

ANNUAL REPORT

2019



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FOREWORD

Within a year of being appointed Chief Executive Officer for the Malta Communications Authority (MCA), the Authority found itself, like many other organisations, suddenly shifting to working in a virtual environment and rethinking the way it operates to address the new realities brought about by the COVID-19 pandemic. During this time, keeping communications going within the Authority and across Malta was even more important.

The sectors we regulate have been crucial in supporting citizens, businesses and the community at large, providing a lifeline for society to continue to function. Faced with this unprecedented reality, communications networks performed well, which partly reflects the steps that MCA, Government, and industry took over the past years. As Malta's national regulatory authority, the MCA closely monitored the situation and regularly collected and analysed data from the electronic communications service providers and other market players, to ensure that Malta remained connected. By working in close cooperation with all involved, disruption to communications services was kept to a minimum. The most recent European Commission's Digital Economy and Society Index (DESI) published in 2020, acknowledged Malta's continued progress with the country moving with the top 5 best performing countries in the EU. DESI highlighted how Malta performs extremely well on broadband connectivity, internet use and the integration of digital technology by businesses. These are three of the five policy areas which MCA's work contributes towards the results achieved. DESI results demonstrate that Malta has a mature communications industry, reliable networks and enhanced connectivity. With technological advancement transforming our immediate and long-term future, the importance of robust communications infrastructures, is more obvious than ever before.

Regulation is key to ensure that Malta's communications sectors continue to improve and be more competitive. The Authority's regulatory oversight ensures long-term certainty, and this plays a critical role in facilitating and incentivising sustained investments in communications.

In 2019, the Authority underwent a period of transition which was instigated by the Government's delivery of its digital strategy and programme. The Information Society arm which was aimed at promoting a digital inclusive society, was shifted to a newly set-up foundation. The new foundation was tasked to fulfil the Government's vision to create a hub for all promotional projects related to technology.

With the redistribution of certain functions, the MCA's regulatory responsibilities increased, as the Authority was designated as the competent body in relation to various new EU obligations. One such new obligation, which is now under the remit of the MCA, is the European Web Accessibility Directive (WAD). Web accessibility is an inclusive approach to website and app design which ensures ease-of-interaction, thus allowing access to those with physical, situational, or mental disabilities. This Directive, supports the European Commission's vision to further develop an inclusive society which aims to enable citizens to take a full and active role in the digital single market.

The Authority's international agenda remained very busy during 2019. During the same year, the MCA continued to show a strong commitment to the common cause of the Body of European Regulators for Electronic Communications (BEREC) and contributed to all areas through its active participation in the expert working groups.

In December 2019, the MCA had the opportunity to host the 41st BEREC Plenary Meeting in Malta. The event was attended by over 150 delegates, including the Heads and/or high-level representatives of national regulatory authorities from EU member states and other European countries. During the same month the Authority also coordinated the European Commission's monitoring mission in Malta which assesses the developments taking place in the local electronic communications sector and how the relevant EU rules are being applied. Malta has consistently received a clean bill of health, which acknowledges the regulatory work done by the Authority over the years.

Connectivity underpins the socio-economic development of every nation. All industries, from health to energy, transport to tourism across public and private sectors, require reliable and cost-effective connectivity to succeed. In the case of Malta, where most of our industries and services depend on the interaction with the wider European and international markets, this is even more so. Studies conducted by the Malta Communications Authority in recent times have highlighted the importance of further enhancing Malta's connectivity to mainland Europe and the rest of the world. The Authority actively promoted this fact, and during 2019 we were pleased to note that one of Malta's main telecoms operators announced a multi-million-euro investment in a new submarine cable, connecting Malta to Marseilles and Egypt. This

is a welcome investment, which once completed, will provide Malta with better international resiliency and connectivity.

Continued investment finally yields in improvements and more choices to the services being offered to the consumer. In 2019, a substantial amount of the MCA's work was focused on ensuring that consumers benefitted from better services, placing focus especially on the fixed and mobile broadband, and other digital services. As in previous years, the MCA continued to actively safeguard consumer interests through compliance monitoring and through information campaigns to grow awareness around consumer's rights and obligations.

In the year under review, the Authority organised the 'MCA Consumer Seminar', a first of its kind, with speakers hailing from various EU and local organisations. The results of an independent 'Quality of Experience' survey, were used as a basis for an insightful discussion with stakeholders on how to meet consumer requirements now and in the near future.

Consumer demands of the services given by the postal providers have been changing rapidly, both in Malta and overseas. Apart from continuous monitoring on aspects such as the quality of service given by the universal provider, during 2019, the MCA carried out an extensive review of the postal markets.

Globally postal universal services providers face big challenges. Diminishing numbers in traditional mail delivery is a reality, and in Malta this is partly balanced by growth in the inbound eCommerce based segment.

In postal regulation, the MCA gave input to several formative discussions particularly through its participation in the European Regulators Group for Postal Services, and the Universal Postal Union (UPU). It led preparations and participated as part of the Maltese delegation in the UPU Extraordinary Congress held in September. This was a very important congress which led to an international agreement on the postal remuneration system and averted the risk of having the US, one of the largest UPU members, leave the Union. This would have led to great uncertainties in the international postal markets with negative repercussions cascading down to domestic markets.

MR JESMOND BUGEJA
MCA ACTING CHAIRMAN & CEO



FOREWORD

Exciting times are ahead of us, and as the telecoms sector begins the journey towards 'intelligent connectivity', we as an Authority, have to ensure that the right regulation is in place in this regard, for the benefit of society.

Back in 2017, when the European Commission published the 5G Action Plan, the MCA began preparing a five-year work plan with the aim of facilitating the deployment of 5G networks in Malta, whilst upholding the principles of technology and service neutrality.

Malta's telecommunications infrastructure is ready for the market to develop. Three providers offer 4.5G services nation-wide, with one of them having already invested in 5G-ready infrastructure. Malta will most likely see extensive roll-outs of 5G during 2021.

During 2019, the MCA continued to facilitate access to the necessary key resources required by operators for the development of potential business cases, whilst ensuring compliance with relevant obligations and the prevailing standards and regulations. When issuing licences on the spectrum for 5G use, the MCA applies specific safeguards to ensure resiliency and security.

The adoption of the European Electronic Communications Code (EECC) Directive remains a key priority for the Authority. The EECC updates the regulatory framework, dating from 2009, to reflect evolving technologies and developments in the way people communicate. It aims at introducing a new renewed focus to communication markets, taking into account new over-the-top services (such as WhatsApp, Skype, etc.) to increase regulatory stability, promote investment in very high capacity networks and enhance consumer protection.

In this regard, the MCA delivered a set of proposals to Government for the transposition of the Code into Maltese laws, and is actively participating in the relevant international regulatory fora in the formulation of Guidelines and the issuance of technical opinions to the European Commission in preparation for EECC adoption.

Now as I look forward, and we move further into 2020, the path ahead is certainly not without challenges. It is undoubtedly a momentous time to be a communications regulator. The COVID-19 pandemic has

highlighted the critical role that communication technologies have for economic and social survival. They have enabled business continuity for continued employment, healthcare, education and for a host of vital social and support services. In the past months we have seen an accelerated digital transformation in a way we could never have anticipated. We need to continue to build on this momentum, since economic and social recovery post-pandemic will continue to rely more than ever before, on modern high-quality communications infrastructure and services. And for this to materialise, we need to continue sustaining a robust regulatory environment that is conducive to competition, and that drives investment and innovation in new technologies.

The regulatory landscape will continue to evolve. A review of the roaming regulations, eCommerce rules, and the Postal Services directive are amongst a few of the initiatives coming our way. In this respect, the new Von der Leyen Commission announced a very ambitious programme that amongst other measures, aims to tackle online platforms that have remained largely unregulated up to now – the announced Digital Services Act is earmarked to be a cornerstone for regulating digital services in the EU. The initiatives are numerous, wide-ranging and complex and we need to remain agile and continue to develop our capacity to contribute to the design and implementation of future-proof regulation that is fit for purpose.

We look at the future with optimism and remain determined to continue to deliver our mission contributing to build a digital society that truly benefits citizens.

MR JESMOND BUGEJA
MCA Acting Chairman & CEO

OUR MEMBERS

MCA BOARD

(APPOINTED ON 1 OCTOBER 2019)¹

MR JESMOND BUGEJA - **ACTING CHAIRMAN**

MR KEVIN ABELA

MS GRAZIELLA FARRUGIA

MR MARIO FAVA

MR MARK MUSÙ

DR ALEXANDRA MIZZI

MS ISABELLA VELLA

MANAGEMENT COMMITTEE

MR JESMOND BUGEJA – **CHIEF EXECUTIVE OFFICER**

MR IAN AGIUS – **CHIEF OF OPERATIONS**

MR STEVE AGIUS – **CHIEF OF INFORMATION MANAGEMENT AND DEVELOPMENT** (UNTIL OCTOBER 2019)

DR PAUL E. MICALLEF – **CHIEF OF LEGAL**

MR ROBERT MIFSUD – **CHIEF OF EXTERNAL RELATIONS**

ING ANTOINE C. SCIBERRAS – **CHIEF OF SPECTRUM MANAGEMENT & TECHNOLOGY**

MR PATRICK VELLA – **CHIEF OF POLICY & PLANNING**

MR JASON GALEA – **SENIOR MANAGER, FINANCE**

MS NEVISE BORG CALIGARI – **MANAGER, HUMAN RESOURCES & ADMINISTRATION**

MR JOSEPH SEYCHELL – **MANAGER, ICT & TECHNOLOGY**

¹ Up to 30 April 2019, the MCA Board was composed of Dr E. Woods (Chairman), Mr G. Vella, Ms S. Kennard, Dr. A. Mizzi, Mr S. Saliba, Mr N. Vella



to provide and safeguard a communications environment that is conducive to
innovation, investment, economic growth and social well-being



MARKET OVERVIEW

MARKET DEVELOPMENTS IN ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES

The key trends shaping the communication sectors in 2019 reaffirm the direction of developments observed in recent years. On a general level, subscriber numbers were up across the board, with operators benefiting from upbeat macro trends and a growing population based on migration inflows. In this environment, telecom operators doubled down on their customer upsell efforts and succeeded in boosting growth in the average revenue per user in most segments.

In the mobile segment, service providers strengthened their role as a gateway to voice telephony and data services, as more users subscribed to the mobile telephony service on the basis of plans incorporating voice and data allowances. This helped increase consumption of mobile voice and data services, as demonstrated by data submissions of the three mobile service providers operating in Malta. With a bigger proportion of subscribers paying a monthly access fee for the service, ARPU registered a 2.5% rise year-on-year.

Continued growth in demand for fixed broadband and Pay-TV characterised trends in the fixed segment. GO and Melita capitalised on their ability to offer fixed broadband as the anchor product in dual-play and triple-play bundles, in order to upsell their fixed services to customers and to reduce churn. Vodafone Malta did however manage to register a slightly stronger presence in the fixed segment in the latter half of the year, following the launch of fixed broadband plans based on regulated VULA access supplied by GO. ARPU for fixed services in a bundle setting increased year-on-year, due to customers paying a higher premium when subscribing to bundles featuring broadband with fast and ultra-fast speeds.

Consumers are increasingly utilising online means for communicating and doing business, thus leaving the postal segment grappling with the dwindling traditional business of mail delivery. The downward pressure on mail volumes last year was particularly significant in the standard letter mail segment, with volume declines in this segment partly offset by volume growth in the inbound eCommerce-based segment.

A GLIMPSE ON BUNDLES

The number of end-users signed to a bundle subscription increased significantly over the last few years, reaching around 200,000 by the end of 2019. The fixed broadband service stood out as the most bundled telecom product last year, with almost 92% of subscribers buying the service alongside fixed telephony and Pay-TV. Marketing campaigns and website adverts indicate that fixed broadband is the anchor product in dual and triple-play offerings, with end-users enticed to tailor their bundle product line-up, alongside a pre-determined set of broadband plans featuring different download speeds.

Evidently, bundles offer several opportunities, to established service providers particularly to upsell high speed broadband and to reduce consumer churn. Additionally, local service providers include fixed telephony with all bundle plans, thus safeguarding against end-users cutting the cord of their landline. Almost 80% of fixed telephony subscriptions and 76% of Pay-TV subscriptions at the end of 2019 were purchased in a bundle.

Also of note is that, whilst triple-play penetration increased steadily through 2019, quad-play penetration was unchanged. This is because both end-users and service providers have their own reasons not to tie the individual-based mobile service with household-based fixed services. Several end-users within the same household make discrete purchasing decisions about their mobile service and may exhibit significantly different consumption patterns for the service. Additionally, service providers are still binding mobile telephony end-users with a separate contract, even when these register the service in a bundle subscription with the same provider.

FIXED LINE TELEPHONY

The fixed telephony service remains prevalent across almost all households in Malta and in most business units. Nevertheless, the rise in take-up of the service observed in 2019 and in previous years coincided with a drop in traffic volumes. These trends are largely explained by the approach adopted by local service providers, whereby they add the service to any bundle plan that is currently available, without necessarily being requested or required by the end-user. Indicatively, 75% of fixed telephony subscriptions at the end of 2019 were in a bundle setting, almost five percentage points higher than twelve months earlier. On the pricing front, outcomes in 2019 were largely similar compared to the previous year.

SUBSCRIPTIONS

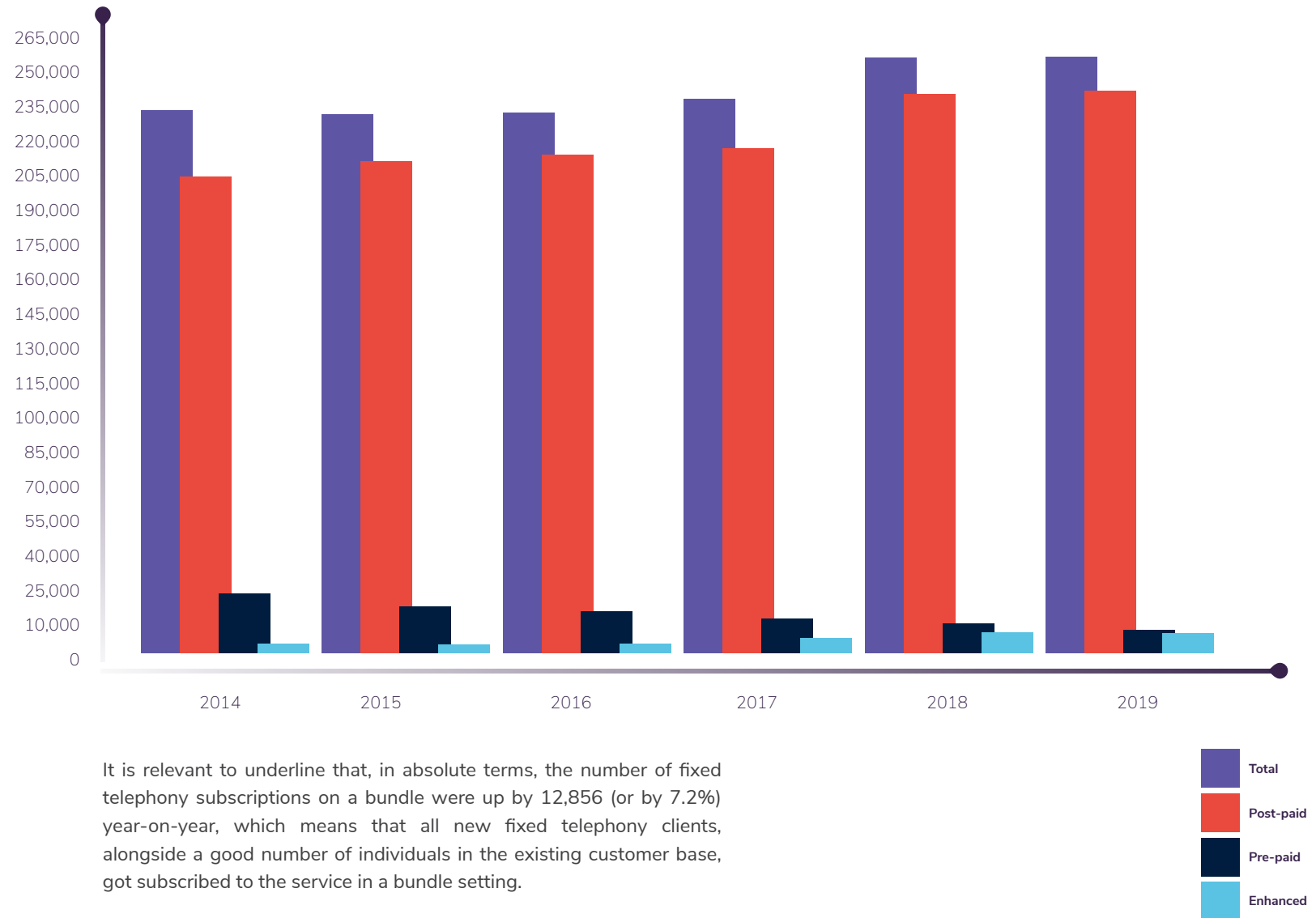
The prevalence of bundle offers and the ensuing rise in take-up led to a 0.5% increase in fixed telephony subscriptions year-on-year, equivalent to an increase of 1,401 subscriptions over the 12-month period till the end of 2019. This period saw a decline of 3,216 pre-paid subscriptions whilst the number of post-paid (or contract-based) subscriptions was up by 4,818 (or by almost 2%)².

². This figure includes 'enhanced' subscriptions which encompasses subscribers on packages offering multiple (dual or more) channel connections. These are effectively post-paid subscriptions but earmarked to business users.



MARKET OVERVIEW

FIXED TELEPHONY SUBSCRIPTIONS AT END OF PERIOD



FIXED TELEPHONY SUBSCRIPTIONS IN A BUNDLE

	2017	2018	2019
Fixed telephony subscriptions in a bundle	163,576	179,669	192,525
Dual play	66,932	65,357	65,251
Fixed telephony (FT) + Mobile telephony (MT)	6,092	5,090	4,232
FT + Fixed broadband (FBB)	55,793	55,306	55,691
FT + Pay-TV (TV)	5,047	4,961	5,328
Triple play	46,859	61,148	76,387
FT + MT + FBB	24	3	5,137
FT + FBB + TV	46,835	61,145	71,250
Quad Play	49,785	53,164	53,887
FT + MT + FBB + TV	49,785	53,164	53,887
Number of fixed line subscriptions (end of period)	240,280	255,437	256,838
As a percentage of fixed line subscriptions	68.08%	70.33%	74.96%

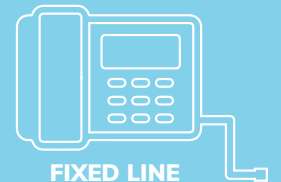
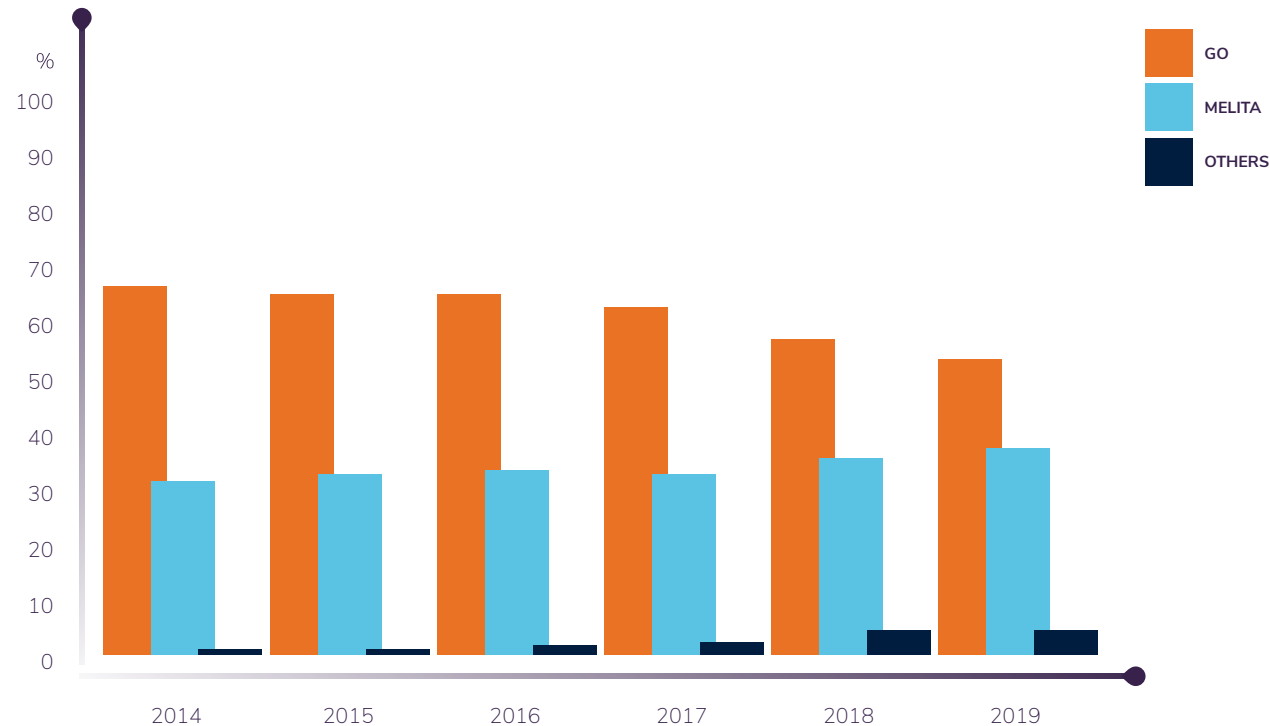


MARKET OVERVIEW

MARKET SHARES IN TERMS OF SUBSCRIPTIONS

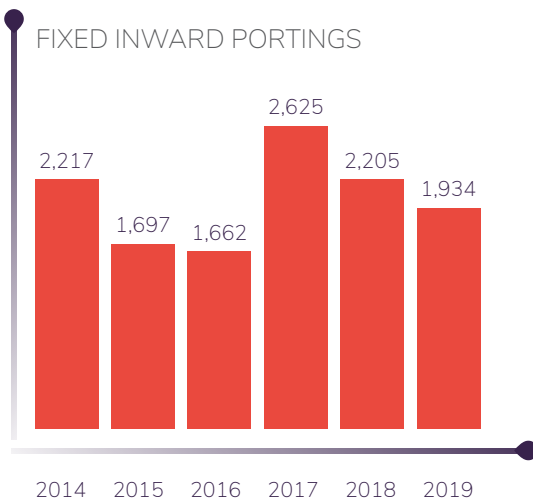
The provision of the fixed telephony service in Malta is largely made by GO and Melita, and to a lesser extent by Vodafone Malta. GO and Melita offer the service via their respective fixed access network infrastructures, whilst Vodafone Malta uses the fixed wireless platform to provide the service, whilst it also started to offer the service via regulated access to GO's infrastructure in the latter half of 2019. Other smaller operators, namely Ozone Malta and Vanilla Telecoms were, in 2019, offering fixed telephony services, via their respective wireless network infrastructures. The service offerings of the latter service providers was on a very limited scale, subject to technical restrictions and limited network reach.

GO's market position retracted by three percentage points year-on-year, with the market share of this service provider falling to 54.0% by the end of 2019. During the same period, Melita's market share gained almost three percentage points, whilst the market position of other smaller service providers was largely unchanged.



FIXED LINE PORTABILITY

The portability of fixed telephony numbers is effectively a seamless process, as indicated by regular surveys carried out by the MCA, so it is assumed that an end-user switching the fixed telephony provider would likely port the respective number. However, bundling helps service providers reduce churn. In fact, as the number of fixed telephony subscriptions has gone up in recent years reflecting bundling trends, the number of fixed line inward portings gradually fell. A total of 1,934 fixed line portings were recorded in 2019, down from 2,205 recorded in the previous year.



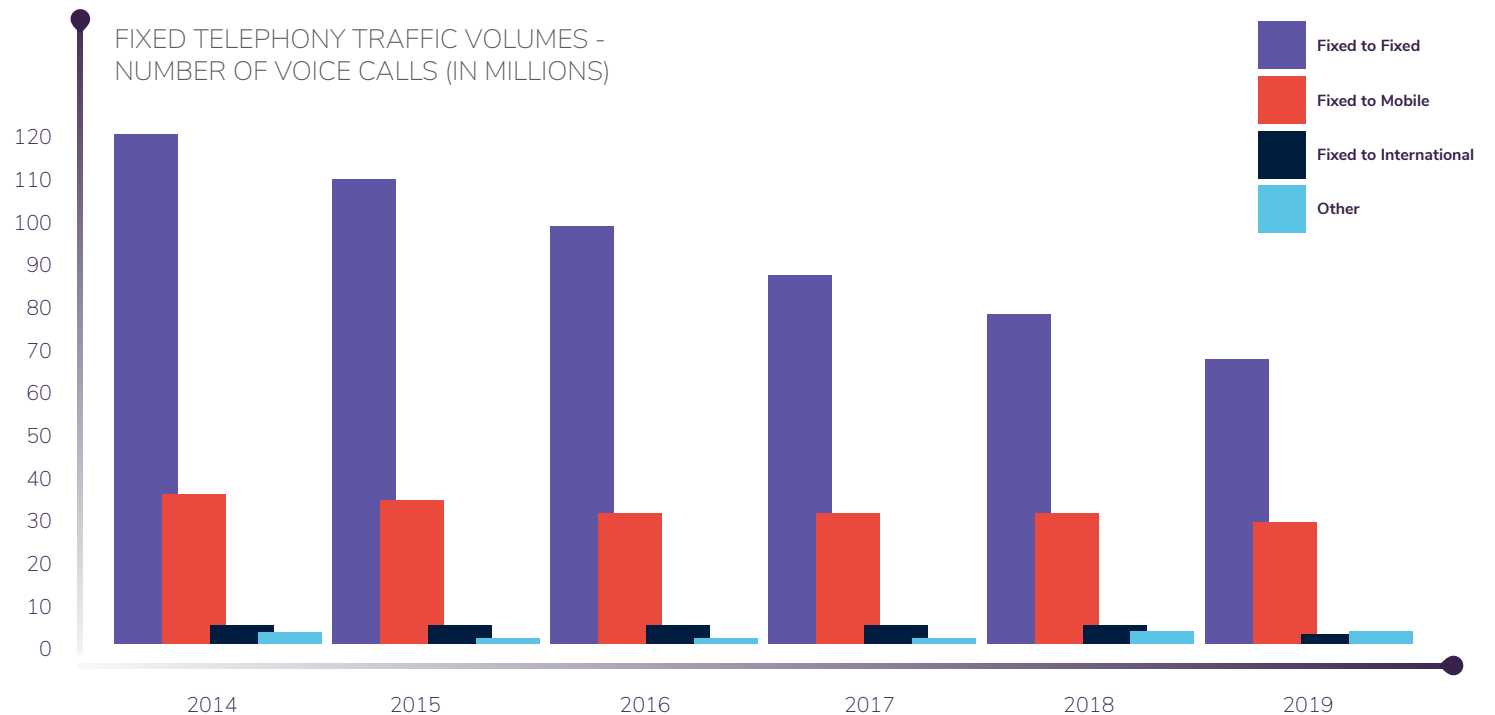
TRAFFIC VOLUMES

Figures for 2019 indicate falling voice traffic volumes for fixed telephony in contrast to rising voice call traffic volumes observed for mobile. These divergent trends most likely reflect changing consumption patterns and increased user mobility, and are not related to price, considering the relatively low rates for fixed calling and the allowances that are currently available with post-paid fixed telephony plans.

Most fixed telephony originating traffic is carried out between subscribers of the same service provider (i.e. on-net). In 2019, outgoing on-net traffic accounted for 44.0% of all voice calls and 53.1% of all voice minutes originating from local fixed networks.

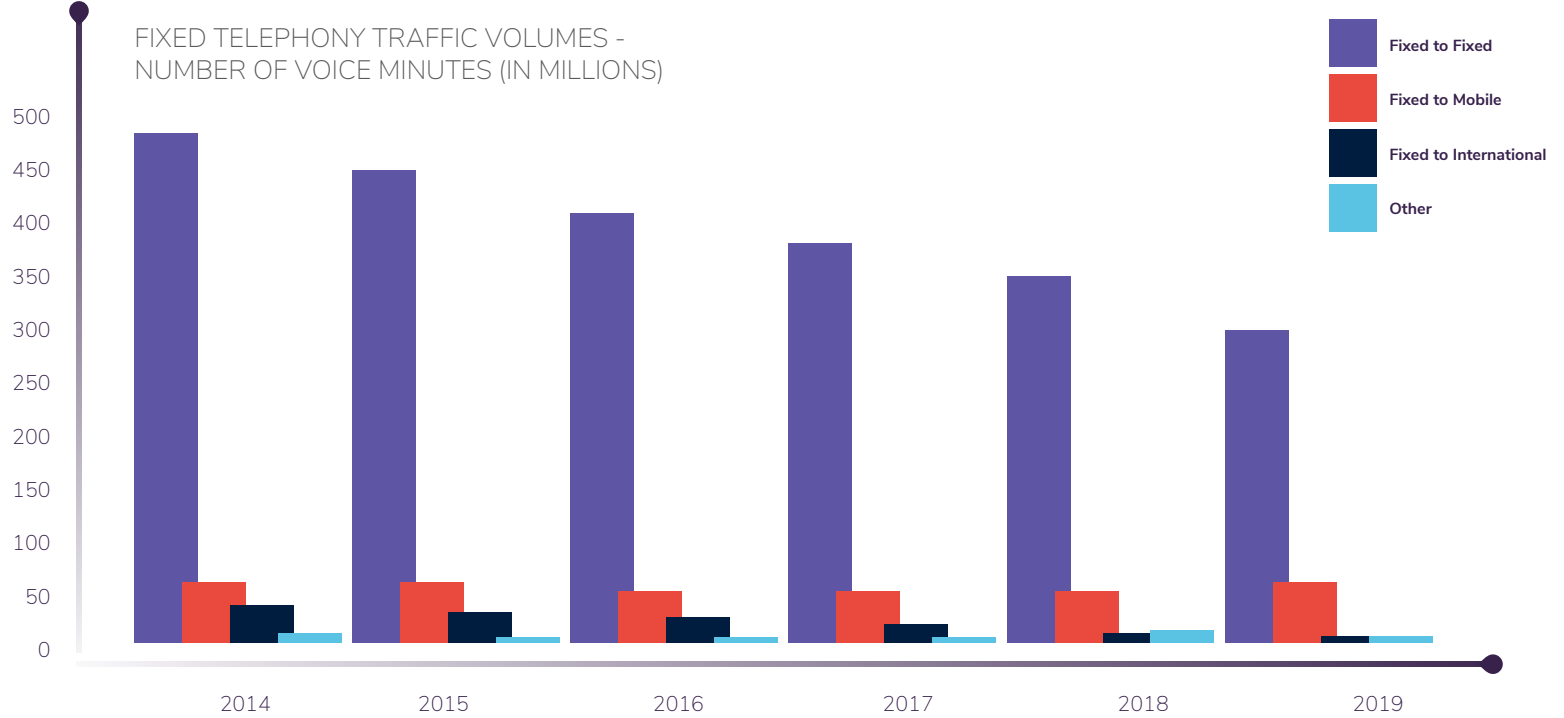
Year-on-year, the number of outgoing fixed telephony voice calls was down by almost 14.0 million (or by 11.6%). Developments in on-net traffic largely contributed to this overall decline, with voice call volumes in this segment falling by 8.8 million (or by 15.8%) and voice minute volumes falling by 37.9 million (or by 15.8%). Other voice activity segments were also down but not as prominently.

