

ANNUAL
REPORT &
FINANCIAL
STATEMENTS
2013



MALTA COMMUNICATIONS AUTHORITY



CONTENTS

1. FOREWORD
2. LIST OF BOARD MEMBERS AND MANAGEMENT COMMITTEE
3. GENERAL MARKET OVERVIEW
4. THE INDUSTRY
5. THE CONSUMER
6. BUILDING A DIGITAL MALTA
7. CORPORATE DEVELOPMENTS, INITIATIVES AND ONGOING REGULATORY ACTIVITY
8. PARTICIPATION IN INTERNATIONAL FORUMS
9. LIST OF CONSULTATIONS AND DECISIONS
10. ANNEX
11. FINANCIAL STATEMENTS



1. FOREWORD

In recent years the communications industry has faced tough economic challenges, which tested the mettle of the operators. In Malta, the service providers have weathered the storm remarkably well and the outlook is upbeat and exciting. Constant infrastructural investment, sustained competition, innovation, as well as a progressive regulatory framework continues to spur growth in the local communications scenario. Our telecoms industry has proved to be resilient, mostly because it was innovative. This has served to secure Malta's place amongst the front-runners in an increasingly competitive, knowledge-based European environment.

The communications sector is undoubtedly at the heart of the digital economy and one on which many other sectors depend, from health and education, to gaming and banking. It is a sector that is critical for continued social and economic growth, rendering our work all the more important for the industries that we regulate, and also for the economy as a whole. The President Elect of the European Commission, Jean-Claude Juncker has placed digital technologies and the regulation of electronic communications, copyright and data protection at the heart of his agenda for the next European Commission. He is right, and although we may differ along the way, we certainly agree on one fundamental point. We must give these sectors top priority, because the work we will do in this regard, both at a national and EU level, will certainly define our collective future.

In the second year since I took up office at the Malta Communications Authority, I can confidently look back at 2013 with a sense of achievement. It is a year that

marked significant developments which panned out in quick succession - another testament to the strength of this industry and to the fact that despite its size, Malta has the potential to sustain a competitive communications industry, providing services which often exceed, in terms of quality, what is available in the rest of the EU.

In June, despite the availability of a 100 Mbps broadband service on a nationwide basis, Melita launched a 250 Mbps service, pushing Malta further forward in terms of ultra-fast broadband provision. In October, almost a year earlier than expected, Vodafone launched the first LTE network in Malta, confirming that limitations in terms of economies of scale and availability of spectrum, are no deterrent to continued investment. November brought with it a widespread WiFi offering by Melita, which allows its customers to enjoy WiFi internet access outside of their home and office. This is an innovative, complementary service to its 3G mobile offering. On its part, GO did not fall short of contributing to developments in the sector, announcing the roll-out of a Fibre-to-the-Home service in two central localities as part of an extensive field test, raising expectations of a roll-out on a national level in the very near future. This would be a huge venture in terms of financial investment in this country; but also, and perhaps more importantly, it would contribute significantly to Malta's Digital Strategy.

In terms of usage, our data has confirmed that overall, figures are on the upward climb with the mobile sector, not surprisingly, registering the most significant growth, particularly in terms of mobile data usage. The Maltese population is now spending at

least 1.8 million minutes on mobiles each day. Fixed broadband also registered a growth of approximately 1.6%, despite an already high penetration rate. Malta continues to achieve a broadband penetration rate well above the EU average and currently ranks 7th of all Member States in this regard.

Unquestionably, these figures augur well for a truly connected future. Malta is on its way to achieving many of the Digital Agenda targets, in some cases well ahead of the deadline. I will not dwell further on statistics, nor will I give a rendition of what the Authority has undertaken in the past year. This publication documents this in detail. The Authority will only continue to be relevant and make a meaningful contribution by looking forward and constantly reinventing itself in order to be able to gear up for the challenges that lie ahead.

The challenges for operators are not only financial in nature; the digital world is changing on seasonal bases. A mobile phone no longer serves its traditional purpose. The common reference to a 'phone' is only due to legacy and certainly not to functionality. Handsets today have evolved to provide a plethora of functions from traditional telephony, to still and video camera functionality, internet capability and gaming, to mention but a few. Whereas previously, we talked of dual, triple and even quad play operators, today the line between converged telecoms service providers and online multimedia operators is becoming blurred as these are successfully competing head-to-head with traditional pay TV and telephony services. The service itself is secondary to the type and the amount of content that consumers want and expect to

consume over one device. Consumer demands and expectations, coupled with innovation in product development, have provided new opportunities for undertakings to rethink their business models as the telecoms, media and technology services are evermore converged. This begs the question – how is the communications industry adapting to the requirements of this new digital age? More importantly, what is the role of the regulator in these changing times?

We have now closed the chapter on liberalisation. All the communications sectors are fully liberalised, markets are operating efficiently, competition is, to a large degree, sustained, whilst service take-up and usage, in most cases, is going from strength to strength. This does not mean that our work ends here. Market forces alone are not enough to ensure continued investment in the long term.

It is time to take a deeper look into the sector and rethink our mission and restate our rationale. The relevance of our regulatory functions and responsibilities remains unabated. Regulation is essential to ensure that competition is sustained and that consumers continue to benefit from more innovative products and services at a fair price. Regulation is however in maintenance mode and we are now focussing our efforts on taking a direct and active role in enhancing value in the sectors by encouraging further investment and innovation, attracting high-end businesses to our shores and capitalising on the opportunities brought about in this regard. Our role as facilitator and motivator is ever more important.

The wheels have already been set in motion. Proposed legal amendments to the Malta Communications Authority Act have been endorsed and enacted by Parliament, giving the Authority

increased scope, particularly in the field of innovation. This means that we have ample opportunity to synergise our efforts with other entities, both on the local and international scene and injecting new life into a maturing digital economy. This is our future.

We will continue to focus all our energies on encouraging further growth and investment, promoting technology and service innovation with the ultimate objective of promoting competitive prices, increased consumer choice and greater service penetration. We will also continue to ensure that every individual and business recognises the benefits of technology, and has the necessary skills and competences to participate effectively in a digital economy. In light of all these developments, we must be vigilant not to lose sight of the individual user, in particular vulnerable users. In this regard, the Authority will continue to ensure that no effort is spared in educating not only minors, but also parents, educators and guardians, on the safe use of the Internet with a view to making sure that this generation's digital natives become true digital citizens. The Authority will, furthermore, persevere with its belief that consumer protection and fair competition issues in communications matters should naturally fall within its remit. This will not only eliminate bureaucracy and afford fair treatment to the consumer, but it will also give the Authority a comprehensive regulatory function necessary in the ever-changing digital world.

Thus far, 2014 is proving to be a promising year.

On the eCommerce front, we are gearing up to implement the new National eCommerce Strategy 2014 -

2020 – an ambitious strategy that aims to ensure that Malta does not miss out on the world of eCommerce.

The standard postal service requires its dose of innovation, of commercial nous. Whilst parcel mail volumes increased by an impressive 29.5%, partly due to the increased number of individuals who are resorting to purchasing online, in the provision of the standard postal service, thinking ahead is essential in order to continue to ensure an efficient and sustainable universal postal service.

Work related to our new functions is also well underway.

Cloud computing is the new buzz word – the new information power plant. We have conducted a preliminary study on the benefits, challenges, economic drivers and competitiveness factors in establishing Malta as a world-class hub for the provision of such services. The MCA will be setting up a working committee to establish a roadmap for a pro-innovative framework, which addresses security and legal, fiscal, standards and certification issues, to ensure that Malta becomes a leader in this field. A critical ingredient for this to materialise is reliable and robust international connectivity.

The last few years were characterised by an enormous expansion in Malta's international connectivity and communications capacity. Developments in this regard are far from slowing down. We are now undertaking a detailed technical, economic and financial feasibility analysis for a new submarine cable link connecting Malta to other alternative locations. This will certainly enhance the resiliency and quality of the current international telecommunications

connectivity. It is a critical step towards transforming Malta into a truly cloud-ready nation.

Spectrum also plays an important part. Making the best use of this scarce resource, ensuring an industry-friendly spectrum management policy and collaborating and coordinating in full with neighbouring countries is imperative for the continued sustainability of the sector. The Authority is also looking into options for further expanding Malta's potential to attract satellite-based service providers, including exploiting the satellite resources which are registered to Malta by the International Telecommunications Union.

I strongly believe that the Authority is in an excellent position to deliver the goods on its new and expanded mandate. It has the vision, energy and the required competencies to obtain truly meaningful results.



Dr. Edward Woods
Chairman



2. LIST OF BOARD MEMBERS AND MANAGEMENT COMMITTEE

Board Members

Edward Woods
Chairman



Sarah Kennard
Member

Godfrey Vella
Member



Phelim Cavlan
Member



Alexandra Mizzi
Member



Rodianne Borg
Board Secretary

Management Committee



Ian Agius

Chief of Operations



Steve Agius

Chief of Information Management
and Development



Celia Falzon

Chief of External Relations



Helga Pizzuto

Chief of Spectrum Management & Technology



Patrick Vella

Chief of Policy & Planning

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

This document does not however constitute commercial, legal or other advice however so described. The Malta Communications Authority (MCA) excludes any warranty and/or liability, expressed or implied, as to the quality, completeness, adequacy and accuracy of the information, statements and statistics contained within this document.

The MCA reserves the right to change and update the information, statements and statistics provided in the current and previous documents at its discretion and without prior notification and assumes no obligation to update the document on the basis of suggestions, comments and/or queries made by third parties.

The MCA assumes no responsibility for any consequences that may arise in the absence of such changes and/or updates.

To the fullest extent permitted by law, neither the MCA nor any of its officers, however so described or agents, will assume responsibility and/or liability for any loss or damage, including losses or damages such as loss of goodwill, income, profit or opportunity, or any other claim of third parties, arising from, or related to, the use of the content of this document.

3. GENERAL MARKET OVERVIEW



THE COMMUNICATIONS MARKETS AT A GLANCE

Electronic communications economic contribution	€139.9 million (or 2.2% of GVA)
Number of active fixed line subscriptions	231,331
Fixed line portings	1,659
Total number of outgoing fixed calls	177.9 million
Total number of outgoing fixed minutes	611.2 million
Number of mobile subscriptions	556,652
Mobile portings	41,321
Total number of outgoing mobile calls	482.3 million
Total number of outgoing mobile minutes	652.8 million
Total number of outgoing SMSs	589.1 million
Fixed broadband subscriptions	143,010
Subscriptions on speeds less than 10Mbps	18,950
Subscriptions on speeds equal to 10Mbps but less than 30Mbps	85,466
Subscriptions on speeds equal to 30Mbps but less than 100Mbps	37,595
Subscriptions on speeds equal to 100Mbps or more	999
Pay TV subscriptions	148,905
Number of analogue cable subscriptions	7,495
Number of digital cable subscriptions	73,172
Number of DTTV subscriptions	62,284
Number of IPTV subscriptions	5,954
Postal mail volumes	41.4 million
Domestic postal mail volumes	33.1 million
Inbound cross-border mail volumes	5.5 million
Outbound cross-border mail volumes	2.8 million

MARKET OVERVIEW

Unsurprisingly, fixed telephony traffic continued on its downward trajectory, mainly as voice usage shifted to mobile and to some extent, to Over-The-Top (OTT) messaging and voice calling alternatives. Nevertheless, consumers retained their fixed line subscription, most likely as a result of the service forming part of a bundle with other electronic communications services. On this note, the proportion of users bundling the purchase of fixed telephony services with other electronic communications services increased by almost 12,000 during 2013.

The mobile sector continued to experience solid growth, both in terms of subscriptions and traffic volumes. Interestingly, mobile traffic volumes grew at a faster rate than subscriptions, having a significantly positive impact on the mobile usage levels per subscriber. This development coincided with a reduction in fixed telephony usage levels per subscriber, thereby confirming a stronger substitution between fixed line and mobile voice call services. In fact, the number of mobile calls per user increased by 25% year-on-year, to reach 886 in 2013, whilst the number of fixed calls per user fell by 7.3% to 772. At the same time, the number of mobile voice call minutes per user increased by 8.9%, whilst the number of fixed line voice call minutes declined by 6.6%.

Such shifts between fixed and mobile telephony are further explained by price developments, particularly as the average rate per minute of mobile communications for national calls was down by 7% in 2013, when compared to the previous year. At the same time, the average rate per minute of fixed line communications for national calls remained unchanged.

Another area showing sustained growth relates to mobile data usage levels. The results are very encouraging as service providers continued to see an increase in the number of users making active use of mobile broadband services. Figures show that Malta's take-up of mobile broadband (or mobile broadband penetration) is rapidly catching up with the EU average. In fact, the number of active mobile broadband connections via 3G-enabled mobile subscriptions increased by approximately 14.5%, from an average of 188,000 in the period January to July 2012 to an average of 215,000 in the corresponding period of 2013. Another key result in 2013 relates to a 5.3% increase in the number of fixed broadband connections, which was mirrored in a rising fixed broadband penetration rate to 33.8% by the end of the year. Results were particularly encouraging with regard to the take-up of fixed broadband connections supporting download speeds of 30Mbps or more, which tripled during 2013.

As for Pay TV services, take-up increased by 0.7% in 2013, following a decline of 1.2% reported in 2012. This increase happened despite competition from online TV entertainment, which is becoming more popular with consumers, as fixed broadband download speeds improve.

This review also covers some data and trends concerning the postal sector in Malta. Mail volumes in 2013 continued to decline from those recorded a year earlier, specifically as losses in the standard letter mail business continued to outweigh gains recorded in terms of the delivery of bulk mail, registered mail and parcel mail.

THE PERFORMANCE OF THE COMMUNICATIONS SECTORS

Economic contribution by the electronic communications and postal sectors

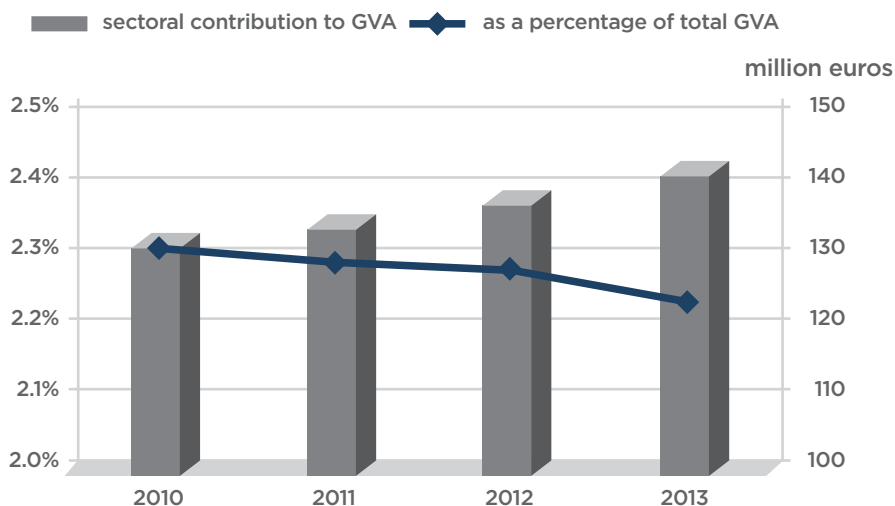
The electronic communications and postal sectors contributed positively to economic growth in 2013, as each sector realised an increase in Gross Value Added (GVA)¹.

Electronic communications sector

Data gathered by the NSO indicates that the electronic communications sector's contribution to GVA in 2013 totalled almost €140 million, up by 2.8% from the previous year. This corresponds to 2.2% of the national economy's GVA.

Contribution by electronic communications to national GVA

Source: National Statistics Office



Two important components of a sector's GVA are compensation to employees and the operating surplus (or pre-tax profits). Compensation to employees in the electronic communications sector was negatively impacted, falling by

almost 14%, most likely a direct effect of a drop in employment levels. In fact, the average number of 'full-time equivalent' telecoms employees decreased from 1,586 in 2012 to 1,552 in 2013.

At the same time, the operating surplus reached €45 million, a significant improvement of 72% over that recorded in 2012.

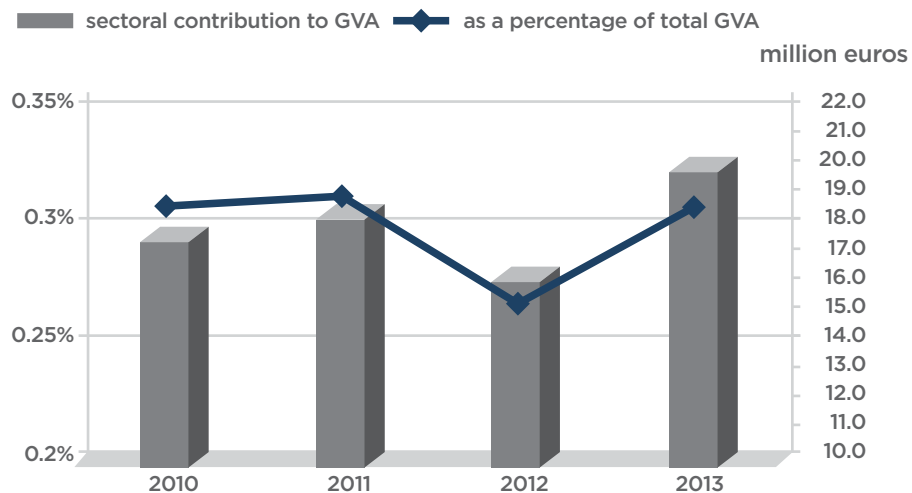
¹ Gross Value Added is a measure of the value of goods and services produced by the economy or a particular sector of the economy.

Postal sector

In 2013, the postal sector contributed €19.6 million or 0.3% to the national GVA.

Contribution by the postal sector to national GVA

Source: National Statistics Office



Data shows that compensation to postal employees totalled around €14 million, a marginal increase of almost 4% over 2012, whilst operating surplus for the sector increased to €4.1 million, up from around €2.7 million in 2012.

The average full-time equivalent employment levels in the postal sector showed an increase of 1.9%, from 806 in 2012 to 821 in 2013.

FIXED LINE TELEPHONY

Developments in the fixed line sector clearly demonstrate changing consumer preferences and significant price-based competition, particularly from the mobile sector.

For a number of years, the focus of local service providers in the fixed telephony market has been on packages that bundle fixed line access and usage with other electronic communication services. This has proven to be an important strategy to retain fixed telephony customers. It must be noted that while the local fixed line telephony subscriber base expanded by 0.7% in 2013, consumer demand for bundled products grew at a much faster rate. In fact, the number of fixed telephony subscriptions on a bundle at the end of 2013 was up by 13.6% when compared to 2012.

The fixed telephony sector was also marked by a further adjustment in the

mix of customers, particularly as the number of pre-paid subscriptions grew at a faster pace than the number of post-paid subscriptions. As a result, the proportion of fixed telephony subscribers who were pre-paid customers increased during the year.

Another key development relates to falling fixed line activity levels throughout the year in contrast to rapid growth in the usage of mobile voice services and, to a certain extent, to OTT services. On average, each fixed telephony subscriber made 64 calls and consumed 221 minutes per month in 2013, down from 69 calls and 237 minutes per month in 2012.

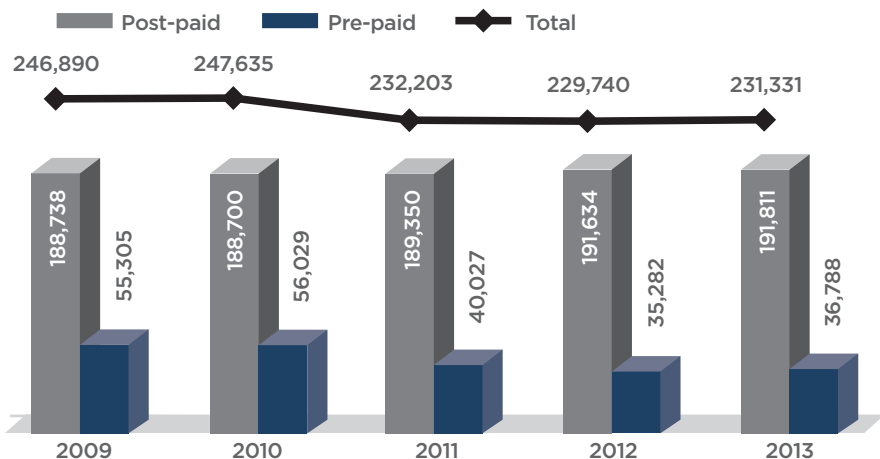
The sector is also experiencing healthy price competition as a result of strong efforts by service providers to retain their market share. The ongoing regulatory intervention by the MCA,

brought down local Fixed Termination Rates (FTRs) to cost-oriented levels. In this regard, local FTRs went down to 0.0443 Euro cents per minute in June 2013, from 0.7163 Euro cents per minute in 2012.

Fixed line subscriptions

The number of fixed line subscriptions totalled 231,331 at the end of 2013, with subscriptions on a post-paid contract accounting for almost 83% of the total. Subscriptions on a pre-paid contract accounted for a further 16% of the local fixed line telephony subscriber base and 'enhanced' or multiple line subscriptions accounted for the remaining share.

Subscriptions as at end of period



At the end of 2013, almost 51% of post-paid fixed line telephony subscriptions were signed up to a bundled package, combining fixed telephony with other electronic communications services, up from 45% at the end of the previous year.

Fixed telephony subscriptions in a bundle	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	80,798	83,462	85,458	85,898	84,861	89,854	93,318	97,577
Dual play	33,810	34,641	35,290	35,521	34,167	33,056	33,329	33,715
Fixed telephony + Mobile telephony	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443
Fixed telephony + Fixed broadband	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349
Fixed telephony + Pay TV	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Triple play	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376
Fixed telephony + Mobile telephony + Fixed broadband	304	437	405	-	361	344	325	289
Fixed telephony + Fixed broadband + Pay TV	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Quad play	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Fixed telephony + Fixed broadband + Pay TV + Mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of post-paid fixed telephony subscriptions (end of period)	188,159	189,891	190,425	191,634	190,978	191,017	191,173	191,811
As a percentage of total number of post-paid fixed telephony subscriptions	42.94%	43.95%	44.88%	44.82%	44.43%	47.04%	48.81%	50.87%

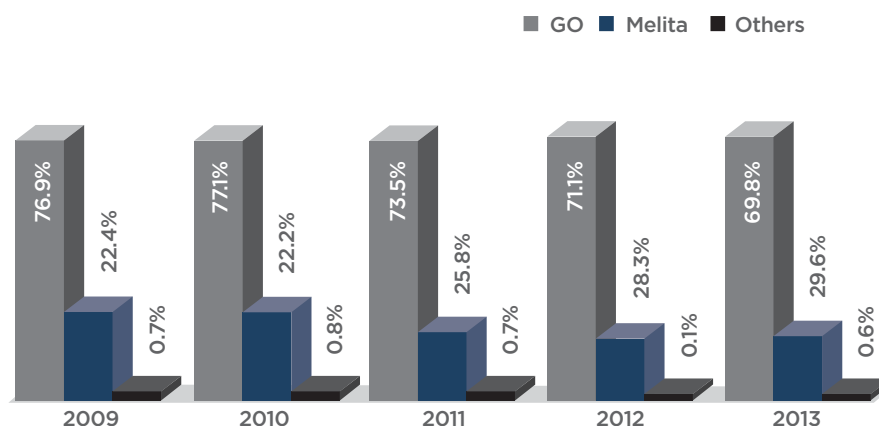
Market shares in terms of subscriptions

Figures show that GO experienced further declines in its market share, falling by 1.3 percentage points, from 71.1% in 2012 to 69.8% in 2013. Meanwhile, GO's main competitor, Melita, registered a gain of 1.3 percentage points in its market share of fixed access, to reach 29.6% at the end of 2013.

Vodafone (Malta), Ozone Malta and SIS together retained their 0.6% market share.

Market shares in terms of subscriptions, as at end of 2013

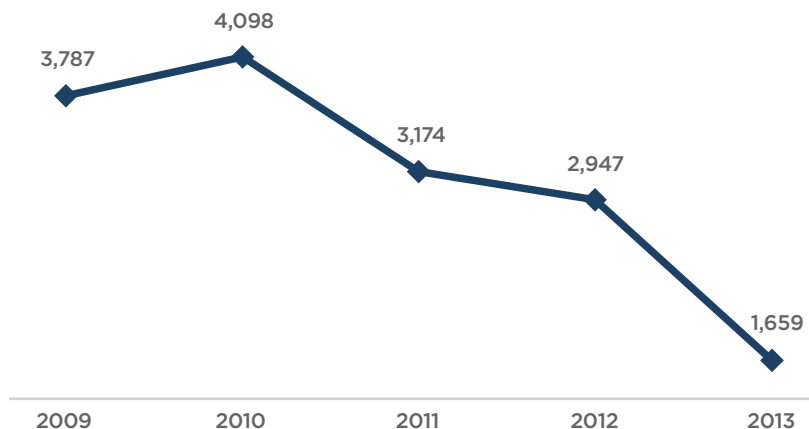
In percentages



Fixed line inward portability

The number of fixed line inward portings in 2013 was down by a significant 44% compared to that recorded in 2012, from 2,947 to 1,659. It is anticipated that as more consumers opt for fixed telephony subscriptions forming part of a bundle, the number of fixed line inward portings will continue to fall.

Fixed line portings



Traffic volumes

Fixed line traffic volumes declined in 2013 when compared to the previous year, with the number of fixed calls and fixed minutes down by 7.5% and 6.8% respectively.

This outcome is mainly a result of increased mobile usage, as the average rate per minute of mobile communications reached a new low.

