



Communications Market Review

July to December 2014

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1. Reporting parameters

This is the latest report in a series of Communications Market Review (CMR) publications from the Malta Communications Authority (MCA)¹, covering the period 2012 to 2014. The report mainly draws on quarterly data compiled by the MCA from network operators and service providers involved in the provision of electronic communications and postal services in Malta. This data is then utilised to develop key performance indicators (KPIs) for the relevant sectors.

Figure 1 below lists the network operators and service providers submitting data to the MCA.

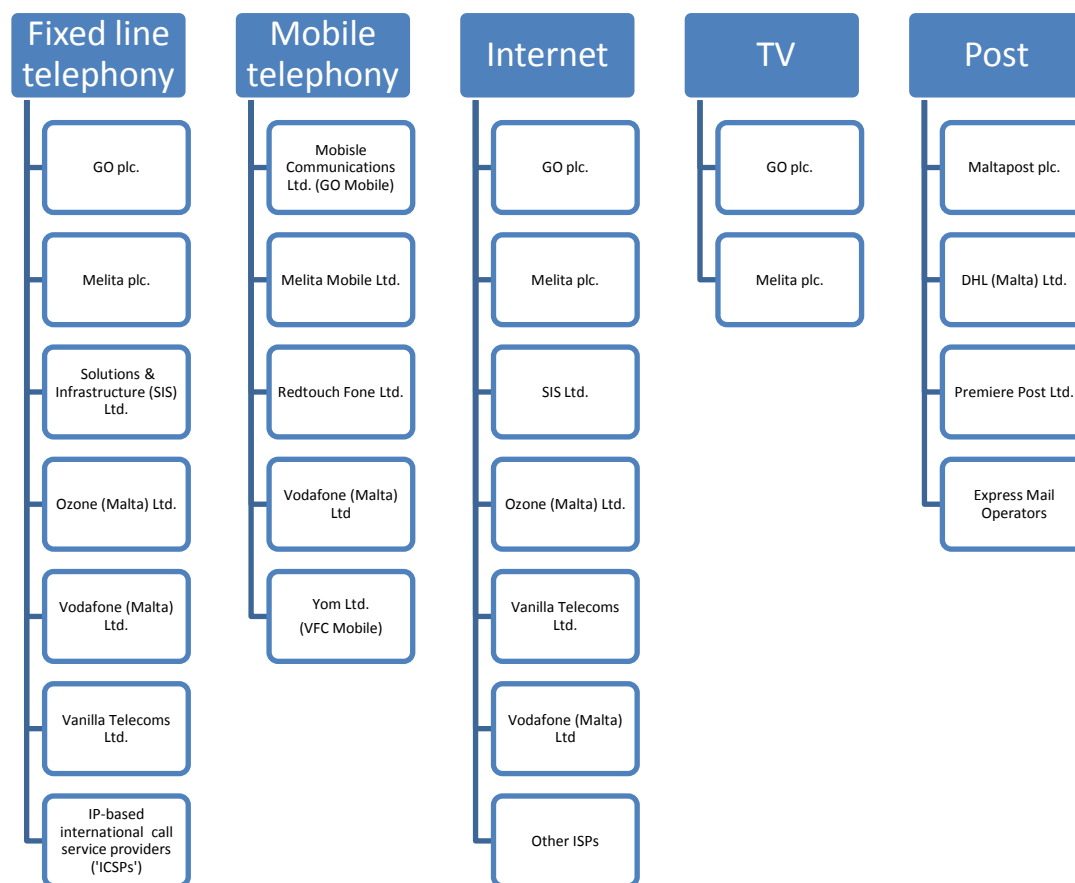


Figure 1: Operators providing quarterly data

This report also refers to findings extracted from publications of third parties in the areas of interest².

1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly basis for the period starting Q1 2012 and ending Q4 2014³.

¹ These publications are available electronically: <http://www.mca.org.mt/market-overview>

² References to information contained in other websites and quotes from third party sources, such as reference to Deutsche Post's postal rate figures in Malta and the EU, should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA.

³ Previous MCA CMR publications are available to download for free from the MCA website by clicking [here](#).

The data cut-off date for implementing changes and updates in the data has been set on the 6th of March 2015. Any data revised and updated by the sources after the cut-off date will be incorporated in the forthcoming Data Report Sheet (DRS) publication envisaged for July 2015⁴.

1.2. The KPIs in this report

This report is composed of five sections dealing with trends observed for fixed line telephony, mobile telephony, Internet, pay TV and post. Figure 2 below highlights on the list of indicators covered in this review.