In terms of traffic volumes per active subscription, the average number of fixed voice calls per subscriber was down from 484 in 2018 to 415 in 2019. During the same period, the average number of fixed voice call minutes was also down, in this case from 1,754 to 1,483.

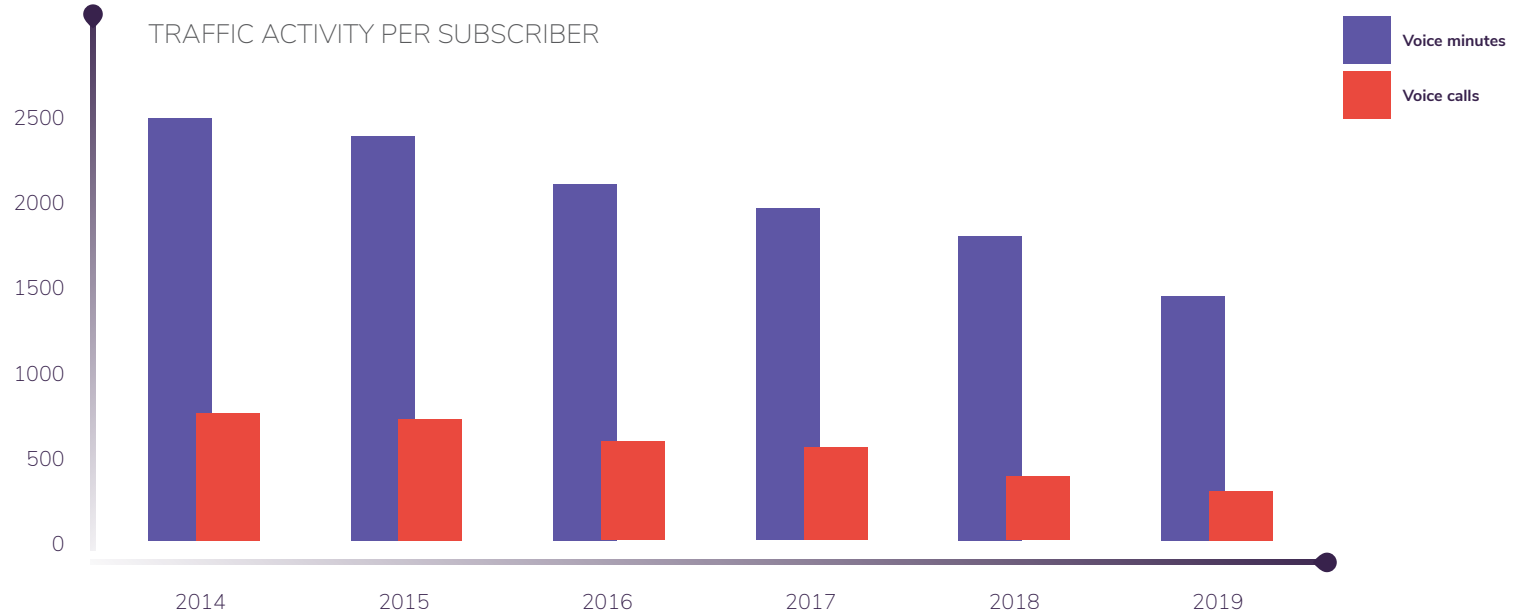


MARKET OVERVIEW

FIXED TELEPHONY TRAFFIC VOLUMES - NUMBER OF VOICE MINUTES (IN MILLIONS)



TRAFFIC ACTIVITY PER SUBSCRIBER

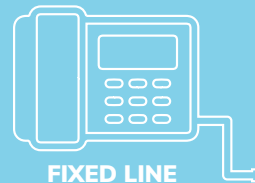
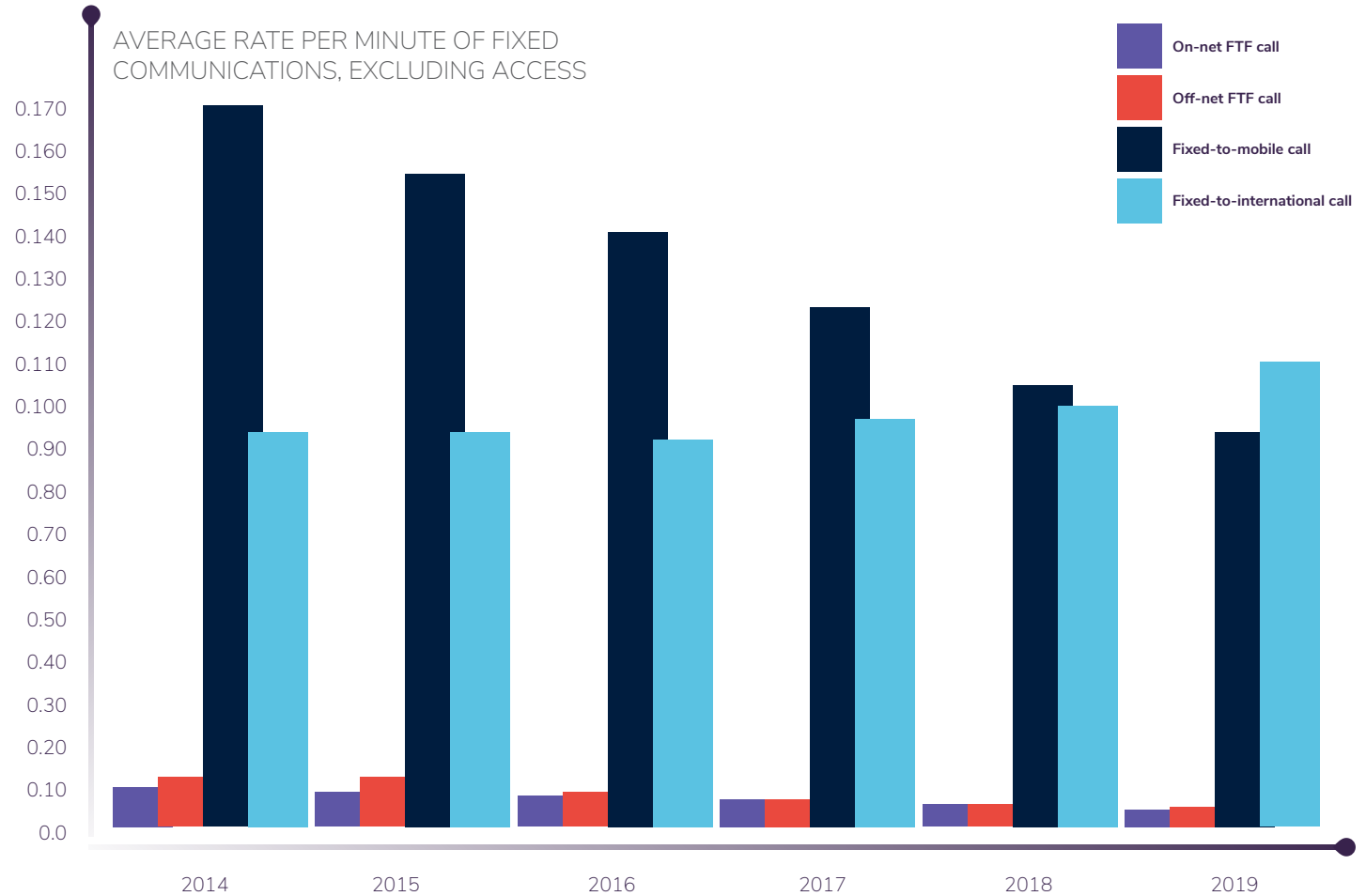


PRICE MOVEMENTS

The Authority monitors fixed line telephony tariff trends through a revenue-based calculation, which is used to derive the Average Revenue per Minute (ARPM)³ of fixed line communications. Based on this metric, the MCA finds that the ARPM for fixed telephony in 2019 was unchanged in relation to the rate prevailing in 2018, at €0.024.

The MCA is however working on developing further the pricing indicator for fixed telephony, taking into account access revenues, which are excluded from the fixed telephony price calculations presented in this publication. This would better reflect overall price developments. Provisional workings in this respect do however indicate that the ARPM for fixed telephony has actually gone up slightly between 2018 and 2019, given the noted increases in monthly access fees for fixed telephony in 2019, which explain such an outcome.

AVERAGE RATE PER MINUTE OF FIXED COMMUNICATIONS, EXCLUDING ACCESS



³ 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.

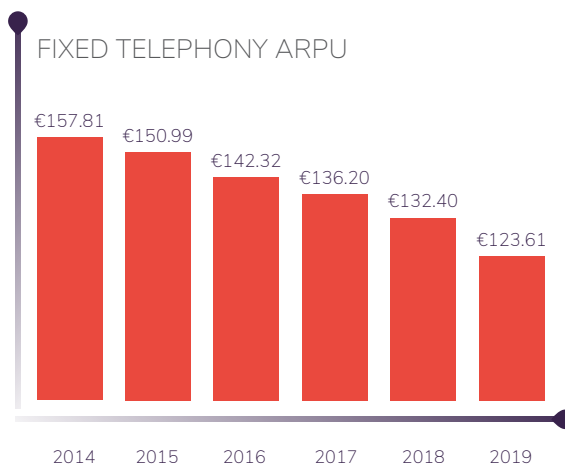
MARKET OVERVIEW

AVERAGE REVENUE PER FIXED USER (ARPU)

The 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.⁴ Revenue includes all revenues from access and voice calls (including revenues from freephone and premium calls, but excluding interconnection revenues).

The downward trend in ARPU for the fixed telephony sector persisted throughout 2019, with this indicator showing a year-on-year decline of 6.6% from €132.40 in 2018 to €123.61 in the year under review.



⁴The 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 telephony segment did well in 2019, with gains in take-up and usage over the previous year. Growth in the subscriber base was marked by the continued migration from pre-paid to post-paid plans, as more end-users are demanding mobile broadband and at the same time get lured by the heavy promotion of post-paid price plans with voice, SMS and data allowances given as loyalty rewards. The growing subscriber base alongside surging mobile data consumption put operators in a better position to monetize further on mobile data, and to maintain ARPU on an uptrend. On the pricing front, end-users were in a relatively better position in 2019 than in the previous year, particularly when considering the rising prevalence of mobile service allowances. Nonetheless, several pockets in the pricing space have been less prone to change to the benefit of the end-user, such as in the case of voice call and data usage rates once the respective allowances are fully consumed.

MOBILE SUBSCRIPTIONS

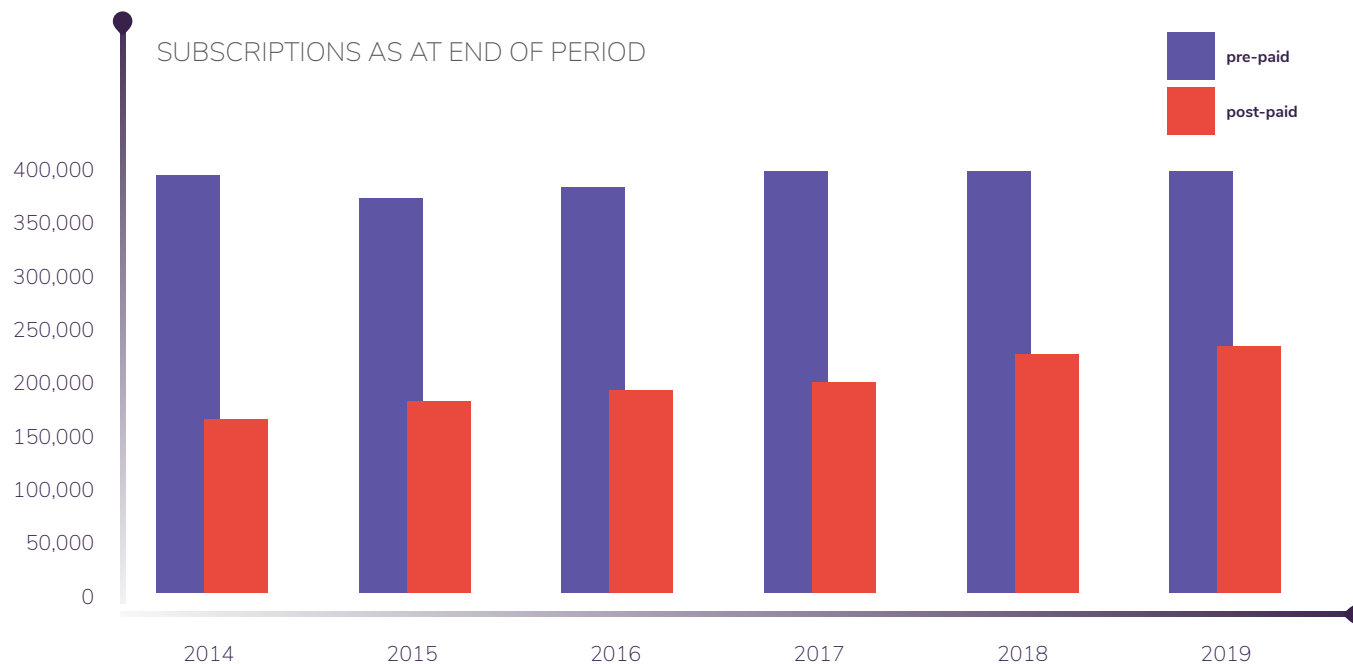
Mobile subscriptions have grown around 3% year-on-year and have reached 634,386 by the end of 2019. This change has been driven by population growth, mainly via strong inward labour migration and, of course, take-up of multiple subscriptions.



MOBILE

The post-paid segment was the biggest contributor to growth, with an increase of 17,314 subscriptions (or 7.7%) in the 12-month period to the end of 2019. The number of pre-paid subscriptions was up by 1,229 (or by 0.3%) during the same period. This is thanks in part to the attractiveness of pay monthly tariffs, which come packaged with allowances that tailor for different end-user requirements.

Notwithstanding the rise in subscriptions, few incorporate the mobile telephony service into a bundle offering featuring fixed services. In fact, just around 10% of all mobile subscriptions at the end of 2019 were purchased in bundle, with other electronic communications services. Evidently, there are aspects other than price discounts that still maintain the clearly distinct purchase decision(s) for the personalised mobile telephony service and the household bundle.



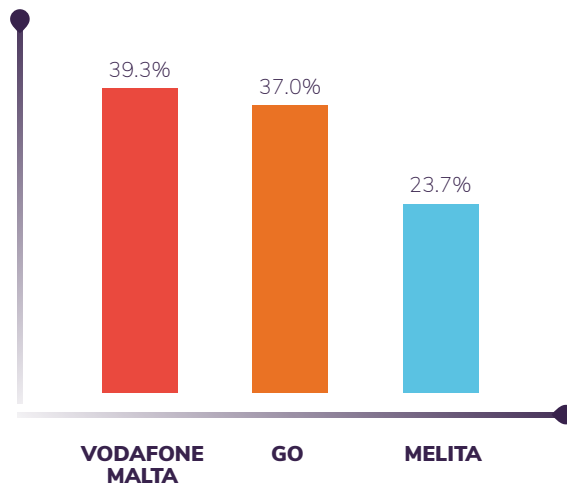
MOBILE TELEPHONY SUBSCRIPTIONS IN A BUNDLE

	2017	2018	2019
Mobile telephony subscriptions in a bundle	55,901	58,257	63,256
Dual play	6,092	5,090	4,232
Mobile telephony (MT) + Fixed telephony (FT)	6,092	5,090	4,232
Triple play	24	3	5,137
MT + FT + Fixed broadband (FBB)	24	3	5,137
Quad Play	49,785	53,164	53,887
MT + FT + MBB + Pay-TV (TV)	49,785	53,164	53,887
Number of mobile telephony subscriptions (as at end of period)	604,759	615,843	634,386
As a percentage of total mobile subscriptions	9.2%	9.4%	9.9%

MARKET OVERVIEW

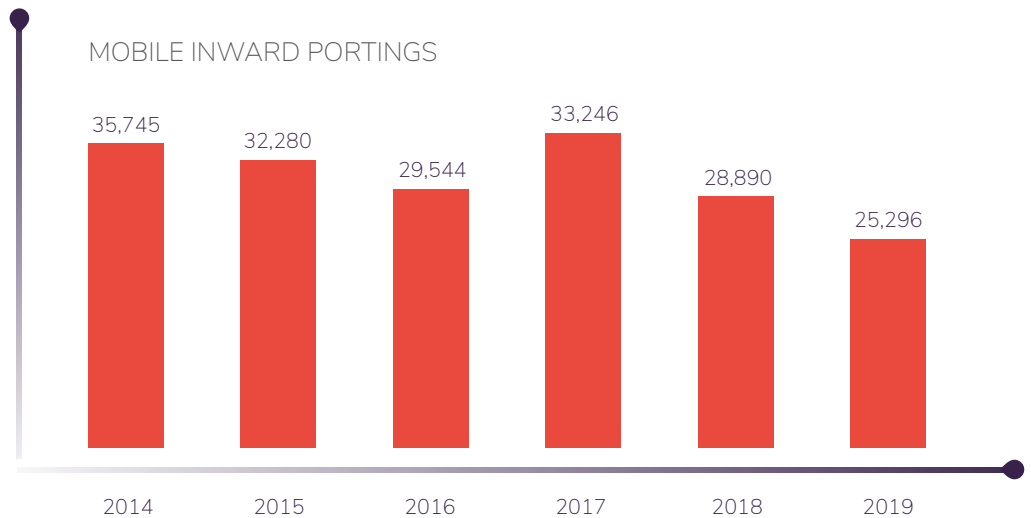
MARKET SHARE

Whilst Vodafone Malta still retained a leading position in the market by the end of 2019, its subscriptions were down by 6,500 year-on-year. This translated into a percentage point drop in the market share of this operator, to 39.3% at the end of the current reporting period. During the same period, market share gains of 0.3 and 0.7 percentage points were recorded by Melita and GO respectively. Reseller MVNOs further retracted in their already small shares. Effectively, Redtouchfone ceased operations and the market share of VFC mobile was negligible at the end of 2019.



MOBILE PORTABILITY

The portability of mobile telephony numbers is a seamless exercise, with local service providers typically completing a mobile number porting within the same day. This suggests that the decline in the number of mobile number portings observed for 2019, when compared with the previous year, is not a result of the process per se but rather as a result of more end-users opting for contractual agreements for their mobile subscription. Effectively, when signing for long-term agreements, end-users would be less inclined to switch service provider.



TRAFFIC ACTIVITY LEVELS

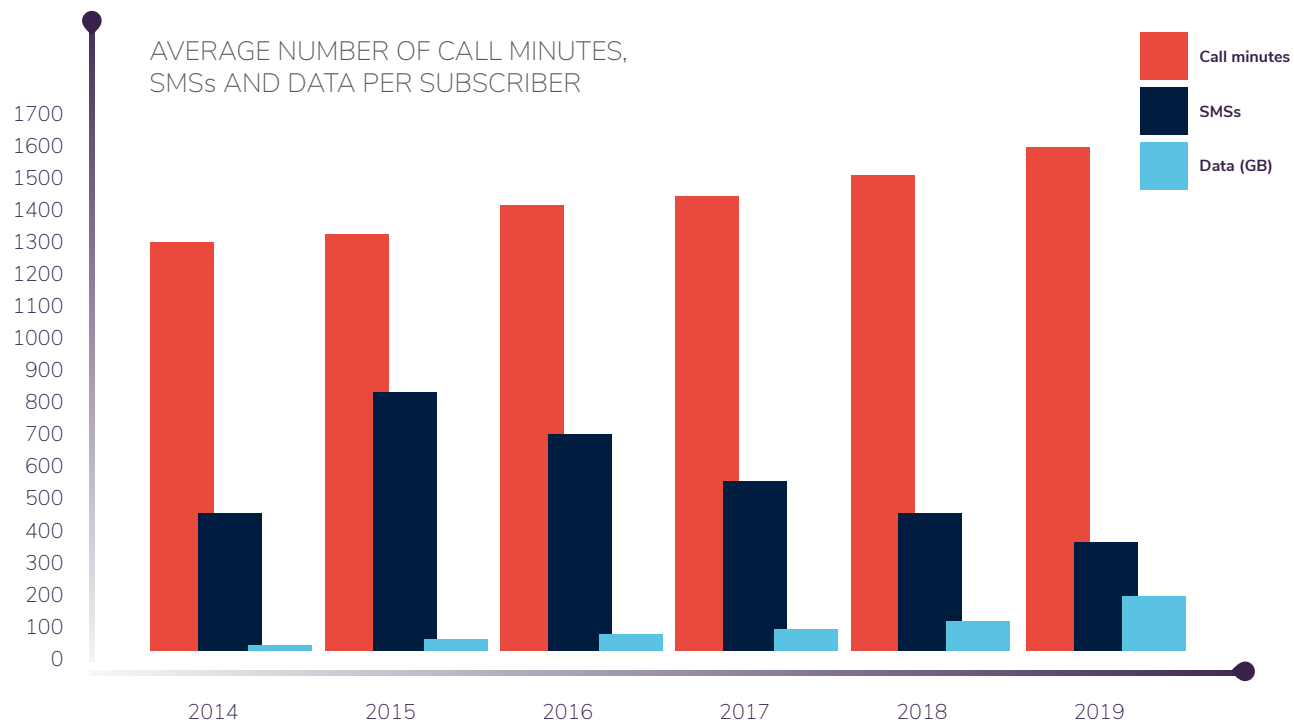
Mobile-driven activity for 2019 fits within the stable growth trend marking earlier years. Whilst the generated level of traffic volumes essentially reflects the reported increase in subscriptions, several other factors influence outcomes such as changing consumer preferences and consumption patterns. For example, the bigger prevalence of allowances contributes to a shift from messaging to voice calling and provides a boost to data usage. Societal changes also contribute to a bigger reliance on mobile data services, as more people warm up to carrying out more activities online via their mobile service. Effectively, around 60% of all mobile telephony subscriptions in 2019 made active use of mobile broadband services⁵.

⁵ A total of 375,393 active mobile subscriptions made use of mobile data at the end of June 2019. This is up by 48,687 (or up by almost 15%) year-on-year.

In 2019, mobile voice call minutes and mobile data traffic volumes, (but excluding roaming-based activity) were up by 9% and 127% respectively, whilst the number of SMSs was down by 15%. In absolute terms, the number of mobile voice call minutes was up by almost 81.0 million year-on-year and the number of SMSs down by 42.9 million. Data volumes were up from 50 million GB in 2018 to 113 million GB last year.

Interestingly, the figures also show a continuous increase in the average voice and data volumes per active subscription. In the case of voice call minutes, the average number was up from 1,528 in 2018 to 1,621 in 2019. For mobile data, the end-user on average consumed 81GB in 2018 soaring to 181GB last year⁶.

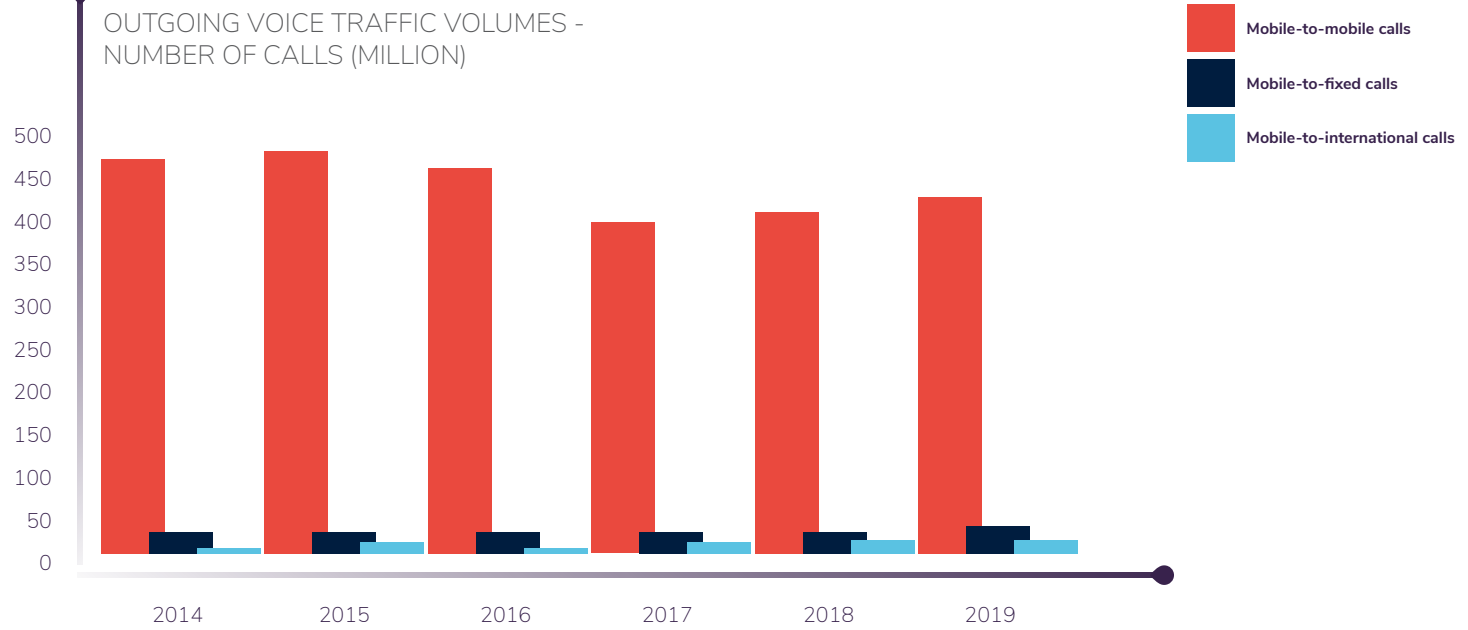
Simultaneously, the average number of SMSs per subscription was down to 376 in 2019 from 456 a year earlier. Although the use of OTT-based voice calling and messaging has not been measured, it is deemed that such use played a part in the observed decline in SMSs.



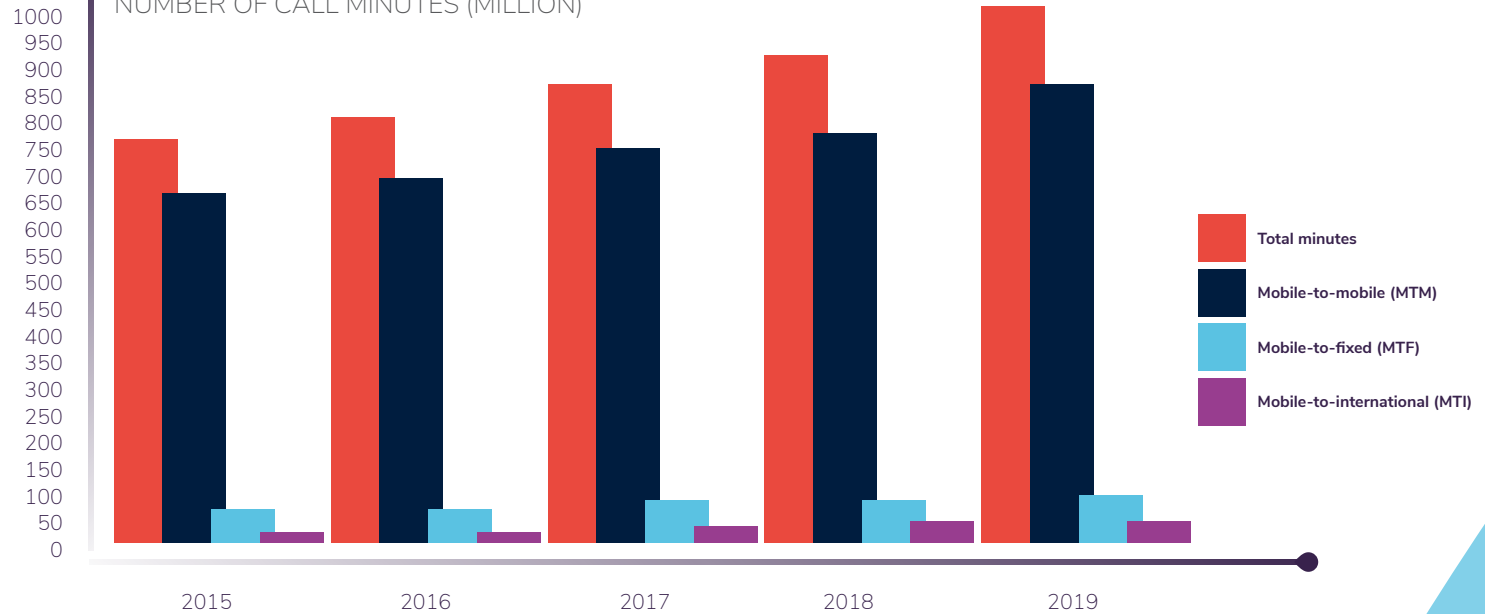
⁶This does not include consumption of data based on wi-fi usage via fixed broadband at home for example.

