MALTA COMMUNICATIONS AUTHORITY

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Market developments for electronic communications and post – a review of outcomes for 2023 based on Q2 figures

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The Malta Communications Authority (MCA) strives to foster competition and safeguard consumer interests in Malta's telecommunications and postal sectors. One important task in order to fulfill this mission entails the regular collection of data from authorized operators within these industries. This function enables the MCA to monitor evolving market dynamics and ensure adherence to regulatory guidelines.

In the current release, we present an overview of key trends within the Maltese telecommunications and postal sectors for the initial half of 2023.

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General developments

During the first half of this year, the telecom sector continued to expand its subscriber base, reflecting the increasing dependence on high-speed connectivity, mobile devices, and bundled service plans.

When we analyze year-over-year data, subscriptions for fixed broadband, mobile telephony, and pay-TV maintained their consistent upward trajectory, with respective growth rates of 3.1%, 8.7%, and 3.7% based on figures recorded by the end of June. In contrast, the fixed telephony segment saw a modest increase of 0.5%, though voice call and minute volumes dwindled, which is indicative of evolving communication preferences among users.

Internet subscriptions offering headline download speeds of 500Mbps to 1Gbps or more experienced a notable 12.5% year-on-year increase, highlighting wider availability of fast and ultra fast internet speeds. As of June 2023, 38% of internet users enjoyed connections capable of delivering a headline download speed of 500Mbps or more.

Despite the availability of high-speed fixed broadband services, mobile data usage saw a substantial surge in the first half of 2023, spiking by almost 53% compared to the same period in the previous year. This surge can be attributed to the shift towards digital communication, as well as the increased reliance on mobile devices for internet access.

In the postal sector, a notable 10.2% decline in mail volumes was observed for the first half of 2023 compared to the previous year. Traditional postal mail volumes, including single-piece letter mail, bulk mail, registered mail, and parcel mail, within the universal service scope, continued to decrease albeit these still comprise by far the biggest share of mail volumes in Malta. However, outside the universal service scope, volumes surged, particularly for lighter mail items, possibly due to the evolving and growing e-commerce landscape.

Fixed broadband

The fixed broadband sector saw a 3.1% growth in the subscriber base, resulting in the addition of 6,992 new subscriptions year-on-year. Notably, the high-end segment saw an increase of over 18,000 subscriptions supporting headline download speeds ranging from 100Mbps to 1Gbps or more in the twelve months leading up to June 2023.

FTTH-based subscriptions constituted 28.4% of all fixed broadband subscriptions by the end of the period under review. This segment marked a significant increase of 13,388 subscribers year-on-year. Cable-based subscriptions also demonstrated growth, rising by 2,284 during the same period making up 47.5% of all subscriptions by the end of the current reporting period. Fixed wireless broadband subscriptions also increased by 1,529 (or 9.4%) year-on-year, accounting for 7.6% of the total fixed broadband subscriptions by the end of June. In contrast, copper DSL subscriptions declined by 10,209 (or 21.1%). However, they still comprised 16.4% of all subscriptions by the end of June. The trend for ths segment reflects the operator's strategic shift to transition customers from the copper DSL platform to fiber.

By the end of June 2023, the proportion of internet subscriptions bundled with other services experienced a marginal decrease compared to the previous year, declining from 92.1% to 91.4% of the total subscriptions.

Furthermore, the average revenue per user (ARPU) for fixed internet demonstrated an increase, rising from €66.11 in the second quarter of 2022 to €68.95 in the corresponding quarter of 2023.

Mobile telephony

In the first half of 2023, mobile telephony subscriptions exhibited an 8.7% year-on-year growth, reaching a total of 736,214 by the end of June. This increase was propelled by a 48,885 rise in post-paid users year-on-year, along with an increase of 6,572 pre-paid users.