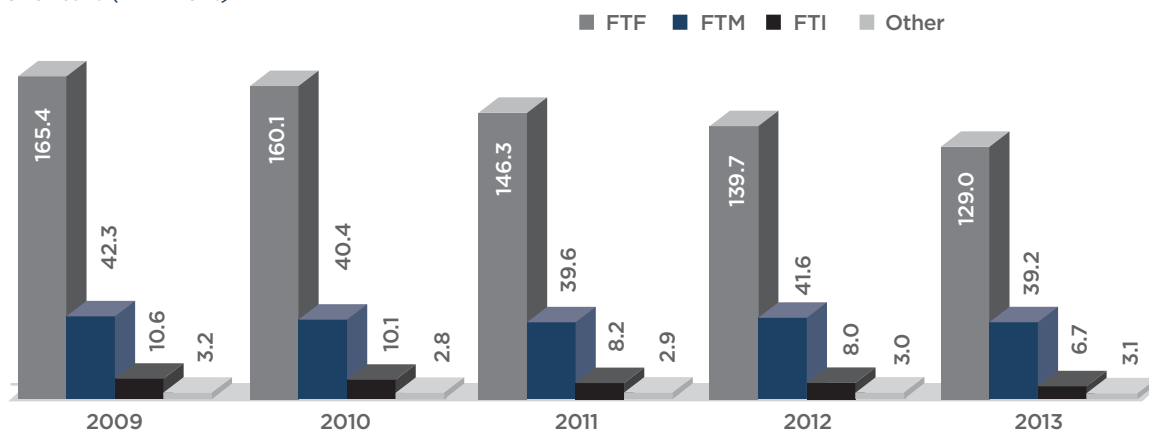
Voice calls

Fixed calls to the same network or on-net voice calls, accounted for 52% of all fixed-line originated calls. This fixed telephony traffic segment suffered one of the largest losses, as volumes in 2013 were down by 8.8% when compared to 2012. Meanwhile, fixed calls to other fixed networks or off-net voice calls, were also down by 4.7%. Fixed-to-Mobile (FTM) calls were down by 5.8%, whilst Fixed-to-International (FTI) calls declined by 16.5%.

The only exception to this general downward trend relates to premium and freephone calls, which increased by 2.8% year-on-year.

Fixed telephony traffic volumes

Number of calls (in millions)

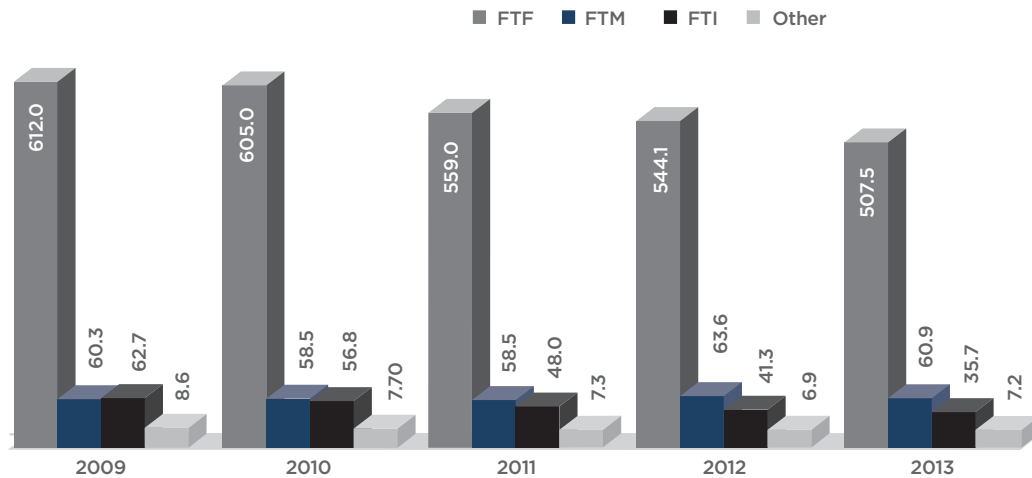


Voice call minutes

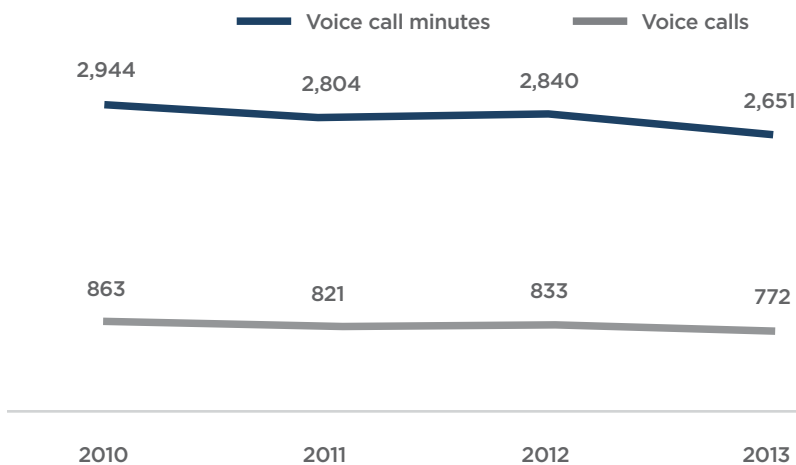
In terms of voice call minutes, the number of on-net Fixed-to-Fixed (FTF) minutes in 2013 was down by 7.5% when compared to the previous year. Meanwhile, the number of FTI minutes was down by 13.5% and the number of FTM minutes fell by 4.3%. Premium and freephone traffic increased by 4.2%.

Fixed telephony traffic volumes

Number of call minutes (in millions)



Traffic activity per subscriber



Price competition

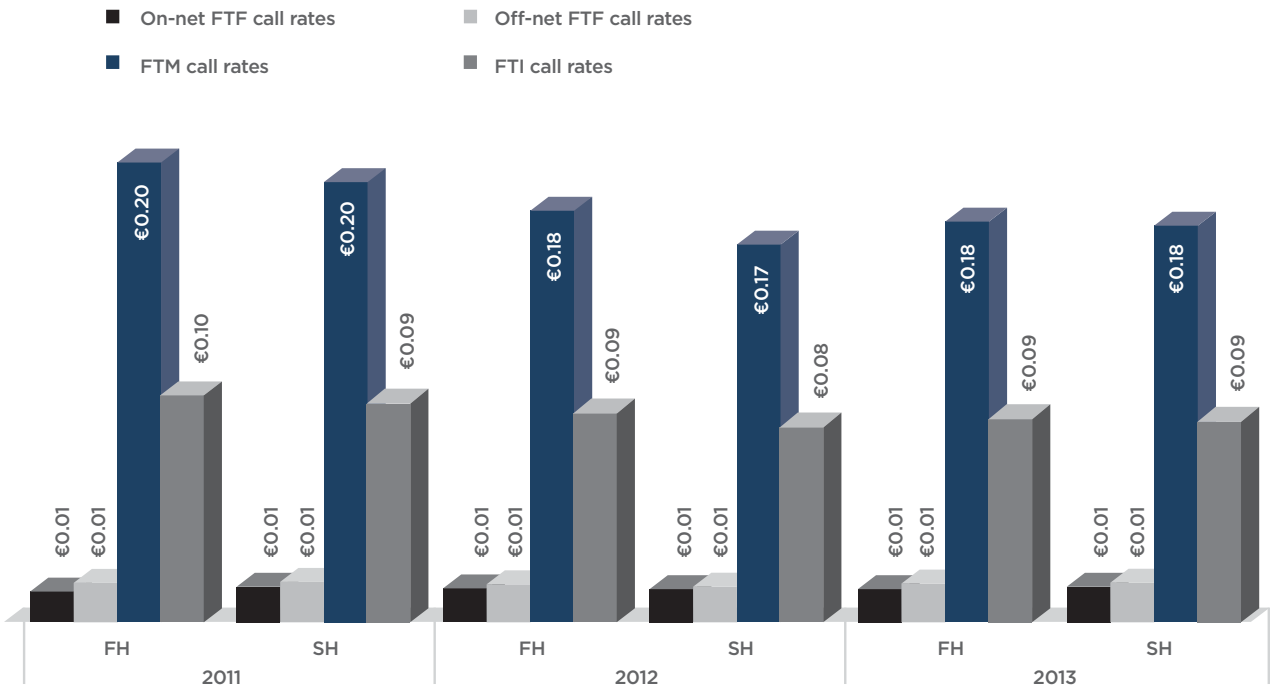
2013 was a relatively stable year in terms of fixed telephony prices. This is not surprising in view of the fact that fixed telephony tariffs have been very low for a number of years. This contrasts with the continued decline in mobile call rates, which has triggered further substitution to mobile usage.

The Authority monitors fixed line telephony tariffs trends through a revenue-based calculation, which is used to derive the Average Rate per Minute (ARPM)² of fixed line communications.

The ARPM for on-net and off-net FTF calls stood at €0.01 in 2012 and 2013.

Average rate per minute of fixed line communications

Based on revenues per call



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

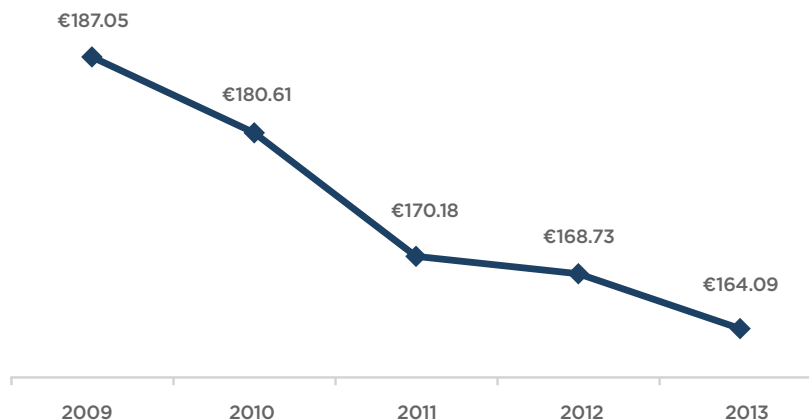
Average Revenue per Fixed User (ARPU)

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

Fixed telephony ARPU figures are derived by dividing total revenues of the operator, by the average number of active subscriptions, for a given period³. Revenue includes all revenues from access and voice calls (including revenues from freephone and premium calls but excluding interconnection revenues).

With the number of voice call minutes falling and the average call rates remaining unchanged, coupled with the reality that less subscribers are opting for a stand-alone service, fixed telephony ARPU declined by 2.7%, from €168.73 in 2012 to €164.09 in 2013.

Average revenue per fixed telephony user



³. 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.

MOBILE TELEPHONY

In contrast to fixed telephony, 2013 was a particularly good year for the mobile sector. Growth was registered in the total number of subscribers, especially in the post-paid segment of the market. Furthermore, a more rapid growth in usage of voice and data services was recorded.

Local service providers continued with their efforts to strengthen their market position by providing more value to customers and attempting to attract more high-value users to their network. On various occasions, local service providers launched new targeted offers encompassing voice call and data allowances, in combination with subsidised mobile handsets and discounted monthly access fees. The MCA's regulatory decisions on mobile termination charges encouraged further

price competition in the market. It is therefore no coincidence that the number of mobile subscriptions at the end of 2013 was up by 4.6% and the number of mobile voice calls and voice call minutes last year was up by 29.3% and 12.5% respectively.

Service providers also focused more closely on the mobile broadband market, enhancing their product portfolio and offerings to sustain growth in this activity. Over and above their continued investment in their nationwide 3G/4G network, service providers offered an attractive line-up of smartphones and mobile broadband devices at discounted prices. This strategy has successfully boosted revenues from the sale of smart devices whilst enticing the customer base to make more use of mobile broadband.

The combination of higher quality broadband services, more favourable data rates and more reasonably priced handsets contributed to a significant increase in the usage of mobile broadband. The latest MCA Consumer Perceptions Survey on mobile telephony⁴ carried out last year provided data on smartphone ownership, which doubled in two years, as the proportion of mobile subscribers owning a smartphone went up from 16% in 2011 to 33% in 2013. The survey also shows that the proportion of those accessing mobile internet from their smartphone increased by 27 percentage points, from 61% in 2011 to 88% last year. More information on this survey is available on page 66.

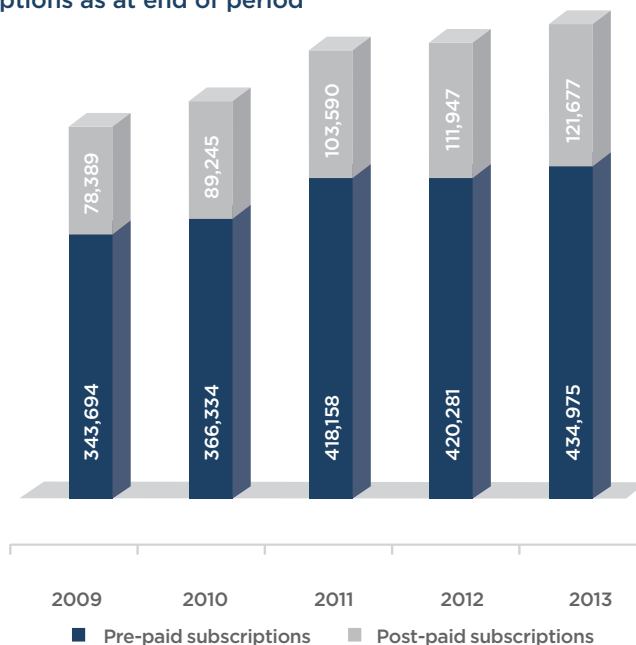
Mobile subscriptions

The number of mobile subscriptions grew by 4.6% year-on-year to reach a total of 556,652 by the end of 2013. This is equivalent to a mobile penetration rate of 131%.

At the end of 2013, approximately 22% of total subscriptions were on a post-paid contract (up from 21% at the end of 2012) and 78% were on a pre-paid plan.

In contrast with the number of fixed telephony subscriptions purchased in a bundle, only about 10% of mobile subscriptions were purchased as part of a bundle. This difference can largely be attributed to the fact that mobile telephony is considered a personal service, rather than a household service.

Subscriptions as at end of period



⁴ Link to latest MCA Consumer Perceptions Survey on mobile telephony: <http://www.mca.org.mt/surveys/consumer-perception-survey-mobile-sector-2013>

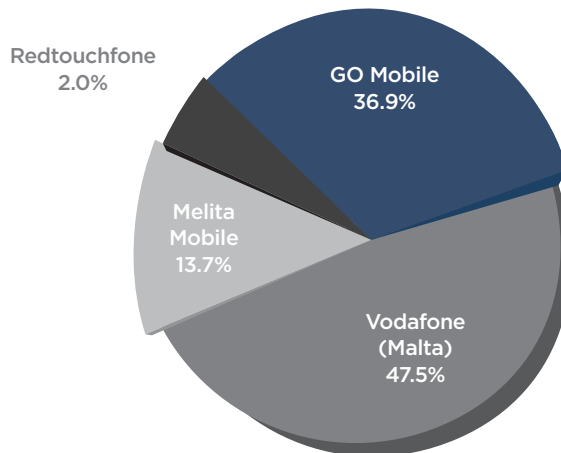
Market shares

in terms of subscriptions

Despite Vodafone (Malta) retaining its leading market position during 2013, it still suffered a loss of 1.5 percentage points, down to 47.5% by the end of 2013. Meanwhile, both GO Mobile and Melita Mobile consolidated their market position by almost one percentage point to a share of 36.9% and 13.7% respectively. Redtouchfone retained its 2% market share.

Overall 2013 market shares

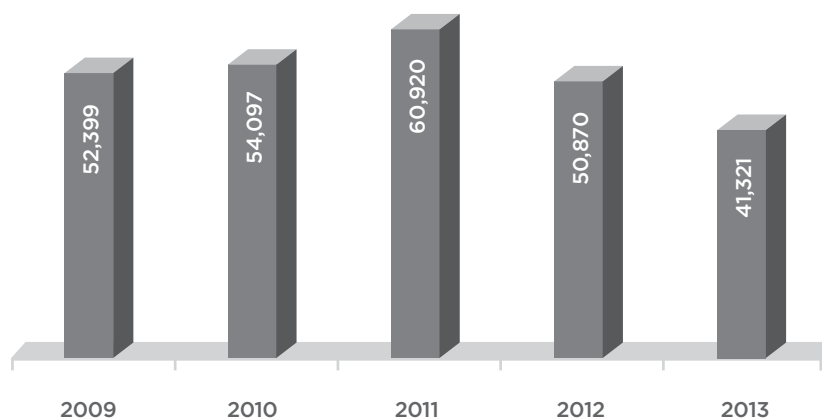
in terms of subscriptions by operator



Mobile inward portability

Just around 8% of all active subscribers switched operator at some point in time during 2013, down from around 10% in the previous year and around 12% in 2011. This sustained decline in the proportion of subscribers switching between service providers could be due to a corresponding increase in the number of end users with multiple handsets and/or SIM cards. This trend is confirmed by the Authority's consumer surveys on mobile telephony, which show that the proportion of end users with multiple mobile subscriptions increased by around 5,000 connections between 2011 and 2013.

Mobile portings



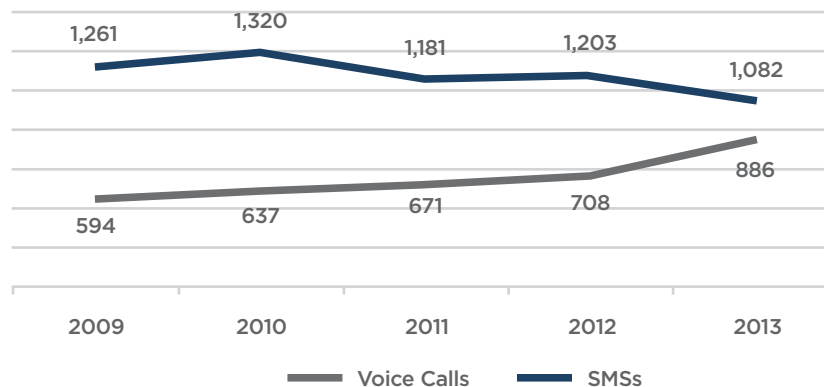
Traffic volumes

The number of mobile voice calls made increased significantly during 2013. Each user made approximately 74 calls each month during 2013. In 2012, each user on average made 59 mobile calls.

At the same time, the average number of SMSs sent per user fell from 100 per month in 2012 to 90 per month in 2013.

Average number of calls and SMSs

per subscriber



This outcome reflects the combined effect of FTM substitution and the shift from text messaging to mobile voice calling. This changing pattern in the use of communications services has been primarily driven by falling rates of mobile communications. The widespread availability of voice call bundles was another factor that helped boost voice traffic volumes.

Falling rates per minute of mobile communications also had a spillover effect on the usage of text messaging. In this regard, on-net call rate offerings have led mobile users to opt for the convenience of making an instant, on-net call rather than text messaging. In fact, on-net text messaging declined by almost 7% in 2013, whilst the number of on-net voice calls shot up by 44%.

The increased use of social media and messaging apps may have also played a role in bringing about this shift away from text messaging.

Voice traffic

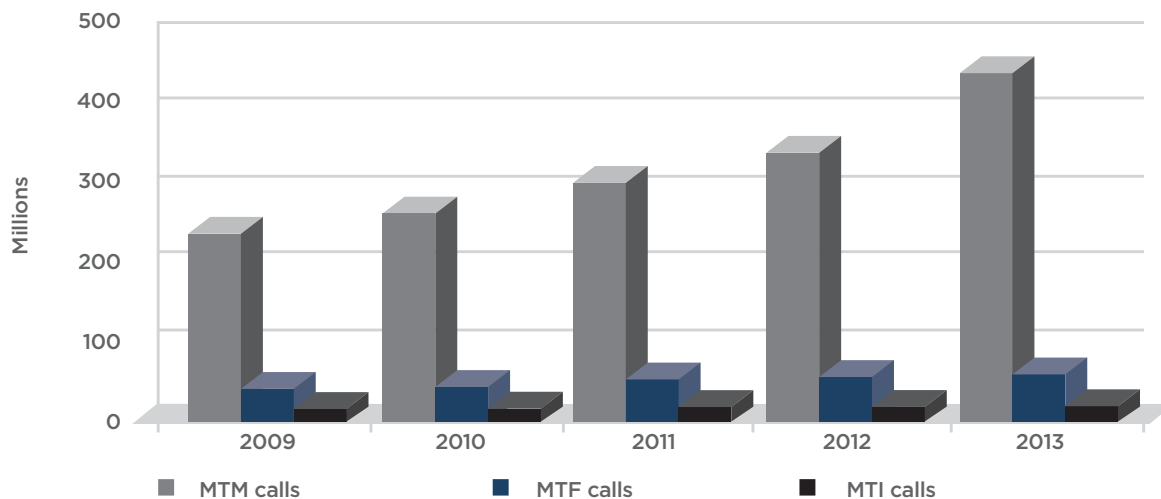
The number of mobile voice calls was up by 29.3%, year-on-year, reaching a total of 482.3 million in 2013.

On-net Mobile-to-Mobile (MTM) voice calls accounted for 68% of total mobile voice calls recorded in 2013, whilst off-net MTM voice calls accounted for 22% of the total. Mobile-to-Fixed (MTF) calls and Mobile-to-International (MTI) calls together accounted for the remaining 10% of mobile calls recorded during the period under review.

The volume of on-net MTM calls increased by 44.4%, year-on-year, to a total of 327.5 million in 2013. Another increase in volumes was reported in terms of off-net MTM calls, which went up by 3.4% to 105.8 million. Meanwhile, the volume of MTF and MTI calls also increased, by around 9% to 41.3 million and by 28.5% to 7.7 million respectively.

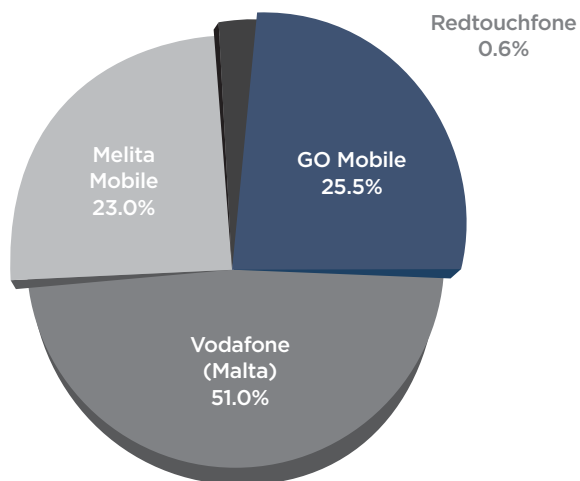
Voice call traffic volumes

number of calls (millions)



Overall 2013 market shares as at end 2013

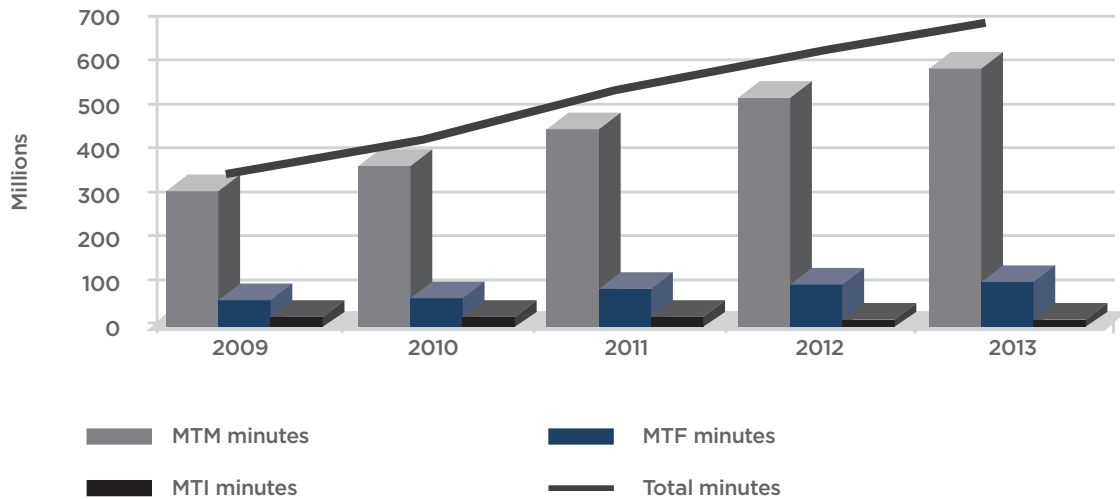
voice call minutes by operator



Mobile voice call minutes were up by 12.5% from 580.4 million in 2012 to 652.8 million last year. In line with developments highlighted in terms of the number of voice calls, on-net MTM minutes accounted for the largest share of mobile voice call minutes at 65% of the total, followed by off-net MTM minutes at almost 21%. MTF calls accounted for a further 11.2% of mobile-originated voice traffic minutes.

Voice call traffic volumes

number of voice call minutes (millions)



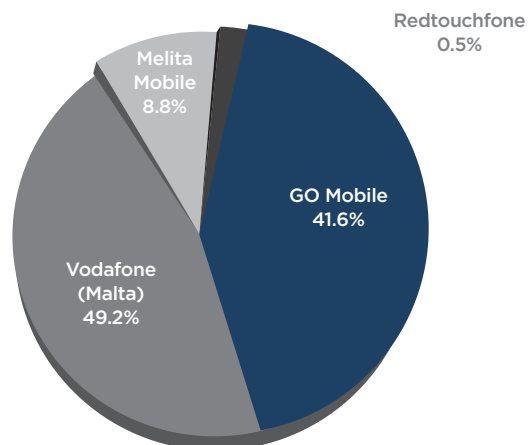
SMS traffic

589 million SMSs were sent during 2013, which is down by 7% from the 634 million SMSs sent in 2012. Premium SMS traffic volumes showed the strongest year-on-year decline, down by almost 30%, whilst on-net SMS and off-net SMS traffic volumes were down by almost 7% and 9% respectively.

On a different note, the number of SMSs sent from internet portals increased by 13%, whilst SMSs directed to foreign mobile networks went up by almost 10%.

