free from both mobile and fixed telephones. The decision covers the wholesale charging mechanism between operators for both categories of Freephone numbers. This decision is expected to encourage competition amongst service providers hosting Freephone content providers for the benefit of the general public.

*Prior to this decision, callers could reach Freephone numbers only when calling*

*from a number operated by GO. Today, Freephone services can be reached*

*irrespective of the service provider.*

<sup>7</sup> 14th Progress Report on the Single European Electronic Communications Market - 2008

# Electronic Communications

## Number Portability Specifications

Number Portability enables telephone users to retain their telephone numbers when changing from one telephony service provider to another. Since its introduction in April 2006, more than 10% of all mobile subscribers (over 70,000) have ported their number. A total of 8,500 fixed subscribers also availed themselves of

this service. The number portability processes adopted in Malta are considered to be amongst those setting the standards in Europe. The MCA attributes this success to the collaborative approach adopted in the development of these processes. This approach involved the establishment of steering groups comprising representatives of the network operators and the Authority, as well as

recognised international experts in the field. A number of steering group meetings took place in 2008 to discuss proposals on how these specifications could be updated to accommodate emerging market needs and to further improve the existent processes. The fixed telephony and mobile telephony ordering processes and the 'webservice' specifications were updated during the last quarter of 2008.

*Number Portability is a critically important factor in fostering competition in the market, as consumers more readily switch service provider if they can retain their number. The availability of this service encourages service providers to effectively meet consumer needs, in terms of services offered, favourable pricing schemes and*

*enhanced quality of service. Occasional delays in porting were experienced when, on certain days, hundreds of portings were submitted, overwhelming donor operators. Although these large number of daily applications are rare, these are generally accentuated during the initial days when new service providers launch*

*their service. To this effect, the MCA established a voluntary minimum number of daily portings that should be processed, recognising that when daily applications for portings surpass this number, the set timeframe of one day for porting to be effected, may be exceeded.*

***"I want all Europeans to be able to switch their phone operator – whether mobile or fixed – within one single day, as it is already the case in Ireland and in Malta."***

**Viviane Reding – European Commissioner  
for Information Society and Media - MEMO/09/126  
Brussels, 23 March 2009**

## Preventing anti-competitive winback tactics in Number Portability, Wholesale Line Rental and Carrier Pre-Selection (CPS)

Winback includes any measures taken by a service provider to stop a subscriber from porting

away from it. The MCA had received a number of complaints that operators were resorting to irregular practices in an attempt to dissuade their subscribers from leaving or to win them back. In March 2008, a decision was published, prohibiting service

providers from contacting these subscribers, from the time it is informed of the subscriber's decision to change operator, up to two months after the completion of the migration.

## DEVELOPING THE POTENTIAL OF FREQUENCY SPECTRUM

*Radio frequencies are a key national resource which enables the entry of new market players providing services over wireless networks. Since assuming responsibility for the assignment of radio frequencies in 2004, the MCA has sought to make spectrum available to the market in a bid to increase competition in the various electronic communications sectors.*

*This led to the deployment of a new digital terrestrial television network, now operated by GO, in competition with Melita and the roll-out of Vodafone's broadband wireless network, which has allowed this operator to compete in the fixed telephony and broadband sectors.*

*The assignment of 3G spectrum led to the roll-out of 3G services by GO and*

*Vodafone and is expected to enable Melita to offer mobile telephony services in 2009.*

*In 2006, the MCA also assigned frequencies for the operation of a digital radio network which led to the launch of digital radio services (Terrestrial Digital Audio Broadcasting) in Malta by DiGi B Network Ltd. in the fourth quarter of 2008.*

## Audit of radio spectrum assignments

In 2007, the MCA initiated a process to audit spectrum usage by radio installations. The audit served to verify the technical and operational compliance with licence obligations and update the current spectrum usage information. During 2008, the MCA focused its

spectrum audits on Private Mobile Radio (PMR) and broadcasting installations. Corrective measures were taken as necessary when infringements, such as the unauthorised use of spectrum frequencies, or of radio equipment, were identified. The MCA will continue to audit radio installations throughout 2009.

## Review of 2.5 GHz band on a technology neutral approach

In early 2008, the MCA published a position paper setting out the MCA's current position on the eventual assignment of spectrum in the 2.5 GHz band. This paper will serve as a basis for the establishment of a spectrum assignment methodology,

should there be demand for this spectrum. The final assignment methodology and licensing conditions will only be established at the time of assignment.

#### Publication of spectrum management information

Pursuant to Commission Decision 2007/344/EC on the harmonised availability of information regarding spectrum use in the Community, Malta has published its spectrum management information in the European Frequency Information System (EFIS) of the European Radiocommunications Office (ERO). The main purpose of EFIS is to make information, on the use of radio spectrum, available through a common information point. EFIS also provides the general public

with a common point of access to comparable information regarding the use of spectrum in each Member State. Information concerning Malta's service allocations and applications was published in EFIS in 2007. During 2008, the MCA provided information concerning the interfaces of radio equipment and details on the individual rights of use of radio frequencies. All published information will be reviewed as necessary to reflect any national developments in the sector.

#### Radio spectrum licensing regime

In 2006, the Authority had initiated a process to revise the licensing regime of radiocommunications equipment with the intention of rationalising fees related to spectrum

usage and equipment licensing. In this regard, in January and October 2008, regulations establishing General Authorisations for maritime ship stations and short-range devices and equipment, intended to provide mobile communications services on board aircraft, came into force. This exercise is scheduled to continue in 2009 with the launch of consultation processes concerning revised licensing arrangements for maritime shore stations, fixed radio links and certain satellite earth stations.

*In January 2008, the General Authorisation for maritime VHF and EPIRB ship stations came into force. This General Authorisation replaced the existing licences and abolished the annual fee previously associated with these licences. The General Authorisation*

*sets out, in greater detail than the previous licence, the conditions of use of such equipment.*

*A Memorandum of Understanding between the MCA and the Malta Maritime Authority (MMA) has enabled a one-stop shop service to be provided, by the MMA, to boat owners*

*using such equipment.*

*Over 3,000 equipment owners benefited from this change in policy. Furthermore, it is anticipated that the removal of the licence fee will encourage boat owners to voluntarily install this equipment which contributes to safety at sea.*

#### Digital broadcasting implementation strategy

In February 2005, the former Ministry for Competitiveness and Communications and the MCA had jointly published a policy and implementation strategy regarding digital television. Today there is one established digital television platform. The cable television operator also provides a digital service. Since 2005, a number of technological and spectrum policy developments have taken place that necessitated a review. An update of the strategy was launched in 2008 and is expected to be published early in 2009.

*The policy on General Interest Objectives and the National Digital Broadcasting Strategy are closely linked. Digital terrestrial broadcasting enables a significantly more efficient use of radio spectrum than traditional analogue broadcasting. This has led to an EU-wide policy that has established that no analogue terrestrial broadcasting should continue beyond 2012.*

*Locally, digital terrestrial*

#### Policy on Broadcasting Meeting General Interest Objectives

During the latter part of 2007, the MCA and the Broadcasting Authority jointly published a consultation document on broadcasting that meets General Interest Objectives (GIOs). The consultation document was premised on a number of fundamental principles that underpin the conceptual framework within which a GIO set-up should be modelled. During 2008, responses to the consultation document were analysed. Subsequently, a policy and strategy for digital broadcasting that meets

*broadcasting has enabled GO to enter the Pay TV market in competition with Melita Cable. Spectrum frequencies allocated for broadcasting consequently have a strong commercial value which, without regulatory intervention, could lead to a situation where stations that meet general interest objectives, such as those broadcasting in the national language or those transmitting events of national cultural*

GIOs was published, denoting the start of a series of initiatives that will lead to analogue turn-off – that is, the date by which all analogue terrestrial transmissions will have to be migrated to digital. This is set for the end of December 2010. Such initiatives will include updating of the Broadcasting Act, the refinement of the high level GIO eligibility criteria, the setting up of the GIO network infrastructure, the selection of GIO stations and public information initiatives.

*interest or locally-developed programming, are either no longer broadcast on a 'free-to-air' basis or are not broadcast at all.*

*To pre-empt such a situation, the Digital Broadcasting Strategy reserved specific spectrum for the broadcasting of stations meeting general interest objectives. The GIO policy, on the other hand, determined the manner in which this spectrum would be allocated and utilised.*

# Electronic Communications

## Review of Global System for Mobile Communications (GSM) and Paging spectrum licences

During the period under review, the MCA completed its review of the existing spectrum licences in the 900 and 1800 MHz band, which included the GSM and Paging licences with the objective of ensuring that these licences, which were issued prior to the adoption of the 2004 legislative framework, are updated to reflect the new legislative regime.

## Reassignment of the 900 and 1800 MHz spectrum

The spectrum licences in the 900 and 1800 MHz bands are due to expire in 2010 and 2011 respectively. These bands are primarily used to provide mobile voice, SMS and data services. In an effort to ensure a smooth transition, the MCA is developing a methodology for reassignment, taking into consideration the significant potential of this spectrum, as well as the fact that the majority of mobile telephony users are currently on GSM networks. This project will continue well into 2009.

## Frequency coordination of broadcasting bands

During 2008, the Authority continued its efforts to coordinate a number of radio frequencies for the provision of digital broadcasting services. Bilateral discussions were held with neighbouring countries to discuss this matter and other issues concerning harmful interference. Although important progress has been registered, the Authority will continue in its efforts to increase the number of radio frequency resources available to Malta for terrestrial digital broadcasting services.

*Frequency channels for the transmission of digital broadcasting services are allocated to countries by the International Telecommunication Union (ITU). Channels allocated to one country may be used by a neighbouring country*

*subject to bilateral agreements setting out the parameters of use. The agreements are intended to ensure that transmissions from neighbouring countries do not interfere with each other. Malta suffers interference from a number of stations*

*transmitted from neighbouring countries and an ongoing programme of bilateral discussions is underway with a view to minimising these interferences and ensuring that neighbouring countries comply with the allocations made by the ITU.*

## National frequency plan

In 2008, the MCA initiated a review of the National Frequency Plan. This process will

lead to proposals to Government to update the plan to take into account decisions agreed at the last ITU World Radiocommunications

Conference (WRC-07), and a number of Decisions of the European Commission. The process is intended to further align national spectrum

allocations with those in the European Common Allocation table, as well

as to identify spectrum bands for new and innovative applications.

This process is targeted for completion in 2009.

## LEGAL REVIEW

### Review of existing laws

In August 2008, amendments to various communications laws, previously approved by Parliament, came into force. These amendments served primarily to address various matters, including the licensing regime relating to radiocommunications apparatus and the enforcement process and sanctions applicable in relation to non-compliance with electronic communications laws or regulatory decisions.

which, where feasible, lessens administrative burdens on the general public, as well as competent regulatory bodies.

### Guidelines for inter-operator complaints, disputes and own initiative investigations

In order to carry out its regulatory functions, the Malta Communications Authority Act provides the MCA with the tools to intervene either where there is a disagreement between the undertakings it regulates or where there is a breach of law or of a regulatory obligation. In such cases, an aggrieved operator may request the MCA to initiate an investigation. Alternatively, the MCA may commence an investigation of its own accord if it considers there are valid grounds to warrant its intervention. In order to provide an effective and clear resolution process into these sectors, in October 2008, the Authority issued a public consultation on proposed procedures in this regard. After evaluating the

responses, the Authority published its final decision in December 2008.

### Proposed regulations on international connectivity

In August, GO suffered damage to its international connection, caused by works being carried out on the Sicilian mainland. The incident resulted in interruptions in Malta's international connectivity. The incident brought to the fore the need to establish better contingency planning and sharing of international connectivity infrastructure between operators. It also highlighted the need for MCA as the regulator to have the legal mandate to intervene and instruct operators of international links as necessary. In September 2008, the Authority prepared draft regulations on international connectivity with the purpose of ensuring resiliency. In December, GO again suffered substantial damage to its underwater cable. The

### Drafting of new legislation

In January 2008, the General Authorisations (Radiocommunications Apparatus) Regulations were enacted. The Authority is currently undertaking a review of the various laws regulating radiocommunications apparatus and the assignment of radio frequencies with a view to proposing to Government measures for a more effective regulatory regime

MCA was satisfied with the response time in this instance. Following consultations with

interested stakeholders, the MCA submitted proposals to Government for its consideration

and regulations are expected to be published in early January 2009.

## OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

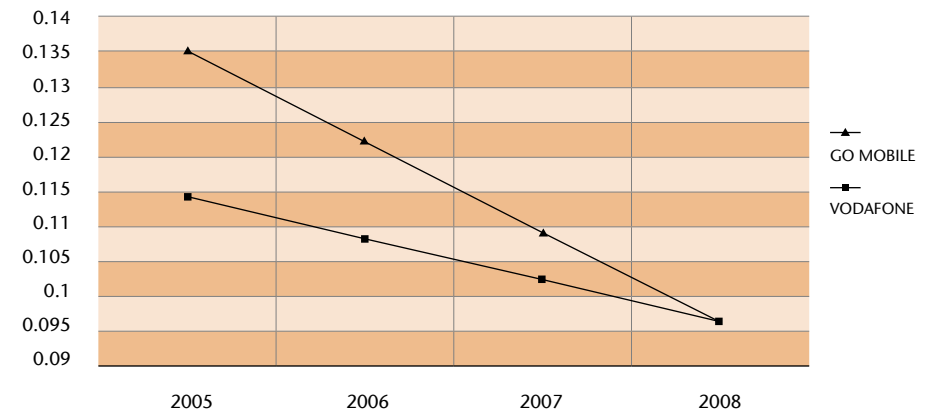
### KEY PERFORMANCE INDICATORS:

1. Availability of updated interconnection agreements, Reference Interconnection Offers and cost orientated charges where these are required
2. Movements in number and variety of market players, as well as relative market shares
3. New service offerings
4. Price movements
5. Overall sector volume and financial indicators

### AVAILABILITY OF UPDATED INTERCONNECTION AGREEMENTS, REFERENCE INTERCONNECTION OFFERS AND COST ORIENTATED CHARGES WHERE THESE ARE REQUIRED

- GO's Reference Interconnection Offer revised in January 2008
- As from 1<sup>st</sup> July 2008, interconnection rates fell by a further 9% to an average of €0.73 per minute.
- GO's Reference Unbundling Offer under review; final decision due in 2009

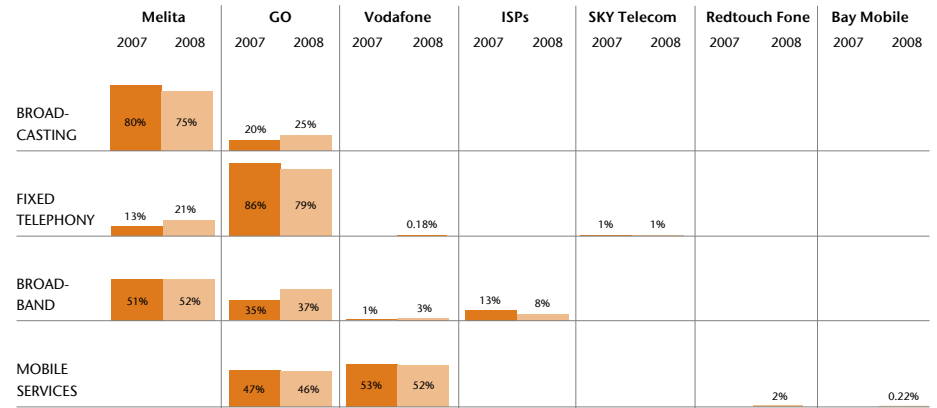
GLIDE PATH FOR MOBILE TERMINATION RATES IN MALTA



# Electronic Communications

MOVEMENTS IN NUMBER AND VARIETY OF MARKET PLAYERS, AS WELL AS RELATIVE MARKET SHARES			
Fixed telephony	Mobile Telephony	Broadband	Radio and TV Distribution
No new developments in 2008.	Aspider starts to provide Mobile Virtual Network Enabler services.	No new developments in 2008.	No new developments in 2008.
	BayTel and RedTouch Fone launch MVNO based services.		
NEW SERVICE OFFERINGS			
Wholesale			
Interconnection agreements between Melita and all other players concluded.	Interconnection agreements on a commercial basis reached between MVNO and all other players.	No new developments in 2008.	No new developments in 2008.
Retail			
GO, SKY, Melita Cable and Vodafone continue to provide new bundled offers as well as new stand-alone offers.			
First quad play bundle offer launched by GO in December 2008.	Melita rolls out 3G mobile telephony network with service launch targeted for 2009.	<ul style="list-style-type: none"> <li>- GO rolls out WiMax network with service launch targeted for 2009.</li> <li>- Wireless PDA email solutions launched.</li> <li>- GO's second submarine cable becomes operative, bringing the number of submarine cables servicing Malta to three.</li> </ul>	T – DAB commercial services launched in the fourth quarter of 2008 by DiGi B Network.

