

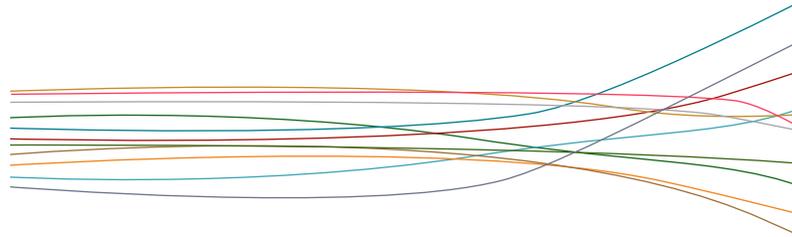
ANNUAL REPORT  
& FINANCIAL  
STATEMENTS **2015**







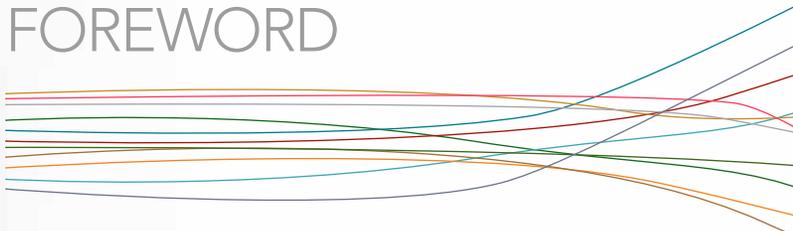
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# FOREWORD



In my first address as Chairman of this Authority in 2013, I had stated that ‘the policy and regulatory landscape that we carve out today will significantly influence the communications markets of tomorrow and consequently, the extent to which Malta will be able to participate in the digital economy’. Today, in my third year, I stand even stronger by this statement. This is a global reality; it is not something unique to Malta, but it is inevitable and makes us reflect on our core mission.

Many have questioned the role of, and indeed, the need for regulation in an evermore competitive market. The fact of the matter is, not everything can be left to market forces if we are to ensure nationwide accessibility and preservation of universal services. Telecommunications services enable the flow of information, innovation and productivity, and are essential to enhance a country’s international competitiveness and to bring about socio-economic development. They are a critical component for emerging sectors such as eHealth, or thriving sectors such as the gaming and financial services sector, which are dependent on robust and resilient telecoms infrastructures. So I can confidently say that regulation is here to stay. However, what can and should change is our approach to it.

Indeed, this approach is changing at a European level and I am proud to say that this Authority has been vigilant in its discussions with its European counterparts on a number of policy issues including the European Digital Single Market Strategy, the resultant review of the electronic communications regulatory framework and the Telecoms Single Market Regulation. During 2015, we dedicated a considerable amount of our time and resources to this purpose in an attempt to prepare for the challenges that await us in this regard. Having the right structures in place, both legally and operationally, is imperative for the effective implementation of these regulations. We have engaged in considerable public consultation. We have listened, taken note, and acted accordingly. Every country has its own economic composition and this needs to be at the heart of our domestic discussions on international policy. We have exhausted every effort and avenue to ensure that these interests are safeguarded, particularly through our active involvement in BEREC – the Body of European Regulators for Electronic Communications – which is strongly recognised by European institutions.

Central to these discussions were issues related to the three main pillars of the Digital Single Market Strategy, namely: improved access for consumers and businesses to digital goods and services across Europe; creating the right conditions and a level playing field for digital networks and innovative services to flourish; and maximising the growth potential of the digital economy. In reality, these issues have been at the forefront of the Authority's activity ever since it was set up 15 years ago. Nevertheless, these issues are more pronounced today as the demand for such services has increased exponentially.

The electronic communications ecosystem has changed considerably. It is almost unrecognisable from what it was 15 years ago. The local industry has weathered the transformation remarkably well. It has successfully transitioned from a monopolistic, to a liberalised, competitive environment with all the regulatory obligations incumbent on it; has faced, head on, one of the world's worst financial crises; has had to face some serious commercial decisions and yet, has marched on strongly. Credit to the industry players, investment in the network infrastructure continued thus increasing capacity on all fronts. It is only through this investment that we are guaranteed access to the most recent and most cost-effective technologies. It has continued to roll out innovative products and services, and consumers, whether private citizens or businesses, have played their part in shaping this environment.

Falling prices of devices and of services have brought technology more within reach of the average consumer. Consumers are not holding back and are quite forthcoming in their demands. In fact, changing consumer behaviour and needs are in effect, fuelling competition. With infrastructural competition taking a strong hold, customer service is the main focus of competition for industry players and rightly so. Whether its point-to-point communications, internet-enabled communication, entertainment, infotainment, or critical communication, industry players need to satisfy wide-ranging needs and expectations. Smart cities, smart homes, connected cars, and the like are no longer a wish list. They are with us. They are part of the drive to satisfy consumers' need for 'stress-free' processes, whether they are purchasing tickets, paying bills, ordering legal documents or simply shopping online. On the business front, this is driven by a demand for greater efficiency and the resultant cost savings.

But they can only materialise as a result of resilient and robust networks that are capable of delivering such services. In my view, there are three critical elements that need to be reached: quality, reliability and affordability. We have reached a respectable level across all elements. However, how long can this momentum be sustained in an environment where usage is skyrocketing, rates are declining and spectrum resources are continuously maximised?

The key to survival is adaptability. Not only by us as a regulator but also by the industry players. Taking a dogmatic approach can have undesirable consequences. We need to be nimble, agile, and flexible enough to adapt to a rapidly shifting landscape. Technology is vigorously dynamic. It is constantly undergoing transformations, creating many grey areas along the way. Whereas at the start of our regulatory journey services were congruent to specific devices, convergence has blurred the lines to the extent that all electronic communications services can today be enjoyed over one mobile device, irrespective of time or place.

Mobile devices and broadband services have become critical components in the telecoms ecosystem. In fact, 2015 will be a year remembered for the significant growth in mobile broadband data usage, which increased by over 12%, mainly due to the continued proliferation of smartphones and the launch of new, post-paid and data plans featuring more competitive data rates and improved data allowances. Subscribers are hungry for faster and more reliable broadband connections, whether mobile or fixed. This is likely to become even more pronounced with the expansion of the Internet of Things, cloud computing, and streamed content. Mobile and broadband are so strongly embedded in the fabric of society that they have firmly found their place at the epicentre for growth, innovation, and disruption, and are today considered critical necessities both for the private individual and the business user.

Innovation and disruption are two words that are distinct, yet so closely linked when placed in the context of a digital society. Traditional business sectors are being disrupted by the growing number of digital startup companies that are developing innovative business concepts that have ICT at the centre of their operations. This is an area that the MCA is strongly supporting through its business and innovation development arm and is a clear example of how the Authority itself is evolving. It is a relatively new operational area for the Authority, but one that has made significant inroads since it was set up in 2014. This area of activity diversifies somewhat from the Authority's traditional regulatory role, however it is one which contributes to the Authority's drive to support the industry in recognising emerging opportunities as a result of digital disruption. The Authority focuses on, and supports home grown innovation and has financially supported budding entrepreneurs to commercialise their business idea. On a wider scale, it undertakes every effort to put Malta on the global map as the chosen destination for foreign startups by regularly promoting all that Malta has to offer in this regard. Recognising the importance of a 'community' amongst startups, the Authority also invested time and resources to advance this front in Malta.

Our attempts at capitalising on emerging opportunities did not stop here. We have looked into, and indeed identified areas wherein Malta stands to gain, one of which is space communications services. We have made available the ITU-allotted orbital slots to interested parties and have embarked on a number of initiatives aimed at increasing Malta's participation in the satellite sector. Two licences were granted for the provision of mobile satellite services. On the spectrum front, we are looking into the commercialisation of the 800 MHz band to further complement the current capacity available for high-speed mobile networks and related innovative services.

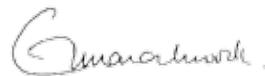
Another area which is certainly promising is eCommerce. Whilst cross-border eCommerce is strong, domestic activity is relatively low in comparison to other countries. This is understandable given our geographical composition. However, local businesses can capitalise on the potential of selling their products online to foreign markets. A recent agreement with Amazon, which was partly driven by this Authority, allows Maltese traders to access the Amazon platform. This development is expected to drive this area of activity forward. However, such developments will not thrive without an efficient and effective postal network that is capable of satisfying the last leg of the eCommerce process. The growing volumes of parcel mail, potentially the result of increased eCommerce activity, should be viewed as a lifeline for the postal industry. Industry players should be seeking ways of supporting this strong area of activity and circumvent the dropping volumes of letter mail by reconsidering their business strategy to factor in this new reality.

I have touched upon some key areas of our activity; there are, however, two other areas which in my view cannot be underestimated in their importance. Over the years, the Authority has established itself as a key driver in the promotion of an ever-growing digital society and the engagement of both citizens and businesses with technology for increased social cohesion and economic development. Such activity continued well into 2015, with greater focus on growing the ICT capabilities of both businesses and citizens, particularly the most vulnerable and disadvantaged groups. Such activity was not only limited to bridging the digital divide, but attempted to ignite a spark in youngsters to consider ICT as a profession. There is a strong need for a parallel drive towards sustaining the proliferation of products and services of the latest technologies on the one hand, and on the other ensuring that every citizen and business has the necessary skills to effectively participate in a digital society.

I previously touched upon the consumers' role in shaping the current telecoms landscape. It is not only the network operators that need to take a consumer-centric approach. As an Authority, we too keep the consumer at the centre of our regulatory activities and undertake every effort to ensure that consumers know what is available on the market, are knowledgeable enough to take informed decisions, and know their rights and obligations in this regard. We receive complaints and enquiries, and collaborate closely with service providers in an attempt to achieve an amicable solution, given the Authority's limited legal remit in this regard. We have also taken a strong stand in the past few years, exercising our powers at law – when this is permitted – on the few occasions where service providers did not adhere to their regulatory obligations. We have stressed throughout the past years that the Legislator should consider setting up a one-stop-shop, thus reducing bureaucracy and facilitating a speedy and fair resolution to customers' complaints.

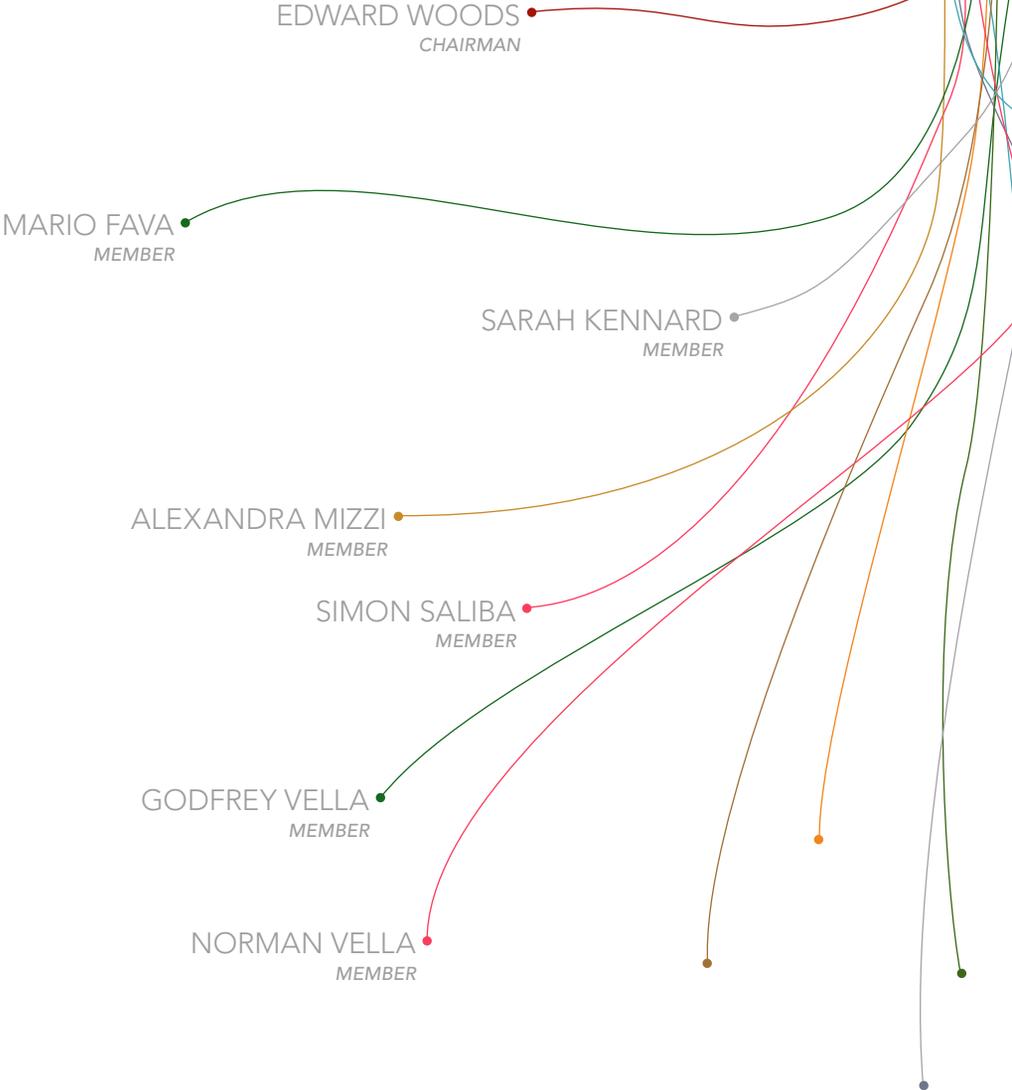
So, how do we move forward? Knowing what to expect, how the markets will evolve, and what the mechanisms adopted will be would make our life far too easy. There is no way of knowing for certain, and whatever materialises, time has always found a way of testing our mettle. We can only gear ourselves for any future challenges by preparing ourselves through foresight and taking pro-active measures to create an environment that facilitates technology and market developments. Economic considerations are essential: but we are dealing with much more than that. Lifestyles are changing; expectations are rising higher and higher. The MCA therefore needs to adapt, perceive and react to this constant shift. I see no reason why it should not do so.

I thank my fellow board members and all the staff at the Authority for their relentless dedication and commitment.



Edward Woods  
Chairman

# BOARD MEMBERS\*



\*THIS BOARD WAS APPOINTED IN MAY 2016.

# MANAGEMENT COMMITTEE

• IAN AGIUS  
*CHIEF OF OPERATIONS*

• STEVE AGIUS  
*CHIEF OF INFORMATION  
MANAGEMENT AND DEVELOPMENT*

• JASON GALEA  
*FINANCIAL CONTROLLER*

• ROBERT MIFSUD  
*CHIEF OF CORPORATE DEVELOPMENT*

• ANTOINE SCIBERRAS  
*ACTING CHIEF OF SPECTRUM MANAGEMENT  
& TECHNOLOGY (AS OF APRIL 2016)*

• PATRICK VELLA  
*CHIEF OF POLICY & PLANNING*





# 3 GENERAL MARKET OVERVIEW

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## THE COMMUNICATIONS MARKETS AT A GLANCE

Economic contribution by the electronic communications sector in 2015	<b>€182.3 million</b> <i>(equivalent to 2.4% of national Gross Value Added (GVA))</i>
Number of active fixed line subscriptions	230,226
Fixed line portings	1,697
Total number of outgoing fixed calls	152.6 million
Total number of outgoing fixed minutes	536.6 million
Number of mobile subscriptions	557,583
Mobile portings	32,280
Total number of outgoing mobile calls	534.3 million
Total number of outgoing mobile minutes	767 million
Total number of outgoing SMSs	457.3 million
Fixed broadband subscriptions	163,205
Subscriptions on speeds less than 10 Mbps ( <i>Mega Bits Per Second</i> )	2,731
Subscriptions on speeds equal to 10 Mbps, but less than 30 Mbps	62,541
Subscriptions on speeds equal to 30 Mbps, but less than 100 Mbps	95,663
Subscriptions on speeds equal to 100 Mbps, or more	2,270
Pay TV subscriptions	149,378
Number of analogue cable subscriptions	6,092
Number of digital cable subscriptions	72,622
Number of Digital Terrestrial TV (DTTV) subscriptions	51,390
Number of Internet Protocol TV (IPTV) subscriptions	19,274
Postal mail volumes	38.3 million
Domestic postal volumes	30.2 million
Inbound cross-border mail	5.6 million
Outbound cross-border mail	2.4 million

## MARKET OVERVIEW

Developments in the Maltese electronic communications markets during 2015 were consistent with trends observed in previous years. Mobile telephony registered notable gains in terms of subscriber numbers and traffic volumes, in contrast to falling traffic volumes and unchanged subscriber numbers for fixed telephony. Mobile data also navigated on a solid growth path, both in terms of take-up and activity. Meanwhile, fixed broadband reported a healthy increase in subscriber numbers, underscored by an increasing proportion of high-speed connections. A modest growth in subscriber numbers was also observed for pay TV, despite the challenges brought to traditional TV platforms, by online content.

Underlying these trends is the continued increase in the uptake of multi-play bundles, with fixed broadband and fixed telephony scoring best in terms of propensity of consumers purchasing them in a bundle, rather than on a stand-alone basis.

A more prominent fixed-to-mobile substitution trend was observed during 2015. This trend was driven by falling average mobile call rates and improved mobile minute allowances available with newly launched plans. In fact, the number of mobile calls and mobile voice call minutes per user were up by 3.2% and 6.7% respectively, year-on-year. Concurrently, the number of fixed voice calls and fixed voice call minutes per user fell by 7.2% and 7% respectively.

Another striking trend is the continued expansion of the post-paid subscriber base for both mobile and fixed telephony services, which is explained for the latter by the solid growth observed in the take-up of multi-play bundles. As for mobile telephony, more end-users are opting for post-paid contracts in order to avail of improved minute allowances and to satisfy their growing demand for mobile data services. Also of significant importance are the downward price movements observed for mobile telephony and fixed broadband, which positively contribute to the continued drive towards a better price-quality relationship for these services.

The number of subscriptions for fixed broadband increased by around 11,648 (or by 7.7%) over a 12-month period to reach a total of 163,205 by the end of the year. The latter figure corresponds to a fixed broadband penetration rate of 37.6%. Growth in fixed broadband in 2015 was again marked by a solid increase in the number of end-users availing of plans supporting download speeds of 30 Mbps or more. Indeed, the proportion of high-speed fixed broadband subscriptions grew from 55.3% at the end of 2014, to 60% at the end of 2015.

With regard to mobile broadband, the increased ownership of smartphones and the launch of more competitively priced data plans boosted take-up of the service in 2015. In fact, the number of individuals accessing mobile broadband services via their mobile handset shot up by around 44,500 (or by 19.7%) from 225,562 at the end of 2014 to 270,055 at the end of 2015.

Take-up of pay TV rebounded in 2015, with a year-on-year increase of almost 1,500 subscriptions bringing the total number of subscriptions to 149,378 at the end of the year. This increase in subscriptions does not however seem to have left much of an impact on service providers in terms of revenue. In fact, pay TV ARPU in 2015 was down by 1.8% when compared to the previous year. This is most likely a result of an increasing number of end-users purchasing pay TV as part of a bundle to benefit from discounts and promotional offers.

As for the postal market, negative trends persist as the two largest segments of local postal mail activity registered a dip in volumes. The number of single piece letter mail items delivered last year was down 2.6% compared to 2014, whilst the number of bulk mail items was down by 6.3%. On a more positive note, the number of registered mail items and parcel mail items was up by 1.3% and 22% respectively. However, these increases were not sufficient to offset the aforementioned declines. Generally, these developments fit within the reasoning that end-users are constantly making less use of physical mail as they get more accustomed to online activities, brought about by the increased digitisation of services and the corresponding shift to the Internet for the provision of a multitude of services that were originally offered in hard copy format.

## FIXED LINE TELEPHONY

Fixed line telephony traffic volumes continued to shrink in 2015, falling below that recorded a year earlier. On average, each fixed telephony subscriber made 663 calls and consumed around 2,330 minutes, down from 713 calls and around 2,500 minutes in 2014, despite a slight reduction in fixed line call rates.

The drop in traffic volumes cannot be attributed to any significant change in the fixed line subscriber base as this only dropped by a mere 135 subscriptions compared to 2014. Furthermore, the number of fixed telephony subscriptions on a post-paid plan increased by almost 4,000 during this period, which signals that local end-users still value the fixed line telephony service.

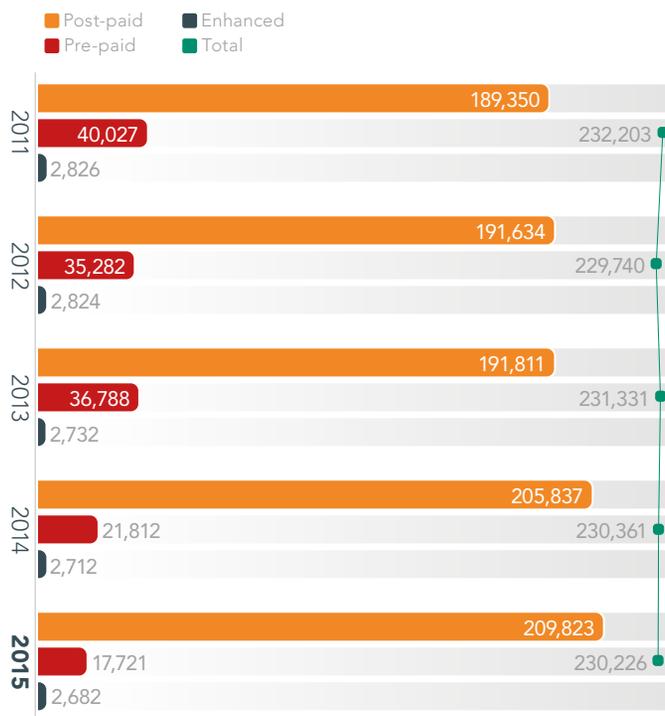
In this context, falling fixed line traffic volumes can be attributed to the continued increase in take-up and usage of mobile telephony, with consumers particularly keen on their mobile internet connection.

### Fixed line subscriptions

The number of fixed line subscriptions at the end of 2015 totalled 230,226, slightly down from 230,361 at the end of 2014. Enhanced efforts by service providers to market the fixed line telephony service as part of a bundle and to switch pre-paid subscribers onto post-paid plans with a contract, paid off as post-paid subscriptions increased by 4,000. The number of pre-paid subscriptions at the end of 2015 totalled 17,721, down from 21,812 a year earlier.

As for the proportion of the local subscriber base by type of subscription, at the end of 2015, 91.1% of the local subscriber base were on a standard post-paid contract (i.e. a plan supporting a single fixed line connection), 7% were on a pre-paid plan and 1.2% were on a plan supporting multiple fixed line connections at a particular site.

SUBSCRIPTIONS  
as at end of period



Multi-play bundling of electronic communications services is now mainstream in Malta, with consumers increasingly receptive to packages that include fixed telephony services in combination with other electronic communications services. In fact, the proportion of post-paid fixed telephony subscriptions purchased as part of a bundle went up to 63.4% at the end of 2015, from 57.3% a year earlier.

This trend towards bundling of electronic communications services is seen to contribute towards price-competition in the fixed line telephony sector, as it has become frequent for consumers to benefit from improved minute allowances when they opt for purchasing a post-paid fixed line contract plan in a bundle. It also explains the growth in post-paid fixed line telephony subscriptions in 2015.

	2014	2015
Fixed telephony subscriptions in a bundle	117,867	133,051
Dual play	47,948	57,870
Fixed telephony + Mobile telephony	11,112	7,850
Fixed telephony + Fixed broadband	29,890	44,179
Fixed telephony + Pay TV	6,946	5,841
Triple play	25,490	28,193
Fixed telephony + Mobile telephony + Fixed broadband	620	807
Fixed telephony + Fixed broadband + Pay TV	24,870	27,386
Quad play	44,429	46,988
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	44,429	46,988
Number of post-paid fixed line subscribers	205,837	209,823
as a percentage of post-paid fixed line subscriptions	57.26%	63.41%

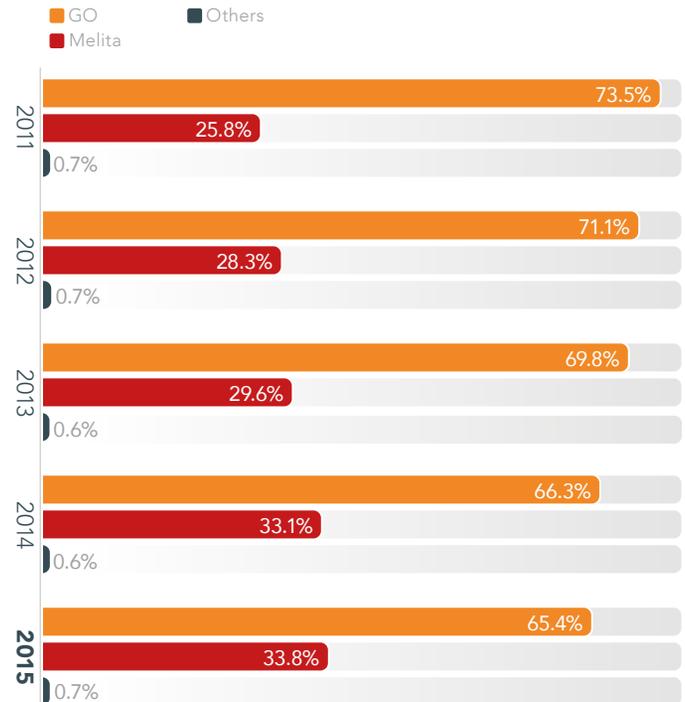
### Market shares in terms of subscriptions

Changes in market shares by operator are a clear reflection of competitive developments in a particular sector. In this regard, the trends observed in 2015 for the fixed telephony sector were in line with outcomes of previous years, with multi-play bundling determining where the balance shifts.

GO's market share shrank by 0.9 percentage points, from 66.3% at the end of 2014 to 65.4% at the end of 2015. Meanwhile, GO's main competitor Melita improved its standing by 0.7 percentage points, up from 33.1% to 33.8%.

The combined market share of Vodafone (Malta), Ozone Malta and SIS remained practically unchanged year-on-year and stood at 0.7% at the end of 2015.

### MARKET SHARES IN TERMS OF SUBSCRIPTIONS as at end of period



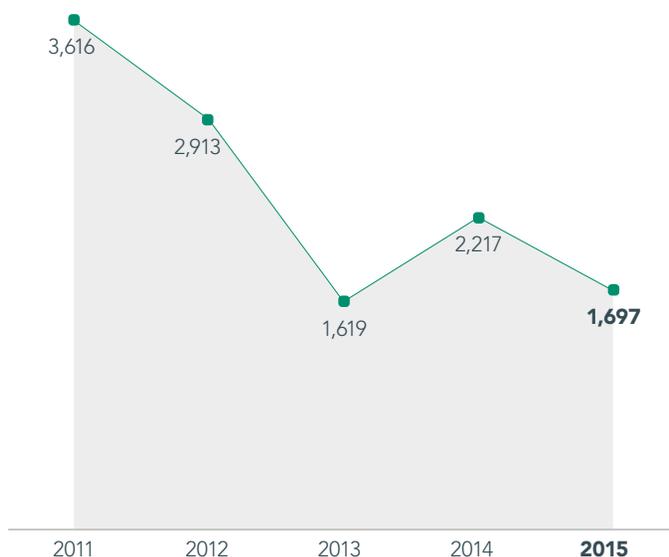
## Fixed line inward portability

The number of fixed line inward portings<sup>1</sup> carried out in 2015 totalled 1,697 compared to 2,217 recorded in 2014.

This drop is linked to the increasing proportion of fixed line subscriptions purchased in a bundle, which typically entails the end-user signing a two-year contract term agreement.

### FIXED LINE PORTINGS

■ Total fixed line portings



## Traffic volumes

Fixed traffic volumes maintained their downward trajectory last year, despite a relatively unchanged subscriber base and downward price movements.

The number of fixed voice calls and voice call minutes was down by 7.2% and 7% respectively in 2015 when compared to the previous year. This drop in fixed line traffic volumes coincided with a higher usage of mobile voice telephony services, as average mobile call rates fell and Mobile-to-Mobile (MTM) minute allowances improved.

### Voice calls

The bulk of fixed line traffic is Fixed-to-Fixed (FTF), with on-net traffic (i.e. traffic between numbers of the same network) being the main component.

In 2015, FTF voice calls accounted for 72% of all originating fixed line traffic. However, this traffic segment suffered a decline in volumes, down by 8.4% when compared to 2014.

More specifically, on-net FTF traffic, was down by 9.2%. Meanwhile, the number of FTF voice calls between numbers hosted by different fixed networks (or off-net FTF calls) was down by 6.6%.

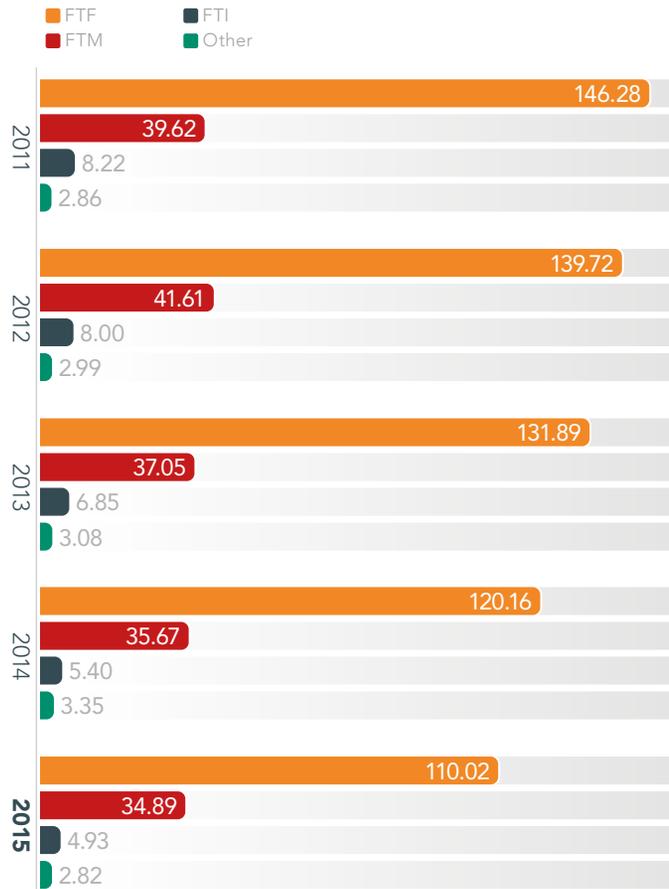
Fixed-to-Mobile (FTM) calls and Fixed-to-International (FTI) calls were also down by 2.2% and 8.7% respectively.

The 'other national calls' segment (encompassing premium calls and freephone calls) also suffered a decline. In this case, volumes were down by 15.7% year-on-year.

<sup>1</sup>The term 'fixed line inward portings' refers to the total number of subscribers who switch from a fixed line operator, to another, whilst keeping the same number. Figures presented above only take into account inward portings.

### VOICE TRAFFIC VOLUMES

number of voice calls (in millions)

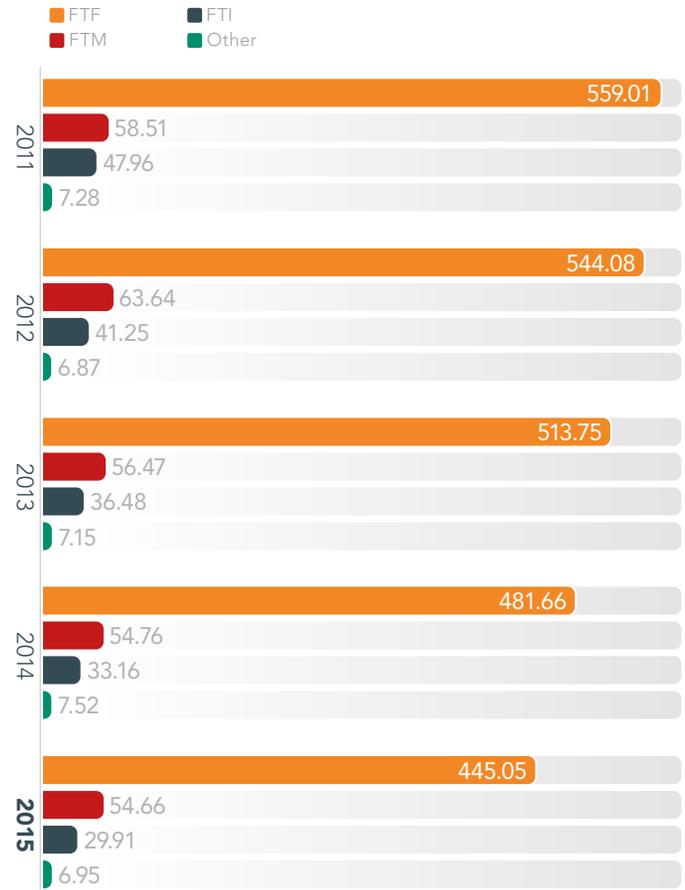


### Voice call minutes

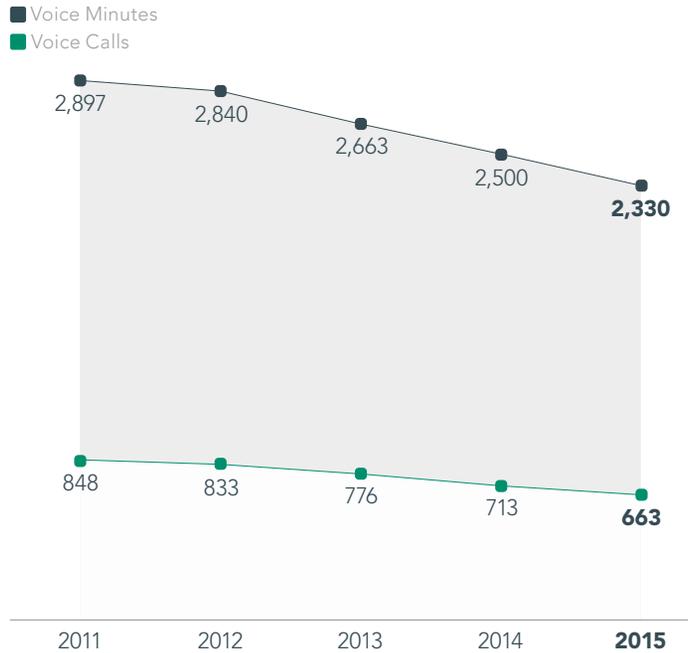
In terms of voice call minutes, on-net FTF traffic accounted for around 58% of all traffic registered in 2015. This segment experienced a year-on-year decline in volumes, down by 8.3% when compared to 2014. Meanwhile, FTI traffic volumes were down by 9.8%, followed by a dip of 7.6% in 'other national voice minute' volumes, and a drop of 5.9% in off-net FTF traffic volumes. FTM traffic volumes were down by 0.2%.

