Communications Market Review

January – June 2009

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Executive Summary

The Malta Communications Authority ("MCA") bi-annual market reviews provide up-to-date quarterly data on key areas of the Maltese electronic communications industry, the postal sector and, in previous reviews, e-commerce. These reviews also provide data on MCA consumer affairs, with focus on complaints reported to the MCA regarding electronic communications.

Two annexes are included in this market review. One annex outlines the main regulatory developments during the period under consideration. The other provides data in relation to key indicators for electronic communications, starting three years in advance up to the reference period of each review.

This document has been supplemented with a number of indicators for electronic communications, which have not featured in previous market reviews.

The reporting timeframe of this review covers the period January – June 2009.

Market update

Fixed line telephony

Active fixed line telephone subscriptions reached 245,069 as at the end of Q2 2009, up by approximately 3.2 percent over the corresponding 2008 figure. This continued growth in the fixed line subscriber base reflects a number of developments in the sector such as, for example, a higher take-up of multiple subscriptions in view of cheaper on-net call tariffs.

Fixed line traffic volumes also registered growth. The number of voice calls and voice minutes recorded in the first half of 2009 increased by 10.1 percent and 13.2 percent respectively, compared to the same period a year earlier. Such increases were reported irrespective of the continued declines in minutes generated by dial-up internet access and notwithstanding the competition from unmanaged IP-telephony services such as Skype.

In the period under review, a total of 2,083 fixed line portings were carried out, compared with 2,383 in the first half of 2008.

In terms of market shares, Melita gained both in subscriptions and traffic volumes. Correspondingly, newer market entrants, namely SKY Telecom Ltd, Solutions and Infrastructure Services ("SIS") Ltd, and Vodafone (Malta) Ltd generally registered negative market outcomes.

The largest operator, GO, registered declines in its market share both in terms of subscriptions and traffic levels.

Mobile telephony

Active mobile subscriptions reached 404,461 as at the end of Q2 2009, an increase of approximately 8.0 percent over the corresponding figure for 2008. Postpaid subscriptions amounted to 71,580 (17.7 percent of the total) whereas prepaid subscriptions amounted to 332,881 (82.3 percent of the total).

In terms of market shares, Vodafone (Malta) accounted for 49.8 percent of all mobile subscriptions as at the end of Q2 2009, GO Mobile accounted for 43.6 percent, Melita Mobile 4.8 percent, Redtouch*fone* 1.7 percent, and Bay Mobile the remaining 0.1 percent.

The increase in subscriptions can be attributed to the arrival of new players in the sector, particularly the arrival of Melita Mobile, bringing about new market offers such as the removal of time-windows for prepaid subscriptions.

In line with developments in the subscriber base for the sector, the local mobile penetration rate as at the end of the reference period stood at approximately 97.8 percent of the local population, 6.5 percentage points higher than the corresponding 2008 figure.

In terms of traffic volumes, outgoing voice call minutes registered in the first half of 2009 increased by 26.5 million, or 22.0 percent over the corresponding period a year earlier. Approximately 57.5 percent of all mobile originated voice call minutes were accounted for by on-net mobile-to-mobile traffic.

On the other hand, SMS traffic declined to 233.2 million text messages, down from 251.7 million in the first half of 2008. This fall could be attributed to a number of promotional offers featuring free minute bundles enticing users to make on-net mobile-to-mobile calls instead of sending an SMS.

Reception of TV broadcasting

This review refers to five main reception platforms for TV broadcasting. In view of usage and take-up, it is highlighted that, in the period under consideration, around 11 percent of local households received their television broadcasts via the analogue terrestrial platform, and a further 7 percent utilised the satellite platform.

This review also refers to Pay TV subscriptions with Melita, which operates the analogue cable and digital cable platforms, and GO, which operates the Digital Terrestrial Television ("DTTV") platform.

As at the end of Q2 2009, analogue cable subscriptions amounted to 42,946 (approximately 31 percent of the total), digital cable subscriptions amounted to 54,999 (40 percent of the total), and DTTV subscriptions amounted to 39,432 (29.0 percent of the total).

Internet

Internet subscriptions amounted to 108,527 by the end of Q2 2009, including 107,229 broadband subscriptions and 1,260 active dial-up subscriptions. Broadband subscriptions increased by 14.8 percent over the corresponding figure in 2008, with the broadband penetration rate reaching 25.9 percent.

In terms of market shares, Melita accounted for 50.5 percent of all broadband subscriptions, GO accounted for 42.6 percent, Vodafone 3.0 percent, and the remaining 3.9 percent were accounted for by subscribers to third party ISPs, SKYNet, and Vanilla Telecoms.

Post

Total mail volumes handled in the first half of 2009 declined slightly when compared to the corresponding period in 2008, with activity during both periods affected by national electoral events.

During the period under review, Maltapost managed to reach all Quality of Service ("QoS") delivery targets set by the MCA for the delivery of postal items.

Consumer affairs

During the first six months of 2009, the MCA received 169 complaints on electronic communications, with the mobile sector accounting for approximately 40 percent of the total. Complaints received highlighted on issues mainly related to Quality of Service ("QoS"), billing, portability, and contractual agreements.

Of all complaints reported to the MCA during this period, nearly 88 percent were resolved, and approximately 12 percent referred to other entities.

Chapter 1 Fixed Line Telephony

1.1 Introduction

The overall performance of the fixed line telephony sector has been positive in the first half of 2009. Subscriptions and traffic volumes exhibited growth, as activity between competing services intensified. In this regard, the continued trends towards multiple-play service offerings, and the availability of fixed number portability contributed significantly in enhancing competition.

Fixed line telephony services are currently provided by GO plc, Melita plc, SKY Telecom Ltd, Vodafone (Malta) Ltd, and Solutions and Infrastructure Services (SIS) Ltd.

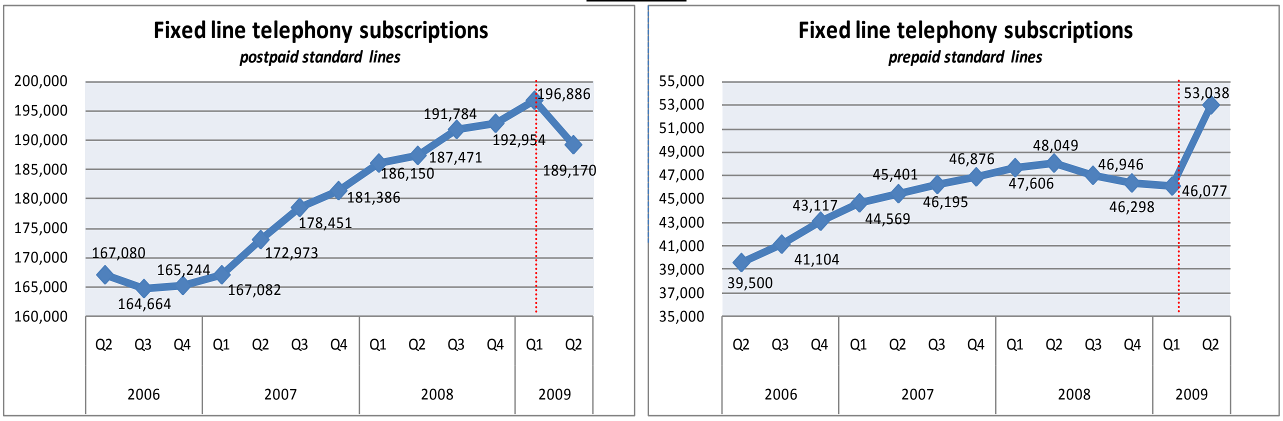
1.2 Subscriptions

Active fixed line subscriptions[1] as at the end of Q2 2009 stood at 245,069 up from 237,434 as at the end of Q2 2008. Table 1 shows that, during the same period, *standard* fixed line subscriptions - namely those subscriptions offering a single fixed telephony connection - increased by 7,635 i.e. an increase of 3.2 percentage points in a 12-month period. The number of *enhanced* fixed line subscriptions – namely those subscriptions offering dual or 30 channel fixed telephony connections – increased from 1,914 as at the end of Q2 2008 to 2,503 as the end of Q2 2009.

Table 1[2]

Fixed line subscriptions	2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Active subscriptions as at end of period	214,099	220,899	226,976	230,433	235,880	237,434	240,582	241,122	245,862	245,069
Standard subscriptions	211,651	218,374	224,646	228,262	233,756	235,520	238,730	239,252	242,963	242,208
Postpaid	167,082	172,973	178,451	181,386	186,150	187,471	191,784	192,954	196,886	189,170
Prepaid	44,569	45,401	46,195	46,876	47,606	48,049	46,946	46,298	46,077	53,038
Enhanced subscriptions	2,448	2,525	2,330	2,171	2,124	1,914	1,852	1,870	2,899	2,861
ISDN BRA	2,145	2,217	2,055	1,928	1,892	1,713	1,665	1,671	2,539	2,503
ISDN PRA	303	308	275	243	232	201	187	199	360	358

Chart 1



The red line in Chart 1 denotes the start of a new series for subscriptions of postpaid and prepaid *standard* lines, as Melita started disaggregating its subscription figures accordingly during this period. Prior to Q2 2009, all of Melita's subscriptions featured under the postpaid heading. This explains the significant drop registered in Q2 2009 for postpaid standard line subscriptions and the corresponding increase for prepaid standard line subscriptions.

[1] Active subscriptions are defined as those subscriptions making or receiving a call within 90 days of the period stipulated.

[2] As of Q2 2009, Melita started providing 'standard' subscriber figures disaggregated by type of subscription, namely postpaid and prepaid subscriptions. Centrex subscribers are not yet available.

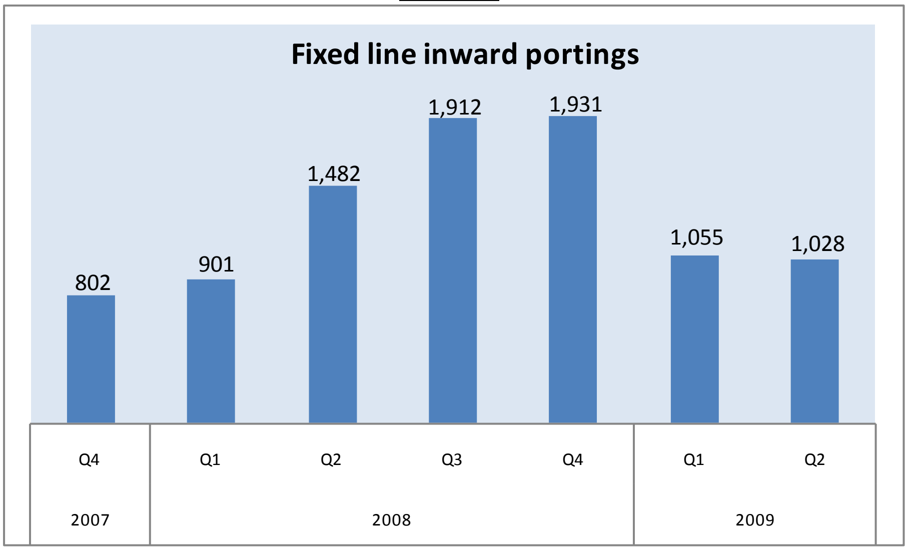
As at the end of Q2 2009, subscriptions of postpaid *standard* lines accounted for 75.9 percent of total *standard* fixed line subscriptions, and for 75.1 percent of all active subscriptions registered as at the end of this period.

As at the end of June 2009, the number of *enhanced* subscriptions accounted for 1.2 percent of all active subscriptions.

1.3 Fixed line number portability[3]

During the period under review, 2083 fixed line inward portings have been reported by local fixed line operators, which is less than the number of inward portings registered in the corresponding period in 2008. Chart 2 shows that the number of fixed line inward portings has been slowing down since the end of Q4 2008.

Chart 2



1.4 Fixed line traffic

As predicted in the previous bi-annual review, outgoing fixed line traffic experienced growth over the first six months of 2009.

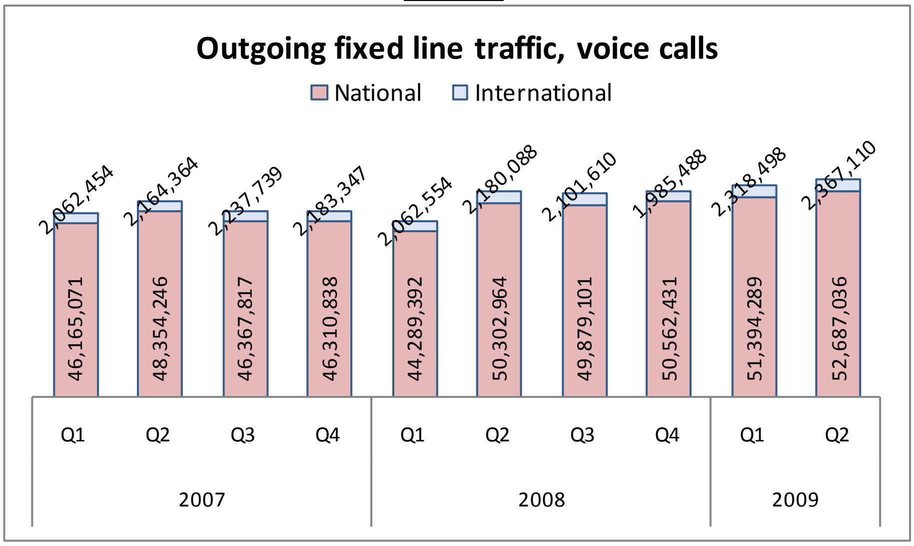
Outgoing fixed line traffic, voice calls

The number of outgoing fixed line calls reported for this period reached 108.8 million, up from 98.8 million registered in the first half of 2008.

In this regard, both national and international outgoing call traffic increased. The number of national outgoing fixed line calls increased by 9.5 million, an increase of 10.0 percentage points. Correspondingly, the number of international outgoing fixed line calls increased by 0.4 million, representing a 10.4 percentage increase in international call traffic as reported by local fixed line operators for the first half of 2008.

[3] Number portability is a service which allows customers to switch or transfer an existing fixed line number or mobile phone number from one operator to another. The figures quoted for number portability in this review includes re-portings.

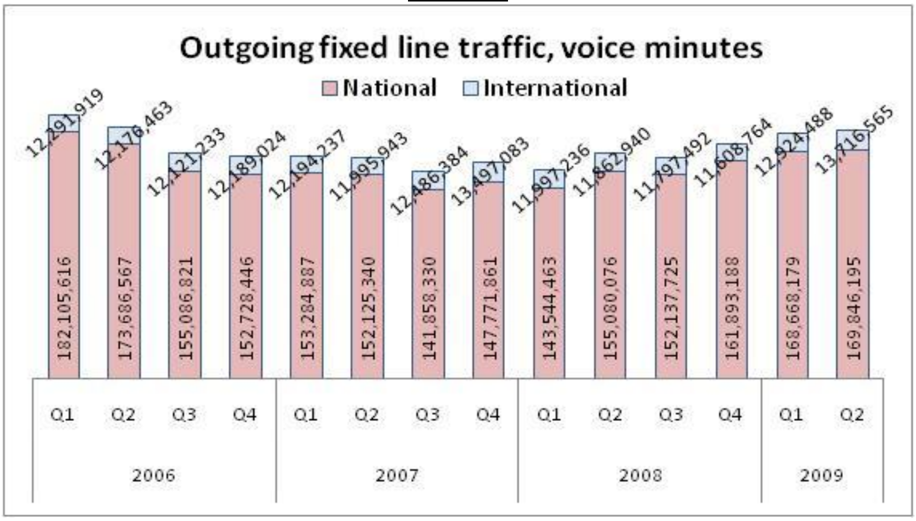
Chart 3



Outgoing fixed line traffic, voice minutes

In terms of voice call minutes, Chart 4 shows that outgoing fixed line traffic increased by 13.2 percent, from 322.5 million in the first six months of 2008 to 365.2 million in the corresponding period of 2009. In this respect, national outgoing fixed line traffic[4] increased by 13.4 percent, whilst international fixed line traffic increased by 11.3 percent.

Chart 4



National fixed-to-fixed voice call minutes[5] for the period January to June 2009 increased by 16.9 percent (or 44.4 million minutes, of which 64 percent were *on-net*), when compared to the corresponding six month period in 2008.

[4] Figures quoted for national outgoing fixed line traffic aggregate three main headings, namely fixed-to-fixed ("FTF") voice call minutes including on-net and off-net FTF minutes, fixed-to-mobile ("FTM") voice call minutes, and other voice call minutes including Internet minutes (dial-up minutes) and premium/free phone minutes.

[5] As of Q1 2007, national outgoing fixed-to-fixed voice call minutes includes both on-net and off-net voice minutes. Off-net minutes were not available in previous market reviews.

