

Communications Market Review

July to December 2011

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1. Overview

This report is drawn up by the Malta Communications Authority (“MCA”) to present the key market outcomes over the second half of 2011 for electronic communications and post in Malta.

This report, referred to as the MCA Communications Market Review (“MCA CMR”)¹, is the latest in a series that has been published by the MCA over the last three years. The first publication in the series was issued in September 2008, followed by six more publications, the latest of which was issued in November 2011.

Market report findings are presented under five main platforms and draw on a range of data provided by local operators. Reference is made to findings extracted from publications of third parties² in the areas of interest. The report also includes a chapter on the problems encountered by local consumers when purchasing electronic communications and postal services.

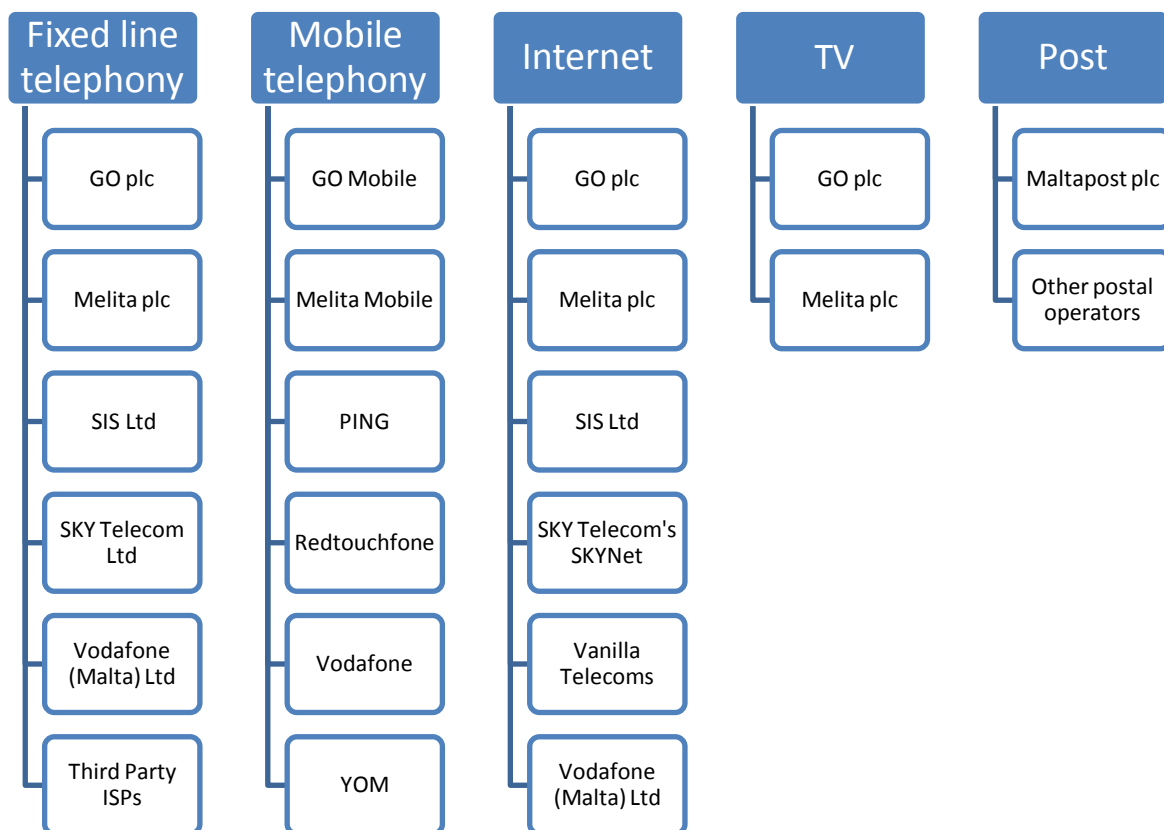


Figure 1: Operators providing quarterly data

¹ Link to the document: <http://www.mca.org.mt/article/communications-market-review-january-june-2011>
The MCA also publishes a data report sheet ('DRS') on a regular basis, the latest of which can be found on: <http://www.mca.org.mt/article/key-market-indicators-electronic-communications-and-post-q1-2005-q3-2011>

² In this report there are some references to links to other websites and quotes as appropriate from third party sources. Such references and/or quotes should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA for any of the information however so described contained therein.

2. Reporting parameters

Developments are presented on a quarterly basis, generally for the years 2009, 2010 and 2011.

The key performance indicators available in the report are listed in Figure 2 below.

The data cut-off date has been set as at 31st May 2012.



Figure 2: Key measurements for electronic communications and post

3. Key market outcomes

This report focuses on the performance of electronic communications and postal sectors in Malta in the second half of 2011.

For the purposes of this report, electronic communications encompass fixed line telephony and mobile telephony, fixed broadband and mobile broadband Internet, and television distribution services.

Reference is also made to the complaints submitted by the general public to the MCA in the period under review.

3.1 The performance of electronic communications at a glance

In the reporting period, take-up and usage of mobile services, fixed and mobile broadband Internet services and television distribution services grew considerably over the corresponding period a year earlier. The fixed line sector did not however share the same outcome, in that it exhibited a significant decline in traffic volumes.

Some of the most significant trends that have been observed in the reporting period are the shift towards mobile voice usage over fixed voice usage, the increase in take-up of bundled services, the increase in take-up of 3G-enabled services, and stronger price competition particularly for mobile communications.

Key developments for fixed and mobile services, fixed and mobile broadband Internet services and television distribution services are provided in bullet form below:

i. The fixed line sector

- The number of fixed line subscriptions declined by 6.2% since December 2010 and totalled 232,211 as at the end of last year.
- As at the end of 2011, the number of post-paid subscriptions totalled 189,350 (81.5% of the total) and the number of pre-paid subscriptions totalled 40,027 (17.2% of the total). Other subscriptions, or enhanced subscriptions, totalled 2,834.
- As at the end of the reporting period, 42.4% of all fixed post-paid subscriptions were also bundled with some other electronic communications service, up from 37.1% as at the end of 2010.
- The number of fixed line inward portings recorded in 2011 totalled 3,174 which is down from 4,095 inward portings reported in 2010.
- Fixed line traffic volumes in the second half of 2011 were significantly lower than traffic volumes recorded in the second half of 2010. The number of outgoing voice calls was down by 7.9% and the number of outgoing voice traffic minutes was down by 7.4%.
- The average rate per minute of fixed line communications in Q4 2011 stood at €0.011 for on-net fixed-to-fixed ("FTF") calls, €0.013 for off-net FTF calls, €0.091 for fixed-to-international calls and €0.209 for fixed-to-mobile calls.

ii. The mobile sector

- The number of mobile subscriptions went up by 14.5% since the end of the second half of 2010 and totalled 521,748 as at the end of the second half of last year.
- As at the end of 2011, the number of mobile post-paid subscriptions totalled 103,590 (19.9% of the total) and the number of pre-paid subscriptions totalled 418,158 (80.1% of the total).
- As at the end of the reporting period, 9.4% of all mobile subscriptions were bundled with some other electronic communications service.
- The number of mobile inward portings recorded totalled 32,186 in the second half of 2011, up from 29,547 in the second half of 2010.
- The mobile penetration rate, measured on the basis of the number of active SIM cards as a proportion of Malta's population, increased from 109.1% as at the end of 2010 to 124.9% as at the end of the reporting period.
- Mobile traffic volumes in the second half of 2011 were significantly higher than traffic volumes recorded in the second half of 2010. The number of outgoing voice calls was up by 16.2% and the number of outgoing voice traffic minutes was up by nearly 28%.
- The number of outgoing SMSs went down, from 302.3 million in the second half of 2010 to 301.5 million in the second half of 2011.
- MMS traffic went up from 56,565 in the second half of 2010 to 108,315 in the second half of 2011.
- The average rate per minute of mobile communications in Q4 2011 stood at €0.119 for a domestic (or local) call, down from €0.139 in Q4 2010. The average rate for an international call also went down from €0.458 in Q4 2010 to €0.253 in Q4 2011.
- The average cost per domestic SMS in Q4 2011 stood at €0.024, down from €0.029 in Q4 2010.
- Mobile ARPU in Q3 and Q4 2011 stood at €47.17 and €44.01 respectively. Both figures are down when compared to those recorded in Q3 and Q4 2010, which stood at €53.83 and €46.42 respectively.

iii. The Internet sector

- Since the end of December 2010, the number of fixed broadband subscriptions increased by 6.3%, or 7,666 in absolute terms, to 129,320 as at the end of December 2011.
- The digital subscriber line (“DSL”) platform accounted for 51% of the total number of fixed broadband subscriptions, down from 52.1% as at the end of 2010. The cable platform accounted for 45.7% of the total, up from 44.1%, and the fixed wireless platform accounted for 3.3%, which is down from 3.8%.
- As at the end of 2011, 40.9% of all fixed broadband subscriptions were bundled with some other electronic communications service.
- The fixed broadband penetration rate, measured on the basis of the number of active connections as a proportion of Malta’s population, increased by 1.8 percentage points since the end of 2010, to reach 31% at the end of 2011.
- More fixed broadband consumers are moving toward faster access speeds. As at the end of the current reporting period, 0.8% of all fixed broadband subscriptions had a connection speed less than 4Mbps, 73.9% had a connection speed of 4Mbps but less than 6Mbps, 0.7% had a connection speed of 6Mbps but less than 10Mbps, and 24.6% had a connection speed of 10Mbps or more. The corresponding figures as at the end of the corresponding period in 2010 stood at 1.5%, 75.5%, 11.3% and 11.7% respectively.
- Fixed broadband ARPU in Q3 and Q4 2011 stood at €42.40 and €42.39 respectively. Both figures are down when compared to those recorded in Q3 and Q4 2010, which stood at €44.44 and €43.56 respectively.
- Take-up and usage of mobile wireless broadband, i.e. of broadband services encompassing 3G services offered over a mobile phone handset and (USB) modem keys and/or cards, has increased in the 12 months to July 2011.
- In July 2011, Malta’s mobile broadband penetration measured on the basis of the number of active end-users of dedicated data service cards/modems/keys was 3.2 per 100 people (up from 2.6 in July 2010), compared to an EU average of 7.5 per 100 people.
- The average rate per Mbps has consistently declined over the last few years, as a result of a mixture of factors such as market consolidation, product upgrades, and adjustments in advertised rates. Comparing Q4 figures for the years 2010 and 2011 shows that declines in the average rate per Mbps has materialised for broadband products with unlimited download having a download speed of 4Mbps but less than 6Mbps, 6Mbps but less than 8Mbps, 10Mbps but less than 20Mbps and a 30Mbps or more. Declines were also observed for broadband products with a

specified download limit having a download speed of 20Mbps but less than 30Mbps.

iv. Television distribution services

- The number of Pay TV subscriptions increased by 3.3%, or 4,701 since the end of 2010, to 148,454 as at the end of 2011.
- Digital terrestrial TV ('DTTV') subscriptions were up by nearly 7% or 4,221 and digital cable subscriptions were up by 4.6% or 3,265. On the other hand, analogue cable subscriptions were down by 21.5% or 2,785.
- As at the end of 2011, the DTTV platform accounted for 46.8% of the total number of digital Pay TV subscriptions at the time, up from 46.2% as at the end of 2010. The digital cable platform accounted for the remaining share, at 53.2%, down from 53.8% as at the end of 2010.
- As at the end of the reporting period, 44.2% of all Pay TV subscriptions were bundled with some other electronic communications service.
- Pay TV ARPU stood at €42.84 in Q3 2011, slightly more than €42.41 in Q3 2010, and €41.57 in Q4 2011, which is down from €42.44 in Q4 2010.
- Local service providers continued repositioning themselves in the market by launching new packages and updating channel line-ups. Some changes in the local access charges ensued, with changes translating in higher average market rates for Pay TV packages in Q4 2011. Upward movements in the average advertised market rates were observed for Pay TV packages with 'up to 24 channels', Pay TV packages with '75 to 99 channels', and Pay TV packages with '100 channels or more'.

3.2 The performance of the postal sector at a glance

The overall performance (in terms of mail volumes) of the postal sector in 2011 has been weaker than that for 2010. This is a result of a continued decline in postal activity in the universal service area.

Reference in this review is made to the quality of service provided by the universal service provider ("USP").

A comparison of nominal stamp prices in Malta with the EU average is also being provided.

Key market outcomes for the postal sector are provided in bullet form below:

- Postal activity in the universal service area maintains a downward trajectory, with year-on-year mail volumes down by 5.7% in 2009, 0.5% in 2010, and 1.4% in 2011.
- Meanwhile, postal activity in the competitive area strengthened, with mail volumes in 2010 and 2011 up by 23.9% and 4.2% respectively.
- The downward trend in overall postal mail activity was also evident in the second half of 2011, as mail volumes during the said period were down 2.4% over volumes registered in the second half of 2010.
- This is a result of declining mail volumes in the universal service area, down by 2.3%, and mail volumes in the competitive area also declining by nearly 8% (mail volumes in the competitive area recorded in the first half of 2011 were however 21.6% higher than in the first half of 2010).
- Lower activity in the universal service area in the second half of 2011 when compared to the second half of 2010 is mainly attributed to declining domestic postal mail volumes, down by 3.8%, and declining inbound cross border mail volumes, down by 1.7%. These declines outweighed an increase in mail volumes for outbound cross border mail, which went up by nearly 11%.
- During the reporting period, Maltapost surpassed all Quality of Service ("QoS") delivery targets set by the MCA with respect to the provision of the universal postal service.
- Malta's nominal stamp prices for a domestic standard letter and nominal stamp prices for outbound letter mail within Europe as a destination are well below the average nominal stamp prices recorded for the EU.

4. Market shares of the local subscriber base

Fixed line telephony

As at the end of 2011, GO accounted for the largest market share, at 73.5% of the local fixed telephony subscriber base, representing a decline of 3.5% in market share over the end of the previous year.

Small losses in market share were also registered by SKY Telecom³ and Vodafone (Malta), down by 0.01% and 0.04% respectively. On the other hand, year-on-year growth in market share was registered by Melita and SIS, up by 3.57% and 0.02% respectively.

Market shares	GO	Melita	SIS	SKY Telecom	Vodafone
End of 2011	73.50%	25.77%	0.09%	0.41%	0.23%
End of 2010	77.04%	22.20%	0.07%	0.42%	0.27%
End of 2009	76.85%	22.46%	0.04%	0.44%	0.22%

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

Mobile telephony

As at the end of 2011, no operator held a market share exceeding the 50 percent mark of the local mobile subscriber base.

Vodafone still enjoyed a margin over GO Mobile, with the former holding close to 50% of the market against GO's share of 37.4%. The margin between these two operators stood at 6.39% in favour of Vodafone as at the end of 2009. This margin widened to 12.3% by the end of last year.

Year-on-year, GO Mobile, Ping, and Redtouchfone registered a decline in their market share between 2010 and 2011.

Market shares	GO Mobile	YOM	Melita Mobile	Ping	Redtouchfone	Vodafone
End of 2011	37.44%	0.05%	10.67%	0.14%	1.93%	49.78%
End of 2010	42.12%	0.04%	7.97%	0.16%	2.02%	47.69%
End of 2009	43.16%		5.62%		1.67%	49.55%

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

On the other hand, Melita registered growth, with its market share increasing by 2.7% in the 12 months to the end of last year.

As at the end of 2011, YOM's market share stood at 0.05%.

³ SKY Telecom has rebranded into Ozone as from January 2012.

Fixed broadband Internet

GO and Melita held the two largest market shares of the local subscriber base for fixed broadband as at the end of 2011.

GO held a leading market position with a share of approximately 50.8% of the local subscriber base. Melita’s share stood at approximately 45.7%.

Other operators together accounted for the remaining share of 3.5% of the subscriber base.

Market shares	GO	Melita	SIS	SKYNet	Vanilla Telecoms	Vodafone	ISPs
End of 2011	50.82%	45.69%	0.02%	0.29%	0.12%	2.85%	0.21%
End of 2010	51.73%	44.06%	0.09%	0.28%	0.17%	3.38%	0.29%
End of 2009	44.97%	49.51%	0.06%	0.20%	0.18%	3.10%	1.98%

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

Pay TV

The local Pay TV subscriber base is shared between two operators: GO, which broadcasts digital TV services over the DTTV platform, and Melita, which broadcasts analogue and digital TV services over the cable platform.

As at the end of 2011, Melita held an overall market share of approximately 56.4% of all Pay TV subscriptions⁴, down from nearly 58% a year earlier.

During the same period, GO improved its overall market share, up from approximately 42.1% to approximately 43.6%.

Market shares	GO	Melita
End of 2011	43.56%	56.44%
End of 2010	42.05%	57.95%
End of 2009	32.28%	67.72%

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

⁴ Melita’s digital cable platform accounted for 49.6% of total Pay TV subscriptions and Melita’s analogue cable platform accounted for a further 6.8% of total Pay TV subscriptions.

Melita holds 100 percent of the local subscriber base for analogue Pay TV as it is the only operator providing analogue Pay TV services.

5. Fixed line telephony

Fixed line telephone access is available nationwide in Malta, with the latest E-Communications Household Survey⁵ carried out by TNS Opinion & Social at the request of Directorate-General Information Society and media reports that, in the period February – March 2011, 96% of all Maltese households had access to at least one fixed telephone line. According to the MCA Consumer Perception Survey on fixed telephony published in October 2011⁶, circa 8% of households in Malta have access to more than one fixed line.

The E-Communications Household Survey also reports that 90% of all households in Malta have both fixed and mobile telephone access, compared with 62% of households in the EU.

In terms of pricing, MCA workings show that there has been an overall narrowing of the price differential between mobile voice services and fixed voice services over the last two to three years, mainly because of a decline in the average cost per minute of mobile communications. This decline has had a considerable impact on the usage of fixed and mobile telephony.

Unlike the increasing voice call traffic volumes observed for mobile, voice call traffic volumes for fixed declined. The number of fixed voice calls in the second half of 2011 were down by 8.4 million, or nearly eight percent, from just over 105 million calls in the second half of 2010. Correspondingly, fixed voice call minutes went down by 26.1 million or 7.4%, from 354.7 million in the second half of the previous year.

Nonetheless, the high level of fixed line penetration shows that consumers still value the availability of a fixed line connection at their home or premises, and tend to see a mobile line as complementing, rather than replacing it.

In terms of subscriptions, a significant drop has been observed in terms of pre-paid subscriptions in the second half of 2011, which is attributable to an adjustment made by GO to eliminate a number of subscriptions that had been inactive for a period of time. The Authority does not anticipate that drops of this magnitude will be a recurrent trend in the fixed line market. On the other hand, the number of fixed post-paid subscriptions increased.

Take-up of fixed line telephony is increasingly bundled with some other electronic communications service. The number of fixed line subscriptions in a bundle offer continued to increase in the period under review.

⁵ Link to relevant document: http://ec.europa.eu/information_society/digital-agenda/scoreboard/docs/pillar/studies/eb_ecomm/final_reports/reporteb751sp362infoecommunications_en_final.pdf

⁶ Link to relevant document: <http://www.mca.org.mt/article/consumer-perception-survey-fixed-telephony>

5.1 Trends in fixed line subscriptions

Take-up of fixed line telephony under post-paid contracts has increased slightly in 2011. This trend is also consistent with the proposition that consumers typically purchase access to a fixed line bundled with some other electronic communications service, and less on a 'stand-alone' basis.

As at the end of the current reporting period, the number of post-paid fixed line subscriptions⁷ totalled 189,350. This figure is up by 650 or 0.3% when compared to the corresponding figure as at the end of 2010.

On the other hand, the number of pre-paid fixed line subscriptions went down from 56,029 as at the end of 2010 to 40,027 as at the end of last year. This decline is however a result of GO implementing an exercise to clean the data from inactive users.

Other fixed line subscriptions, or enhanced subscriptions⁸, totalled 2,834 at December 2011.

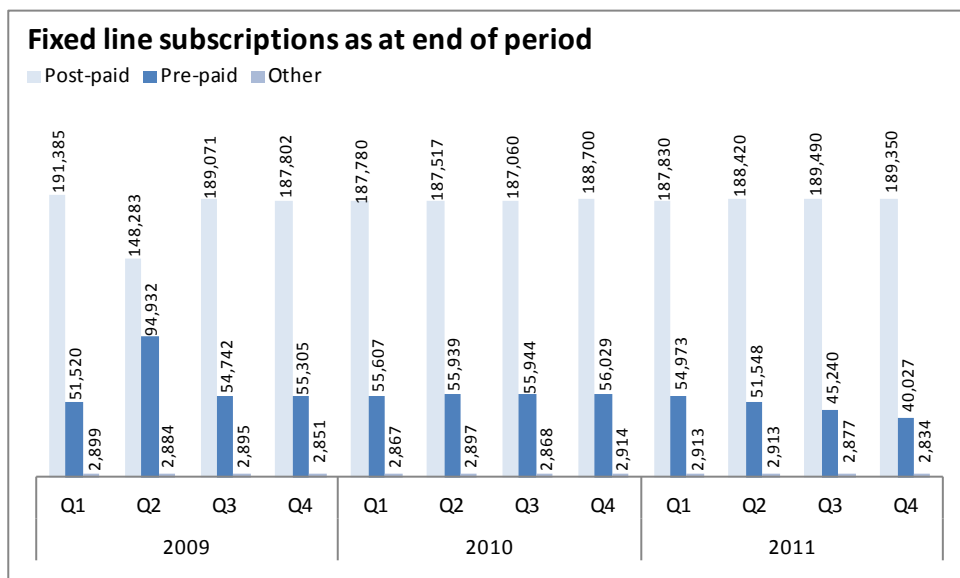


Figure 7: Fixed line telephony subscriptions as at end of period

⁷ Any reference to subscriptions only takes into account 'active subscriptions', which are defined as those subscriptions making or receiving a call within 90 days of the period stipulated.