### VOICE TRAFFIC VOLUMES

number of voice call minutes (in millions)



TRAFFIC ACTIVITY PER SUBSCRIBER

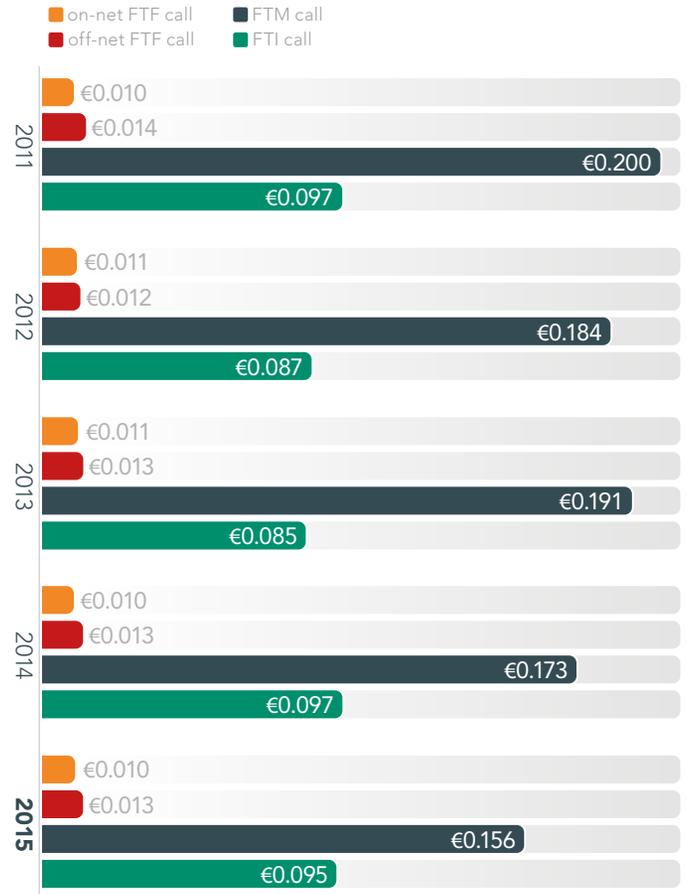


### Price competition

The Authority monitors fixed line telephony tariff trends through a revenue-based calculation, which is used to derive the Average Revenue Per Minute (ARPM)<sup>2</sup> of fixed line communications.

Price movements for fixed telephony voice services were positive in 2015. MCA calculations show that the ARPM was down for FTI and FTM calls, with the latter dropping by almost 10%, from €0.173 in 2014 to €0.156 in 2015. The ARPM for FTI calls was down by 2.1%, from €0.097 to €0.095. The ARPM for on-net and off-net FTF calls, which account for 87.8% of fixed traffic minutes recorded in 2015, remained unchanged.

AVERAGE RATE PER MINUTE OF FIXED LINE COMMUNICATIONS



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

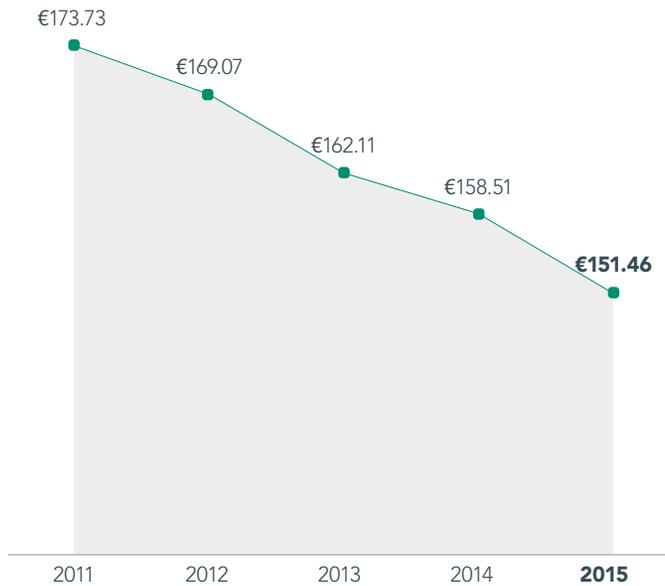
### Average Revenue per Fixed User (ARPU)

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

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

With the number of voice call minutes falling and an overall decline in average fixed line call rates, fixed telephony ARPU for 2015 declined to €151.46 from €158.51 in 2014.

#### AVERAGE REVENUE PER FIXED TELEPHONY USER



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

## MOBILE TELEPHONY

The mobile sector performed positively in 2015, with the subscriber base expanding and usage of voice and data services growing at a fast rate.

The number of subscriptions was up by 11,354, from 546,229 at the end of 2014 to 557,583 at the end of 2015. Notably, the number of post-paid subscriptions went up by 16,138 during this period, in contrast to a drop of 4,784 pre-paid subscriptions. As a result, the proportion of post-paid subscriptions of the local mobile subscriber base improved by 2.3 percentage points year-on-year. The increase in popularity of post-paid mobile plans coincides with the improved free minute allowances that are being offered with these plans and the growing demand for mobile data services. In addition, local operators provide a range of promotions to end-users opting for a mobile contract plan, such as by offering a free, or subsidised smart-phone device to new customers.

In line with the increase in subscriptions, Malta's mobile penetration rate reached 128.4% at the end 2015, up from 127.2% a year earlier<sup>4</sup>.

The MCA also observes that as average prices for mobile voice calls fall, mobile voice services become an increasingly attractive alternative to fixed voice services. Figures also confirm that end-users also tend to shift their usage from Short Message Services (SMS) to mobile voice. Stronger usage of mobile voice services and a higher consumption of mobile data in 2015 contributed to higher ARPU levels for the sector, despite the decline in the ARPM for mobile voice calls.

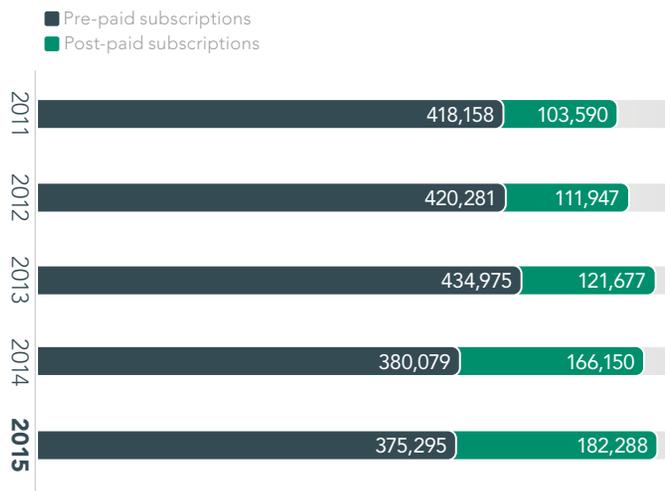
### Mobile subscriptions

The number of mobile subscriptions at the end of 2015 was 11,354 higher than that recorded a year earlier. This increase came on the back of a solid growth in the number of post-paid subscriptions, which significantly outweighed the drop in the number of pre-paid subscriptions.

The number of post-paid subscriptions at the end of 2015 totalled 182,288. This figure is up by 16,138 (or by 9.7%) from 166,150 a year earlier. Meanwhile, the number of pre-paid subscriptions was down by 4,784 (or by 1.3%), from 380,079 to 375,295. Because of this development, the proportion of post-paid subscriptions to the local mobile subscriber base reached 32.7% at the end of last year, up from 30.4% at the end of 2014.

### SUBSCRIPTIONS

as at end of period



<sup>4</sup>The mobile penetration rate corresponds to the proportion of Malta's population owning an active SIM card.

Just around 10% of all mobile subscriptions are purchased as part of a multi-play bundle, which is very low compared to the take-up of other electronic communications services in a bundle. This low take-up of mobile telephony as part of a bundle sustains the view that mobile telephony subscriptions correlate to individuals, whilst other services, such as fixed line telephony, fixed broadband and pay TV are more of a household feature.

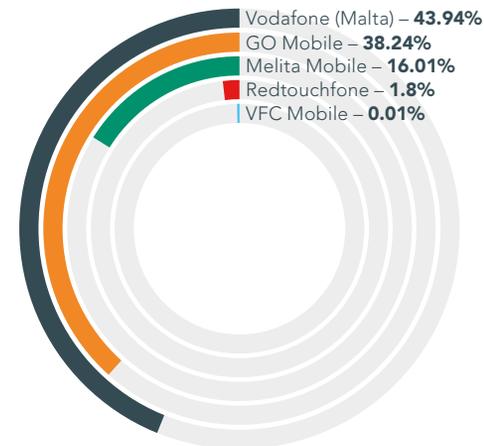
	2014	2015
Mobile telephony subscriptions in a bundle	56,161	55,645
Dual play	11,112	7,850
Mobile telephony + Fixed telephony	11,112	7,850
Triple play	620	807
Mobile telephony + Fixed telephony + Fixed broadband	620	807
Quad play	44,429	46,988
Mobile telephony + Fixed telephony + Fixed broadband + Pay TV	44,429	46,988
Number of mobile subscribers	546,229	557,583
as a percentage of total mobile subscriptions	10.28%	9.98%

## Market shares

There are five licensed operators that are providing retail mobile services in Malta with nationwide coverage. These are GO Mobile, Melita Mobile, Redtouchfone, VFC Mobile and Vodafone (Malta).

During 2015, Vodafone (Malta) retained its leading market position, with its market share standing at 43.9% at the end of 2015, which is 0.3 percentage points lower than that recorded a year earlier. GO's market share also declined marginally, in this case by 0.8 percentage points, to 38.2%. On the other hand, Melita Mobile consolidated its market position by 1.2 percentage points, with its market share reaching 16% by the end of 2015. Redtouchfone's market share was relatively unchanged, whilst the market share of VFC Mobile was negligible.

OVERALL 2015 MARKET SHARES IN TERMS OF SUBSCRIPTIONS BY OPERATOR  
as at end of year



## Mobile inward portability

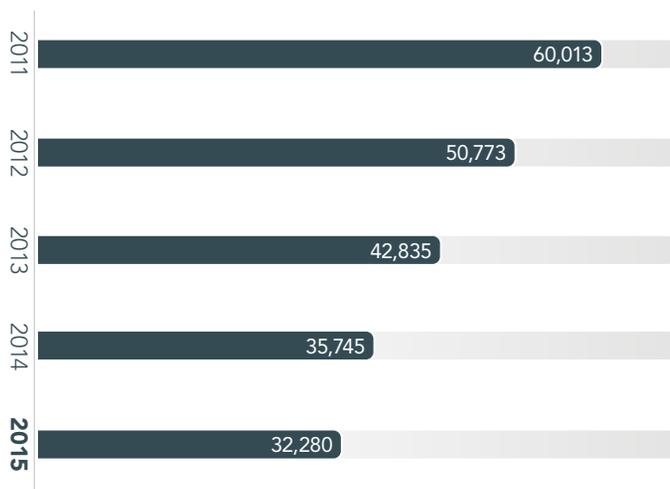
The absolute majority of mobile number portings in Malta are completed within the same day, with only a very small number of cases reporting problems with this service to the MCA.

Nevertheless, the number of mobile inward portings has consistently gone down over the last few years. Last year was no exception, with 32,280 inward portings being reported compared to 35,745 in 2014.

The proportion of subscribers opting for mobile number portability in 2015 stood at 5.8%, down from 6.5% in the previous year and 7.9% in 2013.

This decline is likely the result of an increasing proportion of subscribers on a post-paid contract, which are typically bound by a two-year contract term agreement. This is likely to reduce churn and ensure higher retention rates for service providers.

### MOBILE INWARD PORTINGS



## Activity levels

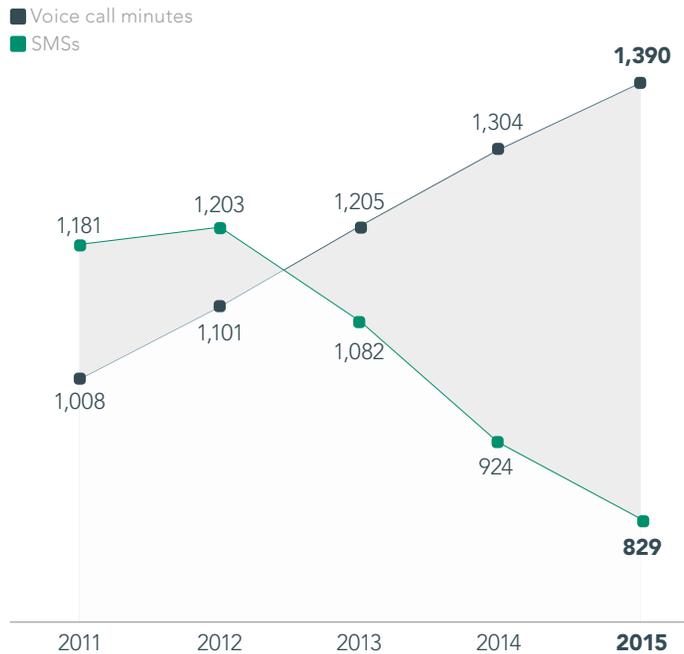
The most striking trend for the mobile market is the continued surge in voice activity levels, primarily due to lower average mobile call rates and the improved minute allowances available with the plans on offer.

Indeed, mobile voice traffic volumes shot up by a faster rate than subscriptions in 2015, resulting in voice activity levels per subscription above those achieved in 2014. In this regard, each active SIM connection accounted for approximately 81 voice calls each month during 2015 and around 116 voice call minutes per month. This is up from 78 mobile voice calls per month and 109 mobile voice call minutes per month reported in 2014.

At the same time, the average number of SMSs sent per active SIM connection fell from 77 per month in 2014 to 69 per month in 2015. This fall in SMS volumes per connection reflects the propensity of end-users opting for an instant call rather than texting a message, especially at a time when call rates fall and minute allowances are more beneficial.

Successive investments by local service providers have also made it possible for new plans to be launched on the market offering improved mobile broadband services. This, together with changing consumer preferences, paved the way for increased usage of such services. Indeed, the number of end-users actively using mobile broadband services went up by around 44,500 (or by 19.7%) between December 2014 and December 2015. This increase comes on the back of a rapid uptake of smartphones, tablets and laptops, especially as local service providers continue to offer such devices at discounted prices in combination with mobile telephony plans that include better data allowances.

AVERAGE NUMBER OF VOICE CALL MINUTES & SMSs  
per subscriber

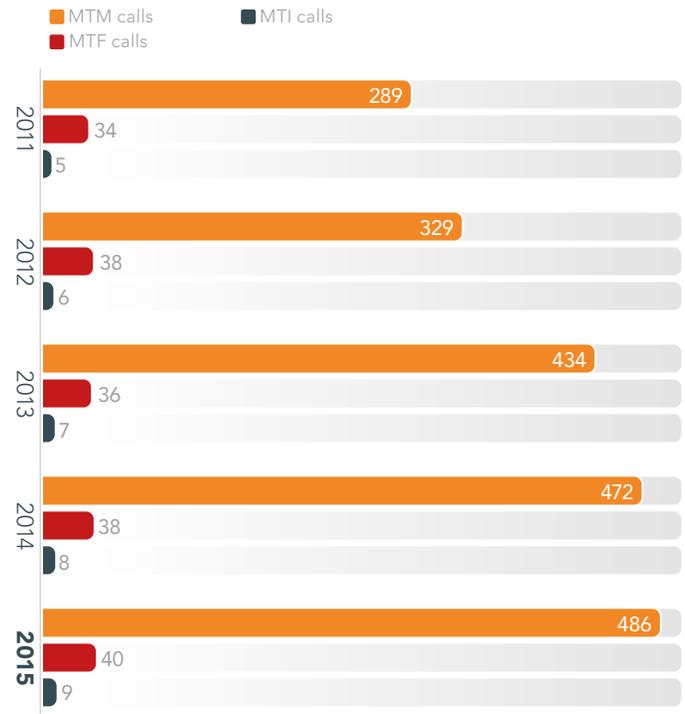


Voice calls and SMS traffic

The biggest chunk of mobile traffic is carried out on-net. The volume of on-net Mobile-to-Mobile (MTM) voice calls was up by 1%, year-on-year, to a total of 361.1 million in 2015, whilst the volume of on-net MTM voice call minutes was up by 2.9%.

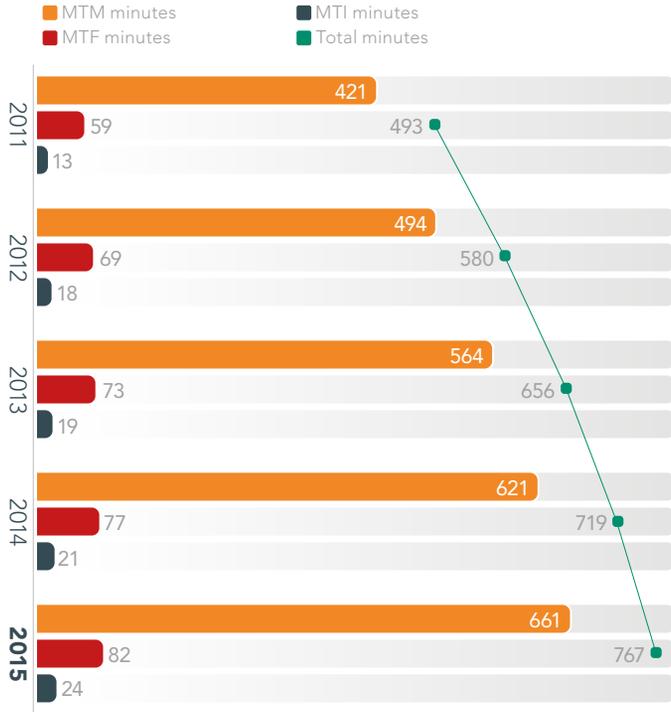
Off-net MTM voice traffic volumes were also up by 9.1% in terms of voice calls and by 16.1% in terms of voice call minutes during 2015. Meanwhile, the number of Mobile-to-Fixed (MTF) voice calls and voice call minutes was up by 5.1% and 7.1% respectively, and that of Mobile-to-International (MTI) voice calls and voice call minutes was up by 7.5% and 14.6% respectively.

VOICE TRAFFIC VOLUMES  
number of voice calls (in millions)

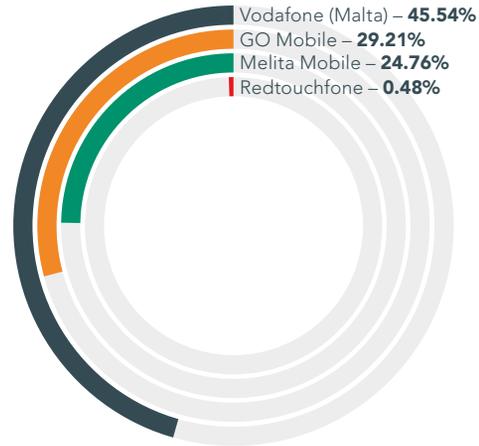


VOICE TRAFFIC VOLUMES

number of voice call minutes (in millions)

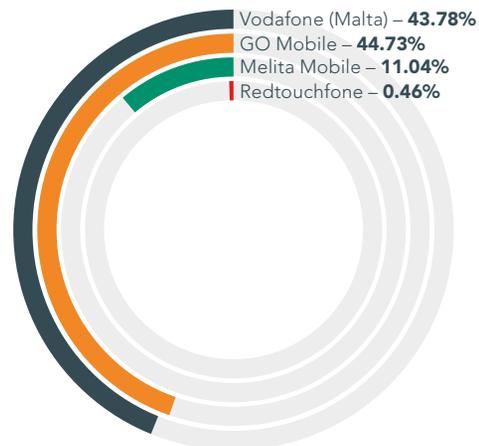


2015 MARKET SHARES, BY OPERATOR OUTGOING VOICE MINUTES  
as at end of year



With regard to SMS, declines were registered throughout. The number of on-net SMSs was down by 11.5%, whilst off-net SMS volumes were down by 5.8%. Premium SMSs volumes declined drastically by almost 53%, whilst SMSs sent from Internet portals fell by 28.3%. A similar trend was recorded for SMSs sent to numbers hosted by foreign mobile networks, for which traffic volumes declined by 13.9%.

2015 MARKET SHARES, BY OPERATOR OUTGOING SMSs  
as at end of year

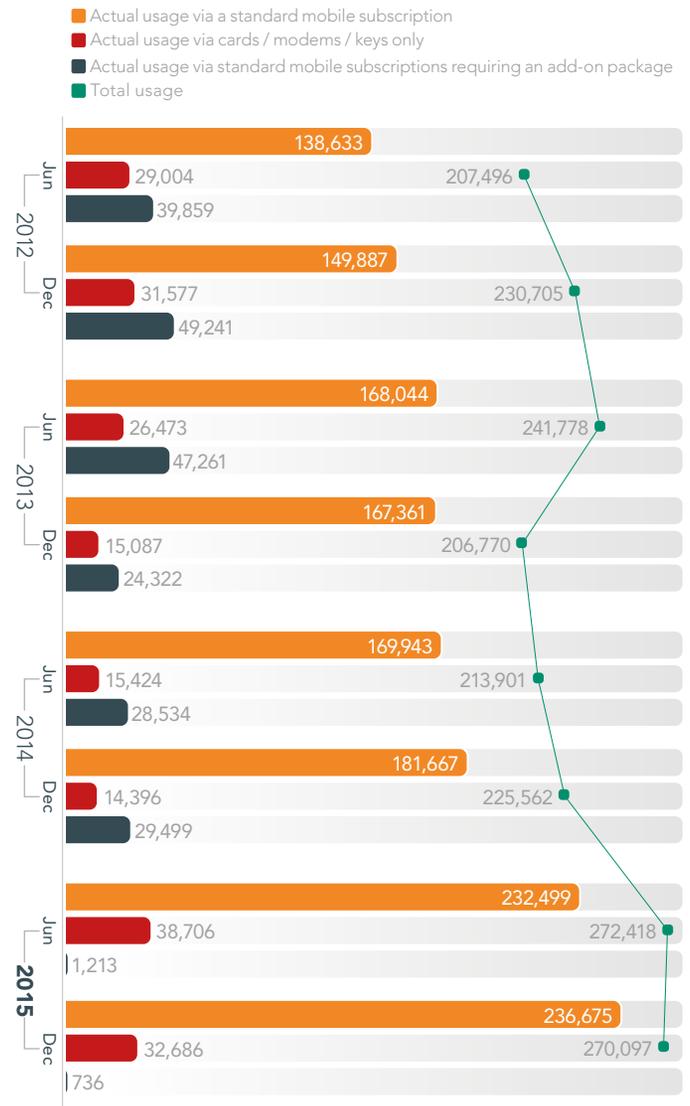


### Mobile broadband data

Take-up of mobile broadband services was particularly strong in 2015, with the number of end-users actively making use of these services growing significantly, largely due to the continued proliferation of smartphones and the launch of new post-paid and data plans featuring more competitive data rates and improved data allowances.

The number of users actively accessing mobile broadband services via 3G/4G-enabled mobile subscriptions totalled 270,097 at the end of December 2015. This figure is up by 44,500 (or by 19.7%) from 225,562 in 2014. Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modems/keys more than doubled during the same period, increasing by 18,290 (or by 127%) from 14,396 to 32,686. In line with this increase, Malta improved its mobile broadband penetration rate, closing its gap with the EU average, as confirmed by figures published by the European Commission.

### ACTIVE USAGE OF MOBILE BROADBAND CONNECTIONS



### International roaming

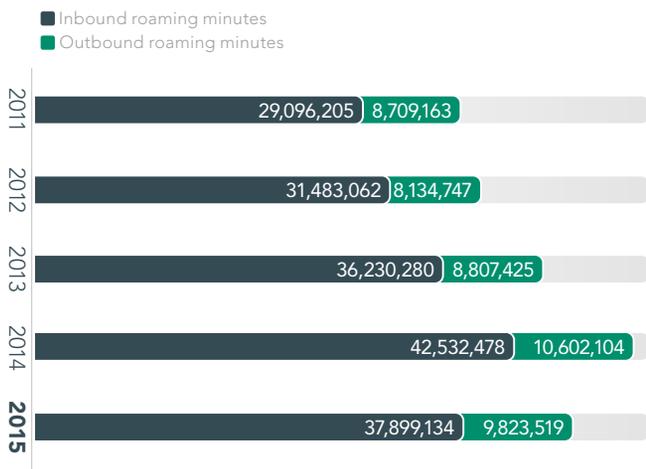
International roaming is a service that allows a subscriber to a particular mobile operator in one country, to obtain voice, data, and/or SMS services from another operator in a country being visited, using the same handset and the same telephone number, facilitated by a common technology, and a wholesale inter-operator contract<sup>5</sup>.

International roaming call activity, reported by local service providers in terms of inbound and outbound voice call minutes, reached new highs in 2015, as the EU Commission's regulated wholesale price caps for roaming services continued to fall and new rates came into force. This happened at a time when both the number of Maltese visiting abroad and the number of incoming tourists in Malta kept rising. The fall in roaming call charges effectively enticed mobile end-users to make lengthier calls rather than making multiple shorter calls whilst travelling.

In comparison to 2014, volumes of inbound roaming calls were down by 11%. In contrast the number of inbound roaming minutes rose by 12% during 2015. At the same time, volumes of outbound roaming calls and minutes were down by 7% and up by 13% respectively.

Roaming SMS activity was also down year-on-year, with the number of SMSs sent by Maltese subscribers whilst abroad declining by almost 13%. This reflects the impact of declining roaming call rates, which enticed end-users to make lengthier calls whilst travelling abroad, rather than making multiple shorter calls and/or sending an SMS.

### ROAMING ACTIVITY



<sup>5</sup>Available data distinguishes between inbound and outbound roaming activity. Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta. Outbound roaming activity refers to call, SMS and data services made on foreign mobile networks by local subscribers when roaming abroad.

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

### Price competition

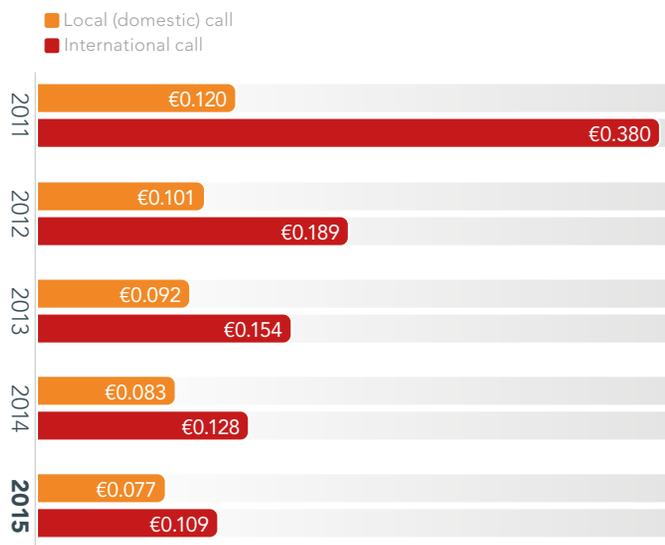
MCA revenue-based workings<sup>6</sup> indicate that mobile price movements last year were consistent with long-term market trends. In this respect, the ARPM of mobile communications and the average rate per SMS declined further in 2015. This is mainly a result of the launch of new plans with improved minute and SMS allowances, including allowances to numbers on other fixed networks, and a consolidation of the range of add-on bundles. Some of these plans also featured improved mobile broadband speeds and higher mobile data volume caps.

#### The ARPM of mobile voice call communications

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

The ARPM for a domestic call over local mobile networks stood at around €0.077 in 2015, down by around 7% from €0.083 in 2014. At the same time, the ARPM for international calls over local mobile networks went down by almost 15% from €0.128 to €0.109.

### ARPM OF MOBILE COMMUNICATIONS

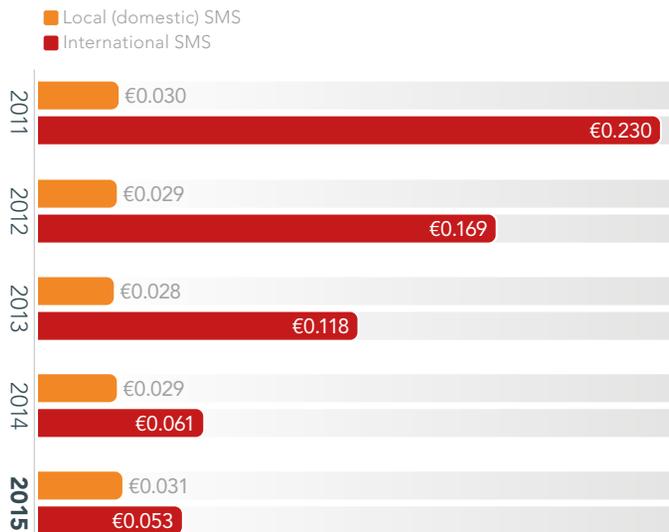


#### The average rate per SMS

The average rate per SMS is derived by dividing SMS revenues, by the number of SMSs reported for the period<sup>7</sup>.

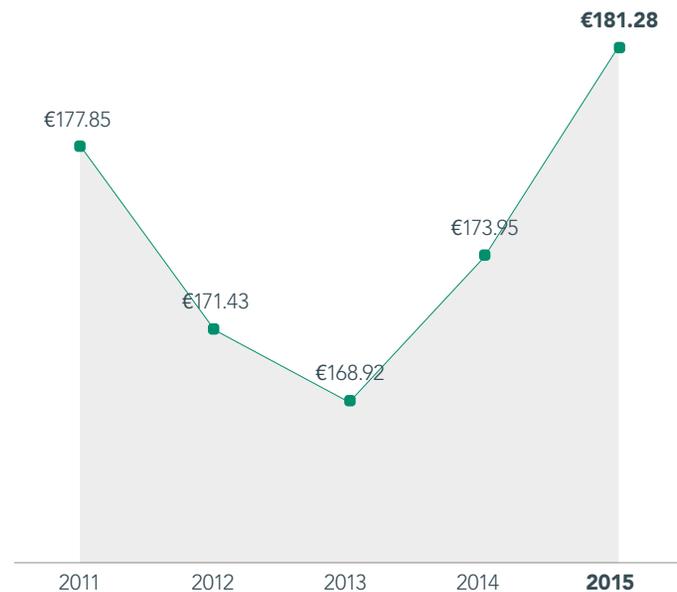
On average, a subscriber spent €0.031 per local SMS in 2015, slightly up from the prevailing rate in 2014. Meanwhile, the average cost per international SMS was down by 13.1%, from €0.061 in 2014 to €0.053 at the end of 2015.

#### AVERAGE RATE PER SMS



Average Revenue Per Mobile User (ARPU)

#### AVERAGE REVENUE PER MOBILE TELEPHONY USER



The sector experienced an overall growth in mobile ARPU<sup>8</sup> during 2015, which reached almost €181, up from €174 in the previous year. This increase is largely attributable to three factors, namely an increasing penetration of subscribers on a post-paid contract, higher voice call traffic volumes and stronger usage of mobile broadband data services.

<sup>7</sup>Calculations include relevant figures for premium SMSs, and SMSs sent from Internet portals. Revenues from VAT and excise tax are excluded.

<sup>8</sup>Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions, for a given period. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period, plus the number of subscribers at the end of the period, divided by 2. The revenue heading takes into account revenues from all outgoing voice activity (excluding interconnection revenues), revenues from SMS and MMS activity, revenues from monthly access fees, data services and outbound roaming activity, but excluding revenues from inbound roaming activity.