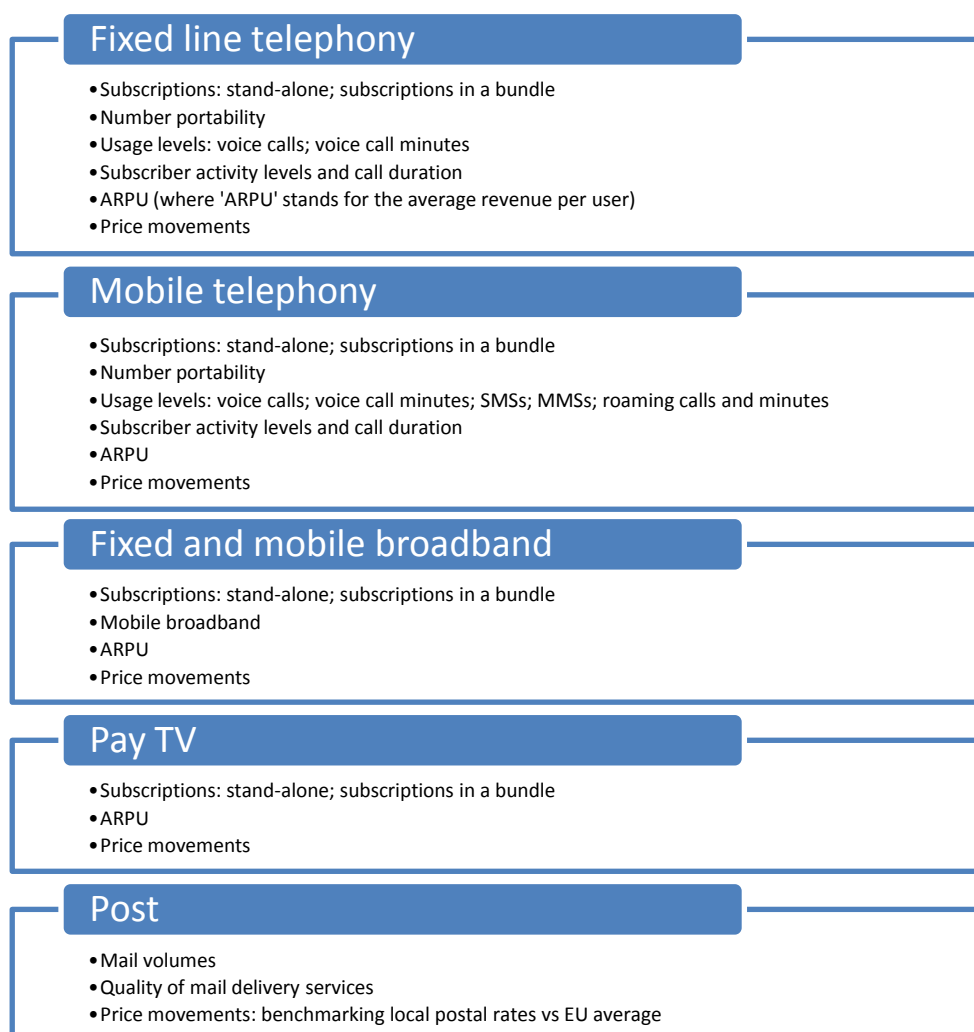


Figure 2: Key market indicators for electronic communications and post

⁴ The MCA publishes a DRS on a regular basis, the latest of which can be found on: <http://www.mca.org.mt/statistics/key-market-indicators-electronic-communications-and-post-q1-2010-q4-2014-0>

2. Key market outcomes

There have been few major changes in the last six months of 2014 when it comes to developments in electronic communications and postal sectors in Malta.

Whilst mobile subscribers increased significantly over the last few years, the year 2014 experienced a break in the trend as the number of subscriptions at the end of it slid down by 10,438 (or by 2.0%) compared to twelve months earlier. This fall resulted from a dip in the take-up of mobile pre-paid plans, which by far outweighed a gain in the take-up of post-paid plans.

The number of fixed line subscriptions at the end of 2014 was also down compared to twelve months earlier, this time by 974 (or by 0.4%), from 231,331 to 230,361. This resulted from a drop in the number of pre-paid fixed line subscriptions (most likely attributed to service providers disconnecting those lines that were inactive for a long period), which was stronger than the increase reported in the number of post-paid subscriptions. In a way, such a development sustains the view that more people are opting to keep a post-paid fixed line service at home even when holding multiple SIM connections.

In terms of voice traffic volumes, developments were in line with long-term market trends. Mobile voice traffic was considerably stronger in the second half of last year compared to the same period a year earlier, whilst fixed line voice traffic maintained its downward trajectory. Overall, voice traffic volumes per mobile subscription strengthened, in contrast to weakening voice traffic volumes per fixed line subscription. In this regard, the number of mobile voice calls and the number of voice call minutes per mobile subscription was up from 460 and 611 respectively in the second half of 2013 to 487 and 675 respectively in the second half of 2014. Meanwhile, the number of voice calls and the number of voice call minutes per fixed line subscription was down, from 376 and 1,289 respectively to 349 and 1,210.

Given that fixed line call rates were relatively stable during the period under review, the fall in voice traffic volumes translated into lower ARPU for the sector. In fact, fixed line telephony ARPU was down to €77.50 in the second half of last year, from €80.04 a year earlier. At the same time, mobile telephony ARPU increased from €84.64 to €91.07. The improvement in mobile telephony ARPU happened irrespective of falling call rates, given that service providers generated new revenue streams from the optimisation of access fees and an ever-stronger consumption of mobile data services.

Take-up of fixed and mobile broadband services was also particularly strong in the second half of last year, with penetration rates improving compared to the same period a year earlier. In this regard, the number of fixed broadband subscriptions was up by 8,533 (or by almost 6.0%), with the penetration rate increasing by 1.7 percentage points, from 33.6% at the end of 2013 to 35.3% at the end of last year. Meanwhile, a larger proportion of mobile subscribers accessed mobile broadband data services, up from 29.5% at the end of July 2013 to 36.3% at the end of July 2014. The increasing penetration and usage of mobile broadband corresponds to an ever-stronger uptake of smart-phones, tablet computers and laptops, many times offered by local service providers with mobile data access.

It is also relevant to underline that there were more end-users that had broadband connections supporting higher download speeds at the end of 2014 than there were a year earlier. In this regard, the proportion of fixed broadband subscriptions supporting download speeds of 30Mbps or more stood at 55.3% at the end of 2014, up from 27.0% a year earlier. This increase came on the back of free upgrades and an increasing range of plans and promotional offers. As subscriptions for broadband products supporting higher download speeds increased, fixed broadband ARPU improved by almost 4.6%, from €85.96 in the second half of 2013 to €89.95 in the second half of last year.

The Pay TV sector experienced a decline in subscriptions in the second half of 2014, as subscriptions at the end of last year were down by 1,025 compared to twelve months earlier. This development may be a result of the increasing popularity of internet TV and online video services, although it is still early to conclude that these kinds of services bear a major influence on the take-up of traditional pay TV packages. From a revenue

perspective, ARPU for the pay TV sector in the second half of 2014 was up by 0.6% when compared to the same period a year earlier, most likely a result of subscriber growth for IPTV and the increase in revenue streams related to on-demand pay TV services.