The upsurge in mobile data consumption remained robust, with domestic mobile internet data volumes experiencing a substantial 53% increase when compared to the first half of 2022. In contrast, voice minute traffic volumes saw a 4.5% year-on-year decline, while SMS volumes decreased by 7.0% compared to the corresponding period of the previous year. These trends indicate a noticeable shift in mobile telephony usage, with the growing popularity of Over-The-Top (OTT) messaging platforms possibly also contributing to the trends in mobile voice call minutes consumed.

The average revenue per user (ARPU) for mobile telephony experienced a slight year-on-year decrease, dropping from €39.22 in the second quarter of 2022 to €38.62 in the second quarter of this year.

Pay-TV

In the TV segment, there was an annual increase of 6,617 subscriptions, translating to a year-on-year growth of 3.7%, bringing the total to 187,335 by the end of the reporting period. Notably, close to 83% of these TV subscriptions were part of bundled offerings.

An analysis of subscription trends based on technology platforms reveals a substantial annual growth of 9,910 subscriptions in the IPTV category, representing a strong year-on-year increase of 14.5%. On the other hand, digital cable subscriptions experienced a decrease of 3,293, marking a 2.9% decline over the twelve-month period ending in June. It is worth mentioning that subscriptions on the DTTV platform have now been completely phased out.

The Average Revenue Per User (ARPU) for Pay-TV witnessed a decline, moving from €44.25 in June 2022 to €42.51 in June 2023.

Fixed telephony

In the fixed telephony segment, there was a modest 0.5% year-on-year growth in subscriptions, culminating in a total of 259,609 by the end of the quarter being examined. However, there was a noticeable decrease in voice call and minute volumes, both plunging by 23.9% and 27.8% respectively compared to the corresponding quarter in the previous year. A significant portion of these subscriptions, making up 86.3% of the overall total, were bundled with other services, indicating an increase from 84.9% in March 2022.

The Average Revenue Per User (ARPU) for fixed telephony was reported at €24.26 in the second quarter of the current year, down from €25.92 in the previous year. The increase in ARPU for fixed telephony, despite the drop in voice call volumes, can be attributed to various factors, including bundled packages and the revenue allocation mechanism employed by local service providers on bundle revenues.

High quality dedicated connections

Dedicated connections are premium, point-to-point data transmission connections commonly utilised by businesses in Malta, including government entities, banks, and gaming companies.

This business segment is niche for local operators, serving a smaller customer base, typically businesses, with well-defined data connectivity needs. The latter connectivity requirements are distinct to the internet mass market plans that are also available from the major operators in Malta. These dedicated connections offer specific features such as no contention ratio, fully symmetrical speeds, and Service Level Agreements (SLAs).

By the end of June 2023, the total number of high-quality dedicated connections amounted to 326, reflecting a rise of 1.9% compared to the same quarter of the previous year's figure of 320.

Postal services

A noticeable divergence is emerging in the trends of postal volumes between the areas encompassed by the Universal Service and those considered competitive areas, albeit this mail volumes in the former account for 87.5% of all postal traffic. This contrast is evident when we examine postal mail volumes during the first half of 2023 in comparison to the same period in 2022.

Specifically, during the first half of 2023, postal items delivered within the Universal Service area dropped by 14.5% compared to the previous year. This decline was chiefly propelled by a 29.3% reduction in registered mail volumes, a 14.9% decrease in single-piece letter mail, and a 13.8% decline in bulk mail. Notably, however, the volume of parcel mail within the Universal Service sector increased by 5.3%. The latter increase was not sufficiently strong as to outweigh the declines reported in the other segments.

Conversely, outside the boundaries of the Universal Service, there was a robust 42.7% year-on-year increase in mail volumes during the first half of 2023. This growth was mainly attributed to mail items weighing up to 2kg, which saw a substantial 63.5% surge, contributing to an increase of 426,087 items. In addition, for mail items weighing between 2kg and 31.5kg, a 15.2% increase was observed in comparison to the corresponding period in 2022, amounting to an increase of 77,051 mail items.

Notes:

(i) Data cut-off date: 12th October 2023;

(ii) Data is preliminary and subject to change.