Outgoing marketing shares as at 2013

in terms of SMS traffic by operator



International roaming activity

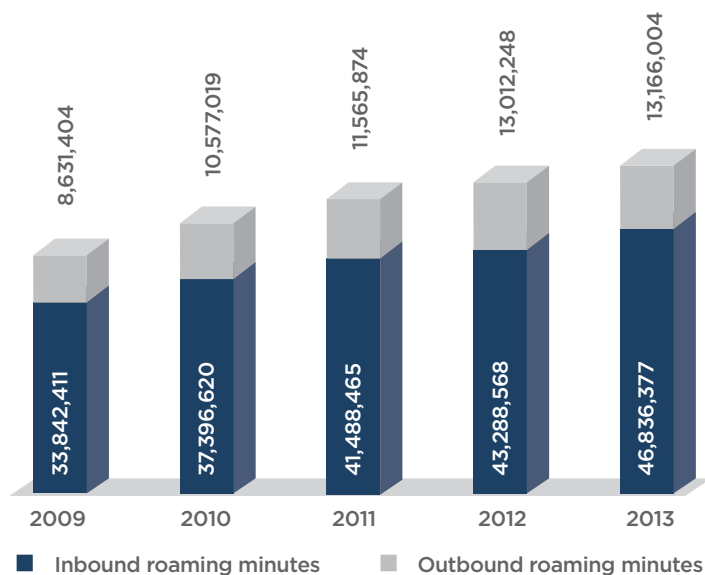
International roaming call activity was generally more buoyant in 2013 than in the previous year. This was a result of a stronger tourist flow for Malta, more Maltese residents travelling abroad and falling retail roaming prices.

In comparison to 2012, volumes of inbound roaming⁵ calls and minutes last year were up by 12.4% and 8.2%

respectively. At the same time, volumes of outbound roaming calls and minutes were also higher, in this case by 8.3% and 1.2% respectively.

On the other hand, roaming SMS activity was down in 2013 when compared to 2012, with the number of SMSs made by Maltese subscribers whilst abroad falling by almost 10%.

Roaming activity number of minutes



5. Available data distinguishes between inbound and outbound roaming activity.

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

Price competition

MCA revenue-based⁶ workings show intensified mobile price competition between Go Mobile, Melita Mobile and Vodafone (Malta) with a declining rate per minute of mobile communications and a declining rate per SMS. The dynamics behind these declines have to be seen in the context of the continued development of a range of add-on bundles, combining voice and text messaging allowances and the launch of several promotional offers. Otherwise, the actual rates charged for voice calls and SMSs outside these allowances did not change much over the last few years.

During 2013, the MCA maintained in force the interim Mobile Termination Rate (MTR) established in 2012, whilst it developed and consulted on a 'Pure' Long-Run Incremental Cost Bottom-Up (BU-LRIC) model to calculate the costs incurred by a Maltese hypothetical efficient mobile operator to provide voice termination services. The final decision was published in March 2014 with a pure LRIC modelled rate of 0.4045 Euro cent per minute.

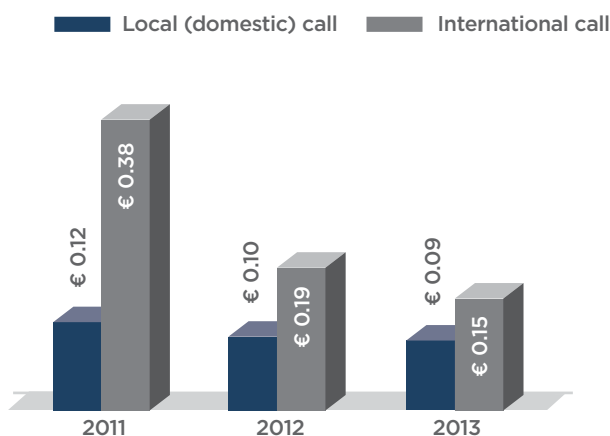
With respect to mobile broadband data usage, the indications are that this activity is poised for further growth in the future, both in terms of usage and the corresponding revenue stream. Whilst this activity gained significant momentum last year, mobile ARPU in 2013 was still down by 1.5%. This suggests that growth in data-related revenues in 2013 was not sufficient to offset the falling mobile voice revenues. This drop in ARPU is also indicative of increased competitive pressures at retail level resulting in a significantly improved value proposition for consumers.

The Average Rate Per Minute (ARPM) of mobile voice call communications

The ARPM of mobile communications is derived by dividing domestic and international mobile voice traffic revenues (including voice and data related access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading⁷.

The ARPM for a domestic call over the mobile network stood at around €0.094 in 2013, down by almost 7% from €0.101 in 2012. At the same time, the ARPM for an international call over the mobile network went down from €0.189 to €0.150.

Average rate per minute of mobile communication



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

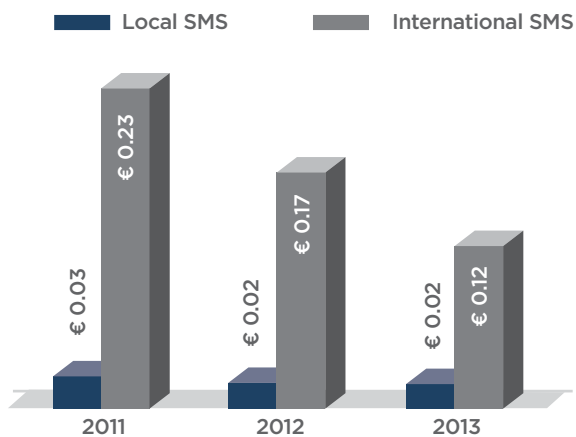
7. Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It must also be noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled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

The average rate per SMS

The average rate per SMS is derived by dividing SMS revenues, by the number of SMSs reported for the period⁸.

On average, a subscriber spent €0.019 per local SMS in 2013, slightly down from €0.020 in 2012. Meanwhile, the average cost per international SMS was cut by around 30%, from €0.169 in 2012 to €0.118 last year.

Average rate per SMS

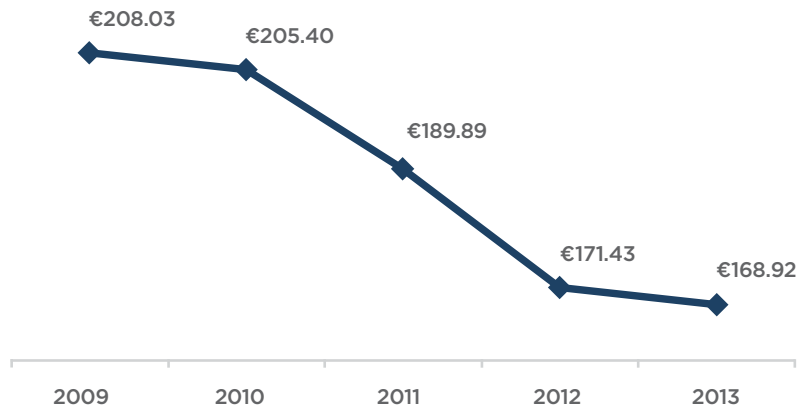


⁸ Calculations include relevant figures for premium SMSs and SMSs sent from Internet portals. Revenues from VAT and excise tax are excluded.

Average Revenue Per Mobile User (ARPU)

Mobile ARPU⁹ for 2013 totalled €168.92, down from €171.43 in the previous year.

Average revenue per mobile telephony user



9. Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions, for a given period. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period, plus the number of subscribers at the end of the period, divided by two.

The revenue heading takes into account revenues from all outgoing voice activity (excluding interconnection revenues), revenues from SMS and MMS activity, revenues from monthly access fees, revenues from data services, revenues from outbound roaming activity, but excluding revenues from inbound roaming activity.

FIXED BROADBAND

During the past year, GO and Melita continued to compete head-to-head for leadership in the broadband market with Melita gaining a slightly higher market share than GO in the fourth quarter. Melita's market share stood at 49.3% at the end of 2013, closely followed by GO at 48.8%. As in previous years, smaller operators continued to lose market share.

In 2013, service providers further upgraded their range of products and services to end users, specifically by allowing for higher data download speeds. This approach is understandable in the circumstances, given that service providers are keen to drive demand for higher speed packages, which is unlikely to materialise on its own in the short-to-medium term.

Overall, the fixed broadband market saw an increase of around 7,000 new customers last year, most of which started to make use of connections supporting download speeds of 30Mbps or higher. As a result of this expansion in the subscriber base, the fixed broadband penetration rate (per population) increased by 1.3 percentage points, year-on-year, to almost 34% by the end of 2013.

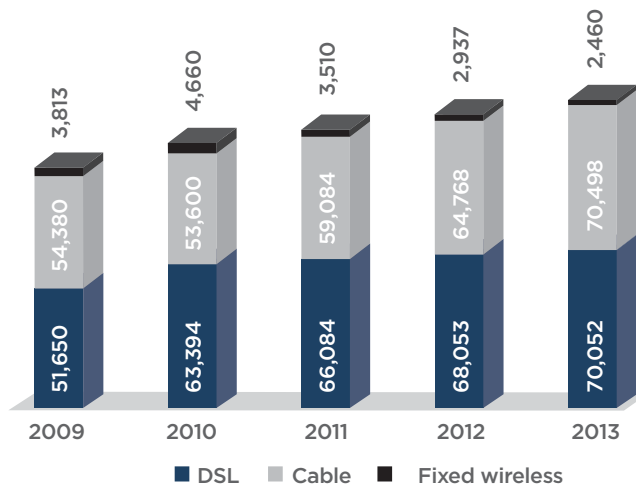
In line with the focus of service providers on offering bundled products combining different electronic communications services, more than 75,000 fixed broadband customers (almost 53% of the local fixed broadband subscriber base) were signed up to these packages by the end of 2013, which is up by more than 15,000 in a 12-month period.

As for pricing, 2013 was a year in which service providers shifted their marketing efforts towards offering a wider product range and higher value products, as the sector emerged from a period of continued price declines. As a result of this shift, no decline in the average rate per Mbps was recorded last year. Instead, a very slight increase was observed, however this development did not translate into a higher fixed broadband ARPU, as consumers most likely benefited from several promotional offers.

Fixed broadband subscriptions

Broadband connections at a fixed location totalled 143,010 at the end of 2013, up by 5.3% from 2012. During this period, the proportion of fixed broadband customers on bundled packages increased by 15,181 or eight percentage points to almost 53%.

Subscriptions as at the end of period



Fixed broadband subscriptions in a bundle	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	53,512	55,043	59,356	60,030	60,731	66,866	70,259	75,211
Dual play	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349
Fixed broadband + Fixed telephony	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349
Triple play	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376
Fixed broadband + Fixed telephony + Mobile telephony	304	437	405	-	361	344	325	289
Fixed broadband + Fixed telephony + Pay TV	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Quad play	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Fixed broadband + Fixed telephony + Pay TV + Mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of fixed broadband subscriptions (end of period)	129,980	132,921	134,588	135,758	137,449	140,711	141,987	143,010
As a percentage of total number of fixed broadband subscriptions	41.17%	41.41%	44.10%	44.22%	44.18%	47.52%	49.48%	52.59%

Subscriptions by data download speeds

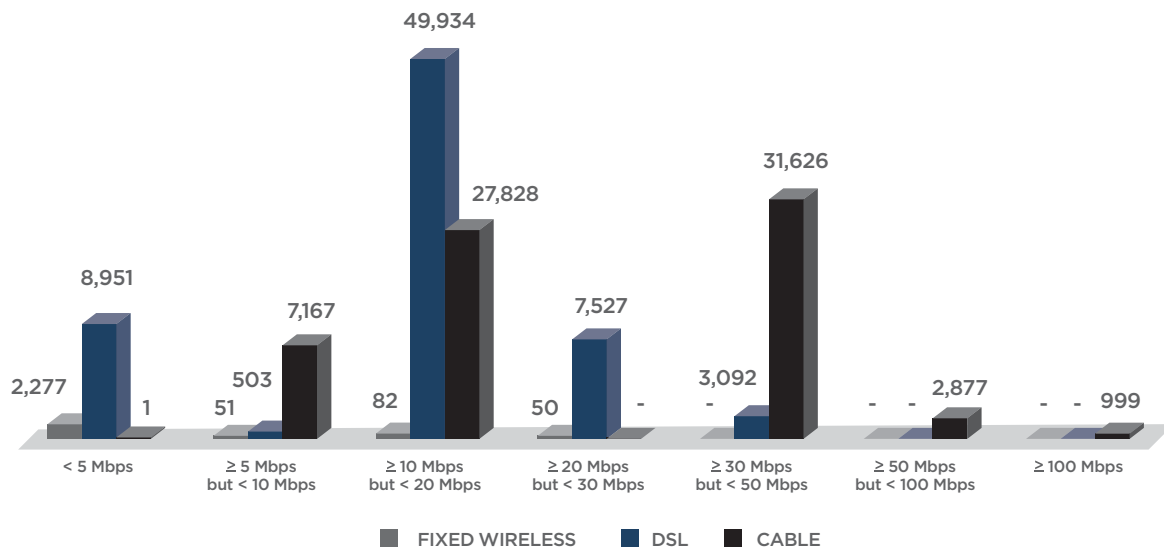
With regard to fixed broadband subscriptions by download speed, 2013 saw a continued increase in the number of connections supporting download speeds of 30Mbps or more. This increase reflects the proactive stance taken by local service providers to upgrade existing customers to higher speeds.

The number of subscriptions with a connection supporting download speeds of 30Mbps, but less than 50Mbps, increased by 24,665 (245% increase) to a total of 34,718 at the end of 2013. At the same time, the number of connections supporting broadband speeds of 50Mbps or more went up by around 1,000 (or almost 39%) to a total of 3,876.

On the other hand, the number of connections supporting data download speeds of less than 30Mbps fell during 2013. On a disaggregate level, the biggest fall in subscriptions was observed for connections supporting speeds of less than 10Mbps, with their number down by 11,336 or 37.4% over a 12-month period to 18,950 by the end of 2013. At the same time, the number of subscriptions with a connection speed of 10Mbps but less than 30Mbps declined by 7,163 or 7.7%.

Fixed broadband subscriptions, by technology & speed

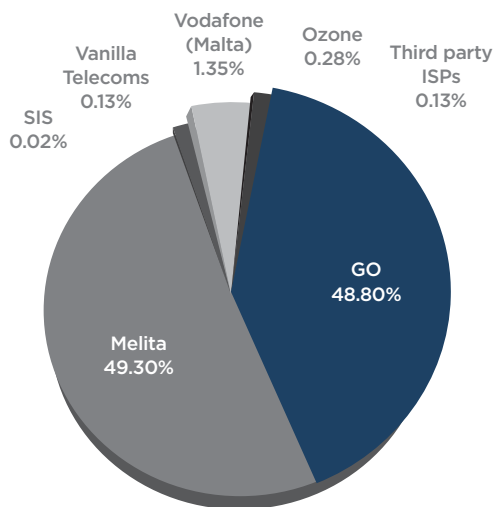
as at end 2013



Market shares

By the end of 2013, Melita had 70,498 fixed broadband subscriptions, which is equivalent to 49.3% of the fixed broadband subscriber base (up from a market share of 47.7% at the end of 2012). At the same time, GO had 69,792 subscriptions, representing 48.8% of the local subscriber base (down from a market share of 49.9% as at the end of the previous year). Other service providers together accounted for 2,720 subscriptions, which is equivalent to a combined market share of 1.9% (down from 2.4% as at the end of 2012).

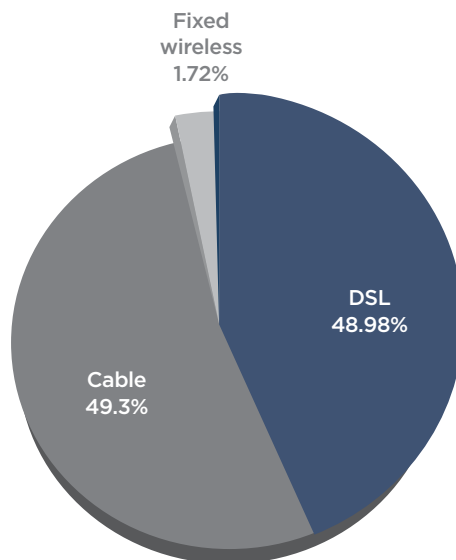
Market shares in terms of subscriptions, by operator



In terms of market shares by technological platform, at 49.3%, cable accounted for the largest share of fixed broadband subscriptions at the end of 2013, closely followed by DSL at almost 49%.

Fixed wireless accounted for the remaining 1.7%.

Market shares in terms of subscriptions, by platform



Price competition

As local service providers delivered faster broadband speeds to their customers, the average rate per Mbps fell by around 60% between 2010 and 2012¹⁰. This development in itself signals that service providers exerted significant competitive pressure on each other. It is also indicative that, on average, fixed broadband prices were on a sustained downward trajectory, even though developments in advertised monthly fees for some broadband packages at times, may have suggested otherwise.

This period of sustained price declines came to a halt in 2013, as the rate per Mbps at the end of the year stood at around €1.83, marginally higher than €1.78 recorded at the end of 2012.

Despite this slight increase in the average rate per Mbps, consumers may still have availed themselves of a lower rate per Mbps in 2013 when, for example, service providers offered occasional offers / promotions to new and/or existing customers. Other saving opportunities could have arisen when bundled packages, including fixed broadband, were offered at discounted monthly access fees, typically for a short period of time within the contract term.

Hence, one cannot surmise that consumers were worse off in 2013 than in the previous year. Calculations on the price per megabit indicate that there was a marginal increase in price however, revenue per user dropped to €176.7 in 2013, from €177.2 in 2012, which indicates that consumers still enjoyed savings that are most likely the result of the various temporary offers on the market.

¹⁰ MCA workings are based on actual advertised headline speeds for stand-alone products and do not take into account promotional offers and fixed broadband products included in bundled packages.

Average rate per Mbps

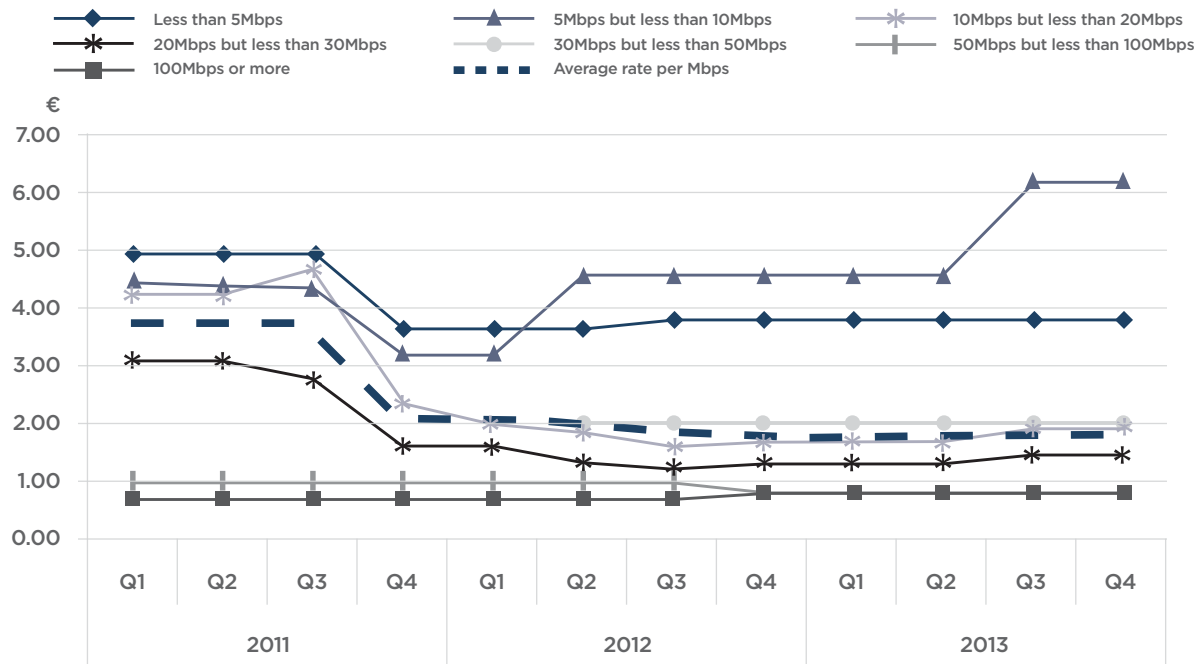
Price movements for fixed broadband are evaluated according to trends observed for the average rate per Mbps. Figures are calculated by taking into account, the actual advertised rates for local broadband packages and advertised download speeds, generally resulting in a lower rate per Mbps for products delivering faster download speeds, when compared to the rate per Mbps for products delivering slower speeds.

Overall, the average rate per Mbps for fixed broadband marginally increased from €1.78 in Q4 2012 to €1.83 in Q4 2013.

On a more disaggregate level, the average rate per Mbps for products supporting a download speed of 5Mbps but less than 10Mbps went up from €4.56 in Q4 2012 to €6.21 in Q4 2013, mainly as a result of a discontinuation of a number of low-end offers in this product category, thereby increasing the overall average rate. At the same time, the average rate per Mbps for products supporting a download speed of 10Mbps but less than 20Mbps went up to €1.92 from €1.72. Average rates for products supporting a download speed of 20Mbps but less than 30Mbps also increased, from €1.34 to €1.47.

Meanwhile, the average rate per Mbps for products supporting a download speed of 30Mbps but less than 50Mbps, products supporting a download speed of 50Mbps but less than 100Mbps and products supporting a download speed of 100Mbps or more did not change, as prices in this product category remained stable. The corresponding rates stood at €2.00, €0.84 and €0.80 respectively.

Fixed broadband: average rate per Mbps



Fixed broadband ARPU

Fixed broadband ARPU is an indicator evaluating fixed broadband operators' revenues per user. The figures are reached by dividing the total retail revenues from broadband subscriptions (excluding revenues from installations or connection fees), by the average number of subscriptions¹¹.

Fixed broadband ARPU for the year 2013 totalled €176.75, slightly down from €177.23 in the previous year.

Average revenue per fixed broadband user



¹¹ The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the period under consideration, divided by two.

PAY TV

The Pay TV sector is going through considerable changes as technological innovation and the ever-expanding array of digital devices are challenging the old pay television model, particularly as end-users explore and exploit 'on-demand' TV content via internet-enabled devices.

Local service providers faced changing consumer preferences by offering new Pay TV services in addition to traditional ones, such as by releasing premium content packages and High Definition (HD) TV services. They also started

offering Pay TV with advanced viewing features, such as the record, pause and rewind options for live television programming and eventually paved the way for the provision of mobile TV, which today is readily available from both operators.

These efforts seem to have put the take-up of Pay TV back on track, as subscriptions during 2013 increased by 1,009 or 0.7% to reach 148,905. This change partly reversed the decline recorded in 2012. Bundling Pay TV with other electronic communications

services has also proven to be a rewarding strategy for service providers in terms of customer attraction and retention. At the end of 2013, 52% of Pay TV subscriptions were signed up to such packages.

The Pay TV market did not experience any material price developments during the year under review. Nevertheless, service providers continued adjusting their channel line-ups. Pay TV ARPU in 2013 was also at par with that recorded in 2012.

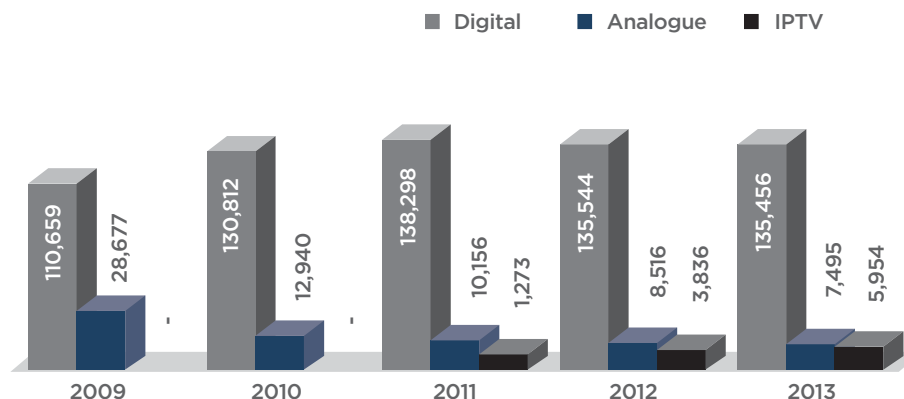
Pay TV Subscriptions

There were 148,905 Pay TV subscriptions at the end of 2013, up by 0.7% from 147,896 a year earlier. This is attributable to an increase in take-up of IPTV packages, with subscriptions under this segment more than doubling to reach 5,954. The latter figure is equivalent to almost 4% of the local subscriber base at the end of 2013.

At the same time, other segments of the Pay TV market registered a drop in subscriptions, the largest of which has been reported for the analogue cable segment, which went down by 1,021 or 12% to 7,495 at the end of the reporting period. The latter figure is equivalent to 5% of the local subscriber base reported at the end of 2013.

Digital cable subscriptions and digital terrestrial subscriptions were also slightly down to 73,172 and 62,284 respectively by the end of 2013. On the basis of these figures, digital cable represented 49.1% of the local subscriber base recorded at the time whilst digital terrestrial represented 41.8%.

Subscriptions as at end of period



The growing consumer preference for bundled services is also reflected in the take-up of Pay TV services as part of a bundle. In fact, the proportion of bundled pay TV subscriptions to the subscriber base rose by seven percentage points, from around 45% at the end of 2012 to almost 52% at the end of 2013.

