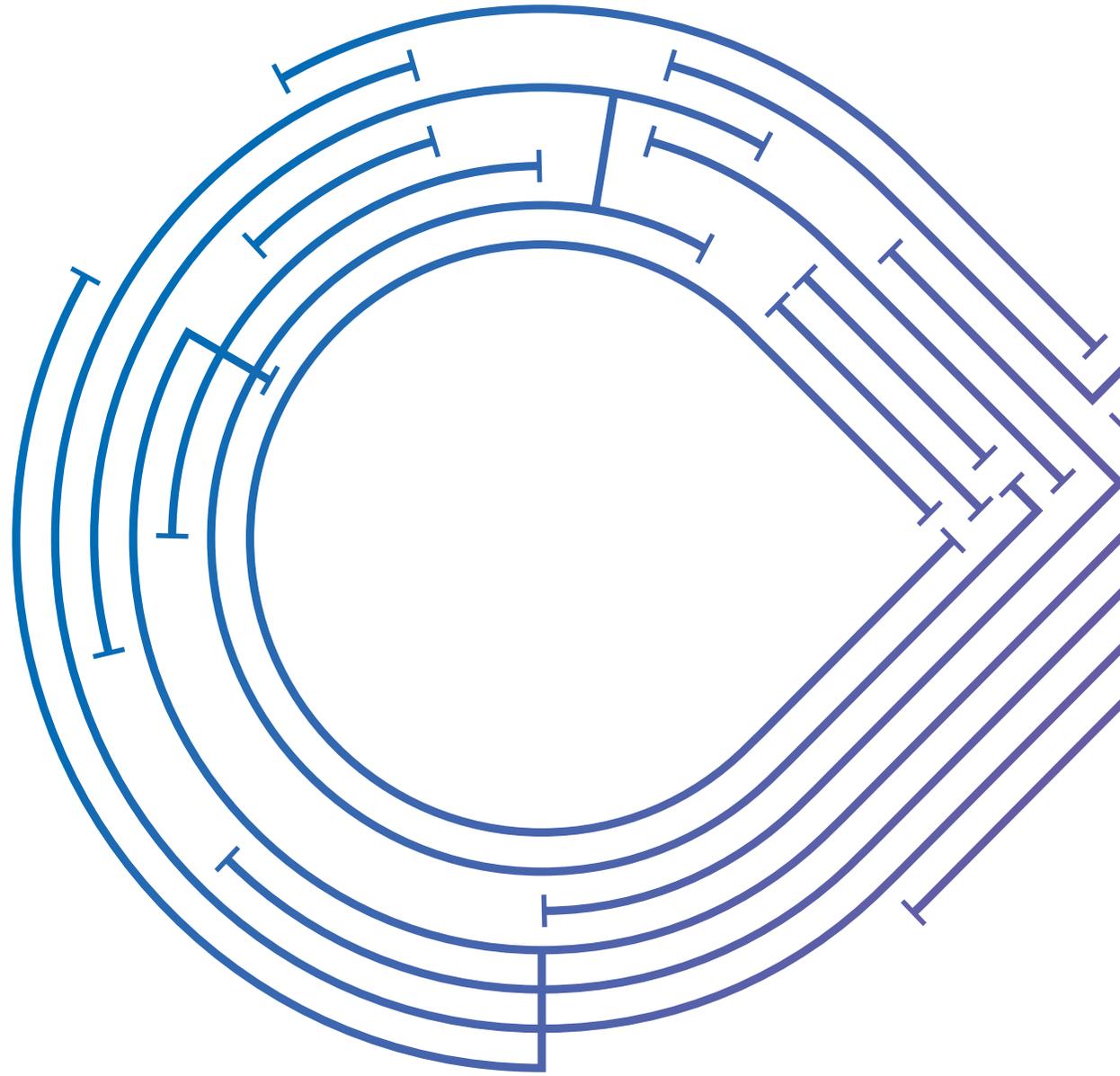
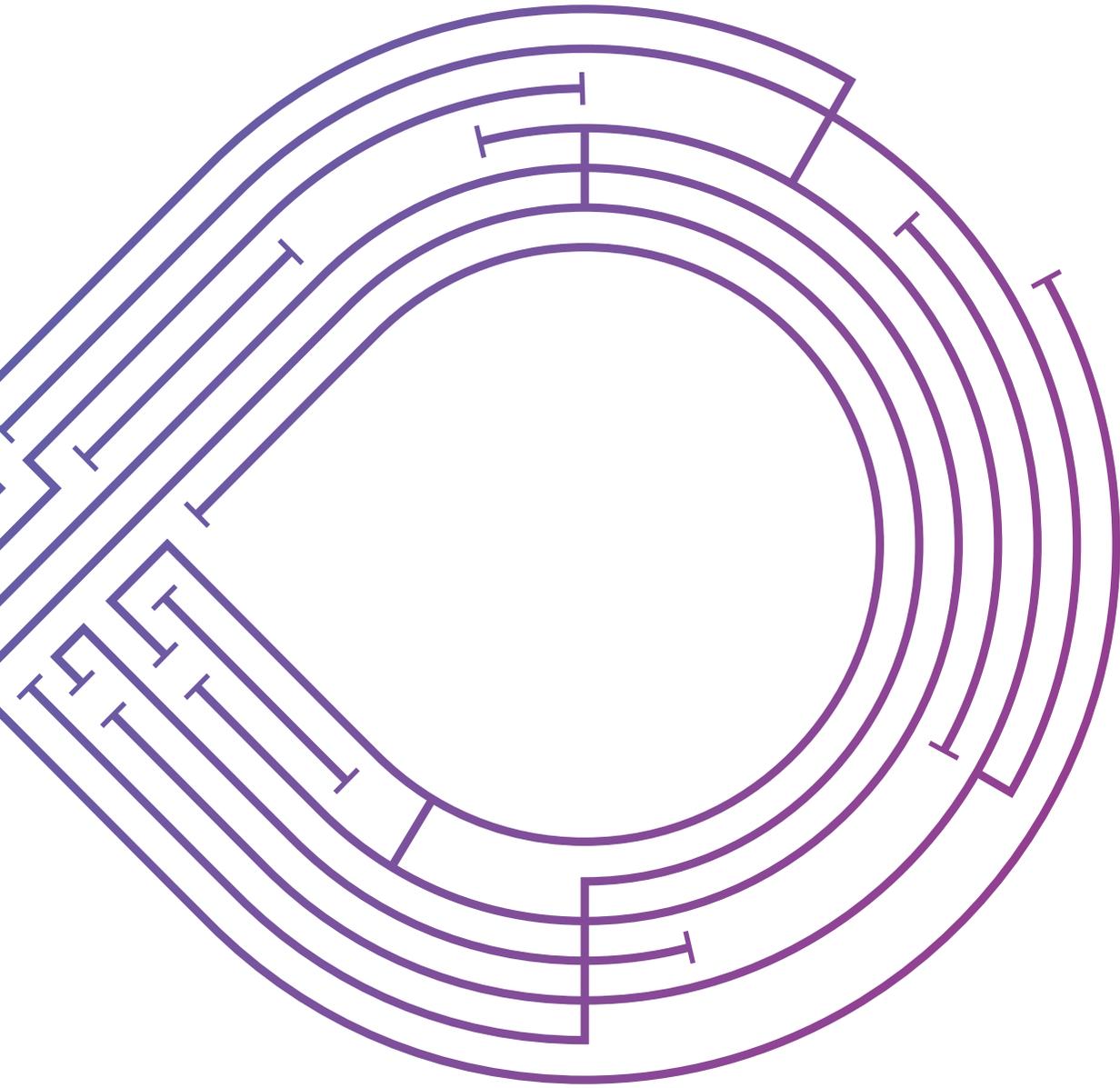


ANNUAL REPORT & FINANCIAL STATEMENTS 2018



TO PROMOTE AND
SAFEGUARD A
COMMUNICATIONS
ENVIRONMENT





THAT IS CONDUCIVE
TO INVESTMENT,
INNOVATION, ECONOMIC
GROWTH AND SOCIAL
WELL-BEING.



YEAR IN REVIEW

MCA's role is to ensure that communications markets operate in the interest of end-users and society. During 2018, Malta continued to foster a vibrant and thriving electronic communications sector which is a requisite in the strategy towards a gigabyte society. To achieve this successfully, Malta is developing a robust infrastructure which is an essential requirement for businesses and consumers alike. Connectivity has become central to all our lives and it is a key driver of economic productivity and social inclusion.

The sector regulated by the MCA continued to grow and develop in 2018, as communications networks and operators maintained strong levels of investment and a competitive environment.

Amongst other work in 2018, the Authority continued its regulatory efforts with the focus on maintaining the present electronic and postal universal services, including social phone tariffs, letter mail, redirections and registered mail. The MCA continued to inform both the market players and the general public on developments in the Electronic Communications and Postal sectors. On this front, the extent of information provided continued to increase with publications on retail product price changes (monthly), comprehensive usage statistics (quarterly) and bi-annual sector analysis. Other useful information gathered from consumer perception surveys was also published.

During 2018, Maltese citizens have benefited from Roam Like At Home tariffs when travelling abroad in Europe. On the net neutrality front, the MCA continued to safeguard the internet as an open platform for innovation with low access barriers for end-users, providers of content, applications and services plus providers of internet access services.

2018 also saw the fruition of many months of significant work undertaken to implement proportionate wholesale obligations to maintain a competitive ECS environment which included a framework for Virtual Unbundled Local Access (VULA); roaming; and termination rates. This work has allowed Vodafone to benefit from the VULA remedy in place by enabling it to gain access to GO's fibre broadband service at a wholesale level.

New innovations such as the Internet of Things (IoT) will greatly increase the demand for quality connectivity as the use of IoT becomes more widespread. In 2018, the MCA updated the regulatory framework and consequently, opened up the use of existing spectrum in the 900 and 1800MHz band for IoT use. These changes allowed industry to follow suit with IoT offers within the market (example Vodafone – Greenpak IoT for smart waste management).

During the year, the Authority also managed the assignment of spectrum in the 800MHz and 2.5GHz bands through brokered discussions, as well as further changes to the assignment framework which ensured a level playing field. This directly facilitated a competitive environment which allowed Melita and Vodafone to resume focus on their commercial markets, following a negative outcome of merger discussions.

The MCA played a critical role in not only regulating, but facilitating the roll-out of the three national 4.5G networks and the provision of advanced connectivity services by industry. By the end of 2018, and within only a few months from the assignment of the relevant spectrum, Malta's three major operators reached nationwide 4.5G coverage. Through the MCA's test and trial framework, the operators could test their network infrastructure with new frequency bands,

allowing for a smooth transition on assignment. Furthermore, the Authority published the national roadmap for the 700MHz band and successfully concluded spectrum coordination activities with Italy, paving the way towards making this spectrum band available for 5G.

The MCA has a strong legacy of successful programmes aimed at reaching out to encourage digital inclusion. Throughout 2018, the MCA continued to evolve this focus with digital facilitation in areas, such as Coding for children, ICT courses for vulnerable groups, programmes towards the safer use of the internet by children and youths, free WiFi across Malta and Gozo and initiatives to promote and encourage women to take up ICT.

The Authority spearheaded a number of initiatives aimed at increasing the activity of businesses online. These included the establishment of a comprehensive eCommerce eLearning programme funded under the ESF Operational Programme, to assist the business community on its journey to go digital and to promote the use of the cloud through the Malta Cloud Forum. This year ZEST – MCA’s annual event promoting innovation in digital technologies – was elevated to a platform for the exchange of innovation knowledge. The ZEST@ concept was showcased during the DELTA summit on blockchain, where it facilitated discussions between actors in the innovation ecosystem.

On the European scene, the MCA provided a significant contribution to the Body of European Regulators for Electronic Communications (BEREC) work concerning significant market power, which served to influence the EU Commission in placing more emphasis on joint dominance in its new guidelines.

CEO'S MESSAGE

“EXCITING DEVELOPMENTS LIE AHEAD, BUT THE PROMISE OF A NEW GIGABIT SOCIETY NECESSITATES PREPARATION IN TERMS OF THE REVIEW AND APPLICATION OF RULES RELATIVE TO COMPETITION, SECURITY, RESILIENCY, CONSUMER PROTECTION, QUALITY OF SERVICE, NUMBERING, FREQUENCY MANAGEMENT AND INFRASTRUCTURE, TO NAME THE MAJOR ONES.

GOVERNMENT INITIATIVES IN THE REGULATION AND ATTRACTION OF ECONOMIC SECTORS THAT ARE HEAVILY DEPENDENT ON ELECTRONIC COMMUNICATIONS, AS WELL AS INDUSTRY DEVELOPMENTS THAT INCREASINGLY NECESSITATE UBIQUITOUS AND HIGHLY AVAILABLE CONNECTIVITY OF INDIVIDUAL ‘THINGS’ IN THEIR MILLIONS AND MORE, MAKE FOR A NEW BREED OF COMMUNICATIONS PLATFORMS. THE ENVISAGED TRANSITION RESEMBLES MORE OF A REVOLUTION THAN AN EVOLUTIONARY PROCESS.

ONLY IN THE LAYING OF THE NECESSARY POLICY AND REGULATORY FOUNDATIONS IN TIME FOR THE COMMERCIAL MATURITY OF SUCH PLATFORMS CAN THE NEW ELECTRONIC COMMUNICATIONS REVOLUTION CATCH ON.

NEXT YEAR PROMISES TO BE VERY DYNAMIC! THE TRANSPOSITION AND ADOPTION OF THE NEW EUROPEAN ELECTRONIC COMMUNICATIONS CODE WILL BE A KEY DELIVERABLE FOR THE MCA IN 2020, ALONG WITH ONGOING WORK IN KEY AREAS SUCH AS 5G, IOTS, AND CYBERSECURITY. IMPORTANT EU LEGISLATIVE DEVELOPMENTS IN THE POSTAL AND ECOMMERCE SECTORS ARE ALSO EXPECTED IN 2020, AND WILL REQUIRE TIMELY TECHNICAL INPUT BY THE MCA IN THE POLICY AND REGULATORY DEBATE BOTH WITHIN LOCAL AS WELL AS IN THE INTERNATIONAL FORA.

WE ARE GEARING UP FOR THIS, AND STRIVE TO BUILD OUR CAPACITY AND CONTINUE TO DEVELOP OUR COMPETENCIES TO EFFECTIVELY RESPOND TO THE CHALLENGES AHEAD.”

Mr Jesmond Bugeja

MCA Chief Executive Officer

BOARD OF DIRECTORS

The Board is composed of:

Dr Edward Woods

Mr Mario Fava

Ms Sarah Kennard

Dr Alexandra Mizzi

Perit Simon Saliba

Mr Godfrey Vella

Mr Norman Vella





MANAGEMENT COMMITTEE

The Board is composed of:

Dr Edward Woods **Chairman**¹

Mr Jesmond Bugeja **Chief Executive Officer**²

Mr Ian Agius **Chief of Operations**

Mr Steve Agius **Chief of Information Management and Development**³

Mr Paul Micallef **Chief Legal Advisor**

Mr Robert Mifsud **Chief of External Relations**

Mr Antoine Sciberras **Chief of Spectrum Management and Technology**

Mr Patrick Vella **Chief of Policy and Planning**

Mr Jason Galea **Senior Manager, Finance, HR and Administration**

Ms Nevise Borg Caligari **Manager, Human Resources & Administration**

Mr Joseph Seychell **Manager, ICT & Technology**

Ms Maria Dimech **Secretary**

¹Up to April 2019

²As of April 2019

³Up to October 2019

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Communications Markets at a glance

Number of active fixed line subscriptions (end of period)



Number of mobile subscriptions (end of period)



Total number of outgoing mobile calls

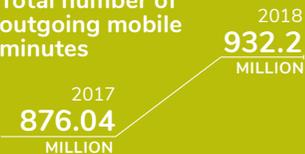


2017
33,246

Mobile portings

2018
28,890

Total number of outgoing mobile minutes



Fixed line portings



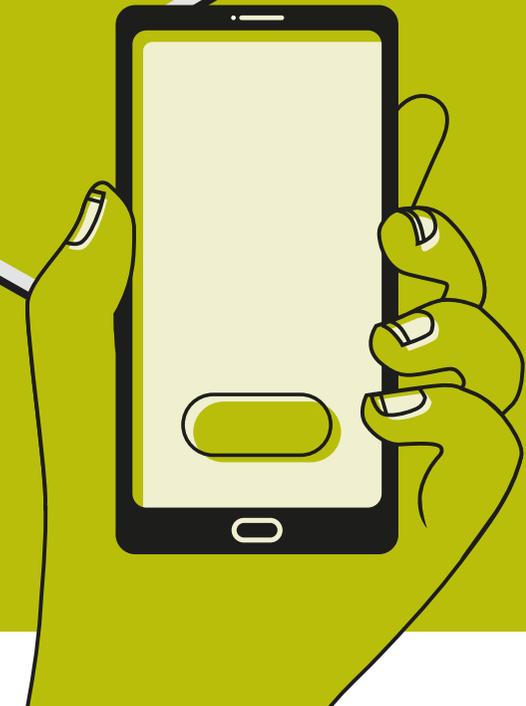
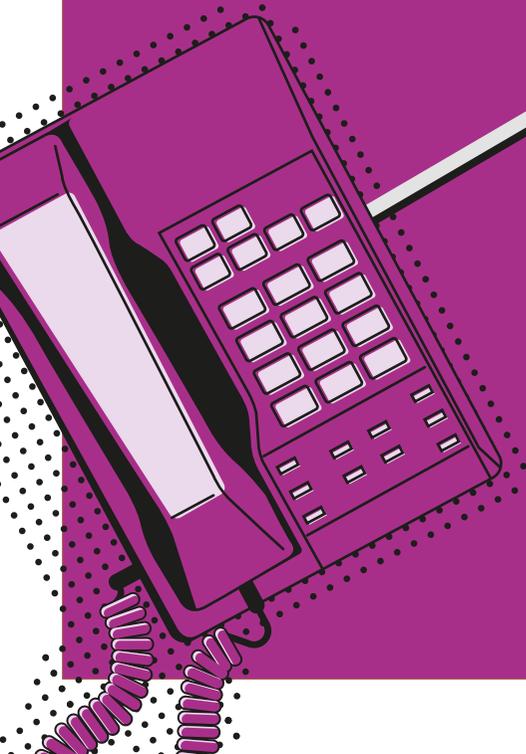
Total number of outgoing fixed calls



Total number of outgoing fixed minutes



Total number of outgoing SMSs





Fixed broadband subscriptions (end of period, incl. the below)

2017
181,318

2018
191,833

2017
857
Subscriptions
– download speeds
less than 10Mbps

2018
523

Subscriptions
– download speeds
equal to 30Mbps
but less than
100Mbps

2017
113,625

2018
111,155

2017
30,546
Subscriptions
– download speeds
equal to 10Mbps but
less than 30Mbps

2018
16,356

Subscriptions
– download speeds
equal to 100Mbps
or more

2017
36,290

2018
63,799



Pay-TV subscriptions (end of period, incl. the below)

2017
155,676

2018
165,289

2017
1,456
Number of analogue cable
subscriptions

2018
Nil

Number of digital cable
subscriptions

2017
84,388

2018
95,523

2017
34,181
Number of Digital
Terrestrial TV (DTTV)
subscriptions

2018
21,999

Number of internet
Protocol TV (IPTV)
subscriptions

2017
35,651

2018
47,767



Postal mail volumes

2018
36.9
MILLION

2017
28.9
MILLION
Domestic mail

2018
28.3
MILLION

Inbound
cross-border
mail

2017
5.9
MILLION

2018
6.5
MILLION

Outbound
cross-border
mail

2017
2.2
MILLION

2018
2.1
MILLION



MARKET OVERVIEW

2018 Market Outcomes

The year 2018 ended on an upbeat note for the telecoms sector, with all its encompassing segments recording growth in subscriptions. The promotions employed by local service providers also served to stimulate higher uptake of data services, pre-paid to post-paid migration for voice telephony and bigger demand for bundle packages.

Customer growth in the mobile telephony segment was due to a 6.6% year-on-year rise in the number of post-paid subscriptions (i.e. subscriptions based on a contract term agreement), which totalled 224,347 by the end of 2018. Meanwhile, the number of pre-paid subscriptions contracted by 0.7%, albeit still accounting for around 64% of the local mobile telephony subscriber base. The increased preference for contract-based plans is driven by the successful promotion of more innovative plans and more competitively-priced voice and data services. Hence, growth in the subscriber base materialised alongside stronger voice traffic volumes and increased consumption of mobile data.

A significant 68% of all mobile telephony subscriptions actively accessed and used mobile data services, up by 8 percentage points year-on-year. Over 6.2 billion MBs of data were consumed throughout 2018, up by 1.5 billion MBs (or by 31.4%) when compared to data consumption recorded a year earlier.

The 6.3% year-on-year rise in fixed telephony subscribers materialised alongside a 6.0% drop in fixed voice minute volumes, notwithstanding that the relevant rates were unchanged. The overall fixed-to-mobile substitution reflects the intensified competition in the mobile segment. Thus resulting in more competitive rates for mobile voice calls and an increase in usage of these services. This may suggest

that the growth in take-up of the fixed telephony service results from the success of local service providers to sell bundles and the rising bundle penetration in the consumer segment. In fact almost 75% of all fixed telephony subscriptions recorded at the end of 2018 were purchased in a bundle with other electronic communications services, such as fixed broadband and/or Pay-TV.

The fixed broadband segment recorded a strong 5.8% year-on-year growth in the subscriber base, with subscriptions totalling 191,833 by the end of 2018. This performance has been underscored by tariff repositioning which allowed service providers to register good progress when it comes to take-up of fast and ultra-fast fixed broadband subscriptions (i.e. products supporting download speeds of 30Mbps or more). The good results achieved in this respect reflect the continued focus of service providers to retain subscribers on the contract terms being offered with bundled packages, whilst leaving few avenues for the end-user interested in the stand-alone option. Of note is that 33% of all fixed broadband connections recorded at the end of 2018 supported headline download speeds of 100Mbps or more, up from 20% a year earlier. Also of relevance is that 88% of all fixed broadband subscriptions recorded at the end of 2018 were purchased as part of a bundle.

The Pay-TV segment saw a shift in focus in recent years, away from a linear programming experience to one that is more interactive and attuned to the needs of the end-user. The improved product mix in the IPTV segment, alongside the discontinuation of analogue transmission and more competitively priced Sports add-ons, led to a year-on-year increase in the number of subscriptions for IPTV and digital cable services. The subscriber base was up by 13.2% for IPTV and by 34% for digital cable in the 12-month period to the end of 2018.

The decline in postal mail volumes observed in recent years has stabilised. In fact, year-on-year volumes were down by 53,918 (or by 0.2%) pieces of mail. The number of single piece letter mail delivered in 2018 was down by 1.1% compared to 2017, whilst bulk mail was down by 2.8%. Conversely, registered mail items and parcel mail items were up by 18.4% and 72.2% respectively. The developments are consistent with the postal sector's continued adaptation to the opportunities presented by digital developments, alongside a boost in e-commerce activities.

Fixed line telephony

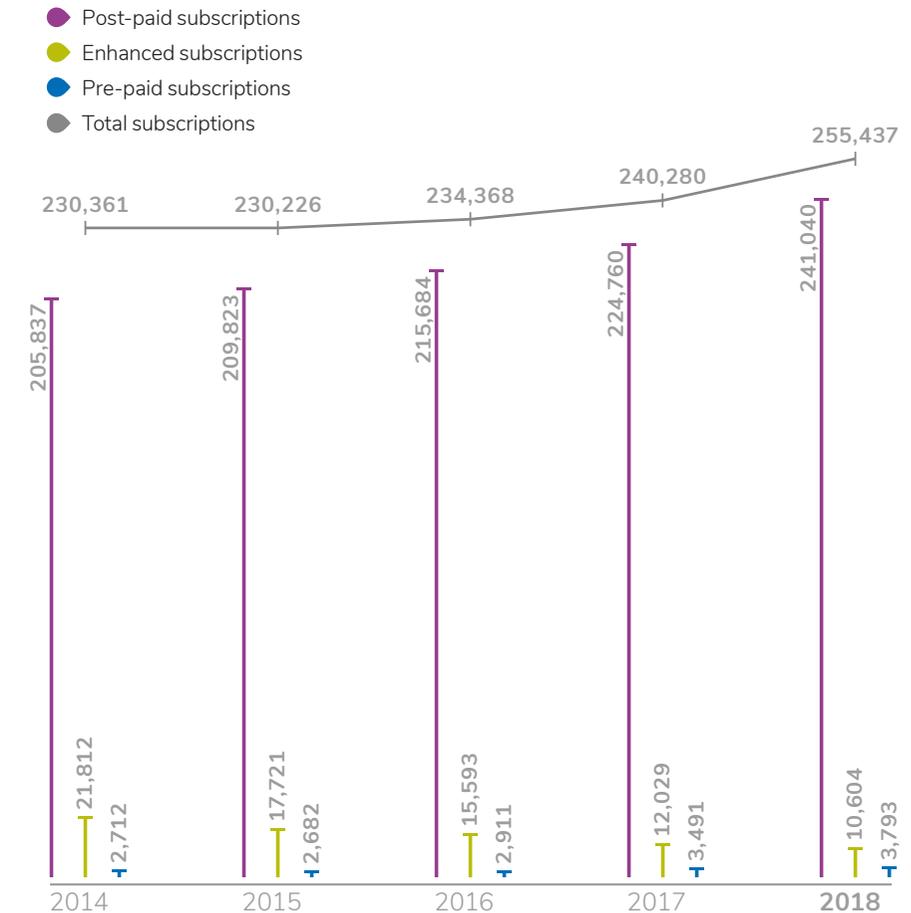
The fixed telephony segment continued to experience a rise in subscriber numbers in 2018, even though this change has nothing to do with voice calling requirements over this medium. In fact, fixed voice traffic volumes dropped in 2018, compared with volumes recorded in the previous year. The rise in fixed telephony subscriptions happened largely because a significant portion of end-users need the service for broadband and because of the rise in take-up in bundle products, which typically combine fixed broadband with the fixed telephony service. Some people, such as the elderly, are also dependent on this legacy telephony service for specific reasons, such as the use of Telecare. Also, people nowadays are more mobile, spending less time at home and thus are more likely to use their mobile handset to communicate with others.