As to postal services, mail volumes in the current review period show no deviation from longer-term market developments. Compared to the same period a year earlier, volumes in the second half of 2014 were down for traditional letter mail and bulk mail. Lower volumes recorded under these two mail categories outweighed gains recorded for registered mail and parcel mail. Overall, the number of postal mail items delivered in the second half of 2014 were down by 0.4 million (or by 2.0%) compared to the same period a year earlier.

The main market outcomes for the electronic communications and postal sectors are presented below, although more detailed information on market developments is provided in Sections 4 to 8 of this document.

i. Fixed line telephony

- The number of fixed line subscriptions totalled 230,361 at the end of 2014, down by 970 (or 0.4%) since the end of 2013. 89.4% of total fixed telephony subscriptions were on a post-paid contract and 9.5% were on a pre-paid plan. The remaining share of subscriptions, at 1.2%, were on an 'enhanced' contract arrangement, which typically encompasses those subscriptions offering multiple channel (dual or more) fixed telephony connections.
- 57.3% of all post-paid fixed line telephony subscriptions at the end of the current reporting period were bundled with some other electronic communications service.
- There were 713 fixed line inward portings during the second half of 2014, down from 776 inward portings recorded in the same period a year earlier.

Fixed line telephony	SH 2012	SH 2013	SH 2014
Subscriptions (end of period)	229,740	231,331	230,361
Voice activity levels per subscription			
Number of voice calls	411	376	349
Number of voice call minutes	1,387	1,289	1,210
Average rate per minute (ARPM)			
on-net FTF call	€0.01	€0.01	€0.01
off-net FTF call	€0.01	€0.01	€0.01
FTM call	€0.19	€0.19	€0.16
FTI call	€0.08	€0.08	€0.09
Average revenue per user (ARPU)	€83.57	€80.04	€77.50

Table 1: Take-up, activity levels and pricing for the fixed line sector

- Traffic volumes in the second half of 2014 were weaker than recorded during the same period a year earlier. The number of outgoing voice calls was down by almost 7.0% and the number of outgoing voice call minutes was down by 5.8%. Voice activity levels were also down, given that the rate of decline in traffic volumes was stronger than that recorded in terms of the fixed line subscriber base, as illustrated in Table 1 above.
- ARPU for fixed line telephony in the second half of 2014 was down to €77.50, from €80.04 in the second half of 2013.
- The average rate per minute (ARPM) of fixed line communications concerning on-net and off-net fixed-to-fixed (FTF) calls stood at €0.01 in the second half of 2014. That for fixed-to-mobile (FTM) calls was down to €0.16 and that for fixed-to-international (FTI) calls stood at €0.09.

ii. Mobile Telephony

- The number of mobile telephony subscriptions totalled 546,214 as at the end of the current reporting period. This figure is down by 10,438 (or 1.9%) from 556,652 at the end of 2013⁵.
- In line with developments over the last 24 months, the fall in the number of mobile subscriptions reflects falling take-up of pre-paid mobile calling plans. In fact, the number of pre-paid subscriptions was down by 21,221 (or by 4.9%), from 434,975 at the end of 2013 to 413,754 twelve months later. The latter figure is equivalent to 75.8% of total mobile subscriptions recorded at the time. In contrast, the number of post-paid subscriptions increased by 10,783 (or by 8.9%) to 132,460 at the end of the current reporting period.
- 10.6% of all mobile subscriptions⁶ were bundled with some other electronic communications service at the end of last year.
- The number of mobile inward portings totalled 16,425 in the second half of 2014, down from 21,828 inward portings recorded in the same period a year earlier.

Mobile telephony	SH 2012	SH 2013	SH 2014
Subscriptions (end of period)	532,228	556,652	546,214
Activity levels per subscription			
Number of voice calls	375	460	487
Number of voice call minutes	561	611	667
Number of SMSs	621	517	461
ARPM (overall)	€0.10	€0.09	€0.09
domestically-bound call	€0.10	€0.09	€0.09
Internationally-bound call	€0.17	€0.15	€0.13
Average rate per domestic SMS	€0.02	€0.02	€0.02
Average rate per international SMS	€0.17	€0.07	€0.06
ARPU	€86.38	€84.64	€91.07

Table 2: Take-up, activity levels and pricing for the mobile sector

- Overall, mobile traffic volumes showed significant growth in 2014 compared to 2013. In this respect, the number of mobile voice calls in the second half of 2014 was up by 10.5 million (or by 4.1%) compared to the second half of 2013 and the number of mobile voice call minutes was up by 29.8 million (or by 8.8%).
- Combined with the fall in the number of mobile subscriptions in the second half of 2014, stronger voice traffic volumes corresponded to higher voice activity levels per mobile subscription, as illustrated in Table 2 above.
- SMS traffic volumes continued in their long-term decline. In fact, the number of SMSs per subscription fell from an average of 517 per mobile subscription in the second half of 2013 to an average of 461 per mobile subscription in the second half of 2014.
- Mobile retail prices maintained their downward projection. The average rate per minute of mobile communications in the second half of 2014 stood at €0.085 for a domestic (or local) call, down from

⁵ The reasons for this change are explained in Chapter 5 to this publication.

⁶ This figure may be overstated given that the end user may not necessarily activate the mobile subscription in a quad play bundle, and such information is not available.

€0.092 in the second half of 2013. The ARPM for an international call also went down, this time from €0.149 to €0.125. Meanwhile, the average rate per domestic SMS was unchanged.

