



# ANNUAL REPORT & FINANCIAL STATEMENTS

# 2014

REGULATING FOR A MORE  
NIMBLE, INNOVATIVE  
COMMUNICATIONS SECTOR  
THAT CAN ADEQUATELY  
CATER FOR EMERGING  
TECHNOLOGICAL TRENDS

ALSO INCLUDES HIGHLIGHT OF  
KEY ACHIEVEMENTS 2013 – 2015







# ANNUAL REPORT & FINANCIAL STATEMENTS


# 2014



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# 1. FOREWORD

Reflecting back on the year under review only serves to strengthen my deep set belief that the communications industry, as a whole, is well set on its path to unprecedented developments and achievements. The industry has continued to respond positively to the demanding and challenging environment of the past years. We have witnessed continued, indeed aggressive investment in the sector. My talk of investment is not only related to the financial injection by industry players, but also to investment in the whole ecosystem required to generate a vibrant electronic communications sector.

The financial investment that we are seeing is critical in ensuring that operators periodically update their networks and remain well-positioned to roll-out innovative products and services to the benefit of our consumers and businesses. During this past year alone, we have seen Melita opening a new data centre, roll-out a nationwide Wi-Fi service and offer its 'TV everywhere' package, allowing its customers to access TV content on their tablets or smartphones via its Wi-Fi connection. GO launched a similar package – 'TV anywhere'. GO also publicly communicated its commitment to the roll-out of a Fibre-to-the-Home network, which will contribute to increased competition in the broadband markets. On its part, Vodafone (Malta) launched its 4G service and continues to extend its network coverage of high-speed mobile services.

Industry players, policy makers and other stakeholders have also invested considerable time and resources to gauge the level of preparedness of the industry and of the country as a whole for the next technological innovation. We are constantly faced with accelerating technological change that requires, not only investment in new equipment and network components, but which necessitates a review of our policy frameworks and our human resource competency to ensure that we have adequate capacity to respond timely and efficiently amidst competing national priorities. Identifying potential areas of growth that would place Malta firmly on the global map as the country of choice for investors, is one of our foremost tasks. We have tapped into previously uncharted territory by taking a closer look at Malta's space assets and the potential and opportunities that these can offer in emerging markets. On the international connectivity front, I cannot fail to mention the rapid progress we have made in exploring the potential of an additional submarine cable that will link Malta to an alternative site. This will certainly push the boundaries of an already vibrant Internet ecosystem, strengthening resiliency, whilst offering increased capacity.



Aiming high and setting ambitious goals is the easy part. Reaching these objectives presents a significant challenge given the complexities of the sector and the speed at which it is developing. It underscores the importance of having a forward-looking regulatory framework that is flexible and agile enough to respond quickly to changing market conditions and which truly reflects national exigencies. It highlights the importance of having national policies that support investment and economic growth and which maintain confidence amongst market players and other investors, ensuring a level playing field. It also emphasises the importance of keeping tabs on changing consumer behaviours and expectations. Only by doing so can we ensure the provision of fit-for-purpose offerings and an environment that remains conducive to continued investment.

The extraordinary gains Malta has made in terms of technology adoption are well reflected in the market. I will not dwell on the figures; there is a whole chapter dedicated to this. However, what is immediately obvious is that Maltese consumers are evermore hungry for electronic communications services, with mobile technology driving the biggest growth in terms of subscriptions and usage patterns. Consumers are making more calls and spending more time on their mobile phone, at a fraction of the cost they would have paid just a few years ago. Malta is no different to the rest of the world in this regard. In fact, a report published by GSMA earlier this year anticipates an additional one billion mobile subscribers globally by 2020, a clear indication that the mobile sector demonstrates no signs of slowing down any time soon.

2014 was also characterised by the extensive deployment of 3G/4G services, which further fuelled growth in mobile data services and applications. The availability of more competitively priced plans locally and wider smart-phone adoption spurred growth in mobile broadband, which registered an increase of around 34,000 individuals accessing broadband services via 3G enabled mobile subscriptions.

These trends show an increased propensity towards a mobile-powered digital economy. This places increased pressure on regulators and policy makers in stimulating investment, competition and innovation. This exponential growth in mobile related services has also generated a challenging demand for spectrum resources. We are continuously looking at innovative ways of allocating and assigning this finite resource to generate the maximum gain possible.

Convergence has become evermore pronounced in today's digital economy. The ubiquitous availability of voice, data and TV services, over one device is contributing to changing consumer behaviour, with paralleled changes in social and economic behaviour. Consumers today have embedded the assumed existence of telecoms services in their day-to-day activities. Traditional contact books, diaries and road maps are increasingly being replaced with electronic applications, including digital contact lists, electronic calendars and online maps available through the Internet, which are all dependent on a strong and reliable broadband connection.

What does the future hold for the traditional electronic communications markets? Whilst it is true that figures for fixed telephony services, SMS and MMS are facing a downward slope, all of these services still offer a complex bundle of value to the consumer. Their simplicity and long standing position in our everyday life means that they will continue to be around for many years to come. Having said this, I do acknowledge the fact that IP based services are presenting service providers with additional challenges and forcing them to revisit their business models and seek alternative revenue streams. They need to break new ground, both in their approach to business, as well as in their service and product offerings.

Not surprisingly, innovation is the trending word, although there is certainly nothing new about it. We are currently experiencing extraordinary periods of innovation, which I perceive as having two distinct, yet closely related streams. There is technological innovation, which unquestionably will continue whether service providers step on the bandwagon or not. Disruptive technologies are certainly leaving their mark. How efficiently and timely we, as regulators and policy makers, as well as industry players address this, will determine what shape the markets of tomorrow will take. The MCA must therefore continue to evolve and retain an open mind to ensure that regulation in this context remains relevant. We strive to adopt regulatory approaches that serve as a stimulus to innovation, as opposed to stifling it.

On the other hand, there is innovation in the entrepreneurial sense. How innovative are businesses becoming in their approach to such rapidly changing market conditions and capitalising on the new market realities rather than fighting the challenges is a question that I keep putting to myself and one which, as an Authority, we seek to address. Apart from keeping abreast with technological innovation, entrepreneurial innovation is certainly one area where the Authority has invested considerably. We have undertaken a number of initiatives that are aimed at igniting the spark amongst budding entrepreneurs. One particular start-up was afforded seed funding of almost €20,000 in order to fully develop its innovative business idea. We have also made significant inroads in fostering relationships with key entities and have nurtured a collaborative effort with these players in order to identify Malta's key value propositions in attracting the right investment in the communications sectors. We are well on our way to building the necessary capacity required to generate the desired outcomes in the coming years.

Other areas where we have consolidated our efforts are the postal and eCommerce sectors. On the former we have taken the necessary measures to ensure the sustainability of the universal service. Drawing a comparison to the fixed telephony sector, the letter mail market is facing the same destiny, with mail volumes on the decline year-on-year. Parcel mail volumes however remain on the upward trend, possibly the result of increased take up of eCommerce services. Postal operators however need to remain vigilant in their drive to increased efficiency and improved, possibly even diversified, service offerings.

On the subject of eCommerce, 2014 was a particularly notable year for the Authority for it formerly launched a national strategy on the subject, which highlights a number of key initiatives aimed at boosting activity in this regard over the next seven years. This Strategy is effectively one of the first acts of implementation of Digital Malta Strategy, which was launched in March 2014 and is just the first step towards taking the eCommerce sector to the next level. It is the result of a collective effort of a wide-ranging stakeholder base in identifying the challenges faced by industry players and potential areas for growth and investment.

Against the backdrop described above, our underlying goalposts have remained unchanged – that of facilitating the right market conditions that allow for competitive and value for money offerings of high quality and a high take-up of innovative services. We have certainly come a long way on all fronts, however in terms of take-up, Malta still has a portion of the population, whether private individuals or small businesses that remain unconnected, either due to lack of interest in technology or through misconceptions with regard to ease of use. On this note, I can positively report that we have been true to our word in our commitment to ensuring that every individual and business is given the opportunity to recognise the benefits of technology and has the necessary skills and competences to participate effectively in a connected world. Our success in applying for approximately €450,000 from the European Social Fund meant that we could embark on an extensive information campaign on the benefits of technology. We also provided in excess of 60,000 hours of training, in several levels of ICT skilling, to different niches of society and to individuals having varying levels of capacities and competencies. All our digital inclusion initiatives are undertaken with the Digital Agenda 2020 targets in mind. Whilst we have made significant strides, we cannot rest on our laurels and we will inject renewed energy into our activities in this regard.

As a national regulator, all our work is carried out under the umbrella of the national framework and within the wider EU regulatory landscape. Our EU fronted work has been predominantly focused on the harmonisation of EU laws, whilst at the same time safeguarding national interests. Much of our resources have been focused on the transposition of the directive on measures to reduce the cost of deploying high-speed electronic communications networks, as well as the EU's proposed regulation on laying down measures concerning the European single market for electronic communications and to achieve a connected continent.

Our balancing act shall continue. We remain committed to ensure that the right conditions for continued investment prevail and that industry players continue on the path of rolling-out new and better service offerings, particularly in view of the ongoing discussions at European level on the proposed digital single market. On this subject, we are at an intersection. On the one hand, we need to assess the impact of the evolution of a digital market on the commercial interests of our operators. On the other hand, we need to steady ourselves to capitalise on the opportunities that this brings about. We will of course continue to safeguard national interests and ensure that we can adequately cater for the emerging and changing market dynamics.

On the consumer front, consumer's multiple means of integrated communication across their preferred platforms or applications demands a service that is fast, uninterrupted and at the right price. Apart from a robust service, consumers also deserve the most efficient means of redress should they encounter any difficulties, as well as complete transparency when it comes to package terms and conditions and related information. The MCA has an established framework to provide the consumer with a comprehensive service in the communications sector, if and when legally empowered to do so.

Indeed, 2014 was a most interesting year, but, huge challenges lie ahead. I am confident that with the continued support and co-operation of Government, the industry players and other stakeholders, the MCA will maintain its course throughout the coming months.

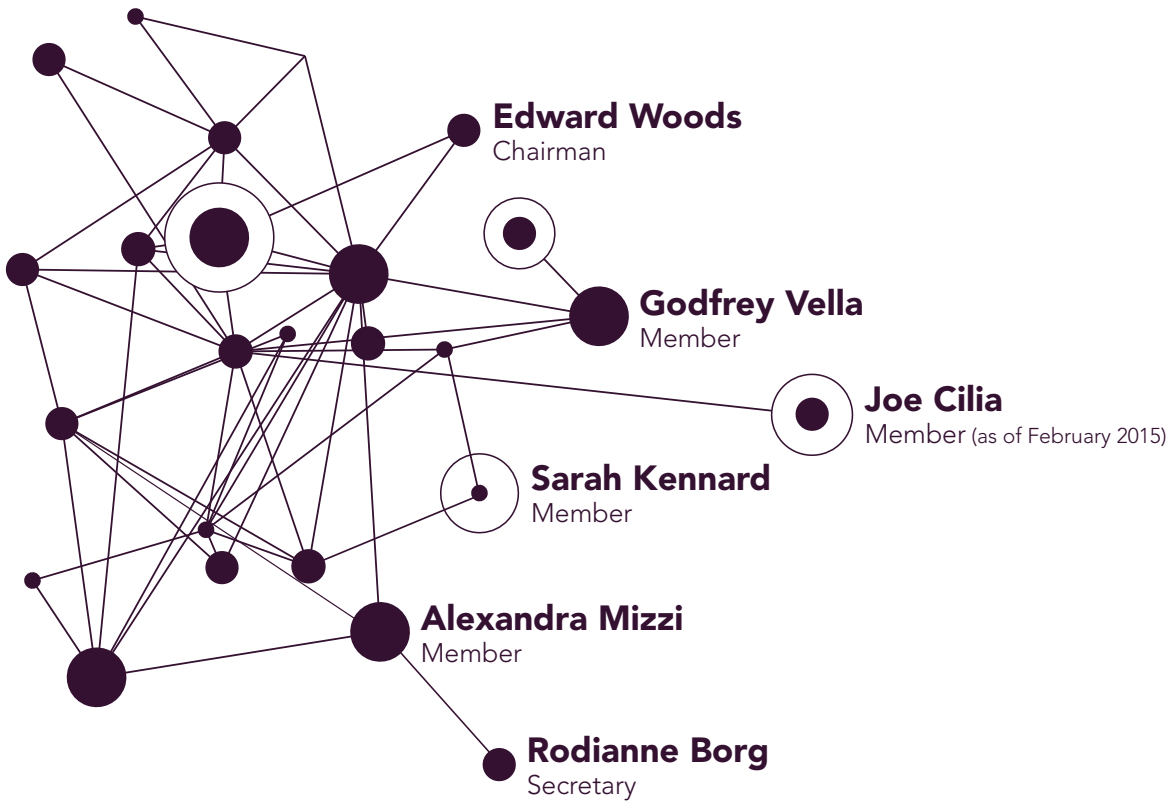
I take this opportunity to express my sincere gratitude to the MCA Board and staff for their dedication and commitment.



**Edward Woods**  
Chairman

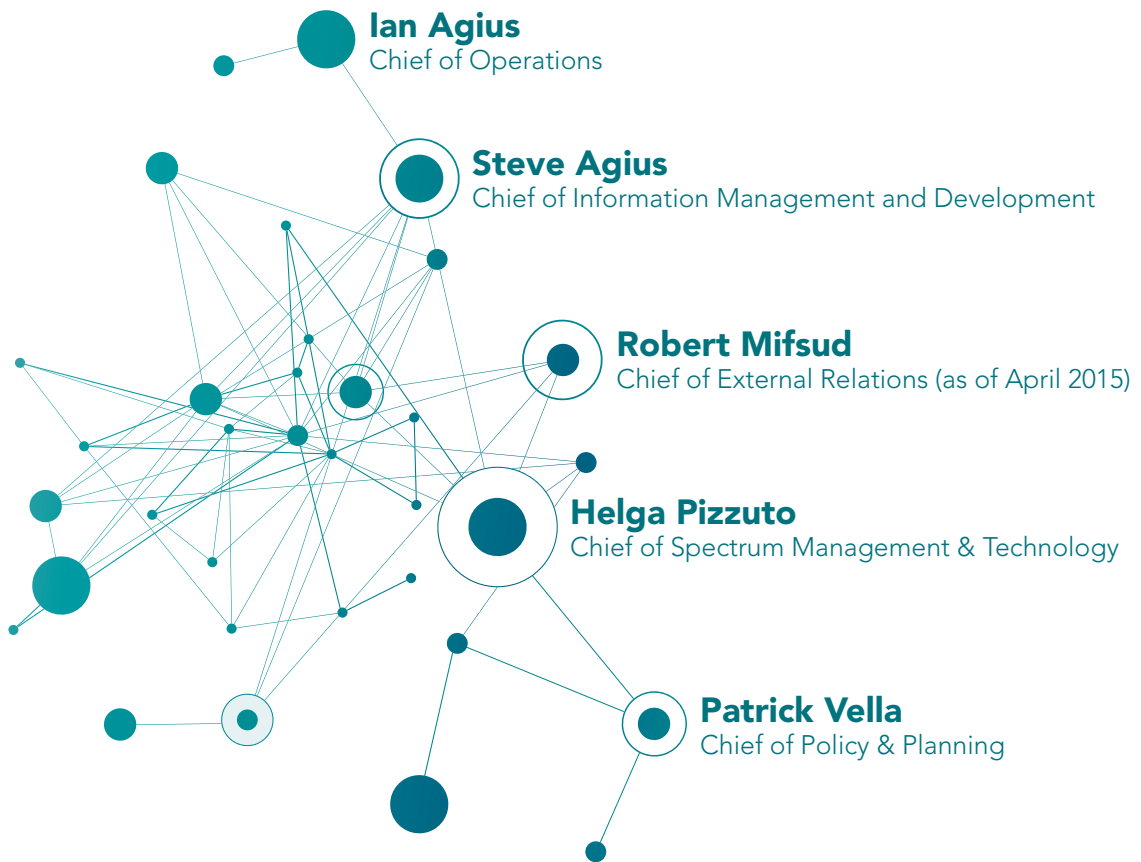
## 2. LIST OF BOARD MEMBERS AND MANAGEMENT COMMITTEE

### BOARD MEMBERS





## MANAGEMENT COMMITTEE



This document contains information and statistics that have been obtained from sources believed to be reliable in regard to the subject matter covered.

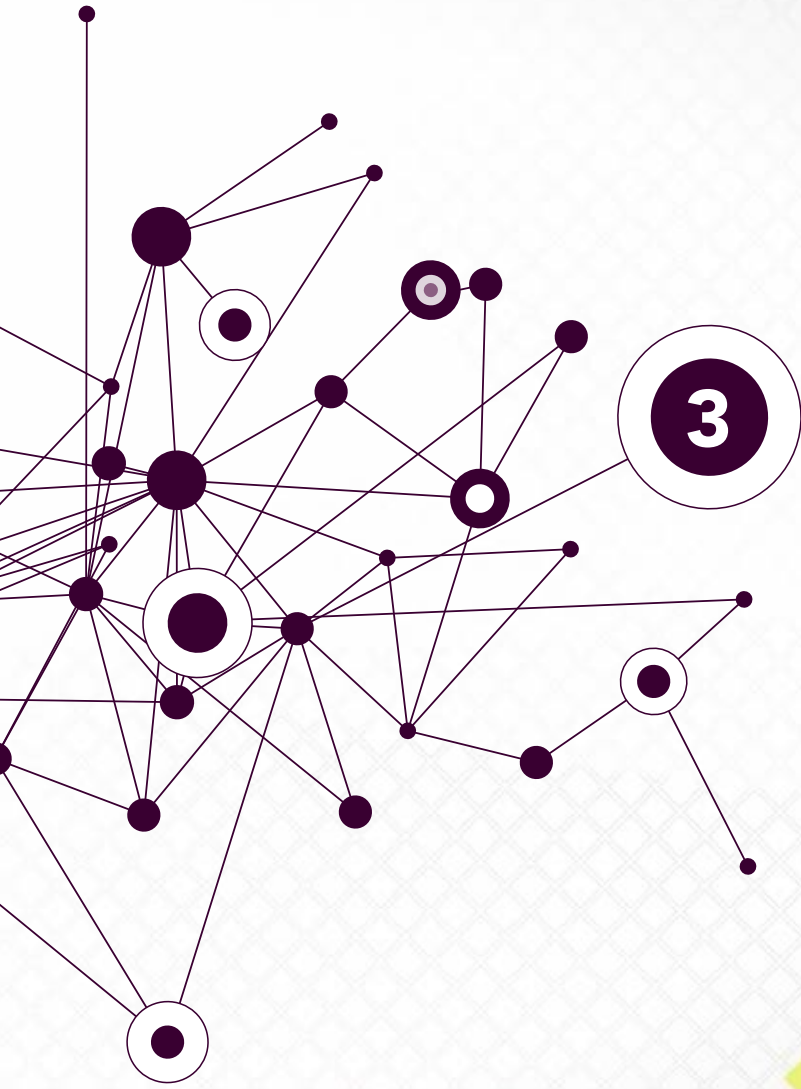
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# GENERAL MARKET OVERVIEW





## THE COMMUNICATIONS MARKETS AT A GLANCE

<b>Electronic communications sector economic contribution</b>	<b>€143.3 million</b> <i>(equivalent to 2.1% of national Gross Value Added (GVA))</i>
Number of active fixed line subscriptions	230,361
Fixed line portings	2,148
Total number of outgoing fixed calls	164.6 million
Total number of outgoing fixed minutes	577.1 million
Number of mobile subscriptions	546,214
Mobile portings	34,790
Total number of outgoing mobile calls	517.7 million
Total number of outgoing mobile minutes	718.9 million
Total number of outgoing SMSs	509.3 million
Fixed broadband subscriptions	151,543
Subscriptions on speeds less than 10 Mbps ( <i>Mega Bits Per Second</i> )	9,679
Subscriptions on speeds equal to 10 Mbps, but less than 30 Mbps	58,098
Subscriptions on speeds equal to 30 Mbps, but less than 100 Mbps	82,697
Subscriptions on speeds equal to 100 Mbps, or more	1,069
Pay TV subscriptions	147,880
Number of analogue cable subscriptions	6,848
Number of digital cable subscriptions	71,298
Number of Digital Terrestrial TV ( <i>DTTV</i> ) subscriptions	57,478
Number of Internet Protocol TV ( <i>IPTV</i> ) subscriptions	12,256
<b>Postal sector economic contribution</b>	<b>€19.9 million</b> <i>(equivalent to 0.3% of national GVA)</i>
Postal mail volumes	39.9 million
Domestic postal volumes	31.8 million
Inbound cross-border mail	5.4 million
Outbound cross-border mail	2.7 million

## MARKET OVERVIEW

2014 was certainly an interesting year with regard to the performance of the electronic communications and postal sectors in Malta. Take-up of data services was particularly buoyant with fixed broadband plans supporting download speeds of 30 Mbps or more strongly on the increase. Mobile usage activity levels grew significantly, contrasting with falling activity levels for fixed telephony. Whilst the take-up of IPTV was strong, other pay TV platforms experienced a fall in subscriber numbers. Meanwhile, developments for postal mail volumes were in line with long-term market trends.

Taking a closer look at the telephony sectors, the mobile sector continued to experience solid growth in voice traffic volumes in 2014, with voice call minutes per subscriber showing a substantial increase. This development coincided with a reduction in fixed telephony usage levels per subscriber, thereby confirming the trend observed over the last few years of strong fixed-to-mobile substitution. The number of mobile calls per user increased by almost 7% year-on-year, to a total of 939 in 2014, whilst the number of fixed calls fell by 8.1% to around 713 per user. At the same time, the number of mobile voice call minutes per user was up by 8.2%, whilst fixed line voice call minutes per user dropped by 6.1%. This shift can be explained by local price developments, particularly as the average rate per minute of mobile communications maintained its downward trajectory in 2014, whilst the average rate per minute of fixed line communications remained unchanged.

In terms of service take-up, both the mobile telephony and the fixed line telephony sectors saw an expansion of their post-paid subscriber base. On the other hand, the number of pre-paid subscriptions fell. However, in the case of mobile telephony, the fall in the number of pre-paid subscriptions is attributed to a change in the methodology implemented by one of the largest operators when compiling subscription numbers, and the continued migration of existent subscribers from pre-paid to post-paid plans. Meanwhile, local fixed line service providers disconnected a number of pre-paid connections that were left inactive for a long period of time.

Take-up of fixed broadband remained strong throughout 2014, with the number of subscriptions for this service increasing by around 8,500 (or by 6%) over a 12-month period to reach a total of 151,543 by the end of the year. The latter figure corresponds to a fixed broadband penetration rate of 35.3%, above the EU28 average of around 31% recorded at the time. Growth in fixed broadband in 2014 was marked by a significant increase in the number of end-users availing of plans supporting download speeds of 30 Mbps or more, which in fact increased from 27% of the subscriber base at the end of 2013, to around 55% at the end of 2014. This shift happened as a result of service providers launching new plans and promotional offers to enhance take-up of broadband services with higher download speeds.

With regard to mobile broadband, the availability of more competitively priced plans and wider smart-phone adoption also

boosted take-up in 2014. This is explained by a surge in the number of individuals accessing mobile broadband services via their mobile handset. In this regard, the proportion of mobile subscribers accessing such services grew by six percentage points, from around 30% in 2013, to around 36% in 2014. In absolute terms, this percentage change translates into an increase of around 34,000 individuals accessing broadband services via 3G-enabled mobile subscriptions.

On the other hand, the Pay TV sector experienced a decline of 1,025 subscriptions in 2014, most likely a result of the increasing popularity of Internet TV and online video services. However, it is still early to conclude that TV services offered online bear a major influence on the take-up of traditional pay TV packages. The pay TV sector experienced some price increases during the year under review. Despite this development, pay TV Average Revenue Per User (ARPU) in 2014 still declined by 0.5% compared to that recorded in 2013. This means that customers have most likely availed of discounts on their monthly subscription fees by, for example, signing up to bundles and / or benefiting from promotional offers.

Postal mail volumes in 2014 were 11% lower than those recorded in 2013, as the two largest segments of local postal mail activity registered a dip in volumes. The number of single piece letter mail items delivered last year was down by 1.7 million (or by 10.2%) compared to 2013, whilst the number of bulk mail items was down by 52,651 (or by 0.2%). Year-on-year, the number of registered mail items was up by 0.2 million (or by 18.7%), whilst the number of parcel mail items was up by 36,633 (or by 6.8%).

## THE PERFORMANCE OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SECTORS

### Contribution to Gross Domestic Product (GDP)

The economic impact of the electronic communications and postal sectors was positive during 2014, both in terms of the contribution to GDP and in the creation of new employment opportunities<sup>1</sup>.

The combined contribution of electronic communications and post to the national economy's Gross Value Added (GVA) during the year under review stood at 2.4%. This contribution materialised via direct domestic spend, new investment and the number of individuals employed by the sector. There are other 'indirect' benefits generated by these two sectors, such as the increases in productivity resulting from efficiency gains enjoyed by businesses in using innovative electronic communications solutions and social enhancement brought about by, for example, the undertaking of eCommerce and eLearning activities.

<sup>1</sup>The economic impact of the telecoms and postal sectors is measured on the basis of the value of goods and services generated by these two sectors. Hence, the use of the term Gross Value Added (GVA) in this section.

As for employment, performance is measured in terms of developments with respect to the number of full-time equivalent employees, which is a unit of measurement equal to the number of employees on full-time jobs plus the number of employees on part-time jobs converted to a full-time basis.

*Electronic communications sector*

Data gathered by the National Statistics Office (NSO) indicates that the electronic communications sector's GVA totalled €143.3 million, up by 1.6% from €141 million a year earlier. This corresponds to a contribution of 2.1% to Malta's national economy in 2014.

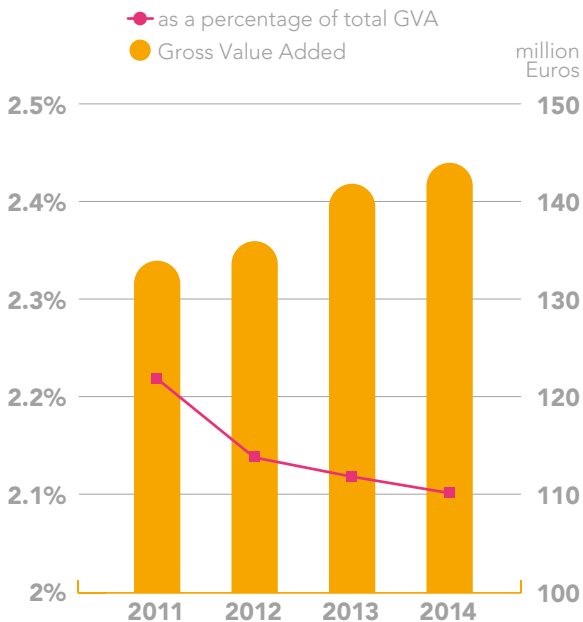
Two important components of a sector's GVA are the operating surplus (or pre-tax profits) and compensation to employees.

The electronic communications' operating surplus increased by 51.2% last year, from €29.9 million in 2013 to €45.2 million.

Developments in terms of compensation to employees were in line with trends observed over the last few years, with values under this heading falling by almost 14%. Nevertheless, employment levels for the sector were stable, with the average number of full-time equivalent employees in telecoms totalling 1,539 in 2014 compared to 1,534 a year earlier. This means that the decline in compensation levels is most likely explained by a change in the set-up of the workforce of the sector (or workforce restructuring).

CONTRIBUTION OF ELECTRONIC COMMUNICATIONS TO NATIONAL GVA

Source: National Statistics Office



*Postal sector*

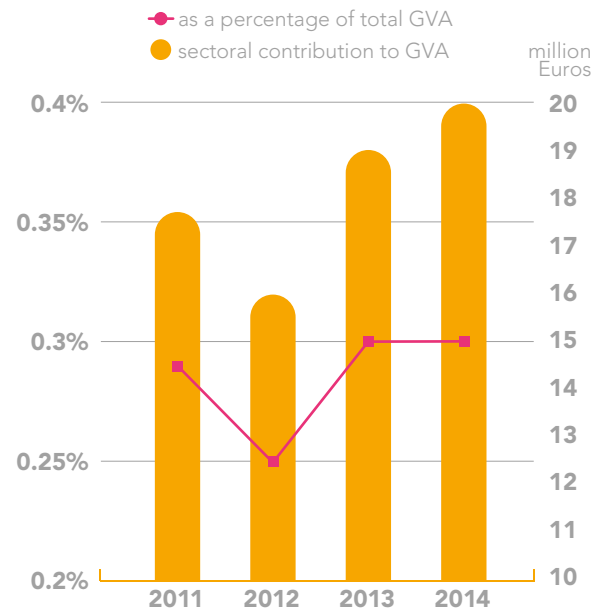
The GVA for the postal sector totalled €19.9 million in 2014, which is equivalent to almost 0.3% of the national economy during the same year. Year-on-year, the GVA for this sector was up by €0.7 million (or by 3.8%).

Data shows that compensation to postal employees totalled €15.6 million last year, which is up by 5.6% over what postal workers got in 2013. The operating surplus for the sector also improved, this time by 4.7%, from €3.1 million in 2013 to €3.2 million in 2014.

The average full-time equivalent employment levels in the postal sector showed a small increase, from 826 in 2013 to 839 in 2014.

CONTRIBUTION BY THE POSTAL SECTOR TO NATIONAL GVA

Source: National Statistics Office





## FIXED LINE TELEPHONY

The local electronic communications sectors have experienced a paradigm shift over the last few years, as mobile telephony has overtaken fixed telephony, both in terms of subscribers and traffic volumes. Trends observed in 2014 have further consolidated this shift, as Fixed-to-Mobile (FTM) substitution persisted.

Fixed line subscriptions registered a marginal drop in 2014, with the total number falling by 970 over a 12-month period to 230,361 by the end of December. This decline is mainly attributable to local service providers embarking on a strategy to migrate pre-paid customers onto post-paid plans, whilst disconnecting those pre-paid lines that were inactive for a long period of time. On the other hand, a steady increase in the number of post-paid fixed telephony subscriptions during the same period signals that local end-users still value the fixed line telephony service at home or business premises.

As a result of the above, the proportion of post-paid subscriptions of the local fixed telephony subscriber base, increased from almost 83% at the end of 2013 to 89% at the end of last year.

The fixed telephony sector also registered a decline in voice traffic volumes during 2014, as end-users preferred to make more calls over mobile. On average, each fixed telephony subscriber made 59 calls and consumed 208 minutes per month in 2014, down from 65 calls and 222 minutes per month in 2013, notwithstanding that fixed call rates were largely unchanged during this period.

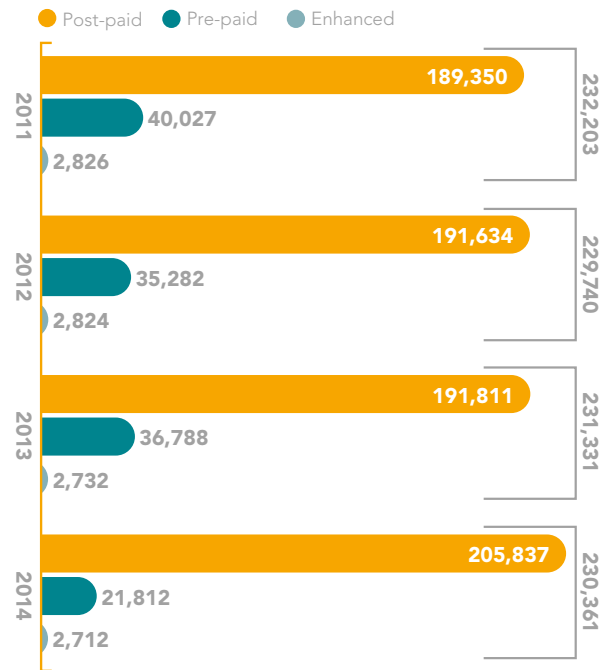
### Fixed line subscriptions

The number of fixed line subscriptions at the end of 2014 totalled 230,361, down by 970 over the previous year. This fall is mainly explained by a drop of 14,976 subscriptions on a pre-paid plan, which outweighed an increase of 14,026 subscriptions on a post-paid contract, and a minimal decline of 20 subscriptions for 'enhanced' or multiple line services.

An important contributor to price competition in the fixed line telephony sector is the continued increase in take-up of fixed telephony as part of a bundle. There are indeed instances when end-users could avail of improved minute allowances when they opt for purchasing a post-paid contract plan in combination with other electronic communications services. The proportion of post-paid fixed telephony subscriptions purchased as part of a bundle increased from almost 51% at the end of 2013, to 57.3% at the end of 2014.

### SUBSCRIPTIONS

as at end of period



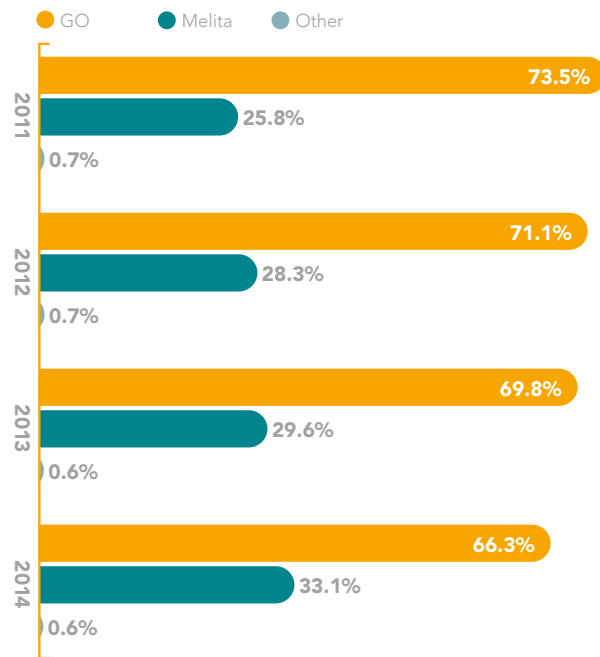
	2013	2014
Fixed telephony subscriptions in a bundle	97,577	117,867
Dual play	33,715	47,948
Fixed telephony + Mobile telephony	12,443	11,112
Fixed telephony + Fixed broadband	11,349	29,890
Fixed telephony + Pay TV	9,923	6,946
Triple play	21,376	25,490
Fixed telephony + Mobile telephony + Fixed broadband	289	620
Fixed telephony + Fixed broadband + Pay TV	21,087	24,870
Quad play	42,486	44,429
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	42,486	44,429
Number of post-paid fixed line subscribers (end of period)	191,811	205,837
as a percentage of post-paid fixed line subscriptions	50.87%	57.26%

### Market shares in terms of subscriptions

Market share developments by operator are a clear reflection of competitive developments in a particular sector. In this regard, the trends observed in 2014 for the fixed telephony sector were in line with outcomes of previous years. GO's market share shrank by 3.6 percentage points, from almost 70% at the end of 2013 to 66.3% at the end of last year. Meanwhile, GO's main competitor Melita improved its market share by a similar margin.

