



Communications Market Review

January to June 2016

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1. Reporting parameters

This is the latest report in a series of Communications Market Review (CMR) publications from the Malta Communications Authority (MCA)¹, covering the period 2012 to December 2015. The report draws on quarterly and half-yearly data compiled by the MCA from network operators and service providers involved in the provision of electronic communications and postal services in Malta. This data is then utilised to develop key performance indicators (KPIs) for the relevant sectors.

Figure 1 below lists the network operators and service providers submitting data to the MCA.

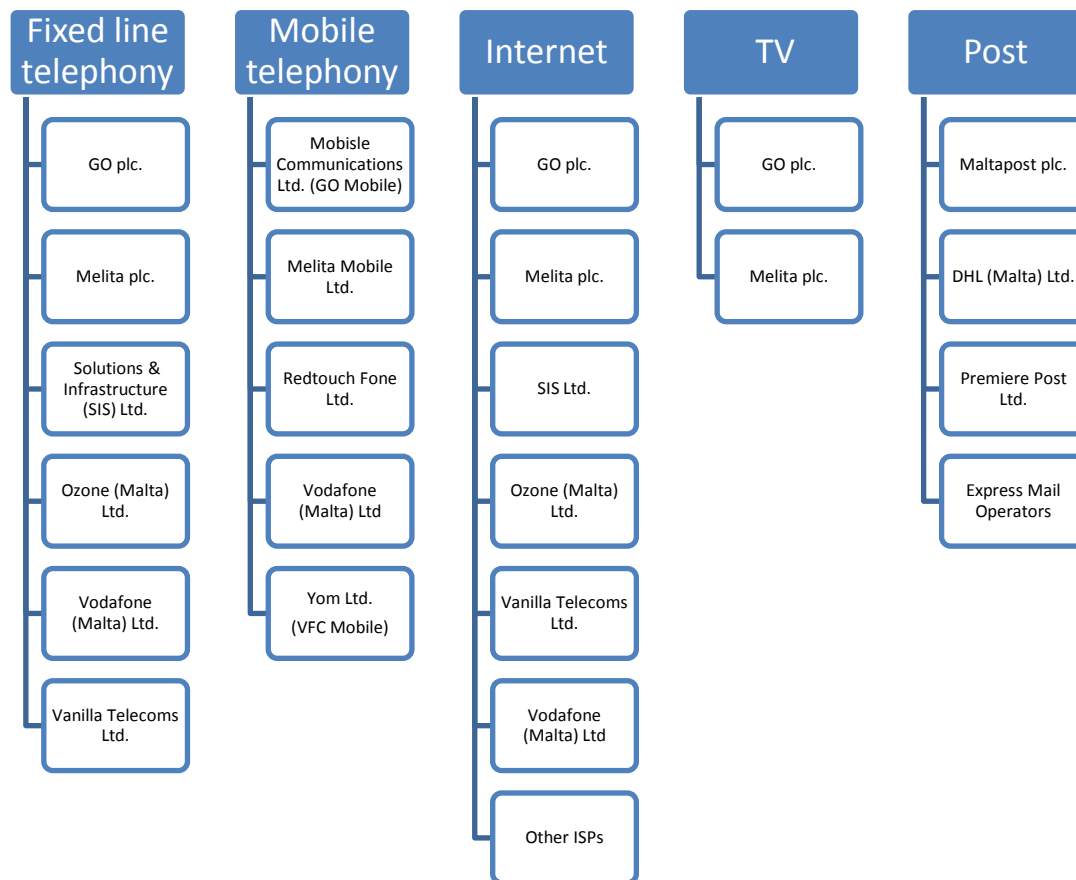


Figure 1: Operators providing quarterly data

This report also refers to findings extracted from publications of third parties in the areas of interest².

1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly and half-yearly basis for the period starting Q1 2012 and ending Q2 2016³.

¹ These publications are available electronically: <http://www.mca.org.mt/market-overview>

² References to information contained in other websites and quotes from third party sources, such as reference to Deutsche Post’s postal rate figures in Malta and the EU, should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA.

³ Previous MCA CMR publications are available to download for free from the MCA website by clicking [here](#).

The data cut-off date for implementing changes and updates in the data has been set on the 9th of September 2016. Any data revised and updated by the sources after the cut-off date will be incorporated in the forthcoming Data Report Sheet (DRS) publication envisaged for December 2016⁴.

1.2. The KPIs in this report

This report is composed of five sections dealing with trends observed for fixed line telephony, mobile telephony, Internet, pay TV and post. Figure 2 below highlights the list of indicators covered in this review.

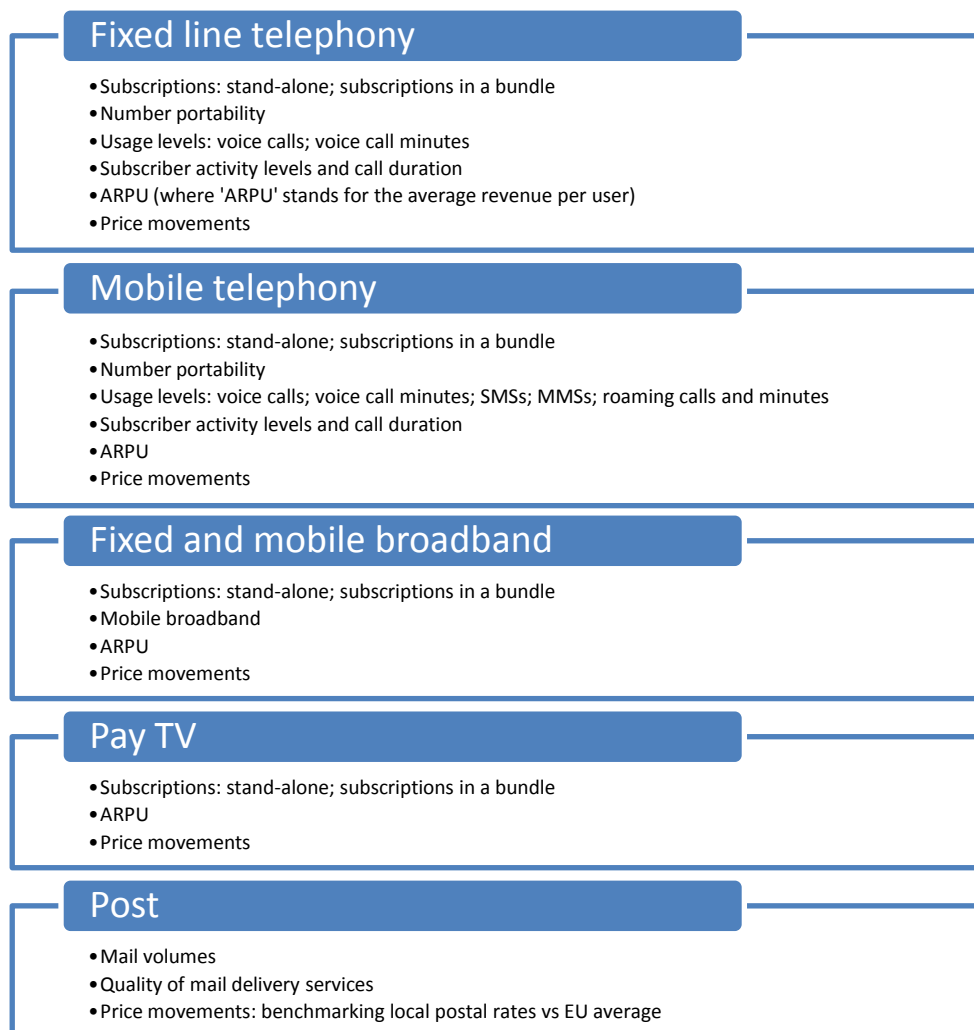


Figure 2: Key market indicators for electronic communications and post

⁴ The MCA publishes a DRS on a regular basis, the latest of which can be found on: http://mca.org.mt/publications?term_node_tid_depth=587

2. Key market outcomes

The first six months of 2016 witnessed growing demand for various electronic communication services, particularly in the case of mobile telephony and fixed broadband. Subscriber numbers for these two sectors increased steadily during this period, with the fixed broadband sector seeing a notable increase in connections allowing for super-fast download speeds⁵. On a general level, the proportion of end-users opting for a bundled subscription of several electronic communications services continued to strengthen.

The mobile sector saw a 2% increase in subscriptions over a 12-month period ending last June, with post-paid subscriptions jumping by 19,700 compared to a drop of around 9,300 pre-paid subscriptions. As a result, the proportion of post-paid subscriptions of the local mobile subscriber base consolidated during the current review period, rising by 2.9 percentage points between June 2015 and June 2016. Besides the increase in subscriptions, mobile voice call minutes went up by 4%, from 379.6 million reported in the first half of 2015 to 394.7 million reported in the first half of this year. This in contrast to a 0.5% dip recorded in the number of mobile voice calls and an 11.3% decline in the number of SMSs. Two possible factors leading to these trends are improved minute allowances and falling average rates per minute of communication.

Usage of mobile data services in the first six months of this year also strengthened when compared to the same period last year. In fact, the number of end-users actively using mobile broadband services was up by around 14,000 (or by 5.1%) between June 2015 and June 2016. This increase comes on the back of a rapid uptake of smart-phones, tablet computers and laptops, especially as local service providers continue offering such devices at discounted prices in combination with mobile telephony plans.

The rise in the number of voice call minutes coincides with a further drop in voice traffic volumes for fixed telephony, in line with fixed-to-mobile (FTM) substitution trends observed in recent years. The number of outgoing fixed line calls reported in the first half of 2016 was down by 8.7% compared to the same period a year earlier whilst the number of outgoing voice call minutes was down by 7.4%. Notably, however, the fixed line subscriber base strengthened in the 12-month period to the end of last June, with the number of subscriptions going up by 2,801 (or by 1.2%).

The positive developments for the mobile sector translated in improved revenue streams for local service providers offering these services. In fact, mobile telephony ARPU in the first half of 2016 stood at €87.19, up from €86.89 in the first half of the previous year. Meanwhile, fixed-to-mobile substitution pulled ARPU for the fixed line sector in the opposite direction, with this falling to €72.37 in the first half of 2016 from €76.42 in the first half of last year.

The first half of 2016 has also seen a notable increase in fixed broadband subscriptions, with more end-users getting superfast fixed broadband services. The number of fixed broadband subscriptions supporting superfast download speeds (i.e. download speeds of 30Mbps or higher) at the end of last June stood at almost 100,000. This figure is up by 9,349 (or by 10.3%) when compared to the number of such subscriptions recorded a year earlier. Underlying the considerable jump in take-up of superfast fixed broadband is the continued drive by service providers to upgrade existing customers to these products and the occasional offers and discounts that characterise this product range, particularly when subscribed for in a bundle with other electronic communication services. Fixed broadband subscriptions supporting download speeds of 30Mbps or higher now represent 59.4% of the local fixed broadband subscriber base, up from 57.0% a year earlier. The increasing proportion of fixed broadband connections on super-fast download speeds enabled local service providers to improve ARPU. Fixed broadband ARPU for the first half of 2016 stood at €95.75, up by 7.1% from €89.34 in the first half of the previous year. This increase in ARPU happened at a time when the average price per Mbit was down by almost 29% year-on-year.

With regard to the pay TV sector, subscriptions at the end of last June were down marginally by 268 compared to June 2015. Meanwhile, the proportion of pay TV subscriptions purchased in a bundle went up

⁵ The term super-fast download speeds refer to download speeds of 30Mbps or more.

by almost three percentage points, from 55.1% to 57.9%. With these developments in the subscriber base and the unchanged price base for pay TV services, ARPU for this sector in the first half of 2016 was down by 2.3% compared to that reported in the first half of 2015.

Postal mail volumes recorded in the first half of this year were slightly down when compared to those recorded a year earlier, from 18.8 million to 18.7 million, in line with long-term market trends. Notwithstanding the overall decline, parcel mail volumes and registered mail volumes were stronger in the first half of 2016 than in the same period of 2015. Registered mail was up by 18.0% whilst parcel mail was up by 10.0%. These increases are mainly attributable to an ever more buoyant ecommerce activity. Meanwhile, standard mail volumes, which primarily consist of letter mail items and bulk mail items and which account to almost 95% all mail activity recorded in the current review period, were down by 0.2 million (or by 1.4%) from almost 18.0 million to 17.7 million.

The main market outcomes for the electronic communications and postal sectors are presented below, and more detailed information on market developments by sector is provided in Sections 4 to 8 of this document.

i. Mobile Telephony

- The number of mobile telephony subscriptions totalled 573,327 as at the end of last June. This figure is up by 10,371 (or by 1.9%) from 562,956 reported at the end of June 2015. Correspondingly, the mobile penetration rate at the end of June 2016 stood at 131.3%, up from 130.4% a year earlier.
- The number of post-paid subscriptions was up by 19,682 (or by 11.3%) during this period and the number of pre-paid subscriptions was down by 9,311 (or by 2.4%). As a result, the proportion of the subscriber base for mobile telephony on a post-paid contract increased from almost 31.0% at the end of June 2015 to 33.9% at the end of last June.
- 9.9% of all mobile subscriptions recorded at the end of June 2016 were bundled with some other electronic communications service.
- The number of mobile inward portings totalled 13,919 in the first half of 2016, down from 15,865 inward portings recorded in the same period a year earlier.
- The number of mobile voice call minutes recorded in the first half of 2016 totalled 394.7 million, which is up by 15.0 million (or by almost 4.0%) from 379.6 million recorded in the first half of 2015. Meanwhile, the number of mobile voice calls was down by 1.3 million (or by 0.5%). These contrasting trends suggest that end-users are making lengthier calls, as minute allowances (particularly on-net minute allowances) improve.
- Because of the contrasting trends highlighted in the previous point, activity levels per subscription in terms of voice calls and voice call minutes show opposing trends, as illustrated in Table 1 below.

Mobile telephony	FH 2014	FH 2015	FH 2016
Subscriptions (end of period)	548,142	562,956	573,327
Activity levels per subscription			
Number of voice calls	455	471	460
Number of voice call minutes	633	685	698
Number of SMSs	465	414	360
ARPM (overall)	€0.092	€0.082	€0.077
Average rate per domestic SMS	€0.029	€0.030	€0.031
Average rate per international SMS	€0.061	€0.057	€0.057
ARPU	€83.44	€86.89	€87.19

Table 1: Take-up, activity levels and pricing for the mobile sector

- The number of SMSs per subscription fell from an average of 414 per mobile subscription in the first half of 2015 to an average of 360 per mobile subscription in the first half of 2016.
- In line with long-term market trends, mobile telephony maintains the drive towards more competitively priced voice call offers. In fact, the average rate per minute of mobile communications in the first half of 2016 was down by 6.1% to €0.077 from €0.082 in the first half of the previous year.
- The increase in voice call minute traffic volumes and a higher uptake of mobile data services contributed to an increase in mobile ARPU, despite the registered decline in the average rate per minute of mobile communication. ARPU in the first half of 2016 stood at €87.19, which is up by 0.4% from €86.89 in the first half of 2015.

ii. Fixed line telephony

- The number of fixed line subscriptions totalled 231,792 at the end of last June, up by 2,801 from 228,991 a year earlier.
- The number of post-paid subscriptions was up by 3,259 compared to a drop of 421 pre-paid subscriptions and 37 'enhanced' subscriptions (the latter type of subscriptions supporting multiple connections at a particular location).
- As for the proportion of the local subscriber base by type of subscription at the end of last June, 91.4% were on a post-paid contract, 7.5% were on a pre-paid plan and 1.2% were on an 'enhanced' plan.
- 65.9% of all standard post-paid fixed line telephony subscriptions at the end of the current reporting period were bundled with some other electronic communications service.
- There were 720 fixed line inward portings in the first half of 2016, down from 849 inward portings recorded in the first half of 2015.
- Traffic volumes in the first half of 2016 were weaker than recorded during the same period a year earlier. The number of outgoing voice calls was down by 6.7 million (or by 8.7%) and the number of outgoing voice call minutes was down by 20.2 million (or by 7.4%). The decline in traffic volumes combined with a stronger subscriber base contributed to a dampening in voice activity levels per subscription. Table 2 below illustrates these trends.

Fixed line telephony	FH 2014	FH 2015	FH 2016
Subscriptions (end of period)	232,469	228,991	231,792
Voice activity levels per subscription			
Number of voice calls	361	338	307
Number of voice call minutes	1,281	1,192	1,098
Average rate per minute (ARPM)	€0.032	€0.030	€0.028
on-net FTF call	€0.010	€0.010	€0.009
off-net FTF call	€0.013	€0.012	€0.012
FTM call	€0.186	€0.158	€0.143
FTI call	€0.099	€0.096	€0.093
Average revenue per user (ARPU)	€80.45	€76.42	€72.37

Table 2: Take-up, activity levels and pricing for the fixed line sector

- ARPU for fixed line telephony in the first half of 2016 was down to €72.37, from €76.42 in the same period a year earlier.
- The average rate per minute (ARPM) of fixed line communications was also down by 6.7%, from €0.030 in the first half of 2015 to €0.028 in the first half of this year.

iii. Fixed and mobile broadband

- The number of fixed broadband subscriptions totalled 168,008 at the end of last June. This figure is up by 9,155 (or by 5.8%) from 158,869 reported a year earlier.
- The fixed broadband penetration rate (measured as the proportion of the number of active fixed broadband connections to Malta's population) stood at 38.5% at the end of 2016, representing an increase of 1.7 percentage points on the corresponding rate at the end of June 2015.

Fixed broadband	FH 2014	FH 2015	FH 2016
Subscriptions (end of period)	148,175	158,869	168,008
less than 5Mbps	10,452	7,316	1,311
greater than or equal to 5Mbps but less than 10Mbps	1,891	615	707
greater than or equal to 10Mbps but less than 20Mbps	58,984	56,112	59,690
greater than or equal to 20Mbps but less than 30Mbps	6,237	4,326	6,451
greater than or equal to 30Mbps but less than 50Mbps	64,985	83,010	37,874
greater than or equal to 50Mbps but less than 100Mbps	4,609	5,839	54,857
100Mbps and more	1,017	1,651	7,118
Average rate per Mbps (end of period)	€1.72	€1.69	€1.20
less than 5Mbps	€3.79	€3.79	€4.43
greater than or equal to 5Mbps but less than 10Mbps	€4.81	€4.81	€4.33
greater than or equal to 10Mbps but less than 20Mbps	€1.67	€1.72	€1.54
greater than or equal to 20Mbps but less than 30Mbps	€1.53	€1.84	€2.95
greater than or equal to 30Mbps but less than 50Mbps	€1.07	€1.04	€0.95
greater than or equal to 50Mbps but less than 100Mbps	€0.84	€0.76	€0.65
100Mbps and more	€0.83	€0.80	€0.53
ARPU	€88.29	€89.34	€95.75

Table 3: Take-up and pricing for the fixed broadband sector

- 75.2% of all fixed broadband subscriptions reported at the end of last June were in a bundle. This figure is up by 6.4 percentage points compared to 12 months earlier. In absolute terms, the number of fixed broadband subscriptions in a bundle totalled 126,310 at the end of June 2016.
- Demand for superfast broadband keeps on growing, as the number of fixed broadband subscriptions supporting download speeds of 30Mbps or higher was up by 2.4 percentage points between June 2015 and June of this year. At the end of June 2016, 59.4% of all fixed broadband subscriptions had a download speed of 30Mbps but less than 100Mbps. A further 4.2% of all fixed broadband subscriptions had access to download speeds of 100Mbps or more, up from 1.0% a year earlier. Meanwhile, the proportion of subscriptions with a download speed of less than 30Mbps fell by 2.5 percentage points to 40.6%.
- Of all fixed broadband subscriptions reported at the end of last June, those on the cable platform totalled 80,647 (equivalent to 48.0% of the total). Meanwhile, the number of subscriptions on the DSL and wireless platforms totalled 75,992 (equivalent to 45.2% of the total) and 3,897 (equivalent to 2.3% of the total) respectively. Fibre-to-the-Home (FTTH) subscriptions totalled 7,472 (equivalent to 4.5% of the total).
- Fixed broadband ARPU in the first half of 2016 stood at €95.75, up by 7.2% from €89.34 in the first half of 2015. ARPU increased despite the fall in the average rate per unit of download speed (or per Mbps) recorded during this period and the increase in subscriptions on a bundle.
- The number of people utilising mobile broadband services continued to rise in the first six months of this year. The number of end-users actively making use of mobile broadband services went up from 272,418 at the end of June 2015 to 286,444 at the end of last June.

iv. Pay TV

- The number of Pay TV subscriptions totalled 147,963 at the end of June 2016, down by 268 (or by 0.2%) from 148,231 at the end of June 2015.
- The number of analogue cable subscriptions was down by 794 (or by 12.2%) in twelve months to 5,743 at the end of last June. Meanwhile, the number of DTTV subscriptions fell by 5,934 (or by 10.9%) to 48,653 whilst the number of digital cable subscriptions was down by 371 (or by 0.5%). In contrast, the number of IPTV subscriptions was up by 6,831 (or by 44.0%).

Pay TV	FH 2014	FH 2015	FH 2016
Subscriptions (end of period)	149,158	148,231	147,963
Average market rates for pay TV packages	€19.37	€22.44	€22.54
up to 24 channels	€3.99	€5.00	€5.00
25 to 49 channels	€15.66	€15.66	€15.66
50 to 74 channels	€23.49	€24.99	€23.49
75 to 99 channels	€26.32	€23.99	€23.99
100 channels or more	€34.99	€32.99	€32.99
ARPU	€84.52	€84.10	€82.21

Table 4: Take-up and pricing for the Pay TV sector

- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 3.9% and 48.1% respectively at the end of June 2016. In the former case, the share is down by 0.5 percentage points from 4.4% at the end of June 2015, whilst in the latter case the share is down by 0.2 percentage points from 48.3%. Meanwhile, the Digital terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 32.9% and 15.1% of total pay TV subscriptions recorded at the end of June 2016 respectively. The representativeness of the former compared to its standing at the end of June 2015 is down by almost 4.0 percentage points, whilst that of the latter is up by 4.6 percentage points.
- Take-up of pay TV subscriptions in a bundle went up further in the first six months of this year. In this respect, the number of bundled pay TV subscriptions went up from 78,089 at the end of June 2015 to 82,324 at the end of last June. The percentage of pay TV subscriptions purchased in a bundle⁶ at the end of last June stood at 55.6%, which is up by almost three percentage points in a year.
- Pay TV ARPU in the first half of 2016 stood at €82.21, down from €84.10 in the first half of 2015.
- MCA workings show that the overall average advertised rate (or average monthly access fee) for pay TV stood at €22.54 in the first half of 2016, which is unchanged in relation to that recorded in the same period a year earlier.

⁶ This working excludes analogue pay TV subscriptions as these services are only offered to existing clients and on a stand-alone basis.

v. Post

- Postal mail volumes delivered in the first half of 2016 totalled 18.7 million items, down by almost 0.1 million (or by 0.6%) from 18.7 million items delivered in the first half of 2015.
- Two types of mail, standard mail and express mail, account for postal mail activity in Malta. 97.0% of all mail activity recorded in the first half of 2016 was standard mail. Express mail accounted for the remaining activity.
- In absolute terms, standard mail activity in the first half of 2016 was down by 0.2 million items (or by 1.3%) when compared to the same period a year earlier. A similar comparison for express mail shows that volumes were up by 0.1 million mail items (or by 27.4%).