## FIXED BROADBAND

The growth trend in the take-up of fixed broadband services continued unabated last year. Fixed broadband subscriptions at the end of 2015 were 7.7% higher than that recorded a year earlier, with a pronounced shift towards high-speed broadband products. Indeed, the proportion of high-speed connections (i.e. connections supporting download speeds of 30 Mbps or higher) increased by almost 5 percentage points, from 55.3% at the end of 2014 to 60% at the end of 2015. To a certain extent, this shift was brought about by the service providers, which migrated of customers to new products supporting higher speeds. The decline in average prices for high-speed products, represented by the decline observed in the average rate per Mbps, did however facilitate this move and enticed customers to remain on the new high-speed plans.

Another striking trend is the significant increase in take-up of fixed broadband in multi-play bundles. Fixed broadband subscriptions in multi-play packages climbed by 19.6% year-on-year, from 99,809 at the end of 2014 to 119,360 at the end of 2015. As a result, the proportion of fixed broadband subscriptions on a bundle at the end of 2015 stood at 73.1%, up from 65.9% a year earlier.

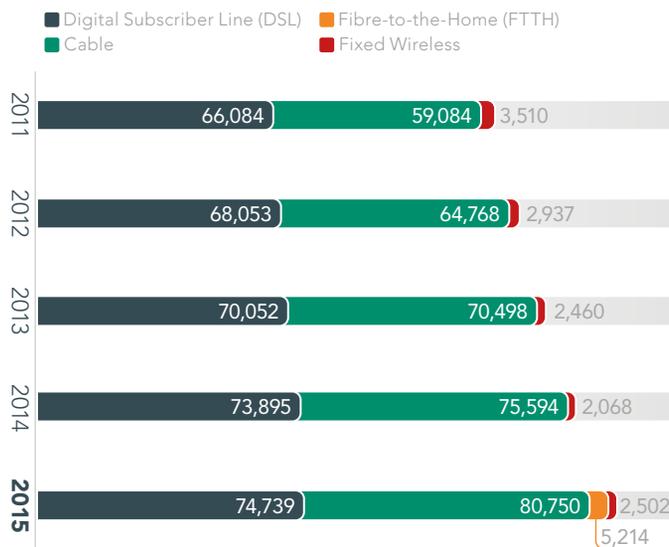
As for pricing, 2015 was a year that saw a decline in the average rate per Mbps, at a time when entry-level download speeds were pushed upwards. In fact, the average rate per Mbps at the end of 2015 stood at €1.30, down by almost 24% compared to the prevailing rate, at the same time, a year earlier. This suggests a more competitive cost-to-quality relationship for the consumer.

### Fixed broadband subscriptions

The fixed broadband market saw a 7.7% year-on-year increase in the subscriber base, with the number of subscriptions climbing from 151,557 at the end of 2014 to 163,205 at the end of 2015.

#### SUBSCRIPTIONS

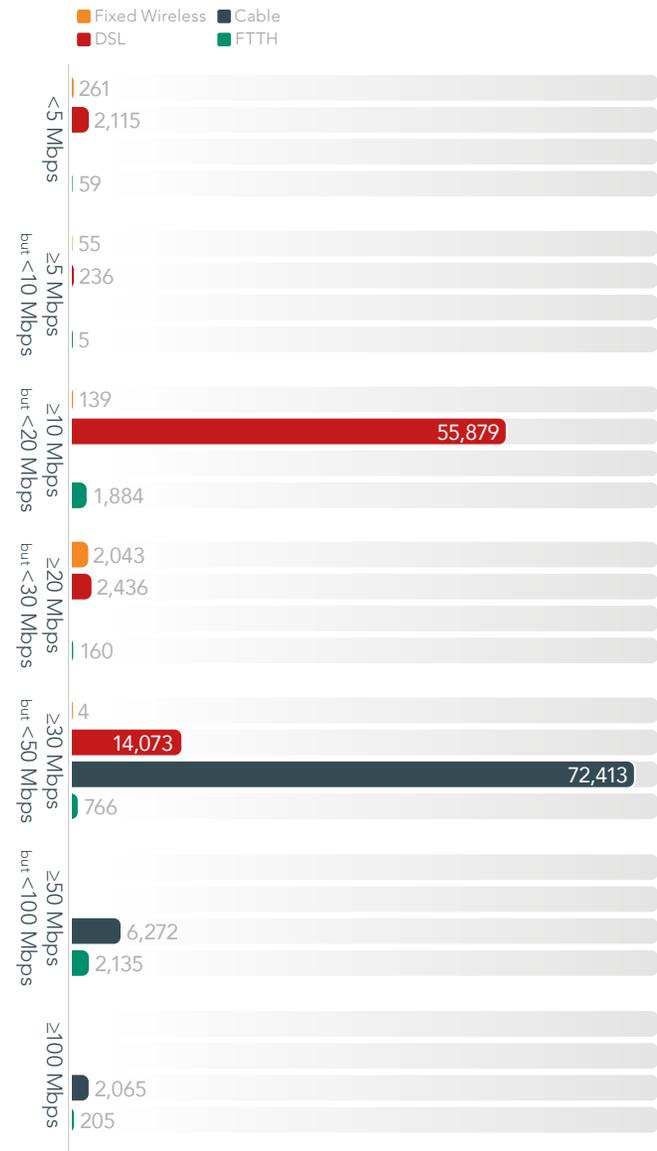
as at end of period



Most of the increase in subscriptions is accounted for by connections supporting data download speeds of 30 Mbps or higher. In this regard, the number of subscriptions supporting download speeds of '30 Mbps but less than 50 Mbps' went up by 8,557 in a 12-month period, which is equivalent to an 11% annual growth rate, to reach a total of 87,256 at the end of 2015. The number of broadband connections supporting download speeds of '50 Mbps but less than 100 Mbps' increased by 4,409 during the same period, which is equivalent to an annual growth rate of 110%. Another important increase in subscriptions came from broadband connections supporting speeds of '100 Mbps or more'. Here, subscriber numbers more than doubled reaching 2,270 from 1,069.

Meanwhile, the number of fixed broadband subscriptions supporting data download speeds of 'less than 30 Mbps' were down from 67,791 at the end of 2014 to 65,272 at the end of 2015. On a disaggregate level, the biggest fall in subscriptions was observed for connections supporting speeds of 'less than 10 Mbps', with their number down by 6,962 (or by 72%) over a 12-month period to 2,731 at the end of 2015. The number of subscriptions supporting a download speed of '10 Mbps but less than 30 Mbps' was however up by 4,443 (or by 7.6%), from 58,098 at the end of 2014, to 62,541 at the end of 2015.

FIXED BROADBAND SUBSCRIPTIONS, BY TECHNOLOGY & SPEED  
as at end of 2015



	2014	2015
Fixed broadband subscriptions in a bundle	99,809	119,360
Dual play	29,890	44,179
Fixed telephony + Fixed broadband	29,890	44,179
Triple play	25,490	28,193
Fixed telephony + Fixed broadband + Mobile telephony	620	807
Fixed telephony + Fixed broadband + Pay TV	24,870	27,386
Quad play	44,429	46,988
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	44,429	46,988
Number of fixed broadband subscribers (end of period)	151,557	163,205
as a percentage of total number of fixed broadband subscriptions	65.86%	73.14%

### Market shares

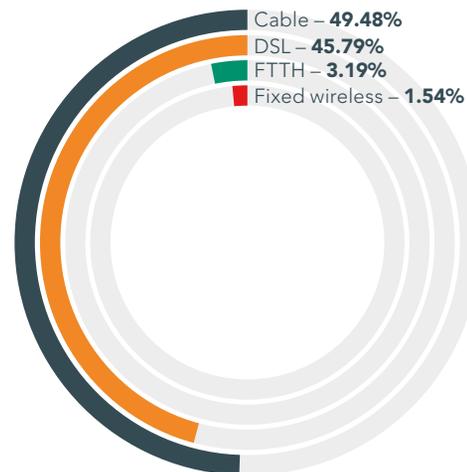
Fixed broadband access in Malta is provided by a number of service providers over the following fixed technologies: DSL, FTTH, cable and fixed wireless.

At the end of 2015, cable technology accounted for the largest share of the subscriber base, at 49.5%, the market share of which is however down by 0.4 percentage points year-on-year. This is closely followed by DSL at 45.8%, which is down by 3 percentage points. FTTH and fixed wireless accounted for 3.2%, and 1.5% of the subscriber base respectively, at the end of 2015.

In terms of market share by operator, Melita had 80,750 fixed broadband subscriptions as at end of 2015, thereby accounting for 49.5% of the local fixed broadband subscriber base. Meanwhile, GO had 79,844 subscriptions, equivalent to a market share of 48.9%. Other service providers collectively accounted for around 2,600 subscriptions, which is equivalent to a combined market share of 1.6%, slightly up from 1.5% a year earlier.

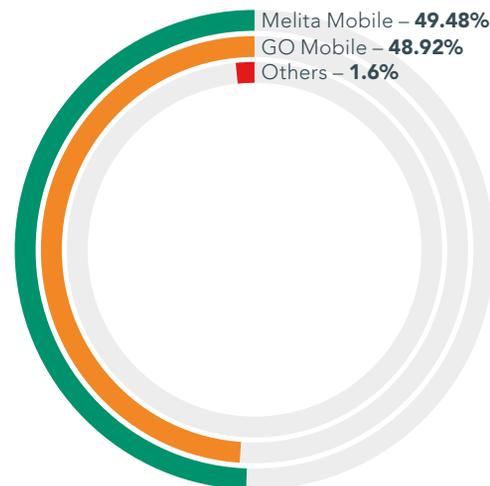
2015 MARKET SHARES, BY PLATFORM

as at end of year



2015 MARKET SHARES, BY OPERATOR

as at end of year



## Price competition

When determining how prices are evolving in the fixed broadband sector, the MCA looks at developments in the average rate charged by local service providers per Mbps of download. The relevant figures are derived by taking into account the actual advertised rates for local broadband packages and the corresponding advertised download speeds<sup>9</sup>.

Furthermore, changes in the average rate per Mbps cannot be seen in isolation, given that, for example, consumers may still have availed themselves of a lower rate per Mbps in 2015 by subscribing to promotional offers and by opting for monthly discounted fees that come with plans bundling fixed broadband with other electronic communications services.

### Average rate per Mbps

The average rate that Maltese consumers paid for their broadband service went down to €1.30 per Mbps by the end of 2015, from €1.71 a year earlier. This 24% decline has to be qualified. It was more evident in 2015 that consumers paid a lower price per Mbps for products delivering faster download speeds compared to products delivering slower download speeds. Furthermore, one service provider issued a notice to its customers in the second half of 2015 whereby it announced that its legacy plans would no longer be available and that they would be in a position to avail of plans supporting higher download speeds.

On a disaggregate level, the average rate per Mbps for products supporting a download speed of 'less than 5 Mbps' stood at €4.43 at the end of 2015, up from €3.79 a year earlier.

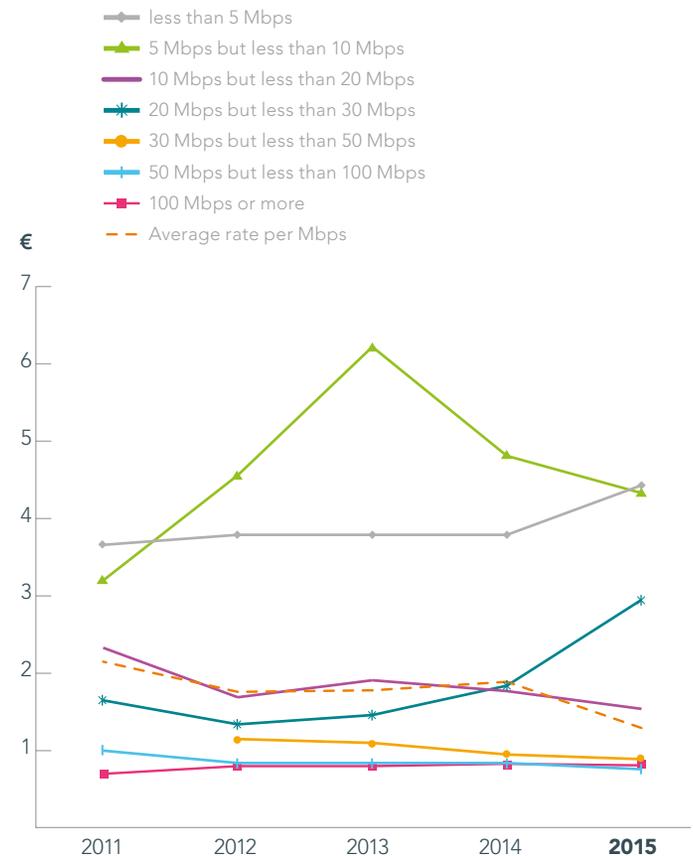
The average rate per Mbps for products supporting a download speed of '5 Mbps but less than 10 Mbps' was down to €4.33 at the end of 2015, from €4.81 at the end of 2014. At the same time, the average rate per Mbps for products supporting a download speed of '10 Mbps but less than 20 Mbps' declined to €1.54 from €1.77 at the end of 2014.

On the other hand, the rate per Mbps for products supporting a download speed of '20 Mbps but less than 30 Mbps' was up, from €1.84 in 2014 to €2.95 in 2015. This development is primarily explained by the phasing out of some plans (specifically legacy offers) in this product category, which in turn resulted in an upward price movement.

The average rate per Mbps for products supporting a download speed of '30 Mbps but less than 50 Mbps' and products supporting a download speed of '50 Mbps but less than 100 Mbps' stood at €0.89 and €0.76 respectively at the end of 2015. In both instances, the rate was down by 7.4% and 10.7% respectively year-on-year.

Products supporting a download speed of '100 Mbps or more' also registered a drop in the average rate per Mbps. In this case, the average rate per Mbps was down by 2.4%, from €0.83 at the end of 2014 to €0.81 at the end of 2015.

### FIXED BROADBAND: AVERAGE RATE PER Mbps



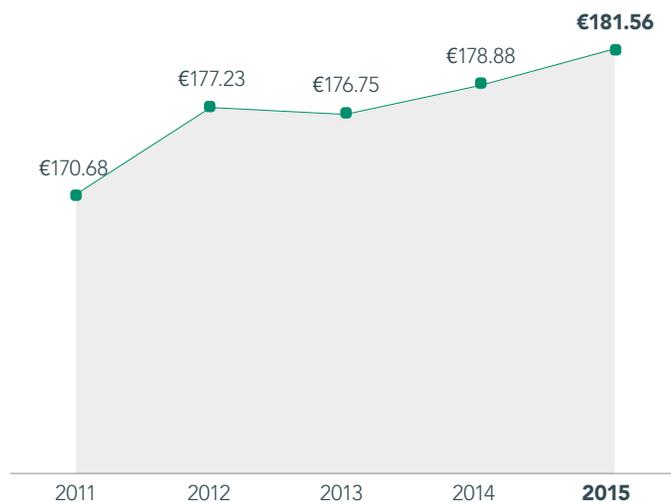
<sup>9</sup>MCA workings are based on actual advertised headline speeds for stand-alone products and do not take into account promotional offers and fixed broadband products included in triple and quad play bundled packages.

*Fixed broadband ARPU*

Fixed broadband ARPU is an indicator evaluating fixed broadband operators' revenues per user. The figures are arrived at by dividing the total retail revenues from broadband subscriptions, but excluding revenues from installations or connection fees, by the average number of subscriptions<sup>10</sup>.

Fixed broadband ARPU for the year 2015 totalled €181.56, up by 1.5% from €178.88 in the previous year. This increase came at a time when take-up for products supporting fast and super-fast download speeds increased significantly. Such an increase in take-up enables service providers to get a higher premium, notwithstanding the reported decline in the average rate per Mbps and higher uptake of broadband in bundled subscriptions.

## AVERAGE REVENUE PER FIXED BROADBAND USER



<sup>10</sup> The average 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

New online platforms are disrupting the traditional end-user behaviours towards TV usage. In general, however, the traditional pay TV sector did not succumb and instead managed to register a solid performance in 2015, as evidenced by the reported increase in subscriptions.

The IPTV segment did particularly well, with the number of subscriptions shooting up by 57% year-on-year, from 12,256 at the end of 2014 to 19,274 at the end of 2015. The digital cable segment also registered a positive performance, although in this case, year-on-year growth was comparatively marginal at 2%. In absolute terms, the number of cable digital subscriptions was up by 1,324. These increases were sufficient to outweigh declines reported for the digital terrestrial (DTTV) and the analogue cable segments. In the former case, the number of subscriptions was down by around 6,000 (a drop of around 11%) whilst in the latter case, subscriptions were down by 756.

End-users are also increasingly purchasing pay TV services in multi-play bundles. At the end of 2015, the proportion of pay TV subscriptions purchased as part of a bundle stood at 56%, which is two percentage points higher than that reported a year earlier.

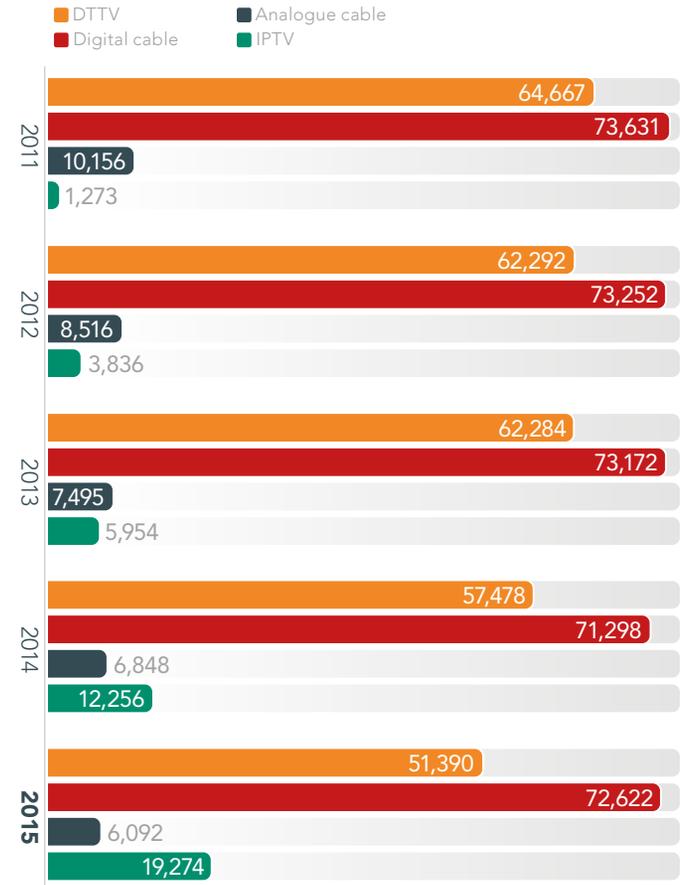
The general situation in terms of pricing in the pay TV market in 2015 remained relatively unchanged. Service providers did however implement some changes to channel line-ups and launched several promotional offers in the course of 2015. This, together with the increasing take-up of pay TV in bundled subscriptions, contributed to a lower pay TV ARPU in 2015, compared to that recorded in 2014.

### Subscriptions

There were 149,378 pay TV subscriptions at the end of 2015, up by almost 1,500 (or by 1%) from 147,880 a year earlier. In this regard, the remarkable increase in the number of IPTV subscriptions and the more modest rise in the number of digital cable subscriptions were sufficient to outweigh an aggregate net loss of 6,844 connections in analogue cable and DTTV.

### SUBSCRIPTIONS

as at end of 2015



Notably, the number of pay TV subscriptions forming part of a bundle increased by almost 4,000 (or by 5.2%), from 76,245 at the end of 2014 to 80,215 at the end of 2015. Consequently, the proportion of pay TV subscriptions purchased on a bundle improved accordingly, from 54.1% to almost 56%.

	2014	2015
Pay TV subscriptions in a bundle	76,245	80,215
Dual play	6,946	5,841
Pay TV + Fixed telephony	6,946	5,841
Triple play	24,870	27,386
Pay TV + Fixed telephony + Fixed broadband	24,870	27,386
Quad play	44,429	46,988
Pay TV + Fixed telephony + Mobile telephony + Fixed broadband	44,429	46,988
Number of digital TV and IPTV subscribers	141,032	143,286
as a percentage of digital and IPTV subscribers	54.06%	55.98%

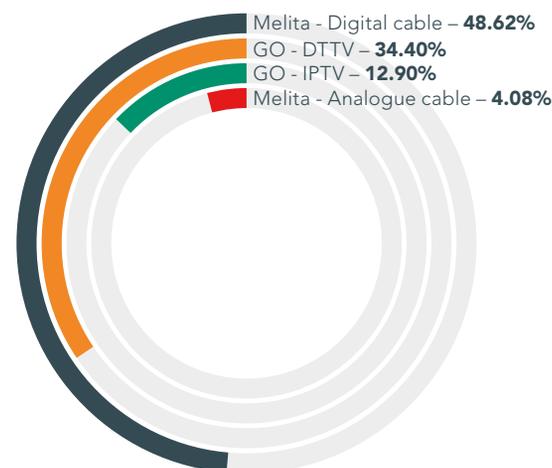
## Market share developments

At the end of 2015, IPTV subscriptions made up around 13% of the local pay TV subscriber base, up from around 8% in 2014. The market share of digital cable was up by 0.4 percentage points during the same period, from 48.2% to 48.6%. On the other hand, the market share of analogue cable was down by 0.6 percentage points to 4.1% and that for DTTV was down by 4.5 percentage points to 34.4%.

On an operator level, both Melita and GO experienced an increase in subscriptions year-on-year. GO registered the biggest increase, with the number of its subscriptions rising by 933. Meanwhile, Melita's subscriber base grew by 568 new subscriptions.

As a result, GO's standing in the pay TV market continued to improve in 2015, increasing its market share by 0.2 percentage points to 47.3% by the end of the year. Meanwhile, Melita's share shrank by a similar margin to 52.7%.

2015 MARKET SHARES, BY OPERATOR AND PLATFORM IN TERMS OF ALL PAY TV SUBSCRIPTIONS



## Price competition

Overall, retail prices for local pay TV services at the end of 2015 remained relatively unchanged compared to those prevailing a year earlier. Service providers did however implement some changes, such as in the case of channel line-ups of several packages, which led to a reclassification between the different pay TV categories identified in this report.

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

### Average advertised rates

The overall average monthly advertised rate paid by subscribers for pay TV services at the end of 2015 stood at €22.54, unchanged from 2014.

On a disaggregate level, the pay TV category encompassing packages listing 'up to 24 channels', the monthly average advertised pay TV rate (or pay TV monthly access fee) increased from €3.99 at the end of 2014 to €5.00 at the end of 2015. Only one pay TV package features in this category.

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

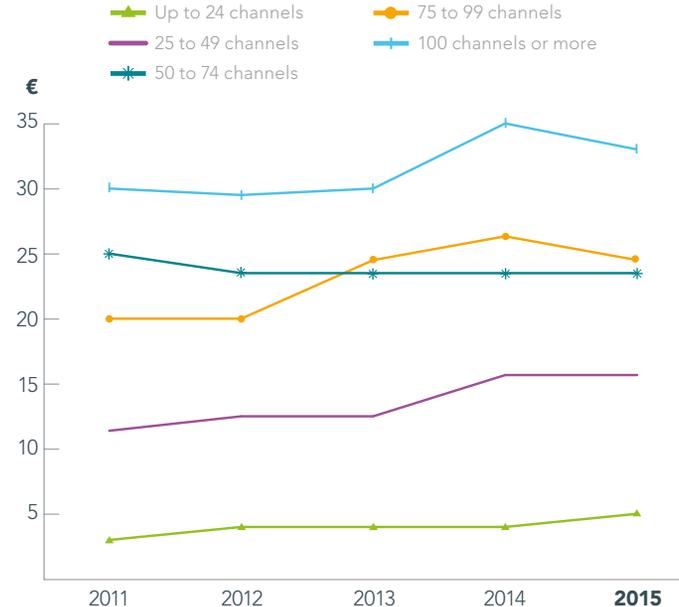
The applicable average advertised rate remained unchanged for the pay TV category encompassing packages listing '25 to 49 channels' and packages listing '50 to 74 channels'. The average advertised rate at the end of 2015 stood at €15.66 in the former case and at €23.49 in the latter case.

Meanwhile, the pay TV categories encompassing packages listing '75 to 99 channels' and '100 channels or more' experienced a drop in the average advertised rate. The average advertised rate for the former category was down to €24.99 from €26.32, whilst that of the latter category was down to €32.99 from €34.99. These declines are a result of the reclassification across the different categories following the update of the channel line-ups that materialised in 2015. This reclassification concerns one plan formerly encompassing '75 to 99 channels' and now assigned to the pay TV category encompassing '100 or more channels'.

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 packages rates (excl. optional add-ons)*

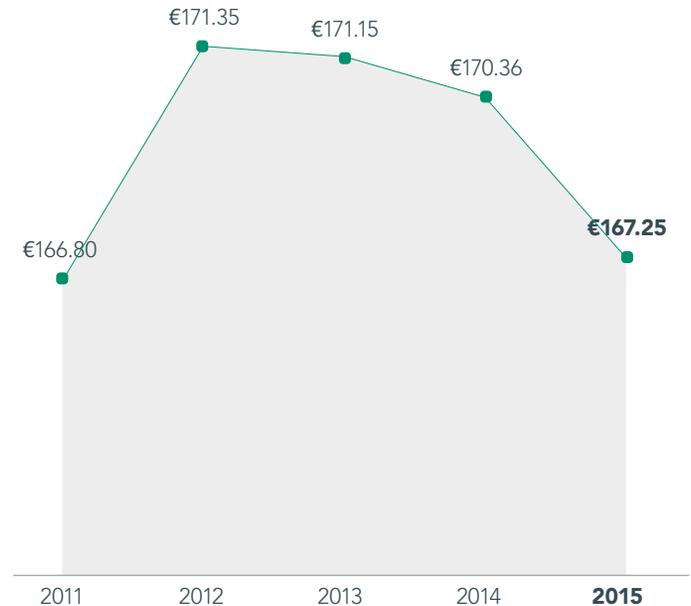


**Pay TV ARPU**

The surge in take-up of on-demand pay TV services and IPTV served to boost revenues of local service providers. However, the increase in related revenue streams was more than absorbed by the availability of discounts and promotional offers often associated with the purchase of pay TV services in multi-play bundles. Such circumstances led to the overall decline in Pay TV ARPU for 2015, when compared to levels achieved in 2014.

Pay TV ARPU<sup>12</sup> in 2015 totalled €167.25, down by 1.8% from €170.36 a year earlier.

**AVERAGE REVENUE PER PAY TV USER**



<sup>12</sup>Pay TV ARPU is an indicator evaluating operators' revenues per Pay TV subscription. The ARPU calculation reflects the average spend by users for Pay TV services and is derived by dividing the total retail revenues recorded 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

It is no surprise that the postal market remains under the shadow of dwindling traditional mail activity. Outcomes for 2015 tally with long-term trends of downward trajectories, as total mail volumes fell by 4.4% compared to 2014. Bulk mail registered the biggest decline, with traffic down by 1.5 million items (or by 6.3%). Single piece letter mail was the other casualty, with the number of delivered mail items in this segment falling by 0.4 million (or by 2.6%).

Increased activity reported for the registered mail and parcel mail segments was however not sufficient to offset the aforementioned declines. Notably, though, the increase for parcel mail stood at around 22%, with the number of delivered mail items going up from 408,746 in 2014 to 500,085 last year.

Reflecting on the drivers behind such drastic reductions in physical mail activity, it is becoming increasingly evident that consumers are becoming ever more accustomed to a growing number of online activities, brought about by the increased digitisation of services and the corresponding shift to the Internet for the provision of a multitude of services that were originally offered in hard copy format.

### Mail volumes

Postal mail volumes delivered in 2015 were down by 1.8 million items when compared to volumes delivered in 2014. This fall came about as a result of a drop in bulk mail volumes and single letter mail volumes, which outweighed volume increases recorded for parcel mail and registered mail.

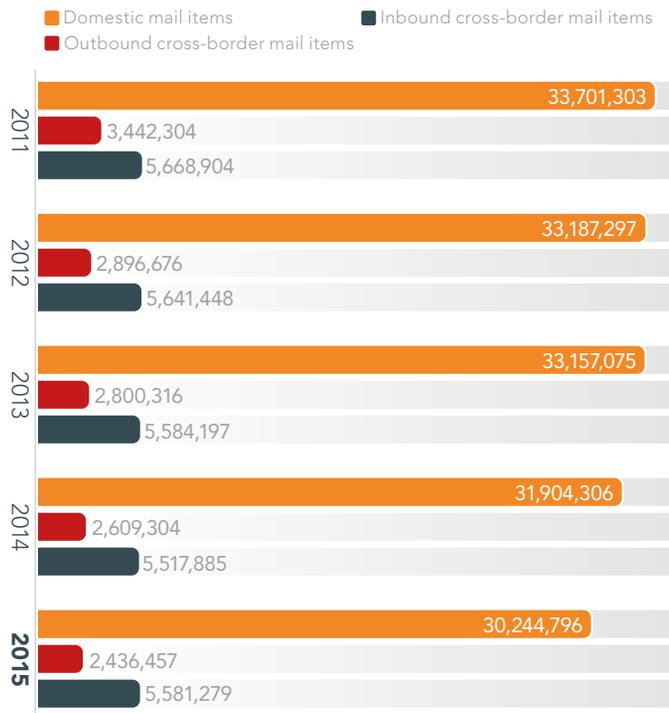
#### by activity...

As to postal mail traffic by type of activity, standard mail volumes accounted for the lion's share of all postal activity recorded in Malta in 2015, at 97.5%. Express mail activity accounted for the remaining 2.5%.

The number of standard postal mail items handled in 2015 totalled 37.3 million, down by 1.9 million (or by 4.8%) when compared to 2014. Meanwhile, the number of express postal mail items delivered in 2015 totalled almost one million, representing an almost 15% increase over figures reported in 2014.

### POSTAL ACTIVITY

volumes by type of mail



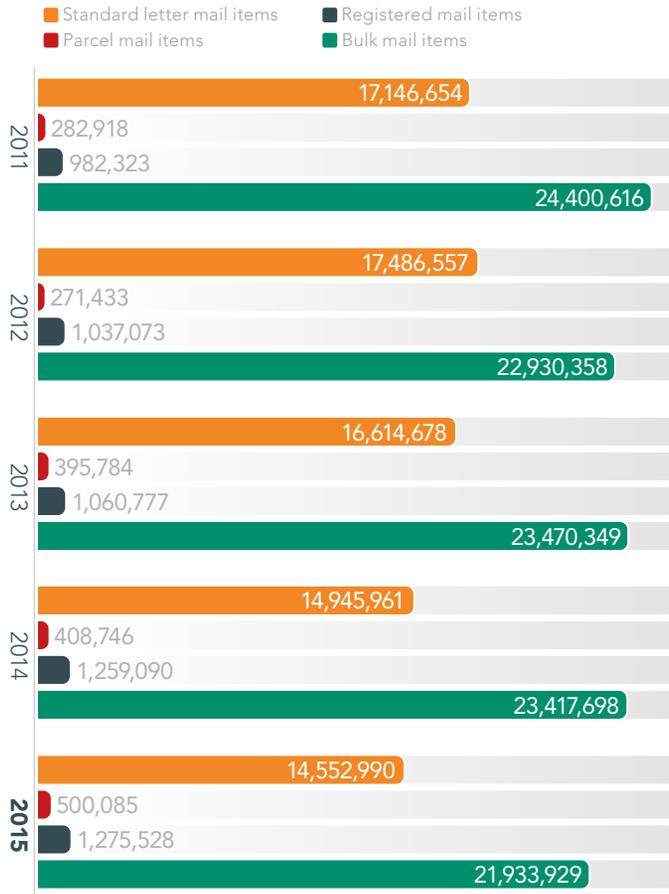
#### by type of mail...

A further look at volume developments by type of mail, the number of single piece letter mail items handled in 2015 totalled 14.5 million, down by almost 0.4 million items (or by 2.6%) from 14.9 million mail items handled in 2014. Bulk mail volumes were down by a significantly larger amount, in this case by 1.5 million items to a total of 21.9 million items.

On the other hand, registered mail and parcel mail reported gains in volumes, with the former increasing by 16,438 mail items (or by 1.3%) to reach 1.3 million. Parcel mail volumes were also notably up, this time by 91,337 (or by 22.4%) to a total of 0.5 million mail items in 2015.