MARKET OVERVIEW

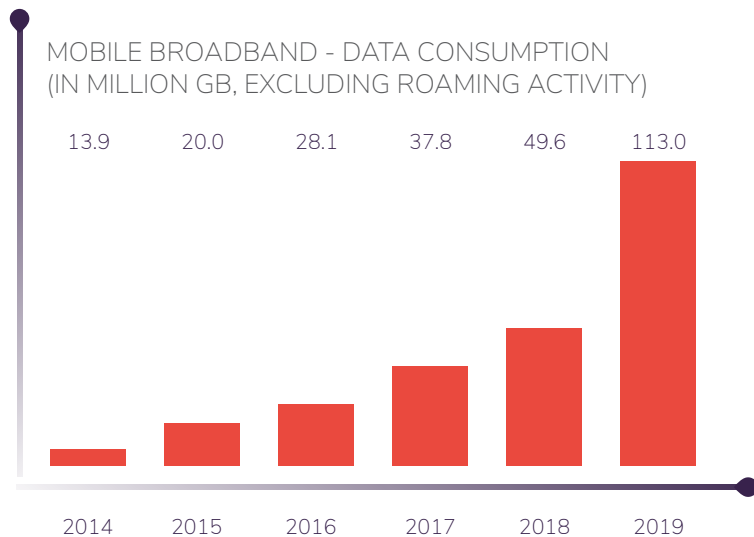
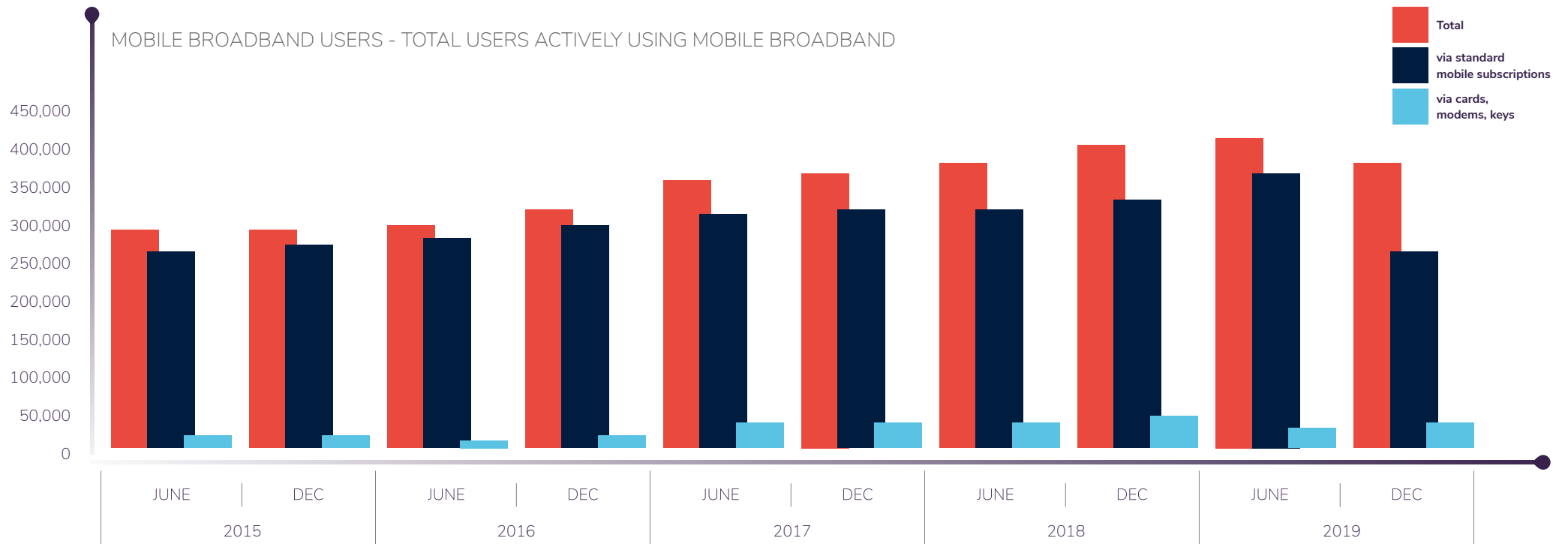
OUTGOING VOICE TRAFFIC VOLUMES - NUMBER OF CALLS (MILLION)



OUTGOING VOICE TRAFFIC VOLUMES - NUMBER OF CALL MINUTES (MILLION)



MOBILE



Mobile Broadband	As end 2019
Number of active usage of mobile BB	384,117
Standard mobile subscriptions	261,047
Dedicated data subscriptions for stand-alone services via cards / modems / keys only	27,873
Dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription	95,197

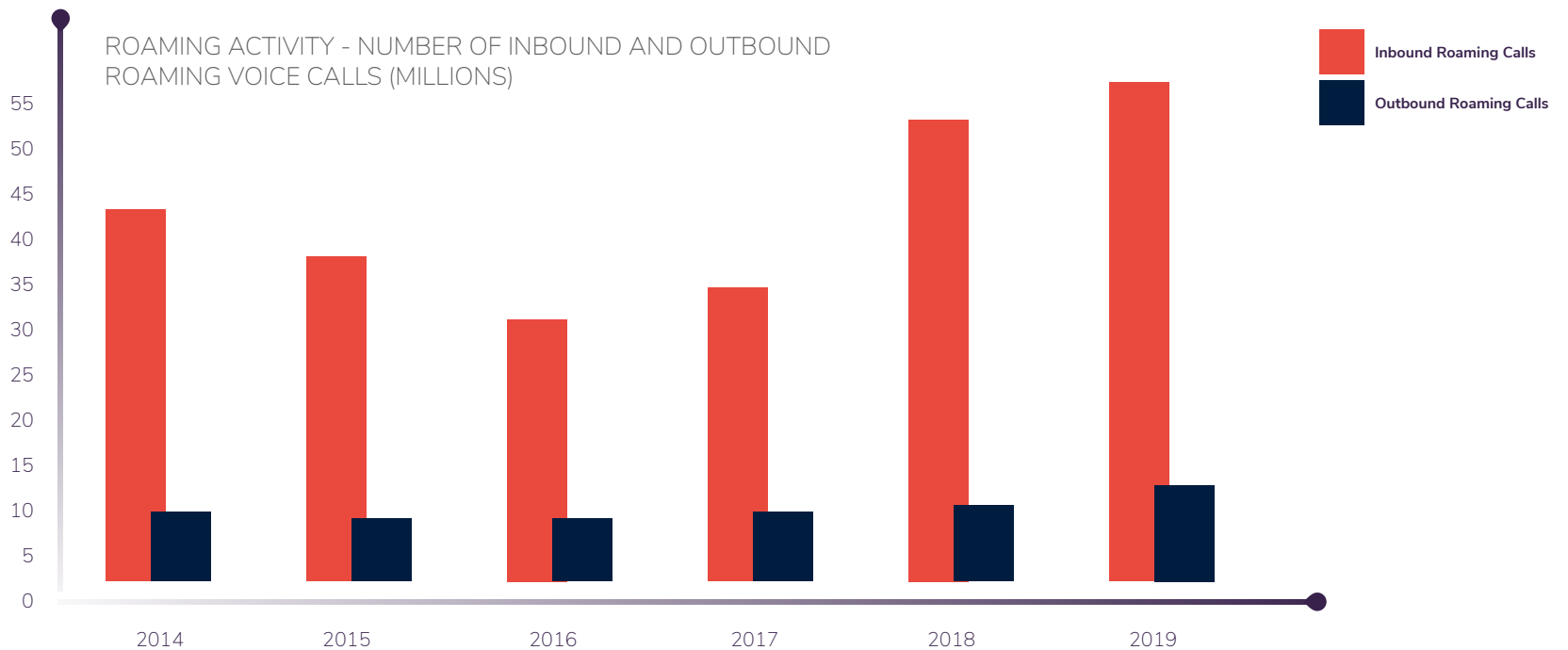
MARKET OVERVIEW

INTERNATIONAL ROAMING

Data sourced from local service providers shows a significant increase in international roaming traffic, in 2019, compared to the previous year. International roaming traffic encompasses, amongst other services, the use of voice, SMS and data by the end-user when travelling in a foreign jurisdiction. Mobile service providers effectively enter into international roaming agreements in order to allow the end-user to use the above-mentioned services by accessing another mobile network while still being billed by the provider of choice in the home country⁷. The main distinction in the data provided hereunder is between outbound and inbound roaming traffic volumes, whereby the former encompasses voice call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad and the latter encompasses call, SMS and data services operated on local mobile networks by foreign subscribers when roaming in Malta.

In 2019, the volume of inbound roaming calls as well as inbound roaming minutes was up by 6.2% and 4.2% respectively when compared to the previous year. In a similar vein, the volume of outbound roaming calls and outbound roaming minutes was up by 2.3% and 7.7% respectively.

These developments are mainly attributed to the surge in tourist traffic and the Roam Like at Home regulations which took effect in June 2017. From then on, roaming end users started paying for voice, SMS and data at the rates charged by the host service provider in their domestic country.



⁷Available data distinguishes between inbound and outbound roaming activity. Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta. Outbound roaming activity refers to call, SMS and data services made on foreign mobile networks by local subscribers when roaming abroad.

PRICE MOVEMENTS

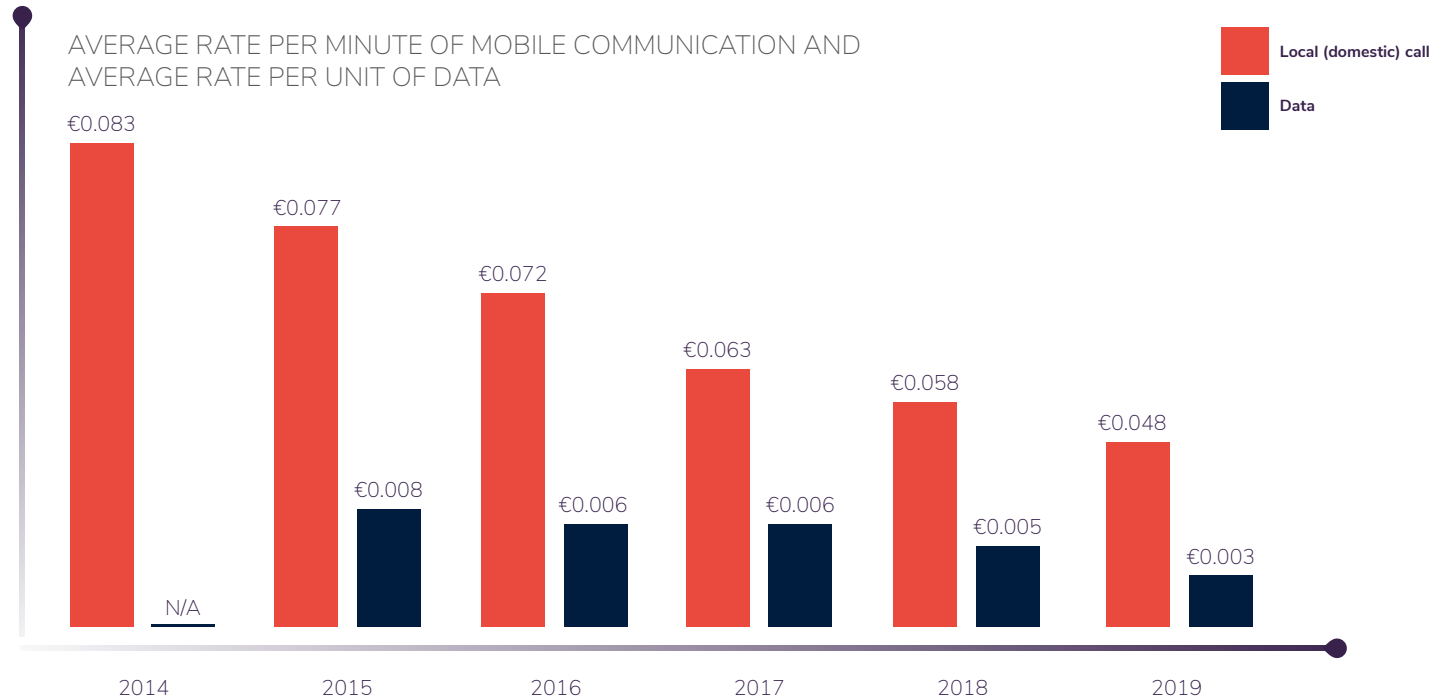
Mobile telephony call, SMS and data charges vary by communication provider and depend on a number of factors, such as the chosen plan by the end-user (pay monthly vs pay as you go) and type of activity (on-net vs off-net) amongst others. This makes it difficult to generate an exact rate for each unit of consumption. Hence, the relevance of the average rate per unit of consumption, based on the basis of dividing revenues reported by local service providers for a particular activity per unit of consumption (i.e. per voice call minute, per SMS and per Mb).

Taking into account access revenues and apportioning these revenues by the different services, shows that the average rate per minute of mobile communications (ARPM) in Malta was down to €0.048 in 2019, compared to €0.058 in 2018, whilst the ARPM for international calls was down to €0.063 from €0.101.

The average rate per Mb was also down, from €0.005 to €0.003. Again, these declines largely reflect improved minute and SMS allowances.

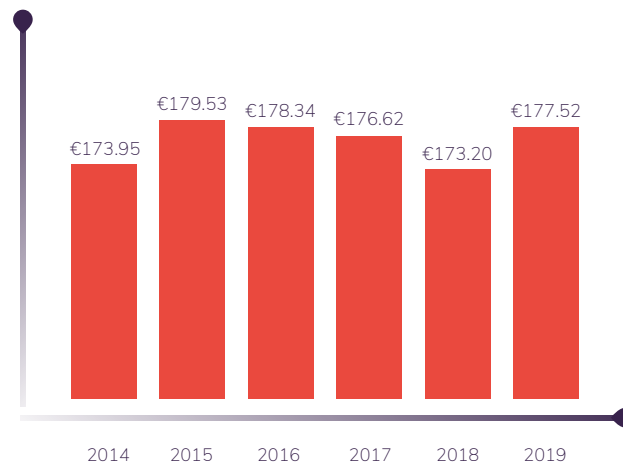
⁸Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions, for a given period. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period plus the 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, revenues from data services, revenues from outbound roaming activity but excluding revenues from inbound roaming activity.



AVERAGE REVENUE PER MOBILE USER (ARPU)

The ARPU⁸ for the mobile telephony sector increased from €173.20 in 2018 to €177.52 in 2019. New customer acquisition, a bigger propensity to purchase post-paid and healthy growth in data consumption were the biggest factors pushing up ARPU.



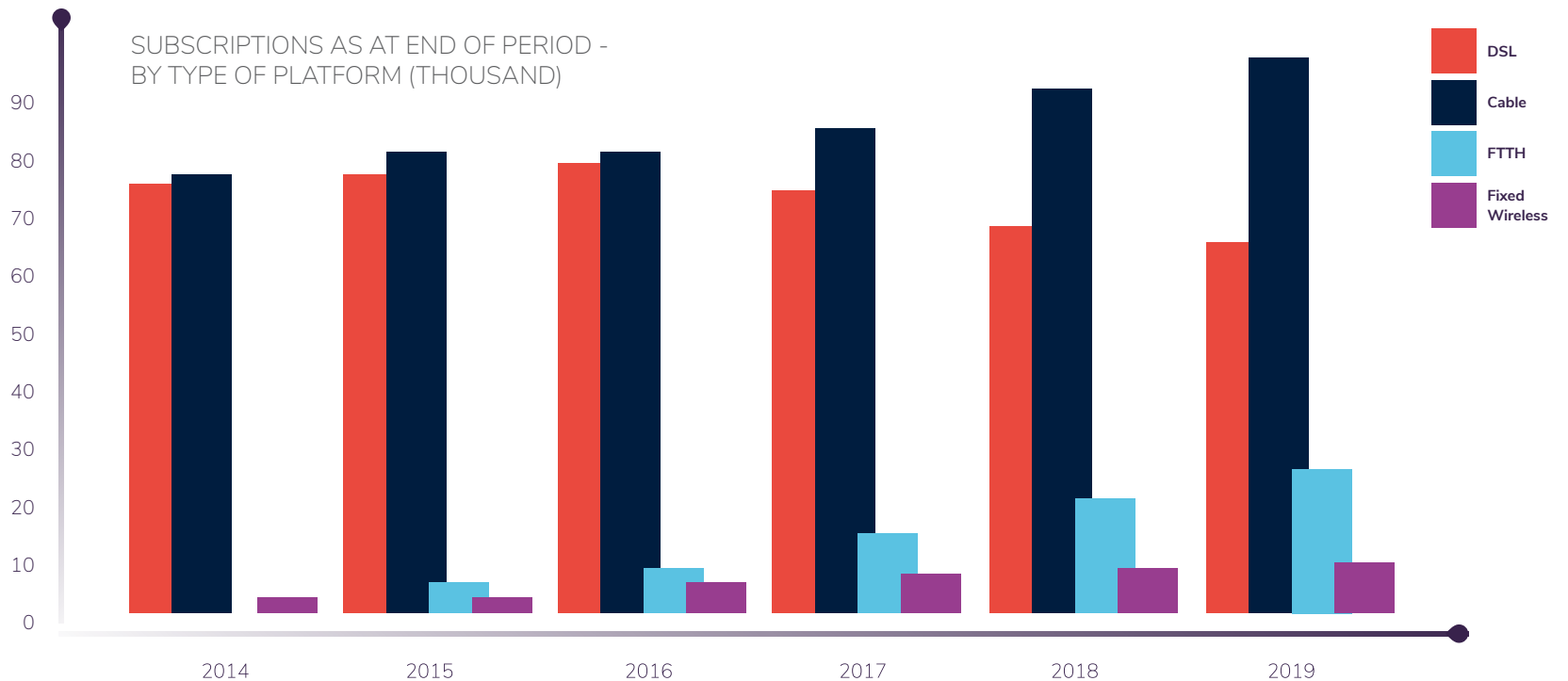
MARKET OVERVIEW

FIXED BROADBAND

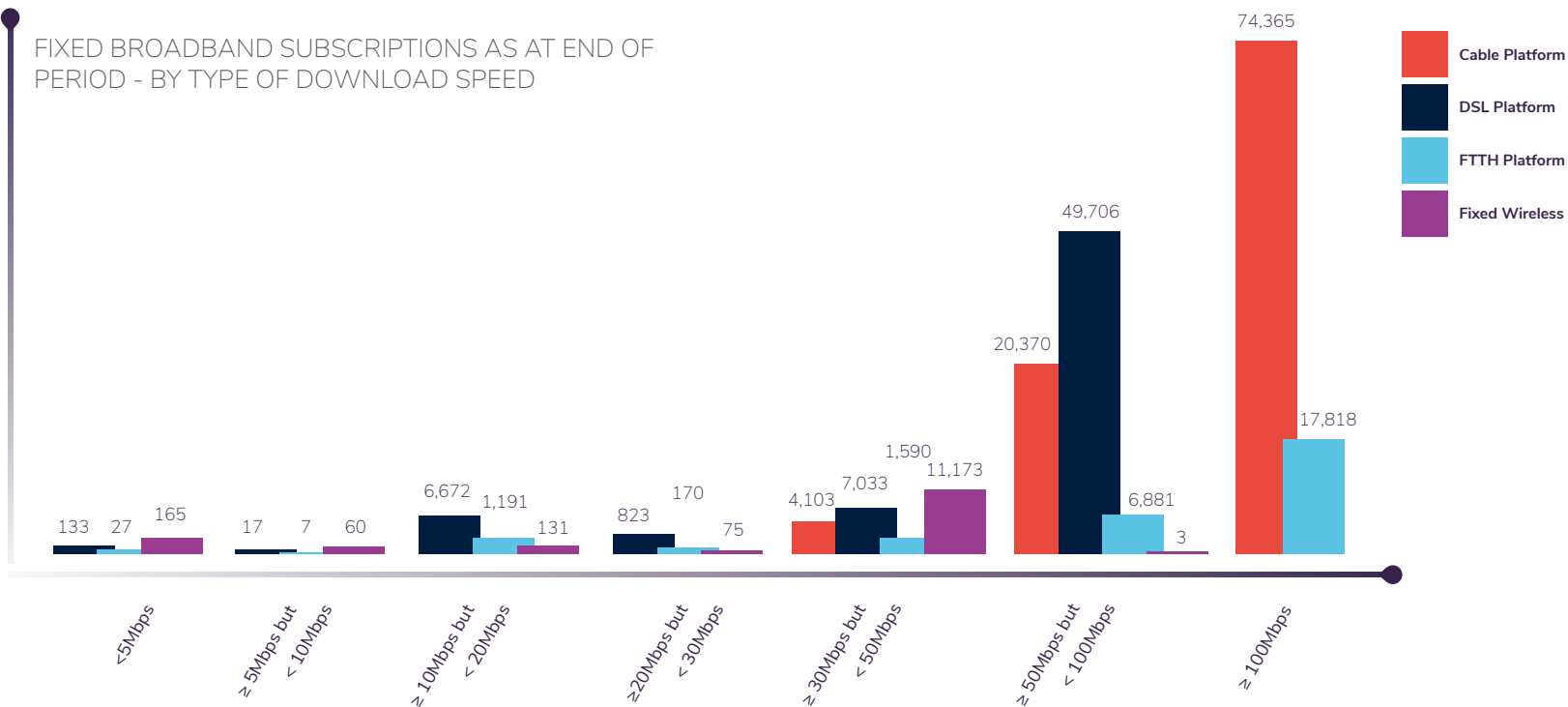
Service providers focus heavily on this segment, gauging opportunities to upsell an enhanced fixed broadband product line-up bundled alongside other electronic communications products. By the end of 2019, almost 92% of all fixed broadband subscriptions were purchased in a bundle, which is up by more than two percentage points year-on-year. This trend was backed by a great deal of promotional activity by the largest providers, alongside the adoption of similar strategies to entice take-up of fixed broadband in a bundle. Choice, when it comes to stand-alone fixed broadband, was sparse, while monthly access fees for bundle products were tailored in a way to disincentivise stand-alone purchases. The relevant plans on offer by the larger providers were quite similar, thus serving to avoid customer churn and to stem any potential customer losses. Given the prevalent take-up of ultra-fast fixed broadband in 2019, a strong uptick in ARPU was recorded when compared to the previous year.

FIXED BROADBAND SUBSCRIPTIONS

Fixed broadband subscriptions grew by 5.6% year-on-year, with the expansion in the subscriber base buoyed by a positive macro environment leading to migration inflows and the emergence of new businesses. The rising take-up of the service was characterised by more end-users subscribing to fast and ultra-fast fixed broadband in a bundle.



FIXED BROADBAND SUBSCRIPTIONS AS AT END OF PERIOD - BY TYPE OF DOWNLOAD SPEED



FIXED BROADBAND IN BUNDLES

	2017	2018	2019
Fixed broadband in bundles	152,437	169,618	185,965
Dual play	55,793	55,306	55,691
FT + FBB	55,793	55,306	55,691
Triple play	46,859	61,148	76,387
FT + MT + FBB	24	3	5,137
FT + FBB + TV	46,835	61,145	71,250
Quad Play	49,785	53,164	71,250
FT + MT + FBB + TV	49,785	53,164	71,250
Number FBB subscriptions on a bundle (end of period)	181,318	191,833	202,513
as a percentage of total FBB subscriptions	84.0%	88.4%	91.8%

The supply of fixed broadband services in Malta is met by a number of service providers over different technologies, namely Digital Subscriber Line (DSL), Fibre-to-the-Home (FTTH), cable DOCSIS 3.1 and fixed wireless.

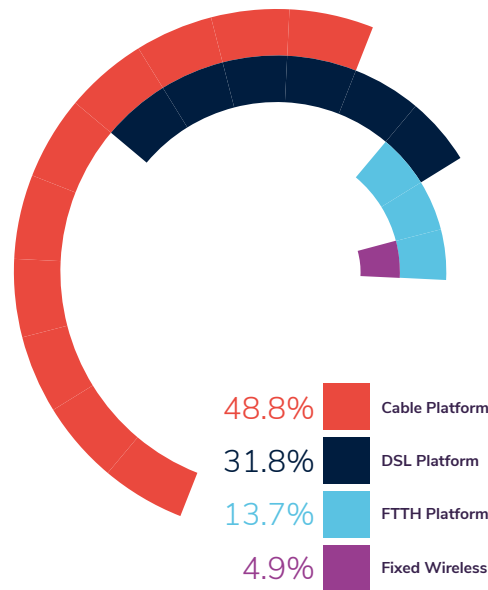
In terms of take-up for various broadband technologies, the number of Melita's cable-based subscriptions was up by 6,286 year-on-year, closely followed by an increase of 6,152 fibre-based (or FTTH) subscriptions for GO and an increase of 1,381 fixed wireless subscriptions mainly on Vodafone Malta. During the same period, the number of DSL-based subscriptions was down by 3,139 considering that GO is gradually migrating its DSL subscribers to FTTH.

MARKET OVERVIEW

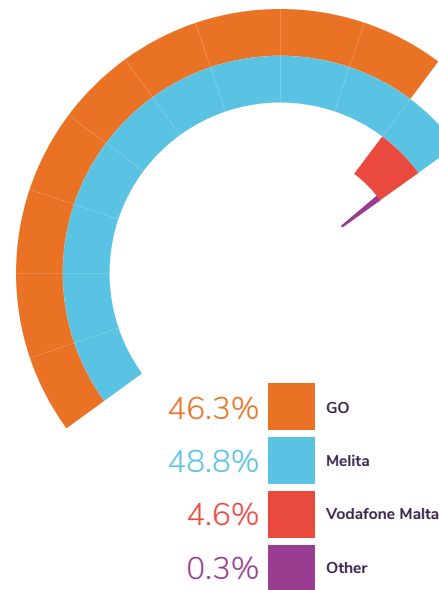
MARKET SHARES

In terms of market presence by operator at the end of 2019, Melita recorded a market share of 48.8%, followed by GO at 46.3%, Vodafone Malta at 4.6% and other smaller service providers at 0.2%. Year-on-year, Melita's market share improved by almost a 0.6 percentage point, whilst the combined market share of GO and Vodafone Malta retracted by the same margin.

MARKET SHARES – BY TECHNOLOGY PLATFORM AS AT END 2019



MARKET SHARES – BY OPERATOR



PRICE MOVEMENTS

An evaluation of advertised prices for fixed broadband essentially rests on the monthly access fees charged by local operators for the service⁹. A starting point for such an evaluation corresponds to the monthly access fee of entry-level plans in a product line-up. In this regard, the MCA considers that the relevant fees for stand-alone and dual-play plans have generally remained unchanged over the last years¹⁰, typically corresponding to a price floor ranging from €25 to €30 per month. The MCA does note however that download speeds have improved over the years and 2019 was no exception to this trend, thanks largely to sizeable drops in wholesale international bandwidth prices. This explains the drop observed in the average rate per Mbps of download for 2019 in line with the trend observed for earlier years. With access monthly access fees remaining largely stable, a rise in download speeds means that, over time, end-users pay relatively less for each unit of headline download speed.

It is also relevant to underline that changes in the average rate per Mbps cannot be seen in isolation given that, for example, consumers may avail themselves from bundle offers for which operators may offer temporary discounts. Not to ignore is that the stand-alone line-up in 2019 was rather sparse, with just a handful of offers available to businesses and end-users.

⁹For the purposes of this exercise, the workings take into account residential and business plans that are offered in Malta on a national scale. Plans not available nationwide are excluded from the workings.

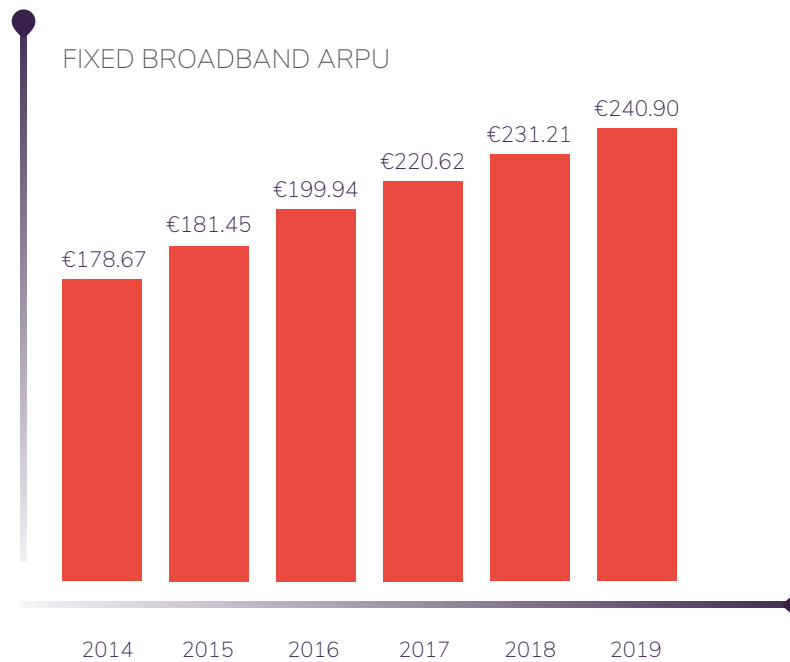
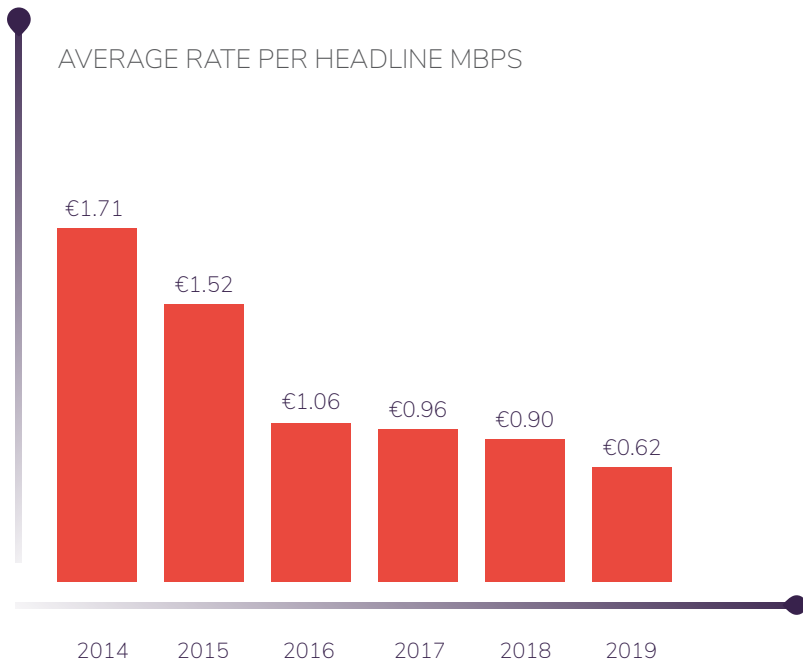
¹⁰Triple-play plans including fixed broadband are not taken into account in this measurement, although even here monthly access fees have remained largely stable over time.