It's also interesting to note that the fall in fixed voice traffic volumes materialised despite the fact that (generally) voice calling rates remained unchanged.

Subscriptions

Fixed telephony subscriptions totalled 255,437 by the end of 2018, which represents a year-on-year increase of 15,157 subscriptions. Contract-based subscriptions, typically referred to as post-paid subscriptions, were up by 16,280 year-on-year, whilst the number of pre-paid subscriptions was down by 1,426. The increase in post-paid subscriptions is evidence of the continued efforts by operators to encourage consumers to purchase their fixed telephony subscription as part of a bundle package, which would typically entail a contract term agreement. By the end of 2018, 94.4% of all fixed telephony subscriptions were on a post-paid contract, up from 93.5% a year earlier.

Subscriptions at end of period



Also of note is that by the end of 2018, 70.4% of all fixed telephony subscriptions formed part of a bundle. In absolute terms, the number of fixed telephony subscriptions in a bundle was up by 16,208 (or by 9.9%) year-on-year. Dual play

bundles encompassing fixed broadband and fixed telephony remain popular, with 65,472 such dual-play subscriptions recorded by the end of this reporting period. However, end-users continue to find triple-play offerings as a more attractive solution. Take-up of triple play bundles, including fixed telephony, thus gained momentum, with such subscriptions increasing by 14,289 (or by 30.5%) to 61,148 by the end of the current reporting period.

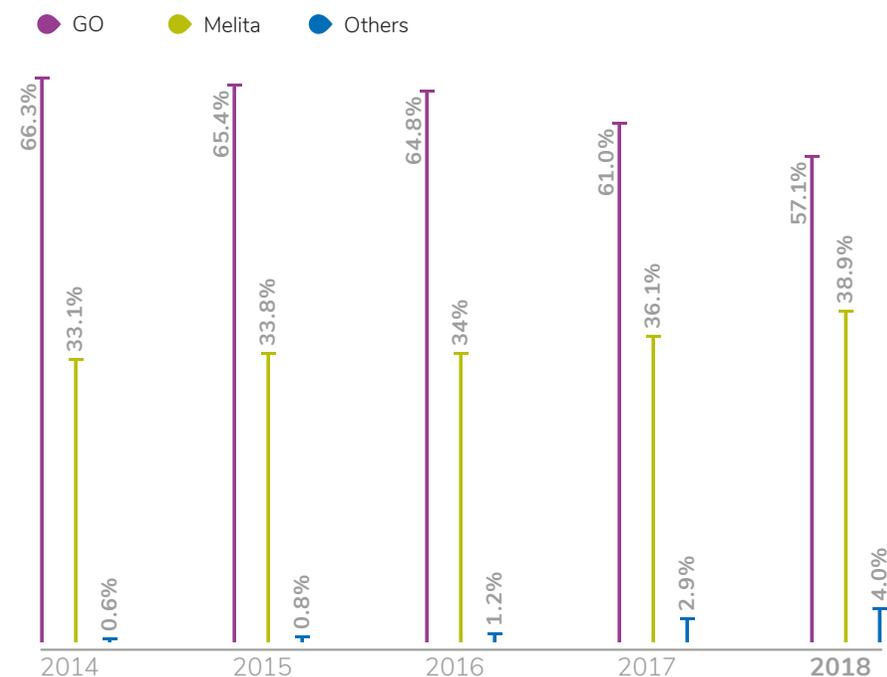
Subscriptions at end of period

	2017	2018
Fixed telephony subscriptions in a bundle	163,576	179,784
Dual play	66,932	65,472
Fixed telephony + Mobile telephony	6,092	5,090
Fixed telephony + Fixed broadband	55,793	55,306
Fixed telephony + Pay-TV	5,047	5,076
Triple play	46,859	61,148
Fixed telephony + Mobile telephony + Fixed broadband	24	3
Fixed telephony + Fixed broadband + Pay-TV	46,835	61,145
Quad play	49,785	53,164
Fixed telephony + Mobile telephony + Fixed broadband + Pay-TV	49,785	53,164
Number of fixed line subscribers (end of period)	240,280	255,437
As a percentage of fixed line subscriptions	68.08%	70.38%

Market shares in terms of subscriptions

The provision of the fixed telephony service in Malta is mainly characterised by GO and Melita, which both have their own access network infrastructure to provide the service and who operate alongside smaller undertakings, namely Ozone Malta and Vodafone Malta. The latter two, both own wireless network infrastructures to offer the fixed telephony service on a very limited scale. At the end of 2018, GO held a market share of 57.1%, compared to Melita's 38.9% market share. GO has seen its market share shrink by 4 percentage points year-on-year, whilst Melita's market share was up by 2.8 percentage points during the same period. The market share of the other, much smaller, market players was up by 1.1 percentage points year-on-year, from 2.9% at the end of 2017 to 4.0% at the end of 2018. This increase is largely attributable to Vodafone Malta.

Market Shares in terms of subscriptions as at end of period



Fixed line inward portability

A total of 2,205 fixed line portings were recorded in 2018, down from 2,625 recorded in the previous year. The portability of fixed telephony numbers is a seamless process, as indicated by regular surveys carried out by the MCA. The drop in the number of fixed telephony portings has to be seen in the context of the rise in the uptake of bundles, which typically entail a 2-year contract term agreement, thereby making switching less likely to happen.

Fixed Line Inward Portings



Traffic volumes

In general, voice traffic volumes for the fixed telephony sector have been consistently decreasing over the years. Societal changes contributed to these declines as people continue to spend less time at home and more time at their place of work, or travelling from one place to another. Moreover, improved calling rates, as well as greater allowances, have made mobile phones a more attractive option for consumers.

Voice calls

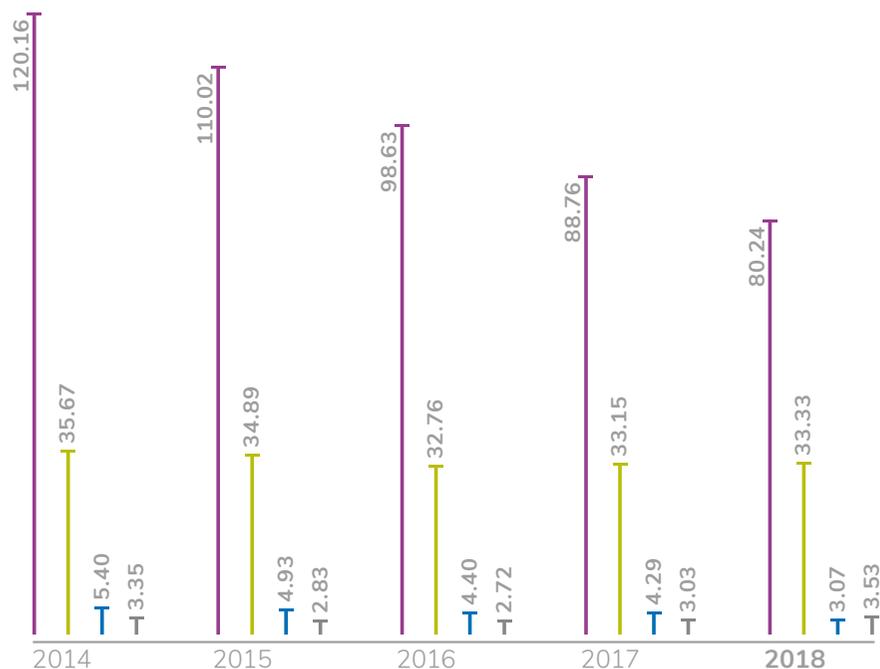
The majority of fixed line traffic is Fixed-to-Fixed (FTF), with on-net voice calls being the most popular amongst consumers. In 2018, this component accounted for 66.8% of all calls originating on a fixed line. However, this area has shrunk in size and volumes in 2018 were down by 9.6%, when compared to 2017.

An aggregated look at this component shows that on-net calls (fixed calls taking place on the same network) were down by 10.8% whilst FTF off-net (fixed calls taking place between numbers hosted by different networks) calls were down by 6.8%. The fixed-to-international (FTI) sector was also down by 1.2 million calls (or by 28.3%).

Conversely, calls were up in both the Fixed-to-Mobile (FTM) sector and in the 'other calls' segment. FTM calls were marginally up by 179,598 (or by 0.54%) whilst the 'other calls' segment which includes premium and Freephone calls was up by 499,537 (or by 16.5%).

Fixed Telephony traffic volumes number of voice calls (in millions)

- FTF
- FTI
- FTM
- Other



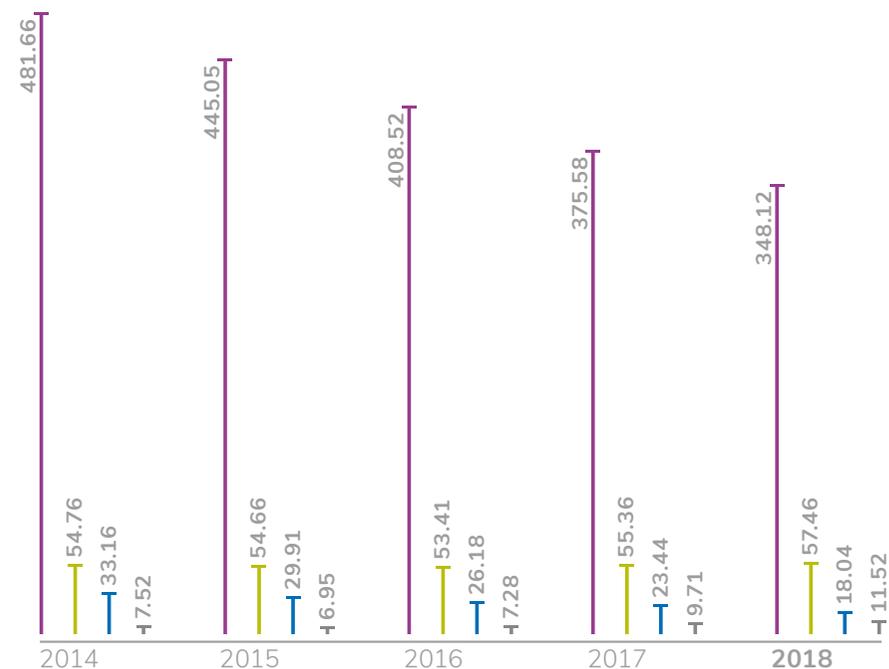
Voice call minutes

In 2018, 435.14 million fixed telephony voice call minutes were recorded. When compared to the previous year, minutes were down by approximately 27.95 million (or by 6.0%). The majority of traffic took place on the same network from one fixed line to another. This is unsurprising, seeing that the majority of plans offered by operators generally provide consumers with unlimited on-net calls or/and unlimited calls to all fixed lines. FTF minutes also registered the largest decline: year-on-year, volumes were down by 26.5 million (or by 7.1%). Similarly, FTI minutes were also down by 5.4 million (or by 23%).

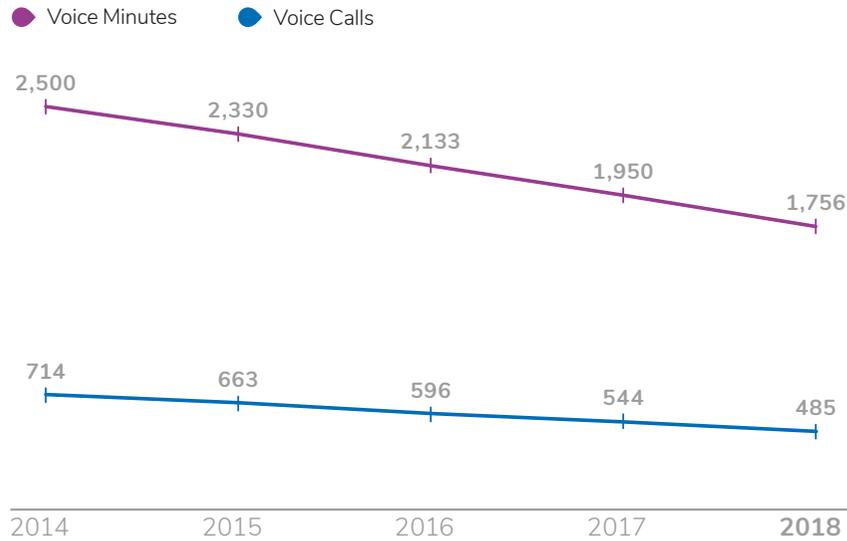
On the other hand, both FTM minutes and the 'other calls' segments registered a considerable surge. FTM traffic was up by 2.1 million (3.8%) and 'other calls' traffic was up by 1.8 million (or by 18.6%).

Fixed Telephony traffic volumes number of voice minutes (in millions)

- FTF
- FTI
- FTM
- Other



Traffic activity per subscriber



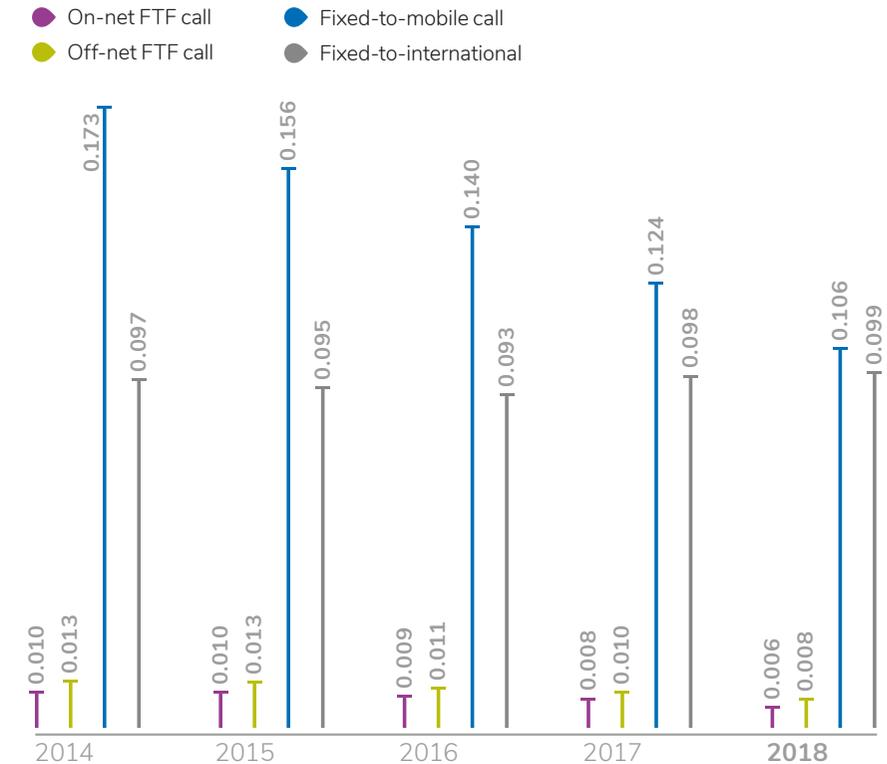
Over the span of five (5) years, voice activity levels at a per subscriber level in terms of both calls and minutes have been steadily declining. In 2018, the annual count on fixed voice calls was down from 544 (in 2017) to 485. Similarly, fixed voice call minutes were down from 1,950 to 1,756.

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) of fixed line communications. From a pricing perspective, in 2018 fixed telephony voice services continued to display the same trends observed in previous years. The largest drop in ARPM in absolute terms was observed in the FTM rate, which was down by €0.018 (or by 14.5%). Meanwhile, on-net FTF and off-net FTF per minute rates were down by 25% and 20% respectively. Conversely, the fixed-to-international sector was up 1% during this 12-month period.

The declines can be attributed largely to the increased availability of monthly allowances that generally come bundled with fixed telephony. The average rate per minute for FTF calls was slightly up when compared to last year's result. This was influenced by the fact that usage in terms of minutes for this service was down year-on-year. It is expected that the ARPM for this sector will continue on this path, seeing that consumers are finding cheaper alternatives when contacting family and friends abroad.

Average Rate per Minute of fixed communications



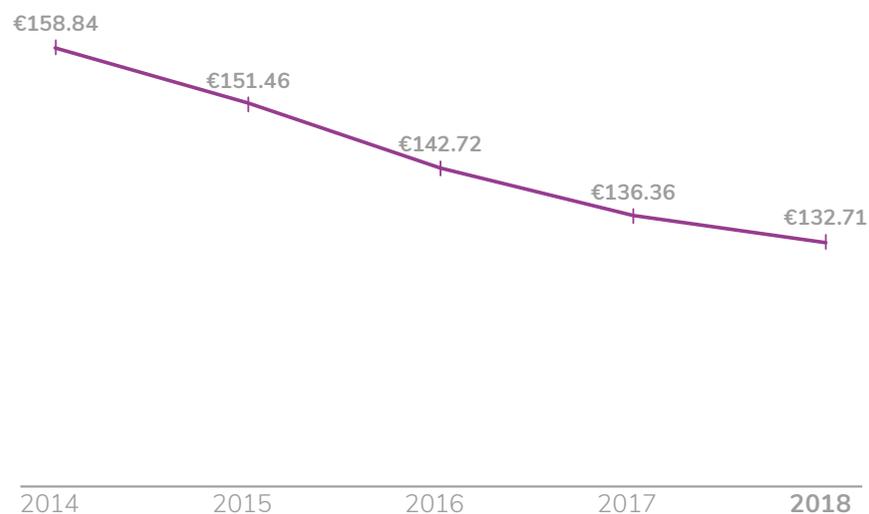
Average Revenue per Fixed User (ARPU)

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

Fixed ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions for a given period. 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 2018. The decline in ARPU is consistent with the various observations seen in this category. The increase in fixed telephony subscriptions, accompanied by the boost in bundle subscriptions and the dwindling usage, resulted in a further drop in ARPU by the end of the year. The ARPU for this sector was down by 2.7% from €136.36 at the end of 2017 to €132.71 at the end of 2018.

Average Revenue per fixed telephony user



Mobile telephony

In the course of 2018, the mobile telephony segment saw further subscriber growth, alongside surging call minute and data volumes. Subscriber growth was marked by a shift in the way consumers purchase mobile plans, particularly the rise in the number of post-paid clients recorded alongside a drop in those having a pre-paid plan.

From a pricing standpoint, the year 2018 has seen some important changes in the pricing metrics designed by operators, with more personalised plans launched to address the needs of specific consumer segments. However, flat-rate pricing for contract-based plans and the pay-per-unit structure for pre-paid plans still constituted the main components of the mobile telephony pricing model. Overall, the pricing outcomes have improved for the end-user as observed from the recorded declines in the average rate per minute (ARPM) of mobile communication.

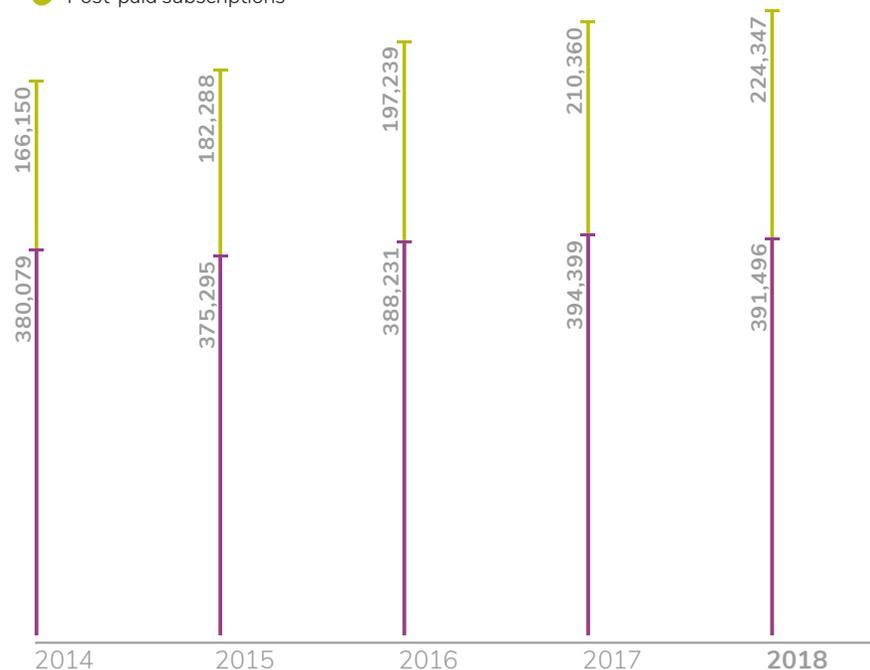
Mobile broadband penetration over the last couple of years has been on the rise, mainly as more end-users acquired plans which included data bundles. Mobile data consumption has also risen significantly. The average data usage increased from 0.8GB per month for each active user in 2017, to more than 1GB per month in 2018.

Mobile subscriptions

The mobile telephony subscriber base strengthened on the back of a steady rise in the number of post-paid subscriptions, outweighing a decline in the number of pre-paid subscriptions. The number of post-paid plans was up by 13,987 year-on-year to a total of 224,347 subscriptions by the end of 2018. Meanwhile, the number of pre-paid subscriptions was down by 2,903 during the same period. This indicates that end-users are now more inclined to purchase a bundle of data, text and voice minutes, seeing that higher usage patterns make flat-rate pricing more attractive and economical than pay-per-use. Overall, the mobile telephony subscriber base saw a rise of 11,084 subscriptions year-on-year, from 604,759 at the end of 2017 to 615,843 at the end of 2018.

Subscriptions at end of period

- Pre-paid subscriptions
- Post-paid subscriptions



Distinct to developments for other electronic communications services is the extremely low take-up of the mobile telephony service in a bundle. In fact, just 9.5% of all mobile subscriptions at the end of 2018 were purchased in a bundle with other electronic communications services. This is linked to the personalised aspects of the service, with different members of a household typically displaying distinct usage patterns when it comes to voice calling, texting and data traffic.

Mobile telephony subscriptions in a bundle

	2017	2018
Mobile telephony subscriptions in a bundle (end of period)	55,901	58,257
Dual play	66,932	65,472
Mobile telephony + Fixed telephony	6,092	5,090
Triple play	46,859	61,148
Mobile telephony + Fixed telephony + Fixed broadband	24	3
Quad Play	49,785	53,164
Mobile telephony + Fixed telephony + Fixed broadband + Pay-TV	49,785	53,164
Number of mobile telephony subscriptions (as at end of period)	604,759	615,843
as a percentage of total mobile subscriptions	9.24%	9.46%

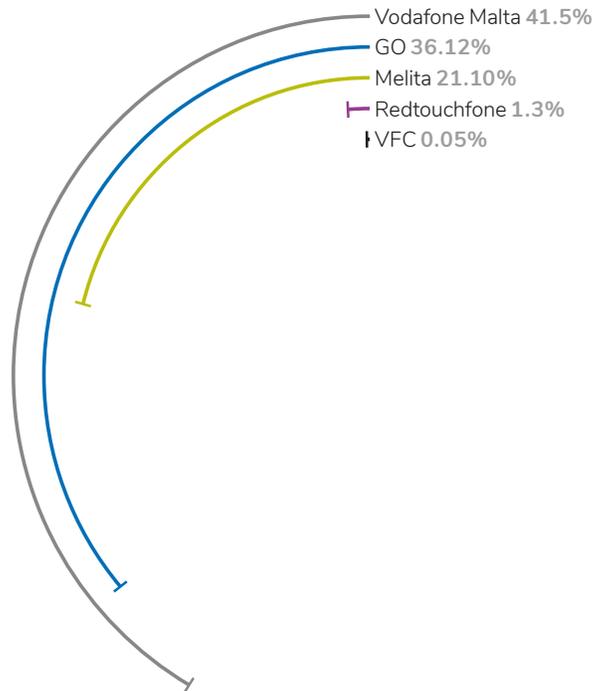
Market Share

Looking at mobile telephony subscriptions from an operator standpoint, Vodafone Malta retains a leading position as it accounted for 41.5% of all subscriptions recorded at the end of 2018. However, this operator lost market share year-on-year, by 1.8 percentage points. GO places second to Vodafone Malta in terms of market share, accounting for 36.1% of all subscriptions by the end of the current reporting period. GO registered a 0.6 percentage point drop in market share year-on-year, from 36.7% to 36.1%. Melita ranks third in terms of market share positioning, at 21.1% by the end of 2018. However, this operator has seen its market standing improve by 2.5 percentage points, from 18.6% at the end of 2017 to 21.1% at the end of 2018. Other smaller operators – namely Redtouchfone and Valletta Football Club (VFC) mobile – saw marginal changes in their subscriber base.

