



Market developments for electronic communications and post for the third quarter of 2020

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The MCA is hereby outlining the main markets trends observed for Malta's telecom and postal activities in the third quarter of 2020.

The information in this press release is based on data compiled quarterly by the MCA from local service providers. More data is available in the 'Data Report Sheet (DRS)' publication covering the period starting in the first quarter of 2016 to the third quarter of 2020.

General developments

The telecoms sector continued to perform relatively well during COVID times, with the fixed segment seeing a rise in take-up for the first three quarters of 2020. This is because consumers tend to purchase fixed broadband, fixed telephony and pay-TV services in a triple-play package, driven of course by the selling strategies employed by local telecom providers. More subscriptions were recorded for the afore-mentioned fixed services by the end of September 2020 when compared to a year earlier. The third quarter of 2020 did also see the mobile segment recuperate some of the subscriptions that were lost in the previous quarter, with subscriptions at the end of September 2020 slightly higher than recorded a year earlier.

The pandemic exacerbated the loss in postal mail activity, solely as a result of the drop in standard letter mail volumes. However, not all looked bleak on the postal front, as evidenced by more buoyant bulk, registered and parcel mail volumes in the first nine months of the 2020 compared to the same period a year earlier.

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

Fixed Broadband

A total of 211,060 fixed broadband subscriptions were recorded as at end of September 2020, which is 10,759 more than recorded twelve months earlier. This translates into a 5.4% rise in fixed broadband subscriptions in the 12-month period ending last September.

Rising fixed broadband take-up demonstrates society's increasingly stronger reliance on connectivity and digital services, especially after the developments that marked the second quarter of 2020 with the huge spike in remote working and other digital homebound activities. The proportion of subscriptions on a bundle offer also maintained its steady-growth path, reaching almost 93% by the end of September 2020. Broadband connectivity during the first nine months of 2020 was also increasingly dominated by headline download speeds of 100Mbps or more. In fact, year-on-year, the proportion of fixed broadband subscriptions supporting such headline download speeds was up by 10 percentage points, from 41% at the end of September 2019 to 51% at the end of the current reporting period.

Subscriptions via FTTH network increased by 7,320 during the same period (up by almost 28%), more than double the decline in copper DSL subscriptions. The cable network added 4,496 subscriptions (or a 5.3% increase) whilst the number of subscriptions on fixed wireless solutions was up by 2,836 (or by almost 26%).

Contrary however to long-term market trends, fixed broadband ARPU for the third quarter of 2020 stood at €55.82 compared to €60.41 in the third quarter of 2019. This trend change in fixed broadband ARPU started in the fourth quarter of 2019 and is most likely a result of a change implemented by local telecom operators in their bundle revenue apportionment by service. This when considering the very high proportion of telecom subscriptions currently being purchased in a bundle and the ARPU increases recorded for other fixed telecom services as indicated hereunder.

Mobile telephony

The mobile telephony segment registered wider progress in the third quarter of 2020, as it bounced back from the decline in take-up observed in the previous quarter due to the immediate impact left by the COVID pandemic. The number of subscriptions was up by almost 19,000 quarter-on-quarter reaching 635,040 by the end of September 2020. The

latter figure is slightly higher than that registered 12 months earlier and is fully attributed to the post-paid segment, which added 13,561 new subscriptions and thus slightly outweighed a drop of 13,289 pre-paid subscriptions.

Overall, mobile traffic volumes increased considerably during the months under review, with reported voice minutes up almost 15% when comparing activity for the third quarter of 2020 with that in the same period of 2019 and mobile data Mb consumption up by 153% respectively.

The relevance of the former result is considerable when noting that the number of outgoing voice calls in the quarter under review was just 1% higher compared to the same quarter in 2019. Overall, this means that mobile telephony users maintained the trend of making increasingly lengthier calls. This at a time when SMS and MMS volumes decreased by 9.6% and 29.4% respectively.

The drop in travel activity impacted on roaming minute and data volumes. Outbound roaming minutes in the third quarter of 2020 were 44% lower than in the third quarter of 2019, whilst inbound roaming minutes were almost 50% lower.