⁸ Standard fixed line subscriptions refer to subscriptions offering a single fixed line telephony connection. Enhanced fixed line subscriptions encompass those subscriptions offering multiple channel (dual or more) fixed telephony connections.

As from Q2 2009, all operators submitted figures for pre-paid and post-paid subscriptions in a standard format. As from the said period, Melita started providing subscription figures disaggregated by type of subscriptions, namely post-paid and pre-paid subscriptions. Previously all Melita connections were reported under the post-paid category.

5.2 Fixed line subscriptions on a bundled offer

Consumers in Malta are increasingly purchasing bundles of telecommunication services including a fixed line.

The number of fixed line subscriptions on a bundled offer⁹ increased from 70,021 to 80,367 in the 12 months to December 2011.

Fixed post-paid subscriptions on a bundled offer	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fixed post-paid subscriptions on two-play bundled offers	14,740	15,756	15,516	12,559	11,327	8,062	8,360	6,952	28,951	31,537	34,028	35,497
Post-paid telephone line + Mobile	-	-	-	-	-	-	-	-	4,681	7,022	8,914	10,917
Post-paid telephone line + BB Internet	1,165	1,100	703	932	861	641	865	1,046	7,319	7,013	7,239	8,035
Post-paid telephone line + Digital Pay TV	13,575	14,656	14,813	11,627	10,466	7,421	7,495	5,906	16,951	17,502	17,875	16,545
Fixed post-paid subscriptions on triple-play bundled offers	4,973	5,477	4,446	4,448	4,757	4,723	5,083	5,934	7,589	6,798	5,872	7,136
Fixed post-paid line + Mobile + BB Internet	2,529	3,327	3,503	3,970	4,355	4,444	4,955	5,889	484	433	368	304
Fixed post-paid line + Digital Pay TV + Mobile	-	-	-	-	-	-	-	-	-	-	-	-
Fixed post-paid line + Digital Pay TV + BB Internet	2,444	2,150	943	478	402	279	128	45	7,105	6,365	5,504	6,832
Fixed post-paid subscriptions on quadruple-play bundled offers	15,369	21,002	26,706	18,338	37,812	43,044	49,657	57,135	35,361	36,346	37,422	37,734
Number of users on multiple play offers including a post-paid fixed line subscription	35,082	42,235	46,668	35,345	53,896	55,829	63,100	70,021	71,901	74,681	77,322	80,367
Number of post-paid fixed line subscriptions	191,385	148,283	189,071	187,802	187,780	187,517	187,060	188,700	187,830	188,420	189,490	189,350
as a percentage of postpaid fixed line subscriptions	18.33%	28.48%	24.68%	18.82%	28.70%	29.77%	33.73%	37.11%	38.28%	39.64%	40.81%	42.44%

Table 1: Fixed line post-paid subscriptions on a bundled offer

As at the end of the reporting period, the proportion of post-paid fixed line subscriptions on a bundled offer stood at 42.4%.

⁹ During the period under review, only fixed line post-paid plans could be bundled with some other electronic communications service.

5.3 Fixed line inward portings

The number of fixed line inward portings¹⁰ (i.e. the total of portings in) reported in the second half of 2011 amounted to 1,705 which is well below 2,001 portings reported in the corresponding period of 2010.

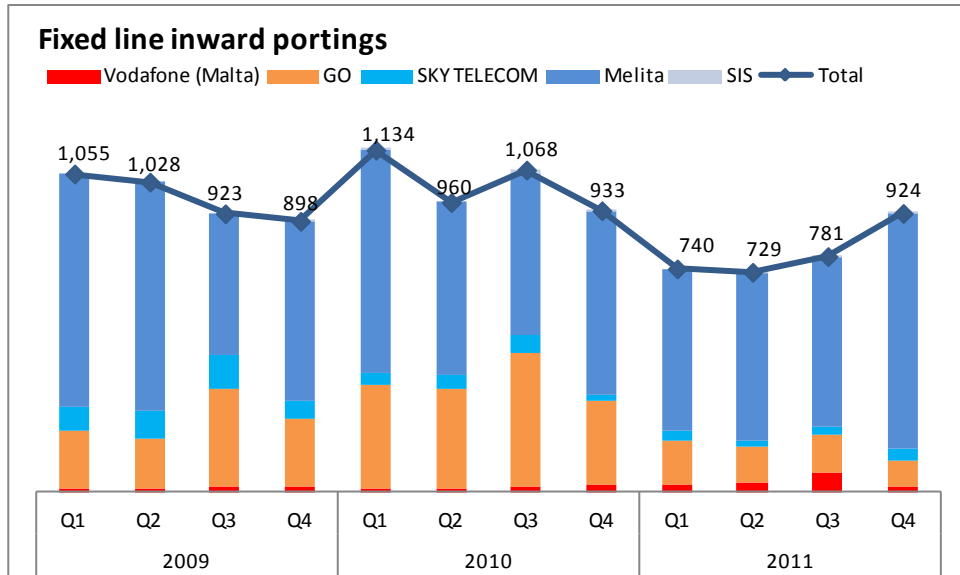


Figure 8: Fixed line number portability - number of inward portings

Melita accounted for nearly 78.4% of all fixed line inward portings reported in the period under review, followed by GO at 12%. The remaining portings were accounted for by Vodafone, SKY Telecom and SIS.

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

5.4 Voice activity levels for fixed line telephony

Fixed voice traffic is on the decline. Total outgoing calls went down from 105.3 million in the second half of 2010 to 96.9 million in the second half of last year. Fixed call minutes were also down, from 354.7 million to 328.6 million.

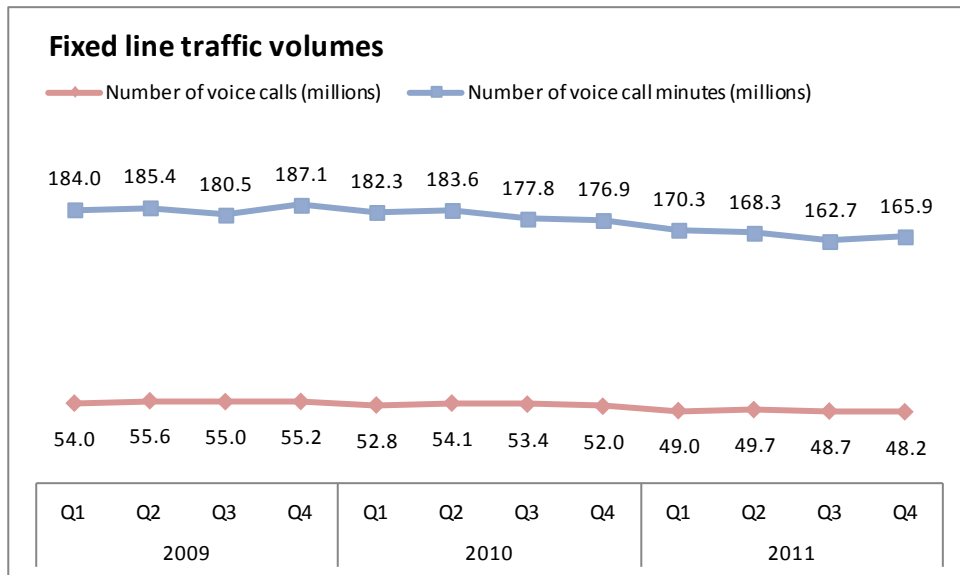


Figure 9: Voice traffic originating from local fixed line networks

Fixed voice traffic encompasses two main segments, namely the national voice segment and the international voice segment.

With respect to national voice traffic volumes, the number of outgoing fixed line calls in the second half of 2011 totalled 93.3 million, down from 100.8 million in the corresponding period in 2010.

Disaggregating the figures further would show that declines were recorded across all types of calls. The number of on-net fixed-to-fixed calls (hereafter, referred to as "FTF calls") went down by 11.1%, from 60.2 million in the second half of 2010 to 53.6 million in the second half of 2011. The number of off-net FTF calls went down by 3.8%, from 19.0 million to 18.3 million and the number of fixed-to-mobile calls (hereafter, "FTM" calls) went down by 0.7%, from 20.4 million to 20.2 million. 'Other calls'¹¹ were also down by 0.2%.

Declines were even stronger with respect to national voice call minutes. Overall, their number declined from 329.6 million in the second half of 2010 to 307.3 million in the second half of last year. Much of this decline is attributable to the fall in on-net traffic volumes, down by 22.7 million minutes, from 225.5 million minutes in the second half of 2010 to 202.7 million minutes in the second half of 2011. Traffic volumes were also down in terms of off-net FTF minutes and 'other call' minutes. On the other hand, FTM minutes increased by

¹¹ The term 'other call minutes' includes *Internet call minutes*, *Freephone call minutes* and *Premium call minutes*.

2.7%, from 29.4 million in the second half of 2010 to 30.2 million in the second half of 2011.

Year Period	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
National voice calls	50,288,423	51,711,981	51,004,834	49,817,837	46,921,493	47,651,795	46,828,079	46,461,389
Fixed-to-fixed calls	40,082,919	40,812,163	39,834,602	39,378,434	37,207,782	37,298,696	35,953,405	35,864,637
<i>on-net</i>	30,767,912	31,171,676	30,365,574	29,853,604	28,074,401	27,817,897	26,768,244	26,783,608
<i>off-net</i>	9,315,007	9,640,487	9,469,028	9,524,830	9,133,381	9,480,799	9,185,161	9,081,029
Fixed-to-mobile calls	9,704,790	10,298,084	10,534,384	9,843,862	9,179,772	9,817,768	10,294,274	9,948,382
Other voice calls	500,714	601,734	635,848	595,541	533,939	535,331	580,400	648,370
International voice calls	2,474,692	2,358,129	2,347,705	2,140,492	2,094,984	2,042,877	1,878,396	1,759,682

Table 2: Outgoing fixed line traffic - number of voice calls

With respect to international voice traffic volumes, the number of fixed-to-international calls (hereafter, "FTI calls") went down by 18.9%, from 4.5 million in the second half of 2010 to 3.6 million in the second half of 2011. FTI call minutes were also down, this time by 15.2%, from 25.1 million minutes to 21.3 million minutes.

Year Period	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
National voice call minutes	169,243,170	170,674,430	165,083,855	164,503,207	158,636,686	157,223,634	151,877,516	155,449,653
Fixed-to-fixed minutes	153,589,009	154,167,825	148,298,765	148,974,844	143,972,425	141,814,849	135,318,047	139,033,300
<i>on-net</i>	118,050,365	117,415,883	112,865,509	112,604,603	107,940,664	105,097,743	99,865,576	102,859,602
<i>off-net</i>	35,538,644	36,751,943	35,433,255	36,370,241	36,031,760	36,717,106	35,452,471	36,173,698
Fixed-to-mobile minutes	14,158,690	14,924,614	15,177,353	14,196,206	13,421,831	14,158,184	15,214,650	14,963,257
Other call minutes	1,495,471	1,581,991	1,607,738	1,332,157	1,242,430	1,250,600	1,344,819	1,453,096
International voice call minutes	13,042,968	12,919,745	12,736,948	12,371,027	11,706,862	11,100,419	10,846,251	10,448,733

Table 3: Outgoing fixed line traffic - number of voice call minutes

5.5 Activity levels per fixed line subscription

Activity levels per subscription in the second half of 2011 were also lower than in the corresponding period of 2010, mainly as a result of fewer on-net FTF calls and FTI calls per subscriber. This outweighed a stronger activity per subscriber in terms of off-net FTF calls and FTM calls.

The average number of calls per active fixed line subscription¹² went down from around 217 and 210 in Q3 2010 and Q4 2010 respectively to around 205 and 208 in Q3 and Q4 of 2011.

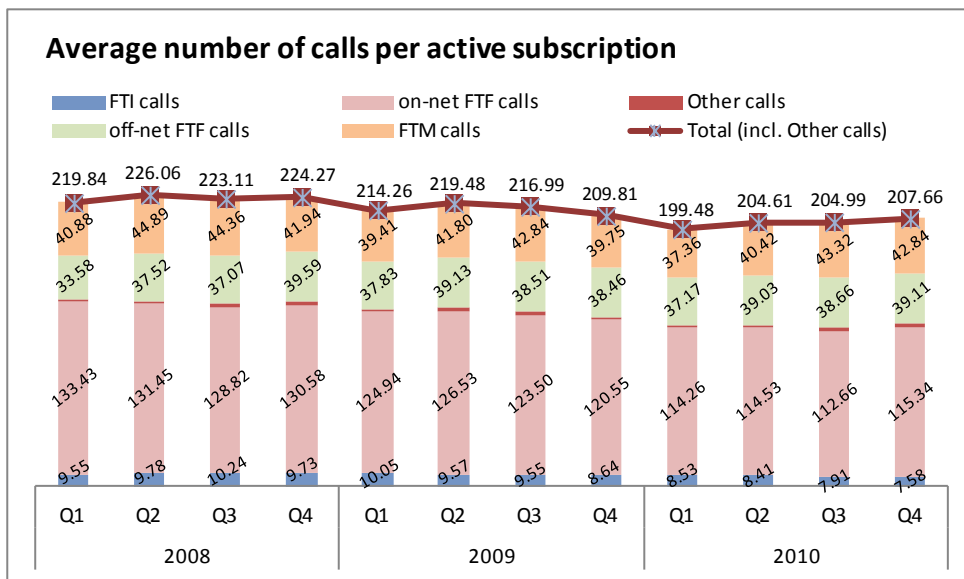


Figure 10: Average number of calls per active subscription

Disaggregating activity levels further would show that the average number of on-net FTF calls accounts for the largest segment of activity reported by fixed line subscribers. Activity levels in terms of FTM calls is also slightly higher than that reported in terms of off-net calls, as shown in Figure 10 above.

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

5.6 Average call duration

A fixed line call in the second half of 2011 generally lasted slightly longer than a fixed line call in the same period a year earlier.

Taking Q4 2011 as a baseline for comparison would show that an on-net FTF call on average lasted 3.84 minutes in this period, compared to an average duration of 3.77 minutes in Q4 2010.

An off-net FTF call and a FTM call on average lasted 3.98 minutes and 1.50 minutes respectively, up from 3.82 minutes and 1.44 minutes in Q4 2010.

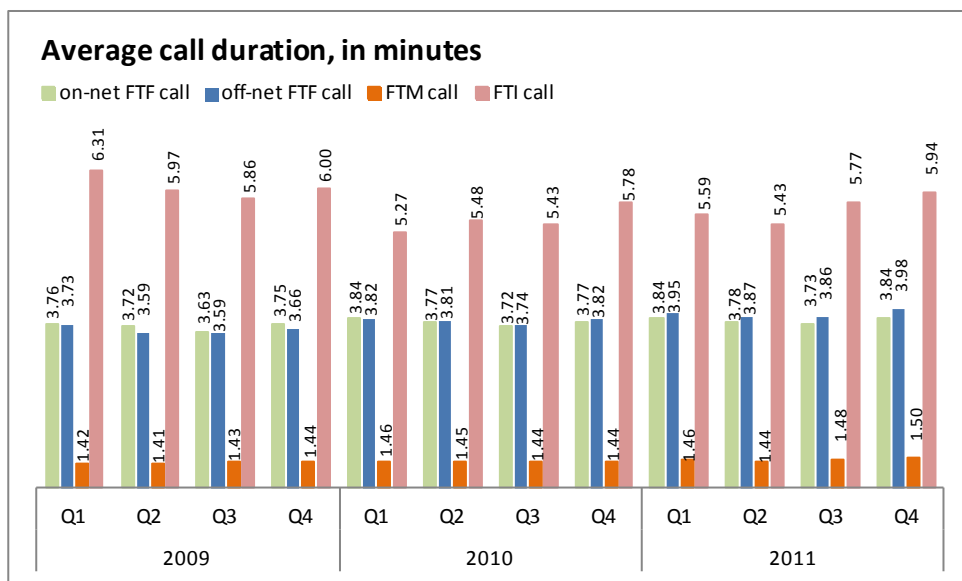


Figure 11: Average duration of an outgoing fixed line call

A fixed-to-international call on average lasted 5.94 minutes, again up from 5.78 minutes in Q4 2010.

5.7 Average rate per minute of fixed line communications

Revenue-based¹³ figures for fixed line telephony show that, in the second half of 2011, the average price per minute of fixed line communications was slightly lower than in the corresponding period a year earlier.

The average price per minute for an on-net FTF call was calculated at €0.012 and €0.011 in Q3 and Q4 2011 respectively, down from €0.013 in Q3 and Q4 2010.

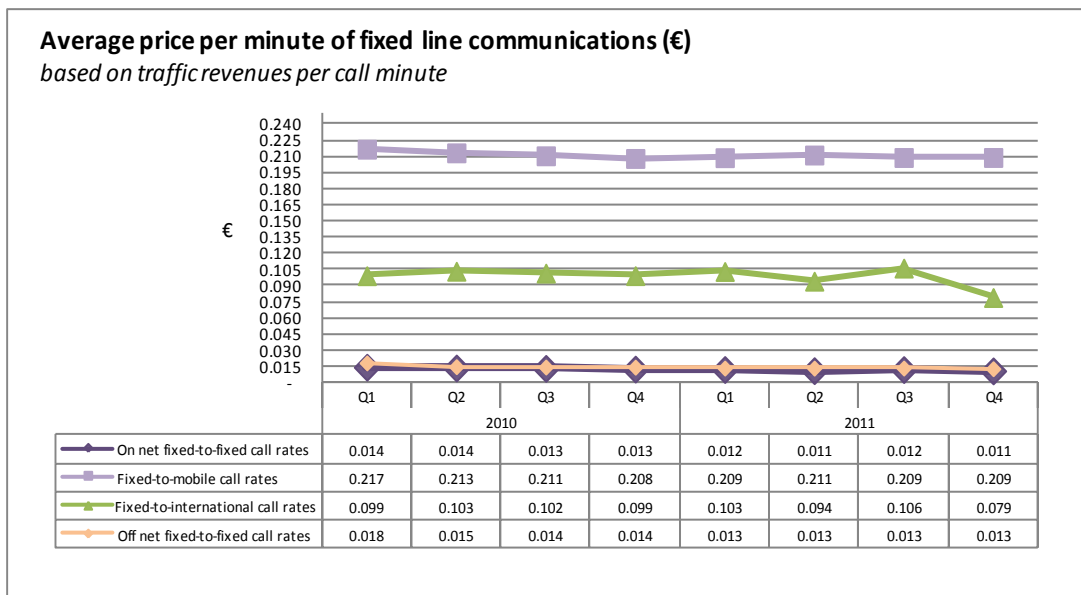


Figure 12: Average cost of a fixed line call derived from revenue-based workings

The cost of a minute of FTI communication was also lower in Q4 2011 compared to Q4 2010, as shown in the chart above.

¹³ The average price per minute of fixed line communications is derived by subdividing voice traffic revenues, but excluding revenues from 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 must also be 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 final outcome for the average rate per minute of fixed line communications.

6. Mobile telephony

The mobile telephony sector continues to see an increase in subscriber numbers and higher usage of mobile related services.

Mobile subscriptions were up 14.5% in the 12 months to December 2011, with the take-up of both pre-paid and post-paid mobile services increasing. The number of mobile subscribers as at the end of 2011 totalled 521,748. This figure corresponds to a mobile penetration rate¹⁴ of 124.9%.

Over the last few years, an increasing proportion of consumers of mobile services have subscribed to post-paid mobile phone contracts. Nonetheless, demand for pre-paid has not subsided. In fact, in the 12 months to December 2011, mobile pre-paid subscriptions increased by 14.2% to 418,158. The number of post-paid subscribers increased by 16.1% to 103,590.

The number of 3G mobile subscriptions is also on the increase, with approximately 31% of the local mobile subscriber base having 3G or data-enabled mobile devices. The number of 3G subscriptions stood at 162,131 as at the end of last year, up by 22.4% over 12 months. The incidence of having a 3G-enabled mobile device is more likely amongst post-paid subscribers. In fact, nearly 53% of all post-paid mobile subscribers have a handset that is 3G-enabled, compared to 25.7% in the case of pre-paid subscribers.

With a larger pool of mobile subscribers having 3G-enabled mobile devices and improved mobile data and internet services, the prospects for mobile broadband look promising. Understandably, the mobile market has also seen a rise in mobile handset data usage in the period under review. In the last six months of 2011, the number of mobile subscribers having made use of data services over 3G amounted to 85,717 compared to 52,773 in the last six months of the previous year.

Reference has already been made to an overall narrowing of the price differential between mobile voice services and fixed voice services over the last two to three years. These declines are mainly a result of increasing competition in the market, with service providers marketing plans with periodic offers such as time band discounts and packages with free call options and bundles of data allowances. Overall, the average cost per minute of mobile communications has gone down from €0.170 in Q4 2009 to €0.119 in Q4 2011 for domestic mobile voice calls and from €0.575 to €0.253 for international mobile voice calls. The cost of a domestic SMS has also gone down during the same period, from €0.031 to €0.024.