POSTAL ACTIVITY

volumes by type of mail items

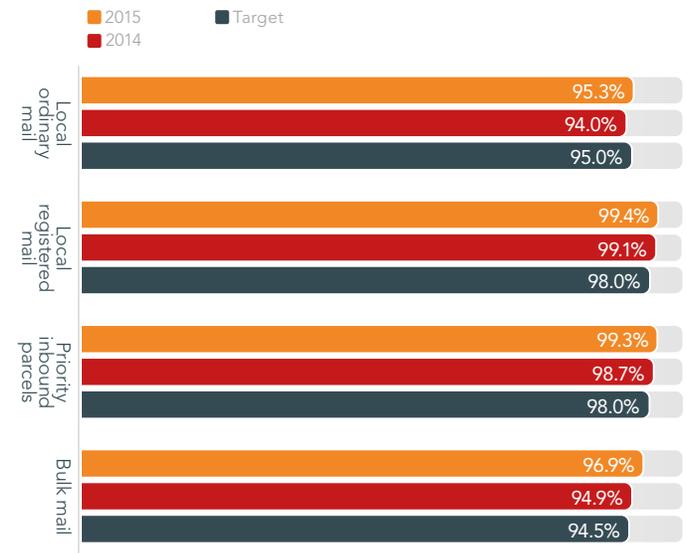


Quality of service

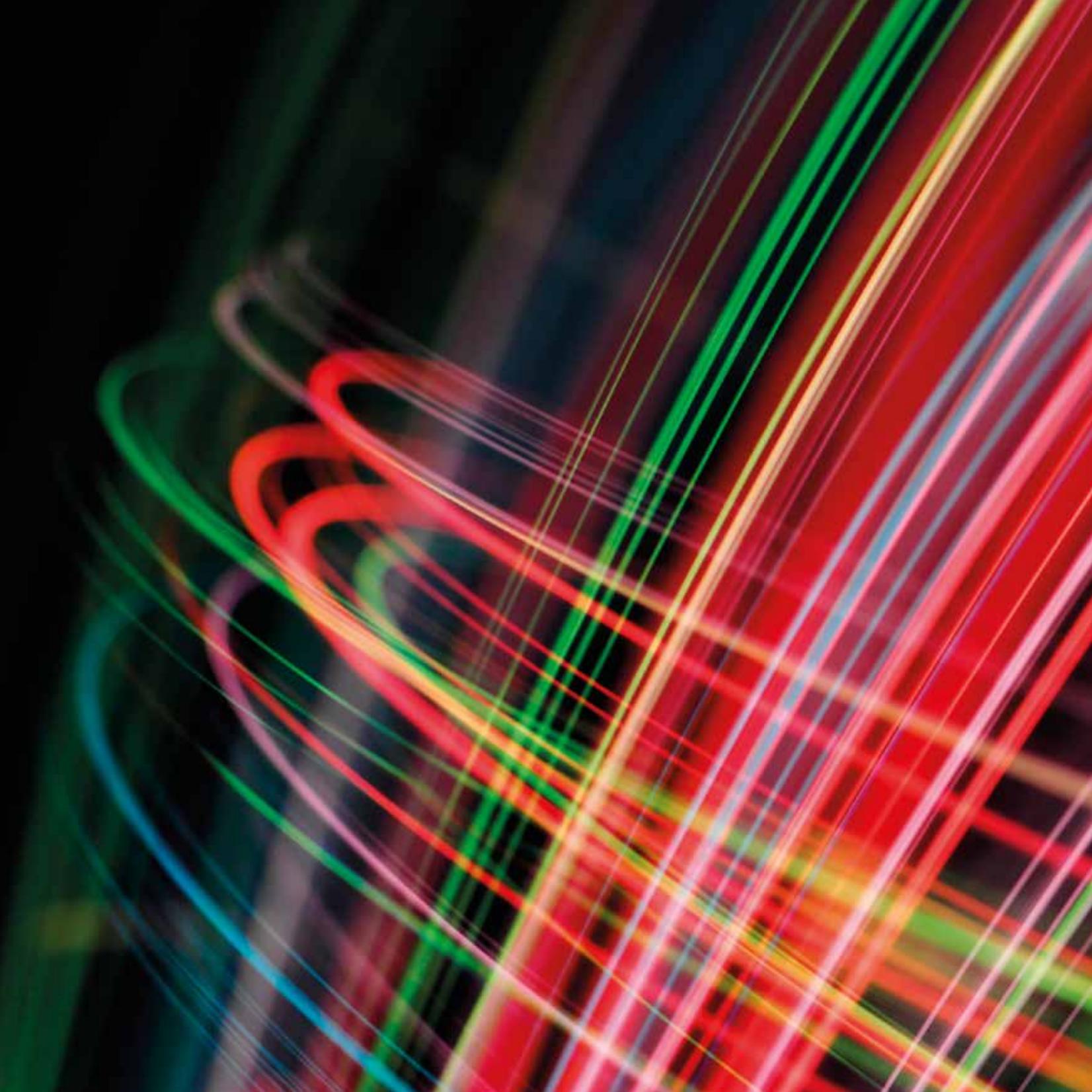
The MCA sets a series of Quality of Service (QoS) standards to monitor how the universal service provider is performing with regard to the delivery of local ordinary mail (QoS target for D+1<sup>13</sup> set at 95%), bulk mail (QoS target for D+1 set at 95%) and local registered mail (QoS target for D+1 set at 98%).

Data reported by MaltaPost indicates that all the relevant QoS targets were met during 2015, which means that its delivery of local ordinary mail, bulk mail and local registered mail performance has been reliable and timely.

QUALITY OF SERVICE



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



The background features a dark, almost black, field filled with vibrant, multi-colored streaks in shades of red, orange, green, and blue. These streaks are blurred and curved, creating a sense of motion and energy. In the lower right quadrant, there is a cluster of thin, white, intersecting lines that form a complex, web-like pattern.

4 THE  
INDUSTRY

# ELECTRONIC COMMUNICATIONS

## INFRASTRUCTURE PLANNING

### **International connectivity: feasibility study for the establishment of a new submarine cable link.**

In 2015, the MCA completed a feasibility study which assessed the technical, economic and financial implications for a new submarine cable link connecting Malta to other alternative locations. The study confirmed that a new connection to mainland Europe via a locally-owned, Government-subsidised or EU funded branch to a trans-Mediterranean submarine cable, would increase diversity and strengthen Malta's credibility as a destination for international business investment. Furthermore, in view of the continuous roll-out of innovative technologies, increased international connectivity would also ensure that the country's long-term international telecoms connectivity requirements can be met, whilst improving its competitive edge against other jurisdictions. The study was financed by the European Regional Development Cohesion Fund. The Maltese Government approved the recommendations of the study. The MCA is currently in discussion with the advisory arm of the European Investment Advisory Hub of the European Investment Bank to conduct further exploration of national and EU funding, and finalise the preferred investment model.

### **Measures to reduce the cost of deploying high-speed electronic communications networks – a national consultation**

The EU Directive 2014/61/EU concerning measures for reducing the cost of deploying high-speed electronic communications networks has provided further strength to symmetric regulation as a means of facilitating and incentivising the roll-out of high-speed electronic communication networks. During 2015, a joint workgroup between the MCA and Transport Malta (TM), originally set up in 2014 to assess the extent of the issues being encountered by network operators, embarked on a complex exercise to transpose this Directive into national law. This required legal amendments, primarily to the Utilities and Services (Regulation of Certain Works) Act (Cap. 81). The transposition also necessitated amendments to the Electronic Communications (Regulation) Act and new regulations under the Building Regulation Act (Cap. 513), albeit to a lesser extent.

The proposed amendments put forward by this workgroup were subsequently published for consultation in October 2015 by the then, Parliamentary Secretariat for Competitiveness and Economic Growth, together with the Ministry for Transport and Infrastructure. The MCA assessed the responses to this consultation and, following agreement with TM, drafted a Cabinet Memo and a draft bill which were submitted to Government by the end of the year. Discussions with TM and the Building Regulations Office

commenced in January 2016 on the implementation process, in particular, the co-location aspects, as well as the in-building infrastructure set-up that will need to be developed. Once fully implemented under national law, the measures provided for under this Directive will impact, not only electronic communications network operators, but all utility network operators, given that these will be required to facilitate high-speed broadband roll-out by providing access to, and coordinating civil works with, network infrastructures capable of providing high-speed broadband.

## REGULATORY ACTIVITY

### **Virtual unbundled access to Fibre-to-the-Home (FTTH): implementing the VULA remedy**

The MCA's activities over the past years have resulted in significant progress in the deployment of next generation, high-speed, fixed and mobile broadband networks, providing consumers and businesses with improvements in choice and value of services. However, the roll-out of such networks requires substantial investment by network operators. Sustaining a favourable environment for continued investment is critical, and is achieved through long-term and predictable regulation. An FTTH infrastructure is believed to be the most future-proof infrastructure. A key challenge for the MCA is enabling infrastructure-based competition by facilitating access to the existing infrastructure.

Back in 2013, GO was designated as having Significant Market Power (SMP) in the infrastructure access market and was consequently obliged to, among others, provide third parties with Virtual Unbundled Local Access (VULA) to its new FTTH network, as it is deployed. This solution allows a service provider to access this network without the need to duplicate the network deployed by GO, with all the costs that this entails.

In April 2015, the MCA published a consultation and proposed decision that set out the technical conditions upon which access can be granted, and the mechanism through which wholesale prices will be established. By doing so, the MCA ensured that service providers will be provided with an adequate and non-discriminatory access solution that is not subject to any uncompetitive practices.

After evaluating the responses received, the MCA published a final decision in February 2016. The Authority will continue to monitor market developments in the deployment of different high-speed broadband technologies in the competitive environment and the impact that such technologies would have on the regulation of the wholesale infrastructure access market.

## Decision on the Universal Service Obligations (USO) on electronic communication services

The MCA is responsible to ensure that a number of identified electronic communication services are made available to end-users in the Maltese islands, at an affordable price. These services are referred to as universal services, and the Authority may specifically designate one or more undertakings with obligations to provide them. The Authority undertook a complete review of these services and in April 2015 published its decision on proposed changes. Following a call for expression of interest, GO was formally designated as the provider of all defined universal services.

As from 1st July 2015, the obligation to provide a fixed telephone line became necessary only in areas where no other undertakings offer such a service at an affordable price. The decision also establishes changes in the obligations relating to directories and directory services. In considering whether to retain or withdraw the printed directory as a universal service, the Authority carried out an extensive analysis, which included the commissioning of a public survey.

The survey clearly showed that only a small percentage of people frequently needed to search for new numbers, and when they did, they generally used alternative sources. The MCA also took into consideration that an electronic comprehensive directory is already provided free of charge as a universal service on the Internet, and that directory enquiry services are also offered by a number of operators. It also took into account that printed business directories are distributed on a regular basis to every household, and that mobile users actively update their contact lists. Accordingly, the need for a printed telephone directory to search for an individual's number who is either not listed on a business directory, or is not in the user's mobile phone contact list, has decreased substantially. Mobility is rendering the telephone directory outdated and the cost to publish a printed directory would be well in excess of one million Euros, which funds could be utilised more effectively in other ICT programmes contributing to long-term benefits in promoting digital literacy in Malta. The MCA decided to withdraw the printed telephone directory as a universal service, while at the same time, establishing that a smartphone app shall be made available allowing users to look up both fixed and mobile telephone numbers.

This development does not exclude entities willing to publish a printed directory on a voluntary commercial basis in the future. In addition, formal approval by the MCA for the removal of a public payphone is no longer required as long as the minimum number of payphones established for a given locality is maintained. These measures ensure that the universal service obligation is kept within acceptable parameters, so that its supply does not entail an unnecessary waste of resources.

## Decision on the source of funding for the net cost incurred in providing universal services during 2010

Undertakings designated to provide universal services have the legal right to seek compensation from public funds or a sharing mechanism for any net costs incurred to fulfil such obligations. By means of a decision published in April 2015, the Authority, together with the Maltese Government, established that the net cost of €359,967 incurred by GO to provide universal services in 2010, be financed from public funds. This decision follows a lengthy and complex exercise that necessitated the engagement of consultants to assist the Authority in auditing and verifying the various calculations used to determine whether the net costs claimed by GO did indeed result in an unfair burden on GO. This was the first time that such a complex exercise was carried out and its successful conclusion attests to the robustness of the exercise. In 2015, the MCA also started evaluating the funding claim made by GO for the year 2012 and following the conclusion of this exercise in 2016, it is currently concluding the claim made by GO for 2013.

## Review of Administrative charges and number usage fee structures

In 2015, the MCA reviewed the existing administrative charges structure, including numbering fees, and in a consultation published in January 2016, proposed changes to the existing charges outlined in the Regulations. After taking into consideration the responses received to the consultation, the MCA submitted to the Minister responsible for communications its proposed amendments to the administrative charges. The changes to the administrative charging structure came into effect as from 1st July 2016. With regard to the changes to the numbering fee structure, these will come into effect as from 1st January 2017.

### *Administrative charges*

In line with the Electronic Communications Networks and Services (General) Regulations the MCA collects administrative charges from operators of electronic communications networks and/or services to cover the costs of carrying out its tasks relating to the regulation of the electronic communications sector. The proposed changes were required in order to minimise the impact on the annual administrative charges receivable by the MCA, resulting from changes in the corporate structures of large operators.

## Numbering

Numbering is a key enabler of electronic communications services. The need to preserve this finite national resource must be balanced against the need to ensure an adequate supply of numbers to meet the demands of new and existing customers and service providers, whilst supporting technological change. In order to be more proportionate to resource usage and to encourage more efficient use of numbering resources. The revised number usage fee structure is expected to positively affect those operators which implement a resource-efficient numbering plan.

### **Decision on wholesale access to data for the provision of publicly available directory information services – consultation on proposed revision**

Providers of Publicly Available Telephone Services (PATS) are required to ensure that their subscribers are given the option to feature in directory information services. The Authority nonetheless identified the need to elaborate and give further clarity to the overall framework and process by which PATS providers obtain and share their subscribers' personal data for the purposes of the directory information services which they, and other directory information service providers, may offer. On this note, following a consultation process initiated in July 2014, and after thoroughly evaluating the responses it received from GO and Melita, the Authority published a final decision in April 2015.

This decision lists a number of core elements that should feature as part of the clauses where subscribers give their consent, or otherwise, for their data to be shared for the purposes of directory information services. The decision requires that the subscriber is given a clear explanation of what the implications of all his or her choices may be, and that the subscriber clearly signifies his or her decisions on these matters. In this regard, the decision provides that the consent clauses, whether presented as part of the contract or any other document, shall require a separate signature. The decision also lists the prerequisites that must be met by the requesting directory information service provider, such as the need for the appropriate authorisation in order for the PATS provider to consider the request for data. It also outlines the methodology that must be followed by the PATS provider in order for such data to be shared, whether the data is being shared for directory enquiry services or for the purposes of compiling telephone directories.

Subsequent to this decision, the MCA proposed minor linguistic clarifications in a consultation published in November 2015. The final decision came into force in March 2016.

## MARKET ANALYSIS

The MCA continued to monitor the implementation of existing ex-ante remedies resulting from the analysis of the relevant markets carried out during the past years. This stream of activity is undertaken in order to ensure that regulatory decisions remain relevant and that remedies reflect any changes in the markets since the previous review. The following are the market reviews undertaken during 2015.

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

*Consultation published: 19 September 2014*

*Notification to the European Commission: 21 November 2014*

*Decision published: 8 April 2015*

During 2014, the MCA undertook a third review of this market and published a consultation document on its proposed decision. After notifying the European Commission of its proposed decision in November of the same year, the Authority published its final decision in April 2015 in which it no longer distinguished residential, from non-residential access markets. No significant barriers to market entry that inhibit effective market competition were identified and therefore, the Authority noted that regulatory intervention in local markets for retail access to the public telephone network at a fixed location, is no longer warranted. The previously imposed regulatory remedies were therefore withdrawn. This decision was however appealed and the case is ongoing.

### **The provision of call termination on individual public telephone networks at a fixed location in Malta**

*Consultation published: 1 September 2015*

*Notification to the European Commission: 3 November 2015*

*Decision published: 2 December 2015*

In a decision published in December 2015, the MCA identified six relevant wholesale markets for the provision of fixed voice call termination on individual public telephone networks in Malta, that is, a separate market for each authorised undertaking in this particular market, namely GO, Melita, Vodafone, SIS, Ozone and Vanilla Telecoms. Each relevant market includes call termination services provided by each fixed network operator to third party operators, as well as self-supplied termination. It was found that the geographical scope of each relevant market corresponds to the physical coverage of the network operator characterising the market. The MCA also concluded that these markets are not competitive and consequently, each network operator holds SMP in its respective wholesale fixed termination market, based on the following findings.

- Each operator holds a 100% share of the market in terms of voice call traffic terminating on its own network, irrespective of its size and technological platform.
- Each operator can act independently of retail customers and other network operators in the setting of fixed termination charges.
- In the absence of regulation, operators have a strong incentive to price discriminate when charging for their voice call termination services and thus foreclose markets.
- In the absence of regulation, operators are likely to increase their fixed termination charges, thereby increasing the risk of price distortions.
- In a scenario where operators can freely set high termination charges, the scope for price competition is reduced to the detriment of retail customers.

In order to address any potential competition issues that may arise, the MCA considered that ex-ante regulatory intervention is required and subsequently mandated a number of obligations on these operators, namely; access to/and use of specific facilities, non-discrimination, transparency and price control. In addition to these obligations, the Authority also imposed a cost accounting obligation on GO and Melita, however withdrew the accounting separation obligation from these particular operators.

### **Wholesale call origination on the public telephone network provided at a fixed location**

*Consultation published: 13 November 2015*

*Notification to the European Commission: 28 January 2016*

*Decision published: 21 March 2016*

The MCA undertook its third market review concerning the provision of wholesale voice call origination on the public telephone networks provided at a fixed location in Malta and subsequently published a consultation on its proposed decision in November 2015.

In its definition of the market, the Authority considered that fixed call origination supplied on the public telephone network at a fixed location in Malta includes; call set-up, switching and connection for the initial stage of the call to the next stage in the call routing process, this next stage being either the point of interconnection, or call termination. Wholesale fixed call origination is a necessary input offered via a network's access network infrastructure for the delivery of retail fixed call telephony services in Malta, including calls to both geographic and non-geographic numbers.

The MCA determined that the relevant market encompasses both the purchase of wholesale call origination services by wholesale customers (third parties) and the self-supply of wholesale call origination services; that the market is national in scope; and is defined in a technology neutral manner. In its assessment of competition, which was carried out using the three criteria test, the Authority concluded that this market is tending towards effective competition and therefore no service provider enjoys SMP.

Given this outcome, the MCA determined that ex ante regulatory intervention is no longer required and hence proposed the withdrawal of the regulatory obligations imposed on GO in a decision published in 2010. In order to have a smooth transition from a regulated, to a non-regulated market environment, the MCA proposed to withdraw the relevant existing obligations at the expiry of 90 calendar days following the publication of the final decision. In line with the requirements set out in Article 7(3) of the Framework Directive, the Commission was notified in January 2016 and a final decision was published in the following March. This decision is currently under appeal.

## MANAGEMENT OF AVAILABLE SPECTRUM

The MCA is responsible for ensuring the optimal use of the radio spectrum assigned to it under the National Frequency Plan (NFP). Optimal use of the radio spectrum is a key factor in terms of delivery of wireless services, competition, choice and widespread availability of services. As the demand for mobile data grows, along with the speeds required for its proper delivery, radio spectrum needs to continue to be provided in sufficient quantities on a technology and service neutral basis, in order to facilitate the roll-out of new and innovative high-speed mobile broadband networks and services. All these factors are critical in enabling the development of platforms for the next generation of converged services and in creating opportunities for innovation and investment in the electronic communications sector.

The assigned spectrum in the 900 MHz, 1800 MHz and the 2.1 GHz frequency bands has enabled improvements in the quality of existing 2G and 3G networks as well as investment in 4G (LTE) mobile broadband networks. Additional radio spectrum to further drive investment in high-speed electronic communications services is available in the 800 MHz, 1800 MHz, 2.6 GHz frequency bands and the 3.4 – 3.8 GHz frequency band.

## Satellite communications services

As part of its drive to promote Malta as a destination for high-value commercial users of communications services and ICTs, in 2014 Government mandated the MCA with the task of developing the satellite communication sector in Malta by making available the International Telecommunications Union (ITU)-allotted orbital slots to interested entities. During 2015, the MCA embarked on a number of initiatives aimed at increasing the country's participation in the satellite sector.

### *Pan-European mobile satellite services in the 2 GHz band*

EchoStar Mobile Ltd and Inmarsat Ventures Ltd were granted a licence for the use of radio frequency spectrum for the provision of Mobile Satellite Services (MSS). A consultation document on the licensing regime for the Complementary Ground Component (CGC) of the 2 GHz MSS in line with the relevant EU legislation, was issued in 2016.

### *Earth stations*

During 2015, the MCA finalised the process for the licensing of satellite earth stations and identified and documented possible site options for locating earth stations. Details of these sites have been shared with Malta Enterprise (ME), with which the MCA is actively engaged to promote Malta's attractiveness for this industry.

### *Framework to facilitate the registration of 'unplanned' satellite filings*

From a telecommunications point of view, the use of space resources is subject to the international regulations of the ITU. These regulations establish the framework, which needs to be followed by ITU Member States in order to register new space resources. In this regard, the MCA has prepared procedures, which are intended to guide satellite operators interested in registering space resources with the ITU through Malta. The filing process proposed for adoption by Malta was endorsed by Government in Q2 2016.

### *Galileo GNSS*

In 2015, the MCA was entrusted with supporting Government in the Galileo related fora, as well as identifying opportunities and supporting industry. Furthermore, the MCA also collaborated in the Galileo evolution programme where the focus lies in evolving the service for future requirements in order for Galileo to remain at the cutting edge of the world of satellite navigation.

## Spectrum available for wireless broadband services

The European Commission adopted a decision in 2014 to amend the technical conditions for the 3.4 - 3.8 GHz band in order to reflect the principles of technology and service neutrality. In this regard, the Authority embarked on an exercise to revise its framework concerning this frequency band. This activity was completed in 2016 following an amendment of the fee structure for the 3.4 – 3.8 GHz frequency band, as established under the Electronic Communications Networks and Services (General) Regulations.

## Review of the National Frequency Plan (NFP)

Spectrum allocation is a planning function which involves the designation of portions of the frequency spectrum to specified uses in accordance with international deliverables, technical characteristics and potential use of different parts of the spectrum, and national priorities and policies. A spectrum allocation designates the use of a given frequency band for use by one or more radiocommunications services. The NFP contains lists of these frequency band designations and identifies the bodies responsible for managing them, including making frequency assignments. The NFP also serves to implement European Union law on spectrum. During 2015, the Authority made recommendations to Government for the revision of this plan. These revisions primarily sought to align the national frequency allocations, with those adopted in Europe, as well as to address the particular needs of the local communications sectors. The revised editions to the NFP were published in February and September 2015.

## ITU World Radiocommunication Conference (WRC-15)

The Authority participated in the World Radiocommunication Conference (WRC-15) held in Geneva between the 2 and 27 November 2015. WRC-15 attracted more than 3,200 delegates representing 163 states and other institutions. The conference considered more than 500 contributions in relation to a number of amendments to the Radio Regulations, the international treaty governing the use of the radio frequency spectrum and the geostationary-satellite and non-geostationary-satellite orbits. The Authority's participation in the conference ensured that rights of use of radio frequencies were safeguarded and, at the same time, supported initiatives to enhance the provision of commercial, social and safety-of-life radiocommunications services.

The decisions adopted by the WRC will be implemented nationally through modifications to the NFP and amendments to subsidiary legislation.

## Test & Trial licences

During 2015, the Authority extended the validity of the licence granted to Panasonic Corporation of the United Kingdom in 2014, to test communications equipment installed onboard aircrafts. The Authority also processed requests by Melita for the carrying out of trials using wireless technologies. The licences were subsequently granted in January 2016.

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

The Authority continued with its activities to make the 800 MHz band available for the provision of wireless broadband services, as required by European Union legislation. During 2015, the Authority undertook a number of discussions with neighbouring countries and reached an agreement on the use of channel 43 in Malta for terrestrial broadcasting services. This necessitated the migration of the current GIO transmissions in the 800 MHz band to this new channel. The process to register channel 43 in Malta's name in the Geneva 2006 agreement was initiated through the submission of the relevant technical files to the ITU in November 2015. This process was successfully concluded in March 2016.

The Authority also supported Government in its submission to the European Commission of a request to extend the derogation period granted to Malta on the availability of the 800 MHz band for wireless broadband services. The clearance of the 800 MHz frequency band through the migration of the multiplex reserved for Maltese GIO TV transmission from channel 66 to channel 43, will enable the complete use of this band, by interested operators to further complement the capacity available for high-speed mobile networks and related innovative services.

## International liaison on spectrum management

Over the past two years, the Authority continued to contribute to discussions concerning cross-border harmful interferences experienced by Malta on its internationally allocated TV and FM radio frequencies. These discussions were held within the ambit of the ITU's Radio Regulations Board and the EU's Radio Spectrum Policy Group on cross-border coordination. As a result of these efforts, Malta managed to leverage the appropriate action from the Italian authorities, which resulted in the clearing of most of the harmful interference that was present on Malta's internationally registered TV channels. Discussions to address the remaining cases of harmful interference concerning TV and FM radio services will continue during 2016.

The Authority also examined a number of requests submitted by neighbouring countries to establish terrestrial / space radiocommunications stations. In examining these resources, the Authority ensured that such stations will not affect local transmissions.

## BUSINESS & INNOVATION DEVELOPMENT

The Business and Innovation Development arm of the Authority is a relatively new function that was set up in 2014. The activity in this regard picked up speed during 2015 after a work programme specifically focused on developing and promoting Malta as a vibrant business destination for communications innovation was scoped and developed. Most of the initiatives undertaken are aimed at supporting home-grown innovation and entrepreneurship, by focusing efforts on stimulating and encouraging business ventures that capitalise on the disruptive nature of ICT. The MCA is also focused on promoting Malta and its technology readiness in order to attract more businesses to its shores, in particular those that are geared to operate in a convergent European and global communications market.

The main activity undertaken during 2015 was primarily focused on identifying Malta's value proposition in view of the technology developments that are disrupting traditional business models and impacting the communications sector in general. The following are the key activities undertaken during the year.

### Thematic Expert Meeting: A single market for digital content and the economic opportunities for Malta

Approximately 40 experts and stakeholders in the fields of communications, business and foreign investment actively participated in a discussion held in January 2015 that focused on content distribution within the ambit of the digital single market. Developments in the single market, especially in dealing with taxation, copyright and net neutrality, and how this is impacting the digital content market, were explored. The discussion also focused on a number of initial considerations that could potentially shape Malta's value proposition in making it more attractive for investment in this fast-evolving environment.

### Stakeholder consultation forum: EU funded R&I project opportunities

In the context of its role of advancing innovation and development within the digital communications sector, a consultation forum was held in January 2015. This forum was aimed at highlighting the numerous opportunities offered by EU funded R&I projects and focussed on presenting the current sector-specific funding and collaborative project opportunities available under the Horizon 2020 Framework Programme for Research and Innovation. 65 participants were given the opportunity to contribute to the ensuing discussion and gather further knowledge from organisations present, which are reaping the benefits offered by EU R&I collaborative projects. With a budget of nearly €80 billion over the period 2014-2020, the Horizon 2020 is the biggest research and innovation programme ever launched to date in the European Union.

## **MCA TAKEOFF seed fund award: supporting technology start-ups**

In its drive to support local start-ups in the development of innovative business ideas in communications, and henceforth, to take such ideas to the commercialisation stage, in January 2015, the MCA awarded InboundMuse with a seed fund of close to €20,000. This award is the result of a joint initiative between the MCA and the University of Malta. Through the campus-based TAKEOFF Incubation Centre, the University will support the project by offering office facilities and dedicated business mentorship. Thirteen very interesting start-up ideas were in competition for this funding. InboundMuse proposed the development of a Software-as-a-Service solution through which business clients, particularly SMEs, are given the tools to monitor their inbound-marketing strategies. The idea promises to provide business value by leveraging on Artificial Intelligence (AI) to exploit big data – data which is too large and complex to be processed cost-effectively by humans.

## **DISRUPT. STARTUP. MALTA.**

‘Disrupt. Startup. Malta.’ was the dominating theme of a conference organised by the MCA in collaboration with the TAKEOFF Business Incubator and StartUp Weekend Malta, in July 2015. The conference addressed the central role start-ups are playing in an ever-more globalised digital economy, the early stages of business start-ups and how Malta can serve as home for start-up activity, capitalising on disruptive innovation. The event served to explore the start-up phenomenon through business, policy and investor perspectives. Representatives from well-known organisations, such as Seedcamp, Amazon AWS and Citrix gave a personal insight into their experience in international start-ups and early investment. CEO testimonials from companies such as Oulala, Mighty Box, Trackerbird, DiscountIF, Altaro, Pirate Roaming and HotJar, all success stories in their own right, served to further fuel healthy discussion on the subject. Various other local and international speakers with investment, coaching and entrepreneurial backgrounds contributed to the ensuing debate. The event brought together 120 delegates, which included a mix of local startup talent, fly-ins and expats.

## **BUDDING ROCKSTARS – a tech entrepreneurship education event targeting Malta’s brightest young minds**

In a conference held in November 2015 branded ‘Budding Rockstars’, the MCA brought together 140 of the most high-performing students, from 40 different schools across Malta and Gozo, to learn from, and engage with successful business leaders with the scope of developing creative thinking skills. This event aimed at igniting an entrepreneurial spark amongst participants. The Authority collaborated closely with a number of partners, including the Edward de Bono institute for creative thinking, the MITA innovation hub, the Junior Achievement Young Enterprise and state, church and independent school institutions.

## **Promoting home grown innovation – collaboration with other entities**

Considerable efforts were invested in maximizing synergies between relevant stakeholders and creating a more robust collaborative framework for intelligence sharing, joint projects and initiatives. To this effect, the memorandum of understanding signed with the University of Malta in 2012 was extended in 2015 to promote research and innovation and implement joint initiatives that specifically target innovation in communications. The Authority also signed a collaboration agreement with the Junior Achievement Young Enterprise, which included a sponsorship grant of €1,500 for the organisation of entrepreneurship events, a €2,000 seed fund in support of the startup programme winner Freshy.io, as well as the sponsorship of an award in the company programme.

On the international front, the MCA facilitated a visit by Gerard Grech, CEO of Tech City UK. Mr Grech toured TAKEOFF startups and participated in interviews and a panel discussion. This event provided both a networking and bench learning opportunity for both the MCA and the TAKEOFF business incubator, whilst affording Malta, as well as the local start up community, added visibility.

## **Supporting investment opportunities**

Through its innovation function, the MCA continued to support ad hoc requests from companies showing interest in investing in Malta. These leads were established by the MCA through networking during events it attended and through other local private entities. The Authority also invested considerable effort in the development of promotional resources, which will be launched in the course of 2016.

# INDUSTRY FORUMS

## **Conference Preparatory Group**

In January 2015, the MCA hosted the 6th meeting of Project Team A within the Conference Preparatory Group (CPG) of the Electronic Communications Committee (ECC) and subsequently, in February 2015 hosted the CPG Plenary, which was attended by 140 delegates. The CPG was responsible for developing briefs, studies and European Common Proposals (ECPs) for the 2015 World Radiocommunication Conference (WRC-15). Project Team A (PTA) deals with specific agenda items of WRC-15, which included science related services, nano-satellites and disaster relief applications. The PTA meeting was attended by 58 participants.

## eBusiness awards

The MCA's yearly eBiz Awards have the aim of acknowledging unique and innovative ideas and initiatives in the use of web-based technologies and eBusiness, for businesses and society at large. The establishment of the awards aid the promotion of the most innovative initiatives. Nominations are received for a range of categories that may vary from year to year. An independent adjudicating committee whose members come from industry, academia and the Government undertakes the adjudication process of nominations received.

## Electronic communications forum

The Electronic Communications Forum provides the opportunity for the service providers and the Authority to discuss and air their views on the latest developments in the sector. During 2015, the MCA hosted two meetings, the first in July and the second in December, which included participants from the main undertakings in the sector. The meetings provided the opportunity for debate on current relevant topics, such as the EU Commission's Digital Single Market Strategy, the World Radiocommunication Conference (WRC-15), the findings of a number of consumer perception surveys carried out by the MCA, as well as upcoming public consultations, among others topics of interest.

## Internet Governance

Throughout 2015, the MCA continued to follow developments in Internet Governance. Primarily the MCA participated in the EU High-level Internet Governance Forum and remotely participated in the 2015 Internet Governance Forum (IGF) that took place in November 2015 in Brazil. IGF 2015 focused on eight themes: Cybersecurity and trust, the Internet economy, inclusiveness and diversity, openness, enhancing multi-stakeholder cooperation, the Internet and human rights, critical internet resources and emerging issues.

# LEGISLATION & LITIGATION

## Legislation

Legislation published and brought into force during this period include:

- L.N. 285 of 2015 entitled "General Authorisations (Radiocommunications Apparatus) (Amendments) Regulations, 2015" amending the regulations on the general authorisations applicable in the case of different radiocommunications apparatus.
- L.N. 286 of 2015 entitled "Fees leviable by Government Departments (Amendment) Regulations, 2015".
- L.N. 287 of 2015 entitled "Radiocommunications Apparatus Exemption Order, 2015" whereby a number of radiocommunications apparatus were exempted from the application of article 30 of the Electronic Communications (Regulation) Act (Cap. 399) which regulates the granting of an individual radiocommunications licence.