The combined market share of Vodafone (Malta), Ozone Malta and SIS remained unchanged year-on-year and stood at 0.6% at the end of 2014.

MARKET SHARES IN TERMS OF SUBSCRIPTIONS  
as at end of period

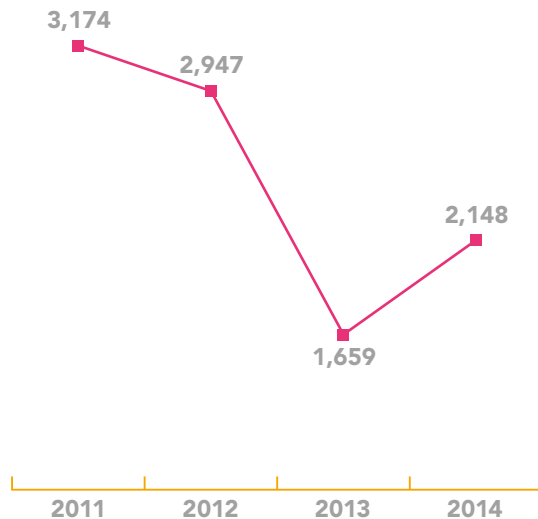


### Fixed line inward portability

With the proportion of fixed line subscriptions in a bundle on the increase, the number of fixed line inward portings was constantly on the decline (year-on-year) for the last few years.

Nevertheless, the year 2014 defied this trend as the number of fixed line inward portings carried out during this year increased by a significant 29.5% compared to that recorded in 2013, from 1,659 to 2,148.

FIXED LINE PORTINGS



### Traffic volumes

Notwithstanding that fixed telephony voice call charges remained unchanged in 2014, and that bundled subscriptions allowed for more generous minute allowances, fixed traffic volumes last year maintained their downward trajectory.

In fact, the number of voice calls and voice call minutes declined by almost 8% and 6% respectively in 2014, when compared to the previous year. This is because, generally, end-users circumvent their fixed line telephony service and opt for a mobile phone when seeking to reach a mobile number. Indeed, Mobile-to-Mobile (MTM) traffic volumes increased exponentially over the last few years, whilst other traffic segments either witnessed a dip in volumes, or else only recorded marginal gains. The gradual fall in average mobile call rates has also contributed to this outcome.

### Voice calls

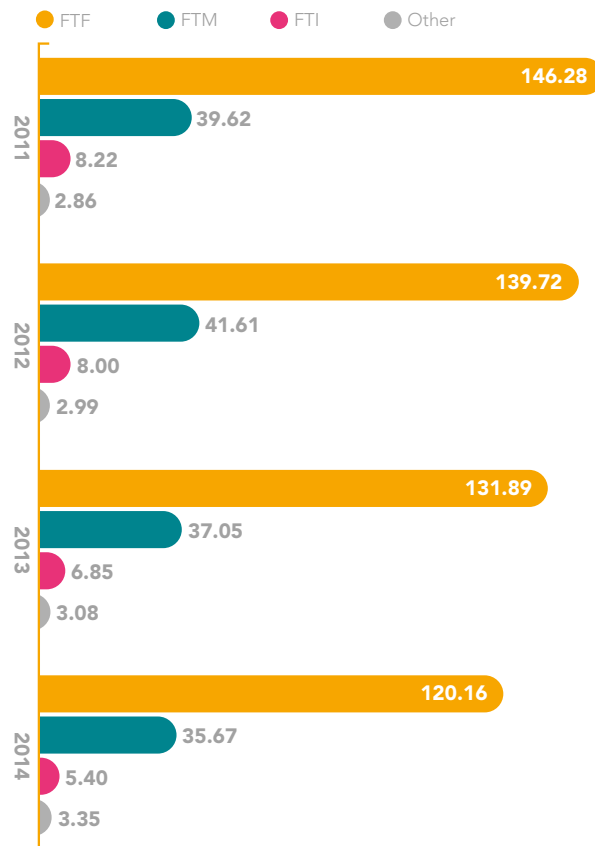
A closer look at the different streams of fixed line traffic shows that 52% of all fixed-line originated calls were Fixed-to-Fixed (FTF) voice calls between numbers of the same fixed network (or on-net FTF calls). This traffic segment suffered a decline in volumes, down by almost 10% when compared to 2013.

Meanwhile, the number of FTF voice calls between numbers hosted by different fixed networks (or off-net FTF calls) was down by 6.5%.

Other year-on-year declines were recorded in terms of FTM calls and Fixed-to-International (FTI) calls, which were down by almost 4% and around 21% respectively.

The only exception to this general downward trend relates to the 'other national calls' segment (encompassing premium calls and freephone calls), for which volumes were up by almost 9% year-on-year.

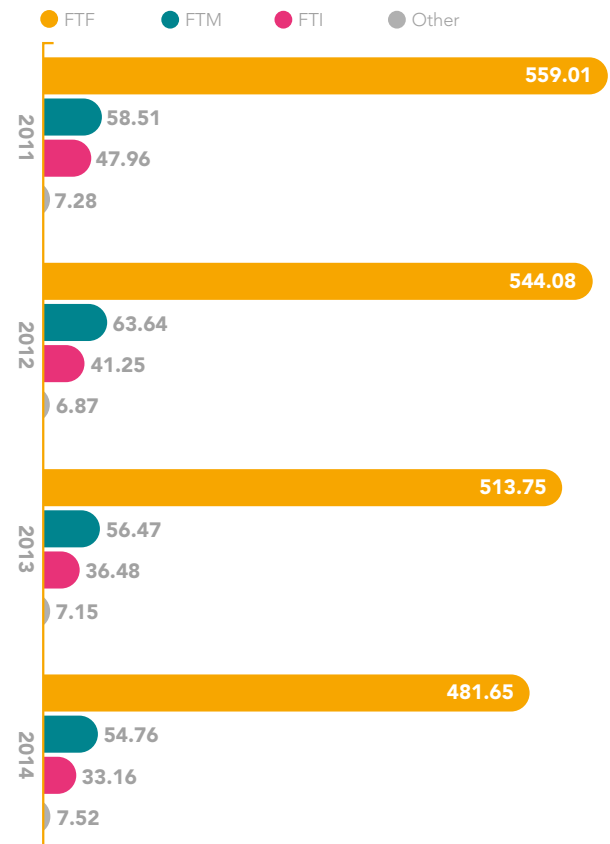
VOICE TRAFFIC VOLUMES  
number of voice calls (in millions)



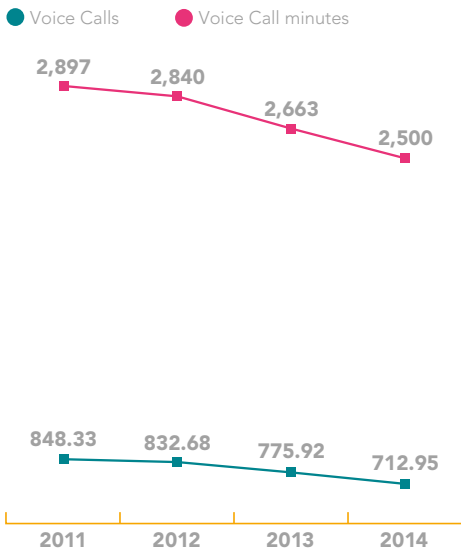
### Voice call minutes

In terms of fixed voice call minutes, on-net traffic accounted for almost 58% of the total recorded in 2014. Again, this segment experienced a year-on-year decline in volumes, down by 7% when compared to the previous year. Meanwhile, FTI traffic volumes were down by around 9%, followed by a dip of 4.3% in off-net FTF traffic volumes and a drop of 3% in FTM traffic volumes. On the other hand, 'other national voice minute' volumes were up by around 5%.

VOICE TRAFFIC VOLUMES  
number of voice call minutes (in millions)



TRAFFIC ACTIVITY PER SUBSCRIBER



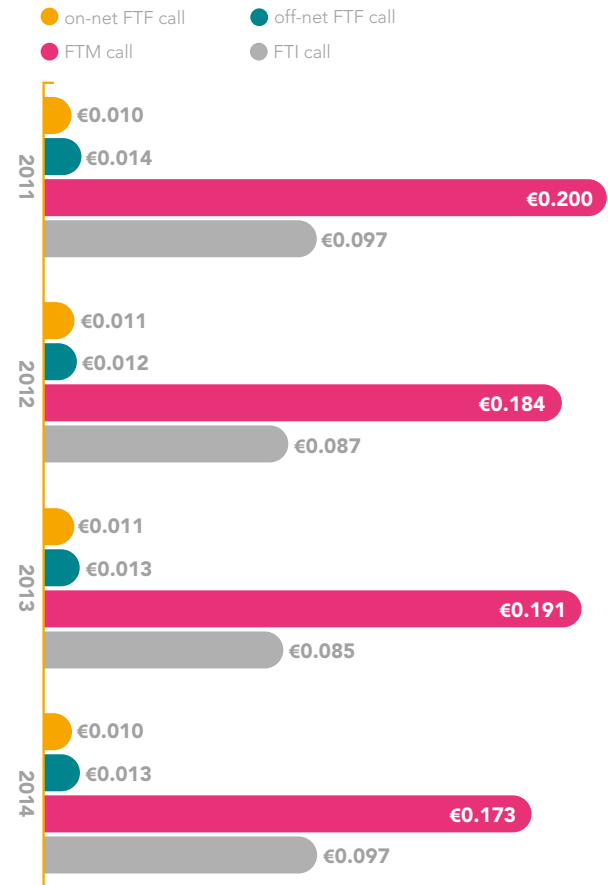
Price competition

2014 was a relatively stable one in terms of price movements for fixed telephony voice services, particularly as average fixed line call rates have been very low for the last few years.

In this respect, MCA calculations show that the only noticeable Average Rate Per Minute (ARPM) change was recorded for FTM calls. In fact, the ARPM for this type of call was down year-on-year, from €0.19 in 2013 to €0.173 in 2014. Otherwise, the ARPM for on-net and off-net FTF calls, which account for 83.4% of fixed traffic minutes recorded last year, remained unchanged.

The Authority monitors fixed line telephony tariffs trends through a revenue-based calculation, which is used to derive the ARPM<sup>2</sup> of fixed line communications quoted in this section.

ARPM OF FIXED LINE COMMUNICATIONS



<sup>2</sup>The ARPM calculation divides voice traffic revenues (exclusive of revenues from access fees, VAT and excise tax), by the number of minutes reported under each respective heading.



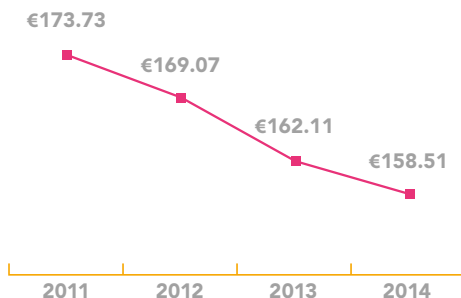
### Average Revenue per Fixed User (ARPU)

ARPU indicators serve as a measure of the average monthly revenue for a particular electronic communications service, on a per user basis.

Fixed ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions<sup>3</sup>, for a given period. Revenue includes all revenues from access, voice calls (including revenues from freephone and premium calls, but excluding interconnection revenues).

With the number of voice call minutes falling and average call rates for FTF calls unchanged, combined with the reality that more end-users are availing of promotional offers and improved minute allowances when purchasing fixed telephony in a bundle, fixed telephony ARPU for 2014 declined to €158.51 in 2014 from €162.11 a year earlier.

#### AVERAGE REVENUE PER FIXED TELEPHONY USER



## MOBILE TELEPHONY

The mobile sector has registered an exponential growth over the last few years, with hundreds of new subscriptions registered with local service providers each year. The large number of pre-paid customers and an ever-greater proportion of people holding multiple Subscriber Identity Module (SIM) cards boosted Malta's mobile penetration rate, which stood at 127% at the end 2014.

Despite the majority of subscribers opting for a pre-paid subscription, the take-up of post-paid subscriptions is on the increase. The proportion of these connections went up from almost 22% at the end of 2013, to around 24% at the end of 2014. In absolute terms, the number of post-paid subscriptions increased by almost 11,000 over this 12-month period. This is because post-paid monthly access pricing is becoming more competitive over time, particularly as free minute allowances are gradually widened to include off-net MTM calls and more generous data allowances. In addition, local operators provide a range of promotions to end-users opting for a mobile contract plan, such as by offering a free, or heavily subsidized smart-phone device to new post-paid customers.

The MCA also observes that as prices for mobile calls are decreasing, more end-users are opting for mobile voice calls at the expense of other means of communication. Market data indeed shows that the substantial increase in the usage of mobile voice call services recorded in 2014 coincided with a significant drop in the usage of Short Message Services (SMS) and Multimedia Messaging Services (MMS). Higher usage of mobile voice services and stronger consumption of mobile data, in turn, contributed to a rise in mobile ARPU levels last year, when compared to 2013.

Another major improvement recorded in 2014 was the significant growth in the number of active mobile broadband connections, which increased by 21% between July 2013 and July 2014.

### Mobile subscriptions

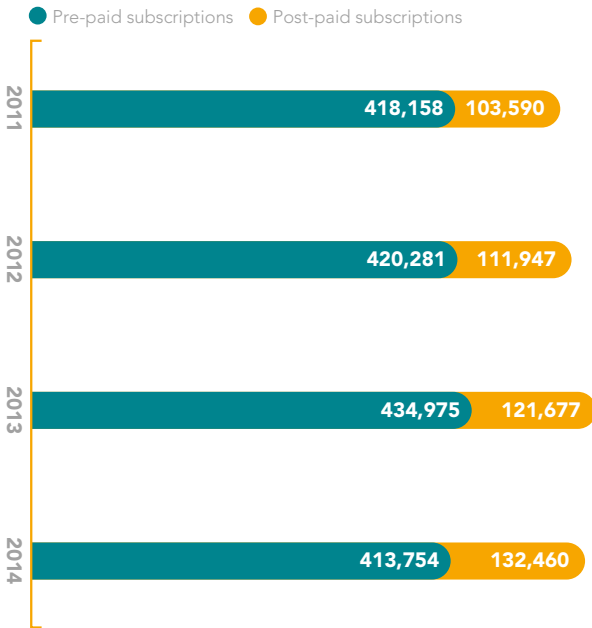
Standing at 546,214, the total number of mobile subscriptions dropped marginally by 1.9% (or by 10,438 subscriptions) over the previous year. This is the first year where such a figure actually declined. This development is the result of a change in the way one of the mobile operators measures an active subscription, with the consequence that a number of inactive pre-paid subscriptions were, in effect, disconnected.

On a more positive note, the number of mobile post-paid subscriptions increased by 10,783 over the previous year. This improvement can be attributed to more competitive monthly access fees, as a result of improved minutes and data allowances included in the monthly plan.

On the contrary, pre-paid subscriptions registered a drop of 21,221. This drop is explained by the improved take up of post-paid plans and as a result of a statistical adjustment made by one of the mobile operators.

<sup>3</sup>The average number of active subscriptions during the respective period is arrived at by, adding the number of subscribers at the start of the period, plus the number of subscribers at the end of the period, divided by 2.

SUBSCRIPTIONS AS AT END OF PERIOD



As in previous years, the proportion of mobile subscriptions purchased as part of a bundle comprising other electronic communications services, remains low. In fact, only 10.6% of mobile subscriptions at the end of 2014 were purchased in a bundle. This low take-up of mobile telephony as part of a bundle sustains the view that mobile phone subscriptions correlate to individuals, whilst fixed line telephony connections are more of a household feature.

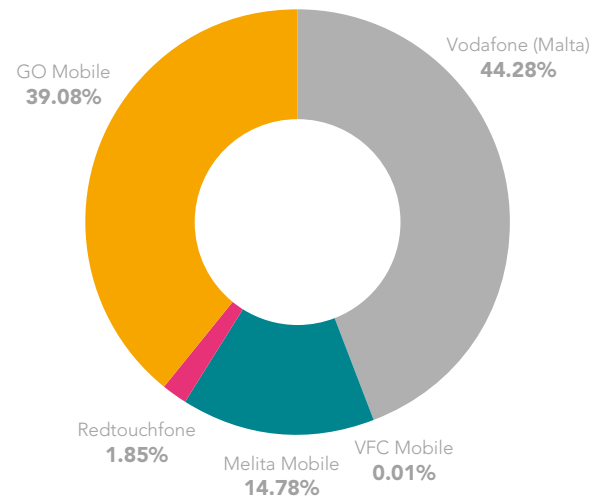
	2013	2014
Mobile telephony subscriptions in a bundle	55,218	56,161
Dual play	12,443	11,112
Mobile telephony + Fixed telephony	12,443	11,112
Triple play	289	620
Mobile telephony + Fixed telephony + Fixed broadband	289	620
Quad play	42,486	44,429
Mobile telephony + Fixed telephony + Fixed broadband + Pay TV	42,486	44,429
Number of mobile subscribers (end of period)	556,652	532,322
as a percentage of total mobile subscriptions	9.92%	10.55%

Market shares

There are five licensed operators that are providing retail mobile services in Malta, with coverage extending to the whole national territory. These are Vodafone (Malta), GO Mobile, Melita Mobile, Redtouchfone and VFC Mobile.

During 2014, these service providers experienced an adjustment in their respective market shares in terms of subscribers. Whilst Vodafone (Malta) still retained its leading market position at the end of the year, it was nevertheless three percentage points weaker in its market standing, compared to the end of 2013. Meanwhile, both GO Mobile and Melita Mobile consolidated their market position, the former by around two percentage points and the latter by one percentage point. Redtouchfone retained its 1.9% market share, whilst the market share of VFC Mobile was negligible.

OVERALL 2014 MARKET SHARES IN TERMS OF SUBSCRIPTIONS BY OPERATOR as at end of year



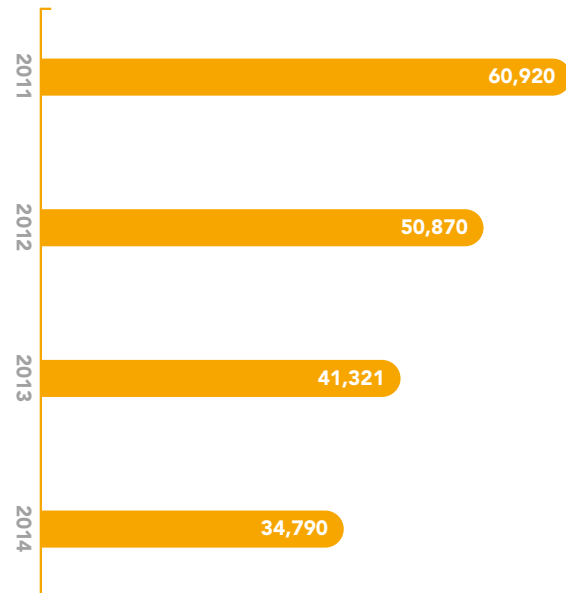
### Mobile inward portability

The absolute majority of mobile number portings in Malta are completed within the same day, with only a minority of cases experiencing delays and other issues being reported to the MCA each year. However, despite the generally successful mobile number portability process, the number of mobile inward portings has been in decline since 2011.

The proportion of subscribers opting for mobile number portability last year stood at around 6%, down from around 8% in the previous year and around 10% in 2012.

This decline is likely the result of an increasing proportion of subscribers on a post-paid contract. Such subscribers reduce churn and ensure higher retention rates for service providers.

MOBILE INWARD PORTINGS



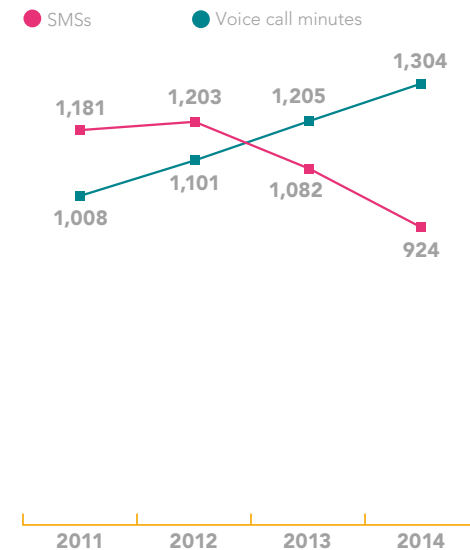
### Activity levels

Increased competition over the last few years has led to a gradual fall in average mobile call rates, thereby paving the way for increased usage and spending on mobile voice communication services.

Each active SIM connection accounted for approximately 78 voice calls each month during 2014 and around 109 voice call minutes per month. This is up from 73 mobile voice calls per month and 100 mobile voice call minutes per month reported in 2013.

At the same time, the average number of SMSs sent per active SIM connection fell from 90 per month in 2013 to 77 per month in 2014. This fall in SMS volumes per connection reflects the propensity of end-users to opt for the convenience of making an instant call, rather than texting a message, given the availability of relatively low on-net call rate offerings.

AVERAGE NUMBER OF VOICE CALL MINUTES & SMSs (per subscriber)

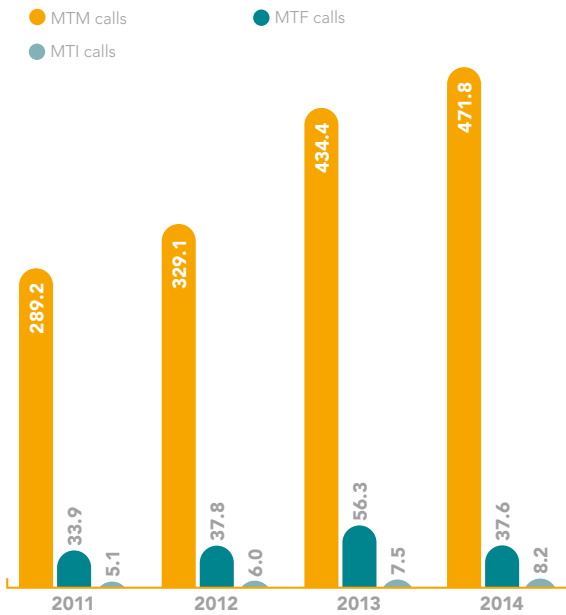


Voice calls and SMSs

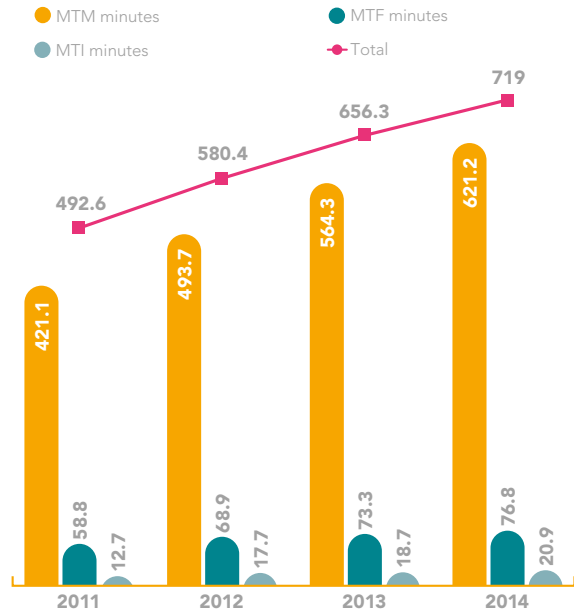
The biggest chunk of mobile traffic is carried out on-net, that is, between end-users subscribed to the same service provider. The volume of on-net MTM voice calls was up by 9.1%, year-on-year, to a total of 357.4 million in 2014, whilst the volume of on-net MTM voice call minutes was up by 7.3%.

Off-net MTM voice traffic volumes were also up, year-on-year, by 7% in terms of voice calls and by 18.5% in terms of voice call minutes. Meanwhile, the number of Mobile-to-Fixed (MTF) voice calls and voice call minutes was up by 3.6% and 4.9% respectively, and that of Mobile-to-International (MTI) voice calls and voice call minutes was up by 9.9% and 11.9% respectively.

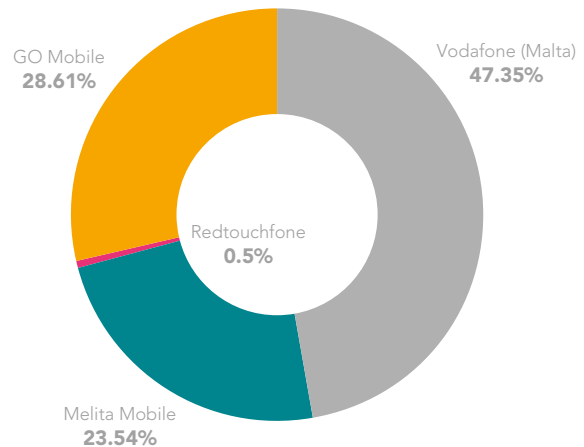
VOICE TRAFFIC VOLUMES  
Total number of voice calls (in millions)



VOICE TRAFFIC VOLUMES  
number of voice call minutes (in millions)

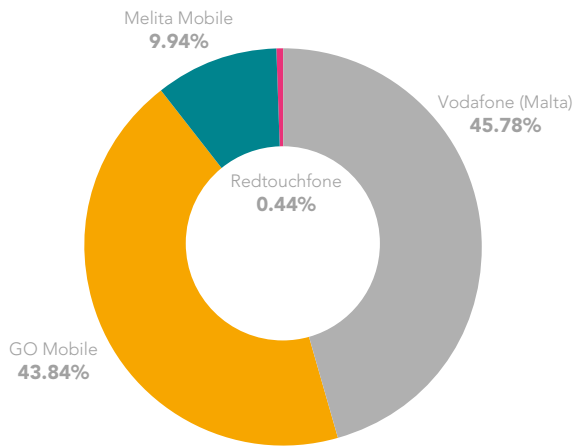


2014 MARKET SHARES, BY VOICE TRAFFIC MINUTES & OPERATOR  
as at end of year



The number of on-net SMSs was down by 15.7%, whilst off-net SMSs were down by 10.7%. Premium SMS services also suffered a drastic decline, with traffic volumes falling by 44.4%. Contrary to these declines, increases were recorded in terms of the number of SMSs sent from Internet portals of local service providers (1.6%) and SMSs sent to numbers hosted by foreign mobile networks (3.4%).

2014 MARKET SHARES, BY SMS TRAFFIC & OPERATOR  
as at end of year



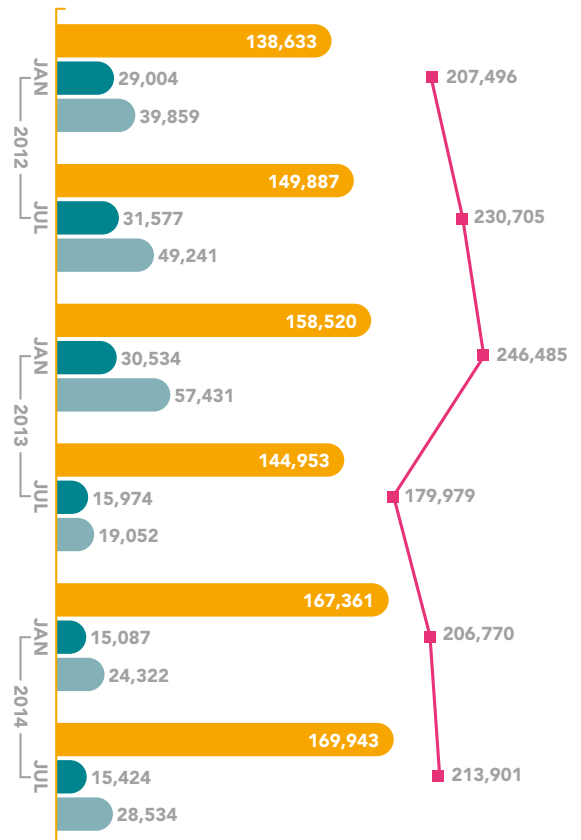
*Mobile broadband data*

Mobile broadband represents another fast-growing activity for the mobile sector, with take-up of relevant services strengthening and data traffic volumes increasing. This is largely due to the proliferation of smart-phones, combined with the availability of new data plans featuring more competitive data rates and improved data allowances. This combination encourages take-up and usage of high-speed data services offered over 3G and 4G networks.

The number of active mobile broadband connections increased by almost 34,000 (or by almost 19%) between July 2013 and July 2014. This increase is attributed to a higher number of end-users that accessed mobile data services via their SIM connection, in contrast to a lower number of end-users that accessed mobile data services via a dongle (or built-in connectivity in a laptop, netbook or tablet). More specifically, the proportion of mobile subscribers accessing mobile broadband data services was up from 29.5% at the end of July 2013 to 36.3% at the end of July 2014.

MOBILE BROADBAND: ACTIVE USAGE OF MOBILE BROADBAND CONNECTIONS

- Actual usage via standard mobile subscriptions
- Actual usage via cards/modems/keys only
- Actual usage via standard mobile subscriptions requiring an add-on package
- ◆ Total usage





### International roaming

International roaming is a service that allows a subscriber to a particular mobile operator in one country to obtain voice, data, and/or SMS services from another operator in a country being visited, using the same handset and the same telephone number, facilitated by a common technology and a wholesale inter-operator contract<sup>4</sup>.

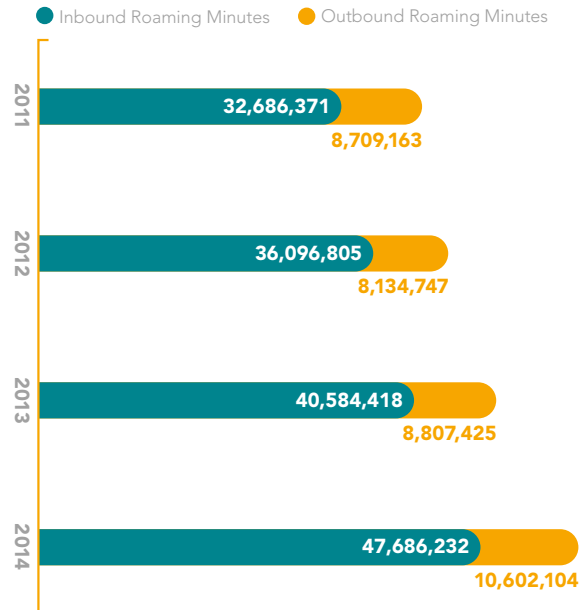
International roaming call activity reported by local service providers continued to strengthen last year, as the EU Commission’s regulated wholesale price caps for roaming services reached their lowest level in July 2014. In addition, both the number of Maltese visiting abroad and the number of incoming tourists, increased.

In comparison to 2013, volumes of inbound roaming calls and minutes during 2014 were up by 17.5% and 15.8% respectively. At the same time, volumes of outbound roaming calls and minutes were also higher, in this case by 20.4% and 14.2% respectively.

Roaming SMS activity was also stronger in 2014 when compared to the previous year, with the number of SMSs sent by Maltese subscribers whilst abroad increasing by almost 12.2%.

#### ROAMING ACTIVITY

number of voice call minutes



### Price competition

MCA revenue-based workings<sup>5</sup> indicate that mobile price competition between Go Mobile, Melita Mobile and Vodafone (Malta) remains healthy, with the ARPM of mobile communications and the average rate per SMS maintaining their downward trend in 2014. The dynamics behind these declines have to be seen in the context of the continued development of new plans with improved minute and SMS allowances, a consolidation of the range of add-on bundles, and other promotional offers, particularly offers targeting price-conscious end-users. It is important to note, however, that the actual rates charged for mobile voice calls and SMSs outside these allowances, did not change during 2014.

As service providers launch new plans, with improved speeds and mobile data volume caps and tariffs, earmarking price-conscious end-users, price competition with regard to data usage is gradually improving.

#### The ARPM of mobile voice call communications

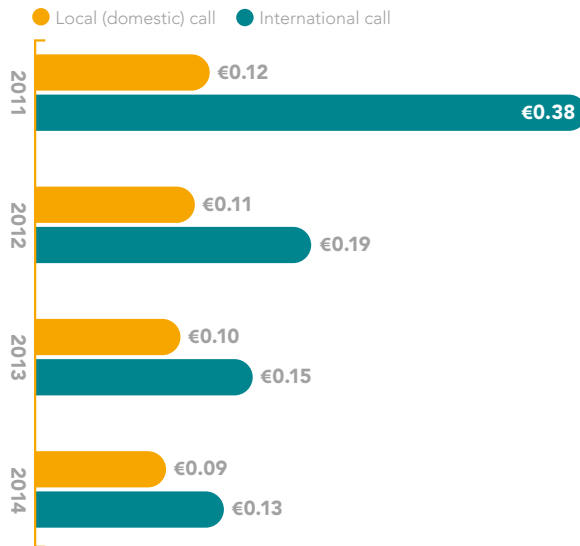
The ARPM of mobile communications is derived by dividing domestic and international mobile voice traffic revenues (including voice and data related access revenues, but excluding roaming revenues), by the number of minutes reported under each respective traffic type heading.

The ARPM for a domestic call over local mobile networks stood at around €0.092 in 2014, down by 10.7% from €0.103 in 2013. At the same time, the ARPM for international calls over local mobile networks went down by 16.9% from €0.154 to €0.128.