These declines have had a positive impact on mobile call traffic volumes. Unlike the declines recorded for fixed telephony, mobile voice traffic increased significantly. The number of mobile voice calls in the second half of 2011 were up by 23.9 million, or nearly 16.2%, from 147.2 million calls in the second half

¹⁴ The mobile penetration rate is measured on the basis of the number of active SIM cards as a proportion of Malta's population.

of 2010. Correspondingly, mobile voice call minutes went up by nearly 28%, from 203.2 million minutes in the second half of 2010 to 260 million minutes during the reporting period. SMS traffic has however declined marginally in the second half of 2011, by 0.3% compared to the second half of 2010.

6.1 Trends in mobile subscriptions

In the 12 months to December 2011, the number of active mobile subscriptions¹⁵ went up by 14.5% to 521,748. In absolute terms, the number of mobile subscriptions increased by 66,169 in the said period.

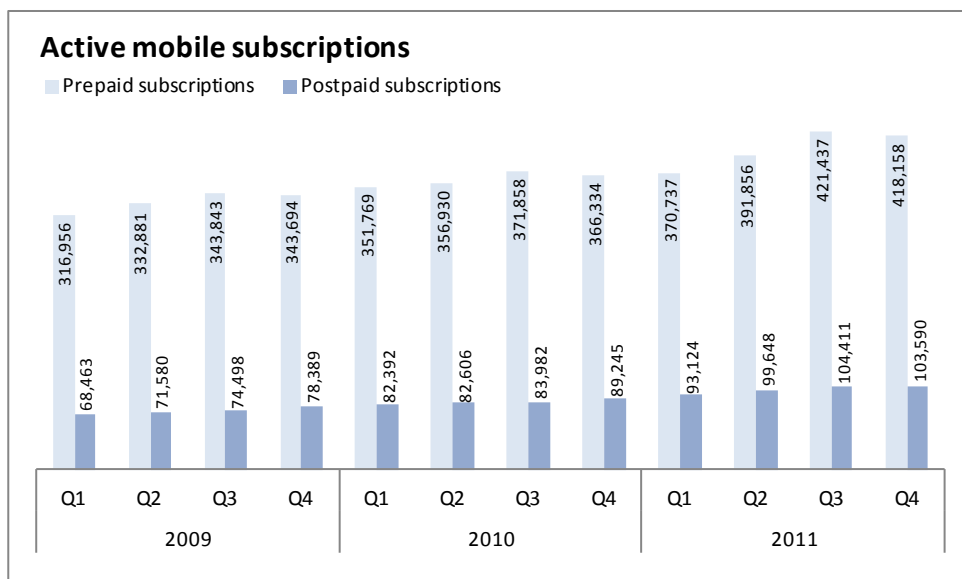


Figure 13: Mobile telephony subscriptions as at end of period

Year-on-year, the number of post-paid mobile subscriptions increased by 14,345 , or 16.1%, to 103,590 as at the end of the current reporting period. As at the end of 2011, the number of post-paid mobile subscriptions accounted for 19.8% of the total mobile subscriptions.

Meanwhile, the number of pre-paid subscriptions increased by 51,824, or 14.1%, to 418,158. The number of pre-paid mobile subscriptions accounted to 80.2% of total mobile subscriptions as at the end of the reporting period.

Mobile subscriber statistics are also segmented according to whether activity takes place over the 2G or 3G network.

¹⁵ 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.

Figure 14 shows that, as at the end of 2011, 31.1% of all active mobile subscriptions registered activity over the 3G network¹⁶, up from 29.1% as at the end of 2010.

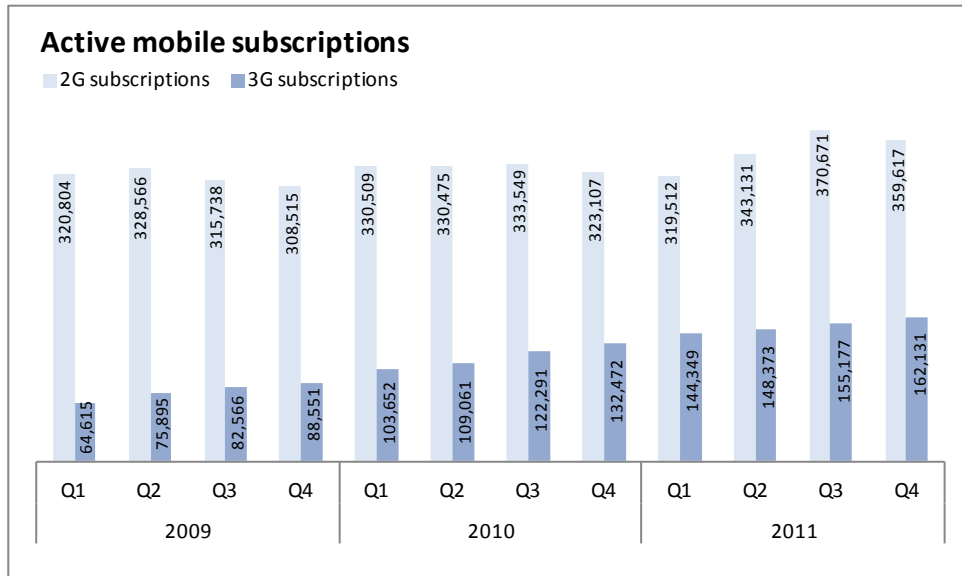


Figure 14: Mobile telephony subscriptions as at end of period, by technology

In absolute terms, the number of mobile subscriptions reporting activity over the 3G network increased by 29,659 or 22.4% since the end of 2010, to 162,131 as at the end of the current review period.

Of all mobile subscriptions recording activity over the 3G network as at the end of 2011, 66.2% were on a pre-paid plan and 33.8% were on a post-paid plan.

¹⁶ Activity over the 3G network refers to those subscriptions having made at least one call, SMS, MMS or data activity over the said network.

6.2 Mobile subscriptions on a bundled offer

The number of mobile subscriptions on a bundled offer increased from 25,745 as at December 2009 to 48,955 as at the end of last year¹⁷.

Number of users on multiple play offers including a mobile post-paid subscription	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
subscriptions on two-play bundled offers	2,358	2,500	3,014	3,438	3,792	3,886	4,083	4,301	4,681	7,022	8,914	10,917
Mobile post-paid + Fixed	-	-	-	-	-	-	-	-	4,681	7,022	8,914	10,917
Mobile post-paid + Digital Pay TV	2,358	2,500	3,014	3,438	3,792	3,886	4,083	4,301	-	-	-	-
Mobile post-paid + BB Internet	-	-	-	-	-	-	-	-	-	-	-	-
subscriptions on triple-play bundled offers	2,529	3,327	3,503	3,970	4,355	4,444	4,955	5,889	484	433	368	304
Mobile post-paid + Fixed + BB Internet	2,529	3,327	3,503	3,970	4,355	4,444	4,955	5,889	484	433	368	304
Mobile post-paid + Fixed + Digital Pay TV	-	-	-	-	-	-	-	-	-	-	-	-
Mobile post-paid + Digital Pay TV + BB Internet	-	-	-	-	-	-	-	-	-	-	-	-
subscriptions on quadruple-play bundled offers	15,369	21,002	26,706	18,338	37,812	43,044	49,657	57,135	35,361	36,346	37,422	37,734
Number of users on multiple play offers including a mobile post-paid subscription	20,256	26,829	33,223	25,746	45,959	51,374	58,695	67,325	40,526	43,801	46,704	48,955
Number of mobile subscriptions	385,419	404,461	418,341	422,083	434,161	439,536	455,840	455,579	463,861	491,504	525,848	521,748
as a percentage of mobile post-paid subscriptions	5.26%	6.63%	7.94%	6.10%	10.59%	11.69%	12.88%	14.78%	8.74%	8.91%	8.88%	9.38%

Table 4: Fixed line post-paid subscriptions on a bundled offer

As at the end of the reporting period, the proportion of mobile subscriptions on a bundled offer stood at 9.4%.

¹⁷ The significant change in the number of mobile subscriptions on a bundled offer between 2010 and 2011 is attributed to a reclassification of data/packages by Melita. Similar changes are also observed for fixed broadband and Pay TV subscriptions on a bundled offer.

6.3 Mobile inward portings

The number of mobile inward portings¹⁸ (i.e. the total of portings in) in the second half of 2011 totalled 32,186. This is nearly 9% higher than the number of portings recorded in the second half of the previous year.

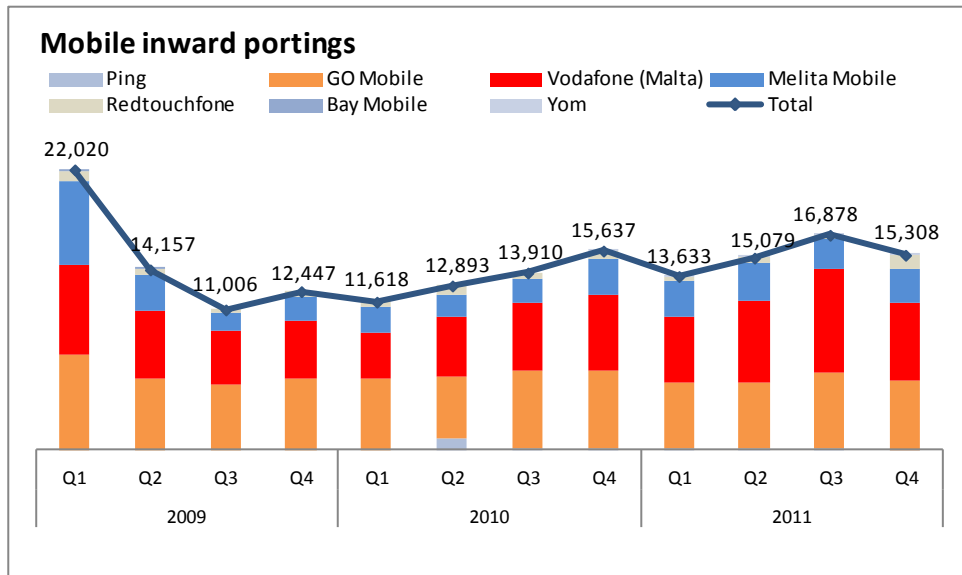


Figure 15: Mobile number portability - number of mobile portings

40.3% of all portings in the second half of 2011 were accounted for by Vodafone (Malta), 36.5% were accounted for by GO and a further 19.9% were accounted for by Melita.

The remaining share, at 3.3%, was accounted for by Ping, Redtouchfone, and YOM.

¹⁸ The total number of mobile subscribers that switch their subscription from one operator to another, whilst keeping the same number. Figures only take into account inward portings.

6.4 Malta’s mobile penetration rate

The mobile penetration rate (“MPR”)¹⁹ stood at nearly 125% percent as at the end of 2011, up from 109% as at the end of the previous year.

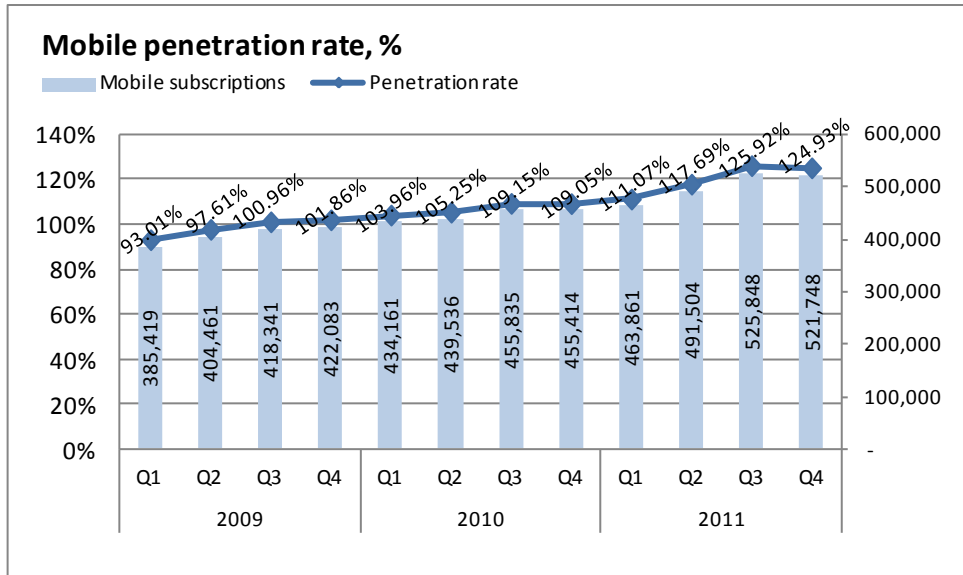


Figure 16: Mobile penetration in Malta

¹⁹ Above n 14, p 24.

6.5 Voice activity levels for mobile telephony

Mobile voice traffic is on the increase. In the second half of 2011, the number of outgoing mobile calls totalled 171.1 million, up by 16.2% when compared to the corresponding period in 2010.

80% of the increase in the number of outgoing mobile calls is attributable to a rise in the number of mobile-to-mobile calls (hereafter, also referred to as "MTM calls"), a further 17.8 percent is attributed to a rise in the number of mobile-to-fixed calls (hereafter, also referred to as "MTF calls"), and the remaining share of 2.2 percent is attributed to a rise in the number of mobile-to-international calls (hereafter, also referred to as "MTI calls").

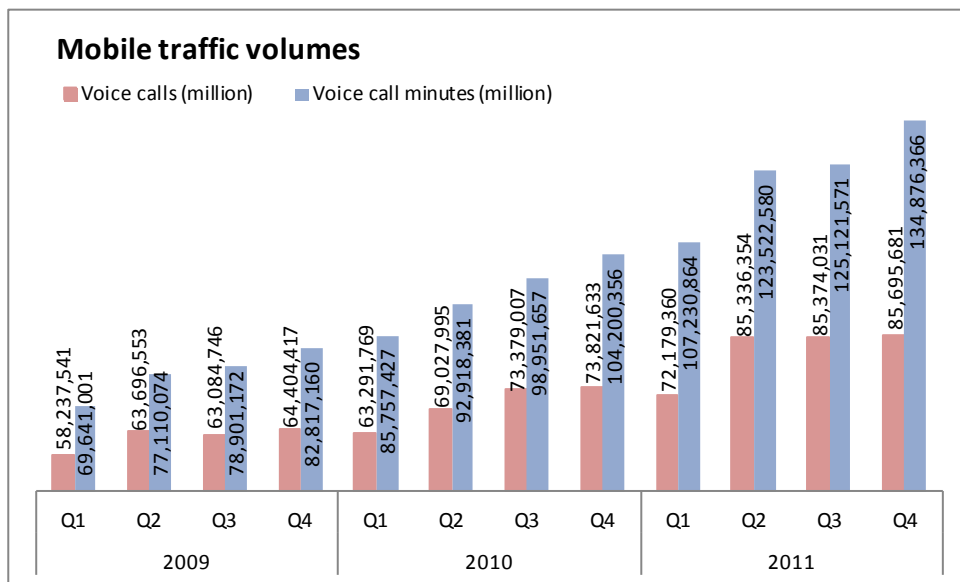


Figure 17: Voice traffic originating from mobile networks

The number of outgoing MTM calls totalled 150.8 million in the second half of 2011, up by 19.1 million, or by 14.5%, from 131.7 million in the second half of 2010. Correspondingly, the number of MTF calls totalled 17.6 million, up by nearly 4.2 million, or 32%, from 13.4 million. The number of MTI calls totalled 2.7 million, an increase of approximately 0.5 million, or 24.7%, from 2.1 million in the second half of 2010.

Year	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
National voice calls	62,441,525	68,046,164	72,167,006	72,812,103	71,144,577	84,165,204	84,158,402	84,254,843
Mobile-to-mobile calls	57,034,584	62,046,431	65,638,485	66,041,143	63,774,728	75,629,783	75,507,819	75,311,821
on-net	34,646,448	37,816,763	40,650,916	41,490,571	40,854,161	49,253,336	49,285,792	49,782,772
off-net	22,388,136	24,229,668	24,987,569	24,550,572	22,920,568	26,376,447	26,222,027	25,529,049
Mobile-to-fixed calls	5,406,941	5,999,733	6,528,521	6,770,960	7,369,849	8,535,422	8,650,584	8,943,022
International voice calls	850,244	981,830	1,140,997	989,678	1,034,783	1,171,150	1,215,629	1,440,838

Table 5: Outgoing mobile traffic - number of voice calls

Meanwhile, mobile call minutes were also up, from 203.2 million in the second half of 2010 to 260 million in the current reporting period, thereby representing an increase of 56.8 million minutes.

This increase is mainly attributed to developments in MTM traffic, which increased by 43.9 million minutes or 24.6%. In absolute terms, this development in MTM traffic is accounted for by an increase in both on-net and off-net MTM minutes. The former traffic segment increased by 37.5 million minutes, or 30.4%, whilst the latter segment increased by 6.4 million, or 11.7%.

Year Period	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
National voice call minutes	83,947,478	89,311,425	96,839,736	105,198,064	104,923,585	120,515,137	121,403,929	131,187,295
Mobile-to-mobile minutes	77,155,099	80,960,786	86,974,765	93,914,704	91,368,007	106,432,728	106,784,874	115,398,262
on-net	53,703,650	54,700,758	59,592,074	64,197,393	65,258,351	76,483,888	76,520,304	84,522,539
off-net	23,451,449	26,260,028	27,382,691	29,717,311	26,109,656	29,948,839	30,264,570	30,875,723
Mobile-to-fixed minutes	6,792,380	8,350,639	9,864,971	11,283,360	13,555,578	14,082,409	14,619,055	15,789,033
International voice call minutes	1,809,934	2,038,406	2,037,549	2,167,452	2,307,279	3,007,444	3,717,642	3,689,071

Table 6: Outgoing mobile traffic - number of voice call minutes

Concurrently, MTF voice minutes increased by nearly 47%, from 20.7 million minutes in the second half of 2010 to 30.4 million minutes in the second half of 2011.

In the second half of 2011, the number of MTI minutes increased by 3.2 million or 77.3% compared to traffic levels in the second half of 2010.

6.6 SMS and MMS activity levels

SMS traffic volumes

SMS activity in 2011 was weaker than that reported in 2010, with the number of outgoing text messages totalling 577 million, down by 5.8% from 612.7 million.

The number of outgoing text messages totalled 301.5 million in the second half of 2011, down by 0.3% from 302.3 million in the second half of the previous year²⁰.

This decline is a result of a fall in the following types of SMSs: off-net SMSs, down by 1.3%, SMSs directed to foreign mobile networks, down by 23%, and SMSs sent from Internet portals, down by 3.4%.

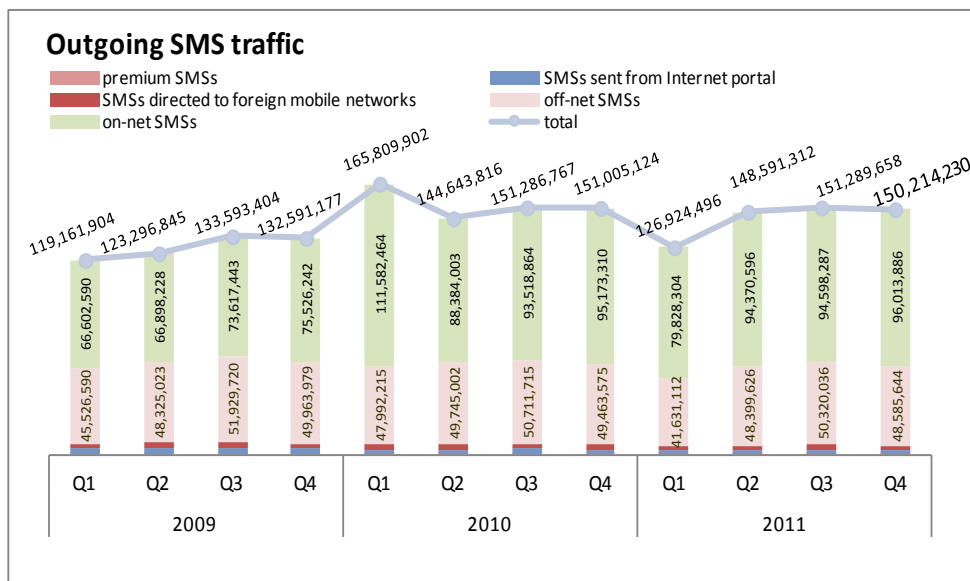


Figure 18: SMS activity - number of outgoing SMSs

Year	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	6,227,366	6,507,988	7,045,793	6,366,968	5,465,080	5,821,090	6,371,336	5,614,700
Premium SMSs	847,008	761,326	975,366	800,475	721,054	773,499	968,528	847,328
SMSs sent from Internet portal	2,835,249	2,867,593	2,861,077	2,660,656	2,350,738	2,262,467	2,156,657	2,099,637
SMSs directed to foreign mobile networks	2,545,109	2,879,069	3,209,350	2,905,837	2,393,289	2,785,124	3,246,151	2,667,735

Table 7: Premium SMSs, SMSs sent from Internet portal, SMSs directed to foreign mobile networks

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

These declines outweighed increases in SMS traffic volumes in terms of the number of on-net SMSs and premium SMSs. The former type of SMS went up by 1% and the latter type by 1.9%.

MMS traffic volumes

MMS activity²¹ in the second half of 2011 was significantly stronger than that reported in the corresponding period a year earlier. The number of outgoing MMSs totalled 108,315 in the second half of 2011, up by 51,750 (or 91.5%) from the number of outgoing MMSs reported in the second half of 2010.