In absolute terms, Melita added 17,583 subscribers to its subscriber base, which means a 15.7% growth in the subscriber base year-on-year. GO added just 312 subscriptions, whilst Vodafone Malta's subscriptions were down by 5,993 year-on-year.

2018 market shares, by operator.

On the basis of subscriptions as at end of period.



Mobile inward portability

The absolute majority of mobile number portings in Malta are completed within the same day, with only a very small number of problems with the portability service being reported to the MCA. With the creation of new personalised plans and bigger take-up of contract-based offers, the number of portings have gone down in recent years, including in 2018. In fact, a total of 28,890 mobile inward portings took place in 2018, which is down by 4,356 from the total registered in the previous year.

Mobile inward portings



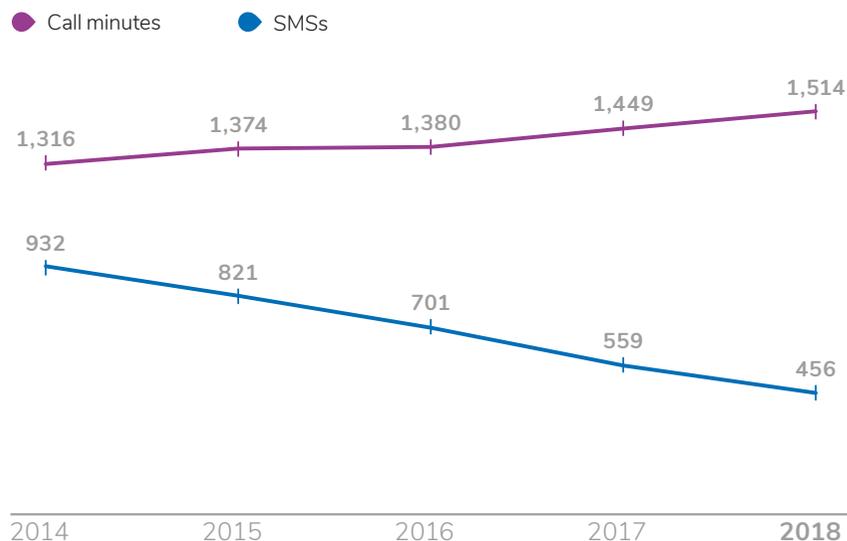
Traffic activity levels

Primarily as a result of bigger allowances and higher take-up of contract-based plans, 2018 usage levels per subscriber improved over 2017, both in terms of minute and data volumes. The average number of monthly voice call minutes per subscription was up from 120.7 in 2017 to 126.1 in 2018, whilst the average number of data MBs per subscription on a monthly basis was up from 1,053 to 1,228.

Of note is that whilst the average number of voice call minutes per subscription was up, the average number of calls remained unchanged from last year's approximation of 64 calls. This is because end-users made bigger use of minute allowances from contract-based offers, which translated into lengthier calls.

Simultaneously, end-users consumed less SMSs, with the average number of SMSs per subscription going down to 38 in 2018 from 47 in the previous year. This downward trajectory is indicative of consumers shifting to voice telephony services and, in some instances, to over-the-top (OTT) services.

Average number of call minutes & SMSs (per subscriber)



Voice and SMS traffic volumes

The number of calls originating from mobile operators increased 2.1% year-on-year, from 461 million in 2017 to 470 million in 2018. There are three main strands of calls originating from mobile operators, namely mobile-to-mobile (MTM) calls, mobile-to-fixed (MTF) calls and mobile-to-international (MTI) calls.

Most MTM calls take place on-net i.e. (calls originating and terminating on the same operator). In 2018, a total of 257 million on-net MTM calls were recorded, down by 0.5% from 258 million recorded a year earlier. Conversely, an increase was recorded in the number of off-net MTM calls, i.e. (calls originating from one operator and terminating on a different operator). In this case, volumes were up by 4.5%, from 145 million to 151 million.

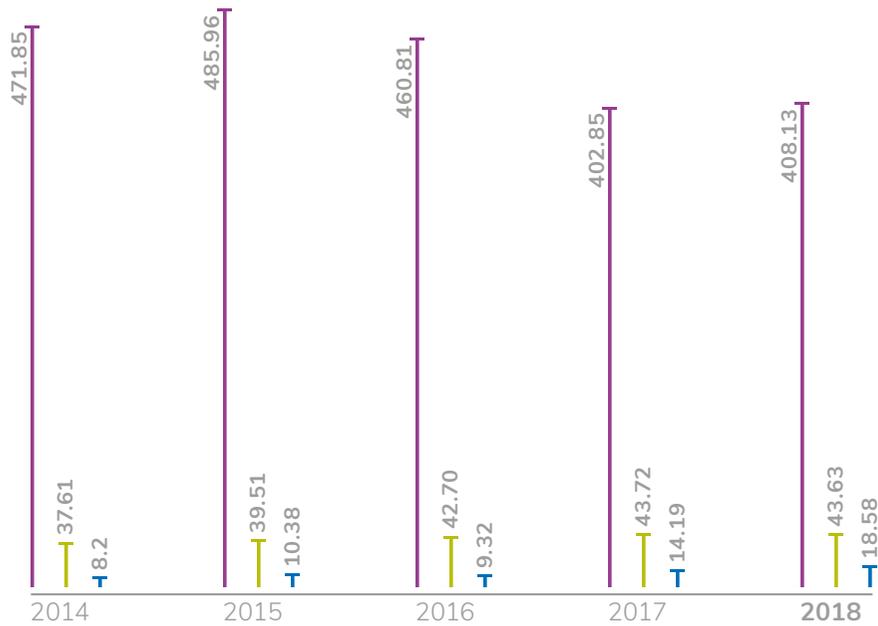
Mobile telephony users are calling less to fixed numbers, with the number of MTF calls in 2018 falling roughly by 0.1 million calls compared to 2017.

The last two years saw a considerable uptake in calls taking place from a local mobile number to an international number (MTI). The increased use of this service is predominantly a result of operators altering their policies and allowing consumers to also avail themselves of MTI call allowances. In 2018, approximately 18.6 million MTI calls were recorded, which is up by 4.4 million (or 30.9%) year-on-year.

Outgoing voice traffic volumes

Number of calls (in millions)

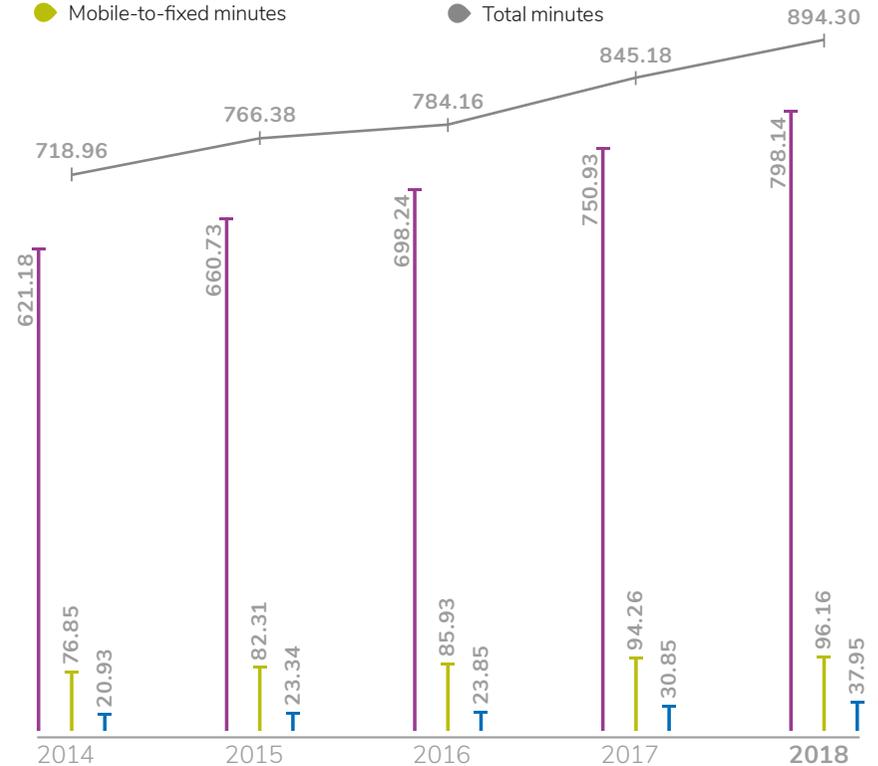
- Mobile-to-mobile calls
- Mobile-to-fixed calls
- Mobile-to-international calls



Outgoing voice traffic volumes

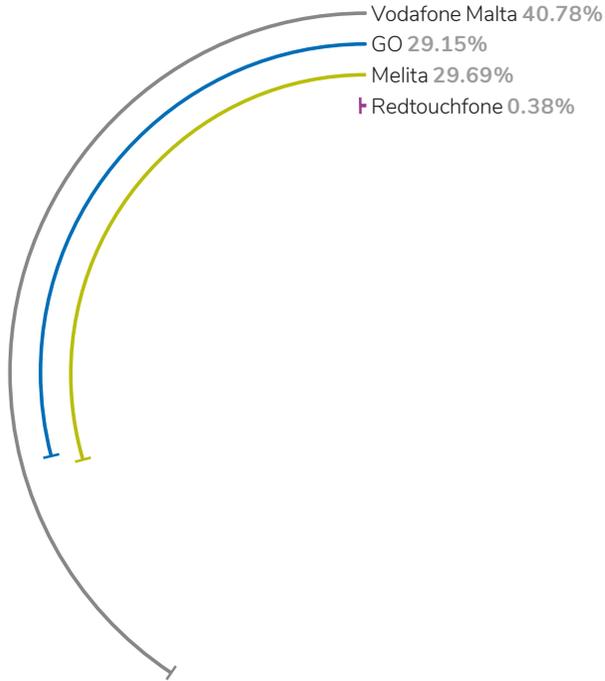
Number of minutes (in millions)

- Mobile-to-mobile minutes
- Mobile-to-fixed minutes
- Mobile-to-international minutes
- Total minutes



As was observed in recent years, consumers have been moving away from SMS messaging and are opting for voice and mobile data alternatives. In 2018, a total of 278.2 million SMSs were recorded, down by 54.4 million (or by 16.4%) from 332.6 million in the previous year. On-net SMSs volumes were down by 24.3% whilst off-net SMS volumes were down by 1.3%. SMSs sent from internet portals showed a similar drop of 1.7 million messages (or by 21.52%) year-on-year from 7.9 million in 2017 to 6.2 million in 2018. Similarly, premium SMSs were also down during this period by 10%.

2018 Market shares, by operator
on the basis of voice call minutes in 2018



Mobile broadband

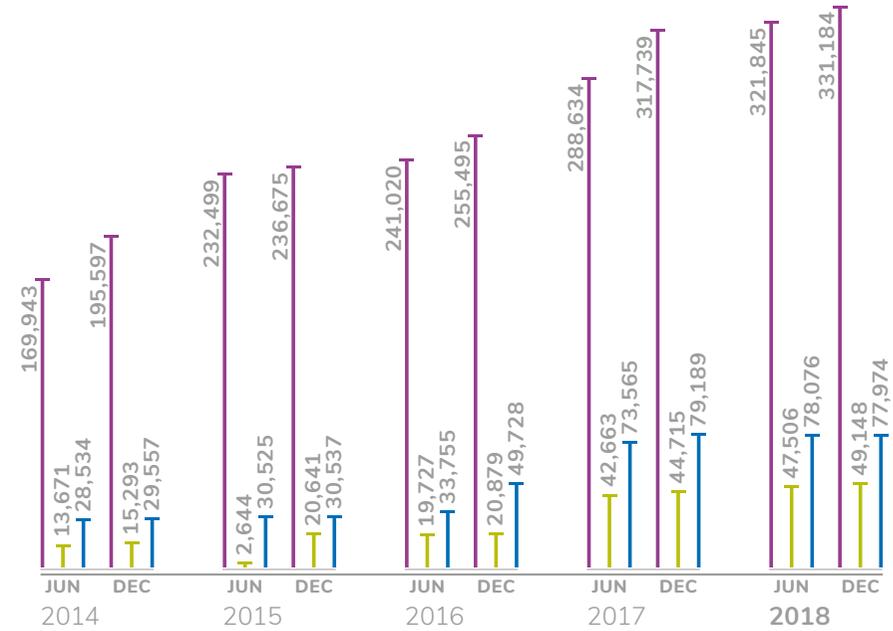
Mobile data usage is becoming more prevalent amongst end-users in Malta, mainly for access to video content, messaging apps, social media sites and news portals. Moreover, operators are also contributing to this change by offering improved data bundles to their clients.

By the end of 2018, a total of 331,184 active mobile subscriptions made use of mobile data. This is up by 13,445 (or up by 4.2%) year-on-year from 317,739. The number of end-users actively using mobile broadband data via data cards and modems was also up by 3,218 subscriptions (or by 2.6%) year-on-year, from 123,904 to 127,122.

Mobile Broadband;

Total active mobile broadband connections

- Actual usage via a standard mobile subscription
- Actual usage via cards/modems/keys only
- Actual usage via standard mobile subscriptions requiring an add-on package

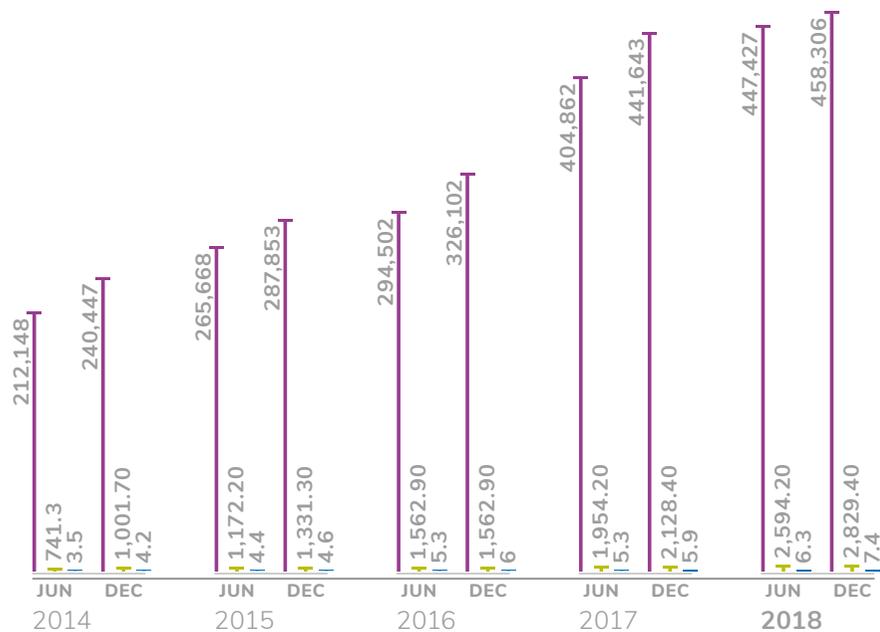


Increased uptake of post-paid plans and improved monthly allowances have enabled consumers to make greater use of mobile data services. By the end of 2018, 2.8 million GBs of data over mobile broadband were consumed overall, up by 0.7 million GBs (or by 32.9%) year-on-year. At a per subscriber level, consumers were using on average 1.1GB of mobile broadband data per month in 2018, up from 900MB in 2017.

Mobile Broadband;

Mobile data usage per subscriber

- Number of active mobile broadband subscriptions
- Total mobile data usage (in million MB)
- Average mobile data usage per active subscription (in GB)



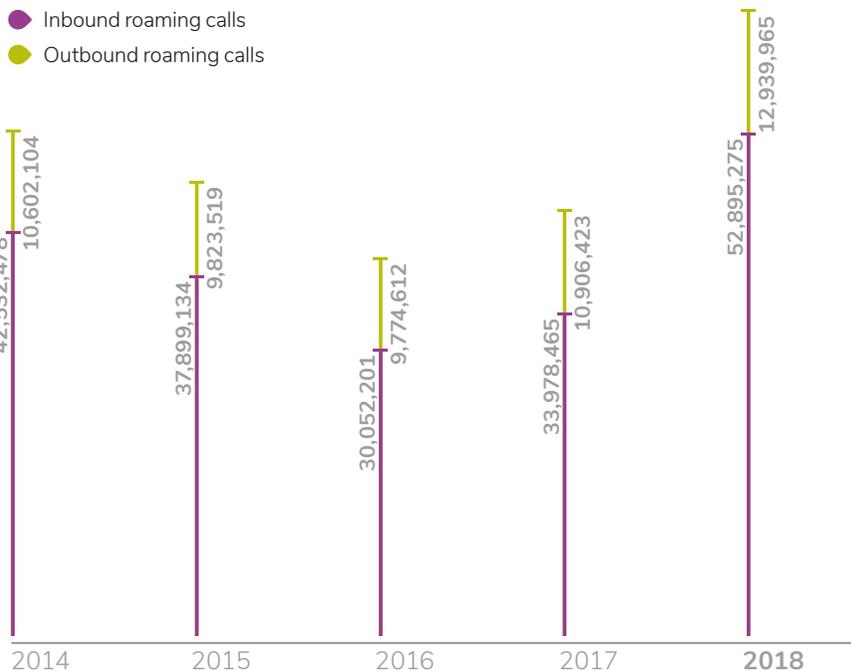
International roaming

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

In 2018, the volume of inbound roaming calls, as well as inbound roaming minutes, increased by 55.7% and 47.0% respectively when compared to the previous year. Similarly, the volume of outbound roaming calls and outbound roaming minutes was up by 18.7% and 30.1% respectively. These developments correspond with the new Roaming Regulations implemented in mid-2017, which dictate that EU citizens travelling within the EU are no longer charged roaming rates but are charged standard domestic rates.

SMS roaming activity was up in 2018, when compared to 2017. In this respect, SMSs sent by Maltese subscribers whilst roaming abroad was up by almost 0.8 million (or by 11.8%) from 6.6 million SMSs in 2017, to 7.4 million SMSs in 2018.

Roaming activity: number of voice calls



Price movements

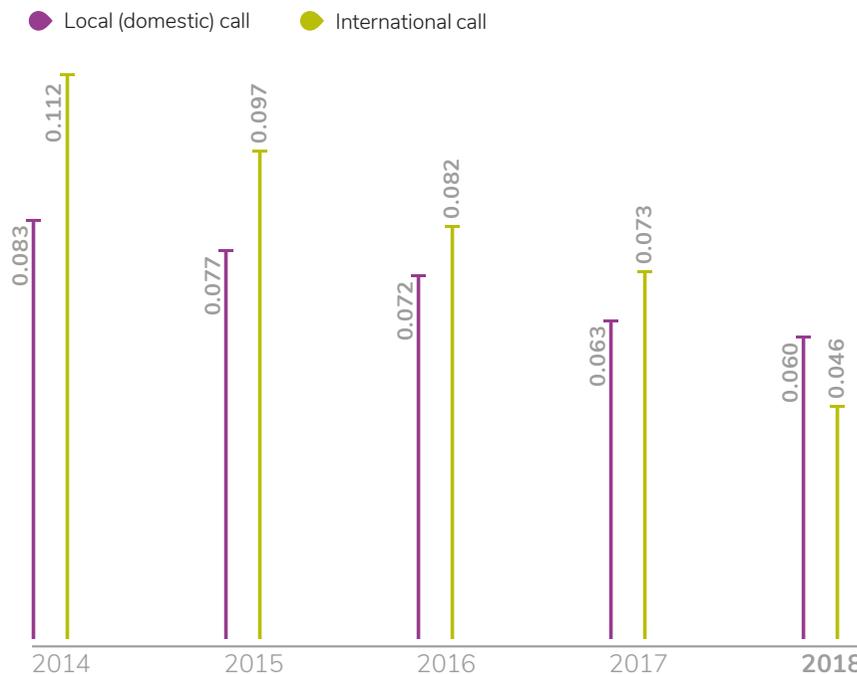
Revenue-based market trends serve as a means of tracking actual movements in mobile voice call rates and SMS tariffs charged by local operators. The revenue-based workings carried out by the MCA once again show that 2017 displayed trends similar to what was observed in previous years. These workings show that the ARPMs for both domestic and international calls are at the lowest they have ever been. This result comes on the back of two drivers: usage and total operator revenue. The overall usage of mobile services continues to climb as a result of improved minute and SMS allowances, which generally accompany new plans, whilst revenues garnered by operators from voice traffic have been steadily declining over the years.

The ARPM of mobile voice call communications

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

The ARPM for domestic calls over local mobile networks stood at around €0.060 in 2018, down by 4.8% year-on-year. During the same period, ARPM for international calls over local mobile networks was down by 37% from €0.073 to €0.046.

Average Rate Per Minute of mobile communications



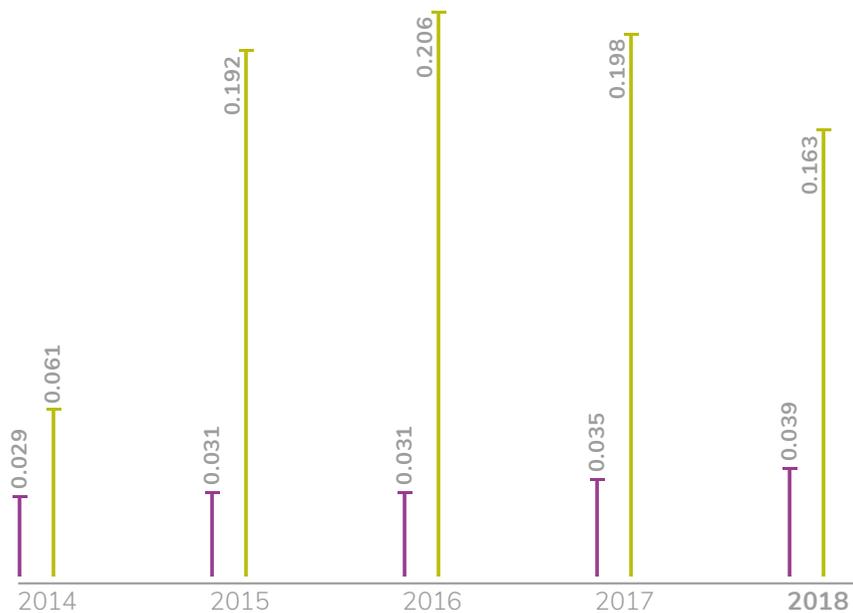
The average rate per SMS

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

On average, each subscriber spent €0.039 per local SMS in 2018, slightly up from the rate observed a year earlier at €0.035. Meanwhile, the rate per international SMS was down by 17.7% from €0.198 in 2017 to €0.163 in 2018.

Average rate per SMS

● Local (domestic) SMS ● International SMS



Average Revenue per Mobile User (ARPU)

The ARPU for the mobile telephony sector increased from €176.62 at the end of 2017 to €178.61 by the end of 2018. This increase in ARPU comes on the back of a number of developments taking place in this sector. These changes include a growth in the subscriber base, accompanied by a greater uptake of post-paid mobile telephony plans which generally carry higher monthly access fees. Moreover, a bigger subscriber base translated to greater use of mobile telephony services, such as more minutes spent on calls and increased use of mobile data services.

Average Revenue Per mobile telephony User



Fixed broadband

The fixed broadband segment continued to grow in 2018 by way of new and existing clients signing up to fast and ultra-fast products. This change bodes well for Malta's progress towards meeting its targets for broadband take-up, consistent with the Europe 2020 Strategy. The steady rise in subscriptions boosted broadband penetration on the basis of population. To this effect, Malta has consolidated its position in this respect on an EU level and now ranks 6th in the EU, surpassed only by The Netherlands, Luxembourg, United Kingdom, Denmark and Germany.

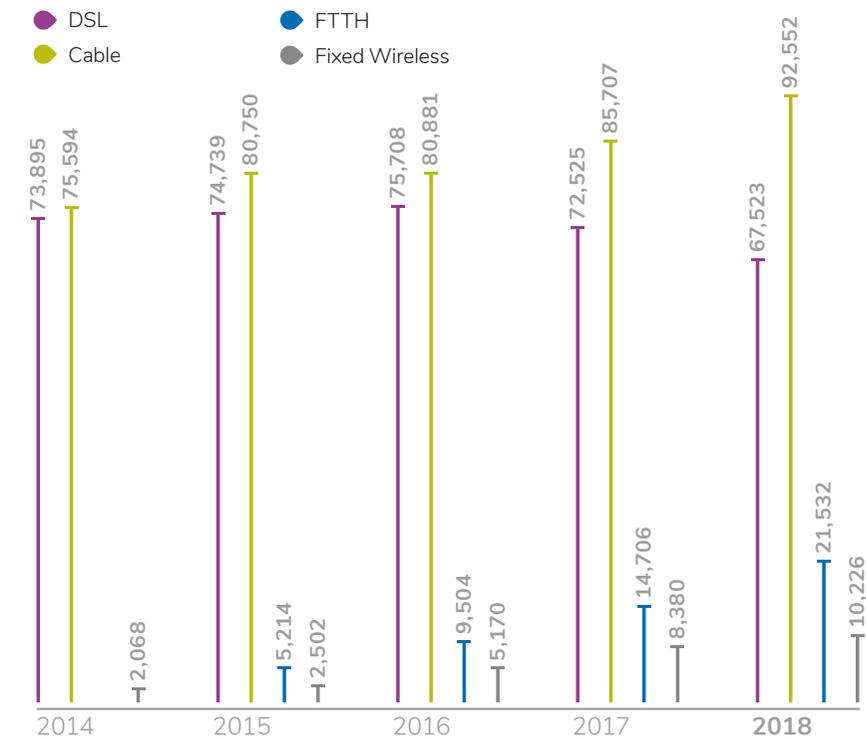
The reported increase in fixed broadband subscriptions materialised alongside a rise in take-up of bundled packages. Fixed broadband retained pole position as the most bundled electronic communications service, with 88% of all active connections subscribed to a dual, triple or quad play bundle product.