<sup>4</sup>Available data distinguishes between inbound and outbound roaming activity. Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta. Outbound roaming activity refers to call, SMS and data services made on foreign mobile networks by local subscribers when roaming abroad.

<sup>5</sup>Revenue-based market trends serve the purpose of tracking actual movements in mobile voice call rates and SMS tariffs charged by local operators.

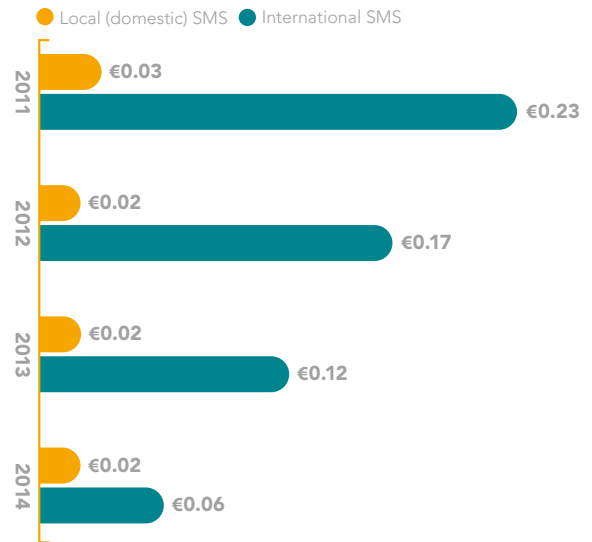
## ARPM OF MOBILE COMMUNICATIONS

*The average rate per SMS*

The average rate per SMS is derived by dividing SMS revenues, by the number of SMSs reported for the period<sup>6</sup>.

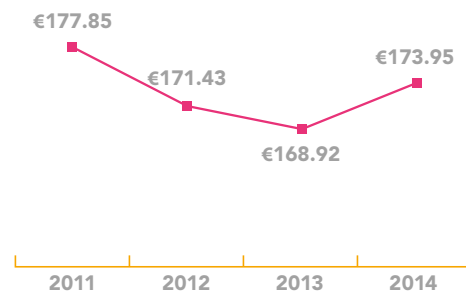
On average, a subscriber spent €0.019 per local SMS in 2014, identical to the prevailing rate in the previous year. Meanwhile, the average cost per international SMS was cut by half, from €0.118 in 2013 to €0.06 last year.

## AVERAGE RATE PER SMS

*Average Revenue Per mobile User (ARPU)*

The sector experienced an overall growth in mobile ARPU<sup>7</sup> during 2014, which reached almost €174, up from €169 in the previous year. This increase may be attributable to three factors, namely an increasing penetration of subscribers on a contract, higher voice call traffic volumes, and stronger usage of mobile broadband data services.

## AVERAGE REVENUE PER MOBILE TELEPHONY USER



<sup>6</sup> Calculations include relevant figures for premium SMSs and SMSs sent from Internet portals. Revenues from VAT and excise tax are excluded.

<sup>7</sup> Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions, for a given period. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period plus the number of subscribers at the end of the period, divided by 2. The revenue heading takes into account revenues from all outgoing voice activity (excluding interconnection revenues), revenues from SMS and MMS activity, revenues from monthly access fees, revenues from data services, revenues from outbound roaming activity but excluding revenues from inbound roaming activity.

## FIXED BROADBAND

Malta has experienced steady growth in fixed broadband penetration in recent years. This trend has persisted in 2014, particularly as take-up of high-speed broadband connections gathered momentum. The fixed broadband penetration rate at the end of 2014 stood at 35.3%, ahead of the EU average of around 31%.

The year 2014 has seen local service providers continuing to upgrade their range of products and services on offer, in order to meet the service requirements of end-users and key economic sectors across the country.

The overall number of fixed broadband subscriptions increased by 8,533 (or by almost 6%) during 2014, which is effectively higher than the year-on-year increase in subscriptions observed between 2012 and 2013. This is attributed to a stronger take-up of connections supporting download speeds of 30 Mbps or higher. The number of subscriptions allowing for such download speeds went up by around 45,000 over a 12-month period ending in 2014.

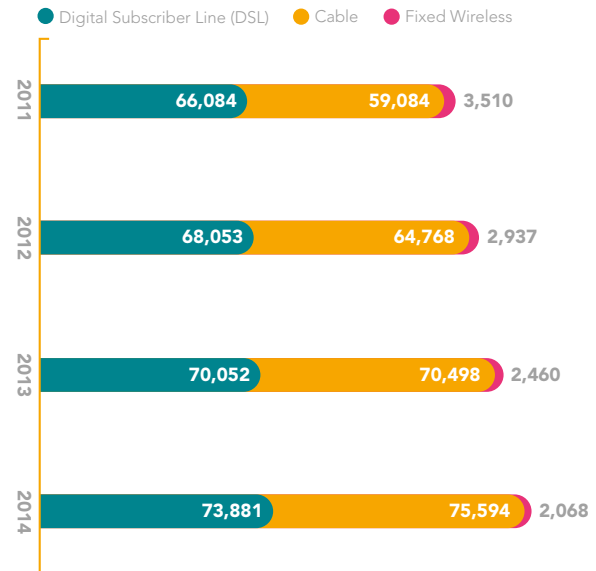
The upward trend in the number of fixed broadband subscriptions in 2014 was also accompanied by a significant increase in the take-up of fixed broadband plans forming part of a bundle. In fact, the proportion of fixed broadband subscriptions on a bundle at the end of 2014 stood at almost 66%, up by 13 percentage points since the end of the previous year.

Taking a look at pricing, the average rate per Mbps in 2014 was slightly higher than that prevailing in the previous year. This slight increase needs to be considered in the context of the availability of new plans with fast and ultrafast download speeds and the corresponding phasing out of some plans supporting download speeds of less than 30 Mbps. It is also relevant to underline that this slight increase in the rate per Mbps observed in 2014 comes after several years of continued price declines for the sector.

### Fixed broadband subscriptions

The local fixed broadband subscriber base expanded considerably over the last few years. 2014 proved to be no exception to this long-term growth trend, as subscriptions increased by 8,533 (almost 6%) in the 12 months to December 2014.

### SUBSCRIPTIONS as at the end of period

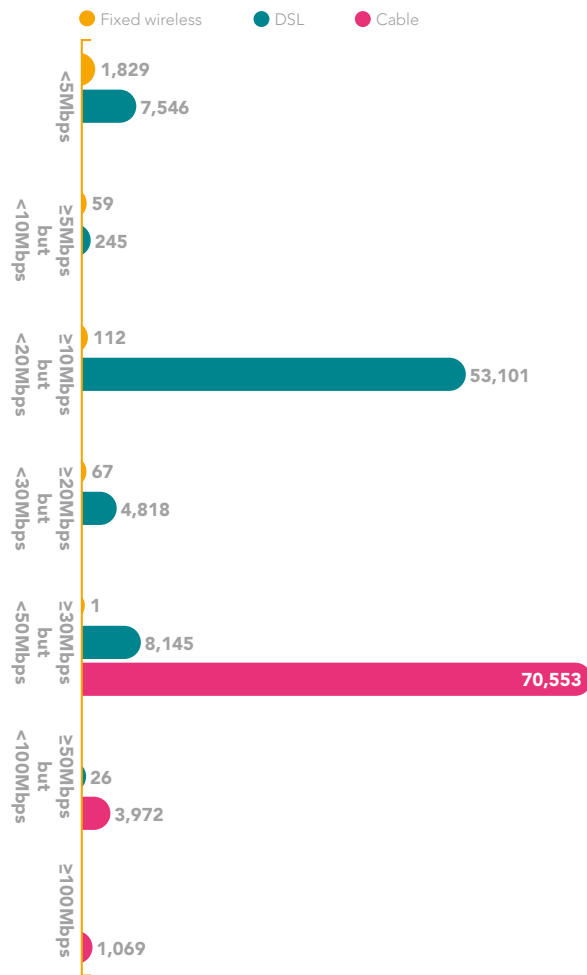


Fixed broadband take-up was particularly strong for subscriptions supporting download speeds of 30 Mbps or higher, as new and existing end-users exhibited a clear preference for faster connectivity services.

The number of subscriptions supporting download speeds of '30 Mbps but less than 50 Mbps' increased by almost 44,000 in a 12-month period, which is equivalent to an annual growth rate of just under 127%, to reach a total of 78,699 at the end of 2014. The number of subscriptions supporting broadband speeds of '50 Mbps or more' increased by around 5,000 during the same period, which is equivalent to an annual growth rate of 46%.

On the other hand, the number of connections supporting data download speeds of 'less than 30 Mbps' declined during 2014. On a disaggregate level, the biggest fall in subscriptions was observed for connections supporting speeds of '10 Mbps but less than 20 Mbps', with their number down by 24,631 (or by almost 32%) over a 12-month period to 53,213 at the end of 2014. At the same time, the number of subscriptions supporting a download speed of 'less than 10 Mbps' was down by almost half, from 18,950 at the end of 2013 to 9,679 at the end of last year.

FIXED BROADBAND SUBSCRIPTIONS,  
BY TECHNOLOGY & SPEED  
as at end of 2014



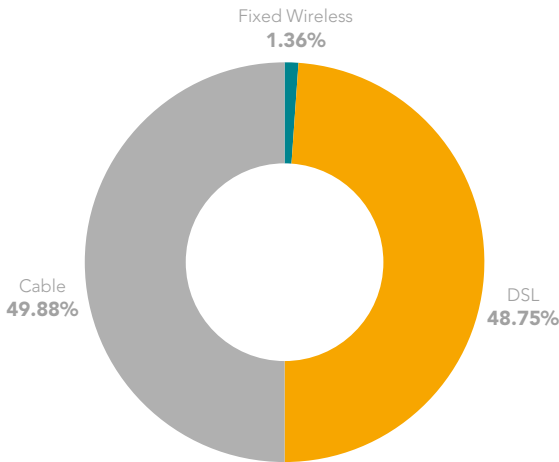
	2013	2014
Fixed Broadband subscriptions in a bundle	75,211	99,809
Dual play	11,349	29,890
Fixed telephony + Fixed broadband	11,349	29,890
Triple play	21,376	25,490
Fixed telephony + Mobile telephony + Fixed broadband	289	620
Fixed telephony + Fixed broadband + Pay TV	21,087	24,870
Quad play	42,486	44,429
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	42,486	44,429
Number of fixed broadband subscribers (end of period)	143,010	151,557
as a percentage of total number of fixed broadband subscriptions	52.59%	65.86%

**Market shares**

Fixed broadband access in Malta is provided by a number of service providers over the following fixed technologies: DSL, cable and fixed wireless.

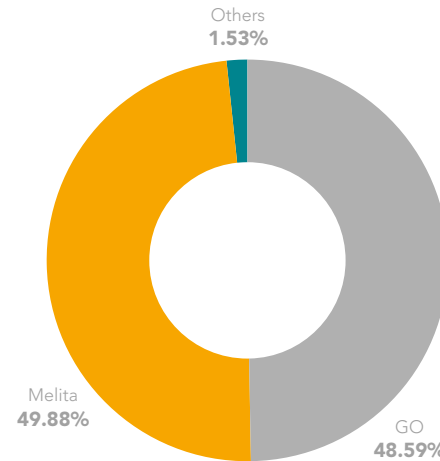
At the end of last year, cable technology had the largest share, accounting for 49.9% of the local subscriber base (up by 0.6 percentage points), closely followed by DSL at 48.8% (down by 0.2 percentage points). The remaining share of 1.4% of the local subscriber base was accounted for by fixed wireless (down by 0.4 percentage points).

2014 MARKET SHARES, BY PLATFORM  
*as at end of year*



In terms of market share by operator, Melita had 75,594 fixed broadband subscriptions as at end of 2014, thereby accounting for 49.9% of the local fixed broadband subscriber base. Meanwhile, GO had 73,635 subscriptions, equivalent to a market share of 48.6%. Other service providers collectively accounted for 2,314 subscriptions, which is equivalent to a combined market share of 1.5% (down from 1.9% as at the end of 2013).

2014 MARKET SHARES, BY OPERATOR  
*as at end of year*



**Price competition**

When determining how prices are evolving in the fixed broadband sector, the MCA looks at developments in the average rate charged by local service providers per each Mbps of download. The relevant figures are derived by taking into account the actual advertised rates for local broadband packages and the corresponding advertised download speeds.

The relevant workings show that the average rate per Mbps at the end of 2014 stood at €1.89, which is slightly higher than €1.78 at the end of 2013. This increase has to be considered in the context of an increasing take-up of plans supporting download speeds of 30 Mbps or more and the fact that local service providers charge a premium for products offering better quality to the end-user. Local service providers are also phasing out products supporting download speeds lower than 30 Mbps. It is also relevant to underline that such an increase follows a period where the average rate per Mbps was falling, particularly between 2010 and 2012, when the average rate per Mbps fell by around 60%<sup>8</sup>.

Furthermore, changes in the average rate per Mbps cannot be seen in isolation, given that, for example, consumers may still have availed themselves of a lower rate per Mbps last year by subscribing to promotional offers and by opting for monthly discounted fees that come with plans that bundle fixed broadband with other electronic communications services.

<sup>8</sup>MCA workings are based on actual advertised headline speeds for stand-alone products and do not take into account promotional offers and fixed broadband products included in bundled packages.



### Average rate per Mbps

Overall, the average rate per Mbps for fixed broadband marginally increased from €1.78 in Q4 2013 to €1.89 in Q4 2014.

On a more disaggregate level, the average rate per Mbps for products supporting a download speed of 'less than 5 Mbps' stood at €3.79 in Q4 2014, unchanged from the prevailing rate in Q4 2013.

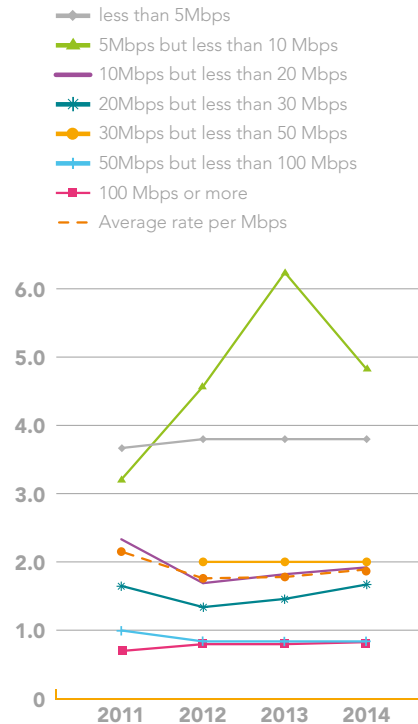
The average rate per Mbps for products supporting a download speed of '5 Mbps but less than 10 Mbps' was down from €6.22 in Q4 2013 to €4.81 in Q4 2014.

At the same time, the average rate per Mbps for products supporting a download speed of '10 Mbps but less than 20 Mbps' went up to €1.92, from €1.82. That for products supporting a download speed of '20 Mbps but less than 30 Mbps' was also up, from €1.46 to €1.67. These developments are explained by the phasing out of some plans (or offers) in these product categories, which in turn resulted in an increase in the overall average rate.

The average rate per Mbps for products supporting a download speed of '30 Mbps but less than 50 Mbps' and products supporting a download speed of '50 Mbps but less than 100 Mbps' stood at €2.00 and €0.84 respectively in Q4 2014, unchanged from the prevailing rates in Q4 2013.

Products supporting a download speed of '100 Mbps or more' did however see a slight increase in the average rate per Mbps, from €0.80 in Q4 2013 to €0.83 in Q4 2014.

FIXED BROADBAND: AVERAGE RATE PER MBPS

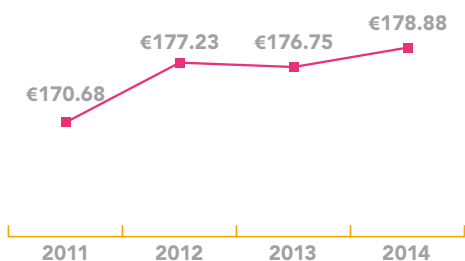


### Fixed broadband ARPU

Fixed broadband ARPU is an indicator evaluating fixed broadband operators' revenues per user. The figures are arrived at by dividing the total retail revenues from broadband subscriptions, but excluding revenues from installations or connection fees, by the average number of subscriptions<sup>9</sup>.

Fixed broadband ARPU for the year 2014 totalled €178.88, up by 1.2% from €176.75 in the previous year.

#### AVERAGE REVENUE PER FIXED BROADBAND USER



## PAY TV

The rise of IPTV continued to mitigate the overall downward trend experienced by the pay TV sector during 2014. 2014 was in fact one of the best years for IPTV, as the number of end-users opting for pay TV packages offered over this platform more than doubled. Nevertheless, the increase in IPTV subscriptions was not enough to compensate for declines in analogue cable, digital cable and DTTV platform subscriptions. In fact, the pay TV sector suffered a net loss of 1,025 subscriptions over a one year period, with subscriber numbers falling from 148,905 at the end of 2013 to 147,880 at the end of last year.

A growing share of the local subscriber base is signing up for pay TV services, which form part of a bundle, rather than on a stand-alone basis. At the end of 2014, the proportion of pay TV subscriptions purchased as part of a bundle stood at 54.1%, which is three percentage points higher than the previous year. Bundling of Pay TV with other electronic communications services has also proven to be a rewarding strategy for service providers in terms of customer attraction and retention. At the end of last year, 52% of Pay TV subscriptions were part of such packages.

The pay TV market did experience some price increases during the year under review. However these increases, in the form of higher monthly subscription fees, came with a further adjustment of the channel line-up and the terms of purchase of various packages. For example, some packages started being offered without a tie-in contract, whilst others enabled customers to access a mobile TV service over their smartphones and tablets, free of charge. Customers also had the opportunity to avail of some discounts on their monthly subscription fees by signing up to bundles. This explains the lower TV ARPU than that recorded in 2013.

### Subscriptions

There were 147,880 pay TV subscriptions at the end of 2014, down by 1,025 (or by 0.7%) from 148,905 a year earlier. In this regard, the doubling of the number of IPTV connections, up from 5,954 at the end of 2013 to 12,256 at the end of last year, was not enough to make up for an aggregate net loss of 7,327 connections among analogue cable, digital cable and DTTV<sup>10</sup>.

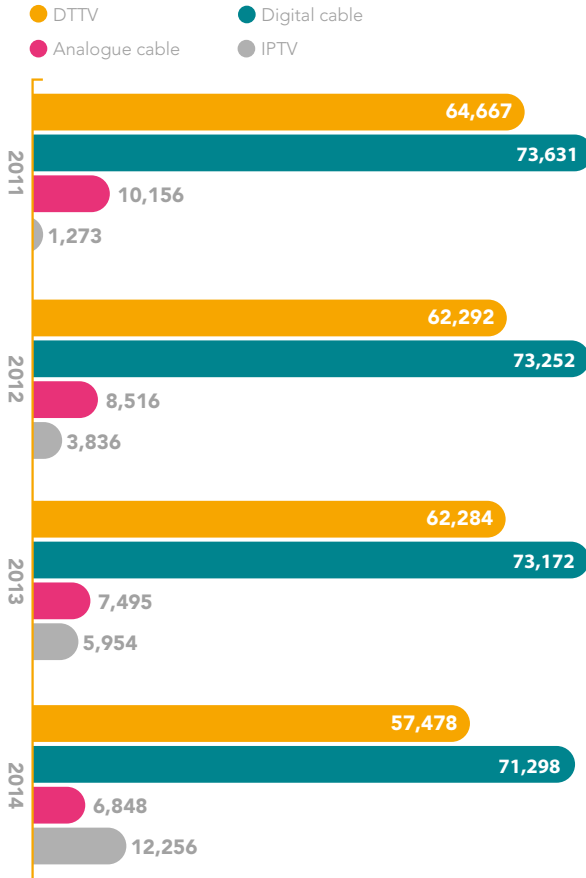
Of significance is the growing proportion of pay TV subscriptions forming part of a bundle, which amounted to 76,245 at the end of 2014, equivalent to 54.1% of all digital TV and IPTV subscriptions. The corresponding proportion of pay TV subscriptions purchased as part of a bundle at the end of 2013 stood at 52%.

	2013	2014
Pay TV subscriptions in a bundle	73,496	76,245
Dual play	9,923	6,946
Pay TV + Fixed telephony	9,923	6,946
Triple play	21,087	24,870
Pay TV + Fixed telephony + Fixed broadband	21,087	24,870
Quad play	42,486	44,429
Pay TV + Fixed telephony + Mobile telephony + Fixed broadband	42,486	44,429
Number of digital and IPTV subscribers (end of period)	141,410	141,032
as a percentage of digital and IPTV subscriptions	51.97%	54.06%

<sup>9</sup>The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the period under consideration, divided by two.

<sup>10</sup>Analogue cable lost 647 subscriptions, digital cable lost 1,874 subscriptions and DTTV lost 4,806 subscriptions.

**SUBSCRIPTIONS**  
as at end of period



**Market share developments**

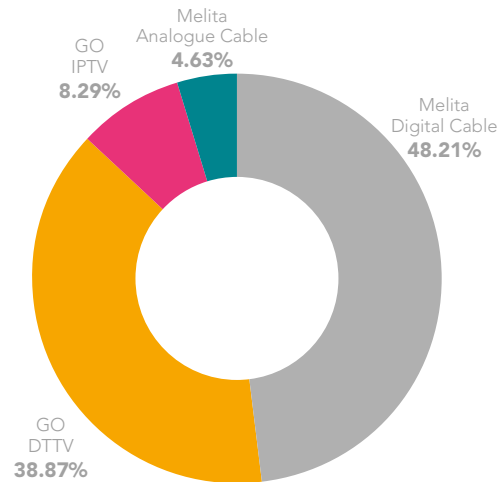
At the end of 2014, IPTV subscriptions made up around 8% of the local pay TV subscriber base, up from 4% a year earlier. On the other hand, the market share of analogue cable was down by 0.4 percentage points to 4.6%, that for digital cable was down by 0.9 percentage points to 48.2% and that for DTTV was down by almost three percentage points to 38.9%.

On an operator level, the 2014 fall in pay TV subscriptions is a result of Melita experiencing a net loss of 1,800 customers, which have either switched service provider or else terminated the standard pay TV service. On the other hand, GO recorded a net gain of almost 1,500 subscriptions, with its IPTV subscriber base more than doubling in size over a 12-month period.

As a result, GO's standing in the pay TV market continued to improve in 2014, with this operator increasing its market share by 1.3 percentage points to reach 47.2% at the end of 2014.

This improvement in market share for GO came at the expense of Melita, which saw its market share drop by 1.3 percentage points during the same period, to 52.8% at the end of 2014.

2014 MARKET SHARES, BY OPERATOR  
as at end of period



**Price competition**

Retail prices for local pay TV services have seen some slight upward changes last year, particularly as pay TV service providers continued to adapt their plans to customer preferences, carrying out further price adjustments in the process.

*Average advertised rates*

An assessment of price movements for local pay TV packages is carried out on the basis of observed advertised rates<sup>11</sup>. For comparative reasons, five pay TV package categories have been identified, with each category bundling a particular number of channels.

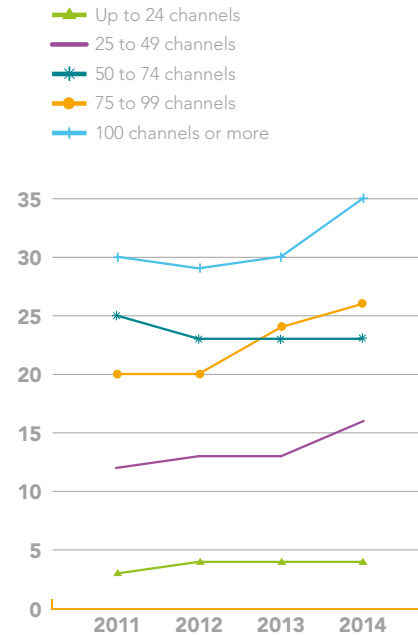
The overall average monthly advertised rate paid by subscribers for pay TV services went up from €19.37 in 2013 to €22.44 in 2014. This increase is however only a relative one, given that it came about as a result of one service provider starting to offer its typically contract-bound plans without a contract term agreement, but at a premium.

On a more disaggregate level, the monthly average advertised rate has gone up for pay TV plans listing 25 to 49 channels, from €12.49 in 2013 to €15.66 in 2014. Corresponding increases were recorded for pay TV plans listing 75 to 99 channels, which increased from €24.49 to €26.32, as well as for pay TV plans listing 100 channels or more, increasing from €29.99 to €34.99.

On the other hand, the average advertised rate for pay TV plans listing up to 24 channels and pay TV plans listing 50 to 74 channels remained unchanged at €3.99 and €23.49 respectively.

It must be noted that billing charges are not taken into account when arriving at the final figures, as it is considered that local service providers typically offer customers an opportunity to avoid such charges.

AVERAGE MARKET RATES FOR PAY TV PACKAGES  
workings based on advertised packages rates (excl. optional add-ons)

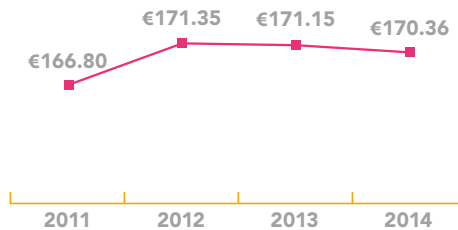


*Pay TV ARPU*

The surge in take-up of on-demand pay TV services and IPTV has helped local service providers to generate revenue last year, however still not enough to overturn the overall revenue trends for the sector.

In fact, pay TV ARPU<sup>12</sup> in 2014 totalled €170.36, down by 0.5% from €171.15 a year earlier.

AVERAGE REVENUE PER PAY TV USER



<sup>11</sup> All rates featured in this report on this sector are inclusive of the access charge per set-top box and VAT.

<sup>12</sup> Pay TV ARPU is an indicator evaluating operators' revenues per Pay TV subscription. The ARPU calculation reflects the average spend by users for Pay TV services and is derived by dividing the total retail revenues for Pay TV services, excluding premium services, installations and connection fees, by the average number of Pay TV subscriptions for the period. Premium services include services such as Sports, Movies, and Video On Demand subscriptions.

## POST

Postal market developments last year were in line with long-term trends, as mail volumes fell by 3.6% compared to the previous year. Single piece letter mail suffered the most, with a year-on-year decline in volumes of 1.7 million items. Bulk mail volumes were also down during the same period. These declines have been caused primarily by the increased digitisation of services and the corresponding shift to the Internet for the provision of a multitude of services that were originally offered in hard copy format. Stronger mail volumes for registered mail and parcel mail were not sufficient to make good for the declines in mail volumes in single piece letter and bulk mail.

### Mail volumes

Postal mail volumes delivered in 2014 were down by 1.5 million items when compared to volumes delivered in 2013. This fall came about as a result of a drop in single letter mail volumes and bulk mail volumes, which outweighed volume increases recorded for parcel mail and registered mail.

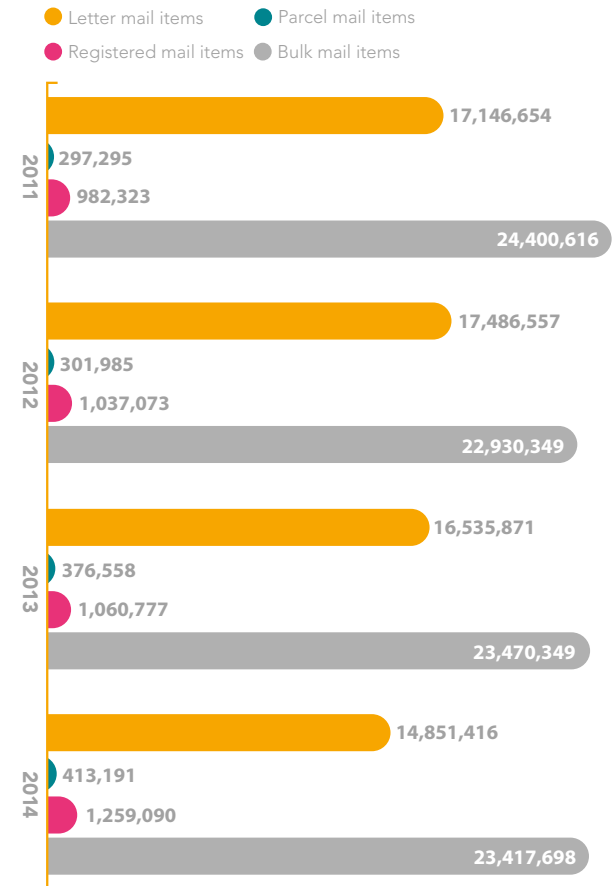
#### *by type of mail...*

A further look at volume developments by type of mail, the number of letter mail items handled last year totalled 14.9 million, down by almost 1.7 million items (or by 10.2%) from 16.5 million mail items handled in the previous year. At the same time, bulk mail volumes were also down, this time by 52,651 mail items to reach a total of 23.4 million items.

On the other hand, registered mail volumes and parcel mail volumes strengthened, with the former increasing by 198,313 mail items (or by 18.7%) to reach 1.3 million. Parcel mail volumes were also up, this time by 36,633 (or by almost 10.0%) to a total of 0.4 million mail items in the year under review.

### POSTAL ACTIVITY

volumes by type of postal item





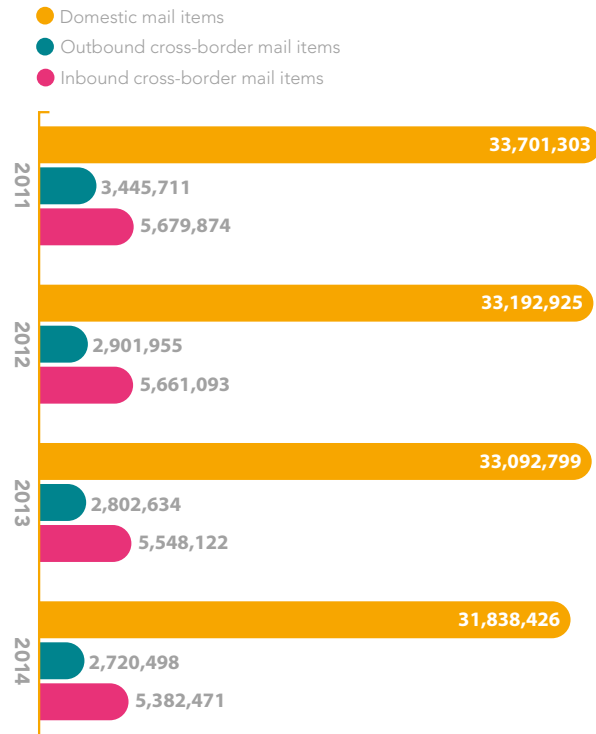
by service area...

With regard to postal mail activity by service area, mail volumes in the universal service area were down by 1.6 million items (or by almost 4%), from 40.8 million items in 2013 to 39.2 million items last year. At the same time, mail volumes recorded under the competitive area were up by nearly 0.1 million (or by 12.4%) to reach 0.7 million items.

In 2014, the universal service area accounted for 98.2% of total mail activity and the competitive area accounted for the remaining share at 1.8%.

POSTAL ACTIVITY

volumes by type of mail-category

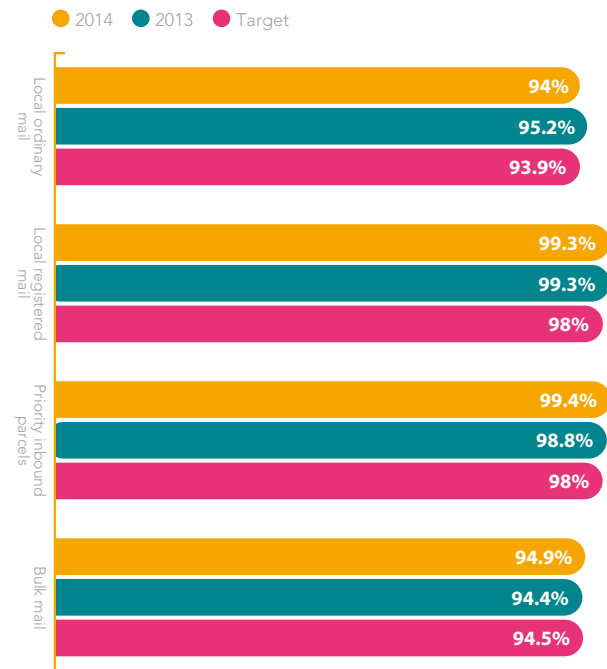


Quality of service

The MCA sets a series of Quality of Service (QoS) standards to monitor how the universal service provider is performing with regard to the delivery of local ordinary mail (QoS target for D+1<sup>13</sup> set at 94%), bulk mail (QoS target for D+1 set at 94%) and local registered mail (QoS target for D+1 set at 98%).

Data reported by MaltaPost indicates that all the relevant QoS targets were met during 2014, which means that its delivery performance of local ordinary mail, bulk mail and local registered mail has been reliable and timely.

QUALITY OF SERVICE



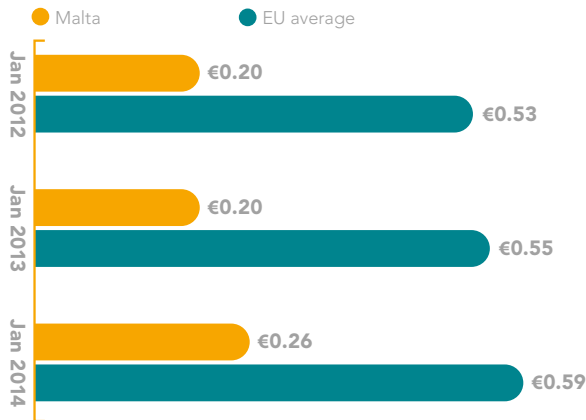
<sup>13</sup>D+1 is defined as the mail quality standard that the provider should reach and which represents one (1) working day from the day of deposit, to delivery to addressee.