Post	FH 2014	FH 2015	FH 2016
Postal mail volumes	20,094,974	18,805,302	18,692,655
Standard mail volumes	19,698,815	18,370,042	18,138,216
Single piece letter mail	6,672,104	6,468,893	6,275,770
Bulk mail	12,377,239	11,229,918	11,073,850
Registered mail	590,761	604,533	713,153
Parcel mail	58,711	66,698	75,443
Express mail volumes	396,159	435,260	554,439
Single piece letter mail	266,094	276,161	381,589
Bulk mail	-	-	-
Registered mail	-	-	-
Parcel mail	130,065	159,099	172,850

Table 5: Postal mail volumes

- As to developments by type of mail item (standard mail and express mail added together), bulk mail activity accounted for 59.2% of all postal activity recorded in the first half of this year, followed by single piece letter mail at 35.6%, registered mail at 3.8% and parcel mail at 1.3%.

3. Market share trends of the local subscriber base

This section looks at the changes in market position of local service providers, based on the number of subscriptions reported at the end of the current review period.

3.1. Fixed line telephony

GO’s market share at the end of last June stood at 65.5% compared to Melita’s share of almost 34.0%. Meanwhile, the combined market share of other service providers, namely Vodafone (Malta), Ozone (Malta), SIS and Vanilla Telecoms stood at 0.6% at the end of the current reporting period, slightly down from 0.7% reported a year earlier.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone (Malta)
End of FH 2016	65.47%	33.96%	0.07%	0.31%	0.03%	0.16%
End of FH 2015	65.51%	33.82%	0.09%	0.34%	0.02%	0.22%
End of FH 2014	66.73%	32.66%	0.10%	0.35%	0.02%	0.14%

Figure 3: Market shares in terms of fixed line telephony subscriptions as at end of period

3.2. Mobile telephony

The two largest mobile telephony operators recorded a decline in their market share in the 12-month period ending June 2016. Vodafone’s market share was down by around 0.7 percentage points, from 44.0% to 43.4%, whilst that of GO Mobile was down by 0.5 percentage points, from 39.0% to 38.5%.

Meanwhile, the market share of Melita strengthened by 1.2 percentage points, up from 15.2% to 16.4%.

The smaller players in the sector, namely RedTouch Fone and VFC Mobile, together accounted for just 1.8% of the local subscriber base at the end of last June, unchanged from a year earlier.

Market shares	GO Mobile	Vodafone (Malta)	Melita Mobile	Other
End of FH 2016	38.52%	43.35%	16.37%	1.76%
End of FH 2015	39.02%	44.03%	15.19%	1.76%
End of FH 2014	38.91%	44.40%	14.78%	1.91%

Figure 4: Market shares in terms of mobile telephony subscriptions as at end of period⁷

⁷ Ping Mobile has not been active since 2013.

3.3. Fixed broadband

GO’s market share gained a percentage point in the 12-month period to June 2016 and stood at 49.6% at the end of the current review period. Vodafone also recorded an improvement of one percentage point in its market share to 1.99%. Meanwhile, the market share of Melita was down to 48.0% from 49.9% whilst that of Vodafone (Malta) was up from 0.9% to almost 2.0%. The combined market share of other service providers, namely Vanilla Telecoms, Ozone (Malta) and SIS, was relatively unchanged⁸.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone (Malta)	IP-based ISPs
End of FH 2016	49.62%	48.00%	0.06%	0.21%	0.12%	1.99%	-
End of FH 2015	48.67%	49.95%	0.05%	0.25%	0.14%	0.93%	0.01%
End of FH 2014	49.02%	49.37%	0.02%	0.26%	0.15%	1.08%	0.11%

Figure 5: Market shares in terms of fixed broadband subscriptions as at end of period

3.4. Pay TV

Only slight changes were reported in the market shares of GO and Melita in the pay TV sector. Year-on-year, GO saw an increase in share of 0.7 percentage points, whilst Melita registered a dip of the same margin.

Market shares	GO	Melita
End of FH 2016	47.98%	52.02%
End of FH 2015	47.29%	52.71%
End of FH 2014	46.39%	53.61%

Figure 6: Market shares in terms of pay TV subscriptions as at end of period

⁸ IP-based ISPs were no longer active as from the end of 2015.

4. Fixed line telephony

Fixed line telephony subscriptions at the end of last June were up by 1.2% from a year earlier. This represents an increase of 2,801 subscriptions in absolute terms, as the number of post-paid subscriptions during this period went up by 3,259 to outweigh declines in the number of pre-paid subscriptions (down by 421) and enhanced subscriptions (down by 37). The proportion of pre-paid subscriptions of the local subscriber base stood at just 7.5% by the end of June 2016, whilst that for post-paid subscriptions stood at 91.4%. Enhanced subscriptions accounted for the remaining share.

The increase in post-paid subscriptions happened as service providers consolidated their efforts to switch end-users from pre-paid to post-paid plans and to sell bundled subscriptions including fixed telephony services, through discounts and other promotional offers. In fact, growth in the fixed telephony subscriber base comes at the expense of stand-alone subscriptions, which went down by 12,100 (or by 11.6%) in the 12-month period ending last June. Meanwhile, the number of fixed telephony subscriptions purchased in a bundle went up by 14,901 (or by almost 12.0%).

Fixed line traffic volumes did however register a drop, notwithstanding the positive trends outlined for the subscriber base. In this regard, the number of voice calls and voice call minutes recorded in the first half of 2016 was down by 8.7% and by 7.4% respectively, compared to volumes recorded in the same period a year earlier. With increasing subscriber numbers and falling traffic volumes, voice activity levels per subscriber dipped. In fact, the number of voice calls per subscription in the first half of this year totalled 307, compared to 338 in the first half of 2015. Meanwhile, the number of voice call minutes per subscription totalled 1,098 down from 1,192.

The average rate per minute of fixed line communications in the first half of 2016 stood at €0.028, down by 6.7% when compared to the corresponding rate observed in the first half of 2015.

In line with the fall in traffic volumes and the decline in the average rate per minute of fixed line communication, fixed telephony ARPU in the first half of 2016 was down by 5.3% when compared to the same period a year earlier, from €76.42 to €72.37.

4.1. Subscriptions

The number of fixed telephony subscriptions at the end of last June totalled 231,792 compared to 228,991 a year earlier. This corresponds to a year-on-year increase of 2,801 subscriptions.

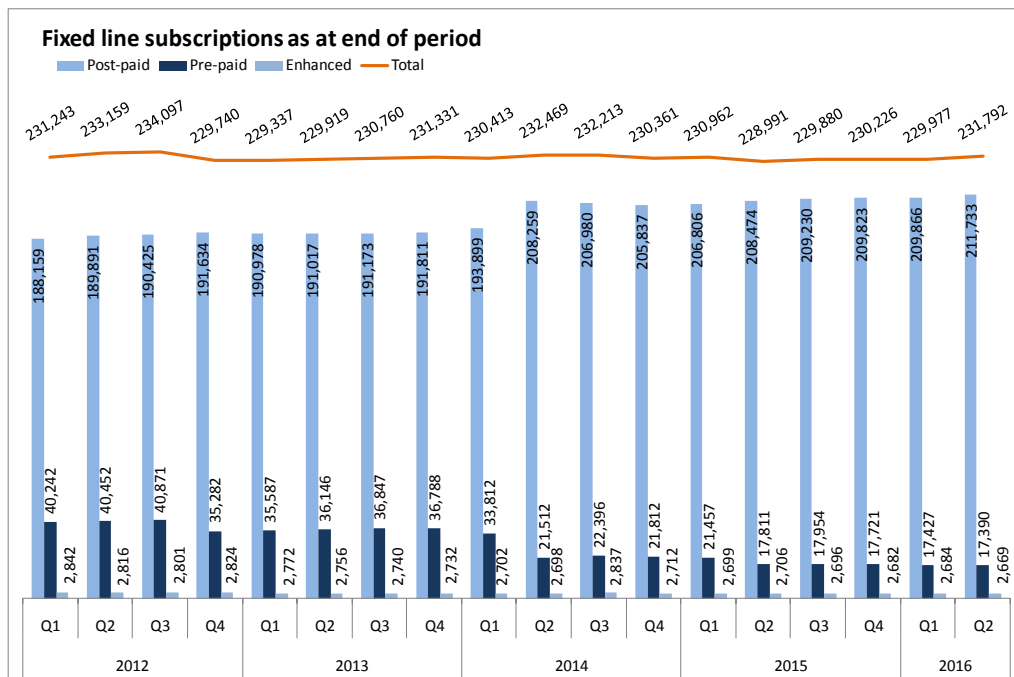


Figure 7: Fixed line telephony subscriptions as at end of period

This review distinguishes between two types of fixed line telephony subscriptions, namely standard subscriptions and enhanced subscriptions.

Standard subscriptions are categorised as either post-paid or pre-paid, with the former type contractually binding the consumer to purchase the service for a specified period (typically two years) and to pay a monthly access fee for the whole duration of the contract term agreement. Pre-paid subscriptions do not entail a contractual term agreement. However, both pre-paid and post-paid subscriptions offer the end-user a single connection at his/her residential unit or business location.

The fixed line subscriber base at the end of last June comprised 211,733 post-paid subscriptions and 17,390 pre-paid subscriptions. Compared to the end of June 2015, the number of post-paid subscriptions was up by 3,259 (or by 1.6%) whilst the number of pre-paid subscriptions was down by 421 (or by 2.4%).

Enhanced fixed line telephony subscriptions refer to those subscriptions offering multiple (dual or more) channel connections. There were 2,669 enhanced subscriptions at the end of last June. Compared to the end of June 2015, the number of enhanced subscriptions was down by 37 (or by 1.4%).

At the end of the current reporting period, 91.4% of all fixed line telephony subscriptions were on a post-paid contract, which represents a 0.4 percentage point increase compared to 91.0% recorded at the end of June 2015. Meanwhile, pre-paid subscriptions accounted for 7.5% of the local fixed telephony subscriber base, down from 7.8% a year earlier and enhanced subscriptions accounted for an almost unchanged 1.2% of the local fixed telephony subscriber base.

Subscriptions on a bundle

The notable increase in post-paid subscriptions materialised at a time when more end-users subscribed to bundled packages including a post-paid fixed telephony plan. In absolute terms, the number of post-paid fixed line telephony subscriptions purchased in a bundle increased by 14,901 (or by almost 12.0%) from 124,631 at the end of June 2015 to 139,532 at the end of last June.

Post-paid fixed line telephony subscriptions in a bundle	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Fixed telephony subscriptions on a dual play contract	34,641	35,521	33,056	33,715	39,137	47,948	52,230	57,870	62,844
Fixed telephony + mobile telephony	12,738	13,567	12,156	12,443	13,427	11,112	8,985	7,850	7,502
Fixed telephony + fixed broadband	6,222	9,653	10,068	11,349	15,979	29,890	36,927	44,179	49,622
Fixed telephony + pay TV	15,681	12,301	10,832	9,923	9,731	6,946	6,318	5,841	5,720
Fixed telephony subscriptions on a triple play contract	9,802	9,794	15,459	21,376	22,477	25,490	26,718	28,193	28,613
Fixed telephony + fixed broadband + mobile telephony	437	-	344	289	312	620	630	807	84
Fixed telephony + fixed broadband + pay TV	9,365	9,794	15,115	21,087	22,165	24,870	26,088	27,386	28,529
Fixed telephony subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Fixed telephony + fixed broadband + pay TV + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Total number of fixed post-paid telephony subscriptions in a bundle	83,462	85,898	89,854	97,577	105,683	117,867	124,631	133,051	139,532
Number of fixed post-paid telephony subscriptions as at end of period	189,891	191,634	191,017	191,811	208,259	205,837	208,474	209,823	211,733
Percentage of fixed post-paid telephony subscriptions in a bundle	43.95%	44.82%	47.04%	50.87%	50.75%	57.26%	59.78%	63.41%	65.90%

Table 6: Fixed line post-paid subscriptions on a bundled offer

Table 6 shows that 65.9% of all post-paid fixed line telephony subscriptions recorded at the end of last June were in a bundled package of electronic communications services⁹. This figure was up by 6.1 percentage points when compared to the end of June 2015.

4.2. Fixed line inward portings

The number of fixed line inward portings¹⁰ recorded in the first half of 2016 totalled 720, down by 129 (or by 15.2%) from 849 portings reported in the first half of 2015.

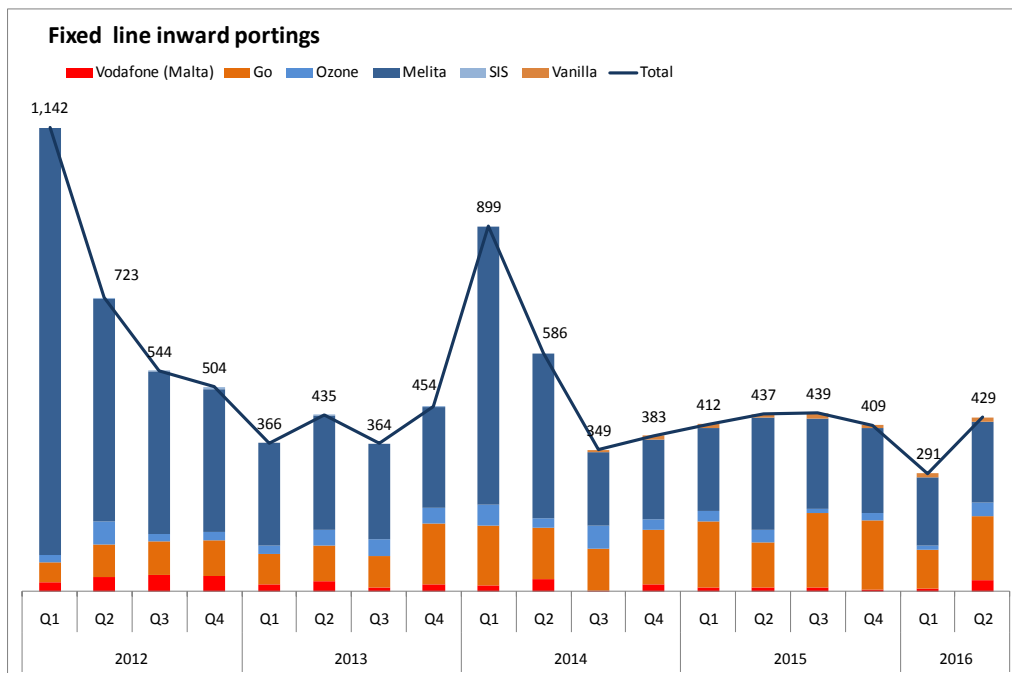


Figure 8: Fixed line number portability - number of inward portings

Melita and GO accounted for 92.5% of all inward portings reported in the first half of last year. Market share developments for the different operators also indicate that fixed line portability during this period mostly came about as a result of end-users switching from GO to Melita.

⁹ Locally, only fixed line subscriptions on a post-paid contract can be purchased in a bundle with other electronic communications services.

¹⁰ The term 'fixed line inward portings' refers to the total number of subscribers that switch from a fixed line operator to another whilst keeping the same number. Figures presented above only take into account inward portings.

On an operator level, Melita registered 364 inward portings, followed by GO, which recorded 254 inward portings, Ozone (Malta) recorded 46 inward portings, whilst Vodafone (Malta) and Vanilla Telecoms reported 34 and 22 inward portings respectively.

4.3. Usage trends for fixed line telephony

Fixed line traffic volumes in the first half of 2016 were down when compared to the same period a year earlier. The number of landline calls was down by 6.7 million (or by 8.7%) from 77.5 million in the first half of 2015 to 70.8 million. The number of fixed line voice call minutes was also down, in this case by 17.3 million (or by 6.2%), from 273.8 million to 253.6 million.

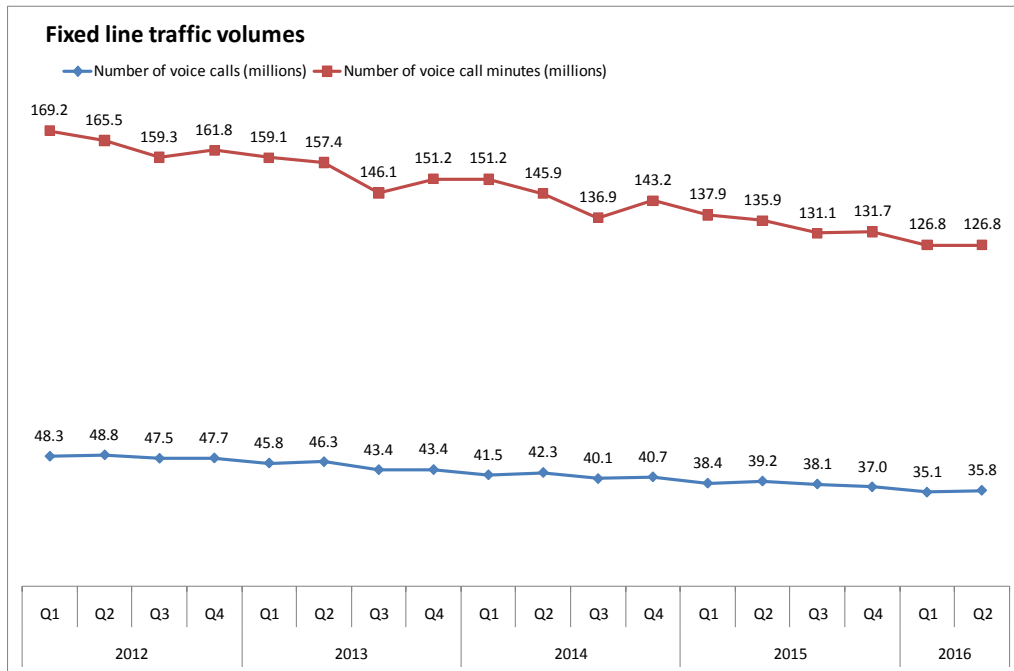


Figure 9: Voice traffic originating from local fixed line networks

Total fixed line traffic volumes referred to in Figure 9 encompass the national voice traffic segment and the international voice traffic segment. The former refers to volumes of fixed voice calls and voice minutes originated and terminated in Malta, whilst the latter traffic segment refers to volumes of fixed voice calls and voice minutes originated locally and terminated in a foreign territory. The relevant developments for these traffic segments are described below.

4.3.1 National voice traffic volumes

National fixed line traffic volumes in the first half of 2016 amounted to 68.5 million voice calls and 239.9 million voice call minutes. This means that, on average, each fixed telephony subscriber made approximately 306 national voice calls and 1,098 national voice call minutes during the period under review.

National voice calls

The number of national fixed line voice calls in the first half of 2016 totalled 68.5 million, down by 6.5 million (or by 8.7%) from 75.1 million in the corresponding period a year earlier.

A further drill down of these figures would show that all components of the national traffic segment registered a decline in volumes.

The number of on-net FTF calls fell by 4.1 million (or by 10.3%), from 39.6 million in the first half of 2015 to 35.6 million in the first half of this year. At the same time, the number of off-net FTF calls dropped by 1.5 million (or by 9.0%), from 16.6 million to 15.1 million, and the number of FTM calls dipped by 0.9 million (or by 5.3%), from 17.5 million to 16.6 million.

Fixed voice calls (national)	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	93,253,424	91,072,184	88,230,089	83,794,407	81,061,884	78,122,647	75,080,520	72,657,406	68,547,147
Fixed -to-fixed (FTF)	71,106,727	68,614,478	67,982,076	63,912,398	61,829,592	58,333,116	56,188,852	53,829,105	50,621,535
on-net FTF	51,767,904	49,553,582	48,651,217	45,868,914	44,020,136	41,187,247	39,631,778	37,723,423	35,555,002
off-net FTF	19,338,823	19,060,896	19,330,859	18,043,484	17,809,456	17,145,869	16,557,074	16,105,682	15,066,533
Fixed-to-mobile (FTM)	20,692,609	20,917,476	18,688,835	18,362,387	17,543,834	18,127,981	17,490,548	17,404,228	16,572,110
Other	1,454,088	1,540,230	1,559,178	1,519,622	1,688,458	1,661,550	1,401,120	1,424,073	1,353,502

Table 7: Outgoing fixed line traffic - number of national voice calls

The 'other' national calls component¹¹ has also witnessed a decline in traffic volumes, with the number of calls reported in the first half of 2016 totalling 1.4 million, down by 0.05 million (or by 3.4%) compared to the same period a year earlier.

National voice call minutes

In terms of national voice call minutes, traffic volumes in the first half of 2016 totalled 239.9 million. This figure is down by 18.7 million (or 7.2%) from 258.6 million minutes in the first half of 2015.

All national voice traffic components experienced a drop in minute volumes. The number of on-net FTF traffic voice minutes was down by 13.2 million (or by 8.2%), from 160.7 million in the first half of 2015 to 147.5 million in the first half of this year. Meanwhile, the number of off-net FTF minutes was down by 5.3 million (or by 7.8%), from 67.4 million to 62.1 million. The number of national FTM voice minutes totalled 26.8 million in the first half of this year, which is down by 0.5 million (or by 1.7%) from 27.2 million in the first half of 2015.

Fixed voice call minutes (national)	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	314,021,005	300,574,025	297,752,857	279,628,212	280,368,533	263,568,719	258,636,682	248,023,544	239,931,933
Fixed -to-fixed (FTF)	279,148,307	264,934,516	265,708,234	248,045,344	249,682,050	231,976,896	228,062,609	216,988,931	209,588,785
on-net FTF	202,010,148	190,009,017	189,659,199	177,296,513	178,064,325	163,134,907	160,680,942	152,164,197	147,487,069
off-net FTF	77,138,159	74,925,499	76,049,036	70,748,832	71,617,725	68,841,990	67,381,667	64,824,734	62,101,716
Fixed-to-mobile (FTM)	31,562,195	32,081,886	28,531,576	27,941,261	26,892,375	27,867,348	27,223,360	27,436,775	26,774,772
Other	3,310,503	3,557,623	3,513,046	3,641,606	3,794,108	3,724,475	3,350,713	3,597,839	3,568,376

Table 8: Outgoing fixed line traffic - number of national voice call minutes

On the other hand, the number of 'other' national voice minutes was up by 0.2 million (or by 6.5%), from 3.4 million in the first half of 2015 to 3.6 million in the first half of this year.

4.3.2 International voice traffic volumes

During the first half of 2016, fixed line telephony users made 2.3 million fixed-to-international (FTI) voice calls and 13.6 million fixed-to-international voice call minutes. This translates into approximately 10 international voice calls and around 59 international voice call minutes per active fixed telephony subscriber during this period.

Compared to the first half of 2015, the number of fixed-to-international (FTI) voice calls was down by 0.2 million (or by 7.5%), whilst the number of international voice call minutes was down by 1.5 million (or by 9.8%).

¹¹ This traffic component includes freephone calls, premium calls and payphone calls.

4.4. Activity levels and call duration

As traffic volumes fell and subscriptions increased, activity levels per subscription (i.e. the average number of voice calls and voice call minutes per active fixed line subscription) in the first half of 2016 weakened compared to activity levels recorded in the first half of the previous year.