FIXED BROADBAND ARPU

The average rate per Mbps paid by local end-users was down from €0.90 at the end of 2018 to €0.62 at the end of 2019. As already highlighted, this is a result of a continued improvement in headline download speeds. In the case of fixed broadband plans supporting a download speed of 50Mbps but less than 100Mbps, the average rate per Mbps was down from €0.61 to €0.36 whilst the average rate per Mbps for plans supporting a download speed of 100Mbps or more was down from €0.34 to €0.13.

Fixed broadband ARPU is an indicator used for evaluating fixed broadband operators' revenues per subscriber. This is calculated by dividing the total retail revenues generated by the average number of subscriptions.¹¹ The revenue heading excludes revenues from one-time installation and connection fees.

The main operators' success in upselling fast and ultra-fast fixed broadband in bundle subscriptions served to push up revenue, as evidenced by an increase in fixed broadband ARPU from €231.21 in 2018 to €240.90 in 2019.



¹¹The 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.

MARKET OVERVIEW

PAY-TV

Customers purchase TV in much the same way they purchase fixed broadband and fixed telephony, mainly in a bundle combining any of these communication products. The year 2019 was indeed another year where increase in the number of Pay-TV subscriptions in a bundle was far greater than the overall increase in subscriptions. Year-on-year, the number of Pay-TV subscriptions was up by 5,378 to 170,667 by the end of 2019, whilst the number of TV subscriptions in a bundle shot up by 11,195. Taking into account the latter figure, the proportion of TV subscriptions purchased in a bundle setting, reached 76% by the end of the year in review. To a significant extent, therefore, bundling offers providers a way to enhance their subscriber base notwithstanding competition from online platforms. Effectively, the two main providers of Pay-TV services in Malta, namely Melita and GO, have throughout 2019 updated their product portfolio, allowing for a better customisation of the service by end-users, when it comes to optional add-ons of premium content. The chosen approach seems to have created the right impetus for end-users to purchase the sports add-on and ultimately push-up the ARPU for this segment.

In absolute terms, the number of fixed broadband subscriptions totalled 202,513 by the end of 2019, which means a year-on-year increase of 10,680 subscriptions. Further breaking the data on take-up shows that the number of subscriptions supporting download speeds of less than 30Mbps and the number of subscriptions supporting a download speed of 30Mbps but less than 100Mbps was down by 7,408 and 10,296 respectively. Meanwhile, an increase of 28,384 subscriptions supporting a download speed of at least 100Mbps outweighed the afore-mentioned declines.

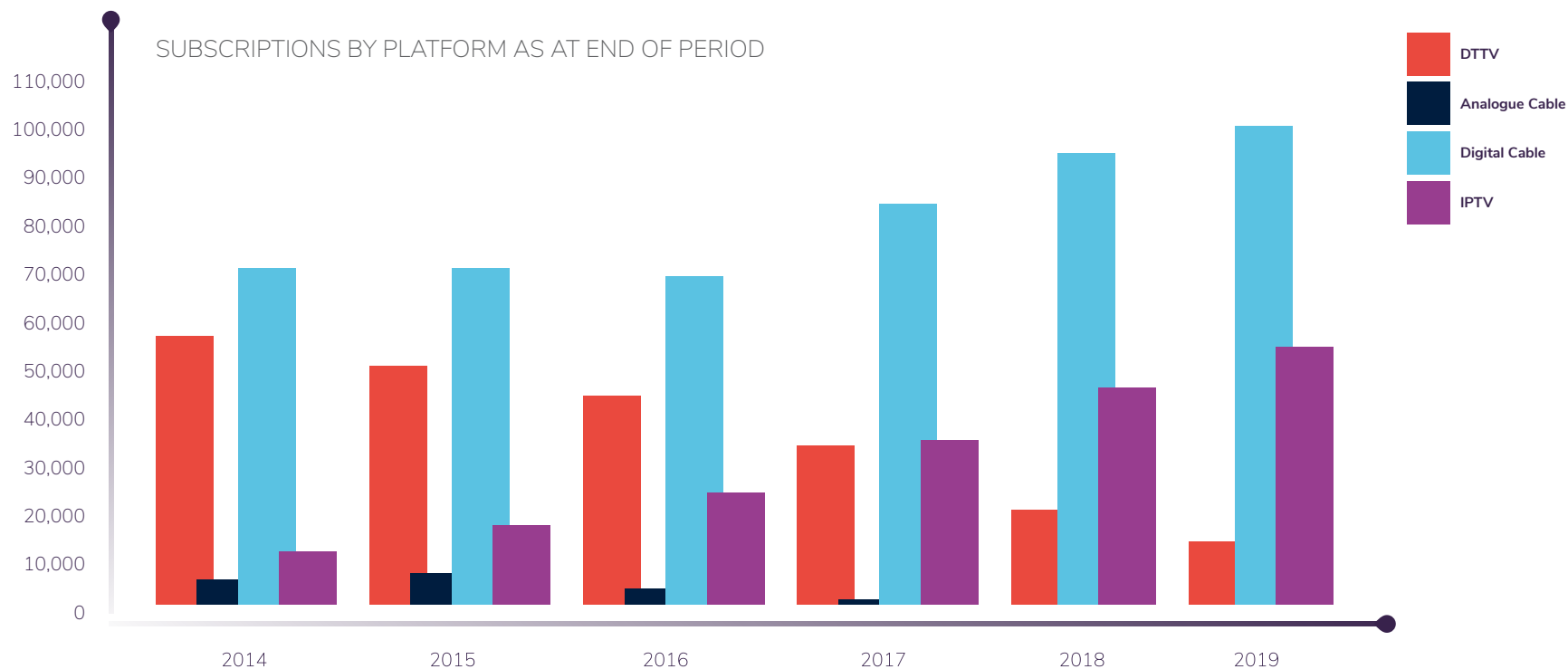
SUBSCRIPTIONS

In the 12-month period till the end of 2019, the pay-TV segment experienced an increase of 5,378 subscriptions, from 165,289 at the end of 2018 to 170,667.

Melita's cable-based network accounted for 101,265 subscriptions at the end of 2019, up by 5,742 (or by 6.0%) year-on-year, whilst GO's IPTV segment accounted for 54,716 subscriptions, up by 6,949 (or by 14.6%) year-on-year.

In contrast, the number of GO's Digital Terrestrial subscriptions was down by 7,313 (or by 33.2%), as this operator continued migrating users to IPTV. Melita has not been offering analogue cable TV since 2017.





PAY-TV SUBSCRIPTIONS IN A BUNDLE

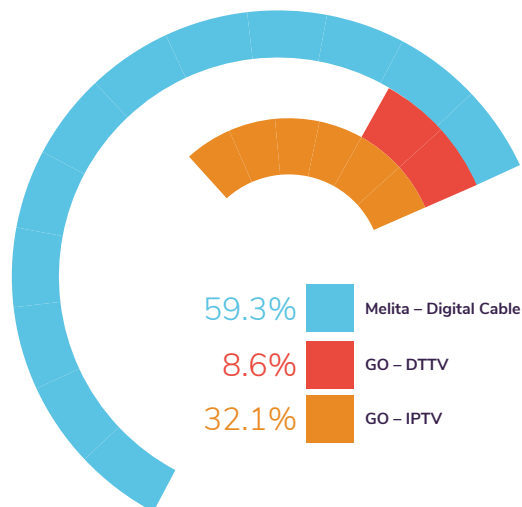
	2017	2018	2019
Pay-TV subscriptions in a bundle	101,667	119,385	130,465
Dual play	5,047	4,961	5,328
FT + TV	5,047	4,961	5,328
Triple play	46,835	61,145	71,250
FT + FBB + TV	46,835	61,145	71,250
Quad Play	49,785	53,164	53,887
FT + MT + FBB + TV	49,785	53,164	53,887
Number of Pay-TV subscriptions (end of period)	155,676	165,289	170,667
as a percentage of Pay-TV subscriptions	65.3%	72.2%	76%

MARKET OVERVIEW

MARKET SHARE DEVELOPMENTS

As at the end of 2019, Melita's market share of the Pay-TV subscriber base stood at 59.3%. Compared to GO's market share of 40.7%, comprising both the DTTV and IPTV platforms for the latter operator. Melita's market share improved 1.5 percentage points year-on-year, whilst GO's market share shrank by the same margin. Digital cable platform registered significant gains in terms of market presence throughout 2018, as its share was up by almost 4 percentage points, year-on-year from 54.2% at the end of 2017 to 57.8%. This change came at the expense of GO, which saw its market share shrink by the same percentage point margin during the same period. Breaking down GO's market share data by platform shows that IPTV improved its market share standing from 22.9% to 28.9% whilst DTTV lost ground, from 22% to 13.3%.

MARKET SHARE BY OPERATOR IN TERMS OF PAY-TV SUBSCRIPTIONS, 2019



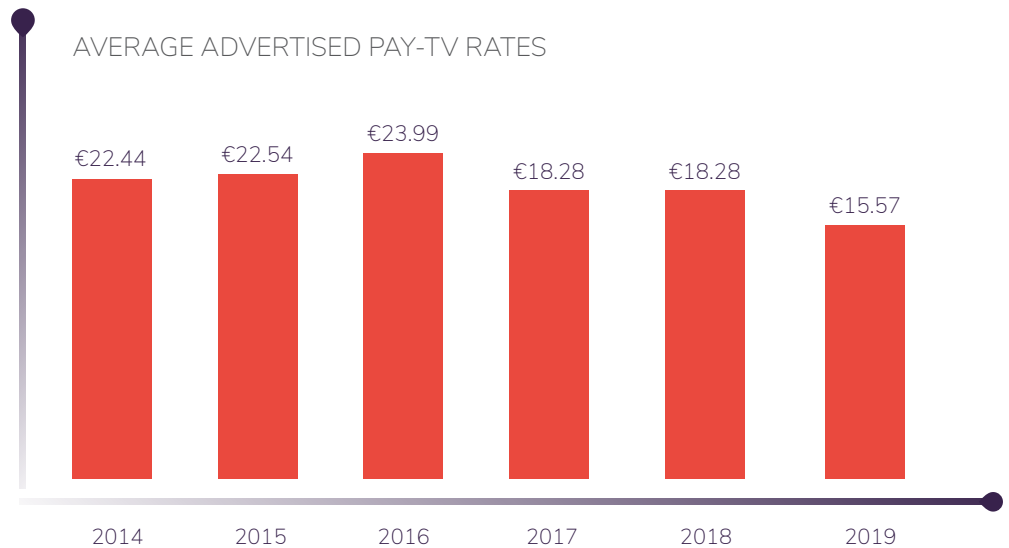
PRICE COMPETITION

An assessment of price movements for local pay-TV packages is carried out based on observed advertised rates for stand-alone products¹². The assessment distinguishes between several categories of products, depending on the number of channels featuring on the channel line-up. An average for the market is then calculated.

Overall, the average monthly advertised rate for local pay-TV package at the end of 2019 stood at €15.57, down from €18.28 a year earlier. This is mainly a result of GO introducing a new entry-level plan, with a 20-channel line-up but that could include more than 100 channels at an additional monthly fee upon the specific request of the end-user. Otherwise, the monthly access fees of existing plans remained unchanged throughout the year.

At a disaggregate level, GO's new plan dragged down the average advertised price for pay-TV packages encompassing 'up to 24 channels', from €10 at the end of 2018 to €7.50 at the end of 2019. Also, the average advertised rate for the product segment comprising 100 or more channels was down from €32 in 2018 to €23.50 in 2019¹³.

AVERAGE ADVERTISED PAY-TV RATES

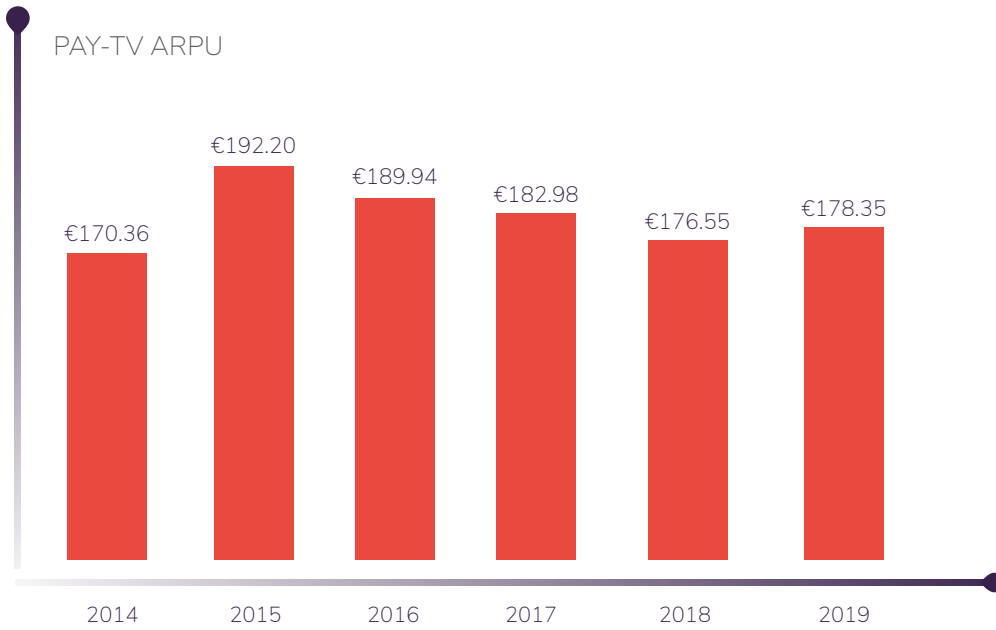


¹²All Pay-TV rates featuring in this report are inclusive of the access charge per set-top box and VAT. These calculations exclude all products which can be acquired in a dual-play or triple-play bundle.

¹³typically offer customers an opportunity to avoid such charges.

PAY-TV ARPU

The rise in take-up of Pay-TV via product upselling alongside bigger demand for sports channel packages boosted Pay-TV ARPU from €176.55 in 2018 to €178.35 in 2019.



MARKET OVERVIEW

POST

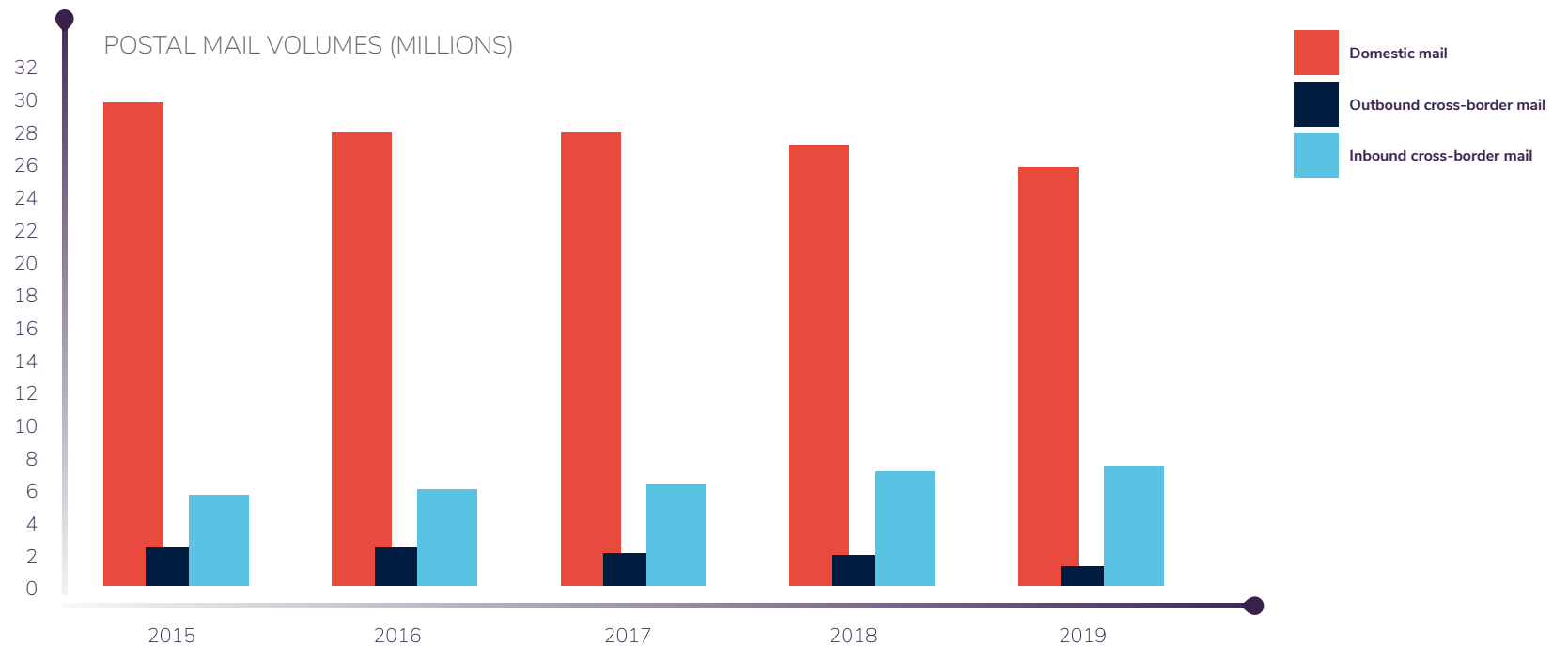
The postal sector experienced new entry in recent years, by players seeking presence in growth segments related to eCommerce, such as in the case of the delivery of parcel mail. Effectively, the parcel mail segment serves as an important engine of postal activity, but nonetheless the uptick in parcel mail volumes registered in recent years, did not match the losses sustained in the traditional core business of mail delivery, namely standard letter mail. Hence the observed gradual decline in postal mail volumes, which also characterised the year in review.

MAIL VOLUMES

Mail volumes were down by 2.6% year-on-year, from 36.9 million mail items in 2018 to 36.0 million mail items in 2019. As in recent years, local developments left a significant mark on sectorial outcomes, with the traditional mail segments seeing a drop in volumes, primarily in the case of bulk letter mail and standard single-piece letter mail.

Bulk letter mail volumes were down by 0.8 million items (or by 3.9%) year-on-year, from 20.7 million in 2018 to 19.9 million in 2019. Meanwhile, single piece letter mail volumes were down by 72,442 items (or by 0.5%), from 13.4 million items to 13.3 million items.

It is relevant to underline that, in 2019, bulk letter mail and single piece letter mail accounted for 55.3% and 37.1% of all postal mail volumes respectively.

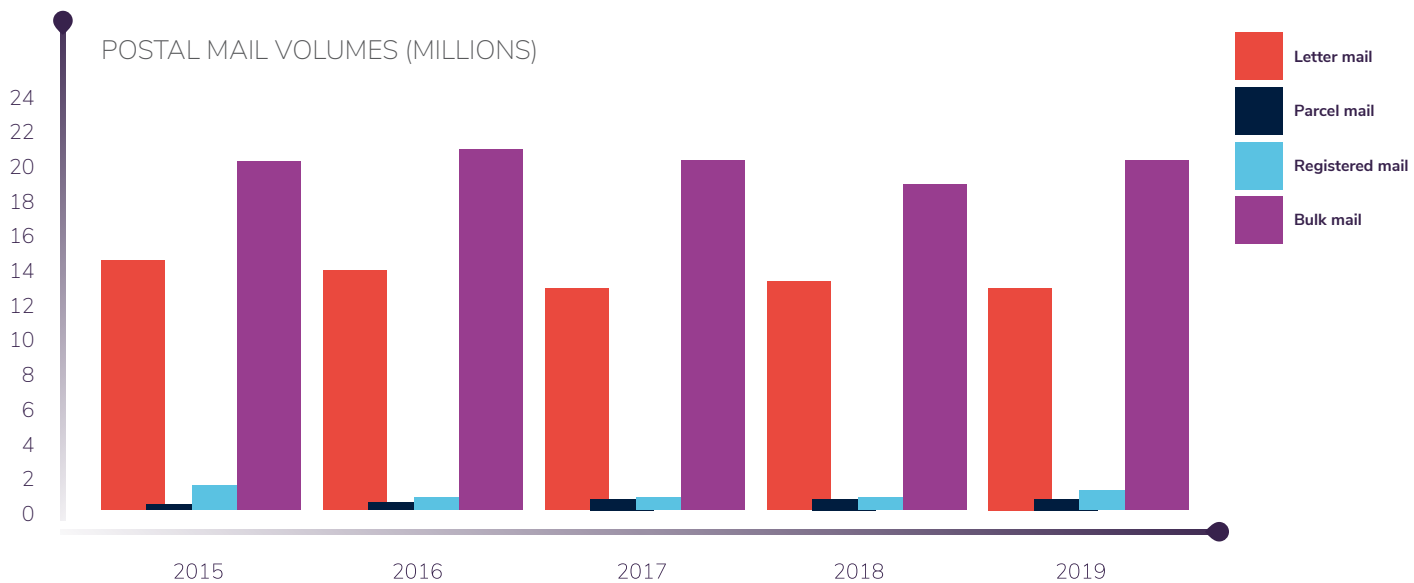


On the other hand, registered mail volumes were up by 21,793 (or by 1.2%) year-on-year, to 1.8 million. Significantly, parcel mail was noticeably down by 0.1 million items (or by 9.6%) year-on-year, but this is a result of a one-off spike in activity recorded in 2018.

DEVELOPMENTS BY TYPE OF POSTAL ACTIVITY

Postal mail activity encompasses the standard mail segment and the express mail segment. The former segment accounted for 95.1% of all mail volumes in 2019, whilst the latter segment accounted for the remaining 4.9%.

In absolute terms, a total of 34.2 million standard postal mail items were delivered in 2019, down by 0.9 million (or by 2.7%) when compared to 2018. Meanwhile, a total of 1.8 million express mail items were delivered in 2019, marginally lower than recorded in the previous year.

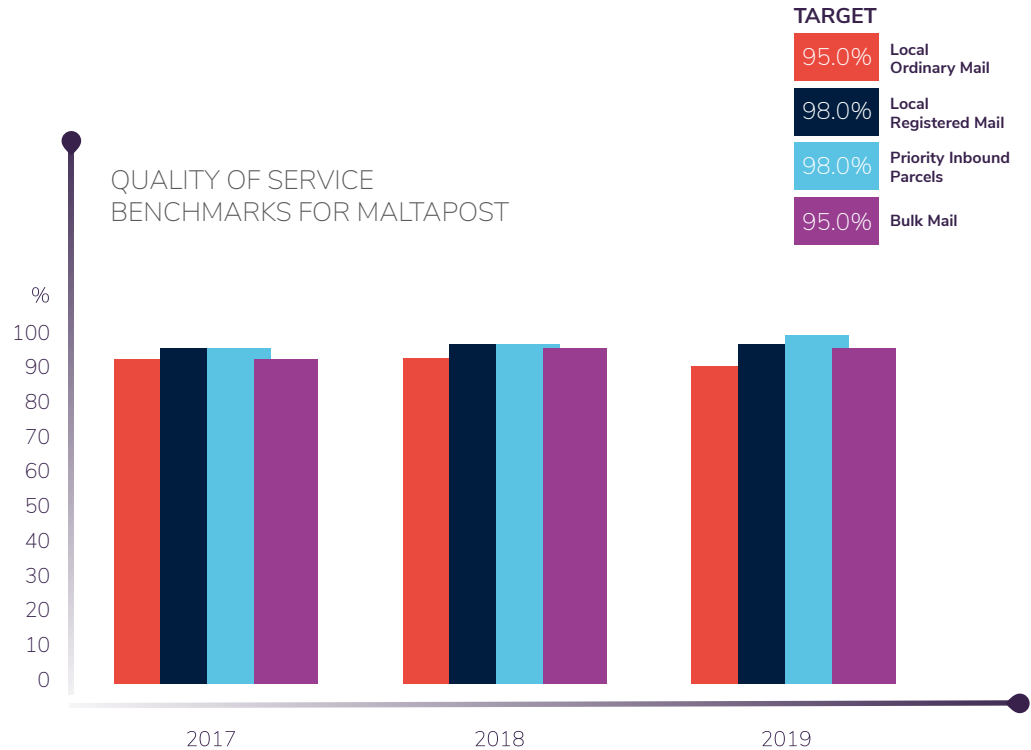


MARKET OVERVIEW

QUALITY OF SERVICE

The MCA establishes targets for measuring the quality of service delivered by Maltapost as the universal service provider. The QoS target for local ordinary mail and bulk mail (D+1¹⁴) is set at 95%, whilst the QoS target for local registered mail and priority inbound parcels (D+1) is set at 98%. Based on information submitted regularly by Maltapost, the QoS targets enable the MCA to determine the quality of service achieved by this operator during a particular period.

In 2019, Maltapost surpassed the QoS delivery targets set by the MCA for registered mail, bulk mail and priority inbound parcels. It did however operate below the QoS target when it comes to local ordinary mail.



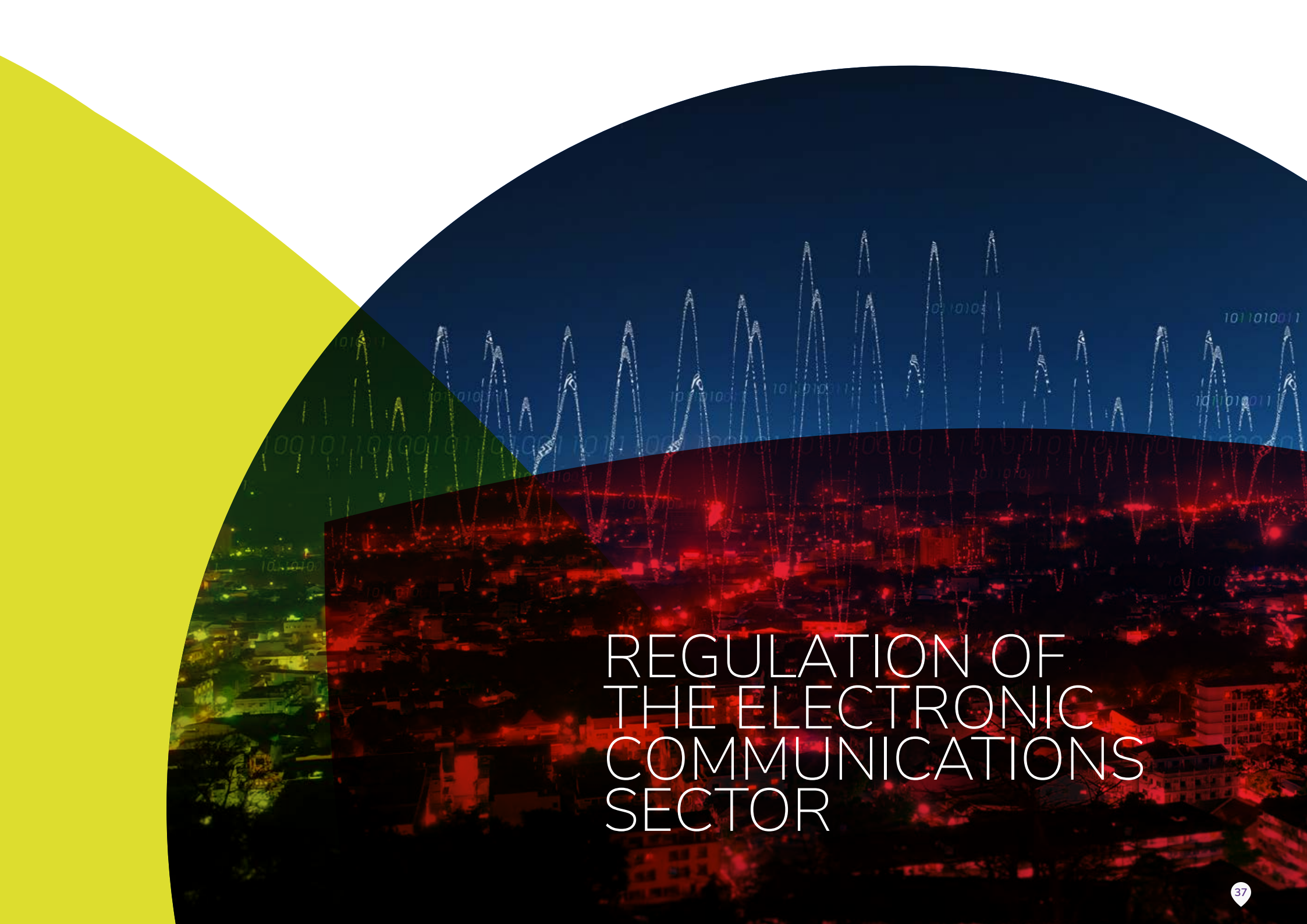
CONCLUDING REMARKS

Within the electronic communications sector, the aggregate statistics are indicative of an overall healthy showing by the sector. On a closer look, incumbent fixed operators are leveraging their long-term market presence, strong expertise and nationwide networks to increasingly lock-in customers. Subscriber growth in the fixed segment remains strongly aligned, with take-up of fixed communication services in a bundle and the continued upsell of fast and ultra-fast fixed broadband. This pushed up revenues of the respective operators, with ARPU generally seeing an improvement. The quoted price developments have therefore to be reconciled with the trend of rising ARPU, which in itself indicates that the financial outlay on fixed services by the end-user is going up. The mobile telephony segment exhibited buoyant activity in terms of take-up and usage, with the rising consumption of mobile data services and the linked increased of post-paid subscriptions, given the data allowances, serving to boost revenues for operators. The presence of three operators in this segment, rather than two for the fixed segment, seems to facilitate price competition dynamics, with encouraging signals of price reductions seemingly more evident.

The postal sector continues to offer new opportunities for established and new arrivals, where activity supports eCommerce. Nonetheless, the challenges for the traditional mail segments persist, thus highlighting the urgency for efficiency initiatives to streamline and modernise existing delivery and retail network services.

¹⁴ 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.





REGULATION OF THE ELECTRONIC COMMUNICATIONS SECTOR

REGULATION OF THE ELECTRONIC COMMUNICATIONS SECTOR

Malta's telecommunications market structure, like that of all other EU member states, has developed from a monopolistic market to one which is fully liberalised, and which encourages effective competition. This has come about through the harmonisation of telecommunications sectoral legislation and regulation, in line with the EU regulatory framework for electronic communications, that are implemented through national regulatory authorities.

The Malta Communications Authority constituted by law under the Malta Communications Authority Act (Chapter 418 of the Laws of Malta) is the designated national regulatory authority (NRA) responsible for the electronic communications sector. Its mandate and objectives are inspired by the overarching aims established by EU legislation which include promoting competition and investment, promoting the internal market, empowering, and protecting end-users, increasing connectivity, and securing an open internet.