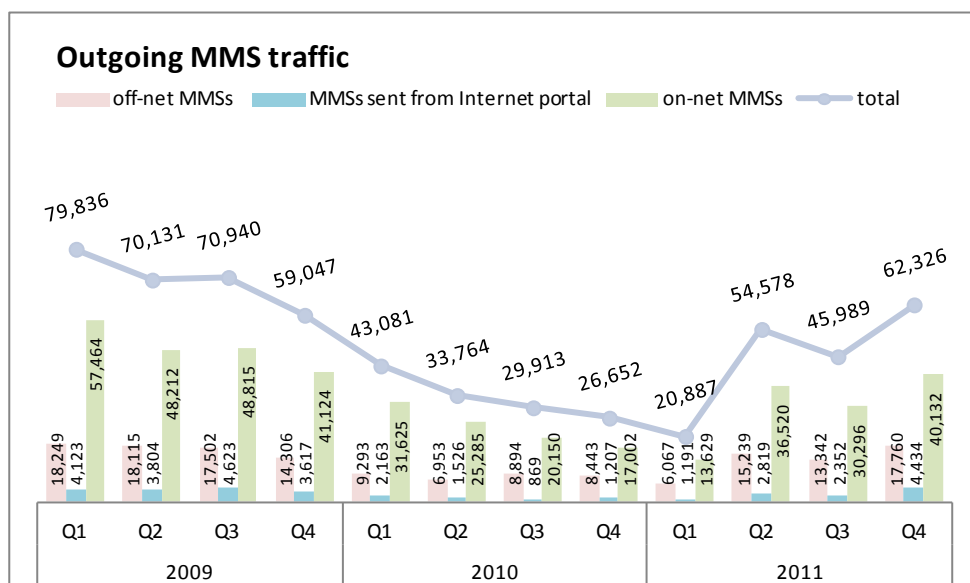


Figure 19: MMS activity - number of outgoing MMSs

During the first half of 2011, on-net MMSs accounted for nearly 65% of total traffic for the period. Off-net SMSs accounted for another 28.7% of the total. The remaining share, at 6.3%, was accounted for by MMSs sent from Internet portal.

²¹ MMS figures have been revised since the previous publication.

6.7 Activity levels per mobile subscription

This section provides information on average voice call, SMS and MMS activity levels per mobile subscription. Figures are reported on a per user basis (wherein the 'per user' term refers to an active mobile subscription) on a quarterly basis.

Figure 20 shows that voice call activity levels in the second half of 2011 were slightly stronger than those reported in the second half of 2010.

The average number of calls per active mobile subscription was approximately 162 in Q3 2011 and 164 in Q4 2011, up from an average of 161 in Q3 2010 and 162 in Q4 2010.

On the other hand, the average number of SMSs per active mobile subscription declined from around 332 and 331 in Q3 and Q4 2010 respectively to around 288 in both Q3 and Q4 2011.

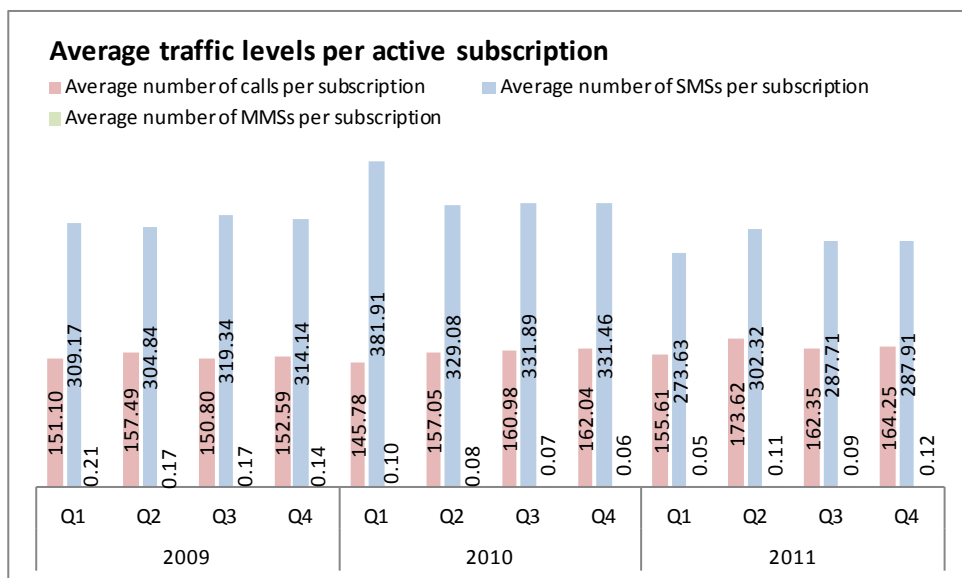


Figure 20: Subscriber activity - average traffic levels per active subscription

Although the number of MMSs has increased in the reporting period, the average number of MMSs per active subscription was negligible.

In terms of the average number of calls per active mobile subscription, on-net MTM calls represent the largest segment of voice call activity by a mobile subscriber. In this regard, the average number of on-net MTM calls per active mobile subscription averaged at around 94 in Q3 2011, compared to 89 in Q3 2010, and at around 95 in Q4 2011, compared to 91 in Q4 2010.

The average number of off-net MTM calls per active mobile subscription stood at around 50 in Q1 2011 and 49 in Q4 2011.

On comparing Q3 and Q4 2011 with the corresponding figures in 2010, stronger activity levels were also registered in terms of the average number of MTF and MTI calls per active mobile subscription.

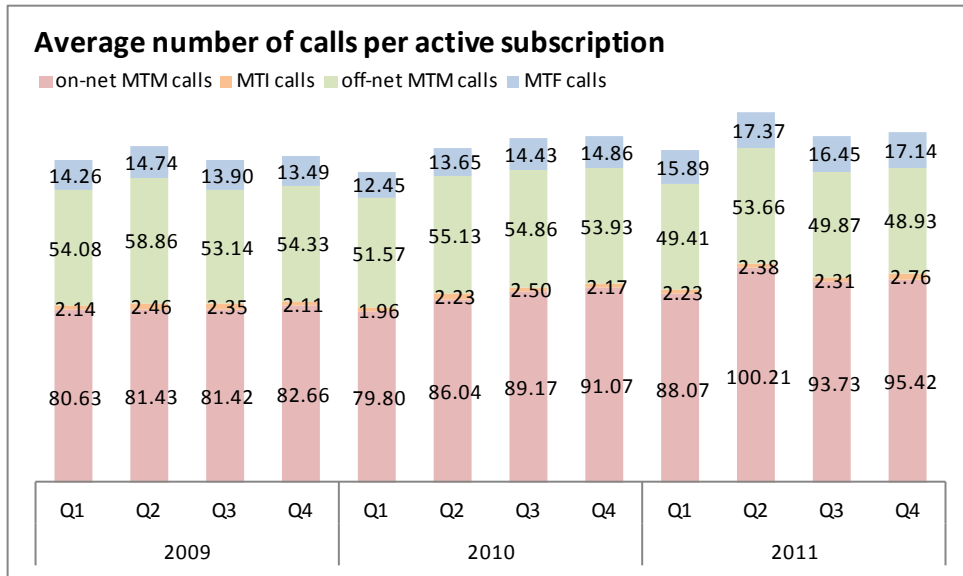


Figure 21: Subscriber activity - average number of calls per active subscription

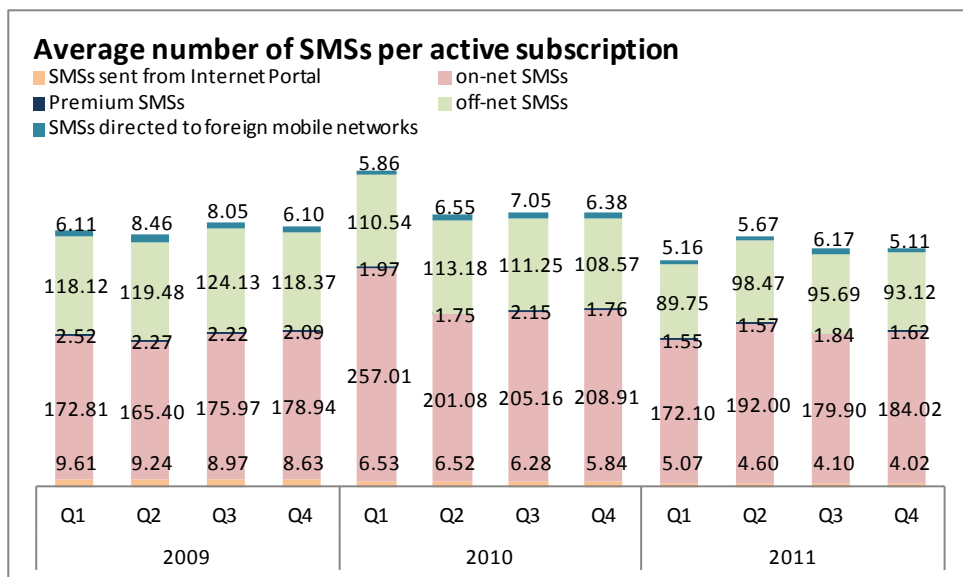


Figure 22: Subscriber activity - average number of SMSs per active subscription

SMS traffic volumes in the second half of 2011 were lower than in the corresponding period a year earlier. For example, the average number of on-net SMSs per active subscription were down from 205 SMSs and 209 SMSs in Q3 and Q4 2010 to 180 SMSs and 184 SMSs in Q3 and Q4 2011.

6.8 Average mobile call duration

On average, an on-net MTM call lasted around 1.6 minutes in the second half of 2011, up from around 1.5 minutes in the second half of 2010.

Off-net MTM calls, MTF calls and MTI calls were also on average lengthier in the second half of 2011, when compared to the corresponding period in 2010.

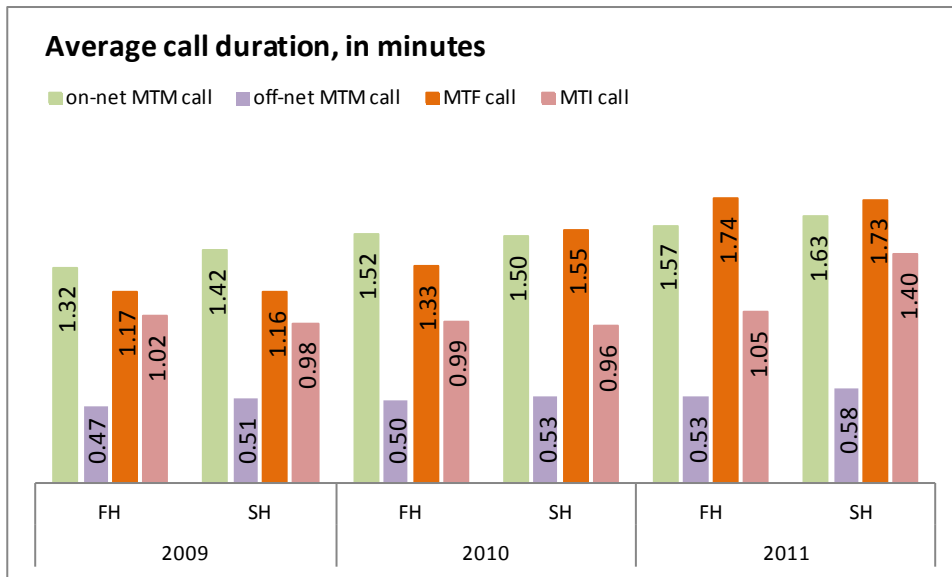


Figure 23: Average duration of an outgoing mobile call

6.9 International roaming activity levels²²

International roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. When making or receiving calls while abroad, mobile subscribers would be using voice roaming services. When sending or receiving an SMS while abroad, mobile subscribers would be using SMS roaming services. Mobile subscribers can also send or receive data while abroad. These services are referred to as data roaming services.

When reporting on international roaming activity, local operators distinguish between inbound and outbound roaming activity. Outbound roaming activity refers to call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad.

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

This document outlines developments in voice and SMS roaming activity.

Outbound roaming activity

The number of outbound roaming calls²³ totalled 3.7 million in the second half of 2011, up by 3.5% from approximately 3.5 million calls in the second half of 2010. Traffic volumes were also stronger in terms of outbound roaming minutes. Their number increased by 9.8%, up from six million minutes in the second half of 2010 to nearly 6.6 million minutes in the second half of 2011.

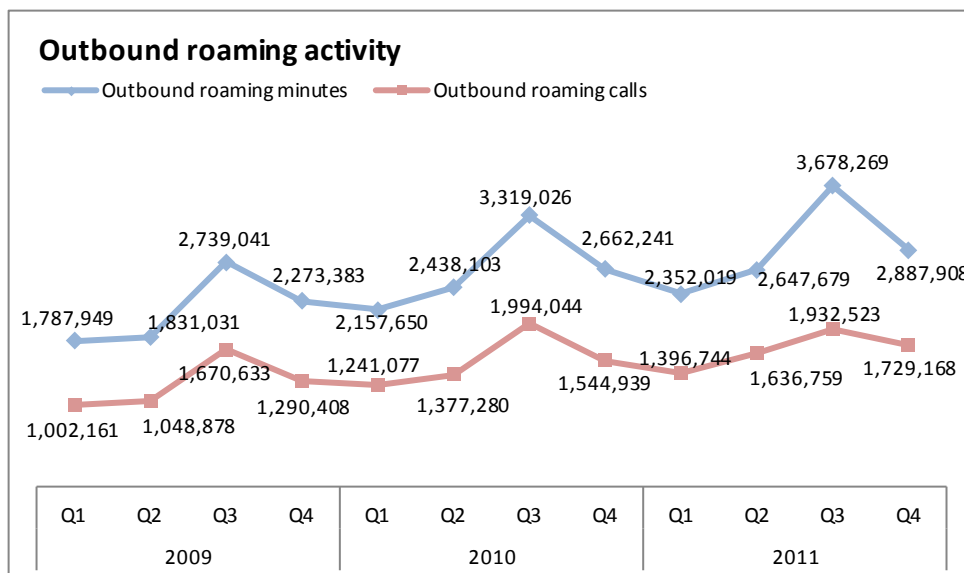


Figure 24: Outbound roaming activity

²² Data for inbound and outbound roaming calls is currently under review and should therefore be interpreted with caution.

²³ Figures are only estimates and are currently under review.

A more detailed look at developments in outbound roaming activity would show that, during the period under review, an increase was recorded under all sub headings of the said indicator.

The number of calls made by local subscribers whilst roaming abroad went up by 2.4% whilst the number of calls received by local subscribers whilst roaming abroad went up by 4.9%.

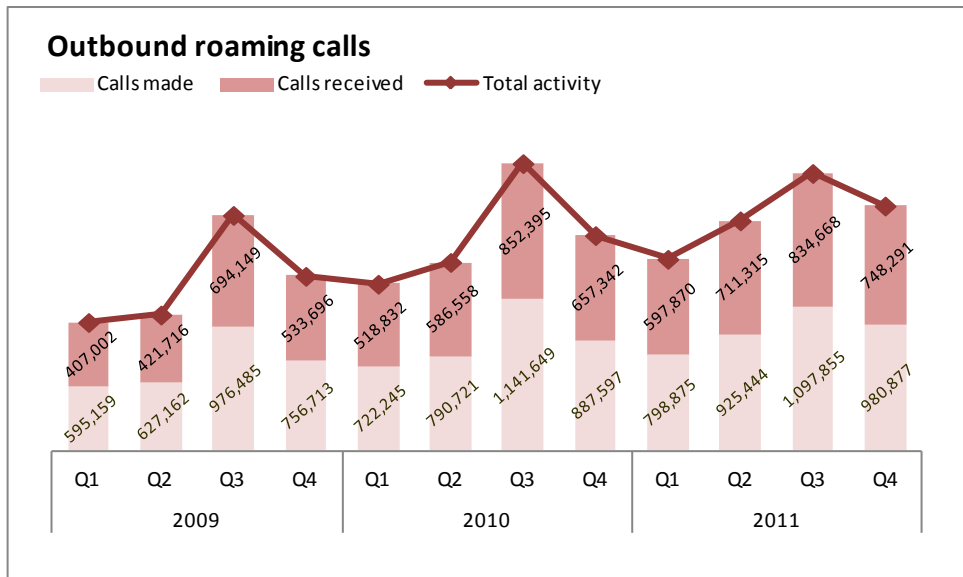


Figure 25: Outbound roaming activity - number of voice calls

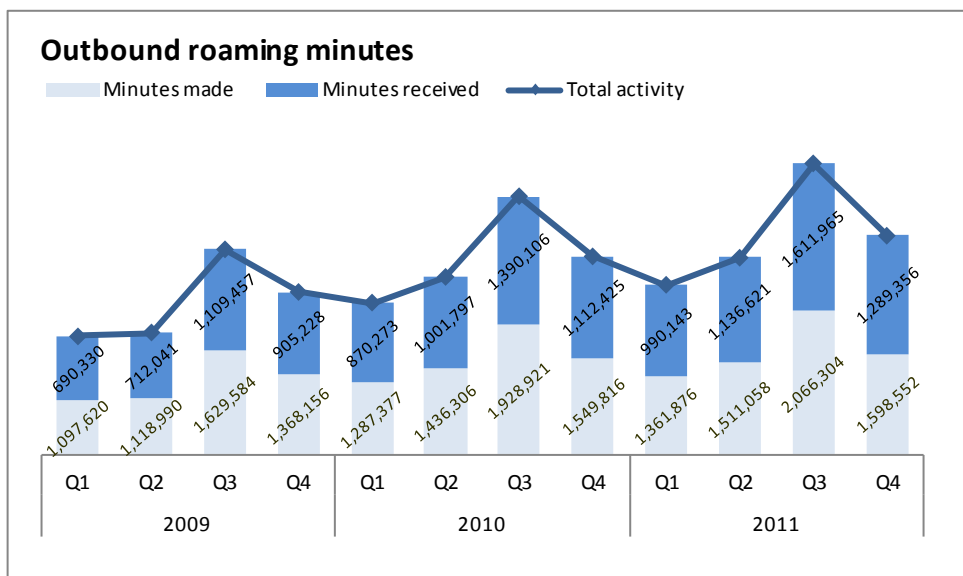


Figure 26: Outbound roaming activity - number of voice call minutes

In terms of outbound roaming minutes, the number received by local subscribers whilst roaming abroad increased by 15.9% and the number of minutes made by local subscribers whilst roaming abroad increased by 5.4%.

Inbound roaming activity

The number of inbound roaming calls totalled 11.9 million in the second half of 2011, representing a drop of nearly 3.5 percent over the corresponding figure in the second half of 2010.

On the other hand, inbound roaming minutes increased by 8.3% over the same period, from 22.1 million to 23.9 million.

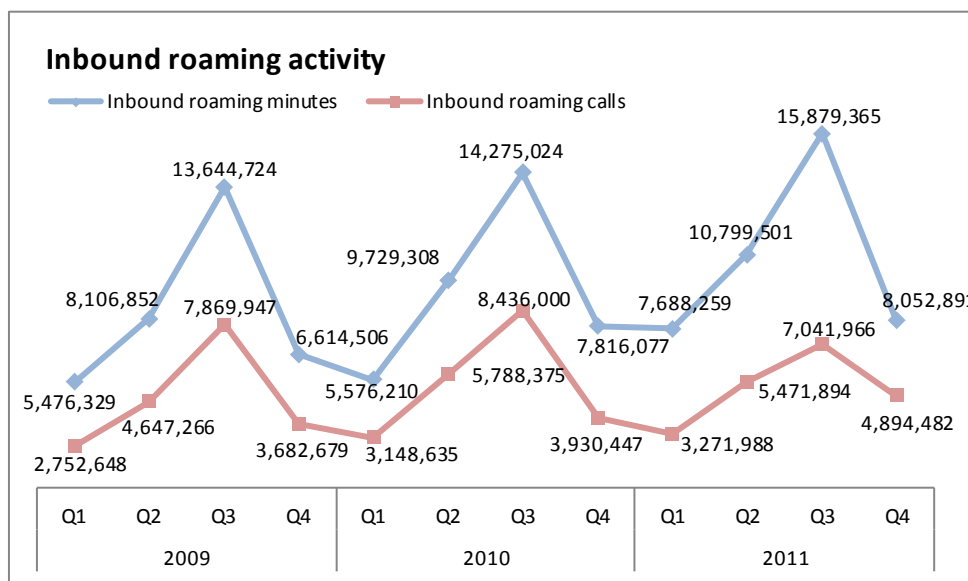


Figure 27: Inbound roaming activity

Disaggregating inbound roaming call figures would show that the number of calls received by foreign mobile subscribers whilst roaming in Malta went down by 8.2% from 3.2 million in the second half of 2010 to 2.9 million in the FH 2011.

The number of calls made by foreign mobile subscribers whilst roaming in Malta also declined by 1.9%, from 9.2 million in the second half of 2010 to 9.0 million in the second half of 2011.