Chart 5

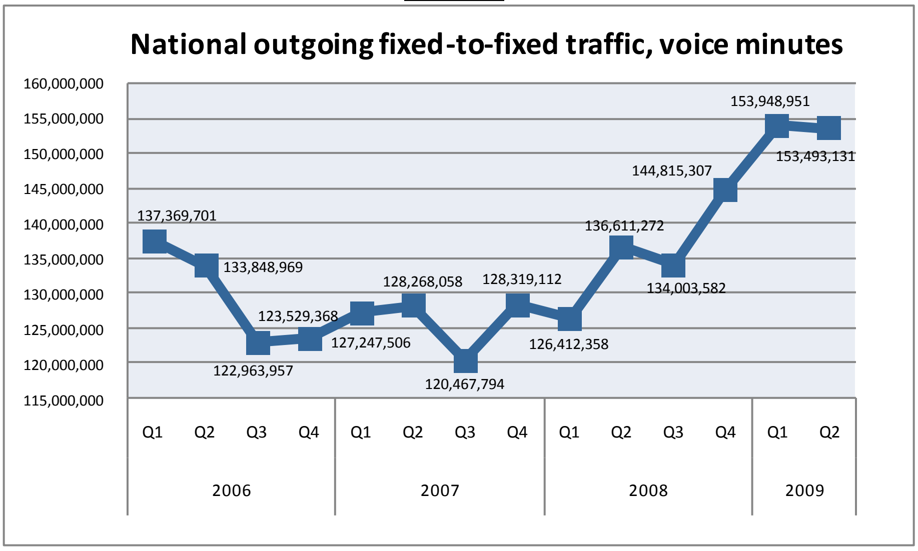


Chart 6 shows that national *on-net* voice call minutes amounted to 243.7 million in the first half of 2009. This is significantly higher than the corresponding figures for the first half and second half of 2008, at 215.2 million and 223.4 million respectively.

National *off-net* voice call minutes, depicted in Chart 7, also increased from 47.8 million in the first half of 2008 to 55.4 million in the second half of 2008 to 63.9 million for the first two quarters of 2009. In percentage terms, national *off-net* voice call minutes registered in the first half of 2009 increased by 33.7 percent when compared to the corresponding period of last year.

Chart 6

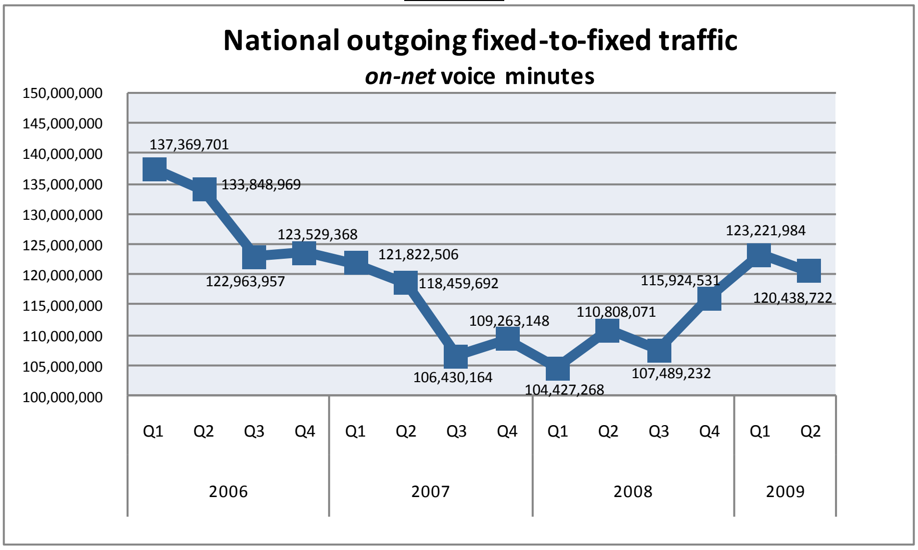
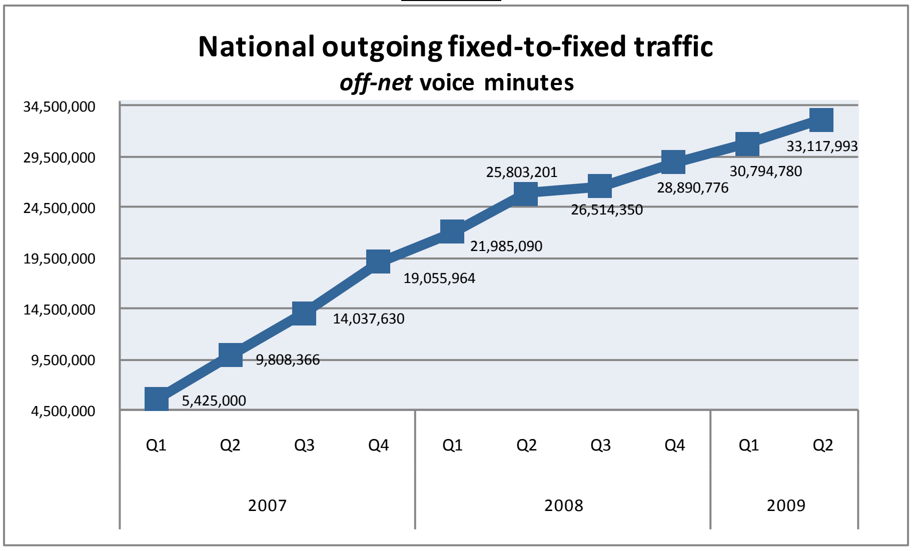


Chart 7

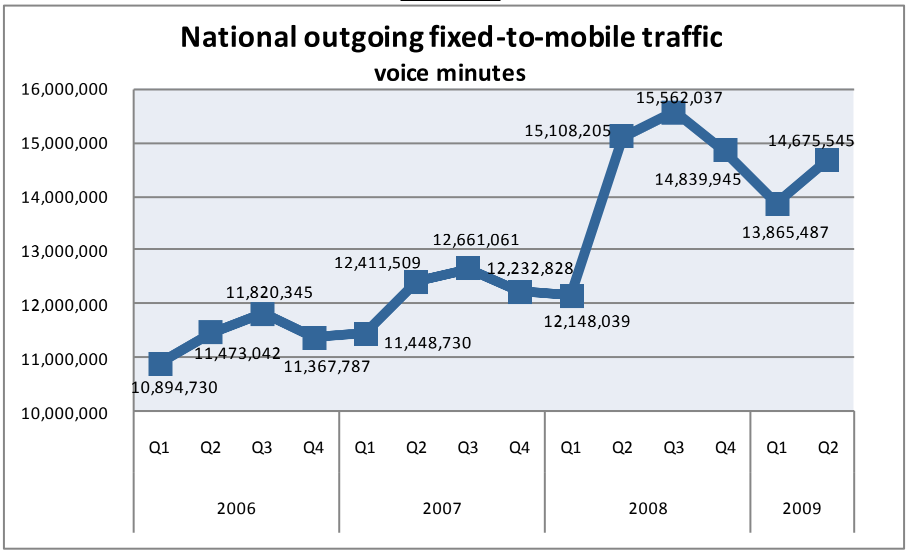


Seasonal fluctuations remain evident in relation to national outgoing fixed-to-mobile traffic. Chart 8 clearly indicates that outgoing fixed-to-mobile traffic peaks on Q3 of each year, subsequently reaching its lowest point in Q1 of the following year.

Fixed-to-mobile traffic peaked at 15.6 million voice call minutes in Q3 2008, the highest figure ever recorded for such traffic over a three-year period, down to approximately 13.9 million minutes for Q1 2009. Nonetheless, the results achieved for Q1 2009 are much better than those achieved in corresponding quarters of previous years.

National outgoing fixed-to-mobile voice call minutes for the first half of 2009 amounted to 28.5 million, an increase of 1.3 million over the corresponding figure recorded for the first half of 2008.

Chart 8

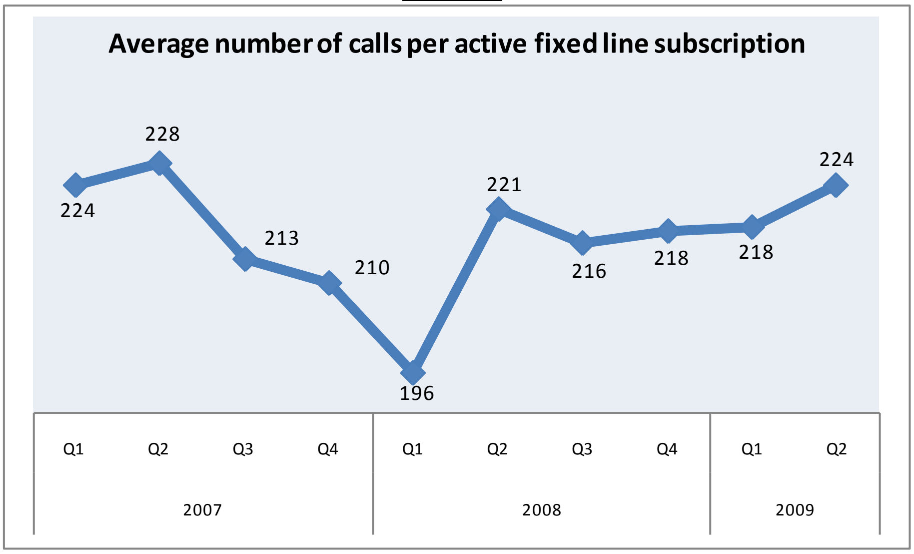


Average number of calls per active fixed line subscription

Overall, the growth registered in outgoing fixed line traffic was driven by an increase in the number of active subscriptions, and by an increase in the average number of calls registered for each subscription.

On average, the number of outgoing calls per active fixed line subscription in Q2 2009 reached 224, up from 218 in the previous quarter and 221 in Q2 2008 (see Chart 9 below).

Chart 9

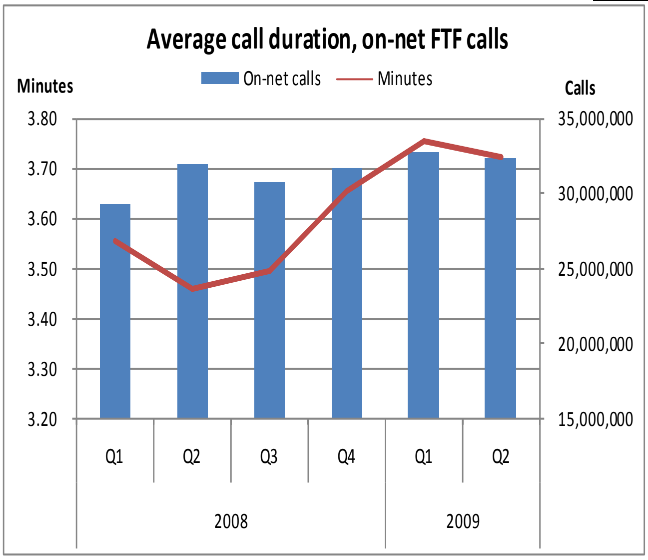


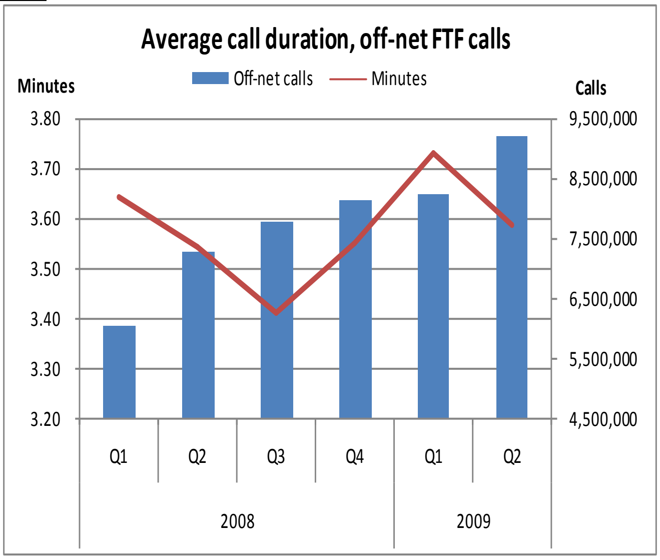
1.5 Average fixed line call duration

In Q2 2009, the average time spent[6] by a fixed line user on an on-net FTF call was 3.7 minutes, compared with 3.5 minutes in Q2 2008. Correspondingly, the average time spent on an off-net FTF call was slightly lower at 3.6 minutes.

The average time spent by a fixed line user on a FTM call in Q2 2009 hovered around 1.4 minutes.

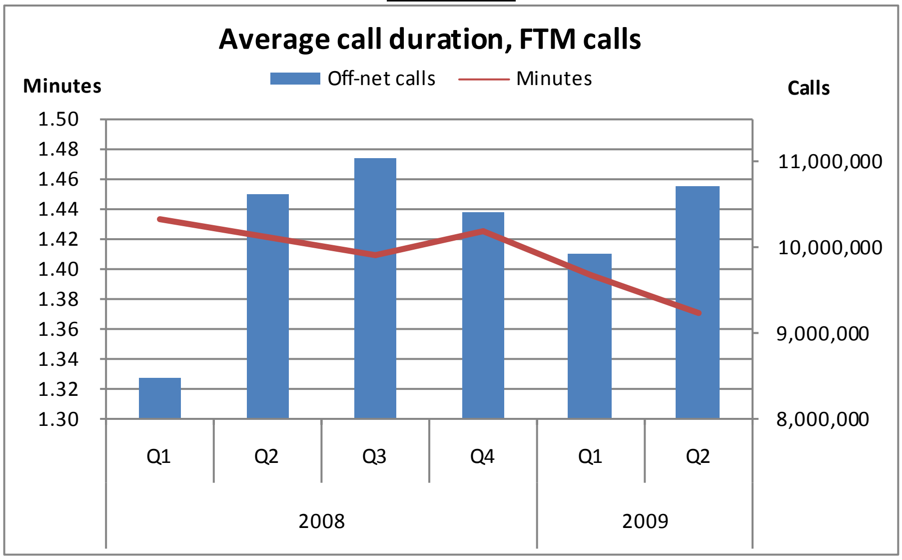
Chart 10





[6] The average call duration is calculated by dividing the total outgoing minutes by total outgoing calls reported under each respective heading.

Chart 11



1.6 Market shares

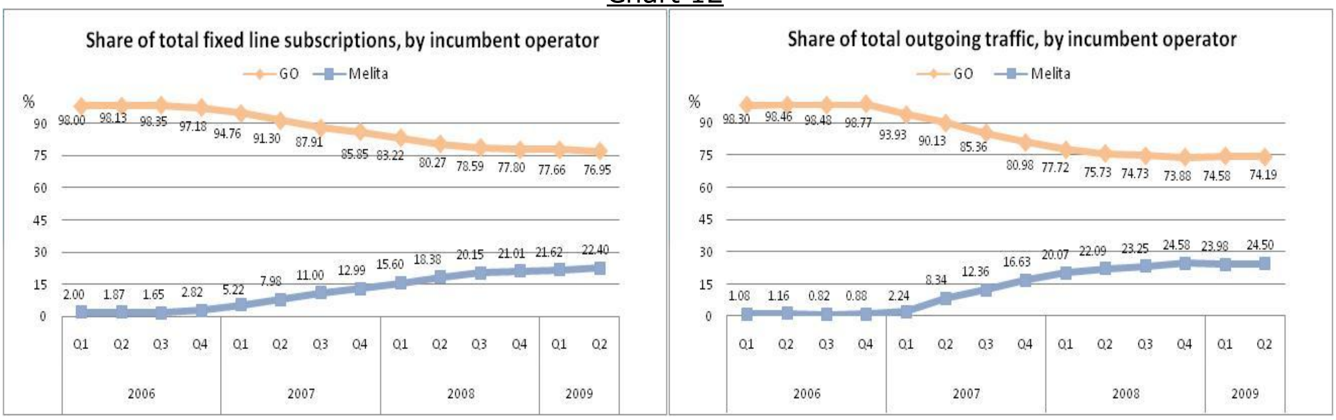
Developments for incumbents

As the local subscriber base continued to grow, Melita managed to increase its market shares. At the end of Q2 2008, Melita's fixed line subscriptions accounted for 22.4 percent of total fixed line subscriptions, up from 21 percent at the end of 2008 and 18.4 percent as at the end of Q2 2008.

It was in this context that Melita's share of total outgoing fixed line traffic volumes also increased, from 22.1 percent as at the end of Q2 2008 to 24.5 percent as at the end of Q2 2009. In the 12-month period ending June 2009, Melita reported 169.3 million minutes of outgoing fixed line traffic, up from 114.0 million minutes reported in the corresponding period ending June 2008.

A considerable increase in outgoing fixed line traffic was also registered by GO, from 509.8 million minutes in the 12-month period ending June 2008 to 522.4 million minutes in the 12-month period ending June 2009. However, GO reported a decline in its share of total fixed line subscriptions, down to 76.9 percent as at the end of June 2009 from 80.3 percent as at the end of the corresponding period a year earlier.

Chart 12



Developments for newer market entrants

Newer market entrants reported varying patterns in market shares. SKY Telecom's subscriber base shrank from 2,791 as at the end of Q2 2008, which accounted for 1.2 percent of total fixed line subscriptions at that point in time, to 1,120 as at the end of Q2 2009, which accounted to 0.5

percent of total fixed line subscriptions. During the same period, SKY Telecom also registered declines in outgoing fixed line traffic.