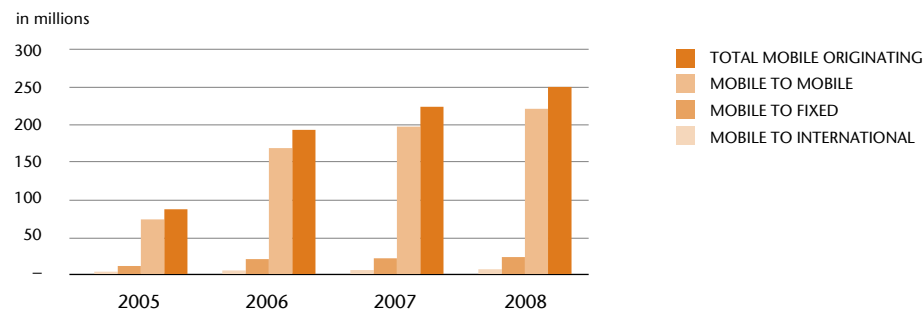
## CHANGES IN MARKET SHARES



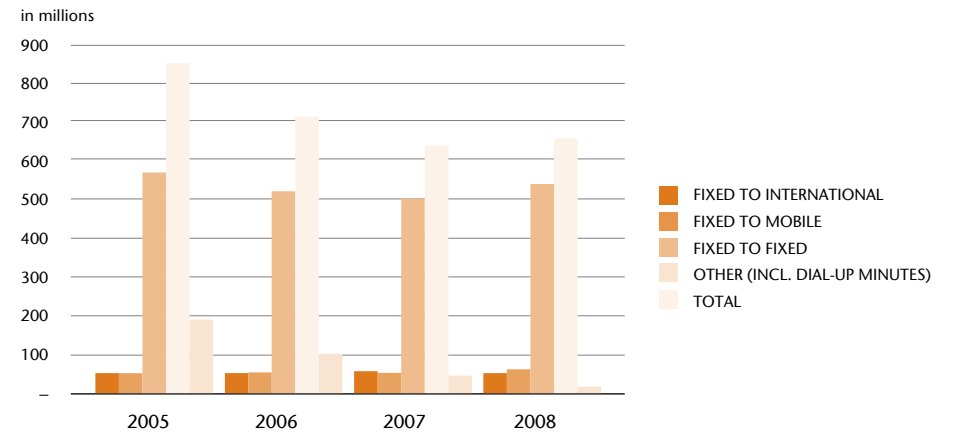
During 2008, GO continued to gain market share in the TV distribution sector while Melita gained market share in the fixed telephony sector. In the broadband sector, market share was lost by the independent ISPs mainly to be gained by GO and Vodafone. Market shares in the mobile sector remained stable. The impact of new entrants into this sector is expected to be felt in 2009.

PRICE MOVEMENTS			
Fixed telephony	Mobile Telephony	Broadband	Radio and TV Distribution
EU Commission reports availability of significantly cheaper offers than the 'standard telephony package' offered by the incumbent (GO).	Stable or declining tariffs reported by EU Commission in all usage baskets.	Stable or declining tariffs reported.	Stable or declining tariffs reported.
SECTOR VOLUMES AND FINANCIAL INDICATORS			
Growth in originating minutes in 2008.	Growth in originating minutes in 2008.	Growth in penetration in 2008.	Growth in penetration in 2008.

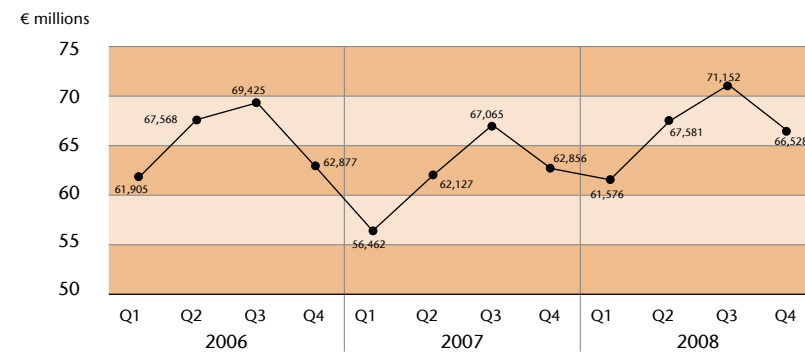
### TOTAL MOBILE ORIGINATING MINUTES



### TOTAL FIXED ORIGINATING MINUTES



### OUTPUT GENERATED BY LOCAL OPERATORS IN TELECOMMUNICATIONS





# Electronic Communications

## STRATEGIC OBJECTIVE 2

Ensuring that residential and business consumers of electronic communications services get the best value-for-money from Maltese service providers and that any social inclusion aspects, as may be identified, are addressed.

## PROVIDING CLEAR, USER-FRIENDLY AND COMPREHENSIVE CONSUMER INFORMATION ON RELEVANT ASPECTS OF ELECTRONIC COMMUNICATIONS

### Publication of consumer information guides

During 2008, the MCA published a number of consumer information guides, with key pointers on how to select a service provider and/or services in the electronic communications market, specifically mobile and fixed telephony, Internet and TV distribution services. The guides are aimed at ensuring that consumers are well-informed on:

- the factors to consider before choosing a particular service provider;
- the different types of products and services to enable comparison;

- their rights and the obligations of service providers; and
- the steps to take when lodging a complaint with a service provider or with the MCA.

In addition, consumer information guides were also published on 'shopping online', providing basic rules that one should follow to ensure a better online shopping experience. At present, full and abridged versions of these guides are available on the Authority's website in both Maltese and English. These guides will be distributed to all local councils in the first quarter of 2009.

### Publication of Frequently Asked Questions

During 2008, the MCA published a number of Frequently Asked Questions (FAQs) pertaining to different topics related to the sectors it regulates. Following the introduction of the Euro in January 2008, the MCA published FAQs in this regard covering general information but also information regarding top-up cards, value of SMS and so on. The FAQ section, on the MCA website, is updated regularly to maintain its currency. Recent additions included FAQs on the roaming regulations as well as marine VHF radios and the new authorisation regime introduced in early 2008.

### Decision regarding modifications to terms and conditions of subscriber contracts

The Electronic Communications (Regulation) Act sets out the

steps that service providers need to take when effecting changes to any terms or conditions of a particular service. In November 2008, the MCA published a decision in order to clarify the procedures that must be

followed as well as to ensure that service providers adhere to such provisions and that subscribers' legal rights are safeguarded.

*The decision on terms and conditions establishes that service providers must notify their subscribers in writing 30 days in advance of effecting any change to terms and conditions attached to service offerings. Subscribers who do not accept the change in terms and conditions are entitled to withdraw from the contract without penalty.*

*The decision also requires all service providers to provide this information in the text of the contracts provided to subscribers and to notify the*

*Authority of any changes to terms and conditions that they introduce, providing the Authority with a copy of the correspondence with subscribers.*

*All notifications regarding proposed modifications to the contract of service shall always contain information regarding the manner in which any deposit or advance payment made by the subscriber for the original service will be refunded, if the subscriber chooses to unsubscribe from the service.*

*The decision also clarifies that any notifications regarding proposed modifications to the contract of service shall be sent in writing to subscribers via ordinary mail or email if the subscriber has given his/her consent prior to any verbal notification of the proposed amendment. In the case of subscribers of a prepaid mobile telephony service, notifications of proposed modifications to such service may be sent via SMS.*

## IMPLEMENTING DIGITAL MIGRATION IN BROADCASTING AND MONITORING RELATIVE PROGRESS

### Digital TV Switchover – development of an implementation plan and communications strategy

Government has set midnight of 31 December 2010 as the date when all analogue terrestrial

television broadcasting transmissions will be switched over to digital. In order to afford the public sufficient time to prepare itself for this switchover, during 2008, MCA initiated the development of a communications campaign

that will be implemented during the period 2009 – 2010. The objective of the communications campaign is to ensure that the general public is aware of how to prepare for the switchover and when they need to do it.

This campaign is aimed at all viewers who will be affected, in particular

those viewers who rely on free-to-air analogue terrestrial television

broadcasts as the primary means of viewing television programmes.

#### MONITORING OF ELECTRO-MAGNETIC FIELD (EMF) EMISSIONS

The Authority continued its EMF monitoring activity to ensure that emissions of radiocommunications stations are within the exposure standards established by the International Commission on Non-Ionising Radiation Protection (ICNIRP). In 2008, 143 sites were tested and these included mobile communications base stations, BWA base stations, broadcasting transmitters and other sources of EMF.

Repeat tests were also carried out on EMF sources tested in previous years to ensure continued compliance with the Regulations. In addition, a number of EMF measurements were carried out following requests from the general public. The number of these requests increased considerably in 2008 due to the deployment of new wireless infrastructures – *see chart “EMF audits/complaints”, page 36*. In all cases, the

audited results were found to be compliant with the relevant standards, whilst in most cases, the audited results did not even exceed 0.05 of the public exposure levels specified by the ICNIRP. The MCA held discussions with the department responsible for public health on EMF related issues. The MCA will continue its EMF auditing programme during 2009.

#### MARKET SURVEILLANCE AND RADIO & TELECOMMUNICATIONS TERMINAL EQUIPMENT (R&TTE) REGULATIONS

In general, the purpose of the R&TTE Regulations, adopted under the Product Safety Act, is to ensure that radio and telecommunications terminal equipment complies with essential requirements concerning health and safety of the users and other impacted parties, including effective use of radio spectrum. During 2008, the Authority processed more than 2,100 notifications regarding radio

equipment which operates on non-harmonised frequency bands proposed for placement on the local market. This involved close examination of all characteristics of the notified equipment to ensure compliance with the said requirements. Furthermore, the Authority carried out market inspections to ensure that products being placed for sale were compliant with the R&TTE Regulations.

One hundred products were inspected. Equipment that was not R&TTE compliant was removed from the market. The MCA performs this function in close collaboration with the Market Surveillance Directorate within the Malta Standards Authority.

#### R&TTE and Market Surveillance

Manufacturers, importers and retailers are obliged to place only safe products on the market ensuring that all products conform to the essential requirements as stipulated in legislation. In this regard, manufacturers and importers have to provide certain information regarding the safety aspects and proper use of their radio and telecommunications terminal equipment. This information is examined by the Authority and if conformity with the

necessary requirements is established, then the equipment can be placed on the Maltese market.

The MCA also carries out inspections on equipment placed on the market, amongst other things, to:

- ensure compliance with the applicable essential requirements; and
- check that the affixing and use of the CE marking is correct, and that the principles regarding additional markings and other marks are respected.

#### Inspections of radio installations

Inspections are a means of ensuring compliance with the licence obligations. Inspections focus on the technical aspects of installations to ensure that the licensed radio equipment operates on the radio frequencies assigned by the Authority, thereby reducing risks of harmful interference to other users of spectrum. The MCA also inspects radio installations to ensure that no unauthorised equipment is being used.

SERVICE	QUANTITY (2008)
EMF measurements (planned)	88
EMF measurements (non-planned) <sup>8</sup>	55
R&TTE notifications <sup>9</sup>	2,103
R&TTE market surveillance <sup>10</sup>	100
Interference complaints	39
Frequency clearance – diplomatic entities	23
Inspections of radio installations	285

<sup>8</sup> Resulting from specific requests received from the general public.

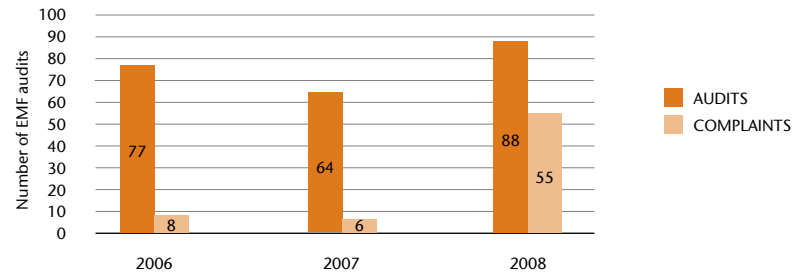
<sup>9</sup> Number of notified radio products.

<sup>10</sup> Number reflects the number of inspected devices between June and December 2008.

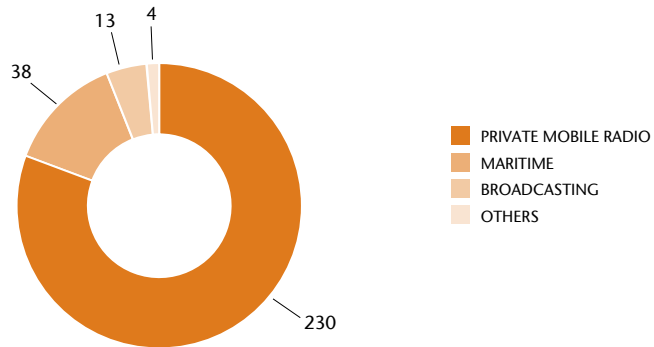
# Electronic Communications

## NUMBER OF ONGOING INSPECTIONS/SITE VISITS AND OUTCOMES

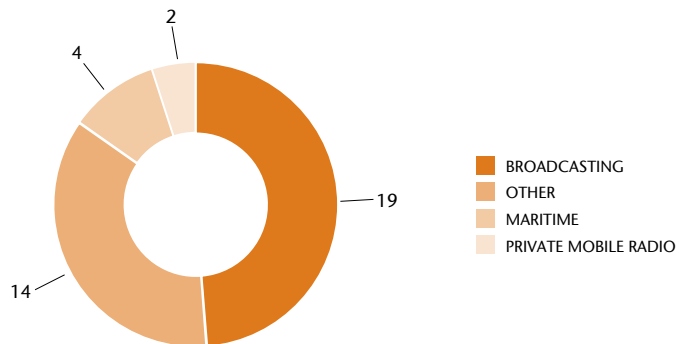
### EMF AUDITS/COMPLAINTS



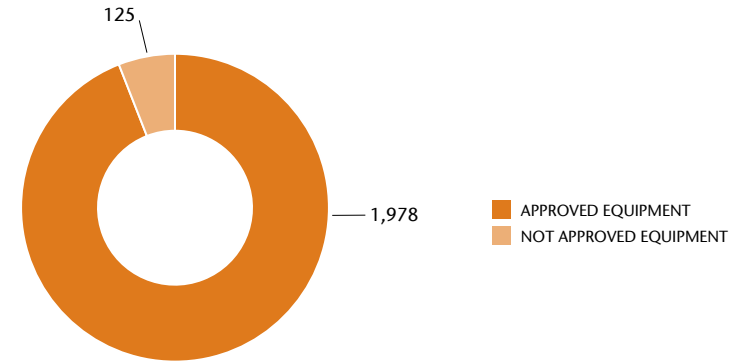
### INSPECTIONS OF RADIO INSTALLATIONS



### INTERFERENCE INVESTIGATIONS



### R&TTE INSPECTIONS



## OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

### KEY PERFORMANCE INDICATORS:

1. Stakeholders' perceptions of overall quality of services provided
2. Universal Service Provider's (GO) Quality of Service movements
3. Stakeholders' perceptions of the Regulator
4. % of complaints, placed with the MCA, dealt with satisfactorily

### STAKEHOLDERS' PERCEPTIONS OF THE REGULATOR AND OVERALL QUALITY OF SERVICES PROVIDED

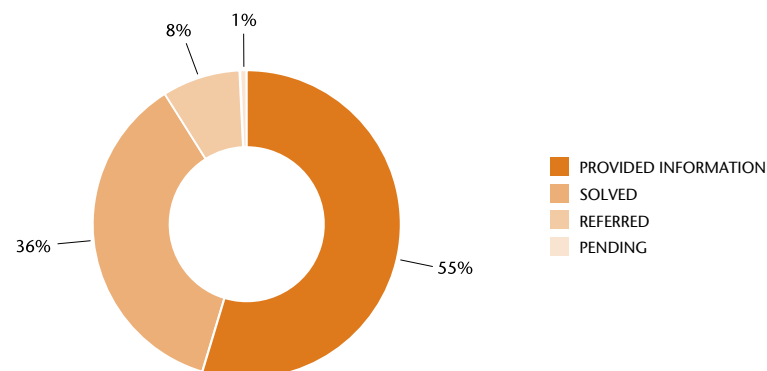
End-user perception surveys will be carried out in 2009.

MOVEMENT IN GO'S FIXED TELEPHONY PERFORMANCE<sup>11</sup>

	Measure	Statistics 2007	Statistics 2008
Supply time for initial connection	Time for fastest 95%	13.5 days	8.58 days
Fault rate per access line	Reports per 100 lines	1.65 reports	1.43 reports
Fault repair time	Average repair time	42.54 hours	48.40 hours
Operator services	Mean time to answer	17.83 seconds	25.4 seconds
Directory enquiry services	Mean time to answer	10.88 seconds	9.73 seconds
Coin and card operated public pay telephones	% in full working order	99.81%	99.86%

## % OF COMPLAINTS PLACED WITH MCA DEALT WITH SATISFACTORILY

## STATUS OF COMPLAINTS AS AT END 2008



<sup>11</sup> GO is designated as the Universal Service Provider of electronic communications services in Malta.

## STRATEGIC OBJECTIVE 3

Contributing to the ongoing discussion, at an international level, on the consistent implementation and ongoing development of the electronic communications regulatory framework and related issues.

## ADVICE TO GOVERNMENT ON PROPOSED EU LEGISLATIVE MEASURES AND ON INTERPRETATION AND APPLICATION OF ANY NEW DIRECTIVES

#### Review of electronic communications regulatory framework

The Electronic Communications Regulatory Framework includes five Directives which came into force in the EU in July 2003. The aim of these Directives is to harmonise the legislation related to electronic communications and to make the sector more competitive across the EU. The Directives were subject to review after three years. The European Commission started this review process by issuing public consultations in 2006, which eventually led to the publication of a number of documents in November 2007 containing the Commission's

proposals for amendments to this set of Directives – see also table "The Electronic Communications Framework", page 38.

This started a long process of analysis and discussions at both local and Community level (in Council and European Parliament). During 2008, the MCA contributed heavily to the process at various levels. The Authority held numerous discussions with the local market players. It also attended a number of ERG meetings in relation to the review, resulting in the submission of the Group's common position to the EU institutions. Moreover, it provided advice to Government in relation to the latter's position taken at Council of Ministers

level and in various instances provided expert support to Government during Council Working Party Meetings. Lengthy negotiations by these EU institutions during 2008 resulted in the adoption of the opinions of the European Parliament in July 2008 and the Council of Ministers in November 2008. Negotiations between the three institutions are expected to start in early 2009 with a final text expected to be adopted by mid-2009.

# Electronic Communications

## THE ELECTRONIC COMMUNICATIONS FRAMEWORK

The Electronic Communications Framework consists of the Framework Directive, the Access and Interconnection Directive, the Authorisation Directive, the Universal Service Directive and the Directive on Privacy and Electronic Communications.