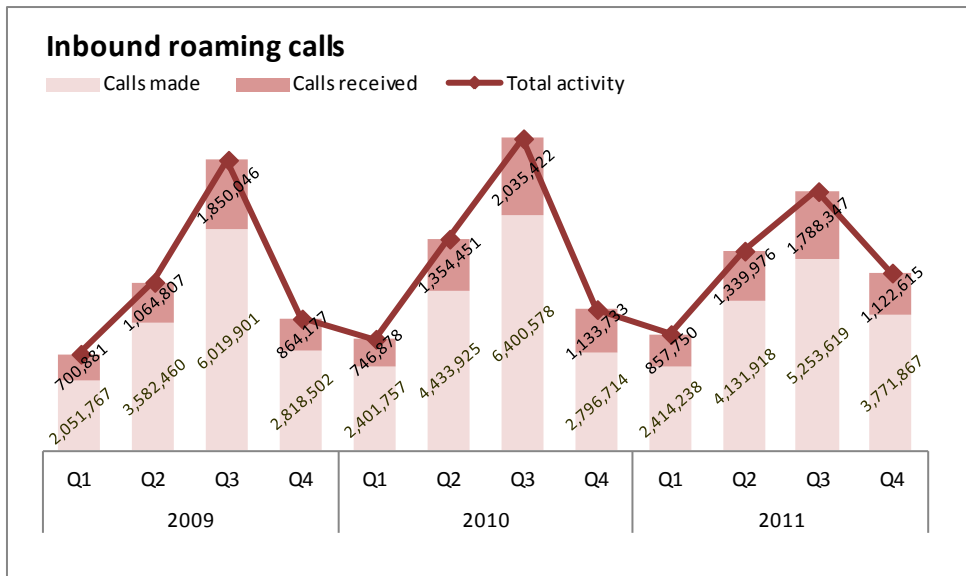


Figure 28: Inbound roaming activity - number of voice calls

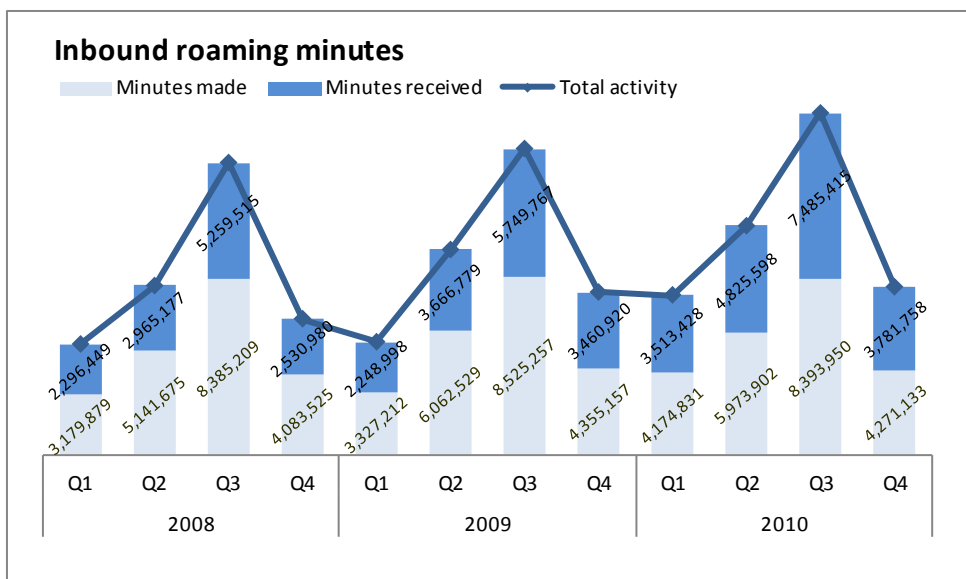


Figure 29: Inbound roaming activity - number of voice call minutes

In terms of inbound roaming minutes, minutes made by foreign mobile subscribers whilst roaming in Malta declined by 1.7%, from 12.9 million in the second half of 2010 to 12.7 million in the second half of 2011.

On the other hand, for the number of minutes received by foreign mobile subscribers whilst roaming in Malta increased by 22.3%, from a total of 9.2 million in the second half of 2010 to 11.3 million in the second half of 2011.

6.10 Mobile ARPU

Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions during the period.

Total revenues include revenues from access, revenues from all local and international voice call activity (excluding interconnection revenues) registered by all active subscribers, total roaming revenues but excluding inbound roaming revenues, total revenues from data services, and total revenues from MMS activity and SMS activity.

The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period plus the number of subscribers at the end of the period, divided by two.

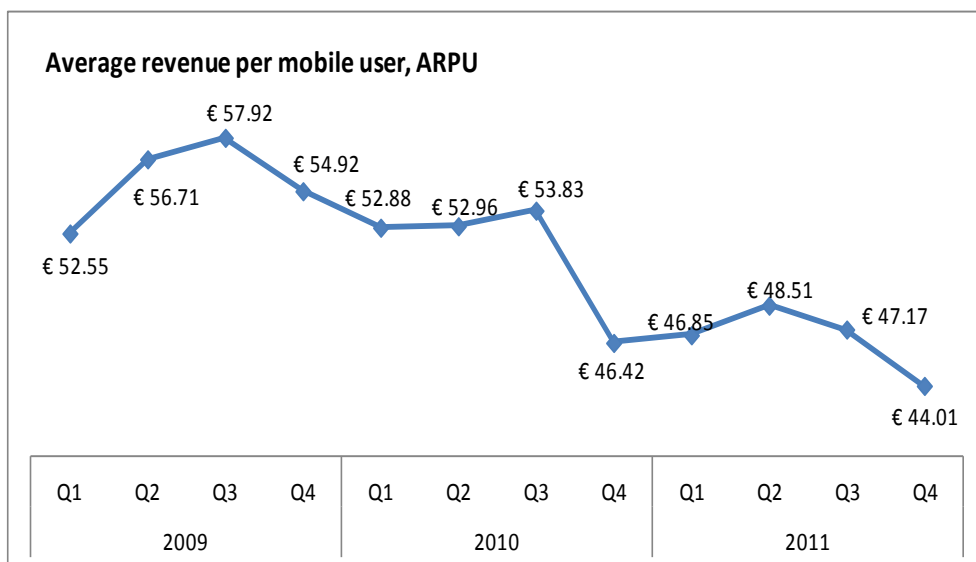


Figure 30: Average revenue per mobile user

Total ARPU in Q3 and Q4 2011 stood at €47.17 and €44.01 respectively. In both instances, the figure is lower than that recorded in the same period a year earlier.

6.11 Average rate per minute of mobile communications and average rate per SMS

Revenue-based market indicators²⁴ show that, as at the end of 2011, the average cost of a minute of mobile communications for a domestic call over the mobile network stood at €0.119, which is lower than €0.139 as at the end of 2010.

The average cost of a minute of mobile communications for an international call stood at €0.253 as at the end of 2011, which is again lower than €0.458 12 months earlier.

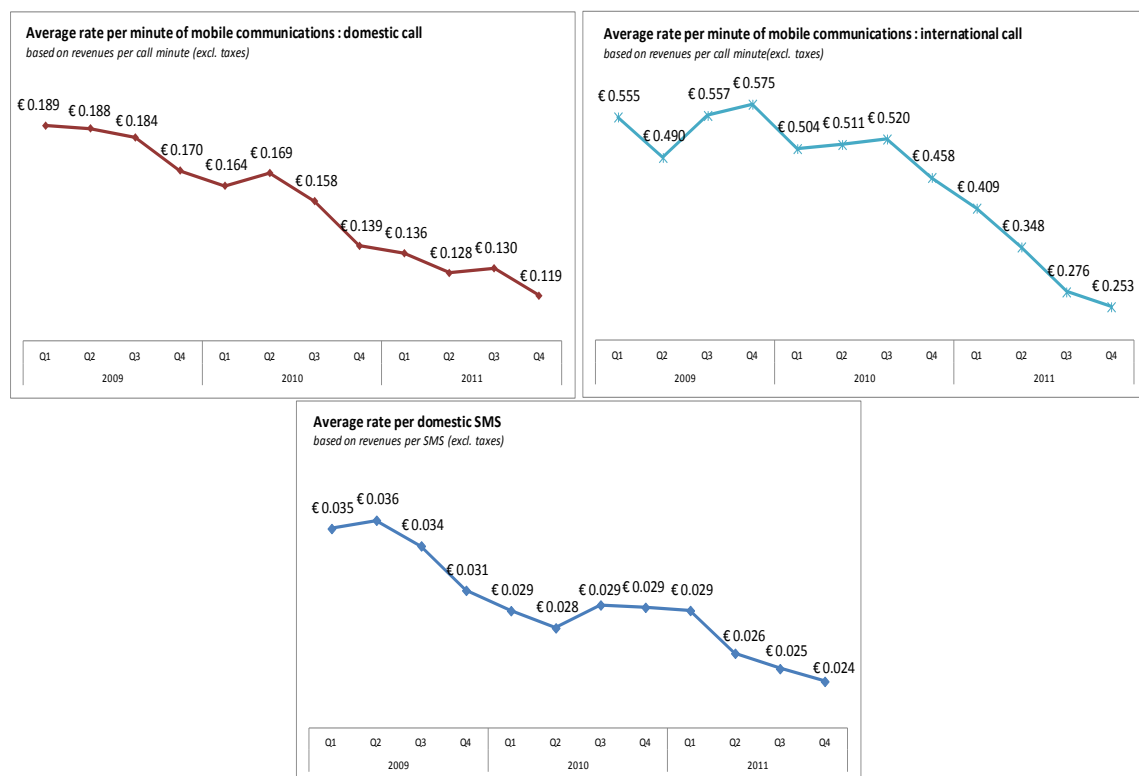


Figure 31: Average cost of a mobile call and SMS derived from revenue-based workings

Meanwhile, the average cost per domestic SMS stood €0.024, down from €0.028 as at the end of 2010.

²⁴ The average price per minute of mobile communications is derived by dividing domestic mobile voice traffic revenues (including access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading. Revenues from VAT, excise tax, retail roamings services and contract line rental fees are excluded from the workings. Figures are to be interpreted with caution, as these are not the actual rates quoted on the market.

It must also be noted 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. This would affect the final outcome for the average rate per minute of mobile communications.

6.12 Average rate per minute of mobile communications: Malta vs the EU

The 2011 EU Commission report on 'Telecommunication Market and Regulatory Developments'²⁵ makes specific reference to an indicator providing a comparison of the average revenue for mobile voice minutes across the EU in 2010.

The rate for each EU country is arrived at by dividing retail mobile revenues²⁶, including all retail voice related revenues including monthly fees, by the number of mobile voice call minutes during a particular period²⁷.

Based on this indicator, Malta ranks first at the high end of the scale in 2010, with an average revenue per minute of €0.21 compared to an EU average of €0.11.

Since 2010, however, the average revenue per minute of mobile communications in Malta went down significantly. MCA calculations show that the average revenue per minute of mobile communications has gone down from €0.21 to €0.13 in 2011.

It is of note that the rates quoted above are annual rates. When looking at quarterly rates, MCA calculations show that Maltese consumers were charged lower charges in the fourth quarter of 2011 than in the first quarter of the same year. During the said period, the average revenue per minute of mobile communications went down from €0.14 to €0.12. This explains an average rate for 2011 at €0.13.

²⁵ Link to EU Commission document, issued as part of the Scoreboard 2012:

http://ec.europa.eu/information_society/digital-agenda/scoreboard/countries_2012/information_society/bin12/pdf/Telecom_Horizontal_Chapter.pdf

The Scoreboard 2012 is found at http://ec.europa.eu/information_society/digital-agenda/scoreboard/

²⁶ The indicator does not include wholesale revenues, such as revenues from interconnection, revenues from SMS, MMS, data, content and handset revenues, and VAT. The rates quoted in the EU Commission report comprise both the national and international call segments.

²⁷ The MCA applies the same methodological approach when calculating the average rate per minute of mobile communications, highlighted in Section 6.11.

7. Internet

The take-up of fixed and mobile broadband in Malta is on the increase. On the other hand, dial up has been completely phased out and no longer marketed by local service providers.

MCA figures show that the number of broadband subscriptions increased by 6.3% since the end of December 2011, to 129,320 as at the end of last year. The latter figure corresponds to a fixed broadband penetration rate of 31%.

DSL continued to be the most popular technology with consumers, with around 51% of all fixed broadband subscriptions as at the end of 2011 opting for this technology. The cable technology platform accounted for a further 45.7% of the local subscriber base and fixed 'wireless' broadband (hereafter, referred to as "BWA") accounted for the remaining share, at 3.3%.

Mobile broadband technology on the other hand is distinct to fixed broadband technology in that it encompasses broadband services offered over 3G mobile networks in areas where 3G coverage is available. The use of mobile broadband comes in three main forms, namely the use of 3G-enabled mobile handsets, via USB dongles connected to a portable computer and built-in broadband cards.

The availability of mobile broadband services was on the increase in the 12 months to July 2011, in that the number of end-users that could access advanced data services in wireless networks increased by 23.4% to 147,146. The usage of mobile broadband services also increased, with the number of end-users increasing from around 60,000 in July 2010 to around 72,000 in July 2011. Growth is partly due to price declines for mobile broadband services and newly launched mobile data and Internet services and partly due to changing consumer preferences. Nonetheless, the Digital Agenda Scoreboard²⁸ reports that Malta's mobile broadband penetration rate as at July 2011 stood at 3.2%, well below the EU average of 7.5%, indicating substantial scope for further growth in the area.

The number of fixed broadband connections bundled with some other electronic communications service totalled nearly 53,000 as at the end of 2011, which corresponds to around 41% of the subscriber base at the time.

In terms of pricing, relevant indicators show that the cost of fixed broadband has gone down further in 2011. These workings show that the average price per unit of fixed broadband download speed ("Mbps") has gone down, mainly as a result of service providers offering increased download speeds, without increasing the price and by offering discounts when broadband is purchased in a bundle with another service.

The move towards increased download speed is confirmed by the considerable growth in the total number of fixed broadband subscriptions having a

²⁸ Link to relevant data: [Visualization of Digital Agenda Scoreboard Indicators](#).

broadband speed equal to or exceeding 10Mbps. In the 12 months to December 2011, the number of subscriptions in this segment increased by 120%, to nearly 32,000.

7.1 Trends in fixed broadband subscriptions

The take-up of fixed broadband continues to increase year-on-year. In the 12 months to December 2011, the number of fixed broadband subscriptions increased by 6.3% to 129,320²⁹.

Fixed broadband is currently offered over three technology platforms: the DSL platform, the cable platform, and wireless broadband which is offered over fixed (WiMAX) and mobile wireless (2.5/3/3.5G) networks. Developments for mobile broadband are outlined in a section 7.6 below.

In the 12 months to December 2011, fixed broadband subscriptions on the DSL platform went up by 4.1% to 66,016. DSL therefore maintained its position as the predominant technology for fixed broadband, accounting for 51.5% of the total number of fixed broadband subscribers.

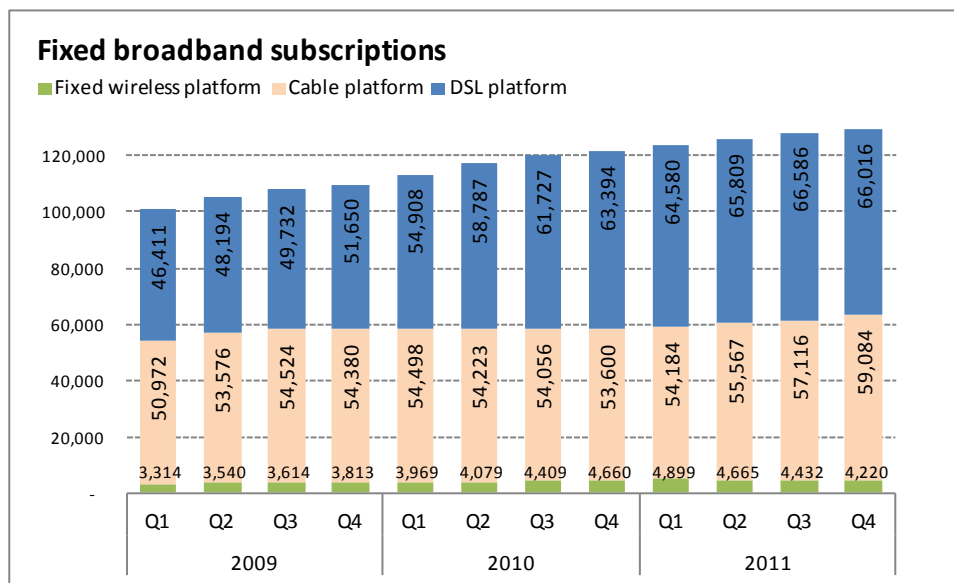


Figure 32: Broadband Internet subscriptions as at end of period - by technology

During the same period, the number of broadband subscriptions on the cable platform also went up, this time by 10.2% to 59,084 as at the end of 2011. The cable platform accounted for another 45.7% of the local fixed broadband subscriber base.

²⁹ For the purpose of this report, fixed broadband Internet subscriptions refer to those connections which are *always on* and have a speed of 128kbps or more.

Contrary to the positive developments for DSL and cable, the fixed 'wireless' broadband platform recorded a decline in the number of subscriptions in the 12 months to December 2011. The number of fixed wireless subscriptions went down by 9.4%, to 4,220.

7.2 Fixed broadband download speeds³⁰

Consumers are increasingly availing of faster download speeds. As at the end of the current review period, 73.9% of all fixed broadband subscriptions had an Internet connection that allowed for a download speed of 4Mbps but less than 6Mbps. The corresponding figure as at the end of 2010 stood at 75.5%.

Year-on-year growth was also reported in terms of the number of broadband Internet connections with a download speed of 10Mbps or more. Since the end of December 2011, the number of subscribers under this category increased by 17,587 or by 123.4% to 31,839. This figure corresponds to 24.6% of the local fixed broadband subscriber base as at the end of last year, up from 11.7% as at the end of the previous year.

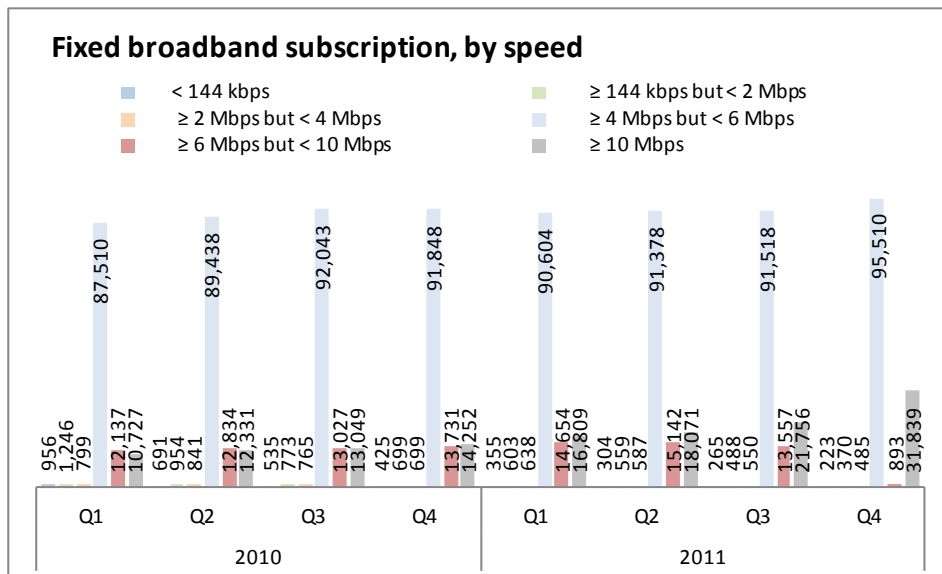


Figure 33: Fixed broadband subscriptions, by speed

Upon assessing subscriptions on the different broadband platforms by download speed would show that, as at the end of 2011, 11.9% of fixed wireless broadband subscriptions had an Internet connection with a download speed less than 4Mbps, 83.9% had an Internet connection with a download speed of 4Mbps but less than 6Mbps, 1.5% had an Internet connection with a download speed of 6Mbps but less than 10Mbps, and 2.7% had an Internet connection with a download speed of 10Mbps or more.

³⁰ Quoted figures refer to advertised speeds.

With respect to DSL broadband, 70.9% of subscriptions on this platform as at the end of 2011 had an Internet connection with a download speed of 4Mbps but less than 6Mbps, 1.2% had an Internet connection with a download speed of 6Mbps but less than 10Mbps, and 27.9% had an Internet connection with a download speed of 10Mbps or more.

With respect to cable broadband, 76.5% had an Internet connection with a download speed of 4Mbps but less than 6Mbps, and 22.5% had an Internet connection with a download speed of 10Mbps or more.

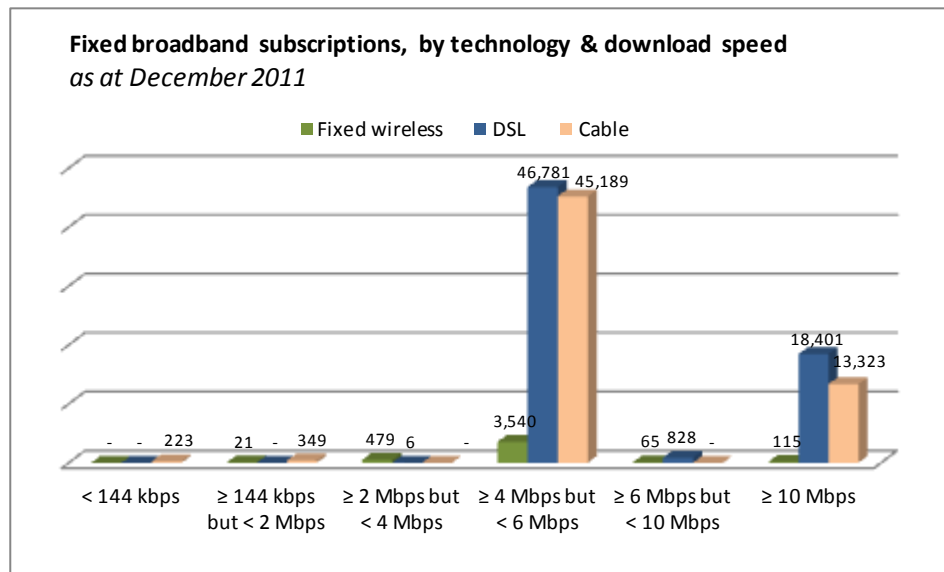


Figure 34: Broadband Internet subscriptions as at end of period - by connection speed

Meanwhile, 76.5% of all fixed broadband subscribers on the cable platform had an Internet connection with a download speed of 2Mbps but less than 10Mbps. Another 22.5% had an Internet connection with a download speed of 10Mbps or more.