In addition to the above mentioned legislative amendments, in October 2015, the MCA also embarked on a consultative process, jointly with MEIB and Transport Malta, in which amendments to implement EU Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks were proposed. The consultation included draft amendments to the Utilities and Services (Regulation of Certain Works) Act (Chapter 81), the Electronic Communications (Regulation) Act (Chapter 399), the Malta Communications Authority Act and new regulations under the Building Regulation Act (Chapter 513). The amendments were subsequently enacted in July 2016 after all stakeholder feedback was evaluated and a final draft presented to Government.

## Litigation

### *Appeals before the Administrative Review Tribunal*

During 2015, four new appeals were lodged before the Administrative Review Tribunal (ART). Vodafone lodged an appeal contesting a regulatory decision about retail access in the fixed telephony market. A separate, though similar appeal on the same subject was filed by Melita. Melita also contested a regulatory decision imposing a daily fine for having failed to provide statistics with regard to hybrid services in the mobile telephony sector. The last appeal lodged in 2015 was by Melita, whereby it contested a regulatory decision relating to certain requirements in relation to the provision of directory services by operators to end-users.

Various appeals carried over from previous years, which had initially been filed before the former Communications Appeals Board and then transferred to the ART, were withdrawn by the different appellants involved in the said cases. These included:

- an appeal filed in 2005 by Melita following a decision on the broadband wireless access assignment (taken in 2005);
- an two appeals by Melita filed in 2006 contesting administrative fines for non-compliance with applicable requirements at the time, on the adverts carried on cablecast channels;
- an appeal filed by GO in 2008 contesting an administrative fine following a dispute raised with another operator about rejection codes;
- an appeal by Melita in 2008 on the calculation of its gross revenue on the basis of which Melita's contribution in authorisation fees was calculated;
- an appeal by Melita in 2009 contesting the quantum of an administrative fine it had to pay following its failure to submit, in good time, an audited gross revenue statement for 2007;
- an appeal by GO in 2010 of a regulatory decision establishing certain universal service obligations onerous on GO;
- an appeal by GO in 2010 contesting the MCA's GSM assignment process; and
- an appeal by Melita in 2010 contesting an administrative fine following Melita's withdrawal from its channel line up of four Italian football club channels.

An appeal filed by Melita in 2010 before the former Communications Appeals Board, contesting administrative fines (both daily and one-off fines) imposed on it because it failed to comply with a request by the MCA to undertake an independent audit of its billing system, was decided by the ART in 2015 in favour of the MCA. Melita subsequently filed an appeal before the Court of Appeal. The case is ongoing.

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

In addition to the appeal filed by Melita contesting the ART decision, which confirmed the MCA's position to impose administrative fines for failing to undertake an independent audit of its billing system, two other appeals

remain outstanding. These appeals include one filed by DHL Malta on the type of postal services authorisation required, whereby the appellant argued that it only provides postal services outside the scope of the universal service, and therefore only requires a general authorisation. The other appeal was filed by GO contesting a regulatory decision on markets 4 and 5, which impose certain obligations onerous on GO. These cases are currently pending before the Court of Appeal (Inferior Jurisdiction).

Furthermore, the Court of Appeal did not uphold an appeal filed by the MCA, thereby confirming Melita's contestation of a regulatory decision on retail access to the public telephone network at fixed locations.

#### *Other litigation before the Ordinary Courts*

The lawsuit filed by the Lija Local Council and various Lija residents against Melita, the Authority and others, 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 Lija, remained adjourned for the Court's decision. A decision was finally taken in March 2016.

The Court of Appeal (Superior Jurisdiction) decided against Melita on a case filed in 2007 contesting the amount of rights of way fees due by Melita.

The Authority is also a party to various other lawsuits initiated by different litigants in previous years. One lawsuit was filed by Melita in 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. The MCA is also party to a lawsuit filed by Vodafone and GO, in contestation of legal interception fees collected by the MCA on behalf of Government.

Also outstanding are two court cases, against two operators – Sesco and Melitanet. Each operator failed to pay outstanding authorisation dues and contested the MCA's claims for settlement of such dues. These cases are pending before the Court of Magistrates (Malta) for a final decision in both instances.

In addition, a case filed in 2014 by WE Productions contesting the payment of radiocommunications licence dues being collected by the Authority on behalf of Government, was decided in 2015 in favour of the Authority.

#### *Disputes*

No inter-operator disputes or complaints were lodged with the Authority in 2015.

# eCOMMERCE

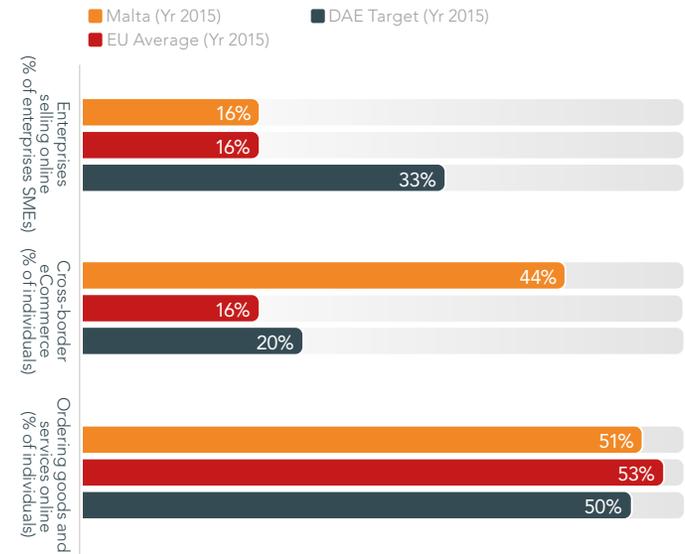
Over the past few years, we have witnessed the rise of eCommerce as a global platform rapidly changing the traditional retail landscape and creating an evolved and unique shopping experience. The eCommerce turnover in Europe grew by double digits to €455 billion, with a growth rate of 13% in 2015. The eCommerce economy will continue to grow and drive our retailers to leverage new capabilities and expand existing and new markets.

As broadband internet penetration rates continue to increase, a new trend has evolved; a rapid uptake of smartphone devices coupled with increased mobile internet broadband subscriptions. Connectivity is currently becoming an integral part of our lifestyle. Offering convenience and different shopping options, eCommerce continues to flourish and is growing at a much faster rate than traditional retail channels, especially in emerging markets. eCommerce is radically changing the way business is conducted, leading to the creation of new business models, and is impacting all areas of economic activity in one way or another.

Ordering of goods or services online by individuals is becoming evermore popular with the Maltese society. According to the Digital Agenda Scoreboard, 50.7% of Maltese individuals ordered goods or services online during 2015, just below the EU average of 53.2%. Malta also has one of the highest cross-border purchasing activity levels, with 39% of individuals ordering goods and services online from other EU countries. This figure reached 44.1% in 2015. The most popular eCommerce categories, not surprisingly, are airline or hotel reservations, clothing, books and electronics. The online market for buying groceries is comparatively smaller, but is starting to increase.

In line with the National eCommerce Strategy, facilitating uptake of eCommerce and other online services remains a key priority for the MCA. Throughout 2015, the MCA undertook several initiatives for improving sustainability of the eCommerce sector and engaged with a number of key stakeholders with the aim of accelerating the development of this sector.

## STATUS VIS-À-VIS DIGITAL AGENDA FOR EUROPE (DAE) 2020 TARGETS



Source – European Commission Agenda Scoreboard

## GENERAL ACTIVITY

### Cloud Computing Conference

Cloud-computing based applications enable businesses to rapidly transform and respond to market changes. In April 2015, the MCA in collaboration with the Malta Information Technology Agency (MITA) organized a one-day seminar for SMEs with the objective of presenting the key benefits, challenges and role that cloud computing can play in every organisation. The seminar was addressed by Dr Tobias Höllwarth a founding member of EuroCloud Austria and editor of the book "Migrating to the Cloud" and Maurice van der Woude, General Director of EuroCloud Europe. Dr Godwin Caruana, Chief Technology Officer at MITA and Mr Steve Agius, Chief of Information and Business Development at MCA and lecturer of data analytics at the University of Malta, also addressed the conference. The Hon Dr Josè Herrera, then Parliamentary Secretary for Competitiveness and Economic Growth, closed the event and launched an eBook titled "Cloud Computing Guidelines for SMEs". The eBook is available for download from the MCA website.

## eAidas Regulation

Throughout 2015, the MCA embarked on an extensive exercise to revise the eCommerce Act and setup a framework to support the changes required by the new electronic Identification (eID) and electronic Trust Services (eTS) regulation. In order to get all the stakeholders on board, the MCA organised a workshop that primarily focused on the technical and legal aspects of the regulation. This was undertaken in addition to the traditional form of consultation with industry players. eID and eTS are key enablers for secure cross-border electronic transactions and are central building blocks of the Digital Single Market.

The EU Regulation 910/2014 on electronic identification and trust services for electronic transactions in the internal market (referred to as the 'eIDAS Regulation') adopted on 23 July 2014, provides the framework for a predictable regulatory environment to enable secure and seamless electronic interactions between businesses, citizens and public authorities. In this regard, the eIDAS Regulation:

- ensures that people and businesses can use their own national eIDs to access public services in other EU countries where eIDs are available; and
- creates a European internal market for eTS – namely electronic signatures, electronic seals, time stamp, electronic delivery service and website authentication – by ensuring that they will work across borders, and have the same legal status as traditional paper based processes.

The implementation of the eIDAS Regulation means higher security and more convenience for any online activity. The eIDAS Regulation entered into force on 17 September 2014. EU Member States may voluntarily recognise notified eID schemes of other Member States. The rules for trust services became applicable as of 1 July 2016. The mandatory mutual recognition of eIDs will apply from mid-2018.

As the body tasked with the supervision of qualified trust service providers, the MCA will supervise qualified trust service providers to ensure that the qualified trust services they provide meet the requirements of the eIDAS Regulation. Also, the MCA will be responsible for maintaining and publishing a trusted list of certified service providers using qualified trust services and their status. Trusted lists are essential elements in the building of trust among market operators as they indicate the qualified status of the service provider at the time of supervision. There are currently no qualified trust service providers in Malta. Apart from ensuring that qualified trust service providers are audited at their own expense at least every 24 months by an accredited Conformity Assessment Body (CAB), the MCA may at any time audit or request a CAB to perform a conformity assessment of the qualified trust service providers. The MCA will also be required to inform other supervisory bodies and the public about breaches of security or loss of integrity in accordance with legislation.

The MCA is a member of the Forum of European Supervisory Authorities for Electronic Signatures (FESA) which comprises regulatory bodies from all EU countries that meet twice a year to develop common points of view for the dialog with political or technical institutions. The FESA meeting held in September 2015 was organised in Malta and hosted by the MCA.

## Facilitating eCommerce for SMEs

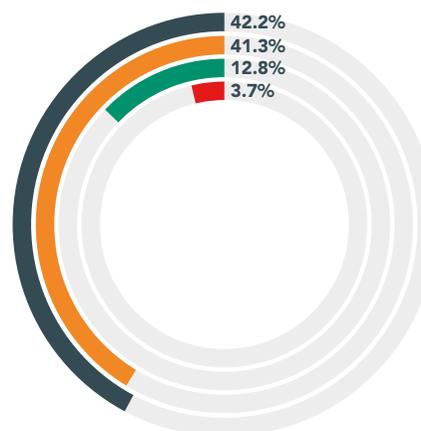
In collaboration with a number of stakeholders, the MCA submitted an EU funding application for the creation of a self-based eLearning Portal with the objective of mentoring micro-enterprises and SMEs in the adoption and use of eCommerce. The aims of the project are to increase the number of SMEs selling online by developing competences in eCommerce through blended learning and supporting SMEs to establish an online presence.

### Action plan for the crafts industry

The MCA commissioned a research study with the aim of carrying out a mapping exercise of the local crafts sector vis-à-vis the use of digital tools, especially eCommerce. This study comprised three basic research techniques, namely a desk research, quantitative and qualitative research. The study indicates that slightly more than half the respondents carry out crafts as their main activity, whilst 32% do it as a hobby. Most have acquired the necessary skills for their craftsmanship either through self-teaching (31%) or formal education (30%).

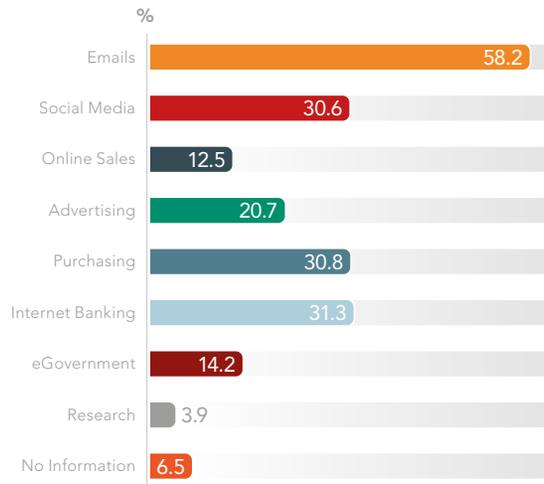
### HOW DO YOU MAKE YOUR CRAFT-PRODUCTS? / HOW DOES THE COMPANY YOU WORK WITH MAKE ITS CRAFT-PRODUCTS?

- Completely hand-made
- Mostly hand-made with minimum machine intervention
- Mostly machine-made, partly hand-made
- No information provided

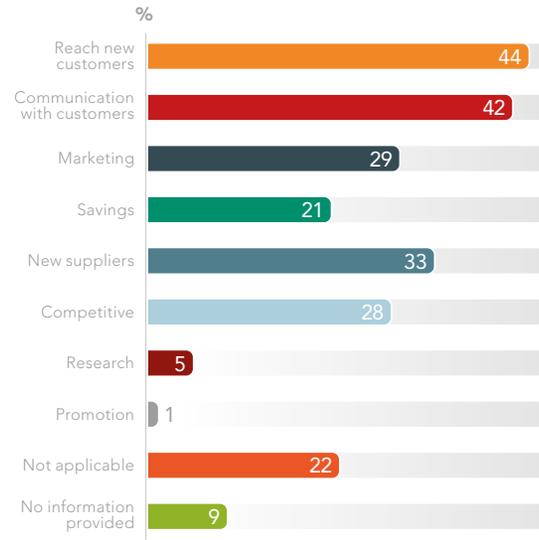


Just over a quarter of the crafts people interviewed claim to use the Internet in their work. It is mostly used for communication purposes (58%), followed by internet banking (31%), purchasing of raw materials (30.8%) and social media (30.6%). Notwithstanding the low level of internet adoption by the crafts industry, 71% of those that were surveyed (irrespective of whether they already make use of the Internet) believe that the Internet could benefit their business, mainly in terms of reaching new customers, improving interaction with new or potential clients, and in sourcing new suppliers.

DO YOU OR YOUR EMPLOYEES USE THE INTERNET FOR WORK-RELATED PURPOSES?

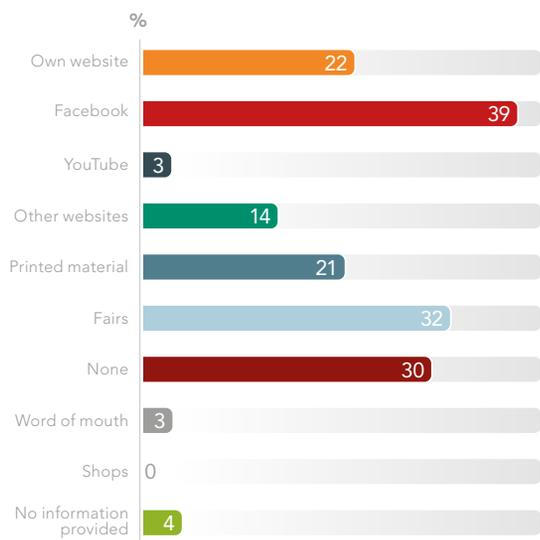


WHY DO YOU THINK THE INTERNET COULD BE BENEFICIAL?



The crafts people tend to favour Facebook (39%) as the medium for promotion purposes. There is also a significant percentage who make use of their own website (21.8%). However, it is evident that promotion through traditional means still plays an important role for crafts businesses, with 32.2% promoting their products through fairs and use of printed material (20.9%). However, it must be noted that 29.5% of the artisans do not promote their products in any way.

WHICH OF THE FOLLOWING MEANS DO YOU MAKE USE OF TO PROMOTE YOUR CRAFT-PRODUCTS? / WHICH OF THE FOLLOWING MEANS DOES THE COMPANY YOU WORK WITH MAKE USE OF TO PROMOTE ITS PRODUCTS?



The main features available on the businesses' websites or on portals they subscribe to, include functionalities that allow for interaction with customers (21.6%), company information (15.8%), and product information including prices (14.9%). It is interesting to note that 10.7% of the surveyed businesses take online orders on their website (this does not exclude orders via email) and 15.3% allow for online payments. However, the main sales channels used by the crafts people are one's own shop (40%) and fairs (26%). The main reason for not selling products online is owed to the belief that one's products are not suitable for online shopping, followed by lack of time and skills.

Despite the high appeal of crafts products to foreigners, only 13% of the crafts people interviewed sell their products abroad, either over the Internet or through foreign agents. This notwithstanding, businesses and other stakeholders that were interviewed as part of the qualitative research are of the belief that the local crafts sector has great potential abroad as foreigners appreciate the local products. This is gauged through participation in fairs or other such events, abroad. One of the reasons why businesses should sell their products online is that it encourages repeat customers, as these have the opportunity of buying additional products, even after leaving the island. Besides, eCommerce also allows Maltese nationals living abroad to buy local products.

Businesses also mentioned some of the issues they encountered when implementing an eCommerce application, which mainly relate to the developers' lack of knowledge of complimentary services and the creation and uploading of the inventory stock onto the website. Other issues mentioned by those that are currently selling online are related to high shipping costs, lack of resources for keeping the website up to date, the need for appropriate packaging, importation restrictions, especially in relation to food, and the implementation of a stock control system.

The overall analysis indicates that a significant number of local artisans and craft entities are very familiar with the traditional marketplace but exhibit a degree of inherent apprehension when faced with the inevitable prospect of venturing into the online market space. A number of local entrepreneurs are afraid to undertake a perceived 'big bang' approach to implementing technology as they generally try to strike a balance between their work, family life, full-time occupation and even ongoing studies.

In view of the above, the proposed way forward is for a gradual, organic inducement of the local crafts people towards the potential and proven prospects that could be achieved across an online environment. Based on this line of thought, a number of actions and initiatives will be undertaken to assist the businesses in the crafts sector to take advantage of the opportunities brought about by eCommerce.

### Online tools supporting eCommerce

During a press conference held in December 2015, the MCA and the General Retailers and Traders Union (GRTU) Chamber of SMEs launched a number of tailored tools that will pro-actively increase the number of businesses in Malta that have an online presence and are able to compete online.

The MCA also focused on widening business sector awareness by establishing a new online portal <http://www.onlinecommerce.org.mt>. This portal enhances the services offered by the MCA as it brings together the eCommerce guides for business (these were launched back in 2009 and have since been updated) and the BLINK directory, a practical resource specialising in eCommerce service provision. Both tools have been purposely designed around the different phases of setting up an online shop, providing easy access to information required by businesses who wish to take their operations online.

### Training for the tourism industry

The Authority, in collaboration with the Malta Tourism Authority, organised a number of information sessions on digital marketing throughout the course of 2015. These sessions targeted entrepreneurs operating in the tourism and hospitality sector who wanted to obtain an overview of the business value of digital marketing and how it can help them influence the customers' path to purchase. Participants were introduced to the fundamentals of internet marketing, including online analytics, social media, customer reviews and online booking.

The MCA intends to continue providing courses on digital marketing to different sectors, free of charge, following the success of these sessions. The aim of this activity is to ensure that businesses across various industries fully appreciate and harness the economic opportunities made possible by digital technology.

### Ta' Dbiegi Crafts Village goes digital

Towards the end of 2015, the MCA, in conjunction with Malta Enterprise, embarked on a project to create a structured online presence for Gozitan artisans located at Ta' Dbiegi Crafts Village, acting as a focal point for authentic Gozitan crafts. This will also assist in promoting crafts-related events happening in Gozo, such as artisan markets and exhibitions. The portal will be formally launched during 2016.

### Awareness Raising

During 2015, the MCA teamed up with the GRTU, and as part of SME week, organised a conference, which proffered a basic overview on eCommerce-related issues, with special focus on the main challenges that the business sector is experiencing. This was coupled with a number of practical training workshops, which provided participants with the opportunity to provide feedback on current issues related to the use of digital tools within their respective organizations. Following the conference, a position paper was drawn up and presented to Government, which outlined a number of policy proposals that could encourage businesses to engage more actively in the digital market.

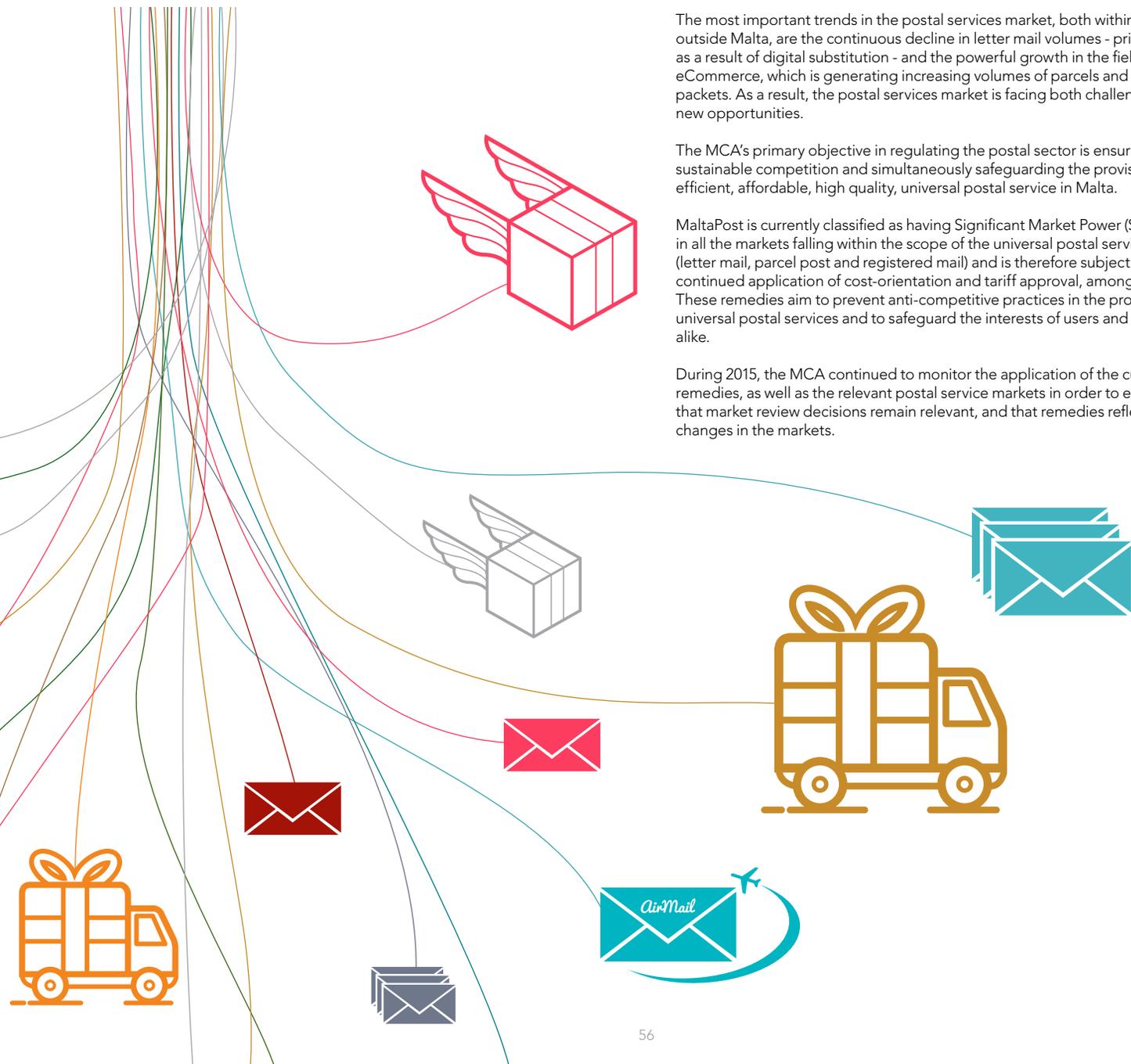
# POSTAL SERVICES

The most important trends in the postal services market, both within and outside Malta, are the continuous decline in letter mail volumes - primarily as a result of digital substitution - and the powerful growth in the field of eCommerce, which is generating increasing volumes of parcels and small packets. As a result, the postal services market is facing both challenges and new opportunities.

The MCA's primary objective in regulating the postal sector is ensuring sustainable competition and simultaneously safeguarding the provision of an efficient, affordable, high quality, universal postal service in Malta.

MaltaPost is currently classified as having Significant Market Power (SMP) in all the markets falling within the scope of the universal postal service (letter mail, parcel post and registered mail) and is therefore subject to the continued application of cost-orientation and tariff approval, among others. These remedies aim to prevent anti-competitive practices in the provision of universal postal services and to safeguard the interests of users and operators alike.

During 2015, the MCA continued to monitor the application of the current remedies, as well as the relevant postal service markets in order to ensure that market review decisions remain relevant, and that remedies reflect any changes in the markets.



### **Continued availability of the universal postal service**

The Universal Service Obligation (USO) requires MaltaPost as the designated Universal Service Provider (USP) to, among other things, collect and deliver letters six days a week, at an affordable and geographically uniform price, to every address in Malta. In this respect, the MCA has the duty of ensuring the stable provision of the universal postal service, whilst considering the need for the universal postal service to be financially sustainable and to be provided in a cost-efficient manner.

Letter mail volumes have continued to decline both in Malta and abroad. MaltaPost is responding to the decline in letter mail volumes through a combination of cost savings and the development of new revenue streams. Furthermore, in 2014 the MCA granted MaltaPost price increases in order to compensate for the increase in cost of providing the USO. The price increases, coupled with the growth in eCommerce, have resulted in financial improvements in MaltaPost's regulated business.

Despite the financial improvements and the economic sustainability of the USO currently enjoyed by MaltaPost, ongoing challenges persist: letter mail volumes (as opposed to small packets and parcel mail generated by the growth eCommerce) continue to decline as more users switch to electronic alternatives.

The postal services that need to be ensured as part of the universal postal service may need to change overtime to accommodate changes in the market and the requirements of postal service users. This needs to be balanced with the need to ensure that the regulatory burden on the designated USP, MaltaPost, is not excessive.

During 2015, the MCA continued with its review of the characteristics of the universal postal service required to meet the reasonable needs of postal service users. Based on the outcome of the review, the MCA will, if necessary, propose changes to the universal postal service.

### **Maintaining a compliance framework**

During 2015, the MCA continued to monitor compliance by the USP and other service providers in relation to protecting the integrity and security of mail, access to universal postal services, complaints handling and compensation schemes, as well as quality of service.

The MCA continued to ensure that operators that offer services that fall within the scope of the universal postal service are appropriately licensed to carry out such activities. This is particularly important for safeguarding the provision of the universal postal service.





5 THE  
CONSUMER

# ELECTRONIC COMMUNICATIONS

## REGULATORY DEVELOPMENTS

### Standard and itemised billing

An area of growing concern with respect to safeguarding consumer rights relates to billing mediums for post-paid customers. Over the past years, due to the evolution in information and communications technologies, new trends and behaviours have emerged in relation to consumer billing. A number of service providers are encouraging their customers to move to alternative billing mediums, such as electronic bills (e-bills or online bills), in some cases, by charging a premium for printed bills. Whilst the MCA appreciates that e-billing is beneficial from a cost and an environmental perspective, it is also aware that a number of subscribers may not have immediate Internet access.

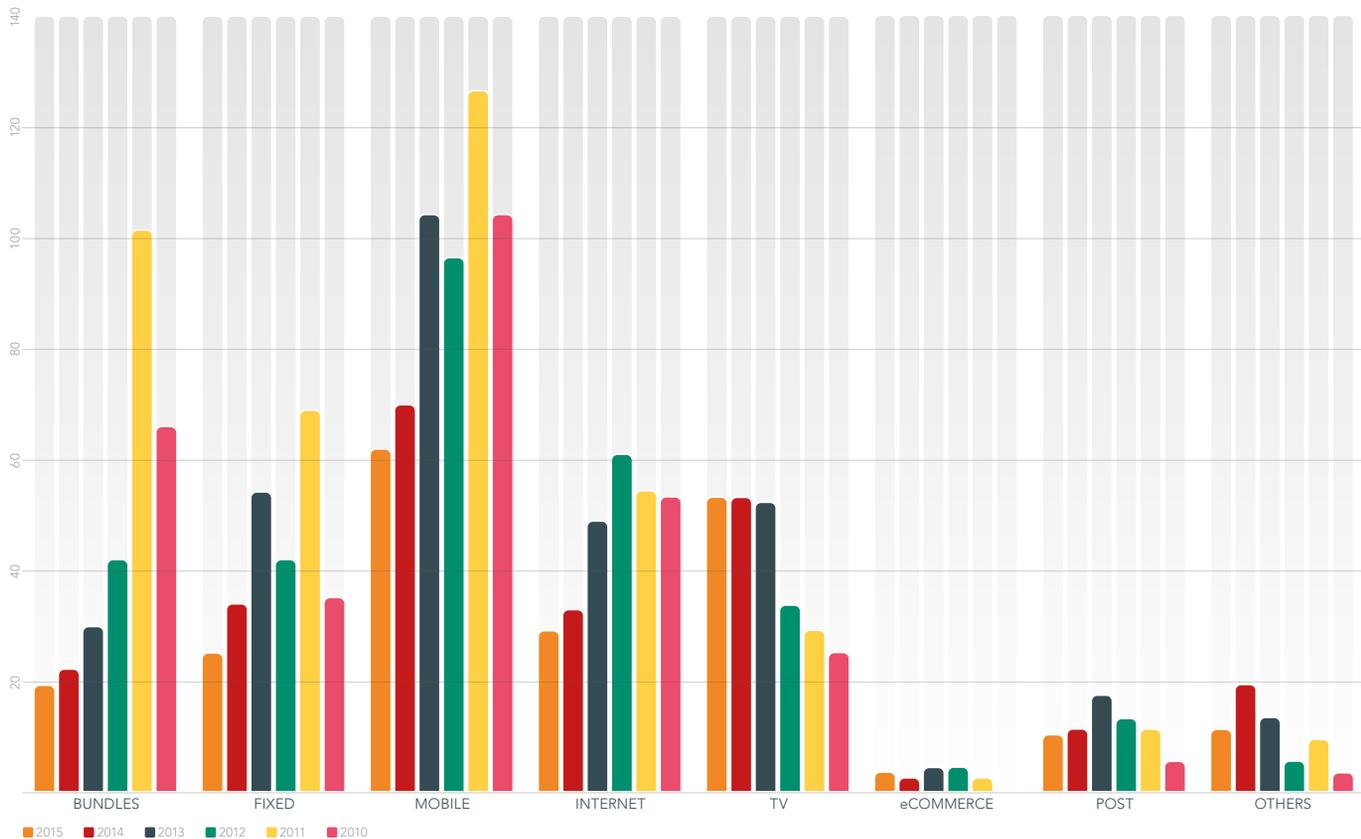
The Authority evaluated this matter closely to assess whether specific conditions in relation to billing mediums for post-paid customers need to be introduced to provide every subscriber the facility to access their bill in a medium that they can access free of charge. The Authority subsequently published a consultation in September 2015. The consultation put forward a number of measures in this regard, including a proposal whereby post-paid subscribers who do not have Internet access, are provided the possibility of receiving their 'standard bills' in hard copy format, free of charge. This measure was also extended to telephony services, where it was proposed that subscribers with no Internet access can obtain their itemised bills, in hard copy format, free of charge. The final decision was published in 2016.

### Consumer complaints and enquiries

One of the main objectives of the Authority is to safeguard the interests of end-users in the electronic communications, postal and eCommerce sectors. The MCA monitors these sectors to identify areas of concern and undertakes the necessary regulatory action to address such issues. In so doing, the Authority ensures that service providers comply with their obligations at law and that end-users are provided with up to date information on their rights and obligations when using any communication service. In order to fulfil this function, amongst other things, the MCA monitors the claims it receives (including complaints published in media articles and on social media), conducts mystery shopping exercises and regularly meets with various stakeholders.

The MCA provides assistance to those end-users who encounter difficulties while using any of the services within its remit. In this respect, when an end-user is not satisfied with the redress or response provided by his/her service provider, he/she may file a complaint with the MCA. For this reason, most of the complaints reported to the MCA tend to be more complex in nature due to the fact that before contacting the MCA, the subscriber would have already exhausted the service provider's complaint handling process, without reaching a satisfactory solution. The extent of the action the MCA can take in relation to a complaint, depends on the particulars of the issues involved and on the MCA's relevant legal powers.