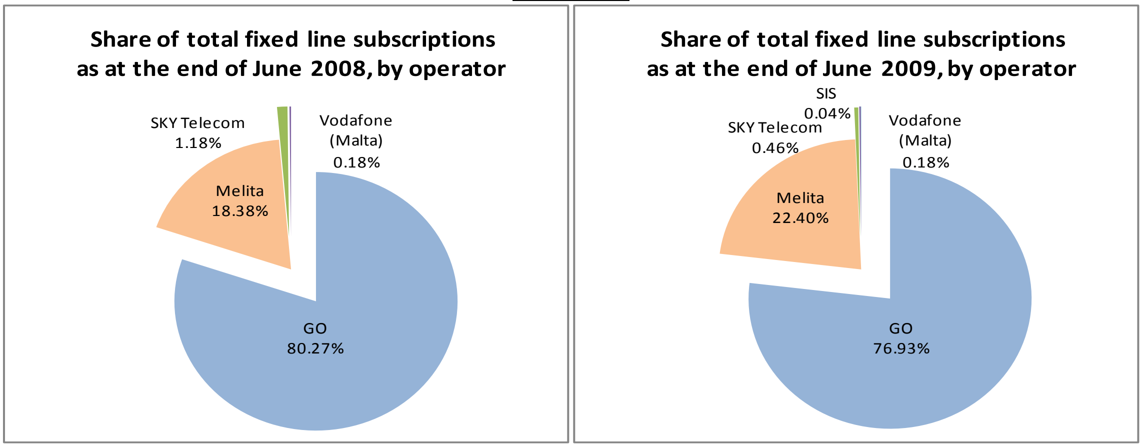
Vodafone's share of total subscriptions and total outgoing traffic volumes registered by the fixed line sector has been somewhat stable for four consecutive quarters, ending Q2 2009. Market shares hovered around 0.2 percent for subscriptions and 0.1 percent for outgoing traffic volumes.

Information for SIS is only available for Q1 2009 and Q2 2009. As at Q2 2009, SIS's market share of total fixed line subscriptions stood at 0.04 percent. Correspondingly, its share of total outgoing fixed line traffic was negligible.

Overall market outcome

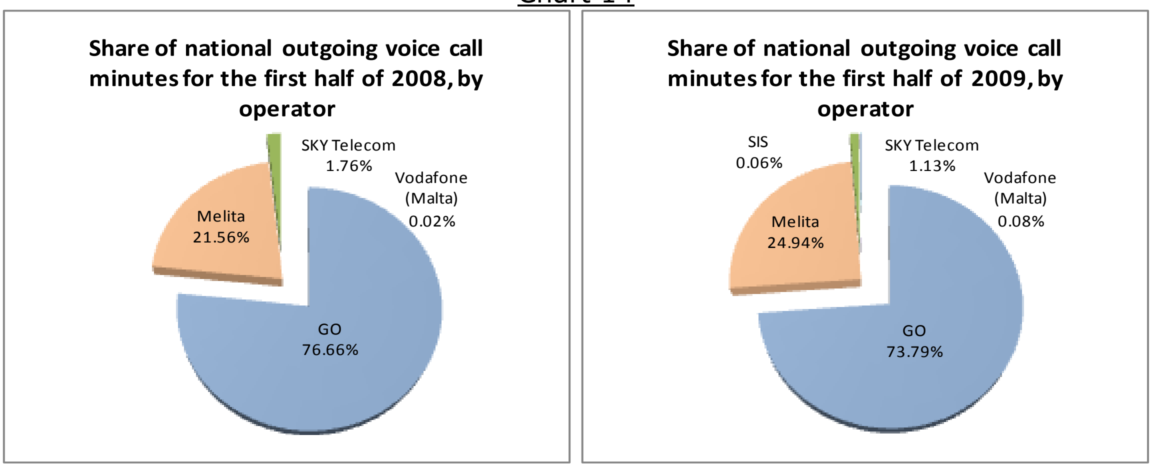
As at the end of Q2 2009, GO's active fixed line subscriptions accounted for 76.9 percent of the total for the fixed line sector, a decline of 3.4 percentage points when compared with the corresponding figures as at the end of Q2 2008. Active subscriptions with Melita accounted for 22.4 percent of the total active fixed line subscriptions as at the end of Q2 2009. The remaining 0.7 percent of total active fixed line subscriptions was accounted for by newer market entrants, namely SKY Telecom, Vodafone (Malta) and SIS.

Chart 13



In terms of national outgoing voice call minutes, GO accounted for approximately 73.8 percent of the total recorded for the first half of 2009, down from 76.7 percent registered in the same period last year. Correspondingly, Melita managed to increase its share of national outgoing voice call minutes from approximately 21.6 percent in 2008 to 24.9 percent in 2009. A slight gain in terms of market share was also registered by Vodafone (Malta)[7].

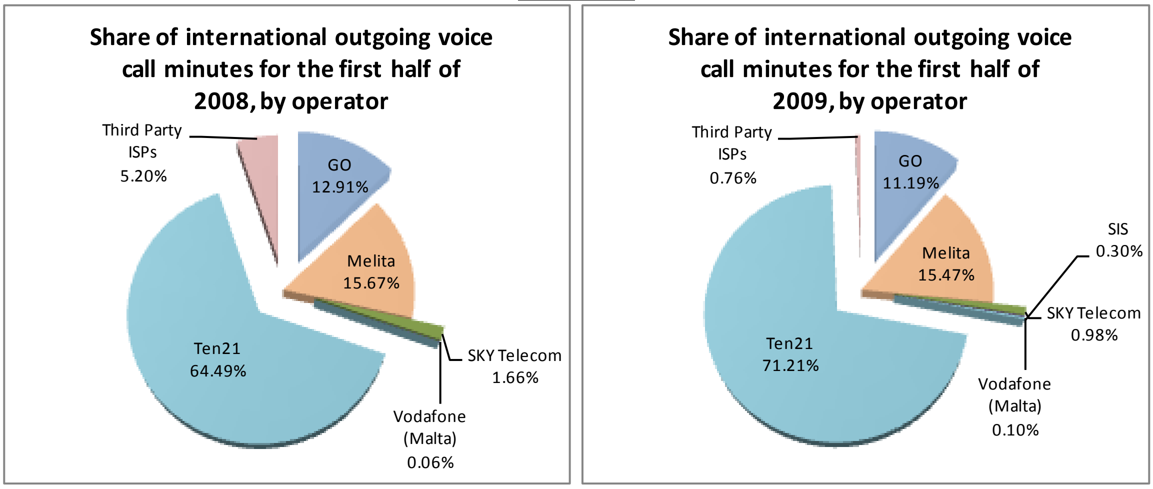
Chart 14



[7] In view of the first half of 2008, only Q2 figures are available for Vodafone (Malta). This remark applies for all indicators referring to Vodafone's performance in the respective period.

As regards international outgoing voice call minutes, traffic has increased from approximately 23.9 million minutes in the first half of 2008 to 26.6 million minutes in the first half of 2009.

Chart 15



The Ten21[8] service, which is also offered by GO, enhanced its substantial lead over competitors, from 64.5 percent of total international outgoing voice call minutes recorded in the first half of 2008 to 71.2 percent of those recorded in the first half of 2009.

Correspondingly, third Party ISPs reported another decline in their market share from 5.2 percent to approximately 0.8 percent. Other, but much smaller, declines were registered by GO, Melita, and SKY Telecom.

On the other hand, a very slight gain was registered by Vodafone (Malta).

SIS's market share for the first half of 2009 accounted for 0.3 percent of total international outgoing voice call minutes recorded for the period[9].

[8] The TEN21 service is a Voice over Internet Protocol ("VoIP") service, made using an IP routing, offered by GO plc.

[9] SIS figures prior to this period are not available.

Chapter 2 Mobile Telephony

2.1 Introduction

In the first half of 2009, the mobile sector experienced two main developments, namely the launch of Melita Mobile, a mobile network operator ("MNO") which was granted rights of use for spectrum in the 2.1GHz band in 2007, and the remarkable growth in the number of mobile subscriptions[10]. A further development occurred late in June this year when Bay Mobile, a mobile virtual network operator ("MVNO") launched in September 2008, notified its clients that it would cease operations in July 2009.

Mobile telephony also registered substantial gains in traffic volumes, with both the number of calls and minutes originated from mobile operators registering growth.

2.2 Subscriptions

The total number of active mobile subscriptions[11] as at the end of Q2 2009 reached 404,461 compared with 374,507 registered as at the end of Q2 2008.

Table 2 provides evidence of a shift from prepaid to postpaid schemes, with a growing proportion of end users opting for postpaid (tariff) plans. As at the end of Q2 2009, active postpaid mobile subscriptions accounted for 17.7 percent of total active mobile subscriptions, up from 11.8 percent as at the end of Q2 2008 and 9.3 percent as at the end of Q2 2007.

Active prepaid mobile subscriptions accounted for 82.3 percent of total active mobile subscriptions as at the end of the reference period, down from 88.2 percent as at the end of the corresponding period in 2008.

Table 2

Mobile subscriptions	2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Active subscriptions as at end of period	344,390	353,495	369,513	368,530	372,009	374,507	382,255	385,636	385,419	404,461
Postpaid subscriptions	31,622	32,753	34,819	34,465	39,594	44,287	48,807	52,569	68,463	71,580
Vodafone	19,337	19,636	20,020	21,098	21,865	24,990	27,928	29,957	29,897	30,373
GO Mobile	12,285	13,117	14,799	13,367	17,729	19,297	20,879	22,612	23,219	24,113
Melita Mobile	-	-	-	-	-	-	-	-	15,347	17,094
Redtouch*fone*	-	-	-	-	-	-	-	-	-	-
Bay Mobile	-	-	-	-	-	-	-	-	-	-
Prepaid subscriptions	312,768	320,742	334,694	334,065	332,415	330,220	333,448	333,067	316,956	332,881
Vodafone	159,695	165,279	174,908	174,612	173,484	171,097	171,825	171,141	157,327	171,138
GO Mobile	153,073	155,463	159,786	159,453	158,931	159,123	161,623	154,222	150,841	152,123
Melita Mobile	-	-	-	-	-	-	-	-	544	2,112
Redtouch*fone*	-	-	-	-	-	-	-	6,855	7,726	7,042
Bay Mobile	-	-	-	-	-	-	-	849	518	466

Table 2 shows that, as at the end of the period under review, the number of active postpaid mobile subscriptions stood at 71,580 i.e. 27,293 more than the corresponding figure reported as at the end of Q2 2008, whilst the number of active prepaid mobile subscriptions stood at 332,881.

[10] Overall, the mobile sector has seen a considerable increase in subscriptions, with mobile penetration rates reaching the 98 percentage mark at the end of the period under review.

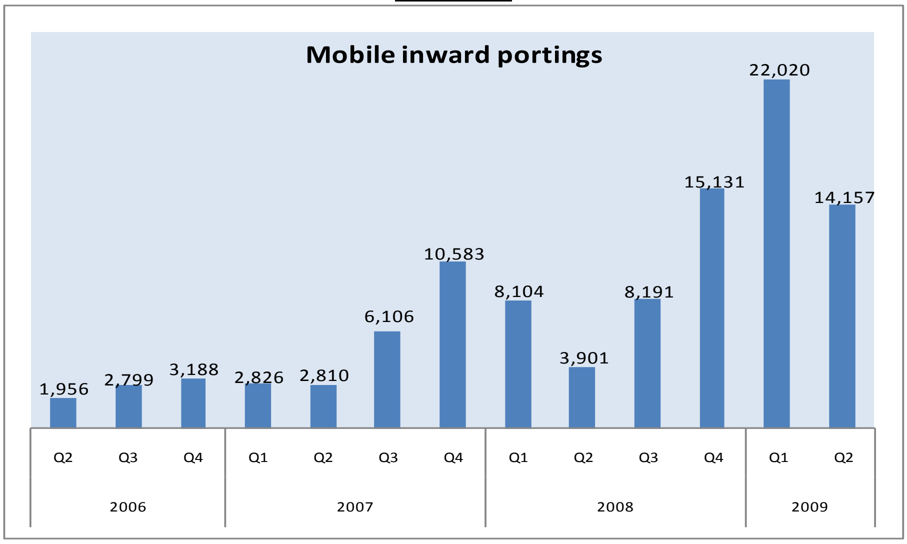
[11] Defined as those prepaid/postpaid subscriptions having a MSISDN with registered inbound or outbound activity within 90 days (for prepaid) and 30 days (for postpaid) of the period stipulated.

2.3 Mobile number portability[12]

It is expected that with the arrival of new service providers, the number of mobile inward portings that are executed by operators increases significantly. Chart 16 provides evidence to suggest that with the arrival of two MVNOs and one MNO in the second half of 2008, mobile inward portings reported in Q4 2008 and Q1 and Q2 2009 were substantially higher than in previous quarters.

During the first six months of 2009, more than 36,000 mobile inward portings have been executed, three times as much the amount executed in the first six months of 2008.

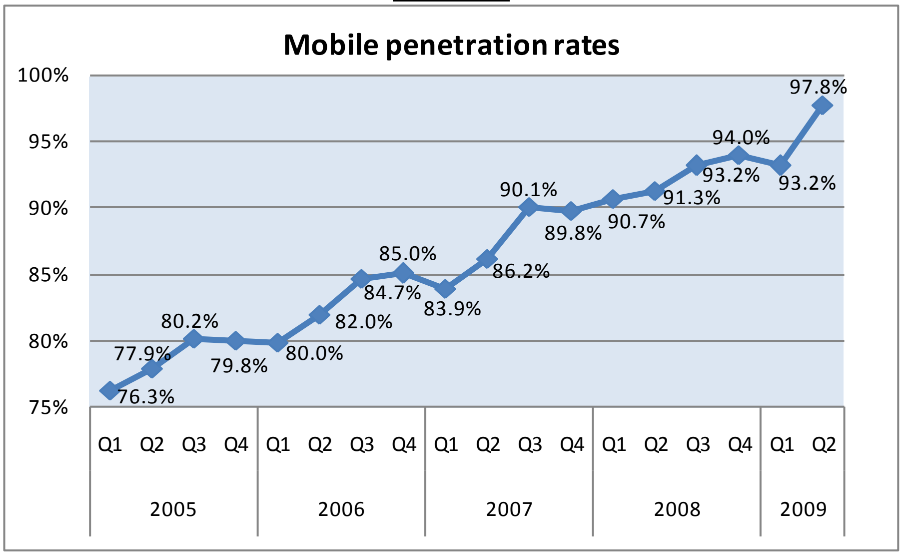
Chart 16



2.4 Mobile penetration rates

Malta continues to witness a rapid increase in mobile penetration rates. Penetration registered a marked growth from 91.3 percent in Q2 2008 to 97.8 percent in Q2 2009. However, despite this increase, mobile penetration in Malta remains below the EU average[13].

Chart 17



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[12] Mobile number portability was introduced in April 2006, as a facility enabling mobile users to retain their telephone number when changing their mobile operator.

[13] According to the 14th Implementation Report of the EU Commission, the EU average mobile penetration rate has reached 119 percent in October 2008.

2.5 Mobile traffic

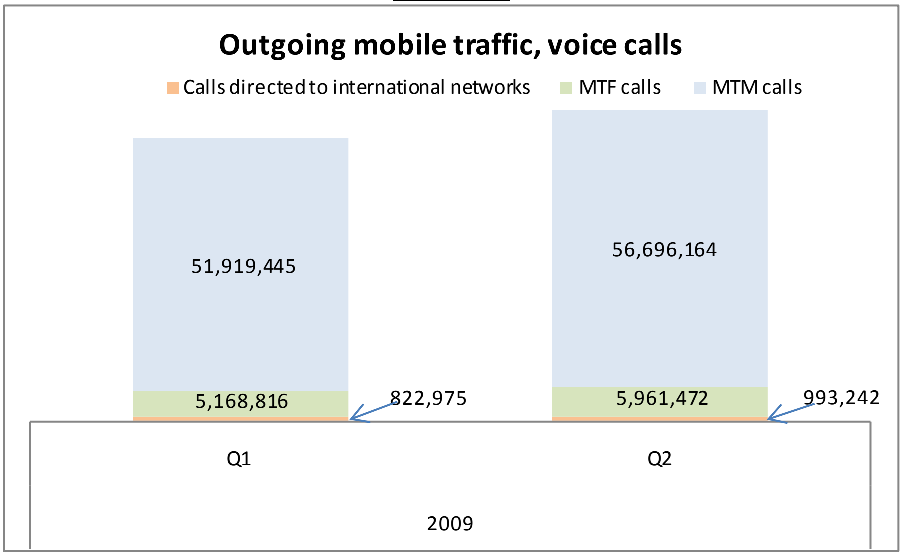
Mobile traffic has generally kept along its steady growth path in the first half of 2009. However, declines persisted in terms of SMS volumes, probably as a result of operators marketing bundle offers enticing users to make on-net mobile calls instead of sending a text message.

Outgoing mobile traffic, voice calls[14]

The number of outgoing mobile voice calls reached 63.7 million in Q2 2009, up from 57.9 million registered in the previous quarter. In both quarters, outgoing mobile-to-mobile ("MTM") voice calls accounted for approximately 89 percent of total voice calls originated by local mobile operators.

Correspondingly, outgoing mobile-to-fixed ("MTF") voice calls accounted for approximately 8.9 percent in Q1 2009 and 9.4 percent in Q2 2009.

Chart 18



On average, the number of outgoing calls per active mobile subscription in Q1 2009 reached 157.4, up from 150.3 in the previous quarter.

Outgoing mobile traffic, voice minutes

In terms of voice call minutes, outgoing mobile traffic was up during the first two quarters of 2009 by 22 percent, year on year. National outgoing mobile voice call minutes[15] increased from 117.2 million in the first half of 2008 to 142.2 million in the first six months of 2009.