From a pricing standpoint, developments in 2018 were consistent with long-term trends. In general, fast and ultra-fast fixed broadband packages entail higher monthly access fees than was the case with legacy products. Nevertheless, the much higher download speeds that are on offer have brought about a drop in the average rate per Mbit, as access fees have increased at a slower rate than was the case for speeds. The overall average rate per Mbit for fixed broadband was down by 1%, from €0.91 per Mbit at the end of 2017 to €0.90 at the end of 2018.

Fixed broadband subscriptions

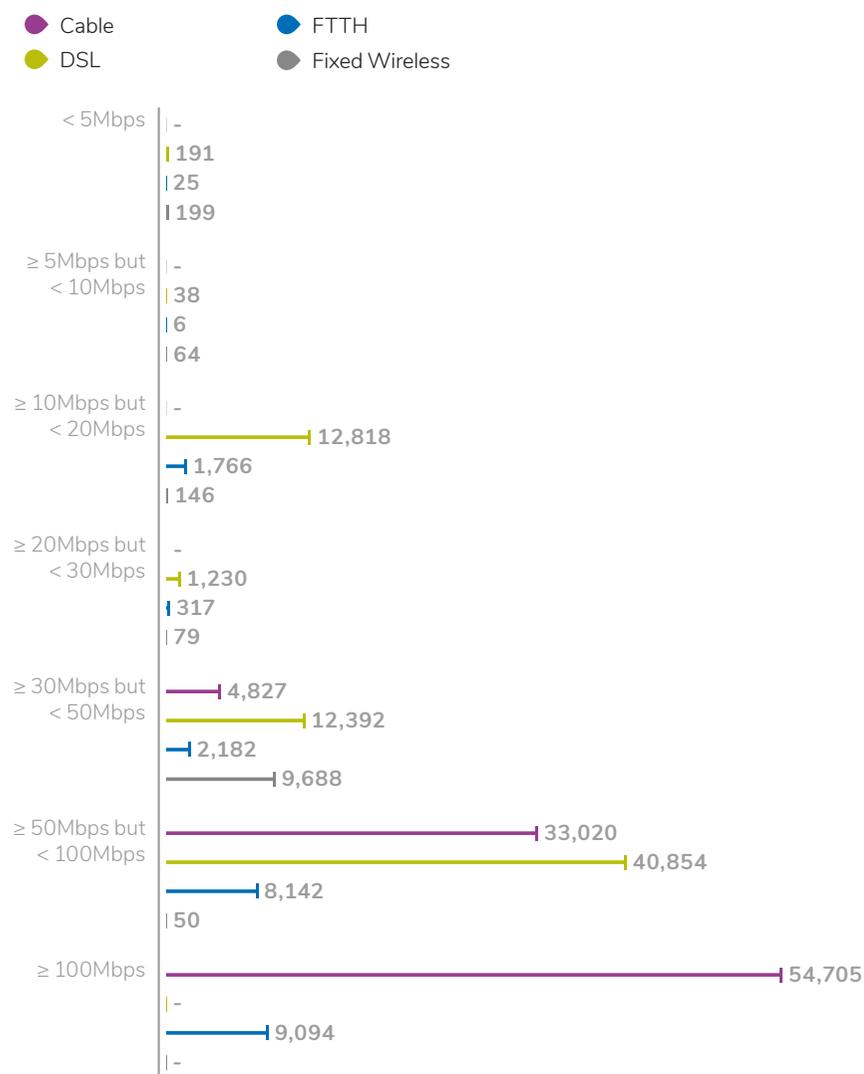
The number of fixed broadband subscriptions totalled 191,833 by the end of 2018, which means a year-on-year increase of 10,515 subscriptions (or a 5.8% expansion in the subscriber base). A greater subscriber base translated into greater overall presence for fixed broadband in the market and as a result, market penetration in terms of households was up from 65.8% to 68.1%. Growth was more conservative when looking at fixed broadband penetration results in terms of population. In fact, fixed broadband penetration in terms of population was up by only one (1) percentage point, from 38.4% at the end of 2017 to 39.3% at the end of 2018.

Subscriptions as at end of period: by type of platform



The further break down of the data on uptake shows a very encouraging picture for fast and ultra-fast connections, namely connections supporting download speeds of 30Mbps or more. Broadband subscriptions supporting download speeds of '100Mbps and more' made up 33.3% of the total by the end of 2018, with their number rising by 27,509 from 36,290 a year earlier. On the other hand, the number of subscriptions supporting speeds of 'less than 30Mbps' was down by 46.3%, from 31,403 to 16,879. The rising popularity of ultra-fast products comes on the back of a higher dependence on fixed broadband to view online content and the drive by operators to consolidate take-up of their bundle line-up, which typically encompasses a mix of electronic communications services alongside ultra-fast fixed broadband download speeds.

Subscriptions as at end of period: by type of download speed



Fixed broadband in bundles

	2017	2018
Fixed broadband subscriptions in a bundle	152,437	169,618
Dual play	55,793	55,306
Fixed telephony + Fixed broadband	55,793	55,306
Triple play	46,859	61,148
Fixed telephony + Mobile telephony + Fixed broadband	24	3
Fixed telephony + Fixed broadband + Pay-TV	46,835	61,145
Quad Play	49,785	53,164
Fixed telephony + Mobile telephony + Fixed broadband + Pay-TV	49,785	53,164
Number of fixed line subscribers (end of period)	181,318	191,833
as a percentage of fixed line subscriptions	84.07%	88.42%

Intrinsic to the rise in take-up of bundles is the growing incidence of fixed broadband being purchased in a bundle. In fact, the proportion of fixed broadband subscriptions purchased in a bundle increased from 84.1% at the end of 2017 to 88.4% at the end of 2018.

Market shares

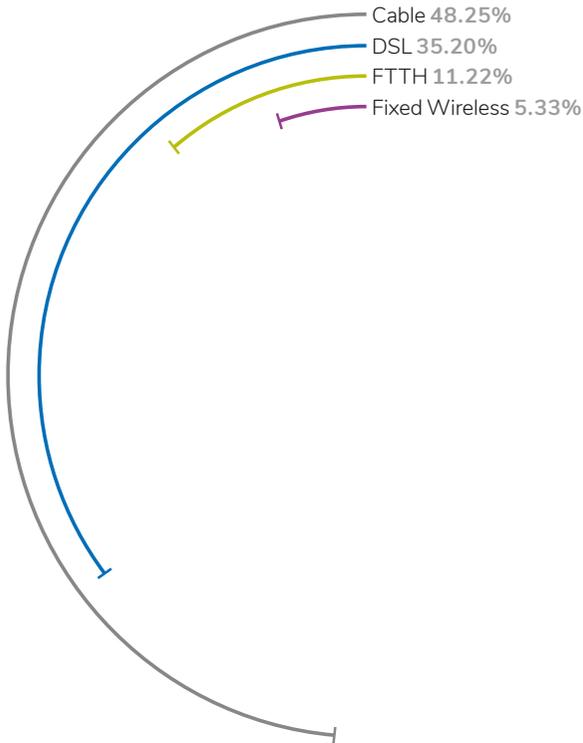
The supply of fixed broadband services in Malta is met by a number of service providers over different technologies, namely Digital Subscriber Line (DSL), Fibre-to-the-Home (FTTH), cable DOCSIS 3.1 and fixed wireless.

In terms of market presence, by the end of 2018, cable technology accounted for 48.3% of the local subscriber base, followed by DSL with a market share of 35.2%. FTTH now has a market share of 11.22%, whilst fixed wireless connections have a market share of 5.33%.

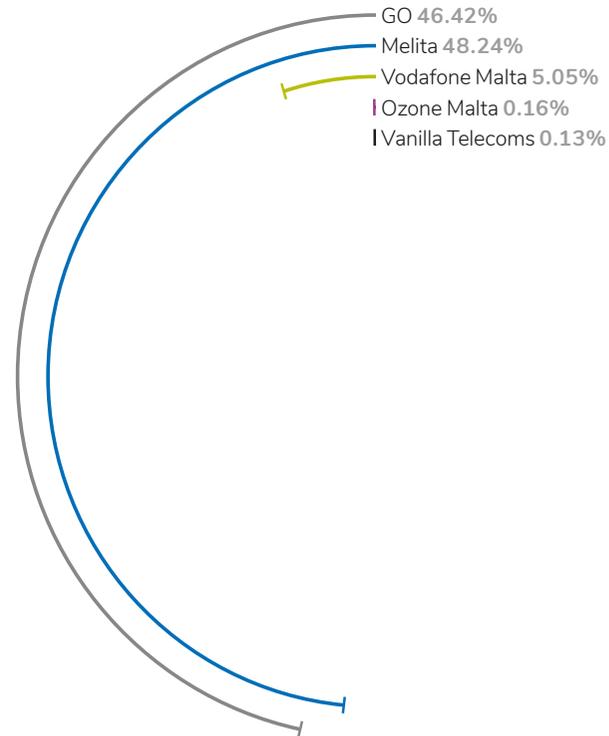
Year-on-year, the market share for FTTH was up by 3.1 percentage points, followed by a rise of 0.9 percentage points for cable and by a rise of 0.7 percentage points for fixed wireless.

Looking at market shares by service provider, Melita had the largest subscriber base by the end of 2018 and, by extension, the largest market share at 48.2%; an increase of almost one percentage point year-on-year. Despite expanding on its subscriber base, Go slightly lost ground in terms of market share, dropping from 48.1% at the end of 2017 to 46.4% at the end of 2018. Conversely, Vodafone Malta improved its market standing, with its share rising from 4.3% to 5.1% during the same period. Meanwhile, the combined market share of Vanilla Telecoms and Ozone Malta remains similar to what was observed in previous years at 0.3%.

Market Shares – By Technology Platform as at end 2018



Market shares – by operator



Price movements

The MCA monitors changes in advertised prices for fixed broadband and the corresponding advertised download speeds. The average rate charged per each Mbps of download (the rate per Mbps) is based on these observations. Of note is that the average rates per Mbps quoted in this section correspond to different categories of standalone and dual-play offers depending on the advertised download speeds.

It is also relevant to underline that changes in the average rate per Mbps cannot be seen in isolation. Consumers may avail themselves from offers discounting this rate even further, such as by opting for triple or quad-play bundle offers that come with discounted monthly access fees for a limited period of time.

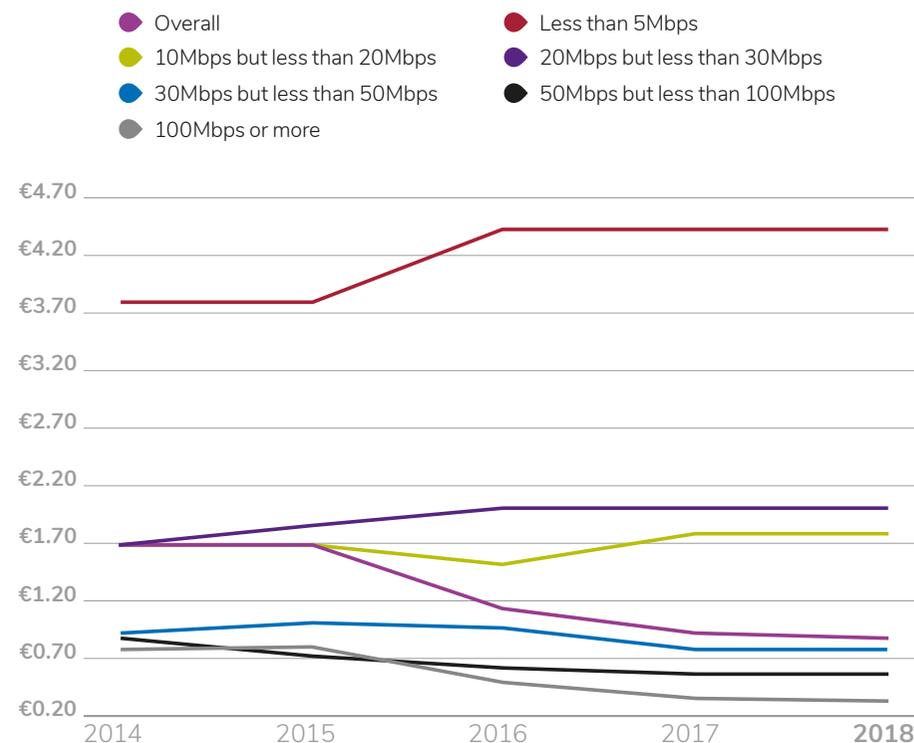
The average rate paid by consumers for their fixed broadband service was down by about 1%. In 2018, service providers did not implement any meaningful price-related changes to their stand-alone and dual-play fixed broadband offerings and, as a result, the change in the average rate per Mbps was minimal in comparison to previous years. However, providers continue to draw their main focus towards triple-play and quad-play bundles, which generally offer fixed broadband packages with improved download speeds and at better overall monthly access fees than their standalone and dual-play counterparts.

At a disaggregated level, the average rate per Mbps for the 'less than 5Mbps' product category stood at €4.43 by the end of 2018, whilst that for the '5Mbps but less than 10Mbps' product range stood at €4.33 during the same period. These rates are unchanged from those obtained a year earlier. Similarly, the average rate per Mbps for the '10Mbps but less than 20Mbps' product range and the '30Mbps but less than 50Mbps' product range did not change from last year's results and as such, had an average rate per Mbps of €1.78 and €2.01 respectively by the end of 2018.

In recent years, the average rate per Mbps for the category of download speeds of '30Mbps but less than 50Mbps' has been steadily declining. However, the developments that took place throughout 2018 with regard to plans in this cohort resulted in an increase rather than a drop in the average rate per Mbps. Indeed, the average rate per Mbps for this segment was up by 2.4% from €0.80 per Mbps to €0.82. Similarly, in the '50Mbps but less than 100Mbps' cohort, the average rate per Mbps was up by 3.5% from €0.60 to €0.63. The change in average rate per Mbps for this segment was attributed to the fact that consumers who subscribed to a 50Mbps package offered by a particular service provider, were upgraded to 100Mbps packages at no extra cost. The same operator no longer continued to offer any dual-play packages in the 'greater than 50Mbps but less than 100Mbps' segment.

Conversely, the average rate per Mbps for ultra-fast connections i.e. '100Mbps or more' was the lowest yet in 2018.

Fixed Broadband – average rate per Mbps

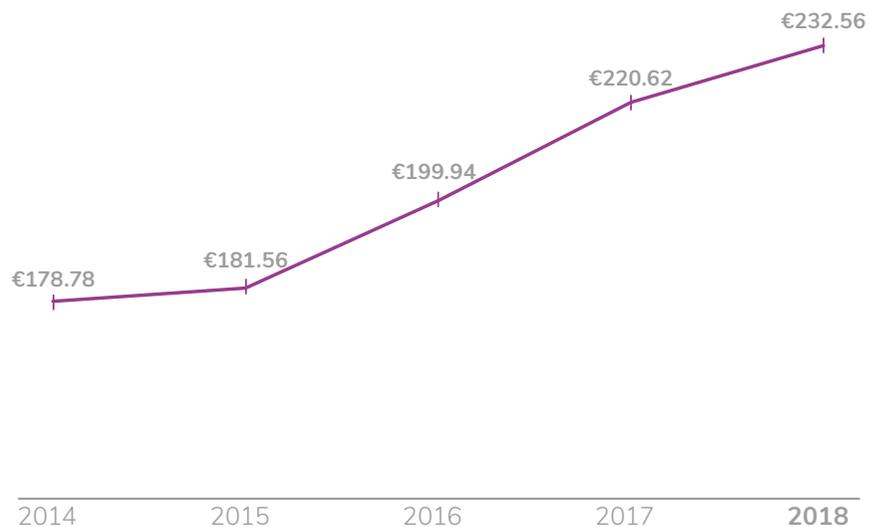


Fixed Broadband ARPU

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. The revenue heading excludes revenues from one-time installation and connection fees.

In 2018, the fixed broadband ARPU reached a new high of €232.56, up by 5.4% from €220.62 recorded a year earlier. This increase in ARPU can be attributed to the increased availability and take-up of ultra-fast fixed broadband connections. Such plans generally carry higher monthly access fees which, in turn, generate higher revenues for operators, despite the decline in the average rate per Mbps and the increased uptake of fixed broadband connections in a bundle.

Average Revenue per Fixed Broadband User



Pay-TV

Malta's Pay-TV subscriber base continued to expand in 2018 despite the availability of online content and video-on-demand services via products of the modern internet era. This surge in take-up came at a time characterised by several important changes, amongst which were the discontinuation of analogue Pay-TV services and the agreement reached by operators to partner in the provision of a premium sports package with the TSN branding. With the latter change, the quality of service aspects are more likely to play a bigger role in the selection and switching considerations of the end-user when it comes to Pay-TV.

Significantly, the composition of the subscriber base further tilted towards the bundle option, with the proportion of Pay-TV subscriptions in a bundle rising from around 65% at the end of 2017 to around 72.2% by the end of the current reporting period.

The situation in terms of pricing for the Pay-TV market for 2018 has remained relatively unchanged from 2017. Both operators opted to maintain the same product line-up seen in 2017, whilst generally offering a better Pay-TV experience in a bundle setting. Service providers continue to offer Pay-TV plans in a bundle at reduced rates and/or accompanied with promotional offers to encourage their take-up. Ultimately, the effects of bundling together with promotional offers and reduced rates contributed to a lower Pay-TV ARPU in 2018.

Subscriptions

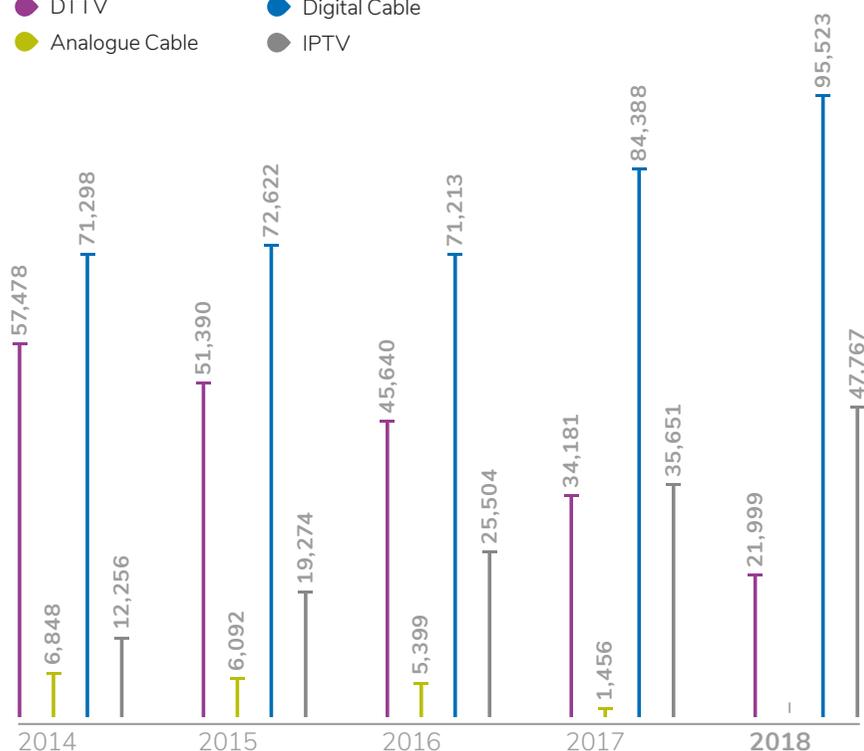
The number of Pay-TV subscriptions totalled 165,289 by the end of 2018, which represents a year-on-year increase of 9,613 subscriptions from 155,676 a year earlier.

The most popular subscription format at the end of the year in review was cable, with 95,523 subscriptions reported by Melita compared to GO's 69,766 subscriptions. GO's subscriber base encompasses two subscription formats, one based on DTTV and the other on IPTV. Here, a significant shift in preferences has been observed, with the number of DTTV subscriptions going down by 12,182 year-on-year, whilst the number of IPTV subscriptions rose by 12,116.

These developments go to show that while online-only TV services continue to put pressure on the traditional Pay-TV platforms, consumers are not reacting by cancelling their subscription but rather opting for Pay-TV plans with smaller channel line-ups. Also of significance, is that more of the existing clients are replacing their stand-alone Pay-TV subscription with one that is included in a bundle package. This explains why the year-on-year increase in the number of Pay-TV subscriptions in a bundle exceeded the year-on-year increase reported for the whole subscriber base. The former increase was that of 17,718 compared to the latter's 9,613.

Subscriptions as at end of period

- DTTV
- Digital Cable
- Analogue Cable
- IPTV



The proportion of Pay-TV subscriptions in a bundle stood at 72.2% by the end of 2018, up by 6.9 percentage points year-on-year.

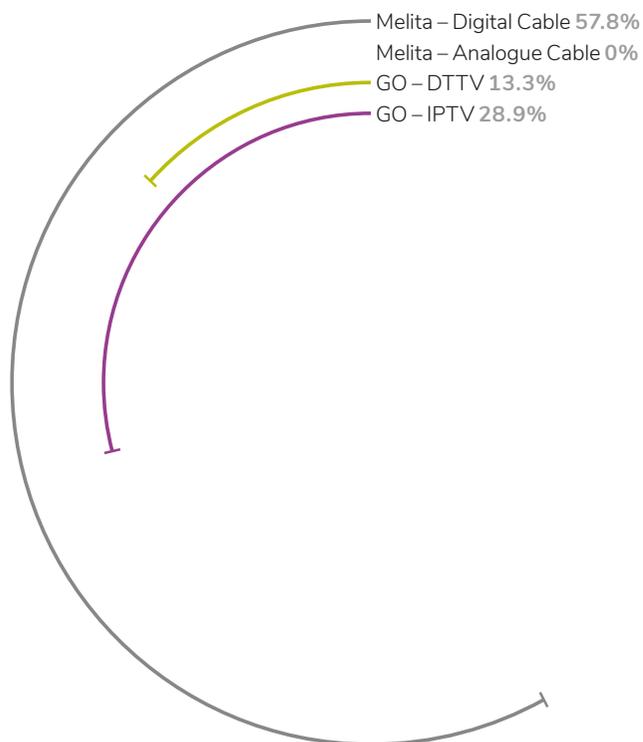
Pay-TV Bundles

	2017	2018
Pay-TV subscriptions in a bundle	101,667	119,385
Dual play	5,047	5,076
Pay-TV + Fixed telephony	5,047	5,076
Triple play	46,835	61,145
Pay-TV + Fixed telephony + Fixed broadband	46,835	61,145
Quad Play	49,785	53,164
Pay-TV + Fixed telephony + Mobile telephony + Fixed broadband	49,785	53,164
Number of Pay-TV subscriptions (end of period)	155,676	165,289
as a percentage of fixed line subscriptions	65.31%	72.23%

Market share developments

Melita's digital cable platform registered significant gains in terms of market presence throughout 2018. It's share was up by almost four (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%.

2018 Market Share – By operator in terms of all Pay-TV subscriptions



Price competition

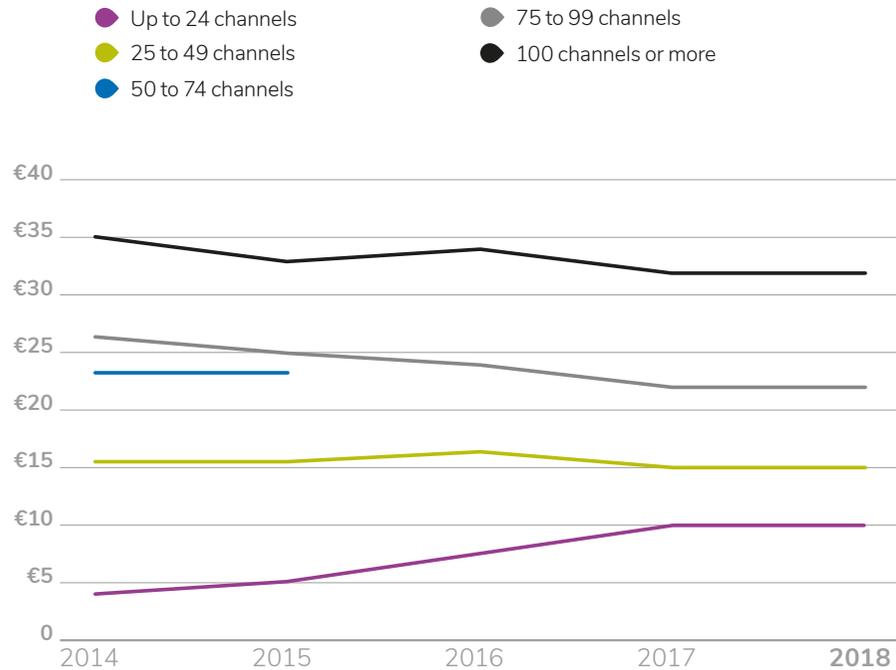
An assessment of price movements for local Pay-TV packages is carried out based on observed advertised rates for stand-alone products. The assessment distinguishes between several categories of products, depending on the number of channels featuring on the channel line-up. An average for the market is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

Overall, the average monthly advertised rate for a local Pay-TV package in 2018 stood at €18.00, unchanged from 2017. An assessment of all available stand-alone Pay-TV packages throughout the year shows that service providers did not make any changes to any of their standalone packages. Both major service providers have made new sports premium content available to consumers but this has not been included in this price analysis, considering that premium content, such as sports channels, is optional for customers.