PROMOTING AND SAFEGUARDING COMPETITION

In Malta the scope and nature of telecommunications regulation is determined by a process set out in European law known as market analysis. As part of the process, MCA must firstly define what markets are potentially within the scope of regulation, by referencing the list of recommended markets published by the European Commission in 2014. Having defined the relevant market, MCA must assess whether any undertaking is individually or jointly dominant within that market. If it is concluded that a dominant service provider does exist, it must impose at least one remedy (or obligation) to improve the likely effect of this dominance, in terms of its impact on competition and consumers. During the year, MCA commenced its intensive work streams aimed at promoting competition and creating a favourable climate for increased investment and innovation in fixed and mobile networks, as detailed below.

MARKET REVIEWS OF MARKET 3A AND 3B

The MCA initiated its review of the wholesale local access market concerning access to the fixed electronic communications infrastructure and the wholesale broadband access market concerning wholesale broadband products, in line with the European Union (EU) Recommendation on Relevant Markets published in October 2014.

Whilst the Recommendation seeks to promote harmonisation across the EU, by ensuring that the same product and service markets are subject to a market analysis in all Member States, NRAs are still able to regulate markets that differ from those identified in the EU Recommendation, where this is justified by national circumstances. Accordingly, National Regulatory Authorities are to define relevant markets appropriate to national circumstances, provided that the utmost account is taken of the product markets listed in the EU Recommendation.

The analysis of these markets are being carried out in the context of the revised guidelines for the assessment of Significant Market Power published by the European Commission in April 2018.

In 2020, the MCA will conclude the assessment of the above-mentioned markets, the outcome of which will shape the competition landscape for the provision of electronic communication services in Malta for the foreseeable years.

STATISTICS, MARKET TRENDS AND DEVELOPMENTS

The MCA collects, reviews and publishes various reports containing market indicators and statistics, as well as a detailed commentary with respect to the developments and trends for each electronic communication service. Two 'Communications Market Reviews' reports were published in 2019, covering the periods January to June and July to December of the previous year. In addition, the Authority also published three updates of its 'Data Report Sheets' covering the period Quarter 1 of 2014 to Quarter 2 of 2019.

The monthly 'Pricing Developments' publication continued in 2019, outlines the main changes in the telecoms product line-up and prices. The publication also allows for a cross comparison between service providers for different types of retail products and services.

The MCA carries out Consumer Perception Surveys on a two-yearly interval, to gather information on the level of satisfaction of local consumers with the products and services offered by electronic communication service providers, and the extent to which these providers are able to address the demands of their clients. Given that these surveys have been carried out regularly for a number of years, survey results are indicative of how the needs of end-users have developed over time, and how local service providers are dealing with changing demand over the years. In 2019 the MCA published the 'Fixed broadband perception survey for households'.

In 2019, the MCA has also completed the groundwork concerning other consumer perception surveys, namely those related to the provision of mobile telephony, fixed telephony, broadcasting and bundles. The questionnaires have been finalized and field work for the mobile telephony survey has been carried out in the latter part of the year.

The MCA also commissioned the National Statistics Office to carry out market research to gauge the experience of expats in Malta when using mobile telephony services. This research looks at a range of factors including product choices, expenditure on the service, OTT usage and quality of service.

This study's engagement with Malta's expat community widens the MCA's insight to diagnose the performance of local service providers.

The published monthly e-newsletters provides all the relevant updates of MCA's activities including details of all the Authority's publications (reports, consultations, decisions and other), legal updates, information on international relations, and an overview of the Authority's events and media activity.

GO'S VULA REFERENCE OFFER

A breakthrough with respect to the actual take-up of the regulated Virtual Unbundled Local Access (VULA) offer was registered in October 2018, representing the first access arrangement since the exit of Internet Service Providers (ISPs) several years earlier, following withdrawal of regulation in 2010. Vodafone Malta notified the MCA that it reached agreement with GO for take-up of the VULA access offer.

Following this development, MCA facilitated discussions between Vodafone and GO on the implementation details of VULA including the finalisation of process flows. In the second half of 2019, Vodafone Malta introduced a retail fixed broadband services, making use of GO's fibre network. Of relevance in this respect is that the MCA constantly monitors the VULA wholesale charges, Key Performance Indicators and Service Level Agreements and Service Level Guarantees associated with the VULA offer.

MARKET OPERATIONS COMPLIANCE

MCA issued a regulatory decision imposing an administrative fine to Aspider Solutions Malta Ltd. for non-compliance with numbering requirements. This decision, which has been appealed by the company, was delivered in the context of porting arrangements of a large number of subscribers that had to be implemented, following RedTouch Fone mobile telephony service provider's decision, cease its operations. The appeal before the Administrative Review Tribunal was withdrawn early in 2020.

In the course of 2019, MCA also issued directions to Ozone Ltd. after it had been informed that the company will be ceasing operations, aimed at ensuring the least possible impact on its subscribers.

NUMBERING RESOURCES FOR M2M/IOT CONNECTIVITY SERVICES AND OTHER NON-INTERPERSONAL COMMUNICATIONS SERVICES

Telephone numbers and codes are essential to the provision of electronic communications services. They enable effective routing of national and international communications and support the proper functioning of fixed and mobile billing, and payment settlement. They also provide information to the caller on the service called, the price of the call, and the location of the called party.

Numbers are managed in accordance with International Recommendations and subject to specific national and EU legislation. MCA is responsible

for establishing procedures to guarantee that the allocation of numbers is carried out in an objective, transparent, non-discriminatory, equitable and well-timed manner. Moreover, the number plan includes a list of the available numbering ranges and the requisites and standards that apply to them.

Due to the potential of a high proliferation of Machine-to-Machine/Internet of Things (M2M/IoT) connectivity services and other non-interpersonal communications services (Non-ICS), the MCA identified the need to revise the current national numbering framework, which was established back in 2006 prior to this market development, to cater specifically for these technologies. A public consultation was undertaken between March and May 2019 during which the MCA received feedback from three respondents.

MCA issued its report on the consultation and decision in July 2019, by means of which it updated its 2006 decision 'Development of the Numbering Plan'. The MCA also updated the Numbering Plan Allocation Matrix which is available on its website, and continues to be updated in real-time in order to include any new number allocations.

RATE OF RETURN (WACC) REVISION

According to Article 13 of the Access Directive when imposing obligations relating to cost recovery and price controls, NRAs shall take into account the investment made by the service provider, and allow a reasonable rate of return on adequate capital employed. NRAs typically determine this return by estimating the weighted average cost of capital (referred to as 'WACC') of the service provider with significant market power (SMP).

In April 2019, the MCA published a consultation on its review of the Weighted Average Cost of Capital. MCA's proposals take into account an exercise carried out by the European Commission about practices and methodologies for estimating WACC used by NRAs in the EU.

The European Commission concluded that there is a need for consistency, and issued Guidelines for NRAs to follow so that parameters are standardised through a common methodology, harmonised across all EU member states. MCA will publish its decision in 2020.

ISSUE OF NO OBJECTION IN RELATION TO A CHANGE OF OWNERSHIP OF MELITA LIMITED

In 2019, Melita Limited informed the MCA that EQT Infrastructure would be acquiring ownership of the company. Melita Limited wrote to the MCA seeking prior clearance from the MCA in relation to this change in ownership, in accordance with article 34A of the Malta Communications Authority Act. After the conduct of due diligence process in relation to the proposed new owners, the MCA issued a letter of no objection to the proposed change in ownership.

ENSURING VALUE- FOR-MONEY SERVICES WHILST ADHERING TO SOCIAL OBLIGATIONS

Whilst competition is likely to drive investment and innovations that could lead to better communication services, such forces need to be complemented with targeted regulation to ensure that end-users across all sectors can truly benefit. MCA recognises it is important to engender a culture of compliance, so that consumers' rights are upheld by their service provider. Effective compliance and enforcement is important in achieving this.

During the year in review, the MCA undertook a number of activities as detailed below aimed at protecting and informing end-users so that they could choose and use communications services with confidence.

UNIVERSAL SERVICE OBLIGATION (USO) FRAMEWORK REVIEW

In 2019, the MCA initiated a review of the universal service in the light of changing social requirements, and new provisions that are contained in the European Electronic Communications Code that will come into force in December 2020. In its assessment the MCA will review the potential impact of an affordable and adequate broadband service being part of the universal service.

The MCA also continued to monitor the performance of GO's current universal service obligations. GO is required to, among others, provide a network connection at a fixed location, capable of supporting voice and data communications in areas where no other undertaking offer such services at an affordable price.

In accordance with national law, GO as the designated undertaking providing universal services, has the right to seek to receive funds for the net costs it believes to have incurred, to provide part or all the universal services. In November 2016, the MCA received an application for a claim for funding for the net costs believed to be incurred by GO during the financial year 2015. Following an audit carried out by an independent body, it emerged that GO plc has suffered an element of unfair burden for providing specified universal services, namely: geographical component; public payphones; social tariffs; and directory enquiry services. After considering the intangible benefits for providing universal services, it was established that the total net costs amounted to €122,644. In February 2019, the MCA published a proposed decision for consultation titled "Review of GO plc's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2015". The MCA did not receive any feedback to the proposed decision and published its Decision in April 2019

The allocation of the source of funding relating to GO plc's USO claim for the financial year 2015, were addressed in a separate decision published in July 2019, that established that such costs be financed from public funds.

A FRAMEWORK FOR MEASUREMENT OF QUALITY OF SERVICE (QOS) PARAMETERS

The designated universal service provider, GO, is required to publish adequate and up-to-date information concerning its performance of the universal service, based on QoS parameters and methods established at law.

In view of society increasingly becoming dependant on stable, reliable and secure electronic communications, in 2019 the MCA initiated a review, with the objective of developing a comprehensive framework for the measurement and publication of QoS information across all providers of publicly available electronic communications services. This exercise intends to consolidate measurement of QoS parameters related to electronic communication services, and that may be contained under various decisions, under one single framework. From the outset, preliminary discussions were held with ECS service providers. The review will take into account, the new provisions on QoS parameters that are included in the European Electronic Communications Code and shall be guided by relevant Guidelines that will be published by BEREC in due course. MCA is actively contributing to the development of these Guidelines through its participation within the BEREC End User Expert Working Group. The MCA will be consulting on these Guidelines in 2020.

ENHANCEMENTS OF THE PRICE COMPARISON PORTAL

Following an exhaustive review of 'Telecosts', the only price comparison portal for electronic communication services in Malta, the MCA commissioned a revamp of the website. The portal was developed to

assist consumers in comparing the various offers on the market, thus able to make more informed decisions before purchasing or subscribing to an electronic communication service.

Enhancements need to be made to the portal, which can no longer deliver an effective service to consumers, given the way that over the years, the product offerings in the market have changed. The objective is to make changes that are more future proof, to ensure continued delivery of an effective service to consumers.

During 2019, the software company that developed the software, started implementing the extensive changes required by MCA. The project is planned to be finalised in 2020.

CONTRIBUTING TO THE DEVELOPMENT OF SECTORAL POLICY

Regulatory activity is influenced and construed within policy objectives and decisions made at both national and international level. National regulatory authorities that have expertise in the electronic communications sector, are prime interlocutors for EU institutions as well as national Governments in developing, facilitating, and implementing relevant policy initiatives. To this effect, the MCA is actively involved and participates in various international, EU and local fora providing its technical expertise driven by its mandate to ensure that any future policy would serve consumers and businesses alike.

MCA's main projects under this work stream in 2019, are detailed below and in the chapter relating to its international engagements. Almost all the activity is underpinned by a major overhaul of the EU rules, relating to electronic communications services that is currently underway.

TRANSPPOSITION OF THE EU ELECTRONIC COMMUNICATIONS CODE (EECC)

The EECC is a new EU Directive which updates and replaces the four Directives that made up the EU regulatory framework for electronic communications. It was adopted on 20 December 2018 and EU member states have until 21 December 2020 to transpose it into national law. This new legal framework is of utmost importance for the communications sector.

The EECC aims to encourage investments in very high-capacity networks, by relieving the service providers with Significant Market Power (SMPs) of some of their regulatory burdens. When such SMPs engage to open up the deployment of very high-capacity networks to co-investment, the EECC provides for exceptions to some of the access and price obligations they are subject to as a consequence of their SMP status. These exemptions are conditional upon making voluntary, but binding, commitments to the National Regulatory Authorities.

The scope of the EECC is also expanding the services covered by the EU rules, with certain obligations becoming applicable also to over-the-top services (OTTs) such as WhatsApp and Skype.

Changes are also being introduced in consumer rights, with provisions on transparency and contract duration and termination. It provides, amongst other things, that contracts with end-users cannot extend beyond 24 months and can be terminated at any time with a notice period of 1 month or less, and without any costs unrelated to the provision of the service. Furthermore, the EECC adjusts the universal service obligations to the evolved technology and changed societal needs.

The EECC also provides rules on the coordination of radio spectrum between the Member States, and harmonizes the rules on the management thereof. This includes more specifically provisions facilitating market entry for new players and shared use of radio spectrum.

The MCA has been supporting Government in the process leading to the adoption of the EECC, since the European Commission published its original proposals in 2016. Since these have been adopted, the MCA was entrusted to assist Government in the transposition process. During 2019, a substantial amount of work was dedicated by the whole Authority to this effect and comprehensive proposals, including all legal changes amending several laws, will be presented to Government in early 2020. The process leading to the transposition will require a public consultation by Government, prior to finalisation of the legal documents and their adoption by Parliament.

Throughout 2019, MCA was also actively involved within BEREC in the development of a set of guidelines aimed at providing more detailed guidance and to further explain legal provisions of the EECC for practical use. These are aimed to assist National Regulatory Authorities, such as the MCA, and stakeholders including mobile service providers, internet service providers, professional associations, investors and others. The EECC requires BEREC, to produce 11 Guidelines by the time the new provisions come into force. These Guidelines are also subject to a public consultation by BEREC, giving the opportunity to stakeholders to provide their feedback. Work on these Guidelines will continue in 2020.

INTRODUCTION OF EURORATE REGULATION

Fixed and mobile voice call termination services in Europe are subject to price regulation. Termination rates are the rates telecommunications service providers charge each other to deliver voice calls between their networks. Given that the terminating service provider is the only service provider able to terminate calls on its network, it can be considered a monopolist in the market for the termination of voice calls on its network. This could lead to excessive prices for wholesale voice call termination services, which increases the risk of these excessive prices being passed to the consumer in the form of higher retail prices. In order to mitigate this risk, national regulatory authorities currently regulate wholesale termination rates in line with the European Commission's guidance (the non-binding Termination Rates Recommendation, in force since 2009). However, despite this recommendation, divergences between the

REGULATION OF THE ELECTRONIC COMMUNICATIONS SECTOR

maximum termination rates in Member States remain. Such divergences hinder cross-border competition and service provision.

- In line with the EECC, by 31 December 2020, the European Commission will, taking into account BEREC's recommendations, adopting a delegated act setting a single maximum EU-wide mobile and a fixed voice termination rate (referred to as Eurorates). The project follows calls by Member States and national regulatory authorities, to simplify termination rates regulation and protect EU consumers and businesses from excessive prices for telephony services.
- MCA coordinated data gathering from telecom service providers, and provided its input to the European Commission on the cost-modelling exercise undertaken in the process of establishing the Eurorates.
- The Commission published its detailed report and cost model, and started consulting on options. MCA is actively participating in the BEREC Working Group that is providing BEREC's feedback to the Commission. MCA will also be participating in the Expert Team specifically set up by the Commission to assist it in the development of the aforementioned delegated act, in which it will put forward Malta's position on this matter. Work in this stream will continue in 2020.

IMPLEMENTATION OF INTRA-EU COMMUNICATIONS RULES

From 15 May 2019, new regulations establishing maximum caps for intra-EU communications for calls and SMS, came into force by means of Regulation (EU) 2015/2120. These regulations ensure that consumers do not pay excessive prices for calls made from their landlines or mobile, or for SMS, to any other EU country, as well as Norway, Iceland and Liechtenstein (once integrated in the EEA Agreement).

MCA is monitoring local service providers' compliance with the regulations, as also guided by the Guidelines published by BEREC in March 2019, in order to ensure a coherent application of the Regulation in all Member

States. On the coming into force of the Regulation, the MCA carried a compliance exercise and found a few non-compliance issues which were immediately addressed by the service providers.

Data on intra-EU communications from fixed and mobile service providers, will be collected, aggregated at an EU level, and published annually by BEREC.

MCA also published a set of FAQs aimed at informing consumers of their rights arising from this Regulation.

MAINTAINING OPEN, SAFE AND SECURE ECS

ICTs are the backbone of every modern society. A growing number of essential functions in all sectors of society, require electronic communications networks, services and equipment that always work. Finance, gaming, energy, health care, emergency services, industry, and so on, are all dependent on the security and resilience of electronic communications networks. This dependency will only increase, with the proliferation of internet of things and AI applications, in which all sorts of everyday objects are connected and accessible via the internet, giving rise to the smart home, smart cities, smart industries, etc. Malta, and indeed the EU wants to be a front-runner and ensure sustained growth. Working towards this ambition, in 2019 the MCA continued to undertake various activities, independently and jointly with other local and EU bodies, aimed at making sure there is an open, resilient and secure digital infrastructure that supports socio-economic growth.

ANALYSING NET NEUTRALITY PRACTICES

The Open Internet Access Regulation is a major achievement for the Digital Single Market. It creates the individual and enforceable right for end-users in the EU to access and distribute internet content and services of their choice. The Regulation also protects the principle of non-discriminatory

traffic management. The MCA enforces the provisions of Regulation (EU) 2015/2120 on open internet access, through continuous monitoring of services providers' to ensure compliance with the Regulation.

In its activity, the MCA actively collaborates with the Information and Data Protection Commissioner on data protection obligations arising from the same rules.

In June 2019, MCA published a report on its monitoring and findings in accordance with Article 5 of the Regulation. The report highlighted that in the reporting period, the MCA had analysed all internet access service products newly placed on the market and those modified or updated. Internet service providers were also required to complete a self-assessment questionnaire aimed at providing the MCA with details about their commercial and technical practices, in relation to the products they offer. It also received and investigated 11 complaints regarding discrepancies between the contracted speed and actual speed performance.

The report concluded that all IAS providers in Malta were compliant with the requirements of the EU Regulation. The report also noted that ongoing monitoring and review of the terms and conditions remain important, given that this sector undergoes continuous changes.

The MCA also initiated discussions with industry to establish a code of practice, mainly aimed at the review of potential zero-rated products prior to their market launch. While zero-rating may offer some short-term benefits for consumers, such practices pose concerns from a competition and net neutrality perspective that could finally be detrimental.

The MCA is actively participating in the BEREC working streams of the Open Internet Expert Working Group that amongst others is tasked with the review and updating of BEREC's Net Neutrality Guidelines, and the development of an electronic tool by BEREC aimed at stepping up net neutrality monitoring activity. The tool is planned to be adopted by BEREC in 2020.

CYBER-SECURITY AND THE 5G SECURITY TOOLBOX

On 26 March 2019, after receiving the support from the European Council, the Commission adopted a Recommendation on Cybersecurity of 5G networks, calling on Member States to complete national risk assessments and review national measures, and to work together at EU level on a coordinated risk assessment and a common toolbox of mitigating measures. The MCA was entrusted by Government to carry out this national risk assessment of 5G networks.

The national risk assessment had to review in particular main threats and threat actors affecting 5G networks, sensitive 5G assets as well as relevant vulnerabilities, including both technical ones and other types of vulnerabilities, such as those potentially arising from the 5G supply chain, in line with the EC Recommendation.

The exercise was completed, and the results were transmitted to the European Commission and ENISA, the EU Agency for cybersecurity. MCA also continued to participate in the EU fora, particularly NIS Cooperation Group, BEREC and ENISA, in relation to the development of an EU toolbox on 5G cybersecurity. The objective of the toolbox is to identify a coordinated European approach based on a common set of measures, aimed at mitigating the main cybersecurity risks of 5G network as identified in the EU coordinated risk assessment report. The overarching objective is to create a robust and objective framework of security measures, following a risk-based approach that will ensure an adequate level of cybersecurity of 5G networks across the EU. The publication of the toolbox as prepared by the NIS Cooperation Group was originally earmarked by end of 2019.

SECURITY OF NETWORKS AND SERVICES

Cloud-based services, among others, are ramping up steeply, with more reliance on always-on electronic communications networks can which can no longer be dependent on best-effort provision.

Within this context, in December 2019 the MCA issued a consultation proposing changes to Regulation 51 of the Electronic Communications Networks and Services (General) Regulations, aimed at clarifying the referred article that places additional emphasis on the provision of adequate fail-safe back-up when connectivity problems arise. The proposed amendment is meant to provide further clarity to the Authority's powers 'to specify obligations to be complied with by undertakings for the purpose of ensuring compliance with this regulation'. At the same time, it allows the necessary freedom for the MCA to intervene as necessary and to apply proportionate measures on a case-by-case basis. A final decision as to the way forward rests with the relevant Ministry.

MAXIMISING RADIO SPECTRUM POTENTIAL

The radio spectrum is an increasingly valuable and useful national resource, contributing to the improvement of the overall welfare of many sectors of society, by supporting an extensive range of needed, useful and essential services.

Use of the radio spectrum resource helps deliver economic growth and supports numerous jobs in our modern digital economy. It is also essential to the provision of mobile communications and wireless reception of broadcast services.

In addition, the radio spectrum is fundamental to the safe operation of air and maritime transport, the day-to-day operation of the Disciplined Forces and emergency services, as well as being vital to many important scientific applications such as weather forecasting. However, radio

spectrum is also a finite resource, with competing uses and users, and so it must be used effectively and efficiently. Therefore, as a finite natural resource it must be carefully managed. The MCA is responsible for managing spectrum on behalf of the Government of Malta, as delegated to do so by the Minister responsible for communications through the National Frequency Plan.

Spectrum management incorporates a vast number of activities including, amongst others, spectrum monitoring, spectrum planning/allocations, coordination, licensing and enforcement.

Spectrum management is essential for three main reasons. First and foremost, it prevents interference between different sources, both within a country's boundaries and outside of them. Indeed, the propagation of radio waves across country borders necessitates the need for frequency coordination. Secondly, spectrum is limited in the sense that, to date, only a limited number of users may use a specific frequency in a particular geographical location. Hence, the need to manage it. A third reason is harmonisation. Harmonisation leads to better economies of scale, thus resulting in cheaper products for the consumer and hence delivers benefits to many stakeholders, including users, manufacturers, and service providers alike.

During the year in review, several key spectrum management projects were undertaken as detailed below.

RADIO SPECTRUM POLICY PROGRAMME 2019-23

Spectrum is the foundation of wireless electronic communications services, that have become indispensable to economic and social development in today's digital society. Its effective and efficient management leads to the availability of resilient electronic communications networks and services.

In 2019, MCA set out to issue a new radio spectrum policy, to address the technology advancements and developments that have taken place since the last policy, was adopted back in 2007. The review is intended

to ensure that spectrum continues to be efficiently and effectively managed, catering for Malta's present and future needs. Spectrum is not only being pictured as a facilitator of technology, allowing technologies to function and operate, it is also seen as a medium for development and innovation.

A public consultation, outlining a proposed five-year Radio Spectrum Policy Programme, was launched in August 2019. The programme presents the Authority's vision and views on spectrum management priorities and challenges, in addition, it outlines future planned initiatives. The Radio Spectrum Policy is the first step towards a new framework that will encompass the assignment process, the maintenance of existing spectrum assignments, and, the end of life-cycle for the rights of use of spectrum.

REVISIONS TO THE NATIONAL FREQUENCY PLAN

A National Frequency Plan (NFP) is periodically drawn up and submitted for the approval of the Minister responsible for communications. The Maltese NFP outlines the radio frequency spectrum allocations within Maltese territory. It also details the type of radiocommunication services that are permissible within a particular frequency band.

The allocations are not static, and will change in time as new radio systems are introduced and old ones phased out. The Plan is based on the Radio Regulations of the International Telecommunication Union (ITU), and also serves to implement EU laws on the harmonisation of radio spectrum, as well as national decisions made to meet specific local requirements.

A revision to the NFP was published in July. The key developments in the Plan include the implementation of Commission Implementing Decision (EU) 2018/1538, on the harmonisation of radio spectrum for use by short-range devices within the 874-876 and 915-921 MHz frequency bands, and Commission Implementing Decision (EU) 2018/661 on the harmonisation of radio spectrum in the 1427-1517 MHz frequency bands, for terrestrial systems capable of providing electronic communications services.

ASSIGNMENT PROCESS FOR THE 1.5 GHz BAND

In July 2019, the MCA published an amended decision, to make available additional radio spectrum in the 1.5 GHz band (1427-1517 MHz band) for terrestrial systems capable of providing electronic communications services in Malta. The decision is in-line with Commission Implementing Decision (EU) 2018/661, amending Implementing Decision (EU) 2015/750. The decision follows a public consultation procedure undertaken between 27 December 2018 and 8 February 2019.

The decision establishes the framework for the assignment of the entire 1.5 GHz band for terrestrial systems, capable of providing electronic communications services, for downlink-only transmissions, and aims to ensure that any spectrum assignments in this band, is used in the most efficient and effective manner. To this end, the decision lays down a mechanism to mitigate risks of harmful interference, with aeronautical and maritime mobile-satellite systems operating in adjacent frequency bands. The spectrum assignment framework detailed in this decision, aims at striking a balance between making the necessary evaluations to ensure the ability of the applicant to utilise the spectrum effectively, whilst still awarding the spectrum on the basis of a competitive mechanism in the event where demand exceeds supply.

During 2019, the MCA, in line with the National Frequency Plan and the Commission Decision, made available for assignment, a total of 18 lots across the entire 1.5 GHz band, with each single lot consisting of an individual (1) slot of unpaired 5 MHz bandwidth. The Authority sets the spectrum cap to four (4) 5 MHz channels, and provisions for relaxation of spectrum caps at its sole discretion. The decision also lays down conditions of right of use, including the license term duration which was set at 15 years.

RIGHTS OF USE OF RADIO SPECTRUM IN THE 2GHz BAND

In December 2019, the MCA published its decision on the interim review of the licensing framework for rights of use of radio spectrum in the 2GHz band, for terrestrial systems capable of providing electronic communications services. In the precluding consultation, the MCA proposed to adjust the different expiry dates of licenses granted to different holders, to be aligned to a common date with the expiry set on 16 August 2022.

The final decision stipulates, that upon receipt of a request from the holders of rights of use of radio spectrum in the terrestrial 2 GHz band expiring on 29th August 2020, the MCA shall extend such rights for

the period indicated by the same holder, but not beyond 16 August 2022. It also laid down the fee for rights of use that the MCA would be recommending to Government for adoption.

In addition, the MCA committed to carrying out a comprehensive review of the licensing regime for the terrestrial 2 GHz band, prior to August 2022, but only following the adoption by the European Commission of revisions to Commission Implementing Decision 2012/688/EU.

ASSIGNMENT OF RADIO SPECTRUM FOR FIXED RADIO LINKS

The MCA received two applications for the grant of rights of use of radio spectrum, being made available for assignment by the Authority in connection with fixed radio links. The first application requested assignment of respective channels within the 17/18 GHz frequency bands. The second application related to the assignment of spectrum within the 10/11 GHz frequency bands. Notice of such applications was published by the Authority, and both requests were processed accordingly.

INTEROPERABILITY OF CAR RADIO DEVICES

In November 2019, the MCA published a consultation on a proposed amendment to the Electronic Communications Networks and Services (General) Regulations, SL 399.28, in order to transpose the provisions set out in Article 113(1) of the European Electronic Communications Code, regarding the interoperability of car radio devices. The proposed amendment to the Regulations is intended to provide legal clarity to the effect that, as from 21st December 2020, any car radio receiver integrated in a new car (category M) made available for sale or rent in Malta must be equipped, as a minimum, with a DAB+ radio device.

In the consultation, the MCA also sought the views on whether additional measures should be introduced for other types of radio devices intended for consumers, not only based on equipment requirements for car radios, but also extending the range of possible reception channels, including, amongst others, the reception of internet radio. A final decision is expected in 2020.

5G

In 2016, The European Commission published the “5G for Europe: An Action Plan” presenting the timely deployment of 5G in all Member States as a strategic opportunity for Europe. This 5G Action Plan outlines several actions, which are considered as necessary for the introduction of 5G in the EU. Further provisions were introduced by the European Electronic Communications Code in December 2018, aimed at removing unnecessary burdens that may hamper the deployment of 5G, including the harmonization of spectrum throughout Europe, and to ensure its timely availability.

The MCA undertook various activities in this respect in line with its regulatory remit, that are mainly underpinned by the overarching objective of creating an investment-friendly and pro-competitive framework, which will lay the groundwork for the timely deployment of 5G. Complementing the work initiated in 2018, in relation to the clearance of 5G pioneer bands, during the year in review, the MCA launched other initiatives within this work-stream aimed at stimulating awareness and discussions amongst stakeholders on this new technology.

More specifically, following a call for experts from the private and public sector, the MCA established a 5G Think Tank, tasked to explore opportunities and challenges related to the development of 5G and its potential applications in Malta. The first meeting of the 5G Think Tank convened in June, where technical capabilities and economic considerations of 5G and its use cases were discussed. Participants were invited to provide their feedback to the public consultation on “5G Demand and Future Business Models towards a feasible 5G Deployment”. This was published in May, and comprised of a report that outlined published information about 5G use cases and applications, which identify 5G as an enabler, and a survey aimed at gathering stakeholders views and stimulating further discussion to inform future regulatory policy.

MONITORING OF EMF LEVELS

People are constantly exposed to both environmental and man-made electromagnetic fields (EMF) to varying degrees. MCA's remit in this regard is to ensure that the levels of non-ionising radiation from radio frequency transmitters, are within the levels applicable in Malta. MCA requires, as a condition of wireless transmission licences, that service providers of transmitting stations must ensure that their installations comply with the EMF limits, specified in the latest guidelines published by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), or any such standards as determined by the relevant competent authorities.

The MCA carries routine audits of compliance by service providers with licence conditions, at various locations around Malta and Gozo which are accessible to the public. Throughout 2019, the MCA, has carried out in excess of 300 EMF audits, the results of which were summarised and published on the Authority's website. The findings of the EMF audits are also sent to the competent health authorities for any action they deem necessary. The MCA is pleased to report that the EMF levels for all of the public sites surveyed during this reporting period, were found to be significantly below the limits, as specified in the ICNIRP guidelines.

