

***Market developments for electronic communications and post – a first review of outcomes for 2020 based on Q4 figures***

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The MCA is hereby outlining the main markets trends observed for Malta's telecom and postal activities in 2020, based on figures reported by local service providers for the fourth quarter of the year.

More data is available in the ['Data Report Sheet \(DRS\)' publication](#) covering the period starting in the first quarter of 2016 to the last quarter of 2020.

**General developments**

The year 2020 was much about the pandemic and about how to reinvent ways to keep connected, to communicate with work colleagues, and to venture with more vigour into online shopping and entertainment platforms. Against this backdrop, looking at trends for Malta's communication networks largely captures the main behavioural trends when it comes to connectivity.

The figures for 2020 show that the pandemic triggered an acceleration of trends observed in the pre-pandemic world, such as bigger demand for fast and ultra-fast fixed broadband, larger volumes of mobile voice calling when it comes to minutes consumed, and bigger mobile data consumption. The latter is indeed an interesting development as data volumes consumed for 2020 totalled 34,088 million Mb, up by a staggering 141% on the previous year. This excludes consumption related to connectivity over Wi-Fi. Alongside this development, local mobile operators saw voice minute volumes jump by 14% year-on-year.

The fixed broadband segment saw the biggest rise in subscriptions year-on-year, up by 10,906 in the 12-month period to the end of December 2020. Significantly, the rising trend in bundle take-up persists, with 93% of all fixed broadband purchases occurred in a bundle setting. Consumers tend to

purchase triple-play packaged products, involving fixed broadband, fixed telephony and pay-TV services, induced by the selling strategies implemented by local telecoms providers.

One key take-away from the reported bundle figures involving fixed broadband is the continued pressure on local consumers to purchase the fixed telephony service in the bundle, notwithstanding the fact that they keep using it less. In fact, year-on-year, the number of fixed telephony subscriptions was up by 2,618 when fixed voice minute consumption was 6.6% down. Another key take-away relates to the TV segment, which saw a rise of 1,856 subscriptions in the 12-month period to the end of 2020.

The postal sector continues to experience a general drop in activity, the rate of which appears to have been accelerated in 2020 as a result of the pandemic. Comparing mail volumes in 2020 to those recorded in the previous year, a sharp drop is observed for single-piece letter mail, bulk mail, as well as registered mail. The last quarter of 2020 experienced similar tendencies as those mentioned when compared to the three previous months of the same year, except for letter mail, which in fact rose. In addition, parcel mail registered a further rise, seemingly accentuated by Covid-19 restrictions.

Further insights for the telecoms and postal segments are provided below.

### **Fixed Broadband**

The total number of fixed broadband subscriptions amounted to 213,419 by the end of 2020. This figure is up by 10,906 compared to the corresponding figure a year earlier, equivalent to a 5.4% rise in subscriptions.

This upward trend coincides with a significant rise in remote working and other activities carried out online. The rate of broadband subscriptions within a bundle offer rose further to a little over 93% by the end of the current reporting period, with more subscriptions supporting fast and ultra-fast speeds. As a matter of fact, the number of connections supporting download speeds of 100Mbps or more rose by 7 percentage points from 46% at the end of 2019 to 53% at the end of 2020.

Subscriptions via the FTTH network increased by 8,454 (or by 30.5%) in the 12-month period under review, with this platform accounting for 16.9% of all fixed broadband subscriptions by end of year.

Cable subscriptions increased by 4,253 (or by 4.3%), thus accounting for 48.3% of all subscriptions at the end of the reporting period. Meanwhile, the number of fixed wireless broadband subscriptions was up by 2,438 (or by 21%), to end the year representing 6.6% of all fixed broadband subscriptions. In contrast, the number of copper DSL subscriptions was down by 4,239 (or by 6.6%) year-on-year. This segment represented 28.2% of all fixed broadband subscriptions by end of year.

Fixed broadband ARPU was down from €240.98 in 2019 to €227.05 in 2020. This trend contrasts with the rising ARPU for fixed telephony and pay-TV.

### **Mobile telephony**

The mobile telephony segment recorded marginally lower subscriptions at the end of 2020 compared to twelve months earlier. Relevant to underline however, is that the mobile segment bounced back significantly since Q2 of 2020. Nonetheless, mobile subscriptions picked up substantially since June 2020 and figures by the end of the year are just 1,263 lower than that recorded at the end of 2019.