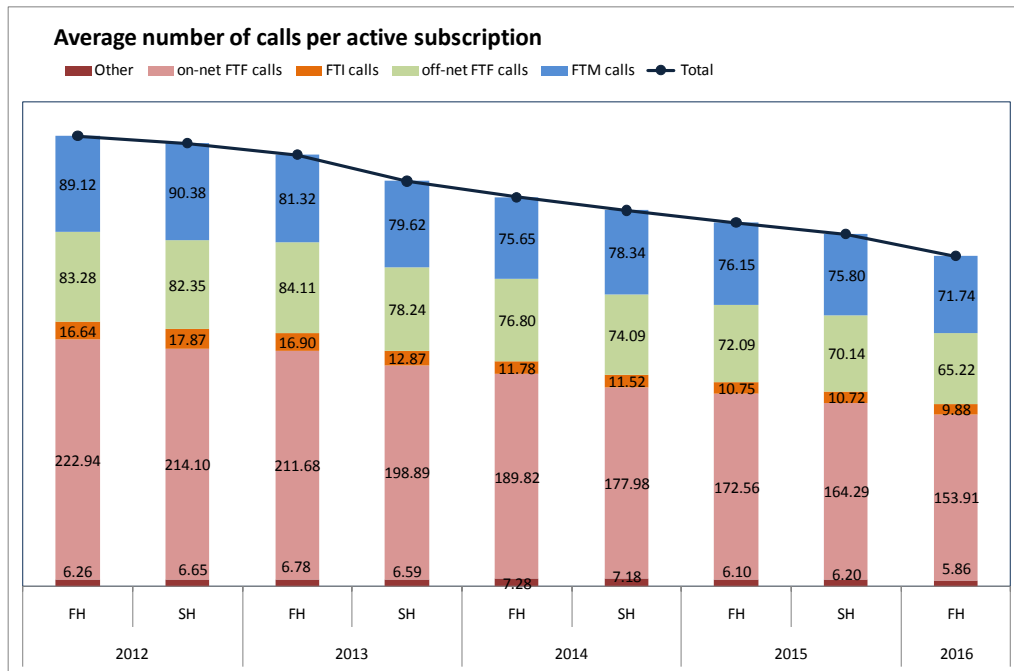


Figure 10: Average number of calls per active subscription

Figure 10 illustrates that each active fixed line subscription accounted for an average of around 307 calls in the first half of 2016¹², down from around 338 in the first half of the previous year. This drop mainly reflects the negative developments for both on-net FTF and off-net FTF traffic volumes, and FTI traffic volumes.

¹² Total depicted in Figure 10 includes the number of *other calls* (which encompasses premium, freephone, and Internet calls) per active subscription.

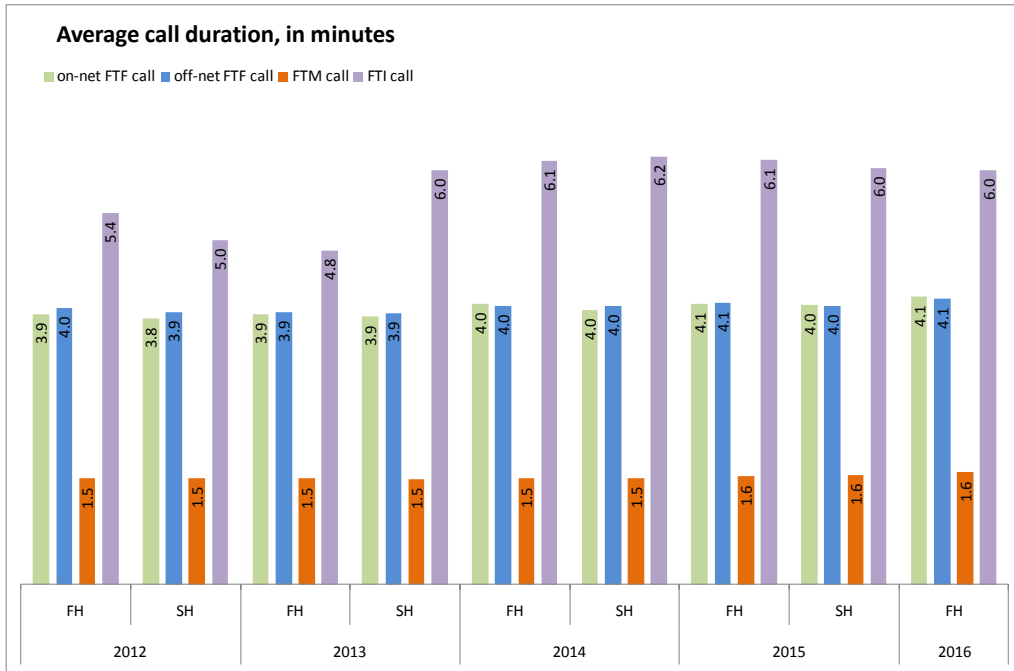


Figure 11: Average duration of an outgoing fixed line call

As for the average duration of an outgoing fixed line call, this stood at 3.6 minutes (or 3 minutes and 36 seconds) during the first half of 2016, which is slightly higher from that recorded in the first half of last year.

As to the average length of fixed line calls according to type, Figure 11 illustrates that the average duration of a FTI call stood at around 6 minutes in the first half of 2016. Meanwhile, the average duration of a FTM call stood at 1 minute and 36 seconds for a FTM call. On-net FTF calls and off-net FTF calls on average lasted around four minutes during the same period.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector totalled €72.37 in the first half of 2016. This is down by 5.3% compared to the ARPU level observed in the first half of the 2015, which stood at €76.42.

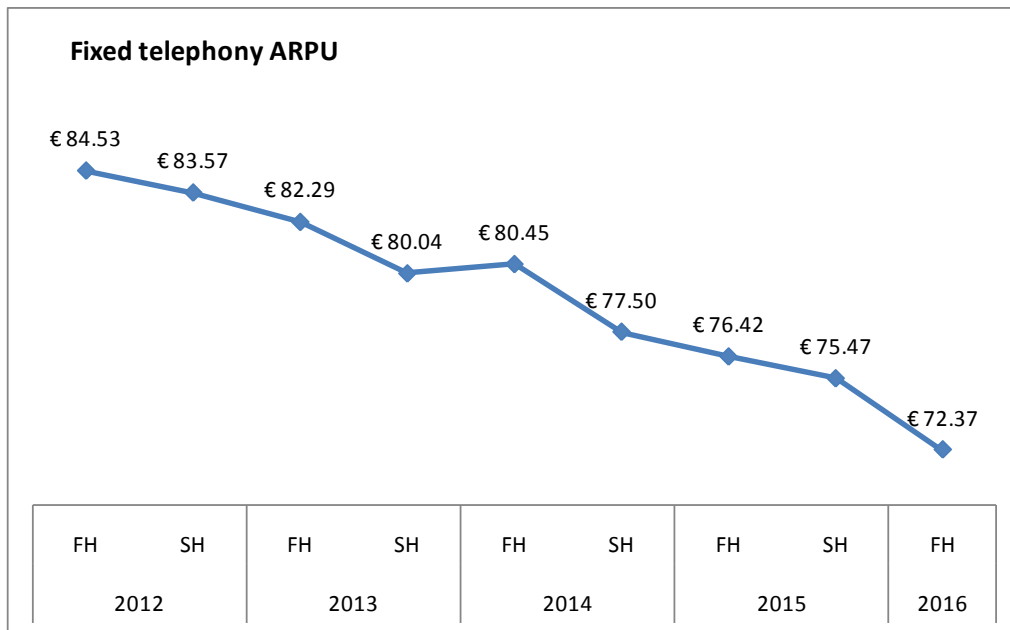


Figure 12: Average revenue per fixed line user

This decline in ARPU is again a result of the persistent shift of voice traffic volumes to mobile, stable call rates and increasing uptake of fixed telephony in bundled subscriptions. The latter factor has a significant impact on ARPU given that service providers occasionally offer discounts and promotional offers related electronic communications services purchased in a bundle, apart from the fact that bundle access fees are lower than when the services in a bundle are purchased on a stand-alone basis.

Methodology used in deriving fixed ARPU figures

Fixed ARPU figures are derived by dividing the total revenues of service providers by the average number of active subscribers, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from access;
2. revenues from all local and international voice call activity (incl. freephone & premium call activity); and
3. revenues from 'other' activity as specified by the operator.

The average number of active subscribers during a given period corresponds to the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the same period, divided by two.

4.6. Average rate per minute of fixed line communications

The first half of 2016 has seen a 9.4% drop in the ARPM of a FTM call¹³, from €0.16 in the first half of 2015 to €0.14 in the current reporting period. This change coincides with increasing take-up of post-paid fixed telephony subscriptions in a bundle, which typically allow for a FTM call allowance. Meanwhile, the ARPM for a FTI was down by 3.1%.

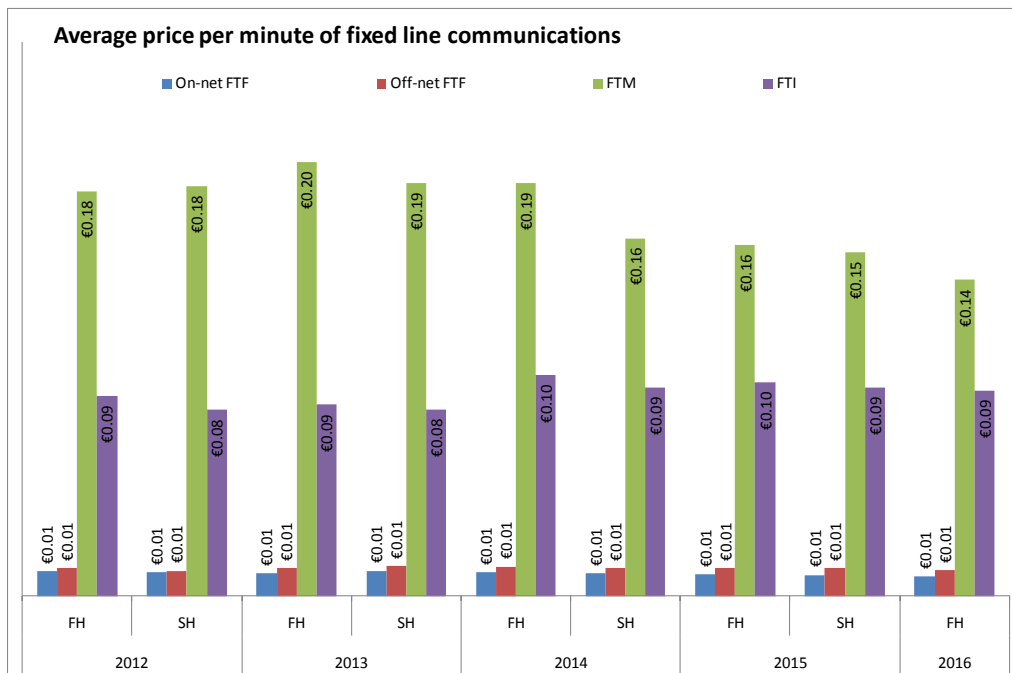


Figure 13: Average cost of a fixed line call derived from revenue-based workings

The ARPM of an on-net FTF call and an off-net FTF call stood at €0.01 in the first half of 2016, unchanged from the corresponding rate observed in the first half of 2015.

Methodology used in deriving fixed ARPM figures

The average rate per minute of fixed line communications is derived by subdividing voice traffic revenues, but excluding revenues from access fees, VAT and excise tax, by the number of minutes reported under each respective heading.

Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It is also noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled offers and cheaper call rates on weekends. This would affect the outcome for the average rate per minute of fixed line communications.

¹³ Workings do not take into account monthly access fees from fixed telephony plans and traffic volumes and revenues from free phone calls, premium calls and payphone calls.

5. Mobile telephony

Demand for mobile telephony services keeps on growing. Year-on-year, the number of subscriptions was up by 1.8%, from 562,956 at the end of June 2015 to 573,327 at the end of June this year. This increase came on the back of continued growth in the number of post-paid subscriptions, which went up by 19,682 (or by 11.3%) during this period, in contrast to a fall of 9,311 pre-paid subscriptions (equivalent to a 2.4% drop). This increase in post-paid subscriptions coincides with growing demand for mobile data services and a higher propensity of end-users to opt for those plans that allow for minute, SMS and data allowances. Furthermore, the availability of post-paid plans offered in combination with discounted prices for smartphones serves to boost the popularity of mobile post-paid plans.

In view of the above, the proportion of post-paid subscriptions to the local mobile subscriber base reached 33.9% at the end of last June, up by 2.9 percentage points from almost 31.0% a year earlier.

Following the surge in subscriptions, the mobile penetration rate went up from 130.4% at the end of June 2015 to 131.3% at the end of last June¹⁴.

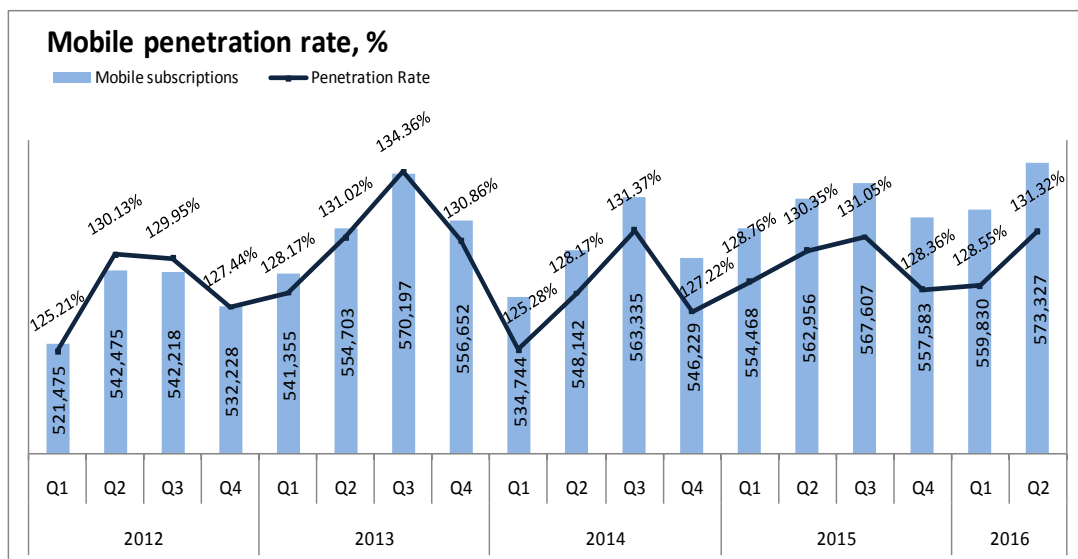


Figure 14: Mobile penetration in Malta

Despite the increase in mobile subscriptions, the proportion of these purchased in a bundle stood at 9.9% by the end of last June, relatively unchanged from 9.8% a year earlier. This reflects the prevailing preference of end-users to keep their mobile subscription as a personal service, bought separately from other electronic communications services shared by several people living in a particular household.

Upon comparing the first half of 2016 to the same period a year earlier, traffic volumes were significantly up in terms of voice call minutes, in contrast to a decline in the number of voice calls and a fall in text messaging. These diverging trends reflect the continued rise in post-paid subscriptions, which allow for minute allowances that have been steadily improving over time. With more consumers availing themselves of these minute allowances, voice calls got lengthier but less frequent and text messaging got even less popular. Furthermore, the average rate per minute of mobile communication declined further in the first half of 2016, a development in part explained by improved minute allowances. In fact, the ARPM of mobile communication in the first half of 2016 stood at €0.077, which is down by 6.1% from €0.082 in the first half of 2015.

¹⁴ The mobile penetration rate corresponds to the proportion of Malta's population owning an active SIM card.

In absolute terms, the number of mobile voice calls recorded in the first half of 2016 was down by 1.3 million (or by 0.5%) when compared to traffic reported in the same period a year earlier. Meanwhile, the number of mobile voice call minutes was up by 15.0 million (or by almost 4.0%). In contrast, SMS volumes were down by almost 26.0 million (or by 11.3%).

These changes in traffic volumes left an impact on activity levels per subscription. The average number of mobile voice calls per subscription totalled 459 in the first half of 2016, down from 467 in the first half of 2015. Meanwhile, the average number of mobile voice call minutes per subscription jumped from 680 in the first half of 2015 to 697 in the first half of this year. In contrast, the number of SMSs slid from 471 in the first half of 2015 to 460 in the first half of 2016.

Continued fixed-to-mobile (FTM) substitution is also evident from the figure below, which clearly depicts a scenario of end-users increasingly making use of mobile voice calling rather than fixed line calling. Figure 15 illustrates that the number of mobile-originated voice call minutes has been exceeding the number of fixed-originated voice call minutes since 2013¹⁵. The gap between the two widened further in the first half of 2016.

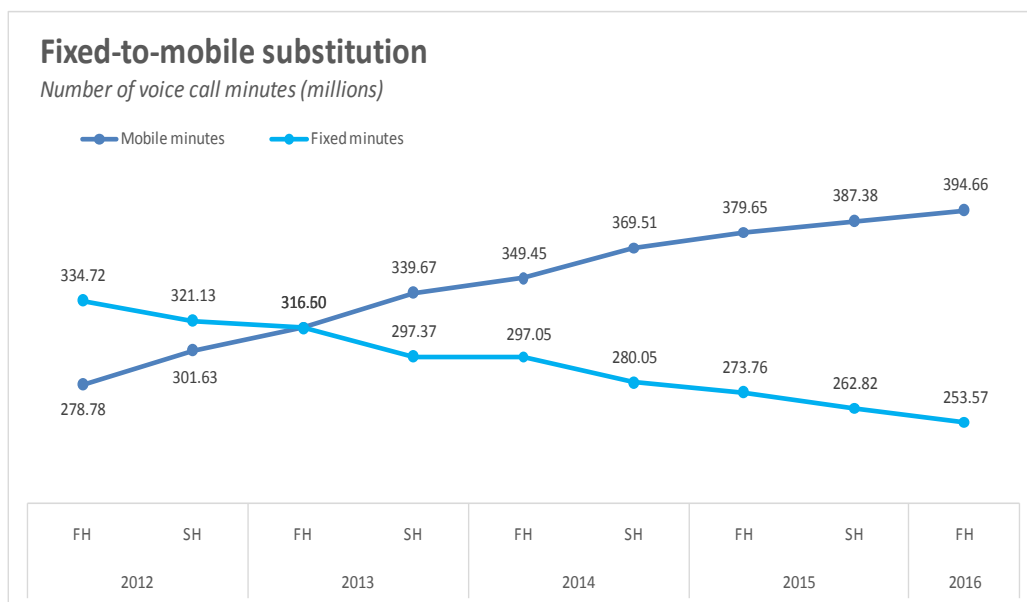


Figure 15: Fixed-to-mobile substitution

The positive trends in terms of take-up and improved voice minute traffic volumes contributed to a rise in revenues for the sector and ARPU levels improving further. In fact, mobile telephony ARPU in the first half of 2016 improved by 0.4% to €87.19 from €86.89 in the first half of 2015, despite the decline in ARPM.

5.1. Subscriptions

The number of active mobile subscriptions¹⁶ totalled 573,327 as at the end of June 2016, up by 10,371 (or by 1.8%) from 562,956 a year earlier. The number of mobile subscriptions on a post-paid contract at the end of the current reporting period totalled 194,155. This figure corresponds to 33.9% of all mobile subscriptions

¹⁵ It is also relevant to underline here that the number of mobile-originated voice calls has also been exceeding the number of fixed line-originated voice calls for the last few years.

¹⁶ The number of active mobile subscriptions refers to the number of subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for pre-paid connections and within 30 days of the period stipulated for post-paid connections.

registered at the time, up from almost 31.0% a year earlier. Meanwhile, the number of mobile subscriptions on pre-paid terms totalled 379,172 at the end of last June. This figure corresponds to 66.1% of the local mobile subscriber base, down from 69.0% a year earlier.

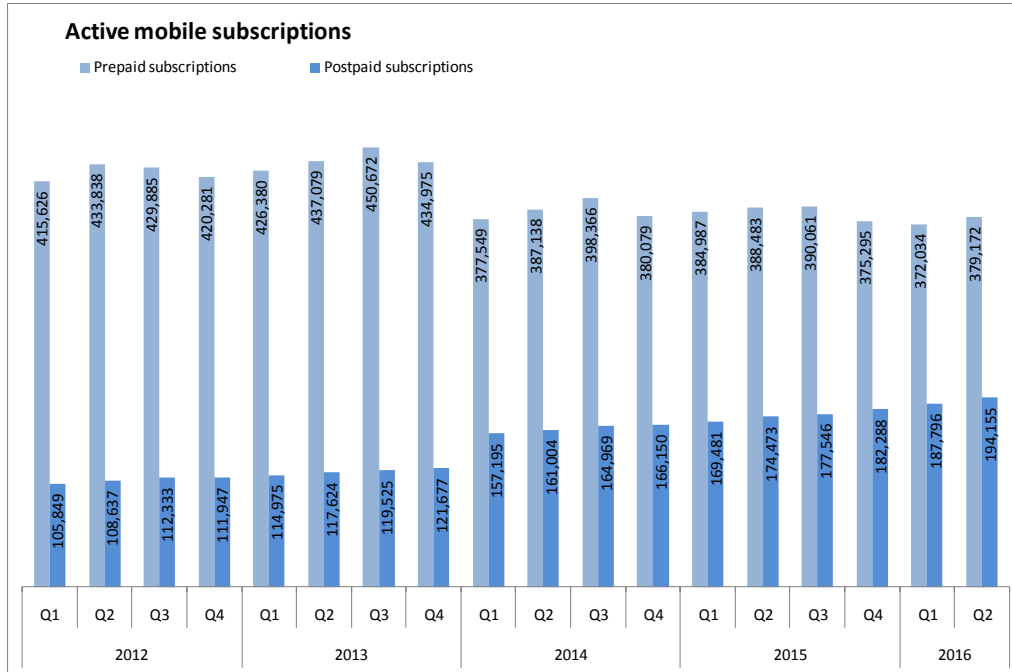


Figure 16: Mobile telephony subscriptions as at end of period

Subscriptions on a bundle

As to the number of mobile subscriptions purchased by the end-user in combination with other electronic communications services, Table 9 illustrates that these went up by 363 (or by 0.7%) in the 12-month period to June 2016. The proportion of mobile subscriptions on a bundle stood at 9.7% at the end of the current reporting period.

Mobile telephony subscriptions in a bundle	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Mobile telephony subscriptions on a dual play contract	12,738	13,567	12,156	12,443	13,427	11,112	8,985	7,850	7,502
Mobile telephony + fixed telephony	12,738	13,567	12,156	12,443	13,427	11,112	8,985	7,850	7,502
Mobile telephony subscriptions on a triple play contract	437	-	344	289	312	620	630	807	84
Mobile telephony + fixed telephony + fixed broadband	437	-	344	289	312	620	630	807	84
Mobile telephony subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Mobile telephony + fixed telephony + fixed broadband + pay TV	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Total number of mobile telephony subscriptions in a bundle	52,194	54,150	53,839	55,218	57,808	56,161	55,298	55,645	55,661
Number of mobile telephony subscriptions as at end of period	542,475	532,228	554,703	556,652	548,142	546,229	562,956	557,583	573,327
Percentage of mobile telephony subscriptions in a bundle	9.62%	10.17%	9.71%	9.92%	10.55%	10.28%	9.82%	9.98%	9.71%

Table 9: Mobile subscriptions on a bundled offer¹⁷

5.2. Mobile inward portings

There were 13,919 mobile inward portings¹⁸ in the first half of 2016, down by 1,946 (or by 12.3%) compared to the first half of the previous year. This means that, on average, two out of every 100 subscribers have switched mobile operator in the current reporting period. As to the reason why there were less inward

¹⁷ See footnote 5, page 6.