SECURING ADDITIONAL FREQUENCIES IN THE VHF BAND

In view of the upcoming expiry of the rights of use of radio spectrum in the 174 – 230 MHz band, for the provision of terrestrial digital audio broadcasting (T-DAB) services, the MCA held discussions with Italy and Greece on the equitable distribution of radio spectrum in this band for T-DAB services.

The outcome of these cross-border coordination activities was positive, and in October 2019, the MCA signed a bilateral agreement with the Italian ministry responsible for communications, through which Malta secured the use of additional frequencies for T-DAB as from 2022 onwards.

SECURING ADDITIONAL FREQUENCIES IN THE UHF BAND

In view of the upcoming expiry of the rights of use of radio spectrum in the sub-700 MHz band in 2021, for the provision of terrestrial digital terrestrial television services, the MCA continued to hold discussions with Italy and Libya, on the equitable distribution of radio spectrum in this band for DTT services.

UPGRADING THE RADIO MONITORING FACILITIES

The continuous and rapid development of radio technologies, with higher frequencies and broader bandwidths, brings about a new challenge to spectrum management and monitoring.

The MCA, cognisant of this fact, and of its regulatory functions towards ensuring that the radio spectrum is used efficiently, embarked on a process to strengthen its facilities used for the monitoring of the radio spectrum. In this regard a call for tender was issued, to procure a state-of-the-art radio monitoring system, comprising a number of receivers capable of monitoring the radio spectrum on a 24 x 7 basis.

The first phase of the project is planned to be implemented in the second half of 2020, with the commissioning of three receivers to be sited at strategic sites, to provide effective radio monitoring and direction-finding capabilities.

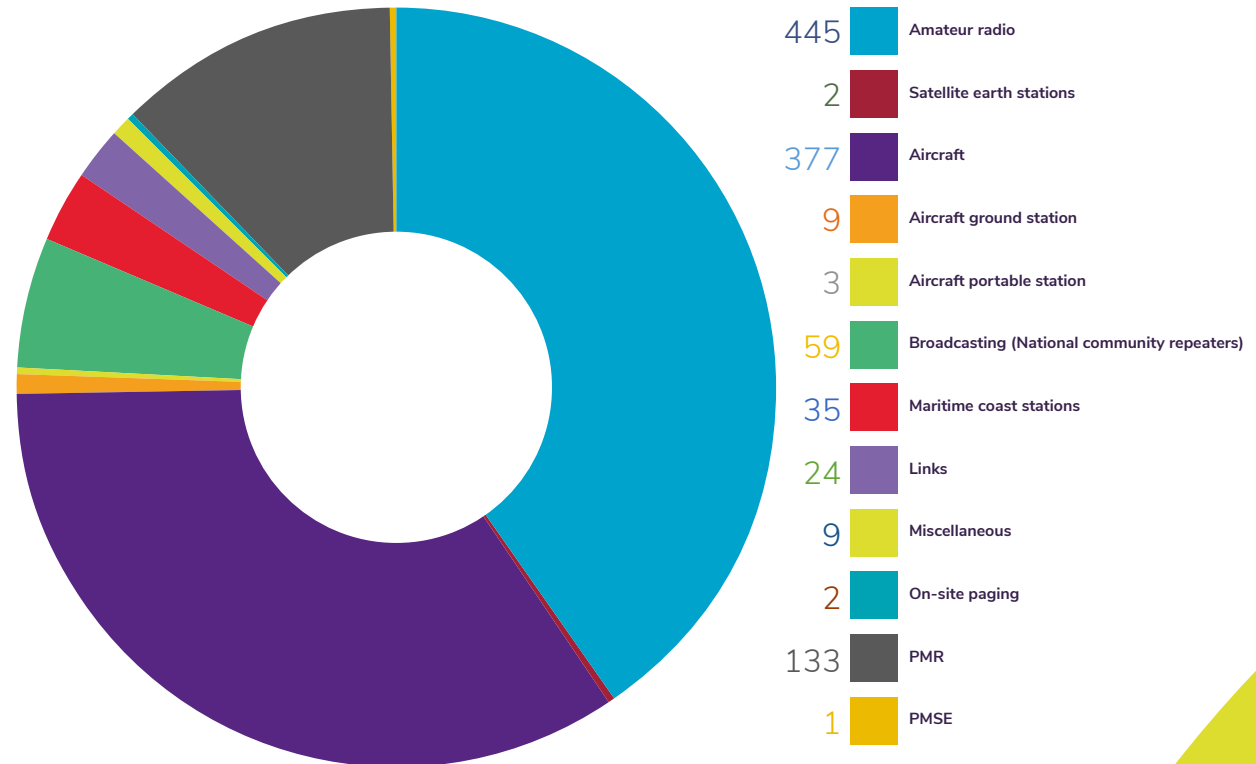
RADIOCOMMUNICATIONS EQUIPMENT LICENSING

The Authority continued with its activity to administer radiocommunications equipment licences, in accordance with Part IV of the Electronic Communications (Regulation) Act (Chapter 399). As at end 2019, the total number of active licences amounted to 1,099. These authorised the installation / use of radiocommunications equipment for a wide range of wireless applications, including aeronautical, maritime, fixed and land mobile services. The total number of active licences increased slightly, when compared to the number of active licences as at end 2018. This increase was attributed to an increase in the number of aircraft station licenses.

The Authority persisted with its enforcement activities with regard to licence defaulters, that is, those licensees who did not pay their renewal licence fees by the licence expiry date. Such activity included the issuance of final legal warning letters. Other actions were taken by the Authority to ensure compliance of licensees with their licence obligations. These included carrying out audits of radio installations.

With regard to maritime services, the Authority liaised with Transport Malta on various maritime related radiocommunications licensing matters. During 2019 the Authority processed 146 requests for the assignment of maritime identities. 170 inspections were also carried out to ensure that the equipment installed / used on board locally registered vessels complied with national regulations.

NUMBER OF ACTIVE LICENSES AS AT END 2019: 1,099



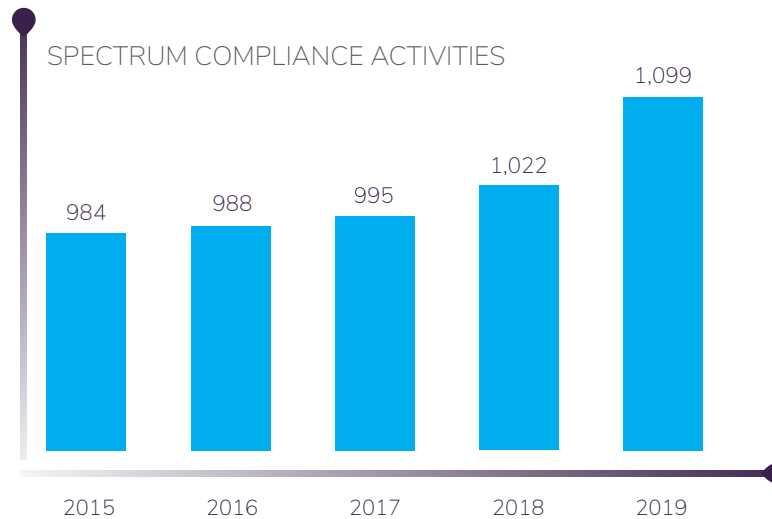
REGULATION OF THE ELECTRONIC COMMUNICATIONS SECTOR

SPECTRUM COMPLIANCE ACTIVITIES

Apart from the overall management of the radio spectrum, the MCA undertakes a number of monitoring exercises to ensuring the optimal and lawful use of this national resource.

During 2019, the MCA continued with its monitoring programme ensuring that spectrum bands were free from any lawful transmissions, taking immediate enforcement action to ensure compliance with the applicable national instruments.

68 reports of alleged harmful interference were received. Out of this figure, only 35 were considered as being potential harmful interference cases and were investigated accordingly.



EU FUNDING

The MCA continued to pursue the potential of engaging at a national and European level in research, development, and innovation actions, relevant to the regulation of electronic communications and supported by EU funding. During 2019, the MCA joined a number of consortia in the submission of proposals towards H2020 funding in domains spanning cybersecurity, blockchain and quantum communications. As a result of these initiatives, the MCA, in conjunction with a Europe-wide consortium of experts on 5G, Orchestration, Network Slicing, Security and Distributed Ledgers secured funding for the 5G Zorro initiative. This initiative is exploring, amongst others, state of the art in the use of distributed ledgers for the dynamic sharing of spectrum scarce resources.

The MCA also secured funding under the Erasmus+ initiative, supporting expert exchanges with a number of other European national regulatory authorities, on topics relevant to MCA's regulatory remit. Through these initiatives, the MCA continued to secure the exchange of best practices in topics concerning spectrum regulation, quality of service, alternative dispute resolution, and infrastructure regulation.

DEVELOPMENT OF KEY ENABLING TECHNOLOGIES

During 2019, the MCA continued its active involvement in the development of key enabling technologies within the context of national strategies. The Authority was invited to join, and actively contributed in the National taskforce for Artificial Intelligence (AI), tasked with the articulation of the national AI strategy.

TEST AND TRIAL LICENSES

The MCA continued to support innovation through its test and trial licensing framework. To this end, during 2019, the MCA issued one trial and two test licences to industry players, for the use of radio spectrum on a temporary basis, on various portions of the radio spectrum. These licenses allowed their holders to gather fundamental insights into the characteristics of their wireless technologies and services, including coverage, reliability and speed.

WORLD RADIOCOMMUNICATION CONFERENCE (WRC-19)

The MCA represented Government in the 2019 World Radiocommunication Conference (WRC-19) of the International Telecommunication Union (ITU), which took place in Sharm El-Sheikh, Egypt, over four weeks, from 28 October to 22 November 2019. The conference was attended by over 3400 delegates, representing 163 ITU Member States and 129 observer organisations.

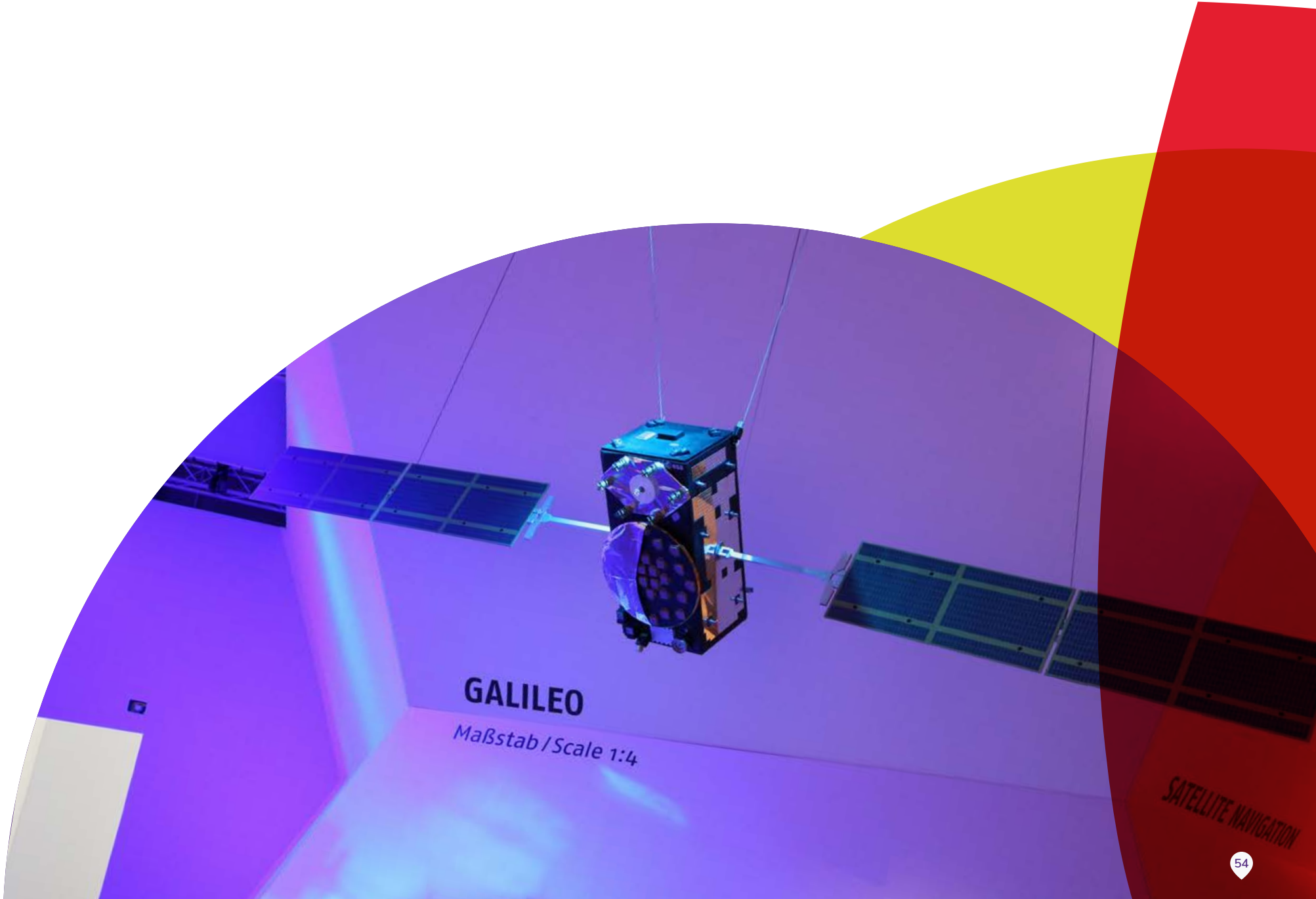
The MCA has also attended WRC-19, where the experts took key decisions on changes to the ITU Radio Regulations, to determine the use of the radio spectrum and satellite orbits for the future. In particular, WRC-19 established new regulatory frameworks supporting maritime communication services, revised certain restrictions of wireless access systems in the 5 GHz band, allocated frequency ranges for wireless broadband services and gave the possibility to Member States to upgrade their satellite resources, as registered under Appendix 30/A of the Radio Regulations. On the latter point, the MCA decided to take the opportunity offered by WRC-19, with respect to Malta's satellite slots and initiated the process to seek expert support in this matter.

SPACE COMMUNICATIONS

During 2019 the MCA continued to explore and support the needs and the opportunities for the space communications industry in Malta.

The MCA continued to support Government by participating in the GNSS programme committee, evolution and supervisory authority meetings, and representing Malta's interests in this regard, particularly by supporting and advising Government in relation to the relevant European Commission proposals for regulations within this sector. The MCA continued to contribute and participate in the European Commission's expert group on governmental satellite communications (GovSatCom), concerning the feasibility for setting up a European satellite communications network to address governmental communication needs.

The MCA also continued working with the Malta Council for Science and Technology (MCST) and other players responsible for facilitating investment in space-related activities in Malta. In this regard, the MCA was invited to join the national space taskforce responsible for formulating a space strategy for Malta.



GALILEO

Maßstab / Scale 1:4

SATELLITE NAVIGATION

A nighttime photograph of an industrial or warehouse area. A large white truck is parked on the right side of the frame. The scene is illuminated by several bright blue lights, creating a strong blue color cast. In the background, there are some buildings and structures. The overall atmosphere is dark and industrial. The image is overlaid with a large, semi-transparent red and black graphic element on the left side.

REGULATION OF THE POSTAL SECTOR

REGULATION OF THE POSTAL SECTOR

The changing characteristics of the postal sector are common practically worldwide, namely the ongoing decline in letter mail, compensated by the steady rise in small packets and parcels. The changes in both instances are a well-documented result of digital substitution. E-mail and electronic billing increasingly replace physical mail, whereas e-commerce is replacing 'bricks and mortar' purchases. The trend in both cases keeps rising steadily, and Malta is no exception.

Similar to the electronic communications market, the MCA's primary objective in regulating the postal sector is ensuring the continued provision of efficient, affordable and high-quality services, whilst promoting fair market conditions that are conducive to effective competition between service providers.

During the course of 2019, the MCA continued to:

- safeguard the provision of a universal postal service that meets the reasonable needs of postal users in Malta;
- promote the development of the postal sector and facilitate sustainable competition and innovation in the market;
- collect relevant, accurate and timely information on the postal market; and
- provide information regarding the provision of postal services.

SECURING THE PROVISION OF THE UNIVERSAL POSTAL SERVICE

The MCA oversees the universal postal service, which means MaltaPost plc (MaltaPost), as the universal service provider, must deliver and collect letters and parcels six days a week, at an affordable and uniform price throughout the country. The Authority's main legal duty is to ensure that the universal service obligation on postal services is secured, and that citizens benefit from a sustainable universal postal service, which provides good quality services at affordable prices.

The ongoing decline in letter mail volumes, coupled with the growth in incoming cross-border small packets and parcels as a result of e-commerce, has a significant bearing on how to ensure the sustainability of the universal postal service.

In 2019, following a proposal by MaltaPost, and an in-depth analysis, the MCA granted tariff increases in the domestic single-piece, bulk mail services and domestic and outbound registered mail services. The tariff increases were granted in order to maintain the financial sustainability of the universal postal service.

Domestic Single-Piece Tariffs	Tariffs prior to 30th May 2019	Year 1 (30th May 2019)	Year 2 (1st January 2020)
0 - 50g	€0.26	€0.28	€0.30
51 - 100g	€0.42	€0.48	€0.50
101 - 150g	€0.20 (for each additional 50g)	€0.68	€0.70
151g - 200g	€0.20 (for each additional 50g)	€1.45	€1.65
201g+ - 2kg (for each additional 50g)	€0.20 (for each additional 50g)	€0.20 (for each additional 50g)	€0.20 (for each additional 50g)

Domestic Bulk Mail Tariffs	Tariffs prior to 30th May 2019	Year 1 (30th May 2019)	Year 2 (1st January 2020)
0 - 50g	€0.26	€0.26	€0.27
51 - 100g	€0.36	€0.38	€0.39
101g - 2 kg	€0.20 (for each additional 50g)	€0.20 (for each additional 50g)	€0.20 (for each additional 50g)

Domestic Registered Mail Tariffs	Tariffs prior to 1st January 2019	As from 1st January 2019
Registration Fee	€0.90	€2.00
Advice of Delivery	€1.20	€2.00

Outbound Registered Mail Tariffs	Tariffs prior to 1st January 2019	As from 1st January 2019
Registration Fee	€3.00	5.00
Advice of Delivery	€2.00	€2.60



REGULATION OF THE POSTAL SECTOR

REGULATING THE POSTAL MARKETS

In 2019 the MCA carried out an extensive review of the postal services markets in Malta. The review assessed, among other things, whether MaltaPost continues to enjoy significant market power (SMP) in any of the postal services markets falling within the scope of the universal postal service. The MCA found that MaltaPost no longer holds SMP in the market for domestic parcel mail, given the strong indirect competitive constraints posed by express/courier-based postal service providers on the pricing behaviour of MaltaPost in a deregulated environment. The MCA therefore considered it reasonable and appropriate to withdraw the ex-ante regulatory obligations currently in force on MaltaPost in the domestic parcel market. The relevant existing obligations on the domestic parcel market are to be removed at the end of February 2020. MaltaPost will have an appropriate level of commercial flexibility in the provision of domestic parcel postal services whilst continuing to ensure the reasonable needs of postal users.

MALTAPOST'S QUALITY OF SERVICE PERFORMANCE

The MCA monitors MaltaPost's quality of service in the provision of the universal postal service. In 2019 the MCA continued to press for quality of service delivery of the universal postal service at established efficiency targets. The following table indicates the quality of service standards and performance targets for domestic mail services provided by MaltaPost for the universal postal service, where:

- D+1 (regularity) is defined as the mail quality standard that the postal service provider should reach, and which represents one working day from the day of deposit to delivery to the addressee; and
- D+3 (reliability) is defined as the mail quality standard that the postal service provider should reach, and which represents three (3) working days from the day of deposit to delivery to the addressee.

	D+1 Target	D+1 Performance	D+3 Target	D+3 Performance
Single Piece Letter Mail				
October 2016 – September 2017	95%	94.82%	99%	99.85%
October 2017 – September 2018	95%	95.11%	99%	99.75%
October 2018 – September 2019	95%	93.21%	99%	98.44%
Bulk Letter mail				
October 2016 – September 2017	95%	95.34%	99%	99.65%
October 2017 – September 2018	95%	94.80%	99%	99.86%
October 2018 – September 2019	95%	95.32%	99%	98.89%
Registered Letter Mail				
October 2016 – September 2017	98%	98.53%	99%	99.80%
October 2017 – September 2018	98%	99.29%	99%	99.90%
October 2018 – September 2019	98%	99.60%	99%	99.96%
Parcel Mail				
October 2016 – September 2017	98%	98.69%	99%	99.67%
October 2017 – September 2018	98%	99.45%	99%	99.88%
October 2018 – September 2019	98%	99.09%	99%	99.91%

During the financial year October 2018 - September 2019, the next day delivery quality of service performance for single-piece letter mail, fell below the set performance target of 95% by 1.79%. The MCA will continue to closely monitor MaltaPost's compliance with its quality of service performance, taking appropriate regulatory measures as necessary.

POSTCODES AS AN INTEGRAL PART OF A POSTAL ADDRESS

In 2018 the Postal Services (General) Regulations, SL 254.01 were updated, to provide that all locally addressed postal articles shall include a postcode written immediately after the town or village of the address. Locally addressed postal articles which do not include a postcode must still be delivered. The Postal Services (General) Regulations were also updated to reflect that a postal service provider will not incur any liability or compensation to any person, whether by reason of delay or misdelivery of any postal article, in the course of transmission which is caused by a missing or erroneous postcode.

These updated provisions in the Postal Services (General) Regulations however, state that they shall only apply once the MCA determines the conditions to be adhered to by MaltaPost, in relation to the effective implementation of this Regulation. The MCA is subsequently satisfied that MaltaPost is complying with all such conditions.

The MCA has published a decision on the regulatory conditions which are to be met by MaltaPost before the provision becomes applicable. Amongst other conditions, MaltaPost is obliged to undertake an extensive information programme to inform the general public, and which will include individual notification of the postcode to each address in Malta and Gozo. By the end of 2019 the regulatory conditions to be adhered to by MaltaPost had not yet been achieved.

REGULATION OF THE POSTAL SECTOR

REGULATING POSTAL ARTICLE FORWARDING SERVICES

The use of Postal Article Forwarding Services (PAFS), as a means to facilitate the delivery of items purchased online from retailers overseas to a consumer in Malta, has increased over the past years, as have the number of providers operating such services both in Malta and in other jurisdictions. In 2019 the MCA published its decision that, a PAFS provider that uses its delivery network to distribute postal articles to its customers in Malta, constitutes a postal service falling outside the scope of the universal postal service. A general authorisation notified to the MCA, is required to solely provide postal services outside the scope of the universal postal service.

IMPLEMENTING THE EU REGULATION ON CROSS-BORDER PARCEL DELIVERY

The Regulation on Cross-border Parcel Delivery Services (Regulation (EU) 2018/644), adopted in April 2018, aims to improve price transparency and enhance regulatory oversight of parcel delivery (including small packets). During 2019, which was the first year of the Regulation's operation, the MCA implemented the measures contained in the Regulation and provided the European Commission with the necessary information related to the parcel delivery service providers. The Regulation states, that service providers are required to submit information about their services, including the public list of tariffs applicable to specified mail types and weights. On its part, the European Commission published on a dedicated website, the tariffs that customers pay for cross-border services. As a result, citizens can compare parcel delivery costs more easily and benefit from more transparency of tariffs.

As required by the Regulation, the MCA performed its first assessment of the cross-border single-piece and parcel tariffs within the scope of the USO. The MCA submitted its assessment to the European Commission, which published the non-confidential assessment reports on the tariff assessments carried out by the Member States on its website.

In 2020, the European Commission is expected to submit to the European Parliament, the Council and the European Economic and Social Committee an evaluation report on the application and the implementation of this Regulation, accompanied, where necessary, by a legislative proposal for its review. The European Commission shall evaluate, amongst other things, the contribution of this Regulation to the improvement of cross-border parcel delivery services, including the affordability for SMEs and individuals, and whether the transparency of cross-border tariffs has improved.

MANAGEMENT OF POSTAL COMPLIANCE FRAMEWORK

In 2019 the number of authorised undertakings providing postal services amounted to twenty-six, two of which are licensed to provide services within the scope of the universal postal service. During the course of 2019, the MCA continued to ensure regulatory compliance by both licensed postal service providers providing services within the scope of the universal postal service, as well as those service providers subject to a general authorisation; the latter solely providing services falling outside the scope of the universal postal service. Regulatory compliance is required of all postal service providers, in order to protect the integrity and security of mail, the functional set-up of complaints-handling procedures and compensation schemes, as well as to uphold quality of service.

COLLECTION AND PUBLICATION OF MARKET INFORMATION

The MCA is continuously engaged in collecting market information and statistics directly from market players on a regular basis. These are published in bi-annual communications market reviews. This activity is supplemented by public and business perception surveys which are carried out periodically. The results of these surveys serve as an additional source of information when formulating regulatory decisions, and also provide an indication of how postal users' needs (whether these are businesses or consumers) are changing over time.

In 2019, the MCA published the results of its household perception survey on the use of postal services. This survey was commissioned in 2018, with a further two surveys relating to business users and bulk mailers in 2019. The results of these surveys were also published on the MCA's website in 2019. A summary of the key findings is being reflected below.

POSTAL PERCEPTION SURVEY - HOUSEHOLDS

Between July and August 2018, the MCA commissioned a survey with the objective of evaluating household perceptions and satisfaction levels regarding postal services in Malta. The household survey was carried out via telephone interviews. A total of 500 households participated in the survey.

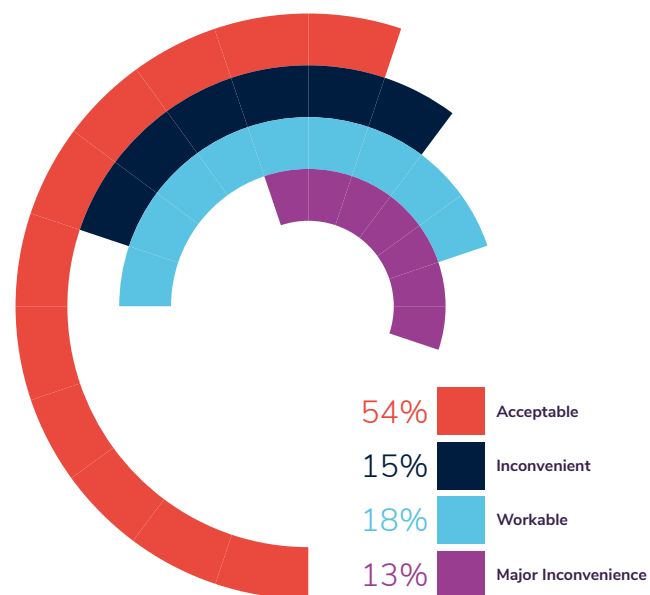
74% OF RESPONDENTS REPORTED BEING SATISFIED WITH MALTAPOST'S OVERALL QUALITY OF POSTAL SERVICE.

59% of respondents reported that the number of addressed letters received per week remained the same over the past 12 months, 34% of respondents reported a decrease, and only 6% reported an increase in the number of letters received. Meanwhile, 43% of households reported not sending any mail, 31% reported that the amount of mail sent remained the same, 24% reported a decrease, and only 2% reported an increase.

27% of respondents reported an increase in the number of parcels received in the last 12 months. Delivery of a parcel to a home address remains the preferred method of receipt. 73% of respondents claim to have visited a post office within the past 12 months. Respondents noted paying bills (42%) and collecting parcels (46%) as the main reasons for visiting the post office.

Respondents were also asked if they would find a 5-day delivery week acceptable. 54% of respondents would find a 5-day week for the delivery of postal articles as acceptable, instead of the standard 6-day week. 15% would find a 5-day week to be a minor inconvenience whilst 18% would find a 5-day week to be inconvenient but workable. Only 13% would consider it to be a major inconvenience.

5-DAY WEEK HOME POSTAL DELIVERY



POSTAL PERCEPTION SURVEY - BUSINESSES

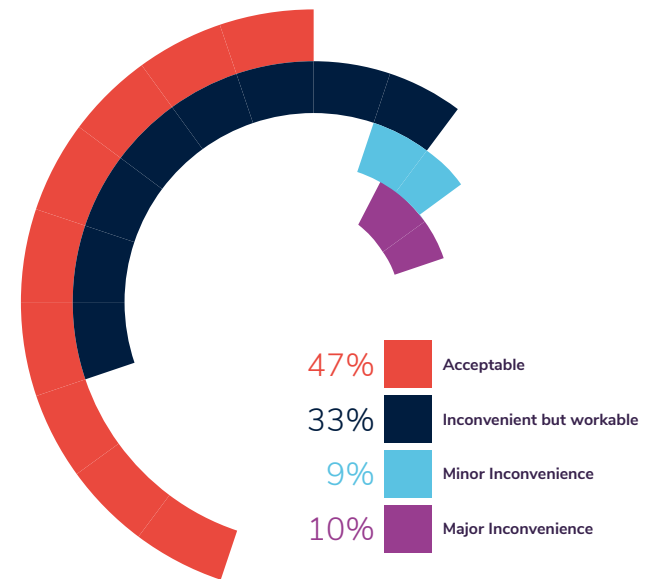
Between January and February 2019, the MCA carried out a survey which focused on business perceptions and satisfaction levels related to postal services in Malta. This survey was conducted via telephone interviews, with randomly chosen respondents within a representative sample (i.e. composed mainly of micro enterprises engaging between 0 - 9 employees). A total of 390 businesses participated in this survey.

95% OF THE RESPONDENTS CLAIMED TO BE SATISFIED WITH THE OVERALL QUALITY OF POSTAL SERVICES.

The majority of respondents (68%) claimed, that over the twelve months preceding the survey, the volume of letters received remained the same. When asked about the addressed letters sent, 47% (the highest percentage) of the respondents claimed to have sent the same volume of addressed letters. 79% of respondents claimed to have visited a post office in the 12 months preceding the survey. The main reasons for visiting the post office were to send letters (55%), sending and collecting registered letters (40% and 38% respectively), buying stamps and to pay bills (both 35%).

Respondents were asked if they would find a 5-day delivery week acceptable. 10% of the respondents claimed that a 5-day delivery would be a major inconvenience. For the remaining 90% of the respondents, a 5-day delivery was either acceptable (47%), inconvenient but workable (33%) or just a minor inconvenience (9%).