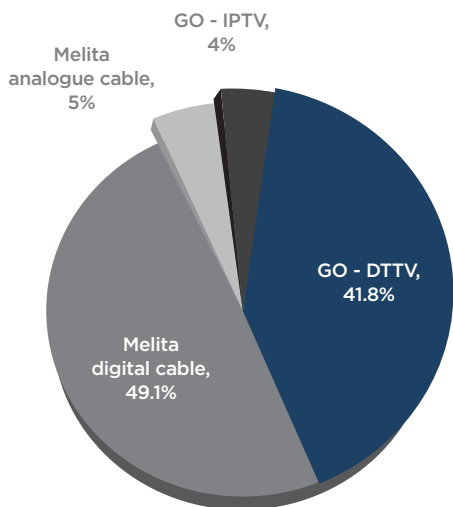
Pay TV subscriptions in a bundle	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	61,999	64,065	62,513	62,678	61,645	67,286	70,209	73,496
Dual play	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Pay TV + Fixed telephony	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Triple play	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Pay TV + Fixed telephony + Fixed broadband	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Quad play	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Pay TV + Fixed telephony + Fixed broadband + Mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of digital and IP Pay TV subscriptions (end of period)	138,636	139,213	140,002	139,380	140,405	141,085	141,370	141,410
As a percentage of total number of digital and IP Pay TV subscriptions	44.72%	46.02%	44.65%	44.97%	43.91%	47.69%	49.66%	51.97%

Market shares

With regard to market shares by operator, GO continued to catch up with Melita, with its share rising from 44.7% at the end of 2012 to 45.8% at the end of 2013. This increase corresponds to Melita's loss of 1.1 percentage points in market share during the same period.

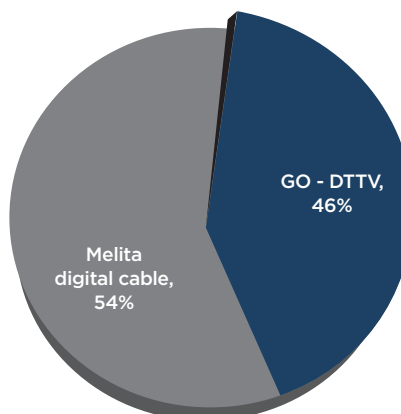
2013 market shares, by operator

in terms of all Pay TV subscriptions



2013 market shares, by operator

in terms of digital Pay TV subscriptions



Price competition

Local Pay TV service providers have slowed their drive to reduce retail prices over the last few years and instead shifted their attention to increasing the overall attractiveness of their packages. 2013 was no exception, recording no material price changes but a consolidation of enhanced premium-based services, such as new sports events, movies and TV series.

Also of note is the fact that Pay TV customers increasingly subscribed to bundled offers during 2013 in order to save money, at a time when prices for stand-alone products were static. This explains the significant increase in the number of bundled Pay TV subscriptions in the year under review.

Average advertised rates

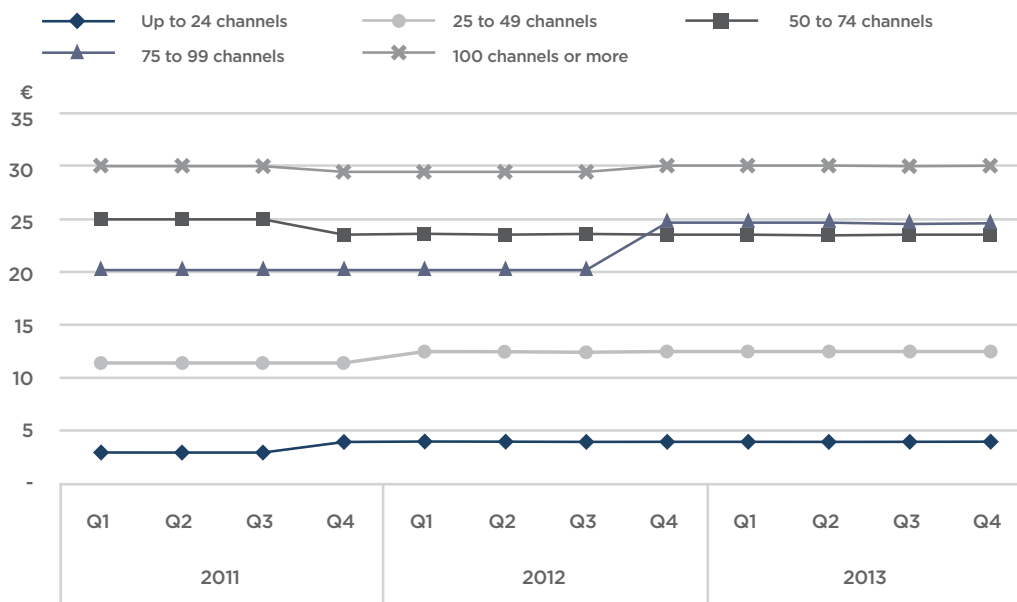
An assessment of price movements for local Pay TV packages is carried out on the basis of observed advertised rates¹². For comparative reasons, five Pay TV package categories have been identified, with each category bundling a particular number of channels.

Average advertised rates for all channel categories at the end of 2013 were unchanged when compared to the rates prevailing at the end of the previous year.

There were some adjustments in the channel line-up of some pay TV packages, however with little influence on the final pricing outcomes. It must be noted that billing charges are not taken into account when arriving at the final figures, as it is considered that local service providers typically offer customers an opportunity to avoid such charges.

Average market rates for Pay TV packages

working based on advertised package rates (excl. optional add-ons)

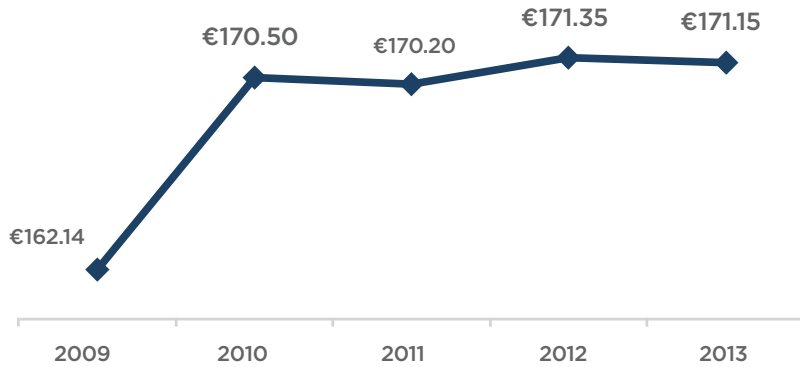


¹². All rates quoted are inclusive of the access charge per set-top box and VAT.

Pay TV ARPU

As highlighted previously, Pay TV ARPU¹³ in 2013 stood at €171.15, remaining more or less in line with that recorded in 2012.

Average revenue per pay TV user



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

POST

In line with trends observed in previous years, postal mail volumes, in particular letter mail volumes, continued to decline in 2013. However, parcel mail continued to offer a solid opportunity for growth. This notwithstanding, improvements in parcel mail volumes were not sufficient enough to make good for the declines in traditional letter mail. With regard to activity in the postal sector, a distinction is made between the universal service area and the competitive area. Mail volumes under each area encompass traffic recorded under four different mail categories, namely letter mail, bulk mail, parcel mail and registered mail.

Currently, MaltaPost (the designated Universal Service Provider), DHL International and Premiere Post provide services within the universal service area. Another 16 registered postal operators (courier and express services) provide services outside the scope of the universal service area.

Mail volumes

Postal mail activity last year was down when compared to 2012, mainly as a result of a drop in letter mail volumes, which outweighed volume increases recorded for bulk mail, registered mail and parcel mail.

...by type of mail

The number of letter mail items handled in 2013 totalled 16.5 million, down by almost 1 million or 5.4% from 17.5 million items handled in the previous year. At the same time, bulk mail volumes were up by 0.5 million items (or 2.4%) to 23.5 million. Registered mail volumes and parcel mail volumes were also up, this time by 0.02 million items (or 2.3%) to 1.1 million and by almost 0.1 million items (or 24.7%) to 0.4 million respectively.

As a result of these changes, overall postal mail volumes in 2013 were down by 0.3 million (or 0.7%) to 41.4 million items, from 41.8 million items a year earlier.

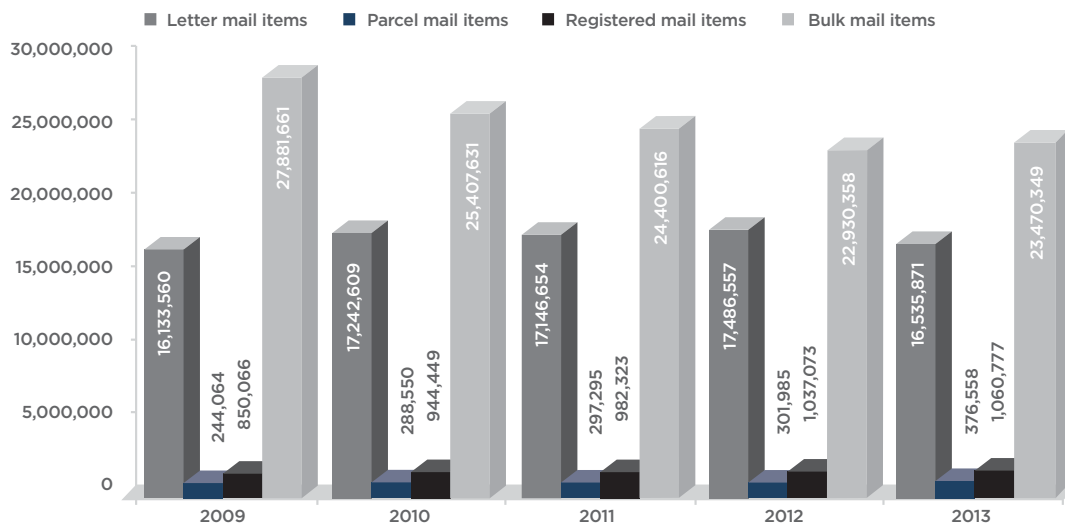
...by service area

With regard to postal mail activity by service area, mail volumes in the universal service area were down by 0.4 million (or almost 1%), from 41.2 million items in 2012 to 40.8 million items last year. At the same time, mail volumes recorded under the competitive area were up by nearly 0.1 million (or 15.8%) to almost 0.7 million items.

In 2013, the universal service area accounted for 98.3% of total mail activity and the competitive area accounted for the remaining share at 1.7%.

Postal activity

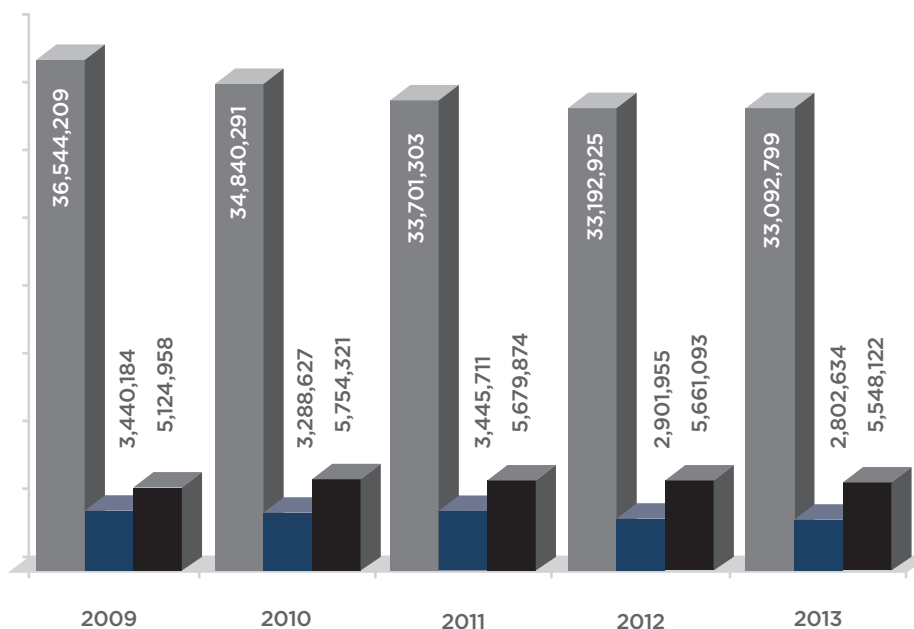
volumes by type of postal mail item



Postal activity

volumes by type of mail category

■ Domestic mail items ■ Outbound cross-border mail items ■ Inbound cross-border mail items



Quality of Service (QoS)

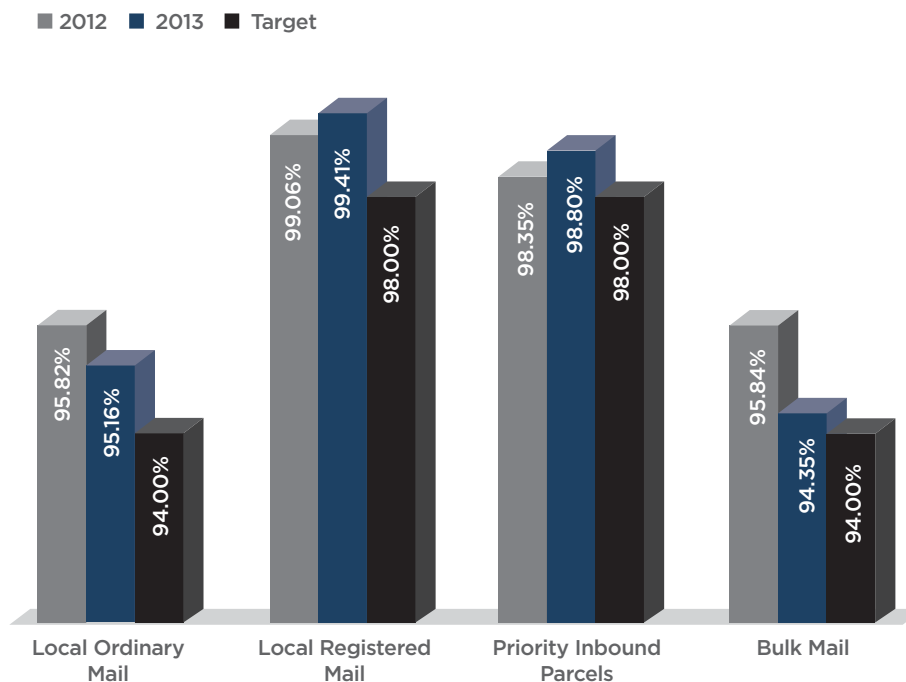
The MCA sets a series of QoS standards to monitor how the universal service provider is performing with regard to the delivery of local ordinary mail (QoS target for D+1¹⁴ set at 94%), bulk mail (QoS target for D+1 set at 94%) and local registered mail (QoS target for D+1 set at 98%).

As the universal service provider, MaltaPost is required to reach these targets in the delivery of the identified mail items. Last year, this market player continued to score very highly in terms of reliability and timeliness of postal mail delivery and in fact, exceeded all the QoS targets described above.

¹⁴ D+1 is defined as the mail quality standard that the provider should reach and which represents one working day from the day of deposit, to delivery to addressee.

Quality of service

actual delivery vs target for the years



Postal rates in Malta and the EU

Despite the postal tariff increases recorded locally in November 2012 and in April 2013, postal services in Malta continue to benchmark amongst the lowest priced across the EU. This is confirmed by Deutsche Post's annual publication¹⁵, which benchmarks Malta's tariffs 'at the bottom of the ranking' when compared with those applicable in other EU Member States.

15. Link to latest publication: http://www.dp-dhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html

The publication findings are based on a survey taking 'into account all postage rate changes that were known at the time of its printing (April 2012)' across the 27 EU Member States, the EFTA countries of Norway and Switzerland.

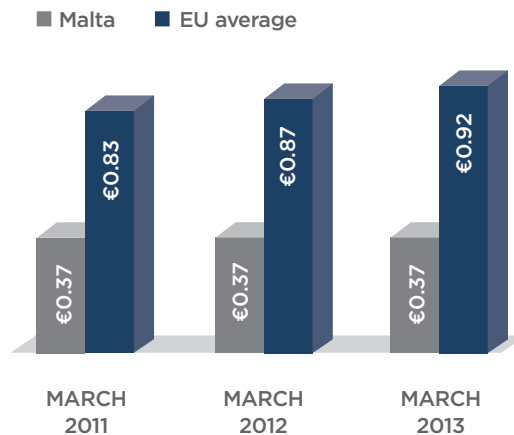
The MCA accepts no responsibility or liability whatsoever with regard to material accessed, operated and/or downloaded from the link provided.

The said publication shows that Malta's tariff for a domestic standard letter and an outbound letter within the EU stood at €0.20 and €0.37 respectively in March 2013, compared to an EU average of €0.55 and €0.92 respectively.

Malta's tariff for a domestic standard letter increased to €0.26 as of 1 April 2013. Nevertheless, this development is unlikely to have altered Malta's position vis-à-vis other EU Member States.

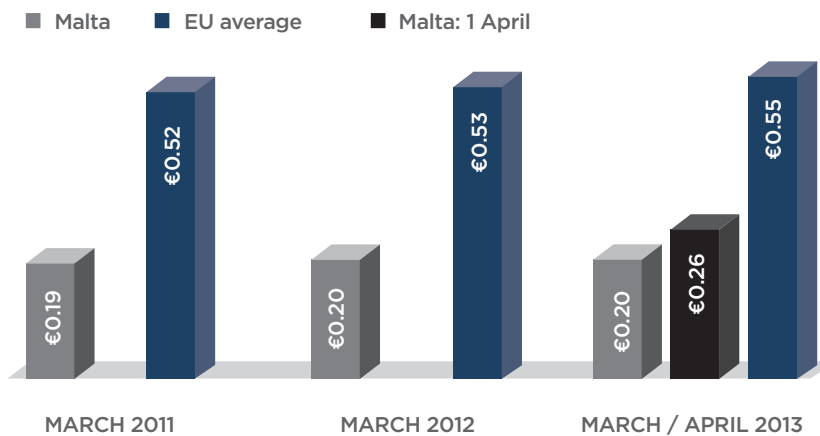
Nominal stamp prices in Malta and the EU

for letter mail within Europe

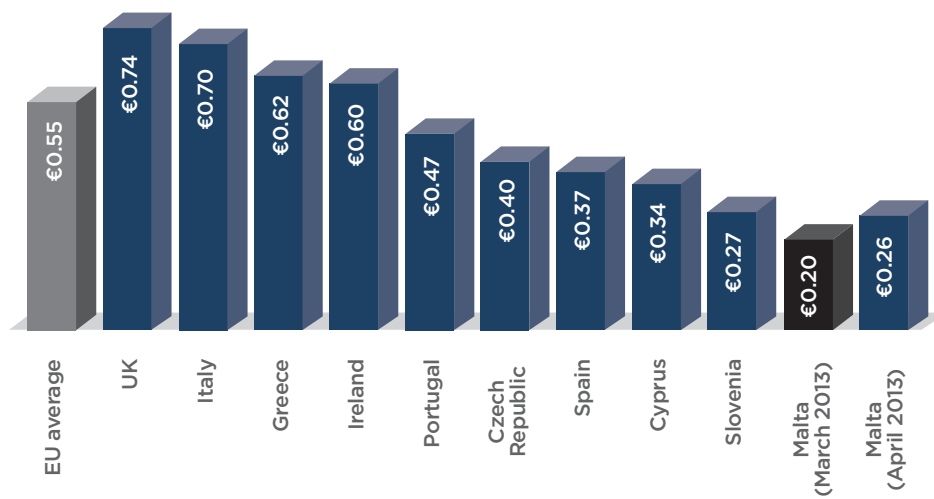


Nominal stamp prices in Malta and the EU

for a domestic standard letter



Nominal stamp prices in Malta and the EU for a domestic standard letter



4. THE INDUSTRY



ELECTRONIC COMMUNICATIONS

INFRASTRUCTURE PLANNING

Co-location regulatory strategy

During 2013, the MCA worked on the development of a draft framework aimed at facilitating agreements between authorised undertakings on the sharing of physical network infrastructure, such as ducts, masts and towers. This framework should serve to facilitate the roll-out of high-speed electronic communications networks by eliminating the need for undertakings to deploy their own physical infrastructure in cases where existing infrastructure can be shared.

The MCA took into account the developments related to Directive 2014/61/EU of the European Parliament and of the Council on measures to reduce the cost of deploying high-

speed electronic communications networks, to align the draft framework with the principles exposed in such measures, to the extent possible, so that the framework would be compatible with any eventual cross-utility measures. A public consultation on the draft framework is expected to take place in 2014.

Establishment of a national plan for telecoms infrastructures

During 2013, the MCA commenced the development of a national tower plan. This plan is aimed at providing guidelines to all stakeholders in the effective planning, building and management of new tower structures, as well as ensuring the efficient use of space on current tower structures. The objective is to minimise the environmental impact, whilst providing adequate facilities for the growth of the electronic communications sector.

Fibre-to-the-Home (FTTH)

During 2013, the Authority provided advice to Government regarding possible national measures that could be adopted in order to facilitate the roll-out of FTTH, including options for the utilisation of state aid, as well as measures aimed at facilitating network roll-out.

In late 2013, at the request of Government, a joint committee was formed between the MCA and the Malta Transport Authority with the aim of reviewing and, where necessary, proposing to Government, amendments to the current administrative rules and procedures regulating civil works and rights of way.

Proposals to Government in this regard will be made during the course of 2014.

REGULATORY REMEDIES

Pricing of leased lines and Ethernet connections

In a decision published in August, the Authority outlined the new prices for national wholesale terminating and trunk segments of leased lines, as well as the prices for Ethernet connections. The decision follows the analysis of feedback received from interested parties and the EU Commission in response to a public consultation that was initiated in February 2013. The revised prices stem from the new Bottom-Up Cost Model (BUCM) for fixed networks, which was developed by the MCA with the objective of calculating efficient, cost-oriented prices for various wholesale regulated services, including leased lines and Ethernet connections.

The revised prices, as shown in the following tables, came into force on 1 October 2013.

Table 1: Prices for Wholesale Local Leased Lines*Prices are exclusive of VAT*

	Connection Fee	Annual Rental Prices		
		Terminating Segment	Trunk Segment	End-to-End Connection ¹⁶
	€	€	€	€
2Mbps	280	663	1,974	3,300
34Mbps	280	787	16,174	17,748
STM-1	280	1,120	72,324	74,564
Interconnect (I/C) Path (to GO)	2,078	587	1,975	2,562
Protected I/C path (to GO) additional to standard I/C path	2,078	587	1,975	2,562

Table 2: Prices for Wholesale Ethernet Connections*Prices are exclusive of VAT*

	Connection Fee	Annual Rental Prices
		Half-Circuit Connection (One terminating segment, plus half trunk segment)
	€	€
10Mbps	280	1,994
100Mbps	280	8,366
1Gbps	280	43,110

BUCM for mobile networks and proposed mobile interconnection pricing

The three major mobile network operators, that is, GO Mobile, Melita and Vodafone (Malta), are designated as having Significant Market Power (SMP) and are required to charge cost-oriented prices for mobile voice termination services. In a decision published in May 2010, the Authority had decided to develop a 'Pure' Long-Run Incremental Cost Bottom-Up (BU-LRIC) model to calculate the costs incurred by a hypothetical efficient mobile operator to provide voice termination services. This model was developed during 2013, in line with the European Commission's

Recommendation on Termination Rates of 2009. The model was developed based on data provided by the operators, supplemented with data gathered by the MCA and a number of assumptions made by the consultants who were commissioned to assist the Authority in this regard. The MCA engaged GO Mobile, Melita Mobile and Vodafone (Malta) in two distinct technical consultations; the first addressed the principles and concepts of the model, and the second presented the detailed description of the draft model. In addition to these consultations, individual technical meetings were held with all three mobile network operators. In the public consultation paper subsequently

published in August 2013, the MCA summarised the model structure, the main network configuration, together with other matters. The MCA also published an addendum to the original consultation following preliminary feedback received from an operator.

A final decision was published in March 2014, with a pure LRIC modelled rate of 0.4045 Euro cent per minute, effective as of 1 April 2014. This decision was appealed by Vodafone (Malta) in front of the Administrative Review Tribunal, while a request for a temporary suspension was temporarily upheld but subsequently declined by the same Tribunal.

¹⁶. This price is assumed to include two terminating segments and a trunk segment, except for IC Paths.

EU roaming regulation

The third EU roaming regulation enacted in 2012 provided that as from July 2014, local mobile network operators are obliged to provide access to their network to potential independent Alternative Roaming Providers (ARPs). In this regard, mobile telephony subscribers will still be able to use their same mobile number for local mobile telephony and roaming services, but would also have the option to purchase the latter from such an ARP¹⁷. During 2013, the MCA was heavily involved in discussions with the Body of European Regulators for Electronic Communications (BEREC), the European Commission, as well as with local operators regarding the implementation of this measure. To date, no ARPs have formally notified the MCA for a general authorisation to provide such services in Malta.

MARKET ANALYSIS

The EU regulatory framework for electronic communications networks and services is designed to create harmonised regulation across Europe and reduce barriers to market entry, while fostering effective competition. In order to ensure that regulation remains appropriate in the light of changing market conditions, the MCA undertakes market reviews to gauge the level of competition in the communications markets.

The Authority carries out its market definition and market analysis procedures on the basis of market data collected from a variety of internal and external sources, including providers of electronic communications networks and services.

The following provides an overview of the most salient work related to market reviews carried out in the period under review.

Wholesale unbundled infrastructure access market (Market 4)

Consultation published: 15 June 2012

Notification to the European Commission: 15 October 2012

Decision published: 6 March 2013

In its decision of March 2013, the Authority took into account the responses from the three main network operators. The MCA concluded that this market is national in scope and includes all unbundled access (including shared access) products and services provided via the existing copper network (including access to the sub-loop) and unbundled access services over fibre networks. Wholesale broadband access services were addressed under a separate market review exercise. In its analysis of this market, the MCA found that GO enjoys SMP in the provision of

wholesale unbundled infrastructure access services. This conclusion is supported by a number of factors including GO's position as sole provider in the market, its vertical and horizontal integration, its economies of scale and scope and the lack of countervailing buyer power. Given these findings, the MCA decided that GO is obliged to continue offering access to copper products and services; apply transparent and non-discriminatory practices, both in terms of price and other non-price parameters; maintain and update its reference unbundling offer for

unbundled local-loops and sub-loops and associated facilities; use cost-orientation methodologies to set prices for local-loop and sub-loop access services and continue to apply the present accounting separation system for copper access services. For the fibre network, GO is obliged to negotiate access on commercial terms until a reference offer for virtual unbundling is provided, apply transparent and non-discriminatory practices and adopt a price control mechanism, which would allow access seekers to economically replicate GO's offerings.