Correspondingly, outgoing MTF traffic increase from 10.9 million to 13.4 million, representing a 22.7 percent increase in outgoing voice call minutes reported under this heading. In the period under review, outgoing MTF traffic accounted for 9.2 percent of national outgoing voice call minutes for the mobile sector.

[14] Figures for outgoing mobile voice calls are only available for the period January – June 2009.

[15] Figures quoted for this indicator aggregate two main headings, namely mobile-to-mobile ("MTM") voice call minutes including *on-net* and *off-net* MTM minutes, mobile-to-fixed ("MTF") voice call minutes. Roaming minutes are not included.

Chart 19

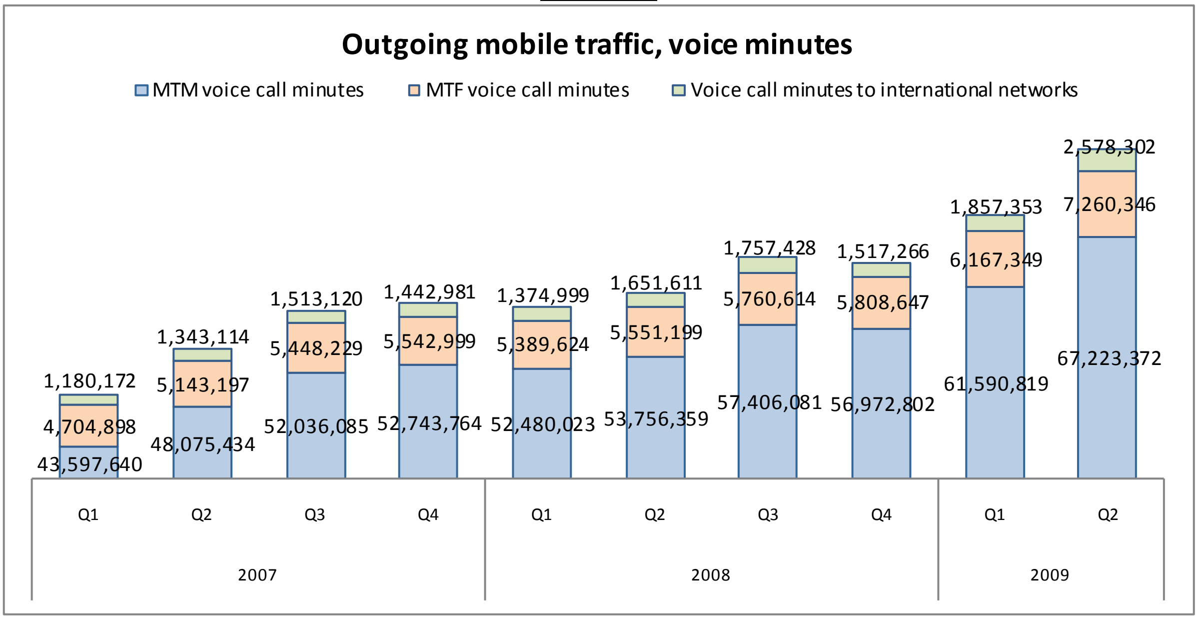
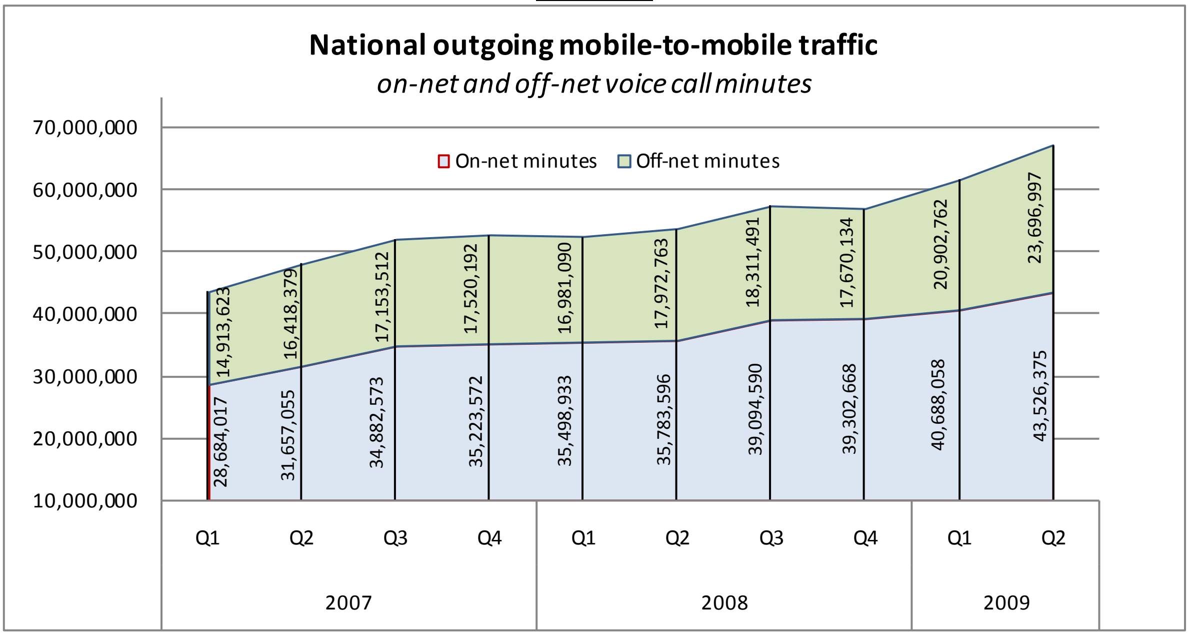


Chart 20 shows that national outgoing *on-net* MTM voice call minutes amounted to 84.2 million in the first half of 2009. Year-on-year, outgoing *on-net* MTM voice call minutes increased by 12.9 million, representing an increase of 18.1 percent.

Chart 20



National *off-net* voice call MTM minutes increased from approximately 35 million in the first half of 2008 to 44.6 million in the first half of the following year. This represents an increase of 27.6 percentage points.

In terms of international outgoing mobile voice call minutes, Chart 17 shows that such traffic peaks during Q3 of each year, followed by a decline over the two subsequent quarters.

International outgoing mobile voice call minutes increased from 3 million minutes in the first half of 2008 to 4.4 million in the first half of 2009.

Outgoing mobile traffic, SMS traffic

Outgoing SMS traffic[16] registered during the first half of 2009 amounted to 233.2 million text messages. *On-net* SMS traffic accounted for 57.2 percent of total outgoing SMS traffic, whilst *off-net* SMS traffic accounted for 40.3 percent.

Outgoing SMS traffic during the first half of 2008 amounted to 251.7 million text messages. This means that outgoing SMS traffic maintained its decline, which could again be attributed to a number of promotional offers featuring free minute bundles enticing users to make *on-net* mobile calls instead of sending an SMS.

Chart 21

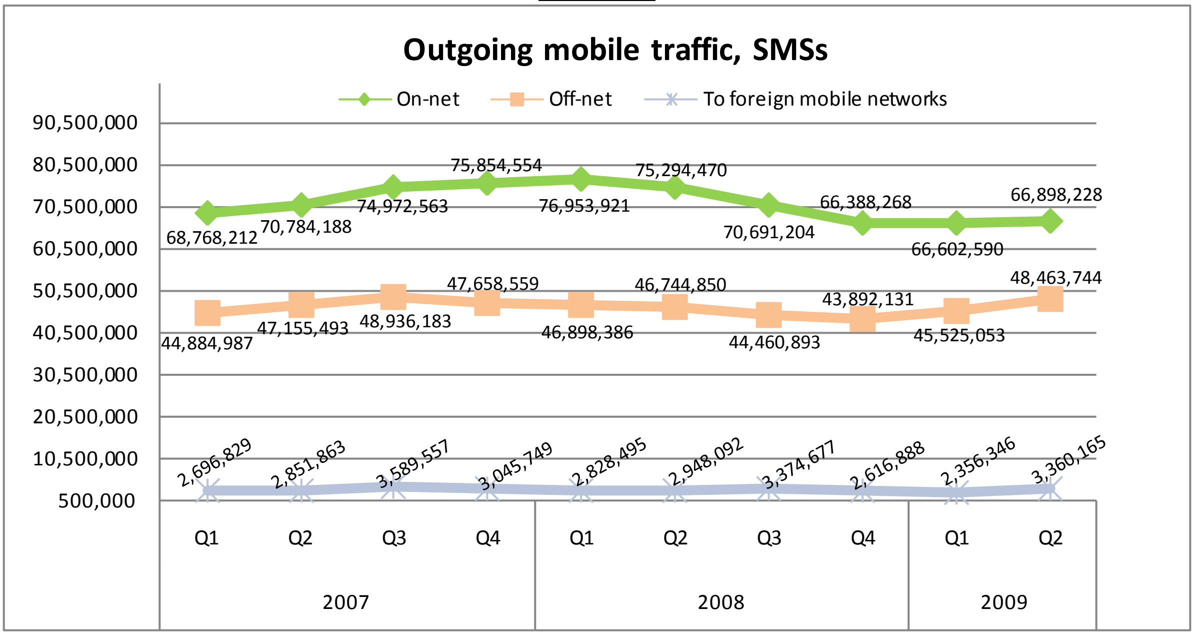


Chart 21 indicates that the decline in outgoing SMS traffic during the first half of 2008 is attributable to lower levels of outgoing *on-net* text messages when compared with the corresponding period a year earlier. Indeed, *on-net* SMS traffic recorded by local operators for the first half of 2009 fell by 18.7 million when compared to the corresponding period in 2008. Correspondingly, *off-net* SMS traffic did not register any significant changes. This result corroborates the hypothesis that promotional offers featuring free minute bundles are actually enticing users to make *on-net* MTM calls instead of sending a text message. Furthermore, this is happening at a time when local operators are also marketing a number of SMS bundle offers.

Outgoing mobile traffic, MMS traffic

The number of outgoing MMSs in the first half of 2009 amounted to 149,967 down from 195,275 multimedia messages (MMSs) that were sent in the first half of the previous year, representing a decline of 23.2 percent. In this regard, *on-net* MMSs declined by 22.9 percent, whilst *off-net* MMSs increased by 1.8 percent.

The total volume of MMS data sent in the first half of 2009 reached 4892.1Mb[17], compared with approximately 7816.3Mb in the corresponding period in 2008.

The average size of an MMS was 39kb in Q2 2009 compared with 53kb in Q2 2008.

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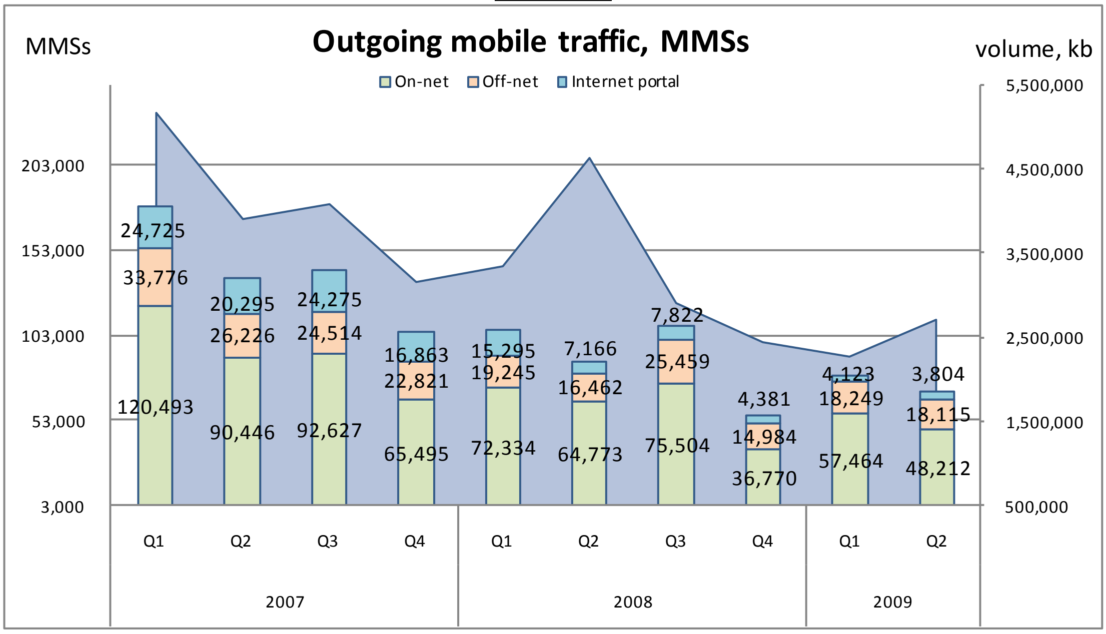
[16] The figures quoted for SMS traffic in this review includes on-net and off-net SMSs, and SMSs sent to foreign mobile networks. SMSs sent from any of the existing Internet portals, and Premium SMSs are excluded.

[17] 1 megabit (Mb) = 1024 kilobits (kb)

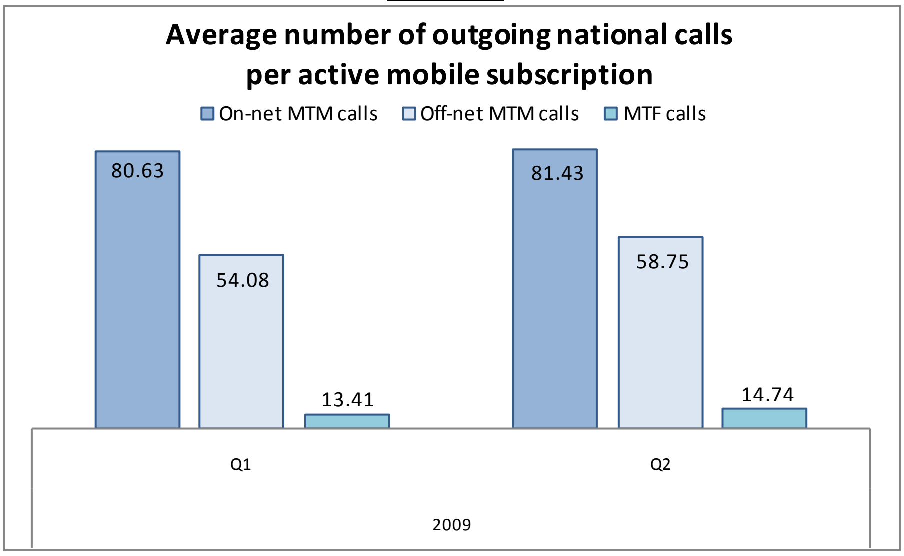
Chart 22



Outgoing mobile traffic, average per active subscription

On average, the number of outgoing calls per active mobile subscription reached 157.4 in Q2 2009 up from 150.26 in the previous quarter.

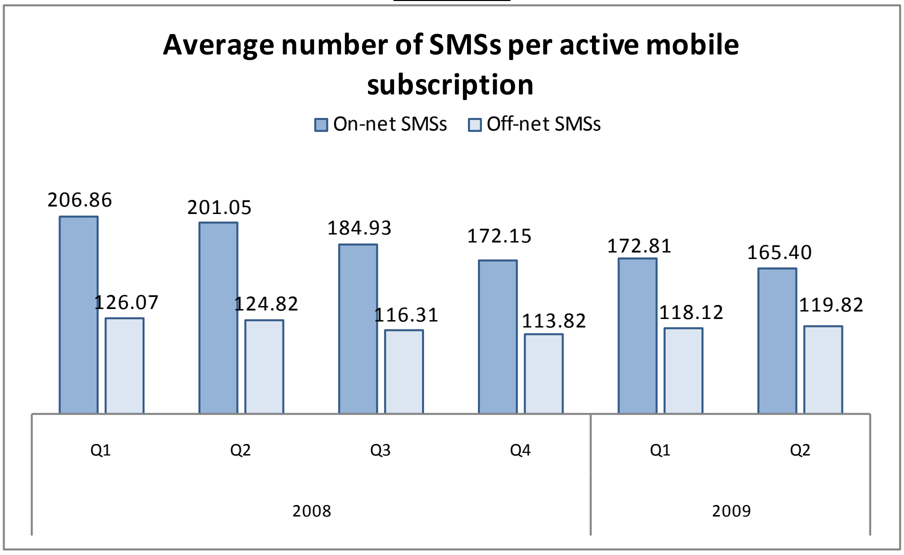
Chart 23



In Q2 2009, the average number of outgoing on-net MTM calls per active subscription reached 81.4; the average for off-net MTM calls reached 58.7. In all cases, including that for MTF calls, the average number of calls for Q2 2009 was higher than that registered in the previous quarter.

On the other hand, the average number of outgoing SMSs and MMSs per active subscription declined in Q2 2009, when compared to the previous quarter. The average number of outgoing SMSs per active subscription (excluding SMSs to foreign networks) reached 285 in Q2 2009, down from 291 in the previous quarter.