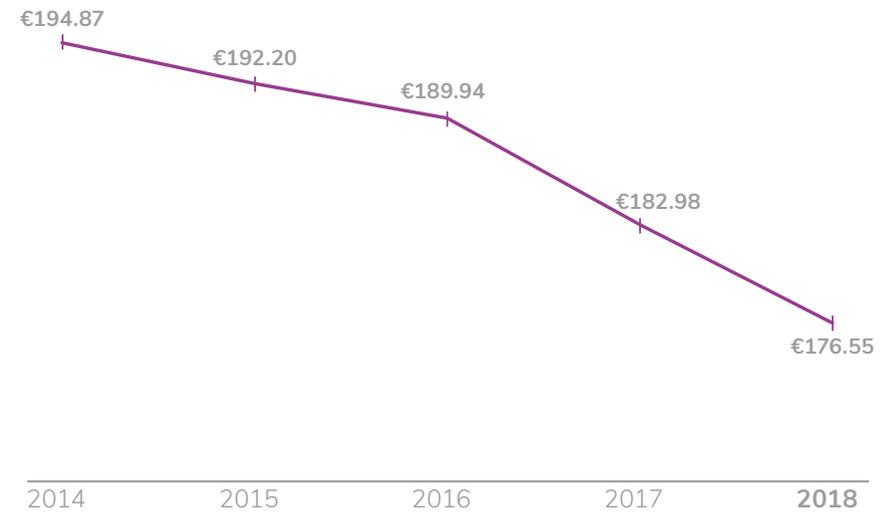
At a disaggregated level, the average advertised price for Pay-TV packages encompassing 'up to 24 channels' stood at €9.99 by the end of the current reporting period. This result is no different than what was observed a year earlier and Melita continues to be the only operator to provide a package with less than 24 TV channels with their 'Starter pack' plans. The applicable advertised rate also remains unchanged for Pay-TV packages encompassing both '25 to 49 channels' and packages listing '75 to 99 channels'. The advertised rate for both these categories at the end of 2018 stood at €14.66 and €22.00 respectively. Similarly, on average, Pay-TV packages encompassing '100 channels or more' continue to carry the same monthly price of €32.00, which is unchanged from the previous year.

It must be noted that billing and other charges (such as fees related to the use of direct debit) are not taken into account when arriving at the final figures. It is considered that local service providers typically offer customers an opportunity to avoid such charges.

Average market rates for Pay-TV packages



Average revenue per Pay-TV user



Pay-TV ARPU

In 2018, Pay-TV ARPU was at €176.55, down 3.5% from €182.98 in 2017. This drop in ARPU is attributed to the rising take-up of Pay-TV in bundle subscriptions, given that such subscriptions allow for temporary discounts on monthly access fees that effectively translate into cheaper fees than is the case for stand-alone.

Post

The trend of falling postal mail volumes is mainly due to e-substitution. The year 2018 followed this trend, but only registered marginal declines attributed to the letter mail segment. Meanwhile, new business opportunities left a mark on the sector. The growing business of parcel mail is a case in point, with established postal operators diversifying into different lines of business and improving last mile services, such as with the emphasis on locker networks. These changes happened alongside the emergence of new players, such as Postal Article Forwarding Services (PAFS) providers.

Mail volumes

Total mail volumes were marginally down by 0.2% year-on-year. 2018 was characterised by continued improvement in registered and parcel mail volumes that somewhat compensated for the decline in single piece and bulk letter mail volumes.

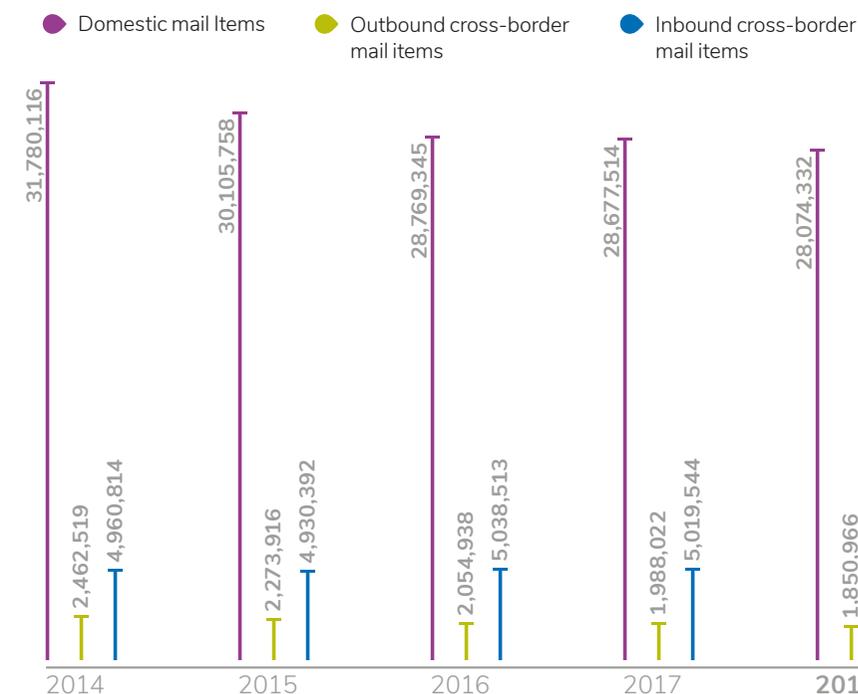
It is relevant to underline that, in 2018, bulk letter mail and single piece letter mail accounted for 56.1% and 36.3% of all postal mail volumes respectively.

Developments by type of postal mail item

Single piece letter mail volumes were down by 152,315 items (or by 1.12%) year-on-year, from 13.6 million items in 2017 to 13.4 million items in 2018. Bulk letter mail volumes were down by 604,898 (or by 2.84%) year-on-year, in this case from 21.3 million to 20.7 million.

On the other hand, registered mail volumes were up by 274,881 (or by 18.4%) year-on-year, to reach the 1.8 million mark. More significantly, parcel mail was noticeably up by 428,414 (or by 72.2%) to a total of 1.0 million in 2018.

Postal activity (volumes by type of mail)

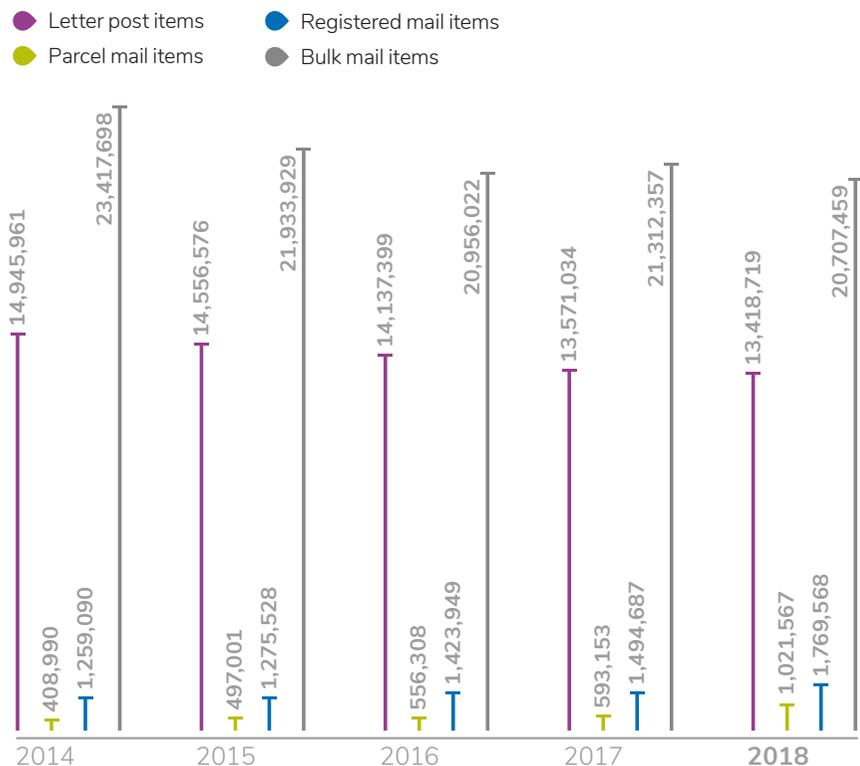


Developments by type of postal activity

Postal mail activity encompasses the standard mail segment and the express mail segment. The former segment accounted for 95.2% of all mail volumes in 2018, whilst the latter segment accounted for the remaining 4.8%.

In absolute terms, a total of 35.2 million standard postal mail items were delivered in 2018, down by 0.5 million (or by 1.5%) when compared to 2017. Meanwhile, a total of 1.8 million express mail items were delivered in 2018, which represents a 38.3% increase over volumes recorded in the previous year.

Postal activity (volumes by type of mail item)



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+1) 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 2018, MaltaPost surpassed the QoS delivery targets set by the MCA for local ordinary mail, registered mail, bulk mail and priority inbound parcels.

Quality of Service for MaltaPost





CONNECTIVITY

Malta has cultivated a reputation as a leading country in the arena of digital innovation in numerous sectors. The Government's vision for a connected gigabit society is supported by the publication of strategic documents and robust plans to enhance and increase investments in Malta. This vision demands the necessary solid infrastructure and it is satisfactory to note that in 2018, Malta remained a European leader in fast broadband with nationwide coverage. According to the 'Digital Economy and Society Index (DESI)¹' Commission report, Malta kept its ranking above the European average. This is especially true in relation to connectivity, where Malta always ranked as one of the top ten European countries.

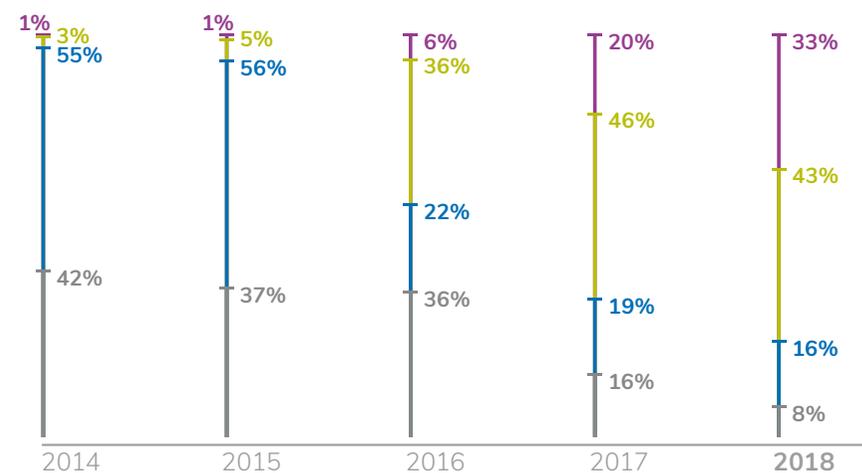
The DESI is a yearly report published by the European Commission which reflects an index of the indicators related to Europe's digital performance. The index is composed of five parts: Connectivity, Human Capital, Use of internet Services, Integration of Digital Technology and Digital Public Services. Malta forms part of the medium-performing cluster of countries, together with Spain, Austria, Germany and France, amongst others.

The MCA, in collaboration with the operators, has contributed to this achievement. The market now offers full NGA coverage in the case of cable and copper infrastructure and around 36% penetration rate for the fibre network. Additionally, the operators' investment further enhanced the service quality and the retail products offered to the customers. Another positive development by the operators is the launch of the 1GB fixed broadband product with significant coverage by Melita Ltd (Melita). These infrastructure and network developments have acted as a springboard for Malta to be successful in this aspect.

The DESI also reports on the local market developments in the uptake of fast and ultrafast speed packages. In this regard, Malta considerably improved its ranking, given the initiatives by Melita to shift its customers to higher speeds at no additional cost. The latest Communications Market Review (CMR)² published by the MCA reflects on these ongoing developments, given that fast and ultrafast speed baskets have now become major products for the Maltese market. During 2014, the most common speed basket was between 20Mbps and 50Mbps. However, by the end of 2018, there was an upward trend with speeds higher than 50Mbps reflecting the highest share of packages available.

Fixed Broadband Speeds

- ≥ 100Mbps
- ≥ 50Mbps but < 100Mbps
- ≥ 20Mbps but < 50Mbps
- < 20Mbps

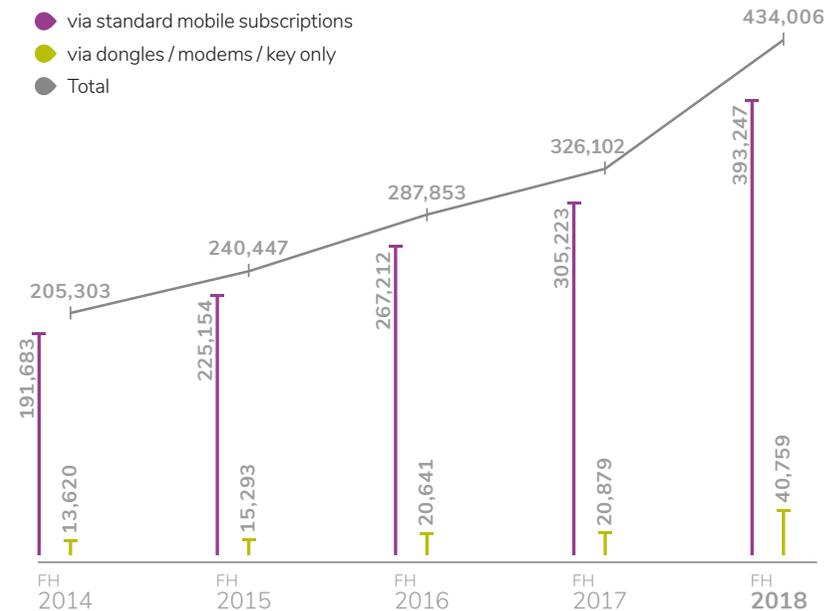


¹ <https://ec.europa.eu/digital-single-market/en/scoreboard/malta>

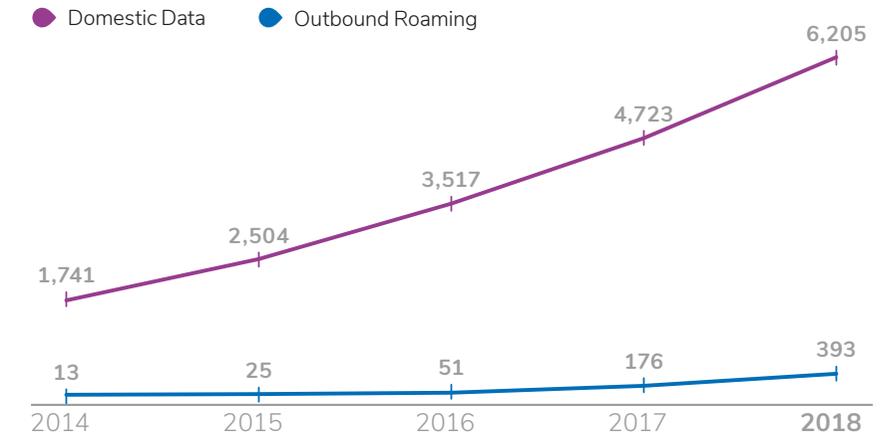
² https://mca.org.mt/sites/default/files/cmr_fh_2018.pdf

Predicting that the future lies within the advancement of broadband (OTT and IOT dependent), the Authority envisaged competition in the market and collaborated in the discussions between GO plc (GO) and Vodafone Malta Ltd (Vodafone) in order to settle a Virtual Unbundled Local Access (VULA) Agreement. Through this agreement, Vodafone will be able to penetrate the fixed broadband market as the third operator offering fixed broadband bundles. This agreement was a further step forward in the Authority’s drive to construct a more dynamic and competitive fixed broadband market, whilst ensuring good quality and service provided to the customers. GO and Vodafone signed the Agreement at the end of 2018 and are currently holding discussions to finalise the technical processes so that Vodafone will be able to offer fixed broadband products in 2019.

Connectivity is not based on fixed broadband services only. Mobile services have evolved tremendously during these years and nowadays, have taken over fixed services. People are now most likely to call mobile to mobile, rather than use a fixed line. Growth was also registered in the number of mobile broadband users, as well as in mobile broadband traffic.

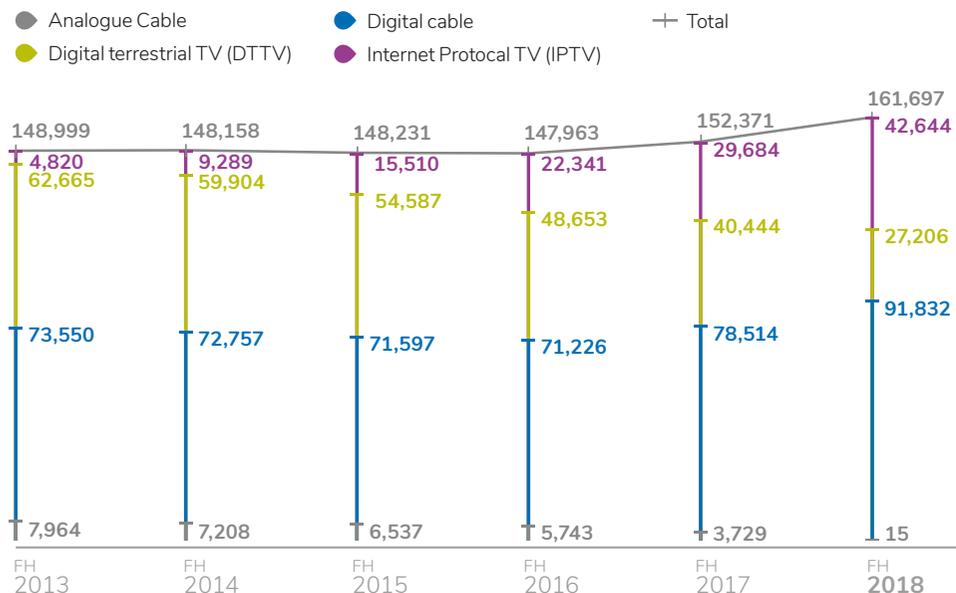


Data Consumed in MB (in millions)



From 2014 until the end of 2018, the number of mobile broadband subscriptions has doubled with an exponential increase in usage. The average monthly GB consumption by active mobile broadband usage also changed radically, with a 75% increase from 0.6GB during 2014 to 1.05GB by the end of 2018.

PAY-TV



Pay-TV kept growing with IPTV and digital cable as the major growth drivers. The number of IPTV subscriptions was up by 43.7% year-on-year, whereas that of digital cable was up by 17%. Currently, GO is shifting its DTTV service to IPTV, whilst Melita is no longer offering its analogue service. By the end of 2018, 72% of Pay-TV subscriptions were purchased as part of a bundle package.

Advancing the use of spectrum

Assignment of spectrum in the 800MHz and 2.5GHz bands

MCA brokered discussions with the operators and adopted changes to the assignment framework to ensure a level playing field. This directly facilitated a competitive environment, allowing both Melita and Vodafone to resume focus on their commercial markets, following a negative outcome on merger discussions which took place during 2017.

There were three national 4.5G networks by the end of 2018. The MCA played a crucial role in regulating, facilitating network roll-outs, as well as providing advanced connectivity services by industry. By the end of 2018, and within only a few months from the assignment of the relevant spectrum, Malta's three operators reached 4.5G coverage nationwide. Through the MCA's Test and Trial framework, the operators could test their network infrastructure with new frequency bands, allowing for a smooth transition on assignment.

The MCA published the national roadmap for the 700MHz band and successfully concluded spectrum coordination activities with Italy, thus paving the way towards making this spectrum band available for 5G.

Internet of Things (IoT)

The MCA updated the regulatory framework and consequently, opened up the use of existing spectrum in the 900MHz and 1800MHz band for IoT use. These changes allowed the industry to follow suit with IoT offers within the market (e.g. Vodafone – Greenpak IoT for smart waste management).

Ensuring the quality of electronic communications services (QoS)

Connectivity remains a fundamental building block for the nation's economic and social well-being. The MCA is tasked with overseeing that undertakings authorised to provide public electronic communications services meet their quality-of-service promise. Through its now established quality of service framework for fixed broadband services, the MCA continues to oversee the consistent delivery of quality-broadband services to industry and consumers alike. During 2018, further initiatives were undertaken to broaden the Broadband QoS framework to include mobile broadband services. During 2018, the MCA also embarked on a wider assessment of the quality of experience related to the customer lifecycle starting from acquisition, on to sale and customer maintenance. These initiatives are foreseen to roll-over into 2019, with the publication of the related consultations and decisions.

Safeguarding the open internet

During 2018, the MCA continued to safeguard the internet as an open platform for innovation with low access barriers for end-users, providers of content, applications and services, and providers of internet access service. Net neutrality initiatives undertaken by the MCA aim at ensuring that the local internet service providers:

- uphold the quality of the open internet;
- meet the minimum quality of service requirements; and
- maintain non-discriminatory access to the internet in line with the principles laid out in Regulation (EU) 2015/2120 concerning the open internet.

Every June, the MCA publishes and presents to the European Commission an annual report concerning activities and measures undertaken to ensure an open internet. The MCA positively notes that there were no major concerns on open internet access throughout 2018. During this period, it investigated the terms and conditions attached to broadband services and various zero-rating offers on the market. Apart from its continued oversight of the open internet, the MCA also participates actively in the Body of European Regulators in Electronic Communications (BEREC), which is tasked to assist the European Commission and national regulatory authorities with the implementation of the EU Regulatory framework for electronic communications. The MCA contributes its expertise within BEREC on matters concerning the development of guidelines supporting the Regulation, as well as tools for the qualitative and quantitative assessment of the open internet.

Security and integrity of networks and services

The inherent reliance on connectivity services for the functioning of the economy and society at large necessitates diligent oversight over the security and integrity of these networks and their related services. The MCA continues its security oversight activities to ensure that the obligations regarding the security and integrity of networks and services are met. Incidents that resulted in the unavailability of networks and services were investigated and, where applicable, reported to the European Union Agency for Network and Information Security (ENISA). The MCA continues to participate in the inter-ministerial committee responsible for cyber security which is entrusted with the implementation and upkeep of the National Cyber Security Strategy.

Development of the radio spectrum potential

Radio spectrum is a finite natural resource that is fundamental to most technology-based industries and wireless applications as evidenced by the increased demand for radio spectrum in the wireless broadband sector. Wireless communication services pervade all levels of the economy and society and are of critical importance. The MCA is the national authority responsible for the management of spectrum in Malta. In accordance with the Electronic Communications (Regulation) Act, the MCA advises Government on how radio spectrum shall be used. Through the National Frequency Plan (NFP), Government designates portions of radio spectrum and frequency bands for specific use in accordance with international deliverables, national priorities and policies. This requires an approach towards increased flexibility in the use of spectrum, as well as making available additional resources for new services. The Authority is also responsible for the overall review and management of radio frequencies assigned to it under the NFP, to ensure the maximum economic and social benefits from this resource. A review of the NFP is generally triggered, amongst others, by the necessity to align the national plan to the requirements of the EU and the International Telecommunication Union and is undertaken on a regular, typically biannual, basis.

Review of the National Frequency Plan

In 2018, the review of the NFP led to the revision of several pieces of subsidiary legislation established under the Electronic Communications (Regulation) Act (Chapter 399). Amongst the key objectives, the MCA sought the alignment of technical and operational conditions with the EU requirements and the ITU Radio Regulations, enhanced the use of satellite communications through a licensing framework for earth stations on mobile platforms and provided guidance on the implementation of ITU regulations in relation to earth stations on board vessels.

Furthermore, the MCA also proposed additional national initiatives and revisions to the same subsidiary legislation. These included revisions seeking to enhance the safety of life by:

- allowing the use of Personal Locating Beacons;
- considering the transmission of deceptive distress, urgency, safety or identification signals as a criminal offence; and
- measures looking to safeguard the efficient use of radio spectrum, by ensuring that persons configuring radiocommunications equipment do so in accordance with the relevant authorisation.

National radio spectrum management strategy

In 2017, the MCA embarked on the comprehensive process of reviewing the national Radio Spectrum Management Strategy for the upcoming years. The Authority, in conjunction with sectoral and domain experts, engaged in a thorough review of the spectrum assignment and management principles, focusing on pricing, spectrum caps and competitive assignment mechanisms, amongst others. Through this exercise, the MCA is preparing for, and shaping, the future of wireless communications services in Malta. This work is expected to roll-over into 2019, with the publication of the respective policy document, assignment and pricing frameworks.

Making spectrum available for wireless broadband

Advancements in wireless broadband technologies and economic demand nurture the evolution of connectivity services which, in turn, drive the demand for frequency spectrum. Through spectrum licence awards, the MCA promotes strong competition and creates more value for consumers. This leads to faster mobile broadband speeds, lower prices, greater innovation, new investment and better indoor coverage.