¹⁷ Subject to such service providers entering the Maltese market.

Wholesale broadband access market (Market 5)

Consultation published: 15 June 2012

Notification to the European Commission: 15 October 2012

Decision published: 6 March 2013

Following its analysis of the three responses to consultation, the MCA concluded that this market is also national in scope and includes wholesale broadband access provided over the

DSL, cable and fibre networks, but excludes access over WiMAX. The market includes wholesale services provided to third parties, as well as those services which are self-supplied. The

analysis resulted in no clear evidence that supports the finding of single or joint market dominance at the wholesale level and consequently no ex-ante regulatory obligations were imposed.

Wholesale voice call termination on individual mobile networks in Malta

Consultation published: 5 July 2013

Notification to the European Commission: 8 October 2013

Decision published: 13 March 2014

In July 2013, the MCA published a consultation document concerning the regulatory treatment of the markets for the provision of wholesale termination on individual mobile networks in Malta. In its consultation, the MCA identified three relevant markets in accordance with competition law principles. The wholesale voice call termination services provided by GO Mobile, Melita Mobile and Vodafone Malta, were considered as three separate markets, with each operator enjoying SMP in the provision of such services over their individual mobile networks. The MCA determined

that regulatory intervention is required to ensure that the identified wholesale markets function properly and to ensure stronger competition at the retail level. Consequently, the MCA proposed that the following regulatory remedies remain in force on each operator:

- Access to/and use of specific facilities
- Non-discrimination
- Transparency
- Accounting separation
- Price control and cost accounting.

This consultation marked the third review of this particular market. A final decision was published in March 2014.

Provision of call termination on individual public telephone networks provided at a fixed location in Malta

Consultation published: 4 December 2013

Notification to the European Commission: 20 February 2014

Decision published: 11 April 2014

In December 2013, the Authority initiated a national consultation to obtain stakeholders views on the regulatory treatment of the wholesale markets concerning the provision of call termination on individual public telephone networks provided at a fixed location. This consultation marked the third review of this particular market. In its analysis, the MCA concluded that the services offered by GO, Melita, Vodafone (Malta), Ozone (Malta) and Solutions & Infrastructure Services (SIS) over their

own individual networks, represent five separate relevant wholesale markets, with each service provider enjoying SMP in the provision of wholesale fixed voice call termination. Consequently, the MCA proposed to maintain the following regulatory obligations on all operators:

- Access to/and use of specific facilities for interconnection
- Non-discrimination
- Transparency
- Price control.

In addition, the obligations of accounting separation and cost accounting would remain applicable for GO and Melita.

A final decision was published in April 2014.

MANAGEMENT OF AVAILABLE SPECTRUM

Spectrum requests

A number of rights of use to establish radio links were issued in the 7GHz and 23GHz bands. These were issued to Ozone Malta, U Communications and Vodafone (Malta).

Revision of the National Frequency Plan

The Authority carried out a review of the National Frequency Plan with a view to make recommendations to Government. These revisions seek to align national frequency allocations with those of the latest edition of the International Telecommunications Union (ITU) Radio Regulations and implement a number of EU Decisions and CEPT/ECC deliverables. This activity is expected to be completed during the third quarter of 2014.

International liaison on spectrum management

The ITU regulations require that frequency use has to be coordinated between neighbouring countries. During 2013, the Authority examined a number of requests submitted by other jurisdictions to establish new radiocommunications stations to ensure these would not negatively impact local transmissions. It also continued with its efforts to coordinate additional broadcasting frequencies for Malta.

Regarding the cross-border harmful interference experienced on Malta's frequencies, the Authority continued to contribute to discussions held within the ITU and the EU's Radio Spectrum Policy working group on cross-border coordination. Consequently, several interference problems affecting national digital terrestrial television services have been resolved.

The MCA's liaison with neighbouring countries went beyond matters related to spectrum coordination and for the first time, the MCA embarked on a twinning programme with the Libyan Ministry of Communications and Informatics, thus strengthening working relations with Northern Africa. As a result, the MCA delivered a training programme for two separate delegations, focusing predominantly on spectrum management. Other regulatory aspects of the electronic communications sector and ICT, including Internet governance, were also addressed during the training.

Test and trial licences

The Authority extended the validity of a licence granted in 2012 to Panasonic Avionics of the United Kingdom, for the testing of communications equipment installed on aircrafts. In February 2013, a licence was also granted to Public Broadcasting Services to carry out trial transmissions of digital terrestrial television services, in high definition.

INNOVATION

Development of a direction on a national cloud computing strategy

ICT is a principal driver for socio-economic development. The implementation of the Digital Malta Strategy will contribute largely to the promotion of sustainable economic growth, help create new quality jobs and bring about social benefits. Innovative, data-intensive technologies, such as cloud computing, digital media and big data are driving substantial economic transformations. The benefits resulting from these technologies cannot go unnoticed. According to the European Commission, if cloud computing is successfully adopted by all EU member

countries, by 2020 GDP would grow by 1% and 2.5 million jobs will be created. Cloud computing is not only transforming entire industries but it is also opening up new opportunities in knowledge-enabled sectors. European governments are not only encouraging the adoption of cloud computing and facilitating the use of cloud-based services by their entities, academia and the business sector, but are also working closely with the private sector to create the right environment to assist businesses to set up their operations in their respective territory.

To this effect, the MCA carried out a high-level preliminary study to explore the benefits, challenges, opportunities, economic drivers and competitive factors for establishing Malta as a hub for the provision of cloud computing services, with the objective of boosting innovation and productivity across the digital economy. The high-level study explored the areas related to the environment, tax, innovation and talent, as well as the regulatory and legal settings that are likely to encourage cloud computing providers to establish their presence in Malta.

Undersea cable

Submarine cables are the backbone of the international telecommunications network and the life blood of world commerce. Almost all of the transoceanic Internet, electronic commercial interchange and public communications traffic is sent via these cables. Malta's broadband Internet readiness is becoming increasingly pivotal in influencing the nation's global competitiveness. New developments over the past few years in international connectivity have not only helped reinforce Malta's position as the leading EU jurisdiction for the e-gaming industry, but also led the financial and various other service industries to make great strides. Being an island, international connectivity is critical to the economy. In fact, the last

few years were characterised by an enormous expansion in Malta's international connectivity and communications capacity.

A new international submarine cable connecting Malta to a more connected landing point will allow faster and cheaper wholesale communications service, and exert a positive social and economic impact through market attractiveness. To this effect, the Authority will be embarking on a study to investigate the feasibility of laying such a new submarine cable. The purpose and aim of the study is to analyse detailed submarine configurations and topologies, verify and determine the commercial and financial viability of a new submarine cable network, study and compare various landing points and cable routes, recommend financing options, and identify and propose the best strategies for deployment. The study will also compare the various models and recommendations for the optimal technical, commercial and financial solution.

INDUSTRY FORUMS

Electronic Communications Forum

A total of four meetings were coordinated by the MCA during 2013. These meetings continued to provide a good setting for regular dialogue and exchange of information on matters of general interest to the industry. Discussions centred around a variety of subjects, including the EU Commission's proposal on measures to reduce the cost of deploying high-speed electronic communications networks, electronic communications services in the 800MHz band and the EU Commission's 'Connected Continent' proposal.

eBiz Awards

The 3rd edition of the MCA eBusiness Awards was successfully

held in November. The Awards, which have now become a regular appointment on the Authority's corporate calendar, attracted a total of 35 nominations, spread over six categories, including best eGovernment initiative, best eCommerce site (B2C), best B2B application, best APP, best eBusiness idea of the year and best multi-channel strategy. Eighteen submissions representing a wide spectrum of industries and technologies, with businesses ranging from self-employed individuals to some of the largest companies in Malta, were shortlisted and showcased during the event. New to this edition of the awards, was an award dedicated specifically to acknowledging the efforts of a student who has excelled in an area of research related to eBusiness.

Initiatives such as the eBusiness awards are aimed at raising awareness on best practices and unique and cutting-edge solutions that have assisted businesses in transforming their operations. The awards complement the Authority's efforts to drive the take-up of ICT and promote eBusiness, whilst at the same time offer the ultimate platform for participants to showcase their innovative solutions to the entire business community and the general public. An independent Adjudication Committee, comprising representatives from industry, Government and academia, evaluated the nominations.

Malta Internet Governance Forum

In June 2011, the Authority established the Malta Internet Governance Forum to provide a local platform for discussion on global Internet policy issues, the assessment of all future prospects of the Internet and the main challenges that lie

ahead. Throughout 2013, the MCA continued its participation in the High Level Internet Governance Forum and collaborated for a common European Union position on internet governance calling for a more transparent, accountable and inclusive governance.

LEGISLATION AND LITIGATION

Legislation

The following laws were enacted during the year under review.

- L.N. 163 of 2013 entitled "Administrative Justice Act (Second Schedule)(Amendment) Regulations, 2013" whereby the Court of Appeal (inferior) was designated as the competent authority to hear and determine appeals from final decisions of the Administrative Review Tribunal relating to contestations of regulatory decisions of the MCA.
- L.N. 317 of 2013 entitled "Cable Systems (General) (Revocation) Regulations, 2013" revoked the "Cable Systems (General) Regulations, 2001". The continued existence of the said regulations became unnecessary, both as a result of amendments made in previous years to other laws relating to electronic communications and to broadcasting, and by changing circumstances in the market.
- In December 2013, a first reading was given to a Bill to amend various communications laws.¹⁸ The purpose of this Bill was to amend the Postal Services Act, the Malta Communications Authority Act and the Electronic Communications (Regulation) Act, with the bulk of the proposed amendments relating to authorisation and universal

¹⁸. The Bill with the short title of "Communications Laws (Amendment) Act, 2014" was subsequently published in the Government Gazette on 13 January 2014.

services in the postal sector and certain changes relating to the administrative structure of the MCA. The Bill was approved by Parliament as per Act VIII of 2014. Various parts of the Act were brought into force in May 2014.

Litigation

Appeals before the Administrative Review Tribunal

Three appeals relating to the electronic communications sector, two by Melita (one filed in 2011 and the other in 2012) and one filed by GO in 2013, were heard during the period under review. One appeal by Melita related to the contestation of an administrative fine imposed on Melita for not notifying the MCA of changes to its TV channel line-up. The Tribunal upheld the MCA's decision in this regard.

In its second appeal, Melita contested a regulatory decision on retail access to the public telephone network at fixed locations. The Tribunal upheld Melita's

case and the MCA subsequently filed an appeal to the Tribunal's decision before the Court of Appeal.

In its appeal, GO is contesting a regulatory decision on markets 4 and 5, which determined a number of regulatory obligations on GO. At the end of 2013, this appeal remained pending before the Tribunal.

The Communications Appeals Board and the Telecommunications Appeals Board

No appeals were decided by the Communications Appeals Board and by the Telecommunications Appeals Board. At the end of 2013, ten cases remained pending before the Communications Appeals Board, whilst three remained pending before the Telecommunications Appeals Board.

Ordinary Courts

A lawsuit filed by the Hal Lija Local Council and various Lija residents against Melita, the MCA and the

owners of a private residence, whereby objections were raised against the alleged harmful effects of a telecoms antenna erected on the roof of a private residence in the locality of Hal Lija, continued to be heard. The parties concluded their evidence and final submissions were submitted by the parties to the case. The case has been adjourned to 11 December 2014 for judgement.

The MCA is a party to various other lawsuits initiated in previous years by different litigants as shown in the table below.

Date case was initiated	Litigant	Issue
28.06.2007	Vodafone (Malta)	a contestation of legal interception fees collected by the MCA on behalf of Government
28.06.2007	GO	regarding a contestation of legal interception fees collected by the MCA on behalf of Government.
28.01.2010	Vodafone (Malta)	contestation of a law dating back to the year 2000 establishing interconnection rates between mobile operators ¹⁹
25.02.2011	Melita	contestation of rights of way fees
14.05.2012	Melita	contestation of the vires of Government to make laws relating to advertising on Cable TV and of a regulatory decision issued consequential to such laws

Two court cases against Sesco Investments and Melitanet, which failed to pay outstanding authorisation dues and which decided to contest MCA's claims, remain pending before the Court of Magistrates (Malta).

¹⁹ The Vodafone case contesting the 2000 law establishing interconnection rates between mobile operators was withdrawn by Vodafone in January 2014.

Constitutional cases

The MCA was party to a constitutional lawsuit filed by Vodafone (Malta) and GO to contest the levy of a 3% excise tax on mobile services introduced by Government in 2005. Vodafone and GO are arguing that the levy of this tax is in breach of the EU Authorisation Directive. The case was won by Government before the Court of First Instance. The operators however appealed that decision before the Constitutional Court, which in turn, on the request of operators, made a reference to the Court of Justice of the European Union (CJEU) seeking the correct interpretation of the Authorisation Directive by that Court. In June 2013, after written and oral submissions by all the parties to the suit and by three other Member States, the CJEU, decided that in providing for the levy of the excise tax in question, the Maltese Government was not acting in breach of the Authorisation Directive. Subsequently submissions by the various litigants were made before the Maltese court, and the case was adjourned for a final decision by the Court for 3 March 2014.²⁰

eCOMMERCE

eCommerce forum

The MCA held two forums during 2013 with the aim of facilitating informal discussion and information sharing between stakeholders in the eCommerce sector. The first forum, which was held in February, addressed the issue of EU funding opportunities available to enterprises and the concept of clustering as a valid model for Maltese enterprises to collaborate. These issues are two key challenges that SMEs and micro-enterprises encounter when starting up or seeking to grow an online business.

The results of the MCA eCommerce business survey were launched during the second forum, which was held in July. This forum also served to provide an insight to the WebCheck project, which was carried out by the Authority in collaboration with the Malta Tourism Authority. This project helped hotel and guesthouse operators to improve their online presence. More information on the WebCheck project is available on page 74.

eCommerce Strategy

During the second half of 2013, the MCA developed an eCommerce Strategy and Action Plan, within the ambit of the National ICT strategy. The strategy identifies a set of initiatives to be undertaken by the MCA and by Government, jointly with other stakeholders, over the coming seven years. These initiatives are aimed at, on one hand, driving the take-up of eCommerce by Maltese businesses, and on the other hand, identifying opportunities for foreign eCommerce-related enterprises to locate their activities to Malta. It also includes measures that are aimed at ensuring that entrepreneurs are equipped with the

necessary resources to capitalise on opportunities brought about by eCommerce. A number of other measures intended to enable specific industries to profit from eCommerce-based business models and achieve efficiencies through the implementation of supply-chain technologies, are also outlined in the strategy.

A draft strategy was formally launched in July 2014, inviting stakeholders to submit their feedback on the subject. It is anticipated that the final strategy will be officially published in September 2014.

eCommerce business survey 2013

Following up on a study undertaken in 2012, this survey evaluated the level of Internet and eCommerce usage by the local business community and its potential for growth. The survey gauged the level of ICT penetration across the different business sectors and assessed the use of eCommerce as a distance selling and marketing tool. It also provided an insight to the B2B activities that companies are engaging in across different industries. 63% of the companies interviewed were micro-enterprises (employing 9 individuals or less).

Results show that 83% of businesses use computers and the Internet to run their business, of which 85% conduct online banking and research, whilst 77% pay bills online. Statistics confirm a growing propensity towards B2B eCommerce, with the number of companies buying and selling products from business partners increasing by 10% and 8% respectively. The number of companies carrying out financial transactions with business partners over the Internet has grown by 23% over a one-year period. An increase of 5% was registered amongst businesses that use the Internet as a third sales channel.

²⁰. The Maltese Constitutional Court decided in favour of defendants confirming the decision of the first court.

The overall number of businesses having an internet presence grew by 2% since 2012. Interestingly, whilst the Internet presence of those businesses that have been established between one and three years has decreased by 8%, there has been an increase of 11% in internet presence amongst those businesses that have had a website for more than three years. Whilst the most cited reason for having a website is to attract more customers, a 9% growth was registered in the use of a website to promote and market products and services. Although online selling remained constant, an increase of 6% was recorded amongst those that sell via email. Credit cards, closely followed by debit cards, are the preferred method of payment offered by the majority of online traders. 18% of businesses selling online stated that between 10% and 30% of their sales are conducted online, an increase of 6% over the previous year. The lack of interaction with customers was cited as one of the main challenges encountered by businesses when selling online. Most businesses declared that they do not sell online because their product or service is not suitable for online selling.

Although 36% of businesses still invest in traditional marketing, this amount decreased by 9% whilst digital marketing increased by 3% when compared to the previous year. As expected, Facebook continues to hold strong with 82% of businesses using this media to market its products and services. Other marketing channels that seem to be gaining in popularity are LinkedIn, Twitter and SEO, whilst affiliate marketing, display advertising and email marketing are on the decline.

POSTAL SERVICES

MARKET ANALYSIS

The local postal sector was fully liberalised on 1 January 2013. This means that MaltaPost no longer has a monopoly in any sector of the postal market. As from that date, therefore any operator can provide services in any postal market.

This development thus creates the potential for a more competitive market environment. Any new market entrants should also promote further innovation in the postal sector and increase MaltaPost's incentive to continue to improve service quality and efficiencies.

In order to develop and maintain fair and effective competition in the postal sector, the Authority published a decision setting out the methodology to be applied by the Authority to ensure that regulation is maintained only where necessary, that is, in those circumstances where the incumbent is not subject to constraints posed by competitive market forces. For this purpose, the MCA has adopted an ex-ante methodology based on an economic analysis set at establishing SMP. This methodology conceptually flows along the lines of the methodology used, rather effectively, in telecoms sector regulation, but with due variations to cater for the peculiarities characteristic of the postal sector. This methodology, based upon the market review procedure, would enable the MCA to define the different postal services markets within the universal service area and assess competition within these markets. In the absence of effective competition, the MCA will classify one or more licensed postal operators as having SMP.

In order to be able to effectively regulate the postal sector within the context of full liberalisation, the MCA proposed a number of amendments to the Postal Services (General) Regulations (SL254.01 of the Laws of Malta). These proposals were taken on board by the Government and the relevant regulations were brought into force on 26 November 2012. More information on the legislative changes is available on page 59. In addition to the legislative amendments, the MCA also embarked on the first round of market reviews of the various postal markets.

Market review for the postal sector - Letter Mail Markets

Consultation published: 9 July 2013

Decision published: 30 October 2013

One of the requirements emanating from the Postal Regulatory Framework and the Postal Services (General) Regulations is the definition of the boundaries of the relevant postal services markets appropriate to national circumstances. Following a consultation exercise that was initiated in July 2013, in its decision published in October 2013, the MCA identified the following postal retail markets:

- Market 1: Domestic Single Piece Letter Mail Market
- Market 2: Outbound Single Piece Letter Mail Market
- Market 3: Domestic Registered Letter Mail Market
- Market 4: Outbound Registered Letter Mail Market
- Market 5: Domestic Bulk Letter Mail Market
- Market 6: Outbound Bulk Letter Mail Market
- Market 7: Domestic Parcel Post Market
- Market 8: Outbound Parcel Post Market

Having identified the boundaries of these markets, the MCA analysed these markets to assess whether any particular operator has SMP. In determining whether a postal operator has the ability to exercise SMP in a particular market, the MCA carried out a forward-looking market analysis based on market share, barriers to entry, potential competition and countervailing buyer power.

The MCA concluded that MaltaPost enjoys SMP in all the letter mail markets. This evidence is supported by the fact that MaltaPost has high market shares in all of these markets and that no alternative operator seems to be in a position to diminish this market power in the short to medium term. Furthermore, the presence of barriers to market entry reduces the potential for the letter mail markets to change in a manner that will guarantee effective competition in the absence of regulation. Consequently, countervailing buying power is excluded, reinforcing the incumbent's position in the market.

As a result of this finding of SMP, the MCA decided to impose the following regulatory obligations:

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

Market review for the postal sector - Parcel Post Markets

Consultation published: 5 November 2013

Decision published: 17 March 2014

Similar to the exercise undertaken for the letter mail markets, the MCA assessed the level of competition of parcel post services markets in Malta. The presence of a dominant position in the parcel post markets was assessed by using the same criteria adopted for the analysis of the letter mail markets.

Following a consultation exercise launched in November 2013, the MCA concluded that MaltaPost also enjoys SMP in all the parcel post markets and therefore proposed the application of the same set of regulatory obligations for these identified markets.

A final decision was published in March 2014.

REGULATORY DEVELOPMENTS

Price control mechanism for MaltaPost and revised postal tariffs for financial years 2014 and 2015

In a decision published in 2012, the MCA had approved a number of increases in postal tariffs, which came into force between November 2012 and April 2013. This same decision had also recognised that other tariff increases were likely to occur during 2013 in order to ensure the continued viability of a high-quality universal postal service.

Local and international market and regulatory developments indicated that similar to trends observed during 2012, decreases in profitability of international mail and declining volumes of domestic mail were likely to continue. On this note, following a new request by MaltaPost to implement other changes in the prices of certain postal

services, in November 2013, the MCA issued a consultation paper on a revised price control mechanism to cover MaltaPost's financial years 2014 and 2015. The core objective of the price control mechanism was to steer certain tariffs towards their cost-oriented levels and address differences in contribution to profitability between services. In determining this price control mechanism, the Authority took into consideration mail volumes, developments under the Universal Postal Union (UPU) framework for cross-border terminal dues, profitability and pricing aspects of the universal service area, and full market opening of the postal sector in January 2013.

The consultation also addressed proposed revisions to a number of postal tariffs following the request in this regard submitted by MaltaPost in September 2013. The MCA sought to

minimise tariff increases that had been projected in 2012, which related to certain products that have a social bearing, but at the same time, ensure the financial sustainability of MaltaPost as the USP. In light of the emerging challenges facing the postal sector, certain price increases were considered necessary to safeguard the provision of services to end-users. In its analysis, the MCA therefore tested whether MaltaPost's request for a price increase fitted within the price control objectives. The Authority concluded that some of the tariffs proposed by MaltaPost could be fully accepted, others only partly approved, while revisions in tariffs for a number of other services could not be accepted.

After reviewing feedback to this consultation process, the MCA published its final decision in December 2013, approving tariff revisions as follows:

APPROVED TARIFF REVISIONS FOR MAINSTREAM PRODUCTS/SERVICES			
PRODUCT	PREVIOUS TARIFF	PROPOSED TARIFFS BY MALTAPOST	APPROVED TARIFFS BY THE MCA
Domestic Single Piece Letter Mail			
50 – 100g	€0.32	€0.42	€0.42
Domestic Bulk Letter Mail			
50 – 100g	€0.30	€0.36	€0.36
Local Parcels			
0 – 2kgs		as per domestic letter mail	as per domestic letter mail
2 – 20kgs		€9.00	€9.00
European Outbound Mail			
Align with UPU's PGE standard as follows:			
0 – 30g		€0.59	€0.59
31 – 60g		€1.25	€1.25
Domestic Registered Mail			
Advice of delivery	€0.90	€1.70	€1.20
International Registered Mail			
Registration fee	€2.25	€4.25	€3.00
Advice of delivery	€1.75	€2.50	€2.00
Domestic Newspapers			
0 – 100g		as per domestic letter mail	€0.18
per additional 50g			€0.15
Outbound Newspapers			
Per 20g			
Zone A		as per outbound letter mail	€0.30
Zone B			€0.40
Zone C			€0.49
Zone D			€0.68
APPROVED TARIFF REVISIONS FOR ANCILLARY SERVICES			
PRODUCT		PROPOSED TARIFFS BY MALTAPOST	APPROVED TARIFFS BY THE MCA
Express Delivery Fee			
Letters	€0.82	€1.60	€1.60
Parcels	€1.21	€2.50	€2.50
Certificate of Loss or Damage	€1.16	€5.00	€2.00
Certificate of Posting of Unregistered Postal Articles			
Domestic items	€0.12	€5.00	€1.20
Outbound items	€0.23	€5.00	€2.00
Return of Undeliverable Mail	No fee	Charge rate applicable for original requested service	Charge rate applicable for original requested service

The approved tariff revisions came into force on 1 January 2014.

A postal authorisation fee structure for a fully liberalised market environment

In preparation for the full liberalisation of the postal services market, Government adopted an authorisation framework and a set of administrative charging principles suitable for this new market environment based on proposals made by the MCA. This demanded a revision of the existing authorisation fee structure to reflect and fully conform to, the newly adopted administrative charging principles. On this note, in October 2013, the MCA published a consultation paper proposing a number of changes based on the fact that the existing fee structure differentiated between MaltaPost, as the designated universal service provider, and other postal operators providing services within the scope of the universal service. The changes effectively resulted in the same licence fee algorithm for the USP and other operators within the scope of the universal service. The following table highlights the previous fee structure and the proposed changes.

PREVIOUS AUTHORISATION FEE STRUCTURE		
Provision of postal services	Fees payable to the MCA on an annual basis	
Postal operators licensed to provide postal services within the scope of the universal service	Designated USP	€58,230 + 0.75% of the total gross revenue from postal services within the scope of the universal service
	Non-designated USP operators	€930 + 1% of the total gross revenue from postal services within the scope of the universal service
Postal operators authorised to provide only services which are outside the scope of the universal service	€150, provided that an operator whose annual gross revenue does not exceed €24,300 would be exempt from the payment of such a fee.	