Chart 24

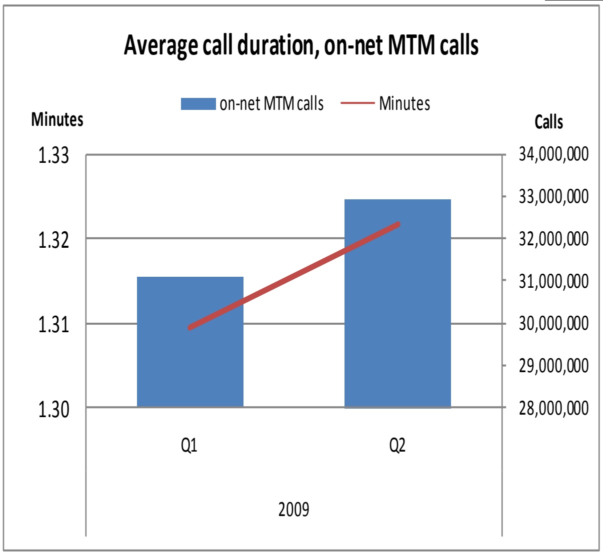


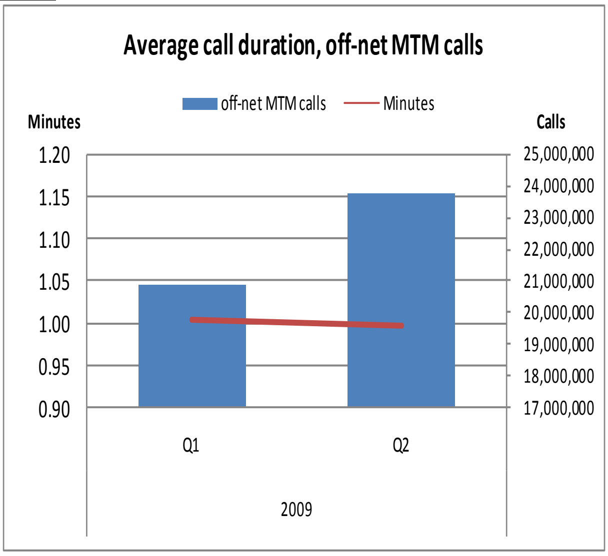
The average number of off-net SMSs per active subscription declined from 201 in Q2 2008 to 165 in Q2 2009. The decline for on-net SMSs was less pronounced.

2.6 Average mobile call duration

In Q2 2009, the average time spent[18] by a mobile user on an on-net MTM call was 1.3 minutes, and that on an off-net MTM call was 1 minute. Correspondingly, the average time spent on a MTF call was 1.2 minutes.

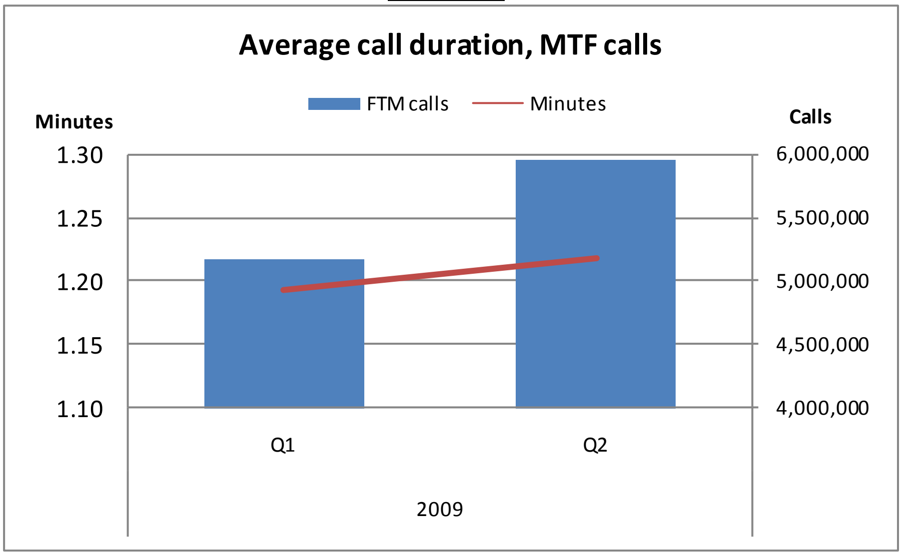
Chart 25





[18] The average call duration is calculated by dividing the total outgoing minutes by total outgoing calls reported under each respective heading.

Chart 26

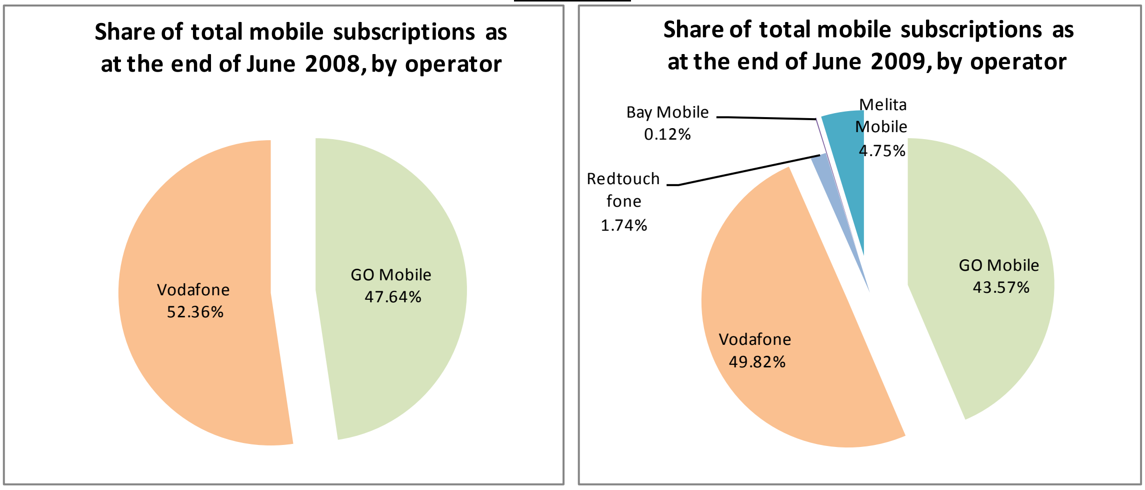


2.7 Market shares

Developments for incumbents and newer market entrants

As at the end of June 2008, Vodafone (Malta) held a market share slightly exceeding 52 percent of all mobile subscribers. Correspondingly, GO Mobile held the remaining market share, at 47.6 percent.

Chart 27



A year later, the corresponding market shares for both Vodafone and GO Mobile declined as MVNOs and a new MNO registered gains in their subscriber base.

Regarding mobile usage, Chart 28 and 29 depict developments in market shares for mobile traffic volumes, in terms of outgoing mobile voice calls and outgoing mobile voice call minutes.

Chart 28

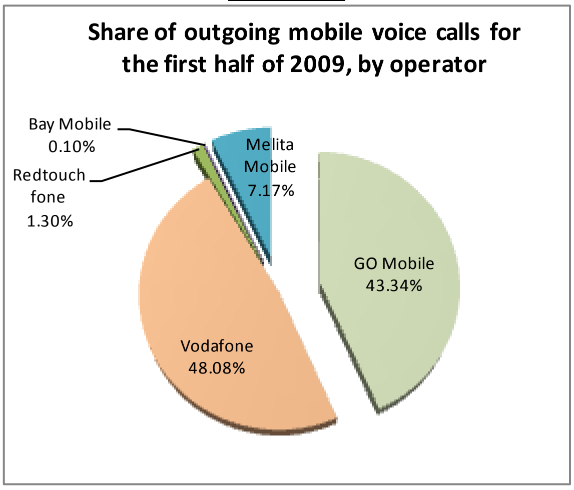
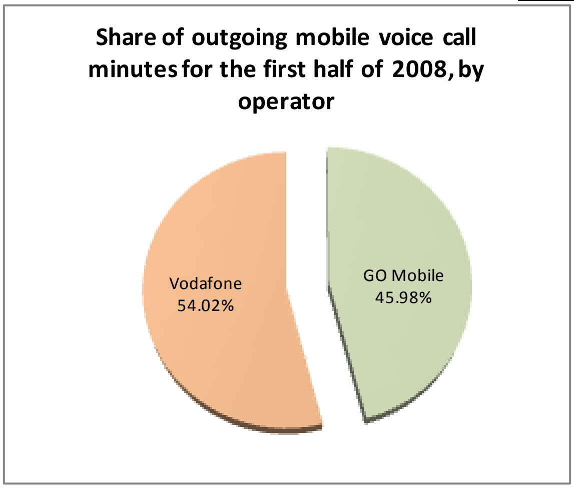
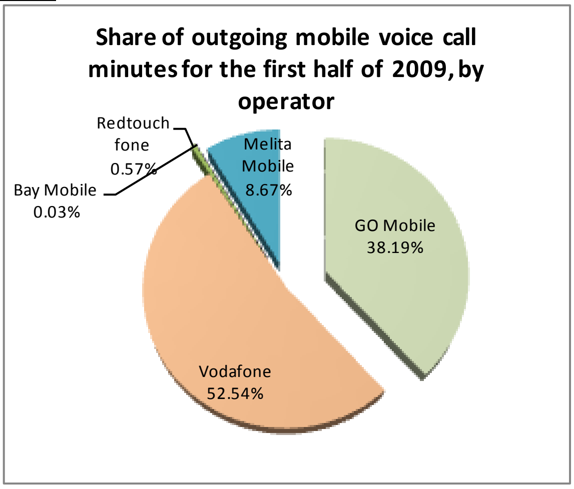


Chart 28 shows that for the first half of 2009, Vodafone accounted for 48.1 percent of total voice calls originated by all mobile operators. GO Mobile accounted for 43.3 percent, whilst Melita shared 7.2 percent. The remaining share was accounted for by Redtouch*fone*, at 1.3 percent, and Bay Mobile, at 0.1 percent.

Chart 29





In terms of voice call minutes, Vodafone accounted for 52.5 percent of the total recorded for the first half of 2009, down from 54 percent in the corresponding period a year earlier. Correspondingly, GO Mobile's share also declined from approximately 46 percent of the total to 38.2 percent.

In the first half of 2009, Melita Mobile acquired 8.7 percent of total outgoing voice call minutes registered for the period. Redtouch*fone* acquired 0.6 percent, whilst Bay Mobile only acquired 0.03 percent.

2.8 Average revenue per user ("ARPU")

ARPU statistics include total revenues of the operator divided by the average number of active subscribers[19] during the period. Total revenues include income from all incoming and outgoing activity registered by all postpaid and prepaid subscribers, including outbound roaming revenues and interconnection revenues, but excluding inbound roaming revenues.

[19] The average active postpaid and prepaid subscribers during the period (i.e. subscribers at the start of the period plus subscribers at the end of the period, divided by 2).

<u>Chart 30</u>

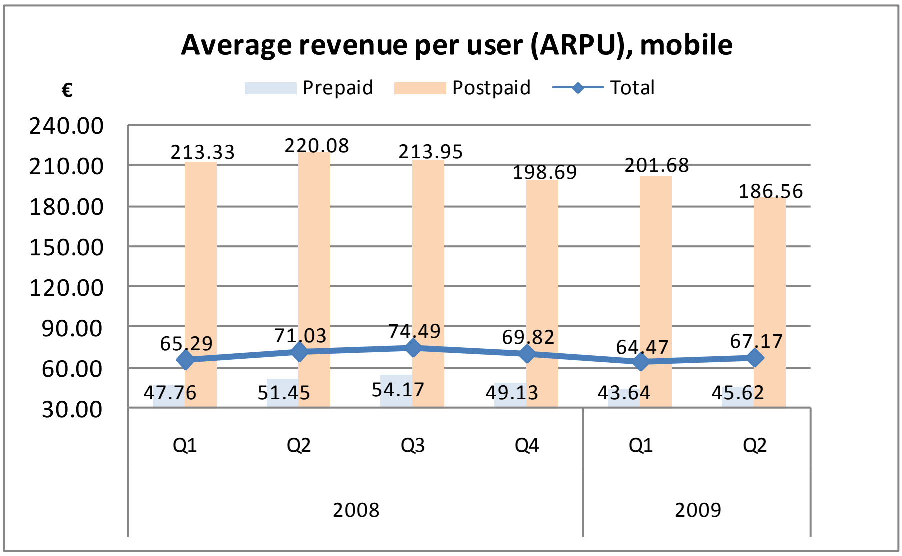


Chart 30 depicts the total ARPU per quarter for the period 2008 – 2009Q2 taking into account both prepaid and postpaid subscribers. In line with seasonal fluctuations observed over the years, total ARPU average experienced a rise in Q2 2009, from €64.47 in the previous quarter to €67.17. The total ARPU average for Q2 2009 is however lower than the total ARPU average for Q2 2008, which stood at €71.03.

Postpaid ARPU as at Q2 2009 reached €186.56, whereas prepaid ARPU reached €45.62. Both are lower than the corresponding figures for Q2 2008.

2.9 Roaming activity

International roaming enables a customer to use the mobile phone when abroad. Developments in roaming activity are determined by the movement of people across borders, and activity rates also depend on the tariffs charged for calls made by mobile users when these are travelling abroad.

It is expected that much of the roaming activity reported by local operators will peak during the summer months, when both the number of tourists visiting the island (inbound roaming activity) and the number of local residents travelling abroad (outbound roaming activity) increase.

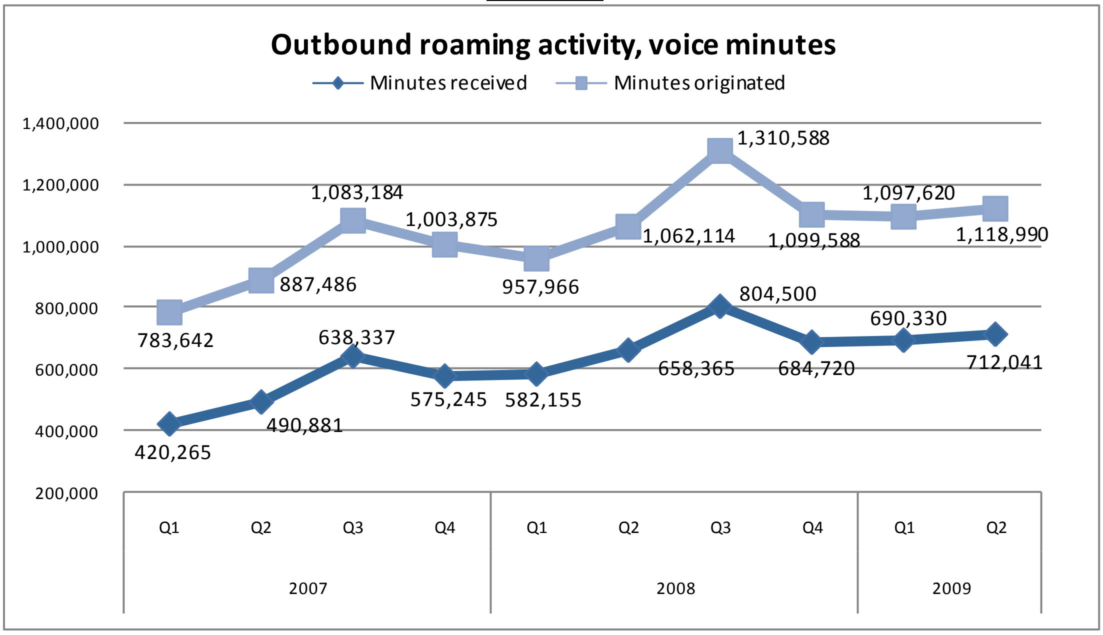
Outbound roaming activity[20]*, voice minutes*

Outbound roaming activity is generated by Maltese residents travelling abroad. During the first half of 2009, the total number of call minutes generated by Maltese residents whilst roaming reached 2.2 million. This figure is approximately 10 percent higher than that registered during the corresponding period in 2008.

Local operators also reported an increase of approximately 0.2 million call minutes received by Maltese residents whilst roaming abroad during the first half of 2009, representing a 13.1 percentage points increase when compared to the first half of 2008. As depicted below, outbound roaming activity exhibits an upward underlying trend with seasonal spikes in Q3 of each year.

[20] Refers to activity by domestic subscribers generated on foreign networks.

Chart 31

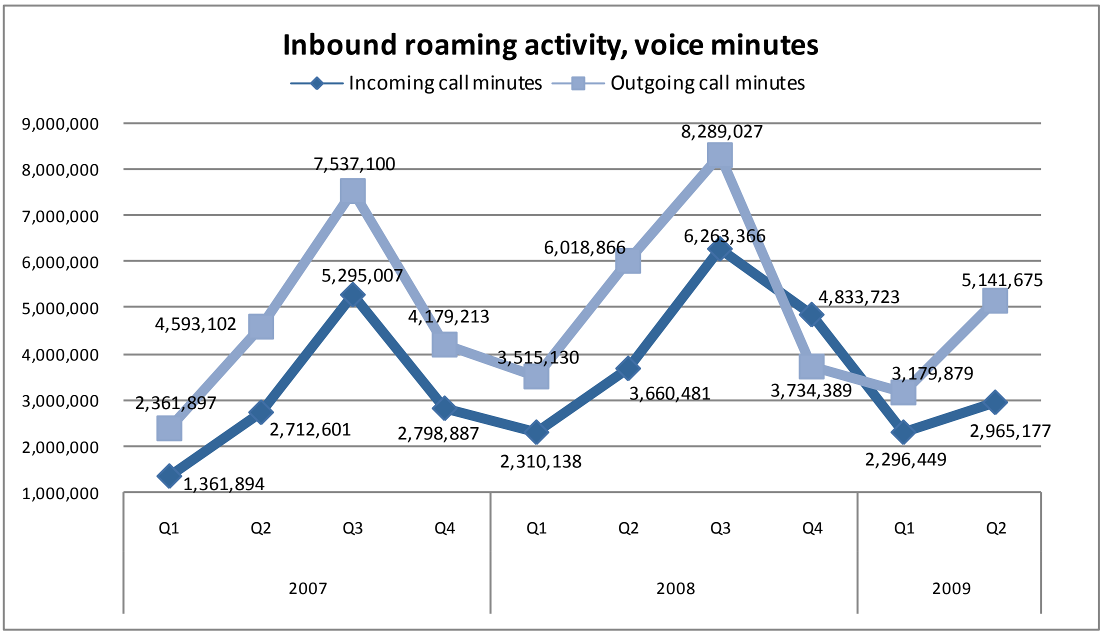


Inbound roaming activity[21], voice minutes

Inbound roaming activity is generated by foreigners visiting Malta. Voice traffic originated by foreigners roaming on domestic mobile networks exhibits distinct seasonal fluctuations, with spikes featuring in Q3 each year.