During 2018, the MCA oversaw the assignment of radio spectrum for wireless broadband services in the 800MHz and 2.5GHz bands to Melita, Vodafone and GO. This additional spectrum enables superfast mobile broadband services and enhanced indoor coverage. The MCA attached conditions to these awards by requiring operators to roll-out any new technologies nationwide and thus ensuring that consumers and businesses alike benefit from advanced LTE services across all of Malta and Gozo. By the end of 2018, Malta boasted three nationwide 4.5G networks.

The MCA also updated the regulatory framework and consequently, opened the use of existing spectrum in the 900MHz and 1800MHz bands for IoT. These changes allowed industry to follow suit with IoT offers within the market.

National roadmap for the use of the 470 – 790MHz frequency band

Over the coming years, developments in 5G and IoT will usher in a new era in mobile connectivity services. To help meet this demand, during 2018, the MCA concluded its programme of work leading to the publication of a roadmap for the UHF band between the 470 – 790MHz band for the next three years and ensuring that the spectrum in the 700MHz band is made available for the future generations of wireless broadband technologies.

The 700MHz band (694MHz – 790MHz), being one of the bands earmarked for the deployment of 5G technologies, is harmonised throughout the European Union. Spectrum in the 700MHz band is an attractive resource with high value, primarily to mobile network operators and society at large. The harmonised decision mandates the use of mobile services in a specific part of this band, whilst allowing flexibility for other parts of the band to be used for different purposes. These include use for Public Protection and Disaster Relief (PPDR) and machine-to-machine communications, more commonly known as Internet of Things.

International liaison on spectrum management

The use of more spectrum-efficient broadcasting technologies led to the identification of the second digital dividend in the UHF band on a global basis, namely the 700MHz band (694 – 790MHz). In Europe, this band is a pioneer band for 5G. Due to its strategic importance in meeting the objectives of the Digital Agenda, the European Parliament and the Council, under the Maltese Presidency in 2017, adopted a legal Act to, amongst other things, make this spectrum resource available for wireless broadband services in a timely manner, by not later than June 2022. In view of Malta's obligations under this instrument, the MCA held a number of cross-border coordination discussions with Malta's neighbouring countries, in order to seek agreement on when the 700MHz band may be used for wireless broadband services and to secure additional resources for television transmissions in the sub-700MHz band. The MCA managed to successfully conclude coordination agreements with Italy and Greece. Discussions with Malta's North African neighbouring countries were at an impasse and consequently, the MCA, through Government, was compelled to seek assistance from the European Commission on this important matter.

Licensing of radiocommunications equipment

The MCA is responsible for the licensing of radiocommunications apparatus. In carrying out this function, it also makes recommendations to Government in order to regulate apparatus in the most effective manner. In September 2017, the MCA published a consultation document proposing several amendments to its light-licensing framework pertaining to radiocommunications apparatus, namely, the General Authorisations (Radiocommunications Apparatus) Regulations (S.L.399.40). In 2018, the MCA concluded the consultation exercise and submitted proposals to Government concerning the relevant legal instruments. Whilst most of the amendments need to be adopted for Malta to meet its international spectrum management obligations, other amendments are being proposed for adoption as a national initiative. These initiatives include the establishment of new licensing frameworks for certain radio beacons, such as Personal Locator Beacons and specific satellite earth stations. The General Authorisation Licensing framework, as provided for in the proposed regulations, provides a flexible licensing regime which allows radiocommunications apparatus

compliant with the set technical conditions to proliferate. Hence, this regime provides opportunities for growth, both to economic operators, as well as to the general public, in terms of availability of different wireless solutions which could be used for a variety of applications. Changes to the licensing framework are planned to be implemented in 2019. In addition, the MCA also concluded its consultation to rationalise the amateur radio licensing framework. The Authority's proposals include the adoption of a lifetime licensing regime, the introduction of a simplified licence template and the use of new call sign prefixes. This activity forms part of the Government's simplification initiatives and is expected to be fully implemented in 2019.

Spectrum monitoring and enforcement

The MCA undertakes a number of spectrum monitoring exercises to ensure the optimal and lawful use of this national resource. During 2018, the MCA carried out TBC (Tert-Butyl Catechol) measurements to ensure that the levels of electromagnetic radiation do not exceed the levels established in national law and authorisations. These refer to the levels adopted and published by the International Commission on Non-Ionising Radiation Protection (ICNIRP). A number of these measurements were requested by members of the general public, whilst others form part of the MCA's annual audit programme. Results by locality are published on the MCA's website. The EMF audit programme will continue during 2019.

In ensuring that the radio spectrum is used as authorised, the MCA undertook several radio monitoring activities with respect to various services, including essential radio services such as aeronautical and maritime. Action was taken as necessary to ensure the most efficient use of the resource. In order to enhance the efficiency and effectiveness on how the radio spectrum is monitored, thereby strengthening its enforcement capacity, the MCA is committed to upgrade its existing spectrum monitoring facilities. In this regard, there are plans to issue a call for tenders for a state-of-the art monitoring system.

The MCA also verified the details of licensed and installed radiocommunications apparatus. The main objective of this activity was to ensure that installed apparatus complied with the relevant standards and that the radio spectrum was used in the most efficient manner.

Developing the satellite communications sector in Malta

During 2018, the MCA actively represented Malta in the relevant GNSS-related fora, particularly the European GNSS Programmes Committee and the European GNSS Agency (GSA Administrative Board) meetings. The MCA also participated in the EU GovSatcom expert group concerning the feasibility for setting up a European satellite communications network to address governmental communication needs.



THE PROVISION OF SERVICES – ELECTRONIC COMMUNICATIONS

Highlights in Electronic Communications Services in 2018

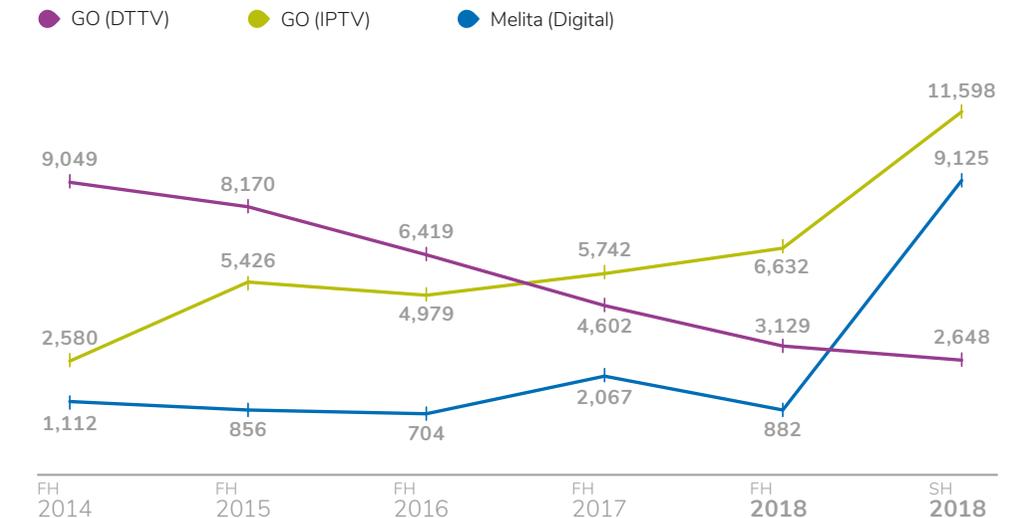
Total Sports Network

On 20 June 2018, GO and Melita announced that they had secured the rights to offer consumers an enviable amount of sports channels through their current subscriptions. The Authority welcomed and commended this move since, over the years, the MCA has encouraged collaboration between operators, with the ambition for them to be better placed to provide more high-quality content with service guarantees to the public.

MCA findings reveal that the number of subscriptions with add-on sports content has doubled in the last three months. Whilst existing sports package subscribers were promptly migrated to the Total Sports Network (TSN) package, the new TSN offer has proved popular with a high uptake.

New TSN subscriptions recorded jointly by GO and Melita at the end of September 2018 increased substantially. As a result of the combined effort in the acquisition of rights by these service providers, subscribers now benefit from a more competitive market with lower price tags for the sports packages.

Subscriptions to Sports Packages



Rates and bundles

The MCA seeks to promote and safeguard competition in the electronic communications industry, as well as ensure that the telecommunications services provided are transparent and provide value for money for consumers. In 2018, the MCA began the process of monitoring price changes in a more vigorous manner by publishing monthly pricing reports outlining pricing developments for the electronic communications sector.

In these reports, the MCA identifies the various new products and services launched by all operators within a given month and reports on any changes that may have taken place on existing offers and services. These new products and services are then compared with similar services offered by competing operators.

Through this exercise, the MCA is increasing market transparency in a bid to aid consumers in making meaningful decisions when purchasing services and guiding them in selecting those products which best suit their needs.

Over the last couple of years, bundles have become increasingly popular amongst consumers for multiple reasons. Bundles generally give consumers the possibility to benefit from discounts and offers which would otherwise be unavailable with stand-alone offers. Moreover, end-users are provided with a single bill at the end of the month that simplifies the payment process.

Triple-play bundles typically consisting of fixed broadband, fixed telephony and Pay-TV connections have seen a rapid rise in take-up in recent years. The number of triple-play bundles increased by 14,289 (or by 30.5%) from 46,859 at the end of 2017 to 61,148 at the end of 2018. Quad-play bundles (generally including mobile telephony) were also up during this period, albeit not as much as triple play. Quad bundles totalled to 53,164 subscriptions by the end of 2018: up by 3,379 (or by 6.8%). Conversely, dual-play bundles were down during this same period from 66,923 to 65,372.

Generally, the popularity of triple play plans is a result of the importance that the role of fixed broadband service plays in the decision-making process of consumers. One of the major reasons stems from the increased demand by consumers for fast and ultra-fast download speeds as a result of the increased availability of full High Density (HD) and ultra High Density (HD) content. Operators have also consolidated their bundles, by having ultra-fast fixed broadband plans exclusive to such packages, instead of stand-alone solutions.

Consumer Protection in Electronic Communications

One of the main objectives of the MCA is to promote and safeguard sustainable competition, customer choice and value for money, whilst facilitating the development of an environment that is conducive to investment, innovation, social inclusion and economic growth. In fulfilling this role, the MCA seeks to ensure that:

- end-users have an adequate level of awareness about their rights and obligations;
- end-users have easy access to information which enables them to take informed decisions and select the services which best suit their needs;
- the legal provisions which aim to protect end-users are effectively implemented by service providers;
- measures are put in place to address any sector end-user issues that may emerge; and
- an efficient complaints and enquiry handling mechanism is operated by the MCA to assist those end-users encountering any difficulties.

The following is a comprehensive overview of end-user related activities undertaken by the MCA in 2018 intended to safeguard the interests of end-users.

Empowerment and awareness raising

In 2018, the MCA embarked on an intensive campaign to raise awareness on different factors that end-users should be aware of when selecting, using and terminating an electronic communications service. Besides participating in radio and TV programmes during this campaign, the MCA also published a set of guidelines and videos on its website and social media channels to reach out to different users.

The MCA is also regularly invited to participate in different TV and radio programmes to discuss matters concerning end-user interest which fall within its remit. In 2018, the consumer protection team participated in a total of 30 radio and TV programmes.

The MCA also published various materials on its website and social media channels which generated substantial interest from end-users on different topics of importance, including:

- a comparison table on Service Providers' Repair Timeframes and Compensation schemes;
- a comparison table on Service Providers' Installation fees;
- comparative trends about the customer care telephony response time, based on ongoing mystery shopping exercises conducted by the MCA; and
- statistics of complaints received by the MCA by operator.

End-user support

The MCA provides an efficient and reliable complaint and enquiry handling mechanism, enabling end-users who have failed to achieve satisfactory redress on issues raised with their service provider, to seek action and guidance from the MCA.

In 2018, the number of complaints increased by around 16% when compared to the previous year, with a total of 249 complaints received. In addition, the Authority also assisted end-users on various topics, with a total of 682 requests for information received during 2018.

As part of a new initiative implemented in 2018, the MCA provided personalised assistance to several users who published posts on various consumer Facebook groups to flag their dissatisfaction with, or posing queries on, matters falling within the MCA's purview.

Enforcement

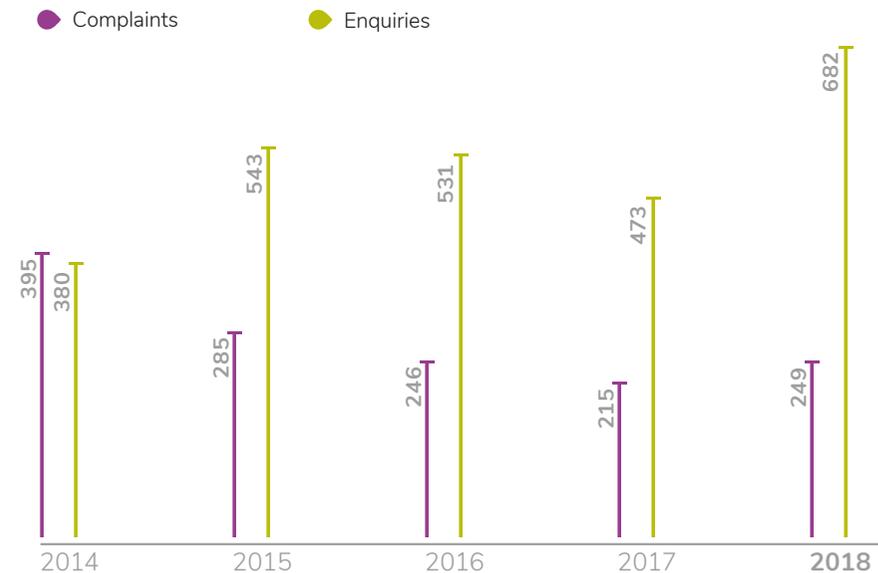
The MCA is also responsible to ensure that the services provided by undertakings fully abide with the measures contemplated in the laws administered by the MCA which are intended to protect end-user interests. One of the most important safeguards is to ensure that end-users are given the option of terminating their contract without incurring early termination fees when service providers make changes that are not manifestly of benefit to them, such as amending their packages and/or the relative terms and conditions of the contract. The MCA had to frequently intervene to ensure that subscribers are duly notified of their rights (by their service provider) when such modifications to their contracts were being made.

Information gathered through surveys, data provided by service providers, complaints and posts published on social media, enable the Authority to monitor trends occurring in the sectors it regulates and undertake the necessary regulatory action whenever it identifies areas of concern, or whenever intervention is required.

The extent of the action the MCA may take in relation to consumer protection matters is limited to regulatory intervention only with respect to certain sector-specific provisions under the laws administered by the MCA. These include transparency of information, contractual obligations, quality of service, termination and switching and accessibility, amongst others.

This means that the MCA may not be able to intervene in certain practices undertaken in the communications sector, such as unfair commercial practices and/or the use of unfair contractual terms, as these are exclusively regulated by another competent body.

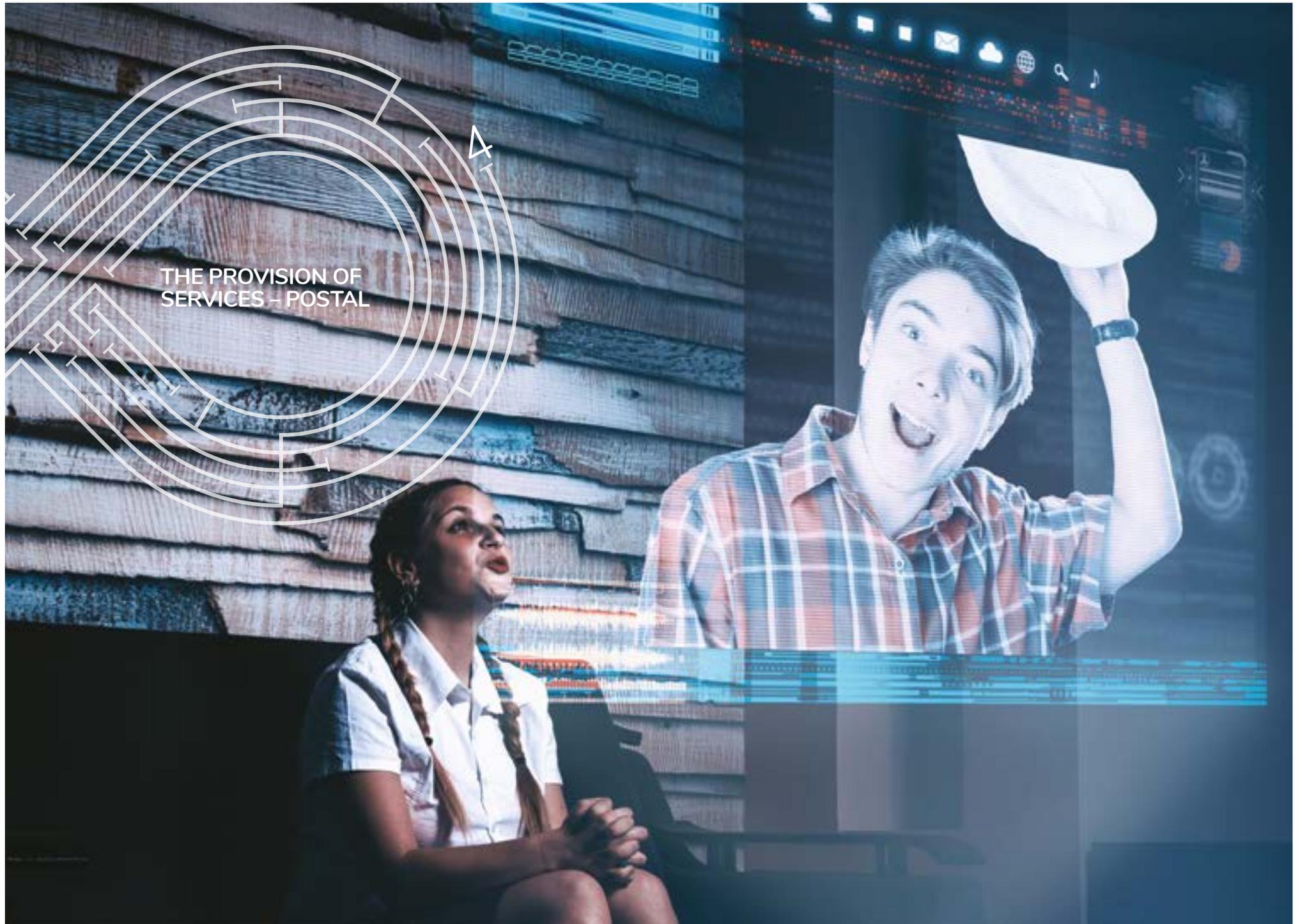
Complaints and enquiries received between 2014 and 2018



In 2018, the majority of complaints received were related to electronic communications services with a total of 211 complaints. Predominantly, the most common category of complaints was about quality of service, with a total of 123 complaints recorded, of which 79 were related to faults. Other frequent quality of service complaints received concerned internet speeds and mobile reception.

In terms of Bills, Tariffs and Charges, the MCA noticed a minor decrease in the number of complaints received, with a total of 56 complaints received in 2018: a decrease of 2% when compared to 2017.

The MCA recorded a slight increase in complaints received regarding termination and switching: a total of 22 complaints in 2018, when compared to 19 complaints received in 2017.



THE PROVISION OF SERVICES – POSTAL

The universal postal service

As the postal regulator, the MCA requires MaltaPost plc (MaltaPost) to provide the universal postal service in Malta. This includes a requirement to deliver and collect letters and parcels six days a week at an affordable and uniform price throughout the country.

The MCA has a duty to ensure the provision of a universal postal service that meets the reasonable needs of postal service users in Malta. With the ongoing decline in traditional letter mail volumes, coupled with the significant growth in incoming cross-border packets and parcels, the sustainability of the universal service has become increasingly dependent on incoming cross-border mail.

MaltaPost's regulatory accounts provide critical information for the MCA to be able to assess, both how the universal postal service is performing financially, as well as the prices of universal postal services for compliance with the Postal Services Act.

During 2018, the MCA continued to monitor tariffs of the universal postal services and price change requests as proposed by MaltaPost.

In 2018, MaltaPost proposed price increases for domestic and outbound registration of letter mail. The MCA assessed MaltaPost's proposal and based on a forward-looking analysis of the revenue and cost projections, established that the registered mail service is envisaged to become loss-making in the coming years. A decision on price changes to the registered mail service was published in December 2018. Increases in the prices of registered mail are envisaged to come into force on the 1st of January 2019.

However, such increases in registered mail prices alone are not projected to sustain the financial performance of the universal postal service. Accordingly, in 2018, MaltaPost also proposed increases to the tariffs of the domestic single-piece letter mail service, the bulk-mail service and the redirection of mail service. These requests for further price increases are being reviewed by the MCA and a decision is expected in 2019.

Regulating the postal markets

MaltaPost is currently designated as having Significant Market Power (SMP) in all identified postal markets falling within the scope of the universal postal service and is therefore liable to the continued application of cost-orientation and tariff approval, amongst others. These ex-ante remedies imposed on MaltaPost aim to prevent anti-competitive practices and safeguard the interest of users and operators alike. In 2018, the MCA commenced a review of the postal services markets in Malta. The review is intended to assess, among others, whether MaltaPost continues to enjoy SMP in any of the postal services markets falling within the scope of the universal postal service. The MCA plans to consult on the review of the postal services markets in 2019.

MaltaPost's quality of service performance

In 2018, the MCA continued to press for quality of service delivery of the universal postal service at established efficiency targets. The following table indicates the QoS standards and performance targets for domestic mail services provided by MaltaPost for the universal postal service, where:

- D+1 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 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.

Inland mail services – QoS targets / performance achieved

	D+1 Target	D+1 Performance	D+3 Target	D+3 Performance
Single Piece Letter Mail				
October 2015 – September 2016	95%	93.15%	99%	99.23%
October 2016 – September 2017	95%	94.82%	99%	99.85%
October 2017 – September 2018	95%	95.11%	99%	99.75%
Bulk Letter Mail				
October 2015 – September 2016	95%	92.95%	99%	98.89%
October 2016 – September 2017	95%	95.34%	99%	99.65%
October 2017 – September 2018	95%	94.80%	99%	99.86%
Registered Letter Mail				
October 2015 – September 2016	98%	99.58%	99%	99.95%
October 2016 – September 2017	98%	98.53%	99%	99.80%
October 2017 – September 2018	98%	99.29%	99%	99.90%
Parcel Mail				
October 2015 – September 2016	98%	99.80%	99%	99.91%
October 2016 – September 2017	98%	98.69%	99%	99.67%
October 2017 – September 2018	98%	99.45%	99%	99.88%

Implementing the EU Regulation on Cross-Border Parcel Delivery

The Regulation on Cross-border Parcel Delivery Services (Regulation (EU) 2018/644), adopted on the 18th of April 2018, aims to improve price transparency and enhance regulatory oversight of parcel delivery (including small packets). This will allow consumers and retailers to benefit from affordable deliveries and convenient return options.

In 2018, the MCA started to gather information from parcel delivery service providers about their services and the public list of tariffs applicable for single-piece postal items. On its part, the European Commission will publish the tariffs of all Member States on a dedicated website in 2019. As a result, citizens will be able to compare parcel delivery costs more easily and benefit from more affordable prices for cross-border parcel delivery. In addition, the MCA will perform its first assessment of cross-border single-piece parcel tariffs within the scope of the USO in 2019. The assessment, which will be carried out in line with the European Commission's guidelines, will identify those tariffs deemed to be unreasonably high. The European Commission will publish its first annual report on the tariff assessments carried out by Member States in the third quarter of 2019.

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 2018, the MCA published a consultation document in order to be in a better position to exercise regulatory oversight of the postal sector in Malta. The document outlines the Authority's view that a PAFS operator in Malta using its delivery network to distribute the items purchased by its customers from an overseas retailer, constitutes a postal service that falls outside the scope of the universal service. The MCA is expected to publish its decision early in 2019.

Consumer Protection in Postal Services

In fulfilling its role in consumer protection relevant to Postal Services, the MCA seeks to ensure that:

- end-users have an adequate level of awareness about their rights and obligations;
- end-users have easy access to information which enables them to take informed decisions and select the services which best suit their needs;
- the legal provisions which aim to protect end-users are effectively implemented by service providers; and
- measures are put in place to address end-user issues that may emerge.

The total number of postal complaints received in 2018 amounted to 38. Most of the complaints received related to delayed mail, undelivered mail and mis-delivery of mail and the MCA raised the matter with the service provider, requesting it to take the necessary measures in the indicated areas after identifying its shortcomings. No eCommerce complaints were recorded during 2018.

The MCA also published various materials on its website and social media channels which generated substantial interest from end-users on different topics of importance, including comparative information about the different processing fees applied by different postal operators to handle clearance of goods received from non-EU countries.



MCA DIGITAL
SOCIETY ACTIVITIES

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MCA DIGITAL SOCIETY ACTIVITIES

eCommerce – Overview of the Market Situation

During 2018, the use of digital technology by SMEs* continued unabated. According to the latest research published by the National Statistics Office, use of computers and the internet remains high across all size classes of businesses, with an average of 97% and 96.5% respectively. 2018 also witnessed an increase in the usage of mobile devices to access the internet, as well as in the number of corporate websites, with the construction industry registering the highest increase. Amongst the features offered on websites, online ordering and/or booking reported the highest increase: up by approximately 6% from the previous year.