REVISED AUTHORISATION FEE STRUCTURE	
Provision of postal services	Fees payable to the MCA on an annual basis
Postal operators licensed to provide postal services within the scope of the universal service are required to pay on an annual basis:	1.5% of the total gross revenue from postal services within the scope of the universal service, or €5,000, whichever amount is the highest.
Postal operators authorised by way of a general authorisation to provide only postal services which are outside the scope of the universal service:	€150 provided that an operator whose annual gross revenue does not exceed €24,300 would be exempt from the payment of such a fee. <i>(Note: No change was effected to this administrative fee)</i>

Following an analysis of the feedback received, the MCA made its recommendations to Government to proceed with the proposed changes. These changes were formalised by means of a Legal Notice which was published and which came into force in January 2014.

LEGISLATION AND LITIGATION

Legislation

During the period under review, the following laws relating to the postal sector were enacted:

- L.N. 29 of 2013 entitled “MaltaPost p.l.c. (Modification)(Amendment) Regulations, 2013”, which amended certain fees that MaltaPost may levy with regard to inland mail, outbound cross-border mail and rates of postage on airmail.
- L.N. 73 of 2013 entitled “Post Office Leases Order, 2013”. This legal notice provided for the repeal of “the Post Office Transfer of Leases Order, 1998” and established new periods relating to the duration of lease of certain properties as listed in the various schedules to the said legal notice.

Litigation

Appeals before the Administrative Review Tribunal

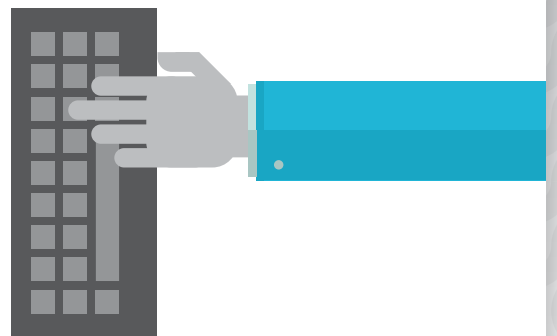
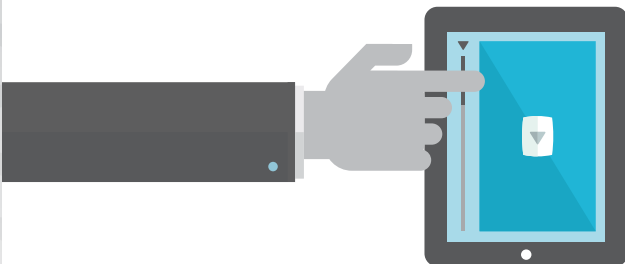
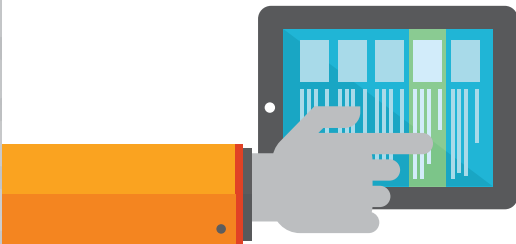
During the period under review, Global Parcels and DHL International each lodged an appeal. These appeals relate to the contestation of what type of postal services authorisation is required, with appellants in both cases arguing that they only require a general authorisation to operate, that is, that they only provide postal services outside the scope of the universal service. At the end of 2013, both appeals were pending for a decision.²¹

Constitutional cases

The MCA is party to a constitutional case related to the use of premises in Hamrun as a post office by MaltaPost, whereby the owners of the said premises have filed proceedings to regain possession. One of the defendants in the case - the Housing Authority - requested that the MCA be called in as a co-defendant to the lawsuit. The case is pending before the First Hall - Constitutional Jurisdiction.

²¹ The DHL International appeal was decided on 8 January 2014 in favour of the MCA. DHL International subsequently filed an appeal before the Court of Appeal contesting the Tribunal's decision.

5. THE CONSUMER



ELECTRONIC COMMUNICATIONS

REGULATORY ACTIONS

Termination of service and switching processes

In a decision dating back to May 2012, the MCA determined that Melita changed the terms and conditions of its service when it circulated a letter to its subscribers informing them that anyone subscribed to the 'MyMelita' service, would no longer receive paper based bills unless such subscribers expressly advised Melita to the contrary. In effect, this action went contrary to a clause in Melita's subscriber contracts, which established that subscribers would receive their bills by mail.

Consequently, the Authority considered that Melita was in breach of regulatory norms by failing to provide subscribers the option to terminate their contract without incurring any penalties as a result of this contractual change and fined Melita €2000.

Melita appealed this decision, however in February 2013, the Administrative Review Tribunal ruled in favour of the MCA.

Contract obligations

Over the past year, market developments have resulted in a number of service providers voluntarily offering post-paid packages for a minimum contractual period of 12 months, or on an indefinite basis, without the need for any regulatory intervention. The same packages were offered previously, subject to a 24 month contractual tie-in. The MCA reviewed the services available on the market to monitor contractual periods and concluded that all service providers are offering services to consumers, i.e. mobile and fixed, TV and internet services, on a stand-alone basis, for a minimum contractual period of twelve (12) months or less.

Complaints and enquiries

During 2013, the Authority received a total of 290 complaints and 296 enquiries. The most common type of complaint related to the repair of intermittent and temporary faults to TV, internet and fixed telephony services. There is a range of factors that could lead to such faults, including damages to the service providers' infrastructure, damages to internal wiring or to the customer

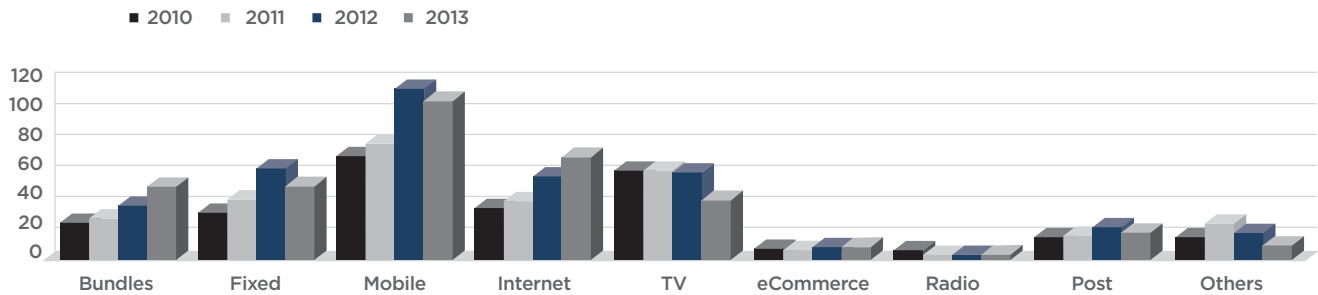
premises equipment. The Authority deals with such cases by monitoring the actions undertaken by the service provider to ensure that faults are repaired in the shortest time possible. In those cases, where it was evident that the fault was not caused by third parties, subscribers were provided with the applicable compensation/refunds as stated in their service contract.

A number of complaints were also received regarding the termination of an electronic communications service or services. The MCA reviewed measures undertaken by service providers with a view to improving and rendering the procedure for termination more transparent and efficient.

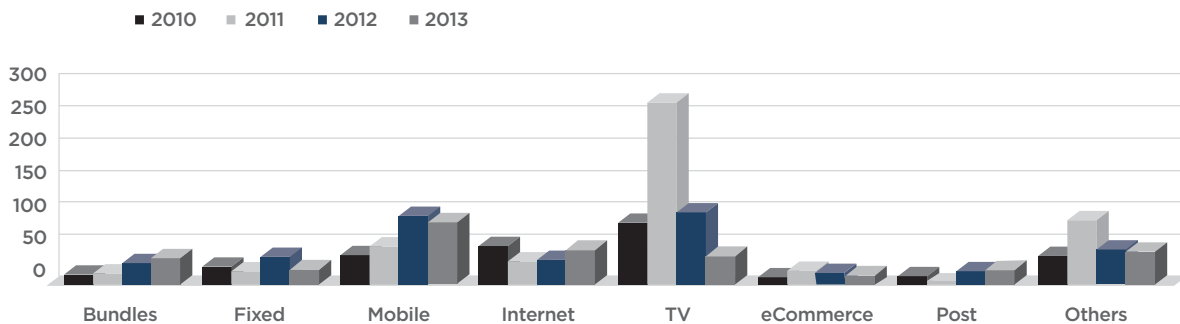
Where necessary, the Authority intervened and reached an agreement with the relevant service provider to modify its termination process. The MCA continuously monitors these procedures and liaises with other competent Authorities to ensure that these are reasonable and efficient.

Other complaints related to the transmission of free-to-air channels, non-payment of bills and other unfair commercial practices.

Complaints by sector



Enquiries by sector



REGULATORY DEVELOPMENTS

Itemised billing

During 2013, the MCA consulted on a proposed decision regarding the provision of itemised bills in the fixed and mobile telephony sectors.

Subscribers may choose between two types of itemised bills:

- A basic itemised bill, which normally provides a summary of the different types of calls made (international calls, calls to same network, etc...) and the total costs incurred for each category of calls.
- A detailed itemised bill, which provides information on each transaction made by the subscriber, such as each voice call, SMS, MMS and data used by the subscriber.

The MCA's proposed decision specified the content that both types of itemised bills must contain, as well as the formats in which these bills can be accessed by subscribers should they require such information. By means of this proposed decision, all mobile and fixed telephony post-paid subscribers can request a basic itemised bill, in either hard copy or electronic format, or a detailed itemised bill in electronic format, free-of-charge. Furthermore, subscribers aged 65 years or more can request a detailed itemised bill in hard copy format, at no cost. Disabled end-users are entitled to a detailed itemised bill, at no cost, should the service provider be unable to provide such information in the subscribers' preferred medium.

A final decision in this regard was published in January 2014 and came into effect on 1 April 2014.

Review of must-carry obligations

During 2013, the MCA published a decision that removed the must-carry obligation from the Cable TV analogue tier, giving a one year transition period in order to give ample time to all stakeholders involved, like operators, broadcasters and the viewing public, to take whatever measures necessary. This decision was based on the fact that the analogue cable tier is no longer marketed by Melita and that the number of existing analogue subscribers declined from 13% in 2011 to under 6% of the total pay TV population in Q1, 2013. Analogue Cable TV subscribers could easily switch to an equivalently priced digital package that provided a larger number of channels. The continued imposition of must-carry obligations on the analogue tier further presented considerable opportunity costs, represented by the significantly more efficient use of bandwidth that could be made and was therefore considered to be disproportionate.

The impact of this decision is that, with regard to the analogue platform, whilst the removal of 'must-carry' in no way entails the automatic discontinuation of general interest channels from the analogue platform, the relationship between the cable operator and the general interest channel providers now becomes a commercial one. Must-carry on the digital cable platform remains.

Broadband QoS

In a decision published in February 2013, the MCA defined a quality of service framework for broadband internet services. This framework is aimed at ensuring that broadband services offered on the market reflect the description of the service that users subscribe to.

The quality of service framework is guided by four main principles:

1. Broadband subscribers have a right to choose the ISP which best suits their needs. A subscriber therefore needs to have access to the right information to enable informed decisions and that will facilitate comparison between the services being offered on the market.
2. Broadband subscribers have a right to know the performance of the broadband service that they are subscribed to.
3. ISPs should only offer broadband packages, which they can physically provide over their networks. They should also ensure that their networks are appropriately designed or configured to provide the service sold for the duration of the contract term; and
4. Marketing information presented by the ISPs should be based on information, which realistically represents the service that they are providing.

Technical guidelines on reporting incidents

In August 2013, the Authority published technical guidelines to provide a standard format of incident reporting. This was based on the work published by the European Network & Information Security Agency (ENISA).

The objective of reporting such data is to gather information directly from network operators about security breaches or major outages that have had significant impact on end users, and to obtain information about the root cause of such incidents. This information will serve to conduct trend analysis of major outages.

MARKET DATA

Mobile data usage survey 2013

This quantitative study consisted of telephone interviews conducted between April and May 2013. The study aimed to obtain an insight into the use of mobile data services by the general public. The study shed light on the number of individuals owning a smartphone, the connection they used to access the Internet, their preferred activities and the websites they visited most frequently through their mobile phone. It also explored the reasons why individuals are not making use of mobile internet. The study showed that during 2013, more than a quarter of the Maltese population owned a smartphone, with the younger generation, as expected, taking the lead with 66% of 16-24 year olds and 58% of 25-34 year olds owning a smartphone.

Despite the fact that 80% of respondents were aware that they could access the Internet through their mobile phone, out of these, slightly more than half failed to do so. The remaining 48% indicated that they have accessed the Internet through their smartphone during the six months prior.

Respondents who made use of mobile data services were mainly aged between

16 and 24 years, possess a post-secondary level of education or higher and occupy a senior or middle management position.

59% of mobile data service users are subscribed to a mobile data plan, with 44% subscribing to a monthly contract plan, whilst 37% subscribed to a pre-paid pay monthly plan. Three in every 10 respondents subscribed to a mobile data plan between six and twelve months preceding the interview.

The most popular online activity through a mobile device during the three months prior to the interview was social networking on sites such as Facebook, Twitter and LinkedIn, followed by the use of emails and accessing online newspapers. Social media apps are the most popular apps among respondents, followed by messaging apps and games.

65% of mobile data plan subscribers agree that the cost for data services is affordable, whilst more than two-thirds believe that data services are reliable and are satisfied with their mobile data coverage. On the other hand, there are mixed feelings as to whether keeping track of mobile data service costs is difficult, with 36% agreeing, 37% disagreeing and 25% still undecided. 62% are not making use of mobile data

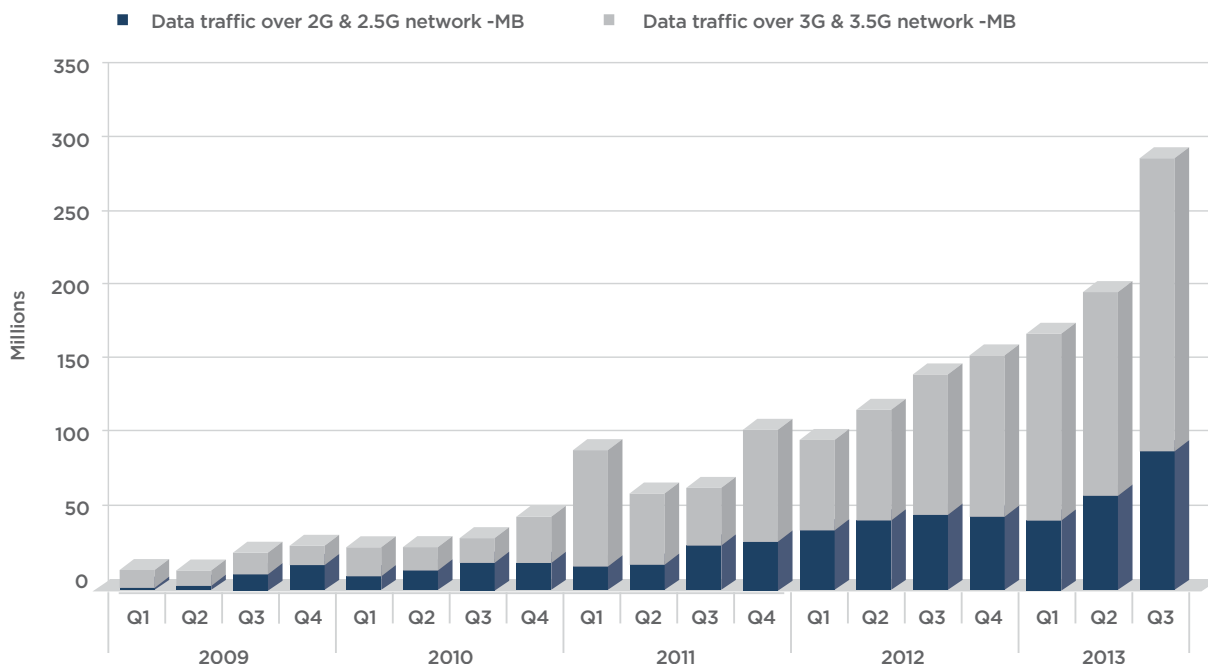
services, predominantly due to a lack of interest, the perception of not actually needing the service, followed by not having a mobile phone that allows such an activity and not knowing how to use it. The survey showed that more than three-quarters of respondents that do not currently use mobile data services do not plan on using such services in the future.

Consumer perception surveys

Between August and October 2013, the Authority commissioned a survey to gauge consumer sentiment on mobile and fixed telephony, Internet and TV distribution services and bundled offerings, in particular their perceptions on the general quality of service and prices. The survey was limited to residential users. The results of this survey served to benchmark developments against the results obtained from the survey undertaken during the same period in 2011.

Of most significance is the exceptional growth in Internet access via mobile technology, further confirmed by market data as indicated in the graph below, which shows the continuous growth in data traffic.

Mobile data traffic



The following is a snap-shot of some of the most salient findings across all surveys.

Mobile telephony

The survey showed that 9% of all mobile subscribers have more than one connection, which, together with the penetration of business mobile users, explains a mobile penetration rate of around 131%. The number of subscriptions on a post-paid contract is gradually increasing, registering a growth of 4 percentage points since 2011. Another area which registered significant improvement is consumers' perception of mobile tariff rates, with more than half of consumers who know the cost of making a call claiming that the rates are acceptable. In terms of quality satisfaction levels, the survey showed that 88% of mobile subscribers are satisfied or highly satisfied with the level of service provided by their operator. Tariff rates continue to be the main driving force for mobile subscribers to switch operators, with

43% of subscribers claiming to switch operators should their current operator increase tariffs. In fact, 18% switched operator over a two-year period with 88% claiming that this process was relatively easy.

Fixed telephony

Despite the significant increases in mobile telephony usage, fixed telephony remains an important service. Even though 72% of households consider the mobile phone to be a good substitute (61% in 2011), only 3% of households consider terminating their fixed line connection. 36% of households said their preference between using a fixed or mobile phone depends on whether the call is made to another landline or mobile, on the person being called and the duration of the call. Of those households preferring the fixed telephone, 49% perceive landline calls to be cheaper, 32% claim

the telephone is easier to handle, 16% claimed to not have a mobile phone, whilst the rest used the fixed telephone out of habit. Those preferring the mobile phone do so because of mobility, SMS facility, attractive packages and special offers, as well as direct access to the contacts list. The majority of respondents perceived landline calls to other landlines to be cheap or reasonably priced, however, 59% of households still perceive calls to mobile phones as expensive. 48% of households make international calls, out of which, 81% perceive the rates for these calls to be cheap or reasonable. Interestingly, 18% of households use the Internet to make calls, believing this to be a good substitute to fixed line telephony.

Internet services

Only 1% of those households that do not intend to get access to the Internet

(comprising some 19% of all households) cited affordability as the reason for not getting an Internet connection. With regard to usage, more members within the same households are using the Internet at home when compared to 2011. 76% of households claimed that the Internet has become an indispensable service.

Approximately 79% of households are satisfied or highly satisfied with the level of service. Despite the fact that more than 80% of households did not know their connection speed, 83% of households claimed that their current Internet speed is adequate for their needs. Service reliability is the main determining factor when choosing between internet service providers (55% of households), closely followed by price and connection service speed.

Whilst only 23% of households know the cost of their broadband service, of which the majority (72%) perceive the cost to be either reasonable or cheap, 65% of households would in fact change their internet connection if monthly subscription charges were to increase by 10%.

Broadcasting services

According to the survey results, 46% of Maltese households have at least two TV sets, with 57% of households having at least one HD TV set at home, a dramatic increase when compared to the 28% in 2011. This notwithstanding, only 5% of Maltese households are subscribed to an HD TV package. With regard to quality satisfaction levels, an average of 68% of Pay-TV subscribers are satisfied or highly satisfied with the quality of their TV connection. The channel line-up of both operators is the main cause of dissatisfaction amongst those households that are less satisfied. The results also show that a good number of households are not familiar with the basic terms and conditions of their contract. 23% of pay TV subscribers do not know the cost of their TV service. Having said this, 51% of

all GO DTTV subscribers and 39% of all households with a Melita connection perceive prices to be neither expensive nor cheap. Subscriptions to premium channels are also on the increase with 25% of households with a pay-TV connection being subscribed to one or more premium channels, 9 percentage points more than in 2011. Interestingly, 26% of households view TV via the Internet, a marked increase from the 19% reported in 2011. Some 51% of these households always/often consider Internet TV as a good substitute to traditional TV.

Bundled services

Results from the consumer perception survey on bundles, which is the first of its kind to be carried out by the MCA, show that 80% of households subscribed to a bundle of services have opted for this arrangement because it offers a better overall price.

Additionally, 26% of households opted for the bundle because of the convenience of receiving one bill. Internet is considered to be the most important service for households when selecting their bundle, followed by TV and fixed telephony. 50% of all households have a mobile telephony package forming part of the bundle, 75% of which claim to be attracted to the mobile offers provided as part of the bundle.

70% of households with a bundle offer are satisfied or highly satisfied with the service they receive. Of those that are not quite satisfied, 40% cite frequent disconnections, 26% claim that the service does not fully address their individual needs and 18% mentioned billing issues as the main reason for their dissatisfaction. Furthermore, 43% of those that are not quite satisfied consider changing their service provider. 64% of households that did in fact switch, claim the process to be easy. 42% of households subscribed to a bundle spend more than €40 a month. 58% perceive the cost of their

bundle to be reasonable, whilst 38% say it is expensive. Interestingly, households would still prefer to switch to another operator offering a similar bundle (74%), than switch to individual services (69%), should the price of the bundle increase by 10%.

INFORMATION CAMPAIGNS

Roaming

In June 2007, the EU adopted a Regulation introducing the "Eurotariff". This regulation placed a limit on the cost of making and receiving mobile calls while travelling within the 27 EU Member States, thereby ensuring that subscribers do not pay excessive prices for these services. This regulation was further amended in 2009 to include additional rules in favour of subscribers, such as, the introduction of progressively lower tariffs for calls made and received, the introduction of price limits on the costs of sending SMSs whilst roaming, called the 'EuroSMS tariff', as well as a 'cut-off' mechanism on data services. In this regard, data services were capped at a maximum of €50 (excl. VAT), unless subscribers would have agreed to a different limit with their service provider. Subscribers are automatically alerted, free of charge, upon reaching 80% of this limit. When the full limit is reached, the data service will automatically be stopped unless subscribers ask their respective service provider to extend this limit. These regulations have resulted in a progressive reduction in the 'Eurotariff' as from 2007 and will continue on this trend in 2014.

Consequently, the number of roaming minutes, both from Maltese subscribers travelling in the EU, as well as from foreign subscribers using mobile services whilst in Malta, has been on the constant increase as highlighted in the following tables.

Eurotariff rates between 2007 to date (denominated in € cents, including VAT & Duty Tax)

	Outgoing SMS	Making calls (per minute)	Receiving calls (per minute)	Data usage (per Megabyte)
2007	-	59c6	29c2	-
2008	-	55c9	26c7	-
2009	13c4	52c3	23c1	-
2010	13c4	47c4	18c2	-
2011	13c4	42c5	13c4	-
2012	10c9	35c2	9c7	85c1
2013	9c7	29c2	8c5	54c7
2014	7c3	23c1	6c1	24c3
Percentage decrease to date from introduction of caps	27.6%	51%	70.9%	35.7%

Number of roaming minutes (in millions)

	2009	2010	2011	2012	2013
Minutes made by Maltese subscribers whilst abroad (outbound)	8.6	10.6	11.6	13	13.2
Foreign subscribers whilst roaming in Malta (inbound)	33.8	37.4	41.5	43.3	46.8

In order to raise awareness amongst mobile subscribers on the revised rates, the MCA embarked on a six-month information campaign combining print, audio-visual and digital media.

Price comparison portal - telecosts.com

Formally launched in 2012, www.telecosts.com is a price comparison portal that allows subscribers to electronic communications services, mainly mobile and fixed telephony, Internet and bundled services, to compare and contrast different packages available on the market. The

user would be required to input information on their individual usage patterns into the portal, which subsequently provides a list of packages that are most suited to the subscribers' requirements. The portal is an essential tool, both for those consumers who are subscribing to a service for the first time, as well as those that are shopping around for better deals. During 2013, the MCA launched a national information

campaign to raise awareness on this portal and used a combination of print and radio adverts, as well as strong online campaign through social media and other digital platforms. Throughout 2013, close to 98,000 sessions were registered to the portal with a total of 140,000 page views.

FREQUENCY MANAGEMENT AND MONITORING

During 2013, the Authority continued with its monitoring activity to ensure that operators are in compliance with the roll-out and coverage obligations set out in their licences.

Number of spectrum related inspections / site visits				
Service	2010	2011	2012	2013
Electro-Magnetic Field (EMF) measurements	145	250	276	272
R&TTE notifications	1232	1407	1270	849
R&TTE customs assistance (parcels delivered to the MCA for inspection)	65	68	9	11
Interference complaints	45	20	55	34
Inspections of radio installations	192	41	55	48
Radio monitoring & support	84	113	123	103

Inspection of radio installations				
	2010	2011	2012	2013
Maritime	20	40	55	48
Broadcasting	7	1	0	0
TOTAL	27	41	55	48

Monitoring of EMF Emissions

The MCA's EMF monitoring activity continued well into 2013, with a total of 300 audits carried out throughout the year. These audits ensure that radiocommunications stations are operating within the exposure limits established by the International Commission on Non-Ionising Radiation Protection (ICNIRP). The audits were not only limited to mobile phone base stations but also included broadband wireless access base stations, broadcasting and other transmitters. These audits included a number of sites, which were already audited in previous years to ensure continued compliance with the regulations. During 2013, the MCA carried out 28 audits following direct requests from the general public. The EMF auditing programme, which has been running for the past 13 years, will be continued during 2014.