**Postage rates in Malta and the EU**

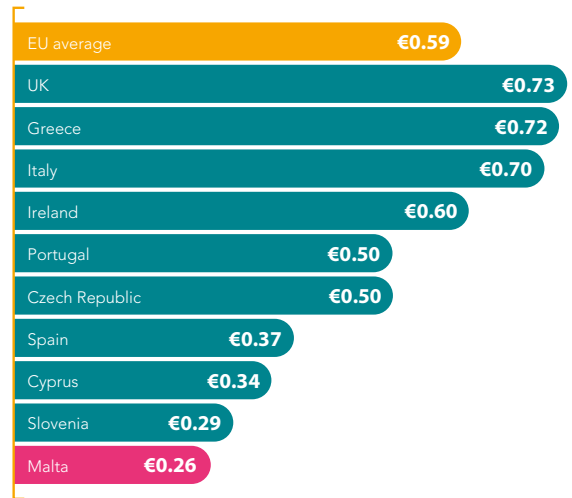
Malta's nominal postage rates at the end of last year stood at €0.26 for a domestic standard letter and at €0.59 for letter mail within Europe.

According to an annual study published by Deutsche Post entitled 'Letter Prices in Europe 2014', the above-mentioned rates continue to benchmark at the bottom (or close to the bottom) of the EU28 ranking.

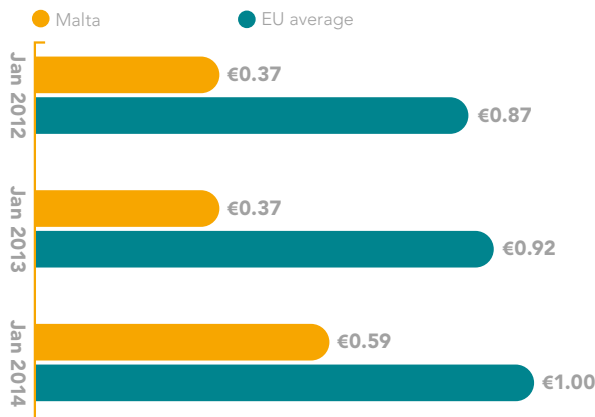
NOMINAL STAMP PRICES FOR A DOMESTIC STANDARD LETTER



NOMINAL STAMP PRICES FOR A DOMESTIC STANDARD LETTER (MARCH 2014)



STAMP PRICES FOR OUTBOUND LETTER MAIL WITHIN EUROPE AS A DESTINATION







**4**

# THE INDUSTRY



# ELECTRONIC COMMUNICATIONS

## INFRASTRUCTURE PLANNING

### Framework for access to in-building wiring

During 2014, the MCA initiated a number of work streams relative to symmetrical regulation, such as the articulation of infrastructure access and in-house wiring rules. This should serve to facilitate the roll-out of Next Generation Access Networks (NGAN) by clarifying the 'rules of engagement' for such an activity, with the intent of maximising economies in deployment and minimizing disruption caused by works, as a result of infrastructure sharing. The MCA met with the Building Regulations Board to provide an overview and discuss the principles underlying in-building wiring to fulfil the requirements of Directive 2014/61/EU on broadband cost reduction. Further work will continue during 2015 in the preparation of the framework for adoption by the Building Regulations Board and guidelines for overhead telecoms installations.

### Establishment of a national plan for telecoms towers infrastructures

During 2014, the MCA developed a master plan, which sets out the way in which authorisation for tower structures should be managed in the future to enable infrastructure efficiencies. The aim of the master plan is to guide all stakeholders in the effective planning, building and management of new tower structures and the efficient use of tower space on current structures. The objective is to ensure the least environmental impact, whilst guaranteeing adequate facilities for the growth of the electronic communications sector. The master plan has been developed for joint adoption by the MCA, Malta Environment and Planning Authority (MEPA) and the Land Directorate (within the Government Property Department) and has been submitted to the respective entities for their review and endorsement.

### International connectivity – a study to investigate the feasibility of laying a new submarine cable

Innovative emergent sectors are placing increased demand for low-latency, low-cost and high-resilient bandwidth. Such growing demands are pushing the reliance on submarine cables even higher. It is therefore critically important to have redundancy measures in place, one of which is the availability of multiple international connections. Despite the significant strides Malta has made in this field in recent years, technological developments have necessitated the need for even more capacity. A better connected environment will accelerate the evolution of the economy, making Malta more attractive to innovative business opportunities. As a small island state needing to keep-up and advance within an increasingly competitive and ICT-driven global environment, additional international connectivity is a critical success factor. It will also allow re-selling of bandwidth to local operators for disaster recovery and push down the costs for international connectivity. During the year under review, the MCA published a tender document as part of its plans to undertake a detailed technical, economic and financial feasibility analysis for a new submarine cable link that will connect Malta to other alternative locations. The study will be financed by the European Regional Development Fund (ERDF) and is expected to be undertaken during 2015.

## REGULATORY REMEDIES

### Bottom-Up Cost Model (BUCM) for mobile networks and mobile interconnection pricing

In a decision published in March 2014, the MCA mandated a mobile termination rate of 0.4045 Euro cents per minute, with effect from 1st April 2014. This rate was determined following a consultation on the development of a 'pure' Long Run Incremental Cost Bottom-Up Cost Model (BU-LRIC) in order to calculate the costs incurred by a typically efficient mobile network operator in Malta to provide voice termination services. This decision was appealed by Vodafone (Malta). Concurrently with its appeal, Vodafone also made a request to the Tribunal for the suspension of the decision. The latter request however was not upheld by the Tribunal. Subsequently, Melita intervened in these proceedings, contesting Vodafone's claim. The case is ongoing.

### Virtual unbundled local access for fibre networks

In 2013, the MCA obliged GO, as the operator designated as having SMP in the infrastructure access market, to provide third parties with Virtual Unbundled Local Access (VULA) to its new Fibre-to-the-Home (FTTH) network as it is deployed, so that they can effectively compete in the supply of high-speed broadband services. Being sensitive to the particular characteristics of the Maltese markets, the MCA has worked actively towards the deployment of a regulatory package that would reflect local realities, whilst keeping within the confines of EU Recommendations. In order to minimise regulatory uncertainty in this regard, the MCA held high-level discussions with GO on the guiding principles of the envisaged regulatory package. Throughout 2014, the MCA also engaged with GO in a private consultation process to develop a two-pronged approach to the adoption of the regulated VULA offer. One work stream dealt with the pricing aspects, whilst the other focused on the technical offer. Beyond regulatory clarity, the proportionate application of regulation itself remains a key tool to promote competition and thereby facilitate market entry and investment. In this manner, the MCA will ensure that service providers will be provided with an adequate access solution that is not subject to any uncompetitive practices. At the same time, the MCA was mindful not to hamper investment in NGA infrastructures. A public consultation on the subject was issued by the MCA in April 2015.

### Reducing the cost of broadband deployment – Transposition of EU Directive 2014/61/EU

The EU Directive 2014/61/EU on reducing the cost of broadband deployment presents a number of provisions that are aimed at facilitating access of high-speed electronic communications networks to all utility networks. Among others, the Directive proposes the establishment of an independent adjudicative forum to decide disputes that may arise between electronic communications undertakings and network operators within the context of the various requirements provided for in the Directive. The transposition of this Directive necessitated the drafting of amendments to the Utilities and Services Act (Cap 81), to implement the provisions laid out in the said Directive, as well as a number of proposed amendments

to other existing national laws, notable among which is the Building Regulation Act, as regards in-building infrastructure.

The transposition process has also called for close collaboration with other public entities, notably Transport Malta in view of its central role in co-ordinating deployment, repair, as well as possible relocation and co-location of the various utility network infrastructures.

In January 2014, a joint workgroup was set up between the MCA and Transport Malta to assess the extent of any issues being encountered by network operators in this regard and to see whether any such roll-outs can be facilitated. The transposition of the Directive, given its stated objective of facilitating high-speed network roll-outs, has now attained priority in the Group's work programme. The transposition should be finalised by the end of 2015. This will need to be followed by the implementation of the necessary working processes and procedures.

### **Universal Service Obligations (USO): A review of definition and designation**

As technology develops and end-user needs continue to change and evolve, policy makers must consider the appropriate measures to ensure that the electronic communications services provided continue to be aligned to subscriber needs and reflective of current market conditions. The MCA is responsible to ensure that a number of identified electronic communication services are made available to end-users at an affordable price. The services so identified are referred to as Universal Services. During 2014, the MCA undertook a complete review of these services and subsequently published a consultation in November, seeking the views of interested parties on proposed changes to the set of universal services.

The set of universal services includes various components, amongst which are the provision of a connection for a fixed telephone line and functional internet access; directory enquiry services and directories; public payphones; and measures for disabled end-users. It also includes alternative consumer tariff options to ensure that those on low incomes or with special needs, are not prevented from accessing fixed line telephony. A pre-paid fixed telephony service is also identified as an aid for end-users to control their expenditure. The Authority may specifically designate one or more undertakings with obligations to provide each identified universal service. At present, GO is the designated universal service provider.

One of the main proposed developments addressed in the consultation related to the obligation to provide a connection at a fixed location. The MCA proposed that this would only be applicable in areas where no other public communication networks are in a position to offer such a service at an affordable price.

After much consideration, and following the undertaking of extensive market research with regard to the actual use of the printed directory, the MCA also proposed to withdraw the printed telephone directory as a universal service. At the same time, it proposed a smartphone app to be made available allowing users to look up both fixed and mobile telephone numbers electronically. This development would not exclude entities willing to publish such a printed directory on a voluntary, commercial basis in the future. Another universal service obligation being provided by the designated undertaking is the

directory enquiry services. Given the fact that there is more than one service provider offering enquiry services in the market to the general public, the MCA has proposed to withdraw this universal service obligation, with exception to the provision of a one call, free of charge per week for visually impaired persons.

Another development in the consultation was that, once the minimum number of payphones established for a given locality is satisfied, the formal approval by the MCA for the removal of a public payphone would no longer be required, unless there is a concern relating to distance from the nearest payphone. The MCA and the respective local council are required to be informed at least thirty days prior to the removal of the public payphones.

All the other universal service obligations remained unchanged. A final decision was published in May 2015.

### **USO: Monitoring and maintenance**

GO is currently designated by the MCA with the USO to provide access at a fixed location, payphones, directory enquiry services, telephony directory and services for users with disabilities, reduced tariff options and control of expenditure. If a designated Universal Service Provider (USP) feels that it is subject to an unfair burden, as a result of providing all or part of the universal service, it may submit a written request for funding. In 2012, GO submitted a claim for funding, claiming that it suffered unfair burdens in providing universal services in 2010, and particularly in respect to the following components: geographical component; public payphones; social tariffs; and directory enquiry services.

The MCA needed to determine whether the provision of these components did indeed represent a net cost and an unfair financial burden on GO during the year in question. The net cost refers to the efficiently incurred costs arising from the provision of the service, which the USP is unable to cover with the proceeds from the service, as against the cost of operating without the USO, whilst taking into account the intangible benefits resulting from the provision of the service. In order to assist the Authority in its evaluation of GO's request for funding, EY were commissioned, following a tendering process, to evaluate the reasoning behind GO's claim and to audit and verify the various calculations. EY's evaluations determined that GO did indeed suffer an unfair burden in the provision of the said universal services. The results of the cost calculation and the conclusions of the audit on each USO component were published in a consultation issued in April 2014, to which feedback was received from GO and Melita. The final calculated cost amounted to €359,967. A decision to this effect was published in October 2014.

The MCA then needed to determine the allocation of the source of funding relating to GO's claim for the financial year 2010. It could either introduce a mechanism to compensate the universal service provider from public funds, following approval from Government, and/or establish a sharing mechanism between providers of electronic communications networks and services. In a separate consultation document published in November 2014, and following approval from Government, the MCA proposed that the established total amount of €359,967 shall be financed from public funds. The consultation period closed in January 2015 and the subsequent decision was published in April 2015.



### Improved tariff transparency for premium SMS services

The decision 'A framework for Premium Rate Services' published in November 2010 established that, since there were no problems in relation to premium SMS services, further actions on SMS premium rate services would be deferred to a later date.

While the MCA was, in general, satisfied with the manner in which SMS premium rate numbers were being managed under an informal code of practice agreed to by operators, during 2014 it was brought to the Authority's attention that a minimal number of premium rate SMS numbers being advertised were not being accompanied with tariff information. The Authority believed that it was imperative that clear tariff information (explicit cost to subscriber) accompanies information on the services or facilities depicting the 5XXX XXXX number/s, whether in printed format or otherwise.

In order to address this issue in a pragmatic manner, following consultation with operators, in 2014 the MCA issued an updated Premium Rates Services Decision stating that mobile operators should require providers of premium rate SMS services to explicitly present the tariff applicable to the subscribers using the premium SMS number in question. In order to maintain the integrity of premium rate services in Malta, the MCA did not rule out the possibility of implementing alternative measures in the future.

### Number portability testing specifications manual

Given the changing industry dynamics with the entry of new Publicly Available Telephone Service (PATS) providers in the market, during 2014 the MCA decided to introduce a manual for number portability testing. The main objective of this document is to provide clarity, assist and guide new PATS operators in implementing an efficient and successful NP solution, by carrying out all the necessary Number Portability (NP) tests by the start of service date to the benefit of all parties.

The testing manual was divided into three main sections including detailed technical annexes, namely:

- webservice interface testing;
- mobile network functionality testing; and
- fixed network functionality testing.

The timeframes applicable in this document were aligned with those already established in the allocation process of numbering ranges found in the numbering conventions.

A consultation process was held with the respective operators and the manual was published in November 2014.

## MARKET ANALYSIS

Like all other European regulatory authorities, the MCA must undertake a comprehensive review exercise on a number of pre-determined market sectors to gauge the level of competitiveness in each market and adapt regulation accordingly. Wherever competition is lacking, the MCA imposes a number of regulatory remedies to simulate the effects of competition. Depending on the outcome of the analyses, the MCA may lift current obligations or impose others as necessary. The following is an outline of the MCA's activity in relation to market reviews during 2014.

### Wholesale voice call termination on individual mobile networks

*Consultation published: 5 July 2013*

*Notification to the European Commission: 8 October 2013*

*Decision published: 13 March 2014*

In its decision, the MCA identified three relevant wholesale mobile voice call termination markets, one for each of the leading mobile network operators, that is, Mobisile Communications (branded GO), Melita Mobile and Vodafone (Malta). In its analysis, the MCA took into consideration the feedback received from each operator, as well as the Malta Competition and Consumer Affairs Authority (MCCAA) and concluded that each mobile network operator enjoyed Significant Market Power (SMP) in the provision of such services over its individual mobile network, particularly in view of the fact that each operator can set mobile termination charges independently of competitors, customers and consumers. The MCA concluded that regulatory intervention is required in order to ensure stronger retail competition, and consequently, imposed the following regulatory remedies on each of the above-mentioned mobile network operators:

- access to/and use of specific facilities in order to ensure interconnection and thus provide greater certainty in the market;
- non-discrimination in order to avoid exploitation by the operators of their dominant position;
- transparency, to allow the MCA to monitor any potential anti-competitive behaviour in relation to interconnection or access to operator's networks;
- accounting separation in order to ensure that operators having SMP keep separate accounts to reflect the performance of different business activities; and
- price control and cost accounting. The overall lack of competition acts as a disincentive for mobile network operators to reduce termination charges to cost-oriented levels. The price control obligation would act as a tool to ensure that symmetric mobile termination charges are set at levels corresponding to the costs of an efficient operator, whilst the obligation of cost accounting would enable the MCA to monitor the costs incurred by these operators on an ongoing basis.

## Retail access to the public telephone network at a fixed location

*Consultation published: 19 September 2014*

*Notification to the European Commission: 21 November 2014*

*Decision published: 8 April 2015*

This particular market was last reviewed in 2011, where GO was found to have SMP in all of the identified retail access markets and therefore the MCA imposed a number of regulatory remedies, both at the retail and at the wholesale level, with the latter being addressed under a separate decision. During 2014, the MCA undertook a third review of this market and published a consultation document on its proposed decision in this regard. The MCA identified three relevant markets as follows:

- lower level access to the public telephone network at a fixed location. This market also includes standard exchange lines and standard cable modem connections;
- higher level access with a maximum of two telephone connections to the public telephone network at a fixed location. It also includes ISDN connections and Melita's multiple line solutions; and
- enhanced higher level access with more than two telephone connections to the public telephone network at a fixed location.

In its proposed decision, the MCA no longer upheld the former distinction between residential and non-residential access markets given that access to business and residential customers is functionally homogeneous, is provided over the same infrastructure and provides the same quality of services.

Contrary to the review undertaken in 2011, in its analysis of the identified markets, the MCA did not identify any significant barriers to market entry that could inhibit effective market competition. Despite GO enjoying economies of scale and scope, and also being a vertically integrated operator, the MCA concluded that other operators, namely Melita, also enjoy similar conditions and are therefore competing at par with the incumbent, GO. The MCA also concluded that despite the presence of high sunk costs in deploying a new access network, new entry to the market did indeed materialise.

From a consumer's perspective, the assessment of countervailing buyer power also showed that through switching, customers can effectively constrain the behaviour of operators in the identified markets. In addition, the MCA noted that with alternative operators joining the fixed access markets, GO quickly started to lose its market share as users started to switch to new operators, most especially Melita. Similarly, large business clients enjoyed countervailing buyer power in the higher level access markets as operators competed aggressively to provide these clients with a full suite of services.

At the same time, the MCA noted that even if there were no alternative fixed telephony operators, GO would still be indirectly constrained by mobile voice telephony services. In the past years, mobile telephony usage has soared both in terms of minutes and originated calls and has significantly exceeded the demand for fixed telephony services.

Based on these findings, the MCA concluded that no operator is able to behave independently from the others in the market and therefore no operator held SMP in any of the identified markets. In the absence of regulation it would therefore be very unlikely for GO or any other operator to act in an uncompetitive way.

Given the finding of no SMP, the MCA noted that regulatory intervention in local markets for retail access to the public telephone network at a fixed location is no longer warranted. Consequently, the MCA proposed to withdraw the remedies imposed in these markets. A final decision was published in April 2015.

## MANAGEMENT OF AVAILABLE SPECTRUM

A wide range of applications and electronic communications services such as radio and television broadcasting, mobile telephony, emergency services communications and wireless broadband are fully reliant on appropriate and reliable access to radio spectrum and it is therefore essential that this resource is managed effectively and efficiently. Spectrum for the provision of electronic communications services needs to be provided in sufficient quantities on a technology and service neutral basis, to facilitate the roll-out of competitive, high-quality wireless applications. The MCA remains committed to responding to market needs by managing spectrum usage rights in an open, transparent and non-discriminatory fashion. The following is a high-level account of the MCA's activity in this regard.

### Assignment of the 800 MHz band for wireless broadband

During 2014, the MCA continued with its work programme related to the coordination of new broadcasting spectrum required to facilitate the migration of broadcasting from the 800 MHz band. This migration will, in turn, make the 800 MHz band available for mobile services. In March 2014, the Authority published a consultation document that outlined a proposed methodology for the assignment of spectrum in this band, as well as in the 1800 MHz and 2.5 GHz bands with a view to making adequate spectrum available, which is deemed critical for the deployment of innovative, high-speed wireless data services. Responses to the consultation were received from the three main mobile network operators – GO, Melita and Vodafone (Malta). In its general approach to spectrum assignment methodologies, the MCA endorsed the following set of fundamental principles:

- spectrum is a limited national resource, which must be used efficiently and effectively;
- operators have a time-bound right of use of spectrum and not ownership; and
- a fair, transparent and non-discriminatory competitive assignment process will be followed in the eventuality that demand exceeds supply.

In its final decision published in July 2014, the MCA established the applicable technical conditions including spectrum caps and lot definition; the assignment process, which will include brokered meetings and auction in the case that demand exceeds supply; and the licence conditions including duration, roll-out and interference

mitigation obligations. By means of this decision, the Authority placed the available spectrum in the 800 MHz and 2.5 GHz bands, on the market, however until the publication of this report, no formal request for frequencies in these bands was received.

### **Migration of terrestrial broadcasting meeting General Interest Objectives (GIO) from the 800 MHz band**

Another stream of activity related directly to the making available of the 800 MHz band for mobile services, is the migration of the current users in this band, to a lower frequency within the same band. This migration is premised on reaching coordination agreements with neighbouring countries. This exercise is complex and dependant on third parties and in view of this reality, the EU Commission granted Malta a derogation from the Decision of the European Parliament and the European Council of 14 March 2012.

As a result, the MCA engaged in extensive discussion with all stakeholders and raised the matter within the Radio Spectrum Policy Group (RSPG) working group on cross-border coordination. To date, Malta has reached agreements with Italy and Greece and is still seeking agreements from northern African neighbouring countries.

### **Spectrum available for wireless broadband services**

The MCA worked actively towards the implementation of the European Commission Decision 2012/688/EU on the harmonisation of the 2 GHz bands for terrestrial systems capable of providing electronic communications services such as Long Term Evolution (LTE). This frequency band is currently solely used for Universal Mobile Telecommunications Services (UMTS) wireless communications, known as 3G networks. However, following this decision, the licences were revised to allow for the provision of LTE based services.

Additional radio spectrum in the 3.4 – 3.8 GHz frequency band is also available for such services. These bands allow new and innovative high-speed broadband services to develop. Such developments are critical in enabling the roll-out of platforms for the next generation of converged services and in creating opportunities for innovation.

### **Revision of the National Frequency Plan**

Following a rigorous exercise to review the national frequency plan, the Authority compiled a number of proposed changes and made its recommendations to Government. This review sought to align national frequency allocations with those of the latest edition of the International Telecommunication Union (ITU) Radio Regulations and implement a number of EU Decisions and CEPT/ECC deliverables intending to harmonise the spectrum management environment of certain services. This review also served to address the particular needs of the local communications sectors.

In light of this review, during May and June 2014, the Authority consulted on new frequency allocations for the amateur radio service and on proposed changes to certain frequency allocations for radio microphones. Subsidiary legislation was also prepared to address the licensing aspects of radiocommunications equipment making use of new or revised frequency allocations.

The revised National Frequency Plan was published in February 2015.

### **International liaison on spectrum management**

The Authority continued to contribute to discussions concerning cross-border harmful interferences experienced on Malta's broadcasting frequencies. These discussions were held within the ambit of the ITU and the EU's RSPG working group on cross-border coordination and addressed both terrestrial television and FM radio services.

The Authority also examined a number of requests submitted by neighbouring countries to establish new radiocommunications stations to ensure that these will not negatively impact local transmissions.

During the year under review, the MCA also engaged in discussions with the Tunisian administration on the coordination of additional television broadcasting frequencies for Malta.

### **Test and trial licences**

During 2014, the Authority extended the validity of a licence granted in 2013 to Panasonic Avionics of the United Kingdom for the testing of communications equipment installed on board aircrafts.

### **Space communications services**

Malta's advanced electronic communications infrastructure and forward looking regulatory framework places it amongst the front-runners in an increasingly competitive knowledge-based, European environment. Both the Maltese Government and the Authority are committed to ensure the continued innovation of the sector and investment by local operators, both in terms of the technology, as well as the solutions offered to businesses and consumers. Investment in the current, and in the development of new infrastructures, is critical to increase competition and consequently generate better quality of services and value-for-money for consumers. To this end, Government decided to develop the satellite communications sector and make available the ITU-allotted orbital slots to the market, through an international competitive process. In November 2014, the MCA was tasked with overseeing this process and issued a public call to gauge the level of interest amongst interested parties in exploiting these space assets through commercial activities that will benefit the local economy, whilst placing Malta on the global satellite transmission map. This call aimed to attract experienced international players to our shores supporting the provision of high-quality commercial satellite services based on next generation technology. Such major projects will also serve to support knowledge transfer in new sectors and aim to provide new opportunities for ongoing business growth. The public call closed in February 2015. The MCA is currently evaluating the best way forward.

## BUSINESS AND INNOVATION DEVELOPMENT

Article 4(3)(s) of the Malta Communications Authority Act, mandates the Authority to promote and advance Malta as a destination for high-value commercial users of communications services and of information communications technologies to establish places of business in Malta. In view of this directive, during 2014, the MCA developed a new function which complements the Authority's overall mission and objectives by focusing on the development and promotion of Malta as an agile business destination for communications innovation. The objective is to promote and facilitate innovation in communications, on two fronts.

On the one part, the Authority is looking at supporting home-grown innovation and entrepreneurship, by focusing its efforts on stimulating and encouraging business ventures that capitalise on the disruptive nature of ICT. On the other hand, it is also focusing on promoting Malta and its technology readiness in order to attract more businesses to its shores, in particular those that are in some way or another, geared to operate in a convergent European and Global communications market. The emerging niche sectors being considered relate to the Internet of Things (IoT), Over-The-Top (OTT) and digital content distribution, Spectrum (e.g. 5G, white space), satellite and eCommerce.

The activities undertaken as part of the MCA's innovation function are geared towards contributing to Malta's economic growth by:

- promoting an ethos of dialogue, innovation, entrepreneurship and internationalisation amongst stakeholders;
- contributing towards the development of an environment conducive to business through progressive framework conditions and world class infrastructure, competences and support services;
- encouraging, promoting, facilitating and supporting home-grown innovation and entrepreneurship within communications;
- promoting Malta as a destination for investment and business activity related to communications innovation; and
- promoting Malta as a destination for research, development and test-bedding for communications innovation.

The main activity undertaken during the year under review was primarily focused on identifying and scoping Malta's value proposition in view of the technology developments that are disrupting traditional business models and impacting the communications sector in general. The task of setting up the business and innovation development function and its work plan for 2015–2016 was completed in the last quarter of 2014 and is based on six thrusts of activity as follows:

- Thrust 1: Communications stakeholder network
- Thrust 2: Building innovation intelligence
- Thrust 3: Building innovation readiness
- Thrust 4: Pursuing research and innovation
- Thrust 5: Attracting investment
- Thrust 6: Inciting home-grown innovation

The following is a high level overview of the activities undertaken during 2014.

### **THRUST 1: Communications stakeholder network**

During 2014, a stakeholder network was set up to provoke and facilitate dialogue on innovation in communications. The network brings together a representation from the industry, academia and competent public authorities to discuss market and technology developments, the local framework conditions and their adequacy to attract investment, and to obtain feedback on the MCA's own programme of initiatives. The network also serves as a channel through which information can be shared between its members, particularly through periodic seminars and expert fora, and continuous communications via digital channels. In fact, the first stakeholder network meeting was held in January 2015 and focused on EU funded opportunities for collaborative Research & Innovation (R&I) projects in the field of digital communications.

In addition to the stakeholder network meetings, the MCA will also be holding thematic expert meetings, which will serve to generate insight, and to feed into, the studies and reports of the MCA, the implementation of the work programme, and policy recommendations made to Government. Two thematic focuses have been identified; the first on opportunities arising from business disruption; and the latter on opportunities arising from technology developments. Other ad hoc expert thematic meetings will be held as deemed necessary by the stakeholder network. The first expert meeting was held in early January 2015, which focused on content distribution within the digital single market and looked into the economic opportunities for Malta in this regard.

### **THRUST 2: Building innovation intelligence – observatory activity**

The MCA is actively seeking to build, curate and disseminate intelligence in areas related to innovation in communications. The intelligence gathered will not only guide its activities, but will also serve the stakeholder community by identifying and exploring niche opportunities for the Maltese economy. Knowledge generated will guide the activities related to the updating of the local framework conditions and in presenting Malta's value proposition to investors. To this end, the MCA set up the 'Innovation Observatory' on Facebook and LinkedIn, through which information from local and international sources is compiled, curated and disseminated to members of the stakeholder network. Until the end of 2014, these platforms had attracted in excess of 100 followers and members. All members are encouraged to contribute to the ongoing discussion and the information sharing activities. On its part, the MCA will also be publishing and sharing a series of reports on pertinent developments in communications. The reports will focus on specific developments in communications and identify how, amongst others, the capabilities framework, the infrastructure, and the competence levels can be addressed to stimulate further innovation and investment.

The first report was published in December and focused on the economic opportunities for Malta resulting from disruptions hitting content distribution within the digital single market. It investigates

how recent and expected technological and market developments will impact the industry, whilst a lagging Europe, with a new impetus to completing the single market, is expected to further accelerate disruption. The report further identifies opportunities for Malta to make itself attractive to business geared to compete in this new evolving business paradigm. The outcome of the report served as a basis for the first expert meeting held in January.

### **THRUST 3: Building innovation readiness**

Under this thrust of activities, the MCA, together with key stakeholders will be investigating the readiness of the economy to take advantage of future opportunities in communications. Gaps in the value chain, framework conditions, and competences will be identified and addressed through the respective competent authorities and industry representations during 2015.

### **THRUST 4: Pursuing research and innovation**

A key area of focus for the Authority is the facilitation of R&I projects. This will be achieved by promoting collaboration between academia and the industry and by seeking to attract international research projects to be undertaken in Malta. In October 2014, the MCA signed a new collaboration agreement with the University of Malta. Through this agreement, the MCA and the University of Malta will be working closely to promote research and innovation and implement joint initiatives that specifically target innovation in communications. The agreement builds on previous collaboration through which, four research projects were supported financially by the MCA. During 2014, the MCA financially supported a research project that is aimed at developing a low noise amplifier to support the novel, low-cost ultra-wideband antenna project. The antenna is being developed jointly between the University of Malta and the University of Manchester for the Square Kilometre Array Project.

### **THRUST 5: Exploiting investment opportunities**

International networks, associations and events are an excellent means to attract and assist foreign communications players, namely those operating in the technology, telecommunications and media sectors, to invest and base operations in Malta. In September 2014, MCA representatives participated in the International Broadcasting Convention (IBC) in Amsterdam and in November 2014, participated in the Internet of Things (IoT) World Forum in London. Both events presented perfect opportunities to secure better awareness about the Maltese economy and to enable potential investments to be pursued. More importantly however, through liaison with the diplomatic representations in London, discussions ensued on potential support to the MCA in this regard. A fact-sheet promoting Malta as a home for communications businesses was developed and distributed in a number of both local and foreign events. On the local front, the MCA continued to work closely with Malta Enterprise to consolidate efforts in attracting further investment to Malta.

### **THRUST 6: Inciting home-grown innovation**

In its drive to facilitate and support home-grown innovation in communication, particularly those aiming to operate beyond the local market, the MCA, in collaboration with the TAKEOFF Business Incubation Centre within the University of Malta launched a competitive seed funding opportunity – the MCA TAKEOFF Award. This scheme is aimed at supporting local start-ups in the development of innovative business ideas in communications, with a view to take such ideas to the commercialisation stage. Through the campus-based TAKEOFF Business Incubation Centre, the University supports the project by offering office facilities and dedicated business mentorship. Thirteen very interesting start-up ideas competed for this funding, out of which five were called to deliver a live-pitch in December. The winner, InboundMuse was presented with seed funding nearing €20,000 during a certification ceremony held in January 2015. InboundMuse proposed the development of a Software-as-a-Service (SaaS) solution through which business clients, particularly SMEs, are given the tools to monitor their inbound-marketing strategies. The idea promises to provide business value by leveraging on Artificial Intelligence (AI) to exploit big data.

## **INDUSTRY FORUMS**

### **Electronic communications forum**

The MCA facilitates the electronic communications forum in order to provide an opportunity to local service providers and network operators to exchange information and engage in constructive dialogue on matters of general interest to the industry.

The forum convened twice in 2014, where a number of topics were debated, such as the results of consumer perception surveys on broadband, bundles and mobile data usage, as well as amendments to the National Frequency Plan and the Authority's new role in advancing innovation in the communications sector and eCommerce. The forum also examined various dossiers being discussed at a European Union level.

### **The fourth edition of the MCA eBusiness awards**

The MCA eBusiness awards are strongly singled out as a unique annual event of its kind in Malta because it is the only event that brings together talented ICT professionals to recognize innovative and unique business initiatives that blend web-based technologies with entrepreneurial flair. In particular, these awards seek to promote adoption and innovation in ICT applications in the ever-more growing eBusiness domain and create awareness on the potential of web-based technologies to drive economic growth and social development. Drawing on its past successes, the MCA took into account the feedback from past participants, as well as from a wide spectrum of companies within the ICT industry in order to establish the categories for the fourth edition held in December.

The categories established include: the best eGovernment initiative, best eCommerce site (B2C), best B2B application, best App, best use of social media and the best use of the cloud. Apart from the standard business categories, the Authority also recognised the best dissertation as part of a BSc. and MBA programme, which focused on an area related to eBusiness. This edition attracted over 40 submissions, out of which 16 were shortlisted as finalists by an independent panel of experts representing academia, industry and Government. Novel to this year's edition was an award that recognised the NGO that made the best use of ICT in its outreach to the community. A separate adjudication process was undertaken in this regard.

### Malta Internet Governance Forum (IGF)

As chair of the Malta IGF, the MCA participated in all the High Level Internet Governance (HLIG) meetings in Brussels, which are chaired by the European Commission. These meetings addressed various topics such as ICANN's initiative on internet governance, the outcome of NETmundial, which is a multi-stakeholder meeting on the future of internet governance, and the outcomes of World Summit on the Information Society (WSIS+10), amongst others. The objective of WSIS+10 is to review the progress made in the implementation of the work programme of participating agencies, take stock of developments in the last 10 years based on reports of WSIS stakeholders, including those submitted by countries, action line facilitators, and other stakeholders. The event reviewed the WSIS outcomes related to the WSIS action lines and agreed a vision on how to proceed beyond 2015. The Malta IGF also participated, albeit remotely, in the IGF in Istanbul, in September 2014. On the local front, representatives from the Malta IGF delivered lectures at the Malta College of Arts, Science and Technology (MCAST) and University of Malta focussing on Internet Governance principles, issues and challenges.