5-DAY WEEK BUSINESS POSTAL DELIVERY



POSTAL PERCEPTION SURVEY – LARGE BULK MAILERS

In another survey carried out between November 2018 and January 2019, the MCA sought to evaluate organisations' perceptions and satisfaction levels with specific regard to MaltaPost's bulk mail service, generally used by Government, financial institutions, utilities and educational institutions. A total of 40 organisations using MaltaPost's bulk mail service were interviewed. Eligible respondents who participated in this survey, had to have used Malta Post's Bulk Mail Service to send an average of more than 750 addressed letters in a year.

THE MAJORITY OF RESPONDENTS (81%) REPORTED A HIGH LEVEL OF SATISFACTION WITH THE OVERALL QUALITY OF MALTAPOST'S POSTAL SERVICES.

More than half the respondents (55%) claimed to have sent the same number of letters in the year preceding this survey, whilst 20% of the respondents claimed to have sent less letters in the year preceding this survey. The vast majority of respondents (95%) have declared their intention to continue making use of the Bulk Mail Service provided by MaltaPost. Whilst 58% of these respondents have anticipated no change in the volumes of letters sent, 20% were envisaging an increase. Meanwhile, 18% of the respondents expected lower volumes.

Most of the respondents (83%) find no major issues should MaltaPost deliver bulk mail 5 days a week, instead of 6.

5-DAY WEEK BULK MAIL DELIVERY





REGULATION OF ECOMMERCE

REGULATION OF ECOMMERCE

The MCA has been at the forefront, in line with its remit at law, in promoting and overseeing online transactions. It has put forward a number of projects, such as FastTrack, eCommerce Guides for SMEs, BLINK, eBiznify, to help foster eCommerce in Malta. Besides, the MCA oversees eCommerce websites established in Malta to ensure that the rights and obligations set out under the Electronic Commerce Act are being followed, and will continue to do so, to ensure a healthy and thriving online environment for both consumers and business.

During 2019, the use of digital technologies by SMEs continued to grow unperturbed. According to the latest research published by the National Statistics Office¹⁵, use of computers and the internet remains high across all size classes of businesses, with an average of 97.7% and 97.3% respectively, with the latter at par with the EU average, the use of mobile devices to access the internet keeps increasing too. Although there was no significant growth in the number of enterprises with corporate websites, Malta's figure still remains 5% higher than the EU average, with more websites offering multiple features. The survey results show an increase in popularity in the use of social networks; 86.5% of enterprises that use the internet also engage in social media and multi-media sharing websites, such as Facebook and YouTube. The number of enterprises conducting sales through eCommerce continues to grow. At 545, it is 1.5% higher than in 2018 and 4% higher than the EU average. This increase is reflected across all size classes of businesses and economic activities. An increase in eCommerce sales turnover was also reported, with more than half of this revenue generated from business-to-business activity. Web-based sales stood at €827 million in 2019, a 5.4% increase from the previous year. Besides, it is interesting to note the increase in the amount of business-to-consumer sales turnover derived from marketplaces, slid up from 13% in 2018 to 36% in 2019. This shows that selling through online intermediaries is catching up, suggesting that businesses are appreciating the advantages that these platforms provide in terms of reach and revenues.

Research carried out during 2019 by the NSO amongst individuals, shows that internet usage amongst the Maltese population continues to grow

reaching 85.8% and registering almost a 4% increase on the previous year, with the vast majority using it, more or less, on a daily basis. Whereas internet usage by the Gen Z, Millennials and Gen X remains stable and very close to a 100%, usage by baby boomers¹⁶ still remains on the low side, but still managed to register an increase of around 18% on the previous year. Nevertheless, internet usage in Malta is very close to the EU average and it continues to be mostly used for communication purposes, followed by access to information, unlike the previous year where entertainment placed second. A slight decrease was reported in the use of the internet away from home or work, mainly undertaken via a mobile phone. It is interesting to note that whilst the younger generations reported a slight decrease here, there was an increase in the use of internet away from home or work by baby boomers.

Use of eGovernment services witnessed an increase of 2% on the previous year and this was reflected almost across all ages. Cloud computing services use remains stable and as expected, is mainly popular with the younger cohorts. The 2019 survey also looked into the digital skills of individuals, with the highest 'above basic' skills related to information and communication at 82.% and 84.5% respectively, and followed by problem solving skills and software skills at 64.9% and 52.3% respectively.

As expected, shopping online continues to be a constant choice for consumers in Malta, with clothing topping the list of preferred items purchased over the internet. It is worth noting a 4.8% increase in online shopping for groceries and food, which could indicate a growing disposition towards grocery shopping, which is also taking an upward turn in other EU countries.

¹⁵ NSO News Release 101/2020 – 23 January 2020

¹⁶ Gen Z refers to people who are currently under 22 years of age; Millennials to those between 23 – 38 years; Gen X to those between 39 – 54 years; and Baby Boomers to those between 55 – 73 years old.

EBIZNIFY – ECOMMERCE TRAINING PROGRAMME

During 2019, the MCA continued with the implementation of the ESF-funded project 'eBiznify', a web-based training platform approved by the National Commission for Further and Higher Education (NCFHE). eBiznify provides a blended or a complete digital training programme in eCommerce at MQF level 4, supporting individuals or SMEs, especially micro enterprises, in acquiring the necessary skills to transact online. It is a collaborative learning environment with functionalities such as online tutoring/mentoring, virtual assistance, online self-assessment and intelligent document handling. It also allows users to access content and any recorded material, anytime this is required, from virtually anywhere. Moreover, it provides exclusive access to an online library of book titles related to digital business, soft skills and other related subjects to complement the training, particularly assignment work. The training programme delivered through this platform, is designed to tangibly support individuals and businesses to deal with the current challenges, as well as, plan properly for the future. Following the official launch in 2018, further intakes were offered throughout all 2019. In total, seven intakes were rolled out, with one delivered entirely online to allow individuals, especially students, to complete the programme during the summer months.. More than 100 individuals participated in the eBiznify programme, with most attendees hailing from economic operators. The feedback received was excellent throughout and the MCA has already observed a number of participants putting the knowledge into practice, by establishing new and novel ways within their business operation. Going forward, the MCA will be exploring opportunities for collaboration to ensure that it keeps offering this training programme beyond 2019.





DIGITAL INCLUSION

In an ever evolving and increasingly complex digital sector influenced by rapid advances in technology, during the past eighteen months, the Government announced some changes in the delivery of its digital strategy and programme. As a result of these changes, the Authority was mandated with increased regulatory responsibilities for the implementation of various new EU rules, and designated to be the competent authority in Malta. These include:

Directive (EU) 2016/2102 of the European Parliament and of the Council of 26 October 2016. This Directive deals with the accessibility of the websites and mobile applications of public sector bodies.

Regulation (EU) 2018/302, which addresses unjustified online sales discrimination based on customers' nationality, place of residence or place of establishment within the internal market (also referred to as the Geo-blocking regulation), and

Regulation (EU) 2017/1128 on cross-border portability of online content services in the internal market. The objective of the portability rules is to broaden access to online content services for travellers in the European Union.

In parallel, responsibility for various initiatives that the MCA had designed and delivered as part of its rolling programme, aimed at promoting a digital inclusive society, were shifted to the newly set up foundation Tech.mt. These include various initiatives that have become household names such as 'Be Smart Online!', the 'MCA Free Wi-Fi' and the 'eBusiness Awards'. During the year in review, the MCA undertook a number of activities, as detailed below, aimed at building the necessary capacity to address the effective implementation of the aforementioned EU laws as well as ensuring a smooth migration of those projects and corresponding resources, transferred to Tech.mt. It also continued to deliver its regulatory remit in relation to electronic signatures and trust services.

WEB ACCESSIBILITY DIRECTIVE

The Web Accessibility Directive (WAD) aims to provide better access to the websites and mobile apps of public service entities, to everyone, including people with disability. The rules on which the Directive is based on, mark the European Commission's work and focus to further develop a social and inclusive European Union, which aims to enable all Europeans to take a full and active role in the digital single market and society in general. The salient characteristics of the WAD include:

- Coverage of both websites and mobile apps of public sector entities – there are a few exceptions including for instance, broadcasters, mapping services and live streamed events;
- Industry standards that website and mobile app owners and developers can refer to, to make their websites and / or apps more accessible;
- Enforcement of the publication of an accessibility statement for websites and mobile apps, which statement needs to describe the level of accessibility that has been achieved, highlighting any content that is not accessible, and accessibility related contact information amongst others;
- Stipulating that websites and mobile apps offer a feedback mechanism which allows users to flag any accessibility issues they may encounter;
- Imposing a regular monitoring obligation of public sector websites and mobile apps by member states, which monitoring shall also include reporting. This reporting will need to be provided to the Commission and will be made public.

The WAD forms part of an overarching umbrella of initiatives by the European Union, namely the European Accessibility Act. This Act covers an even wider number of products and services within the internal market, including eCommerce, audio-visual media services, electronic communications, ebooks, smartphones, banking services and others.

In 2019, the MCA was designated to act as the national supervisory authority for the WAD. As from 2019 therefore, the MCA started to enforce the WAD in relation to complaints from the general public, related to the accessibility of websites of public sector entities. Besides reactive enforcement, the MCA also worked on a process that will go into force as from 2020, which relates to the proactive monitoring of public sector websites. The main aim in this case, is to ensure there is a gradual and continuous improvement in the accessibility characteristics of websites, (and eventually mobile apps), of public sector entities.

WEB ACCESSIBILITY ACTIVITIES

MCA's contributed during the Accessible Europe Conference held in Malta in December. MCA's project leader presented the aim of the Directive and gave an overview on the implementation of the Accessibility Directive in Malta. Furthermore, a stand was set up in the exhibition area with further information, and attended by the project team involved in the implementation of the WAD.

TRUST SERVICES

In 2019 the MCA sought to work with a number of Trust Service Providers ('TSPs') who showed interest in establishing their operations in Malta. This work is expected to yield results in the near future, as TSPs offering novel trust services, seek to establish their presence in Malta and offer their service to the whole EU.

Besides the on-going enforcement and management of the regulation, the Authority also maintained its presence in the Forum of European Supervisory Bodies ('FESA'). Following the successful hosting of the FESA meeting in Malta in 2018, during 2019, the MCA attended two FESA meetings in Tirana and Paris. The FESA provides the MCA with a unique opportunity to meet with peers from across the EU and share information on both challenges and opportunities the eIDAS presents.

The MCA also attended the ENISA Article 19 meetings, which are held back-to-back with the FESA meetings. These meetings bring together eIDAS experts from all member states, to discuss incident reporting in general, and security issues related to trust services in particular.

MCA PROJECTS WHICH TRANSITIONED TO TECH.MT

THE MCA EBUSINESS AWARDS

The MCA eBusiness Awards brings together talented ICT professionals, to recognize innovative and unique business initiatives that blend web-based technologies with entrepreneurial flair. In particular, these awards seek to promote adoption and innovation in ICT applications in the ever-more growing eBusiness domain, and create awareness on the potential of web-based technologies to drive economic growth and social development.

During 2019 and after 8 successful editions characterised by a continuous and consistent year after year improvement, it was announced that the eBusiness Awards will fall under the responsibility of the newly established Tech.mt Foundation which is, separate entity, with the involvement of the private sector, represented by the Malta Chamber of Commerce.

Over the years, the MCA eBusiness Awards became a regular and sought after event on the local scene, attracting nominations of the best and most innovative projects locally. For the winners, the prestige of winning an MCA Award assisted in increasing their credibility and reputation in the business world.

The 2019 event was the MCA's last edition of these awards which was held at the Mediterranean Conference Centre on the 25th June with 21 solutions, from seven different categories, making it to the final.

The winner of the 2019 event in their categories were:

The Best App category was won by Savvisave of Mapfre MSV Life plc. This app is a flexible, goal oriented, digital savings product that lets you save towards your personal goals.

TinkTank Ltd snapped up the award for the Best eCommerce site (B2C) with their Tinkshop website developed by NIU Ltd. Thetinkshop.com effectually setting new standards in the gift-giving industry in Malta, by offering its users the ability to design the products themselves, online, from the comfort of their home whilst drastically reducing order fulfilment lead times.

The Best eGovernment initiative went to MCST for their portal Plumtri developed by Seasus. Plumtri.org facilitates the interaction, as well as the showcasing and sharing of information, amongst individuals and organisations engaged in research and innovation.

The Office of the Prime Minister clinched the award for the Best Use of Technology in Business Transformation, with their product BiedjaCam developed by the Ministry for the Environment, Sustainable Development and Climate Change. BiedjaCam is a collaboration platform, between the Agriculture and Rural Payments Agency and land farmers, to better manage controls of subsidies related to the Common Agricultural Policy.

The Best ICT Academic Project with an eBusiness Theme was won by Mr Karl Bezzina, a young student from the Faculty of ICT at the University of Malta with his dissertation; Flexible Job Shop Scheduling of a Production Line with Overlapping in Operations.

MITA walked away with the newly introduced category – Excellence, Innovation and Leadership in Information Security – with its Hybrid Cloud for Government developed by ICT Solutions. The hybrid cloud is truly at the cutting edge of secure by design implementations.

And, finally, The Best Social Media Campaign (50% people's choice) went to the Żabbar Local Council for their Umbrella Installation Campaign by Y Ltd. The umbrellas were an instant hit on social media. Within a week, the installation was featured in all news bulletins, news portals and newspapers and also in a variety of international photographic reports ranging from Singapore to Paris and Saudi Arabia. This was the widest exposure ever given to the city of Żabbar.

ZEST AT DELTA

ZEST is a conference and networking event focused on digital disruption, innovation, emerging tech and technology business. During 2019, the ZEST conference was merged onto the DELTA Summit platform and transferred under the remit of Tech.MT. The ZEST 2019 programme presented content dealing with the themes of 'governance & tech', 'digital society matters', 'digital health', 'emerging tech' and 'startups'.

MALTESE DICTIONARY

The Maltese- English- Maltese web-based dictionary, is the fruit of collaboration between MCA, the Institute of Linguistics, the Department of Intelligent Computer Systems at the University of Malta and the 'Kunsill Nazzjonali tal-Ilsien Malti. This scope of this project is to benefit the Maltese language and assists those, especially foreigners, to start using the language in their communication. A key feature of this platform is its interactive functionality, which allows users to suggest the adding of new words, which have been searched but not found – this will contribute to the continuous enrichment of the dictionary's vocabulary. During 2019, this web-based dictionary, which is available both on website and as an android-based app, was maintained under auspices of the MCA.

STAR KIDS

Star Kids is an ESF project aimed at building the ICT skills in children and youths hailing from disadvantaged social backgrounds, who are at risk of poverty or social exclusion. Acknowledging that such skills would assist children during their educational journey and eventually employment, these children often have restricted accessibility to ICT skills due to the less than optimal social or familial conditions.

The project is phased in six stages, with the possibility of additional components as the project continues to evolve during its lifetime. The current phases of the project span from the identification of the training needs of children right up to the evaluation of the training. However, the research phase has already uncovered new training needs for the carers and parents, along with an opportunity to piloting an AI system that promotes an individualised learning experience.

During 2019, the MCA continued the roll out of the phases planned and maintained the processes for delivery of the project.

SMART WOMEN

Led by MCA along with other six transnational European partners, Smart Women is an Erasmus+ funded project which aims to bolster female entrepreneurship. The initiative seeks to empower aspiring woman to take up entrepreneurial and eCommerce initiatives by transforming their ideas into viable business ventures. For this purpose a training programme was designed, with the scope to equip a number of female entrepreneurs with skills deemed essential to successfully set-up and run a business – skills learnt have included business planning, digital marketing, online security and e-Commerce.

The MCA continued to pilot this project throughout 2019 along with all the participating countries.

BESMARTONLINE!

BeSmartOnline! (BSO) is a national initiative led by MCA and a consortium of three partners, aimed at promoting a safer internet use. During the year in review, further activity under this project as part of the 5th edition which kicked off in Q1 of 2019.

Safer Internet Day 2019 (SID) - the Secretariat for Catholic Education together with the Maltese Safer Internet Centre, invited all Church schools in classes 4 to 10 (i.e. primary and secondary students aged between 8 and 14), to think how they could be good digital citizens, acting safely and responsibly online, as well as how to act proactively to others' behaviour over the internet.

The students were then encouraged to use a digital tool to create an A4 flyer based on this year's slogan 'Together for a better Internet'. Posters were submitted and a judging panel selected one for primary and another for secondary respectively. These posters were used for a design, which included a school time-table and an after school time-table, together with some tips on how to balance between online and offline, and distributed to the respective years across all Church schools. All participants of this competition were given a certificate and winners were each presented with a gift.

MCA FREE WIFI

The MCA has developed this project to bridge the digital divide, with the proliferation of public WiFi hotspots around Malta and Gozo, making these Islands one of the most connected nations in the world. This initiative is the fruit of a long standing collaborative effort between the MCA and a number of public entities. During 2019 the MCA continued to maintain this service until it was handed over to TechMT.



CONSUMER PROTECTION

CONSUMER PROTECTION

The MCA regulates to enhance and ensure market competition in the interest of both consumers and businesses, so that the telecommunications and postal service providers offer high-quality, sustainable, affordable services which contribute to a positive customer experience.

The consumer remit of the MCA is driven by the need to safeguard consumer interest through compliance monitoring activities and through information initiatives aimed at creating awareness about their rights to empower them to choose and to use communications services with confidence.

During the year in review the MCA continued to carry out several ongoing functions aimed at consumer protection and implemented new initiatives as detailed below.

QUALITY OF EXPERIENCE SURVEY

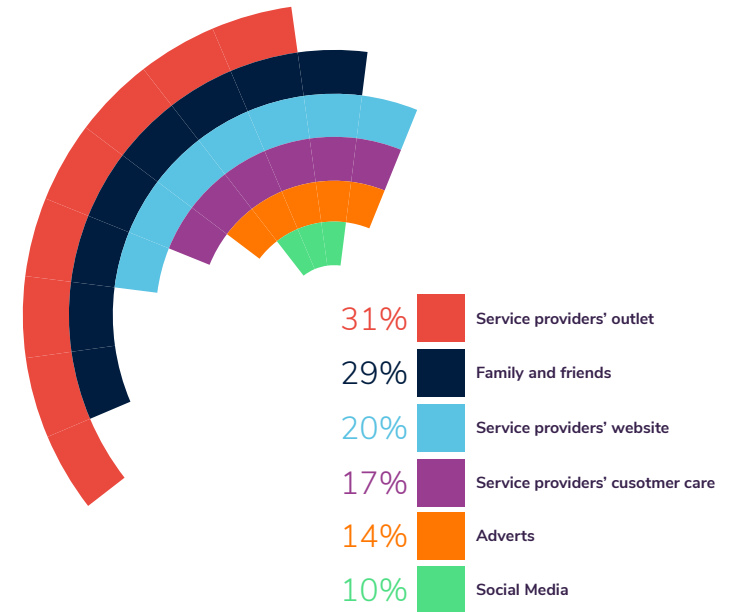
Understanding consumer requirements and the quality of experience serves to give better all-round awareness of service delivery levels, and leads to service improvements. In 2019, the MCA commissioned a survey to gauge consumers' quality of experience of their electronic communication services. This research was carried out among the general public with the objective of assessing the experiences, behaviour, and opinions.

The knowledge gathered from this study was used as a basis for discussion with stakeholders in the first ever Consumer Seminar organised by the MCA.

SOME RESULTS:

SUBSCRIBING TO A SERVICE

Respondents indicated that before subscribing to a service, they obtain information about the plans offered from service providers from:



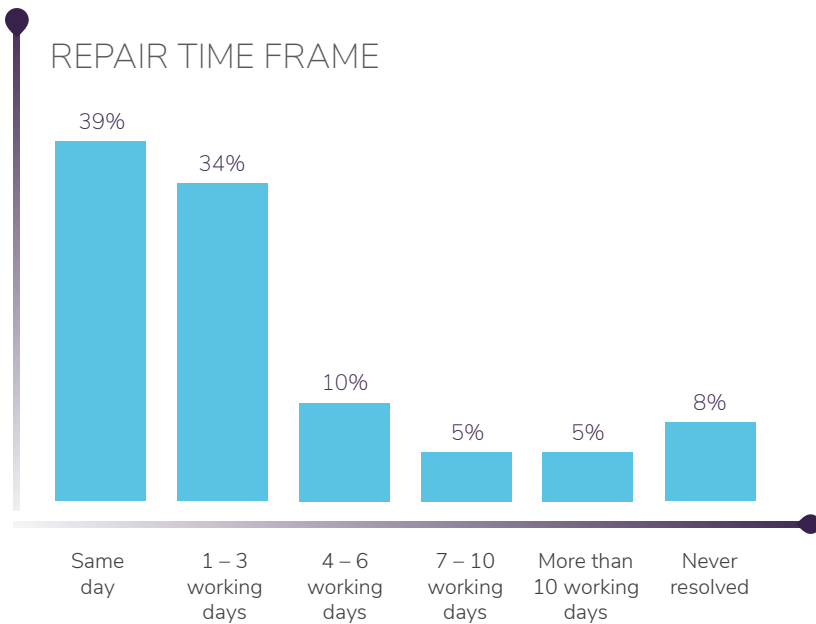
FAULT REPAIR FINDINGS:

39% OF RESPONDENTS STATED THAT THEIR SERVICE PROVIDER RESOLVED THE FAULT WITHIN THE SAME DAY.

34% OF RESPONDENTS CLAIMED THE ISSUE WAS RESOLVED WITHIN THREE WORKING DAYS.

56% OF THOSE INDIVIDUALS WHO EXPERIENCED A FAULT WITHIN THE LAST 12 MONTHS WERE NOT PROVIDED WITH A TEMPORARY SOLUTION.

88% OF THOSE WHO WERE PROVIDED A TEMPORARY SOLUTION WERE SATISFIED WITH THE SOLUTION PROVIDED



OTHER INTERESTING FINDINGS:

92% of respondents consider the contact details of their provider to be very accessible or fairly accessible.

For 71% of respondents, the telephone is the most preferred customer contact channel. The telephone is the most preferred channel among all age groups. However, there is a higher level of preference among persons aged over 34 years. On the other hand the preference for e-mail is higher among persons aged under 35 years.

46% of respondents indicated that they did not read their contract before subscribing to a service. 86% of those respondents who read their contract, considered the clauses to be very or fairly understandable.

CONSUMER PROTECTION

MCA CONSUMER SEMINAR

In November 2019 the MCA held a Consumer Seminar entitled 'Placing Consumers at the Heart of Electronic Communications Services'.

The seminar generated numerous interactions between stakeholders, and received good coverage in the press. The seminar aimed to create a space for conversations on how, in an ever more interconnected world, consumers are becoming increasingly dependent on electronic communications services, as well as examining what issues arise and whether consumers priorities and concerns are shifting.

The seminar brought together various stakeholders to discuss how to address consumer expectations. Speakers came from various organisations and presented the views of relevant organisations in this area, which included the European Commission, BEUC (the European Consumer Organisation), OFCOM (the UK's Telecoms Regulator), Cullen International, the University of Malta and local industry players. In his address to the seminar, the Parliamentary Secretary responsible for the communications sector, positively noted that Malta is well on track to be amongst the first Member States to meet the goals set by the European Union's 2025 Gigabit Society targets, also thanks to its investment-friendly policies and robust regulatory frameworks, that facilitate private sector participation in new digital sectors that rely on telecommunications infrastructure and services. .

The seminar also featured an engaging panel discussion between the CEOs of the three main telecoms companies; GO plc, Melita Ltd and Vodafone Malta Ltd, who answered questions about their expectations as consumers, about the challenges faced by the telecoms industry to support and keep up with the demands and necessities of new and disruptive technologies. The Quality of Experience survey, which was conducted by MISCO on behalf of the MCA, provided a unifying up-to-date summary on consumers' quality of experience expectations, with regards to the electronic communication services in Malta.

AWARENESS-RAISING ACTIVITIES

Information on the consumer rights and services available, is imparted through a mix of awareness-raising activities. In 2019, several topics of interest were discussed on daytime TV programmes and radio, which continued to advise consumers on how to make the correct choices, ask the right questions and what to expect from their service providers. Some topics covered were consumer tips, mobile data, wangiri scam calls, complaints reports, use of Internet, intra-EU calls, postal processing fees, and roaming.

Also in 2019, an educational campaign across online and print media shared information to consumers with regards to the Intra-EU communications regulation, which caps the price of fixed or mobile calls and SMSs sent from your local telephony subscription to any other country in the European Economic Area (EEA), which includes all the member states of the European Union (EU), plus Iceland, Liechtenstein and Norway.

In addition, the MCA continued to develop and update its consumer guides through its published FAQs, which are made available through its website.

COMPLAINTS AND ENQUIRIES

The MCA recognises the importance that a culture of compliance amongst service providers is engendered, so that end user rights are safeguarded. Effective compliance and enforcement is essential to create credibility and trust.

The MCA monitors local operators' activities vis-à-vis the products and services they place on the market, making sure that the relevant obligations emanating from the laws, and MCA decisions, are being adhered to, particularly in relation to transparency of information and quality of service. The team carries out various mystery shopping exercises to identify areas of concern, and undertakes the necessary regulatory action to address such issues.

The MCA also manages a complaints and enquiries handling service, to provide direct assistance to consumers who are not satisfied with the redress or response provided by the service provider following a formal complaint.

Subsequently the MCA duly publishes reports on the complaints and enquiries on a half yearly basis. The reports provide an analysis of the complaints received by the Authority during the period. In total in 2019, the MCA received 183 complaints. In 2019, 93% of the complaints received were closed within 20 working days.

The complaints lodged with the Authority in 2019, related predominantly to quality of service and billing issues. During 2019, the Authority also received 617 requests for information.

The MCA's remit in relation to consumer protection is limited to regulatory intervention, in relation to certain sector specific provisions under the laws that it enforces. The MCA has no legal powers to regulate unfair commercial practices or the use of unfair contract terms undertaken in the communications sector as, under the current setup adopted in Malta, these are exclusively regulated by the Director General (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority.





EU AND INTERNATIONAL ENGAGEMENT

EU AND INTERNATIONAL ENGAGEMENT

The MCA operates in an environment where the regulatory frameworks it oversees, are agreed at a European and/or international level. During the past year, the Authority remained a strong contributor to the shaping of the communications regulatory scenario and had a significant role in several initiatives. The Authority's work is undertaken through different channels and in fulfilment of its' different roles: as a national regulatory Authority, as an advisor to the Government or, when designated to do so, acting on behalf of the Government. Officials of the MCA played an active role in the following activities.

ELECTRONIC COMMUNICATIONS

- The Body of European Regulators for Electronic Communications (BEREC) and the Independent Regulators Group (IRG), promote regulatory consistency and excellence in the implementation of the related legislative framework. The MCA is an active member of both IRG and BEREC and is a regular contributor to the work of the expert working groups, including taking the leading role in drafting several documents. Much of the work carried out during the year concerned the drafting of technical work in preparation for the entry into force of the newly adopted European Electronic Communications Code. Other work carried out concerned Net Neutrality, International Mobile Roaming and new technologies such as 5G, IoT and Very High Capacity Networks.
- The MCA participates in the high-level meetings of IRG and BEREC. The Contact Network meeting and plenary sessions are held four times a year in the members' countries. The Authority hosted the 41st BEREC Plenary and IRG General Assembly on the 5th and 6th December in Malta. The meeting was attended by the Heads and/or high-level representatives of the NRAs from each EU Member State, which have primary responsibility for overseeing the day-to-day operation of the markets for electronic communications networks and services. Heads and high-level representatives of the NRAs from the EFTA States and the States that are candidates for accession

to the EU, and high-level officials from the European Commission also took part in the meeting. The Commerce Commission of New Zealand, which is the telecoms regulatory body, was a special guest in Malta upon the invitation of BEREC, in its efforts to further develop international cooperation.

- The Communications Committee (COCOM) assists the European Commission in carrying out its executive powers under the regulatory framework for electronic communications.
- The Radio Spectrum Committee (RSCOM) is 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 Radio Spectrum Policy Group (RSPG) is a high-level advisory group that assists the European Commission in the development of radio spectrum policy. The group adopts opinions, position papers and reports aimed at assisting and advising the European Commission at strategic level. It consults extensively and in a forward-looking manner on a variety of technological, market and regulatory developments relating to the use of radio spectrum in the context of relevant EU policies. Apart from attending the plenary meetings of the group, the MCA was also involved in a number of RSPG working groups, including its Good Offices working group which investigates co-ordination issues and harmful interference between European Member States, and proposes appropriate solutions.
- The European Union Agency for Network and Information Security (ENISA), in relation to incident reporting and security regulation.
- Given the importance being given to the deployment of 5G Networks, during 2019, the Authority participated in a number of meetings related to this technology, including the European 5G Conference held in Belgium, the Prague 5G Conference, High Level Cybersecurity meetings on 5G, joint BEREC/RSPG 5G authorisation process workshops, the GSMA 5G Capacity Building Exercise and the European 5G Observatory Workshop. Regulatory aspects of the subject have also been discussed extensively within BEREC.



41st BERC Plenary
in Malta 2019

EU AND INTERNATIONAL ENGAGEMENT

- During a four-week period between October and November, two MCA radio frequency spectrum experts attended the ITU World Radiocommunication Conference 2019, in Egypt. A record 3400 participants attended the negotiations, including delegates from most of the 193 ITU Member States as well as more than 260 experts, representing international organizations, equipment manufacturers, network operators and industry forums, who attended as observers. The agreement between the world's nations was enshrined in the Final Acts of the Radio Regulations, the international treaty governing the global use of radio-frequency spectrum and satellite orbits.
- The MCA continued to monitor the activities of the European Committee for Postal Regulation (CERP), which brings together 45 European countries to discuss postal regulation, and coordinates European preparations and positions for Universal Postal Union meetings.
- Significant resources were dedicated to the Extraordinary Universal Postal Congress of the Universal Postal Union (UPU) held in September, in Genève. The UPU, established in 1874, is a specialised agency of the United Nations which aims to secure the organisation and improvement of global postal services. It is founded upon the principle of a single postal territory amongst its 192 member countries where freedom of transit for postal items is guaranteed. Globally, the system of universal postal service providers is facing big challenges, as the sector transitions from mostly letter to mostly eCommerce traffic. Operators face a lot of market-driven challenges, such as increasing competition creaming the market, increases in operational cost and expected reduction in retail prices to keep eCommerce viable. An Extraordinary Congress was called at the beginning of 2019, in particular to try to solve issues related to international wholesale costs. A delegation composed of officials from the MCA, MaltaPost and the Permanent Representation of Malta to the United Nations in Genève, participated in the discussions.