Mobile telephony ARPU was down to €43.43 in the second quarter of 2020 from €45.38 in the same quarter a year earlier.

Pay-Tv

The pay TV segment registered a third successive uptick in take-up for the latest reporting period of 2020, with subscriptions rising to 172,655 by the end of last September. Interestingly, a year-on-year comparison shows that the number of pay TV subscriptions on a bundle was up by 9,288 between September 2019 and September 2020 compared to 4,000 new pay TV clients reported by local service providers for the same period. This means that a substantial number of existing pay-TV subscribers on a stand-alone plan effectively switched to a pay-TV plan packaged in a bundle. Almost 80% of all pay-TV subscriptions at the end of September 2020 were purchased in a bundle.

Subscriptions on the IPTV platform were up by 7,210 (or 14%) over the 12-month period ending September 2020. Relevant to note is that this increase almost made up for the decline

of 7,427 subscriptions for the DTTV platform, which is owned by the same operator owning the IPTV platform.

The digital cable platform recorded an increase of 4,218 subscriptions, up from 100,168 subscriptions at the end of September 2019 to 104,286 subscriptions at the end of last September

Pay TV ARPU was significantly up from €44.06 in the third quarter of 2019 to €48.72 in the third quarter of 2020. This is again most likely a result of a change in the allocation of bundle revenues by service, for which local service providers enjoy full discretion in deriving the figures. This change in trend for pay TV ARPU also somewhat corresponds with the observed decline in fixed broadband ARPU, which again could indicate a change in the bundle revenue apportionment by service carried out by telecom operators.

Fixed telephony

The fixed telephony segment reported an increase of 2,094 subscriptions year-on-year (up by 0.8%), from 257,415 at the end of September 2019 to 259,509 at the end of the current reporting period.

This increase coincides with a drop in fixed voice call and fixed voice call minute volumes. Comparing traffic volumes in the third quarter of 2020 with those recorded in the same quarter a year earlier, the number of voice calls was down by almost 22% whilst the number of outgoing voice call minutes was down by 10%. These trends are again evidence that take-up of fixed telephony is not effectively driven by demand for the calling facility available via this service but rather as a result of operators bundling the service with fixed broadband.

Of note is the recorded increase of 14,358 fixed telephony subscriptions in a bundle in the 12-month period ending last September.

Somewhat not in synch with developments highlighted above, fixed telephony ARPU reported by local service providers increased from €31.17 in the third quarter of 2019 to €33.10 in the third quarter of 2020.

Dedicated connections

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

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

Take-up of these services has followed a general downward trend over the past few years. The third quarter of 2020 stood by this trend, as the number of connections totalled 365 by the end of the period. This is down by almost 5% year-on-year. As already indicated in previous publications, this trend is not in itself a sign of a diluting business client base. Indeed, It may be the case that business clients migrated to one of the several connectivity solutions that may be offered by local service providers but which do not fall within the description of dedicated connections addressed in this publication.

Post

The pandemic is accentuating the postal sector's pre-existing trends of falling mail volumes. Whilst third quarter developments are evident of this trend, it has to be said that only one category of mail within the scope of the universal service – namely standard letter mail – saw a steady drop in volumes compared to the same period of 2019. This drop was significant, to such an extent that it outweighed gains recorded in all the other categories of mail.

Mail volumes within the scope of the universal services in the third quarter of 2020 were down by 30.4% for the standard letter mail category when compared to mail volumes in the third quarter of 2019. On the other hand, bulk mail volumes were up by 6.1%, registered mail volumes were up by 89.2% and parcel mail volumes up by 57.6% as a result of the surge in e-commerce driven by the COVID-19 pandemic.

In the case of mail delivered outside the scope of the universal service, volumes in the third quarter of 2020 were down by 4% compared to the same period of the previous year.

Notes:

- (i) Data cut-off date: 23rd December 2020;
- (ii) Data is preliminary and subject to change.