### MCA annual conference: "The Digital Economy – Anticipating tomorrow's demands, today!"

The digital economy has been the subject of great debate across the globe, primarily because it has revolutionised the way all sectors operate and interact, even those that are completely distinct from the ICT industry, driving greater efficiency, growth and sustainability. In order to safeguard the sustainability of the digital economy, it is essential that governments and regulatory authorities adequately cater for the demands of the future in order to remain relevant in an increasingly competitive global market. Held in November, the MCA's annual conference contributed to this debate and offered a packed programme addressing a variety of topics related to different facets of the digital economy, including the network layer, such as the socio-economic impact of high-speed networks and the infrastructural requirements to deliver services of the future; the cloud and how this is impacting the application layer and the increased monetisation of content services as a result of the cloud; and finally the social media phenomenon and how this is impacting consumer behaviour and driving demand for higher-speed services. The excellent line up of international and local speakers contributed greatly to the discussions that ensued, providing interesting insights ranging from public policy, strategic consultancy, network operations, applications development

and journalism perspectives, particularly on the impact of disruptive technologies on the market and how these are driving traditional network operators to rethink and remodel their business operations to cater for emerging markets.

## LEGISLATION AND LITIGATION

### Legislation

Legislation published and brought into force during this period include:

- L.N. 297 of 2014 entitled "Assignment of Appeals to the Administrative Review Tribunal", whereby those appeals still pending as on the 1 June 2012 before the former Telecommunications Appeals and the former Communications Appeals Board were assigned to the Administrative Review Tribunal.
- L.N. 298 of 2014 entitled "Electronic Communications Networks and Services (General) (Amendment) Regulations, 2014" providing for amendments on different aspects of electronic communications services including roaming, end-user rights and usage fees for the use of radio spectrum.
- L.N. 299 of 2014 entitled "Radiocommunications (Penalties and Voluntary Settlement of Disputes Procedures) (Amendment) Regulations, 2014" updating the payment procedure, the manner of how the fines are calculated and quantum of the said fines that may be imposed.
- Act No. VIII of 2014 entitled the "Communications Laws (Amendment) Act, 2014". This Act amends various laws enforced by the MCA relating to the communications sectors including:
  - amendments to the Postal Services Act relating to the authorisation of postal services and universal service provision in postal services sector; and
  - amendments to the Malta Communications Authority Act on the conduct of the affairs of the Authority and with regard to the proceedings before the Administrative Review Tribunal, including the faculty of the competent Minister to assign, to that Tribunal, any pending cases before the former Telecommunications Appeals Board and the former Communications Appeals Board.

### Litigation

#### *Appeals before the Administrative Review Tribunal (ART)*

During 2014, two new appeals relating to the electronic communications sector were lodged before the ART. Vodafone (Malta) filed an appeal contesting a regulatory decision establishing mobile termination rates. Concurrently with its appeal, Vodafone (Malta) also made a request to the Tribunal asking for the suspension of the mobile termination rate decision being contested. The request however was not upheld by the Tribunal. Subsequently, Melita intervened in these proceedings contesting Vodafone's position. The second appeal was filed by Melita contesting an administrative fine imposed by the Authority since, according to the Authority, Melita had acted in breach of certain requirements at law relating to the termination of subscriber contracts.



In addition, another thirteen cases were also appointed before the Tribunal for a first hearing before that forum. These relate to appeals which, until 2014, were still pending for continuation, or determination, before the former Telecommunications Appeals Board and the former Communications Appeals Board. In order to progress on these cases, amendments to the applicable legislation were approved and brought into force enabling the competent Minister to transfer these appeals for continuation and, where applicable, final determination by the Administrative Review Tribunal. The required order transferring these appeals to the aforesaid Tribunal was published as per L.N. 297 of 2014 and subsequently all the cases were appointed for a first hearing before the Tribunal on the 14 November 2014.

In a separate appeal carried over from 2013, GO contested a regulatory decision on markets 4 and 5, which mandated certain obligations on GO. This appeal is currently pending before the Tribunal for its final decision.

#### **Appeals before the Court of Appeal (Inferior) from decisions by the Administrative Review Tribunal**

There is currently one appeal relating to the electronic communications sector which is pending before the Court of Appeal further to decisions given by the Administrative Review Tribunal. This case refers to an appeal by the Authority following the contestation by Melita of a regulatory decision on retail access to the public telephone network at fixed locations, which contestation was upheld by the Tribunal. Final submissions were made before the Court of Appeal and the case now stands adjourned for that Court's final decision.

#### **Other Litigation**

##### *Ordinary Courts*

The lawsuit filed by the Lija Local Council and various Lija residents against Melita, the Authority and others in 2009, whereby objections have been raised against the alleged harmful effects of a telecoms antenna erected on the roof of a private residence in the locality, now stands adjourned for the Court's decision.

The Authority is also a party to various other lawsuits initiated in previous years by different litigants including Melita (contestation of rights of way fees, and contestation of the vires of Government to make laws relating to advertising on Cable TV and of a regulatory decision issued consequential to such laws), Vodafone (Malta) and GO (contestation of legal interception fees collected by the MCA on behalf of Government).

Of note is that a long outstanding lawsuit by Vodafone (Malta) contesting a 2000 law establishing interconnection rates between mobile operators, was withdrawn by Vodafone (Malta), thus bringing a series of lawsuits going back a number of years, to a close.

Individual court cases against two operators – SESCO and Melitanet, which failed to pay outstanding authorisation dues and decided to contest MCA's claims for settlement of such dues, are still pending before the Court of Magistrates (Malta) for a final decision in both instances.

A new case was filed in 2014 by WE Productions, which contested the payment of radiocommunications licence dues being collected by the Authority on behalf of Government.

##### *Constitutional cases*

The constitutional lawsuit pertaining to the electronic communications sector which was pending at the end of 2013 was concluded in 2014. This case was filed by Vodafone (Malta) (with GO intervening at a later stage), contesting the levy of a 3% excise tax on mobile services introduced by Government in 2005 as part of its budget measures. The case was filed both against Government, and against the MCA, with applicants arguing that the levy of this tax is in breach of the EU Authorisation Directive. The case was won by respondents before the Court of First Instance. The applicants however appealed that decision before the Constitutional Court, which in turn, on the request of applicants, made a reference to the Court of Justice of the European Union (CJEU) seeking the correct interpretation of the Authorisation Directive by that Court. In June 2013, after written and oral submissions by all the parties to the suit and by three other Member States, the CJEU decided that the Maltese Government was not acting in breach of the Authorisation Directive in providing for the levy of the excise tax in question. During 2014, the Constitutional Court decided the case in favour of the Maltese Government and the MCA, on both the merits of the case and the related costs.

##### *Inter-operator Disputes*

One case was lodged with the Authority in 2014. This was a complaint by Melita against GO alleging a breach by the latter of the 'Pricing of Leased Lines and Ethernet Connection Decision' issued in 2013. The Authority decided that GO had acted in breach of that decision and an administrative fine of €10,000 was imposed on GO.

It is relevant to note that sustained efforts by the MCA in assisting operators to resolve inter-operator issues by mediating between the parties in most instances has led to amicable settlements, minimising the need of aggrieved parties to have recourse to the inter-operator dispute handling process applicable under the Malta Communications Authority Act.



# eCOMMERCE

## Launch of a National eCommerce Strategy 2014 – 2020

The increased adoption of eCommerce by different sectors of the economy has led to economic growth and new employment opportunities in a number of countries around the world.

Therefore, it is critical for governments to take the necessary measures to ensure that the right environment exists for entrepreneurs to capitalise on the growing opportunities made possible by the digital economy. To this end, the Maltese Government, together with the MCA, launched a National eCommerce Strategy in October 2014.

The strategy aims to support the take-up of eCommerce and the provision of eCommerce-related services by local businesses, which is still low compared to the rest of the EU. At the same time, it also addresses, at a high level, the prospects for Malta to attract foreign companies providing eCommerce, or ancillary services, to establish operations in Malta.

This Strategy is effectively one of the first acts of implementation of the Digital Malta Strategy, which was launched in March 2014 and is just the first step towards taking the eCommerce sector to the next level. It is the result of a collective effort of a wide-ranging stakeholder base in identifying the challenges faced by industry players and potential areas for growth and investment. It also outlines a number of ambitious initiatives that will be implemented in the coming seven-year period by Government, in collaboration with the MCA and other entities.

Extensive consultation with key stakeholders resulted in the identification of a number of actions which are framed within four main pillars:

1. **Engendering trust in eCommerce:** Such activities are aimed at identifying a set of measures to sustain and grow the local eCommerce market on the demand side;
2. **Transforming micro-enterprises:** This pillar considers the needs of micro-enterprises and vulnerable industries that may need to undergo structural changes as a result of the widespread adoption of eCommerce by Maltese consumers;
3. **Taking SMEs and industry to the next level:** Initiatives under this pillar of activity will assist and further drive the adoption of eCommerce by SMEs and business sectors having the potential to capitalise on web technologies to penetrate foreign, or niche markets; and
4. **Making Malta a global eCommerce player:** These activities are focused on reviewing and identifying opportunities whereby Malta may attract business activity operating or supporting global eCommerce markets.

Since launching the strategy, the MCA has focused its energies on mapping the various measures of the strategy against a number of key stakeholders, in particular the Malta Enterprise, the Commerce Department and the Malta Tourism Authority, to ensure effective and timely implementation of the ambitious targets set out in the strategy. Nevertheless, the Authority intends to continue with its efforts to rope in other valid partners, because only through collaboration can the initiatives set out in the strategy be achieved.

In order to raise awareness of Malta's goals in terms of eCommerce take-up, the MCA contributed to discussions at two national events; the Malta SMEs and B2B Networking Summit and a conference organised by the Embassy of the Kingdom of the Netherlands titled 'Exploring Dutch-Maltese business opportunities in innovative technology, design and creative industries.' On the digital front, the MCA set up an eCommerce Observatory on LinkedIn and Facebook to serve as a platform for the dissemination and sharing of information relevant to the eCommerce sector.

The following are some of the initiatives that were undertaken as part of the National Strategy.

### *eCommerce action plan for the crafts industry*

This National eCommerce Strategy prioritised actions on the basis of the potential of eCommerce to contribute to the development of a particular industry. The crafts industry was identified as one of the key priority areas requiring immediate intervention. The MCA, with the support of the Commerce Department, commissioned a review of the crafts sector to map out this industry vis-à-vis the use of digital technology, in particular eCommerce. This exercise, which is divided into four separate tasks, will seek to identify opportunities for growth for this sector resulting from the adoption of eCommerce, whilst making recommendations regarding possible initiatives designed to facilitate the adoption of digital tools by this industry. A tender was awarded in November 2014. Work on this project commenced in December and is anticipated to be completed by the end of the second quarter of 2015.

### *BLINK: An online directory of eCommerce service providers*

BLINK – an online directory providing easy access to all the information required by businesses who wish to take their operations online was officially launched during 2014. BLINK is a practical resource, which complements the Authority's efforts to provide essential information to entrepreneurs interested in providing eCommerce services. It has been purposely designed around a number of stages that reflect the different phases required to set up an online shop, from the initial start up, to infrastructure; design and graphics; content; payment options; branding and marketing; fulfilment and delivery; as well as customer support. There are currently around 100 suppliers listed in this directory.

### **Internet and eCommerce use by individuals – survey 2014**

Carried out between April and May 2014, this study confirmed the persistent growth in the number of individuals using the Internet, which now reaches 71% of the population. This increase is reflected across all age cohorts. Whilst laptops or personal computers remain the most popular device for internet usage, smartphones and tablets are slowly gaining ground, with 22% of internet users are also making use of such devices.

The study also established that 54% of all respondents engage in eCommerce, a marginal increase from the 51% recorded in 2010 and a considerable increase from 30% registered in 2008. The frequency of purchases is also significant, with 28% buying online at least once a month, whilst 34% buy at least once every three months.

Interestingly, consumers today are increasingly resorting to digital channels at some point of their purchasing journey. On the one side, 58% of internet users research products online, whether through retailer’s websites or Facebook pages, before making in-store purchases. On the other hand, slightly more than half the eCommerce users engage in ‘showrooming’, that is, researching items in-store before completing their purchase over the Internet.

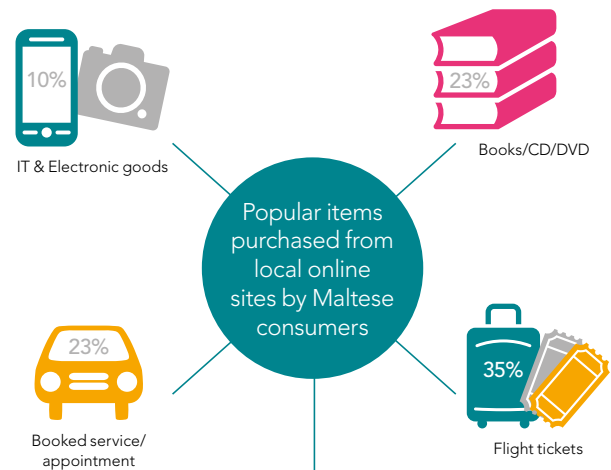
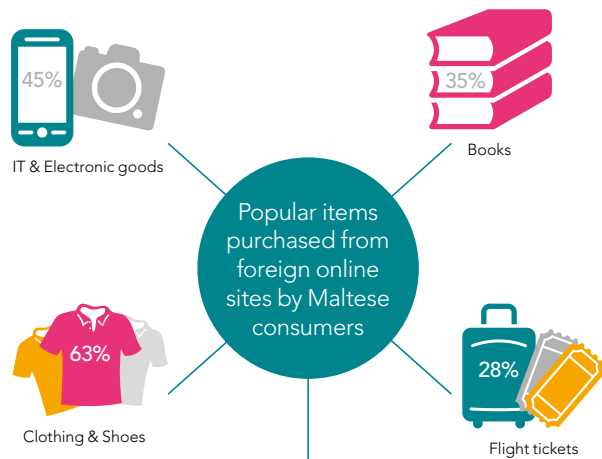
User’s lack of interest or need to do so, remains the main reason for users not engaging in eCommerce. This is followed by lack of knowledge on how to purchase online and a preference to handle an item before buying. Security or risks associated with online purchasing are no longer the determining factor in whether users purchase online or not.

Out of those Internet users that are purchasing online, 81% are male, compared to 69% females. 97% of these males are in the 18–29 year

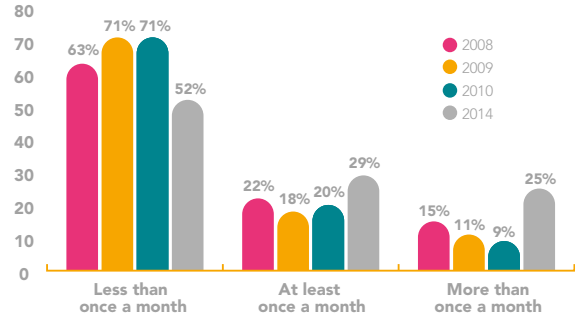
age bracket. In terms of the actual expenditure, the majority (55%) spend up to €500 a year, 26% spend up to a €1,000 a year, 13% up to €2,000 a year, whilst 6% spend more than €2,000 a year.

The survey confirmed the trends observed in recent years whereby Maltese users prefer to purchase from foreign merchants, with the most popular country of origin being the UK with 91%, followed by China (China and Hong Kong combined) with 44% and the USA with 24%. Only 34% of those that purchase online prefer to purchase from Maltese merchants. Such figures further augment the need for a number of initiatives highlighted in the National eCommerce Strategy, which are specifically aimed at reversing this trend and boosting more outward eCommerce activity.

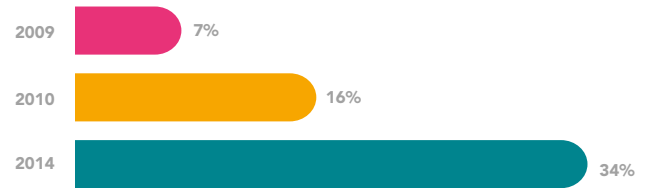
With regard to what users are actually purchasing online, the most popular items bought from foreign websites are clothes and shoes. When examining the most popular items purchased from local merchants, it is interesting to note that what featured least popular from foreign sites, that is flight tickets, is actually the most popular item amongst local merchants. The variety in terms of choice and competitive prices seem to be the factors that most attract Maltese buyers to the foreign websites over local ones. PayPal still dominates in terms of the preferred payment option.



FREQUENCY OF PURCHASES  
(% eCommerce users)



PURCHASES FROM LOCAL WEBSITES  
(% eCommerce users bought in last 6mths)



DELIVERY TIMES OFFERED BY LOCAL SITES ARE UNSUITABLE/NOT FLEXIBLE



FOR LOCAL PURCHASES, PREFERS BUYING PHYSICALLY FROM SHOP



PRICES ARE SAME AS IN STORE



CHOICE IS LIMITED



PRICES ARE NOT AS COMPETITIVE AS THOSE ON FOREIGN SITES

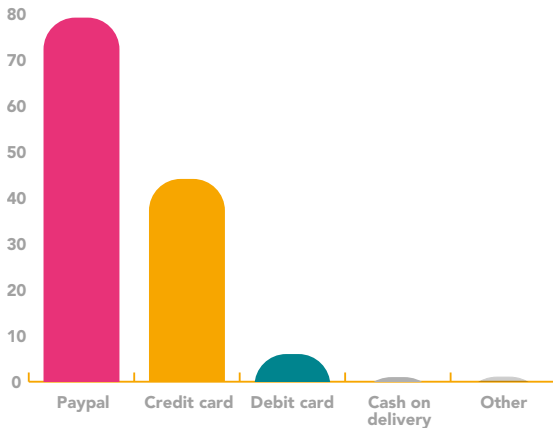


NO NEED TO



REASONS FOR NOT BUYING FROM LOCAL WEBSITES  
(% of eCommerce users that do not buy from local sites)

PREFERRED METHOD OF PAYMENT  
(% of eCommerce users)



**Mobile data survey 2014**

This quantitative study consisted of telephone interviews conducted between February and March 2014 with the intent of obtaining information about the use of mobile data services by the general public. The interviews were proportionately representative of the actual Maltese population by age.

The study delved into various facets of internet use on mobile, amongst which are the frequency of use, type of connection used the most, preferred data plans and the most popular activities. It also explored the reasons why a number of mobile phone users desist from accessing the Internet on their mobile phones.

Results show that 42% of the Maltese population own a smartphone, a growth of 5% when compared to a similar survey carried out a year earlier. This increase is reflected in all age groups except in the 65 to 74 year old bracket. As expected, the younger age groups led the way in terms of growth.

The study also shows that although 79% of the population are aware that the Internet can be accessed through a mobile phone, 47% of these have never done so. The remaining 53% claim to have used the Internet on their mobile phone sometime during the period preceding the interview, representing an increase of 4% over 2013. Typically, mobile data users are generally aged between 16 and 34 years and possess a post-secondary level of education or higher.

The number of mobile data users that are subscribing to contract or prepaid plans is also on the upward trend, reaching 72% when compared to the 52% registered in 2013. The contractual monthly plans are generally preferred by those users aged between 35 and 54 years, whilst prepaid plans are more popular with those aged between 16 and 34 years.

The duration of mobile data usage is also on the increase, with 25% of mobile data users claiming to use it for at least an hour or more every time, an increase of 15% from the previous year, with an overwhelming majority doing so at least once a day.

Socialising and sending/receiving emails continue to be the most popular internet activities conducted on a mobile phone. This is followed by accessing content via APPs and retrieving information/news. Social media and messaging are still the most accessed applications among mobile data users, followed by content and games. Facebook is at the head of the leader board as the most frequently visited website, closely followed by Google, YouTube and timesofmalta.com.

Mobile data consumption whilst travelling overseas has increased dramatically, with 77% of mobile data users accessing the Internet on their mobile whilst abroad. This constitutes a significant increase of 40% over 2013. However, more than two thirds of users do so via free Wi-Fi connections, when compared to 26% who connect to the Internet via a data plan subscription.

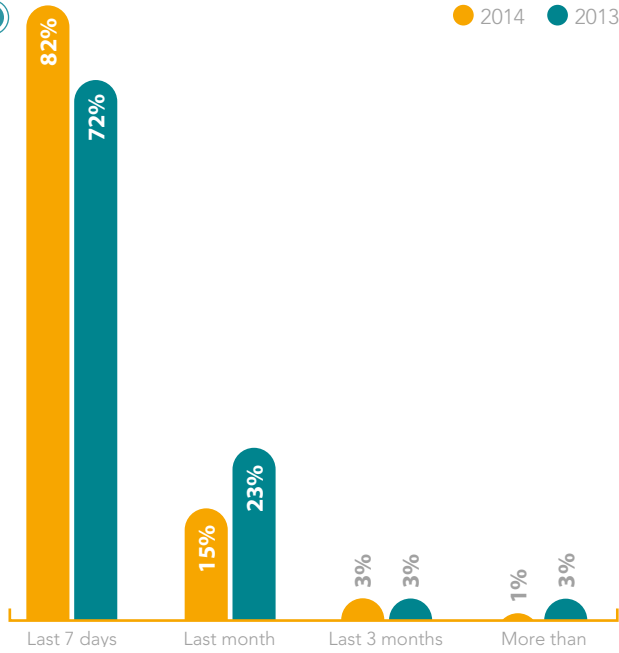
61% of mobile data plan subscribers agree that data service costs are affordable, with more than two-thirds agreeing that data service is reliable and that coverage is good.

One of the main reasons why individuals do not use mobile data services is simply not having a mobile device that supports this. Interestingly, the perception that one does not need, or is not interested in a mobile phone that allows Internet connectivity, declined by a significant 31% from 2013.

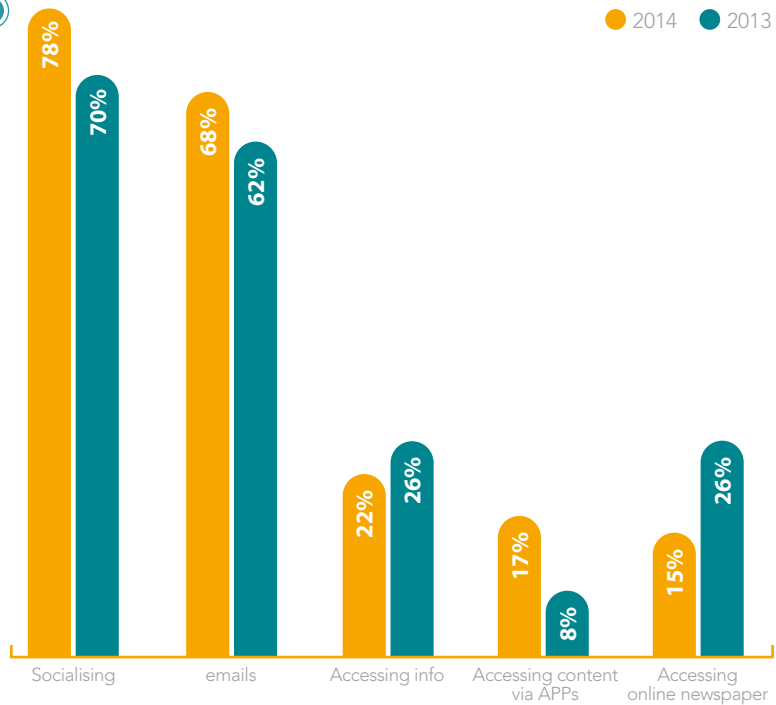
MOBILE DATA USERS  
(% of those aware of internet use on mobile)



FREQUENCY OF INTERNET USE ON MOBILE PHONE  
(% of mobile data users)



MAIN ACTIVITIES CARRIED OUT  
(% of mobile data users)



# POSTAL SERVICES

## MARKET ANALYSIS

### Parcel post markets

Similar to the electronic communications market, the MCA's primary objective in regulating the postal sector is ensuring the continued provision of an efficient, affordable and high quality universal service, whilst promoting fair market conditions that are conducive to effective competition between operators.

The full liberalisation of the postal sector in January 2013 necessitated a new regulatory framework that addresses the changing market conditions, primarily to ensure that identified individual markets remain fair and competitive to the benefit of end-users, whilst safeguarding the provision of universal services. To this end, the MCA embarked on its first round of market reviews in the postal sector, to initially define the different postal markets and subsequently determine the level of competition in each market. In cases where competition is lacking, the MCA is bound to impose certain regulatory obligations to simulate effective competition. During 2013, the MCA concluded its analysis of the letter mail markets as previously reported.

The MCA then had to determine whether or not MaltaPost, as the incumbent operator, enjoyed SMP in the remaining postal markets. The domestic and outbound parcel post markets were analysed during a consultation exercise which commenced in late 2013, following which the MCA received feedback from MaltaPost; the current universal service provider, and the Express Association of Malta. All responses received were taken into account in the final decision that was published in March 2014.

In its assessment as to whether MaltaPost enjoyed SMP, the MCA made reference to a number of criteria which included: market share; barriers to entry, in particular vertical and horizontal integration; economies of scale and scope; as well as the quality and extent of the distribution network; potential competition; and countervailing buyer power. Both outbound and inbound cross-border mail services can only be offered provided that the local operator, in this case MaltaPost, reaches international or bilateral/multilateral agreements with foreign operators.

Whilst the MCA concluded that the inbound parcel post market will not be susceptible to ex-ante regulation, the state of play in terms of outbound parcel mail is somewhat different, particularly because, contrary to inbound parcel post mail, the price and terms and conditions are established by the local operator. The local operator is therefore in a position to leverage its market position over the local users of such services. Upon further analysis, the MCA concluded that MaltaPost enjoys SMP in both domestic and outbound parcel post markets, based on the fact that MaltaPost has high market shares in both markets and that such conditions are unlikely to change in the immediate term, thus impacting effective competition.

In view of this position of dominance, the MCA imposed the following regulatory remedies upon MaltaPost:

- Provision of services at cost-oriented prices;
- Non-discrimination;
- Provision of services on an unbundled basis;
- Approval and publication of tariffs; and
- Accounting separation.

MaltaPost subsequently appealed MCA's decision. The appeal remains pending at the time of publication of this report.

## REGULATORY DEVELOPMENTS

### Review of universal postal services obligations

Beyond the competition aspects of the postal sector, the overall sustainability of the universal postal service needs to be considered and revised if necessary, particularly in the light of rapidly changing behaviour patterns on the part of users. Universal postal services are defined as a set of distinct postal services, which a user is entitled to access no matter where he or she lives. The accessibility, quality and price of these services is regulated and, where necessary, imposed upon a postal operator capable of delivering the universal postal service, generally referred to as the designated Universal Service Provider (USP) that is required to fulfil the Universal Service Obligation (USO).

It is widely recognised that the postal services that need to be ensured as part of the universal postal service may need to change over time to accommodate changes in the market and the requirements of postal service users. This needs to be balanced with the need to ensure that the regulatory burden of the USO on the designated USP, currently MaltaPost, is not excessive. Essentially, this requires the MCA to strike a balance between the immediate interests of postal service users, with the longer term need for greater flexibility for MaltaPost.

During 2014, the MCA commenced a high-level review of the characteristics of the universal postal service required to meet the reasonable needs of postal service users. This review focused, in particular, on the postal services provided by MaltaPost, as the designated USP, taking into account the provision of postal services by other postal operators where appropriate. A scoping document is being drafted and recommendations on any measures that may be contemplated in this regard are expected to be presented to Government in 2015.

## LEGISLATION AND LITIGATION

### Legislation

Legislation published and brought into force during this period include:

- L.N. 1 of 2014 entitled “Postal Services (General) (Amendment) Regulations, 2014” amending the norms relating to authorisation procedures applicable, including the calculation of the fees payable.
- L.N.423 of 2014 entitled “Revocation of subsidiary legislation (Postal Services Act) Regulations, 2014” providing for the repeal of the following subsidiary legislation namely:
  - The fees payable in written pleadings in connection with Appeals Regulations (S.L. 254.11)
  - The Postal Services Appeals (Rules of Procedure) Regulations (S.L. 254.12)
  - The MaltaPost plc Licence (Modification) Regulations (S.L. 254.14).

### Litigation

#### *Appeals before the Administrative Review Tribunal [ART]*

During 2014, MaltaPost lodged a new appeal before the ART contesting a regulatory decision published by the MCA following a review of the parcel post markets by the Authority.

Of the appeals carried over from 2013, two appeals were decided by the Tribunal. These appeals lodged respectively by Global Parcels Ltd (GPL) and by DHL International Limited (DHL Malta), relate to the contestation of what type of postal services authorisation is required, with appellants in both cases arguing that they only provide postal services outside the scope of the universal service and therefore only require a general authorisation. In the case of DHL Malta, the Tribunal did not uphold DHL Malta’s appeal<sup>14</sup>. The Tribunal upheld GPL’s appeal.

#### *Appeals before the Court of Appeal (Inferior) from decisions by the ART*

There is currently one appeal pending before the Court of Appeal further to decisions given by the Administrative Review Tribunal. This case relates to an appeal by DHL Malta contesting a decision by the Tribunal which did not uphold DHL’s request to overrule the Authority’s decision stating that DHL Malta requires an individual licence in relation to its provision of postal services in Malta. This appeal is waiting to be scheduled before the Court of Appeal.

#### *Other Litigation*

##### *Constitutional cases*

A constitutional lawsuit that was heard and concluded during 2014 related to the use by MaltaPost of premises in Hamrun as a post office, whereby the owners of the said premises had filed proceedings to regain possession. One of the defendants in the case – the Housing Authority - requested that the MCA be called in as a co-defendant to the lawsuit. The parties involved reached an amicable solution and the case was withdrawn by applicants.

<sup>14</sup>The DHL appeal was decided on the 8 January 2014 in favour of the MCA. DHL subsequently filed an appeal before the Court of Appeal contesting the Tribunal’s decision.







**5**

**THE CONSUMER**



# ELECTRONIC COMMUNICATIONS

## REGULATORY DEVELOPMENTS

### **Broadband Quality of Service (QoS) framework – data formatting**

Complex and resource intensive online applications and services, such as those related to entertainment, education, medical and finance has driven the strong demand for high-speed, high quality broadband connections. The availability of broadband services that match such demand is evermore important, particularly for continued social and economic growth. Market developments in past years have demonstrated growing competition in this sector, with a vast range of broadband packages on the market that suit different individual requirements. However, when selecting specific packages, subscribers are heavily dependent on information provided by ISPs in this regard. A decision published by the MCA in 2013 outlined a set of QoS parameters that defined the basic characteristics of a broadband connection and also mandated the minimum level on information that must be published with each package. The typical speed range is one characteristic that needs to be published with each broadband package placed on the market. ISPs are also obliged to measure and report QoS information, on each package, on a quarterly basis. This information is of particular importance as it increases transparency, whilst facilitating the decision-making process for the consumer when deciding on a particular broadband package. During 2014, the MCA continued to review the QoS provision principles and policies in light of technology evolution and a growing, multiple operator environment, and prepared a consultation document that puts forward a number of proposals on the method which is suitable for the publication of the required broadband QoS. The consultation paper was subsequently published in January 2015.

### **Itemised billing**

Following a consultation process that was initiated in 2013, the MCA published a decision regarding the provision of itemised billing in the mobile and fixed telephony sectors, which came into effect on 1 April 2014. By means of this decision, all mobile and fixed telephony post-paid subscribers can request a basic itemised bill, in either hard copy or electronic format, or a detailed itemised bill, in electronic format, free-of-charge. Furthermore, subscribers of 65 years or more can request a detailed itemised bill in hard copy format, at no cost. Disabled end-users are entitled to a detailed itemised bill, at no cost, should the service provider be unable to provide such information in the subscribers' preferred medium.

## MARKET DATA

### **Complaints and enquiries received**

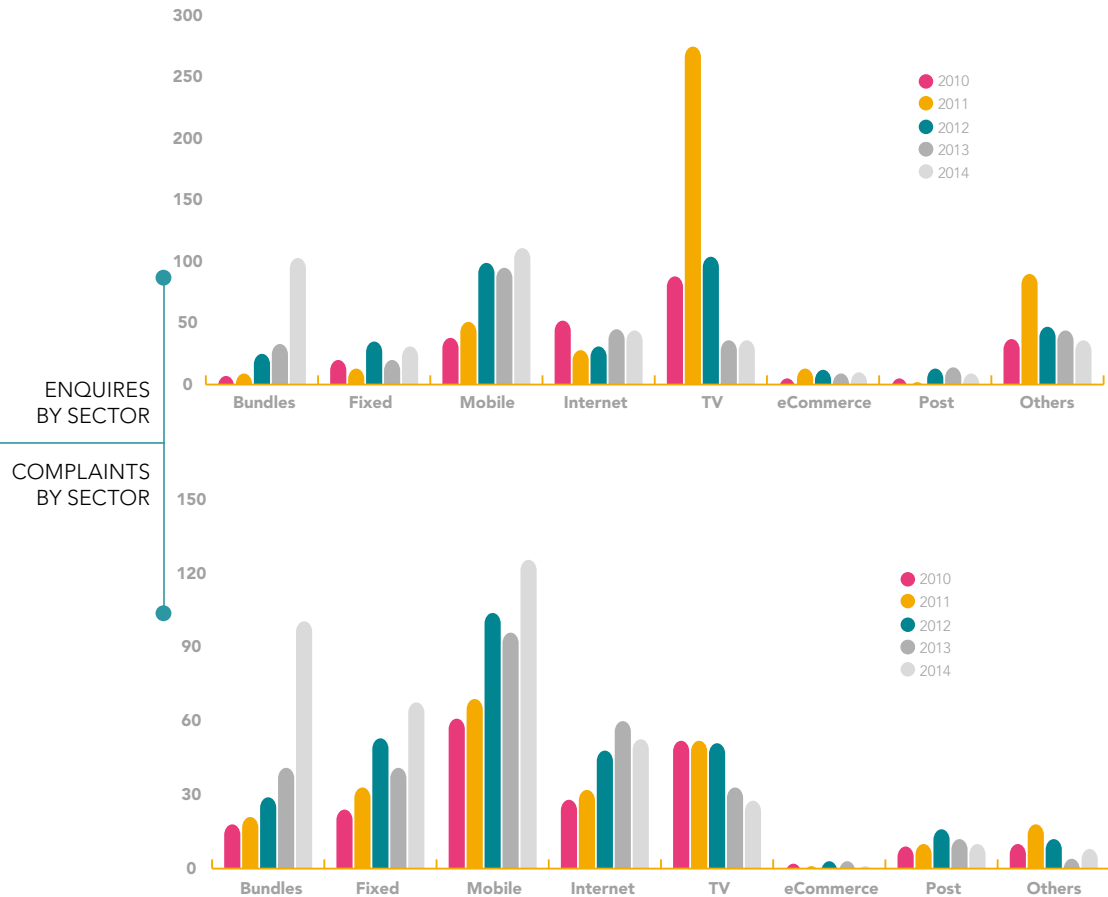
During 2014, the MCA received 394 complaints and 380 enquiries. 92% of the complaints and 99% of the enquiries were closed within a maximum 20 working-day period. By the end of 2014, 53% of the complaints received were successfully resolved. In 31% of the cases, the MCA provided the necessary information to clients in order for them to reassess their complaint with greater clarity. With regard to the remaining 16% of complaints, the MCA directed the complainant to another body for redress through alternative fora.