The European Commission published its proposals for the review of the Electronic Communications Framework. The proposals addressed six broad areas:

- independence of NRAs
- internal market issues

- refocused regulation
- frequency spectrum issues
- consumer protection
- privacy & security.

*The revisions to the existing electronic communications framework are expected to have wide-ranging implications, both at the institutional level and also for end-users.*

*The review is placing significant focus on consumer rights and on ensuring availability of equivalent services to persons with disabilities.*

*In addition, the review proposed to establish a European Supra-Regulator for Electronic Communications as well as to grant the*

*European Commission significant additional powers to establish rules applicable across the European Community and to veto certain measures that National Regulatory Authorities may seek to apply at the national level. These points were intensely debated during 2008 and the outcome of these negotiations will be known during 2009.*

*The revision of the framework also sought to achieve increased harmonisation in spectrum management across*

*the Community. While agreement is expected on the establishment of technology neutrality and service neutrality as general principles in spectrum management, further harmonisation, including harmonisation of rules on spectrum trading, did not meet with general agreement and will continue to be discussed in 2009.*

## EUROPEAN COMMISSION'S PROPOSALS FOR THE REVIEW OF THE EU ELECTRONIC COMMUNICATIONS FRAMEWORK

INDEPENDENCE OF NRAS	
<b>The strengthening of the independence and enforcement powers of National Regulatory Authorities(NRAs)</b>	Provisions aiming at: <ul style="list-style-type: none"> <li>- limiting the possible influence by other public bodies on NRA day-to-day management</li> <li>- ensuring that only appeals bodies and courts have the powers to suspend or overturn NRA decisions</li> <li>- setting standards for NRA head dismissal</li> <li>- ensuring that NRAs have adequate financial and human resources</li> <li>- creating a mechanism for collecting information on appeals</li> </ul>
INTERNAL MARKET ISSUES	
<b>Establishment of a European Electronic Communications Market Authority (EECMA) through a Regulation</b>	Reason for the proposal: to address the alleged lack of consistency in the application of EU rules and the regulatory fragmentation of the internal market  Replacing existing structures: new entity will take over the functions of the European Regulators Group (ERG) and the European Network Security Agency (ENISA)  Tasks of this Community body include: <ul style="list-style-type: none"> <li>- advise Commission on definition, analysis and remedies of market reviews</li> <li>- review national markets upon request by Commission</li> <li>- define and analyse trans-national markets</li> <li>- ensure harmonisation of numbering and number portability</li> <li>- implementation of 112 services</li> <li>- advice on radio frequencies issues</li> <li>- ensure harmonisation of conditions and procedures relating to general authorisations and rights of use</li> <li>- network and information security</li> <li>- exchange, dissemination and collection of information</li> <li>- management of the spectrum information register and roaming database</li> </ul>

INTERNAL MARKET ISSUES - <i>continued</i>	
<b>Additional powers to the Commission to issue binding decisions</b>	<ul style="list-style-type: none"> <li>- implementation of number portability</li> <li>- numbering and tariffs linked to specific numbers</li> <li>- minimum quality of service requirements</li> <li>- effective implementation of 112 services</li> <li>- privacy</li> <li>- effective access to numbers and services</li> <li>- accessibility to Electronic Communication Services and equipment for end-users with disabilities</li> <li>- costing methodologies</li> <li>- notifications under Article 7 Framework Decision</li> <li>- harmonisation in the field of spectrum and numbering</li> <li>- security of networks and services</li> <li>- identification of trans-national markets</li> <li>- implementation of standards</li> <li>- the harmonised application of the provisions of the framework</li> </ul>
REFOCUSED REGULATION	
<b>Changes in the market review procedure and proposed Commission oversight over remedies</b>	<ul style="list-style-type: none"> <li>- Commission powers increased to include approval over remedies proposed by NRAs to regulate the market</li> <li>- Commission to have power to impose specific remedies through a Decision following EECMA opinion</li> <li>- Commission to have the power to define the form, content and level of detail to be given in the notifications</li> <li>- Market analysis timeline set every two years – Commission may request EECMA to takeover market analysis process if NRA is late. Commission to issue decision</li> <li>- Commission to have the power to adopt a Decision identifying trans-national markets and also designating undertakings having SMP</li> </ul>
<b>Functional separation as a remedy to tackle competition problems</b>	<ul style="list-style-type: none"> <li>- NRAs will be able to impose an obligation on vertically integrated undertakings to place activities related to the wholesale provision of access products in an independently operating business unit</li> <li>- Undertakings with SMP may resort to voluntary separation of their local access network</li> </ul>

FREQUENCY SPECTRUM ISSUES	
<b>Simplify access to spectrum and remove unnecessary restrictions on spectrum use</b>	<ul style="list-style-type: none"> <li>- Mandating technology neutrality with possibility of exceptions</li> <li>- Mandate service neutrality with possibility of exceptions</li> <li>- Five years voluntary status-quo for existing right holders</li> <li>- The creation of a secondary trading mechanism to commonly defined bands across the EU</li> <li>- Regulatory provisions to encourage licence-free spectrum use</li> <li>- Individual rights of use spanning more than 10 years subject to review</li> <li>- Spectrum hoarding (member states may reduce, withdraw or force the sale)</li> </ul>
CONSUMER PROTECTION AND PRIVACY & SECURITY	
<b>Update and strengthen the general provisions of the framework in the area of consumer protection</b>	<ul style="list-style-type: none"> <li>- Improving the transparency of information from service providers to consumers</li> <li>- Setting a time limit of one working day for ‘porting’ a telephone number</li> <li>- Enhancing the implementation of ‘112’ emergency services in the EU</li> <li>- Enabling NRAs to impose minimum requirements for the quality of services based on standards drawn up at Community level</li> <li>- Ability to access all numbers provided in the Community</li> <li>- Introducing a transparent mechanism concerning restriction of content and applications (net-neutrality)</li> </ul>
<b>Provisions regarding eAccessibility and the rights of users with disabilities</b>	<ul style="list-style-type: none"> <li>- Facilitating access for users with disabilities to emergency services</li> <li>- Strengthening the existing provisions to ensure that users with disabilities, elderly users and people with special needs are not prevented from using and accessing eCommunications services</li> </ul>

# Electronic Communications

## EUROPEAN COMMISSION'S PROPOSALS FOR THE REVIEW OF THE EU ELECTRONIC COMMUNICATIONS FRAMEWORK - *continued*

CONSUMER PROTECTION AND PRIVACY & SECURITY - <i>continued</i>	
<b>Strengthen the security of networks and services and user privacy</b>	<ul style="list-style-type: none"> <li>- Ensuring that consumers are informed if their personal data has been compromised as a result of a breach of network security</li> <li>- Giving operators and NRAs more responsibility with respect to the security and integrity of all electronic communications networks and services</li> <li>- Strengthening implementation and enforcement powers for competent authorities, in particular in the fight against 'spam'</li> <li>- Clarifying the application of the EU rules to data collection and identification devices using public electronic communications networks</li> </ul>

### The Roaming Regulations

During 2006 and 2007, the MCA was extensively involved in the discussions taking place in the EU which led to the adoption of the first EU Mobile Roaming Regulation. This law ensures that mobile telephony users do not pay excessive prices for roaming voice calls while travelling within the EU. Apart from ensuring transparency, this law enables users to benefit from a 'Eurotariff', which sets maximum per minute limits that mobile operators can charge for calls made and received while travelling in another EU member state.

The Regulation stipulated that, by 30 December 2008, the European Commission had to review the developments in the wholesale and retail charges for the provision of roaming data communications services (including Internet connections and MMS) and SMS and evaluate whether the objectives of this Regulation had been achieved. This analysis was carried out and based on its findings, in September 2008, the European Commission published proposals aiming at maintaining regulation in the provision of voice services as well as introducing regulation

in the provision of wholesale and retail SMS and wholesale data communications services.

In view of this proposal by the European Commission, the Authority consulted with interested parties and subsequently contributed to the ERG Common Position and also provided advice to Government on documents presented to the Council of Ministers and during the related Council Working Party Meetings. The European Commission's proposal to regulate Community-wide roaming services was generally supported by the Council of Ministers in November 2008.

	CURRENT REGULATION	PROPOSED AMENDMENTS
<b>Application</b>	July 2007 – June 2010	2010 – 2013
<b>Voice Calls</b>		
• wholesale charges	€0.30 → €0.28 → €0.26	€0.23 → €0.20 → €0.17 Calculated over a 12 month period, on a per second basis as of 1 July 2009
• retail charges		
(calls made)	€0.49 → €0.46 → €0.43	€0.40 → €0.37 → €0.34 ≤ 30 sec, then per second
(calls received)	€0.24 → €0.22 → €0.19	€0.16 → €0.13 → €0.10 per second
<b>SMS</b>		
• wholesale	–	≤ €0.04 per SMS Calculated over a 12 month period.
• retail (Euro SMS tariff)	–	≤ €0.11 per SMS
<b>Data</b>		
• wholesale	–	≤ €1 per MB Calculated over a 12 month period.

### Mobile Satellite Services

Mobile satellite services are services provided to the general public by satellite systems. Such services can include voice call services, high-speed Internet access, mobile television services and protection and disaster relief services. Such services use radio frequency spectrum that crosses national borders and are thus subject to

international or regional, rather than national, regulation. Consequently, a coordinated single selection process has been developed, via a decision of the Council and the European Parliament, to enable the selection of satellite operators, which will use radio frequency spectrum in the 2GHz band, to provide services throughout the European Community. The original proposal

on the conditions that would be attached to the roll-out of services by the selected mobile satellite operators left it up to the latter to decide in which countries they would offer services. Acting on advice given by the MCA, the Maltese Government objected to this proposal. The Maltese position gained the support of a number of other Member States when it was recognised that

Member States, particularly those in the periphery of the Community, would be risking setting aside radio spectrum for these services without the services ever being made available in their territory. The intervention and ensuing negotiations were instrumental in ensuring that the services provided by the selected mobile satellite operators will cover all EU Member States.

#### ACTIVE PARTICIPATION IN INTERNATIONAL FORA

##### Participation in the European Regulators Group

The ERG was established to contribute to the consistent implementation of the electronic communications framework at European level. During 2008, the MCA continued to participate actively in the working programmes of the Group. Over the years, this participation has enabled the Authority and its staff to reduce the learning curve associated with highly technical activities

through networking and information sharing. As the MCA's regulatory experience has matured, its participation in the activities of this Group has shifted from a participatory one to that of an active contributor. In this regard, during 2008, the MCA participated actively in the working groups on the review of the Electronic Communications Framework; the implementation and review of the Roaming Regulation; the ERG's work on the Commission

Recommendations on Next Generation Networks and on Termination Rates. The MCA also participated in two expert reviews of Phase II cases – Case PL/2008/0766 - Transit services in the fixed public telephone network in Poland, and Case SI/2008/0806 – Wholesale access and call origination on mobile networks in Slovenia where the MCA acted as rapporteur.

*In November the MCA hosted a delegation of experts from the Bulgarian Regulatory Authority following a request to share the expertise developed by the MCA in market analysis, given that, as a relatively new entrant to the European Union, it is experiencing the same*

*challenges that the MCA faced a mere few years ago.*

*During the three-day workshop organised as a result of this request, the MCA shared its knowledge and experience, particularly on various topics related to the implementation of remedies in the electronic communications market.*

*The workshop proved to be a very positive experience for the MCA as it provided an opportunity to share its acquired knowledge with other European counterparts, and helped to further develop working relations with other National Regulatory Authorities.*

##### Group of EuroMediterranean Regulators - EMERG

During 2008, the MCA participated actively in discussions on the possible formulation of a network bringing together all National Regulators from Mediterranean countries, from the EU,

from the North African Mediterranean region and from the Middle East. This Group was eventually realised in July 2008 when the first formal Plenary of the EMERG, as the group was called, was held in Malta. The MCA was invited to act as Chair of the Group during its

first year of operation. A statement of the founding of the network was endorsed by 18 regulators. Ten of the members are ERG members while the remainder are regulators from non-EU countries in the Mediterranean region.

#### OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

##### KEY PERFORMANCE INDICATORS:

The MCA will evaluate, on a periodic basis, the effectiveness of participation in such international fora particularly in relation to issues concerning Malta's interests.



## Electronic Communications

EU COMMUNICATIONS RECEIVED IN 2008		
19-Mar-08	<b>COM(2008) 153</b> - Progress Report on the Single Electronic Communications Market 2007 (13th Report)	COM(2008) 153
12-Jun-08	<b>COM(2008) 313</b> - Advancing the Internet Action Plan for the deployment of Internet Protocol version 6 (IPv6) in Europe	COM(2008) 313
26-Sep-08	<b>COM(2008) 579 Final</b> - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Outcome of the review of the functioning of Regulation (EC) No 717/2007 of the EP and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC	COM(2008) 579
26-Sep-08	<b>COM(2008) 580 Final</b> - Proposal for a Regulation of the EP and of the Council amending Regulation (EC) No 717/2007 on roaming on public mobile, telephone, networks within the Community	COM(2008) 580
	<b>(SEC(2008) 2489</b> Commission Staff Working Paper accompanying the above proposal - Impact Assessment	
06-Oct-08	<b>COM(2008) 572 Final</b> - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the second periodic review of the scope of universal service in electronic communications networks and services in accordance with Article 15 of Directive 2002/22/EC	COM(2008) 572
05-Nov-08	<b>COM(2008) 720 Final</b> - Amended proposal for a Regulation of the European Parliament and of the Council establishing the European Electronic Communications Market Authority	COM(2008) 720
07-Nov-08	<b>COM(2008) 723 Final</b> - Amended proposal for a Directive of the European Parliament and of the Council amending Directives 2002/22/EC on universal service and users' rights relating to electronic communications networks, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sectors and Regulation (EC) No 2006/2004 on consumer protection cooperation	COM(2008) 723
06-Nov-08	<b>COM(2008) 724 Final</b> - Amended Proposal for a Directive of the European Parliament and of the Council amending Directives 2002/21/EC on a common regulatory framework for electronic communications networks and services, 2002/19/EC on access to, and interconnection of, electronic communications networks and services, and 2002/20/EC on the authorisation of electronic communications networks and services	COM(2008) 724
19-Nov-08	<b>COM(2008) 762 Final</b> - Proposal for a Directive of the European Parliament and of the Council amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community	COM(2008) 762
28-Nov-08	<b>COM(2008) 798 Final</b> - Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Action Plan on e-signatures and e-identification to facilitate the provision of cross-border public services in the Single Market	COM(2008) 798

## INTERNATIONAL FORA COVERED BY MCA

EU RELATED
3rd Annual European Spectrum Management Conference
Council Working Party on Telecommunications and Information Society
Communications Committee
eInclusion Ministerial Conference
European Network and Information Security Agency (ENISA)
European Regulators Group (ERG)
EU High Level Conference on Postal Services
Expert Group on eCommerce
Galileo Supervisory Authority Administrative Board
High Level Group on Internet Governance
High Level Meeting of eCommunications Administration
Postal Directive Committee
Radio Spectrum Committee
Radio Spectrum Policy Group
OTHER
European Conference on Post and Telecommunications (CEPT)
Independent Regulators Group (IRG)
International Telecommunication Union (ITU)
Universal Postal Union (UPU)

## IRG/ERG

Plenary Meetings  
 Contact Network  
 Framework Review Project Team  
 Expert Review Project Team  
 International Roaming  
 NGNs Project Team  
 Regulatory Accounting Working Group  
 SMP Working Group  
 Network & Information Security  
 Working Group (Informal)  
 ERG/RSPG Project Team  
 Convergence Project Team  
 Termination Rates Project Team  
 End-user Project Team  
 Benchmarking Project Team

## ITU

Study Group 1 - Spectrum Management  
 Study Group 2 - Operational aspects of services  
 Study Group 3 - Radiowave Propagation  
 Study Group 4 - Satellite Services  
 Study Group 5 - Terrestrial Services  
 Study Group 6 - Broadcasting Services  
 Study Group 7 - Science Services  
 World Radiocommunications Conference

## CEPT

CEPT Assembly/Presidency  
 Working Group - Frequency Management  
 Working Group - Spectrum Engineering  
 Working Group - Numbers, Names and Addresses  
 Working Group - Regulatory Affairs

EUROPEAN COMMITTEE FOR  
POSTAL REGULATION (CERP)

CERP (Plenary)  
 Project Team - Cost Accounting & Price Regulation  
 Project Team - Financing of the USO  
 Project Team - Market & Supervision  
 Project Team - NRAs  
 Project Team - Statistics  
 Project Team - Universal Services

# Electronic Communications

## STRATEGIC OBJECTIVE 4

Facilitating the proliferation of broadband, in line with the i2010<sup>12</sup> objectives, via the development of the necessary regulatory environment.

### MONITOR THE ROLL-OUT OF WIRELESS INFRASTRUCTURES AND SERVICES

During 2007 and 2008, the MCA carried out a number of measurements to ensure that providers of Digital Terrestrial Television (DTTV) services and Broadband Wireless Access (BWA) services satisfied the roll-out and coverage obligations set out in their licences or in relevant MCA decisions. With regard to DTTV, it was established that the licence holder satisfied the relevant licence conditions concerning roll-out and coverage obligations as coverage of more than 95% of the national territory was achieved within the stipulated timelines.

Following the final decision published by the MCA in March 2007, the first deadline for roll-out was moved to July 2007. Vodafone launched its service in June 2007 and met the roll-out obligations

as stipulated in the licence. However, the other two licencees, Cellcom and GO, did not roll out within the set timeframe and were sanctioned accordingly. In March 2008, the MCA requested GO and Cellcom to submit a detailed roll-out plan. During the second, third and fourth quarters of 2008, the MCA verified mobile operators' compliance with the above roll-out obligations. This exercise confirmed that Vodafone is fully compliant with its roll-out obligations on a nationwide basis and GO reached its deadline as submitted in the roll-out plan. By the end of 2008, Cellcom have not yet rolled out. In 2009, the MCA will continue to closely monitor the developments in this field and take enforcement action as necessary.