¹⁸ This term corresponds to the total number of mobile users that switch their subscription from one operator to another, whilst keeping the same number. Figures presented above only take into account the number of mobile inward portings.

portings in the first half of 2016 compared to the first half of 2015, this is not due to any problems with the switching procedure per se but rather the continued uptake of multiple mobile telephony subscriptions by end-users.

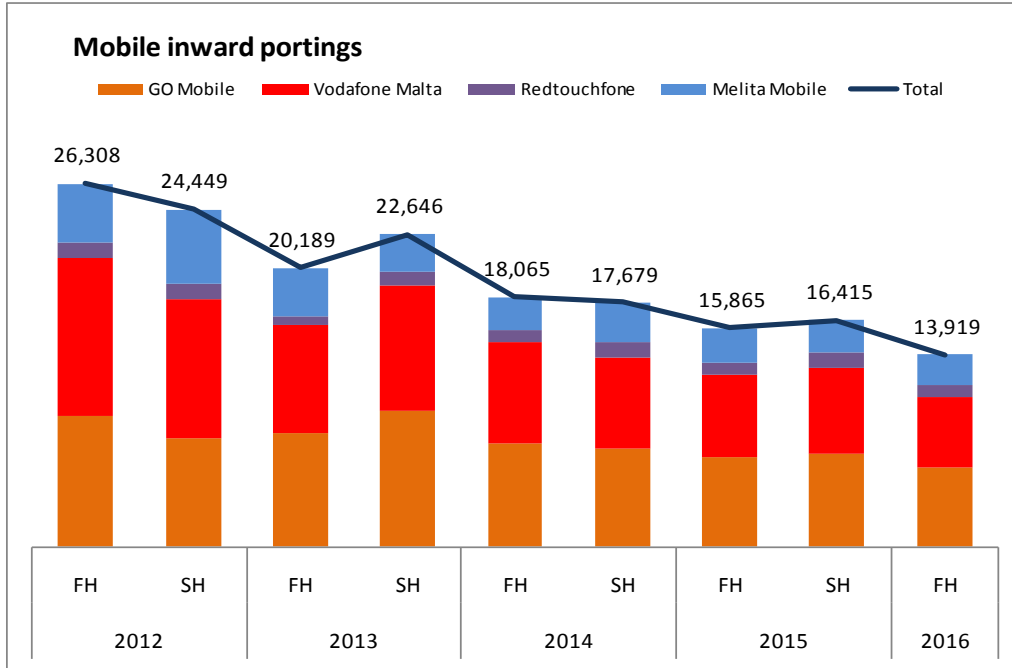


Figure 17: Mobile number portability - number of mobile portings

At an operator level, GO Mobile accounted for 40.7% of all mobile inward portings reported in the first half of 2016, closely followed by Vodafone (Malta) at 37.2% and Melita Mobile at 15.9%. Redtouchfone accounted for approximately 6.2% of all mobile inward portings reported in the period under consideration.

5.3. Usage trends for mobile telephony

Mobile voice traffic witnessed significant growth over the last few years. The first six months of 2016 were no exception, although growth was more in the form of end-users increasing their voice call minute consumption rather than the amount of calls they make. The trend in the current review period was also for end-users to make less use of SMS and MMS, as evidenced by declining traffic volumes for these services.

5.2.1 Voice calls

The number of mobile voice calls in the first half of 2016 amounted to 25.9 million, which is down by 1.3 million (or by 0.5%) from 261.2 million in the first half of 2015.

This decline happened because the increase in the number of off-net MTM calls and MTF calls was not sufficient to overcome a fall in the number of on-net MTM calls and MTI calls.

Mobile voice calls	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	171,375,310	201,566,855	222,398,680	255,812,768	251,385,555	266,261,676	261,196,465	273,090,182	259,931,377
Mobile-to-mobile (MTM)	150,024,073	179,120,273	201,056,673	233,375,534	229,218,248	242,622,349	237,813,657	248,146,406	236,647,528
on-net MTM	100,028,293	126,807,165	148,809,195	178,679,320	174,288,807	183,103,762	177,725,948	183,376,949	172,775,584
off-net MTM	49,995,780	52,313,108	52,247,478	54,696,214	54,929,441	59,518,587	60,087,709	64,769,457	63,871,944
Mobile-to-fixed (MTF)	18,228,588	19,564,658	17,824,243	18,492,513	18,443,136	19,163,833	19,176,332	20,336,816	19,340,851
Mobile-to-international (MTI)	3,122,650	2,881,924	3,517,764	3,944,721	3,724,171	4,475,494	4,206,476	4,606,960	3,942,998

Table 10: Outgoing mobile traffic - number of voice calls

The number of on-net mobile-to-mobile (MTM) calls was down by almost 5.0 million (or by 2.8%), from 177.7 million calls in the first half of 2015 to 172.8 million in the first half of this year. Meanwhile, the number of MTI calls was down by 0.3 million (or by 6.3%), from 4.2 million to 3.9 million.

In contrast to the above, the number of off-net MTM calls went up by 3.8 million (or by 6.3%), from 26.1 million in the first half of 2015 to 27.8 million in the first half of 2016. At the same time, the number of mobile-to-fixed (MTF) calls was up by 0.2 million (or by 0.9%), from 19.2 million to 19.3 million.

5.2.2 Voice call minutes

Call minute volumes were higher in the current reporting period when compared to the same period a year earlier. An increase in volumes materialised across all voice traffic segments, except for the international element.

The number of mobile voice call minutes totalled almost 394.7 million in the first half of 2016, up by 15.0 million (or by almost 4.0%) from 379.6 million in the first half of 2015.

Mobile voice call minutes	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	278,778,213	301,626,037	316,595,055	339,669,546	349,449,383	369,508,631	379,645,131	387,383,746	394,664,036
Mobile-to-mobile (MTM)	237,380,477	256,368,562	271,614,107	292,677,979	302,343,734	318,839,211	328,242,026	332,491,267	342,331,790
on-net MTM	175,051,399	192,040,781	205,020,567	219,863,900	224,440,686	231,550,138	234,871,600	234,096,857	235,093,969
off-net MTM	62,329,077	64,327,781	66,593,540	72,814,079	77,903,048	87,289,073	93,370,425	98,394,410	107,237,821
Mobile-to-fixed (MTF)	33,264,802	35,650,809	36,001,708	37,262,779	37,279,753	39,565,696	39,894,002	42,412,245	41,464,172
Mobile-to-international (MTI)	8,132,934	9,606,666	8,979,240	9,728,788	9,825,896	11,103,724	11,509,103	12,480,234	10,868,074

Table 11: Outgoing mobile traffic - number of voice call minutes

Disaggregating this increase by the type of traffic shows that on-net MTM minutes were up by 0.2 million (or by 0.1%); off-net MTM minutes were up by 13.9 million (or by 14.9%); MTF minutes were up by 1.6 million (or by 3.9%). In contrast, MTI minutes were down by 0.6 million (or by 5.6%).

5.4. SMS and MMS activity levels

In line with long-term market trends, SMS and MMS traffic volumes maintained their downward trajectory, with volumes recorded in the first half of 2016 lower than recorded during the same period in 2015.

5.4.1 SMS traffic volumes

The number of outgoing text messages totalled 203.7 million in the first half of this year, down by almost 26.0 million (or by 11.3%) from 229.7 million in the same period of 2015¹⁹.

This development is again mainly attributable to a large drop in the number of on-net SMSs, although other traffic segments registered declines as well.

¹⁹ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

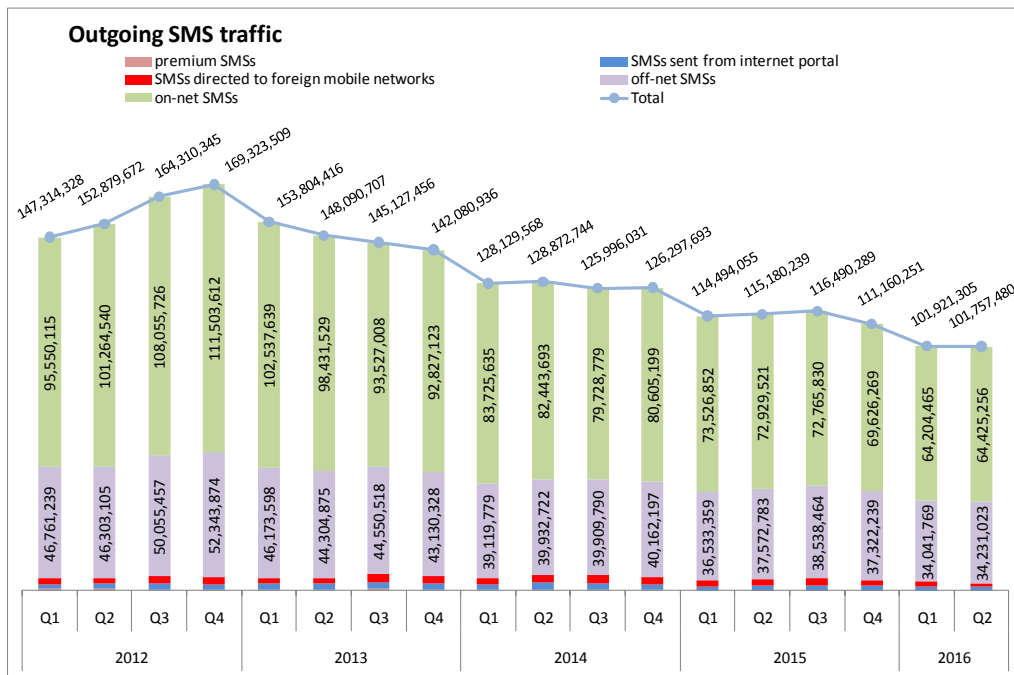


Figure 18: SMS activity - number of outgoing SMSs (1)

The number of on-net SMSs in the first half of 2016 totalled 128.6 million, down by 17.8 million (or by 12.2%) from 146.5 million in the first half of 2015. Meanwhile, the number of off-net SMSs was down by 5.8 million (or by 7.9%) from 74.1 million to 68.3 million and the number of premium SMSs declined by 0.04 million (or by 18.7%).

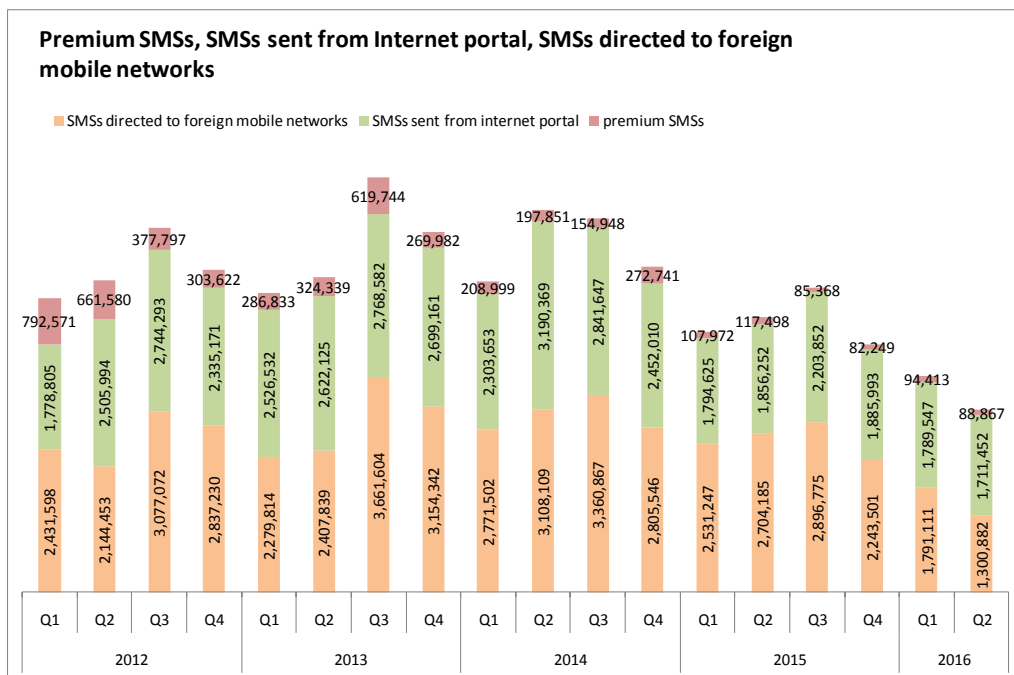


Figure 19: SMS activity - number of outgoing SMSs (2)

Other volume declines were recorded for SMSs directed to foreign mobile networks and SMSs sent from Internet portals. The former was down by 2.1 million (or by almost 40.9%), from 5.2 million in the first half

of 2015 to 3.1 million in the first half of this year. At the same time, the latter traffic segment was down by 0.1 million (or by 4.1%), from 3.7 million to 3.5 million.

5.4.2 MMS traffic volumes

The number of MMSs in the first half of this totalled 67,433. This figure is almost double that recorded in the first half of 2015, when the number of MMSs totalled 35,191.

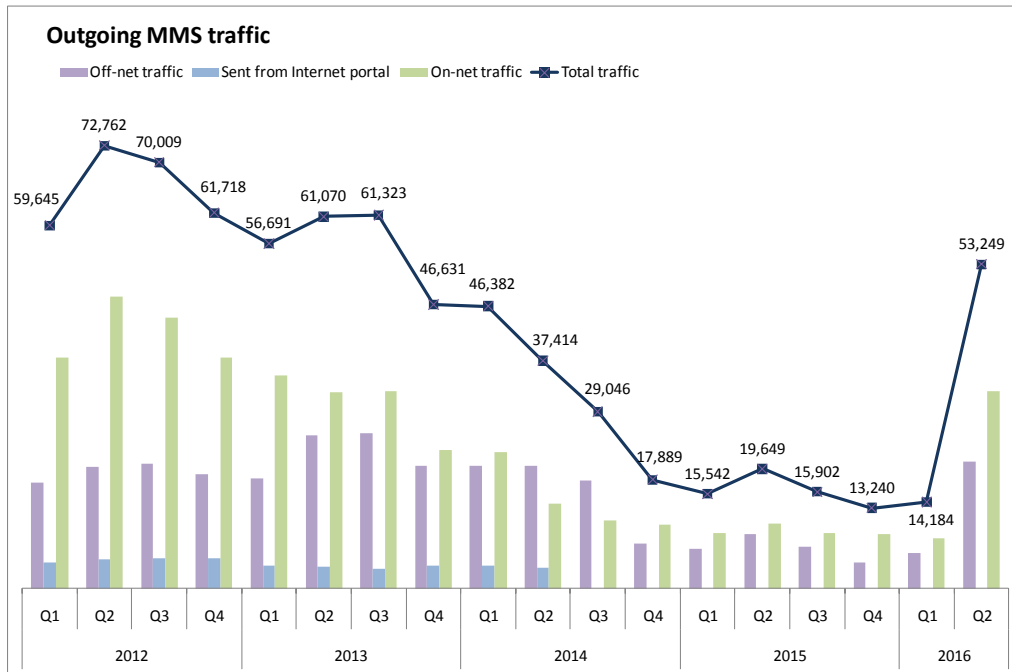


Figure 20: MMS activity - number of outgoing MMSs

5.5. Activity levels per mobile subscription

Developments in activity levels per mobile subscription depend on the rate of growth in traffic volumes and the change in the number of subscriptions.

5.5.1 Voice call activity levels per subscription

During the first half of 2016, mobile telephony subscriptions and voice call minutes were on the rise. Growth in voice call minutes outpaced growth in subscriber numbers. Hence, the number of voice call minutes per subscription was up from 685 in the first half of 2015 to 698 in the first half of this year.

On-net traffic continues to represent the largest portion activity recorded by the sector. However, the average number of on-net voice call minutes per subscription was down from 424 in the first half of 2015 to 416 in the first half of 2016. MTI voice minute activity levels were also slightly down, from an average of 21 per subscription in the first half of 2015 to an average of 19 in the first half of this year.

Meanwhile, gains in voice minute activity levels for off-net MTM and MTF traffic segments outweighed the above-mentioned declines. The average number of off-net MTM voice call minutes per subscription was up from 168 to 190, whilst the average number of MTF voice call minutes was up slightly, from an average of 72 to an average of 73.

It is recalled that there fewer mobile-originating calls recorded in the first half of 2016 compared to the same period a year earlier. In this regard, the average number of mobile calls per subscription totalled 460 in the first half of this year, down from an average of 471 in the first half of 2015. Disaggregating the trends by traffic segment shows a drop in activity levels for on-net MTM, MTF and MTI traffic, in contrast to a gain in activity levels for off-net MTM traffic. This is most likely a result of an increasing number of post-paid subscriptions with more favourable allowances for these types of calls. In fact, the number of off-net MTM calls per active mobile subscription went up from 108 in the first half of 2015 to 113 in the first half of 2016.

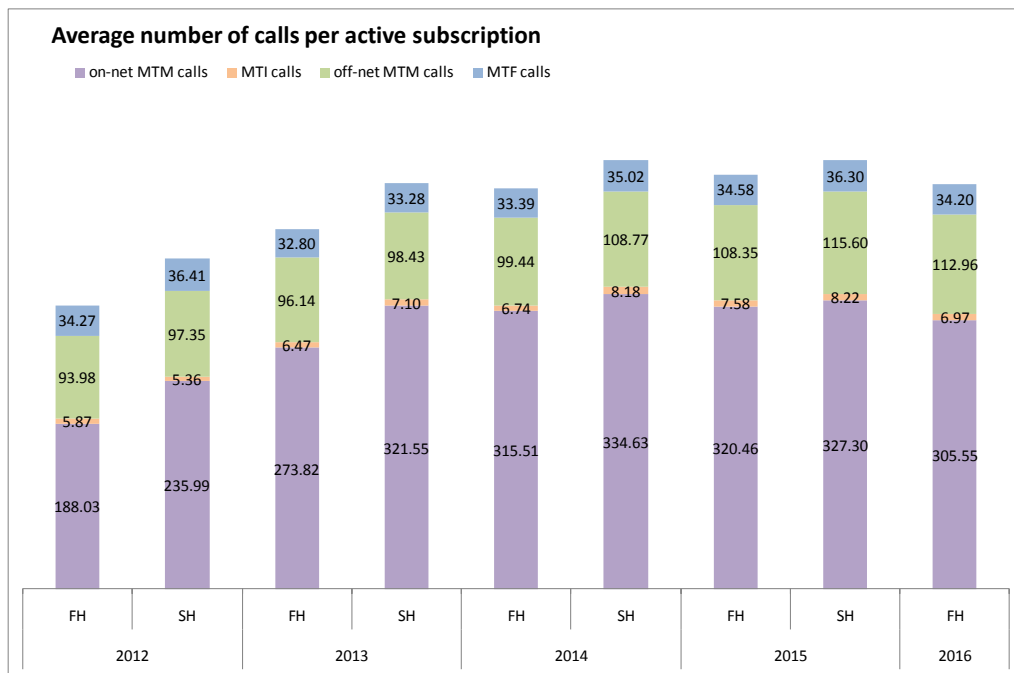


Figure 21: Average number of calls per active subscription

5.5.2 SMS activity levels per subscription

SMS traffic volumes in the first half of 2016 were down considerably when compared to volumes reported in the same period a year earlier. In combination with the increase in the number of mobile subscriptions, the decline in SMS traffic volumes resulted in lower activity levels per subscriber for this type of traffic.

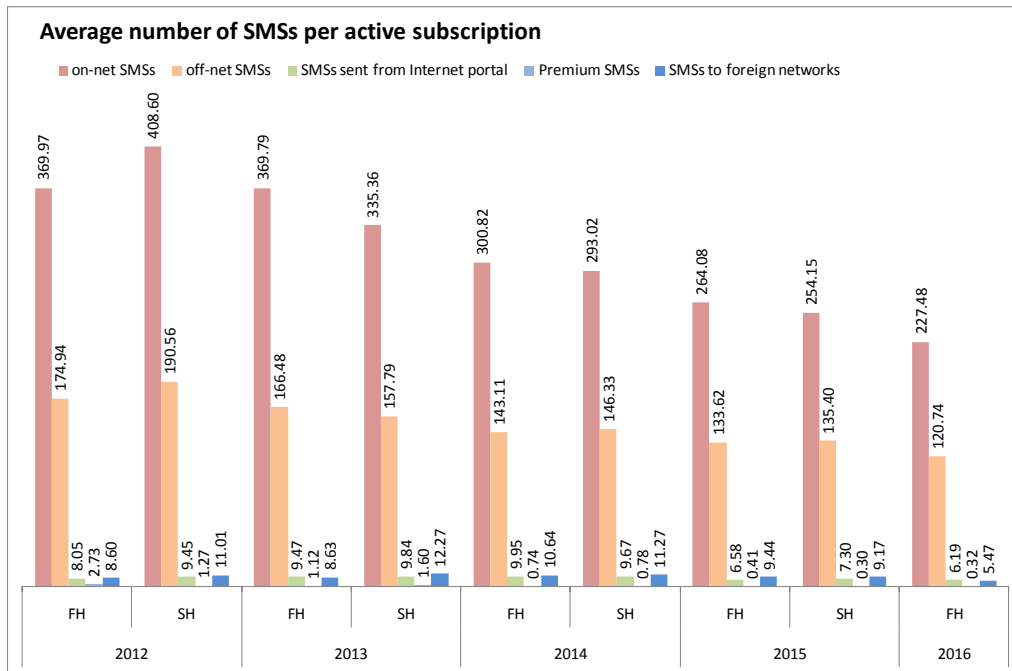


Figure 22: Subscriber activity - average number of SMSs per active subscription

In fact, the number of SMSs per active subscription in the first half of this year amounted to 360, notably down from 414 in the first half of 2015. Figure 22 illustrates that each SMS traffic segment registered a fall in activity levels.

As already observed in previous publications, this development mainly reflects the ongoing increase in usage of mobile voice services as opposed to a falling use of texting services. This is in part due to the improved availability of minute allowances and the increasing popularity of social networking platforms and OTT services.

5.6. Average mobile call duration

Mobile call rates and the availability of free minute allowances impact on the duration of a mobile-originated voice call. For example, lower mobile call rates are likely to contribute to lengthier calling times, as latest trends for traffic volumes may be indicating. Nevertheless, this trend is not always as straightforward given that various factors, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage, may influence pricing outcomes and consumer preferences. For example, cheaper call rates and free minute allowances may entice end-users to substitute SMSs with on-net MTM voice calls that are of a shorter duration.

Overall, average mobile call duration in the first half of 2016 was 1.52 minutes (or approximately 91 seconds), slightly lengthier to what has been reported for the first half of 2015, at 1.45 minutes (or approximately 87 seconds).