7.3 Fixed broadband subscriptions on a bundled offer

The number of fixed BB subscriptions on a bundled offer increased by 47.5% between the end of 2009 and the end of last year. In absolute terms, this corresponds to an increase of 17,029 fixed broadband subscriptions on a bundled offer over 24 months³¹.

Number of users on multiple play offers including a broadband Internet subscription	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of users on two-play offers including: Internet + Postpaid telephone line	1,165	1,100	703	932	861	641	865	1,043	7,319	7,013	7,239	8,036
Number of users on triple-play offers including: Internet + Postpaid telephone line + Pay TV	4,973	5,477	4,446	4,448	4,757	4,723	5,083	5,934	7,589	6,798	5,872	7,127
Number of users on quadruple-play offers including: Internet + Postpaid telephone line + Pay TV + Mobile	15,369	21,002	26,706	30,488	37,812	43,044	49,657	57,135	35,361	36,346	37,422	37,734
Number of users on multiple play offers including an Internet subscription	21,507	27,579	31,855	35,868	43,430	48,408	55,605	64,112	50,269	50,157	50,533	52,897
As a percentage of total broadband Internet subscrip	21.36%	26.19%	29.53%	32.65%	38.31%	41.34%	46.26%	52.70%	40.65%	39.79%	39.44%	40.90%

Table 8: Fixed broadband subscriptions on a bundled offer

The figure as at the end of December 2011 corresponds to 40.9% of all active fixed broadband subscriptions recorded at the time.

7.4 Fixed broadband penetration rate

Malta's fixed broadband penetration (per population) stood at nearly 31% as at the end of 2011, up by 1.8% over the corresponding period a year earlier.

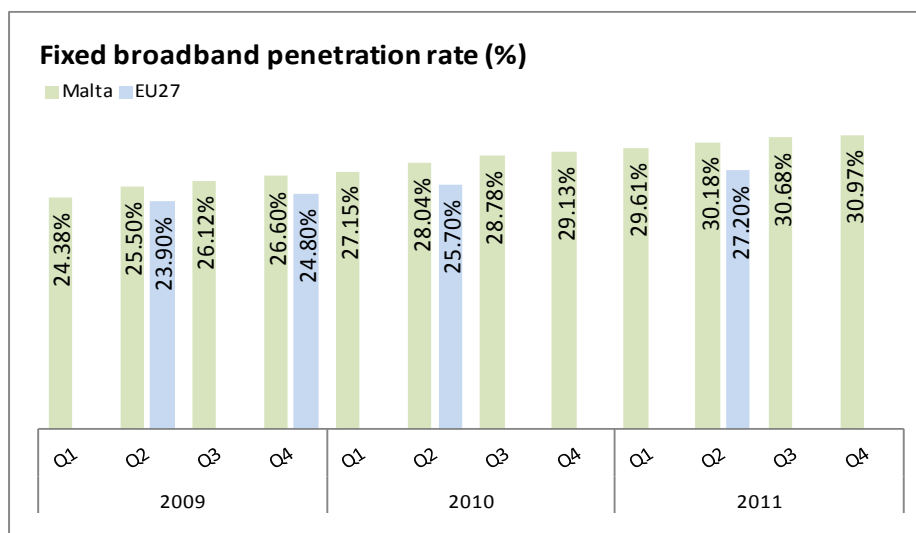


Figure 35: Fixed broadband penetration rate as at end of period

³¹ It is important to note that the significant shift in the number of fixed broadband subscriptions on a bundled offer observed between Q4 2010 and Q1 2011 is the result of a re-classification of data by Melita.

According to the latest figures released on the Digital Agenda Scoreboard, Malta's fixed broadband penetration rate currently stands above the average for the EU.

7.5 Fixed broadband ARPU

An indicator evaluating operators' revenue per fixed broadband subscription (hereafter, also referred to as "retail fixed broadband ARPU") has been developed, which data is presented on a quarterly basis.

ARPU for fixed broadband reflects the average quarterly spend by users for broadband services, calculated as the total retail revenues for broadband subscriptions, divided by the average of the total number of broadband subscriptions within a quarter.

The revenue element is composed of the total retail revenues from subscriptions to broadband services, excluding revenues from installations and connections.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter divided by two.

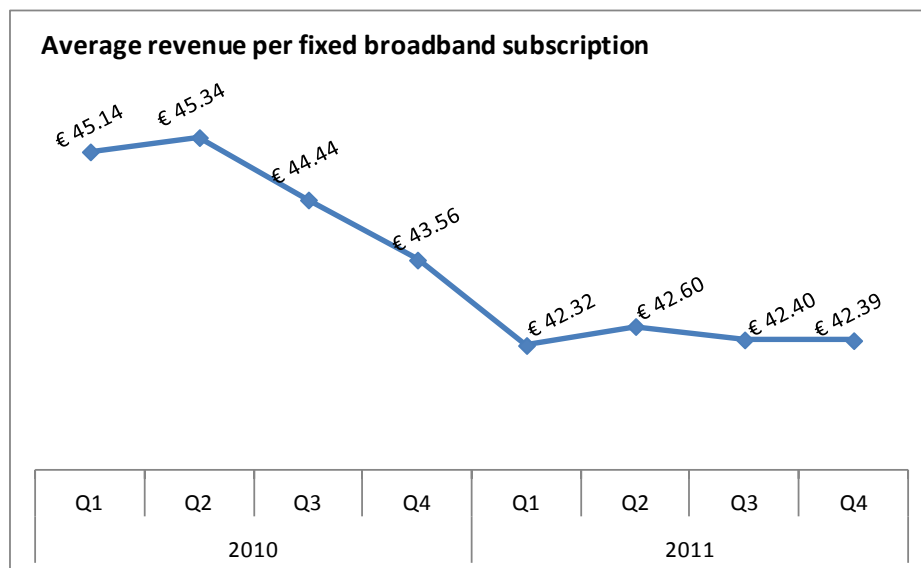


Figure 36: Average revenue per broadband user

Figure 36 shows that fixed broadband ARPU as at the end of 2011 stood at €42.4 which is lower than the corresponding figure as at the end of 2010, at €43.6.

7.6 Mobile wireless broadband

This review outlines developments for the take-up and usage of mobile wireless broadband in Malta. For the sake of consistency, the measurement methodology corresponds with that adopted by the EU Commission³² to measure progress in this area throughout the EU27.

Mobile wireless broadband services encompass 3G services offered over customer equipment that is independent of a mobile phone handset, such as by using (USB) modem keys and/or cards, and 3G services that are dependent on having a compatible mobile handset and subscription. Subscription to the latter type of 3G service would either be marketed in a bundle with other mobile services or else purchased as an add-on to standard mobile voice telephony.

In the 12 months to July 2011, the number of end-users availing of `Subscriber Identity Module (hereafter "SIM")/Universal Subscriber Identity Module (hereafter "USIM") cards under 3G³³ went up by 23.4%.

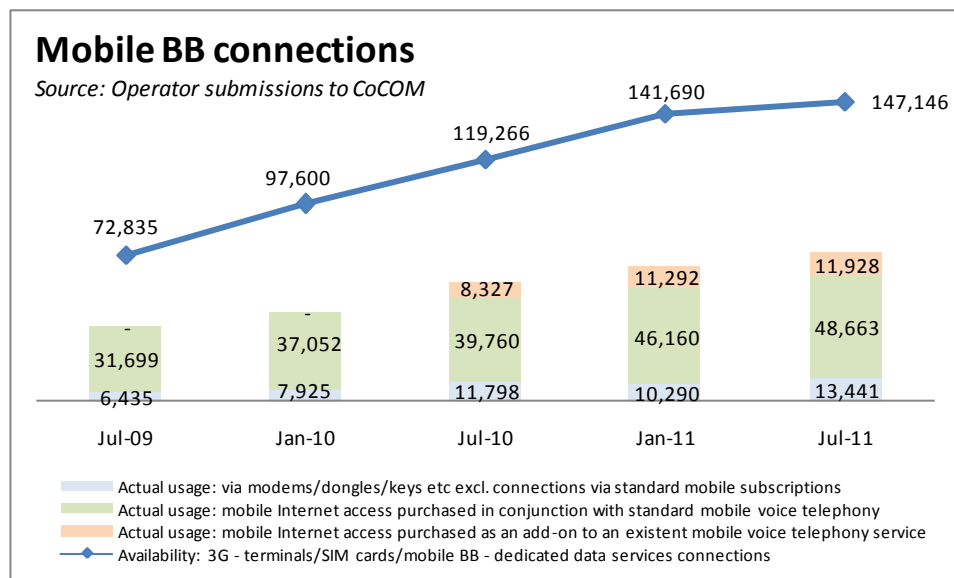


Figure 37: Mobile broadband connections as at end of period

Figure 37 shows that, as access to mobile broadband Internet gained popularity, actual usage³⁴ increased.

³² 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. For example, in country X, there are ten 3G equivalent phone users (mainly used for voice communication), but only two out of these ten users actually accessed advanced data services in the last 90 days. In addition there are four users who use their modems/USB keys/cards provided by a mobile operator to access BB data via their laptops, since there is, for example, no wired connection available to them.

³³ This is the official term provided by CoCOM. In the case of UMTS the unit of reference is SIM/USIM cards (including modem/dongles).

Usage of mobile wireless broadband in July 2011 was indeed stronger than that reported in July 2010. In this regard, the number of subscriptions which accessed the Internet in the previous 90 days using mobile wireless technology, increased by 25.9%, up from 59,885 in July 2010 to 72,386 in July 2011.

The number of mobile users accessing the Internet through their 3G-enabled mobile handset in July 2011 totalled 62,136 up from 48,087 in July 2010.

Correspondingly, the number of end-users that accessed the Internet via dedicated data service cards/modems/keys increased as well.

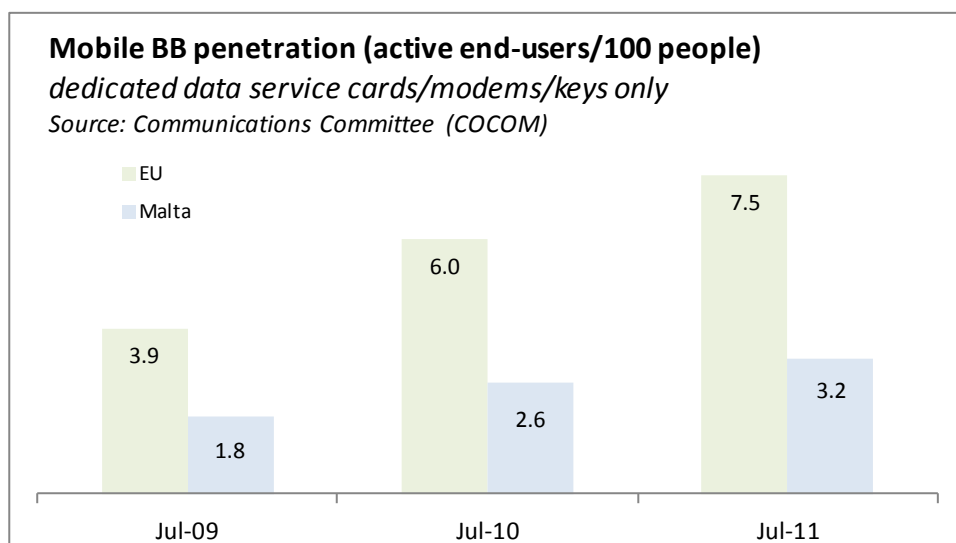


Figure 38: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 38 shows that, in July 2011, Malta's penetration rate of mobile wireless broadband measured on the basis of the number of active end-users of dedicated data service cards/modems/keys was 3.2 per 100 people (up from 2.6 in July 2010), compared to an EU average of 7.5 per 100 people.

³⁴ Refers to the number of subscriptions which have made an Internet mobile connection (using IP) in the previous 90 days through a standard mobile subscription (i.e. requiring a mobile handset) and through modems/dongles/keys purchased on a stand alone basis (i.e. not requiring a mobile handset).

7.7 Average advertised rates for fixed broadband

The MCA considers the average advertised rate of fixed broadband per unit of download speed (Mbps) as a proxy measure of how pricing for fixed broadband develops over time. Workings are undertaken on the basis of an evaluation of the advertised rate of a broadband product against the advertised download speed.

The assessment identifies two types of fixed broadband products, those having a specified (or fixed) download limit and others for which no download limit is set (i.e. products with an unlimited download).

For each type of fixed broadband product, different categories are set according to the download speed advertised with each product.

Seven different categories are identified as follows:

- products with a download speed equal to or greater than 2Mbps but less than 4Mbps;
- products with a download speed equal to or greater than 4Mbps but less than 6Mbps;
- products with a download speed equal to or greater than 6Mbps but less than 8Mbps;
- products with a download speed equal to or greater than 8Mbps 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; and
- products equal to or greater than 30Mbps.

As at the end of 2011, local service providers did not market broadband products with a download speed lower than 4Mbps or with a download speed of 8Mbps but less than 10Mbps. No price assessment is therefore available for this two product categories.

With respect to the category encompassing broadband products with a download speed equal to or greater than 4Mbps but less than 6Mbps, the average monthly price per Mbps for products marketed with a download limit was marginally higher, up from €3.23 in Q4 2010 to €3.46 in Q4 2011³⁵. However, the rate per Mbps for products marketed with unlimited download in this category went down from €5.70 in Q4 2010 to €3.88 in Q4 2011.

With respect to the category encompassing broadband products with a download speed equal to or greater than 6Mbps but less than 8Mbps, the average price per Mbps went down from €5.90 in Q4 2010 to €3.33 in Q4 2011. All products in this category were marketed with unlimited download as at the end of the current review period.

³⁵ This happened as a result of Melita no longer marketing its 5Mbps product.

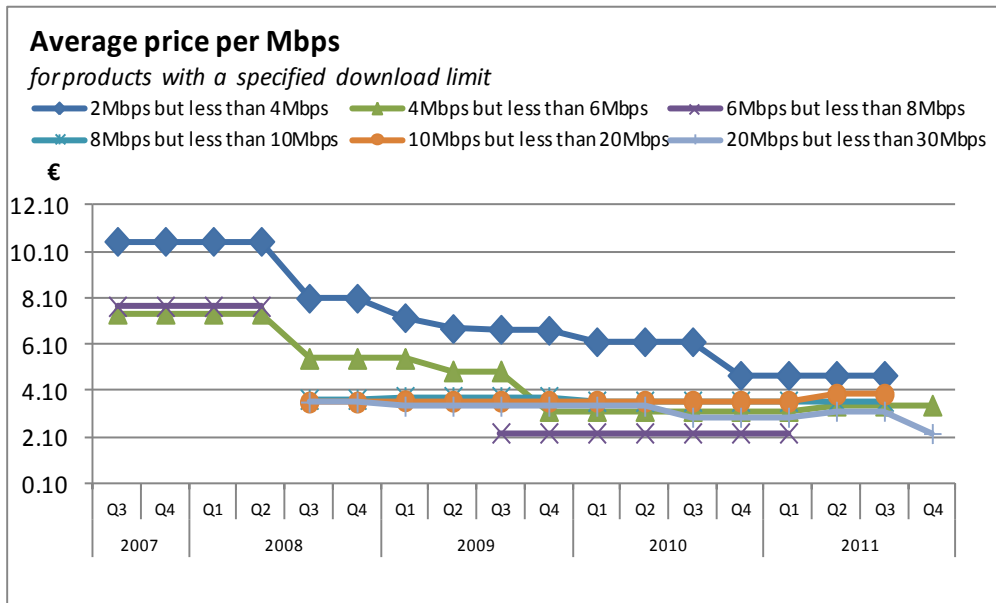


Figure 39: Average price per Mbps of fixed broadband for packages with a specified download limit

With regard to the category encompassing broadband products with a download speed equal to or greater than 10Mbps but less than 20Mbps, a lower average price per Mbps was observed for products marketed with unlimited download, from €7.67 in Q4 2010 to €3.00 in Q4 2011. A decline in the average price per Mbps was also reported for those broadband products with a broadband speed of 20Mbps but less than 30Mbps that are marketed with a specified download limit. Their average price per Mbps went down from €2.94 in Q4 2010 to €2.24 in Q4 2011.

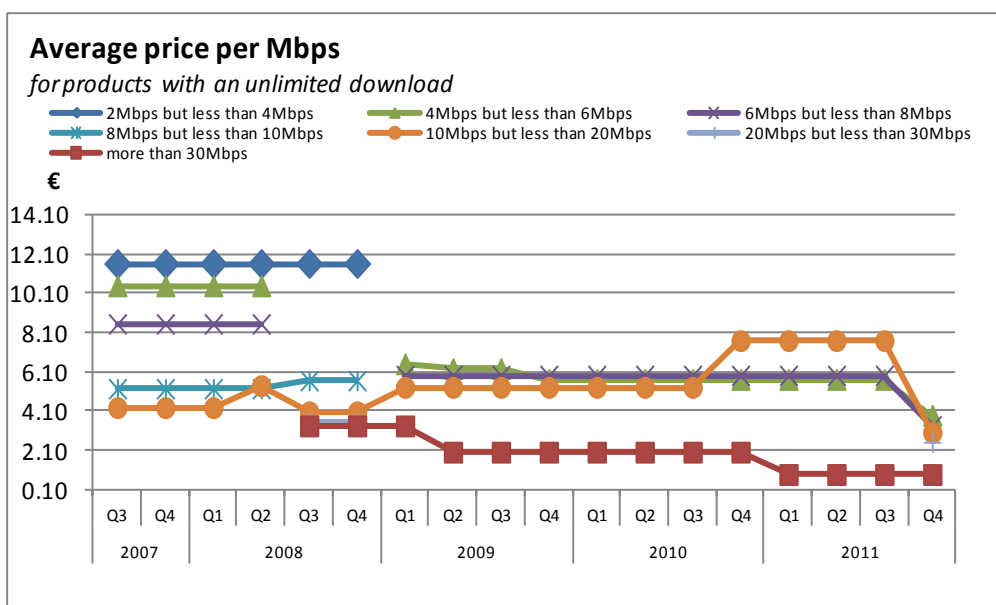


Figure 40: Average per Mbps of fixed broadband for packages with an unlimited download

The last category under consideration encompasses broadband products with a speed of 30Mbps or more. Only products with unlimited download feature under this category. In this regard, the average price per Mbps went down from €2.00 in Q4 2010 to €0.86 in Q4 2011.

8. Reception of TV broadcasts via Pay TV platforms

Another category of electronic communications services relate to the provision of Pay TV services. This report covers developments in the take-up and pricing with respect to three technology platforms over which Pay TV services could be delivered in Malta. These are the digital terrestrial (“DTTV”) platform, which is owned by GO, and the analogue cable and digital cable platforms, which are owned by Melita³⁶.

The take-up of Pay TV services continues to increase year-on-year over the DTTV and digital cable platforms. On the other hand, the take-up of services over the analogue cable platform is on the decline as no new services are being offered on this platform, and end-users are slowly switching to one of the available digital platforms.

As at the end of 2011, digital cable features as the predominant Pay TV platform accounting for 49.6% of the total number of Pay TV subscribers, up from nearly 49% as at the end of 2010. The proportion of subscribers on the digital cable platform also increased during the same period, up from nearly 49% to 49.6%. Meanwhile, the proportion of subscribers on the analogue cable platform declined in the 12 months to December 2011, from 9% to 6.8%.

The number of digital Pay TV subscriptions bundled with some other electronic communications service totalled 61,111 as at the end of 2011, which accounts to 44.2% of the digital Pay TV subscriber base recorded at the time.

Throughout 2011, service providers undertook several initiatives to reprice and repackage their Pay TV offers and at the same time launch new ones. This repositioning may have led to a small increase in average advertised Pay TV rates. However, this does not necessarily mean a reduction in the value for money received by consumers. For example, the value of some packages may have also improved given the increase in the number of basic channels carried in these packages. In other instances the channel list in some packages has been expanded to include a number of HD channels, typically at an extra cost for the consumer.

³⁶ There are to date no registered satellite broadcasters or platforms in Malta.

8.1 Trends in Pay TV subscriptions

The number of Pay TV subscriptions increased by 3.3% since December 2010, to reach 148,454 as at the end of last year.

Pay TV subscriptions are grouped into three broad categories: DTTV subscriptions, cable analogue subscriptions and digital cable subscriptions.