More local SMEs are taking the plunge and selling online. There is a 4% increase over the previous year which is reflected across all size classes of businesses and economic activities, especially by SMEs operating within the accommodation and food service activities, transport and communications. It must be noted, however, that although more than half of the turnover generated from eCommerce sales is coming from B2B, the amount of revenue generated from B2C sales is slightly higher than in the previous year. Additionally, more than three quarters of the B2C revenue is derived from corporate websites. This suggests that selling through marketplaces is still low.

Data analytics is set to gain traction as more companies are analysing big data, especially data generated from social media.

The research carried out with individuals by the NSO during 2018 shows that 81.4% of the total population aged between 16 and 74 make regular use of the internet – a slight improvement (+1%) on the previous year. All of the 16 to 24 age cohort use the internet whilst only 38% of the 65 to 74 age bracket do so. Interestingly, 84% of the survey respondents access the internet away from home or work, via their mobile phone. Regardless of whether the internet is accessed from home or via a mobile, it is most commonly used for communication purposes and entertainment, followed by information, eHealth and other online services. When it comes to eGovernment services, the number of internet users remains the same as in the previous year. However, an increase of around 6% and 3% was registered in the 35 – 44 and the 16 – 24 age cohorts, respectively. Whilst the number of male internet users accessing eGovernment services increased, a decrease in use was detected amongst female internet users. Cloud computing services continue to remain popular amongst the younger cohorts, with 72% of the 16 – 24 and 61% of the 25 – 34 age cohorts making use of such services. As could be expected, all internet users own a smartphone, with a good 50% having some security software installed on their device.

Shopping online continues to grow unperturbed with clothing topping the list of the preferred items purchased from the internet, followed by holiday accommodation, other travel arrangements and event tickets. The internet users that are most likely to engage in such an activity are those aged between 16 and 44, whilst the latter age groups remain reticent towards online shopping.

* Microenterprises are excluded from this study.

MCA partners up with the MEA

The MCA actively supported the Malta Employers Association (MEA) in the setting up of the MEAINDEX – an online platform comprising an all-encompassing directory of businesses, Government departments, NGOs, regulatory bodies, associations and other related entities. It is a single-point of reference for tomorrow's entrepreneurs, start-ups working on up-scaling their business and SMEs who are looking into growing and strengthening their operations. The MCA was invited to give its contribution during a press conference that marked the launch of this initiative, as well as during a half-day seminar entitled 'Assisting SMEs Facing Today's Challenges' that the MEA held during SMEWEEK to further promote this online tool. During both events, the MCA expressed its satisfaction on joining forces with the MEA on this project. The Authority believes that MEAINDEX can be extremely useful and relevant to SMEs, especially Micros, as it can significantly reduce the time spent on administrative and bureaucratic practices.

eCommerce List of key initiatives undertaken in 2018

1. eBiznify
2. FastTrak
3. FastTrak2Mobile
4. Malta Cloud Forum
5. eIDAS

eBiznify – In July 2018, the MCA launched the eBiznify eCommerce Training Programme, accredited by the National Commission for Further and Higher Education (NCFHE), at level 4. This EU-funded project, which is part-financed under the European Social Fund – European Structural and Investment Funds 2014-2020, targets individuals who are seeking to increase their knowledge and competence in eCommerce, or would like to explore working in an eCommerce-related environment. It helps participants become proficient in eCommerce and equips them with the skills necessary for applying eCommerce in their economic activity. eBiznify is delivered through a dedicated eLearning platform and complemented by class-based tutorials to allow participants to follow up with tutors and peers. The programme is made up of four core modules and three elective modules and comprises 100 hours of learning, including interviews with industry experts and leaders who provide insights on local expertise and best practices. The programme introduces participants to the core concepts and fundamentals in eCommerce, key challenges of B2C and B2B, the evolving business environment, new business models and marketplace structures and planning for an eCommerce business. Other topics include business planning, budgeting, digital marketing, customer relationship management, legislation and VAT, website design and development, digital photography, data analytics and other related subject areas. The first two intakes commenced in October with further intakes which will be taking place at specific intervals during 2019.

FastTrak – Following the review of the National eCommerce Strategy that spans from 2014 to 2020, the MCA developed the FastTrak programme. The review highlighted that whilst detailed, accredited programmes such as eBiznify had their place in the Authority's work programme, the business community also wanted more practical and rapid programmes that offered attendees quick key takeaways that can be quickly adopted in their day-to-day process.

FastTrak is based on a formula whereby participants attend focused and quick training sessions that avoid most of the theoretical aspects of a subject and focus on the more practical, easy-to-demo aspects. FastTrak sessions are typically three to four hours in length and at the end of these sessions, attendees would have learnt various tips and tricks which are closely related to their business operation.

The first FastTrak sessions that the MCA organised in 2018 focused on social media. The main areas which were covered were Facebook, Instagram and email marketing. During these sessions, attendees learned how to create a business-oriented Facebook page, how to create simple and effective artwork, the use of photos and how to take good photos of products, instant messaging and what is expected from such medium, how to create a simple email marketing campaign, spam avoidance and other related topics. The sessions also allowed attendees to network with their peers whilst discussing issues and concerns with the tutor and providing them with a platform via which they were able to improve their use of social media in their business.

FastTrak2Mobile – The success of the first FastTrak series prompted the MCA to further develop the FastTrak format to more specific topics. This resulted in FastTrak2Mobile which focused exclusively on the use of mobile devices in a business setting. FastTrak2Mobile comprised various topics, including the Facebook interface on mobile devices, mobile aware and responsive websites and search engine optimisation, among others.

Malta Cloud Forum – Following its formal launch in 2017, the Malta Cloud Forum, which is chaired by the MCA continued its progression towards its objective to help micro enterprises and small business organisations make the move to the cloud. The MCA, believes that the cloud represents a great opportunity for businesses of all sizes to tap into enterprise class software solutions at a fraction of the cost one had to pay a few years ago, before the advent of the cloud. The Malta Cloud Forum met every quarter to discuss the latest advances in cloud computing and to organise its activities for the benefit of its target audience.

In October 2018, the Malta Cloud Forum also organised a Business Breakfast at the Hilton Malta. This activity focused exclusively on the business benefits of the cloud and the MCA ensured that the audience present came from a business owner or business influencer background. This in turn led to the launch of Excelerate, a series of training sessions on business digitalisation which the MCA will be offering as from 2019.

In November 2018, the Malta Cloud Forum was invited to an EY event to discuss the findings of a survey conducted by the MCA in 2017, related to the state and uptake of cloud computing in Maltese micros and small businesses. This was followed by the publication of a report on the same survey which the MCA published on its website in December 2018.

eIDAS – In 2018, the MCA proceeded with its supervisory role of eIDAS trust services in Malta and its management role of the Malta eIDAS Trusted List.

During 2018, the MCA had to remove a Malta registered trust service provider from the Malta Trusted List after the said trust service provider failed to adhere to all the requirements of the eIDAS Regulation.

The MCA also hosted a meeting of the Forum of European Supervisory Bodies (FESA) in Malta in November 2018. During this meeting, which is organised twice per year, representatives from the Supervisory Bodies of all member states discuss issues they have encountered over the course of the year. They also present challenges to their role as Supervisory Bodies, new processes and technologies related to trust services and other related topics.

Back to back with the FESA meeting, the MCA also assisted the European Union Agency for Network and Information Security (ENISA) to organise its Article 19 bi-annual meeting in Malta. This meeting, which relates to eIDAS incident reporting, is attended by security experts from EU member states.

Information Society Projects

Star Kids

Star Kids is an ESF project targeted at children and youths from disadvantaged, social backgrounds, who have restricted accessibility to ICT and are at risk of poverty or social exclusion. The aim is to assist these young people to build ICT skills to empower them throughout their educational journey and eventual employment.

The project is phased in six stages with the possibility of adding additional components as it continues to evolve. The current phases of the project span from the identification of children's training needs, right up to the evaluation of the training process. The research phase has already uncovered new training needs for carers and parents, along with an opportunity to pilot an Artificial Intelligence system that promotes an individualised learning experience.

During the year under review, the first two phases were completed successfully, namely, the literature review aimed at elucidating the research methodology, the setting up of the research instrument and the study to establish the skills gaps, in terms of ICT skills and life skills in general, of children in the three identified age groups. The training was also supported by the provision of equipment, therefore the project also caters for the hardware requirements of church residential homes and LEAP centres. These include the purchasing of new laptops, printers, educational robots and the installations of WiFi hotspots.

'Ċavetta Diġitali'

Although considerable progress was made in addressing the digital divide of certain social cohorts, the lack of engagement of senior citizens with ICT remains a pertinent issue in Maltese society. Comparative statistics for the use of the internet in different age groups show a clear gap between the 24 – 63 cohorts and the older cohorts. For example, in 2017, whilst 85.4% of those aged 45 to 54 years used the internet, the number of users dropped to 62.1% for the 55 – 64 years cohort and dropped even further to 40.6% for the cohort in the next age group (65 – 74) in 2018.

In today's digital and globalised world, it is becoming increasingly important for the elderly to grasp at least a minimum set of digital skills in order to participate fully in society. Driven by this objective, 'Ċavetta Diġitali' is a project which aims to improve digital skills of those persons aged 55 years and over, to a level where they can start using the internet for a variety of purposes, especially to improve social interaction. Notably, for most participants aged 64 years and above, these training sessions have proved to be their first interactive experience with an electronic tablet or a laptop.

During 2018, just over 170 elderly persons from various localities successfully completed the course and the feedback gathered after participation has shown that the majority have continued to use the internet to look up information and even to make online purchases.

Smart Women

Led by the 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 to equip female entrepreneurs with skills deemed essential for the successful set-up and running of a business. Some of the skills learnt included business planning, digital marketing, online security and eCommerce.

2018 marked a very active year in the lifespan of this project, with the development of the training manual, the setting up of an online training platform and ultimately, the training of 150 women across all participating countries. A multiplier event was also organised in each partnering country in October, coinciding with Erasmus day. Besides giving visibility to the project itself, the scope of this event was to encourage other women to take a leap forward and start similar initiatives.

BeSmartOnline!

Now in its ninth year, the BeSmartOnline! (BSO) is a national initiative led by the MCA and a consortium of three partners, aimed at promoting safer use of the internet.

2018 marked the year when the activities of the fourth run of this project were being wound down before work on the fifth edition begins in Q1 of 2019. The following are the highlights of some of the activities undertaken during 2018:

The Parent/Carer Forum – The forum gave an overview of the activities undertaken by the Consortium and provided updates on a new line-up of activities and developments, including the addition of another partner in the consortium (the Cyber Crime Unit of the Malta Police Force). The Forum also advised parents and guardians about the importance of promoting time management of children spending time online.

The Psychosocial Forum – The forum gathered 29 professionals from various psychosocial fields, having a direct link with children and aimed to discuss the current challenges concerning children's online safety. Several latest trends were discussed including:

- how online communications are impacting social relationships;
- the risks associated with online relationships such as cyberbullying;
- children struggling to communicate face to face; and
- children's inability to differentiate between physical and online friends.

Advisory Boards

The Advisory Board, which is composed of the Consortium's representatives and other stakeholders, such as the Secretariat for Catholic Education, MITA and the University of Malta, met regularly to share expertise and experiences, as well as to explore new ways on how to perpetuate this collaboration.

Safer internet Day 2018

The theme for this year was 'Create, Connect and Share Respect: A Better internet Starts with You'. In order to commemorate the day in Malta, over 30 schools committed to organise special assemblies, talks by professionals, lessons dedicated to online safety, crafts and storytelling. internet Service Providers in Malta joined forces with the BeSmartOnline! team to distribute a leaflet dealing with the growing number of toys connected to the internet – better known as the internet of toys. The leaflet aims to help parents cope with the challenges of this new environment. Various efforts were made in order to reach parents, carers, relatives and other significant people in the lives of children and young people. To this end, a stand was set up at The Point Shopping Mall on the 12th of February 2018, in order to disseminate information and create further awareness.

Information campaigns

Various awareness campaigns were conducted during the year reaching different audiences, including children returning to a new scholastic year (Summer and Back-to-School Campaigns), youths attending summer live-ins, awareness sessions during summer school activities and during the scholastic year, and a seminar for the Judiciary about current trends in social media and online safety concerns.

MCA free WiFi

For the last ten years, the MCA has been entrusted with the proliferation of public WiFi hotspots around Malta and Gozo to truly make the Maltese Islands few 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. In the year under review, 43 new public WiFi connections were installed in various public squares, beaches and other highly frequented public spaces, bringing the total number of these connections to 437 hotspots.

Coding

Digital literacy is a competency with many facets that cuts across different sectors of most modern societies. Perhaps more than other skills, digital skills are in a continuous state of flux, due to the rapid development in Information and Communication Technologies (ICTs). Whilst a decade ago digital illiteracy mostly referred to a lack of basic ICT skills amongst persons of pensionable age, nowadays it also presents itself in children at primary school age and youths who lack coding skills. For this purpose, the MCA again facilitated the roll-out of coding clubs in some state schools. These clubs were run by teachers on a voluntary basis during lunch breaks and were attended by pupils in Middle School. Moreover, in its efforts to encourage more students to engage in coding, the MCA regularly cooperates with other stakeholders. During summer 2018, coding sessions were also offered as part of the programme of activities for 'Skola Sajf' in five state schools. In addition, in October 2018, the Authority teamed up with MCAST to offer daily coding sessions during the last edition of the European Code Week.

Another coding-related initiative involved a job shadowing experience for four staff members, who last year visited an Estonian Organisation called the Youth in Science and Business Foundation. The latter has been active in information technologies, dissemination of novel ideas and innovative developments in science and business since 2001.

The Establishment of Assistive Technology Centres in Malta and Gozo

The scope of this ERDF project is to facilitate the integration of persons with disabilities and contribute towards the realisation of their full potential by using Assistive Technology. The project has three interdependent deliverables, namely the development of an accredited Foundations Course in Assistive Technologies, the establishment of four Assistive Technology Centres and raising awareness about these Centres, as well as the benefits of Assistive Technologies amongst employers and the general public.

The rolling out of an NCFHE-accredited course in 'Foundations in Assistive Technology' marked the first key deliverable of this project in 2018. Pegged at an MQF level 5, this Foundations course was designed to provide participants with a comprehensive overview of the core issues pertinent to the delivery of effective Assistive Technology services to people with special needs. This included a reference to publicly-funded services providing support to people with special needs. This course was made possible through the MCA's collaboration with MCAST and Enable Ireland; an Irish Organisation specialising in Assistive Technologies.

In 2018, the MCA delivered three runs of this course; one for the trainers and two for other professionals. A total of 52 professionals from MCAST, FITA, CRPD, ACTU, Aġenzija Sapport, National Library and Lino Spiteri Foundation received this training and these individuals are now qualified to provide professional guidance to members of their organisations on matters involving Assistive Technology. As part of the long-term sustainability of this project, MCAST, which is one of the partners, will maintain this course for five (5) years following the completion of the project.

ERASMUS +/EEA and Norway Grants

The Information Society Unit within the MCA, constantly strives to supplement its Government funding by sourcing alternative funding streams, particularly through a range of European funding programmes such as ESF, ERDF, ERASMUS + as well as other funding instruments such as the EEA and Norway Grants.

During 2018, the MCA secured three (3) new projects under the Erasmus + and EEA & Norway Grants, which are expected to be implemented over the next two to three years. Hereunder is a brief overview of each of these projects:

- **ICT 4 the Elderly (Erasmus +)** – Projects aimed at ushering the elderly into the digital world are numerous. However, this project takes an innovative approach to do just this through a series of wikis, an enticing online portal and exchanges of participants between the five partnering countries in this project.
- **Digital Invasion (Erasmus +)** – Technology has 'invaded' all aspects of our lives, but it was largely a friendly invasion with many positive and productive intents. So is the case with this project whose objective is to:
 - promote and enhance the care of cultural heritage through the strengthening of digital skills of European cultural and educational operators;
 - stimulate the proactive participation of citizens; and,
 - increase cooperation between cultural heritage entities from different European backgrounds.
- **Women 4IT (EEA & Norway Grants)** – The gender imbalance in the uptake of digital careers is still an undesired characteristic of the labour market with only an estimated 20% of Tech jobs held by women. The project focuses on this issue and its underpinning objectives have been specifically drawn up to address it. The project's practical approach will be geared to develop the digital competences of young women who are at risk of exclusion from the labour market, thus improving their employability in a growing digital economy.

All Digital

The MCA is an active member of the ALL Digital Organisation through representation at directorship level on the board of this leading Brussels-based pan-European Association. This Organisation works closely with no less than 25,000 digital competence centres in Europe, which promote the use of ICT across multiple sectors of European societies. Last year, the MCA was directly involved in the operational organisation and the running of a number of major activities held by ALL Digital, including the General Assembly in May, the Summit held in Brussels in October and the convening of the two board meetings held in Bulgaria and Austria.

Maltese Dictionary

The Maltese-English-Maltese web-based dictionary is the fruit of a collaboration between the MCA, the Institute of Linguistics, the Department of Intelligent Computer Systems at the University of Malta and the Kunsill Nazzjonali tal-Ilsien Malti. Available both online and as an android-based application, in 2018, the dictionary was consulted during 142,750 sessions. Last year, the MCA also commissioned an additional feature which would permit users of this online dictionary to know how a word they have searched is utilised in a wide variety of contexts.

eBusiness Awards

This year's edition of the MCA eBusiness Awards has again attracted over fifty nominations in eight categories. Following an adjudication process by three independent boards, the event was held in March 2018 at the Mediterranean Conference Centre, in the presence of the Parliamentary Secretary for Financial Services, Digital Economy and Innovation and other distinguished guests. One innovation for this edition was a recorded message of endorsement for the Awards by Dr Vint Cerf, widely considered as the father of the internet. As in the previous year, some of the solutions were also nominated for the World Summit Awards, to which the MCA eBusiness Awards is an affiliate.

The eBusiness Awards event continued to offer a high-profile corporate platform to the most innovative ICT solutions developed or adopted in Malta, as well as an opportunity to perpetuate the importance of technology as a main pillar of the digital economy.

The MCA eBusiness Awards is now a well-established annual event, unique in its kind because it is the only event locally that acknowledges the effective integration of ICT applications in the entrepreneurial efforts of individuals and organisations. The Awards have consistently showcased some of the best solutions that have been developed by locally based ICT organizations which combine creativity, information technology, as well as business or social innovation, amongst others. The event also provides a platform for increased visibility for participants and is an excellent means to credit the efforts and unique talents demonstrated by all those involved in the roll-out of such innovative business initiatives.

The MCA strives to ensure that the Award categories reflect market realities and therefore revises these on an annual basis, following open discussions with past participants. Taking stock of the feedback received, the following were the categories offered for the eighth edition:



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- 1 Best App
- 2 Best eCommerce Site (B2C)
- 3 Best eGovernment Initiative
- 4 Best ICT Academic Project with an eBusiness Theme
- 5 Best Tech Start Up
- 6 Best Social Media Campaign
- 7 Best Use of Technology in Business Transformation
- 8 Best Cloud-based Solution as a Service
- 9 Excellence, Innovation and Leadership in Information Security

Innovation Function

Fostering an innovation culture

- The MCA supported the **Junior Achievement Young Enterprise (JAYE)** in its Company Programme and Start Up Programme through a grant of €3,500. A portion of this grant is to be used by JAYE as a seed fund for the Start Up Programme winners: Celuna. In the Company Programme, MCA sponsored the Award for Best Presentation and Use of Communications Platforms, won by Evolveco.
- The MCA held the fourth edition of **Budding Rockstars** on the 8th of November 2018. 140 students (aged 15-16 years old) and hailing from 36 schools in Malta and Gozo participated, accompanied by 50 educators. The event featured a speaker line-up comprising both established and upcoming entrepreneurs, including Jonas Eneroth (Karmafy), Brian Azzopardi (Rawstream) and Zach Ciappara (FreeHour) amongst others.

Innovation intelligence

- The MCA collaborated with Startup Genome to feature Malta in the **2018 Global Startup Ecosystem Report**. The Report confirmed that Malta is an ecosystem to watch in three domains: FinTech, Gaming and Blockchain. This implies a ranking in the Top 20 ecosystems globally for each of these domains.
- An **information seminar** was held at the MCA on the 19th of July to disseminate the Report findings amongst key stakeholders. Marc Penzel, COO @ Startup Genome, presented the findings to the 40+ delegates in attendance.

Facilitating and promoting enterprise

- Throughout 2018, the Malta digital business ecosystem was promoted in international events and focused on tech startups and entrepreneurship. These included **TNW 2018** in Amsterdam (May 2018), the **InnovaFoster Conference** held in Oldham and Manchester (June 2018), and **me.Convention** held in Stockholm (September).
- A **pitch deck on Malta's digital business ecosystem** was developed to promote the country at such events and with enquiring businesses. The pitch was delivered during both me.Convention and ZEST – DELTA Edition.
- The MCA also provided a **speaking contribution** during the EY Malta Attractiveness Survey conference, held on the 24th of October 2018.

Building innovation community

ZEST – The MCA's annual event promoting innovation in digital technologies was elevated to a platform for the exchange of innovation knowledge. The ZEST@ concept was showcased during the DELTA summit on blockchain, where it facilitated discussions between actors in the innovation ecosystem. **ZEST – DELTA Edition** was held during October, as part of the DELTA Summit 2018. Attendees at the DELTA Summit were in excess of 4,000 delegates. The content programme for ZEST featured 62 international speakers delivering 32 educational sessions. Themes addressed included inspiring tech entrepreneurship stories, the future of connectivity, startups and ecosystems, and innovation in Distributed Ledger Technologies (DLTs).



DYNAMICS IN
REGULATION

60

DYNAMICS IN REGULATION

EU and International Engagement

The communications sectors under the Authority's purview are increasingly more dynamic and global in nature, extending across national and continental borders. We are seeing significant activity occurring in terms of technology development, network and service deployments, changing market structures, innovative business models, and ever-changing needs of consumers and business users. In such a vibrant environment, the MCA remains committed to ensure that the right conditions in the market are in place and that the end-user is sufficiently protected.

The rules of the game in the communications markets are directly influenced by policy decisions taken at both a national and international level. For example, the communications sectors are directly influenced by institutions that Malta is a member of. These include the European Union, the International Telecommunications Union, the Universal Postal Union and CEPT (the European Conference of Postal and Telecommunications Administrations).

The Authority recognizes the importance of fully engaging in discussions at an international level in order to harmonise technical standards, and economic and legal rules across the board, while safeguarding national interests during international negotiations relating to electronic communications and postal markets.

Therefore, the MCA continuously endeavours to provide technical input in the policy debates taking place within the ambit of the European Union and international institutions. The work in this regard is undertaken through different channels and in fulfilment of the Authority's 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.

During 2018, the Authority remained a strong contributor to the shaping of the communications regulatory scenario and had a significant role in several important initiatives, where its officials were actively involved in the following:

- The Independent Regulators Group (IRG) and the Body of European Regulators for Electronic Communications (BEREC), which promote regulatory consistency and excellence in the implementation of the electronic communications legislative framework. The MCA is an active member of both groups and is a regular contributor to the relevant expert working groups. During 2018, the MCA actively participated in BEREC's nine (9) expert working groups to deliver its 28 work programme deliverables. An official of the Authority acted as a co-drafter in the BEREC Net Neutrality Expert Working Group, which was tasked with the technical specifications of the BEREC Net Neutrality tool intended to be used for regulatory supervision in the Member States;
- European Regulators Group for Postal Services (ERGP), which 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;
- The Radio Spectrum Policy Group (RSPG), which provides high-level strategic advice to the European Commission on spectrum policy. The MCA is also involved in a number of RSPG working groups;

- The Communications Committee (COCOM), which assists the European Commission in carrying out its executive powers under the regulatory framework for electronic communications;
- The Radio Spectrum Committee (RSCOM), which 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 European Union Agency for Cybersecurity (ENISA), in relation to incident reporting and security regulation;
- The European GNSS Agency Administrative Board and Galileo Programmes Committee in relation to the European satellite navigation projects;
- The International Telecommunications Union (ITU), which is the United Nations specialised agency for information and communication technologies (ICTs) that develops the technical standards ensuring that the world's networks and technologies seamlessly interconnect, and striving to improve access to connectivity and ICTs across the world. In late 2018, MCA officials participated in the ITU Plenipotentiary Conference. This Conference is the top policy-making body of the ITU and the key event at which member countries agree on the future role of the organisation, thereby determining the organisation's ability to influence and affect the development of ICTs on a global level;
- The European Conference of Postal and Telecommunications Administrations (CEPT) is an organisation established in 1959 within which policy makers and regulators from 48 countries across Europe collaborate to harmonise telecommunications, radio spectrum and postal regulations. The MCA actively attends working groups related to various regulatory matters;
- The Future internet Forum, a group composed of representatives of EU Member States and associated Countries, which aims to exchange views relating to future electronic communications networks (5G, cloud networks, Next Generation internet and Internet of Things);
- High Level Group on internet Governance, a European Commission-led group that ensures coordination at the European level and shares expertise on internet governance-related issues; and
- Expert Group on Electronic Commerce, which advises the Commission on issues relating to electronic commerce and related services and facilitates the exchange of information, experiences and good practices in the area of electronic commerce.