#### Internet Protocol Version 6 (IPv6) workshop

Various IPv6-related meetings were held with a number of Maltese stakeholders in order to discuss IPv6 and the feasibility of its deployment in Malta. Discussions also continued with technical institutions emphasising the importance of including IPv6 in the curriculum of students studying networking. During the course of 2008, IPv6 lectures were delivered to students in some of these technical institutions. In May 2008, the EU Commission issued a communication on IPv6 whereby it defined a number of IPv6-related objectives that ideally had to be achieved by Member States by 2010. During 2009 MCA will be working on developing a strategy for the migration to IPv6 in Malta.

*Internet Protocol (IP) is the language used by devices to communicate with each other across the Internet. To date, version 4 (IPv4) of the Protocol is commonly deployed.*

*Every device connected to the public Internet is identified by a unique IP address. IPv4 supports approximately 4 billion addresses. This IP address space does not suffice to satisfy the consistent huge increase in the number of users, let alone the IP requirements of emerging applications such as home*

*area-networks, Internet connected transportation (automobiles for example), IP wireless services and distributed games. Consequently, a newer version of the Protocol that could tackle such an expansion is required. The Internet Protocol version 6 (IPv6) was developed to cater for this requirement. A number of recent studies predict that IPv4 addresses will be depleted in the next couple of years. Following this IPv4 address exhaustion, Maltese stakeholders will have to operate utilising IPv6 should*

*they require additional, public IP addresses to the ones they currently have.*

*In view of this, in the last couple of years, the MCA has been raising awareness on IPv6 whilst encouraging Maltese stakeholders to start preparing for the transition to this new Protocol. Furthermore, the MCA will, in 2009, be publishing an IPv6 strategy whereby it will define objectives that need to be accomplished in order to support a smooth and timely transition.*

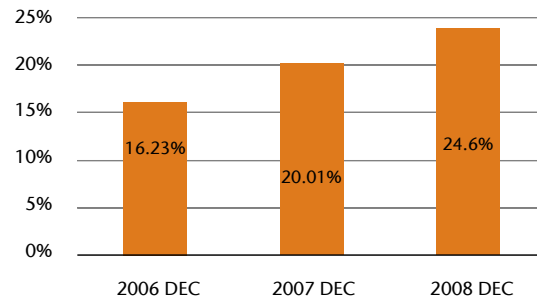
## OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

#### KEY PERFORMANCE INDICATORS:

1. Assessment of Malta's performance in this area vis-à-vis the Lisbon objectives
2. Variety of technology platforms on which broadband and other services are offered
3. New services on the market

<sup>12</sup> i2010 is the EU policy framework for the information society and media. It promotes the positive contribution that information and communication technologies can make to the economy, society and personal quality of life.

**MALTA FIXED BROADBAND PENETRATION****NUMBER OF BROADBAND INFRASTRUCTURES AND SERVICE PROVIDERS**

- GO rolls out WiMax network with service launch targeted for 2009
- GO's second submarine cable becomes operative bringing the number of submarine cables servicing Malta to three

**NEW SERVICES ON THE MARKET**

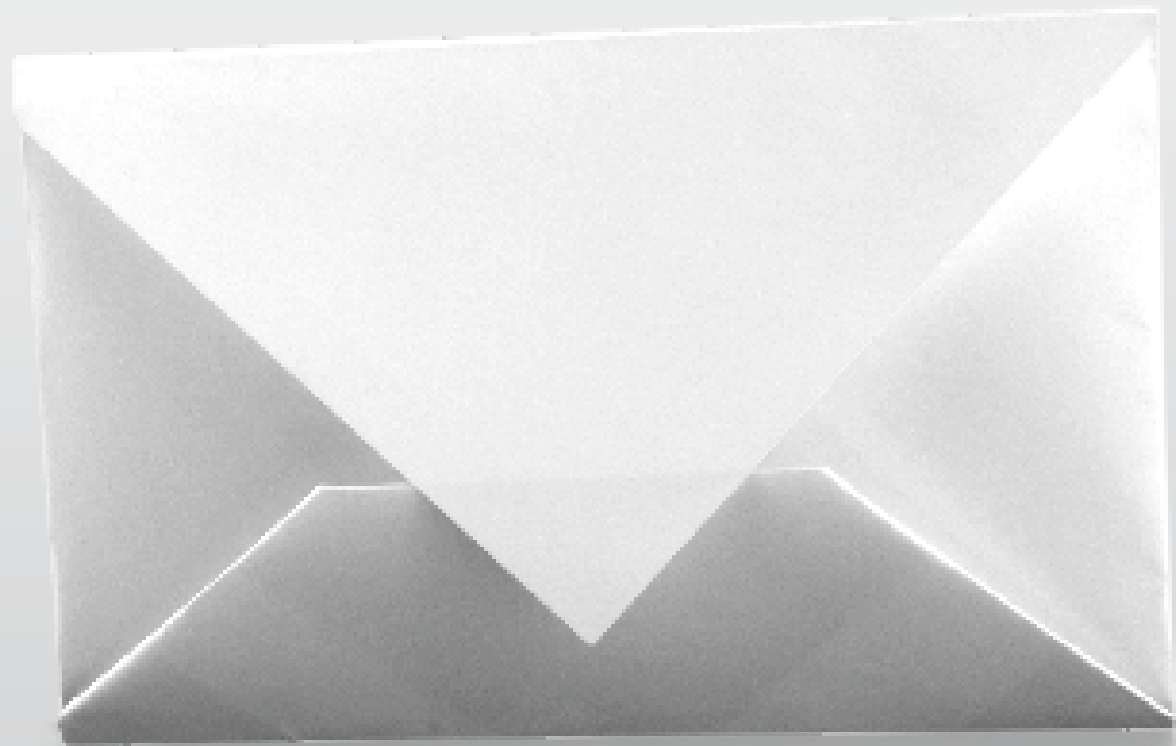
No developments were registered in 2008.

**CONSULTATIONS ISSUED IN 2008**

The 2.5 GHz Spectrum Band	15.01.08
Local Leased Lines Pricing Review	19.02.08
Wholesale voice call termination on individual mobile networks (Market Analysis)	17.03.08
Wholesale Broadband Access Market (Market Analysis)	11.04.08
Fixed Interconnection Pricing Review – Proposed Decision	15.04.08
International Leased Lines Pricing Review	13.05.08
Proposed Regulations on International Connectivity	26.08.08
Modifications to Terms and Conditions of Subscriber Contracts – Proposed Decision	28.08.08
Wholesale Broadcasting Transmission Services	29.08.08
Draft Guidelines for Inter-Operator Complaints, Disputes and Own Initiative Investigations	10.10.08
Retail public telephone call services provided at a fixed location	05.12.08

**DECISIONS ISSUED IN 2008**

Review of GO plc's Reference Interconnection Offer	02.01.08
Decision following dispute between SKY and GO plc [formerly Maltacom]	10.01.08
Decision following complaint against GO plc concerning 'Hello' Emergency Services	10.01.08
Preventing anti-competitive winback tactics in Number Portability, Wholesale Line Rental and Carrier Pre-Selection	05.03.08
Decision and further consultation on Estimating the Cost of Capital	02.04.08
Local Leased Lines Pricing Review	03.04.08
Fixed line Interconnection Pricing Review	17.06.08
International Leased Lines Pricing Review	22.07.08
Framework for Freephone services in the 800 range	07.08.08
Estimating the Cost of Capital: Beta Values	14.08.08
Wholesale Voice Call Termination on Individual mobile networks (Market Analysis)	06.10.08
Wholesale Broadband Access (Market Analysis)	17.11.08
Preliminary Position on the 2.5GHz band	19.11.08
Wholesale Broadcasting Transmission Services (Market Analysis)	24.11.08
Modifications to terms and conditions of subscriber contracts	25.11.08



# POSTAL SERVICES

“Unsurprisingly postal mail volumes declined when compared to 2007; however, gains were reported in relation to inbound registered mail, bulk mail items and parcel post.”

Philip Micallef, Chairman

The MCA has a statutory objective to regulate the postal sector and in particular to ensure the availability of a universal postal service<sup>13</sup> within, to and from the country at an affordable price for the benefit of all users.

The availability of a universal service ensures that anyone can post postal articles to any other part of Malta at the same affordable rates. It guarantees one delivery and collection of mail for every Maltese household and business, each working day. The MCA's primary focus in regulating the postal sector is to ensure the continued availability of the universal service at affordable rates. The MCA also furthers consumer interests, as appropriate, by promoting effective competition. Maltapost plc is the dominant mail operator and the provider of

the universal postal services in Malta. It also enjoys a partial monopoly in the sector restricted to mail items weighing up to 50 grams and/or costing less than two and a half times the basic tariff (€0.19). This is called the 'reserved area'. To ensure that the Universal Service obligations imposed on Maltapost are effectively met, the MCA monitors compliance with tariff controls, the integrity and security of mail, access to universal postal services, complaints handling and compensation schemes, the financial health of the company, as well as ensuring 'quality of service' standards are met. Other postal service providers operating within the scope of the universal service need a licence to operate and operators providing services outside the scope of the universal service (e.g. courier/express

service providers) must obtain a postal service authorisation from the MCA. These postal service providers must also have procedures covering customer complaints and redress, ensure the integrity and security of mail and respect the current area reserved to Maltapost plc.

Despite the area reserved to Maltapost plc, with the introduction of a new postal operator within the scope of the universal service in 2007, the MCA during 2008, started to identify the necessary regulatory provisions with respect to inter-operator relationships and resultant issues arising.

In August 2008, Government took up the option, proposed by the EU, for full liberalisation of the postal sector to take place by not later than the end of December 2012.

<sup>13</sup> The Universal Service comprises those services or products to which a consumer is entitled to access no matter where he or she lives. These services must be accessible, of a specified quality and affordable. Services falling within the universal service area must be provided by the Universal Service Provider, in Malta's case, Maltapost plc, but may be provided, if so licensed, by other postal service providers. *Premiere Post Ltd is, in fact, licensed by the MCA to provide services within the scope of the universal service area.*

As clearly listed in the Postal Services Act (Article 17(5) of the Act), the five (5) generic areas of service that the USP is required to provide as universal postal services are:

- the clearance, sorting, transportation and distribution of postal articles up to two (2) kilograms;
- the clearance, sorting, transportation and distribution of postal packages up to twenty (20) kilograms;
- services for registered articles;
- services for insured articles within Malta and to and from all countries; and
- a basic counter service throughout Malta.

# Postal Services

## STRATEGIC OBJECTIVE 1

Attaining, within envisaged timeframes, a liberalised postal market that ensures ease of entry to new undertakings and sustainable competition.

### Protecting the integrity of mail

Postal services customers need to be assured that the mail they entrust to any postal operator will arrive at its destination and will not be interfered with, lost, damaged or stolen.

Mail integrity refers to the policies, procedures and measures that need to be put in place by a postal operator to ensure that, as far as possible, the above requirements are met. In particular, the measures taken by postal operators need to:

- prevent unauthorised access to mail;
- manage authorised access to the mail; and
- prevent and manage damage resulting from natural disasters, accidents and dangerous goods.

The mail integrity audit carried out by the MCA in 2007 had indicated areas where Maltapost plc is in line with the minimum mail integrity standards and areas where improvements were required. This was followed up with Maltapost plc during 2008 and the MCA also continued to ensure that all postal operators comply with the established minimum standards for protecting the integrity of mail.

### Cross border terminal dues

Terminal dues can be defined as the remuneration paid to the universal service provider for distributing postal articles originating from another country. The terminal dues system applies to all countries and is established by the Universal Postal Union (UPU)<sup>14</sup>. It is currently made

up of two sub-systems: a target system and a transitional system. The target system is applied for mail posted between industrialised countries and with other countries wishing to be a party to this system. The transitional system is applied for developing countries and applies lighter charges than those established in the target system. Amendments to the global terminal dues system were introduced during the 24th UPU Congress that took place in Geneva in July and August of 2008. The Congress agreed on a specific timetable up till 2013 for the inclusion of another group of countries in the target system and the establishment of new rates to be applied to the target and transitional countries. It is anticipated that Malta will be joining

the target system in 2012.

The Authority is reviewing the potential impact this development may have on consumers and on the universal service provider.

### Postal inter-operator issues

In March 2007, Premiere Post Ltd was issued with a licence to operate services within the scope of the universal service, thus providing services in competition with the incumbent Maltapost plc. Premiere Post Ltd is authorised to provide

postal services which are not reserved<sup>15</sup> but fall within the scope of the universal service as defined in the Postal Services Act. Premiere Post Ltd currently delivers the majority of the traffic summons issued via a registered type of postal service in line with Legal Notice 133 of 2004. Prior to the entry of Premiere Post Ltd into the postal market, Maltapost plc was the sole entity delivering this type of mail via its registered mail service.

Within this context, the Authority felt the

need to consider the implementation of mechanisms to manage inter-operator issues that occur in a multi-operator market environment. The efforts in the context of an inter-operator environment also included the identification of amendments to legislation with respect to the need for all postal operators to identify mail intended for another operator and re-route accordingly.

<sup>14</sup> Established in 1874, the Universal Postal Union is the primary forum for cooperation between postal sector players. With 191 member countries, this specialised agency of the United Nations fulfils an advisory, mediating and liaison role, and renders technical assistance where needed. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail volumes and to improve the quality of service for customers.

<sup>15</sup> The reserved area refers to mail weighing up to 50 grams and/or costing less than two and a half times the basic tariff, i.e. €0.19. Only the USP can operate within this area. The rationale behind the reserved area is that it compensates the USP for taking on the uneconomic burden of universal services. The reserved area will be removed following the full liberalisation of the sector which will take place no later than the end of 2012.

## OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

### KEY PERFORMANCE INDICATORS:

1. Number of postal services providers in the various licence 'areas'
2. Ease of entry to market
3. Postal volume trends in the various postal segments
4. New service offerings

### NUMBER OF POSTAL SERVICES PROVIDERS IN THE VARIOUS POSTAL 'AREAS'

- No new postal operator within the scope of the universal service
- Two new courier/express providers in 2008

### EASE OF ENTRY TO MARKET

MCA submitted recommendations to Government on the reduction in fees for operators operating outside the scope of the universal services (e.g. Courier/Express Services), which will be brought into force early in 2009.

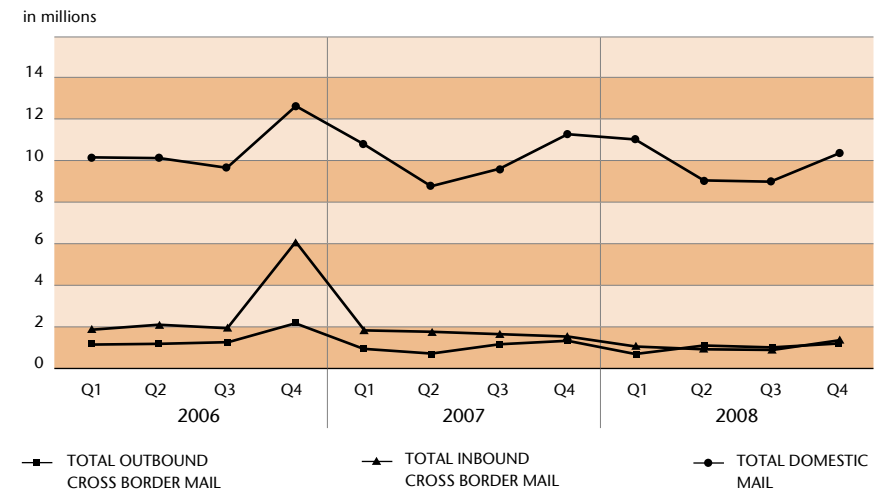
A major overhaul in the Postal Services Act is expected in 2009.

### POSTAL VOLUME TRENDS IN THE VARIOUS 'AREAS' OF THE POSTAL SECTOR

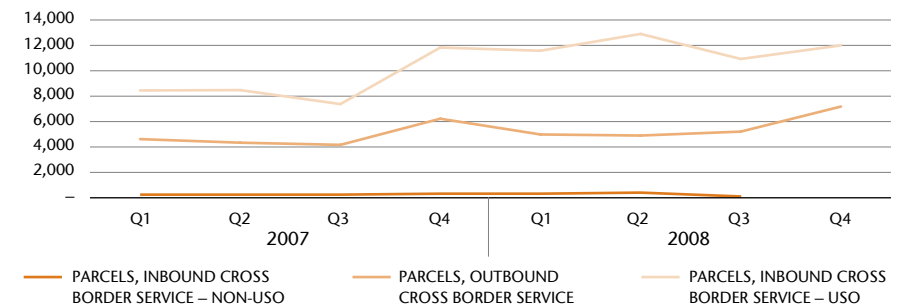
No major shifts other than the cyclical upsurge in the fourth quarter, which is due to the increase in postal volumes during the Christmas period, were reported in 2008.

However, one can point to an ongoing decline in letter post. This is a trend similar to what is being experienced in other European countries where, due to the increased use of the e-mail, bulk mail is steadily becoming an increasing part of the total mail volumes handled.

### TOTAL MAIL VOLUMES HANDLED



### PARCEL VOLUMES HANDLED



### NEW SERVICE OFFERINGS

No new/innovative service offering by USP.



# Postal Services

## STRATEGIC OBJECTIVE 2

Ensuring that residential and business consumers of universal postal services get the best value-for-money from Maltese postal service providers

## SAFEGUARDING CONSUMER INTERESTS

### Maltapost's Universal Service Obligations (USO) - Accessibility

One of the Authority's main responsibilities with regard to the postal sector is to ensure an affordable, high-quality, universal postal service in the Maltese Islands. In April 2008, the Authority published a consultation on Maltapost plc's obligations, as the universal service provider

and on the rights of the consumer with respect to access to services, the guarantee of daily delivery and the publication of information on available postal services. A decision was subsequently issued in September 2008. Through this decision, the MCA established distance-related criteria for access to public letterboxes and the minimum number of retail counters offering

basic counter services that should be made available throughout Malta and Gozo. A procedure to be followed by Maltapost for the permanent closure or re-siting of existing access points was also established. In addition, the decision clarified the measures to be taken to ensure correct application of the Postal Services Act regarding the siting of outlets selling postage stamps.