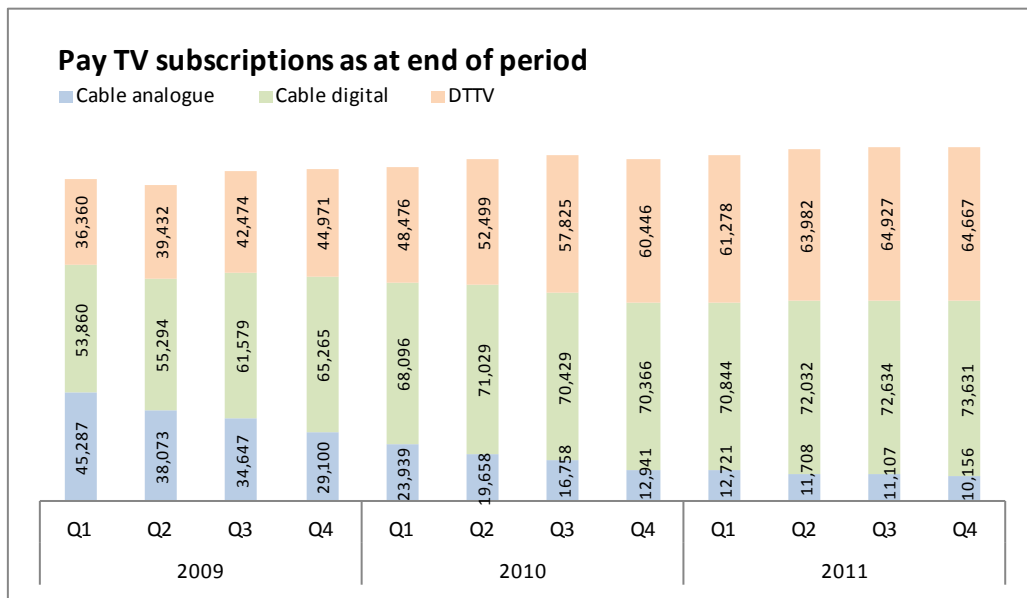


Figure 41: Pay TV subscriptions as at end of period

As at the end of the reporting period, the number of digital Pay TV subscriptions totalled 138,298 whilst the number of analogue Pay TV subscriptions totalled 10,156.

The total for digital Pay TV subscriptions encompasses 73,631 digital cable subscriptions and 64,667 DTTV subscriptions.

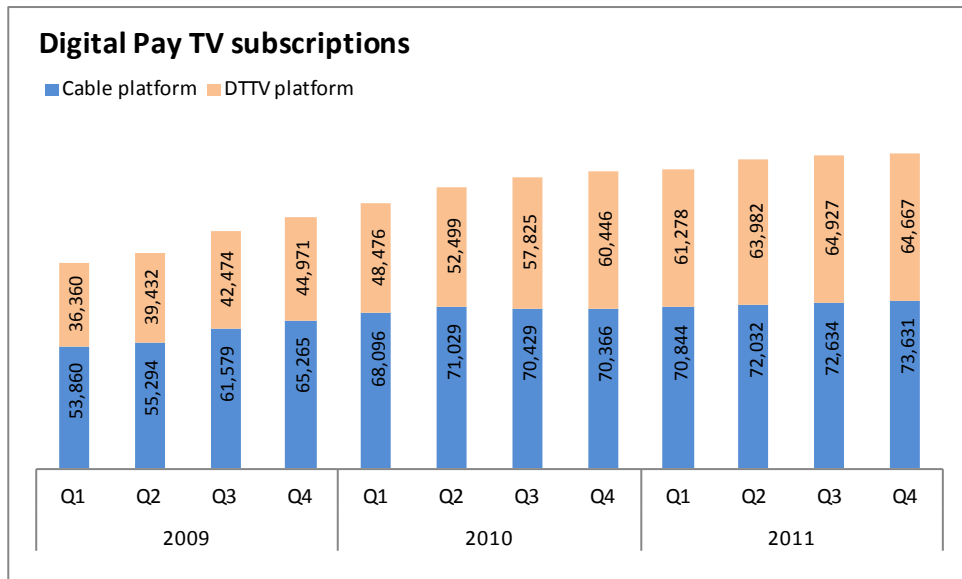


Figure 42: Digital Pay TV subscriptions as at end of period - by platform

Both platforms recorded an increase in the number of subscriptions since the end of 2010. DTTV subscriptions increased by 4,221 or nearly 7%, whilst digital cable subscriptions increased by 3,265 or 4.6%.

8.2 Digital Pay TV subscriptions on a bundled offer

The number of digital Pay TV subscriptions on a bundled offer has been on the increase over the last three years, up from 46,182 as at the end of 2009 to 61,111 as at the end of last year³⁷.

As at the end of the reporting period, around 44.2% of all digital Pay TV subscriptions were purchased as part of a bundle.

Number of users on multiple play offers including a digital Pay TV subscription	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
subscriptions on two-play bundled offers	15,933	17,156	17,827	15,065	14,258	11,307	11,578	10,207	16,951	17,502	17,875	16,545
Digital Pay TV + Mobile	2,358	2,500	3,014	3,438	3,792	3,886	4,083	4,301	-	-	-	-
Digital Pay TV + BB Internet	-	-	-	-	-	-	-	-	-	-	-	-
Digital Pay TV + Postpaid telephone line	13,575	14,656	14,813	11,627	10,466	7,421	7,495	5,906	16,951	17,502	17,875	16,545
subscriptions on triple-play bundled offers	2,444	2,150	943	478	402	279	128	45	7,105	6,365	5,504	6,832
Digital Pay TV + Postpaid telephone line + BB Int	2,444	2,150	943	478	402	279	128	45	7,105	6,365	5,504	6,832
Digital Pay TV + Postpaid telephone line + Mobil	-	-	-	-	-	-	-	-	-	-	-	-
Digital Pay TV + BB Internet + Mobile	-	-	-	-	-	-	-	-	-	-	-	-
subscriptions on quadruple-play bundled offers	15,369	21,002	26,706	30,639	37,812	43,044	49,657	57,135	35,361	36,346	37,422	37,734
Number of users on multiple play offers including a digital Pay TV subscription	33,746	40,308	45,476	46,182	52,472	54,630	61,363	67,387	59,417	60,213	60,801	61,111
Number of digital Pay TV subscriptions	90,220	94,726	104,053	110,236	116,572	123,528	128,254	130,812	132,122	136,014	137,561	138,298
as a percentage of digital Pay TV subscriptions	37.40%	42.55%	43.70%	41.89%	45.01%	44.22%	47.84%	51.51%	44.97%	44.27%	44.20%	44.19%

Table 9: Digital Pay TV subscriptions on a bundled offer

³⁷ It is important to note that the significant shift in the number of Pay TV subscriptions on a bundled offer observed between Q4 2010 and Q1 2011 is the result of a re-classification of data by Melita.

8.3 Pay TV ARPU

The current review is publishing an indicator evaluating operators' revenue submissions per Pay TV subscription (hereafter, also referred to as "Pay TV ARPU"), with figures presented on a quarterly basis.

The ARPU calculation reflects the average quarterly spend by users for Pay TV services and is derived by dividing the total retail revenues for Pay TV services by the average number of Pay TV subscriptions for the period.

The revenue element encompasses total retail revenues from subscriptions to Pay TV services but excludes revenues from premium services, installations and connections. Premium services includes revenues from Sports, Movies, and VOD subscriptions.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter divided by two.

Figure 43 shows that Pay TV ARPU as at Q4 2011 stood at €41.57, which is lower than the corresponding figure in Q4 2010.

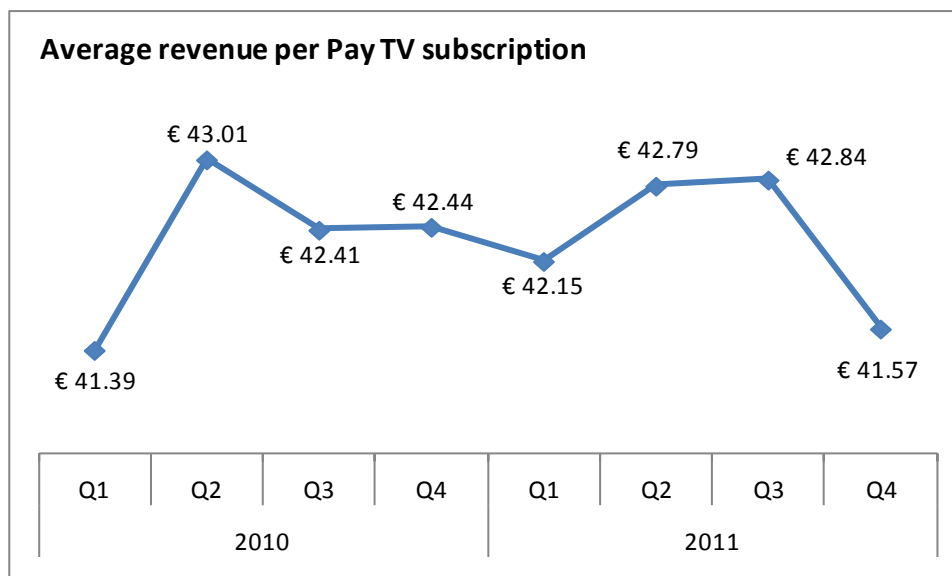


Figure 43: Average revenue per Pay TV user

Any interpretation of developments for Pay TV ARPU should carefully consider existing and evolving market dynamics such as the emergence and take-up of bundled offers, market offerings and occasional discounts and changes to channel line up and content.

8.4 Average advertised rates for Pay TV

This section presents findings based on an evaluation of advertised rates for local Pay TV packages. For ease of reference and practicality, price movements are captured according to five distinct categories: up to 24 channels, 25 to 49 channels, 50 to 74 channels, 75 to 99 channels, and 100 channels or more. Each category would encompass those packages with a number of channels corresponding to the specified range.

In Q4 2011, the average tariff for Pay TV packages listing not more than 24 channels stood at €3.99. This reflects the rate charged (including the access fee) by GO for its long-standing Free+ digital package, rebranded Bronze, which was the only product that featured under this product category at the time.

Under the '25 to 49 channel' category, Melita marketed its Medium Pay TV package, listing 38 channels at the price of €7.76.

On the other hand, GO rebranded its Silver+ Pay TV package to Silver, which listed 43 channels at €14.99³⁸.

Overall, no price movements were reported for the '25 to 49 channel' category over a 12-month period ending 2011.

On the other hand, the average market rate for the category including Pay TV packages listing 50 to 74 channels went down, from €24.99 to €21.99. Only GO featured under this Pay TV category, as it marketed the Gold package (i.e. the Gold+ package rebranded) and the Silver Interactive TV package. The Gold Package listed 58 channels whilst the Silver Interactive Package listed 73 channels.

For the purposes of assessing price movements for this product category, the additional fee of €4.99, associated with access to 8 High Definition ("HD") channels in the Silver Interactive Package line up, is not included in the calculations. This fee will however be taken into consideration when assessing price movements for the '75 to 99 channels' category. This is because, upon paying this fee, a customer of GO's Silver Interactive Package would get 81 channels instead of 73.

³⁸ This tariff, as for all tariffs charged by GO and Melita, include the access fee.

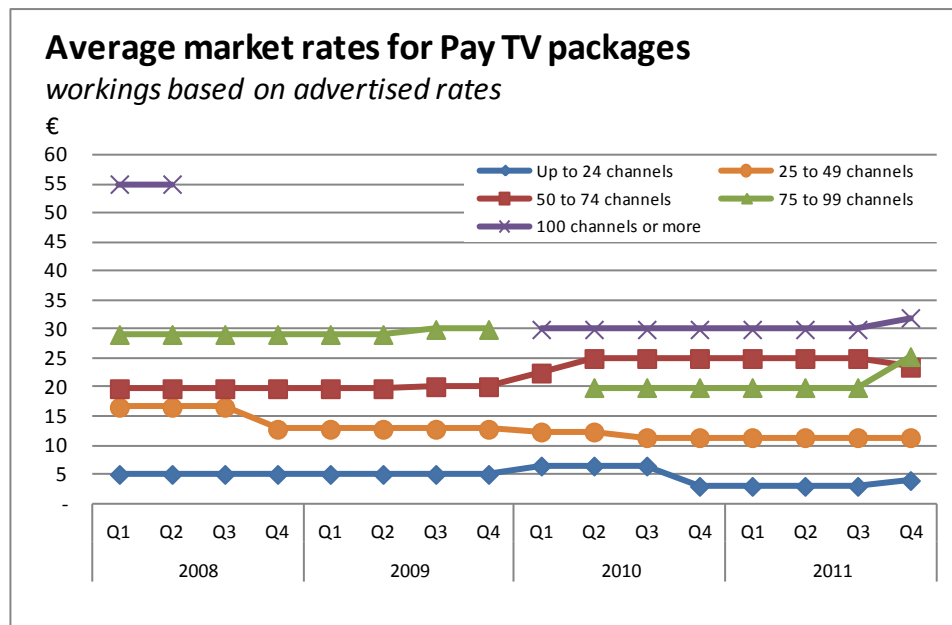


Figure 44: Average market rates for Pay TV packages

Melita has been active in the '75 to 99 channels' and the '100 channels or more' categories for a number of years. Competition intensified in these categories as soon as GO started marketing the Silver Interactive and Gold Interactive Packages in Q4 2011.

Regarding the '75 to 99 channels' category, the average market rate went up from €19.99 in Q4 2010 to €25.32 in Q4 2011. This is because GO's two new packages featuring under this category pushed the average market rate upwards. It is worth mentioning that, for the purposes of this assessment, the additional fee of €4.99, associated with access to 13 HD channels in the Gold Interactive Package, is not included in the calculations, but is accounted for in the assessment of price movements for the '100 or more channels' category. This is because, upon payment of this fee, a customer of the Gold Interactive Package would be entitled to 112 channels instead of 99.

During 2011, Melita also advertised its Large Pay TV package listing 83 channels (up from 80 channels in Q4 2010) at the rate of €19.99 per month (same as in Q4 2010).

With respect to the '100 channels or more' category, both Melita and GO marketed a product at the end of last year. Melita's Extra Large Package, listing 155 channels (up from 150 channels in Q4 2010), was advertised at €29.99 (same as in Q4 2010), and GO's Gold Interactive Package, listing 112 channels, was advertised at the rate of €33.98. As a result of GO's new presence in this product category, the corresponding average tariff rate has been pushed up from €29.99 in Q4 2010 to €31.99 in Q4 2011.

9. Post

Local postal service providers operate within different postal areas. The main distinction arises between those service providers operating within the scope of the universal service³⁹ area, which need a licence to operate, and those operating outside the scope of the universal service area, namely couriers/express mail service providers, who operate under a general authorisation regime.

Over the last few years, the postal sector in Malta has seen an overall decline in mail activity as a result of falling mail volumes within the universal service area, with year-on-year declines of 5.7% in 2009, 0.5% in 2010 and 1.4% in 2011. On the other hand, postal activity in the competitive area has been registering year-on-year growth, with overall mail volumes increasing by 23.9% in 2010 and 4.2% in 2011.

With respect to postal rates, Malta benchmarked well below the EU average over the last three years, with rates standing out amongst the cheapest across the EU.

With respect to the quality of postal service provided, the universal service provider ("USP") has consistently met its legal obligations for the delivery of domestic and cross border mail.

³⁹ The Universal Service refers to the delivery and collection, on every working day, of a minimum set of postal services to any person who requests such services. The universal service covers both inland and cross-border services and includes the following minimum facilities: the clearance, sorting, transport and distribution of postal articles up to 2kg; the clearance, sorting, transport and distribution of postal parcels up to 20kg; services for registered and insured articles; and a basic counter service throughout Malta.

A postal service shall be considered to be within the universal service area (also referred to as within the scope of the universal service) if:

- the postal service is within the description of the universal services as set out in the Postal Service Act (Cap 254 of the Laws of Malta) (the 'Act'); or
- if the postal service is within the description of the universal service set out in the Act, but the collection and delivery is not made on each of the working days as required in the Act, or the postal service is not provided throughout Malta, or the postal service is not provided at an affordable uniform price; or
- the postal service is of a kind that, having regard to postal service users, could reasonably be said to be interchangeable with a postal service that falls within the description a universal service set out in aforementioned Act.

For a detailed description of the postal services that are considered as forming part of the Universal Services including the definition of those services that are considered as falling within the scope of the Universal Service area, kindly refer to the MCA's decision entitled 'Specific Aspects of the Universal Postal Service', which was published on the 25th March 2011. Link to decision: <http://www.mca.org.mt/article/decision-specific-aspects-universal-postal-service-mcad11-0227-0>

9.1 Postal mail volumes

In the second half of 2011, postal mail volumes handled by local operators⁴⁰ totalled 22.6 million items, down by 2.4% over the same period a year earlier.

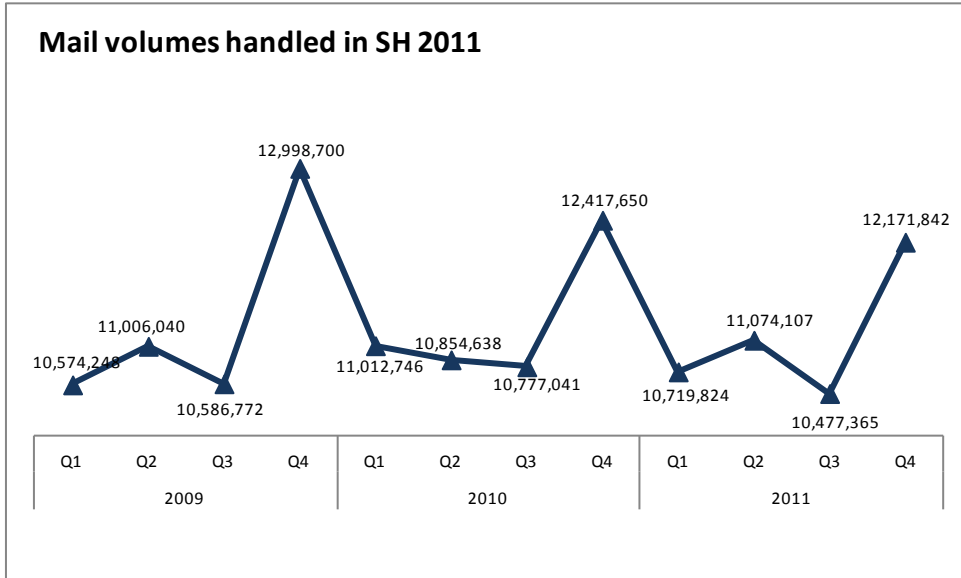


Figure 45: Postal activity - number of handled mail items⁴¹

Postal mail volumes in the universal service area accounted to 98.6% of all mail items handled in the second half of 2011. Postal mail volumes in the competitive area accounted for the remaining share, at 1.4%.

⁴⁰ Maltapost plc (the designated Universal Service Provider, hereafter also referred to as “the USP”) 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 registered postal operators (courier and express services) provide services outside the scope of the universal service area. Postal activity for these operators has been taken into consideration in the current review as from Q1 2009.

⁴¹ Figure 45 shows that postal mail volumes peak in Q4 of each respective year as a result of higher activity registered during the Christmas period. A change to this trend is observed in 2008, with increased mail volumes reported in Q1 of this year as a result of local general elections.

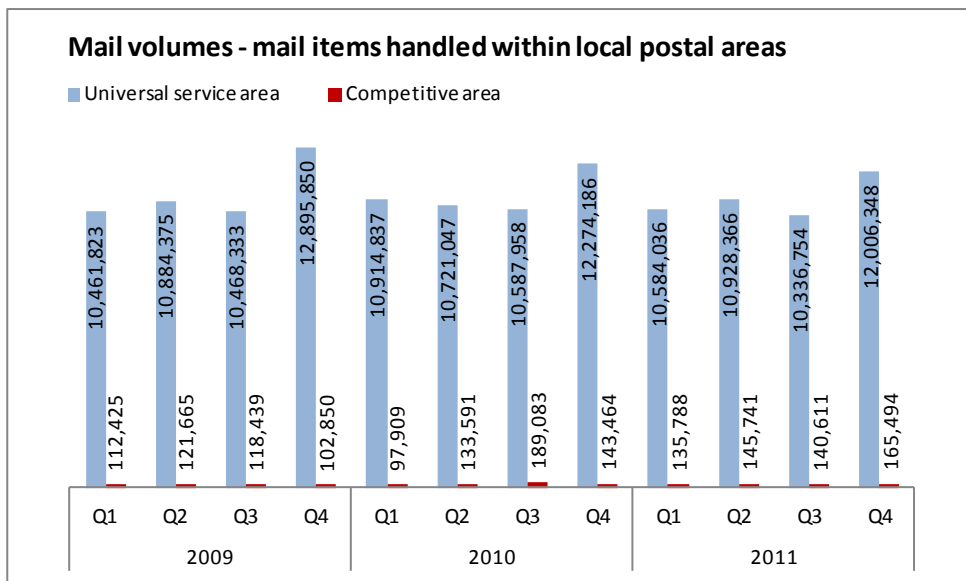


Figure 46: Postal activity - number of handled mail items by postal area

In the second half of 2011, mail volumes handled in the universal service area declined by 2.3% when compared to mail volumes handled in the second half of 2010, down from 22.9 million mail items in the latter period to 22.3 million mail items in the former.

Postal activity within the competitive area in the second half of 2011 was also lower relative to postal activity in the same period of 2010, down by nearly 8%, from 332,547 mail items to 306,105 mail items. Nonetheless, postal mail activity within the competitive area for the whole 2011 was higher than that of the previous year.

A further assessment of postal activity is presented below on the basis of the type of mail and the type of postal mail activity.

Total mail items delivered, by type

The type of postal mail is categorised on the basis four different mail headings: letter post mail items, parcel mail items, bulk mail items and registered mail items.

The number of letter post items handled in the second half of 2011 were up by 0.9% when compared to the second half of 2010. In absolute terms, letter mail volumes handled in the second half of 2011 amounted to approximately 9.5 million mail items. Letter post mail accounted to 41.7% of all mail items handled during the reference period.