POSTAL SERVICES

- During 2019 the MCA continued to contribute to the postal regulatory environment, though its active participation in the European Regulators Group for Postal Services (ERGP). ERGP is responsible for advising and assisting the European Commission in consolidating the internal market for postal services, and ensuring the consistent application of the European postal regulatory framework for postal services. The most important matters dealt with by the working groups, concerned an opinion of the group about the review of the postal regulatory framework and reports on the recent developments in the sector, and their implications for regulation. The monitoring of the implementation of the Parcel Delivery Services Regulation was also high on the agenda. The group also continued its monitoring of consumer protection and quality of service in Europe. The relevant documents were adopted during the two Plenary meetings after being analysed by the respective Contact Network meetings.
- The EU Postal Directive Committee was held twice in 2019. The Committees was established by the Postal Services Directive and is composed of representatives of EU countries. It serves as a scrutiny body for the application of postal legislation and for the improvement of quality of service. Matters discussed during the two meetings included the future of the regulatory framework, the Cross-Border Parcel Delivery Regulation, a study on user needs, UPU matters, customs issues, and postal standardisation.





CORPORATE ACTIVITIES

CORPORATE ACTIVITIES

Over the last years, MCA has endeavoured to provide a work environment where people are given the support to empower them to do their best work, thereby enabling the Authority to make a valuable contribution to society. The Human Resources team has been spearheading an effort to evolve and boost its training system in all relevant areas related to MCA's remit.

In 2019 the training was designed to enhance the tuition accomplishments of MCA staff, by focusing on needs and recommendations identified from the yearly Performance Management Programme (PMP). In addition, employees were also enrolled in the continuous development training offered by the Institute for Public Services, whilst in-house training by various departments was also organised on a quarterly basis. A number of employees have also attended several training programs and conferences abroad, on various subjects including 5G, Regulatory Framework, IRG Workshops, Insafe Training programs amongst others.

The annual teambuilding event was a successful day with enthusiastic participation from all staff, intermingling and working in teams from across the units. This year the event was a themed Around the World activity, which posed a number of challenges such as creating structures, acting, numerical tasks, and so forth.

Recruiting candidates with the niche skills required can be difficult in the current jobs market. The recruitment of new staff is only the first step in the employment relationship, and a positive induction must follow. Newly appointed staff have the opportunity to be exposed to all the regulatory functions at MCA through face to face meetings and presentations given by different team members from different units.

For a number of years, the MCA offers the On-the-job Learning Programme. This is an initiative geared towards students who wish to gain workplace experience. A number of students were provided with an opportunity to start applying educational teachings through practical work assignments, and to gain experience in the work of the Authority, with the objective of deepening their knowledge and understanding of the Authority's goals, principles and activities.

SOCIAL ACTIVITIES

The social committee is comprised of a number of employees from across the organisation, tasked with the planning and coordination of various activities. These activities are aimed at encouraging a sense of togetherness amongst employees, and to promote a positive work environment to the benefit of the employees' wellbeing.

Throughout the year various activities were organised towards charitable causes and donations were made by MCA staff.





LEGISLATION AND LITIGATION

LEGISLATION

The following is a list of laws enacted or made during calendar year 2019:

PRIMARY LEGISLATION

- Act No. XIII of 2019 entitled the 'Malta Communications Authority (Amendment) Act, 2019', was enacted during 2019. The main purpose of this Act was to update the views of the Minister responsible for communications to make regulations, in relation to any of the functions of the MCA, as provided for under the aforesaid Act and to factor the new post of Chief Executive Officer ('CEO') within the MCA.

SUBSIDIARY LEGISLATION

- Legal Notice 28 of 2019 entitled 'Electronic Communications Networks and Services (General) (Amendment), Regulations, 2019'. These amendments were made in relation to minor changes to Electronic Communications Networks and Services (General) Regulations (SL 399.28 of the Laws of Malta) concerning the change in nomenclatures of the applicable legislation relating to data protection following the coming into force and application of the EU General Data Protection Regulation (EU) 2016/679.
- Legal Notice 39 of 2019 entitled the 'Malta Communications Authority Act (Second Schedule)(Amendment) Order, 2019.'. The purpose of this order was to list 'Regulation (EU) 2018/302' concerning unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment, within the internal market' under the Second Schedule of the Malta Communications Authority Act (Cap. 418 of the Laws of Malta), whereby as a result the aforesaid EU Regulation was rendered enforceable by the MCA in accordance with its powers at law.

- Legal Notice 88 of 2019 being the commencement notice which brought into force the Malta Communications Authority (Amendment) Act, 2019 as from the 15th April 2019.
- Legal Notice 89 of 2019 entitled 'Accessibility of the Websites and Mobile Applications of Public Sector Bodies Regulations, 2019'. These regulations implemented the norms as per Directive (EU) 2016/2102 on the accessibility of the websites and mobile applications of public sector bodies.
- Legal Notice 90 of 2019 entitled 'Administrative Review Tribunal (Establishment of Panels) (Amendment No.2) Regulations, 2019' providing for a panel of the Administrative Review Tribunal to hear and determine contestations of decisions taken by the MCA under the 'Accessibility of the Websites and Mobile Applications of Public Sector Bodies Regulations, 2019'.
- Legal Notice 153 of 2019 entitled 'General Authorisations (Radiocommunications Apparatus) (Amendment) Regulations, 2019'. These amendments update the General Authorisations (Radiocommunications Apparatus) Regulations in line with EU requirements concerning different radiocommunications apparatus.
- Legal Notice 154 of 2019 entitled 'Electronic Communications Networks and Services (General) (Amendment No.2), Regulations, 2019'. These amendments changed the reference to a frequency band in line with international requirements.
- Legal Notice 169 of 2019 entitled the 'Malta Communications Authority Act (Second Schedule), (Amendment No.2) Order, 2019.' The purpose of this order was to list 'Regulation (EU) 2017/1128 on cross border portability of online content services in the internal market' under the Second Schedule of the Malta Communications Authority Act whereby as a result the aforesaid EU Regulation was rendered enforceable by the MCA in accordance with its powers at law.

LITIGATION

APPEALS BEFORE THE ADMINISTRATIVE REVIEW TRIBUNAL (ART)

During 2019, one new case was lodged before the Administrative Review Tribunal (ART) by Aspider Solutions Malta Ltd versus I-Awtorita Maltja dwar il-Komunikazzjoni. Aspider are contesting an administrative fine imposed by the MCA as per a decision issued in March 2019 relating to alleged non-compliance with porting requirements.

APPEALS BEFORE ART CARRIED OVER FROM 2018

Three appeals were carried over from 2018 to 2019. The appeals pending at the end of 2019 were respectively:

- Contestation by Vodafone of a regulatory decision (issued March 2016) on wholesale call origination on the public telephone network provided at a fixed location.
- Contestation by Vodafone of a regulatory decision (issued February 2016) on virtual unbundled access to fibre-to-the home (VULA).
- Contestation by Vodafone of a regulatory decision (issued in June 2016) following a dispute filed by Vodafone versus GO relating to access to GO's network.

APPEALS CONCLUDED BEFORE ART DURING 2019:

During 2019, the following cases before the ART were concluded, namely:

- Contestation by Vodafone of a regulatory decision (issued March 2016) on wholesale call origination on the public telephone network provided at a fixed location. This case was decided on the 11th November 2019, whereby the appeal made contesting MCA's decision was not upheld. No appeal was made from the Tribunal judgment.

LITIGATION BEFORE THE FIRST HALL OF THE CIVIL COURT

In 2019 there was no pending litigation.

APPEALS BEFORE THE COURT OF APPEAL

In 2019 there were no cases pending before the Court of Appeal (Inferior).

Before the Court of Appeal (superior competence) in 2019 the following cases were pending:

- An appeal filed by Melita contesting a ruling by the Director General (DG) (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority (MCCAA), whereby the DG (Consumer Affairs) had, after a complaint by the MCA, determined that Melita had acted in breach of the Consumer Affairs Act (Cap. 378 of the Laws of Malta) in relation to advertising using the word 'unlimited' to promote certain products. In doing so, the DG imposed both a daily and a one-off fine on Melita. Subsequently, Melita contested this decision before the Competition and Consumer Appeals Tribunal. The MCA had during the proceedings before the aforesaid Tribunal intervened as a party interested in the outcome having originally submitted the complaint

which gave rise to the subject-matter of the proceedings. In February 2016, the Tribunal confirmed the DG's ruling. Melita subsequently appealed this decision before the Court of Appeal (Superior). The case is currently awaiting a first appointment before the aforesaid Court of Appeal.

- An appeal filed jointly by Vodafone and GO contesting a judgment by the First Hall concerning legal interception fees collected by MCA on behalf of Government and of the Security Service (see above under 'Litigation before the First Hall of the Civil Court'). This appeal is waiting for a first appointment before the Court of Appeal (Superior Competence).

INTER-OPERATOR DISPUTES OR COMPLAINTS

During 2019, no inter-operator disputes or complaints were filed.

Other litigation

CONTESTATION BEFORE EUIPO

In 2018 a Polish based firm 'ZEST Television Limited' decided to contest MCA's application to register 'ZEST' as a trademark, submitting an application before the European Union Intellectual Property Office (EUIPO) objecting to the application by the MCA, on the basis that the application impinges on the use of its own trademark used in relation to the services it provides. After receipt of the MCA's submissions to EUIPO, in 2019, ZEST Television Limited decided to withdraw its case before EUIPO.

ISSUE OF NO OBJECTION IN RELATION TO A CHANGE OF OWNERSHIP OF MELITA LIMITED

In 2019 Melita Limited informed that the MCA that EQT Infrastructure would be acquiring ownership of Melita Limited. Melita Limited wrote to the MCA seeking prior clearance from the MCA, in relation to this change in ownership, in accordance with article 34A of the Malta Communications Authority Act. Subsequent to the conduct of due diligence process in relation to the proposed new owners, the MCA, as per a communication dated 19th July 2019, issued a letter of no objection to the proposed change in ownership.

CONSULTATIONS AND DECISIONS

CONSULTATIONS

[Proposed Change to Regulation 51 of the Electronic Communications Networks and Services \(General\) Regulations \(ECNSR\) \(SL. 399.28 of the Laws of Malta\)](#)

Published On: 5th December 2019

The intention of the proposed amendment is to clarify further the provisions of the mentioned regulation 51. This clarification is being proposed in relation to geographical areas of the Maltese Territory where inadequate redundancy in electronic communications networks might raise problems with regard to ongoing connectivity and therefore service provision. This is in line with the requirement in regulation 51(1) on undertakings providing publicly available electronic communications services over public communications networks, to “take all necessary measures to ensure the fullest possible availability of such service in the event of catastrophic network breakdown or in cases of force majeure”

[Consultation on Changes to Regulation 51 of the ECNS - 5 December 2019.PDF](#)

[Interoperability of Car Radio Devices](#)

Published On: 8th October 2019

Implementing Article 113 of the European Electronic Communications Code (EECC) with regard to the interoperability of car radio receivers

[Interoperability of Car Radio Receivers - EECC - Consultation Document.PDF](#)

[MCA Consultation on the market analysis findings concerning the provision of postal services in Malta](#)

Published On: 30th September 2019

Market analysis of the provision of postal services in Malta

[ma_postal_markets_report_30_09_2019.pdf](#)

[Consultation on proposed modifications to rights of use of radio spectrum in the terrestrial 2 GHz frequency band](#)

Published On: 30th August 2019

Consultation on proposed modifications to rights of use of radio spectrum in the terrestrial 2 GHz frequency band

[Consultation document. MCA-C-19-3660.pdf](#)

[Proposed Decision on the Source of Funding for the net cost incurred in providing universal service obligations during 2015](#)

Published On: 6th June 2019

The Malta Communications Authority proposed decision for consultation on the source of funding for the net cost incurred by GO plc for providing universal services during 2015. The consultation period shall run from 6th June until 27th June 2019.

[PD USO Source of funding 2015.pdf](#)

[5G Demand and Future Business Models Towards a Feasible 5G Deployment](#)

Published On: 31st May 2019

This study, and the related survey, summarises information concerning uses and applications which identify 5G as an enabler, and is intended to further stimulate the discussion towards a feasible 5G deployment.

[5G discussion paper and survey.pdf 5G survey.docx](#)

[Weighted Average Cost of Capital](#)

Published On: 23rd April 2019

The Malta Communications Authority consultation on its review of the Weighted Average Cost of Capital.

[WACC Consultation.pdf](#)

[Domestic Single-Piece and Bulk Mail Services](#)

Published On: 23rd April 2019

The Malta Communications Authority consultation on its review of the Domestic Single-Piece and Bulk Mail Services - MaltaPost Proposal.

[Domestic Single-Piece Bulk Mail.pdf](#)

[Numbering Resources for M2M/IoT Connectivity Services \(and other Non-Interpersonal Communications Services \(Non-ICS\)\)](#)

The Malta Communications Authority published a consultation paper on the proposed way forward, in relation to numbering resources for M2M/IoT connectivity services and other non-interpersonal communications services.

[Consultation Paper - Numbering Resources for M2M. IoT Connectivity Services and other Non-ICS.pdf](#)

[Proposed Decision on the Review of GO plc's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2015](#)

Published On: 7th February 2019

A review to GO plc's application for funding of the net costs, it claimed to have incurred in providing universal services during the financial year 2015.

[Proposed Decision Review of GO USO claim during 2015.pdf](#)

DECISIONS

[Report on Consultation and Decision concerning the licensing framework for the terrestrial 2 GHz band](#)

Published On: 23rd December 2019

Interim review of the licensing framework of the 2 GHz band for terrestrial systems capable of providing electronic communications services

[Decision 2GHz band MCA-D-19-3733.pdf](#)

[MCA Decision on postal markets in Malta, competition assessment and regulatory approach](#)

Published On: 18th November 2019

MCA decision on postal markets in Malta competition assessment and regulatory approach

[mca_decision_postal markets in Malta_18 11 2019.pdf](#)

[Decision on Numbering Resources for M2M/IoT Connectivity Services and other Non-Interpersonal Communications Services \(Non-ICS\)](#)

Published On: 31st July 2019

The MCA is hereby publishing its decision on Numbering Resources for M2M/IoT Connectivity Services and other Non-Interpersonal Communications Services (Non-ICS).

[Decision - Numbering Resources for M2M_IoT Connectivity Services and other Non-ICS.pdf](#)

[Decision on the Source of Funding for the net cost incurred in providing universal service obligations during 2015](#)

Published On: 25th July 2019

The Malta Communications Authority is publishing its decision on the Source of funding for the net cost claimed by GO plc for the provision of universal service obligations during 2015.

[DN USO Source of funding 2015.PDF](#)

[The assignment process for the 1.5 GHz band for terrestrial systems capable of providing electronic communications services in Malta](#)

Published On: 8th July 2019

The MCA is hereby publishing an amended decision on the assignment process for the 1.5 GHz band (1427-1517 MHz band), for terrestrial systems capable of providing electronic communications services in Malta.

[Amended Decision_1500MHz band MCA-D-17-2868.pdf](#)

[Domestic Single-Piece and Bulk Mail Services](#)

Published On: 29th May 2019

Following a formal request by MaltaPost to review the Domestic Single-Piece and Bulk Mail tariffs, the Malta Communications Authority (MCA) reviewed this proposal and issued a consultation document on the proposed way forward. The consultation period ended on the 15th May 2019, and the MCA is publishing its decision.

[Decision - Domestic Single-Piece Bulk Mail 29.05.pdf](#)

[Review of GO plc's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2015](#)

Published On: 17th April 2019 Decision

Following a public consultation, the MCA is publishing its decision on GO's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2015.

[Decision Review of GO USO claim for 2015.pdf](#)

[Postal Article Forwarding Services \(PAFS\)](#)

Published On: 7th February 2019 Decision

Postal Article Forwarding Services (PAFS) - Regulating the delivery of postal articles

[PAFS - Decision Notice 7 February 2019.pdf](#)



mca
MALTA COMMUNICATIONS AUTHORITY



PEOPLE

The background of the page features two large, overlapping, semi-transparent blue shapes. One is a large circle on the left, and the other is a larger, more complex shape on the right that overlaps the circle. The text is positioned in the lower-left area of the circle.

**Annual Report and
Financial Statements**
31 December 2019

GENERAL INFORMATION

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

MEMBERS OF THE AUTHORITY

Mr J. Bugeja	(Acting Chairman)	(appointed on 1 October 2019)
Ms G. Farrugia		(appointed on 1 October 2019)
Mr M. Musu		(appointed on 1 October 2019)
Ms I. Vella		(appointed on 1 October 2019)
Mr K. Abela		(appointed on 1 October 2019)
Mr M. Fava		(resigned on 30 April 2019 and re-appointed on 1 October 2019)
Dr E. Woods	(Chairman)	(resigned on 30 April 2019)
Mr G. Vella		(resigned on 30 April 2019)
Ms S. Kennard		(resigned on 30 April 2019)
Dr. A. Mizzi		(resigned on 30 April 2019 and re-appointed on 1 October 2019)
Mr S. Saliba		(resigned on 30 April 2019)
Mr N. Vella		(resigned on 30 April 2019)

BANKERS

Bank of Valletta plc
Preluna Towers
Tower Road
Siema
MALTA

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

HEAD OFFICE

Malta Communications Authority
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 2019.

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 of the Laws of Malta 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 EUR 12,313,645 (2018: EUR11,398,211) out of which licensing and usage fees for scarce resources, amounting to EUR7,608,104 (2018: EUR6,659,871) were transferred to the Government of Malta. After meeting all expenditure of EUR4,682,200 (2018: EUR4,658,324) the Authority closed off the year with a surplus, net of taxation, of EUR26,907 (2018: EUR65,341).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR753,139 (2018: EUR961,770) 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 2.

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.

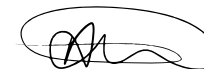
Auditor

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:



MR J. BUGEJA
Acting Chairman



DR. A. MIZZI
Member

24 March 2020

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Malta Communications Authority ("the Authority") set on pages 100 to 111, which comprise the balance sheet as at 31 December 2019 and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations 2015 and the Schedule accompanying and forming an integral part of those regulations ("GAPSME"), and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The members are responsible for the other information. The other information, which we obtained at the date of the auditor's report comprises the General Information and the Report of the Members of the Authority, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the members for the financial statements

The members are responsible for the preparation and fair presentation of the financial statements in accordance with GAPSME and the requirements of the Malta Communications Authority Act, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is the intention to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*The partner in charge of the audit resulting in this independent auditor's report is
Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

24 March 2020

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 EUR	2018 EUR
Income			
Revenue	3	12,302,216	11,396,237
Other income	4	11,429	1,974
		12,313,645	11,398,211
Expenditure			
Staff costs	5	(2,715,889)	(2,999,053)
Operating and administrative expenses	6	(1,806,107)	(1,536,885)
Depreciation	10	(160,204)	(122,404)
		7,631,445	6,739,869
Operating surplus			
Finance income	7	4,017	4,925
		7,635,462	6,744,794
Transfers to Government	8	(7,608,104)	(6,659,871)
		27,358	84,923
Surplus before taxation			
Taxation	9	(451)	(19,582)
Surplus for the financial year		26,907	65,341

The accounting policies and explanatory notes on pages 104 to 111 form an integral part of the financial statements.

BALANCE SHEET
as at 31 December 2019

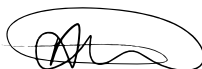
	Notes	2019 EUR	2018 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	500,255	282,176
Current assets			
Trade and other receivables	11	1,773,280	981,234
Cash and short-term deposits	15	4,066,445	3,698,831
Income tax receivable		4,940	-
		5,844,665	4,680,065
TOTAL ASSETS		6,344,920	4,962,241
EQUITY AND LIABILITIES			
Reserve			
Retained earnings	12	809,216	782,309
Current liabilities			
Trade and other payables	13	5,535,704	4,159,071
Income tax payable		-	20,861
Total liabilities		5,535,704	4,179,932
TOTAL EQUITY AND LIABILITIES		6,344,920	4,962,241

The accounting policies and explanatory notes on pages 104 to 111 form an integral part of the financial statements.

The financial statements on pages 100 to 111 have been authorised for issue by the Members on the 24 March 2020 and were signed on their behalf by:



MR J. BUGEJA
Acting Chairman



DR. A. MIZZI
Member

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Retained earnings EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2019	
Balance at 1 January 2019	782,309
Surplus for the year	26,907
Total comprehensive income	26,907
Balance at 31 December 2019	809,216
 FINANCIAL YEAR ENDED 31 DECEMBER 2018	
Balance at 1 January 2018	716,968
Surplus for the year	65,341
Total comprehensive income	65,341
Balance at 31 December 2018	782,309

The accounting policies and explanatory notes on pages 104 to 111 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	2019 EUR	2018 EUR
Operating activities			
Surplus before taxation		26,907	84,923
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		160,204	122,404
Loss on disposal of property, plant and equipment		-	65
Movement in provision for doubtful debts		-	(25,456)
Transfers to Government		6,941,901	6,659,871
Finance income		(4,017)	(4,925)
Working capital adjustments:			
Movement in trade and other receivables		(1,188,818)	251,783
Movement in trade and other payables		1,105,749	573,469
		7,041,926	7,662,134
Interest received		4,017	4,925
Income tax paid		(25,718)	(13,361)
Income tax refunded		-	3,562
Income tax charge		(451)	-
Net cash flows from operating activities		7,019,774	7,657,256
Investing activities			
Purchase of property, plant and equipment		(378,283)	(119,195)
Net cash flows used in investing activities		(378,283)	(119,195)

Financing activities

Funds paid to Government		(6,273,877)	(6,933,455)
Net cash flows used in financing activities		(6,273,877)	(6,933,455)
Net increase in cash and cash equivalents		367,614	604,606
Cash and cash equivalents at 1 January		3,698,831	3,094,225
Cash and cash equivalents at 31 December	15	4,066,445	3,698,831

The accounting policies and explanatory notes on pages 104 to 111 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 have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME") and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

2.2 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

2.3 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. REVENUE

The revenue generated by the Authority is made up of:

	2019 EUR	2018 EUR
Administrative charges	2,956,010	2,957,202
Rights of way income and postal licensing (note i, ii)	1,082,005	1,054,238
Usage fees for scarce resources (note ii)	6,221,550	5,840,572
Application fees and other operating income (note ii)	1,432,676	1,079,141
Government subvention (note iii)	609,975	465,084
	12,302,216	11,396,237

- i. Rights of way income is 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 rights of way income, postal licensing, usage fees for scarce resources and application fees is transferred to the Government of Malta (note 8), except for an amount of EUR753,139 (EUR961,770) 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. Starting from 1 January 2020, the ISS operations will no longer be included with those of the Authority, refer to Note 17.

4. OTHER INCOME

Other income relates to fines imposed by the Authority amounting to EUR11,429 (2018: EUR1,974).

5. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

The Authority:

	2019 EUR	2018 EUR
Members' emoluments	87,904	107,694
Wages and salaries	2,331,299	2,554,657
Social security costs	138,938	146,603
Authority's staff costs recharged to ISS operations (note i)	(88,216)	(92,689)
	2,469,925	2,716,265

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

Others: ISS

	2019 EUR	2018 EUR
Wages and salaries	227,507	263,484
Social security costs	18,457	19,304
ISS staff costs recharged to EU funded projects	(52,195)	(49,531)
	193,769	233,257
EU funded projects		
Staff costs recharged by ISS	52,195	49,531
	2,715,889	2,999,053

Staff numbers

The average number of persons employed full time by the Authority during the year amounted to 68 (2018: 75).

6. OPERATING AND ADMINISTRATIVE EXPENSES

	2019 EUR	2018 EUR
The Authority		
Outsourced project costs	152,547	61,050
Corporate administrative expenses	541,669	556,128
Public relations and communications	169,017	213,214
Travelling expenses	135,353	97,686
Auditor's remuneration	8,600	8,600
Rental expenses	136,676	136,676
Decrease in provision for doubtful debts	-	(25,456)
Trade receivables written-off	-	25,456
Administrative Services rendered by the Ministry for Infrastructure, Transport and Communications	46,333	75,403
	1,190,195	1,148,757

Others:

	2019 EUR	2018 EUR
ISS		
Public relations and communications	61,155	2,183
Travelling expenses	1,304	6,134
Auditor's remuneration	1,100	1,100
Professional fees	-	389
Bank charges	675	343
Staff costs recharged by the Authority (note 5)	88,216	92,689
Corporate administrative expenses	40,501	45,408
Outsourced project costs (note i)	289,766	135,525
Rental expenses	14,187	14,187
Self-financing portion of EU projects	19,532	19,831
	516,436	317,789

NOTES TO THE FINANCIAL STATEMENTS - continued

	2019 EUR	2018 EUR
EU funded projects		
Travelling expenses	28,664	27,839
Consultancy	-	2,765
Outsourced project costs	70,632	32,630
	99,296	63,234
Other expenses		
MCA Sponsorships	180	7,105
	180	7,105
Total operating and administrative expenses	1,806,107	1,536,885

- i. Outsourced Project costs includes two EU Funded projects, the cost of which had to be disbursed from IS funds. Due to change in work priorities developed by the new Foundation (Tech.mt) taking over the IS operations in 2019, refer to note 17, these projects had to be halted.

7. FINANCE INCOME

	2019 EUR	2018 EUR
On cash and short-term deposits	1,299	2,064
On amounts due from debtors	2,718	2,861
	4,017	4,925

8. TRANSFERS TO GOVERNMENT

These amounts represent the gross rights of way income, postal licensing, usage fees for scarce resources and radio communication licences (included as part of application fees and other income) which are 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 EUR753,139 (2018: EUR961,770).

9. TAXATION

	2019 EUR	2018 EUR
Current tax	451	19,582
Deferred tax (note i)	-	-
	451	19,582

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% (2018: 35%) as follows:

	2019 EUR	2018 EUR
Surplus before transfers to Government and taxation	7,635,462	6,744,794
Theoretical taxation expense at 35%	2,672,412	2,360,678
Tax effect of		
- income not subject to tax	(2,663,089)	(2,340,434)
- difference between capital allowances and depreciation	(8,756)	(575)
- income subject to different tax rates	(116)	(87)
	455	19,582

- 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. In view this fact, the potential deferred tax asset amounting to EUR334 (2018: EUR7,309) has not been accounted for in these financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

	Building improvements EUR	Computer equipment (i) EUR	Fixture, fitting and equipment EUR	Motor vehicle EUR	Total EUR
Cost					
At 1 January 2018	367,815	1,447,976	458,902	89,557	2,364,250
Additions	4,221	91,784	23,189	-	119,194
Disposals	-	(4,320)	(3,358)	-	(7,678)
At 31 December 2018	372,036	1,535,440	478,733	89,557	2,475,766
Additions	2,454	367,011	8,692	125	378,282
Disposals	-	(114,015)	-	-	(114,015)
At 31 December 2019	374,490	1,788,436	487,425	89,682	2,740,033
Depreciation					
At 1 January 2018	310,067	1,219,418	377,663	53,987	1,961,135
Depreciation charge for the year	16,344	73,250	22,816	9,994	122,404
Depreciation released on disposal	-	(4,320)	(3,294)	-	(7,614)
At 31 December 2018	342,102	1,363,306	419,401	68,781	2,193,590
Depreciation charge for the year	12,449	125,920	16,616	5,219	160,204
Depreciation released on disposal	-	(114,015)	-	-	(114,015)
At 31 December 2019	354,550	1,375,211	436,017	74,000	2,239,778
Net book value					
At 31 December 2019	19,940	413,225	51,408	15,682	500,255
At 31 December 2018	29,934	172,134	59,332	20,776	282,176

i. Total additions of Spectrum Management Equipment and Software amounting to EUR294,032 (2018: EUR48,511) are included with Computer equipment. The total net book value of this category as at 31 December 2019 amounted to EUR350,205 (2018: EUR71,160).

NOTES TO THE FINANCIAL STATEMENTS - continued

11. TRADE AND OTHER RECEIVABLES

	2019 EUR	2018 EUR
Trade receivables (note i)	1,654,046	490,304
Accrued income	24,902	5,371
Prepayments	93,394	84,640
Amount due from Government	-	397,140
Other receivables	938	3,779
	1,773,280	981,234

- 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 EUR2,492 (2018: EUR2,492).

Past due but not impaired

	Total EUR	Neither past due nor im- paired EUR	30-60 Days EUR	60-90 Days EUR	>90 Days EUR
2019	1,654,046	1,550,029	44,780	4,458	54,779
2018	490,304	441,540	23,111	5,861	19,792

12. RESERVE

The balance on the retained earnings in the statement of financial position as at 31 December 2019 represents the resulting net accumulated surplus over the years.

13. TRADE AND OTHER PAYABLES

	2019 EUR	2018 EUR
Deferred income (note i)	4,071,264	3,003,758
Accruals	572,365	628,440
Social security contributions and other taxes	68,987	64,937
Trade and other payables (note ii)	552,204	461,936
Amounts due to Government	270,884	-
	5,535,704	4,159,071

- i. Deferred income comprises of the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR308,514 (2018: EUR188,251) 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. Trade and 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 2019, short term employee benefits to key management personnel amounted to EUR436,267 (2018: EUR452,841).

Other related party transactions

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

	2019 EUR	2018 EUR
Government Subvention – ISS	609,975	465,084
Payments to Government of Malta	6,273,877	6,933,455

Related party balances

Outstanding balances with related parties at 31 December 2019 are disclosed in note 11 and note 13.

15. CASH AND SHORT-TERM DEPOSITS

	2019 EUR	2018 EUR
Cash at bank and in hand	3,547,076	3,180,183
Payments to Government of Malta	519,369	518,648
	4,066,445	3,698,831

16. CONTINGENT LIABILITIES

Legal claims

The Authority has a pending arbitration case filed by a third party, relating to a traffic accident involving a vehicle driven by one of the Authority's employees and used of for Authority work. If the claim is decided against the defendant, then the Authority may be required to pay the awarded damages which, under the claim, are in an amount of EUR2,325 (2018: EUR2,325) together with legal interest as from 20 August 2015 and expenses. Outcome of such claim is still unknown.

17. SUBSEQUENT EVENTS

Starting from 1 January 2020, all operations relating to the ISS will be handled by a separate government foundation, Tech.Mt. Accordingly, all ISS related transactions will no longer be reflected in the Authority's books and all balances at year-end pertaining to ISS will now be transferred to this new foundation.

Amidst the Covid-19 and the economic implications that it might have, MCA is of the opinion that with the current scenario, the impact on the Authority finances is limited. Hence, there is no susceptibility on the going concern of the Authority.



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