Significantly, the overall change in subscriptions is a result of a drop of 15,738 pre-paid subscriptions year-on-year, compared to a rise of 14,475 post-paid subscriptions in the 12-month period to the end of December 2020.

Domestic mobile traffic volumes rose rapidly during 2020, with voice minutes up by 14% compared to volumes recorded in the preceding year, whilst mobile data Mb consumption shot up by 141% respectively.

Meanwhile, SMS and MMS volumes fell drastically year-on-year, by 24% and 31% respectively. This goes to show that end-users are substituting the traditional mobile texting with mobile voice calling and to an extent with OTT-based platforms.

The pandemic hit global travelling significantly and Malta was not spared. This impacted roaming voice and data consumption over mobile networks. Comparing volumes in 2020 to those recorded a year earlier, roaming voice minutes were down by 45% and roaming data volumes were down by 47% respectively.

Mobile telephony ARPU was down to €170.91 in 2020 compared to €177.43 a year earlier.

### **Pay-Tv**

The pay TV segment maintained an upward trend in take-up for the year in review. Year-on-year, subscriptions were up by 1,856 (or by 1.1%). Close to 81% of all pay-TV subscriptions at the end of 2020 were purchased in a bundle.

A look at the trends in take-up by technology platform shows that IPTV-based subscriptions were up by 5,812 (or by 10.6%) over the 12-month period ending December 2020. Meanwhile, the number of subscriptions for the DTTV platform, which is owned by the same operator, was down by 7,733 subscriptions (or by 52.7%), as this operator started switching its clients to the former platform in view of the impending digital terrestrial switch-off.

The number of subscriptions for the digital cable platform was up by 3.7% year-on-year, equivalent to a rise of 3,777 subscriptions in the 12-month period under review.

Pay TV ARPU was significantly up from €178.11 in 2019 to €193.83 in 2020.

### **Fixed telephony**

The fixed telephony segment saw a rise of 2,618 subscriptions (an uptick of 1.0%) in the 12-month period under review to reach a total of 259,456 subscriptions by the end of December 2020. 83% of all fixed telephony subscriptions were purchased in a bundle alongside other telecom services.

Whilst the number of subscriptions was up year-on-year, voice call and minute volumes were down. The number of fixed telephony voice calls was down by 21.4% whereas the number of outgoing fixed voice call minutes fell by 6.6%. These trends underscore the notion that take-up of the fixed telephony service is effectively driven by the commercial stance of local service providers to sell different telecom services in a bundle alongside fixed broadband.

Year-on-year, an increase of 4,585 post-paid subscriptions outweighed a decline observed in the pre-paid and enhanced subscriber base, which saw the number of clients go down by 1,832 and 135 respectively.

Fixed telephony ARPU for 2020 totalled €129.22, which is up by 4.5% from €123.61 for the previous year.

### **High quality dedicated connections**

By definition, dedicated connections are high-quality, dedicated, point-to-point data transmission connections used by businesses operating in Malta, such as banks, gaming companies and government entities.

This is a niche business segment for local telecom operators representing a relatively small number of users with somewhat distinct data connectivity requirements to those exhibited by the mass market for fixed broadband. Typically, these data connectivity services are offered with no contention ratio, are fully symmetrical and come guaranteed with strict Service Level Agreements (SLAs).

The number of high-quality dedicated connections totalled 363 by the end of the current reporting period. This is down by almost 6% year-on-year. As already indicated in previous publications, this trend is not in itself a sign of a diluting business client base. Indeed, it may be the case that business clients migrated to one of the several connectivity solutions that may be offered by local service providers but which do not fall within the description of dedicated connections addressed in this publication.

### **Post**

The pandemic has accelerated declines in postal mail volumes. In fact, quarterly developments for the year under review, particularly from the second quarter onwards, clearly outline this trend.

When it comes to postal mail volumes within the scope of the universal service, a year-on-year comparison shows that single-piece letter mail volumes were down by 23.7%, registered mail volumes were down by 4.7% and bulk mail volumes were down by 3.5%. In contrast, parcel mail volumes were up by 21.4%, most likely as a result of an increase in online retail transactions.

Mail volumes outside the scope of the universal service were down by 1.4% year-on-year, as the 14.2% increase in volumes for bigger sized parcel mail items (2kgs to 31.5kgs) was not sufficient to outweigh the 10.5% decline in mail volumes for mail items weighing less than 2kgs.

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- (i) Data cut-off date: 9<sup>th</sup> April 2021;
- (ii) Data is preliminary and subject to change.