## KEY REQUIREMENTS SET BY THE DECISION ON ACCESSIBILITY OF POSTAL SERVICES

Access to Public Letterboxes – MCA has mandated that by no later than 1st January 2010

- i. There should be a letterbox as near to each town or village centre from which collection is made six (6) days a week (i.e. Monday to Saturday, excluding public holidays) to secure next day delivery nationwide.
- ii. In localities where the population density is higher than the national average, not less than 98% of users or potential users should be within 400 metres of a letterbox.
- iii. In localities where the population density is lower than the national average not less than 98% of users or potential users should be within 800 metres of a letterbox.
- iv. The permanent closure or re-siting of existing letterboxes must follow the process established by the MCA.

*The accessibility parameters do not release Maltapost plc from the obligation to provide*

*additional public letterboxes, as may be required, to meet consumer needs and to consult with the local*

*council(s) concerned on the most appropriate distribution of public letterboxes in a particular locality.*

## ACCESS TO RETAIL COUNTERS

Maltapost is required to guarantee not less than fifty-nine (59) postal outlets providing access to basic counter service throughout Malta and Gozo in line with the current distribution of postal outlets.

Maltapost should strive to provide a basic counter service in every locality throughout Malta and Gozo and as close to the town or village centre as practical.

The permanent closure or re-siting of existing postal outlets must follow the process established by the MCA.

**CLOSURE OR RE-SITING OF EXISTING ACCESS POINTS**

Prior to the permanent closure or re-siting of a particular access point, Maltapost must, at least four (4) weeks in advance, inform the MCA of its intention to permanently close or re-site any existing access point together with:

- the reasons why a particular access point is to be closed or re-sited
- evidence that the access parameters established for that particular access point are satisfied.

**FACILITIES TO BUY POSTAGE STAMPS**

By not later than 1st January 2010, Maltapost should ensure that facilities to buy postage stamps should be available within a radius of 100 metres of the nearest retail outlet to the letter box. The facility need not be a post office or a sub post office and may be automated.

**Monitoring Postal Quality of Service**

The MCA monitors the Quality of Postal Services (QoS) achieved by Maltapost plc for the following postal services: local ordinary mail, registered mail, bulk mail and inbound parcel post. During the period October 2007 to September 2008, Maltapost exceeded the QoS targets established by the MCA in its decision of 2007.

**Postal service schemes**

Postal service schemes regulate the commercial relationship between Maltapost plc and its customers. These schemes outline the charges and other terms and conditions of all products and services offered by Maltapost, as well as the procedures for dealing with complaints and related compensation mechanisms. Through its decision issued in September 2008, the MCA delineated: (a) in

what format a postal service scheme should be published; (b) on what media it should be published; and (c) the updates on the published postal service schemes that should be given to the Authority annually. During 2008, the MCA continued to review the postal schemes drawn up by Maltapost and approved a scheme setting out Posting and Delivery Requirements. Reviewing and monitoring of such schemes will continue during 2009.

**OUTCOMES**

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

**KEY PERFORMANCE INDICATORS:**

1. Movement in postal prices
2. QoS performance statistics in relation to set targets
3. Complaints handled by MCA
4. Financial status of the USP

**MOVEMENT IN POSTAL PRICES**

No price increases in 2008. Maltapost's stamp price for basic domestic letters is the cheapest in the EU.

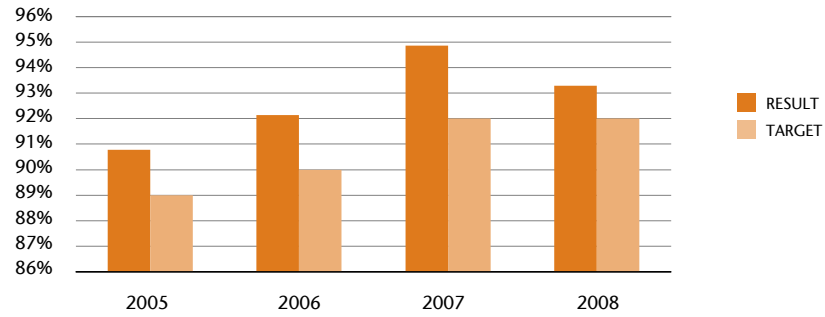
**QoS PERFORMANCE STATISTICS IN RELATION TO SET TARGETS**

**QoS TARGET FOR REGISTERED MAIL**



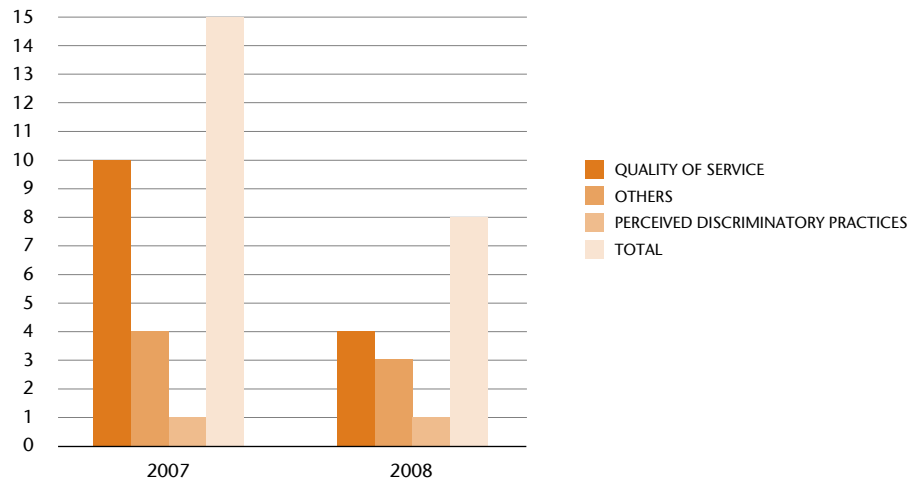
# Postal Services

## LOCAL ORDINARY MAIL DELIVERED WITHIN ONE DAY OF POSTAGE



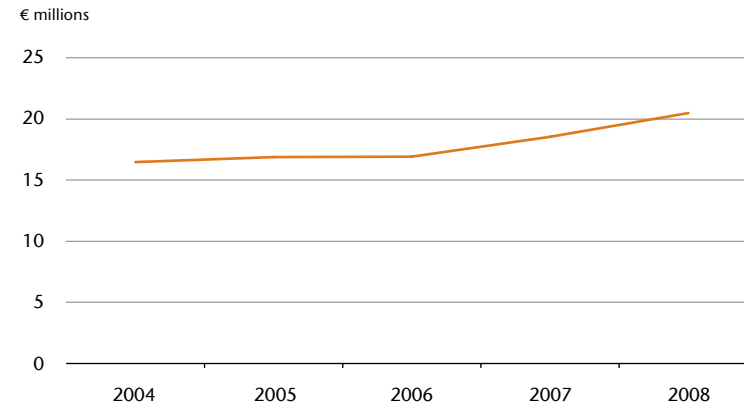
## COMPLAINTS HANDLED BY MCA

### POSTAL COMPLAINTS



## FINANCIAL STATUS OF THE USP

### TURNOVER OF THE UNIVERSAL SERVICE PROVIDER



### STRATEGIC OBJECTIVE 3

Contributing to the ongoing discussion, at an international level, on the consistent implementation and development of the postal regulatory framework. No specific Key Performance Indicator for this objective was identified.

#### Regulatory framework for postal services

On 20 February 2008, the European Parliament and the Council adopted Directive 2008/06/EC, which amends the current Postal Directive<sup>16</sup>. According to the Directive, Member States must abolish any remaining reserved areas by 2010, with the possibility for some Member States to postpone full market opening at most until 2012. The Maltese Government availed itself of this option in August 2008, so that, in Malta, postal services will be fully liberalised in December 2012. The new Postal Directive maintains the current obligations on Member States to ensure a high-quality universal service, comprising of at least one delivery and collection five days a week for every citizen. It also further reinforces consumer protection and increases

the role of national regulatory authorities. The obligation to ensure affordability of postal services is maintained, as is the possibility for Member States to impose a uniform tariff for single piece tariff items such as consumer mail. During 2008, the MCA started to review the current regulatory framework for postal services in order to provide recommendations to Government on the changes needed in view of full market opening of the postal sector.

#### Participation in UPU Congress

During the Universal Postal Union Congress, Malta was represented by members from the MCA and Maltapost plc (as the designated operator responsible for the Universal Service Obligation in Malta and

the recognised postal administration by the UPU). Several hundred proposals were discussed and voted upon during the Congress leading to the amendment of the UPU Constitution, its regulations and the Postal Payment Services Agreement. The key outcomes of this Congress related to:

- the clarification of the definition and the roles and responsibilities of 'governmental entities' on one hand and 'designated operators' on the other hand so as to distinguish between the policy, regulatory and operational functions; and
- the changes to the terminal dues system discussed earlier on in this section.

### LEGISLATIVE AMENDMENTS

#### Review of Postal Services Legislation

In September 2008, the Authority published a consultative paper which included draft regulations amending the Postal Services (General) Regulations. The purpose of these proposed amendments was to address

certain matters which the Authority identified in the course of the exercise of its regulatory functions including, notably, the need to ensure that postal articles have a postal identifier unique to each postal operator and a review of the current fees structure. The amendments are expected to be published in 2009.

Furthermore, during 2008, a comprehensive review of existing postal services legislation, including the Postal Services Act, was undertaken. It is anticipated that public consultation on the suggested amendments to the existing legal framework will be undertaken in 2009.

#### LIST OF CONSULTATIONS ISSUED IN 2008

Maltapost plc's Universal Service Obligations – Accessibility, Daily Delivery and Provision of Information	04.04.08
Proposed Amendments to the Postal Services (General) Regulations	09.09.08

#### LIST OF DECISIONS ISSUED IN 2008

Maltapost Universal Service Obligations	10.09.08
---	----------

<sup>16</sup> (97/67/EC) as amended by Directive 2002/39/EC



# eCOMMERCE & ICT INITIATIVES

“In mid-2008, the MCA broadened its remit when it assumed responsibility for implementing the national policy on eInclusion and eBusiness as reflected in the National ICT strategy – the Smart Island Strategy.”

Philip Micallef, Chairman

The MCA's regulatory role in the eCommerce sector is twofold - it ensures compliance with the eCommerce Act and Regulations whilst it endeavours to facilitate eCommerce take-up. The eCommerce Act and Regulations were brought into force in 2002 and 2006 respectively. Modelled on the UNICTRAL Model law

for Electronic Transactions and the EU Directives for Electronic Commerce and Electronic Signatures, the eCommerce Act aims to set out a number of safeguards with the intent of generating consumer trust in online transactions. Essentially, the Act establishes the legal validity of electronic transactions taking place via electronic

communications, the parameters within which electronic contracts are to be concluded and the regulatory framework for the provision of electronic signature certification and intermediary services. In addition, the eCommerce Regulations list the obligations that information society service providers need to satisfy.

## ECOMMERCE: STRATEGIC OBJECTIVE

The consolidation of the institutional and organisational elements on a national scale that are required for the achievement of a solid eCommerce environment that inspires trust in all those who use it.

## AWARENESS RAISING

### eCommerce Guides to Businesses

During 2008, the MCA developed eCommerce guidelines for businesses with the aim of creating a clear and comprehensive reference point for those businesses that are already engaged in eCommerce as well as those that are interested in setting up eCommerce platforms. The work involved extensive research as well as consultation with a number

of entities and competent authorities that play a regulatory role in matters related to eCommerce. The guides tackle subjects, such as legal and authorisation requirements and procedures, electronic contracts, online security, payment gateways and good business practices. The guidelines will be formally launched by the end of the second quarter of 2009.

### Information road-shows

The MCA embarked on a number of initiatives to stimulate eBusiness amongst the local business community. The initiatives covered diverse topics ranging from the sharing of experiences of successful eBusiness ventures to relaying information on the latest trends in eBusiness. The MCA also delivered information on the existing incentives and hosted debates about the

# eCommerce & ICT Initiatives

difficulties that may be hindering the growth of this sector in Malta. Two workshops were organised, in collaboration with the General Retailers and Traders Union (GRTU), HSBC Malta and Bank of Valletta plc in order to encourage a more active use of e-Banking facilities amongst Maltese businesses. Furthermore, in partnership with the Chamber of Commerce, a seminar on eCommerce was held with the aim of stimulating further interest in eCommerce amongst the members of the Chamber.

oriented initiatives, the MCA also addressed the consumer in its awareness raising activities. During 2008, the MCA published guides to consumers highlighting areas that the consumer should be aware of during the online purchasing process such as the need to have sufficient information about the merchant, what information to look out for regarding the actual product or service, how to safeguard personal information and consumers' rights in the online world.

## Conference on eCommerce

As part of its eCommerce campaign, this year's annual conference

focused on eCommerce and addressed the issues and the opportunities it offers to the Maltese business community. This conference hosted a number of international and local speakers. Topics discussed included the building blocks that underlie the notion of 'e-readiness' and whether Malta's digital environment is conducive to foreign investment; the implications of eCommerce on traditional supply chains; the efficiencies that eCommerce can generate, especially for micro-enterprises, which constitute the majority of businesses in Malta; and the role of Government as an enabler and driver of eCommerce.

## eCommerce Guides to Consumers

Apart from its business-

## MARKET RESEARCH

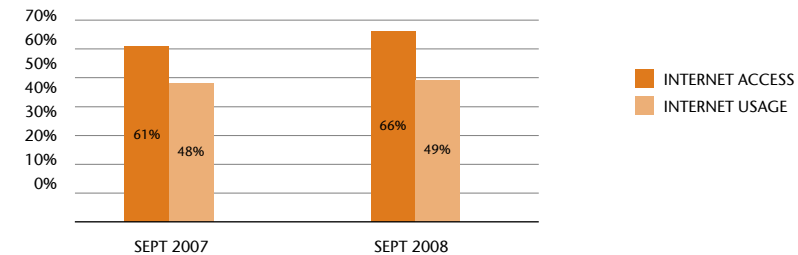
### eCommerce usage amongst Maltese households

Since September 2006, the MCA has been carrying out biannual eCommerce surveys aimed at collecting data on eCommerce usage across the Maltese Islands, whilst at the same time gauging its potential for growth. The surveys also provide an insight into the problems experienced by users and the concerns that deter people from purchasing online. By identifying

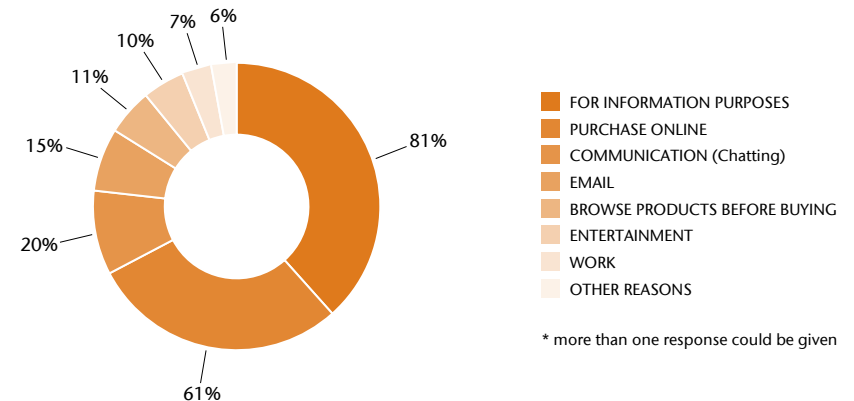
the issues, the MCA can better contribute towards building a more robust eCommerce framework. The survey results indicate that, although slightly more than two-thirds of the population have Internet access (66%), only half of the population actually use the Internet (49%). Not surprisingly, usage is highest amongst the younger age groups, students, professionals and office workers. The Internet is largely used for research purposes and buying online,

followed by entertainment and communication purposes, such as e-mail and chatting. Not knowing how to use the Internet, not having the time to use it or simply a lack of interest in the subject are the main reasons given by those who do not use the Internet. Almost two-thirds of Internet users (61%) purchase online which translates to 30% of the total population. This represents an impressive increase of 10% over the past two years.

INTERNET ACCESS VS INTERNET USAGE (Base: All Respondents)

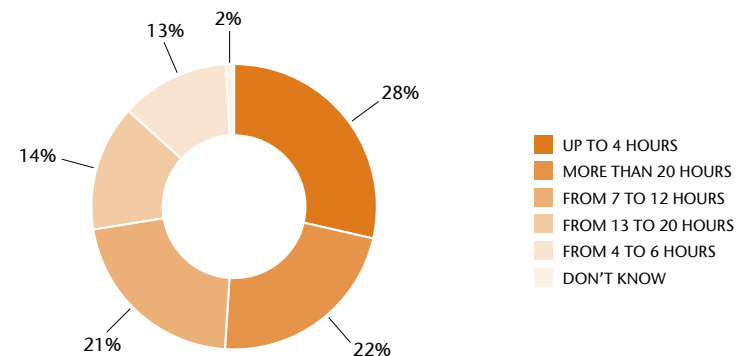


REASONS FOR USING THE INTERNET (Base: All Internet Users)\*



\* more than one response could be given

TIME SPENT USING THE INTERNET (per week)



### Foreign Direct Investment Survey

The MCA commissioned a preliminary study about Malta's potential as a destination for foreign investors, when deciding to re-locate or set-up a new eCommerce business unit or activity. One of the aims was to identify the building blocks that are conducive to foreign direct

investment in this dynamic business environment. A comparative analysis between the current scenario in Malta and that of certain selected countries was carried out in order to obtain a high-level overview of Malta's e-readiness in this respect. Moreover, in order to gain insight into the strengths, weaknesses and challenges faced by the

local eCommerce players, a number of face-to-face interviews were carried out. The factors that play a fundamental role in attracting eCommerce-related foreign direct investment to Malta were also highlighted in this exercise.