In instances where the Authority cannot formally intervene, it tries to mediate between the complainant and the service provider. Failing that, it will suggest alternative courses of action by referring the complainant to the appropriate forum where he/she may lodge his/her complaint. In 2015, the MCA received 285 complaints, 91% of which were closed within a maximum of 20 working-days. The complaints lodged with the Authority during this period related predominantly to quality of service, billing and termination. 61% of complaints received were successfully resolved. In 34% of the cases, the MCA provided the necessary information to clients in order for them to reassess their complaint with greater clarity. With regard to the remaining 5% of the cases, after looking at the nature of the complaint, the MCA directed the complainant to another body for redress through alternative fora. The Authority also receives a number of enquiries from end-users in relation to the services it regulates. The MCA makes every effort to provide end-users with the requested information in a timely manner. Alternatively, when such requests do not fall directly within the MCA's remit, it assists end-users by directing them to the appropriate body. In 2015, the MCA received 543 enquiries. 97% of the enquiries received were addressed within 20 working days.



## MARKET DATA

Timely access to accurate and reliable information and data is vital in supporting the MCA's regulatory decisions. To this end, the MCA collects a wide range of data from electronic communications providers, in line with its statutory powers and publishes bi-annual market reviews. This activity is supplemented by public and business perception surveys. The results of these surveys serve as an additional source of information for regulatory decisions and indicate how consumers needs are changing over time. The surveys also assess the level of satisfaction with the services provided by electronic communications operators and the extent to which they are addressing consumer needs. The following gives a high-level overview of the survey results published in 2015.

### Business perception survey – electronic communications

The results of a data collection exercise undertaken between November and December 2014 were published in January 2015 and provided a valuable insight on the level of satisfaction, price sensitivities, service levels and areas of concern among the business community on electronic communications services. Results show that 78% of Maltese businesses have a fixed line connection, 75% make use of broadband Internet, while 57% pay for mobile phones and respective services used by its employees for work purposes. Compared to a similar survey carried out in 2012, slightly fewer businesses have a fixed line connection – 97% of which are resorting to mobile telephony. To this effect, the number of businesses using mobile phone services increased by 11 percentage points over 2012.

68% of businesses only have one fixed line connection, 27% have between two to four lines, while the rest have more than five lines. The survey also shows that 9% of businesses with a fixed line connection are subscribed to more than one operator. Interestingly, 33% of businesses with a fixed telephone connection have a pre-paid subscription. The majority of businesses (89%) making use of mobile phones for work related matters are subscribed to services which are contract based. This contrasts significantly with the findings of the Household Consumer Survey (MCA December 2013) where only 25% of households claimed to have a contract based mobile subscription.

With regard to broadband Internet services, the survey confirmed that 75% of businesses have access to the Internet, a nine percentage point increase from 2012. No financial considerations were mentioned as the reason for businesses not having a broadband connection. The majority of businesses (40%) that do not have a broadband Internet connection fall within the wholesale, retail and transport industry; 20% fall within the personal services industry and 14% belong to the construction industry. As expected, only 3% of businesses that do not have broadband access belong to the business services industry.

More businesses are procuring their electronic communications services as part of a bundle, the majority of which (55%) perceive the price to be reasonable. 49% of businesses that procure fixed telephony as a standalone service, perceive prices to be reasonable. Only 6% argue that it is expensive. 54% of businesses that procure mobile telephony as a standalone service, perceive prices to be reasonable – a significant improvement compared to 34% registered in 2012.

Satisfaction levels with respect to fixed and mobile telephony increased, whilst satisfaction levels regarding broadband Internet remained the same. The survey also indicated an increase of 13 percentage points in the number of businesses (51%) experiencing problems with their Internet connection, 35% of which claimed to be unaffected. 58% of those experiencing an Internet connection problem were satisfied with the way such problems had been addressed.

## Medium and large business perception survey – electronic communications

This survey captures more qualitative information on medium to large sized businesses and investigates the use of high quality data services. Mobile phone usage by medium and large sized businesses increased by 7 percentage points and 13 percentage points respectively, when compared to a similar survey carried out in 2012. The survey also showed that 50% of medium and 43% of large sized businesses procure their telecoms services as part of a bundle. 70% of large sized businesses with a bundle have a triple play subscription comprising fixed, mobile and broadband Internet.

Around 43% of large sized businesses with a bundle package spend more than €1,000 a month and 42% of medium sized businesses spend more than €500 a month on their bundle subscription. The majority of total businesses (68%) with a bundle, spend less than €100 a month. The survey also indicated that expenditure patterns are higher when medium to large sized businesses procure telecoms services as a standalone. However, price level perceptions are more or less the same as those registered for total businesses.

Medium to large sized businesses are more likely to have specific service level agreements with their telecoms operators and have slightly more bargaining power to discuss terms and conditions and prices with the operator, than other businesses.

In terms of satisfaction levels, the survey showed that medium and large sized businesses are as satisfied as total businesses with regard to fixed telephony services, however are slightly less satisfied with the mobile and Internet services they receive.

18% of medium to large sized businesses use other data services, representing a slight drop from 22% reported in 2012. 35% of those claiming to be using other data services fall within the wholesale, retail and transport category. 27% fall within the business services sector. Another 12% fall within the tourism and hospitality sector. 58% of businesses using other data services have more than 50 employees. The rest employ between 10 to 49 employees.

## Consumer perception surveys

During 2015, the MCA commissioned a number of surveys in order to gauge consumer perceptions and satisfaction levels on all electronic communications services. All fieldwork was carried out in the latter part of 2015 and the results were subsequently published in 2016. The following infographics provide a high-level overview of the findings for each individual service.

## FIXED TELEPHONY

### SUBSCRIPTIONS

**58%** OF GO SUBSCRIBERS  
& **61%** MELITA SUBSCRIBERS  
HAVE THEIR FIXED LINE CONNECTION  
FORMING PART OF A BUNDLE

**92%** OF GO SUBSCRIBERS  
**83%** MELITA SUBSCRIBERS  
SATISFIED WITH THEIR  
FIXED TELEPHONY SERVICE

### INTERNATIONAL CALLS

**56%** OF ALL  
HOUSEHOLDS  
WITH TELEPHONE ACCESS MAKE  
INTERNATIONAL CALLS  
FROM THEIR FIXED LINE

**74%**

OF THOSE WHO SAID THEY MAKE INTERNATIONAL  
CALLS CLAIM THAT THE RATES FOR THE SERVICE  
ARE CHEAP OR REASONABLE

### SWITCHING

**4%** OF ALL  
HOUSEHOLDS  
CHANGED THEIR FIXED LINE OPERATOR  
OVER THE PREVIOUS TWO YEARS

CIRCA **48%** OF THOSE WHO CLAIM TO HAVE  
SWITCHED OPERATORS  
HAVE OPTED TO PORT THEIR  
ORIGINAL NUMBER

**79%** OF THOSE WHO  
CHANGED OPERATORS  
CLAIM THAT SWITCHING WAS  
NOT DIFFICULT

### SUBSTITUTABILITY

**77%** OF ALL  
HOUSEHOLDS  
OFTEN/SOMETIMES VIEW THE  
MOBILE PHONE TO BE A  
GOOD SUBSTITUTE FOR  
A FIXED LINE

**22%** OF ALL  
HOUSEHOLDS  
ALSO CLAIM TO USE THE INTERNET  
(E.G. VIA SKYPE) TO MAKE LOCAL  
CALLS. THE MAJORITY OF THESE  
HOUSEHOLDS BELIEVE THAT IT IS A  
GOOD SUBSTITUTE TO FIXED LINE  
TELEPHONY

ONLY **4%** OF ALL  
HOUSEHOLDS  
CONSIDERED TERMINATING  
THEIR FIXED LINE  
CONNECTION DURING THE  
FOLLOWING 12 MONTHS

# MOBILE TELEPHONY

## SUBSCRIPTIONS & EXPENDITURE



## PRICE PERCEPTIONS



## SATISFACTION LEVELS



## MOBILE INTERNET



24% OF RESPONDENTS ALSO MAKE CALLS OVER THE INTERNET (E.G. SKYPE) THROUGH THEIR MOBILE

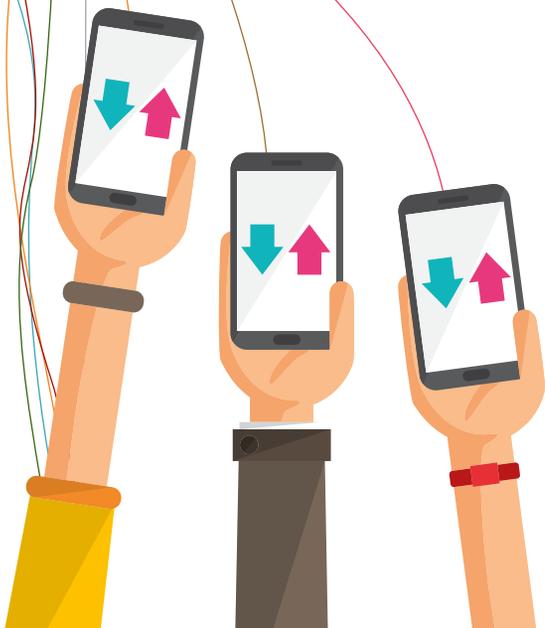
60% OF RESPONDENTS USE THE INTERNET ON THEIR MOBILE TO READ EMAILS

74% FOR SOCIAL NETWORKING

57% GENERAL BROWSING

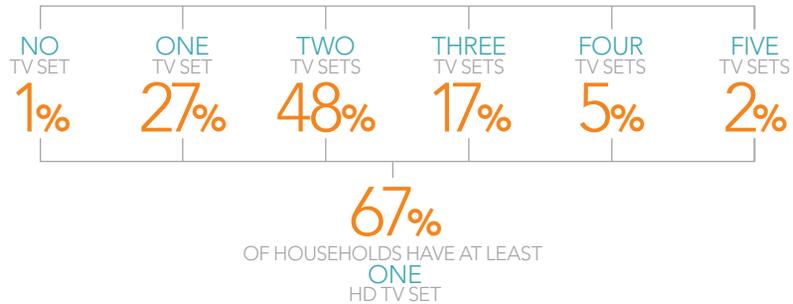
29% NEWS RELATED

11% YOUTUBE



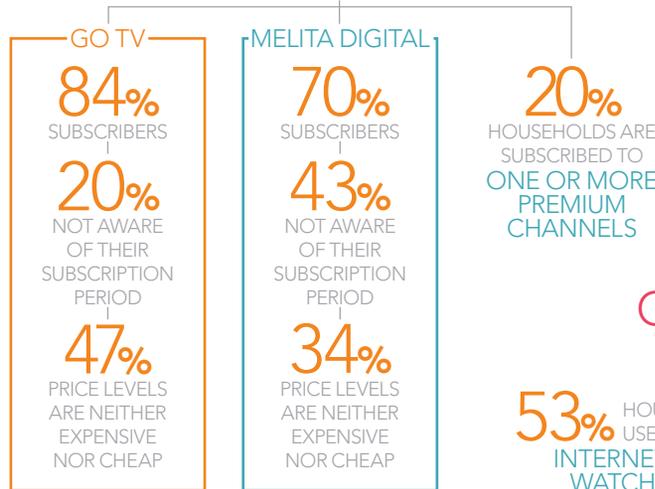
## BROADCASTING SERVICES

## NUMBER OF TV SETS PER HOUSEHOLD



## PAY-TV SUBSCRIPTIONS & PRICE PERCEPTIONS

77% PAY-TV SUBSCRIBERS SATISFIED WITH THE QUALITY OF THEIR TV CONNECTION



## OTHER TV SERVICES

4% MALTESE HOUSEHOLDS ONLY RECEIVE FREE-TO-AIR BROADCASTING SERVICE

30% HAVE SATELLITE TV OR AN IPTV BOX

## CONTENT OVER THE INTERNET

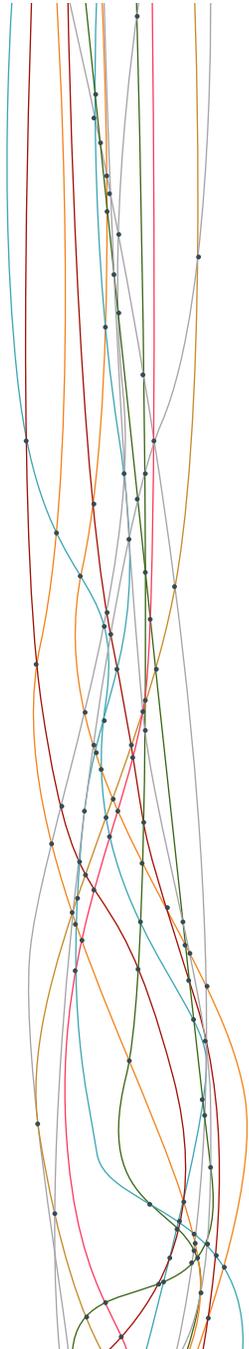
53% HOUSEHOLDS USE THE INTERNET TO WATCH TV

63% HOUSEHOLDS ALWAYS / OFTEN CONSIDER INTERNET TV AS A GOOD SUBSTITUTE TO TRADITIONAL TV

TV SERIES LIVE STREAMING PROGRAMMES MOST VIEWED OVER THE INTERNET

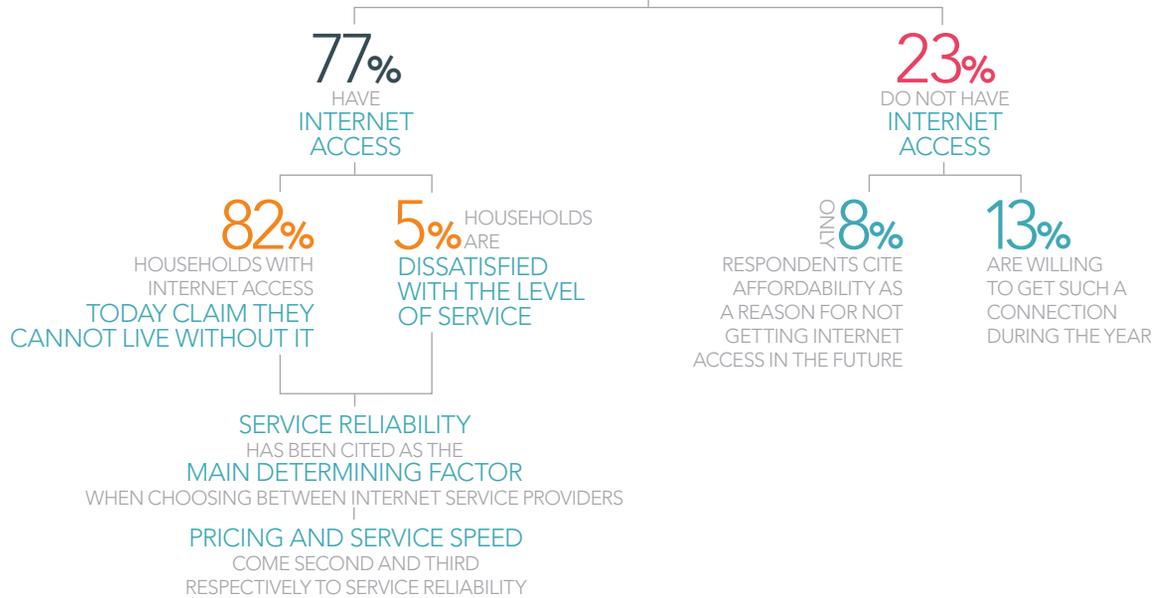
19% PAY-TV SUBSCRIBERS DO NOT KNOW HOW MUCH THEY ARE PAYING FOR THEIR TV SERVICE

## BROADBAND SERVICES



## INTERNET ACCESS

MALTESE HOUSEHOLDS

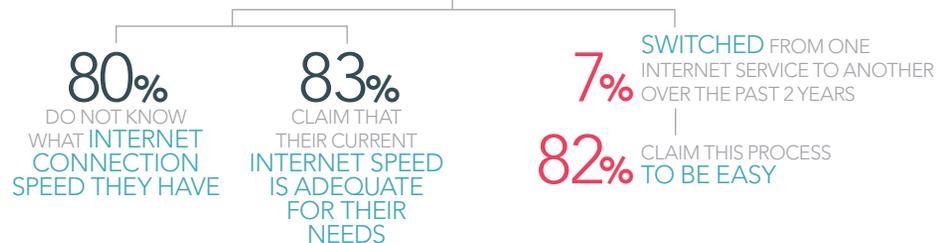


## PRICE PERCEPTIONS



## SPEED ADEQUACY

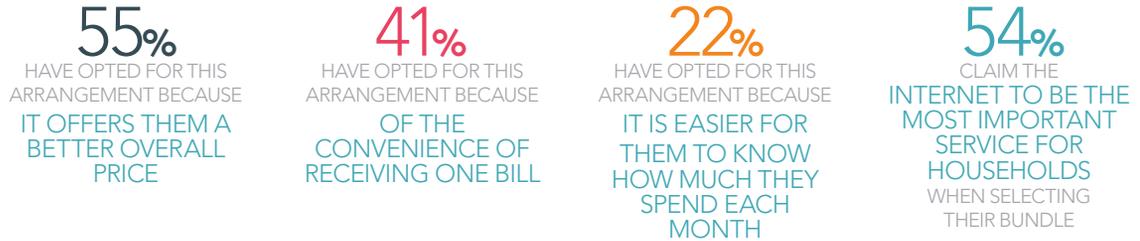
HOUSEHOLDS WITH INTERNET ACCESS



BUNDLED SERVICES

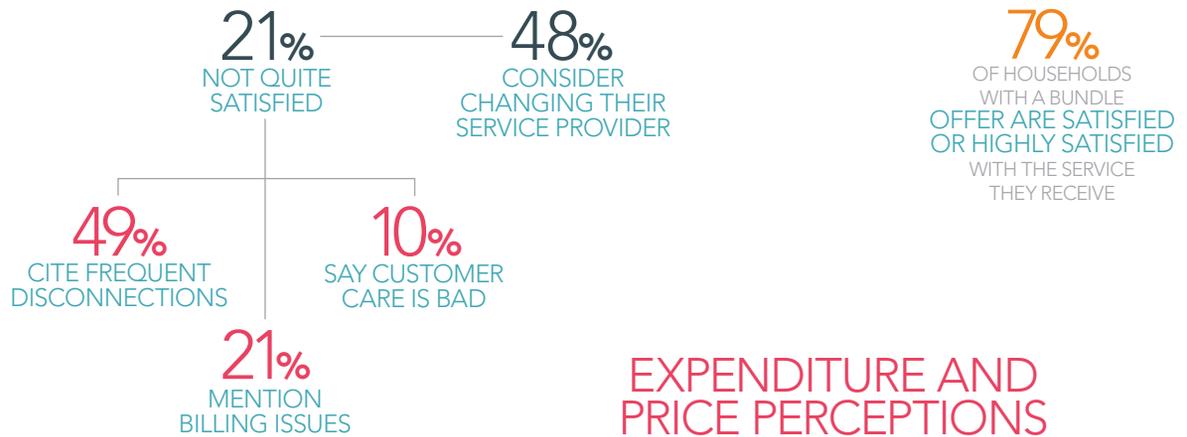
REASONS FOR SUBSCRIBING TO A BUNDLE

HOUSEHOLDS SUBSCRIBED TO A BUNDLE SERVICE



SATISFACTION LEVELS

HOUSEHOLDS SUBSCRIBED TO A BUNDLE SERVICE



EXPENDITURE AND PRICE PERCEPTIONS

HOUSEHOLDS SUBSCRIBED TO A BUNDLE SERVICE



## INFORMATION CAMPAIGNS AND OTHER AWARENESS RAISING ACTIVITIES

### Mobile data campaign

The growth in mobile data usage has inadvertently resulted in a predisposition towards incidents of unconscious mobile data consumption with the consequence of high mobile bills. Whilst such incidents have been minimal, the few cases reported to the MCA were the result of a lack of awareness of how mobile data is in effect consumed, the measures that can easily be undertaken by the user to manage this consumption, as well as the types of applications downloaded by users and Facebook's auto play features, which automatically plays videos on users timelines. Media reports, coupled with a number of threads on Facebook instigated considerable public discussion on 4G and how mobile data usage is impacted because of the resultant higher Internet speeds.

This led the Authority to take a pro-active stance to ensure increased awareness by embarking on an extensive information campaign, with the objective of helping mobile users understand mobile data; generating awareness that mobile data consumption is based on individual usage patterns; educating consumers on the various measures available to monitor and control mobile data consumption; and to incentivise the responsible use of mobile data, particularly amongst older users. Given the overall increase in mobile data usage across all cohorts, the campaign targeted the general population. The variety of initiatives necessitated an integrated approach across different communications platforms in order to maximise on the campaign reach. The campaign proved successful through the high-level of engagement by the general public, particularly through the Authority's social media platforms.

### eCommerce christmas campaign

The statistics collated by the MCA in the last eight years show significant changes in the use of the Internet in Malta. In 2014, 71% of the population resorted to the Internet mainly for communicating, researching and browsing for products/services. This is a huge leap from the 27% recorded in 2006. One of the main drivers of this growth can be attributed to the proliferation of smartphones and tablets amongst the Maltese population. This is also reflected in the number of people who shop online, whereby slightly more than half of the population turn to the Internet for purchasing goods and/or services. The most immediate benefit of online shopping is the convenience to shop anytime, anywhere, as well as the facility to compare prices from different sites, with relative ease. With the propensity towards online shopping peaking during the Christmas period, the MCA embarked on a short, but intensive, online information campaign in order to raise awareness on the benefits of shopping online, and how to shop online, with peace of mind, and avoid any

pit holes in this regard. Whilst many are mindful of the benefits of shopping online, not everyone may be aware of how to conduct online purchases in a safe and secure manner. These individuals may easily fall prey to a growing army of creative online fraudsters, who tend to become more active during periods of peak sales.

### Media presence

During 2015, the MCA picked up pace in terms of media presence in its drive to raise awareness on a number of issues, many of which were consumer related, whilst others addressed the importance of ICT in daily living. MCA representatives participated in a total of 19 radio programmes across different stations, 19 television discussion programmes and published seven articles in local newspapers. Furthermore, it issued a total of 19 press releases and also coordinated its own radio programme on Radju Marija titled 'Informatika u Soċjeta', with a total of 12 programmes.

## FREQUENCY MANAGEMENT & MONITORING

### Monitoring of Electromagnetic Field (EMF) Emissions

The Authority continued with its EMF monitoring programme, to verify that emissions from radiocommunications transmitters are within the exposure standards established at law. These refer to the general public exposure levels contained in the guidelines of the International Commission on Non-Ionising Radiation Protection (ICNIRP). During 2015, the Authority performed 345 EMF on-site audits, which comprised mobile communications base stations, analogue and digital broadcasting and other transmitters. These audits always include a number of on-site repeat visits, which were already audited in previous years, to ensure continued compliance with the pertinent regulations. Measurements are also carried out by a direct request from the public. In fact, out of 345 EMF on-site audits, 40 EMF measurements were carried out following such requests from the general public. The MCA maintained ongoing liaison with the department responsible for environmental health on EMF related issues and it will continue its EMF auditing programme during 2016.

### Monitoring of harmful interference

Apart from providing information on the quality and actual use of frequencies, spectrum monitoring also serves to ensure optimal and lawful use of radio spectrum. During 2015, the MCA performed 28 monitoring exercises to monitor the radio frequency spectrum to ensure that spectrum bands were free from any unlawful transmissions. Additionally, during the year under review, the MCA investigated a number of complaints concerning alleged harmful interference, from which 35 were proven cases of harmful interference

# POSTAL SERVICES

that affected various radiocommunications services. The most reported interfered service was the mobile telephony service. During the year under review, the MCA was called into 11 court sittings in order to assist in the local law enforcement entities with respect to cases concerning the use of radiocommunications equipment.

INTERFERENCE INVESTIGATION				
YEAR	2012	2013	2014	2015
Broadcasting	16	3	2	4
GSM / 3G / BWA	27	26	8	28
Private Mobile Radio	2	0	4	1
Short Range Devices	1	3	2	0
Other services	9	2	2	2
<b>TOTAL</b>	<b>55</b>	<b>34</b>	<b>18</b>	<b>35</b>

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

The purpose of the R&TTE Regulations adopted under the Product Safety Act, is to ensure that radio and telecommunications terminal equipment complies with essential requirements concerning electromagnetic compatibility, health and safety of the users and other impacted parties, and the effective use of radio spectrum. This regulatory framework is expected to be modified during 2016.

In this regard, manufacturers of radio equipment, or their authorised representatives, are required to provide certain technical and regulatory information regarding the use of radio equipment that operates on non-harmonised frequency bands. In examining this information, the Authority ensures that radio equipment operates in accordance with the NFP and in line with the appropriate regulations administered by the Authority. Equipment conforming to national rules and relevant radio standards can be safely placed on the Maltese market, without causing interference with other equipment.

During 2015, the Authority processed 1038 notifications regarding radio equipment which operates on non-harmonised frequency bands proposed for placement on the local market. This involved close examination of all technical characteristics of the notified equipment to ensure compliance with the said requirements. Furthermore, the Authority provided assistance to the customs department to verify that products being imported complied with the appropriate radio regulations and standards. During the year under review, the Authority physically inspected 14 products that were withheld by customs. The MCA performs this function in close collaboration with the Market Surveillance Directorate within the Malta Competition and Consumer Affairs Authority.

## Regulation of MaltaPost's quality of postal services

The MCA sets QoS standards in relation to the universal postal service, paying particular attention to routing times and the regularity and reliability of these services and sets targets to be achieved by MaltaPost as the designated universal service provider.

The following table indicates the quality of service standards and performance achieved for next working day delivery (D+1) and for delivery within three working days (D+3) for the inland mail services provided by MaltaPost for the universal postal service.

	D+1 Performance	D+1 Standard	D+3 Performance	D+3 Standard
<b>ORDINARY LETTER MAIL</b>				
<b>2014/15</b>	95.17%	95%	99.67%	99%
2013/14	94.66%	94%	99.14%	99%
2012/13	95.61%	94%	98.97%	99%
<b>BULK LETTER MAIL</b>				
<b>2014/15</b>	96.63%	95%	99.43%	99%
2013/14	94.83%	94%	99.01%	99%
2012/13	95.09%	94%	98.79%	99%
<b>REGISTERED MAIL</b>				
<b>2014/15</b>	99.17%	98%	99.92%	99%
2013/14	99.27%	98%	99.96%	99%
2012/13	99.01%	98%	99.95%	99%
<b>PARCEL POST</b>				
<b>2014/15</b>	98.60%	98%	99.80%	99%
2013/14	99.20%	98%	99.88%	99%
2012/13	98.43%	98%	99.80%	99%





6 BUILDING A  
DIGITAL MALTA



The MCA has been extremely active over the past seven years since adopting the responsibility of overseeing and developing the information society in 2008. It has well established itself as a key driver in the promotion of an ever-growing digital society, and the engagement of both citizens and businesses with technology for increased social cohesion and economic development. Such activity continued well into 2015, with greater focus on growing the ICT capabilities of both citizens and businesses particularly the most vulnerable and disadvantaged groups. Such activity was not only limited to bridging the digital divide, but attempted to ignite a spark in youngsters to consider ICT as a profession.

The Authority's activity with regard to the information society is threefold. One stream of activity ensures accessibility to technology and the Internet through its WiFi project and the ongoing maintenance of its 19 Community Technology and Learning Centres (CTLCS). It then has a number of initiatives that are aimed at building digital competences amongst citizens, not only in the basic use of technology, but also how to use technology and its various applications in a safe and productive manner, both for personal and professional use. Other activity is then focused purely on the business community, ensuring that these recognise the benefits of going online and capitalise on the various opportunities brought to them. On this front, the Authority has picked up speed on its mentoring programmes over the past year.

The following is a high-level account of the activity undertaken as part of the Authority's information society function.

## IMPROVING ONLINE PRESENCE

### WEBCHECK

In January 2015, the MCA held the closing conference of the WEBCHECK project in the tourism sector, which was aimed at enhancing the online visibility of a number of hotels. The MCA collaborated closely with the Malta Tourism Authority (MTA) so that in total, 31 hotels from two, three and four star establishments, as well as guest houses, had their web presence professionally assessed and received a tailor-made report with suggestions and recommendations. A number of case studies, together with general findings were presented during this closing conference. Furthermore, a booklet with findings and suggestions called, 'Navigating the Web' was produced and distributed by the MTA and MCA to further the aims of the initiative. This project has already been successfully implemented in the sports sector, where 26 organisations benefited from personalised mentorship. Plans are currently underway to extend this project to local band clubs.

### Free information sessions for SMEs on Internet marketing

As part of its remit to facilitate the promotion of ICT applications in business operations, the MCA led an initiative aimed at addressing potential misconceptions on the use of Internet marketing, as well as highlighting how effective this can be in bringing in new business leads amongst local small entrepreneurs, whilst increasing reach to new markets. With the assistance of the Malta Enterprise and the Kordin Business Incubation Centre (KBIC), the MCA organised a number of short information sessions for entrepreneurs seeking to gain an insight into the business value of internet marketing and how it can be leveraged to achieve competitive advantage.

### CRUCIAL crowd-funding

CRUCIAL crowd-funding is a project designed to raise awareness amongst targeted stakeholders on the benefits of this innovative means of funding. The MCA, together with participants from other countries contributed to the development of a European e-learning platform and handbook for crowd-funding opportunities.

## BUILDING DIGITAL COMPETENCES FOR A DIGITAL SOCIETY

### UNITE-IT

Forming part of the Lifelong Learning programme run by the EU, UNITE-IT focuses on addressing the digital divide through information exchange programmes. The UNITE-IT network comprises members from Malta (represented by the MCA), Croatia, Belgium, Hungary, Latvia, Romania and Serbia and meets on an annual basis. In September 2015, a final conference was organised in Belgrade, during which a portal to showcase the member's best practice in inclusion and dissemination of information was promoted.

### Project 'ENTER'

Individuals who lack digital skills are at increased risk of exclusion, both socially and economically. This is unacceptable in a society that is constantly driven by technological innovation. The Authority has contributed heavily on this front by running a number of projects and initiatives with the aim of ensuring that every individual, whatever their age or social background, has the necessary skills to actively participate in a digital society. Project 'ENTER' is just one of these activities where 4,700 individuals aged between 25 and 64 years were successfully trained in the basic use of ICT. Led by the MCA in partnership with 18 public and voluntary organizations, this project offered basic ICT

training, free of charge, at two different levels. The first level was aimed at those individuals who had no ICT skills and who wished to develop such competences on a personal level and focused on topics such as the Internet, social networking, communicating online, amongst others.

The second focused more on strengthening basic ICT skills and how these can be applied at the workplace, and touched upon the use of databases, word, excel and other ICT applications. Interestingly, 77% of participants were females, whilst the majority was aged between 55 and 64 years.

October 2015 marked the official closing of the first phase of Project 'ENTER' – a project budgeted at €445,000 and which is part-financed by the European Union through the European Social Funds (ESF), by means of a closing conference during which the main outcomes of the project were presented. Not only does this project contribute to minimising the digital divide, but it also addresses Government's policy of targeting investment by providing appropriate and flexible skills by enabling human resources to shift and to expand into new sectors as a result of increased adaptability potential, hence ensuring better employability.

#### *Project 'ENTER' for migrants and support workers*

Projects such as 'ENTER' are designed to deliver tangible benefits to citizens such as improved skills, better employability, increased quality of life and strengthened community cohesion. Its success amongst the general population led the MCA to target the same training to specific niche groups, such as migrants. Each year Malta takes in a significant number of immigrants and refugees, each originating from different countries and with multicultural and diversified ethnic backgrounds. They individually face several types of difficulties in adjusting and integrating fully into their adopted society.

The MCA is therefore committed to supporting Government in the implementation of its integration policy by helping refugees to acquire sufficient knowledge in the use of ICT, thus providing additional skills to facilitate their integration into our society.

During the course of 2015, the MCA extended this training to the Foundation for Shelter and Support to Migrants (FSM), which was specifically set up to provide services for the residents. 60 migrants and support workers were trained.

#### *Project 'ENTER' for low skilled employees*

Jointly with industry representation, trade unions, the Employment and Training Corporation (now rebranded to Jobsplus) and the CTLCs, the Authority facilitated training opportunities for low-skilled employees by extending the 'ENTER' programme to such individuals. The objective was to support large players from specific sectors by providing unskilled employees basic training in ICT. This initiative was intended to make employees more capable and flexible at the workplace, whilst also improving their job mobility within the enterprise.