- Mobile ARPU in the second half of 2014 amounted to €91.07, up from €84.64 in the second half of 2013.

iii. Fixed and mobile broadband

- The number of fixed broadband subscriptions totalled 151,543 by the end of last year. This figure is up by 8,533 (or by almost 6.0%) from 143,010 reported twelve months earlier.
- The fixed broadband penetration rate (measured as the proportion of the number of active fixed broadband connections to Malta's population) stood at 35.3% at the end of the current reporting period, which is up by 1.7 percentage points from the end of 2013.
- 65.9% of all fixed broadband subscriptions reported as at the end of 2014 were part of a bundle, up from 52.6% a year earlier. In absolute terms, the number of bundled fixed broadband subscriptions totalled 99,809 at the end of last year.
- Just 6.4% of all fixed broadband subscriptions as at the end of 2014 had a download speed of less than 10Mbps. 38.3% of subscriptions had a download speed of 10Mbps but less than 30Mbps, whilst those with a download speed of 30Mbps but less than 100Mbps accounted for 54.6% of the local subscriber base. Fixed broadband subscriptions supporting a download speed equal to or exceeding 100Mbps only accounted for 0.7% of the total number of subscriptions recorded at the end of last year.
- Of all fixed broadband subscriptions reported at the end of 2014, those on the cable platform totalled 75,594 (equivalent to 49.9% of the total). Meanwhile, the number of subscriptions on the DSL and wireless platforms totalled 73,881 (equivalent to 48.8% of the total) and 2,068 (equivalent to 1.4% of the total) respectively.

Fixed broadband	SH 2012	SH 2013	SH 2014
Subscriptions (end of period)	135,758	143,010	151,543
less than 5Mbps	15,406	11,229	9,375
greater than or equal to 5Mbps but less than 10Mbps	14,880	7,721	304
greater than or equal to 10Mbps but less than 20Mbps	83,600	77,844	53,213
greater than or equal to 20Mbps but less than 30Mbps	9,029	8,606	4,885
greater than or equal to 30Mbps but less than 50Mbps	10,053	34,718	78,699
greater than or equal to 50Mbps but less than 100Mbps	1,921	2,431	3,998
100Mbps and more	869	999	1,069
Average rate per Mbps (end of period)	€1.76	€1.78	€1.89
less than 5Mbps	€3.79	€3.79	€3.79
greater than or equal to 5Mbps but less than 10Mbps	€4.56	€6.2	€4.81
greater than or equal to 10Mbps but less than 20Mbps	€1.69	€1.82	€1.92
greater than or equal to 20Mbps but less than 30Mbps	€1.34	€1.46	€1.67
greater than or equal to 30Mbps but less than 50Mbps	€2.00	€2.00	€2.00
greater than or equal to 50Mbps but less than 100Mbps	€0.84	€0.84	€0.84
100Mbps and more	€0.80	€0.80	€0.83
ARPU	€89.11	€85.96	€89.95

Table 3: Take-up and pricing for the fixed broadband sector

- Fixed broadband ARPU in the second half of 2014 stood at €89.95, up from €85.96 in the corresponding period a year earlier.

- The average rate per unit of download speed (or per Mbps) stood at €1.89 at the end of 2014, up from €1.78 at the end of the previous year.

iv. Pay TV

- The number of Pay TV subscriptions totalled 147,880 at the end of the current reporting period, down by 1,025 (or by 0.7%) since the end of 2013.
- The number of analogue cable subscriptions was down by 647 (or 8.6%) in twelve months to 6,848 by the end of 2014. Meanwhile, the number of digital cable and DTTV subscriptions declined by 1,874 (or by 2.6%) and 4,806 (or by 7.7%) respectively. On the other hand, the number of IPTV subscriptions more than doubled during this period, from 5,954 at the end of 2013 to 12,256 at the end of last year.
- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 4.6% and 48.2% respectively at the end of the current reporting period. Meanwhile, the Digital terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 38.9% and 8.3% of total pay TV subscriptions respectively.
- Take-up of pay TV subscriptions in a bundle remained strong during 2014. In this respect, the number of bundled pay TV subscriptions went up from 73,496 (equivalent to 52.0% of the local pay TV subscriber base for digital TV and IPTV) at the end of 2013 to 76,245 (equivalent of 54.1% of the local Pay TV subscriber base for digital and IPTV) at the end of last year.
- Pay TV ARPU in the second half of 2014 stood at €85.40, up from €84.88 in the second half of 2013.

Pay TV	SH 2012	SH 2013	SH 2014
Subscriptions (end of period)	147,896	148,905	147,880
Average market rates for pay TV packages			
up to 24 channels	€3.99	€3.99	€3.99
25 to 49 channels	€12.49	€12.49	€15.66
50 to 74 channels	€23.49	€23.49	€23.49
75 to 99 channels	€24.49	€24.49	€26.32
100 channels or more	€29.99	€29.99	€34.99
ARPU	€85.56	€84.88	€85.40

Table 4: Take-up and pricing for the Pay TV sector

- MCA workings show that average advertised rates (or access fees) for pay TV in 2014 were higher than the respective rates prevailing in 2013. This is a result of one service provider introducing higher monthly access fees in Q1 2014 for plans not subject to a contract term agreement.

v. Post

- Postal mail volumes delivered in the second half of 2014 totalled 19.9 million items, down by 0.4 million (or by 2.0%) from 20.3 million items in the second half of 2013.
- The universal service area, which accounts for around 98% of all postal mail activity recorded in Malta last year, reported a decline in volumes during the current reporting period. Compared to the second half of 2013, postal mail volumes in the universal service area were down by 0.4 million items (or by 2.3%) to 19.5 million items. Meanwhile, the number of postal mail items delivered under the competitive area was up by 46,646 (or by 13.7%).