EMF Audits / Complaints				
Year	2010	2011	2012	2013
Audits	107	201	241	272
Complaints	38	49	35	28
TOTAL	145	250	276	300

Monitoring of harmful interference

Spectrum monitoring provides information on the quality and actual use of frequencies and, at the same time, ensures optimal and lawful use of this scarce resource. In 2013, the MCA performed 73 monitoring exercises and investigated a number of complaints concerning alleged harmful interference. Of these, 34 resulted in actual cases of harmful interference with a number of radiocommunications services. The majority of interference cases related to mobile telephony services.

Interference investigation				
	2010	2011	2012	2013
Broadcasting	18	14	16	3
GSM / 3G / BWA	4	0	27	26
Private Mobile Radio (PMR)	15	2	2	0
Short Range Devices (SRDs)	2	2	1	3
Other services	6	2	9	2
TOTAL	45	20	55	34

Market surveillance and Radio & Telecommunications Terminal Equipment (R&TTE) regulations

Before placing any radio and telecommunications terminal equipment on the local market, manufacturers and importers need to provide the Authority with certain information regarding the safety aspects and the proper use of the equipment. This information is required, primarily to ensure the effective use of radio spectrum, but also to safeguard the health and safety of the user and other effected parties. This requirement is established by the R&TTE Regulations adopted under the Product Safety Act. Once the equipment is found to be in conformity with the necessary legal requirements, it can be safely placed on the market. The MCA performs this function in collaboration with the Market Surveillance Directorate within the Malta Competition and Consumer Affairs Authority (MCCAA). During 2013, 849 notifications regarding radio equipment were received and examined. In addition, MCA representatives were called into 26 court sittings, as experts or witnesses on matters related to radiocommunications equipment.

R&TTE notifications				
	2010	2011	2012	2013
Approved Equipment	1102	1269	1169	820
Not Approved Equipment	115	138	101	29
TOTAL	1217	1407	1270	849

POSTAL SERVICES

Review of the Quality of Service (QoS) requirements and targets to be achieved by MaltaPost for the universal service

An essential element of postal services regulation is the establishment and ongoing monitoring of the quality of postal services, mainly with regard to the efficiency and reliability of services. Reliability effectively translates into a postal delivery time which meets customers' needs and the avoidance of substantial delay, loss or damage to mail. On its part, the MCA ensures that users have access to a set of specific universal postal services, at a specified quality and at affordable prices. In this regard, the Authority is required to set and publish QoS standards in relation to the universal service, which is currently offered by MaltaPost, paying particular attention to routing times and to the regularity and reliability of these postal services. In September 2013, the MCA published a consultation paper specifically to determine the QoS measurements and related performance targets to be achieved by MaltaPost covering the period October 2013 - September 2016. The MCA also proposed a number of updates with regard to the information and reporting requirements related to performance monitoring and complaints handling.

With regard to inland mail, the MCA proposed the following QoS targets for the financial years 2013 - 2016.

Proposed inland mail QoS targets			
Financial Year	Target D+1	Target D+2	Target D+3
ORDINARY MAIL			
2012 / 2013	94%	98%	99%
2013 / 2014	94%	98%	99%
2014 / 2015	95%	98%	99%
2015 /2016	95%	98%	99%
BULK MAIL			
2012 / 2013	94%	98%	99%
2013 / 2014	94%	98%	99%
2014 / 2015	95%	98%	99%
2015 /2016	95%	98%	99%
REGISTERED MAIL AND PARCEL POST			
2012 / 2013	98%	99%	99%
2013 / 2014	98%	99%	99%
2014 / 2015	98%	99%	99%
2015 /2016	98%	99%	99%

The resultant decision, formalizing the proposed QoS targets, was published in January 2014. It is to be said that MaltaPost has constantly striven, with success, to perform above the QoS targets set.

6. BUILDING A DIGITAL MALTA



PROMOTING ICT IN BUSINESS

As the Maltese economy becomes ever-more dependent on ICT development to sustain its growth, it is imperative for all businesses to harness the full potential of technology. The MCA has continued to contribute on this front by running a number of initiatives based on promoting local best practice to support the indigenous enterprise.

WebCheck

During 2013, over 70% of incoming tourists to Malta used the Internet to book their entire, or at least part, of their holiday. Although already strong, this figure is expected to increase in the coming years, highlighting the importance for the Maltese hospitality industry to capitalise on this trend and ensure that it has an engaging web presence by making the best use of web-based tools including websites, social media and other platforms. WebCheck is a support scheme through which a number of local tourism enterprises were given the necessary assistance to establish and/or strengthen their web presence. The scheme was intended to increase the online visibility of Maltese tourism services and enhance the functionality and browsing experience of related sites. The web presence of 31 local hotels was audited and each establishment received a tailor-made report on how it can improve its web presence. This scheme was implemented in collaboration with the Malta Tourism Authority.

WebCheck for Voluntary Organisations (VOs)

With a view to encourage civil society to be more present and active in the digital world, during 2013 the MCA

launched the WebCheck for Voluntary Organisations, which was intended to assist VOs improve and further develop their existent web presence.

Organisations that participated in the scheme were assigned a web specialist who was tasked with reviewing their website and internet strategy.

Participants received free expert advice on ways to capitalise on social media and to develop further their ICT strategy. 10 VOs benefited from this scheme which was coordinated jointly with the Commissioner for Voluntary Organisations.

Social media seminars

The pervasive use of social media in business and public administration was the topic addressed during two well attended seminars organised by the MCA in August 2013. These seminars were the first in a series to be organised by the Authority and were aimed at providing opportunities for discussion on ICT related topics and the sharing of experiences so that every organisation and/or public entity has the opportunity to benefit from the opportunities brought about by a wide range of social and digital media platforms.

EPITOME

EPITOME, an EU funded project, was completed in December 2013, with the certification of just over 200 micro-entrepreneurs who participated in specialised training to acquire ICT skills. The aim of this project was to deliver training in ICT as an entrepreneurial tool and targeted micro-enterprise owners, their employees and the self-employed. The training was based on a curriculum that was devised to address a number of skill-gaps that were identified following an in-depth study of the market. The modules addressed key areas of managing micro-businesses

such as finance, communication and marketing. Besides enhancing practical ICT skills, the curriculum provided participants with the opportunity to strengthen their entrepreneurial-oriented capabilities, thus improving the flexibility and competitiveness of the Maltese micro-enterprise, in an ever-challenging economic environment.

BUILDING DIGITAL COMPETENCES FOR A DIGITAL SOCIETY

To ensure that society can benefit from the proliferation of digital technologies, one must ensure that besides access, every citizen has the competencies to identify, adopt and apply ICTs as part of his or her daily lifestyle in an intelligent, critical way. During 2013, the Authority embarked on a series of educational initiatives aimed at drawing citizens of different ages and socio-economic backgrounds closer to ICT.

ICTforALL community sessions

Throughout 2013, a total of 1,657 individuals attended one of the information sessions organised by the MCA. The two hour sessions explored social media, online shopping and internet banking respectively. The sessions were held at various centres across Malta and Gozo.

LiveICT - eAgeing training

Whilst statistics have consistently shown an increased propensity towards the use of ICT and its various applications, a good proportion of our elderly population is still not using ICT. Two out of every three Maltese who are not using ICTs are aged 55 years or over. These individuals are missing out on a number of benefits and opportunities such as eHealth, online shopping and social networking. Malta, like the rest of Europe, considers that

bridging this generation divide will yield benefits in the forms of both economic development and better social cohesion. The 'LiveICT' campaign, rolled-out in 2012, aimed at raising awareness amongst older generations about the true potential of ICT and to challenge the perception that computers and Internet use are exclusively for the young or those in employment. The campaign resulted in approximately 980 individuals aged 65 years and over participating in basic ICT training during 2013.

Project ENTER

Statistics show that 28% of individuals do not use the Internet, meaning that almost one third of Malta's potential workforce is likely to be unable to make use of any ICTs. An inability to use ICT limits employability, mobility and flexibility. On a macro level, it negatively impacts the competitiveness of the economy. In order to address this, the MCA successfully secured €400,000 in EU funds to deliver the Networked project – branded 'ENTER'. This project is aimed at increasing the participation rate in lifelong learning by offering older individuals basic training in ICT applications to strengthen their digital skills. The training is aimed at all potential employees, particularly the 'unskilled', the unemployed and the self-employed. During 2013, the MCA issued separate tenders for the delivery of an intensive information campaign, as well as for the development of a tailor-made curriculum in preparation for the two courses to be made available in 2014.

Collaboration with Unite IT and Telecentre-Europe

The Telecentre-Europe Summit 2013 was held in Malta in October and brought together Telecentre leaders and stakeholders from across Europe.

The summit is organised with the aim of jointly exploring strategies, plans and common actions on the themes of digital inclusion, digital jobs, youth unemployment and Telecentre sustainability. The main focus of the event held in Malta was to create a roadmap, from digital inclusion to digital empowerment and to showcase how Telecentres are concretely helping individuals improve their ICT skills, find work and substantially improve their quality of life. This summit was held in conjunction with Unite IT's first annual conference. Unite IT is a network project aimed at raising awareness on the digital divide and fostering the sharing and joint actions to overcome this. The Unite IT project is being implemented by Telecentre-Europe AISBL together with seven of its member organisations, including Malta, as well as the European Students Union (ESU).

BeSmartOnline! Safer Internet for Children

The Internet today is at the centre of children and youths lives, from education, entertainment, to mere communication, the young Maltese are spending a good part of their life online. With a view to addressing this fast evolving dimension, throughout 2013, the MCA, as part of a consortium comprising the Foundation for Social Welfare Services and the Office of the Commissioner for Children, continued with the roll-out of the second phase of the BeSmartOnline! project after securing additional funds from the EU Safer Internet Programme. The total EU and national funds allocated to all partners for this project amounted to €439,999. The project aims at raising awareness on the safer use of the Internet and helps ensure a positive online experience for minors. This is achieved through various awareness and educational initiatives, which target parents, carers and educators, in

addition to the minors themselves. The project also offers support to members of the public on 24/7 basis. In addition, a hotline, ChildWebAlert, has been set up to provide the public with an online form, which can be used to anonymously report online content related to child abuse.

In addition to the consortium members, a wide range of stakeholders are consulted during the implementation of the project. This is done through various dedicated forums and an Advisory Board. Collectively, over 25 NGOs, Ministerial, educational, academic, professional bodies, industry and law enforcement representatives are routinely consulted throughout the project.

Each partner's contribution is dependent on their respective area of expertise. The MCA is primarily responsible for raising awareness and overlooks the coordination of the project. The Foundation for Social Welfare Services is responsible for operating the hotline and helpline, whilst the Office of the Commissioner for Children is responsible for ensuring youth participation and representation in most of the project undertakings.

School campaign

Throughout 2013, the MCA continued with its ambitious school campaign, which upon completion in May 2014 should reach a total of 360 classrooms, that is, approximately 8500 students. Specific resources and an accompanying lesson plan were developed and delivered to all 13-14 year-old (Form 3) and 10-11 year-old (Year 6) students in Malta and Gozo.

Safer Internet Day 2013 – Digital Angels Scheme.

Safer Internet Day is coordinated by the Insafe network, the European network of awareness centres that promote the safe and responsible use of the Internet, and is commemorated worldwide through a number of activities and initiatives. As a member of this network, the BeSmartOnline! consortium led an initiative entitled “Digital Angels”, which encouraged children to pair up with a grandparent or an adult, aged 55 years or over to undertake an online activity together and record the activity on a specifically designed poster that was distributed to all students aged 10-11 years. Vodafone (Malta), GO, Melita, Smart Technologies and Microsoft supported the initiative by providing a number of gifts that were distributed as part of a lottery draw.

WiFi roll-out

With a view to facilitate and promote ubiquitous access to high speed internet, the MCA continued to invest and strengthen the Free WiFi service across Maltese and Gozitan squares, gardens and other public places.

During 2013, the MCA set up six new free WiFi hotspots, bringing the total number of hotspots to 121. The following table highlights the most popular hotspots during 2013.

Locality	Address	Users
Ċirkewwa	Ferry Terminal	44,143
St. Paul's Bay	Buġibba Square	44,019
Mġarr (Gozo)	Mġarr Terminal	43,280
Msida	Mater Dei Hospital (Foyer)	34,370
Marsaskala	Mifsud Bonnici Square	28,106
Msida	Mater Dei Hospital (Outpatients)	26,238
Msida	Mater Dei Hospital (Emergency Areas)	23,948
Msida	Mater Dei Hospital (Canteen)	23,315
Naxxar	Giovanni Curmi Higher Secondary School	23,059

A comprehensive list of WiFi hotspots is available in the Annex on page 92.

Professional development seminar for educators

During 2013, over 500 prospective and current educators benefited from seminars, organised as part of the BeSmartOnline! project, which were organised with the aim of widening educators' knowledge on how students are making use of the Internet and how to provide them with the tools they require to have a safer online experience. Two seminars were held with students reading for a bachelor's degree in education from the University of Malta, during which the common risks associated with Internet use and the malicious behaviours sometimes undertaken amongst students themselves were addressed. Aġenzija Appoġġ, as well as officers within the Cyber Crime Unit of the Malta Police Force contributed to the discussions.

Insafe training meeting

During September 2013, a three-day Insafe training meeting was hosted in Malta and was attended by 31 Safer Internet Centres from across the 27 EU member states, as well as Iceland, Norway, Russia and Serbia. The meeting was also attended by a number of renowned experts in the field of online safety and other industry players such as Microsoft, Facebook and Google. The meeting was opened by the then Parliamentary Secretary for Competitiveness and Economic growth, Dr Edward Zammit Lewis.

Digital Malta Strategy

During 2013, the MCA, jointly with the Malta Information Technology Agency (MITA) developed a new national strategy aimed at advancing ICT throughout society and the economy as a whole. The strategy builds on three strategic themes, namely; Digital Citizen, Digital Business and Digital Government, which are supported by three strategic enablers - regulation and legislation; infrastructure; and human capital. The strategy is also aimed at helping Malta achieve the Digital Agenda for Europe targets. The Strategy is the result of an extensive

and iterative consultative process with ICT stakeholders from the public and private sectors, associations, interest groups from civil society, as well as with the public at large. The views, ideas, expressions and proposals were consolidated into a draft Strategy, which was then circulated for a second round of consultations. This second phase also included focused bi-lateral meetings with stakeholders who will own and be involved in implementing parts of the Strategy.

Beyond its regulatory role related to the electronic communications sector, eCommerce and the postal sector, the

MCA is mandated to implement national policy related to addressing the digital divide, internet safety and proliferating the use of ICTs amongst private citizens and businesses.

The Digital Malta strategy was formally launched in March 2014. A governing body, representing the primary stakeholders, will be established. The governing body will oversee the implementation of the strategy, ensuring the necessary commitment, engagement and collaboration of all stakeholders, oversee its progress, approve a programme of initiatives and keep the strategy valid and up-to-date.

7. CORPORATE DEVELOPMENTS, INITIATIVES AND ONGOING REGULATORY ACTIVITY



CORPORATE DEVELOPMENTS AND INITIATIVES

IT Systems

In 2013, the MCA IT team introduced biometric access control and launched an in-house built time recording application to give staff easier visibility of their working hours, as well as easy reporting functionality. An integrated calendar displaying all employees on leave, working from home and that are currently travelling was also developed and launched on the MCA's intranet. Towards the end of the year, the team started focusing on a long-term plan to fully migrate to a virtualised environment that would provide a more stable and eco-friendly environment to the Authority. Besides focusing on virtualisation, several other major projects had also been prioritised for 2014 including a new IP based PBX, migration to Active Directory 2012 and the introduction of cloud backups.

Training, sponsorship & career development

The Authority ensures that its members of staff are highly motivated with an acute sense of responsibility and drive. Staff members are periodically exposed to effective training and other developmental programs, both locally and internationally, through participation in conferences and meetings. A minimum of 10% of payroll and direct related costs are allocated for training purposes.

Career development is high on the Authority's agenda. Staff members are encouraged to further their studies and are often supported financially in this regard, in particular when the study programme is directly related to their area of work.

The MCA also participated in the Student Placement Programme, coordinated by MITA, employing four students during the summer recess period.

Collaboration with the University of Malta

During 2013, four studies by the University of Malta were concluded and published after benefiting from MCA funding as part of a 2012 Memorandum of Understanding. The studies are:

1. Objective Quality of Experience Metrics for Television Services
2. Digital Exclusion in Later Life: A Maltese Case Study
3. Children's Perception of Online Risk
4. Digital and Video Game Usage in Malta

Premises

The MCA has been occupying its current premises since 2006. The development of new functions and increasing work exigencies and responsibilities rendered the need for larger premises through which the Authority can operate effectively. Towards the end of 2013, the Authority negotiated an agreement with VISET to take over a new wing adjacent to the current premises.

ONGOING REGULATORY ACTIVITY

Management of licences and general authorisations

In the electronic communications sector, one undertaking terminated its authorisation to operate as a Publicly Available Telephone Service operator, while two undertakings terminated their authorisation to provide Other Publicly Available Electronic Communications Services. There were no new authorisations during 2013.

The MCA received two new notifications from postal undertakings offering services outside the scope of the universal postal service. No terminations were received during 2013.

Electronic communications authorisations and terminations during 2013

Public Communications Network	Publicly available telephone service	Radio & TV distribution service	Other Public electronic communications service	Non-Public electronic communications service	Private Electronic communications network and/or service
	1 termination [PING]		2 terminations [Studio7 Productions Ltd., New Phonia Ltd.]		

Postal Service authorisations and terminations during 2013

Postal Services Within the Scope of the Universal Postal Service	Postal Services Outside the Scope of the Universal Postal Service
	2 new notifications [Marvic Refalo; and Thomas Smith & Co. Ltd.]

Radiocommunications equipment licensing

The Authority implemented a new accounting system for radiocommunications equipment licensing, providing for better and more flexible reporting capabilities.

8. PARTICIPATION IN INTERNATIONAL FORUMS



CONTRIBUTION TO SECTOR POLICY

Throughout 2013, under the Irish and the Lithuanian Presidencies, the MCA was closely involved in discussions on the following four legislative dossiers:

1. **Proposal for a Regulation on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC:**

This Regulation lays down guidelines to determine those trans-European telecommunication network projects that shall be supported in accordance with the Connecting Europe Facility. The total budget assigned to ICT related projects is €1bn, 15% of which has been allocated to broadband infrastructure projects and the remaining 85% to digital services infrastructures.

2. **Proposal for a Directive on measures to reduce the cost of deploying high-speed electronic communications networks:**

This Directive seeks to enable a more efficient deployment of new high speed broadband physical infrastructures, primarily by creating a legal framework for the sharing of existing physical infrastructures. Once this Directive is adopted it will have to be transposed into national law.

3. **Proposal for a Regulation on electronic identification and trust services for electronic transactions in the internal market:**

Whilst replacing the existing eSignatures Directive, this Regulation also introduces the supervision of trust services, which were not previously regulated. On a national level, changes to current legislation will include amendments to the eCommerce Act (Chapter 426), in particular given that the new regulation will apply directly in the EU, thereby rendering any similar national provisions redundant.

4. **Proposal for a Regulation laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent:**

Through this proposed Regulation, the Commission is proposing a review of the current Electronic Communications Regulatory Framework with the intention of making it less onerous for undertakings to provide their electronic communications services and networks within the EU, and to foster the rights of the respective end-users. This proposal has initiated an intense debate at European level particularly within the Council of Ministers and the European Parliament. During the past months, the MCA has been

seeking national stakeholders' views and subsequently advising Government about the issues dealt with in the draft proposal. The Authority has also been working very closely with its counterparts through the BEREC in order to analyse in depth, the implications of the Commission proposals and suggest improvements to the European institutions. Eventually, the adopted legislation will have to be reflected in the Electronic Communications (Regulation) Act (Cap. 399) and subsidiary legislation.

Discussions on the above-mentioned dossiers will ensue in 2014. All dossiers are scheduled for adoption by the end of the same year. In a continuous effort to keep national interest at the forefront of all pan-European discussions, the Authority contributed to international policy, either directly, or on behalf of Government on the issues outlined in the following table.

<p>European Commission proposals within the direct competence of the MCA during 2013</p>	<p>European Commission proposals, where the MCA was requested to provide feedback to Government during 2013</p>
<p>COM (2013) 40 - Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 912/2010 setting up the European Global Navigation Satellite System (GNSS) Agency.</p>	<p>COM (2012) 784 - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The Digital Agenda for Europe - Driving European growth digitally.</p>
<p>COM (2013) 147 - Proposal for a Regulation of the European Parliament and of the Council on measures to reduce the cost of deploying high-speed electronic communications networks.</p>	<p>COM (2013) 48 - Proposal for a Directive of the European Parliament and of the Council concerning measures to ensure a high common level of network and information security across the Union.</p>
<p>COM (2013) 627 - Proposal for a Regulation of the European Parliament and of the Council laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) No 1211/2009 and (EU) No 531/2012.</p>	<p>COM (2013) 36 - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions setting up a European retail action plan.</p>
<p>COM (2012) 238 - Proposal for a Regulation of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market.</p>	<p>COM (2013) 231 - Green Paper preparing for a Fully Converged Audiovisual World: Growth, Creation and Values.</p>
<p>Amended proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC.</p>	<p>Proposal for a Regulation of the European Parliament and of the Council adapting to Article 290 of the Treaty on the Functioning of the European Union, a number of legal acts providing for the use of the regulatory procedure with scrutiny.</p>

LIST OF MEETINGS ATTENDED BY THE MCA DURING 2013**Commission / Council Meetings**

11th Digital Agenda for Europe High Level Group	October
BeSmartOnline!	March / April / October
Communications Committee (COCOM)	February / April / May / June / July
COCOM Data Working Group (WG)	September
COCOM Implementation of Mobile Satellite Services WG	April / June
Connected Continent Package High Level Meeting	December
Council Working Party (Telecoms and Information Society)	January / March / April (2) / May / June / September
Digital Champions Meeting	June / November
eCommerce Expert WG	February / October / December
ENISA Article 13a Meeting	February / May / October
European GNSS WG PRS Bilateral meeting	September
High Level Internet Governance Meeting	January / March / April / October / December
ICT For All Basics	February / May / November / December
National Cloud Computing Strategy Expert WG	May / October
Postal Directive Committee	April (2) / December
Radio Spectrum Committee (RSCOM)	March / July / October / December
Radio Spectrum Policy Group (RSPG)	February / March / June / November
RSPG EU Bilateral Coordination WG	January / May
RSPG Spectrum Requirements for Wireless Broadband WG	February / May
Telecoms Single Market Technical Meeting	October

Regulatory Meetings

BEREC End-User Expert WG	October
BEREC / Independent Regulators Group (IRG) Plenary	March / June / September / December
BEREC / IRG Contact Network	February / May / September / November
BEREC Benchmarking WG	March / July / September
BEREC Framework Review Team WG	March / May / August
BEREC Market & Economic Analysis WG	January / July / September
BEREC Net Neutrality WG	February / April / May / August / October
BEREC Next Generation Networks (NGN) WG	September
BEREC Remedies WG	January / February
CEPT Frequency Management WG	February
CEPT Naming and Numbering (NaN) Expert WG	April / October

Regulatory Meetings

European Regulators Group for Postal Services (ERGP) Contact Network	June / October
ERGP Cost Accounting / Price Regulation WG	March / September
ERGP Cross-border Parcel Delivery WG	September
ERGP End-to-End Regulation WG	February / May / September
ERGP Plenary	June / November
IRG WG on Single Telecoms Market	August
NGN Annual FTTH Conference	February

Other Meetings

BEREC & EU Commission Meeting	June
EMERG - Southern Mediterranean Dialogue on Electronic Communications & Information Society	November
End-User Workshop for National Regulatory Authorities (NRAs)	May
FT Digital Media 2013 Conference	April
FT ETNO Summit 2013	October
FTTx Summit Europe 2013	April
Meeting on Interconnectivity Monitoring	April
Meeting with German NRA on Infrastructure Mapping	April
Workshop on Broadband Investment	December

9. LIST OF CONSULTATIONS & DECISIONS



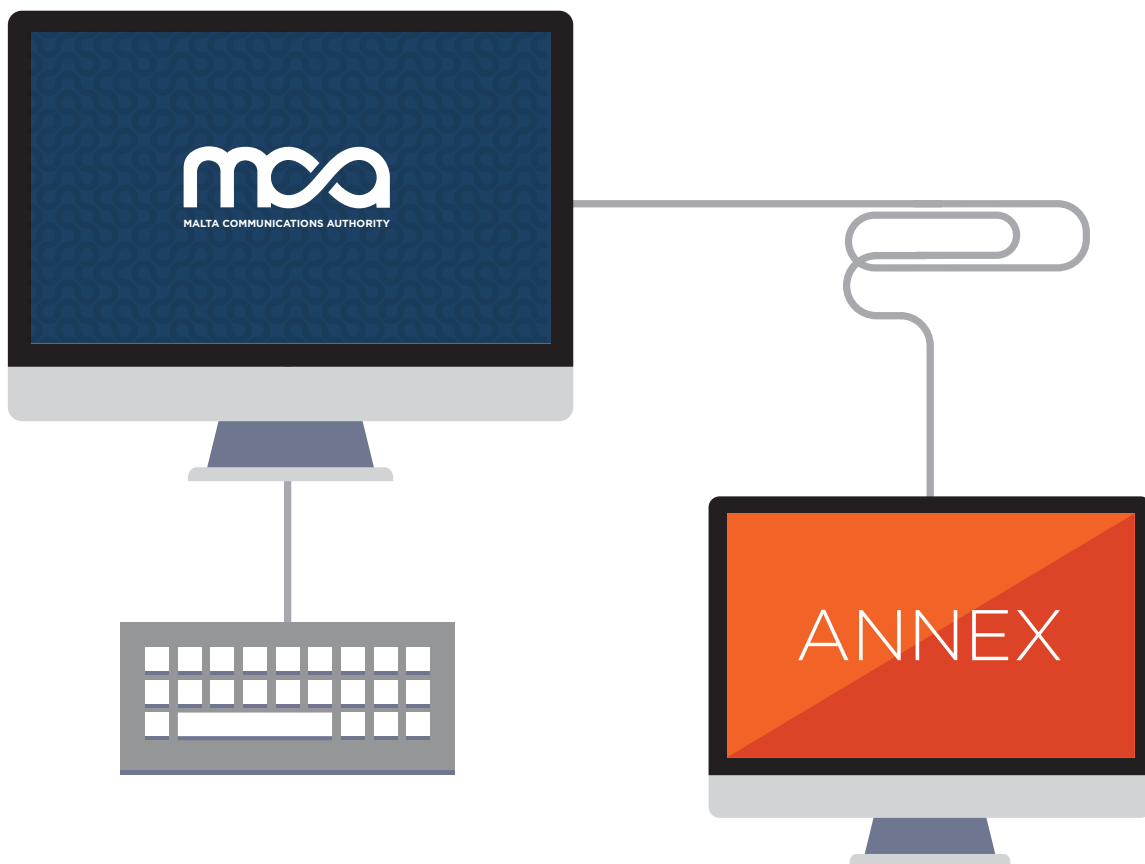
CONSULTATIONS

Itemised Billing	June
Market Review for the Postal Sector: Letter Mail Markets	July
MCA consultation on the provision of voice call termination on individual mobile networks in Malta	July
The MCA's Bottom up Cost Model for Mobile Networks and Proposed Mobile Interconnection Pricing	August
A Postal Authorisation Fee Structure for a Fully Liberalised Market Environment	September
Review of QoS Requirements and Targets for the Universal Postal Service	September
Consultation and Proposed Decision on a Price Control Mechanism for MaltaPost plc and Revised Postal Tariffs for Financial Years 2014 and 2015	November
Market Review for the Postal Sector: Parcel Post Markets	November
MCA consultation on the provision of voice call termination on individual public telephone networks provided at a fixed location in Malta	December