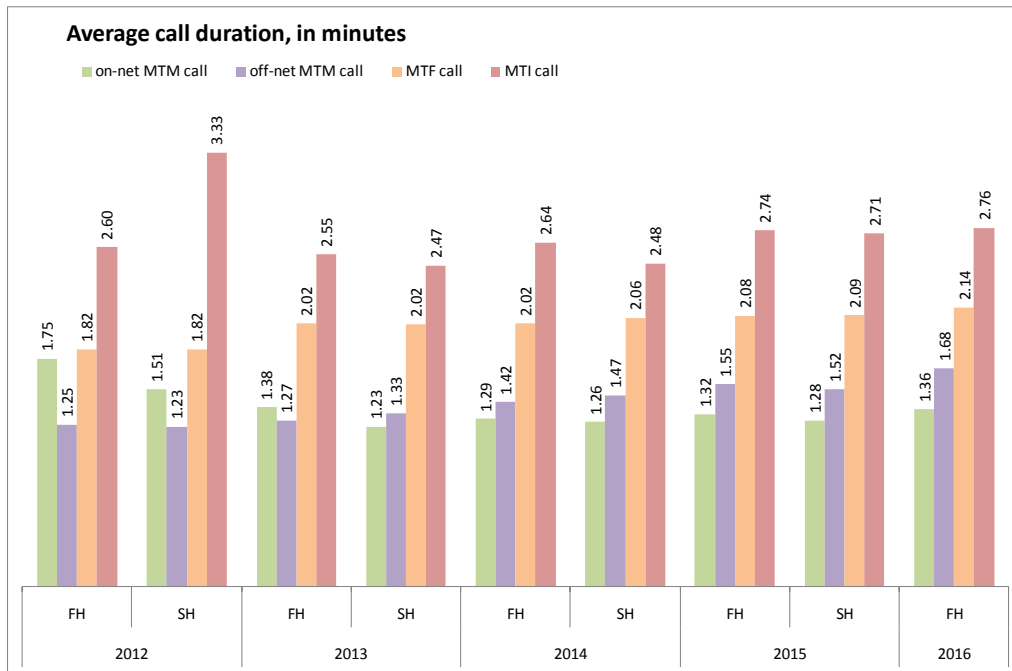


Figure 23: Average duration of an outgoing mobile call

This result is in line with the trends observed over the last few years, mainly that the wider availability of minute allowances, and their extension to different types of mobile-originated calls, contribute to longer calls and lower use of SMS.

5.7. International roaming activity levels

The level of international roaming activity²⁰ depends on two main factors, namely the frequency and pattern of travel by end-users and the relative roaming charges that apply for calls and SMSs. It is of relevance to underline here that Malta continues to experience a consistently higher inflow and outflow of tourists. Meanwhile, the number of Maltese travelling abroad is also on the rise. These trends coincided with a period of falling roaming charges, both in the case of voice calls and text messaging.

5.7.1 Outbound roaming activity

This type of roaming activity refers to voice call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad.

²⁰ From a technical perspective, international roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. In this regard, end-users would be using voice-roaming services when making or receiving calls via their mobile subscription while abroad. They would be using SMS roaming services when sending or receiving an SMS via their mobile subscriptions. End-users can also send or receive data while abroad over their mobile.

Data for inbound and outbound roaming calls is currently under review and subject to revisions.

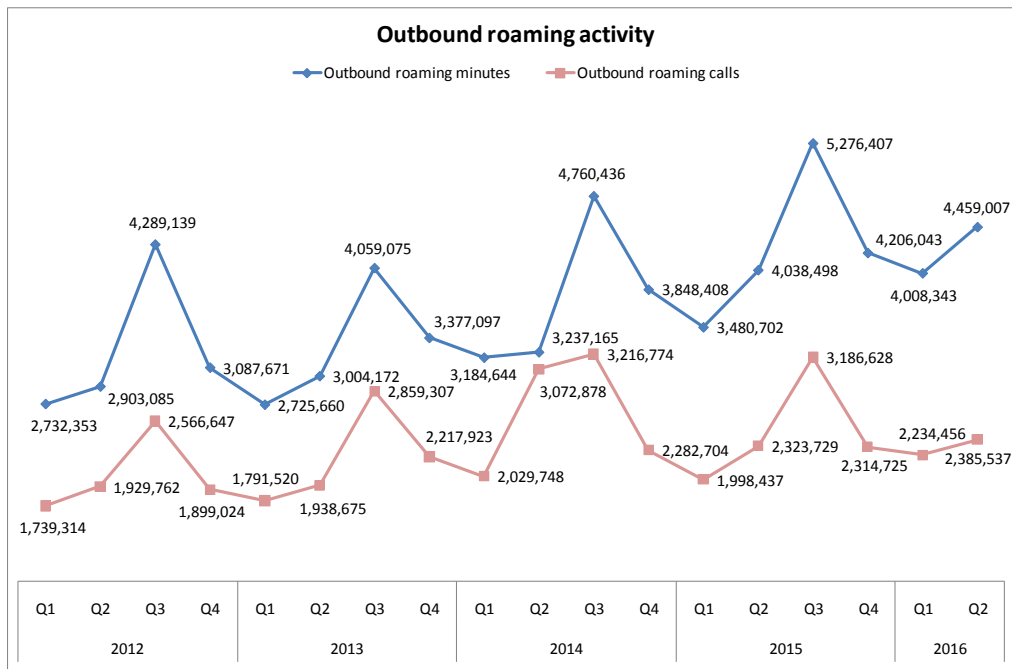


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 4.6 million in the first half of 2016, up by almost 7.0% from 4.2 million in the first half of last year. Meanwhile, the number of outbound roaming minutes in the first half of this year totalled 8.5 million, up by 0.9 million (or by 12.6%), from 7.5 million in the first half of 2015. These developments are a result of more people travelling abroad and the implementation of lower roaming call charges. The fall in roaming call charges enticed mobile end-users to make lengthier calls rather than making multiple shorter calls whilst travelling.

5.7.2 Inbound roaming activity

This type of roaming activity refers to call, SMS and data services operated on local mobile networks by foreign subscribers when roaming in Malta.

The number of inbound roaming calls totalled 14.7 million in the first half of 2016, which is down by 2.3 million (or by 13.5%) from almost 17.0 million in the corresponding period a year earlier. This is again most likely a result of the decline in roaming call charges, which enticed end-users to make lengthier calls whilst travelling abroad rather than a larger number of calls with a short duration.

This is confirmed by figures observed for inbound roaming activity in terms of voice traffic minutes.

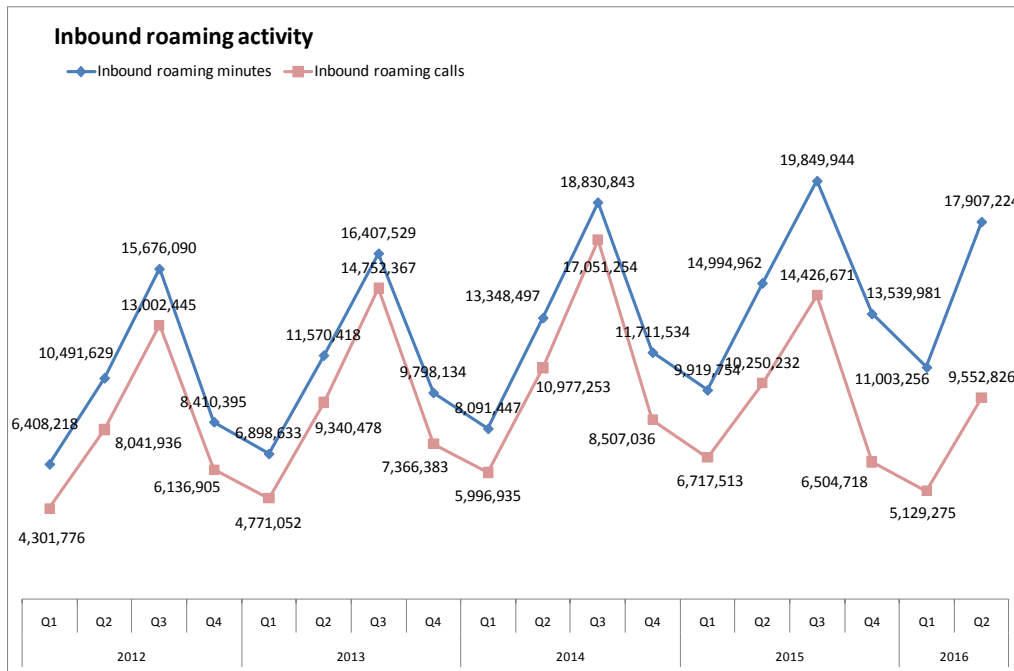


Figure 25: Inbound roaming activity

In fact, the number of inbound roaming minutes went up by almost 4.0 million (or by 16.0%), from 24.9 million in the first half of 2015 to 28.9 million in the first half of this year.

5.8. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector for the first half of 2016 was higher than that observed in the first half of the previous year. Figure 26 shows that mobile ARPU in the first half of this year stood at €87.19, which is up by €0.30 (or by 0.3%) from €86.89 in the first half of 2015.

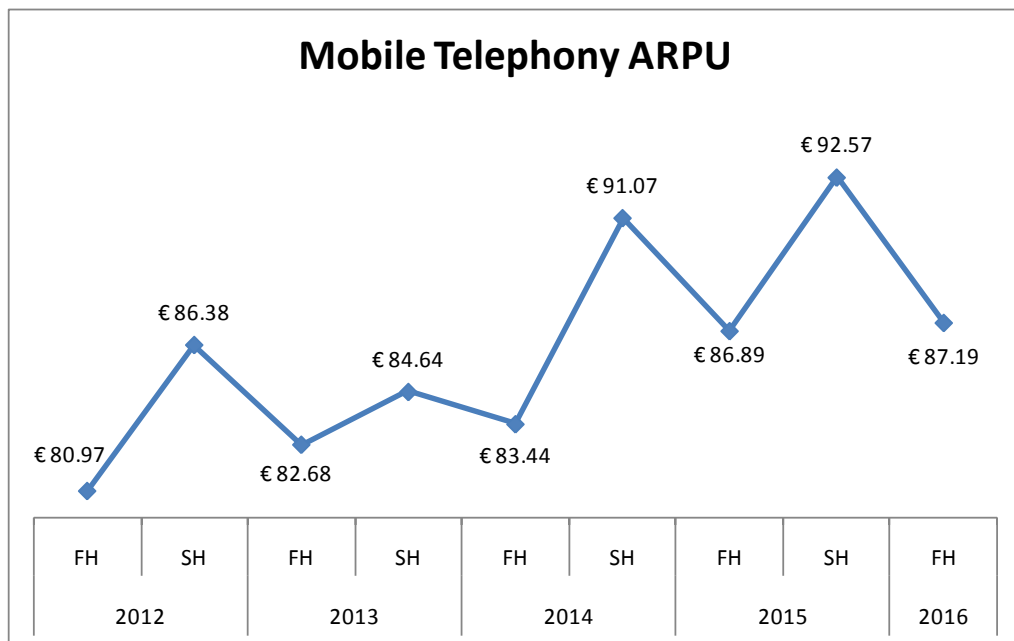


Figure 26: Average revenue per mobile user

This marginal improvement in average revenue per mobile user is most likely attributable to the continued increase in the number of mobile subscriptions on post-paid plans and the rapid increases recorded in the consumption of voice traffic volumes and mobile broadband data services.

Methodology used in deriving mobile ARPU figures

Mobile ARPU figures are derived by dividing total revenues of service providers by the average number of active subscriptions, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from all outgoing voice activity (excluding interconnection revenues);
2. revenues from SMS and MMS activity;
3. revenues from monthly access fees;
4. revenues from data services; and
5. revenues from outbound roaming activity (but excl. revenues from inbound roaming activity).

The average number of active subscribers during a given period is derived by adding the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the said period, divided by two.

5.9. Pricing developments for mobile telephony

The continued shift observed from pre-paid to post-paid subscriptions goes to show that consumer preferences keep changing, underscored by strong substitution from fixed to mobile voice services and the accelerating demand for mobile data.

Although it remains difficult to determine the exact price paid by the end-user to make a mobile voice call and / or to send an SMS, an overall pattern of falling average rates for these services is observed in the charts depicted below²¹.

Figure 27 shows that the average rate per minute of mobile communication for a domestic call stood at €0.073 in the first half of 2016, down by 6.4% from €0.078 in the first half of 2015²².

²¹ The MCA carries out a regular exercise to calculate the average rate per minute of mobile voice call services and the average rate per SMS. In the former case, figures are derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading. In the latter case, figures correspond to the division of SMS-related revenues by the number of SMSs made during the period.

In these calculations, revenues from VAT, excise tax, and retail roaming services are excluded.

²² It is again noted here that local mobile operators may offer free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. However, the current calculations do not take these factors into account.

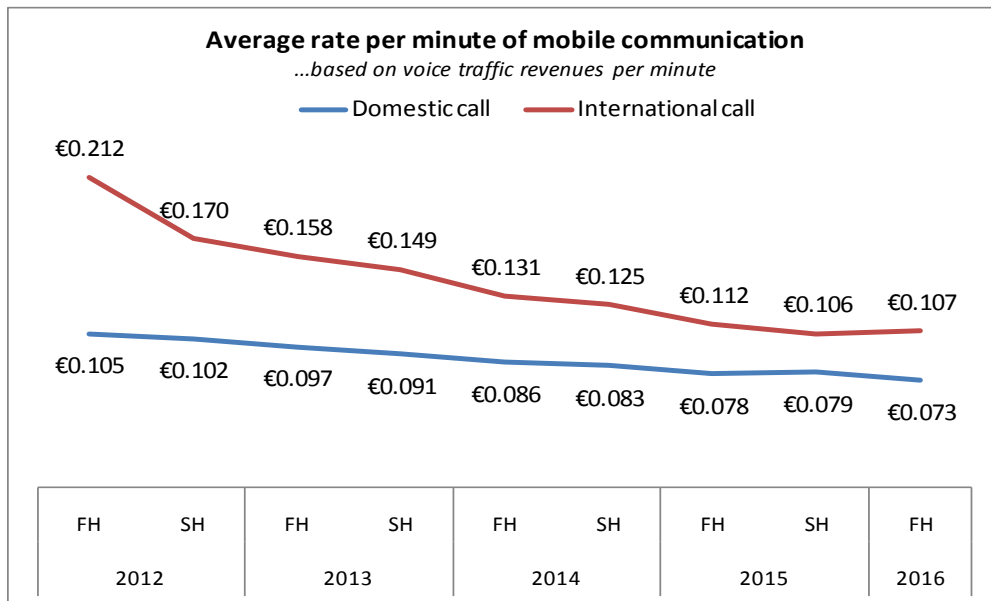


Figure 27: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communication for an international call over the mobile network was also down, this time by 4.5%, from €0.112 in the first half of 2015 to €0.107 in the first half of this year.

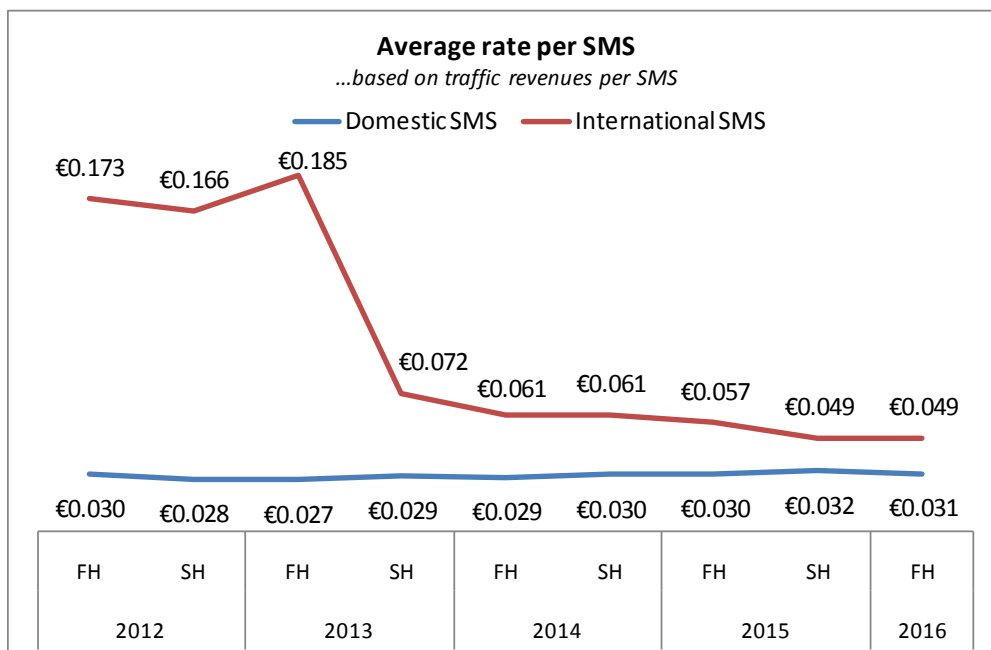


Figure 28: Average rate per domestic and international SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in the first half of 2016, the consumer on average paid €0.031 for a domestically bound SMS and €0.049 for an internationally bound SMS.

6. Fixed and mobile broadband

The number of fixed broadband subscriptions has continued to grow in the first six months of this year. There were 168,008 fixed broadband subscriptions at the end of last June, which is up by 16,451 (or by 10.9%) when compared to the figure recorded a year earlier. The fixed broadband penetration rate improved accordingly, from 36.8% to 38.5%.

Growth was significant for subscriptions supporting superfast download speeds (i.e. download speeds of 30Mbps or more). At the end of last June, superfast fixed broadband subscriptions made up 59.4% of the local fixed broadband subscriber base, up from 57.0% a year earlier²³. In absolute terms, the number of fixed broadband subscriptions supporting download speeds of 30Mbps or more was up by 9,349 (or by 10.3%). Meanwhile, the share of subscriptions supporting a download speed of less than 30Mbps fell from 40.6% to 43.0%.

The number of fixed broadband subscriptions purchased in a bundle also increased steadily in the first half of this year. Compared with the end of June 2015, the proportion of fixed broadband subscriptions purchased in a bundle to the total fixed broadband subscriber base recorded at the end of last June was up by 6.4 percentage points, from 68.8% to 75.2%. A general observation here is that the increase in the number of fixed broadband subscriptions purchased in a bundle has to do with the discounted prices that are associated with bundled packages and the possibility of end-users incurring lower set-up charges and / or lower rental fees for equipment when signing up for bundled packages.

Another important trend observed for fixed broadband is the overall decline in the average rate per Mbps, in particular for products supporting superfast download speeds. This decline in the average rate per Mbps indicates a more competitive cost-to-quality relationship for the consumer, in particular when opting for newer offers supporting superfast download speeds. The average rate per Mbps at the end of June 2016 stood at €1.20, down by around 29.0% from €1.69 at the end of June 2015²⁴.

Despite the decline observed in the average rate per Mbps and the increase in the number of fixed broadband subscriptions purchased in a bundle, stronger take-up of superfast fixed broadband products enabled service providers to improve ARPU in the first half of 2016 compared to that recorded in the same period a year earlier. Fixed broadband ARPU in the first half of 2016 stood at €95.75, which is up by 6.4% from €89.34 in the first half of 2015.

Malta also experienced a strong increase in the uptake of mobile broadband services during the first half of this year. The underlying factors driving this positive change is the wider availability of smartphones and other mobile devices and improved mobile broadband plans and data allowances, which all contribute to a better experience for end-users when using mobile data services. There were around 286,444 end-users actively using mobile broadband services at the end of last June, up from 272,418 a year earlier. In line with this increase, Malta continues to improve its mobile broadband penetration rate, closing its gap with the EU average, as confirmed by figures published by the European Commission.

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 168,008 at the end of last June. This figure is up by 9,139 (or by 5.8%) from 158,869 fixed broadband subscriptions recorded at the end of June 2015²⁵.

²³ Reference is to 'headline' (or 'advertised') download speeds.

²⁴ These figures vary from those quoted further down below given that they refer to the average rate per Mbps for the whole six-month period under review rather than the average rate per Mbps at the end of the reference period.

²⁵ For the purpose of this report, fixed broadband Internet subscriptions refer to those connections that are *always on* and have a speed of 128kbps or more.

The number of fixed broadband subscriptions recorded at the end of last June equates to a fixed broadband penetration rate of 38.5%, an increase of 1.7 percentage points since the end of June 2015.

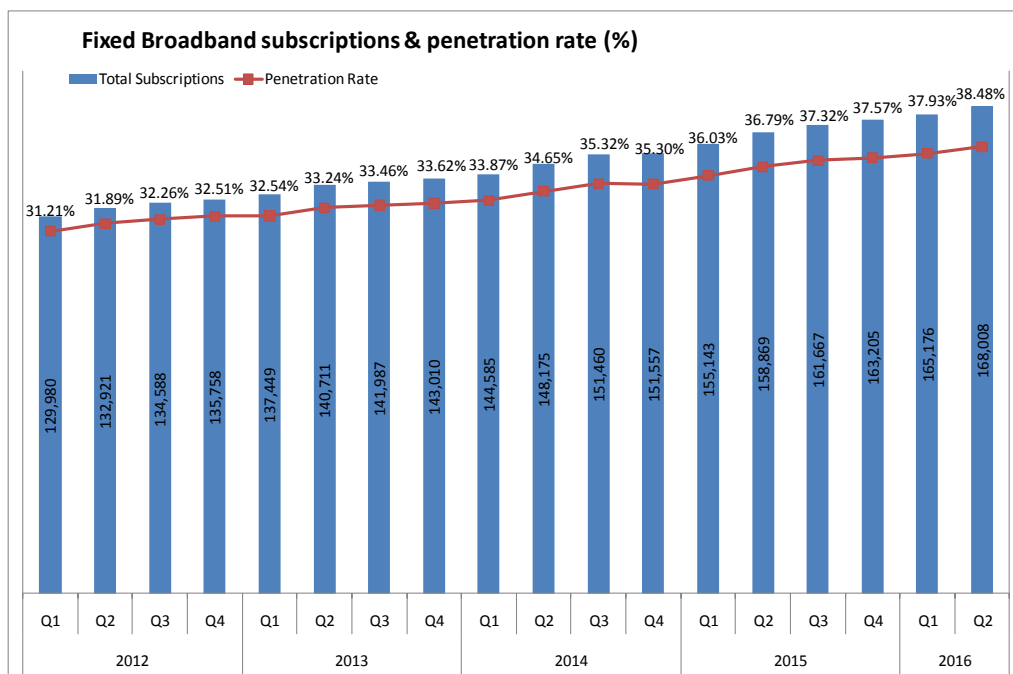


Figure 29: Take-up of fixed broadband and fixed broadband penetration

Fixed broadband subscriptions in a bundle	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Fixed broadband subscriptions on a dual play contract	6,222	9,653	10,068	11,349	15,979	29,890	36,927	44,179	49,622
Fixed broadband + fixed telephony	6,222	9,653	10,068	11,349	15,979	29,890	36,927	44,179	49,622
Fixed broadband subscriptions on a triple play contract	9,802	9,794	15,459	21,376	22,477	25,490	26,718	28,193	28,613
Fixed broadband + fixed telephony + mobile telephony	437	-	344	289	312	620	630	807	84
Fixed broadband + fixed telephony + pay TV	9,365	9,794	15,115	21,087	22,165	24,870	26,088	27,386	28,529
Fixed broadband subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Fixed broadband + fixed telephony + pay TV + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Total number of fixed broadband subscriptions in a bundle	55,043	60,030	66,866	75,211	82,525	99,809	109,328	119,360	126,310
Number of fixed broadband subscriptions as at end of period	132,921	135,758	140,711	143,010	148,175	151,557	158,869	163,205	168,008
Percentage of fixed broadband subscriptions in a bundle	41.41%	44.22%	47.52%	52.59%	55.69%	65.86%	68.82%	73.14%	75.18%

Table 12: Fixed broadband subscriptions on a bundled offer

The take-up of fixed broadband subscriptions in bundled packages has also seen a rapid increase. In this regard, the number of fixed broadband subscriptions purchased in combination with some other electronic communications service on a bundle totalled 126,310 at the end of the current review period. The latter figure is equivalent to 75.2% of all fixed broadband subscriptions recorded at the time, which represents an increase of 6.4 percentage points over a 12-month period.