Post	SH 2012	SH 2013	SH 2014
Postal mail volumes	20,963,801	20,293,560	19,890,698
Competitive area postal volumes	286,715	339,418	386,064
Letter mail	188,193	205,458	232,182
Parcel mail	98,522	133,960	153,882
Universal service area postal volumes	20,677,086	19,954,142	19,504,634
Single piece letter mail	9,379,075	8,226,507	7,727,524
Bulk mail	10,738,772	11,131,185	11,040,459
Registered mail	509,489	533,043	668,329
Parcel mail	49,750	63,407	68,322

Table 5: Postal mail volumes

- As to developments by type of mail, bulk mail items accounted for 55.5% of all postal activity recorded in the second half of 2014, followed by letter mail at 40.0%, registered mail at 3.4% and parcel mail at almost 1.1%.
- Malta's 2014 nominal prices for a *domestic standard letter* and *letter mail within Europe* continued to feature among the cheapest across the EU. Malta's nominal price for a domestic standard letter and for letter mail delivered within Europe stood at €0.26 and €0.59 respectively in the second half of last year.

3. Market share trends of the local subscriber base

This section looks at the changes in market position of local service providers, based on the number of subscriptions reported at the end of the current review period.

3.1. Fixed line telephony

In the 12-month period to December 2014, GO's market share shrank by 3.6 percentage points, whilst that of Melita improved by an almost similar margin, at 3.5 percentage points.

The combined market share of other operators, namely Vodafone (Malta), Ozone (Malta), SIS and Vanilla Telecoms stood at 0.6% at the end of 2014, just slightly higher than that reported a year earlier.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone (Malta)
End of 2014	66.29%	33.07%	0.10%	0.34%	0.02%	0.17%
End of 2013	69.84%	29.58%	0.10%	0.34%	-	0.14%
End of 2012	71.07%	28.27%	0.09%	0.42%	-	0.15%

Figure 3: Market shares in terms of fixed line telephony subscriptions as at end of period

3.2. Mobile telephony

Vodafone remains the operator with the largest number of subscriptions in the mobile telephony sector, although its market share continues to decline. In the 12-month period to December 2014, Vodafone's market share shrank by 3.2 percentage points to 44.3%.

Meanwhile, the market share of Go Mobile strengthened by 2.2 percentage points to 39.1% and that of Melita Mobile improved by 1.1 percentage points to 14.8%.

The smaller players in the mobile telephony sector, namely RedTouch Fone and VFC Mobile, together accounted for just 1.8% of the local subscriber base at the end of last year.

Market shares	GO Mobile	VFC Mobile	Melita Mobile	Ping	Redtouch Fone	Vodafone
End of 2014	39.08%	0.01%	14.78%	-	1.85%	44.28%
End of 2013	36.92%	0.01%	13.69%	-	1.90%	47.49%
End of 2012	35.99%	0.03%	12.85%	0.02%	2.00%	49.02%

Figure 4: Market shares in terms of mobile telephony subscriptions as at end of period⁷

⁷ Ping Mobile was no longer active in 2013.

3.3. Fixed broadband

The market share of Melita improved by 0.6 percentage points in the 12-month period ending December 2014, whilst GO's market share fell by 0.2 percentage points.

The remaining operators accounted for a combined market share of 1.5% at the end of 2014, down by 0.4 percentage points from 1.9% at the end of the previous year.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone	IP-based ISPs
End of 2014	48.59%	49.88%	0.05%	0.25%	0.14%	0.99%	0.09%
End of 2013	48.80%	49.30%	0.02%	0.28%	0.13%	1.35%	0.13%
End of 2012	49.89%	47.71%	0.02%	0.29%	0.13%	1.79%	0.18%

Figure 5: Market shares in terms of fixed broadband subscriptions as at end of period

3.4. Pay TV

Over the 12-month period ending December 2014, GO continued improving its market share, which was up by 1.4 percentage points to 47.2% from 45.8% at the end of 2013. On the other hand, Melita's market share was down by the same margin of GO's gains, from 54.2% at the end of 2013 to 52.8% at the end of last year⁸.

Market shares	GO	Melita
End of 2014	47.16%	52.84%
End of 2013	45.83%	54.17%
End of 2012	44.71%	55.29%

Figure 6: Market shares in terms of pay TV subscriptions as at end of period

⁸ As at the end of 2014, Melita's digital and analogue cable pay TV platforms accounted for 48.2% and 4.6% of the local pay TV subscriber base respectively.

4. Fixed line telephony

Fixed line telephony experienced a further dip in its performance in 2014, with a drop in service take-up and communication levels slipping to their lowest level ever.

Taking into account the latter half of 2014, subscriber numbers at the end of the period were 0.4% lower than a year earlier. In absolute terms, the number of subscriptions was down by 970, with the number of post-paid subscriptions increasing by 14,026 (or 7.3%) and pre-paid subscriptions decreasing by 14,976 (or 40.7%). This shift materialised because of local service providers embarking on a plan to move subscribers on a pre-paid plan onto a post-paid contract and to disconnect pre-paid connections that were inactive for a long period.

Fixed line traffic volumes in the second half of 2014 were also down when compared to the same period a year earlier. Fixed line-originated traffic volumes were down considerably, with the number of voice calls decreasing by almost 6.0 million (or 6.9%) and the number of voice call minutes falling by 17.3 million (or 5.8%).

Some other relevant considerations at this stage are the following:

- Consumer demand for bundled services continues to strengthen. In line with this development, the number of fixed line subscriptions purchased in a bundle reported at the end of 2014 was up by 20,290 (or by 20.8%) when compared to the same period a year earlier.
- Fixed voice telephony ARPU in the second half of 2014 was down by 3.2% when compared to the same period a year earlier, from €80.04 to €77.50, due to falling voice traffic volumes.

4.1. Subscriptions

The number of fixed line telephony subscriptions totalled 230,361 as at the end of 2014. This figure encompasses 205,837 post-paid subscriptions; 21,812 pre-paid subscriptions and 2,712 enhanced subscriptions⁹.