DECISIONS

Broadband Internet - Quality of Service Framework	February
Market review of Wholesale broadband markets (Market 4 and Market 5)	March
Review of Must-Carry Obligations	August
Pricing of Leased Lines and Ethernet Connections Response to Consultation and Decision	August
Addendum to the MCA's Consultation of 16 August 2013: Bottom Up Cost Model for Mobile Networks and Proposed Mobile Interconnection Pricing	August
Technical Guideline on Reporting Incidents	August
Market Review for the Postal Sector: Letter Mail Markets	October
A postal authorisation fee structure for a fully liberalised market	December
Price Control Mechanism for MaltaPost plc and Revised Postal Tariffs for Financial Years 2014 and 2015	December

10. ANNEX



LIST OF FREE MCA WIFI HOTSPOTS

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

Locality	Address
Lija	Transfiguration Square
Luqa	Football Grounds
Luqa	St. Vincent de Paule Residence
Marsa	St. Thomas Street
Marsalforn	Menqa
Marsaskala	Mifsud Bonnici Square
Marsaxlokk	Our Lady of Pompeii Square
Mdina	St. Paul's Square
Mellieħa	Dun Anton Debono Gardens
Mġarr	Public Garden in Mons. O. Vella Street
Mġarr (Gozo)	Mġarr Terminal
Mosta	Rotunda Square
Mqabba	Primary School
Mqabba	Tfal ir-Raħal Gardens
Msida	Mater Dei Hospital (Outpatients, Foyer, Emergency Areas and Canteen)
Msida	Menqa Square
Mtarfa	Town Square
Munxar	Profs Ġuze Aquilina Street
Nadur	St. Peter and St. Paul Square
Naxxar	Giovanni Curmi Higher Secondary School
Naxxar	Toni Vella Gardens
Paola	Antoine de Paule Square
Paola	Sant' Ubaldesca Square
Paola	Vittoriosa Lawn Tennis Club
Pembroke	Mother Theresa of Calcutta Gardens
Pembroke	Pembroke Gardens
Pietà	Marina Gardens
Qala	Family Gardens
Qawra	Salini

Locality	Address
Qawra	Access Centre
Qormi	De La Cruz Garden
Qormi	Frederic Maempel Garden
Qormi	Grandmaster Square
Qormi	Southern Region Offices
Qrendi	Dama Cecilia Garden
Rabat	National Archives
Rabat	Parish Square
Rabat (Gozo)	Independence Square
Rabat (Gozo)	Sir Mikelaġ Refalo Centre for Further Studies
Safi	Day Care Centre
San Ġwann	Awrekarja Square
San Ġwann*	Il-Ward Square
San Ġwann*	Karen Grech Garden
San Ġwann	Misraħ Lewża Garden
San Ġwann	Primary School
San Ġwann*	St. Margeret Square
San Ġwann*	Taž-Żwejt Area
San Lawrenz	St. Lawrence Square
Siġġiewi	St. Nicholas Square
Sliema	Bisazza Street
Sliema	Independence Gardens
Sliema	Primary School
Sliema	Public Library
Sliema	Qui-Si-Sana Gardens
Sliema	St. Anne Square
St. Julians	Balluta Square
St. Julians	Millennium Chapel
St. Julians	St. George's Bay
St. Luċija	7th July Square
St. Paul's Bay	Buġibba Square
St. Paul's Bay	Bugibba Terminal
St. Paul's Bay	Primary School
St. Venera	Romeo Romano Gardens

Locality	Address
Swatar	Swatar Playing Field
Swieqi	St. Andrew Gardens
Ta' Qali	National Park
Ta' Qali	Adventure Park
Ta' Sannat	St. Margerita Square
Ta' Xbiex	Ta' Xbiex Waterfront
Tarxien	Garden in Annettu Caruana Street
Valletta	Lower Barrakka
Valletta	Mattia Preti Square
Valletta	National Library
Valletta	Passports Office
Valletta	St. George Square
Valletta	Upper Barrakka Gardens
Xagħra	Victory Square
Xewkija	St. John the Baptist Square
Xgħajra	Public Library
Xlendi	St. Simon Street
Żabbar	Council Garden
Żebbuġ	St. Philip Square
Żebbuġ (Gozo)	Assunta Square
Żejtun	St. Gregory Garden
Żurrieq	Ġibjun Garden
Żurrieq	Student Adrian Borg Garden
Żurrieq	Wied Babu Street

* MCA WiFi hotspots installed in 2013.

11. FINANCIAL STATEMENTS

GENERAL INFORMATION

REPORT OF THE MEMBERS OF THE AUTHORITY

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

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

Members of the Authority

Mr. I. Bartolo	(resigned on 14 March 2013)
Dr. A. Ghio	(Chairman, resigned on 14 March 2013)
Ms. B. Sullivan	(resigned on 14 March 2013)
Ms. A. Vassallo	(resigned on 14 March 2013)
Dr. R. Balzan	(resigned on 14 March 2013)
Dr. E. Woods	(appointed Chairman on 1 May 2013)
Mr. G. Vella	(appointed on 1 May 2013)
Mr. P. Cavlan	(appointed on 1 May 2013)
Ms. S. Kennard	(appointed on 1 May 2013)
Dr. A. Mizzi	(appointed on 1 May 2013)

Bankers

Bank of Valletta plc
Preluna Towers
Tower Road
Sliema
MALTA

HSBC Bank Malta plc
17, Lascaris Wharf
Valletta VLT 1921
MALTA

APS Bank Ltd.
AOS Centre.
Tower Street,
Birkirkara BKR 4012
MALTA

Head Office

Valletta Waterfront
Pinto Wharf
Floriana FRN 1913
MALTA

Auditor

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

REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Authority submit their annual report together with the audited financial statements for the year ended 31 December 2013.

Principal activity

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

effect from 1 January 2001.

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

vessels, with effect from 30 July 2004. The Malta Communications Authority was nominated as the competent entity under the E-Commerce Act as from 10 May 2002 as per L.N.110 of 2002.

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

Results

By virtue of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta, authorised undertakings shall pay the Authority administrative charges to cover the costs of Regulating Electronic Communications incurred by the Authority and fees for rights of use of scarce resources.

The total net operating income generated by the Authority during the year amounted to EUR9,246,138 (2012: EUR9,168,481) out of which licensing and usage fees for scarce resources,

amounting to EUR5,105,385 (2012: EUR4,687,269) were transferred to the Government of Malta. After meeting all expenditure of EUR4,141,388 (2012: EUR4,581,714) the Authority closed off the year with a surplus, net of taxation, of EUR23,940 (2012: deficit, net taxation of EUR62,679).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR663,143 (2012: EUR744,987) has been deducted from usage fees for scarce resources forwarded to the

Government of Malta.

The loss made by the Authority during 2012 was the result of expenditure amounting to EUR120,987 which was incurred in relation to projects not related to the regulatory function of the Authority. Such projects were funded from the Authority's reserves which are made up of own income which is extraneous to the general authorisations administrative charges collected from regulated undertakings.

Members of the Authority

The Members who served during the year under review were as noted on page 96.

In accordance with Part II, Section 3 of

the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, the Chairman and the other Members of the Authority are appointed by the Minister responsible for communications. The

Members of the Authority are appointed by the Ministry for a maximum period of three years but may be re-appointed on the expiration of their term of office.

REPORT OF THE MEMBERS OF THE AUTHORITY - CONTINUED

Statement of responsibilities of the Members of the Authority

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

Auditor

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

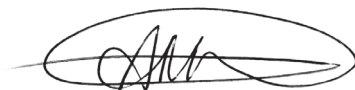
The report of the Members was approved and signed on their behalf by:



Dr. E. WOODS
Chairman

Valletta Waterfront
Pinto Wharf
Floriana FRN 1913
MALTA

29 April 2014



Dr. A. Mizzi
Member

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

We have audited the financial statements of Malta Communications Authority set out on pages 100 to 115 which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Members' Responsibility for the Financial Statements

As described in the statement of members' responsibilities on page 4, the members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

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

Ernst & Young Malta Limited
Certified Public Accountants

29 April 2014

A member firm of Ernst & Young Global Limited.
Registered in Malta No: C30252

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 EUR	2012 EUR
Income			
Revenues	3	9,244,298	9,144,805
Other income	4	1,840	23,676
		9,246,138	9,168,481
Expenditure			
Staff costs	5	(2,221,150)	(2,248,289)
Depreciation	10	(153,582)	(159,798)
Operating and administrative expenses	6	(1,766,656)	(2,173,627)
		5,104,750	4,586,767
Operating surplus			
Finance income	7	31,182	51,030
		5,135,932	4,637,797
Transfers to Government	8	(5,105,385)	(4,687,269)
Surplus/(deficit) before taxation		30,547	(49,472)
Taxation	9	(6,607)	(13,207)
		23,940	(62,679)
Surplus/(deficit) for the financial year			
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year, net of tax		23,940	(62,679)

The accounting policies and explanatory notes on pages 104 to 115 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 EUR	2012 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	242,349	314,528
Current assets			
Trade and other receivables	11	1,621,357	1,695,037
Income tax receivable		118,410	44,176
Cash and short-term deposits	15	2,197,917	2,486,574
		3,937,684	4,225,787
TOTAL ASSETS		4,180,033	4,540,315
EQUITY AND LIABILITIES			
Reserve			
Retained earnings	12	677,345	653,405
Current liabilities			
Trade and other payables	13	3,502,688	3,886,910
Total liabilities		3,502,688	3,886,910
TOTAL EQUITY AND LIABILITIES		4,180,033	4,540,315

The accounting policies and explanatory notes on pages 104 to 115 form an integral part of the financial statements.

The financial statements on pages 96 to 115 have been authorised for issue by the Members on the 29 April 2014 and were signed on their behalf by:

Dr. E. WOODS
Chairman

Dr. A. Mizzi
Member

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Retained earnings EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2013	
Balance as at 1 January 2013	653,405
Surplus for the year	23,940
Other comprehensive income	-
Total comprehensive income	23,940
Balance at 31 December 2013	677,345
FINANCIAL YEAR ENDED 31 DECEMBER 2012	
Balance as at 1 January 2012	736,429
Deficit for the year	(62,679)
Other comprehensive income	-
Total comprehensive loss	(62,679)
ISS unutilised subvention (note 2.3)	(20,345)
Balance at 31 December 2012	653,405

The accounting policies and explanatory notes on pages 104 to 115 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 EUR	2012 EUR
Operating activities			
Surplus/(deficit) before taxation		30,547	(49,472)
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		153,582	159,798
Transfers to Government		5,105,385	4,687,269
Loss on disposal of property, plant and equipment		36	-
Movement in provision for bad and doubtful debts		(20,335)	18,729
Finance income		(31,182)	(51,030)
Working capital adjustments:			
Decrease in trade and other receivables		132,349	3,231,679
Decrease in trade and other payables		(565,588)	(3,193,023)
		4,804,794	4,803,950
Interest received		31,582	48,546
Income tax paid		(80,841)	(63,195)
Net cash flows from operating activities		4,755,535	4,789,301
Investing activities			
Purchase of property, plant and equipment		(81,439)	(117,028)
Net cash flows used in investing activities		(81,439)	(117,028)
Financing activities			
Funds paid to Government		(4,962,753)	(5,096,227)
Net cash flows used in financing activities		(4,962,753)	(5,096,227)
Net decrease in cash and cash equivalents		(288,657)	(423,954)
Cash and cash equivalents at 1 January		2,486,574	2,910,528
Cash and cash equivalents at 31 December	15	2,197,917	2,486,574

The accounting policies and explanatory notes on pages 104 to 115 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The purpose of the Authority is to

ensure freedom of communication and that communication shall not be limited except when this is necessary for any of the reasons set out in Section 4 (1)(a) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, and to ensure non-discrimination and equality of treatment in matters related to communications. It shall in particular be the duty of the Authority to exercise such regulatory function in the field of

communications under the provisions of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta and as may from time to time be assigned to the Authority by or under an Act of Parliament. The Authority shall also carry out various other related functions and duties as set out in Section 4 (3) of the Act.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

Financial Reporting Standards (IFRS) as adopted by the EU and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta. The accounting policies adopted

are consistent with those applied during the previous years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The accounting policies are consistent with those of the previous financial year, except for the following standards, interpretations and amendments effective as of 1 January 2013.

- IAS 27 (Revised) – Separate financial statements
- IAS 28 (Revised) – Investments in associates and joint ventures
- IFRS 7 (Amendment) Financial Instruments: Disclosures – Offsetting of financial assets and financial liabilities
- IFRS 13 Fair Value Measurement
- IFRIC 20 – Stripping costs in the production phase of a surface mine

The adoption of these standards, interpretations and amendments did not have a significant impact on the financial statements of the Authority.

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early. None of these standards, interpretations and amendments is expected to have an impact on the financial position or performance of the Authority.

- IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014)

- IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 Disclosure Of Interests In Other Entities (effective for financial years beginning on or after 1 January 2014)
- IAS 32 (Amendments) – Financial Instruments – Presentation – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for financial years beginning on or after 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective for financial year beginning on or after 1 January 2014)
- IAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years on or after 1 January 2014)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments that are not yet endorsed by the European Union

- IFRS 9 Financial Instruments - Including subsequent amendments to

- IFRS 9 and IFRS 7 (the effective date for financial years beginning on or after 1 January 2015 was removed on 19 November 2013 by the IASB and an effective date was not yet decided)
- IFRIC 12 Levies (effective for financial

- years beginning on or after 1 January 2014)
- IAS 19 (Amendments) Employee Benefits (effective for financial years beginning in or after 1 January 2013)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

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

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

Usage fees consist of amounts collected by the Authority for rights of use of scarce resources as established under Part B of the Eighth Schedule of the Electronic Communications Networks and Services (General) Regulations, 2012 (SL399.28). Revenue is recognised

in the statement of comprehensive income over the year during which the respective scarce resources were being utilised.

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

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

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

Retirement benefit costs

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprise its purchase price, including import

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

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

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

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible assets. Collectables and antiques are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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

Impairment of assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed

the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Trade and other receivables

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

Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial

instruments are offset when the Authority has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

Cash and short-term deposits

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

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

Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ISS unutilised subvention

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

Taxation

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

Deferred taxation

Deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or

liability in the statement of financial position and its tax base. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

Foreign currencies

The Authority's financial statements are presented in Euro, which is the Authority's functional and presentation currency. Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on

the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the statement of financial position date. All resulting differences are taken to the statement of comprehensive income.

Related parties

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

Cost Apportionment Methodology

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the members are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future

could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the members, the accounting estimates, assumptions

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3 REVENUES

The revenues generated by the Authority are made up of:

	2013 EUR	2012 EUR
Telecommunications, postal licensing and right of way (note i, ii)	774,636	777,997
Administrative charges	2,737,989	2,946,357
Usage fees for scarce resources (note ii)	4,484,420	4,206,528
Application fees and other income	805,346	785,296
Government subvention (note iii)	441,907	428,627
	9,244,298	9,144,805

- i. Fees for right of way are collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap 81) under the delegation of the Authority for Transport in Malta.
- ii. All revenue generated from telecommunications, postal licensing, and right of way income and usage fees for scarce resources is transferred to the Government of Malta (note 8), except for an amount of EUR663,143 (2012: EUR744,987) intended to finance expenses incurred by the Authority not in connection with electronic communications.
- iii. The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament.

4 OTHER INCOME

Other income relates to fines imposed by the Authority in 2013, where such fines had amounted to EUR1,840 (2012: EUR23,676).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

5 EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

The Authority

	2013 EUR	2012 EUR
Members' emoluments	29,476	129,038
Wages and salaries	1,923,762	1,841,166
Social security costs	112,302	111,732
Authority's staff costs recharged to ISS operations (note i)	(79,010)	(67,669)
Authority's staff costs recharged to EU funded projects	(3,004)	(1,015)
	1,983,526	2,013,252

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

Others:

ISS

	2013 EUR	2012 EUR
Wages and salaries	217,649	217,604
Social security costs	16,971	16,418
ISS staff costs recharged to EU funded projects	(68,036)	(41,994)
	166,584	192,028
EU funded projects		
Staff costs recharged by the Authority	3,004	1,015
Staff costs recharged by ISS	68,036	41,994
	71,040	43,009
Total staff costs	2,221,150	2,248,289

b. Staff numbers

The average number of persons, excluding board members, employed by the Authority during the year was 73 (2012: 74).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

6 OPERATING AND ADMINISTRATIVE EXPENSES

	2013 EUR	2012 EUR
The Authority		
Outsourced project costs	377,682	673,669
Corporate administrative expenses	540,828	527,973
Public relations and communications	72,983	183,560
Travelling expenses	64,383	111,707
(Decrease)/increase in provision for doubtful debts	(20,335)	19,329
Auditors' remuneration	10,129	10,129
Rental expenses	72,086	71,583
Loss on disposal of property, plant and equipment	36	-
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	157,563	77,117
Bad debts	20,335	1,006
	1,295,690	1,676,073
Others:		
ISS		
Public relations and communications	8,189	23,465
Travelling expenses	4,510	952
Auditors' remuneration	1,317	1,317
Professional fees	43,741	3,201
Bank charges	114	142
Staff costs recharged by the Authority (note 5)	79,010	67,669
Corporate administrative expenses	32,490	44,587
Outsourced project costs	139,072	149,971
Rental expenses	8,412	9,233
Self-financing portion of EU projects	17,615	12,679
(Decrease)/increase in provision for doubtful debts	-	(600)
Bad debts	-	600
	334,470	313,216
EU funded projects		
Travelling expenses	8,038	12,080
Professional fees	-	4,425
Consultancy	675	21,557
Outsourced project costs	127,783	146,276
	136,496	184,338
Total operating and administrative expenses	1,766,656	2,173,627

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

7 FINANCE INCOME

	2013 EUR	2012 EUR
On cash and short-term deposits	14,684	19,262
On amounts due from debtors	16,498	31,768
	31,182	51,030

8 TRANSFERS TO GOVERNMENT

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

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to EUR663,143 (2012: EUR744,987).

9 TAXATION

	2013 EUR	2012 EUR
Current tax	6,607	12,169
Adjustment in respect of current income tax of previous years	-	1,038
Deferred tax (note i)	-	-
	6,607	13,207

i. Under the legislation in force governing the operations of the Authority, the Authority charges administrative fees to the service providers equivalent to its cost. Moreover, all the license fees collected are transferred to the Government. Since the Authority is not expected to generate any taxable profits, management is of the opinion that no deferred tax asset should be accounted for. Keeping in view this fact, the potential deferred tax asset amounting to EUR39,186 (2012: EUR39,381) has not been accounted for in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

9 TAXATION - continued

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

	2013 EUR	2012 EUR
Surplus before transfers to Government and taxation	5,135,932	4,637,797
Theoretical taxation expense at 35%	1,797,576	1,623,229
Tax effect of		
- non-deductible expenses	(7,104)	6,555
- income not subject to tax	(1,790,082)	(1,644,599)
- excess of capital over depreciation allowances	7,327	28,621
- income subject to different tax rates	(1,110)	(1,637)
-adjustment in respect of current income tax of previous years	-	1,038
	6,607	13,207

10 PROPERTY, PLANT AND EQUIPMENT

	Building improvements EUR	Computer equipment EUR	Fixture, fitting & equipment EUR	Motor vehicle EUR	Total EUR
Cost					
At 1 January 2012	289,361	1,010,149	352,972	59,386	1,711,868
Additions	-	112,888	4,140	-	117,028
Disposals	-	(2,905)	-	-	(2,905)
At 31 December 2012	289,361	1,120,132	357,112	59,386	1,825,991
Additions	950	66,373	14,116	-	81,439
Disposals	-	(3,079)	(364)	-	(3,443)
At 31 December 2013	290,311	1,183,426	370,864	59,386	1,903,987
Depreciation					
At 1 January 2012	287,723	729,700	281,720	55,427	1,354,570
Depreciation charge for the year	919	139,493	15,427	3,959	159,798
Disposals	-	(2,905)	-	-	(2,905)
At 31 December 2012	288,642	866,288	297,147	59,386	1,511,463
Depreciation charge for the year	431	136,231	16,920	-	153,582
Disposals	-	(3,079)	(328)	-	(3,407)
At 31 December 2013	289,073	999,440	313,739	59,386	1,661,638
Net book value					
At 31 December 2013	1,238	183,986	57,125	-	242,349
At 31 December 2013	719	253,844	59,965	-	314,528

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

11 TRADE AND OTHER RECEIVABLES

	2013 EUR	2012 EUR
Trade receivables (note i)	1,513,120	1,526,741
Accrued income	17,827	39,083
Prepayments	51,676	129,213
Amount due from government	38,734	-
	1,621,357	1,695,037

i. Trade receivables are non-interest bearing and are generally on a 30 day term. Trade receivables are stated net of provision for doubtful debts which for 2013 was nil (2012: EUR 20,335).

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired			
			<30 days EUR	30-60 days EUR	60-90 days EUR	>90 days EUR
2013	1,513,120	1,178,237	-	1,525	11,979	321,379
2012	1,526,741	1,119,891	-	27,587	22,970	356,293

12 RESERVE

The balance on the retained earnings in the statement of financial position as at 31 December 2013 represents the resulting accumulated surplus over the years.

13 TRADE AND OTHER PAYABLES

	2013 EUR	2012 EUR
Amount due to government	-	486,722
Deferred income (note i)	2,748,022	2,475,914
Accruals	372,364	271,642
Social security contributions and other taxes	56,036	61,651
Other payables (note ii)	326,266	590,981
	3,502,688	3,886,910

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13 TRADE AND OTHER PAYABLES - continued

i. Deferred income comprises the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR540,701 (2012: EUR227,155) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.

ii. Other payables consist of the following:

- As per Directive No. 2 of 2005 on Modalities of Payment for Contributions to the Cost of Legal Intercept Obligations and in accordance with Regulation 13 of the Electronic Communications Networks and Services (General) Regulations, the Authority had introduced a fund mechanism for the sharing of the cost of legal interception obligations. As at 31 December 2012, Legal Intercept funds amounted to EUR55,173. No such fees were payable as at 31 December 2013. These are due to the providers of electronic communication services or networks on whom legal interception contributions were imposed during the period 1 January to 31 December 2012.
- Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.
- Trade payables are non-interest bearing and are normally settled on 60-day terms.

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

During the year ended 31 December 2013, short term employee benefits to key management personnel amounted to EUR322,277 (2012: EUR471,436).

Other related party transactions

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

	2013 EUR	2012 EUR
Government Subvention - ISS	441,907	428,627
Payments to Government of Malta	4,962,753	5,096,227

Related party balances

Outstanding balances with related parties at 31 December 2013 are disclosed in notes 11 and 13 on amount due from/to Government.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

15 CASH AND SHORT-TERM DEPOSITS

	2013 EUR	2012 EUR
Cash at bank and in hand	1,395,590	1,742,034
Short-term deposits	802,327	744,540
	2,197,917	2,486,574

The Authority holds interest earning and non-interest earning bank current accounts. An average interest of 3.52% per annum is earned on the bank interest earning account.

16 CONTINGENT LIABILITIES

Legal claims

The Authority presently has a pending court case filed by Melita plc, contesting a decision given by the Authority in respect of open access obligations, in respect of which plaintiff is also claiming

unquantified damages. The decision under appeal has not yet been enforced and no provision has been made in these financial statements since the outcome of such claim is unknown and cannot be quantified.

Melita plc is contesting a fine imposed by the Authority, with regard to adverts carried out by Melita on its Sports Channel EUR23,290 (2012: EUR23,290).

17 FINANCIAL INSTRUMENTS

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

Credit risk

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

Fair values

At 31 December 2013 and 31 December 2012 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values.

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

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

Capital management

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

Timing of cash flows

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





Malta Communications Authority

Valletta Waterfront,
Pinto Wharf, Floriana
FRN1913, Malta

T +356 2133 6840
F +356 2133 6846
E info@mca.org.mt
W www.mca.org.mt