For the first half of 2009, local mobile operators reported a fall of 0.7 million in incoming visitor voice call minutes, representing a decline of approximately 11.9 percent when compared with the same period a year earlier.

Chart 32



[21] This refers to activity by foreign mobile telephony subscribers (also referred to as visitors), generated on domestic networks.

Correspondingly, a fall of 1.2 million outgoing visitor voice call minutes has been reported. This means that inbound roaming activity in the first half of 2009 in terms outgoing visitor voice call minutes declined by 12.7 percent when compared to the same period in 2008.

Chapter 3 Reception of TV Broadcasts

3.1 Introduction

The provision of TV broadcasting services in Malta can be classified according to five main TV reception platforms, namely analogue aerial, analogue cable, digital cable, digital terrestrial and satellite.

3.2 Usage and take-up of TV reception platforms

Reception of TV broadcasts via analogue aerial and satellite

This review refers to two different sources in order to determine the usage of the analogue aerial platform for the reception of TV broadcasts. The first source is the *Radio and Television Audience assessment* carried out by the Broadcasting Authority[22].

According to the survey for the period April-June 2009, 11.3 percent of local households received their television broadcasts via the analogue aerial platform. The corresponding figure for the period April – June 2008 stood at 17.5 percent.

In the case of satellite, the same survey indicates that the usage of this platform for the period April-June 2009 stood at 6.8 percent, down from 7.2 percent in the corresponding period a year earlier.

The second source refers to findings of the MCA Consumer Perceptions Survey regarding broadcasting services[23], carried out in June 2009. According to this survey, approximately 16,000 Maltese households (or 11.2 per cent of all Maltese households) are not subscribed to a pay TV service and still rely on free-to-air analogue broadcasts to watch television. However, almost 19 percent of these respondents indicated that they will be considering a subscription to a pay TV service within the next two years. Of these 16,000 households, approximately 25 per cent have a Satellite connection.

Reception of TV broadcasts via Pay TV platforms

Local consumers can also receive TV broadcasts via two different Pay TV platforms, namely via GO's Digital Terrestrial Television ("DTTV") platform, and/or via Melita's cable platform. Melita's infrastructure allows for both analogue and digital reception of TV broadcasts. There are to date no registered satellite broadcasters or platforms in Malta.

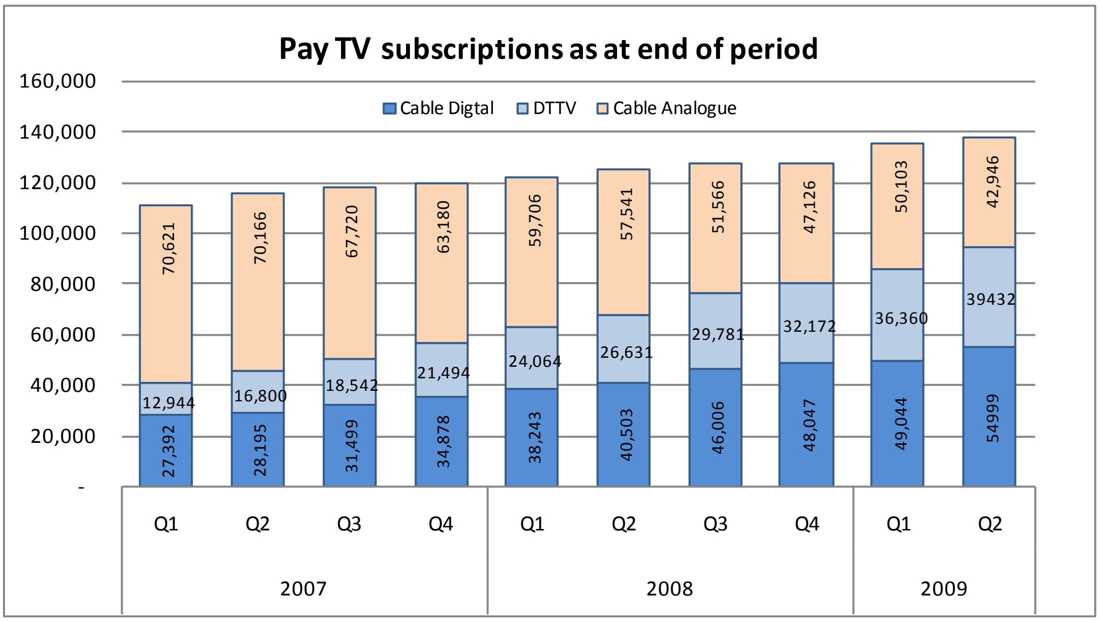
Consumer take-up of Pay TV during the first half of 2009 continued to grow. At the end of Q2 2009, Pay TV subscriptions reached 137,377, up by 1,870 (or 1.4 percent) over the previous quarter. Pay TV subscriptions as at the end of Q2 2008 stood at 124,675 which means that over a 12-month period Pay TV subscriptions increased by 12,702 or 10.2 percent.

As at the end of Q2 2009, GO's and Melita's digital Pay TV subscriptions amounted to 94,431 whilst Melita's analogue Pay TV subscriptions amounted to 42,946.

[22] Link to survey results: http://www.ba-malta.org/prdetails?id=170

[23] Link to survey results: http://www.mca.org.mt/infocentre/openarticle.asp?id=1337&pref=10 and http://www.mca.org.mt/newsroom/openarticle.asp?id=793

Chart 33



GO's DTTV subscriptions accounted for 28.7 percent of total Pay TV subscriptions, up from 21.4 percent as at the end of Q2 2008. Melita's analogue cable subscriptions accounted for 31.3 percent, whilst digital subscriptions with the same operator accounted for 40.0 percent of total Pay TV subscriptions.

Chapter 4 Internet

4.1 Introduction

This report distinguishes between two main types of Internet subscriptions, namely dial-up [24] and broadband.

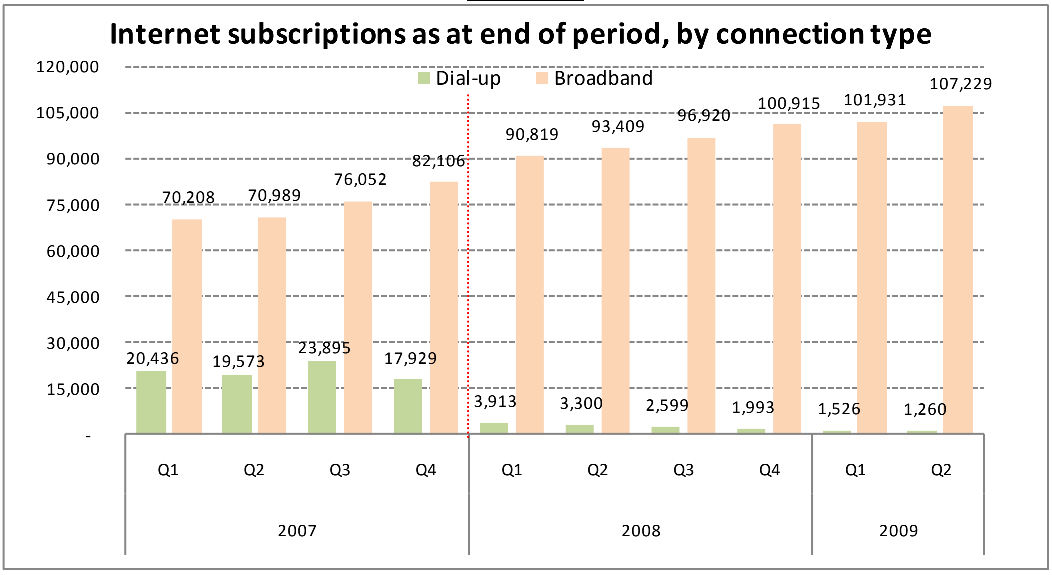
For the purpose of this report, broadband Internet subscriptions refer to those connections which are *always on* and have a speed of 128kbps or more, whilst active dial-up subscriptions include those connections which are not *always on* but require a call to an Internet number.

4.2 Broadband take-up

Subscriptions by type of Internet connection

As at the end of Q2 2009, the total number of Internet subscriptions amounted to 108,489. This amount is split between 107,229 broadband Internet subscriptions, accounting to 98.8 percent of total Internet subscriptions, and 1,260 active dial-up connections, accounting to the remaining 1.2 percent of the total. Since the end of Q2 2008, broadband subscriptions increased by 13,820 which is equivalent to a 14.8 percent growth rate.

Chart 34



Based on the figures quoted above, the Internet penetration rate per population as at the end of Q2 2009 stood at 26.2 percent[25].

Dial-up Internet subscriptions

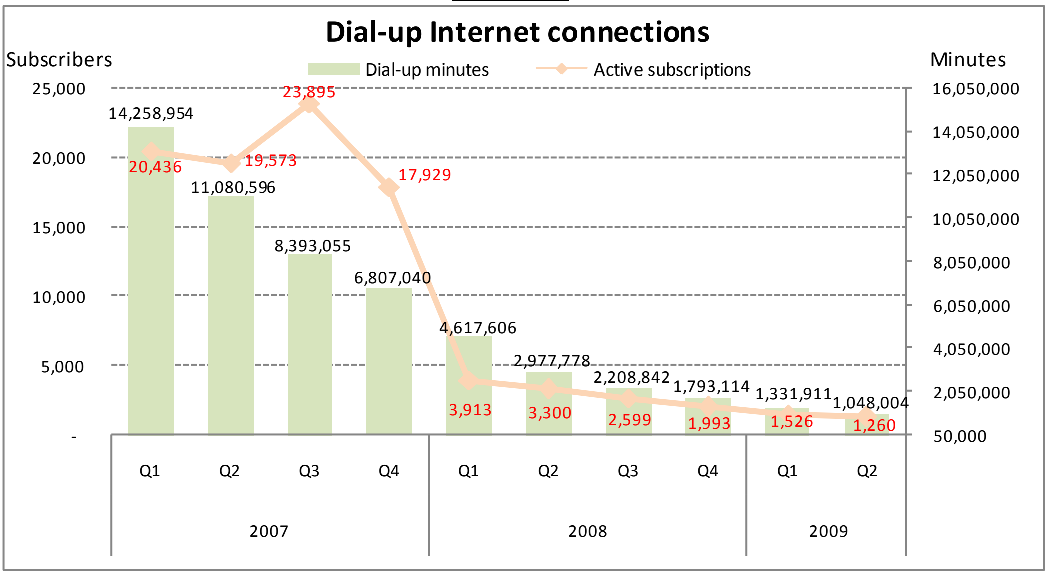
Active dial-up subscriptions declined from 3,300 as at the end of Q2 2009 to 1,260 by the end of the June 2009. This fall in dial-up subscriptions is also reflected in the sharp decline for dial-up Internet minutes in the corresponding period.

[24] Up till Q4 2007, dial-up figures did not differentiate between active and inactive dial-up subscriptions, thereby contributing to a significant overestimation of the respective figures. However, as of Q1 2008, dial-up statistics only take into account 'active' subscriptions i.e. subscriptions with at least one registered call to any Internet number (20188, 2188 or 2186) during the preceding three months. This definition is not based on any official definition of narrowband services. It is only intended to provide a more accurate figure of active Internet subscriptions in Malta.

[25] This figure does not necessarily correspond to the number of Internet users. An Internet connection is most of the time accessed by several users.

Based on the number of dial-up Internet minutes and active subscriptions in Q2 2009, each active dial-up subscription on average accounted for 4.6 dial-up hours per month.

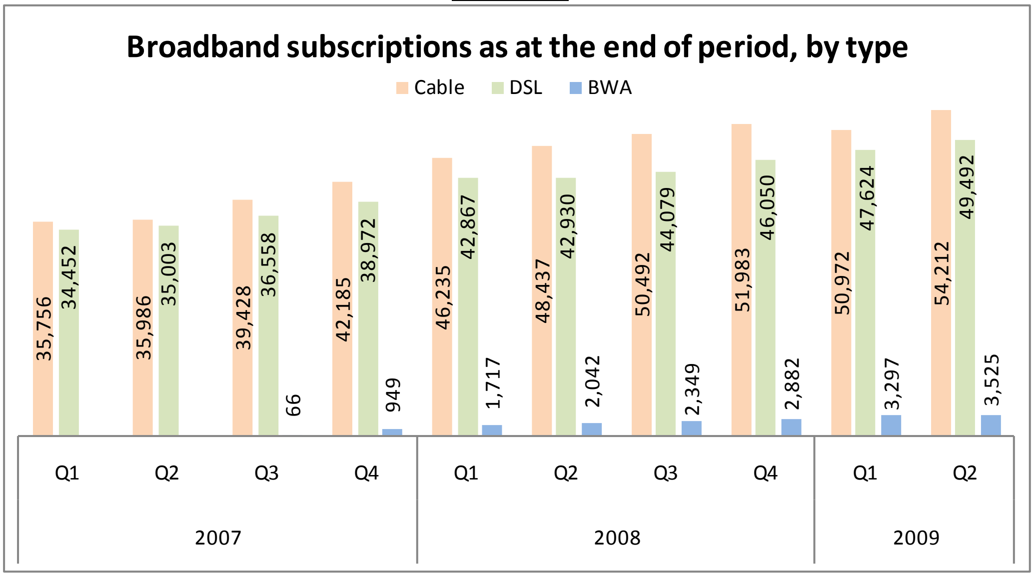
Chart 35



Broadband Internet subscriptions

As at the end of June 2009, a total of 107,229 broadband Internet subscriptions were registered with local service providers.

Chart 36



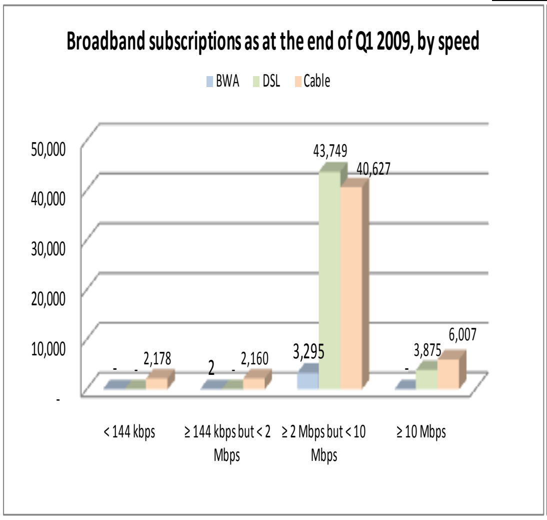
Of these, 50.5 percent were cable-based subscriptions, down by 1.3 percent when compared to the corresponding figure as at the end of Q2 2008. DSL subscriptions accounted for 46.2 percent of total broadband subscriptions, compared with 46.0 percent as at the end of Q2 2008.

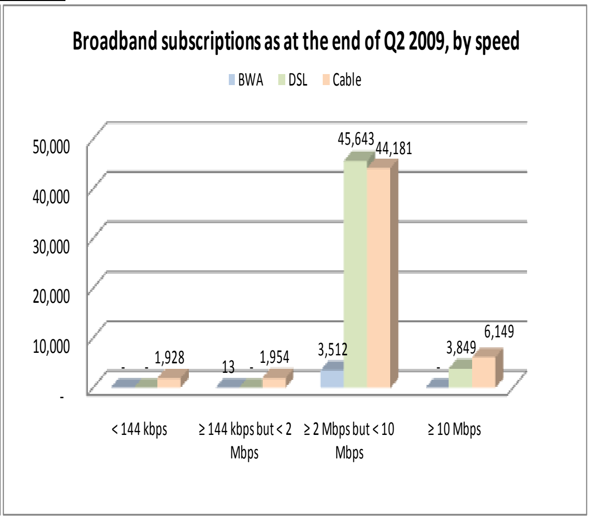
The remaining 3.3 percent of broadband Internet subscriptions were accounted for by BWA services, up from 2.2 percent as at the end of the corresponding period in 2008.

As at the end of Q2 2009, around 92.2 percent of all DSL broadband subscriptions, and 81.5 percent of all cable broadband subscriptions had a connection speed of more than or equal to 2Mbps, but less than 10Mbps.

Correspondingly, the number of broadband Internet subscriptions with a connection speed exceeding 10Mbps reached 9,998 or 9.3 percent of all broadband subscriptions.