Digital Single Market

During 2018, the MCA continued to monitor, analyse and provide advice to Government on matters related to the Digital Single Market (DSM) Strategy. The Strategy is built on three pillars:

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

In particular, the Strategy proposed the analysis and review of policy areas of direct relevance to the remit of the Authority, in particular, eCommerce, postal services and electronic communications. The rest of the initiatives within the DSM Strategy are also indirectly relevant to the Authority as these pertain to digital-related issues.

Review of the Electronic Communications Framework

During 2018, work on the proposed update to the current Electronic Communications Framework continued. At the end of 2017, the European Commission had announced an initiative that would overhaul the existing electronic communications laws (currently composed of a number of Directives) into a single legislation called the 'European Electronic Communications Code'. Discussions within the Council of Ministers and the European Parliament began immediately after the announcement of the proposals. The review of the framework has been a major feature of the MCA's activity during 2017 and 2018. As a member of the BEREC (Body of European Regulators for Electronic Communications) network, the MCA has been active in the discussions held between European regulators and the preparation of opinions by the group. On the other hand, in its role as advisor to the Government on electronic communications policy and regulation, the MCA continued to provide input on these proposals, which were eventually concluded in late 2018. The proposals include changes to the rules relating to consumer protection, the provision of universal services, radio frequency spectrum and incentives for investment in high-speed broadband, a more level playing field between traditional and online services, creating a more effective institutional framework. The European Electronic Communications Code was accompanied by a separate update to the existing BEREC Regulation, whose tasks are inherently related to the legal framework. This was also concluded in late 2018.

The European Space Programme

In June 2018, the European Commission put forward a proposal for an EU Regulation that would establish a European Space Programme covering a number of existing space-related activities (the Galileo Global Navigation Satellite System, the EGNOS European Global Overlay System and Copernicus), extending one of the existing activities (Space Situational Awareness) and establishing a new one (the GovSatcom Governmental Satellite Communications System). The consolidation envisaged by the Commission will provide greater coherence, visibility and budgetary flexibility to the Union.



GEO-BLOCKING & CONTENT PORTABILITY

The MCA has been appointed as the designated entity to implement the EU Regulation 2017/1128 on Cross-border Portability of Online Content Services

The Regulation on cross-border portability of online content services in the internal market, also known as the Cross-border Portability Regulation, enables consumers to access their portable online content services when they travel in the EU in the same way that they access them at home. For instance, when a French consumer subscribes to CanalPlay film and series online services, the user will be able to watch the films and series available from that service in France, when s/he goes on holiday to Croatia or on a business trip to Denmark.

The Portability Regulation became applicable in all EU Member States on the 1st of April 2018.

Online content service providers like Netflix or HBO will verify the subscriber's country of residence by using means such as payment details, the existence of an internet contract or by checking the IP address. All providers who offer paid online content services will have to follow the new rules, while the services provided without payment (such as the online services of public TV or radio broadcasters) will be able to decide to also provide portability to their subscribers.

The possibility to have access to online content services when travelling has become even more important since June 2017, when the new roaming rules entered into force. Since that time, people who travel periodically pay domestic prices for mobile internet, subject to fair use, irrespective of where they are travelling in the EU.

The Cross-border Portability Regulation supplements other landmark achievements related to the MCA's work programme.

The MCA appointed as the designated entity to implement and enforce the EU Geo-blocking Regulation

Geo-blocking is a discriminatory practice that prevents online customers from accessing and purchasing products or services from a website based in another member state. In order to remove this barrier in February 2018 the EU put in place Regulation (EU) 2018/302 of the European Parliament and of the Council on addressing unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence and/or place of establishment within the internal market (known as 'the Geo-blocking Regulation').

The Regulation also bans the blocking of access to websites and the use of automatic rerouting without the user's consent. It does not impose an obligation on sellers to ship their products to all member states and does not seek to harmonise prices.

Also in February 2018, the Council adopted the Regulation to ban unjustified geo-blocking in the internal market and came into force in December 2018.

This Regulation forms an important element of the digital single market strategy which aims to tear down unnecessary regulatory barriers and move from individual national markets to one single EU-wide rulebook. It also supplements other landmark achievements related to the MCA's work programme, including the end of roaming charges for mobile phones and the introduction of cross-border portability for online subscriptions which was also placed within the MCA's remit.



LEGISLATION AND LITIGATION

Legislation

The following is a list of legislation enacted or made during calendar year 2018:

Primary legislation

No primary legislation relating to the laws administered by the MCA was enacted during 2018.

Subsidiary legislation

- Legal Notice 146 of 2018 entitled “Postal Services (General) (Amendment) Regulations, 2018”. These amendments regulate the inclusion of a postcode in the address when sending postal items.
- Legal Notice 289 of 2018 entitled “Post Office Leases Order, 2018”. These amendments relate to the properties in relation to which properties, MaltaPost enjoys a title of lease (which properties were formerly under lease to Government). The amendments establish the maximum period of lease of the said properties in favour of MaltaPost.
- Legal Notice 305 of 2018 entitled “Postal Services (General) (Amendment No.2) Regulations, 2018”. These amendments provided for the inclusion of a proviso exempting a postal operator from any responsibility to give compensation if there is a delay or mistaken delivery because a postcode was not included in the address or was given wrongly.
- Legal Notice 416 of 2018 entitled “Amendment of the Second Schedule to the Malta Communications Authority Act Order, 2018”. This Order provides for the inclusion of Regulation (EU) 2018/644 on cross-border parcel delivery services as a law enforceable by the MCA under the Malta Communications Authority Act.
- Legal Notice 419 of 2018 entitled “Fees leviable by Government Departments (Amendment No.3) Regulations, 2018”. These amendments provide for changes to fees collected by the MCA in relation to radiocommunications apparatus. The amendments further provide for exemption from the payment of fees for the use of such apparatus by foreign dignitaries during a stay in Malta.
- Legal Notice 420 of 2018 entitled “General Authorisations (Radiocommunications Apparatus) (Amendment) Regulations, 2018”. These amendments update the aforesaid regulations in line with EU requirements concerning different apparatus.

Litigation

Appeals before the Administrative Review Tribunal (ART)

During 2018, no new cases were lodged before the Administrative Review Tribunal (ART).

Appeals before ART carried over from 2017

Seven appeals were carried over from 2017 to 2018. The appeals pending at the end of 2018 were respectively:

- Contestation by Melita of a regulatory decision (issued August 2010) further to a complaint by Melita about GO's bundled product offer (complaint was not upheld by the MCA);
- Contestation by Vodafone of a regulatory decision (issued March 2014) establishing mobile termination rates;
- Contestation by Vodafone of a regulatory decision (issued April 2015) on retail access in the fixed telephony market;
- Contestation by Melita of a regulatory decision (issued April 2015) on retail access in the fixed telephony market;
- 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 2018:

During 2018, the following cases before the ART were concluded, namely:

- Contestation by Melita of a regulatory decision (issued August 2010) further to a complaint by Melita about GO's bundled product offer (which complaint was not upheld by the MCA). This appeal was withdrawn by Melita (January 2018).

- Contestation by Vodafone of a regulatory decision (issued March 2014) establishing mobile termination rates. This case was decided in January 2018 in favour of the MCA with the ART confirming the MCA's decision. Vodafone did not lodge any appeal subsequent to the judgment by the ART.
- Contestation by Vodafone of a regulatory decision (issued April 2015) on retail access in the fixed telephony market. Case was decided in November 2018 in favour of the MCA confirming MCA's decision. Vodafone did not lodge any appeal subsequent to the judgment by the ART.
- Contestation by Melita of a regulatory decision (issued April 2015) on retail access in the fixed telephony market. This case was withdrawn by Melita (January 2018).

Litigation before the First Hall of the Civil Court

- In 2018, there was one outstanding case. This case related to a lawsuit initiated by Vodafone (and later joined by GO) contesting legal interception fees collected by the MCA on behalf of the Government and of the Security Service. This case was decided in June 2018 by the First Hall on its merits in favour of the MCA and of the Attorney General. Both Vodafone and GO appealed the judgment of the First Hall before the Court of Appeal. Concurrently, the MCA made an incidental appeal contesting a preliminary judgment given by the First Hall in the same case in 2013, whereby the Court did not uphold preliminary pleas by the MCA contesting that Court's competence to determine the issues raised by Vodafone and GO. The appeals are currently waiting to be appointed for a first hearing before the Court of Appeal (see also below under 'Appeals before the Court of Appeal').

Appeals before the Court of Appeal

In 2018, one case was decided by the Court of Appeal (inferior competence) namely:

- Contestation by GO of a regulatory decision by the MCA of 6 March 2013 on markets 4 and 5 (wholesale network infrastructure network at a fixed location, and wholesale broadband access). GO had originally filed an appeal before the ART which it lost (as per a judgment by the ART dated 23 March 2015). Subsequently, GO filed an appeal from the judgment of the ART which it also lost (judgment given on the 4th of June 2018).

Otherwise there were no other pending cases before the Court of Appeal (inferior competence) in 2018.

The following cases were pending before the Court of Appeal (superior competence) in 2018:

- 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 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. During the proceedings before this Tribunal, the MCA intervened as a party interested in the outcome after 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.

- There is also a pending appeal by Vodafone and GO contesting a judgment by the First Hall concerning legal interception fees collected by the MCA on behalf of the 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 2018, one complaint was filed by Vodafone against GO relating to a breach of number portability norms. The MCA decided that GO had acted contrary to the said norms when during the porting process, it had asked the customer concerned to reconsider the decision to port.

Other litigation

Contestation before EUIPO

2018 also saw a Polish-based firm 'ZEST Television Limited' contesting MCA's application to register 'ZEST' as a trademark. This firm submitted 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. The MCA is contesting this objection.



CONSULTATIONS AND DECISION LIST

Throughout 2018, the Authority strived to establish a dialogue with stakeholders in nearly all areas of its operations. This was achieved through Public Consultations which resulted in the publication of a number of Decisions.

Public Consultations – 2018

- Source of Funding for the Net Cost incurred in providing USOs during 2014 – Published on 21 February 2018
- National Roadmap for the use of the 470 – 790MHz frequency band in Malta – Published on 23 April 2018
- Digital Information Society – A Strategic Framework for Action 2018 – 2022 – Published on 25 May 2018
- Wholesale Voice Call Termination on individual mobile networks in Malta – Market Analysis – Published on 13 June 2018
- A Quality of Service Framework for Mobile Electronic Communications Services – Published on 27 July 2018
- Mandatory Registration of Subscriber Identity Modules (SIMs) used for Publicly Available Electronic Communications Service – Published on 3 August 2018
- The provision of call termination on public telephone networks at a fixed location in Malta – Market Analysis – Published on 24 September 2018
- Changes to Postal Collection Times – Published on 15 October 2018
- Registered Mail – MaltaPost Change in Tariffs – Published on 15 October 2018
- Postal Article Forwarding Services (PAFS) – Regulating the delivery of postal articles – Published on 16 November 2018
- Mail Redirection Services: MaltaPost proposed changes in tariffs and service conditions – Published on 27 November 2018
- Availability of the 1.5GHz extension band for wireless broadband – Published on 27 December 2018

Published Decisions – 2018

- USO Claim for Funding/Source GO (2014 claim) – Decision on Net Cost – Published on 26 January 2018
- Source of Funding for the Net Cost incurred in providing universal service obligations during 2014 – Published on 16 April 2018
- Postcodes as an Integral Part of a Postal Address – Published on 14 May 2018
- A Strategic Framework for Action 2018 – 2022 – Empowering Society through ICT – Published on 25 May 2018
- National Roadmap for the use of the 470 – 790MHz frequency band in Malta – Published on 28 June 2018
- Decision on Changes to Postal Collection Times – Published on 4 December 2018
- Decision on Changes to Tariffs of Registered Mail – Published on 10 December 2018
- Virtual Unbundled Access to Fibre-to-the-Home: Enhancing the Non-discrimination Obligation Decision – Published on 11 December 2018
- The provision of call termination on individual public telephone networks at a fixed location – Market Analysis – Published on 19 December 2018
- Wholesale voice call termination on individual mobile networks in Malta – Published on 19 December 2018
- A Regulatory Assessment of GO's zero-rating offers GO TV Anywhere, GO TV Anywhere Lite and GO Music Wild Card – Published on 28 December 2018



INVESTMENT IN
HUMAN RESOURCES

INVESTMENT IN HUMAN RESOURCES

Corporate Activities

Over the last years, the MCA has been spearheading an effort to evolve and boost its training system in all areas related to the Authority. The training was designed to enhance the tuition accomplishments of the MCA staff by focusing on needs and recommendations identified from the yearly Performance Management Programme (PMP). In addition, all employees were enrolled to the continuous development training offered by the Institute for Public Services, whilst in-house training by various departments was organised on a quarterly basis. Some employees also had the occasion to attend several training programs and conferences abroad on various subjects including 5G, Regulatory Framework, IRG Workshops and Insafe Training programs, amongst others.

As in previous years, the MCA also offered 'On-the-job learning' which is an initiative geared towards students who wish to gain workplace experience. Six students were provided with an opportunity to apply their educational skills and gain experience through practical work assignments with the Authority, enabling them to deepen their knowledge and understanding of the Authority's goals, principles and activities.

Social Activities

The annual team building event was another great achievement for the year 2018. MCA employees had a great time treasure-hunting while using Jeeps to drive around the beautiful Island of Gozo.

The Social Committee organised various events throughout 2018. These included the annual Summer Barbeque, the annual Christmas Lunch, the annual children's Christmas Party, as well as events in aid of Pink October and World Autism Month, amongst others.



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FINANCIAL STATEMENTS

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

Dr E. Woods (Chairman)
 Mr G. Vella
 Ms S. Kennard
 Dr A. Mizzi
 Mr M. Fava
 Mr S. Saliba
 Mr N. Vella

BANKERS

Bank of Valletta plc
 Preluna Towers
 Tower Road
 Sliema
 Malta

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

HEAD OFFICE

Valletta Waterfront
 Pinto Wharf
 Floriana FRN 1913
 Malta

AUDITOR

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

Report of the Members of the Authority

The Members of the Authority submit their annual report together with the audited financial statements for the year ended 31 December 2018.

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 EUR11,398,211 (2017: EUR10,173,331) out of which licensing and usage fees for scarce resources, amounting to EUR6,659,871 (2017: EUR5,423,285) were transferred to the Government of Malta. After meeting all expenditure of EUR4,658,324 (2017: EUR4,705,794) the Authority closed off the year with a surplus, net of taxation, of EUR65,341 (2017: EUR35,070).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR961,770(2017: EUR1,007,842) 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.

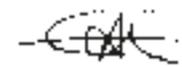
Auditor

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:



Dr E. Woods
Chairman



Mr G. Vella
Member

Valletta Waterfront
Pinto Wharf, Floriana FRN 1913, Malta
27 March 2019

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 8 to 24, which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, 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 2018, 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.

Report on other legal and regulatory requirements

We have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

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

27 March 2019

Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Income			
Revenues	3	11,396,237	10,172,871
Other income	4	1,974	460
		11,398,211	10,173,331
Expenditure			
Staff costs	5	(2,999,053)	(2,720,255)
Operating and administrative expenses	6	(1,536,885)	(1,857,836)
Depreciation	10	(122,404)	(127,703)
Operating surplus		6,739,869	5,467,537
Finance income	7	4,925	5,544
		6,744,794	5,473,081
Transfers to Government	8	(6,659,871)	(5,423,285)
Surplus before taxation		84,923	49,796
Taxation	9	(19,582)	(14,726)
Surplus for the financial year		65,341	35,070
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		65,341	35,070

The accounting policies and explanatory notes on pages 87 to 96 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2018

	Notes	2018 EUR	2017 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	282,176	285,450
Current assets			
Trade and other receivables	11	981,234	933,977
Cash and short-term deposits	15	3,698,831	3,094,225
		4,680,065	4,028,202
TOTAL ASSETS		4,962,241	4,313,652
EQUITY AND LIABILITIES			
Reserve			
Retained earnings	12	782,309	716,968
Current liabilities			
Trade and other payables	13	4,159,071	3,585,602
Income tax payable		20,861	11,082
Total liabilities		4,179,932	3,596,684
TOTAL EQUITY AND LIABILITIES		4,962,241	4,313,652

The accounting policies and explanatory notes on pages 87 to 96 form an integral part of the financial statements.

The financial statements on pages 85 to 96 have been authorised for issue by the Members on the 27 March 2019 and were signed on their behalf by:



Dr E. Woods
Chairman



Dr A. Mizzi
Member

Statement of Changes In Equity

for the year ended 31 December 2018

	Retained earnings
	EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2018	
Balance as at 1 January 2018	716,968
Surplus for the year	65,341
Other comprehensive income	–
Total comprehensive income	65,341
Balance at 31 December 2018	782,309
FINANCIAL YEAR ENDED 31 DECEMBER 2017	
Balance as at 1 January 2017	681,898
Surplus for the year	35,070
Other comprehensive income	–
Total comprehensive income	35,070
Balance at 31 December 2017	716,968

The accounting policies and explanatory notes on pages 87 to 96 form an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2018

	2018	2017
Note	EUR	EUR
Operating activities		
Surplus before taxation	84,923	49,796
Non-cash adjustment to reconcile surplus before tax to net cash flows:		
Depreciation of property, plant and equipment	122,404	127,703
Loss on disposal of property, plant and equipment	65	–
Movement in provision for doubtful debts	(25,456)	–
Transfers to Government	6,659,871	5,423,285
Finance income	(4,925)	(5,544)
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	251,783	(48,654)
Increase in trade and other payables	573,469	181,022
	7,662,134	5,727,608
Interest received	4,925	5,544
Income tax paid	(13,361)	(88)
Income tax refunded	3,562	5,774
Net cash flows from operating activities	7,657,256	5,738,838
Investing activities		
Purchase of property, plant and equipment	(119,195)	(146,765)
Net cash flows used in investing activities	(119,195)	(146,765)
Financing activities		
Funds paid to Government	(6,933,455)	(5,853,329)
Net cash flows used in financing activities	(6,933,455)	(5,853,329)
Net (decrease)/increase in cash and cash equivalents	604,606	(261,256)
Cash and cash equivalents at 1 January	3,094,225	3,355,481
Cash and cash equivalents at 31 December	3,698,831	3,094,225

The accounting policies and explanatory notes on pages 87 to 96 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 for the first time 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.

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:

	2018	2017
	EUR	EUR
Administrative charges	2,957,202	2,977,033
Rights of way income and postal licensing (note i, ii)	1,054,238	1,137,250
Usage fees for scarce resources (note ii)	5,840,572	4,560,494
Application fees and other operating income (note ii)	1,079,141	1,041,752
Government subvention (note iii)	465,084	456,342
	11,396,237	10,172,871

- 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 EUR961,770 (2017: EUR1,007,842) intended to finance expenses incurred by the Authority not in connection with electronic communications.
- iii. The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament.

4. Other income

Other income relates to fines imposed by the Authority amounting to EUR1,974 (2017: EUR460).

5. Employee information

a. Staff costs

The total employment costs were as follows:

The Authority

	2018	2017
	EUR	EUR
Members' emoluments	107,694	106,924
Wages and salaries	2,554,657	2,315,525
Social security costs	146,603	139,382
Authority's staff costs recharged to ISS operations (note i)	(92,689)	(82,298)
	2,716,265	2,479,533

- 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

	2018	2017
	EUR	EUR
ISS		
Wages and salaries	263,484	223,347
Social security costs	19,304	17,375
ISS staff costs recharged to EU funded projects	(49,531)	(40,777)
	233,257	199,945
EU funded projects		
Staff costs recharged by ISS	49,531	40,777
	49,531	40,777
Total staff costs	2,999,053	2,720,255

b. Staff numbers

The average number of persons employed full time by the Authority during the year amounted to 75 (2017: 75).

6. Operating and administrative expenses

	2018	2017
	EUR	EUR
The Authority		
Outsourced project costs	61,050	313,755
Corporate administrative expenses	556,128	553,406
Public relations and communications	213,214	234,352
Travelling expenses	97,686	92,747
Auditor's remuneration	8,600	10,268
Rental expenses	136,676	134,367
Decrease in provision for doubtful debts	(25,456)	–
Trade receivables written-off	25,456	–
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	75,403	158,776
	1,148,757	1,497,671

	2018	2017
	EUR	EUR
Others:		
ISS		
Public relations and communications	2,183	914
Travelling expenses	6,134	4,433
Auditor's remuneration	1,100	1,178
Professional fees	389	7,783
Bank charges	343	200
Staff costs recharged by the Authority (note 5)	92,689	82,298
Corporate administrative expenses	45,408	42,756
Outsourced project costs	135,525	156,855
Rental expenses	14,187	14,997
Self-financing portion of EU projects	19,831	11,387
	317,789	322,801
EU funded projects		
Travelling expenses	27,839	20,336
Consultancy	2,765	3,371
Outsourced project costs	32,630	13,657
	63,234	37,364
Other expenses		
MCA Sponsorships	7,105	20,336
	7,105	37,364
Total operating and administrative expenses	1,536,885	1,857,836

7. Finance income

	2018	2017
	EUR	EUR
On cash and short-term deposits	2,064	2,090
On amounts due from debtors	2,861	3,454
	4,925	5,544

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 EUR961,770 (2017: EUR1,007,842).

9. Taxation

	2018	2017
	EUR	EUR
Current tax	19,582	14,726
Deferred tax (note i)	–	–
	19,582	14,726

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% (2017: 35%) as follows:

	2018	2017
	EUR	EUR
Surplus before transfers to Government and taxation	6,744,794	5,476,962
Theoretical taxation expense at 35%	2,360,678	1,916,937
Tax effect of		
– income not subject to tax	(2,340,434)	(1,898,675)
– difference between capital allowances and depreciation	(575)	(3,418)
– income subject to different tax rates	(87)	(118)
	19,582	14,726

- 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 of this fact, the potential deferred tax asset amounting to EUR7,309 (2017: EUR23,645) has not been accounted for in these financial statements.

10. Property, plant and equipment

	Building improvements	Computer equipment	Fixture, fitting & equipment	Motor vehicle	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
At 1 January 2017	335,033	1,374,370	454,533	63,587	2,227,523
Additions	32,782	82,476	5,537	25,970	146,765
Disposals	–	(8,870)	(1,168)	–	(10,038)
At 31 December 2017	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
Depreciation					
At 1 January 2017	310,067	1,219,418	377,663	53,987	1,961,135
Depreciation charge for the year	15,691	83,828	23,384	4,800	127,703
Depreciation released on disposals	–	(8,870)	(1,168)	–	(10,038)
At 31 December 2017	325,758	1,294,376	399,879	58,787	2,078,800
Depreciation charge for the year	16,344	73,250	22,816	9,994	122,404
Depreciation released on disposals	–	(4,320)	(3,294)	–	(7,614)
At 31 December 2018	342,102	1,363,306	419,401	68,781	2,193,590
Net book value					
At 31 December 2018	29,934	172,134	59,332	20,776	282,176
At 31 December 2017	42,057	153,600	59,023	30,770	285,450

11. Trade and other receivables

	2018	2017
	EUR	EUR
Trade receivables (note i)	490,304	511,223
Accrued income	5,371	119,530
Prepayments	84,640	176,723
Amount due from Government	397,140	123,556
Other receivables	3,779	2,945
	981,234	933,977

- 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 (2017: EUR27,948).

	Total	Neither past due nor impaired	Past due but not impaired		
			30 – 60 days	60 – 90 days	>90 days
	EUR	EUR	EUR	EUR	EUR
2018	490,304	441,540	23,111	5,861	19,792
2017	511,223	441,419	5,394	7,190	57,220

12. Reserve

The balance on the retained earnings in the statement of financial position as at 31 December 2018 represents the resulting net accumulated surplus over the years.

13. Trade and other payables

	2018	2017
	EUR	EUR
Amount due to Government	–	–
Deferred income (note i)	3,003,758	2,313,663
Accruals	628,440	667,199
Social security contributions and other taxes	64,937	56,327
Other payables (note ii)	461,936	548,413
	4,159,071	3,585,602

- i. Deferred income comprises of the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR188,251 (2017: EUR62,202) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.
- ii. Other payables consist of the following:
- Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.
 - Trade payables which are non-interest bearing and are normally settled on 60-day terms.

14. Related party disclosures

Transactions with key management personnel

During the year ended 31 December 2018, short term employee benefits to key management personnel amounted to EUR452,841 (2017: EUR452,205).

Other related party transactions

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

	2018	2017
	EUR	EUR
Government Subvention – ISS	465,084	456,342
Payments to Government of Malta	6,933,455	5,853,329

Related party balances

Outstanding balances with related parties at 31 December 2018 are disclosed in note 11 and note 13.

15. Cash and short-term deposits

	2018	2017
	EUR	EUR
Cash at bank and in hand	3,180,183	2,577,207
Short-term deposits	518,648	517,018
	3,698,831	3,094,225

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 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 (2017: EUR2,325) together with legal interest as from 20 August 2015 and expenses. Outcome of such claim is still unknown.

17. Financial instruments

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

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

Timing of cash flows

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

Credit risk

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

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

Fair values

At 31 December 2018 and 31 December 2017 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the short term nature of these balances.

Capital management

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

18. First time adoption of GAPSME

As explained in Note 1, the Authority adopted GAPSME for the first time in these financial statements. The date of transition to GAPSME is 1 January 2018. The accounting policies applied by the Authority upon transition to GAPSME were consistent with those applied under IFRS as adopted by the EU. As a result, the transition to GAPSME had no effect on the Authority's reported position and financial performance.



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