6.2. Fixed broadband subscriptions by type of access technology

A breakdown of fixed broadband subscriptions by technology shows that there were 80,647 cable-based subscriptions at the end of June 2016, up by 1,305 (or by 1.6%) from 79,342 subscriptions a year earlier.

DSL-based subscriptions and FTTH-based subscriptions²⁶ totalled 75,992 and 7,472 respectively at the end of last June. The DSL subscriber base went up by 1,918 connections over a 12-month period since the end of

²⁶ This is the second time that the MCA is reporting on FTTH-based subscriptions as a separate category of fixed broadband.

June 2015, whilst the subscriber base for FTTH registered an increase of 4,090 connections over the same period.

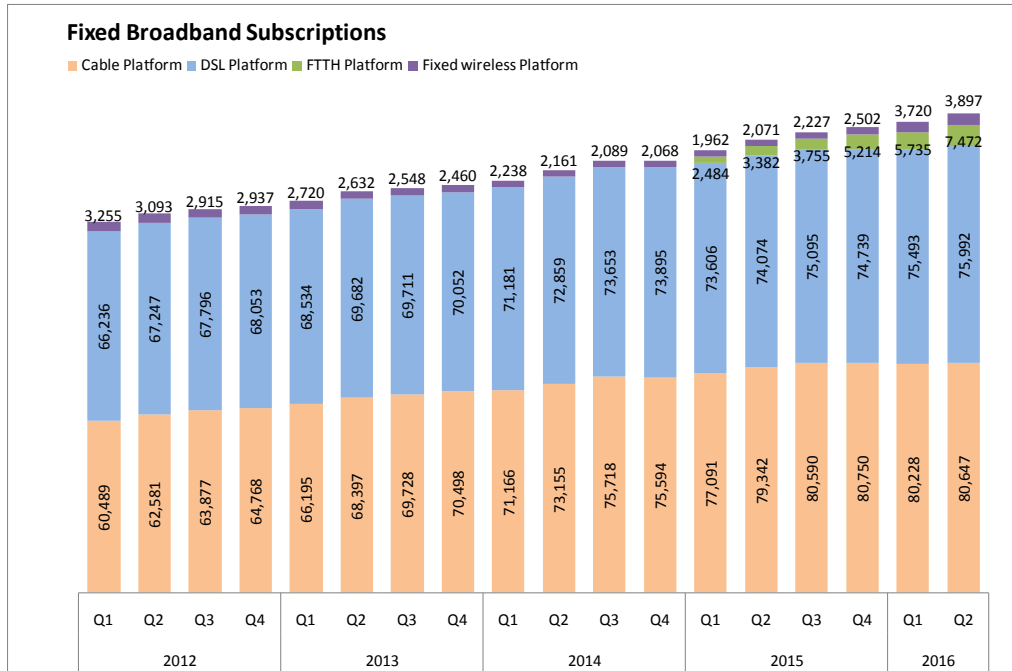


Figure 30: Broadband Internet subscriptions as at end of period - by technology

As for the number of fixed wireless connections, these totalled 3,897 at the end of last June, up by 1,826 (or by 88.2%) from 2,071 a year earlier.

In view of the changes observed above, cable’s market share slightly fell by 1.9 percentage points, from 49.9% at the end of June 2015 to 48.0% at the end of last June. DSL also lost market share, in this case by 1.4 percentage points, from 46.6% to 45.2%.

In contrast, the market share of FTTH more than doubled, from 2.1% to 4.5%, whilst that of fixed wireless improved by 1.0 percentage points, from 1.3% to 2.3%..

6.3. Fixed broadband subscriptions by speed²⁷

As observed in recent years, take-up of fixed broadband continued to strengthen in the case of products supporting higher download speeds, specifically superfast fixed broadband products i.e. products supporting download speeds of 30Mbps or more.

Figure 31 illustrates that the number of fixed broadband subscriptions supporting download speeds of less than 30Mbps at the end of last June totalled 68,159. This figure is only marginally down from 68,369 recorded at the end of June 2015.

Meanwhile, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps was up by 3,882 (or by 4.4%), from 88,849 to 92,731.

²⁷ Quoted figures refer to advertised speeds.

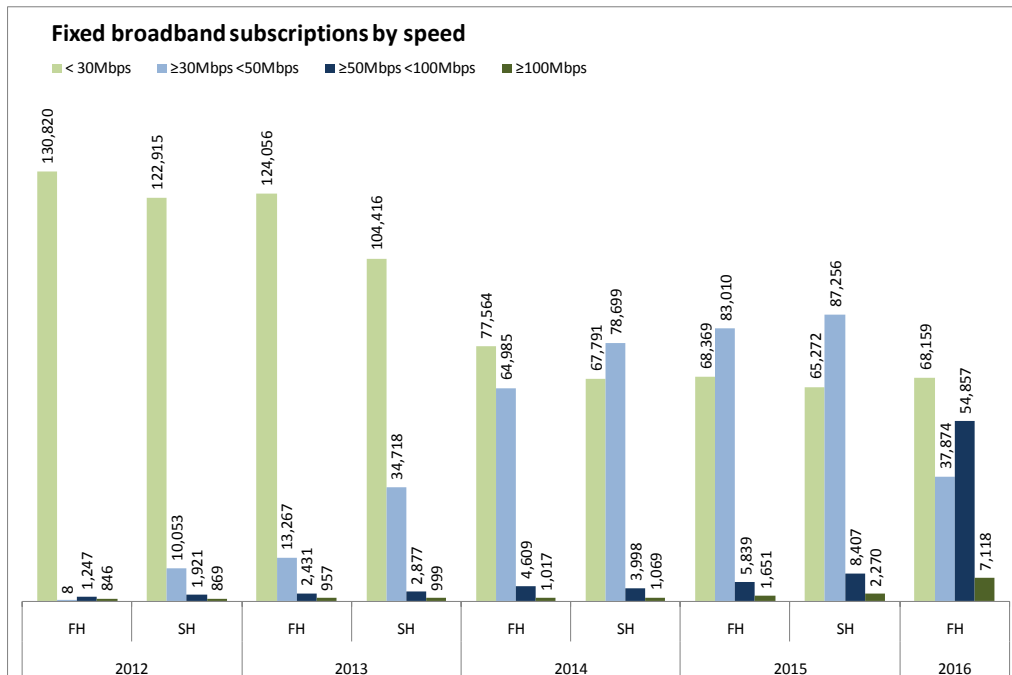


Figure 31: Fixed broadband subscriptions as at end of period, by speed

The number of fixed broadband subscriptions availing of a download speed of 100Mbps or more has also increased significantly during the same period, in this case by 5,467 from 1,651 to 7,118.

6.4. Fixed broadband subscriptions by access technology and download speed

A further look at the fixed broadband subscriber base, in particular to the number of fixed broadband subscriptions categorised by type of access technology and download speeds, would show that all fixed wireless broadband subscriptions recorded at the end of June 2016, except for six, allowed for a download speed of less than 30Mbps. The six connections mentioned before allowed for a download speed of 30Mbps but less than 100Mbps.

Meanwhile, with respect to DSL, 78.6% of all subscriptions on this technology platform allowed for a download speed of less than 30Mbps and 21.4% allowed for a download speed of 30Mbps but less than 50Mbps.

60.7% of all subscriptions registered under the FTTH platform allowed for a download speed of less than 30Mbps, 35.8% allowed for a download speed of 30Mbps but less than 100Mbps and 3.5% allowed for a download speed of 100Mbps or more.

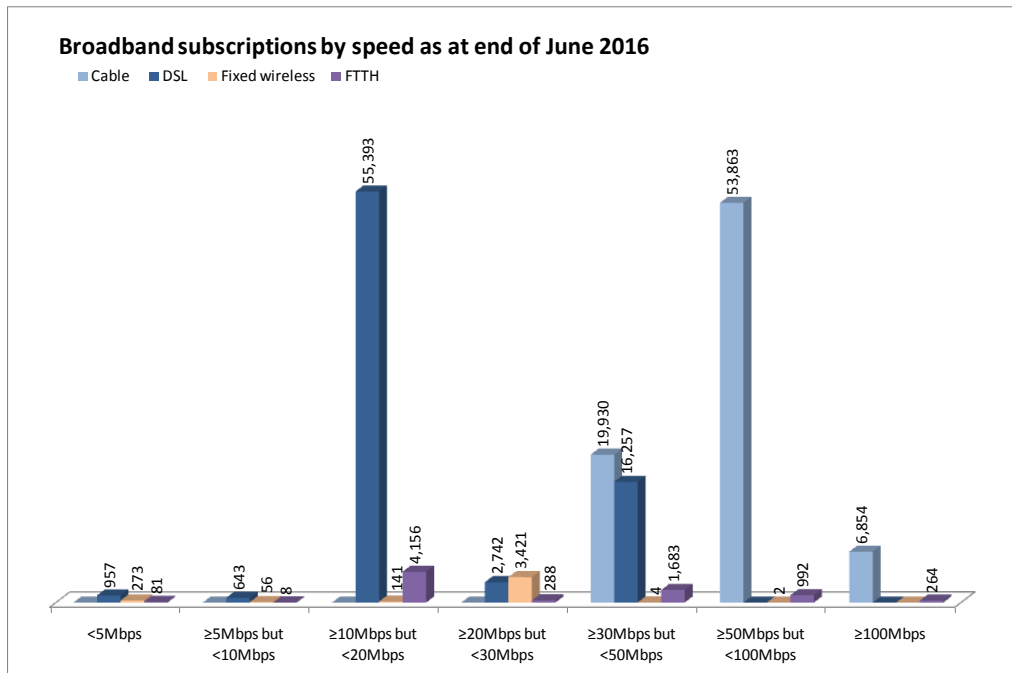


Figure 32: Broadband Internet subscriptions as at end of period - by technology & connection speed

With respect to cable-based fixed broadband subscriptions, Figure 32 illustrates that 24.7% of these allowed for a download speed of 30Mbps but less than 50Mbps, 66.8% allowed for a download speed of 50Mbps but less than 100Mbps and 8.5% allowed for a download speed of 100Mbps or more.

6.5. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the first half of 2016 stood at €95.75, up from €89.34 in the same period a year earlier.

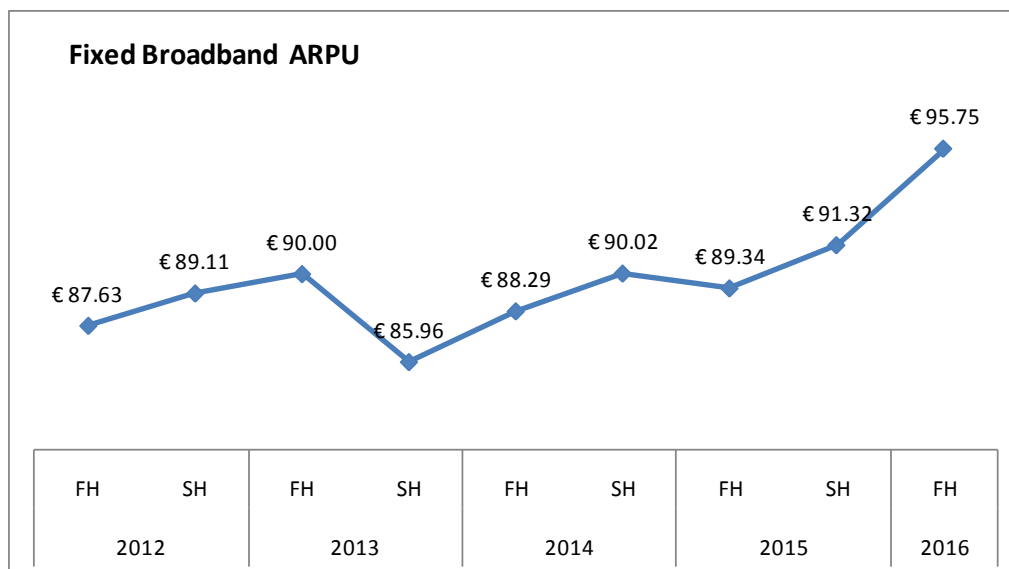


Figure 33: Average revenue per broadband user

This increase in ARPU for fixed broadband materialised at a time when take-up for products supporting fast and super fast download speeds increased at a very fast pace. The increase in take-up of fast and super-fast fixed broadband connections enabled service providers to get a higher premium, notwithstanding the higher uptake of fixed broadband plans in bundled subscriptions and the promotional offers and discounts that are common with bundled packages.

Methodology used in deriving fixed broadband ARPU figures

ARPU for fixed broadband corresponds to the average half-yearly spend by end-users for data access and internet connectivity services provided over fixed access technology. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from subscriptions to broadband services, excluding revenues from installation and connection fees.

The average total number of subscriptions takes the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two.

6.6. Average rate per Mbps

The rate that Maltese consumers pay for bandwidth has gone down in the first six months of 2016, in line with long-term market developments. An overall trend that emerges is that consumers pay an even lower rate per Mbps for products delivering faster download speeds compared to products delivering slower download speeds.

The first half of 2016 has seen service providers further updating their product line-up with improved download speeds and changed monthly fees associated with the new plans. Service providers also continued upgrading existing customers from legacy plans to newly launched offers, particularly to those offers supporting download speeds of 30Mbps or higher. The availability of new plans supporting such speeds at cheaper entry-level prices made it possible for the average rate per Mbps in the first half of 2016 to fall when compared to that prevailing a year earlier.

Overall, the average rate per Mbps at the end of June 2016 stood at €1.20, down by almost 29.0% from €1.69 at the end of June 2015²⁸.

Figure 34 illustrates that, when compared to the average rate per Mbps observed at the end of June 2015, the corresponding rates observed at the end of last June were higher with respect to broadband products supporting download speeds of less than 5Mbps and broadband products supporting download speeds of 20Mbps but less than 30Mbps. On the other hand, the average rate per Mbps was lower for broadband products supporting download speeds of 5Mbps but less than 20Mbps and fixed broadband products supporting download speeds of 30Mbps or more.

On a disaggregated level, the average rate per Mbps for broadband products supporting a download speed of less than 5Mbps went up from €3.79 to €4.43 whilst the average rate per Mbps for fixed broadband products supporting download speeds of 20Mbps but less than 30Mbps went up from €1.84 to €2.95 during the same period²⁹.

²⁸ The average rate per Mbps calculation in this report takes into account fixed broadband offers on a stand-alone subscription or on dual play bundled packages.

²⁹ This increase reflects the discontinuation of a number of legacy products, with only those products on the higher-end of the price scale now featuring in this category.

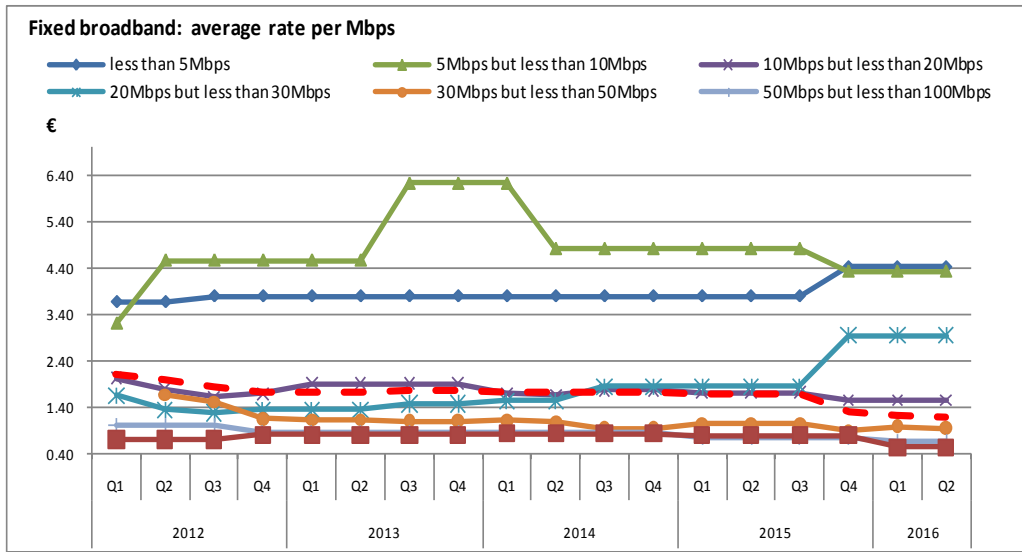


Figure 34: Average price per Mbps of fixed broadband for packages

On the other hand, the average rate per Mbps of products supporting download speeds of 5Mbps but less than 20Mbps has gone down. More significantly, the rate per Mbps for broadband products with download speeds of 30Mbps but less than 50Mbps was down by 8.7%, from €1.04 at the end of June 2015 to €0.95 at the end of last June. Meanwhile, the rate per Mbps for broadband products supporting download speeds of 50Mbps but less than 100Mbps was down by 14.5%, from €0.76 to €0.65.

As for fixed broadband products supporting download speeds of 100Mbps or more, the average rate per Mbps was also down year-on-year³⁰, in this case by 33.8%, from €0.80 to €0.53.

Note

The MCA considers the average advertised rate of fixed broadband per unit of download speed (i.e. per Mbps) as a proxy measure of how pricing for local fixed broadband products develops over time.

Figure 36 illustrates movements in the average advertised rate per Mbps on a more disaggregated level. To this effect seven fixed broadband categories are identified, according to different brackets of headline download speeds, as follows:

- products with a download speed of less than 5Mbps;
- products with a download speed equal to or greater than 5Mbps but less than 10Mbps;
- products with a download speed equal to or greater than 10Mbps but less than 20Mbps;
- products with a download speed equal to or greater than 20Mbps but less than 30Mbps;
- products with a download speed equal to or greater than 30Mbps but less than 50Mbps;
- products with a download speed equal to or greater than 50Mbps but less than 100Mbps; and
- products equal to or greater than 100Mbps.

The calculation of the rate of fixed broadband per unit of download speed for the different products featuring in the above-mentioned categories is derived by dividing the relevant monthly access fee by the supported download speed. The final rate per Mbps figure for each category is based on a simple average of the rate per Mbps figures for the different products involved.

³⁰ Plans not available nationwide do not feature in this category for the purposes of deriving the average rate per Mbps.

6.7. Take-up and usage of mobile broadband

The term mobile broadband used in this review encompasses data access and internet connectivity services offered over the following devices:

- 3G-enabled mobile handsets, especially smartphones; and
- portable computers and tablets, enabled by USB dongles / keys and built-in broadband cards.

For the sake of consistency, the methodology used to measure the take-up of mobile broadband in Malta corresponds with that adopted by the EU Commission when measuring progress in this area across the EU³¹. Locally, mobile broadband via 3G-enabled mobile phones can be purchased in a bundle or as an add-on or acquired with other mobile telephony services.

Figure 35 illustrates that the number of users actively accessing mobile broadband services via 3G-enabled mobile subscriptions totalled 241,765 at the end of June 2016. This figure is up by around 8,000 (or by 3.4%) from 233,712 at the end of June 2015.

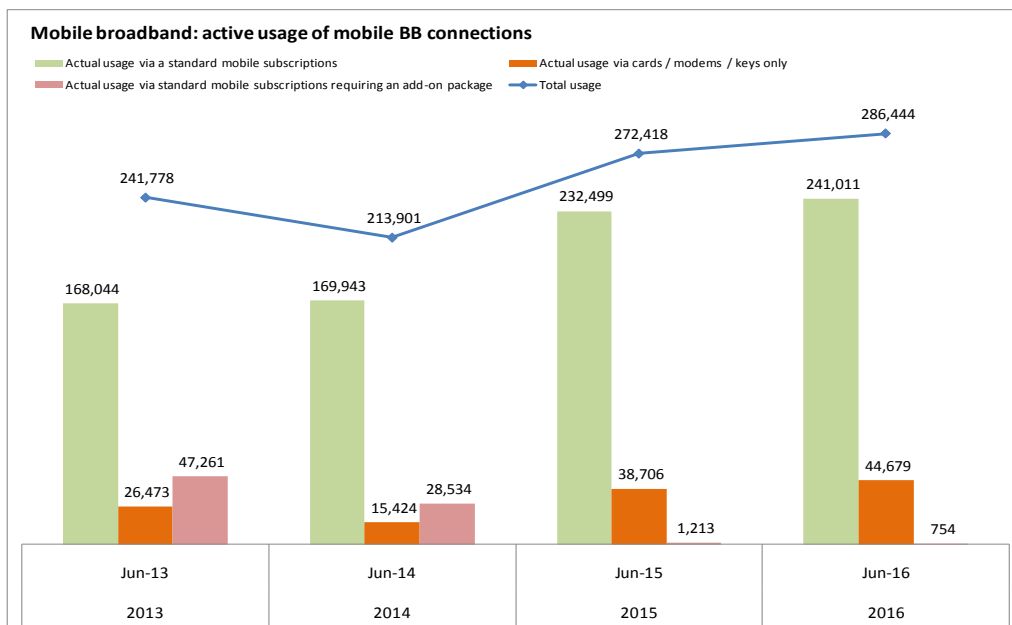


Figure 35: Mobile broadband active connections as at end of period³²

Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modems/keys increased by 5,973 (or by 15.4%) during the same period, from 38,706 to 44,679.

6.6. Mobile broadband penetration

Malta’s take-up of mobile broadband (or mobile broadband penetration)³³ has continued to catch up with the EU average over the last few years.

³¹ The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration per 100 population.

³² Data is under review and subject to change.

³³ The data is available on the EU Commission’s Digital Agenda Scoreboard.