The findings will be used by the MCA to inform its work plan on eBusiness for 2009 – 2011.

## ICT INITIATIVES: STRATEGIC OBJECTIVE 1

Promoting the take-up of eBusiness

### Euro-Label

Another project taken over by the MCA during 2008 aims to secure a wider adoption of the Euro-Label amongst local eCommerce service providers. The Euro-Label is the European electronic shopping

trustmark for consumers and retailers, aimed at increasing confidence in online retailing. Maltese online traders can now apply for certification which, if awarded, indicates their adherence to a set of harmonised e-shopping principles. A website

displaying the trustmark reflects a commitment, on the part of the company selling the product or service, to abide by specific terms and conditions of provision of service.

## ICT INITIATIVES: STRATEGIC OBJECTIVE 2

Promoting widespread eLiteracy

### TOWARDS A DIGITAL SOCIETY

#### SmartStart

Launched in February 2008, the SmartStart initiative is one in a series of projects intended to bridge the digital divide and make Information and Communication Technologies (ICTs) more affordable to the general public. This initiative offered persons with a disability, those benefiting from social or unemployment assistance and non-governmental organisations the opportunity to purchase refurbished PCs in good working condition at an affordable price. Eligible candidates were given the option to select between a Pentium III and a Pentium IV computer. The refurbished PCs, made available under this initiative, were previously in use in the public sector. By the end of May, a total of 1,644 applications were

received and distribution to eligible applicants commenced in September. During the first two weeks of September, 271 PCs were distributed to persons with a disability, followed by a further 710 PCs that were distributed among eligible persons benefiting from social or unemployment assistance. Distribution of refurbished PCs to NGOs will take place in 2009.

#### Community Training and Learning Centres (CTLCs)

The setting up of these Learning Centres across Malta and Gozo is considered to be one of the main instruments for improving access to ICT in the community, minimising the digital divide by increasing digital literacy and using ICT as an equalising instrument for the integration of individuals who may not have had opportunities to

access and use ICTs. With the setting up of these centres of learning, ICT training courses such as myWeb and myWeb Plus, are being organised free of charge in the respective communities. Recognising that the use of various technologies empowers adults to achieve a better quality of life, these courses are designed with the needs of adult learners in mind. Both courses have been a success with approximately 1,200 participants. When the MCA took over responsibility for setting up CTLCs, 10 such centres had already been established by the then Ministry for Information Technology and Investment. Of these, three were set up during 2008. It is planned that, by 2010, the MCA will have established a further 10 CTLCs across Malta and Gozo. The establishment of these CTLCs was the result of direct collaboration



# eCommerce & ICT Initiatives

between a number of Government entities, non-profit organisations and Local Councils, which all share the same eInclusion objective, that of serving the needs of individuals and enterprises in their respective localities.

## myWeb & myWeb Plus

myWeb is an educational course aimed at individuals who have very little or no experience in the use of computers. The course is spread over 20 hours and is facilitated by a step-by-step manual. The average age of course participants is 45 years. Another course, myWeb Plus, has also been developed and is being delivered. This training programme differs from the myWeb course by offering training on a wider variety of technologies that improve the quality of life such as Internet Banking, how to use an ATM, a mobile phone or a digital camera, how to effect purchases online and Internet safety, how to save photos, and send emails, amongst others.

## Offering Public Internet Access Points (PIAPs) to the general public

During the year under review, the MCA embarked on an initiative aimed at facilitating the provision of Wi-Fi Internet at a number of centres run by public or non-profit entities that render a service to specific communities or special groups. Such centres will include CTLCs and Civic and Youth Centres amongst others. The objective is to offer members of the Centres' communities the possibility of accessing, free of charge, an Internet connection, which is filtered from explicit content. It is anticipated that these PIAPs will become available by the end of the second quarter of 2009.

## PC for 99c

Another initiative undertaken during the year under review aimed at bridging the digital divide through the 'Computer for € 0.99' scheme. Launched by the then Ministry for Information Technology and Investment, this scheme enabled the general public to purchase PCs at the affordable rate of € 0.99 per day. All applicants participating in this scheme were free to choose any hardware brand and category of desktop computer or laptop. By the end of the initiative, there were approximately 9,500 applicants, which accounts for 7% of households, who benefited from this scheme. It is estimated that 43% of the applicants purchased a computer for the first time whilst the remaining 57% had replaced their old computer with a new one. Beneficiaries of this initiative, who purchased computing equipment from any local authorised retailer between February and July 2008, were also refunded 16% of the purchase price.

## ECOMMERCE: OUTCOMES

The following key performance indicators serve to illustrate the main outcomes of the MCA activities with respect to this strategic objective.

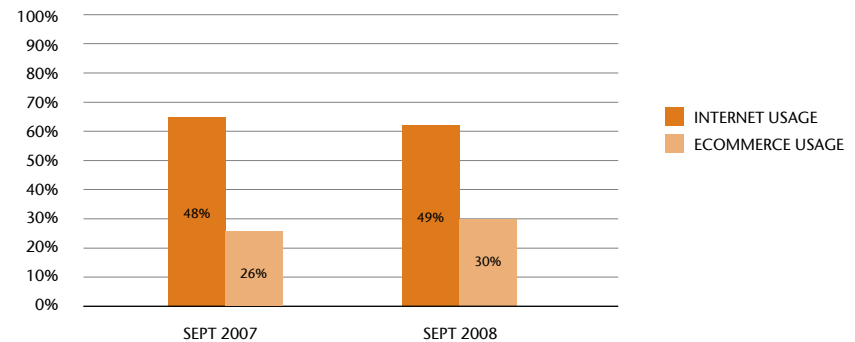
### KEY PERFORMANCE INDICATORS:

1. Public use of eCommerce services in comparison with EU benchmarks
2. Public awareness of the regulatory role of the MCA and of consumer rights
3. Public awareness of consumers' rights with respect to eCommerce
4. Public perception with regard to the security of eCommerce transactions

### PUBLIC USE OF ECOMMERCE SERVICES IN COMPARISON WITH EU BENCHMARKS

An ongoing growth in eCommerce users was registered in 2008. With respect to European benchmarks 30% of Maltese buy online when compared to 32% in Europe.

### INTERNET USAGE VS ECOMMERCE USAGE (Base: All Respondents)



**PUBLIC AWARENESS OF THE REGULATORY ROLE OF THE MCA**

Perceptions survey being carried out in 2009.

**PUBLIC AWARENESS OF CONSUMERS' RIGHTS WITH RESPECT TO eCOMMERCE**

Survey and focus groups to be conducted in 2009.

**PUBLIC PERCEPTION WITH REGARD TO THE SECURITY OF eCOMMERCE TRANSACTIONS**

The latest survey carried out by the MCA reveals a slight improvement in terms of public perceptions in this regard.

	Apr-08 (%)*	Sept-08 (%)*
Concerns regarding Security/Threat of fraud	28	31
Concerns regarding delivery	28	24
Other concerns	40	24
I am willing to take the risk	19	17
No concerns	18	19

\* More than one response could be given.

**ICT INITIATIVES: OUTCOMES**

The MCA was assigned responsibility for this function during 2008. Key Performance Indicators will be established for the periods starting in 2009. However the following Outcomes can be reported.

**EURO-LABEL**

19 undertakings registered with this Trustmark.

**SMARTSTART**

981 PCs distributed to eligible persons.

**COMMUNITY TRAINING AND LEARNING CENTRES**

Three new centres setup. Approximately 1,200 persons trained on basic computer skills during 2008.

**PC FOR 99 CENTS**

9,500 new PCs were purchased via this scheme.



# END-USER & LEGAL AFFAIRS

“Inevitably the most important challenge for the MCA will be to ensure that the existing competition in all communications sectors results in improved quality of service to end-users in line with the level of excellence that our citizens expect.”

Philip Micallef, Chairman

## END USER AFFAIRS

### End User Complaints

The Authority operates an end-user affairs function which primarily deals with enquiries and complaints regarding sector service provision by subscribers and end-users.

The Authority primarily resolves complaints through mediation between service providers and consumers. It also liaises on a regular basis with the Consumer Division of the Consumer and Competition Division with regard to alleged breaches of consumer law.

### Dolceta

During 2008, the MCA participated in an EU wide programme aimed at providing online consumer education. The MCA compiled the sections of the Dolceta website dealing with Telecommunications. In 2009 the MCA will update the website with consumer information on postal services.

### Consumer Guides

In the year under review the Authority launched a consumer awareness campaign by issuing a series of Guides, aimed at raising consumers' awareness of their rights as consumers of communications services as well as giving pointers regarding steps to take when choosing or switching service provider.

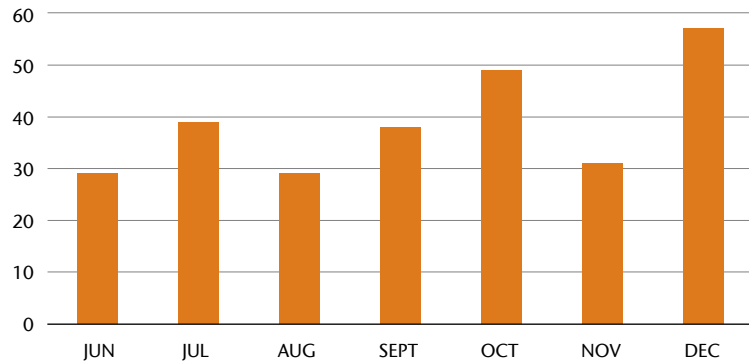
The guides also provide information on redress mechanisms available to consumers.

The detailed and abridged versions of the Guides are available on the MCA website while printed leaflets are available from all local councils.

The Guides are also being distributed to a number of schools across Malta following requests by school staff members.

# End-User & Legal Affairs

## SUBSCRIBER COMPLAINTS/QUERIES 2008



## LEGAL AFFAIRS

### Inter-operator disputes and complaints

The MCA hears disputes and complaints lodged by authorised undertakings. In some instances, issues arising between market players are resolved following informal intervention by the Authority, thereby avoiding escalation and recourse to the formal dispute resolution process. In relation to electronic communications, disputes and complaints were lodged relating to alleged

irregularities in the number portability process, delays in processing carrier pre-selection applications, assumed malpractices concerning directory enquiry services and poor quality in transmissions of international calls. Regulatory decisions were subsequently taken by the Authority. In two cases, those relating to suspected misuse of rejection codes and assumed malpractices concerning directory enquiry services, the operator, upon whom fines were imposed, contested

such fines. On appeal, the Appeals Board decided to waive the fine related to directory enquiry services. The second case is still pending.

No disputes between operators were registered in the postal sector during 2008. The Authority, however, undertook investigations relating to allegations of unauthorised persons providing postal services. In the course of these investigations, MCA did not find evidence to justify regulatory intervention.

### Litigation

During 2008, four new appeals relating to electronic communications were lodged before the Communications Appeals Board. Two of these appeals

contested the imposition of administrative fines by the Authority following a dispute between two service providers, whereas the other two appeals related to the reasonableness of timeframes established in

a regulatory decision and whether certain services should be considered regulated services for the purposes of calculating the gross total revenue of service providers<sup>17</sup>.

DECISIONS APPEALED	APPELLANT	STATUS
Contestation of decision on GO's Reference Interconnection Offer	GO plc	Withdrawn
Contestation of administrative fine following dispute with SKY on rejection codes	GO plc	Pending
Contestation of administrative fine following dispute with SKY on alleged delays in processing Carrier Pre-Selection (CPS) applications	GO plc	Decided against the Authority
Contestation of MCA's calculation of Melita's total gross revenue for the purposes of establishing administrative charges	Melita plc	<i>Sine die</i> awaiting outcome of Court of Appeal proceedings on a related case

The number of pending appeals before the Appeals Boards diminished substantially.

<sup>17</sup> The total gross revenue is used to determine the administrative charges that undertakings are required to pay to the Authority on an annual basis.

#### DECISIONS OF THE COURT OF APPEAL

The Court of Appeal decided two appeals from decisions taken by the Appeals Board:

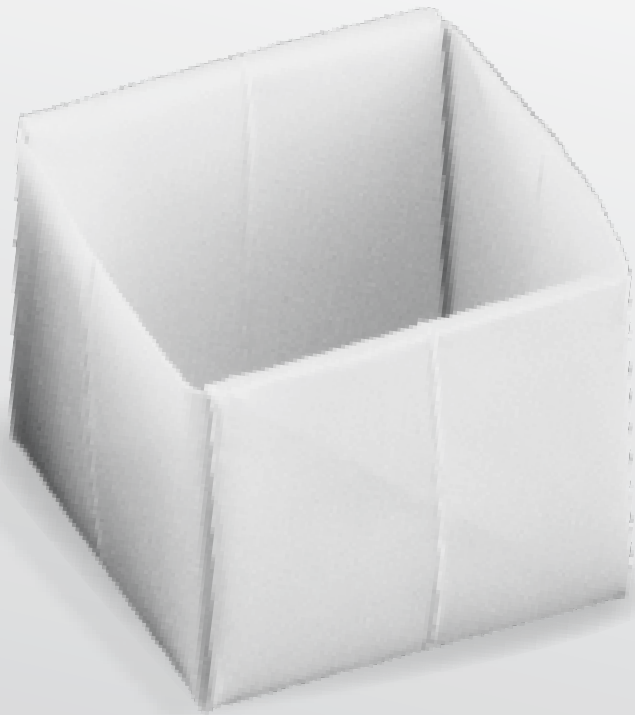
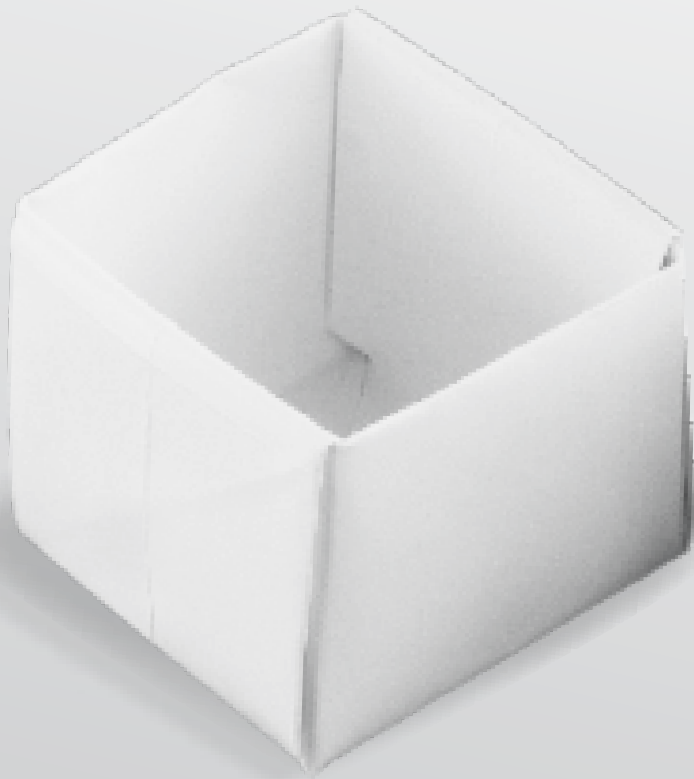
- it confirmed that the Postal Services Appeals Board has jurisdiction to review decisions taken by the Authority where there is non-compliance with the applicable law. The case related to a decision of the Authority against a person who was allegedly acting in breach of a requirement to sell stamps at their face value.
- in the other appeal, this time relating to the electronic communications sector, the Court overturned a decision of the Appeals Board in relation to a regulatory decision taken in 2004 relating to interconnection charges.

#### PENDING APPEALS

YEAR LODGED	NUMBER OF PENDING APPEALS AS AT DECEMBER 2007	NUMBER OF PENDING APPEALS AS AT DECEMBER 2008
2003	1	1
2004	3	3
2005	2	0
2006	4	1
2007	2	0
2008	0	2

#### PENDING APPEALS BEFORE THE COURT OF APPEAL

DECISIONS APPEALED	APPELLANT
Appeals Board's decision dated 28th July 2008 which overturned the Authority's decision to impose a daily administrative fine on Webwaves Ltd	MCA
Appeals Board's decision in favour of Melita dated 30 <sup>th</sup> June 2008 regarding assignment of BWA frequency	MCA
Appeals Board's decision dated 24th November 2008 confirming MCA's Dominant Market Player 2003 designation of Melita in the Telecommunications Transport Provision market	Melita plc



# INSIDE MCA

“The Authority also sought to achieve stability in terms of number of personnel whilst not compromising on capacity or competencies.”

Philip Micallef, Chairman

## GOVERNANCE

The Authority is today in its seventh year of operation.

It is a statutory body headed by a Board comprising six Members and the Chairman. The Members of the Authority

come from a range of different backgrounds including the business sector, legal profession, local government and journalism.

The Board approves the Authority’s strategic and business plans as well as

its annual budget, and oversees the execution of these by the Authority.

The Chairman/Director General is responsible for the overall direction of the MCA and its day-to-day running.

## ORGANISATIONAL DESIGN

From an organisational design perspective, the Authority is structured along functional lines – see chart “MCA – Organisation Structure”, page 67 – but operates a matrix approach to project management, thus facilitating competence

sharing and inter-group communications whilst ensuring efficient use of its internal competencies. This approach has, for example, enabled it to apply the competencies and experience, developed in applying regulatory

tools to the electronic communications sector, to the postal sector. It also allows it to maximise its use of information and data which, in several instances, have cross-sectoral relevance.

## FINANCING

From a financing perspective, in relation to the regulation of the electronic communications sector, the Authority has a dual accountability: to Government and to the sector through which it is funded. In this respect,

since 2004, the Authority is legally required to account for its activities and related expenditures to the industry through a published statement of expenditure which reconciles its expenditure with charges collected from

the sector. It is required to return any unspent funds to the industry.

Its activities related to postal services, eCommerce and the Information Society are funded centrally.