Chart 37

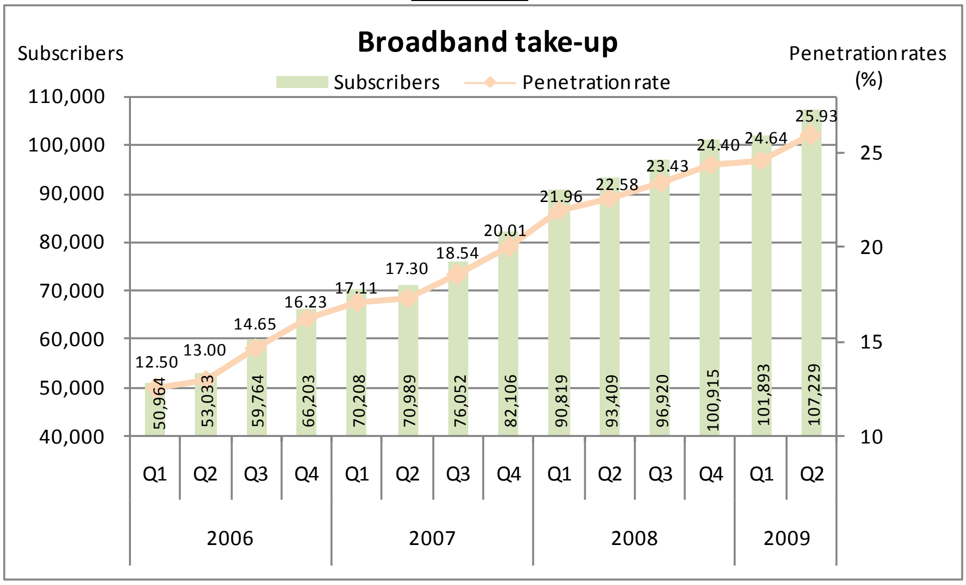




Broadband penetration rate

As at the end of Q2 2009, the broadband penetration rate per population stood at 25.9 percent, compared with a broadband penetration rate of 22.6 percent as at the end of Q2 2008[26].

Chart 38



4.3 Market shares

As at Q2 2009, Melita registered 54,212 broadband Internet subscriptions, up from 48,437 as at the end of Q2 2008.

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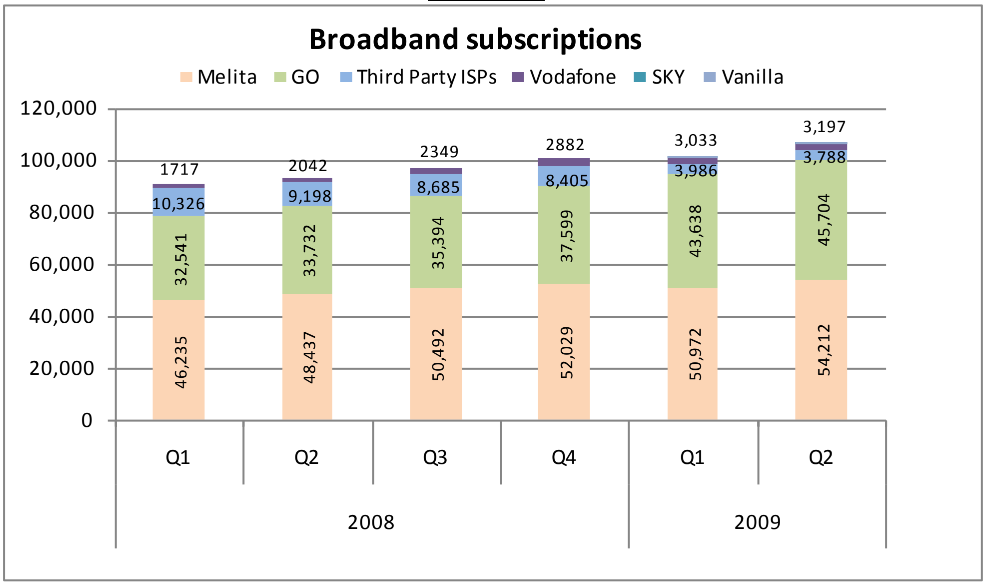
[26] According to the EU Commission 14th Progress Report, the average EU broadband penetration rate (broadband lines per 100 population) as at January 2009 stood at 22.9 percent. The corresponding figure for Malta stood at 23.9 percent.

Chart 39

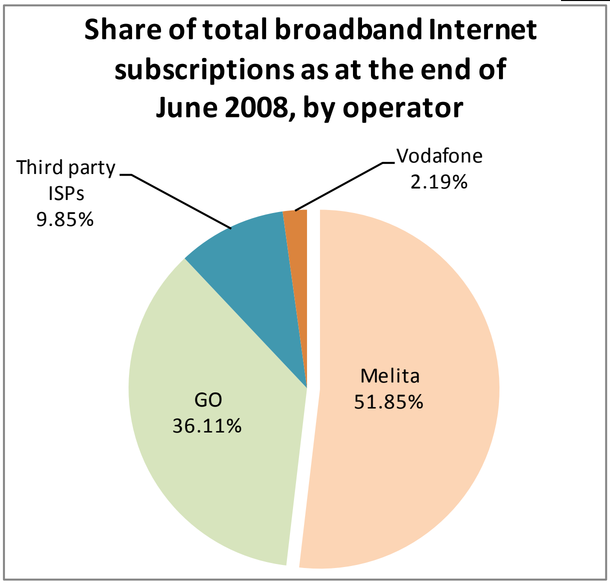


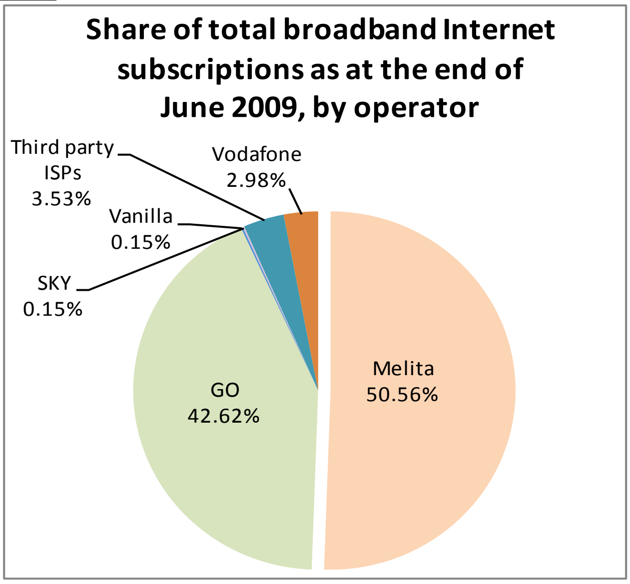
Melita's market share of total broadband Internet subscriptions as at the end of Q2 2009 stood at 50.5 percent, down from 51.9 percent as at the end of Q2 2008.

Correspondingly, GO's retail arm holds 45,704 DSL subscriptions, representing 42.6 percent of total broadband Internet subscriptions, up from 36.1 percent as at the end of Q2 2008.

Vodafone reported 3,197 broadband Internet subscriptions, representing approximately 3.0 percent of the total.

Chart 40





The remaining 3.9 percent of the total was accounted for by third party ISPs (3.5 percent), SKYNet (approx. 0.2 percent), and Vanilla Telecoms (approx. 0.2 percent).

Chapter 5 Postal Services

5.1 Introduction

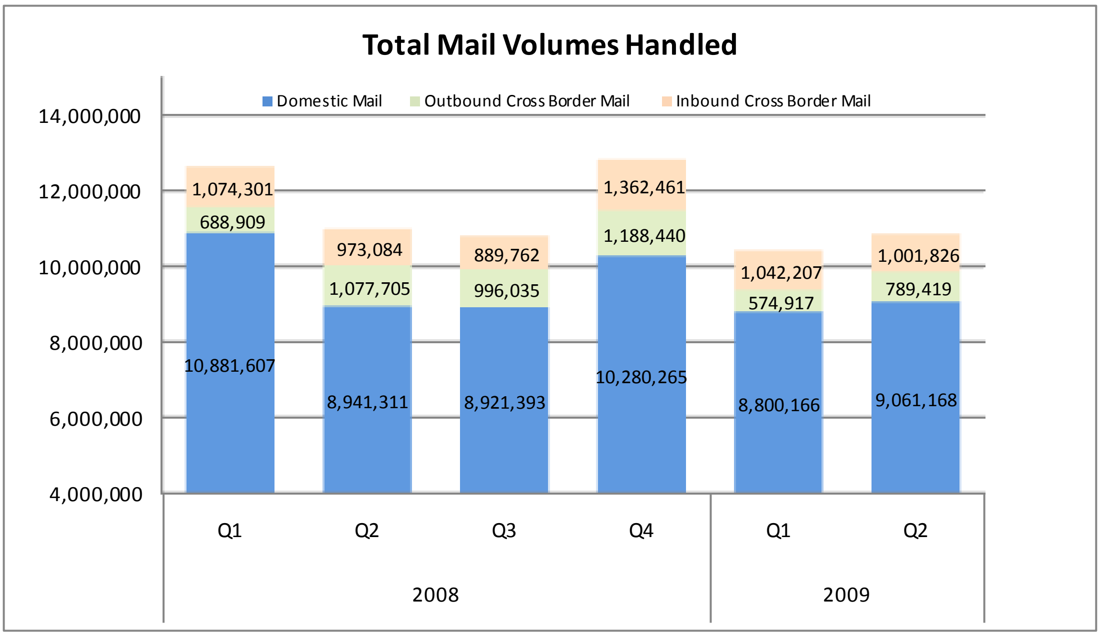
The provision of postal services in Malta is characterized by the designated Universal Service Provider (USP), namely Maltapost plc, falling within the universal area and another 16 registered postal operators, falling outside the universal service area. The USP is obliged to provide services both within the reserved and non-reserved part of the universal service area. Premiere Post Ltd also holds a license to provide non-reserved postal services within the scope of the universal service area.

5.2 Postal volumes

Overall, postal activity in the first half of 2009 was lower than that registered in the corresponding period for 2008.

During the second half of 2009, Maltapost delivered around 17.9 million *Domestic Mail* items and 2.0 million *Inbound Cross Border Mail* items.

Chart 41



Compared with the corresponding period in 2008, *Domestic Mail* items delivered by Maltapost declined by 2.0 million, i.e. by 9.9 percent.

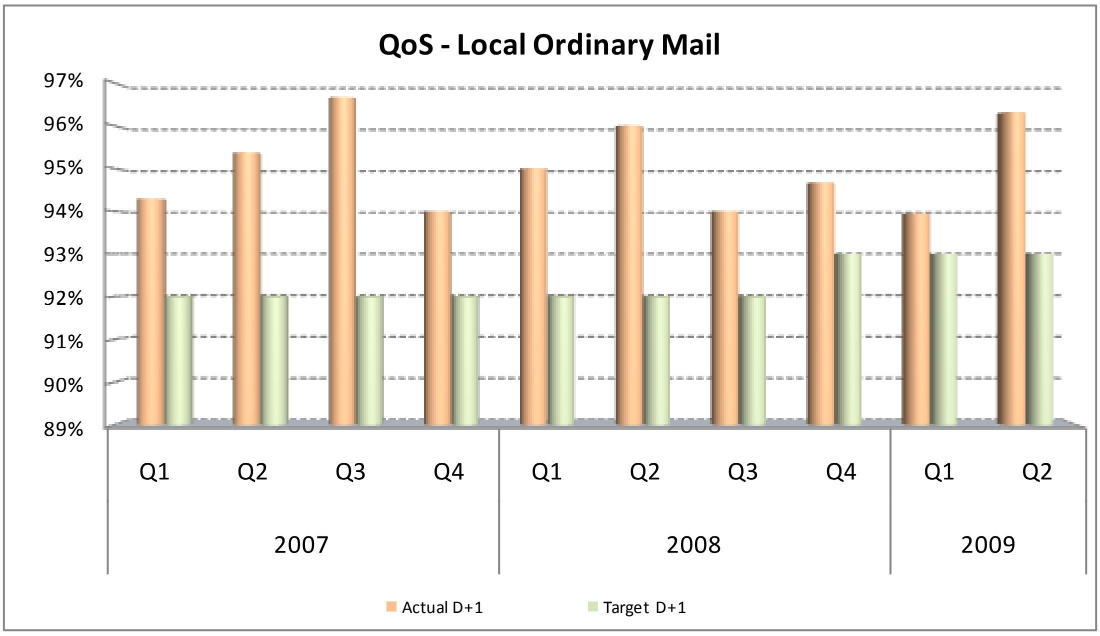
Inbound Cross Border Mail volumes remained practically unchanged whilst *Outbound Cross Border Mail* reached 1.4 million items, 0.4 million items less than that registered in the first half of 2008.

5.3 Quality of service

Under universal service obligations, the MCA has established a number of Quality of Service (QoS) targets that Maltapost Ltd. has to achieve in the delivery of local ordinary and registered mail. All targets are set for a period of one year covering Maltapost's financial year from October to September.

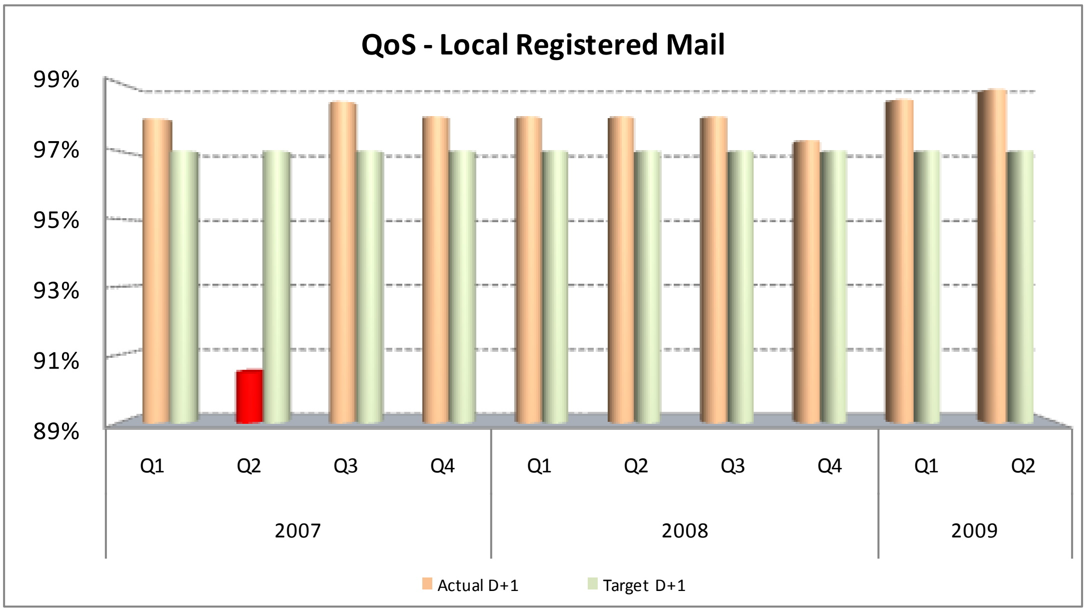
The QoS level for the delivery of ordinary mail on the next day (D+1) has been set at 92%, whilst the target delivery rate for registered mail on the next day has been set at 97%.

Chart 42



Maltapost has met its targets in Q1 and Q2 2008 in relation to the delivery of *Local Ordinary Mail* and *Local Registered Mail*, as it consistently did in previous quarters except for Q2 2007 in relation to *Local Registered Mail*[27].

Chart 43



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[27] During this quarter Maltapost was subject to an industrial action specifically on the delivery of registered mail. This had a negative impact on the performance target of the whole quarter.

The QoS level for the delivery of *Domestic and Foreign Inbound Priority Parcels* on the next day (D+1) has been set at 97%, whilst the target delivery rate for *Bulk Mail* on the next day[28] has been set at 93%. The MCA has started compiling data for the former indicator since January 2008.

Chart 44 and 45 illustrate that Maltapost has met its targets for the delivery of *Domestic and Foreign Inbound Priority Parcels*[29] and the delivery of *Bulk Mail* in Q1 and Q2 2009, as it did in previous quarters.