⁹ *Standard fixed line subscriptions refer to subscriptions offering a single fixed line telephony connection. Enhanced fixed line subscriptions encompass those subscriptions offering multiple channel (dual or more) fixed telephony connections.*

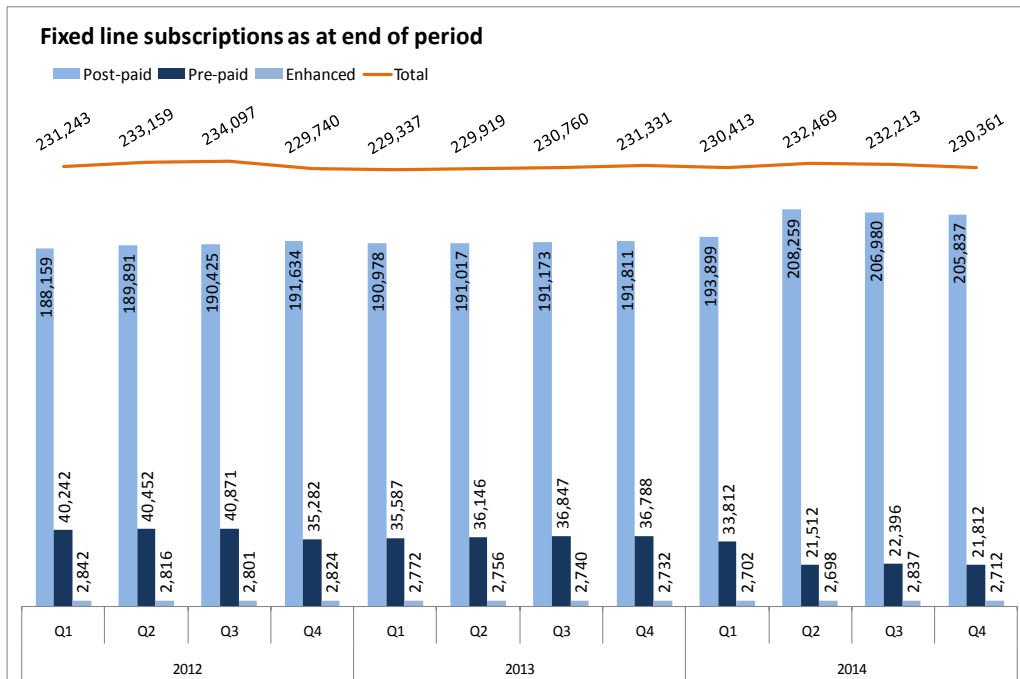


Figure 7: Fixed line telephony subscriptions as at end of period

Subscriptions by category: post-paid; pre-paid and enhanced subscriptions

The number of fixed line telephony subscriptions as at the end of the current reporting period was down by 970 (or 0.4%) when compared to the end of 2013. This is a result of a drop in subscriptions for the pre-paid segment and the enhanced segment of the market that was not matched by a comparable increase in subscriptions reported under the post-paid segment.

The number of post-paid subscriptions at the end of 2014 totalled 205,837. This figure is up by 14,026 (or 7.3%) when compared to that reported at the end of 2013. On the other hand, the number of pre-paid subscriptions fell by 14,976 (or 40.7%) during the same period, from 36,788 to 21,812. Meanwhile, the number of enhanced subscriptions was down by 20 (or 0.7%) to 2,712 at the end of last year.

At the end of 2014, 89.4% of fixed line telephony subscriptions were on a post-paid contract, which represents a 6.4 percentage point increase compared to 82.9% recorded at the end of 2013. Meanwhile, pre-paid subscriptions accounted for 9.5% of the local fixed voice telephony subscriber base (down from 15.9%) and enhanced subscriptions accounted for an unchanged 1.2% of the local subscriber base.

Subscriptions on a bundle

Table 6 shows that the prevalence of bundled purchases for fixed voice telephony services strengthened in the period under review. In fact, 57% of all post-paid fixed line subscriptions reported as at the end of last year were purchased in combination with some other electronic communications service¹⁰. This figure was up by 6.4 percentage points when compared to the end of .

¹⁰ Locally, only fixed line subscriptions on a post-paid contract can be purchased in a bundle with other electronic communications services.

Post-paid fixed telephony subscriptions on a bundle	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fixed telephony subscriptions on dual play contract	33,810	34,641	35,290	35,521	34,167	33,056	33,329	33,715	39,879	39,137	45,608	47,948
Fixed telephony + mobile telephony	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443	12,890	13,427	12,061	11,112
Fixed telephony + fixed broadband	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349	17,222	15,979	26,633	29,890
Fixed telephony + pay TV	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923	9,767	9,731	6,914	6,946
Fixed telephony subscriptions on triple play contract	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376	21,903	22,477	25,169	25,490
Fixed telephony + fixed broadband + mobile telephony	304	437	405	-	361	344	325	289	263	312	227	620
Fixed telephony + fixed broadband + pay TV	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087	21,640	22,165	24,942	24,870
Fixed telephony subscriptions on quad play contract	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Fixed telephony + fixed broadband + pay TV + mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Fixed telephony subscriptions on a bundle	80,798	83,462	85,458	85,898	84,861	89,854	93,318	97,577	104,718	105,683	114,543	117,867
Number of post-paid fixed telephony subscriptions as at end of period	188,159	189,891	190,425	191,634	190,978	191,017	191,173	191,811	193,899	208,259	206,980	205,837
Percentage of post-paid fixed telephony subscriptions on a bundle	42.94%	43.95%	44.88%	44.82%	44.43%	47.04%	48.81%	50.87%	54.01%	50.75%	55.34%	57.26%

Table 6: Fixed line post-paid subscriptions on a bundled offer¹¹

In absolute terms, the number of post-paid subscriptions in a bundle increased by 20,290 (or 20.8%) from 97,577 at the end of 2013 to 117,867 at the end of 2014.