## HUMAN RESOURCE MANAGEMENT

The MCA today employs 65 staff members. Of these 41 are professional

staff dedicated directly to regulatory affairs, six are technical staff

deployed on spectrum frequency management, eight are dedicated to the



# Inside MCA

newly assigned functions related to ICT initiatives while the remaining 10 are support staff.

From a gender perspective, 37 of the Authority's staff are male while the remaining 28 are female. The employees are generally young with an average age of 34. The Authority's staff continue to be its most important asset and the Authority's ability to recruit and retain staff having the requisite skills and competencies necessary to successfully implement its business plan remains one of the Authority's ongoing challenges.

A staff satisfaction survey commissioned in 2008 identified internal communications as an area requiring particular attention. In light of this, increased effort was placed to improve communication

across the organisation, primarily through formal and informal internal meetings, and improved processes for internal information sharing, recognising effective communications as not only a challenge but a goal to be achieved on a day-to-day basis. On the other hand, the strengths identified in the survey included the Authority's organisational culture, the development of key competencies, quality of leadership and the capacity for adapting to change. In terms of its human resource policy, the Authority aims to achieve a complement of highly qualified and motivated staff through its recruitment and development strategy, with a competency profile that is aligned with the values, objectives and strategy

of the organisation.

Considering the significant investment in in-house staff development and the high levels of responsibility inherent in the duties of members of staff, the retention of staff is a major concern of the Authority. 2008 saw a significant reduction in staff turnover (5%) when compared to an average of 20% during the previous years. During 2008, 12 employees were recruited to replace staff resignations during 2007 and 2008, a further eight employees were transferred to the Authority from the Information Society Strategy Unit of the Ministry responsible for Information Technology as a result of its increased responsibilities and four employees terminated their contracts.

## RELATIONSHIPS WITH OTHER PUBLIC ENTITIES

The MCA interacts on a regular basis with the following entities:

### The Consumer and Competition Division

The Authority liaises with this Division on competition issues and consumer issues that arise in the electronic communications market. The relationship between the two entities is governed

by a Memorandum of Understanding.

### Department of Corporate Services - MITC

The Department of Corporate Services of the Ministry for Infrastructure,

Transport and Communications has been assigned responsibility for the over the counter and revenue collection functions of certain categories of radio equipment licensed by the Authority.

The two entities

collaborate in the execution of these functions.

### Malta Maritime Authority

The MCA is responsible for the regulatory and technical functions associated with the licensing of maritime radiocommunications equipment in accordance with the Radiocommunications Act while the Maritime Authority has been assigned responsibility for the over the counter and revenue collection functions.

The two entities collaborate in the execution of these functions.

The relationship between the two entities is governed by a Memorandum of Understanding.

### The Broadcasting Authority (BA)

The Authority has worked

closely with this Authority in the development of the policy on General Interest Objectives in Broadcasting and in the review of legislation establishing the broadcast licensing conditions attached to the operation of subscription-based broadcasting services. Convergence brings to the fore the importance of access to content as a key factor in the competitive environment of the electronic communications sector. The relationship between the MCA and the BA is therefore set to continue to be an important one.

### The Office of the Data Protection Commissioner (DPC)

The DPC is responsible for the implementation of certain legislative provisions arising out of the EU Framework for Electronic Communications

services which have been transposed into regulations under the Data Protection Act. Similarly, the MCA is responsible for certain regulations related to privacy and data protection. These regulations establish a statutory requirement for collaboration between the MCA and the DPC in the execution of the related functions.

### Malta Transport Authority

The Transport Authority is responsible for the regulation of rights of way. This area is quickly gaining in importance as the cost of roadworks associated with building and maintaining networks continues to be a primary factor influencing network roll-out. The MCA envisages that interactions with this Authority will increase in 2009.

### MCA Annual Conference

As part of its eCommerce campaign, this year's Annual Conference focused on eCommerce and addressed the issues and the opportunities it offers to the Maltese business community. 120 delegates

attended the conference representing a broad range of business sectors as well as interested public entities.

### Smart Island Strategy and the Take-Up of ICT

In 2008, the Ministry for Infrastructure, Transport

and Communications assigned the MCA with an additional role of championing the take-up of ICT in all facets of Maltese society and the economy. In particular, it was assigned responsibility for promoting widespread eLiteracy and encouraging

the take-up of eCommerce. MCA's 2009 - 2011 business and financial plan now includes a number of projects in line with the objectives of Malta's Smart Island Strategy.

**Information Management Strategy**

During 2008, the Authority implemented a new IT environment with the objective of increasing

employee productivity through easier and improved information sharing and management.

Furthermore, the Authority embarked on the process of integrating its information systems for the effective access, relevance, timeliness, quality and security to its information. The MCA's new IT environment has provided a secure and centralised location for data storage

and significantly improved information management.

The Authority has also launched an enterprise resource planning initiative which has the objective of integrating the Authority's business processes across functional groups onto a single enterprise-wide information system. Following the review of internal processes, and information and reporting structures, the system will

be implemented in 2009.

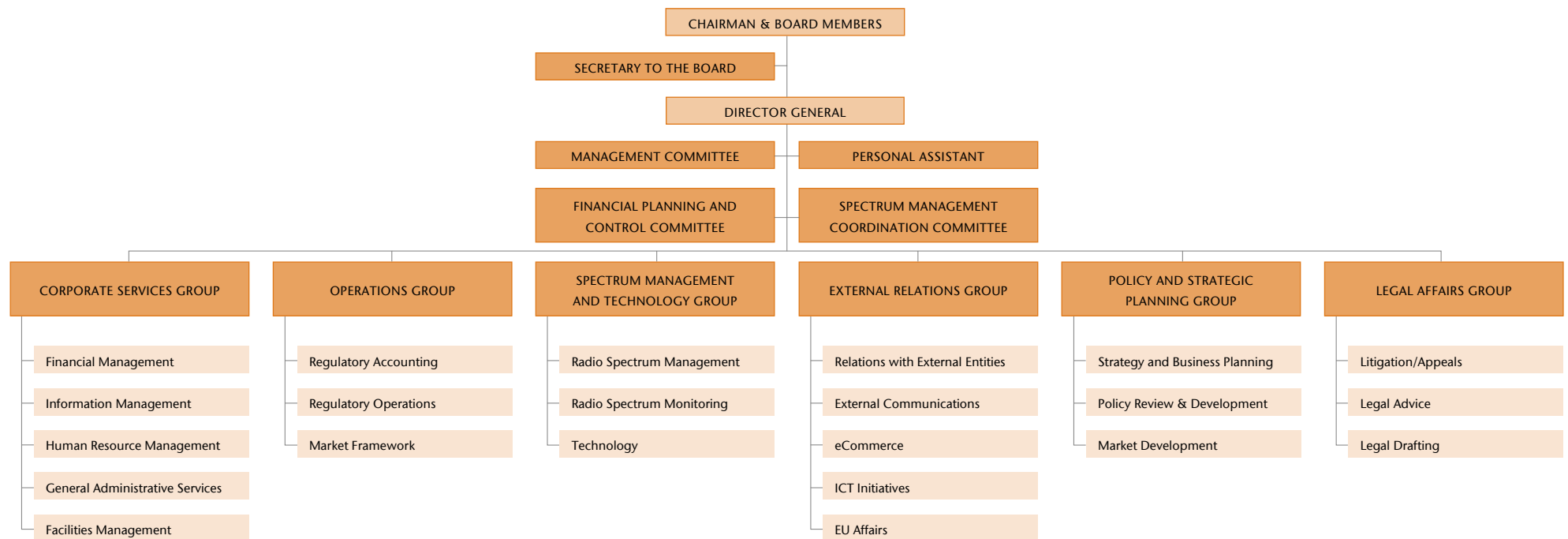
**Statistics analysis modular system**

The MCA shall be embarking on a data warehousing business intelligence system to enhance the data collection and management process and provide improved access to information, fostering better and more informed decision

making. The Information System, called Statistical Analysis Modular System (SAMS) will allow efficient capturing and storing of local and international data (statistical, quantitative and qualitative data) related to the Maltese, EU and international communication environment. To ensure the effective involvement of stakeholders in the project, the MCA has

conducted a series of project vision briefings with the authorised undertakings aimed at refining the goals and objectives of the project and consequently improving business performance and project success.

**MCA - ORGANISATION STRUCTURE**





# FINANCIAL STATEMENTS

“The Authority continued to pursue its objectives to achieve a global reduction in costs as well as greater internal efficiency.”

Philip Micallef, Chairman

---

70	General Information
70	Report of the Members of the Authority
71	Independent Auditors’ Report
72	Income Statement
73	Balance Sheet
73	Statement of Changes in Equity
74	Cash Flow Statement
75	Notes to the Financial Statements

# Financial Statements

---

## GENERAL INFORMATION

The Malta Communications Authority was established by virtue of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

---

### MEMBERS OF THE AUTHORITY

Mr. J. V. Tabone (Chairman)  
(resigned 28 April 2008)  
Dr. R. Balzan  
Mr. C. Grima  
(resigned 28 April 2008)  
Mr. A. P. Pavia  
(resigned 28 April 2008)  
Mr. M. Portelli  
(resigned 28 April 2008)  
Ing. P. Micallef (Chairman)  
(appointed 29 April 2008)  
Mr. I. Bartolo  
(appointed 29 April 2008)  
Mr. M. Cutajar  
(appointed 29 April 2008)  
Dr. A. Ghio  
(appointed 29 April 2008)  
Ms. B. Sullivan  
(appointed 29 April 2008)  
Ms. A. Vassallo  
(appointed 29 April 2008)

---

### BANKERS

Bank of Valletta plc  
Preluna Towers  
Tower Road  
Sliema  
MALTA

---

### HEAD OFFICE

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
MALTA

---

### AUDITORS

Ernst & Young  
Certified Public Accountants  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
MALTA

---

## REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Authority submit their report together with the audited financial statements for the year ended 31 December 2008.

---

### PRINCIPAL ACTIVITY

The Malta Communications Authority was established by virtue of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta for the purposes of carrying out the functions defined in the said Act. By virtue of Legal Notice 280 of 2000 the Minister for Transport and Communications nominated the Malta Communications Authority to be the Competent Authority to regulate communications services in Malta with effect from 1 January 2001.

Furthermore, by virtue of Legal Notice 835 of 2004, the Minister for Competitiveness and Communications nominated the Malta Communications Authority to fulfil the functions for the management of authorisations in respect of apparatus for which a frequency assignment is required, or used by merchant ships or other seagoing vessels, with effect from 30 July 2004.

---

### RESULTS

By virtue of the Electronic Communications (Regulation) Act and in accordance with the Electronic Communications Networks and Services (General) Regulations, 2004 a new regulatory framework came into force as from 14 September 2004, which replaced the individual licensing regime. Authorised undertakings shall pay the Authority administrative charges to cover the costs incurred by the Authority and fees for rights of use of scarce resources.

The total net operating income generated by the Authority during the year amounted to €8,081,413 out of which licensing and usage fees for scarce resources, amounting to €5,258,526, were transferred to the Government of Malta. After meeting all expenditure of €2,702,106 the Authority closed off the year with a surplus, net of taxation, of €153,328.

Expenditure incurred by the Authority not in connection with electronic communications, amounting to €281,853, has been deducted from usage fees for scarce resources forwarded to government.

---

## MEMBERS OF THE AUTHORITY

---

The Members who served during the year under review were as noted on page 70. In accordance with Part II, Section 3 of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, the Chairman and the other Members of the Authority are appointed by the Minister responsible for communications. The Members of the Authority are appointed by the Ministry for a maximum period of three years but may be re-appointed on the expiration of their term of office.

---

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE AUTHORITY

---

The Malta Communications Authority Act, Cap. 418 of the Laws of Malta section 20 requires the Authority to keep proper books of accounts and other records in respect of its operations and to prepare a statement of accounts in respect of each financial year.

---

## AUDITORS

---

Ernst & Young have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Board Members' meeting.

The report of the Members was approved and signed on their behalf by:



**P. MICALLEF**  
Chairman

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
MALTA

2 March 2009



**I. BARTOLO**  
Member

---

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MALTA COMMUNICATIONS AUTHORITY

---

We have audited the financial statements of the Malta Communications Authority ("the Authority"), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set on pages 72 to 84.

---

## MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

---

The Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Malta Communications Authority Act, Cap. 418 of the Laws of Malta. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

---

## AUDITORS' RESPONSIBILITY

---

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Financial Statements

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MALTA COMMUNICATIONS AUTHORITY - *continued*

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

*This copy of the audit report has been signed by  
Mario P. Galea for and on behalf of*



2 March 2009

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 €	2007 €
<b>Income</b>			
Revenues	4	<b>7,965,476</b>	7,822,448
Other income/(expense)	5	<b>115,937</b>	(53,268)
		<b>8,081,413</b>	7,769,180
<b>Expenditure</b>			
Staff costs	6	<b>(1,461,878)</b>	(1,359,192)
Depreciation	12	<b>(239,900)</b>	(181,321)
Operating and administrative expenses	7	<b>(1,000,328)</b>	(1,283,107)
		<b>5,379,307</b>	4,945,560
<b>Operating surplus</b>			
Finance revenue	8	<b>93,027</b>	88,185
Finance costs	9	<b>(6,112)</b>	(6,112)
		<b>5,466,222</b>	5,027,633
Transfer to government	10	<b>(5,258,526)</b>	(4,994,533)
		<b>207,696</b>	33,100
Surplus before taxation			
Taxation	11	<b>(54,368)</b>	(13,410)
		<b>153,328</b>	19,690

*The accounting policies and explanatory notes on pages 75 to 84 form an integral part of the financial statements.*

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 €	2007 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>577,570</b>	535,705
<b>Current assets</b>			
Trade and other receivables	13	<b>2,479,765</b>	2,365,646
Cash and short-term deposits	17	<b>1,428,557</b>	1,278,691
		<b>3,908,322</b>	3,644,337
<b>TOTAL ASSETS</b>		<b>4,485,892</b>	4,180,042
<b>EQUITY AND LIABILITIES</b>			
<b>Reserve</b>			
Retained earnings	14	<b>331,313</b>	177,985
<b>Non-current liabilities</b>			
Finance lease liability	18	<b>5,727</b>	51,726
<b>Current liabilities</b>			
Trade and other payables	15	<b>4,096,326</b>	3,939,448
Income tax payable		<b>52,526</b>	10,883
		<b>4,148,852</b>	3,950,331
<b>Total liabilities</b>		<b>4,154,579</b>	4,002,057
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,485,892</b>	4,180,042

The accounting policies and explanatory notes on pages 75 to 84 form an integral part of the financial statements. The financial statements on pages 72 to 84 have been authorised for issue by the Members on 2 March 2009 and were signed on their behalf by:



P. MICALLEF  
Chairman



I. BARTOLO  
Member

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008**

	Retained earnings €
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2008</b>	
Balance as at 31 December 2007	177,985
Surplus for the year	153,328
<b>Balance at 31 December 2008</b>	<b>331,313</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2007</b>	
Balance as at 31 December 2006	158,295
Surplus for the year	19,690
<b>Balance at 31 December 2007</b>	<b>177,985</b>

The accounting policies and explanatory notes on pages 75 to 84 form an integral part of the financial statements.



# Financial Statements

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
Note	€	€
<b>Cash flows from operating activities</b>		
Surplus before taxation	207,696	33,100
Adjustments for:		
Depreciation of property, plant and equipment	239,900	181,321
Transfers to government	5,258,526	4,994,533
Profit on disposal of property, plant and equipment	(347)	-
Interest receivable	(93,027)	(88,185)
Interest payable	6,112	6,112
Provision for bad debts	5,947	(22,637)
Operating surplus before working capital changes	5,624,807	5,104,244
(Increase)/decrease in trade and other receivables	(123,195)	204,728
Increase in trade and other payables	338,675	249,043
Cash generated from operations	5,840,287	5,558,015
Interest received	94,622	85,856
Interest paid	(4,578)	(8,647)
Taxation paid	(12,725)	(2,527)
Net cash from operating activities	5,917,606	5,632,697
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	3,718	-
Purchase of property, plant and equipment	(285,136)	(125,595)
Net cash used in investing activities	(281,418)	(125,595)
<b>Cash flows from financing activities</b>		
Funds paid to government	(5,443,375)	(5,463,051)
Payment of finance lease liability	(42,947)	(14,125)
Net cash used in financing activities	(5,486,322)	(5,477,176)

	2008	2007
Note	€	€
<b>Net movement in cash and cash equivalents</b>	149,866	29,926
<b>Cash and cash equivalents at beginning of year</b>	1,278,691	1,248,765
<b>Cash and cash equivalents at end of year</b>	17 1,428,557	1,278,691

*The accounting policies and explanatory notes on pages 75 to 84 form an integral part of the financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SCOPE AND FUNCTIONS OF THE AUTHORITY

The Malta Communications Authority (“the Authority”) was established on 1 January 2001 by virtue of the Malta Communications Authority Act Cap. 418 of the Laws of Malta. The Authority is a body corporate having a distinct legal personality with its legal representation jointly vested in the Chairman and the Director General.

The purpose of the Authority is to ensure freedom of communication and that communication shall not be limited except when this is necessary for any of the reasons set out in Section 4 (1)(a) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, and to ensure non-discrimination and equality of treatment in matters related to communications. It shall in particular be the duty of the Authority to exercise such regulatory function in the field of communications under the provisions of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta and as may from time to time be assigned to the Authority by or under an Act of Parliament. The Authority shall also carry out various other related functions and duties as set out in Section 4 (3) of the Act.

### 2. BASIS OF PREPARATION

#### Reporting currency

The financial statements have been prepared under the historical cost convention and are presented in Euro.

#### Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta. The accounting policies adopted are consistent with those applied during the previous years.

### 3. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### 3.1 CHANGES IN ACCOUNTING POLICIES

#### Standards, interpretations and amendments to published standards as endorsed by the EU effective in 2008

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Authority has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Authority.