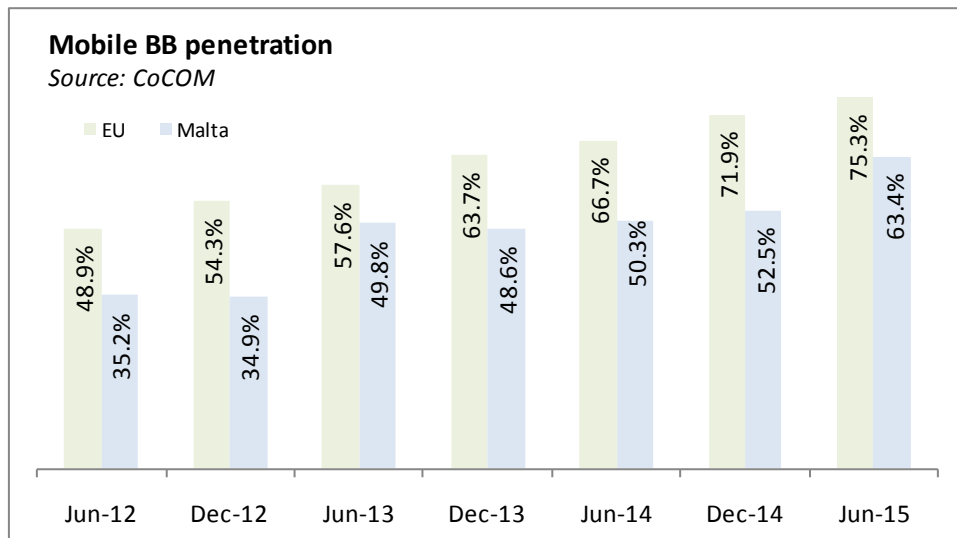


Figure 36: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 36 illustrates that, according to latest available data from the Digital Agenda Scoreboard, Malta's mobile broadband penetration rate per 100 people stood at 63.4% at the end of June 2015, compared to an EU average of 75.3%³⁴. Figure 36 also shows that the gap between Malta's standing and that of the EU average narrowed by 4.5 percentage points since June 2014.

³⁴ Data beyond June 2015 is currently not available on the Commission's Digital Agenda Scoreboard.

7. Pay TV

Pay TV subscriptions at the end of last June totalled 147,963. The figure represents a slight dent in the pay TV subscriber base compared with the end of June of last year, as the number of subscriptions was down by 268³⁵. Whilst this decline is certainly one of the smallest losses that the sector has seen over the last few years, it serves as a reminder of the challenges faced by providers of traditional pay TV services from online TV platforms and online streaming services in general.

Traditional pay TV services in Malta are currently offered over four different platforms, namely analogue cable (which is no longer marketed and is only offered to existing clients), digital cable, digital terrestrial (DTTV) and Internet Protocol (IPTV).

Notably, IPTV outperforms all the other segments, with subscriptions for this service increasing by 6,831 (or by 44.0%) between June 2015 and June 2016. Meanwhile, all other segments registered a fall in subscriptions. The number of digital cable subscriptions was down by 371 (or by 0.5%) whilst the number of analogue cable subscriptions and DTTV subscriptions was down by 794 (or by 12.2%) and by 5,934 (or by 10.9%) respectively.

Another significant trend concerning the take-up of pay TV relates to the increase in the number of subscriptions purchased in a bundle with other electronic communications services. As a result, the proportion of pay TV subscriptions in a bundle climbed from 55.1% at the end of June 2015 to 57.9% at the end of last June³⁶.

On average, end-users paid a monthly access fee of €22.54 for their pay TV service (when purchased on a stand-alone basis) in the first half of 2016, unchanged from the first half of 2015.

Given the developments in the pay TV subscriber base and the unchanged price base for traditional pay TV services, ARPU for the sector dropped from €84.10 in the first half of 2015 to €82.21 in the first half of this year.

7.1. Pay TV subscriptions

There were 147,963 pay TV subscriptions at the end of last June, marginally down by 268 (or by 0.2%) from 148,231 subscriptions a year earlier.

The proportion of bundled pay TV subscriptions continued to rise. Table 13 shows that the number of bundled pay TV subscriptions totalled 82,324 (corresponding to 57.9% of all digital-based and IP-based pay TV subscriptions) at the end of last June. This figure is up by 4,235 (or by 5.4%) from 78,089 (corresponding to 55.1% of all digital-based and IP-based pay TV subscriptions) at the end of June 2015.

³⁵ This figure excludes forms of subscriptions to Over-the-Top (OTT) Video-on-Demand (VoD) offerings or internet-only streaming services. No data on take-up of such subscriptions is available to the MCA since these providers are not authorised locally.

³⁶ These figures correspond to the proportion of bundled pay TV subscriptions to the total digital-based and IP-based pay TV subscriber base, as Melita no longer offers analogue-based pay TV services to new customers.

Pay TV subscriptions in a bundle	2012		2013		2014		2015		2016
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Pay TV subscriptions on a dual play contract	15,681	12,301	10,832	9,923	9,731	6,946	6,318	5,841	5,720
Pay TV + fixed telephony	15,681	12,301	10,832	9,923	9,731	6,946	6,318	5,841	5,720
Pay TV subscriptions on a triple play contract	9,365	9,794	15,115	21,087	22,165	24,870	26,088	27,386	28,529
Pay TV + fixed telephony + fixed broadband	9,365	9,794	15,115	21,087	22,165	24,870	26,088	27,386	28,529
Pay TV subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Pay TV + fixed telephony + fixed broadband + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683	46,988	48,075
Total number of pay TV subscriptions (excl. analogue) in a bundle	64,065	62,678	67,286	73,496	75,965	76,245	78,089	80,215	82,324
Number of pay TV subscriptions as at end of period	139,213	139,330	141,085	141,410	141,950	141,032	141,694	143,286	142,220
Percentage of pay TV subscriptions in a bundle	46.02%	44.99%	47.69%	51.97%	53.52%	54.06%	55.11%	55.98%	57.88%

Table 13: Pay TV subscriptions on a bundled offer³⁷

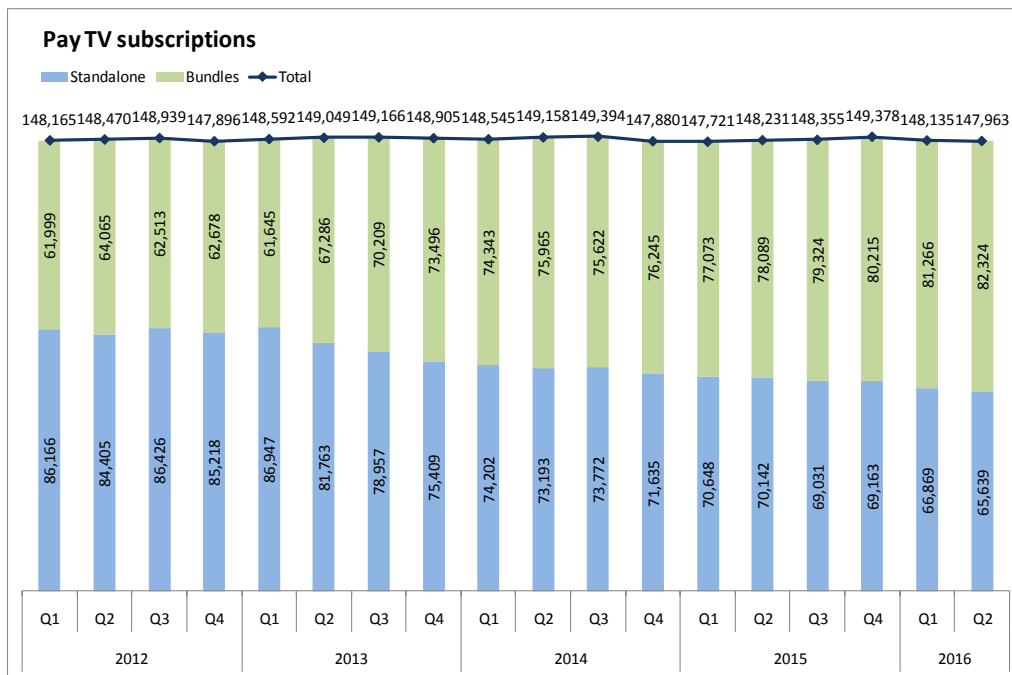


Figure 37: Pay TV subscriptions as at end of period

It is also relevant to underline that analogue cable pay TV subscriptions are no longer offered to new subscribers, either on a stand-alone basis or in a bundle. Table 13 therefore excludes analogue cable pay TV subscriptions from the total number of subscriptions.

7.2. Pay TV subscriptions by technology platform

Local end-users can avail themselves of pay TV services delivered over four technology platforms. These are the digital terrestrial television (DTTV) platform and the Internet Protocol television (IPTV) platform, which are owned by GO, and the analogue cable TV and digital cable TV platforms, which are owned by Melita³⁸.

Figure 38 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions totalled 48,653 at the end of last June, which is down by 5,934 (or by 10.9%) from 54,587 a year earlier.

³⁷ See footnote 6, page 11.

³⁸ Melita also offers video on-demand services over its IPTV hybrid network, as an add-on to its IP-based digital cable TV.

There are to date no authorised satellite broadcasters or satellite pay TV platforms in Malta.

The analogue cable platform has also registered a decline in subscriptions, in this case by 794 (or by 12.2%), from 6,537 at the end of June 2015 to 5,743 at the end of last June.

Another decline was recorded for digital cable, with the number of subscriptions falling marginally by 371 (or by 0.5%), from 71,597 at the end of June 2015 to 71,226 at the end of last June.

Meanwhile, the number of IPTV subscriptions was on the rise. In this case, subscriptions were up by 6,831 (or by 44.0%), from 15,510 to 22,341.

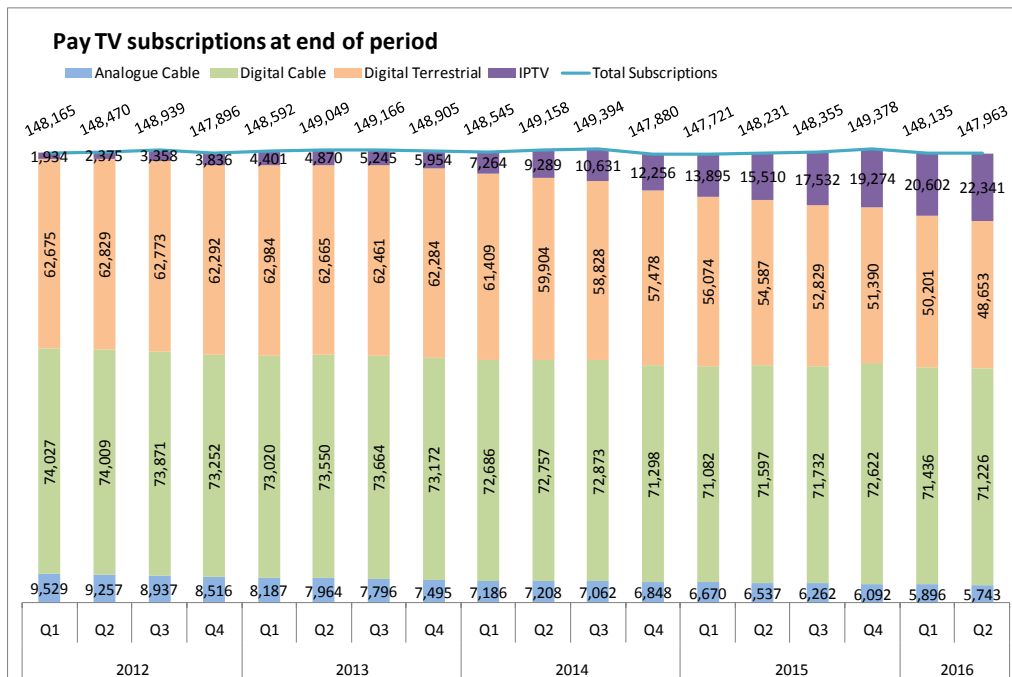


Figure 38: Pay TV subscriptions as at end of period

During the period under review, IPTV continued to gain market share at a fast pace, in contrast to the other platforms. The market share of IPTV rose from 10.5% at the end of June 2015 to 15.1% at the end of last June.

In contrast to these gains, the market share of DTTV fell to 32.9%, from 36.8% a year earlier, whilst that for analogue cable TV was down to 3.9% from 4.4%. The market share of digital cable was marginally down to 48.1% from 48.3%.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the first half of 2016 stood at €82.21, down from €84.10 in the same period a year earlier.

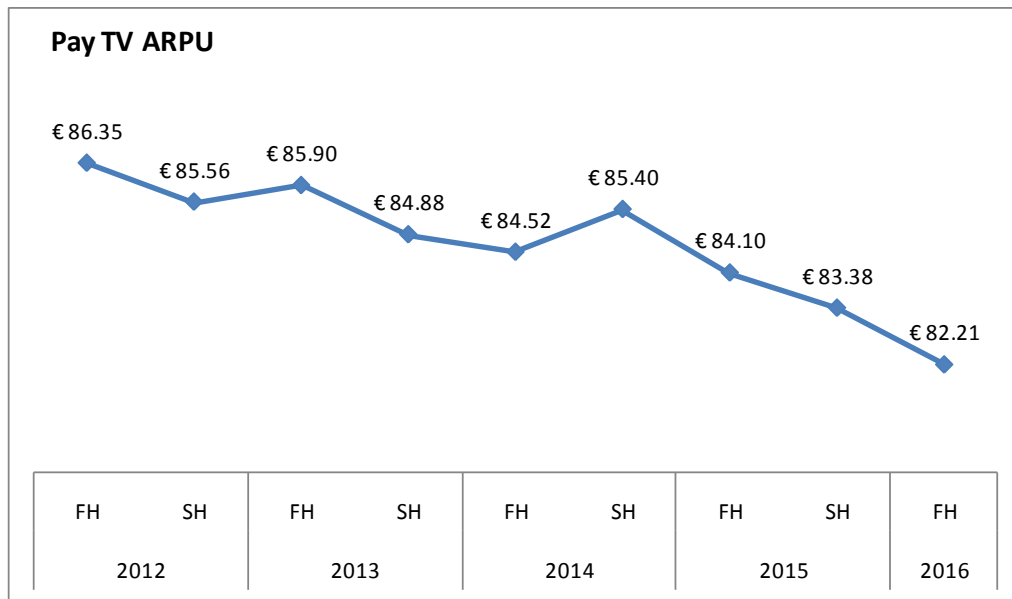


Figure 39: Average revenue per Pay TV user

This downward move in Pay TV ARPU is most likely a result of the continued availability of discounts and promotional offers on this service associated with the purchase of bundled offers.

Methodology used in deriving pay TV ARPU figures

ARPU for pay TV reflects the average half-yearly spend by users for pay TV services. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from pay TV subscriptions, but excludes revenues from premium services³⁹, installations and connections.

To derive the average total number of subscriptions, the MCA sums the total subscriptions at the start and the end of the quarter under consideration and divides the total by two.

7.4. Average advertised rates for Pay TV

This section presents an overview of the average advertised rates (or average advertised monthly access fees) for pay TV services offered in Malta. For ease of reference and practicality, the evaluation seeks to capture price movements for five distinct pay TV categories, with each category bundling plans listing a particular number of channels⁴⁰.

The average advertised rate paid by end-users for pay TV services in the first half of 2016 was practically unchanged to that observed in the first half of the previous year. Service providers did however continue to update the channel line-ups of their packages and launched several promotional offers concerning a number of packages during the reporting period. Overall, however, the applicable monthly fees were unchanged for all package categories identified in this section.

Figure 40 illustrates that, in the case of the pay TV category encompassing packages listing ‘up to 24 channels’, the monthly average advertised pay TV rate (or pay TV monthly access fee) stood at €5.00 at the end of last June. Only one pay TV package currently features in this category.

³⁹ Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

⁴⁰ Calculations take into account products offered on a stand-alone basis.

The average advertised rate was also unchanged for the pay TV category encompassing packages listing ‘25 to 49 channels’ and the pay TV category encompassing packages listing ‘50 to 74 channels’. The average advertised rate at the end of last year stood at €15.66 in the former case and at €24.99 in the latter case.

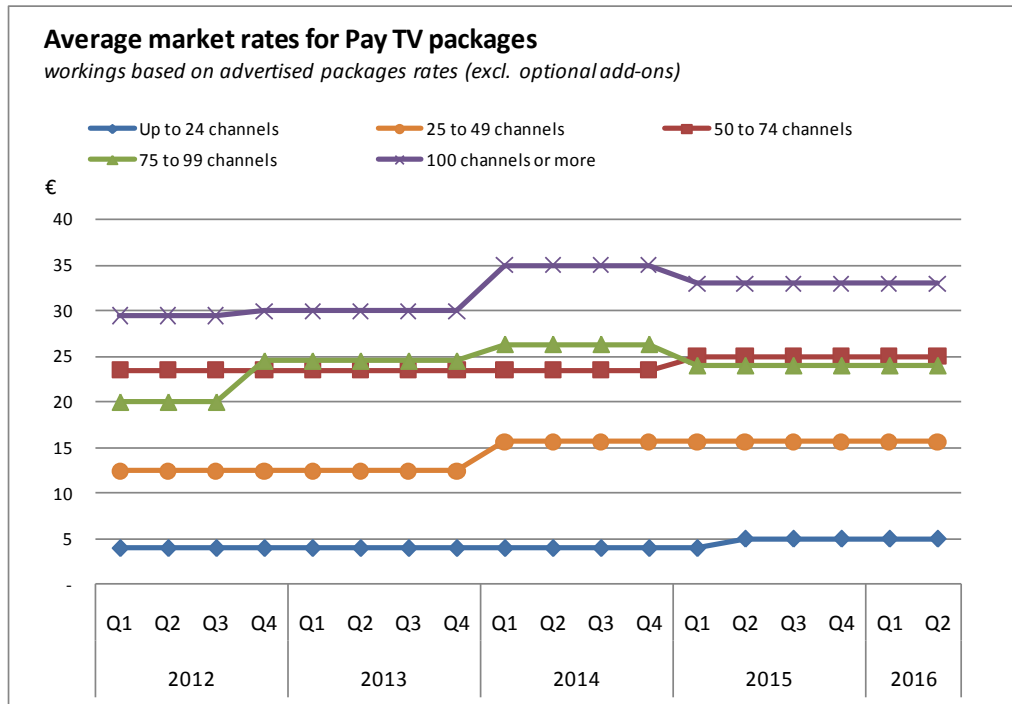


Figure 40: Average market rates for Pay TV packages

Meanwhile, the average advertised rate for the pay TV category encompassing plans listing ‘75 to 99 channels’ stood at €23.99. The respective rate for the pay TV category encompassing plans listing ‘100 channels or more’ stood at €32.99.

It is of note here that the figures presented above do not take into account billing charges i.e. those charges that come into force if the end-user requires paper bills and / or opts not to pay its bills via direct debit.

8. Post

In the first half of 2016, postal mail volumes totalled 18.7 million, which is 0.6% less compared to volumes recorded in the same period a year earlier.

Notably, however, express mail activity⁴¹ increased in the first half of 2016, compared to the same period a year earlier, as in this case volumes were up by 27.4%. Stronger eCommerce activity has contributed to a consistent increase in express mail volumes over the last few years. Meanwhile, a negative trend persists for standard mail activity⁴², with the corresponding volumes in the first half of 2016 down by 1.3% compared to the same period in 2015. In absolute terms, the drop in standard mail volumes outweighed the gain in volumes recorded for express mail.

A further drill down by type of mail item shows that single-piece letter mail volumes and bulk mail volumes in the first half of 2016 were down by 1.3% and 1.4% respectively, in contrast to a 10.0% rise in parcel mail volumes and an 18.0% rise in registered mail volumes.

Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* last year benchmarked well below the EU average, as evidenced by a report published by Deutsche Post highlighting on postal rates in April 2016⁴³.

8.1. Postal mail volumes

Postal mail items delivered by local postal operators⁴⁴ in the first half of 2016 totalled 18.7 million. This figure is down by 0.1 million (or by 0.6%) from 18.8 million postal mail items delivered in the same period a year earlier.

⁴¹ Express mail activity encompasses the accelerated and secure worldwide delivery of mail items, be it for important letters, documents or parcels, through express mail or courier service providers. The services offered by these providers is characterised throughout by a degree of speed, tracking and managerial control (that exceed that applied to the fastest standard category of the basic universal letter post and parcel services). The distinguishing characteristic of a courier service provider is that it focuses on the delivery of express mail items that are in possession of an employee of the company at all stages of its journey.

⁴² Standard mail activity encompasses services related to the delivery of single piece letter mail, bulk mail, registered mail and parcel mail.

⁴³ The report states that '*the only letter products included (in the assessment) were those with quality criteria enabling them to be compared to one another, in particular with regard to transit time*'.

⁴⁴ Maltapost plc (the designated Universal Service Provider, hereafter also referred to as "the USP"), DHL International Ltd., and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area.

Another 16 postal operators (courier and express services) provide services outside the scope of the universal service area.

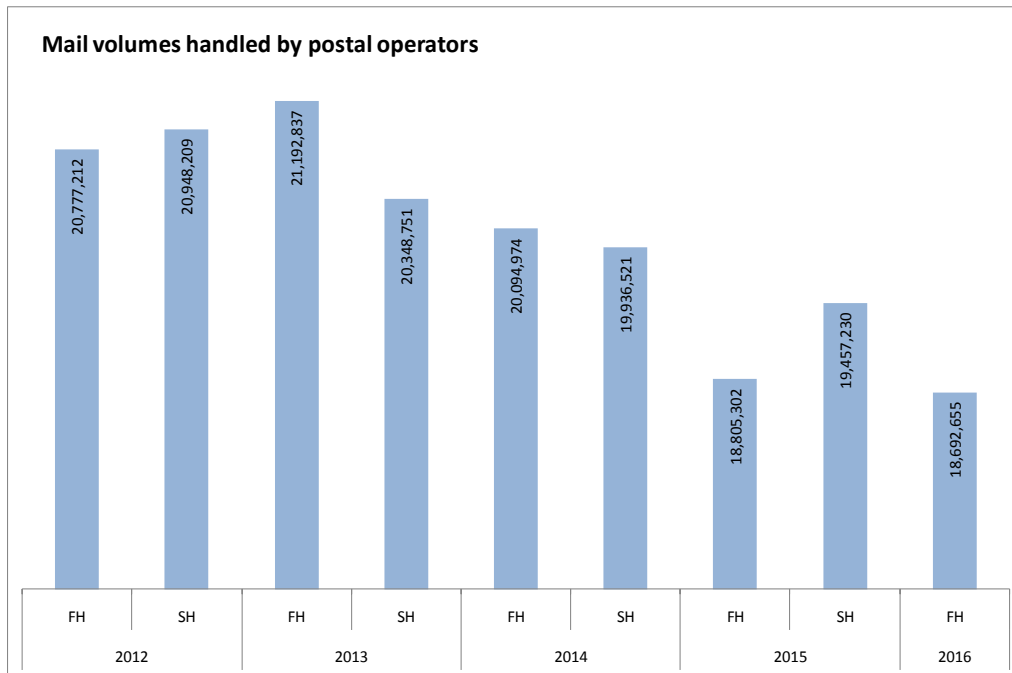


Figure 41: Postal activity - mail volumes handled by local service providers

Figure 42 illustrates that standard mail volumes account for the lion’s share of all postal activity recorded in Malta. Regarding the composition of postal mail activity in the current reporting period, standard postal mail activity accounted for 97.0% of total postal mail volumes. Express mail activity accounted for the remaining share, at 3.0%.