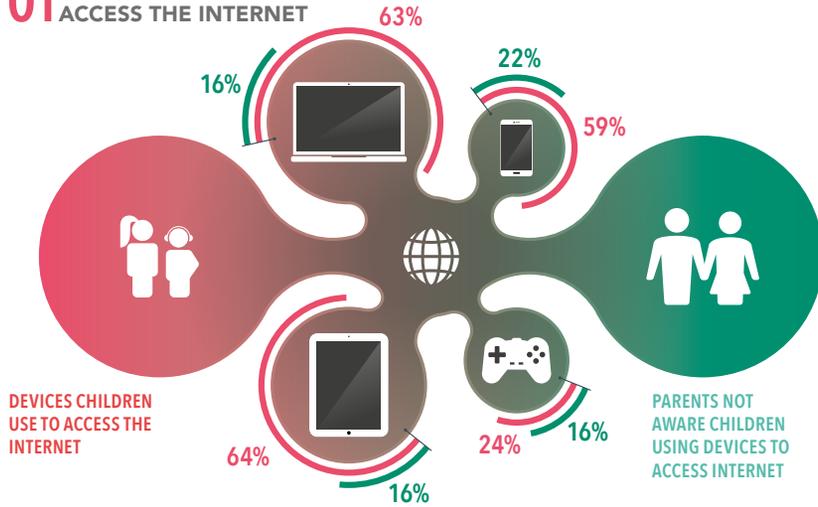
#### **BESMARTONLINE! Safer Internet for children**

2015 marked the 5th year since the MCA embarked on the BeSmartOnline! (BSO) project, which is focused primarily on the safe use of the Internet by minors. The MCA coordinates and implements this project through a consortium comprising members from the Foundation for Social Welfare Services (Aġenzija Appoġġ) (FSWS), the Office of the Commissioner for Children and the Directorate for Quality and Standards in Education. It also collaborates closely with the Cyber Crime Unit within the Malta Police Force, the National Youth Agency (Aġenzija Żgħażaġh), University of Malta, the Independent School Association, the Secretariat for Catholic Education and the Directorate for Educational Services. Such a varied composition of expertise, ranging from technical knowledge to psychology, education and legal insight, has contributed to the success and the recognition of the project as the national point of reference. Serving as the Safer Internet Centre (SIC) for Malta, BeSmartOnline! is also a member of the European network for SICs, InSafe and the International Association of Hotlines. The following are the main initiatives undertaken during 2015.

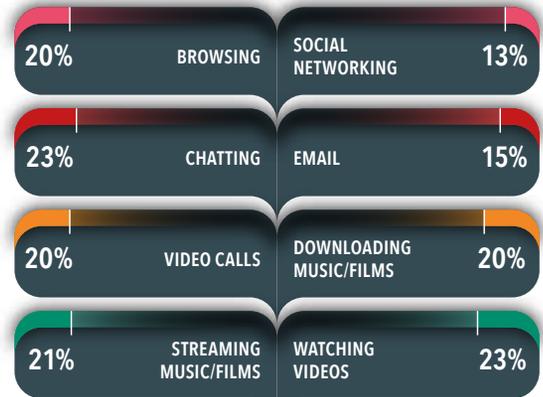
#### *Use of ICT by minors and their parents' perception*

A survey was carried out amongst primary school students attending years 4 to 6 and students in forms 1 to 4 within secondary schools, and their parents. The study helped diffuse a number of misconceptions, whilst confirming other widespread beliefs. The survey was aimed at gauging children's access, use, usage intensity, and their perceptions related to the use of the Internet and associated risks. In tandem, the parents' perceptions on their children's internet usage patterns and online risks were also collected with the purpose of investigating any divergences from those reported by the children. The following findings were presented and discussed during a seminar held in April 2015.

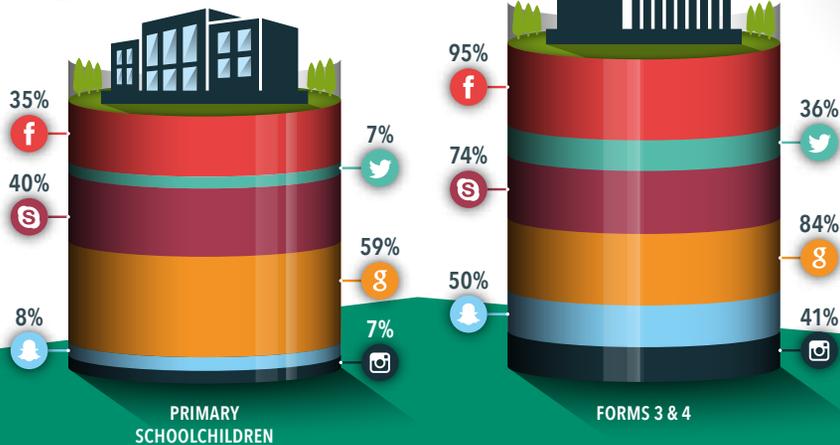
## 01 DEVICES USED TO ACCESS THE INTERNET



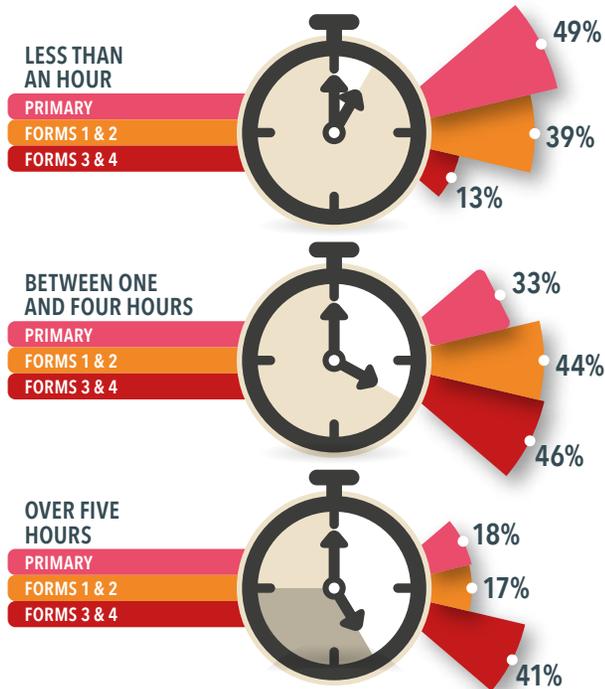
## 02 CHILDREN DOING THINGS THEIR PARENTS DO NOT ALLOW THEM TO ON THE INTERNET



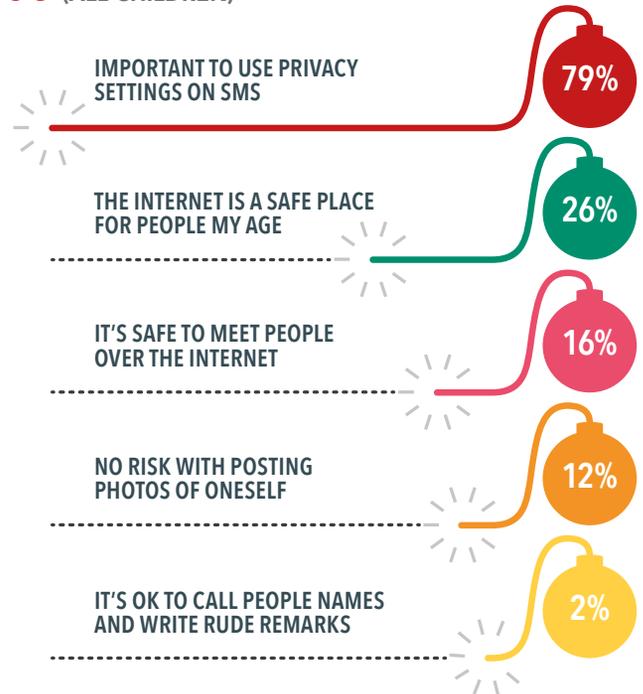
## 03 SEARCH ENGINES, SOCIAL MEDIA SITES AND PLATFORMS USED



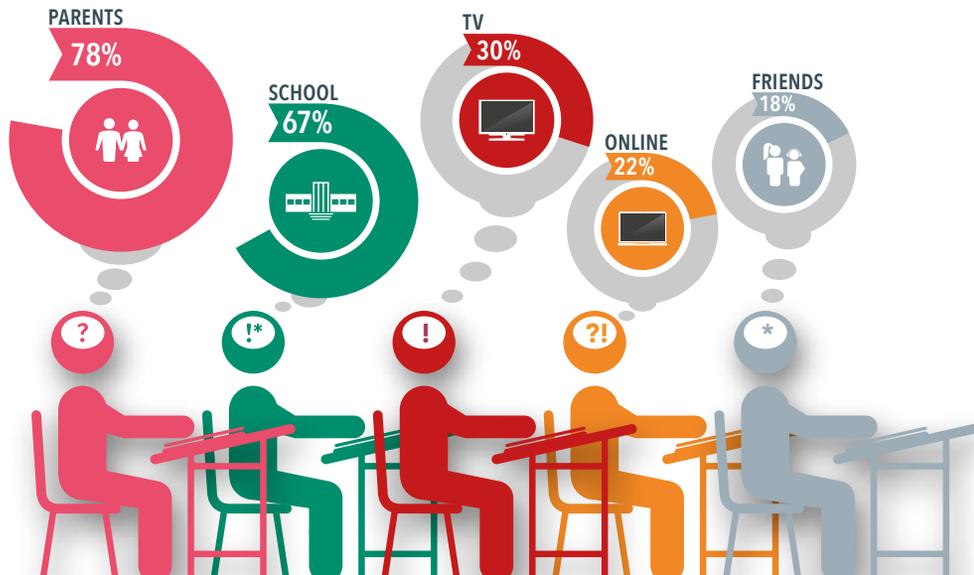
## 04 TIME SPENT ONLINE DURING WEEKDAYS



## 05 RISK PERCEPTIONS (ALL CHILDREN)



## 06 PREFERRED SOURCES OF INFO FOR CHILDREN



## *Safer Internet Day 2015*

“Let’s create a better internet together” was the slogan for Safer Internet Day 2015, which is celebrated in over a 100 countries. The aim of this event is to promote the safer and more responsible use of the Internet amongst children and young people. To mark this day, BeSmartOnline! organised various activities including a seminar entitled “The Impact of Technology on Child Development” for professionals of the Early Intervention Unit, who work closely with very young children.

It also organised a day of fun activities on the safe use of the Internet for migrant families residing in the open centres. Efforts to address parents included an information day at the Birkirkara market where a live link with a popular daily radio programme was set up and a number of resources and other information about the safe use of the Internet were disseminated to visitors to the BSO stand.

A leaflet which was aimed at increasing engagement between parents and children based on the idea of a mutual agreement between the two on the acceptable use of the Internet was distributed to all students aged between 6 and 12 years.

### *In-school educational campaign*

Following the success of previous years, with the support of the eLearning unit, the BSO extended its in-school education campaign on digital citizenship and critical thinking to all students aged 9 to 14 years, amounting to approximately 28,000 students. Specific resources and a dedicated lesson plan were developed to maximise the impact of the sessions.

### *Seminars for educators*

The widespread use of Internet based applications amongst minors has pushed the concept of online safety far beyond the traditional idea of online bullying, grooming and other such detrimental behaviour. It is for this reason that in November 2015, the MCA, together with the BSO consortium organised two back-to-back seminars for educators, social workers, councillors and other professionals in regular contact with children to address two important emerging issues in relation to online safety.

The first seminar addressed the phenomenon of excessive internet use amongst minors and attempted to define the very nature of excessive use and also the debate surrounding this issue. It provided an understanding of the stages or different manifestations of such intensive use, and the reasons as to what may cause such ill behaviour.

Self-harm, eating disorders and the Internet was the overall theme addressed in the second seminar. As the name suggests, self-harm is a recent phenomenon that has been given increased media attention as a result of a significant number of minors exhibiting or sharing their self-harm images online. UK based research found that 60% of children aged 11 to 14 years have

shared pictures of people self-harming on social media platforms. The figure is alarming, particularly when one considers that over half of the children surveyed said they felt like hurting themselves after seeing such images. Furthermore, some experts believe that the spread of such images is leading to the normalisation of this behaviour. Some websites are also glamorising this behaviour, thus exacerbating the problem amongst teens. Eating disorders is another sensitive issue that is doing the rounds on the Internet, resulting in similar effects on minors. Persons trapped in this behaviour often find themselves in need of belonging to a community. This explains the success of pro-anorexia, pro-bulimia and pro-eating communities found in the form of blogs, social networking sites or subscription-based websites.

A number of case studies were presented during these seminars. This was the first time such subjects were discussed so openly and in relation to Internet use and minors.

### *Media participation*

The BSO’s participation in local media continued unabated throughout 2015, keeping up regular interventions on different TV and radio programmes in its drive to continue raising awareness on the various topics related to online safety and the support services available to the general public.

It also participated the popular game show ‘Hadd Għalik’ on the national station TVM, maintaining a weekly slot themed ‘what else we know about you’. During these features, the presenter would introduce the BSO representative, who would subsequently reveal details about the participants. The details would have been obtained from the participants’ respective Facebook profiles or other social networks. The objective of the features was to highlight the concept of ‘think before you post’ and the ease with which strangers can obtain information about a person, simply by trawling their social media profiles.

## **CoderDojo in Malta**

Acknowledging the growing importance of coding and the need to expose children to its potential applications, earlier in 2015, the MCA partnered with the Ireland-based CoderDojo Foundation to run a pilot basic learning programme of coding for kids and adolescents aged between 7 and 17 years. This was possible with the support of Computime Ltd and KPMG Crimsonwing, which offered the services of their professional staff to deliver free coding lessons to children attending the Dun Gorg Preca College and the Umberto Colosso School.

Learning, or being exposed to coding, even from a very young age, will lead to a deeper understanding of technology and help develop skills and capabilities that will aid individuals to live in a new era dominated by the presence of technology. Developing a talent for coding at a young age could potentially steer children towards more ICT careers in the future. Given the current and projected shortfall of specific ICT skills in Europe and Malta, the choice of an

ICT career would indeed be a very desirable outcome of initiatives of this kind. It is also notable that this initiative contributes greatly to the MCA's ongoing drive to promote the use of ICT in society at large. By the end of 2015, 34 children participated in this pilot project.

Whilst seeking innovative ways to ensure the long-term sustainability of this training, the MCA will be looking for other meaningful partnerships in order to create better awareness about the importance of coding in today's digital age, as well as expand its teaching in new ways to attract more children and adolescents to the subject.

### **.comm-leħen diġitali (digital voice)**

It is widely acknowledged that access to essential services and information, maintaining and enhancing social support networks and opportunities for meaningful social and civic engagement, are increasingly compromised by a lack of digital literacy. This is more prevalent amongst older adults and people with a disability as they are more prone to lagging behind other social groups in the adoption and effective use of ICTs. A new training programme – .comm-leħen diġitali was developed and rolled out during 2015 and contributes to the MCA's ongoing stream of activity that specifically targets senior citizens and individuals with a disability, encouraging them to develop digital skills that can facilitate their engagement in the community. The training is offered in day care centres across Malta and Gozo. 1000 individuals applied to benefit from this free training.

### **Free information sessions on internet banking**

In an effort to promote the use of internet banking, raise awareness on the benefits it can offer and address any misconceptions with regard to associated risks, the MCA spearheaded an initiative in collaboration with the Malta Bankers Association, whereby it offered a series of information sessions for the general public. The information sessions consisted of a single 2-hour session, during which the participants had the opportunity to browse through the Internet banking platform of the bank or banks of their choice. Multiple sessions for each bank were held. Approximately 350 individuals participated in these information sessions.

### **Alternative learning programme**

Throughout 2015, the MCA supported the Ministry of Education in providing a customised ICT training programme to early school leavers aged between 16 and 21 years. The course was designed to provide hands-on, work-based learning, equipping students with both practical and professional abilities. In total, around 160 students participated in this training.

### **WiFi roll-out**

By the end of 2015, the MCA, in collaboration with other entities, managed a total of 206 free access points across Malta and Gozo. It is expected that the new WiFi network, planned to be set up in the course of 2016, will offer better filtering capabilities and more robust connections. The number of free WiFi hotspots is expected to exceed 300 by the end of 2016. The following table indicates the most popular sites during 2015.

LOCALITY	ADDRESS	2015	2014	% change over 2014
Msida	Mater Dei Hospital (Outpatients, Foyer, Emergency Areas and Canteen)	205,523	147,440	39%
Marsaskala	Mifsud Bonnici Square	53,520	43,809	22%
Hamrun	St Paul Square	45,630	29,904	53%
St Paul's Bay	Buġibba Square	25,338	52,159	-51%
Valletta	Upper Barrakka Gardens	23,560	17,575	34%
Ċirkewwa	Ċirkewwa Terminal	21,106	40,310	-48%
Marsalforn	Menqa	20,105	14,609	38%
Mġarr (Gozo)	Mġarr Terminal	18,925	39,379	-52%
Valletta	St George Square	15,934	19,072	-16%
Naxxar	Giovanni Curmi Higher Secondary School	13,530	16,888	-20%
Sliema	St Anne Square	13,437	5,648	138%
Luqa	St Vincent De Paule	13,219	12,108	9%
San Ġwann	Karen Grech Garden	12,113	12,456	-3%
St Paul's Bay	Buġibba Terminal	10,063	11,644	-14%

A full list of WiFi Hotspots is available in the Annex on page 93.

### **Development of a Maltese dictionary**

During the course of 2015, the MCA came to an agreement with the University of Malta, the Vodafone Malta Foundation and Infusion to develop a comprehensive online dictionary with the objective of promoting the Maltese language, especially amongst the younger generation. The dictionary will offer an intuitive interface and a user-friendly searching mechanism. The online dictionary will be the first of its type in Malta. The development of this dictionary was fully funded by the Vodafone Malta Foundation, with the support of Infusion and was formally launched in early 2016.





7 CORPORATE  
DEVELOPMENTS,  
INITIATIVES AND  
ONGOING REGULATORY  
ACTIVITY

## CORPORATE DEVELOPMENTS

### Premises

The Authority continued with the renovation and refurbishments work plan established in the previous year to ensure a more efficient and environmentally friendly work space. With a growing staff complement, works also catered for additional work space for new employees. Adaptations to the current structure were also undertaken to facilitate accessibility.

### IT systems

Throughout 2015, the MCA continued to consolidate and reconcile key data to ensure better support of the organisation's business strategy. One of the aims of the consolidation exercise was to decrease the number of servers used in the organisation, resulting in reduced power and cooling costs, less space requirements, significant operational benefits and better management of storage. This was also coupled with the introduction of a business continuity plan supported by a revised backup plan and security policies.

The MCA continued to evolve the Intranet portal and introduced more effective, unified communications systems with the aim of improving communication and internal operations. The Intranet portal was designed to support modular development and a number of dashboard components were introduced. Furthermore, an internal help desk system was introduced to provide a systematic approach for the tracking and management of support requests, introduce an element of pro-active prevention and improve support in general.

### Human resource management

Over the years, the MCA has streamlined its efforts to evolve and cater for the training needs of its employees based on needs and recommendations identified from the yearly Performance Management Programme (PMP) conducted with every member of staff. By doing so, the Authority was able to develop a tailored training programme directly in line with the organisational needs. This training programme was set into action in 2015 with training delivered across a number of different subject areas, including customer care, public relations, project management and critical thinking.

In addition to group training, the Authority also continued with its sponsorship programme, supporting a number of employees to advance studies in areas related to management, human resources, ACCA, procurement and proof-reading in the Maltese language.

For the second consecutive year, the MCA supported the 'On-the-Job' learning programme. This is an initiative geared towards students who wish to gain workplace experience. Four students were provided with an opportunity to apply educational teachings through practical work assignments and gain experience with the Authority with the objective of deepening their knowledge and understanding of the Authority's goals, principles and activities.

Furthermore, the Authority also provided the opportunity to an MCAST student to join its IT Department under a two-year apprenticeship contract.

### Internal audit

A new internal audit plan was put in place in 2015, covering the period 2015 to 2016. The internal audit is designed to determine whether controls in respect of major risks are working as planned and reduce risks to an acceptable level. As part of the internal audit exercise, the auditors examined the adequacy, effectiveness and efficiency of the MCA's policies and procedures related to, amongst others, business planning and performance measurement, financial planning and organisational activities.

## ONGOING REGULATORY ACTIVITY

### Radiocommunications equipment licensing

The Authority continued with its activity to administer radiocommunications equipment licences in accordance with Article 30 of the Electronic Communications (Regulation) Act (Chapter 399). At end 2015, the total number of active licences amounted to 984. These authorised the installation or use of radiocommunications equipment for a wide range of wireless applications, such as aeronautical, amateur radio, land mobile and maritime. The total number of active licences decreased slightly when compared to the number of licences that were active at the end of 2014. However, the Authority granted 79 new licences to newly locally registered aircrafts.

In addition, the Authority persisted with its enforcement activities with regard to licence defaulters, that is, those licensees who did not pay their renewal fees by the licence expiry date. Such activity included the issuance of final legal warning letters and judicial letters. Other actions were taken by the Authority to ensure compliance of licensees with their licence obligations.

With regard to maritime services, the Authority liaised with Transport Malta on various maritime related radiocommunications licensing matters. During 2015, the Authority processed 160 requests for the assignment of maritime identities. 90 inspections were also carried out to ensure that the equipment installed or used on board locally registered vessels complied with national regulations.

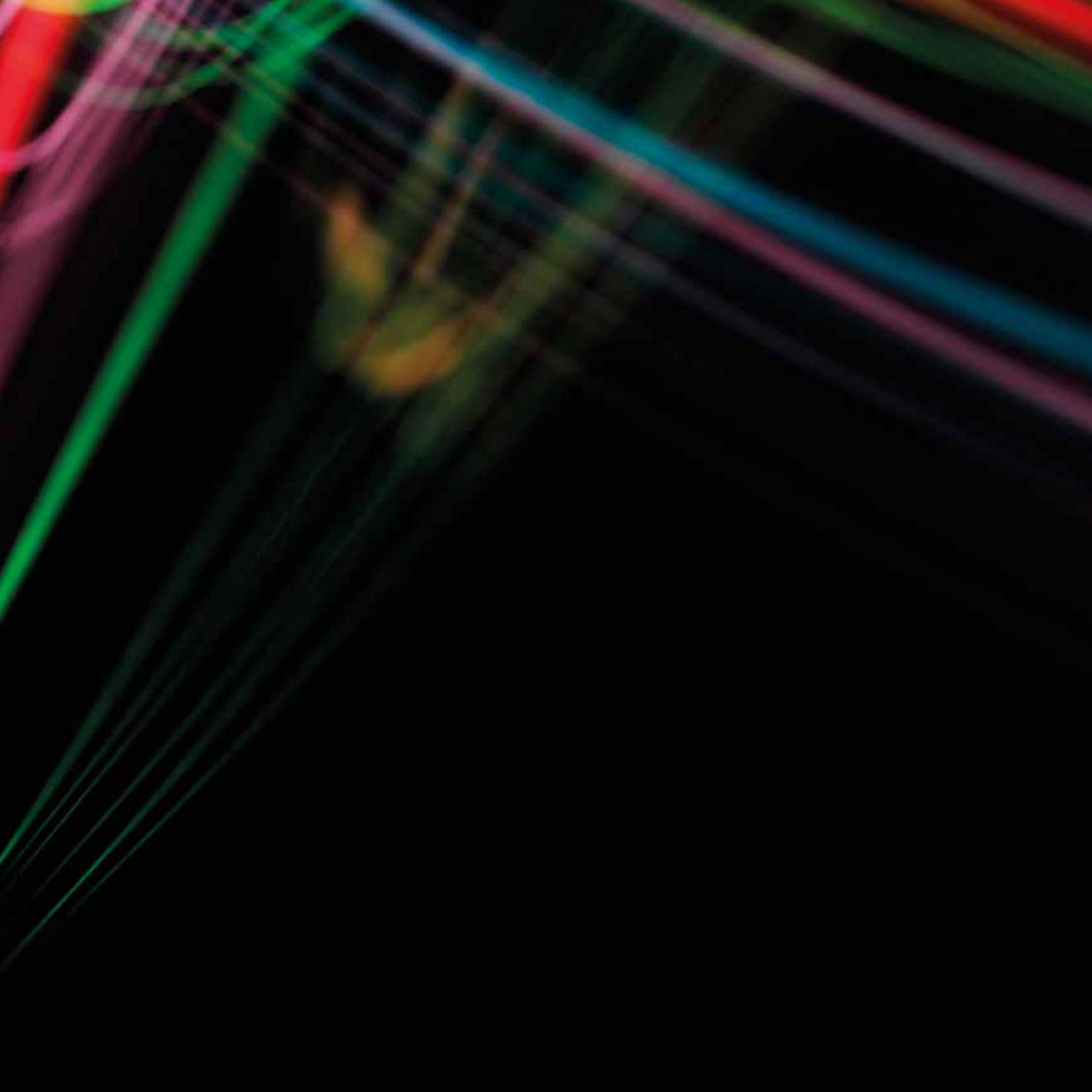
## Management of licences and general authorisations

During 2015, there was one new authorisation for an undertaking to provide services in the electronic communications sector, whereas three undertakings terminated their general authorisations. One undertaking withdrew its notification for a general authorisation to operate a public communications network and provide a publicly available telephone service and other publicly available electronic communications services following a group restructuring exercise. Another undertaking withdrew its notification to provide other publicly available electronic communications services, while a third undertaking withdrew its notification to provide non-public electronic communications services and operate private electronic communications networks and/ or private electronic communications services.

The MCA received one new notification from a postal undertaking offering services outside the scope of the universal postal service. No terminations of postal authorisations were received during 2015.

ELECTRONIC COMMUNICATIONS AUTHORISATIONS AND TERMINATIONS DURING 2015						
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	Publicly available telephone directories & directory enquiries
1 termination (Mobisile Communications Ltd)			1 termination (Sesco Investments Ltd)	1 termination (S.I.T.A.Inc BV)		1 new authorisation (Eleven Eighty Eight Ltd)

POSTAL SERVICE AUTHORISATIONS AND TERMINATIONS DURING 2015	
Postal services within the scope of the universal postal service	Postal services outside the scope of the universal postal service
	1 new notification (Beecycle Messengers)





8 PARTICIPATION IN  
INTERNATIONAL  
FORUMS



## CONTRIBUTION TO SECTOR POLICY

The MCA's ability to deliver its objectives is occasionally influenced by decisions made at an international level, in particular, within the context of the European Union. Some of these decisions directly affect the MCA's mandate, for example by conferring additional responsibilities or powers to the Authority. Other decisions have an important effect on the context within which the MCA operates, for instance decisions made about international harmonisation of spectrum allocation. Given the importance of safeguarding national interests during international negotiations, the MCA attends and participates in various EU and other international fora, including:

- The Body of European Regulators for Electronic Communications (BEREC) and the European Regulators Group for Postal Services (ERGP), which are composed of high-level representatives from EU regulators, which set out, opinions, common positions, guidelines and statements of best practice to foster regulatory consistency and excellence across the EU.

During the course of 2015, the MCA actively participated in the BEREC working group, as co-drafter, tasked in preparing a report on oligopoly analysis and regulation in order to assess whether the current regulatory toolkit and/or its practical application are adequate for tackling markets that have oligopolistic characteristics or bottlenecks. This report provides a basis for input to the European Commission on the review of the market analysis guidelines and as input to the review of the current electronic communications framework.

- The Radio Spectrum Policy Group (RSPG), which provides high-level strategic advice on spectrum policies to the European Commission.
- The Communications Committee (COCOM), which assists the European Commission in carrying out its executive powers under the regulatory framework for electronic communications.
- The Radio Spectrum Committee (RSCOM), responsible for the development of implementing decisions with respect to technical measures that ensure harmonised conditions across Europe for the availability and efficient use of radio spectrum.
- The European Network and Information Security Agency (ENISA), in relation to incident reporting and security regulation.
- The GNSS programme committee and the GNSS Supervisory Agency (GSA), in relation to its mandate to represent Government in the official Galileo fora.
- The International Telecommunications Union (ITU).

- The European Conference of Postal and Telecommunications Administrations (CEPT).
- The Commission's High-level Internet Governance Group (HLIGG).

### The Digital Single Market Strategy

In May 2015, the European Commission launched a strategy for a European Digital Single Market, which covers the various aspects of the digital economy. The Digital Single Market Strategy includes a set of targeted actions to be initiated by the end of 2016. It is built on three pillars:

1. better access for consumers and businesses to digital goods and services across Europe;
2. creating the right conditions and a level playing field for digital networks and innovative services to flourish; and
3. maximising the growth potential of the digital economy.

As part of the Digital Single Market Strategy, the European Commission has initiated a review of the current electronic communications regulatory framework. This review will include proposals related to the common EU-wide criteria for spectrum assignment at national level and more effective spectrum coordination; creating incentives for investment in high-speed broadband; ensuring a level playing field for all market players, traditional and new; and creating an effective institutional framework. The review of the Universal Service Directive will also form an integral part of the review of the electronic communications regulatory framework.

The MCA will closely monitor the process for the preparation of the legislative proposals by the European Commission. Once these have been made available, the MCA will analyse them and prepare the necessary input to the European legislative process. In its role as adviser to Government on electronic communications policy and regulation, the MCA will provide input on the new proposals expected to be published at the end of 2016.

## Telecoms Single Market – Review of CION proposed regulation

The Telecoms Single Market Regulation entered into force in November 2015 after more than two years of negotiations between the Council and the European Parliament.

The adopted text of the new legislation covers measures related to the open internet (net neutrality) and intra-EU mobile roaming. The Regulation imposes net neutrality rules at EU level from April 2016 and abolishes retail roaming surcharges as of June 2017. The net neutrality provisions mandate the equal treatment of all traffic by internet access service providers from April 2016. ISPs may use reasonable traffic management measures and may also offer specialised services – but those services must not have a detrimental effect on the general quality of internet access for end-users. As for intra-EU mobile roaming, service providers will be able to implement fair use policies to prevent the abuse of regulated roaming services and can retain surcharges if they can demonstrate to their National Regulatory Authority that they are unable to cover the costs of providing roaming at the domestic rates. The Commission is to lay out detailed rules during 2016.

During the lengthy negotiations leading to the adoption of the new rules, the Authority held an open discussion with the local stakeholders, EU counterpart authorities within BEREC and advised Government about possible benefits and implications of the rules and about the position to take at European level.

### *Development of a regulatory framework for net neutrality*

The Telecoms Single Market Regulation incorporates the principle of net neutrality into EU legislation, where users will be free to access the content of their choice which will not be unfairly blocked or slowed down, and paid prioritisation will not be allowed. In the open Internet, all traffic will be treated equally, subject to strict and clearly identified public-interest exceptions (such as network security or combating child pornography) and efficient day-to-day network management by Internet service providers. In parallel, Internet access providers will still be able to offer specialised services of higher quality, such as Internet TV and new innovative applications, so long as these services are not supplied at the expense of the quality of the open Internet. These rules became applicable across all Member States as from the 30 April 2016.

The MCA is responsible for ensuring that the net neutrality principles are upheld. This includes the ability to seek compliance from electronic communications service providers with these principles. The MCA needs to ensure that the quality of the open Internet access service is not degraded by traffic discrimination through Internet service providers or by the provision of specialised or innovative services. The MCA is also empowered to set minimum quality of service requirements on Internet access providers and other appropriate measures to ensure that all end-users enjoy an open Internet access service of good quality.

The MCA continued to actively contribute and participate in the BEREC working group tasked in developing guidelines on the obligations related to the supervision, enforcement and transparency measures for ensuring an open Internet access.

### *Implementing mobile roaming rules*

The European roaming regulations set retail price caps and retail transparency measures that apply to mobile telephony subscribers from one Member State when travelling across EU Member States. They also set wholesale price caps and other access requirements that apply between different mobile service providers and introduced measures in relation to wholesale access between service providers.

As part of the Telecoms Single Market Regulation, conventional roaming surcharges within the EU are planned to come to an end in June 2017. Users will be able to use their mobile devices when travelling in the EU while, in general, paying the same prices as when they are at home (domestic prices). In order to prevent any abusive or anomalous usage, as in the case of a permanent roaming scenario, rules allowing a 'fair use policy' have to be established. The European Commission shall, after having consulted BEREC, adopt detailed rules of the application of this 'fair use policy' by December 2016. Once 'Roam Like At Home' (RLAH) is implemented, a set maximum surcharge could be applicable for consumers who surpass the established limits. As a transitional measure, applicable from 30 April 2016 until 14 June 2017, roaming providers will be allowed to apply a surcharge, in addition to the domestic price.

The MCA has been actively contributing to and participating in the BEREC working group tasked with the development of rules for the application of fair use of roaming services and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges. In addition, the MCA shall continue to monitor mobile operators to ensure that they are adhering to the obligations set out in the roaming regulations, and ensure that consumer protection measures and pricing structures are adequately set in place and adhered to.