- **IFRIC 11, IFRS 2** – *Group and Treasury Share Transactions*
- **IFRIC 14, IAS 19** – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 11 and 14 are not applicable to the Authority’s operations and hence had no impact on the financial position or performance of the Authority, neither did they give rise to additional disclosures.

#### Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting period and which the Authority has not early adopted. These are as follows:

**Amendments to IFRS 2, Share Based Payment** (*effective for financial years beginning on or after 1 January 2009*). The amendment restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. These amendments will have no effect on the Authority’s operations.

**IFRS 8, Operating Segments** (*effective for financial years beginning on or after 1 January 2009*). IFRS 8 replaces IAS 14 ‘Segment Reporting’ and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. IFRS 8 is not relevant to the Authority’s operations.

# Financial Statements

---

## NOTES TO THE FINANCIAL STATEMENTS - *continued*

---

### 3.1 CHANGES IN ACCOUNTING POLICIES - *continued*

---

**Amendments to IAS 1 'Presentation of Financial Statements'** (*effective for annual periods beginning on or after 1 January 2009*). IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Authority will make the necessary changes to the presentation of its financial statements in 2009.

**Amendments to IAS 23, Borrowing Costs,** (*effective for annual periods beginning on or after 1 January 2009*). The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. IAS 23 is not relevant to the Authority.

**Amendments to IAS 32 and IAS 1 Puttable Financial Instruments** (*effective for annual periods beginning on or after 1 January 2009*). The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. These amendments are not expected to impact the financial statements of the Authority.

**IFRIC 13, Customer Loyalty Programmes** (*effective for annual periods beginning on or after 1 July 2008*). IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. IFRIC 13 will have no impact on the Authority's financial statements as no such schemes currently exist.

#### **Improvements to IFRS**

In January 2009, the EU endorsed improvements to IFRSs issued by the International Accounting Standards Board. These will become effective for annual periods beginning on or after 1 January 2009. These improvements were issued, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Authority has not early adopted these amendments arising from the 'Improvement to IFRS' project and anticipates that these changes will have no material effect on the financial statements.

---

## 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from licences is recognised on the issue of a new licence or on the renewal date. Such revenue is recognised in the income statement over the year to which the licence relates. The unexpired portion of annual fees billed in advance is recognised as deferred income in the balance sheet.

Administration charges consist of amounts receivable from operators in respect of costs incurred by the Authority in ensuring compliance with the regulatory framework.

Usage fees consist of amounts collected by the Authority for rights of use of scarce resources as established under Part B of the Eleventh Schedule of the Electronic Communications Networks and Services (General) Regulations, 2004.

Amounts contributed by the Government of Malta are recognised when the Ministry of Finance approves such allocation.

Interest income is recognised as the interest accrues using the effective interest method.

### **Retirement benefit costs**

The Authority contributes towards the state pension in accordance with local legislation and does not provide for other contributions or retirement benefit plans or pensions. Related costs are expensed during the period in which they are incurred.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The initial cost of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to the income statement in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost.

Depreciation is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives as follows.

	%
Building improvements	20
Computer equipment	17 - 33
Fixtures, fittings and equipment	10 - 20
Motor vehicles	20

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible assets.

Collectables and antiques are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### **Impairment of assets**

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount. A provision for impairment is made when there is objective evidence that the Authority will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

#### **Financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Authority has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The de-recognition of a financial instrument takes place when the Authority no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### **Cash and short-term deposits**

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### **Trade and other payables**

Liabilities for amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade and other payables are recognised when the Authority has a present obligation whether or not billed to the Authority.

#### **Taxation**

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable to or disallowed for tax. It is calculated using tax rates that were applicable at the balance sheet date.

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### Deferred taxation

Deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised as income or expense and included in the income statement for the period, except to the extent that the tax arises from a transaction or event which is recognised directly in equity.

Deferred tax assets are recognised only to the extent that future taxable profits will be available such that realisation of the related tax benefit is probable.

#### Foreign currencies

The Authority's financial statements are presented in Euro, which is the Authority's functional and presentation currency. Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the balance sheet date. All resulting differences are taken to the income statement.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in the determination of whether fulfilment is dependant on the specified assets; or
- There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Finance leases which substantially transfer all risks and benefits incidental to ownership of the leased items are capitalised at the inception of the lease at the fair value of the leased property. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalised leased assets are depreciated over the estimated useful life of the asset if there is reasonable certainty that the Authority will obtain ownership by the end of the lease term. Finance charges are recognized in the income statement.

#### Related parties

The term 'related party' refers to other Government controlled entities.

## 4. REVENUES

The revenues generated by the Authority are made up of:

	2008	2007
	€	€
Telecommunications, postal licensing and right of way (note i, ii)	<b>736,879</b>	739,040
Administrative charges	<b>2,415,885</b>	2,564,572
Usage fees for scarce resources (note ii)	<b>4,803,500</b>	4,511,724
Application fees and other income	<b>9,212</b>	7,112
	<b>7,965,476</b>	7,822,448

- Fees for right of way are collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap 81) under the delegation of the Malta Transport Authority.
- All revenue generated from telecommunications, postal licensing, and right of way income and usage fees for scarce resources is transferred to the Government of Malta (note 10), except for an amount of €281,853 intended to finance expenses incurred by the Authority not in connection with electronic communications.

## 5. OTHER INCOME/(EXPENSE)

Other income relate to fines imposed by the Authority in 2008, where such fines had amounted to €115,937.

Other expense relate to fines imposed by MCA on two operators in 2006, where such fines had amounted to €99,697. During 2007, both operators appealed such fines, resulting in MCA having to pay back the amount of €53,268.

## 6. EMPLOYEE INFORMATION

### a. Staff costs

The total employment costs were as follows:

	2008	2007
	€	€
Members' emoluments	<b>131,229</b>	66,148
Wages and salaries	<b>1,251,576</b>	1,219,662
Social security costs	<b>79,073</b>	73,382
	<b>1,461,878</b>	1,359,192

### b. Staff numbers

The average number of persons, excluding board members, employed by the Authority during the year was 54 (2007 : 51).

## 7. OPERATING AND ADMINISTRATIVE EXPENSES

	2008	2007
	€	€
Outsourced project costs	<b>270,397</b>	397,626
Corporate administrative expenses	<b>434,333</b>	455,766
Public relations and communications	<b>38,917</b>	38,577
Travelling expenses	<b>109,021</b>	129,504
Increase/(decrease) in provision for doubtful debts	<b>5,947</b>	(22,637)
Auditors' remuneration	<b>7,700</b>	7,700
Rental expenses	<b>74,878</b>	75,201
Profit on disposal of property, plant and equipment	<b>(347)</b>	-
Administrative Services rendered by Ministry for Competitiveness and Communications	<b>61,467</b>	179,087
(Bad debts recovered)/bad debts	<b>(1,985)</b>	22,283
	<b>1,000,328</b>	1,283,107

## 8. FINANCE REVENUE

	2008	2007
	€	€
On bank balances	<b>71,899</b>	45,846
On amounts due from receivables	<b>21,128</b>	42,339
	<b>93,027</b>	88,185

## 9. FINANCE COSTS

	2008	2007
	€	€
On finance lease liability	<b>6,112</b>	6,112

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 10. TRANSFERS TO GOVERNMENT

These amounts represent the gross telecommunications, postal licensing and rights of way income and usage fees for rights of use of scarce resources which is being transferred to the Government as provided by section 14 (4) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

### 11. TAXATION

	<b>2008</b>	2007
	<b>€</b>	€
Current tax	<b>54,368</b>	13,410
Deferred tax (note i)	-	-
	<b>54,368</b>	13,410

- i. Under the legislation in force governing the operations of the Authority, the Authority charges administrative fees to the service providers equivalent to its cost. Moreover, all the license fees collected are transferred to the Government. Since the Authority is not expected to generate any taxable profits, management is of the opinion that no deferred tax asset should be accounted for. Keeping in view this fact, the potential deferred tax asset amounting to €10,361 (2007: €35,257) has not been accounted for in these financial statements.

The taxation on profit on ordinary activities differs from the theoretical taxation expense that would apply on the company's profit before transfers to Government and taxation using the applicable tax rate in Malta of 35% as follows:

	<b>2008</b>	2007
	<b>€</b>	€
Profit before transfers to Government and taxation	<b>5,466,222</b>	5,027,633
Theoretical taxation expense at 35%	<b>1,913,178</b>	1,759,672
Tax effect of		
- non-deductible expenses	<b>2,082</b>	-
- income not subject to tax	<b>(1,863,192)</b>	(1,767,533)
- excess of depreciation over capital allowances	<b>4,302</b>	29,690
- income subject to different tax rates	<b>(2,002)</b>	(3,375)
- absorbed tax losses brought forward from prior years	-	(5,044)
	<b>54,368</b>	13,410

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Building improvements</b>	<b>Computer equipment</b>	<b>Fixture, fitting &amp; equipment</b>	<b>Motor vehicle</b>	<b>Total</b>
	€	€	€	€	€
<b>Cost</b>					
At 1 January 2007	284,028	335,523	297,393	74,825	991,769
Additions	738	95,840	13,177	15,840	125,595
At 31 December 2007	284,766	431,363	310,570	90,665	1,117,364
Additions	3,397	248,360	13,580	19,799	285,136
Disposals	-	(18,508)	(1,961)	(23,955)	(44,424)
<b>At 31 December 2008</b>	<b>288,163</b>	<b>661,215</b>	<b>322,189</b>	<b>86,509</b>	<b>1,358,076</b>
<b>Depreciation</b>					
At 1 January 2007	56,804	203,678	83,998	55,858	400,338
Depreciation charge for the year	56,953	72,614	43,802	7,952	181,321
At 31 December 2007	113,757	276,292	127,800	63,810	581,659
Depreciation charge for the year	57,633	125,251	45,161	11,855	239,900
Disposals	-	(16,703)	(395)	(23,955)	(41,053)
<b>At 31 December 2008</b>	<b>171,390</b>	<b>384,840</b>	<b>172,566</b>	<b>51,710</b>	<b>780,506</b>
<b>Net book value</b>					
<b>At 31 December 2008</b>	<b>116,773</b>	<b>276,375</b>	<b>149,623</b>	<b>34,799</b>	<b>577,570</b>
At 31 December 2007	171,009	155,071	182,770	26,855	535,705

The additions in respect of Computer Equipment include Computer Software amounting to €9,816 which have not yet been used. This asset was not depreciated during the current year.

The carrying value of building improvements and fixture, fitting and equipment held under finance lease at 31 December 2008 were €56,897 (2007: €37,932) and €25,563 (2007: €17,042) respectively.

## 13. TRADE AND OTHER RECEIVABLES

	<b>2008</b>	2007
	€	€
Trade receivables (note i, ii)	<b>2,292,930</b>	2,229,727
Accrued income	<b>18,716</b>	6,522
Prepayments	<b>133,178</b>	94,456
Other receivables	<b>34,941</b>	34,941
	<b>2,479,765</b>	2,365,646

- Trade receivables are non-interest bearing and are generally on a 30 day term.
- At 31 December, trade receivables of a nominal value of €5,947 were impaired and fully provided for.

	<b>Total</b>	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	60-90 days	>90 days
	€	€	€	€	€	€
<b>2008</b>	<b>2,292,930</b>	<b>18,663</b>	<b>2,056,652</b>	<b>3,045</b>	<b>47,516</b>	<b>167,054</b>
2007	2,229,727	451,592	1,465,642	2,567	88,640	221,286

## 14. RESERVE

The balance on the retained earnings in the Balance Sheet as at 31 December 2008 represents a resulting accumulated surplus over the years.



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 15. TRADE AND OTHER PAYABLES

	2008	2007
	€	€
Amount due to Government	<b>71,787</b>	274,083
Deferred income (note i)	<b>3,125,196</b>	2,958,358
Accruals	<b>140,332</b>	59,474
Social security contributions and other taxes	<b>37,990</b>	30,610
Other payables (note ii)	<b>686,663</b>	582,565
Finance lease liability (note 18)	<b>34,358</b>	34,358
	<b>4,096,326</b>	3,939,448

- i. Deferred income comprises the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to €587,537 paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004 on modalities of payment for general authorisations and rights of use.

A non-monetary government grant, representing assets transferred to the Authority during 2005 by the Government of Malta, amounting to €11,898 (2007: €15,863) is also included with deferred income.

- ii. Other payables consist of the following:

Funds due to the Malta Security Services in respect of Legal Intercept funds collected on its behalf. As per Directive No.2 of 2005 on Modalities of Payment for Contributions to the Cost of Legal Intercept Obligations and in accordance with Regulation 13 of the Electronic Communications Networks and Services (General) Regulations, the authority had introduced a fund mechanism for the sharing of the cost of legal interception obligations. As at 31 December 2008, Legal Intercept funds amounted to €454,045 (2007: €500,161). These are non interest bearing and are paid to Malta Security Services upon presentation of the invoice.

Trade payables are non-interest bearing and are normally settled on 60-day terms.

### 16. RELATED PARTY DISCLOSURES

#### Transactions with key management personnel

During the year ended 31 December 2008, short term employee benefits to key management personnel amounted to €387,396 (2007: €354,032).

#### Other related party transactions

The Authority has undertaken the following transactions with the Government of Malta as follows:

	2008	2007
	€	€
Payments to Government of Malta	<b>5,443,375</b>	5,463,051

#### Related company balances

Outstanding balances with related parties at 31 December 2008 are disclosed in note 15 on amount due to Government.

### 17. CASH AND SHORT-TERM DEPOSITS

	2008	2007
	€	€
Cash at bank and on hand	<b>640,420</b>	606,469
Short-term deposits	<b>788,137</b>	672,222
	<b>1,428,557</b>	1,278,691

The Authority holds interest earning and non-interest earning bank current accounts. An average interest of 3.73% per annum is earned on the bank interest earning account.

## 18. COMMITMENTS

### Capital commitments

	<b>2008</b>	2007
	<b>€</b>	€
Capital expenditure contracted but not provided for	<b>40,426</b>	30,978

### Operating lease commitment

As of 15 December 2005, the Authority has entered into a commercial lease agreement relating to new premises, commencing on 1 May 2006. This lease may be terminated at the end of the first lease period of four years. The future minimum rentals payable, excluding VAT, under these operating leases as at 31 December 2008 are as follows:

	<b>2008</b>	2007
	<b>€</b>	€
Within one year	<b>74,540</b>	74,540
After one year but not more than five years	<b>24,506</b>	99,046
	<b>99,046</b>	173,586

### Finance lease commitment

The Authority has a finance lease over the building improvements carried out on the leased premises by VISET Malta plc. Future minimum payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<b>2008</b>		2007	
	<b>Minimum payments</b>	<b>Present value of payments</b>	Minimum Payments	Present value of payments
	<b>€</b>	<b>€</b>	€	€
Within one year	<b>33,718</b>	<b>34,358</b>	40,461	34,358
After one year but not more than 5 years	<b>13,487</b>	<b>5,727</b>	57,333	51,726
Total minimum lease payments	<b>47,205</b>	<b>40,085</b>	97,794	86,084
(Loss) amounts representing finance charges	<b>(7,120)</b>	-	(11,710)	-
Present value of minimum lease payments	<b>40,085</b>	<b>40,085</b>	86,084	86,084

## 19. CONTINGENT LIABILITIES

### Legal claims

The Authority presently has a pending court case filed by Melita plc, contesting a decision given by the Authority in respect of open access obligations, in respect of which plaintiff is also claiming unquantified damages. The decision under appeal has not yet been enforced and no provision has been made in these financial statements since the outcome of such claim is unknown and cannot be quantified.

Melita plc is contesting a fine imposed by the Authority, with regard to adverts carried out by Melita on its Sports Channel (€23,290).

## 20. FINANCIAL INSTRUMENTS

At year-end, the Authority's main financial assets on the balance sheet comprise of trade and other receivables and cash at bank and in hand. At the year-end, there were no off-balance sheet financial assets.

At the year-end, the Authority's main financial liabilities on the balance sheet consisted of payables. The Authority's off-balance sheet financial liabilities at year-end are described in note 19 Contingent liabilities.

### Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the balance sheet is intended to indicate the timing in which cash flows will arise.

### Credit risk

Financial assets which potentially subject the Authority to concentrations of credit risk consist principally of certain trade and other receivables and cash at bank.

The Authority's cash at bank are placed with quality financial institutions. Carrying amounts for trade receivables are stated net of the necessary impairment provisions which have been prudently made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to a number of customers comprising the Authority's receivable base and the Authority has no significant concentration of credit risk.

### Fair values

At 31 December 2008 and 31 December 2007 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values.

# Financial Statements

---

## NOTES TO THE FINANCIAL STATEMENTS - *continued*

---

### 20. FINANCIAL INSTRUMENTS - *continued*

---

#### **Capital management**

The primary objective of the Authority's capital management is to ensure that it maintains adequate capital to support its operations. To maintain or adjust its capital structure, the Authority may adjust Government's Appropriations or its borrowings. There were no changes in the Authority's approach to capital management during the period.

---

### 21. EURO CHANGEOVER

---

Following Malta's adoption of the Euro as its national currency on 1 January 2008, the Authority's functional currency was changed from Maltese Lira to Euro. Consequently, the results and financial position of the Authority were translated at the Irrevocably Fixed Conversion Rate of €1: Lm0.4293 as at that date. Accordingly these financial statements are presented in Euro.

---

### 22. COMPARATIVE INFORMATION

---

Where applicable, comparative information was adjusted to conform with the current period's presentation.

Part of auditors' remuneration previously included in corporate administrative expenses is reclassified to auditors' remuneration (note 7).

Valletta Waterfront, Pinto Wharf,  
Floriana FRN1913, Malta  
Tel: (+356) 2133 6840  
Fax: (+356) 2133 6846  
Email: [info@mca.org.mt](mailto:info@mca.org.mt)  
Web: [www.mca.org.mt](http://www.mca.org.mt)