4.2. Fixed line inward portings

The number of fixed line inward portings¹² recorded in the second half of 2014 totalled 713, down by 8.1% from 776 reported in the second half of 2013.

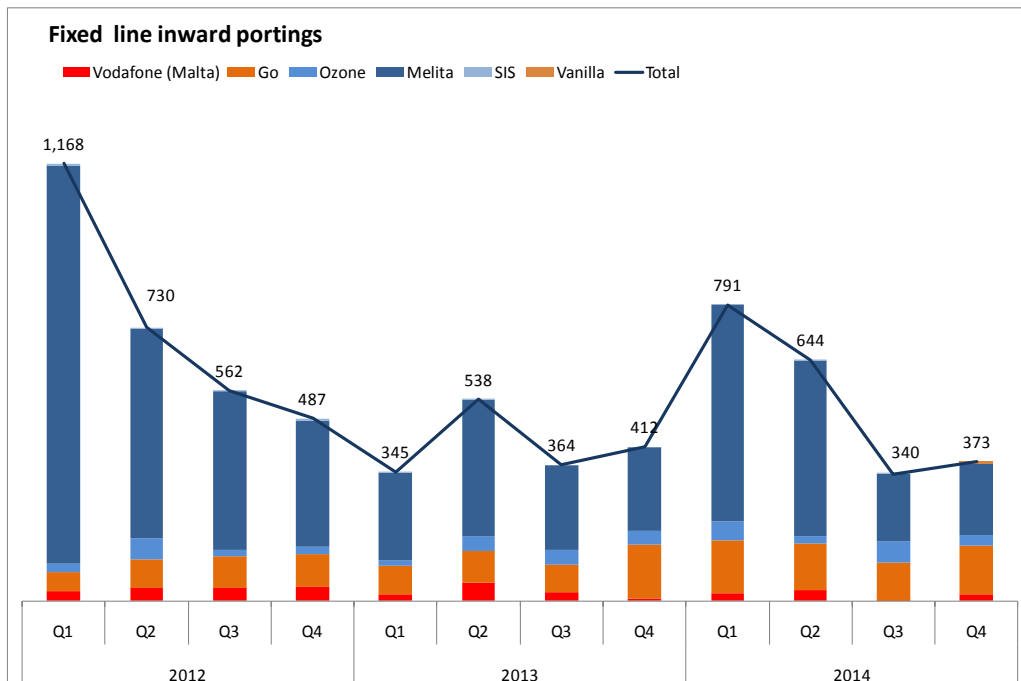


Figure 8: Fixed line number portability - number of inward portings

Melita and GO accounted for 85% of all inward portings reported in the second half of last year. However, market share developments for the different operators indicate that fixed line portability during this period was mainly driven by end-users switching from GO to alternative service providers, most notably Melita and to a much lesser extent to Ozone (Malta) and Vodafone (Malta).

¹¹ See Footnote 6, page 8.

¹² The term 'fixed line inward portings' refers to the total number of subscribers that switch from a fixed line operator to another whilst keeping the same number. Figures presented above only take into account inward portings.

On an operator level, Melita registered 374 inward portings, followed by GO, which recorded 234 inward portings, Ozone (Malta) and Vanilla Telecoms reported 81 and 4 inward portings respectively and SIS recorded one inward porting.

4.3. Usage trends for fixed line telephony

Whilst Maltese consumers generally retain their fixed line telephony service despite the high penetration of mobile, their usage of fixed voice telephony continues to fall, as confirmed by the shift in calls and minutes from fixed to mobile.

In fact, fixed line traffic volumes in the second half of 2014 were down significantly when compared to the same period a year earlier. The number of landline calls was down by almost 6.0 million (or 6.9%), from 86.8 million to 80.8 million. Meanwhile, the number of fixed line voice call minutes was also down, in this case by 17.3 million (or 5.8%), from 297.4 million to 280.1 million.