The most common complaints of a contractual nature received by the Authority related to the termination of a service/s. When investigating such cases, the MCA guided subscribers on the procedure to be followed to effectively terminate their service/s. The termination procedures are required to be included in subscriber contracts. On the other hand, the MCA is also responsible to ensure that service providers adhere to their own procedure for termination of service/s. During the second half of 2014, the MCA took regulatory actions following reports it received, which indicated that in some instances a local service provider did not adhere to the termination procedure. The Authority noted that with respect to these cases, following MCA's intervention, the necessary actions were taken to address the complaints received by MCA.

During the second half of 2014, the MCA also received complaints of a billing nature. With respect to complaints referred to the MCA, where it was clear that subscribers were incorrectly billed, the Authority intervened by ensuring that such charges were waived by the service provider. In 2015, the MCA will continue to closely monitor this matter. The Authority also received a few claims regarding unclear billing. In these cases the MCA ensured that operators provided the necessary clarifications to their subscribers.

The MCA also received complaints in relation to service provision, in particular the repair of intermittent and temporary faults to internet and fixed telephony services. Such faults are generally the result of damages, either to the service provider's infrastructure, to the residence's internal wiring or to the physical equipment. In such cases, the MCA monitors the actions undertaken by the service provider to ensure that faults are repaired in the shortest time possible. In those cases investigated by the MCA, subscribers were offered compensation or refunds as stated in their service contract, particularly in those cases where the fault was not caused by force majeure.

Complaints of a postal nature received by the MCA continued to decrease during 2014. The main type of complaints received by the Authority in 2014 related to mis-delivery and late delivery of ordinary mail. The MCA brought these cases to the attention of MaltaPost so that it could look into the matter and ensure that ensuing issues are addressed accordingly.



## INFORMATION CAMPAIGNS AND OTHER AWARENESS-RAISING ACTIVITIES

### Roaming

In June 2014, the MCA embarked on a campaign to promote the new tariff reductions introduced by means of the EU roaming regulations, which came into effect as from the 1 of July 2014. The Eurotariff cost for making a call while roaming in an EU country was reduced from 29c2 to 23c1 per minute (inc. taxes) whilst the Eurotariff cost for receiving a call while roaming in an EU country was reduced from 8c5 to 7c3 per minute (inc. taxes). Costs for SMSs sent when roaming were reduced to 7c3 (inc. taxes), whilst data usage is charged at a maximum rate of 24c3 per megabyte. The Authority combined different media in its awareness-raising

activities, including print, audio-visual and digital and social media and engaged in direct marketing through the circulation of information leaflets at different outlets including the departures lounge at the Malta International Airport and Virtu Ferries, as well as through leading travel agencies.

### Premium Numbers

The MCA also embarked on a short, but intensive information campaign to raise awareness on the charges applicable for premium rate numbers. The campaign focused on helping telephony subscribers to identify premium rate numbers, as well as on raising awareness about the applicable higher costs for calls or SMSs to such numbers. The campaign was predominantly based online through targeted, promotional posts on Facebook, the MCA corporate website and other digital platforms.

## FREQUENCY MANAGEMENT AND MONITORING

### Monitoring the roll-out of wireless infrastructures and services

During 2014, the Authority continued with its activity to ensure that operators continue to satisfy the roll-out and coverage obligations set out in their licences.

Service	Quantity (2014)
Electro-Magnetic Frequency (EMF) measurements ( <i>planned</i> )	303
EMF measurements ( <i>non-planned</i> )	27
Radio & Telecommunications Terminal Equipment (R&TTE) notifications	1,073
R&TTE customs' assistance ( <i>parcels delivered to MCA for inspection</i> )	7
Interference complaints	18
Inspections of radio installations	51
Radio monitoring & support	43

### Monitoring of EMF emissions

The Authority continued with its EMF monitoring programme to check that emissions from radiocommunications stations are within the exposure standards established by the International Commission on Non-Ionising Radiation Protection (ICNIRP). During 2014, the Authority performed 330 EMF on-site audits, some of which were repeat audits to ensure continued compliance with the pertinent regulations. 27 of these audits were carried out upon individual requests. The MCA maintained ongoing liaison with the department responsible for public health on EMF related issues and it will continue its EMF auditing programme during 2015.

EMF audits/complaints				
Year	2011	2012	2013	2014
Audits	201	241	272	303
Complaints	49	35	28	27
<b>TOTAL</b>	<b>250</b>	<b>276</b>	<b>300</b>	<b>330</b>

### Monitoring of harmful interference

The ongoing monitoring of spectrum is an essential component of the MCA's spectrum related activities as it provides critical information on the quality and actual use of frequencies, whilst ensuring that this scarce resource is used lawfully and efficiently. During 2014, the MCA performed 40 monitoring exercises to ensure that spectrum bands were free from any unlawful transmissions.

Additionally, during the year under review, the MCA investigated a number of complaints concerning alleged harmful interference, from which 18 were proven cases of interference that affected a number of radiocommunications services. The most reported interfered service was the mobile telephony service.

Inspection of radio installations	
Maritime	47
Broadcasting	4
<b>TOTAL</b>	<b>51</b>

Interference investigations	
Broadcasting	2
GSM / 3G	8
Private Mobile Radio	4
Other services	4
<b>TOTAL</b>	<b>18</b>

### Market surveillance and Radio and 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 electromagnetic compatibility, health and safety of the users and other impacted parties. At the same time, it also ensures the effective use of radio spectrum.

In this regard, manufacturers or their authorised representatives are obliged to submit technical information on the safety aspects and the recommended settings required for the operation of radio and telecommunications terminal equipment. This information is evaluated by the Authority to establish whether the equipment is in conformity with the standards related to radio spectrum. If the equipment conforms to the established standards, then it can be safely placed on the Maltese market without causing interference with any other equipment.

During 2014, the Authority processed 1073 notifications regarding radio equipment operating on non-harmonised frequency bands. Out of these notifications, 972 were processed successfully and subsequently, the MCA authorised the placement of such equipment on the market, whilst the remaining 101 notifications were not granted such approval for technical reasons. In addition, the Authority also provided advice to the customs department to verify that imported products were compliant with specific provisions of the R&TTE Regulations, concerning radio spectrum. This resulted in seven products being withheld by the said department. The MCA performs this function in close collaboration with the Market Surveillance Directorate, within the MCCA.

# POSTAL SERVICES

## REGULATORY DEVELOPMENTS

### Review of QoS requirements and targets to be achieved by MaltaPost for the universal service

In a decision published in January 2014, the MCA established the QoS standards in relation to the universal postal service, paying particular attention to routing times and to the regularity and reliability of these services and set targets to be achieved by the designated universal service provider, in this case MaltaPost. The Decision also addressed information and reporting requirements in relation to the QoS performance monitoring and complaints handling. After taking into

consideration the feedback received following a consultation process initiated in late 2013, the MCA concluded that MaltaPost is required to continue measuring and monitoring the QoS performance of the universal postal service – for both inland and cross-border mail – in line with the QoS standards as directed by the MCA. It is also required to continue publishing and submitting information relating to QoS performance standards and related targets, performance achievements and complaints to the MCA. The following table indicates the performance targets set for a number of different postal services.

	DELIVERY TARGETS		
	October 2013 – September 2014	September 2015	September 2016
<b>Inland ordinary mail and bulk mail products</b>	D+1 QoS target at 94%	D+1 QoS target at 95%	D+1 QoS target at 95%
<b>Registered letter mail and parcel post</b>	D+1 QoS target at 98%	D+1 QoS target at 98%	D+1 QoS target at 98%
<b>Inland mail products</b>	D+3 QoS target at 99%	D+3 QoS target at 99%	D+3 QoS target at 99%
<b>Incoming cross-border mail</b>	Delivered within QoS targets for inland mail	Delivered within QoS targets for inland mail	Delivered within QoS targets for inland mail
<b>Outgoing cross-border mail (ordinary, bulk and registered mail and parcel post for EU countries, Switzerland, Australia, Canada and the USA)</b>	D+1 QoS target at 94% <i>(loading on airline in Malta)</i>	D+1 QoS target at 95% <i>(loading on airline in Malta)</i>	D+1 QoS target at 95% <i>(loading on airline in Malta)</i>
<b>Outgoing cross-border mail (ordinary, bulk and registered mail for EU and all other countries)</b>	D+3 QoS target at 99%	D+3 QoS target at 99%	D+3 QoS target at 99%
<b>Outgoing cross-border parcel post to all other countries</b>	D+3 QoS target at 96%	D+3 QoS target at 96%	D+3 QoS target at 96%

With regard to the end-to-end transit time objective for European Union (EU) intra-community cross-border mail, this target is set at D+3 and will continue to be monitored and measured by MaltaPost in line with the QoS targets specified in the EU Postal Directive. 85% of mail is to be delivered within D+3 (speed) and 97% within D+5 (reliability). In addition, MaltaPost is required to monitor the quality of cross-border mail services to all other foreign addresses in line with an end-to-end transit time objective of D+9 (up to 9 days).



## MARKET DATA

### Postal perception survey – Households

Between March and April 2014, the MCA commissioned a survey with the objective of evaluating household perceptions and satisfaction levels regarding postal services in Malta. The household survey was carried out via telephone interviews to randomly chosen respondents, within a representative sample. A total of 500 households participated in this survey.

Compared to a similar survey conducted in late 2011, latest results indicated that whilst the vast majority of households have received and sent the same volumes of addressed letters, a growing number of households declared that they have, in fact, reduced the number of addressed letters and resorted instead to other alternatives such as emails and eCommerce. Meanwhile, 38% of households claimed that they would switch to non-postal alternatives, should the price of addressed letters be increased by 5% to 10%. On the other hand, the demand for parcel post services has grown. Indeed, in contrast to 47% in 2011, today, over 50% of households received a parcel during the previous 12 months. Interestingly, 20% of households revealed that their parcel was delivered by an operator other than MaltaPost, with 41% of these identifying DHL as the delivering operator.

In terms of expenditure patterns, 51% of households perceived that they spent less than €20 a year on postal services. Nonetheless, 34% did not know how much they spent, presumably due to the minimal use of postal services. Concurrently, 37% of households claimed to be satisfied with the general price levels of MaltaPost services. This contrasts with 66% registered in the 2011 survey. This significant change is possibly a reaction to the postal price increases over the past few years.

With regard to the popularity of post offices in Malta, this survey indicated that 70% of households had visited a post office during the previous 12 months. However, for 50% of these households, one of the main purposes of visiting a postal outlet was not for services of a postal nature, but for the payment of bills. Meanwhile, satisfaction levels with the waiting time at the post office decreased from 70% in 2011 to 57% in 2014.

When referring to postal deliveries, 64% of households insisted that they expected postal articles to be delivered on a next day basis. Interestingly, 45% of households said that they would not opt for a cheaper service at the expense of delayed delivery. 28% of households would consider choosing such a service, while 4% responded that they would accept this deferred service if the postal article being sent is not urgent.

The survey also addressed the various consumer tools offered by MaltaPost, including its website. Results show that usage of MaltaPost's website is still low, with only 20% of households claiming to have accessed it. Those households that do use the website, use it to track parcels, to search for prices of postal services and other related information, and to search for postcodes. With regard to the latter, it is interesting to note that today, 71% of households today include the postcode when sending a postal article.

In terms of satisfaction levels, 89% of households are satisfied with the overall quality of postal services provided by MaltaPost. Despite this positive figure, the number of formal complaints with MaltaPost increased from 7% to 11%. MaltaPost also suffered a decline in the number of households that were satisfied with the way in which their formal complaint was handled. Only 28% of households were satisfied with the way their complaint had been handled, compared to the 54% reported in 2011.

### Postal perception survey – Businesses

The Authority carried out another survey between June and July 2014, this time focusing on business perceptions and satisfaction levels regarding postal services in Malta. This survey was conducted via telephone interviews to randomly chosen respondents within a representative sample. A total of 403 businesses participated in this survey.

Results indicate that the majority of businesses claim to have received and sent, more or less, the same number of addressed letters over the previous 12 months. However, trends are indicating a constant decline in letter mail volumes, as more businesses are resorting to other alternatives such as emails and other online services for their communications needs. Moreover, the survey results suggest that businesses have high price elasticity with 64% claiming they would switch to non-postal alternatives, should the price of addressed letters increase by 5% to 10%.

Whilst figures suggest a decline in letter mail volumes, the demand for parcel post services is on an upward trend. In contrast to the 51% recorded in 2011, today, 63% of businesses confirmed that they had received a parcel during the previous 12 months. Interestingly, 10% of businesses claimed to have received a parcel delivered by an alternative operator to MaltaPost and none delivered from the latter. 22% received parcels only from MaltaPost and 31% of businesses received parcels from a range of different postal operators.

The survey also shows that 30% of businesses sent a parcel over the previous 12 months using services offered by MaltaPost. Whilst 40% of these businesses perceive related tariffs to be reasonable, this figure is down by 17 percentage points over the figure reported in 2011. Furthermore, there is a higher propensity for businesses to use alternative postal operators (20%) when compared to households (14%). In addition, businesses are also resorting to alternative postal operators to send postal articles more frequently [20% in 2014 vs. 15% in 2011]. According to this survey, the majority of businesses using alternative operators do so for their express delivery features.

With regard to the popularity of post offices, results show that 72% of businesses have visited the post office during the previous 12 months, however frequency levels are on the decline when compared to reported figures in 2011. Parcel post services and the purchase of stamps are the most demanded services by businesses at post offices. In terms of satisfaction, 80% of businesses that visited a post office say that they are satisfied with the level of services and facilities provided at the post office, down from 89% in 2011. 53% of those that are not satisfied claim the queues to be the main source of dissatisfaction, 14% complain about the lack of parking facilities, while 12% pin their dissatisfaction to the opening or closing hours of the post offices.

As for other services offered by MaltaPost, namely collection and delivery of parcels and collection and delivery of registered mail, the majority of businesses claim to be satisfied with these services. To this effect, 83% of businesses are satisfied with the overall quality of postal services provided by MaltaPost.

This notwithstanding, the number of formal complaints against MaltaPost grew from 7% in 2011 to 10% in 2014. Moreover, only 35% of businesses which made a formal complaint with MaltaPost were satisfied or highly satisfied with the way their complaint had been handled, down from 45% in 2011.

The survey also shed some light on the expenditure patterns with regard to postal services. 43% of businesses claim to have spent more than €30 a year on addressed letters, whilst 50% of all business respondents are satisfied with MaltaPost's general price levels, down from 69% in 2011.

Contrary to households, businesses have increased their use of MaltaPost's website, with 58% of businesses claiming to have accessed it during 2014, as opposed to the 27% reported in 2011. Interestingly, 76% of businesses claim to include the postcode when sending a postal article.

### **Postal perception survey – Large bulk mailers**

In another survey carried out between July and August 2014, the MCA sought to evaluate organisations' perceptions and satisfaction levels with regard to the bulk mail service, amongst other postal services provided by MaltaPost. Bulk mail refers to postal articles consisting of 50 items or more (of identical format, size and weight) that are deposited with a postal operator, at the same place and at the same time, to be conveyed and delivered to the addresses indicated on the postal articles. Forty organisations participated in this survey.

The survey results suggested that government agencies, financial institutions and telecom operators are the main bulk mail users. The findings indicate that the vast majority of organisations using this service do so on a weekly basis, with 25% on a daily basis. The survey also shows that 35% of participating organisations have increased the number of addressed letters they sent using bulk mail services, up from 30% in a similar survey carried out in 2012. On the other hand, 18% of participating organisations have generally decreased the volume of addressed letters they sent and resorted to other non-postal alternatives such as email and online services. The remaining 40% of all organisations say the number of addressed letters sent has remained relatively the same over the previous twelve months. 8% of organisations did not know whether there had been any shifts in the volume of addressed letters over the previous twelve months. All interviewed organisations intend to continue using MaltaPost's bulk mail service in the following 12 months.

When compared to the 2012 survey results, a significant improvement in the perception on the overall quality of postal services amongst large bulk mail users was recorded. In effect, 83% of organisations perceive the overall quality of postal services provided by MaltaPost to be good or very good, up from 68% in 2012. Moreover, satisfaction levels with the bulk mail service provided by MaltaPost increased from 48% in 2012 to 83% in 2014. Similarly, the majority of organisations are satisfied or highly satisfied with the registered mail service provided

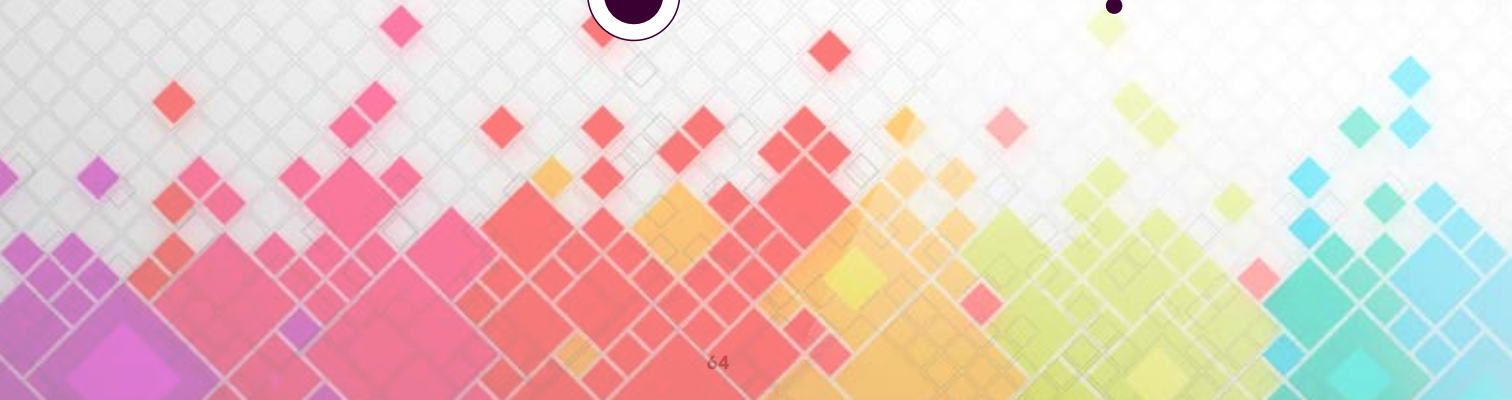
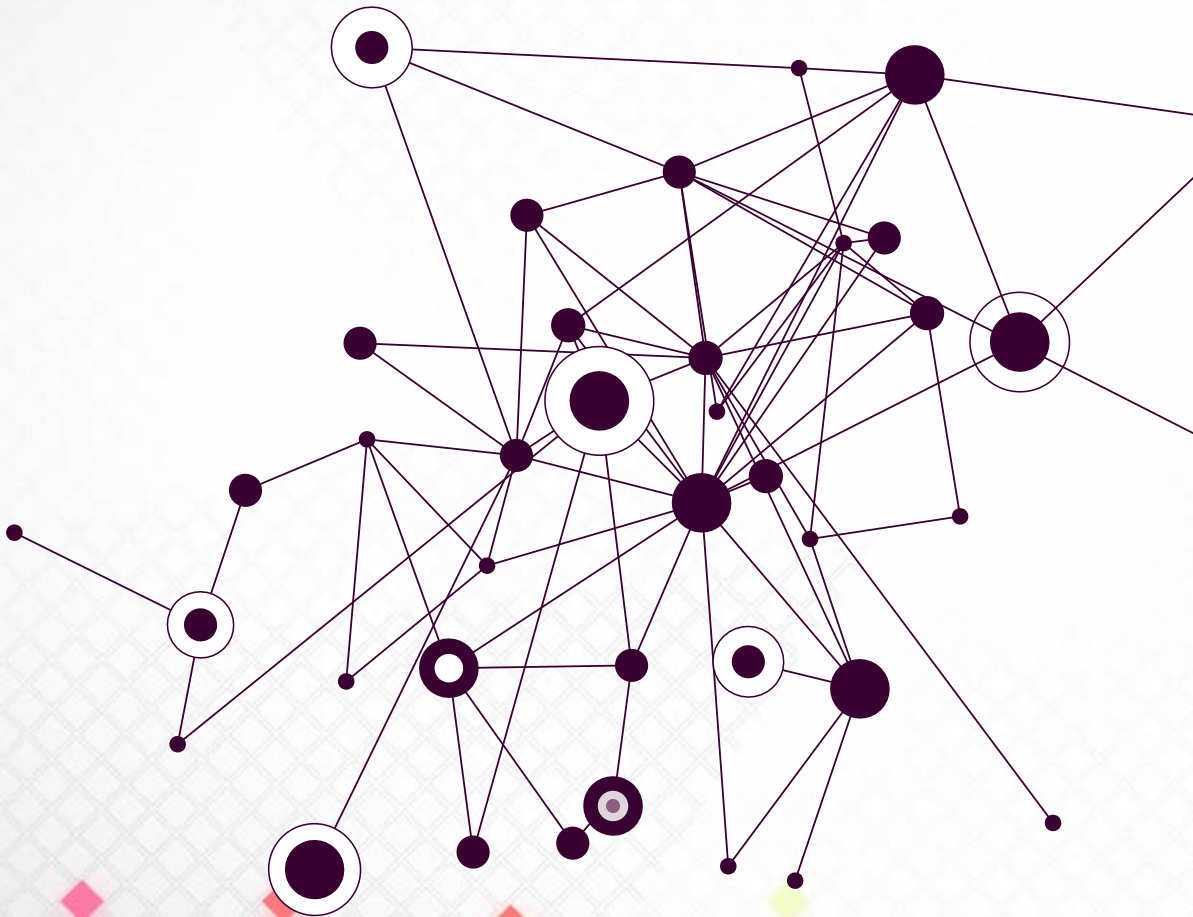
by MaltaPost. Another area where great strides have been made is complaint handling, whereby 64% of organisations which made a formal complaint with MaltaPost were satisfied with the way their complaint had been handled compared to 8% in 2012. This is in stark contrast to the satisfaction levels amongst households.

The survey also addressed the activity and the level of satisfaction with the services and facilities offered at the postal outlets. Results show that 85% of large bulk mailers visited a post office during the previous 12 months, the majority of which did so to post ordinary and registered mail. Satisfaction levels with the facilities provided at the post office increased, with 71% of organisations claiming to be satisfied or highly satisfied, up from 63% in 2012.

With regard to price levels, the majority (55%) of large bulk mailers are neither satisfied nor dissatisfied with the general price levels of postal services. Moreover, only 38% of participating organisations perceive the prices of the bulk mail services to be reasonable; a significant drop compared to 61% price satisfaction levels registered in 2012. Similar to the perception levels amongst households, this significant change can also be the result of postal price increases.

Approximately 25% of all participating organisations use other services offered by MaltaPost, namely the PO Box and business reply service. Moreover, the significant majority (80%) consider these services to be useful for their daily operations. Finally, the survey also shows that fewer large bulk mail users write down the postcode (53%) when compared to households (71%) and the general business community (76%).







**6** BUILDING A  
DIGITAL MALTA

## IMPROVING ONLINE PRESENCE

### WEBCHECK for the sports industry

Having a sound, consistent online presence that fully integrates with all other digital communications platforms is evermore important in a thriving digital economy. WebCheck is a project that is focused on improving the online presence of small, sector specific organisations and is one of a stream of initiatives driven by the MCA aimed at achieving widespread eLiteracy, digital inclusion and the overall use of ICT to improve quality of life for the individuals and increase efficiency for local businesses, NGOs and other organisations. Organisations participating in the scheme are assigned a specialist in the online marketing field whose main task is that of reviewing the organisation's internet strategy, with a particular emphasis on social media platforms, such as Facebook, YouTube and Twitter. Participants will, in turn, receive free expert advice on how to capitalise on these platforms and how to continue developing their online strategy to increase and strengthen reach to their intended audience and how their online activity can be aligned with the overall business strategy. The successful implementation of the WebCheck project in the tourism sector led the Authority to offer a similar initiative targeting the sports sector, in particular, NGOs. Participating organizations will receive the necessary advice to make better use of the Internet and various digital platforms to explore opportunities for growth, awareness-raising and recognition of their work. This project is being extended with the support and collaboration of the Parliamentary Secretariat for Research, Innovation, Youth and Sport. 26 organisations are participating in this scheme.

## BUILDING COMPETENCES FOR A DIGITAL SOCIETY

The Maltese communications sector has made significant strides over the past years in bringing to the market the widespread availability of high-quality and high-speed products and services of the latest technology. Whilst such progress is important because of its significantly positive impact on social and economic development, it is also equally important to ensure that every individual has the necessary skills to engage effectively with the digital economy, on both a personal and professional level. The take-up of such products and services is certainly encouraging, however Malta still lags behind other European countries with regard to usability of technology, particularly amongst older generations. On a personal level, not having the skills to participate in an increasingly digital society, or appreciate the benefits that technology can offer, will alienate these individuals from a number of social activities. Professionally, they will experience a lack of job mobility as more and more business sectors are harnessing technology in their daily operations. In order to address this, the MCA has spearheaded a number of initiatives aimed at reducing the digital divide by bringing individuals closer to technology.

### Project 'ENTER'

Back in 2013, the MCA had successfully secured €400,000 in EU funds to deliver the Networked project, which forms part of the ESF Programme Cohesion Policy 2007–2013 Operational Programme II, Empowering People for More Jobs and a Better Quality of Life. Branded 'ENTER', the project offers individuals aged 25 to 64 years the first stepping stone into the world of ICT, providing an insight into how technology can positively impact their lives and contribute to better employment possibilities, job mobility and productivity, through tailor-made training programmes, which are offered free of charge. During 2014, the MCA developed two separate curricula. The first training programme provided a basic introduction to the Internet, whilst the second programme gave a more focused overview of the use of the Internet at the workplace. The project kicked off with a successful nationwide information campaign promoting the training programme, following which, 6,000 applications were received. Until the end of December 2014, over 3,000 individuals had completed the training. The training will continue in 2015. Due to popular demand, the project has been extended from its original completion date of Q1 and is expected to come to a close by the end of Q3 2015.

### Community Training Learning Centres

Over the past years, the MCA continued to grow its network of Community Training Learning Centres (CTLs), extending this to Gozo during 2014 with the opening of a new centre at the Gozo NGO Association. The Centre was opened by Dr Anton Refalo, Minister for Gozo, Dr Edward Zammit Lewis, then Parliamentary Secretary responsible for Competitiveness and Economic Growth and Dr Franco Mercieca, then Parliamentary Secretary for Rights of Persons with Disability and Active Ageing. The centre was equipped with computers provided by the Authority and will serve as a training and resource centre for the voluntary organisations operating in Gozo.

The new centre joins another 19 centres in various communities across the islands. These centres, typically managed by Local Councils, voluntary organisations and public agencies, participate in awareness and training programmes coordinated by the MCA. To date, over 7,000 individuals have participated in ICT literacy initiatives organised by the MCA through such centres.

### Inclusion

In view of an increasingly ageing population, the development of policies and initiatives that are aimed at keeping our elderly active and socially engaged is evermore important. This is more prevalent in a growing digital economy where ICT and its various applications are omnipresent. Promoting the use of web-based technologies will help this section of the population to remain socially inclusive, and overall, contribute to their general well-being. Trends in northern European countries show that the elderly are increasingly embracing the use of technology in their daily lives. Malta seems to be following the same trend, however at a slower pace. Whilst, statistics published in 2014 show that the number of individuals who have never used the Internet is on the decrease, 42% of individuals aged between 55 and 64 years never used the Internet and therefore are not gaining any of the advantages of ICT and the Internet and are unlikely to be leveraging on the benefits that these technologies offer.

### *ICT training sessions in day centres*

In its continued drive to encourage citizens to engage further in online activity, during the latter quarter of 2014, the MCA collaborated closely with the Parliamentary Secretariat for Rights of Persons with Disability and Active Ageing and the Active Ageing Unit, in order to bring technology closer to ageing individuals. A number of initiatives that targeted this growing section of the population, as well as other vulnerable groups such as persons with a disability, were launched. One initiative is the coordination of a number of tailor-made information sessions, with the ultimate aim of helping these individuals discover the benefits of the most commonly used online ICT tools via tablets. These sessions were delivered at the day centres in Sliema, Żurrieq, Birkirkara, Msida, Mosta, Kirkop and Żejtun. During the pilot phase of this project, 200 individuals benefited from these sessions. The intention is to continue to provide more training sessions in additional centres across Malta and extend these to Gozo during 2015.

### *ICT training for healthcare professionals*

New working practices that involve the increased use of modern ICT technologies and their various applications have been driving change in numerous organizations, including those that are focused on the provision of healthcare services. Whilst the nature of the work in such organizations is primarily vocational and dependent more on interpersonal skills rather than technological competence, having such digital skills will, at the outset, assist these workers to be more efficient in the overall operational activity of the organisation. On a secondary level, such skills will also allow workers to give a more holistic service to patients by being in a better position to help them stay in touch with family members through technology. During the year under review, the MCA facilitated the delivery of training to approximately 500 workers at St. Vincent de Paul Residence (SVPR) by providing all the necessary resources including tutors, computers and printed material. SVPR is a hybrid between a nursing home and a hospital with a total population of over 1,100 residents. The training was delivered at the Community Technology Learning Centre within the residence, which was specifically set up to provide services for both the residents themselves, as well as the staff members. This Centre was fully financed by the MCA. The training is based on the same curriculum developed by the MCA for the ENTER project mentioned previously.

### *Empowering individuals with a disability through ICT*

The MCA is strongly committed to ensuring that every individual has the necessary skills to actively participate in a digital society. During 2014, the MCA, with the support of the Foundation for Technology Accessibility (FITA), the National Commission for Persons with Disability (KNPD), Aġenzija Sapport and the Parliamentary Secretariat for the Rights of Persons with Disability and Active Ageing, launched an initiative aimed at strengthening the digital skills of persons with a disability, by means of a tailored training programme, delivered via tablets. This programme was offered in four Day Centres for persons with a disability and was fully funded by the Authority. The aim of this training programme is to reduce the gaps in ICT usage and promote the use of ICT to overcome exclusion, and improve economic performance, employment opportunities, quality of life, social

participation and cohesion. Approximately 60 individuals between the ages of 22 and 60 years of age benefited from this programme. The Authority intends to provide more training sessions in Malta and extend these to Gozo during 2015.

### **Collaboration with Unite IT and Telecentre-Europe**

This project forms part of the Lifelong Learning Programme run by the EU. The Unite-IT network, which comprises members from Malta, represented by the MCA, Croatia, Belgium, Hungary, Latvia, Romania and Serbia, focuses on addressing the various contributors to the digital divide across the EU. It is aimed at promoting the exchange of best practices, the sharing of resources, as well as the generation of increased awareness about the value of digital competence for inclusion and social cohesion purposes. To this end, the project members worked extensively on the development of an online portal, containing information, news, resources, access to network databases of practices and policies in the EU on ICTs. The MCA was granted a total of €41,000 to implement initiatives locally. To date, a procedures handbook for network members and the network online portal has been set up. In addition, a collection of best practices has been presented to network members, which contains cases, learning materials, approaches and methods in different formats and languages to be used by all members. An evaluation toolkit was developed to guide the evaluation process throughout the project life cycle, which identifies the main quality standards agreed to by the partners and proposes a framework for determining time-frames, as well as providing evaluation tools which can be adopted and tailored to the project's needs. In September 2014, the MCA participated in the second Telecentre-Europe conference, which was held in Zagreb. The first conference was held in Malta in 2013.

### **BeSmartOnline! Safer Internet for children**

Apart from regulating the communications sectors and having responsibility for the advancement of a digital society, the MCA is also responsible for promoting the safe and smart use of the Internet by minors, as defined by the Digital Malta Strategy.

Running for the past four years, the BeSmartOnline! project has served as the Safer Internet Centre (SIC) for Malta. It was implemented via a consortium, which is coordinated by the MCA and included the Foundation for Social Welfare Services (Aġenzija Appoġġ) and the Office of the Commissioner for Children, with special collaboration with the Malta Police Force - Cyber Crime Unit, the Directorate for Educational Services, the Secretariat for Catholic Education, the Independent School Association, the University of Malta and Aġenzija Żgħażaġh. The following are the main initiatives undertaken during the year under review.

### *Awareness-raising activities and events*

Although the awareness-raising activities were, in effect, coordinated by the MCA, a holistic approach was adopted by involving all other members in the project consortium, in order to streamline the messages and means of delivery and integrate the salient expertise from the different organisations.



### In-School educational campaign

The most extensive awareness-raising activity consisted of an in-school campaign targeting all 10 to 11 year old students during the scholastic year 2013/2014. Centring on 'Digital Citizenship – rights and responsibilities', the campaign reached close to 4,000 students from 94 schools across Malta and Gozo. The consortium engaged in extensive consultation with various experts in order to develop specialised resources and a specific lesson plan. On a scale of 1 (being the worst) and 5 (being the best), 80% of students rated the lesson as 4 or 5, whilst 68% claimed to have changed their online behaviour after the lesson.

### World Children's Day

In order to celebrate World Children's day, the BeSmartOnline! consortium worked closely with the Office of the Commissioner for Children and organised an event at the University Sports Complex with the aim of educating children on the importance of attaining a balance between their online and offline activities. The event was attended by students and educators from all secondary schools.