Contrary to developments for letter post mail, volumes were down for parcel mail, registered mail and bulk mail. When compared to the second half of 2010, parcel mail volumes in the second half of 2011 declined by 14.2%, registered mail volumes declined by 0.1% and bulk mail volumes also declined by 4.7%.

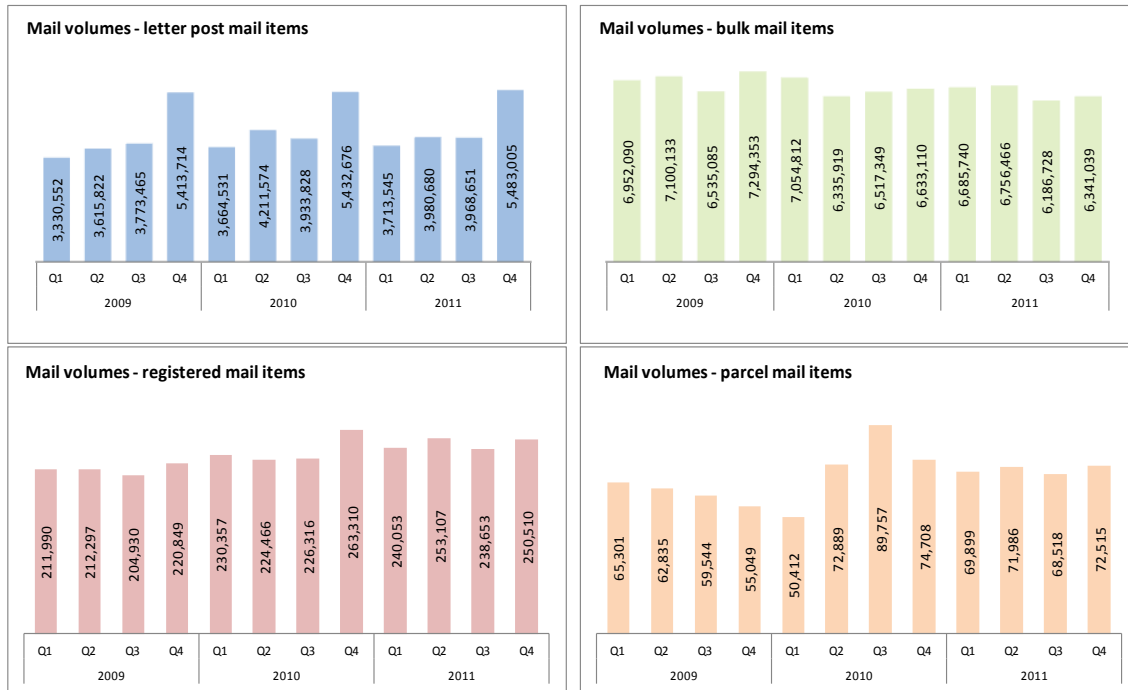


Figure 47: Postal activity – mail volumes by item

Total mail items delivered, by type of postal mail activity

This section distinguishes between three postal mail activity headings: postal activity reported under domestic mail; postal activity reported under outbound cross border mail⁴²; and postal activity reported under inbound cross border mail⁴³.

In the second half of 2011, the domestic mail heading recorded a decline of 3.7% or 681,043 mail items when compared to the second half of 2010. The domestic mail category accounted for 77.4% of all mail activity recorded during the second half of 2011.

⁴² Domestically-originated mail forwarded to foreign destinations.

⁴³ Foreign-originated mail forwarded to Malta.

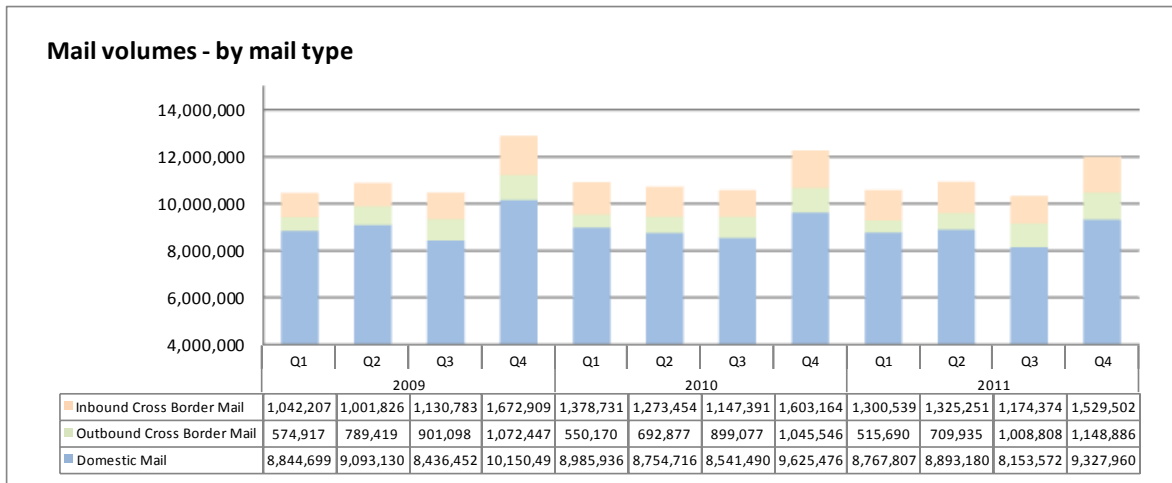


Figure 48: Postal activity - number of handled mail items by type of mail

Volumes of outbound and inbound cross border mail in the second half of 2011 totalled 2.2 million items and 2.9 million items respectively. Volumes were lower than in the second half of 2010 for inbound cross border mail, down by 2.6%. On the other hand, volumes were higher for outbound cross border mail, up by 10.5%.

9.2 Quality of postal delivery service

The MCA has established a series of Quality of Service (“QoS”) targets to ensure that universal service obligations are achieved by Maltapost in its delivery of different mail items.

This section benchmarks Maltapost’s quality of its mail delivery services with respect to the QoS targets for the delivery to destination of local ordinary mail, bulk mail, local registered mail and priority inbound parcels.

The QoS targets for the delivery to destination of local ordinary mail and bulk mail⁴⁴ on the next day (D+1) has been set at 93%.

The QoS targets for the delivery to destination of local registered mail and priority inbound parcels has been set at 97%.

Data for 2009 and 2010 covers Maltapost’s financial year, starting in October to the end of September. As from 2011 onwards, data will be presented on the basis of the full calendar year.

Maltapost met and exceeded its targets for delivering local ordinary mail and bulk mail within one working day. Results for Q3 and Q4 2011 were better than those achieved in Q3 and Q4 of the previous year.

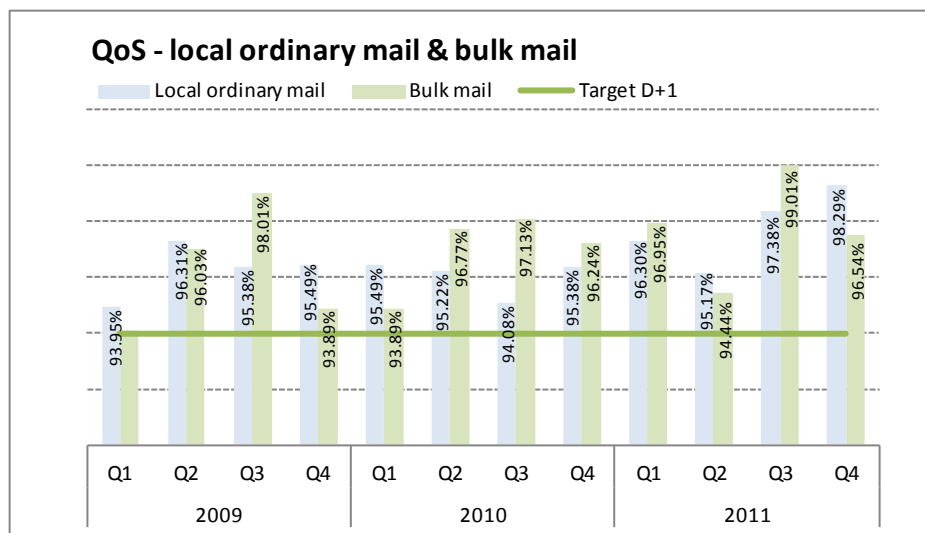


Figure 49: Quality of service - local ordinary and bulk mail

In 97% and 98% of local ordinary mail handling in Q3 and Q4 2011 respectively, local ordinary mail was delivered to destination on the next day.

The corresponding rates for the delivery of bulk mail stood at 99% and 97%.

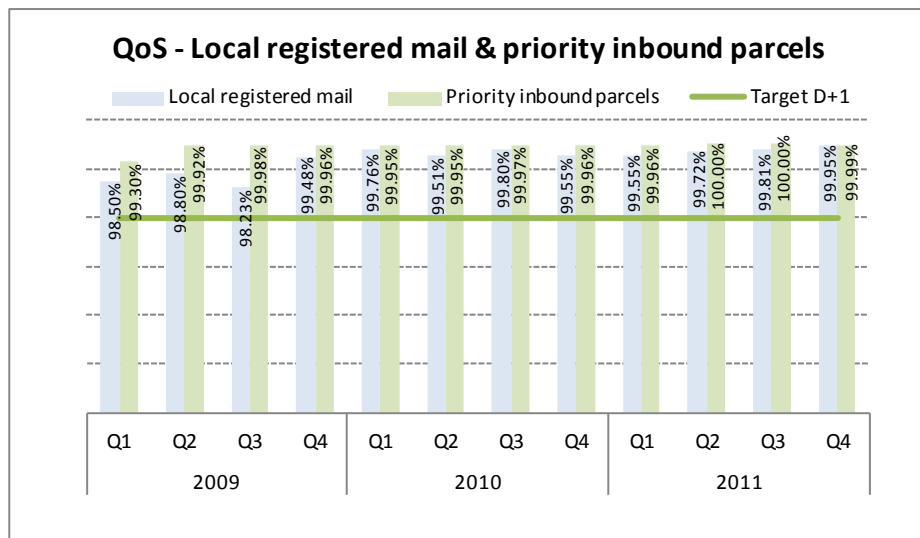


Figure 50: Quality of service - local registered mail and priority inbound parcels

QoS D+1 targets have also been met and exceeded in the delivery to destination of both local registered mail and priority inbound parcels in Q3 and Q4 2011.

In Q3 and Q4 2011, the delivery to destination in D+1 has been achieved in more than 99 percent of handling of local registered mail and inbound priority parcel mail.

9.3 Postal rates: Malta vs the EU

This review makes use of a regular publication by Deutsche Post concerning 'Letter prices in Europe'⁴⁵ in gathering data on local postal rates and how these compare with rates applicable across the EU.

It is of note that local postal rates did not register any changes during the first half of 2011, thereby maintaining the relative stability which characterised these rates in the preceding years.

According to the latest figures published by Deutsche Post in April 2011, Malta's nominal price for a domestic standard letter, at €0.19, benchmarked as the cheapest across the EU. This confirms the trend observed in earlier

⁴⁵ Link to publication: http://www.dp-dhl.com/en/media_relations/press_releases/2011/european_letter_price_survey_2011.html

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publications, whereby Malta always featured 'at the bottom of the ranking' with the lowest rate⁴⁶.

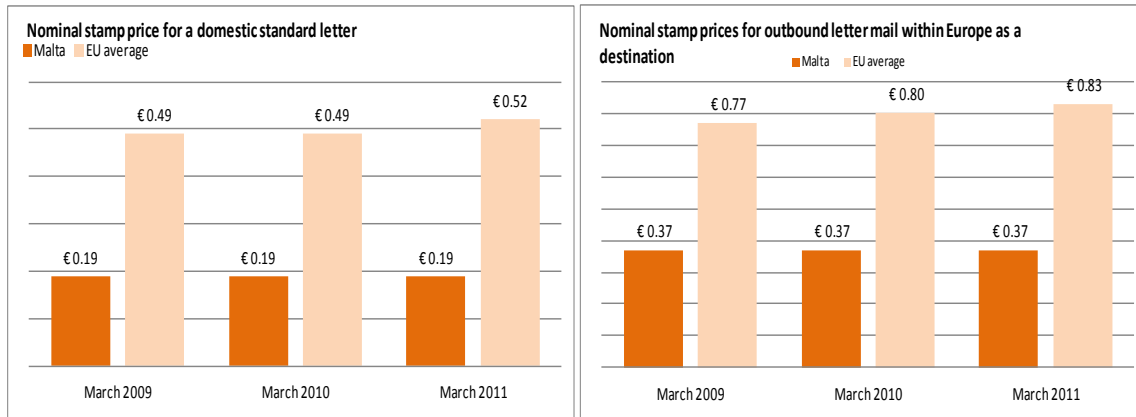


Figure 51: Nominal stamp prices in Malta and the EU

The publication also identifies Malta with the lowest nominal price for outbound letter mail with Europe as a destination, at €0.37, with the result that Malta benchmarks again at the very bottom of the respective ranking.

⁴⁶ The publication findings are based on a survey taking 'into account all postage rate changes that were known at the time of going to print (March 2011)' across the 27 EU Member States, the EFTA countries of Norway and Switzerland. The survey is generally undertaken in March of each year.

10. Consumer affairs

The MCA Consumer Affairs Team deals with complaints raised by consumers on services provided by communications service providers (hereafter, also referred to as "CSPs"). The extent of action that can be undertaken in relation to a complaint⁴⁷ filed with the Authority depends on the nature of the complaint and the MCA's relevant legal powers.

If the complaint involves issues that have a direct regulatory bearing, such as a breach of a regulatory obligation under a law the MCA is empowered to enforce, then the MCA can intervene.

In those instances where the MCA is not empowered to enforce legal action against the relevant CSP, the MCA may try to mediate between the complainant and the service provider involved or alternatively forward the complaint to other relevant authorities.

More information on the Consumer Affairs function and reporting is provided in the publication entitled '*MCA End-User Half Yearly Report (July to December 2011)*'⁴⁸.

11.1 Complaints filed with the MCA

During the second half of 2011, the number of complaints filed with the MCA amounted to 122⁴⁹.

These complaints are classified under the following headings: Internet, mobile telephony, fixed line telephony, Pay TV, postal services, e-commerce, and bundled offers⁵⁰.

The 'others' heading encompasses complaints filed with the MCA but which do not strictly fall within the remit of the MCA and were eventually referred to other authorities.

⁴⁷ More detailed information on the procedures for filing a complaint with the MCA can be found at the following link:

<http://www.mca.org.mt/form/complaint-form>

⁴⁸ Link to report:

<http://www.mca.org.mt/sites/default/files/articles/Consumer%20Half%20Yearly%20Report%20%28July%20-%20December%202011%29.pdf>

⁴⁹ This number does not include complaints related to radiocommunications (mainly EMF and interference issues).

⁵⁰ Complaints not falling under any of the above-mentioned categories feature under the *Others* heading.

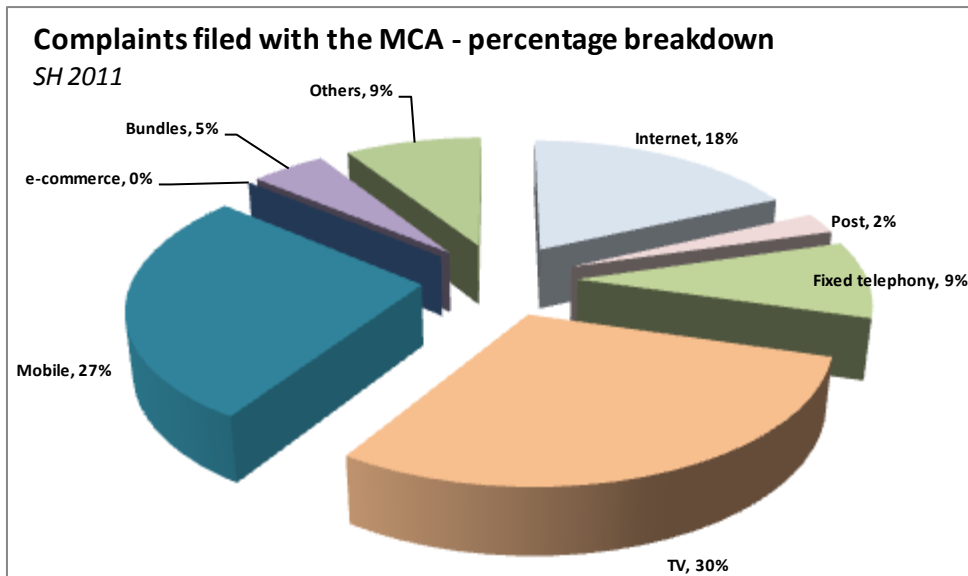


Figure 52: Percentage breakdown of complaints filed with the MCA in the second half of 2011

30% of all complaints filed with the MCA in the second half of 2011 concerned the TV broadcasting service. A further 27% concerned mobile telephony. The corresponding figures recorded in the second half of the 2010 stood at 27% and 25% respectively.

Another 18% of all complaints filed with the MCA in the current reporting period concerned the Internet, and 9% concerned fixed line telephony. Complaints related to bundles and post accounted for 5% and 2% of all complaints received respectively.

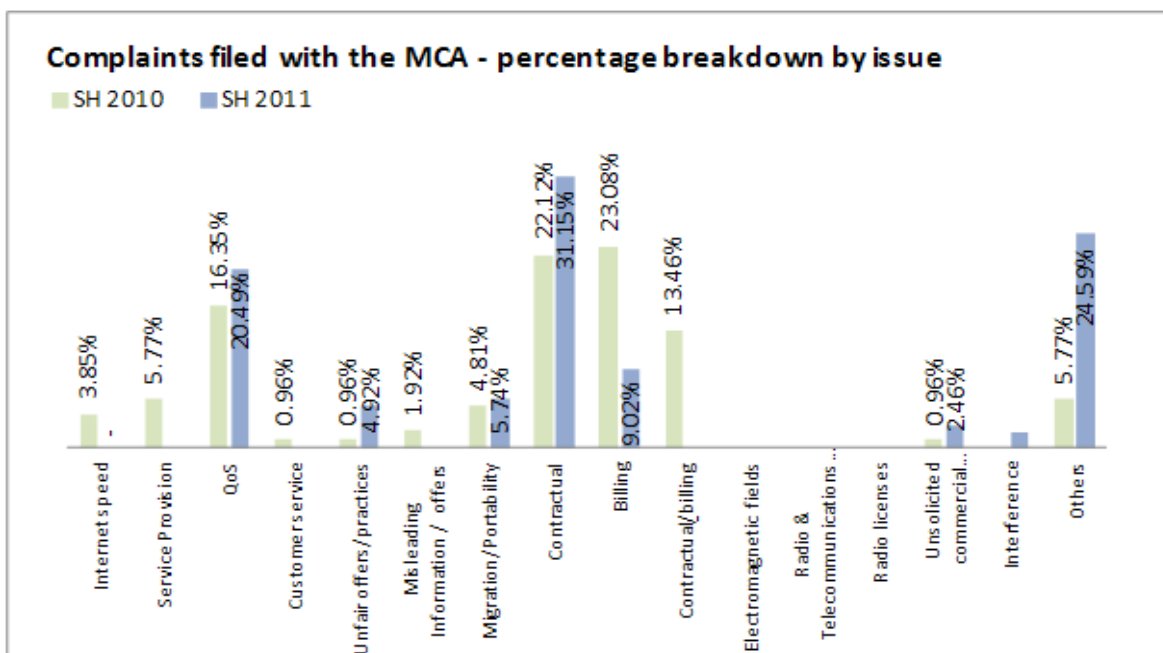


Figure 53: Percentage breakdown of complaints filed with the MCA, by issue

Disaggregating the complaints filed with the MCA by issue shows that 31% of all concerns raised by complainants in the second half of 2011 were related to contractual obligations imposed on consumers. A significant share of 9% and 20.5% of all concerns raised with the MCA were related to billing activities and quality of service offered by local operators respectively.

During the period under review, the MCA also received complaints concerning poor service quality, potentially misleading information and unfair commercial practices, and shortcomings in the migration of services between local operators. Together these matters accounted for 17.4% of all complaints received by the MCA during the said period.

11.2 Dealing with justified complaints

In the second half of 2011, the MCA recorded 122 customer complaints against local service providers. In 65% of the cases recorded and investigated, the MCA did not find justification to proceed against the local service provider concerned.

In the remaining cases, i.e. 43 complaints of the total, the MCA found sufficient justification to proceed further. In this regard, 26 complaints concerned mobile telephony services, eight complaints concerned fixed broadband services, four complaints concerned Pay TV services, three complaints concerned bundled offers and two complaints concerned fixed line telephony. No complaints concerned postal services.

With respect to mobile telephony, 12 complaints considered justifiable by the MCA involved GO Mobile, nine involved Melita, four involved Vodafone, and one involved Redtouchfone.

With respect to fixed broadband internet, five complaints involved GO and three complaints involved Melita.

With respect to Pay TV, three involved Melita and one involved GO.

When it comes to complaints concerning fixed line telephony, two justified complaints were recorded and both involved GO.

On complaints concerning bundled offers, the MCA found sufficient grounds to proceed further on three complaints against Melita.

By the end of 2011, around 90% of the 'justified' complaints were solved and 10% referred to other entities. No complaints remained pending.

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13. Glossary of Terms

ARPU	Average revenue per user. Total revenues of the operator divided by the average number of active subscribers during the period. Total revenues include revenues from monthly access fees, revenues from all local and international voice call activity (excluding interconnection revenues), revenues from roaming activity but excluding inbound roaming revenues, revenues from MMS and SMS activity, and revenues from data services.
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.

14. Legal Disclaimer

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