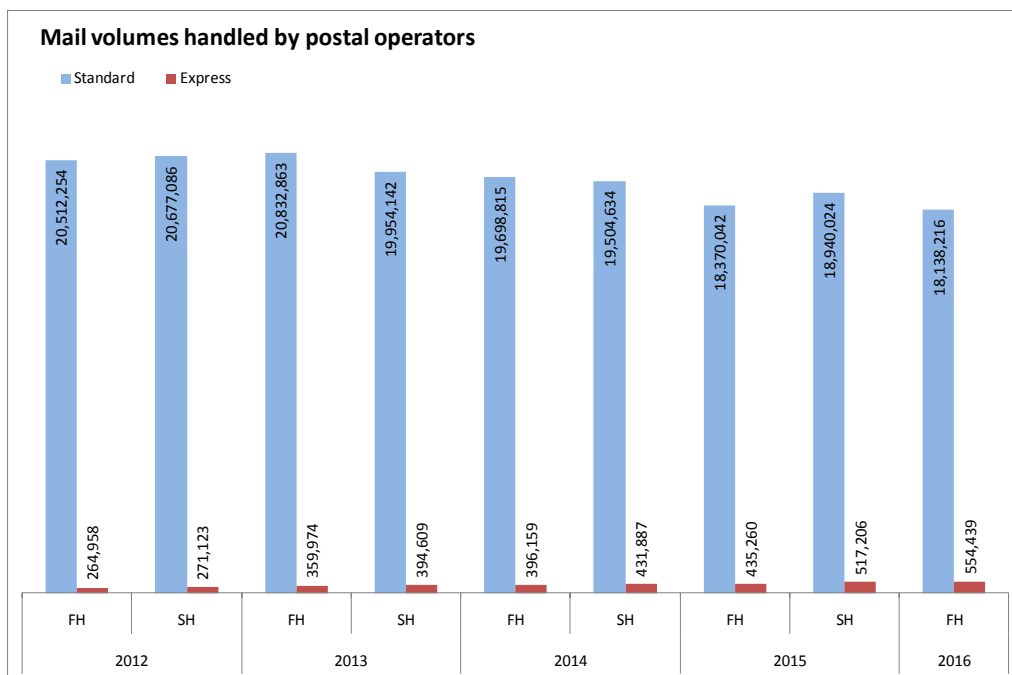


Figure 42: Postal activity - number of handled mail items by type of mail activity

The number of standard postal mail items handled in the first half of 2016 totalled 18.1 million, down by 0.2 million (or by 1.3%) when compared to the same period a year earlier.

Meanwhile, the number of express postal mail items delivered in the first half of this year totalled 554,439. This figure is up by 119,179 (or by 27.4%) from 435,260 express mail items delivered in the first half of 2015.

8.2. Postal mail volumes by type of mail

There are four different segments of postal mail. These are single piece letter mail, parcel mail, bulk mail and registered mail⁴⁵.

Single piece letter-post mail accounted for 35.6% of all mail items handled during the current review period. In absolute terms, the number of letter-post items totalled 6.7 million in the first half of 2016, which is down by almost 0.1 million (or by 1.3%) from volumes registered in the first half of 2015.

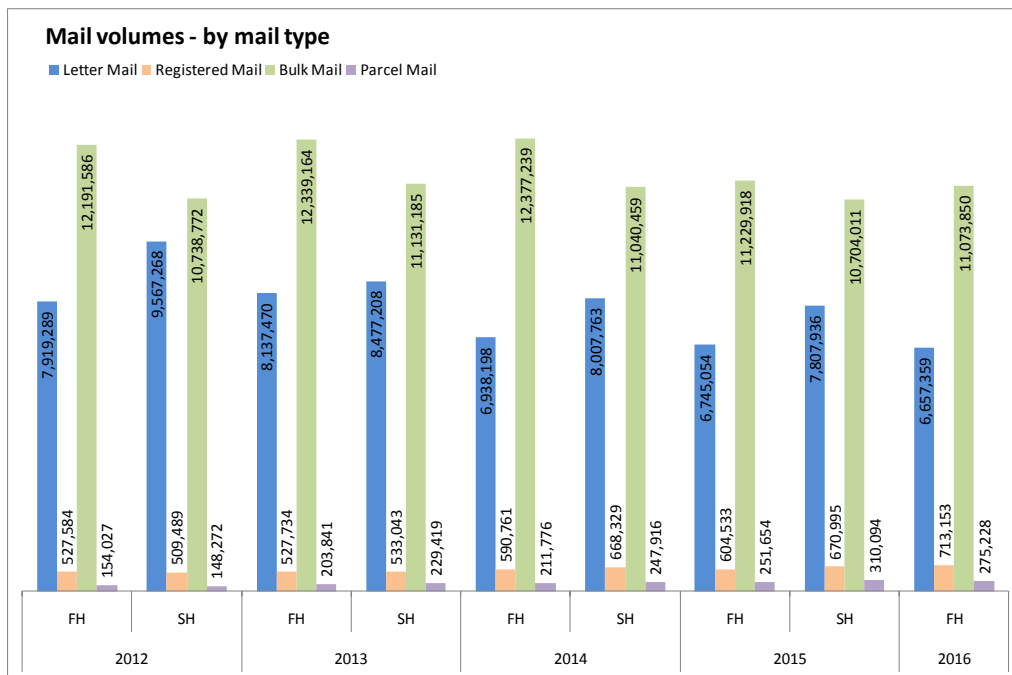


Figure 43: Postal activity - number of handled mail items by type of mail item

The number of registered mail items handled in the first half of 2016 totalled 0.7 million, which is equivalent to 3.8% of all postal mail items handled during the period. When compared with the first half of 2015, registered mail volumes were up by 0.1 million items (or by almost 18.0%).

Bulk mail items totalled 11.1 million in the first half of 2016, which is equivalent to 59.2% of total mail volumes delivered during this period. Compared to volumes recorded in the first half of 2015, bulk mail items were down by 0.2 million items (or by 1.4%).

⁴⁵ These different types of mail are defined below:

- Single piece letter-post mail (also referred to as ordinary mail) is the ordinary day-to-day correspondence posted by individuals and businesses (other than bulk letter-post mail), at street letterboxes or over the counter at postal outlets.
- Bulk letter-post mail (also referred to as bulk mail) consists of a substantial number of similar letter-post items deposited with MaltaPost at the same place and time, to be transported and distributed to the addressees indicated on each of the postal articles.
- The registered letter-post mail service (also referred to as registered mail) refers to a service providing a flat-rate guarantee against risks of loss, theft or damage and supplying the sender, where appropriate upon request, with proof of the handing in of the postal article or of its delivery to the addressee.

Parcel mail items totalled almost 0.2 million in the first half of 2016, which is equivalent to 1.3% of total postal mail volumes recorded in the current review period. Compared to mail volumes recorded in the first half of 2015, parcel mail items were up by 22,496 (or by almost 10.0%). As already observed in previous CMR publications, these increases are mainly a result of the ongoing growth in online shopping and eCommerce activity.

8.3. Postal mail volumes by activity heading

This section distinguishes between three postal mail activity headings according to destination: domestic mail; outbound cross border mail⁴⁶; and inbound cross border mail⁴⁷.

Domestic mail volumes delivered in the first half of 2016 totalled almost 15.0 million items. This figure is down by almost 0.2 million (or by 1.1%), from 15.1 million items delivered in the same period a year earlier.

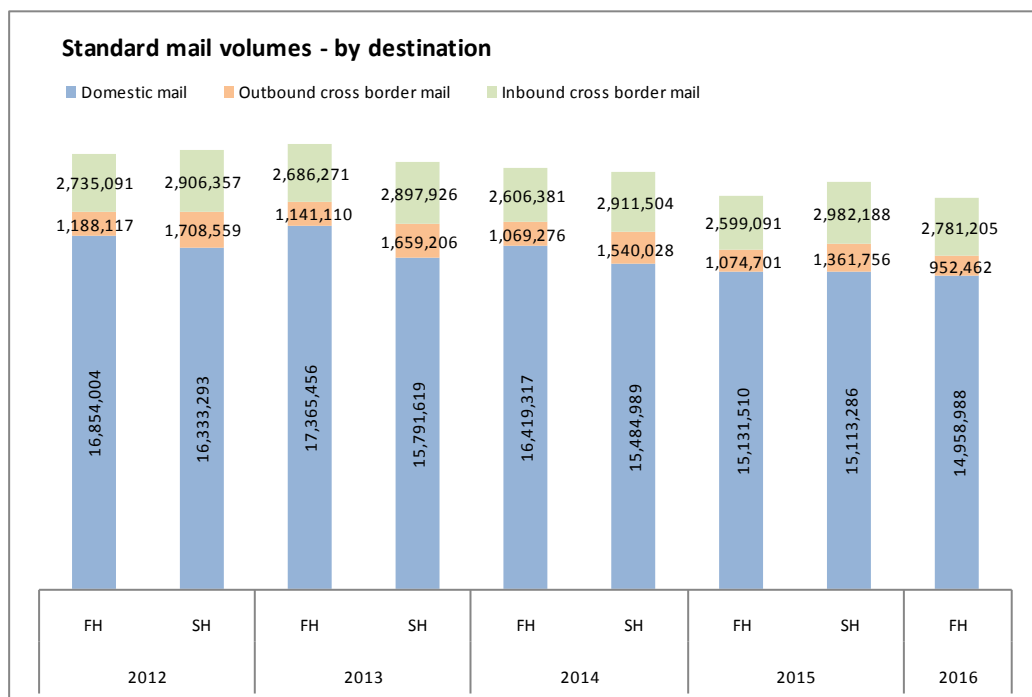


Figure 44: Postal activity - number of handled mail items by destination

Volumes of outbound cross border mail and inbound cross border mail in the first half of 2016 totalled almost 1.0 million items and almost 2.8 million items respectively. Figure 44 illustrates that, in the case of inbound cross border mail, volumes recorded in the current reporting period were up by almost 0.2 million items (or by 7.0%), compared to volumes recorded in the first half of 2015. Meanwhile, volumes for outbound cross border mail were however down by 0.1 million items (or by 11.4%).

8.4. Quality of postal delivery service

The MCA has established a methodology, based on a series of Quality of Service (QoS) targets, to determine whether Maltapost is meeting its universal service obligations for the delivery of different mail items. These

⁴⁶ These mail items originate locally for delivery to foreign destinations.

⁴⁷ Foreign-originated mail forwarded to Malta.

QoS targets are set in accordance with the MCA Decision⁴⁸ on the quality performance measurement of postal items delivered within the defined service standard. QoS data corresponds to the full calendar year⁴⁹.

8.4.1 QoS – Local ordinary mail and bulk mail

The QoS targets for the delivery to destination of local ordinary mail and bulk mail on the next day (D+1) has been set at 95%.

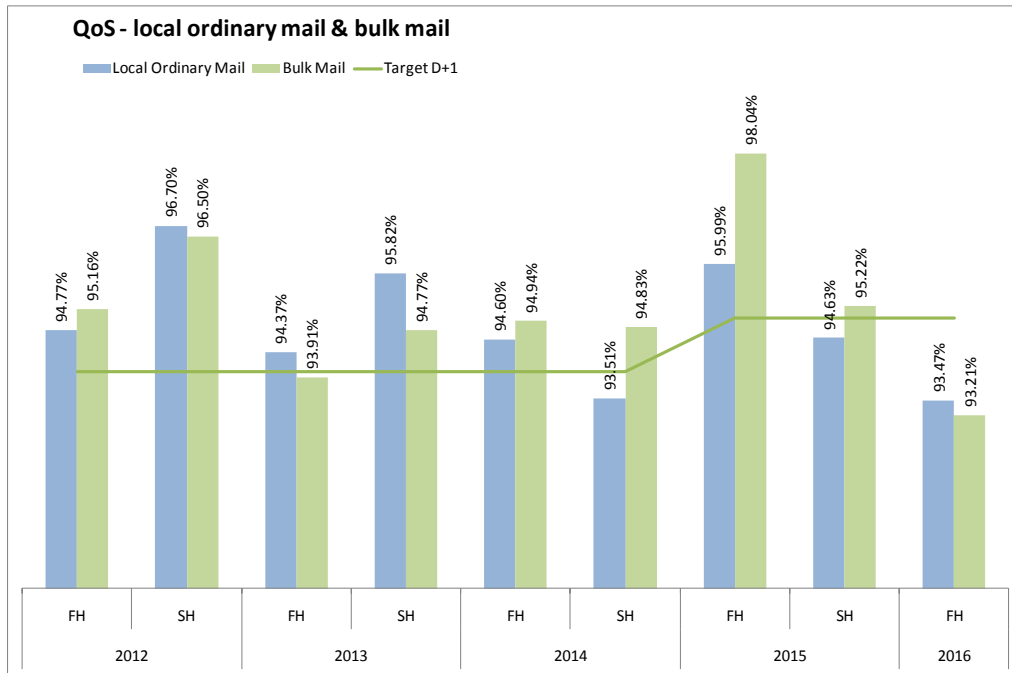


Figure 45: Quality of service - local ordinary and bulk mail

Figure 45 illustrates that Maltapost was close to reaching the established targets for local ordinary mail and bulk mail in the first half of 2016.

8.4.2 QoS – Local registered mail and priority inbound parcels

The QoS targets for the delivery to destination of local registered mail and priority inbound parcels has been set at 98%.

⁴⁸ Link to MCA Decision concerning the 'Review of Quality of Service Targets and Requirements to be achieved by Maltapost plc': http://www.mca.org.mt/sites/default/files/articles/QoS_Review_-_DN.Nov_10.pdf

⁴⁹ In terms of the MCA Decision Notice on the measurement of MaltaPost’s Quality of Service, MaltaPost is required to attain the standards set by the Authority over a given financial year (October to September).

It is however of note that the QoS data presented in this report is adjusted to reflect developments over a standard calendar year, not a financial one.

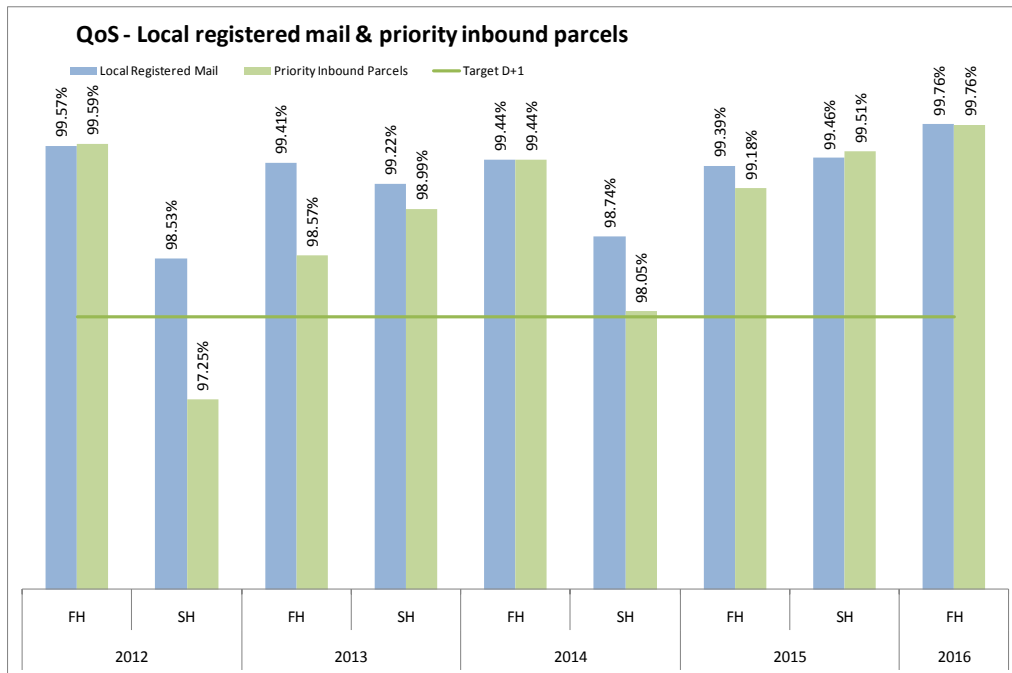


Figure 46: Quality of service - local registered mail and priority inbound parcels

Figure 46 illustrates that, last year, Maltapost has met and exceeded all the set targets for the mail activities under consideration.

8.5. Postal rates: Malta vs EU

The March 2016 publication by Deutsche Post entitled ‘Letter Prices in Europe’ shows that Malta’s nominal prices for a *domestic standard letter* and an *outbound letter within the EU* continue to benchmark at the bottom (or close to the bottom) of the ranking⁵⁰.

The report quotes Malta’s nominal price for a domestic standard letter and for letter mail within Europe at €0.26 and €0.59 respectively.

⁵⁰ Link to March 2016 publication: https://www.google.com/mt/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0ahUKEwiStsatl8vQAhWka5oKHUmdCpkQFggmMAE&url=https%3A%2F%2Fwww.dpdhl.com%2Fen%2Fmedia_relations%2Fmedia_library%2Fdocuments%2Fletter_price_survey_europe%2F_jcr_content%2Fmainpar%2Fcols2

The publication findings are based on certain considerations that are clearly explained in the document published by Deutsche Post.

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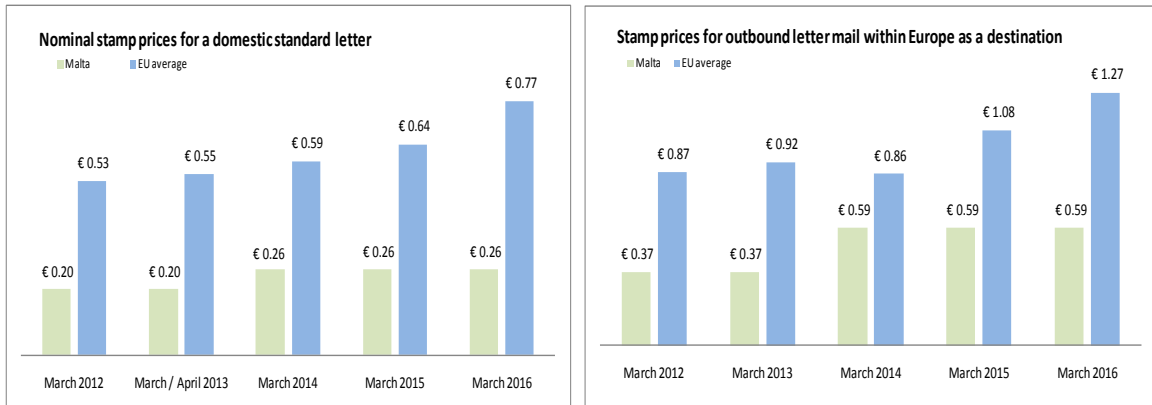


Figure 47: Nominal stamp prices in Malta and the EU

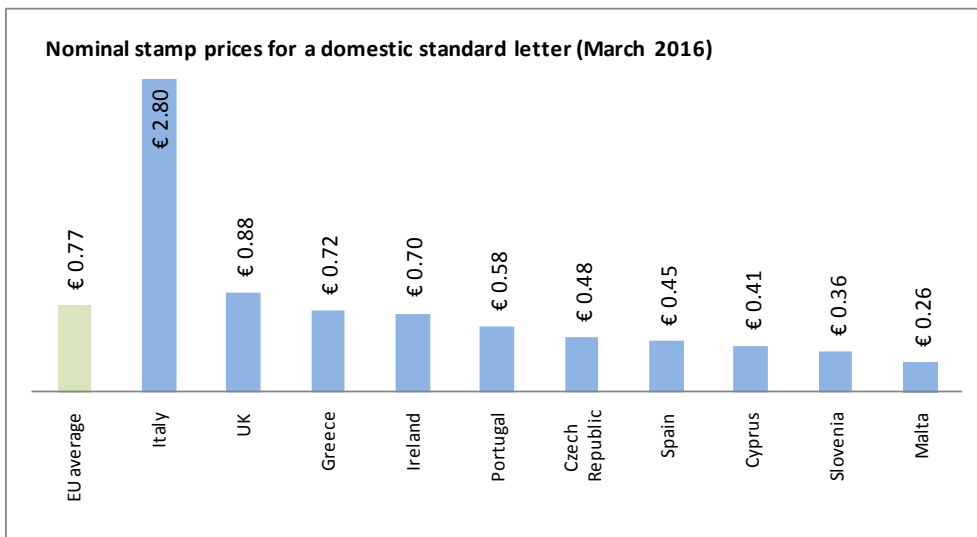


Figure 48: Comparison with selected EU countries

It is relevant to note here that there were no changes in local postage rates for domestic standard mail and outbound letter mail in the first half of 2016.

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11. Glossary of Terms

ARPU	Average revenue per user. Selected revenue items of the operator divided by the average number of active subscriptions during the period.
Broadband	A service or connection to the Internet which is 'always on' and has a speed of more than 128kbps. The number of active broadband subscriptions refers to subscriptions/connections having recorded a transaction within 90 days of the period stipulated.
Dial-up	The number of active dial-up subscriptions refers to those subscriptions/connections which made a call to an Internet number (2188, or 2186) within the last 90 days.
DSL	Digital Subscriber Line. A high-speed transmission technology mainly applied for Internet and video file access service. DSL services allow voice and data to share the same infrastructure and usually require a splitter at the customer's premises to separate voice and data traffic from the line. Forms of DSL include ADSL, HDSL, and VDSL.
DTTV	Digital Terrestrial Television. The term refers to a delivery platform primarily for television programmes in digital format, using the DVB-T standard.
FH	First half of the year, referring to the period January to June.
FNO	Fixed network operator. A provider which owns a fixed line network.
FTF	Fixed-to-fixed traffic.
FTI	Fixed-to-international traffic.
FTM	Fixed-to-mobile traffic.
ISPs	Internet Service Providers. An ISP is a point of access to the Internet for small business and individual users. The ISP provides its customers with access to its router which relays traffic to web servers on the Internet.
Mbps	Megabits per second ("MBit/s") or millions of bits per second. Unit applied to measure the transmission speed of digital information.
MCA	Malta Communications Authority.
MMS	Multimedia Messaging Service. MMS extends the short messaging service ("SMS") to include longer text, graphics, photos, audio clips, video clips, or any combination of the above, within certain size limits.
MNO	Mobile network operator. A provider which owns a mobile network.
MPR	Mobile penetration rate. The MPR is a term used to describe the number of active mobile subscriptions (or SIM cards) as a percentage of total population.
MTM	Mobile-to-mobile traffic.

MTF	Mobile-to-fixed traffic.
MTI	Mobile-to-international traffic.
MVNO	Mobile Virtual Network Operator. An MVNO is a mobile operator that usually would not have a licence to use radio spectrum but would have access to the radio networks of one or more of the current mobile operators and would be able to offer services using that spectrum.
Off-net activity	Activity between two or more connections on different networks.
On-net activity	Activity between two or more connections on the same network.
Pay TV	Television services (generally a channel or set of channels) paid for by the user, by means of subscription or other ways of service payment.
Q	Quarter of the year. Q1 refers to first quarter (January to March), Q2 refers to second quarter (April to June), Q3 refers to third quarter (July to September), Q4 refers to fourth quarter (October to December).
QoS	Quality of Service. A statistical measure of a system or service. May also be used to set varying priorities for traffic.
Service provider	A supplier of electronic communications and postal services, to third parties, either through its own network or through a network of another operator.
SH	Second half of the year, referring to the period July to December.
SMS	Short message service. This refers to short text messages which can be sent from one mobile phone to another, usually up to 160 characters. Such messages can also be sent from the Internet to a mobile phone.
Universal service	The basic level of telecommunications services which should be available to all customers.
USO	Universal Service Obligations. A provision in Maltese law requiring certain operators to provide certain services to all specified persons who may reasonably request them.
VAT	Value Added Tax.

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