COMMISSION / COUNCIL MEETINGS	
COCOM Meeting	March, October
COCOM Implementation of MSS Working Group (WG)	June
Digital Champions Meeting	February, October
eCommerce Expert WG Meeting	October
eIDAS Technical sub-group Meeting	October
ENISA Article 13a Expert Group Meeting	February, June, November
EU Market Postal Statistics Meeting	May
GNSS Evolution WG Meeting	November
High-level Group Meeting on the Digital Single Market	October
High-level Internet Governance Meeting	April, July, October
Informal RSPG Meeting	May
Postal Directive Committee Meeting	June
RSPG Meeting	February, June, October
RSCOM Meeting	March, July, October

REGULATORY MEETINGS	
BEREC, Market and Economic Analysis WG	January, March, April, May, September, October
BEREC, Benchmarking Meeting	February, April, June
BEREC, Drafters Meeting on OTT Indicators	May
BEREC, End Users Expert WG, Accessibility Workshop	March
BEREC, International Roaming WG Meeting	September, October
BEREC, Net Neutrality WG Meeting	October
BEREC, Termination Rates WG Meeting	October
BEREC, Regulatory Framework WG Meeting	March, September
BEREC, Remedies WG Meeting	October
BEREC, "What-If" Meeting on Services/ Consumers' Rights and Governance of Electronic Communications in the EU	May
BEREC/IRG Contact Network Meeting	February, May, September, November
BEREC/IRG Plenary Meeting	February, June, September, December
CEPT/ECC Naming and Numbering (NaN) WG Meeting	April
ERGP Contact Network Meeting	May, October
ERGP Plenary Meeting	July
ERGP Regulatory Accounting WG Meeting	September

OTHER MEETINGS	
BeSmartOnline' 3 Meeting	September, December
CeBIT 2015 Conference	March
Conference on ICT for development	May
CRUCIAL Crowdfunding Kick-off Meeting	October
Digital Contracts Conference	June
Digital Marketing Innovation Summit	October
eSkills for Jobs 2015, High-level Conference under the Latvian Presidency of the Council of the EU	March
EUCNC 2015	July
European Conference on Networks and Communications Workshop	June
European Regional Conference of the International Telecommunications Society	June
Future Internet Forum	March
GSMA – Mobile World Congress 2015	March
ICT 2015	October
Insafe Training Meeting and Steering Committee	May
International Communication Seminar	August
OTT Conference	October
Safer Internet Forum	October
SLUSH Conference	November
Smart City IoT Solutions	April
Space week	October
Strategy Space Communication Services	October
Telecentre Europe General Assembly and 4 UNITE-IT partners meeting.	February
UNITE-IT	December

OTHER MEETINGS <i>cont...</i>	
WebSummit Dublin 2015	November
World Radiocommunication Conference	November
World Radiocommunication Conference CPG Meeting	January, February, June, September

TRAINING	
BEREC Training on Regulatory Framework	November
GSMA Spectrum for 5G Europe Workshop	February
IRG Training Course on Spectrum Management	August
Regulators Workshop on Regulatory Oversight of Parcel Delivery	April
Training on eSignature Super Monitoring	June
Workshop on Benchmarking of Safer Internet Policies in Member States	March
Workshop on Oligopolies Analysis and Regulation	February





9 LIST OF  
CONSULTATIONS  
AND DECISIONS



## CONSULTATIONS

- Broadband Quality of Service framework: Data formatting – **January**
- Virtual Unbundled Access to Fibre-To-The-Home: Implementing the VULA Remedy – **April**
- The provision of call termination on individual public telephone networks at a fixed location in Malta – **September**
- Standard and Itemised Billing – **September**
- Transposition of Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks – **October**
- Proposed decision on the review of GO plc's application for funding of the net cost claimed to have been incurred to provide USOs during 2012 – **October**
- Wholesale call origination on the public telephone network provided at a fixed location in Malta – **November**
- Decision on wholesale access to data for the provision of publicly available directory information services: Consultation on proposed revision – **November**

## DECISIONS

### Regulatory decisions

- Operator fined after failing to provide statistical information – **January**
- Decision on the source of funding for the net cost incurred in providing universal services during 2010 – **April**
- Decision on retail access to the public telephone network at a fixed location – **April**
- Decision on the wholesale access to data and the provision of publicly available directory information services – **April**
- Decision on the universal service obligations on electronic communication services – **May**
- The provision of call termination on individual public telephone networks at a fixed location in Malta – **December**

### Decisions issued related to inter-operator complaints, disputes, and to own initiative investigations undertaken by the Authority.

- Final decision further to the complaint by Melita plc alleging breach by GO plc of the pricing of leased lines and ethernet connection decision – **January**
- MCA adopts a forecasting estimation with regard to DHL Malta's revenue data analysis – **April**



# 10 ANNEX



# FREE MCA WIFI HOTSPOTS ACROSS MALTA AND GOZO

LOCATION	ADDRESS
Attard	Attard Local Council*
Attard	Hal Warda Garden
Attard	Kola Square
Attard	San Anton Gardens
Attard	Station Garden
Attard	Tumas Dingli Square
Baħar iċ-Ċagħaq	Recreational Area
Balzan	Balzan Local Council*
Balzan	Bertu Fenech Square
Birgu	Birgu Local Council*
Birgu	Victory Square
Birkirkara	Beatu Nazju Falzon Garden*
Birkirkara	Birkirkara Local Council*
Birkirkara	Fleur-de-Lys Garden*
Birkirkara	Garden in tal-Qattus Area*
Birkirkara	Garden near Triq il-Laqxija*
Birkirkara	John Borg Garden*
Birkirkara	L-aħwa Kanonċi Dun Ġużepp Micallef and Dun Ġwann Micallef Garden*
Birkirkara	Mrieħel School
Birkirkara	Sant' Elena Square*
Birkirkara	Train Station's Park
Birżebbuġa	Birżebbuġa Local Council*
Birżebbuġa	Pretty Bay
Bormla	Bormla Local Council
Bormla	Primary School
Bormla	Santa Margerita Square*
Buġibba	Perched Beach*

LOCATION	ADDRESS
Cospicua	Cospicua Residential Home*
Dingli	Dingli Bus Terminus
Dingli	Dingli Local Council*
Fgura	Fgura Local Council*
Fgura	R. Miller Square
Floriana	Education Information Centre
Floriana	Floriana Local Council*
Floriana	Floriana Residential Home*
Floriana	Public Library
Floriana	The Granaries
Fontana	Fontana Local Council*
Fontana	Fountain Street
Għajn Tuffieħa	Golden Bay*
Għajnsielem	Għajnsielem Local Council*
Għajnsielem	Our Lady of Loreto Square
Għarb	Għarb Local Council*
Għarb	Ta' Dbiegi
Għarghur	Għarghur Local Council*
Għarghur	Peace Gardens
Għasri	Għasri Local Council*
Għasri	Saviour Square
Għaxaq	St Rocco Zone
Gudja	Gudja Local Council*
Gudja	Raymond Caruana Garden* (formerly installed in the public library)
Gżira	Council of Europe Gardens
Gżira	Gżira Local Council*
Gżira	Local Council Activities Centre

LOCATION	ADDRESS
Hal Ghaxaq	Hal Ghaxaq Local Council*
Hamrun	African Malta Media Association*
Hamrun	Hamrun Local Council*
Hamrun	St Paul Square
Iklin	Ġuze Ellul Mercer Street
Iklin	Iklin Local Council*
Isla	Isla Local Council*
Isla	Victory Street
Kalkara	Archbishop Gonzi Square
Kalkara	Kalkara Local Council*
Kerċem	Kerċem Local Council*
Kerċem	Orvieto Square
Kirkop	Community Playing Field
Kirkop	Kirkop Local Council*
Kirkop	Kirkop Square* (formerly called 'St Leonard Square')
Lija	Lija Local Council*
Lija	Transfiguration Square
Luqa	Football Grounds
Luqa	Luqa Local Council*
Luqa	St Vincent de Paule Residence
Marsa	Marsa Local Council*
Marsa	Open Centre
Marsalforn	Menqa
Marsaskala	Mifsud Bonnici Square
Marsaxlokk	Marsaxlokk Local Council*
Marsaxlokk	Our Lady of Pompeii Square
Mdina	Mdina Local Council*

LOCATION	ADDRESS
Mdina	St Paul's Square
Mellieħa	Dun Anton Debono Gardens
Mellieħa	Mellieħa Local Council*
Mġarr	Mġarr Local Council*
Mġarr	Public Garden in Mons. O. Vella Street
Mosta	Mosta Local Council*
Mosta	Mosta Residential Home*
Mosta	Rotunda Square
Mqabba	Mqabba Local Council*
Mqabba	Tfal ir-Raħal Gardens
Mqabba	Primary School
Msida	Mater Dei Hospital (Canteen, Emergency Areas, Foyer and Outpatients)
Msida	Menqa Square
Msida	Msida Local Council*
Mtarfa	Mtarfa Local Council*
Mtarfa	Town Square
Munxar	Munxar Local Council*
Munxar	Profs. Ġuzè Aquilina Street
Munxar	Xlendi Bay*
Nadur	Nadur Local Council*
Nadur	St Peter and St Paul Square
Naxxar	Giovanni Curmi Higher Secondary School
Naxxar	Naxxar Local Council*
Naxxar	Toni Vella Gardens
Paola	Antoine de Paule Square
Paola	Sant' Ubaldesca Square
Paola	Vittoriosa Lawn Tennis Club

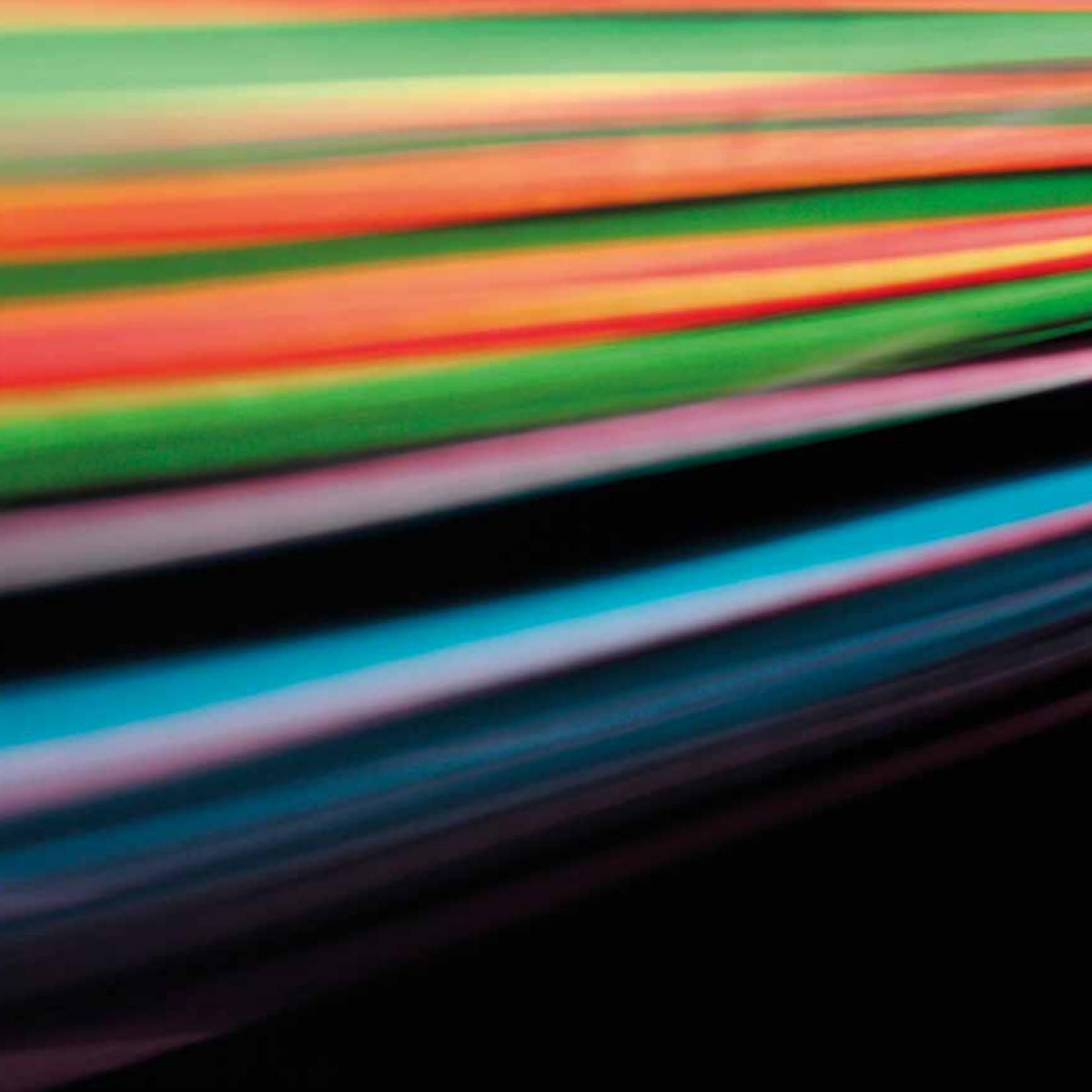
LOCATION	ADDRESS
Pembroke	Mother Theresa of Calcutta Gardens
Pembroke	Pembroke Gardens
Pembroke	Pembroke Local Council*
Pietà	Marina Gardens
Pietà	Pietà Local Council*
Qala	Family Gardens
Qala	Qala Local Council*
Qawra	Access Centre
Qawra	Salini
Qormi	De La Cruz Garden
Qormi	Frederic Maempel Garden
Qormi	Grandmaster Square
Qormi	Southern Region Offices
Qormi	Qormi Local Council*
Qrendi	Dama Cecilia Garden
Qrendi	Qrendi Local Council*
Rabat	National Archives
Rabat	Parish Square
Rabat	Rabat Local Council*
Rabat (Gozo)	Independence Square
Rabat (Gozo)	Rabat (Gozo) Local Council*
Rabat (Gozo)	Sir Mikelanġ Refalo Centre for Further Studies
Safi	Public Garden in Menqa Street*
Safi	Safi Local Council*
San Ġwann	Awrekarja Square
San Ġwann	Il-Ward Square
San Ġwann	Karen Grech Garden

LOCATION	ADDRESS
San Ġwann	Misraħ Lewża Garden
San Ġwann	Primary School
San Ġwann	San Ġwann Local Council*
San Ġwann	St Margaret Square
San Ġwann	Taž-żwejt area
San Lawrenz	San Lawrenz Local Council*
San Lawrenz	St Lawrence Square
Sannat	Sannat Local Council*
Siġġiewi	Siġġiewi Local Council*
Siġġiewi	St Nicholas Square
Sliema	Bisazza Street
Sliema	Fond Għadir*
Sliema	Independence Gardens
Sliema	Primary School
Sliema	Public Library
Sliema	Qui-Si-Sana Gardens
Sliema	Sliema Local Council*
Sliema	St Anne Square
St Julians	Balluta Square
St Julians	Millennium Chapel
St Julians	St George's Bay
St Julians	St Julians Local Council*
St Luċija	7th July Square
St Luċija	St Luċija Local Council*
St Paul's Bay	Buġibba Square
St Paul's Bay	Buġibba Terminal
St Paul's Bay	Primary School

LOCATION	ADDRESS
St Paul's Bay	St Paul's Bay Local Council*
St Venera	Romeo Romano Gardens
St Venera	St Venera Local Council*
Swatar	Swatar Playing Field
Swieqi	Swieqi Local Council*
Swieqi	Swieqi Playing Field (formerly called 'St Andrew Garden')
Ta' Qali	Adventure Park
Ta' Qali	National Park
Ta' Sannat	St Margerita Square
Ta' Xbiex	Ta' Xbiex Local Council*
Ta' Xbiex	Ta' Xbiex Waterfront
Tarxien	Garden in Annettu Caruana Street
Tarxien	Tarxien Local Council*
Valletta	Lower Barrakka
Valletta	Mattia Preti Square
Valletta	National Library
Valletta	Passports Office
Valletta	St George Square
Valletta	Upper Barrakka Gardens
Valletta	Valletta Local Council*
Xaghra	Victory Square
Xaghra	Xaghra Local Council*
Xewkija	St John the Baptist Square
Xewkija	Xewkija Local Council*
Xghajra	Public Library
Xghajra	Xghajra Local Council*

LOCATION	ADDRESS
Xlendi	St Simon Street
Żabbar	Council Garden
Żabbar	Żabbar Local Council*
Żebbuġ	St Philip Square
Żebbuġ	Żebbuġ Local Council*
Żebbuġ (Gozo)	Assunta Square
Żebbuġ (Gozo)	Żebbuġ (Gozo) Local Council*
Żejtun	St Gregory Garden
Żejtun	Żejtun Local Council*
Żejtun	Żejtun Residential Home*
Żurrieq	Ġibjun Garden
Żurrieq	Student Adrian Borg Garden
Żurrieq	Wied Babu Street
Żurrieq	Żurrieq Local Council*

\*Indicates those hotspots that were installed during 2015.





# 11 FINANCIAL STATEMENTS

GENERAL INFORMATION

REPORT OF THE MEMBERS OF THE AUTHORITY

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

# GENERAL INFORMATION

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

## MEMBERS OF THE AUTHORITY

Dr. E. Woods (Chairman)

Mr. G. Vella

Mr. P. Cavlan (resigned on 30th January 2015)

Ms. S. Kennard

Dr. A. Mizzi

Dr. J. Cilia (appointed on 2nd February 2015)

## 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.  
APS Centre  
Tower Street  
Birkirkara BKR 4012  
Malta

## HEAD OFFICE

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
Malta

## AUDITOR

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

# 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 2015.

## 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 EUR9,708,035 (2014: EUR9,809,419) out of which licensing and usage fees for scarce resources, amounting to EUR5,382,309 (2014: EUR5,472,719) were transferred to the Government of Malta. After meeting all expenditure of EUR4,390,731 (2014: EUR4,326,846) the Authority closed off the year with a deficit, net of taxation, of EUR55,115 (2014: surplus of EUR23,335).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR810,914 (2014: EUR618,440) has been deducted from usage fees for scarce resources forwarded to the Government of Malta.

## MEMBERS OF THE AUTHORITY

The Members who served during the year under review were as noted on page 100.

In accordance with Part II, Section 3 of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, the Chairman and the other Members of the Authority are appointed by the Minister responsible for communications. The Members of the Authority are appointed by the Ministry for a maximum period of three years but may be re-appointed on the expiration of their term of office.

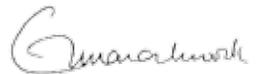
## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE AUTHORITY

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

## AUDITOR

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

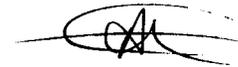
The report of the Members was approved and signed on their behalf by:



Dr E. WOODS  
Chairman

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
Malta

12 April 2016



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 103 to 119 which comprise the statement of financial position as at 31 December 2015 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 101, 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 2015, 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

12 April 2016

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 EUR	2014 EUR
<b>Income</b>			
Revenues	3	9,729,557	9,787,499
Other (cost)/income	4	(21,522)	21,920
		<b>9,708,035</b>	9,809,419
<b>Expenditure</b>			
Staff costs	5	(2,485,685)	(2,410,273)
Depreciation	10	(157,902)	(190,221)
Operating and administrative expenses	6	(1,747,144)	(1,726,352)
<b>Operating surplus</b>		<b>5,317,304</b>	5,482,573
Finance income	7	10,168	17,798
		<b>5,327,472</b>	5,500,371
Transfers to Government	8	(5,382,309)	(5,472,719)
(Deficit)/surplus before taxation		<b>(54,837)</b>	27,652
Taxation	9	(278)	(4,317)
<b>(Deficit)/surplus for the financial year</b>		<b>(55,115)</b>	23,335
Other comprehensive income		–	–
<b>Total comprehensive income for the year, net of tax</b>		<b>(55,115)</b>	23,335

The accounting policies and explanatory notes on pages 107 to 119 form an integral part of the financial statements.

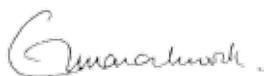
# STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 EUR	2014 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	279,216	279,515
<b>Current assets</b>			
Trade and other receivables	11	1,366,422	1,649,542
Income tax receivable		13,146	81,611
Cash and short-term deposits	15	2,400,897	2,544,637
		3,780,465	4,275,790
<b>TOTAL ASSETS</b>		<b>4,059,681</b>	<b>4,555,305</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserve</b>			
Retained earnings	12	645,565	700,680
<b>Current liabilities</b>			
Trade and other payables	13	3,414,116	3,854,625
<b>Total liabilities</b>		<b>3,414,116</b>	<b>3,854,625</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,059,681</b>	<b>4,555,305</b>

The accounting policies and explanatory notes on pages 107 to 119 form an integral part of the financial statements.

The financial statements on pages 103 to 119 have been authorised for issue by the Members on the 12 April 2016 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 2015

	<b>Retained earnings</b>
	<b>EUR</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2015</b>	
Balance as at 1 January 2015	700,680
Deficit for the year	(55,115)
Other comprehensive income	–
Total comprehensive income	(55,115)
<b>Balance at 31 December 2015</b>	<b>645,565</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2014</b>	
Balance as at 1 January 2014	677,345
Surplus for the year	23,335
Other comprehensive income	–
Total comprehensive income	23,335
<b>Balance at 31 December 2014</b>	<b>700,680</b>

*The accounting policies and explanatory notes on pages 107 to 119 form an integral part of the financial statements.*

# STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Notes	2015 EUR	2014 EUR
<b>Operating activities</b>			
(Deficit)/surplus before taxation		(54,837)	27,652
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		157,902	190,221
Transfers to Government		5,382,309	5,472,719
Loss/(gain) on disposal of property, plant and equipment		68	(6,500)
Movement in provision for bad and doubtful debts		27,948	–
Finance income		(10,168)	(17,798)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		255,170	(70,774)
(Decrease)/increase in trade and other payables		(188,603)	(54,390)
		5,569,789	5,541,130
Interest received		10,168	21,655
Income tax paid		(6,049)	(11,695)
Income tax received		74,238	44,177
<b>Net cash flows from operating activities</b>		<b>5,648,146</b>	<b>5,595,267</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(157,671)	(227,387)
Proceeds from disposal of property, plant and equipment		–	6,500
<b>Net cash flows used in investing activities</b>		<b>(157,671)</b>	<b>(220,887)</b>
<b>Financing activities</b>			
Funds paid to Government		(5,634,215)	(5,027,660)
<b>Net cash flows used in financing activities</b>		<b>(5,634,215)</b>	<b>(5,027,660)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(143,740)</b>	<b>346,720</b>
Cash and cash equivalents at 1 January		2,544,637	2,197,917
<b>Cash and cash equivalents at 31 December</b>	15	<b>2,400,897</b>	<b>2,544,637</b>

The accounting policies and explanatory notes on pages 107 to 119 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The purpose of the Authority is to ensure freedom of communication and that communication shall not be limited except when this is necessary for any of the reasons set out in Section 4 (1)(a) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, and to ensure non-discrimination and equality of treatment in matters related to communications. It shall in particular be the duty of the Authority to exercise such regulatory function in the field of communications under the provisions of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta and as may from time to time be assigned to the Authority by or under an Act of Parliament. The Authority shall also carry out various other related functions and duties as set out in Section 4 (3) of the Act.

## 2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements have been prepared under the historical cost convention and are presented in Euro. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta. The accounting policies adopted are consistent with those applied during the previous years.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

- IAS 1 (Amendments) – Disclosure initiative, (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 (Amendment) – Clarification of acceptable methods of depreciation and amortisation, (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 41 (Amendment) – Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- IAS 27 (Amendment) – Equity method in separate financial statements (effective for financial years beginning on or after 1 January 2016)
- IFRS 11 (Amendment) – Accounting for acquisitions of interests in joint operations (effective for financial years beginning on or after 1 January 2016)
- Improvements to IFRS 2012 – 2014 – (effective for financial years beginning on or after 1 January 2016)

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

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

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

These are as follows:

- IFRS 9 Financial Instruments – Including subsequent amendments to IFRS 9 and IFRS 7 (effective for financial years beginning on or after 1 January 2018)
- IFRS 10 and IAS 28 (Amendment) – Sale or contribution of assets between an investor and its associate or joint venture (effective date deferred indefinitely)
- IFRS 10, IFRS 12 and IAS 28 (Amendment) – Investment Entities: Applying the consolidation exception, (effective for financial years beginning on or after 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 – Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- IFRS 16 – Leases (effective for financial years beginning on or after 1 January 2019)
- IAS 7 (Amendment) – Disclosure Initiative (effective for financial years beginning on or after 1 January 2017)
- IAS 12 (Amendment) – Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017)

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Revenue recognition

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

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

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

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

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

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

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

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

### Retirement benefit costs

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance

and overhead costs, are normally charged to the statement of comprehensive income in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost.

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

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

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

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

#### **Impairment of assets**

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **Trade and other receivables**

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

#### **Financial instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Authority has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

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

### 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.

### ISS unutilised subvention

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

### Taxation

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

### Deferred taxation

Deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

### Foreign currencies

The Authority's financial statements are presented in Euro, which is the Authority's functional and presentation currency. Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the statement of financial position date. All resulting differences are taken to the statement of comprehensive income.

### Related parties

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

### Cost Apportionment Methodology

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

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

### 3. REVENUES

The revenues generated by the Authority are made up of:

	2015	2014
	EUR	EUR
Telecommunications, postal licensing and right of way (note i, ii)	801,077	810,481
Administrative charges	2,624,427	2,803,872
Usage fees for scarce resources (note ii)	4,558,184	4,565,653
Application fees and other income	1,307,737	1,165,869
Government subvention (note iii)	438,132	441,624
	<b>9,729,557</b>	<b>9,787,499</b>

- i. Fees for right of way are collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap 81) under the delegation of the Authority for Transport in Malta.
- ii. All revenue generated from telecommunications, postal licensing, and right of way income and usage fees for scarce resources is transferred to the Government of Malta (note 8), except for an amount of EUR810,914 (2014: EUR618,440) 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 (COST)/INCOME

Other income relates to fines imposed by the Authority in 2014, where such fines had amounted to EUR21,920. In 2015, fines charged in prior years amounting to EUR34,242, were refunded following a decision taken by the Court. These were netted off with fines charged by the Authority during 2015. As a result the net cost incurred by the Authority in 2015 amounted to EUR21,522.

### 5. EMPLOYEE INFORMATION

#### a. Staff costs

The total employment costs were as follows:

#### The Authority

	2015	2014
	EUR	EUR
Members' emoluments	30,000	34,800
Wages and salaries	2,088,322	1,977,608
Social security costs	123,400	117,706
Authority's staff costs recharged to ISS operations (note i)	(81,877)	(81,375)
Authority's staff costs recharged to EU funded projects	(261)	(1,346)
	<b>2,159,584</b>	<b>2,047,393</b>

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

## 5. EMPLOYEE INFORMATION (continued)

## Others:

## ISS

	2015	2014
	EUR	EUR
Wages and salaries	304,675	338,683
Social security costs	21,165	22,851
ISS staff costs recharged to EU funded projects	(122,315)	(172,851)
	<b>203,525</b>	<b>188,683</b>
<b>EU funded projects</b>		
Staff costs recharged by the Authority	261	1,346
Staff costs recharged by ISS	122,315	172,851
	<b>122,576</b>	<b>174,197</b>
<b>Total staff costs</b>	<b>2,485,685</b>	<b>2,410,273</b>

## b. Staff numbers

The average number of persons employed full time by the Authority during the year amounted to 77 (2014: 74). In addition, the Authority also employed an average of 2 persons (2014: 4) on a new EU funded project launched during the prior year.

## 6. OPERATING AND ADMINISTRATIVE EXPENSES

	2015	2014
	EUR	EUR
<b>The Authority</b>		
Outsourced project costs	138,752	214,915
Corporate administrative expenses	508,147	547,058
Public relations and communications	201,855	126,760
Travelling expenses	52,563	67,595
Increase in provision for doubtful debts	27,948	–
Auditor's remuneration	10,130	10,072
Rental expenses	130,353	101,695
Loss/(gain) on disposal of property, plant and equipment	68	(6,500)
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	135,057	166,724
Bad debts	–	601
	<b>1,204,873</b>	<b>1,228,920</b>

	2015	2014
	EUR	EUR
<b>Others:</b>		
<b>ISS</b>		
Public relations and communications	2,613	6,485
Travelling expenses	4,622	2,361
Auditor's remuneration	1,316	1,374
Professional fees	20,542	42,847
Bank charges	250	81
Staff costs recharged by the Authority (note 5)	81,877	81,375
Corporate administrative expenses	40,564	34,814
Outsourced project costs	123,419	133,177
Rental expenses	16,912	13,909
Self-financing portion of EU projects	10,085	16,701
	<b>302,200</b>	<b>333,124</b>
<b>EU funded projects</b>		
Travelling expenses	9,916	12,360
Consultancy	128,387	10,803
Outsourced project costs	101,768	141,145
	<b>240,071</b>	<b>164,308</b>
<b>Total operating and administrative expenses</b>	<b>1,747,144</b>	<b>1,726,352</b>

## 7. FINANCE INCOME

	2015	2014
	EUR	EUR
On cash and short-term deposits	2,258	9,949
On amounts due from debtors	7,910	7,849
	<b>10,168</b>	<b>17,798</b>

## 8. TRANSFERS TO GOVERNMENT

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

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to EUR810,914 (2014: EUR618,440).

**9. TAXATION**

	<b>2015</b>	2014
	<b>EUR</b>	EUR
Current tax	<b>278</b>	4,317
Deferred tax (note i)	–	–
	<b>278</b>	4,317

- 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 EUR50,431 (2014: EUR14,288) has not been accounted for in these financial statements.

The taxation on surplus on ordinary activities differs from the theoretical taxation expense that would apply on the Authority's surplus before transfers to Government and taxation using the applicable tax rate in Malta of 35% (2014: 35%) as follows:

	<b>2015</b>	2014
	<b>EUR</b>	EUR
Surplus before transfers to Government and taxation	<b>5,327,472</b>	5,500,371
Theoretical taxation expense at 35%	<b>1,864,615</b>	1,925,130
Tax effect of		
– non-deductible expenses	<b>9,807</b>	–
– income not subject to tax	<b>(1,880,997)</b>	(1,916,358)
– excess of capital allowances over depreciation	<b>7,223</b>	(3,449)
– income subject to different tax rates	<b>(370)</b>	(1,006)
	<b>278</b>	4,317

**10. PROPERTY, PLANT AND EQUIPMENT**

	Building improvements	Computer equipment	Fixture, fitting & equipment	Motor vehicle	Total
	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>					
At 1 January 2014	290,311	1,183,426	370,864	59,386	1,903,987
Additions	21,933	127,054	54,400	24,000	227,387
Disposals	–	(39,751)	(11,320)	(19,799)	(70,870)
At 31 December 2014	312,244	1,270,729	413,944	63,587	2,060,504
Additions	11,135	109,130	37,406	–	157,671
Disposals	–	(120,227)	(1,905)	–	(122,132)
<b>At 31 December 2015</b>	<b>323,379</b>	<b>1,259,632</b>	<b>449,445</b>	<b>63,587</b>	<b>2,096,043</b>
<b>Depreciation</b>					
At 1 January 2014	289,073	999,440	313,739	59,386	1,661,638
Depreciation charge for the year	4,816	156,162	24,443	4,800	190,221
Disposals	–	(39,751)	(11,320)	(19,799)	(70,870)
At 31 December 2014	293,889	1,115,851	326,862	44,387	1,780,989
Depreciation charge for the year	7,044	116,123	29,935	4,800	157,902
Disposals	–	(120,159)	(1,905)	–	(122,064)
<b>At 31 December 2015</b>	<b>300,933</b>	<b>1,111,815</b>	<b>354,892</b>	<b>49,187</b>	<b>1,816,827</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>22,446</b>	<b>147,817</b>	<b>94,553</b>	<b>14,400</b>	<b>279,216</b>
At 31 December 2014	18,355	154,878	87,082	19,200	279,515

**11. TRADE AND OTHER RECEIVABLES**

	2015	2014
	EUR	EUR
Trade receivables (note i)	1,269,331	1,414,678
Accrued income	32,562	114,534
Prepayments	64,529	120,330
	<b>1,366,422</b>	1,649,542

- 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 of EUR27,948 (2014: EUR Nil).

	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	30-60 days	60-90 days	>90 days
	EUR	EUR	EUR	EUR	EUR	EUR
2015	1,269,331	1,169,687	–	56,312	1,703	41,629
2014	1,414,678	1,247,433	–	92,245	1,565	73,435

**12. RESERVE**

The balance on the retained earnings in the statement of financial position as at 31 December 2015 represents the resulting net accumulated surplus over the years.

**13. TRADE AND OTHER PAYABLES**

	2015	2014
	EUR	EUR
Amount due to government	149,324	404,531
Deferred income (note i)	2,477,477	2,483,137
Accruals	321,532	419,998
Social security contributions and other taxes	49,920	58,593
Other payables (note ii)	415,863	488,366
	<b>3,414,116</b>	<b>3,854,625</b>

- i. Deferred income comprises the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR407,985 (2014: EUR401,965) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.
- ii. Other payables consist of the following:
- Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.
  - Trade payables which 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 2015, short term employee benefits to key management personnel amounted to EUR292,077 (2014: EUR309,113).

**Other related party transactions**

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

	2015	2014
	EUR	EUR
Government Subvention – ISS	438,132	441,624
Payments to Government of Malta	5,634,215	5,027,660

*Related party balances*

Outstanding balances with related parties at 31 December 2015 are disclosed in notes 11 and 13 on amount due from/to Government.

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

	2015	2014
	EUR	EUR
Cash at bank and in hand	1,590,926	1,693,507
Short-term deposits	809,971	851,130
	<b>2,400,897</b>	<b>2,544,637</b>

**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.

The Authority also has a pending arbitration case filed by a third party, relating to a traffic accident involving a vehicle driven by an MCA employee and used of for MCA work. If the claim is decided against the defendant, then MCA may be required to pay the awarded damages which, under the claim, are in an amount of EUR2,323 together with legal interest as from 20 August 2015 and expenses. Outcome of such claim is still unknown.

**17. FINANCIAL INSTRUMENTS**

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

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

**Timing of cash flows**

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

**Credit risk**

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

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.

**Fair values**

At 31 December 2015 and 31 December 2014 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the short term nature of these balances.

**Capital management**

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





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