### Communications tools

The project has a dedicated website, which is intended to act as a central platform for the sharing of information to help children, youths, parents and educators understand the basic principles and best practices for a safer online experience. It also acts as a tool to communicate news, announce events and share resources, whilst providing direct access to the Hotline reporting mechanism. During 2014, approximately 7,000 users visited the website daily. This is in part due to the instantaneous redirection to the BeSmartOnline! website when accessing the 200 filtered, public Wi-Fi hotspots operated by the MCA.

In addition to the official website, the project also operates a Facebook page and a Twitter account. To date, the Facebook page has over 1,800 likes. A Facebook campaign, based on promotional posts focusing on different aspects of online safety and a balanced lifestyle, reached a total of 551,000 targeted timelines.

### Safer Internet Day 2014: 'Digital Parenting' community sessions

Safer Internet Day is an initiative of the European Commission's Safer Internet Programme and provides an annual opportunity for SICs across the EU to collectively engage with the general public to mark the importance of making the Internet a safer environment for children and youths. Celebrated in February, this day was marked by the launch of a number of community sessions on 'Digital Parenting' aimed at parents, grandparents and carers, with the support of the Local Council Association and other centres across Malta and Gozo. Participants were provided with tailor-made resources, allowing them to familiarise themselves with the issues and risks involved in online activities, whilst providing them with advice, remedies and safeguards to help them support and protect their children.

### Other PR events

Apart from a number of dedicated information days organised by the project team at various locations across Malta and Gozo during 2014, the BeSmartOnline! project was also present at the following public events:

- Welcome Spring Festival;
- 'Minnie and Mickey's Wedding' in aid of Appoġġ Children's Fund;
- Fresher's week at the Malta Council for Arts, Science and Technology;
- Fun Day organised by the Siġġiewi Scouts Association;
- Bicycle marathon organised to raise funds to furnish all schools in Malta and Gozo with an AED (Automated External Defibrillator); and
- Exchange with Vodafone Qatar on the sharing of experiences and best practices. This visit was coordinated with the support of Vodafone (Malta) and provided an excellent opportunity to build new collaborative partnerships.

### Training and resource development

During 2014, the BeSmartOnline! project team organised three separate seminars, targeting approximately 600 educators. The first seminar was held in January 2014 and focused on the positive use of social media, whilst the other two seminars were held back-to-back in April. The first centred on the good use of portable devices, in particular tablets, in view of the nationwide initiative of the Ministry of Education and Employment – 'One Tablet Per Child' and the second on Internet overuse, specifically on how the use of the Internet can easily become a negative factor in a young person's life because of overuse. According to the feedback received, 92% of educators claimed to have learned a lot from the sessions, whilst 89% claimed that the training had addressed a need that was previously lacking.

To support its educational activities and initiatives, the project team developed a number of resources including a comic, 3D props and worksheets that were distributed during the in-school campaign; tip sheets, that were widely covered in the local media and distributed in all PR events; as well as a leaflet on the safe use of smartphones, which was distributed in the retail outlets of all mobile operators.

### BeSmartOnline! – Way forward

As the lead partner, the MCA has successfully reapplied for funds under the Connecting Europe Facility (CEF), together with the same consortium with the addition of the Directorate for Quality and Standards in Education (DQSE).

### Wi-Fi roll-out

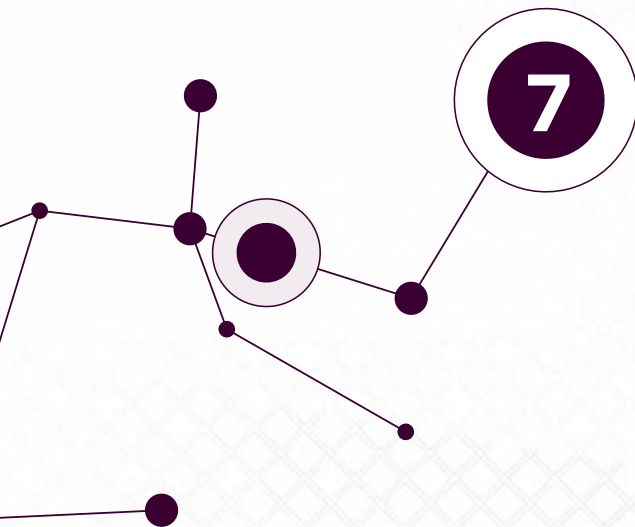
The MCA, in collaboration with other entities, manages a total of 192 free Wi-Fi spots across Malta and Gozo. With the redefinition of the current Wi-Fi Project, the MCA is planning to launch new free Wi-Fi spots in a number of public places and improve the user experience during 2015. It is expected that the number of spots will exceed 300 by 2016.

The following table highlights the most popular hotspots during 2014.

Locality	Address	2013	2014	Percentage change over 2013
<b>Msida</b>	Mater Dei Hospital (Outpatients, Foyer, Emergency Areas and Canteen)	107,871	147,440	37%
<b>St Paul's Bay</b>	Buġibba Square	44,213	52,159	18%
<b>Marsaskala</b>	Mifsud Bonniċi Square	28,106	43,809	56%
<b>Ċirkewwa</b>	Ferry Terminal	44,143	40,310	-9%
<b>Mġarr (Gozo)</b>	Mġarr Terminal	43,280	39,379	-9%
<b>Hamrun</b>	St Paul Square	15,787	29,904	89%
<b>Sliema</b>	Bisazza Street	15,970	20,653	29%
<b>Valletta</b>	Upper Barrakka Gardens	9,826	17,575	79%
<b>Naxxar</b>	Giovanni Curmi Higher Secondary School	23,059	16,888	-27%
<b>Mosta</b>	Rotunda Square	14,372	16,529	15%
<b>Marsa</b>	Open Centre	10,987	16,444	50%
<b>Żebbuġ</b>	St Philip Square	9,583	16,096	68%
<b>Valletta</b>	St George Square	15,779	19,072	21%







# CORPORATE DEVELOPMENTS, INITIATIVES AND ONGOING REGULATORY ACTIVITY



# CORPORATE DEVELOPMENTS AND INITIATIVES

## IT systems

During 2014, the IT team prioritised setting up a reliable and highly available infrastructure to run its virtualised services. Such a setup opened up a number of possibilities. The first service to be hosted on the new environment was the Domain Controllers running the latest version of Windows 2012 R2. Other initiatives were also undertaken to upgrade internal hardware and software with a view to increasing functionality and, at the same time, achieving significant cost savings.

## Training, sponsorship & career development

The MCA continued on its drive to enhance and strengthen its human resource complement in an effort to support the future direction of the Authority, whilst contributing to the achievement of its business objectives. Staff training was organized in a number of areas including customer care, management and technology. As part of its sponsorship programme, the Authority supported a number of employees to advance studies in areas related to management, statistics, specialized technology and research. This is a reflection of the MCA's talent management strategy to ensure that the Authority has the specific competencies required to cultivate a high-performance work-force.

A number of student workers were also engaged during the summer as part of the MCA's 'On-the-Job Learning Programme'. This programme exposes students to the 'on-the-job' environment and gives them the ability to gain experience in the activities of the Authority with the objective of strengthening their knowledge and understanding of the MCA's goals, principles and activities.

In addition to its own student programme, the MCA also participated in the Student Placement Programme launched by MITA and provided two individuals with the opportunity to start gaining relevant work experience, while at the same time expanding their ICT skills even further. Both students were involved in the day-to-day ICT related activities, as well as the networking setup of new vaults that were acquired by the Authority during 2014.

## Premises

During 2014, the Authority carried out renovation and refurbishment works with the objective of maximising the work space, making the offices more energy efficient and environmentally-friendly. It also created better access for people with disability. In addition, an adjacent wing, located in the same block, was acquired, providing additional office space. This new wing hosts a fully equipped conference room with video conferencing equipment.

## Development and implementation of a communications strategy

Timely, relevant and effective communication is key to the continued success of any organisation, however selecting the right medium to engage with stakeholders is crucial. This is even more critical when dealing with wide-ranging stakeholders, as is the case of the MCA, which regularly engages with Government, governmental and non-governmental agencies, the European Commission, Members of the European Parliament, European counterparts, industry players and the general public. The MCA therefore developed and implemented a communications strategy that sets out how it can improve its communications, particularly how it can broaden and strengthen its online presence to maintain a relevant and open communication channel with its varied stakeholders in support of its ongoing and specific communications initiatives.

The communications strategy includes new initiatives with the intended outcome of making all stakeholders more aware of the Authority's role, mission and activities, while effectively disseminating the Authority's viewpoints and specific awareness-raising communications, as appropriate; the indicators to be used to measure and track the effectiveness of the MCA's communications; and recommended actions that need to be taken internally in order for this strategy to be implemented.

The strategy is intended to determine how the Authority should use different communications channels and identify the best tactics to use for every communications initiative. During 2014, the MCA effectively strengthened its social and digital media activity.

## Participation in the national trade fair

As part of its consumer-centric activities, the MCA actively seeks to ensure that consumers are well informed about their rights in the communications sectors, the many offers available on the market in light of growing competition, as well as the various tools available to assist consumers in making better choices. In order to have direct contact with members of the public and raise awareness of the MCA and a number of topics of general interest, the Authority participated in the National Trade Fair between 26 June and 6 July, which attracts over 80,000 visitors. A number of different resources were distributed on a range of topics including, the free '180' service, the telecosts.com price comparison portal and the applicable roaming rates for 2014 and relevant information in this regard. The general public was also given the opportunity to apply for free training in ICT as part of the ENTER programme. Part of the MCA stand was dedicated to internet safety through the BeSmartOnline! project. This part of the stand was designed to replicate the scenes depicted in the comic 'Digizen', a resource that was distributed during an in-school campaign. A number of informative resources and giveaways, such as comics, games, tip sheets and booklets highlighting how children can enjoy the opportunities offered by the Internet, whilst remaining safe online, were distributed.

## ONGOING REGULATORY ACTIVITY

### Management of licences and general authorisations for commercial provision of service

The MCA received four new authorisations for undertakings to provide services in the electronic communications sector, whilst two undertakings terminated their general authorisations during 2014. One undertaking withdrew its notification for a general authorisation to operate a public communications network and provide other publicly available communications services, while the other undertaking withdrew its notification for a general authorisation to operate a public communications network and provide a publicly available telephone service and other publicly available electronic communications services.

The MCA received two new notifications from postal undertakings offering services outside the scope of the universal postal service. No terminations by postal operators were received during 2014.

Electronic communications authorisations and terminations during 2014					
Public communications network	Publicly available telephone service	Radio & TV distribution service	Other public electronic communications service	Non-public electronic communications service	Private electronic communications network and/or service
1 termination ( <i>Melita Infrastructure Ltd</i> )	1 new authorisation ( <i>Worldfone 1 Ltd</i> )  1 termination ( <i>Melita Mobile Ltd</i> )		3 new authorisations ( <i>DIDWW Ireland Ltd</i> , <i>Smart IP (SIP) Ltd</i> , <i>Platinum Services Ltd</i> )		

Postal service authorisations and terminations during 2014	
Postal services within the scope of the universal postal service	Postal services outside the scope of the universal postal service
	2 new notifications [ <i>FTC Ltd</i> , <i>Mihai Leonti</i> ]

### Radiocommunications equipment licensing

The Authority continued with its activity to manage radiocommunications equipment licences in accordance with article 30 of the Electronic Communications (Regulation) Act (Chapter 399). At the end of 2014, just over 1,000 active licences authorised the installation or use of radiocommunications equipment primarily for aeronautical, amateur radio and land-mobile services, which includes 81 new licences issued during the year.

Enforcement activities with regard to licence defaulters, that is, those licensees who did not pay their renewal licence fees by the licence expiry date, continued unabated during 2014. Such activity included the issuance of final warning letters, judicial letters and the undertaking of any other legal action deemed appropriate by the MCA.

With regard to maritime services, the Authority liaised with Transport Malta on various radiocommunications-related matters, such as the granting of ship radio licences. 143 requests for the assignment of maritime identities were processed by the Authority during the year under review.

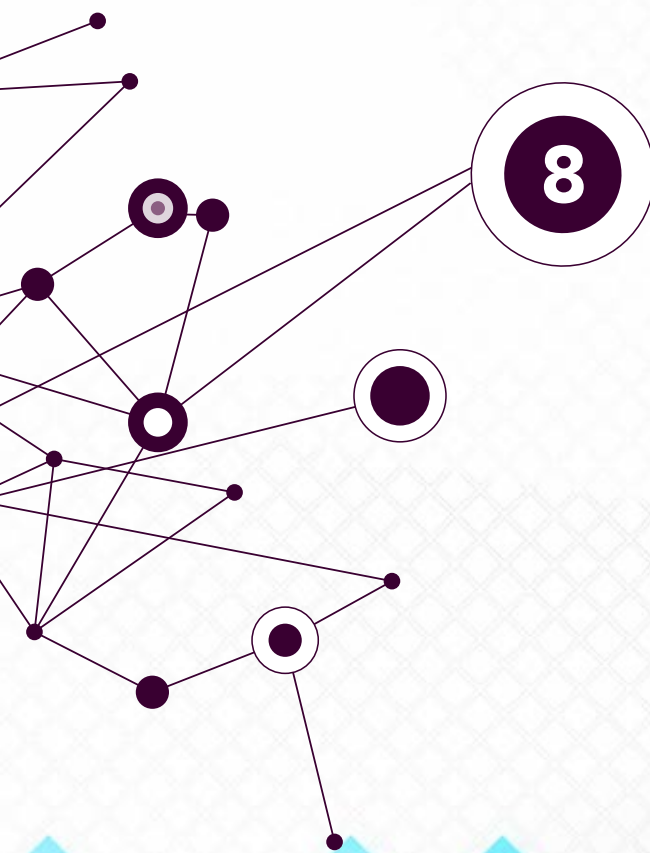
### Market information monitoring and statistics collection

On a quarterly basis, regulated operators are requested to submit various data indicators. The data collection process is done via the MCA's Statistical Analysis Modular System (SAMS). Market data collected from a variety of internal and external sources is used to: calculate market shares of existing service providers and new market players; assess the extent of barriers to entry; assess potential competition and countervailing buyer power; and monitor developments in retail and wholesale prices.

During 2014, the MCA carried out an internal review of data items being utilised internally, so as to streamline the requirements on operators and balance the potential additional data requirements going forward. Throughout the year, the MCA carried out a number of validation processes in order to validate data submitted and discuss queries with operators. Where data was not submitted, the MCA implemented its compliance procedures with the respective operators.







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# PARTICIPATION IN INTERNATIONAL FORUMS



## CONTRIBUTION TO SECTOR POLICY

In a continuous effort to keep national interest at the forefront of all pan-European discussions, throughout 2014, the Authority contributed to international policy, either directly, or on behalf of Government.

Under the Greek and Italian Presidencies of the Council of the EU, the MCA was closely involved in discussions on the following three legislative dossiers:

- **COM (2013) 147 – Proposal for a Directive on measures to reduce the cost of deploying high-speed electronic communications networks:** This Directive seeks to enable a more efficient deployment of new high-speed broadband physical infrastructures primarily by creating a legal framework for the sharing of existing physical infrastructures. This Directive was adopted in May 2014 and preparations are currently under way to transpose this into national law.
- **COM (2012) 238 – Proposal for a Regulation on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market:** Whilst replacing the existing eSignatures Directive, this Regulation which was adopted in July 2014, also introduces the supervision of trust services which were not previously regulated. On a national level, changes to current legislation include amendments to the eCommerce Act (Chapter 426) particularly because the new regulation will apply directly in the EU, thereby rendering any similar national provisions redundant.
- **COM (2013) 627 – Proposal for a Regulation laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent:** Through this proposed Regulation, the Commission put forward a set of measures that would make the current Electronic Communications Regulatory Framework less onerous for undertakings to provide their electronic communications services and networks within the EU and to foster the rights of the respective end-users. Since its publication in September 2013, this proposal has been the subject of intense debate at European level, particularly within the Council of Ministers and the European Parliament. Based on these discussions, towards the end of 2014, the Council of Ministers decided to move forward with negotiations on roaming and net neutrality, whilst deleting the remaining provisions.

During the past months, the MCA has been seeking national stakeholders' views and subsequently advising Government about the issues dealt with in the draft proposal. The Authority has also been working very closely with its counterparts through the Body of European Regulators in Electronic Communications (BEREC), in order to closely analyse the implications of the proposals and suggest improvements to the European Institutions. Eventually, the adopted legislation will have to be reflected in the Electronic Communications (Regulation) Act (Cap. 399) and subsidiary legislation. Discussions on this dossier will ensue in 2015 and adoption is scheduled for the end of the same year.

Besides these dossiers, which fall within its direct competence, the MCA was also requested to advise Government on a number of EU-related policy documents.

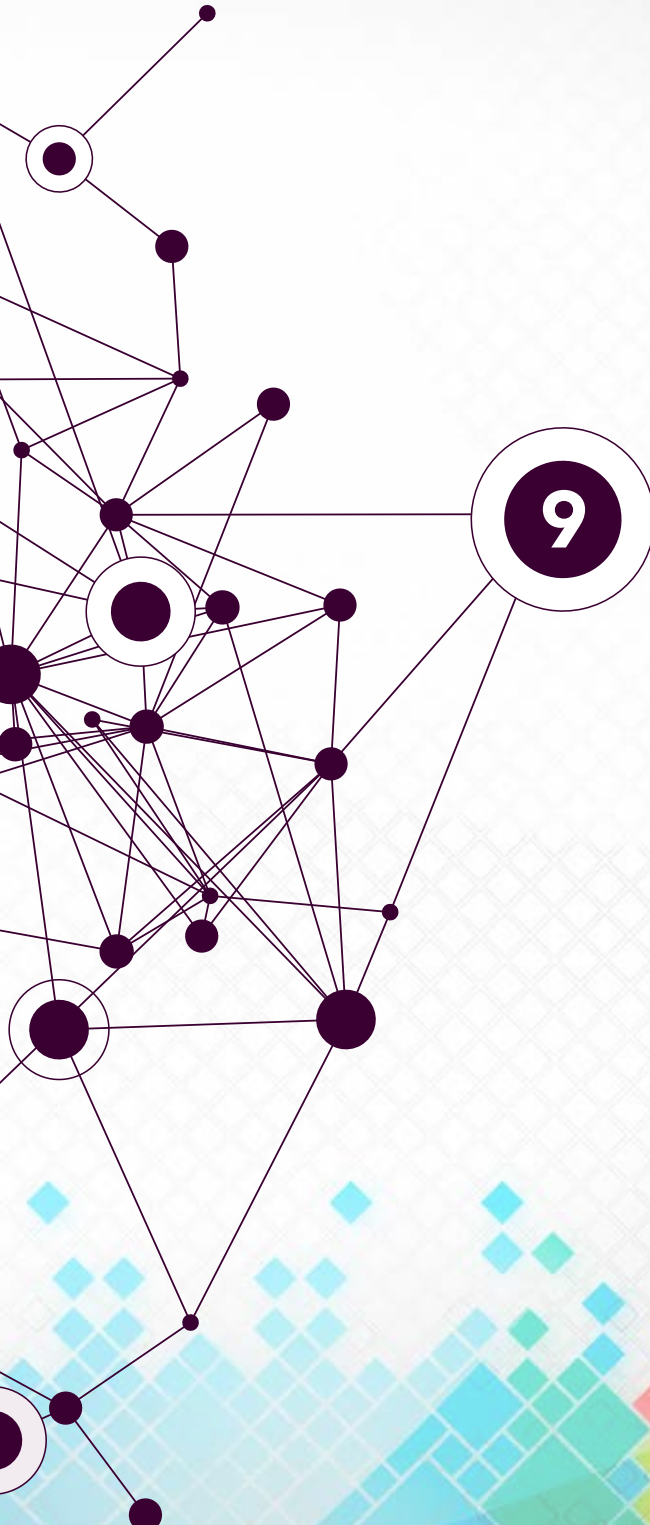
Commission / Council Meetings	
COCOM Data Working Group (WG)	September
COCOM Implementation of Mobile Satellite Services WG	January / May
COCOM Plenary	March / June / September
Connecting Europe Facility – Telecom Expert Group	July
Digital Agenda for Europe – High-Level Group Meeting	June
Digital Action Day	September
Digital Champion Meeting	March
eCommerce Expert WG	September / November
ENISA Expert Group Meeting	June / October
eSignatures Meeting	May / June / October
Galileo	July
High-Level Internet Governance Meeting	February / September / October
'ICT For All' Managing CTLCs	February / April / November
Postal Directive Committee	June / December
Radio Spectrum Committee (RSCOM)	March / July / September / December
Radio Spectrum Policy Group (RSPG)	January / February / June / November
RSPG ad-hoc meeting on the future of the UHF band	January
RSPG Consultation Meeting with the Defense Sector	June
RSPG Informal Meeting	September
RSPG review of RSPP WG	December
Seminar for National Judges	November
Telecoms Council Working Party	January / March / April / May / July
Transport, Telecommunications and Energy Council Meeting	June / November
Workshop on Spectrum Planning for 5G	November

Regulatory Meetings	
BEREC End-User Expert WG	September
BEREC / IRG (Independent Regulators Group) Plenary	February / June / September / December
BEREC / IRG Capacity Building Workshop	April
BEREC / IRG Contact Network	February / May / September / November
BEREC Market & Economic Analysis WG	January / April / September / October
BEREC Net Neutrality WG	January / June / July / October
BEREC Regulatory Framework WG	January
BEREC Remedies WG	October
BEREC Smart Grid Work Stream Meeting	March
BEREC SMS Termination Expert WG	December
BEREC Termination Rates WG	January / October
CEPT Electronic Communications Committee	March
CEPT Naming and Numbering Expert WG	April / October
ERGP Contact Network	May / October
ERGP Cross-border Parcel Delivery WG	April / September
ERGP Plenary	June / November
ERGP Regulatory Market Postal Statistics	May

Other Meetings	
Be SmartOnline 2 – Insafe Training	March / September
BeSmartOnline 2	March / May / June
Bilateral Frequency Coordination Meeting	April / July
EuroConsult Satellite Business Conference – Earth Observation Business Summit	September
Florence School of Regulation	February / April
Future Internet Forum	October
GSMA Mobile Congress	February
IBC Conference 2014	September
Internet of Things World Forum 2014	November
ITU Coordination Meeting for the Digital Terrestrial Television Service	September
ITU CPG Meeting	September
ITU World Radiocommunications Seminar 2014	December
Malta-China Joint Commission on Trade and Economic Cooperation	July / December
NetWorld 2020 GA 2014	December
Safer Internet Forum 2014	November
Unite-IT	June / September / November







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# LIST OF CONSULTATIONS AND DECISIONS

## CONSULTATIONS

- MCA Consultation on the assignment process for additional spectrum for wireless broadband – **March**
- Proposed Decision on the review of GO plc's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2010 – **April**
- Updated report on consultation and decision – A framework for premium rate services in the 5 numbering range – **May**
- Proposed changes to the spectrum allocations and licensing regime for radio microphones due to the introduction of wireless broadband services in the 800 MHz band – **June**
- Wholesale access to data for the provision of publicly available directory information services: Consultation & proposed decision – **July**
- Market analysis of retail access to the public telephone network at a fixed location – **September**
- Consultation on the universal service obligations on electronic communication services – **November**
- Proposed decision on the source of funding for the net cost incurred in providing universal service obligations during 2010 – **November**

## DECISIONS

### **Decisions issued relating to breaches of end-user provisions**

- Decision relating to the MCA fining Melita plc following a case of non-compliance with its termination procedure – **July**
- Decision relating to the MCA fining Melita plc for non-compliance with termination procedure requirements – **December**

### **Decisions issued relating to inter-operator complaints, disputes and to own initiative investigations taken by the Authority**

- Decision taken by the MCA further to the complaint filed by Melita plc on the alleged breach by GO plc of the MCA's regulatory decision entitled "Pricing of leased lines and ethernet connections" – **November**

### **Regulatory Decisions**

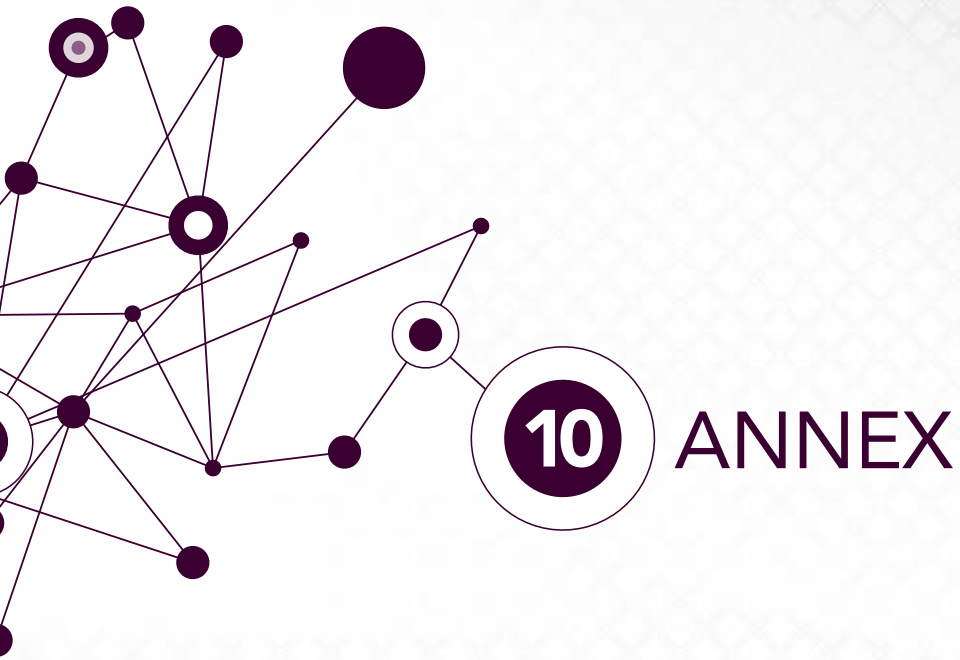
- Decision on the quality of service requirements and targets for the universal postal service covering the period October 2013 – September 2016 – **January**
- Decision on the provision of itemised bills in the fixed and mobile telephony sectors – **January**
- Decision on the market review for parcel post markets – **March**
- Decision on the definition, assessment of competition and regulation of mobile voice call termination markets in Malta – **March**
- Decision on the bottom-up cost model for mobile networks and mobile interconnection pricing – **March**
- Decision on the market definition, assessment of competition and regulation of call termination on individual public telephone networks in Malta – **April**
- Decision on the assignment process for additional spectrum for wireless broadband – **September**
- Decision on the review of GO plc's application for funding of the USO net cost claimed to have been incurred during 2010 – **October**

### **Amendment to licences for the rights of use of radio frequencies**

Amendment to licences for the rights of use of radio frequencies in the 2.1 GHz band to introduce new technologies – **July**







## FREE MCA WI-FI HOTSPOTS ACROSS MALTA &amp; GOZO

Locality	Address
<b>Attard</b>	Hal Warda Garden
<b>Attard</b>	Kola Square
<b>Attard</b>	San Anton Gardens
<b>Attard</b>	Station Garden
<b>Attard</b>	Tumas Dingli Square
<b>Baħar iċ-Ċagħaq</b>	Recreational Area
<b>Balzan</b>	Bertu Fenech Square
<b>Birgu</b>	Victory Square
<b>Birkirkara</b>	Mrieħel School
<b>Birkirkara</b>	Train Station's Park
<b>Birżebbuġa</b>	Pretty Bay
<b>Bormla</b>	Paolino Vassallo Square
<b>Bormla</b>	Primary School
<b>Ċirkewwa</b>	Ferry Terminal
<b>Dingli</b>	Dingli Bus Terminus
<b>Fgura</b>	R. Miller Square
<b>Floriana</b>	Education Information Centre
<b>Floriana</b>	Public Library
<b>Floriana</b>	The Granaries
<b>Fontana</b>	Fountain Street
<b>Għajnsielem</b>	Our Lady of Loreto Square
<b>Għarb</b>	Ta' Dbiegi
<b>Għargħur</b>	Peace Gardens
<b>Għasri</b>	Saviour Square
<b>Għaxaq</b>	St Rocco Zone
<b>Gudja</b>	Public Library
<b>Gżira</b>	Council of Europe Gardens
<b>Gżira</b>	Local Council Activities Centre
<b>Hamrun</b>	St Paul Square
<b>Iklin</b>	Guze Ellul Mercer Street
<b>Isla</b>	Victory Street
<b>Kalkara</b>	Archbishop Gonzi Square
<b>Kerċem</b>	Orvieto Square
<b>Kirkop</b>	Community Playing Field
<b>Kirkop</b>	St Leonard Square
<b>Lija</b>	Transfiguration Square

Locality	Address
<b>Luqa</b>	Football Grounds
<b>Luqa</b>	St Vincent de Paul Residence
<b>Marsa</b>	Open Centre
<b>Marsalforn</b>	Menqa
<b>Marsaskala</b>	Mifsud Bonnici Square
<b>Marsaxlokk</b>	Our Lady of Pompeii Square
<b>Mdina</b>	St Paul's Square
<b>Mellieħa</b>	Dun Anton Debono Gardens
<b>Mġarr</b>	Public Garden in Mons. O. Vella Street
<b>Mġarr (Gozo)</b>	Mġarr Terminal
<b>Mosta</b>	Rotunda Square
<b>Mqabba</b>	Tfal ir-Raħal Gardens
<b>Mqabba</b>	Primary School
<b>Msida</b>	Mater Dei Hospital (Outpatients, Foyer, Emergency Areas and Canteen)
<b>Msida</b>	Menqa Square
<b>Mtarfa</b>	Town Square
<b>Munxar</b>	Profs. Ġużè Aquilina Street
<b>Nadur</b>	St Peter and St Paul Square
<b>Naxxar</b>	Giovanni Curmi Higher Secondary School
<b>Naxxar</b>	Toni Vella Gardens
<b>Paola</b>	Antoine de Paule Square
<b>Paola</b>	Sant' Ubaldesca Square
<b>Paola</b>	Vittoriosa Lawn Tennis Club
<b>Pembroke</b>	Mother Theresa of Calcutta Gardens
<b>Pembroke</b>	Pembroke Gardens
<b>Pietà</b>	Marina Gardens
<b>Qala</b>	Family Gardens
<b>Qawra</b>	Access Centre
<b>Qawra</b>	Salini
<b>Qormi</b>	De La Cruz Garden
<b>Qormi</b>	Frederic Maempel Garden
<b>Qormi</b>	Grandmaster Square
<b>Qormi</b>	Southern Region Offices
<b>Qrendi</b>	Dama Cecilia Garden



Locality	Address
<b>Rabat</b>	National Archives
<b>Rabat</b>	Parish Square
<b>Rabat (Gozo)</b>	Independence Square
<b>Rabat (Gozo)</b>	Sir Mikelaġ Refalo Centre for Further Studies
<b>Safi</b>	Day Care Centre
<b>San Ġwann</b>	Awrekarja Square
<b>San Ġwann</b>	Il-Ward Square
<b>San Ġwann</b>	Karen Grech Garden
<b>San Ġwann</b>	Misraħ Lewża Garden
<b>San Ġwann</b>	Primary School
<b>San Ġwann</b>	St Margaret Square
<b>San Ġwann</b>	Taž-żwejt Area
<b>San Lawrenz</b>	St Lawrence Square
<b>Siġġiewi</b>	St Nicholas Square
<b>Sliema</b>	Bisazza Street
<b>Sliema</b>	Independence Gardens
<b>Sliema</b>	Primary School
<b>Sliema</b>	Public Library
<b>Sliema</b>	Qui-Si-Sana Gardens
<b>Sliema</b>	St Anne Square
<b>St Julians</b>	Balluta Square
<b>St Julians</b>	Millennium Chapel
<b>St Julians</b>	St George's Bay
<b>St Luċija</b>	7th July Square
<b>St Paul's Bay</b>	Buġibba Square
<b>St Paul's Bay</b>	Buġibba Terminal
<b>St Paul's Bay</b>	Primary School
<b>St Venera</b>	Romeo Romano Gardens
<b>Swatar</b>	Swatar Playing Field
<b>Swieqi</b>	Civic Centre Gardens
<b>Swieqi</b>	St Andrew Gardens
<b>Ta' Qali</b>	Adventure Park
<b>Ta' Qali</b>	National Park
<b>Ta' Sannat</b>	St Margerita Square
<b>Ta' Xbiex</b>	Ta' Xbiex Waterfront

Locality	Address
<b>Tarxien</b>	Garden in Annettu Caruana Street
<b>Valletta</b>	Lower Barrakka
<b>Valletta</b>	Mattia Preti Square
<b>Valletta</b>	National Library
<b>Valletta</b>	Passports Office
<b>Valletta</b>	St George Square
<b>Valletta</b>	Upper Barrakka Gardens
<b>Xaghra</b>	Victory Square
<b>Xewkija</b>	St John the Baptist Square
<b>Xghajra</b>	Public Library
<b>Xlendi</b>	St Simon Street
<b>Żabbar</b>	Council Garden
<b>Żebbuġ</b>	St Philip Square
<b>Żebbuġ (Gozo)</b>	Assunta Square
<b>Żejtun</b>	St Gregory Garden
<b>Żurrieq</b>	Ġibjun Garden
<b>Żurrieq</b>	Student Adrian Borg Garden
<b>Żurrieq</b>	Wied Babu Street





11

# FINANCIAL STATEMENTS

GENERAL INFORMATION

REPORT OF THE MEMBERS OF THE AUTHORITY

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE 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

Dr. E. Woods (Chairman)  
Mr. G. Vella  
Mr. P. Cavlan\*  
Ms. S. Kennard  
Dr. A. Mizzi

## BANKERS

Bank of Valletta p.l.c.  
Preluna Towers  
Tower Road  
Sliema  
Malta

HSBC Bank Malta p.l.c.  
17, Lascaris Wharf  
Valletta VLT 1921  
Malta

APS Bank Ltd.  
APS Centre  
Tower Street  
Birkirkara BKR 4012  
Malta

## HEAD OFFICE

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
Malta

## AUDITOR

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

\* Dr. Joe Cilia was appointed to the MCA board in February 2015 following Mr. Cavlan's resignation.

# REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Authority submit their annual report together with the audited financial statements for the year ended 31 December 2014.

## 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. The Malta Communications Authority was nominated as the competent entity under the E-Commerce Act as from 10 May 2002 as per L.N.110 of 2002.

The Malta Communications Authority became responsible for the Postal Services Act (Cap 259) as from 1 June 2003 as per L.N. 129 of 2003.

## RESULTS

By virtue of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta, authorised undertakings shall pay the Authority administrative charges to cover the costs of Regulating Electronic Communications 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 EUR9,809,419 (2013: EUR9,246,138) out of which licensing and usage fees for scarce resources, amounting to EUR5,472,719 (2013: EUR5,105,385) were transferred to the Government of Malta. After meeting all expenditure of EUR4,326,846 (2013: EUR4,141,388) the Authority closed off the year with a surplus, net of taxation, of EUR23,335 (2013: EUR23,940).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR618,440 (2013: EUR663,143) has been deducted from usage fees for scarce resources forwarded to the Government of Malta.

## MEMBERS OF THE AUTHORITY

The Members who served during the year under review were as noted on page 88.

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.

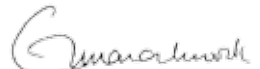
## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE AUTHORITY

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.

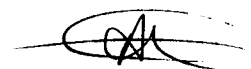
## AUDITOR

Ernst & Young Malta Limited 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:



**Dr E. Woods**  
Chairman



**Dr A. Mizzi**  
Member

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
Malta

24 March 2015

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALTA COMMUNICATIONS AUTHORITY

We have audited the financial statements of Malta Communications Authority set out on pages 92 to 106 which comprise the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As described in the statement of members' responsibilities on page 89, the members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S 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 auditor's 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.

## OPINION

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

*This copy of the audit report has been signed by Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

24 March 2015

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 EUR	2013 EUR
<b>Income</b>			
Revenues	3	<b>9,787,499</b>	9,244,298
Other income	4	<b>21,920</b>	1,840
		<b>9,809,419</b>	9,246,138
<b>Expenditure</b>			
Staff costs	5	<b>(2,410,273)</b>	(2,221,150)
Depreciation	10	<b>(190,221)</b>	(153,582)
Operating and administrative expenses	6	<b>(1,726,352)</b>	(1,766,656)
<b>Operating surplus</b>			
Finance income	7	<b>17,798</b>	31,182
		<b>5,500,371</b>	5,135,932
Transfers to Government	8	<b>(5,472,719)</b>	(5,105,385)
Surplus before taxation		<b>27,652</b>	30,547
Taxation	9	<b>(4,317)</b>	(6,607)
<b>Surplus for the financial year</b>			
Other comprehensive income		–	–
<b>Total comprehensive income for the year, net of tax</b>		<b>23,335</b>	23,940

The accounting policies and explanatory notes on pages 95 to 106 form an integral part of the financial statements.



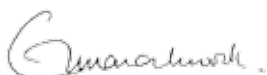
# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2014

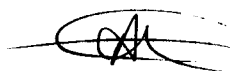
	Notes	2014 EUR	2013 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	279,515	242,349
<b>Current assets</b>			
Trade and other receivables	11	1,649,542	1,621,357
Income tax receivable		81,611	118,410
Cash and short-term deposits	15	2,544,637	2,197,917
		<b>4,275,790</b>	<b>3,937,684</b>
<b>TOTAL ASSETS</b>		<b>4,555,305</b>	<b>4,180,033</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserve</b>			
Retained earnings	12	700,680	677,345
<b>Current liabilities</b>			
Trade and other payables	13	3,854,625	3,502,688
<b>Total liabilities</b>		<b>3,854,625</b>	<b>3,502,688</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,555,305</b>	<b>4,180,033</b>

The accounting policies and explanatory notes on pages 95 to 106 form an integral part of the financial statements.

The financial statements on pages 91 to 106 have been authorised for issue by the Members on the 24 March 2015 and were signed on their behalf by:



**Dr E. Woods**  
Chairman



**Dr A. Mizzi**  
Member

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Retained earnings EUR</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2014</b>	
Balance as at 1 January 2014	677,345
Surplus for the year	23,335
Other comprehensive income	–
Total comprehensive income	23,335
<b>Balance at 31 December 2014</b>	<b>700,680</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2013</b>	
Balance as at 1 January 2013	653,405
Surplus for the year	23,940
Other comprehensive income	–
Total comprehensive income	23,940
<b>Balance at 31 December 2013</b>	<b>677,345</b>

*The accounting policies and explanatory notes on pages 95 to 106 form an integral part of the financial statements.*

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 EUR	2013 EUR
<b>Operating activities</b>			
Surplus before taxation		27,652	30,547
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		190,221	153,582
Transfers to Government		5,472,719	5,105,385
(Gain)/loss on disposal of property, plant and equipment		(6,500)	36
Movement in provision for bad and doubtful debts		–	(20,335)
Finance income		(17,798)	(31,182)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(70,774)	132,349
(Decrease)/increase in trade and other payables		(54,390)	97,569
		5,541,130	5,469,951
Interest received		21,655	31,582
Income tax paid		(11,695)	(80,841)
Income tax received		44,177	–
<b>Net cash flows from operating activities</b>		<b>5,595,267</b>	<b>5,418,692</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(227,387)	(81,439)
Proceeds from disposal of property, plant and equipment		6,500	–
<b>Net cash flows used in investing activities</b>		<b>(220,887)</b>	<b>(81,439)</b>
<b>Financing activities</b>			
Funds paid to Government		(5,027,660)	(5,625,910)
<b>Net cash flows used in financing activities</b>		<b>(5,027,660)</b>	<b>(5,625,910)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>346,720</b>	<b>(288,657)</b>
Cash and cash equivalents at 1 January		2,197,917	2,486,574
<b>Cash and cash equivalents at 31 December</b>	15	<b>2,544,637</b>	<b>2,197,917</b>

The accounting policies and explanatory notes on pages 95 to 106 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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.

### 2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

#### **Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year.**

The Authority has adopted the following new and amended IFRS and IFRIC interpretations:

- IAS 27 – Separate financial statements (effective for financial years beginning on or after 1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014)
- IAS 32 (Amendments) – Financial instruments: Presentation: Offsetting financial assets and financial liabilities (effective for financial years beginning on or after 1 January 2014)
- IAS 36 (Amendments) – Recoverable Amount Disclosures for Non-Financial (effective for financial year beginning on or after 1 January 2014)
- IAS 39 (Amendments) – Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014)
- IFRS 10 – Consolidated financial statements (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 January 2014)
- IFRS 11 – Joint Arrangements (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 January 2014)
- IFRS 12 – Disclosures of interests in other entities (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 January 2014)
- IFRS 10, IFRS 11, and IAS 27 (Amendments) – Investment Entities (effective for financial years beginning on or after 1 January 2014)
- IFRIC 21 – Levies (effective for financial years beginning on or after 1 January 2014)

The adoption of the standards or interpretations above did not have an impact on the financial statements or performance of the Authority.

#### **Standards, interpretations and amendments to published standards as endorsed by the European Union that are not yet effective.**

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

- IAS 19 (Amendment) – Defined benefit plans: employee contributions (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRSs 2010-2012 – (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRSs 2011-2013 – (effective for financial years beginning on or after 1 July 2014)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Authority.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Standards, interpretations and amendments to published standards that are not yet endorsed by the European Union

These are as follows:

- IAS 1 (Amendments) – Disclosure initiative, (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 (Amendment) – Clarification of acceptable methods of depreciation and amortisation, (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 41 (Amendment) – Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- IAS 27 (Amendment) – Equity method in separate financial statements (effective for financial years beginning on or after 1 July 2016)
- IFRS 9 Financial Instruments – Including subsequent amendments to IFRS 9 and IFRS 7 (effective for financial years beginning on or after 1 January 2018)
- IFRS 10 and IAS 28 (Amendment) – Sale or contribution of assets between an investor and its associate or joint venture (effective for financial years beginning on or after 1 July 2016)
- IFRS 10, IFRS 12 and IAS 28 (Amendment) – Investment Entities: Applying the consolidation exception, (effective for financial years beginning on or after 1 January 2016)
- IFRS 11 (Amendment) – Accounting for acquisitions of interests in joint operations (effective for financial years beginning on or after 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 – Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2017)
- Improvements to IFRS 2012-2014 - (effective for financial years beginning on or after 1 January 2016)

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 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 statement of comprehensive income over the year to which the licence relates. The unexpired portion of annual fees billed in advance is recognised as deferred income in the statement of financial position.

Administration charges consist of amounts receivable from operators in respect of costs incurred by the Authority in ensuring compliance with the regulatory framework. Such revenue is recognised in the statement of comprehensive income over the year in which the related charges are incurred.

Usage fees consist of amounts collected by the Authority for rights of use of scarce resources as established under Part B of the Eighth Schedule of the Electronic Communications Networks and Services (General) Regulations, 2013 (SL399.28). Revenue is recognised in the statement of comprehensive income over the year during which the respective scarce resources were being utilised.

Postal licensing fees consist of licences collected by the Authority in accordance with the First Schedule to the Postal Services General Regulations of 2005 (LN328/05). Such revenue is recognised in the statements of comprehensive income over the year to which the license relates.

Government subvention contributed to the Authority through a vote in parliament is accrued for in accordance with the Authority's approved budget for the year.

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 losses. 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 statement of comprehensive income 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.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment *(continued)*

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 statement of comprehensive income 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 statement of financial position 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 statement of financial position 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 statement of cash flows, 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.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ISS unutilised subvention

Information Society Services (ISS) is financed via an annual Government Subvention which is used to finance all ISS related work-streams together with any required ISS related Capital Expenditure. The accounting surplus, net of tax, resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received is either transferred back as due to Government or deferred for utilisation in subsequent accounting period.

### 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 date of the statement of financial position.

### 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 statement of financial position 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 reporting date.

Deferred tax is recognised as income or expense and included in the statement of comprehensive income 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 statement of financial position date. All resulting differences are taken to the statement of comprehensive income.

### Related parties

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

### Cost Apportionment Methodology

In 2011, the Authority revised its cost apportionment methodology with respect to the apportionment of indirect costs levied on the Authority's various activities. Indirect costs are being allocated on various activities other than Electronic Communication Activities using a modified incremental cost model which utilises staff time recordings based on monthly time sheets as its main cost driver. All remaining direct related costs are directly apportioned to the activity to which they pertain.

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the members are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the members, the accounting estimates, assumptions and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised)- 'Presentation of financial statements'.



### 3. REVENUES

The revenues generated by the Authority are made up of:

	2014	2013
	EUR	EUR
Telecommunications, postal licensing and right of way (note i, ii)	810,481	774,636
Administrative charges	2,803,872	2,737,989
Usage fees for scarce resources (note ii)	4,565,653	4,484,420
Application fees and other income	1,165,869	805,346
Government subvention (note iii)	441,624	441,907
	<b>9,787,499</b>	<b>9,244,298</b>

- i. 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 Authority for Transport in Malta.
- ii. 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 8), except for an amount of EUR618,440 (2013: EUR663,143) intended to finance expenses incurred by the Authority not in connection with electronic communications.
- iii. The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament.

### 4. OTHER INCOME

Other income relates to fines imposed by the Authority in 2014, where such fines had amounted to EUR21,920 (2013: EUR1,840).

### 5. EMPLOYEE INFORMATION

#### a. Staff costs

The total employment costs were as follows:

#### The Authority

	2014	2013
	EUR	EUR
Members' emoluments	34,800	29,476
Wages and salaries	1,977,608	1,923,762
Social security costs	117,706	112,302
Authority's staff costs recharged to ISS operations (note i)	(81,375)	(79,010)
Authority's staff costs recharged to EU funded projects	(1,346)	(3,004)
	<b>2,047,393</b>	<b>1,983,526</b>

- i. This amount relates to staff costs incurred by the Authority for ISS related activities. This is included in ISS operating and administrative expenses in note 6.

## 5. EMPLOYEE INFORMATION (continued)

## Others:

## ISS

	2014	2013
	EUR	EUR
Wages and salaries	338,683	217,649
Social security costs	22,851	16,971
ISS staff costs recharged to EU funded projects	(172,851)	(68,036)
	188,683	166,584
<b>EU funded projects</b>		
Staff costs recharged by the Authority	1,346	3,004
Staff costs recharged by ISS	172,851	68,036
	174,197	71,040
<b>Total staff costs</b>	<b>2,410,273</b>	<b>2,221,150</b>

## b. Staff numbers

The average number of persons employed full time by the Authority during the year amounted to 74 (2013: 73). In addition, the Authority also employed an average of 4 persons on a new EU funded project launched throughout the year.

## 6. OPERATING AND ADMINISTRATIVE EXPENSES

	2014	2013
	EUR	EUR
<b>The Authority</b>		
Outsourced project costs	214,915	377,682
Corporate administrative expenses	547,058	540,828
Public relations and communications	126,760	72,983
Travelling expenses	67,595	64,383
Decrease in provision for doubtful debts	–	(20,335)
Auditor's remuneration	10,072	10,129
Rental expenses	101,695	72,086
(Gain)/loss on disposal of property, plant and equipment	(6,500)	36
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	166,724	157,563
Bad debts	601	20,335
	1,228,920	1,295,690

**6. OPERATING AND ADMINISTRATIVE EXPENSES***(continued)*

	2014	2013
	EUR	EUR
<b>Others:</b>		
<b>ISS</b>		
Public relations and communications	6,485	8,189
Travelling expenses	2,361	4,510
Auditor's remuneration	1,374	1,317
Professional fees	42,847	43,741
Bank charges	81	114
Staff costs recharged by the Authority (note 5)	81,375	79,010
Corporate administrative expenses	34,814	32,490
Outsourced project costs	133,177	139,072
Rental expenses	13,909	8,412
Self-financing portion of EU projects	16,701	17,615
	<b>333,124</b>	<b>334,470</b>
<b>EU funded projects</b>		
Travelling expenses	12,360	8,038
Consultancy	10,803	675
Outsourced project costs	141,145	127,783
	<b>164,308</b>	<b>136,496</b>
<b>Total operating and administrative expenses</b>	<b>1,726,352</b>	<b>1,766,656</b>

**7. FINANCE INCOME**

	2014	2013
	EUR	EUR
On cash and short-term deposits	9,949	14,684
On amounts due from debtors	7,849	16,498
	<b>17,798</b>	<b>31,182</b>

**8. TRANSFERS TO GOVERNMENT**

These amounts represent the gross telecommunications, postal licensing and rights of way income, usage fees for rights of use of scarce resources and radio communication licences included as part of application fees and other income, 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.

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to EUR618,440 (2013: EUR663,143).

**9. TAXATION**

	2014	2013
	EUR	EUR
Current tax	4,317	6,607
Deferred tax (note i)	–	–
	<b>4,317</b>	<b>6,607</b>

- 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 EUR14,288 (2013: EUR39,186) has not been accounted for in these financial statements.

The taxation on surplus on ordinary activities differs from the theoretical taxation expense that would apply on the Authority's surplus before transfers to Government and taxation using the applicable tax rate in Malta of 35% (2013: 35%) as follows:

	2014	2013
	EUR	EUR
Surplus before transfers to Government and taxation	5,500,371	5,135,932
Theoretical taxation expense at 35%	1,925,130	1,797,576
Tax effect of		
– non-deductible expenses	–	(7,104)
– income not subject to tax	(1,916,358)	(1,790,082)
– excess of capital allowances over depreciation	(3,449)	7,327
– income subject to different tax rates	(1,006)	(1,110)
	<b>4,317</b>	<b>6,607</b>

**10. PROPERTY, PLANT AND EQUIPMENT**

	Building improvements	Computer equipment	Fixture, fitting & equipment	Motor vehicle	Total
	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>					
At 1 January 2013	289,361	1,120,132	357,112	59,386	1,825,991
Additions	950	66,373	14,116	–	81,439
Disposals	–	(3,079)	(364)	–	(3,443)
At 31 December 2013	290,311	1,183,426	370,864	59,386	1,903,987
Additions	21,933	127,054	54,400	24,000	227,387
Disposals	–	(39,751)	(11,320)	(19,799)	(70,870)
<b>At 31 December 2014</b>	<b>312,244</b>	<b>1,270,729</b>	<b>413,944</b>	<b>63,587</b>	<b>2,060,504</b>
<b>Depreciation</b>					
At 1 January 2013	288,642	866,288	297,147	59,386	1,511,463
Depreciation charge for the year	431	136,231	16,920	–	153,582
Disposals	–	(3,079)	(328)	–	(3,407)
At 31 December 2013	289,073	999,440	313,739	59,386	1,661,638
Depreciation charge for the year	4,816	156,162	24,443	4,800	190,221
Disposals	–	(39,751)	(11,320)	(19,799)	(70,870)
<b>At 31 December 2014</b>	<b>293,889</b>	<b>1,115,851</b>	<b>326,862</b>	<b>44,387</b>	<b>1,780,989</b>
<b>Net book value</b>					
<b>At 31 December 2014</b>	<b>18,355</b>	<b>154,878</b>	<b>87,082</b>	<b>19,200</b>	<b>279,515</b>
At 31 December 2013	1,238	183,986	57,125	–	242,349

**11. TRADE AND OTHER RECEIVABLES**

	2014	2013
	EUR	EUR
Trade receivables (note i)	1,414,678	1,513,120
Accrued income	114,534	17,827
Prepayments	120,330	51,676
Amount due from government	–	38,734
	<b>1,649,542</b>	<b>1,621,357</b>

- i. Trade receivables are non-interest bearing and are generally on a 30 day term. Trade receivables are stated net of provision for doubtful debts which for 2014 was Nil (2013: EUR Nil).

	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	60-90 days	>90 days
	EUR	EUR	EUR	EUR	EUR	EUR
2014	1,414,678	1,247,433	–	92,245	1,565	73,435
2013	1,513,120	1,178,237	–	1,525	11,979	321,379

**12. RESERVE**

The balance on the retained earnings in the statement of financial position as at 31 December 2014 represents the resulting accumulated surplus over the years.

**13. TRADE AND OTHER PAYABLES**

	2014	2013
	EUR	EUR
Amount due to government	<b>419,885</b>	–
Deferred income (note i)	<b>2,467,783</b>	2,748,022
Accruals	<b>419,998</b>	372,364
Social security contributions and other taxes	<b>58,593</b>	56,036
Other payables (note ii)	<b>488,366</b>	326,266
	<b>3,854,625</b>	3,502,688

- i. Deferred income comprises the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR401,965 (2013: EUR540,701) 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, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.
- ii. Other payables consist of the following:
- Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.
  - Trade payables are non-interest bearing and are normally settled on 60-day terms.

**14. RELATED PARTY DISCLOSURES****Transactions with key management personnel**

During the year ended 31 December 2014, short term employee benefits to key management personnel amounted to EUR309,113 (2013: EUR322,277).

**Other related party transactions**

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

	2014	2013
	EUR	EUR
Government Subvention – ISS	441,624	441,907
Payments to Government of Malta	5,027,660	5,625,910

*Related party balances*

Outstanding balances with related parties at 31 December 2014 are disclosed in notes 11 and 13 on amount due from/to Government.

**15. CASH AND SHORT-TERM DEPOSITS**

	2014	2013
	EUR	EUR
Cash at bank and in hand	1,693,507	1,395,590
Short-term deposits	851,130	802,327
	2,544,637	2,197,917

**16. 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 EUR23,290 (2013: EUR23,290).



## 17. FINANCIAL INSTRUMENTS

At year-end, the Authority's main financial assets on the statement of financial position 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 statement of financial position consisted of trade and other payables. The Authority's off-balance sheet financial liabilities at year-end are described in note 16 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 statement of financial position 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.

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.

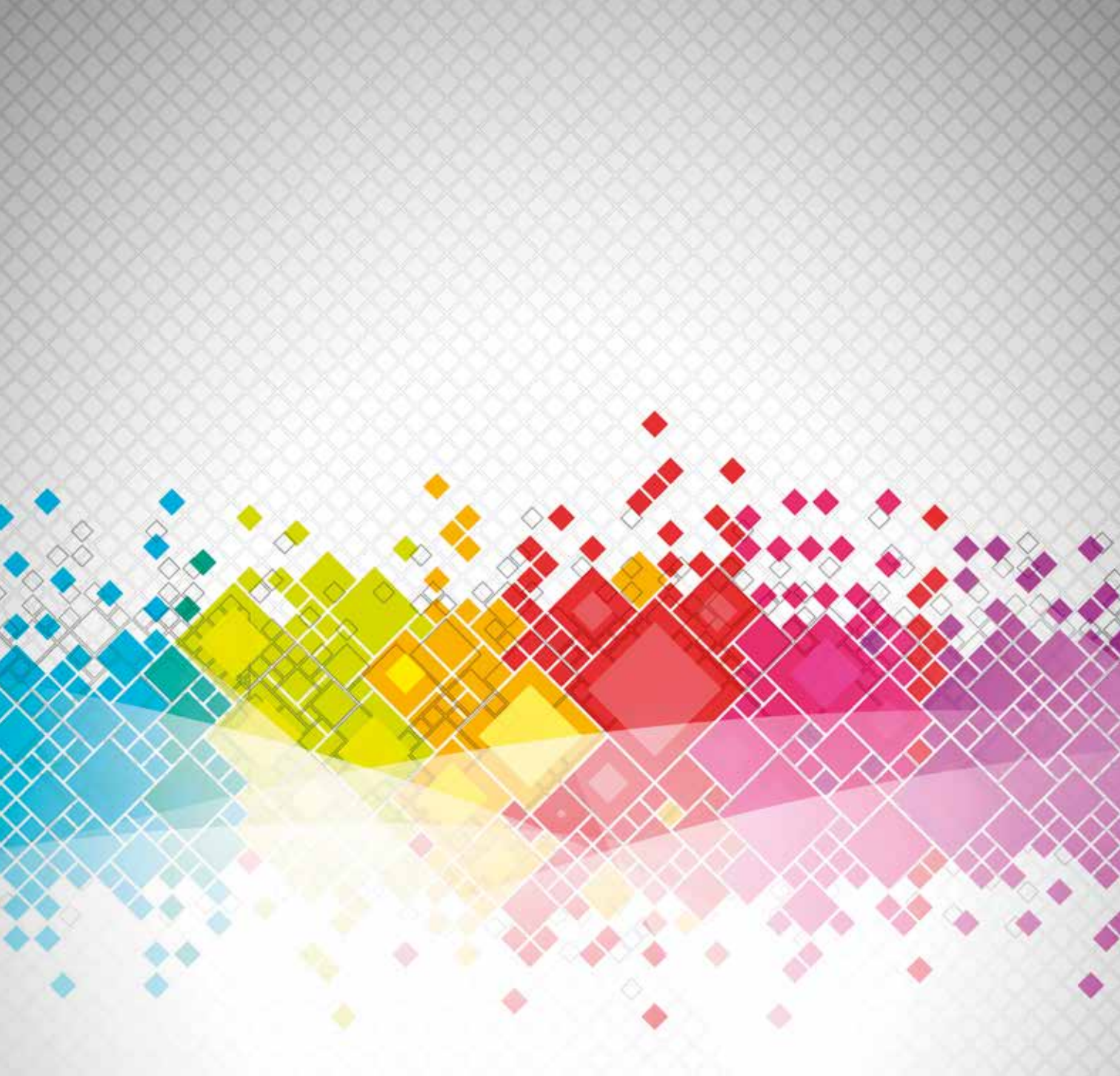
### Fair values

At 31 December 2014 and 31 December 2013 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values.

### 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 year.





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**MALTA COMMUNICATIONS AUTHORITY**





# MOBILE TELEPHONY

When comparing the first 6 months in 2011 to the first half of 2015\*:

- 14.5% increase in the number of mobile subscriptions.
- Mobile penetration increased by 13 percentage points, from 118.3% at the end of 2011 to a penetration rate of 131.3%, by the end of June 2015.
- 67.1% increase in the number of mobile calls, whilst the number of mobile minutes consumed increased by 66.8%.
- 9.1% decrease in the Average Revenue Per User (ARPU). In view of the fact that both the number of calls and minutes consumed increased dramatically, this is a clear indication that prices are on the decline and consumers are getting a far better deal.
- 88% of consumers are satisfied or highly satisfied with their mobile service.
- 88% of subscribers that have switched mobile operator have claimed the number portability process to be relatively easy.

During the first 6 months in 2015

262,644,261  
**MOBILE CALLS** WERE MADE

383,714,042  
**MOBILE MINUTES** WERE CONSUMED

Overall, MOBILE subscribers spent the equivalent of  
**35,300 HOURS**  
 or **1,470 DAYS**  
 worth of mobile telephony  
**EVERY DAY!**

VODAFONE (MALTA) launched  
**4G SERVICES** IN LATE 2013,  
 reaching mobile data speeds of up to  
**100Mbps** in certain localities.

GO will be LAUNCHING SIMILAR  
**services** LATER IN 2015.

\*In order to highlight specific trends, this document makes reference to statistics covering a four year period.



## FIXED TELEPHONY

When comparing the first 6 months in 2011 to the first half of 2015:

- 7.1% decrease in the Average Revenue Per User (ARPU).

**During the first 6 months in 2015**

77,564,728  
**FIXED CALLS** WERE MADE

273,795,118  
**FIXED MINUTES** WERE CONSUMED

Overall FIXED subscribers spent the equivalent of

**25,200**  
HOURS

or **1,050** DAYS  
on fixed telephony

**EVERY DAY!**





## FIXED AND MOBILE BROADBAND

- 23.5% increase in the number of fixed broadband subscriptions from the end of June 2011, to the same period in 2015.
- Around 33% of mobile subscribers are accessing mobile broadband services.
- 76% of households claim the Internet to be an indispensable service.
- Only 1% of those households that do not intend to get Internet access, cited affordability as the main reason.

### Malta vs EU (2014)

	Malta	EU
Fixed Broadband Coverage	100%	97%
NGA Coverage	100%	68%
Fixed Broadband Coverage (household)	79%	70%

During this 2 year period,  
Melita started offering fixed  
broadband services  
reaching speeds of up to  
**250Mbps**  
in certain localities.

Melita also offered high-speed  
mobile data services based on their  
Wi-Fi network and invested heavily  
in a new data centre.

GO started offering  
broadband speeds of up to  
**500Mbps**  
in certain localities.

GO started rolling-out a  
nationwide Fibre-to-the-Home  
(FTTH) network.



## PAY TV SERVICES

- IPTV services are growing in popularity. Such services were unavailable at the end of June 2011, but today account for 10.5% of all pay TV subscriptions.
- 68% of pay TV subscribers are satisfied or highly satisfied with the quality of their TV connection.

**GO & Melita**  
OFFERING  
**video-on-demand**  
SERVICES

**HD**  
SERVICES  
LAUNCHED

BOTH **GO & Melita**  
TV ANYWHERE TV EVERYWHERE  
offered packages that allow their customers to access  
**TV content**  
on **TABLETS** or **SMARTPHONES**  
via a Wi-Fi connection.



## POSTAL SERVICES

- 55.1% increase in parcel mail between June 2011 and June 2015. This could be a direct result of an increase in eCommerce activity.
- Other than MaltaPost, there are another 24 operators which are authorised to provide postal services falling outside the scope of the universal service, such as, express mail services.

**During the first 6 months in 2015:**

# 18,800,853

**POSTAL ITEMS**

WERE HANDLED  
IN MALTA & GOZO,  
EQUIVALENT TO

# 103,872

**ITEMS DAILY**

OF WHICH

1,216 ARE  
**PARCELS**

3,340 ARE  
**REGISTERED  
MAIL ITEMS**

62,044 ARE  
**BULK MAIL  
ITEMS**

37,272 ARE  
**LETTER MAIL  
ITEMS**

## BREAKING NEW GROUND IN THE SATELLITE TRANSMISSION MARKET – PLACING MALTA ON THE GLOBAL MAP



- The MCA's efforts in developing the satellite communications sector has borne fruit following the receipt of an application from a satellite operator to establish a satellite earth station to calibrate its existing network. Exploiting these space assets will undoubtedly benefit the local economy.

## STRENGTHENING MALTA'S INTERNATIONAL CONNECTIVITY

- The MCA has made strong inroads into strengthening Malta's international connectivity with the ultimate aim of increasing resiliency and rendering Malta a more attractive place for foreign investment. A detailed technical, economic and financial feasibility study for a new submarine cable is well underway.

## ENSURING CONSUMERS GET THE BEST DEAL OUT OF A COMPETITIVE MARKET

- The MCA adopts a proactive stance in anticipating issues that may harm consumers and seeks to ensure that the regulatory framework is sufficiently robust to safeguard against such practices.
- It ensures that consumers are well informed about their rights and about the offers available on the various communications markets.
- The Authority takes enforcement and sanctioning action against service providers in cases where the latter do not abide by any of the consumer protection rules in the regulatory framework.

**142 COMPLAINTS  
& 279 ENQUIRIES**

WERE ADDRESSED BY THE AUTHORITY  
BETWEEN JANUARY AND JUNE 2015.

**91% OF COMPLAINTS**

WERE ADDRESSED SATISFACTORILY IN  
LESS THAN 20 WORKING DAYS.

## ENCOURAGING SOCIAL INTEGRATION THROUGH ICT

The MCA drives a number of initiatives to ensure that ICTs generate a net benefit for society and that all society can benefit from its advances. Beyond the regulatory role of securing a sustainable infrastructure and service, the Authority works to ensure that everyone can access technology, is competent to use it safely to his or her own advantage and through its use, can leave a positive impact on the community.

The MCA coordinated and supported a host of training programmes or information sessions during the past two years, covering a wide range of topics including:

- Internet Banking;
- Use of tablets by the elderly and persons with a disability;
- Basic use of ICT applications;
- Communicating online: using social media;
- ICT at the workplace; and
- Digital technology in everyday life.

During the past 2 years,  
the MCA has provided  
training to approximately

**7,000**  
individuals

aged 25 years and over,  
approximately

**1.6%** of the  
Maltese population.

The amount of collective  
hours of training provided  
amount to

**114,560**  
HOURS,

that is,

**4,773**  
DAYS

or

**13 YEARS!**

Our initiatives targeted a number of vulnerable groups, including the elderly, persons with a disability and migrants. We also undertook other initiatives that targeted early school leavers.

Through its  
**BeSmartOnline!**

project, which is aimed at ensuring the safe use of the Internet by minors, the MCA has reached over

**12,500**

STUDENTS

who have benefited from a collective

**8,333**

HOURS OF TRAINING, the equivalent of 347 days!

Furthermore,

**1,100**

EDUCATORS

were also trained on the subject and enjoyed a collective

**5,500**

HOURS OF TRAINING, equivalent to 229 days!

A number of other students between the age of 7 and 17 benefited from a pilot initiative, which focused on coding. The pilot proved successful and will be rolled-out in different localities in 2015.

**WORKING TOWARDS INCREASING THE NATIONAL WI-FI FOOTPRINT**

The MCA also manages close to

**200 WI-FI HOTSPOTS**

across Malta and Gozo with the number expected to exceed

**300 BY 2016.**



## STRIVING TOWARDS A NETWORKED ENTERPRISE

The MCA works closely with local enterprises to ensure that the full potential of ICT is garnered for the benefit of the Maltese economy. It helps business understand ICT and its applications, and supports them to transform the challenges brought by technological disruption into opportunities and entrepreneurial success. Together with other key stakeholders, the Authority also strives to make Malta a state where the enterprise can grow through ICT enabled innovation.

- 46 organisations participated in the WebCheck project and obtained specialist advice on how to capitalise on social media platforms.
- 115 individuals participated in the MCA's 'entrepreneurship' programme, which is aimed at providing training to artisans and start-up companies on the use of social media for branding, marketing, product development and growth.
- The MCA eBusiness Awards are held annually in order to recognise unique and innovative ideas and initiatives in the use of web-based technologies and eBusiness for business and society at large.

**200**  
microenterprises  
benefited from specialised,  
tailor-made training on the use of ICT  
as an entrepreneurial tool and  
collectively engaged in  
**16,000**  
HOURS OF TRAINING,  
equivalent to 666 days!

### eCommerce Strategy 2014 – 2020 launched

During 2014,  
**55%** OF  
INTERNET USERS  
engaged in eCommerce  
activity, with  
28% purchasing monthly.  
55% spend up to  
€500 annually.

### BLINK

an online directory of  
eCommerce  
service providers  
was launched and  
contains over  
**100**  
SUPPLIERS

## FOSTERING INNOVATION IN COMMUNICATIONS

- A new function – ‘Innovation and Business Development’ was set up and focuses on the development and promotion of Malta as a vibrant business destination for communications innovation.
- The MCA is partnering with different stakeholders on a number of initiatives to be implemented in 2015 – 2016.

**Supporting  
home-grown  
innovation and  
entrepreneurship:**

in collaboration with the

**TAKEOFF**

incubation centre,  
the MCA launched  
a competitive seed  
funding opportunity and  
awarded approximately

**€20,000**

to a

**START-UP  
COMPANY**

following a competitive  
process.

The MCA brought together key experts during a one-of-a-kind conference, which focused on start-ups and the implications from business, policy and investment perspectives.

## CREATING GREATER INTERNAL EFFICIENCY EMPOWERING STAFF

- Internal restructuring resulted in a consolidation of functions, which led to a more streamlined approach to the Authority's operations, making it more effective and efficient.
- An internal audit confirmed the adequacy, effectiveness and efficiency of the MCA's policies and procedures.
- Increased focus nurturing a more team-friendly working environment; a social committee was set up and is regularly driving a number of social responsibility initiatives.

Bigger and improved offices

**MORE  
ENERGY  
EFFICIENT  
EQUIPMENT**

and practices which resulted in

**65%  
ANNUAL  
COST  
SAVINGS**

Family-friendly and work-life balance measures, such as flexi-time and teleworking feature firmly in the Authority's policies and procedures, which are continuously updated to meet the demands of today.