Chart 44

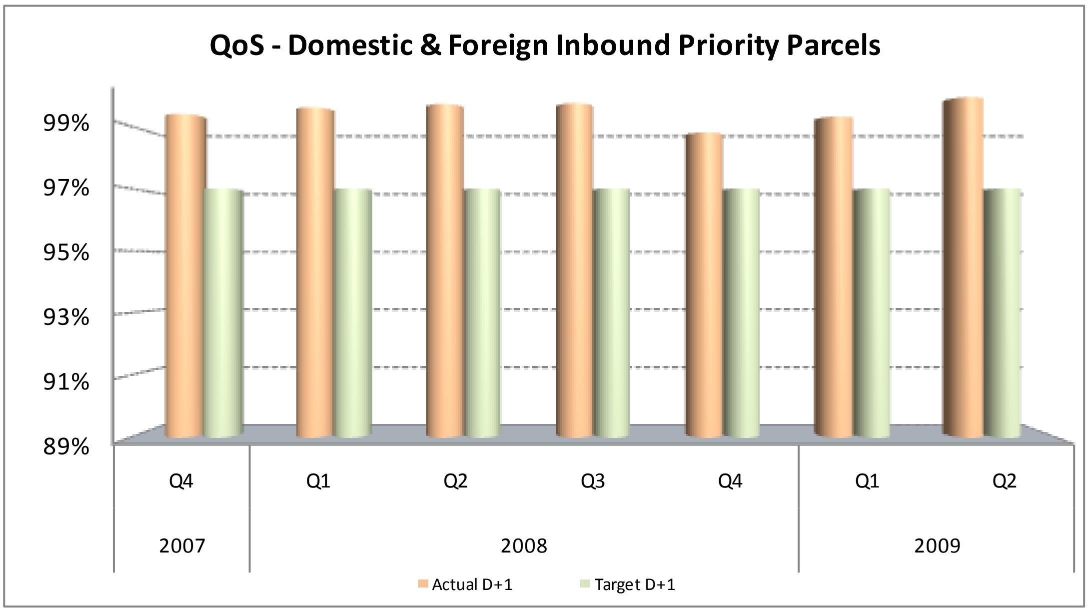
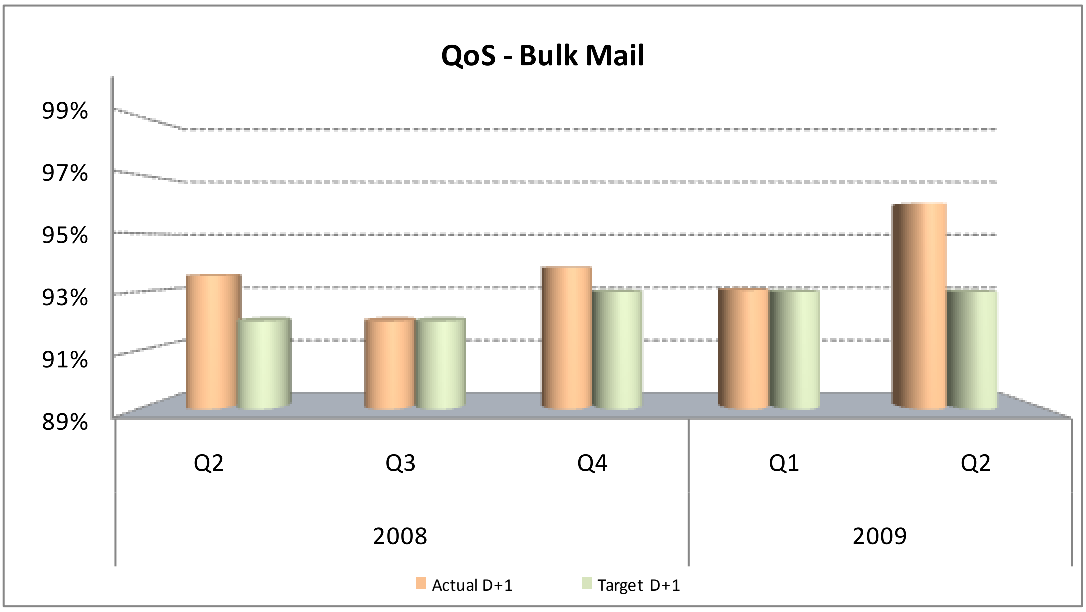


Chart 45

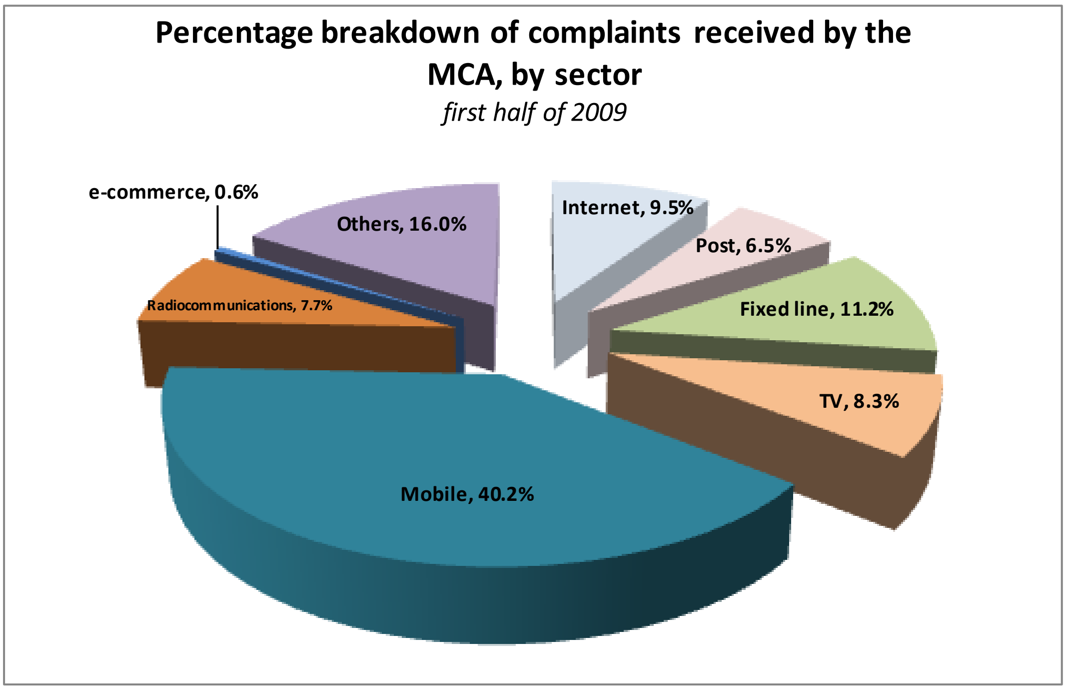


[28] Data compilation for this indicator started in April 2008.
[29] All inbound cross border mail (including parcels) arriving at Maltapost's office of exchange before 19:00hrs between Monday to Friday and 16:30 hrs on Saturdays is to be processed on the same day (i.e. when unloaded from airline in Malta) and delivered within the standards and exceptions as those identified under local ordinary mail.

6.1 Introduction

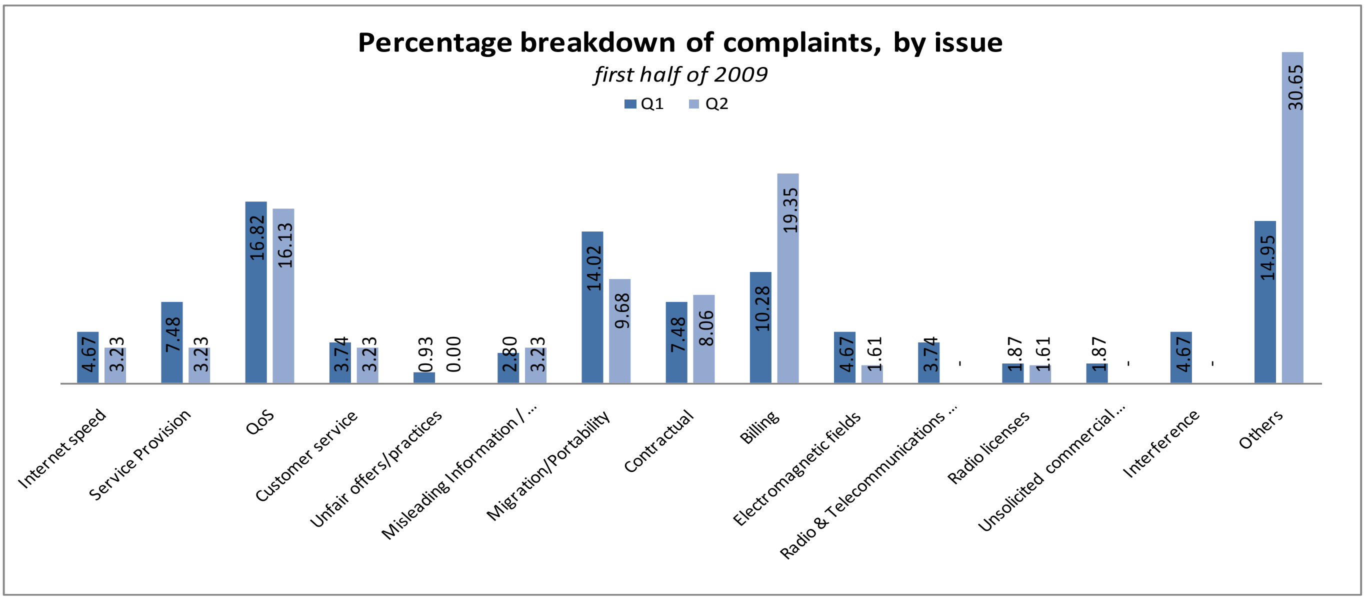
During the first six months of 2009, 169 complaints were reported to the MCA in relation to the electronic communications sector.

Chart 46



Complaints were predominantly related to the mobile sector, accounting for approximately 40.0 percent of all complaints reported to the MCA, especially following the arrival of new players on the market. Chart 46 also illustrates amongst others that, during the period under review, 11.2 percent of all complaints concerned fixed line telephony, 9.5 percent concerned the Internet, followed by TV, at 8.3 percent of all complaints recorded during this period.

Chart 47

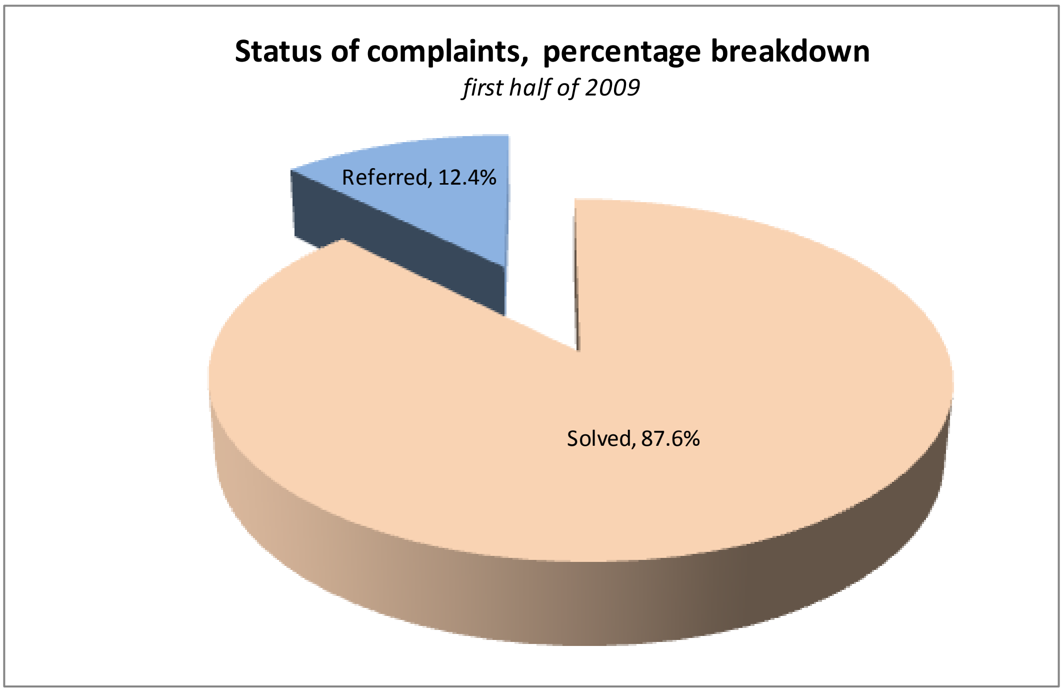


On disaggregating consumer complaints by issue, the MCA identified the following categories:

- Internet speed;
- Service provision;
- Quality of service ("QoS");
- Customer service;
- Unfair offers and practices;
- Migration (or portability) from one service provider to another;
- Contractual;
- Billing;
- Electromagnetic fields;
- Radio and Telecommunications technical equipment;
- Radio licenses;
- Unsolicited commercial communications;
- Interference; and
- Others.

Chart 47 shows that, excluding those under the 'others' heading, most complaints were related to billing, featuring across approximately 19.4 percent of all complaints reported to the MCA; QoS issues, featuring across 16.1 percent of all cases reported; migration/portability issues, featuring across approximately 9.7 percent of all cases reported; and contractual issues, featuring across 8.1 percent of all cases reported.

Chart 48



Of all complaints reported to the MCA during the period under review, nearly 88 percent were solved, and approximately 12 percent referred to other entities.

No complaints remained pending.

Annex on Regulatory Developments

Consultation notices

1. **Statistical Analysis Modular System (SAMS) – new data collection method**
   Publish date: 23.01.09

2. **The future of the 900MHz and 1800MHz spectrum bands**
   Publish date: 16.02.09

3. **Accounting separation and publication of financial information by undertakings having SMP in the ECS**
   Publish date: 06.03.09

4. **Wholesale voice call termination on mobile networks**
   Publish date: 10.03.09

5. **Consultation on the 3400 – 3800 MHz band**
   Publish date: 07.04.09

6. **Proposed decision on universal service obligations on electronic communication services**
   Publish date: 05.05.09

7. **Accounting separation and publication of financial information by Malta Post plc**
   Publish date: 13.05.09

8. **Consultation and proposed decision on fixed interconnection pricing**
   Publish date: 20.05.09

9. **Wholesale call origination on fixed networks**
   Publish date: 27.05.09

10. **Retail access to the public telephone network provided at a fixed location**
    Publish date: 27.05.09

Decision notices

1. **Retail public telephone call services provided at a fixed location**
   Publish date: 26.03.09

2. **WACC Review - 2009**
   Publish date: 23.04.09

3. **Notice on wholesale mobile termination rates**
   Publish date: 15.05.09

Statistical Annex

Key Indicators	2006				2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mobile Telephony														
Active subscriptions	325,614	334,221	345,486	346,771	344,390	353,495	369,513	368,530	372,009	374,507	382,255	385,636	385,419	404,461
Outgoing voice call minutes	43,574,147	47,217,516	50,954,267	50,462,937	49,482,710	54,561,745	58,997,434	59,729,744	59,244,646	60,959,169	64,924,123	64,298,715	69,615,521	77,062,020
Total outgoing SMSs	102,620,254	109,299,065	116,981,451	119,051,162	121,335,783	125,846,231	132,641,400	131,565,126	131,814,009	130,405,068	123,940,163	117,591,996	117,509,867	121,699,753
Average revenue per user (€)	63.14	68.72	71.89	67.00	63.47	69.52	71.54	68.64	65.29	71.03	74.49	69.82	64.47	67.17
Mobile penetration rate (%)	79.84	81.96	84.72	85.03	83.94	86.16	90.06	89.82	90.67	91.28	93.17	93.99	93.18	97.78
Roaming														
Outbound roaming - minutes made	705,775	740,110	915,945	851,991	783,642	887,486	1,083,184	1,003,875	957,966	1,062,114	1,310,588	1,099,588	1,097,620	1,118,990
Outbound roamng - minutes received	345,212	402,398	514,246	434,907	420,265	490,881	638,337	575,245	582,155	658,365	804,500	684,720	690,330	712,041
Inbound roaming - minutes made	1,599,135	3,925,371	6,077,096	3,123,418	2,361,897	4,593,102	7,537,100	4,179,213	3,515,130	6,018,866	8,289,027	3,734,389	3,179,879	5,141,675
Inbound roaming - minutes received	1,762,936	2,036,684	3,524,875	1,716,281	1,361,894	2,712,601	5,295,007	2,798,887	2,310,138	3,660,481	6,263,366	4,833,723	2,296,449	2,965,177
Fixed Line Telephony														
Active subscriptions	208,029	208,815	208,077	210,696	214,099	220,899	226,976	230,433	235,880	237,434	240,582	241,122	245,862	245,069
Outgoing voice call minutes	194,397,535	185,863,030	167,208,054	164,917,470	165,479,124	164,121,283	154,344,714	161,268,944	155,541,699	166,943,016	163,935,217	173,501,952	181,592,667	183,562,759
Internet														
Active dial-up subscriptions	38,884	38,195	35,374	29,436	20,436	19,573	23,895	17,929	3,913	3,300	2,599	1,993	1,526	1,260
Broadband subscriptions	50,964	53,033	59,764	66,203	70,208	70,989	76,052	82,106	90,819	93,409	96,920	100,915	101,629	107,267
Broadband penetration rate (%)	12.50	13.00	14.65	16.23	17.11	17.30	18.54	20.01	21.96	22.58	23.43	24.40	24.57	25.93
Pay TV														
Analogue cable subscriptions	87,667	77,347	75,464	72,753	70,621	70,166	67,720	63,180	59,706	57,541	51,566	47,126	50,103	42,946
Digital cable subscriptions	19,210	22,176	23,762	25,673	27,392	28,195	31,499	34,878	38,243	40,503	46,006	48,047	49,044	54,999
Digital Terrestrial Television - DTTV	6,477	8,327	8,978	10,961	12,944	16,800	18,542	21,494	24,064	26,631	29,781	32,172	36,360	39,432
Post														
Total Mail Volumes Handled	13,081,018	13,283,354	12,766,818	20,646,833	13,460,111	11,222,087	12,260,349	14,032,570	12,644,817	10,992,100	10,807,190	12,831,166	10,417,290	10,852,413
D+1 QoS Local Ordinary Mail (%)	-	-	-	93.00	94.00	95.00	97.00	94.00	95.00	96.00	94.00	94.67	93.95	96.31
D+1 QoS Local Registered Mail (%)	-	-	-	97.69	97.94	90.48	98.44	98.00	98.00	98.00	98.00	97.30	98.50	98.80
D+1 QoS Bulk Mail (%)	-	-	-	-	-	-	-	-	0.00	93.56	92.00	93.83	93.06	96.03
D+1 QoS Priority Inbound Parcels (%)	-	-	-	-	-	-	-	99.38	99.59	99.70	99.72	98.79	99.30	99.90
Population	407,810				410,290				413,609				413,609	