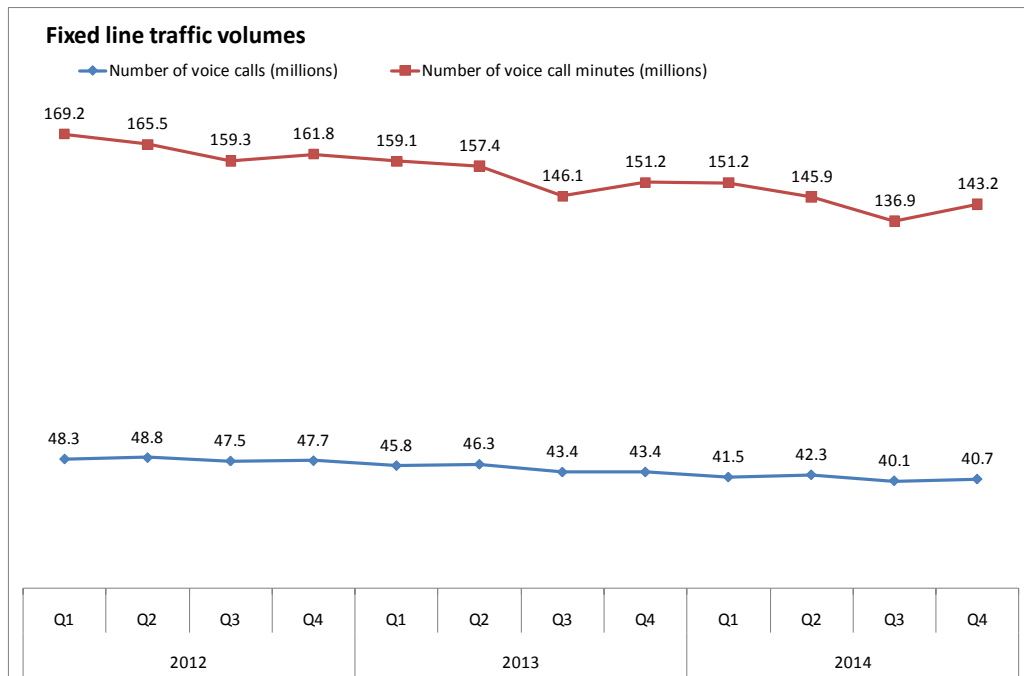


Figure 9: Voice traffic originating from local fixed line networks

Total fixed line traffic volumes referred to in Figure 9 encompass the national voice traffic segment and the international voice traffic segment. The former refers to volumes of fixed voice calls and voice minutes originated and terminated in Malta, whilst the latter traffic segment refers to volumes of fixed voice calls and voice minutes originated locally and terminated in a foreign territory.

4.1.1 National voice traffic volumes

In the second half of 2014, fixed line telephony users made 78.1 million national voice calls corresponding to 263.6 million national voice call minutes. This translates into approximately 338 national voice calls and 1,139 national voice call minutes per active user during this period.

National voice calls

The number of national fixed line voice calls in the second half of 2014 totalled 78.1 million, down by 6.8% from 83.8 million in the corresponding period a year earlier.

A further drill down of these figures would show that nearly all components of this fixed voice traffic segment registered a decline in volumes.

The number of on-net FTF calls fell by 4.7 million (or 10.2%), from 45.9 million in the second half of 2013 to 41.2 million in the second half of 2014. At the same time, the number of off-net FTF calls dropped by 0.9 million (or almost 5.0%), from 18.0 million to 17.1 million, and the number of FTM calls dipped by 0.2 million (or 1.3%), from 18.4 million to 18.1 million.

Period	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
National voice calls	46,503,940	46,749,484	45,443,301	45,628,883	43,965,765	44,264,324	41,876,387	41,918,020	40,114,911	40,946,973	38,710,298	39,412,349
Fixed-to-fixed calls	35,827,180	35,279,547	34,014,776	34,599,702	34,183,067	33,799,009	31,752,924	32,159,474	31,064,896	30,764,696	28,701,792	29,631,324
on-net	26,181,332	25,586,572	24,573,019	24,980,563	24,401,710	24,249,507	22,821,125	23,047,789	22,327,576	21,692,560	20,192,681	20,994,566
off-net	9,645,848	9,692,975	9,441,757	9,619,139	9,781,357	9,549,502	8,931,799	9,111,685	8,737,320	9,072,136	8,509,111	8,636,758
Fixed-to-mobile calls	9,973,948	10,718,661	10,684,728	10,232,748	9,057,253	9,631,582	9,373,445	8,988,942	8,357,792	9,186,042	9,194,214	8,933,767
Other voice calls	702,812	751,276	743,797	796,433	725,445	833,733	750,018	769,604	692,223	996,235	814,292	847,258

Table 7: Outgoing fixed line traffic - number of national voice calls

The 'other' national calls component¹³ has again witnessed an increase in traffic volumes, with the number of calls in the second half of 2014 totalling 1.7 million up from 1.5 million in the same period a year earlier.

National voice call minutes

In terms of national voice call minutes, overall traffic volumes were down by 17.3 million (or 5.6%), from 279.6 million minutes in the second half of 2013 to 263.6 million minutes in the second half of last year.

Again, all national traffic components except for 'other' national voice call minutes in the second half of 2014 were down when compared to the corresponding period a year earlier. On-net FTF traffic minutes were down by 14.2 million (or almost 8.0%), from 177.3 million to 163.1 million; off-net FTF minutes were down by 1.9 million (or 2.7%), from 70.7 million to 68.8 million, and FTM minutes were marginally down by 73,913 (or 0.3%).

Period	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
National voice call minutes	158,897,034	155,123,971	148,789,804	151,784,220	149,754,188	147,998,669	137,304,832	142,323,380	142,765,157	137,603,376	128,613,648	134,955,071
Fixed-to-fixed minutes	142,054,147	137,094,161	130,613,939	134,320,578	134,410,908	131,297,327	121,296,565	126,748,779	128,124,234	121,557,816	112,801,555	119,175,341
on-net	103,116,366	98,893,782	93,707,176	96,301,841	95,857,918	93,801,281	86,741,632	90,554,881	92,294,949	85,769,376	79,000,934	84,133,973
off-net	38,937,780	38,200,379	36,906,762	38,018,737	38,552,990	37,496,046	34,554,933	36,193,899	35,829,285	35,788,440	33,800,621	35,041,369
Fixed-to-mobile minutes	15,316,902	16,245,293	16,341,011	15,740,874	13,693,138	14,838,438	14,210,088	13,731,173	12,798,356	14,094,019	14,087,846	13,779,503
Other call minutes	1,525,985	1,784,518	1,834,854	1,722,768	1,650,142	1,862,904	1,798,179	1,843,427	1,842,567	1,951,541	1,724,248	2,000,227

Table 8: Outgoing fixed line traffic - number of national voice call minutes

Meanwhile, 'other' national minutes were up by 82,869 (or 2.3%), from 3.6 million to 3.7 million.

4.1.2 International voice traffic volumes

During the second half of 2014, fixed line telephony users made 2.7 million fixed-to-international (FTI) voice calls and 16.5 million fixed-to-international voice call minutes. This translates into approximately 12 international voice calls and around 71 international voice call minutes per active user during this period.

Compared to the second half of 2013, the number of fixed-to-international (FTI) voice calls was down by 0.3 million (or 10.2%), whilst the number of international voice call minutes was down by 1.3 million (or 7.1%).

4.4. Activity levels and call duration

During the period under review, the rate of decline with respect to fixed voice traffic volumes was stronger than the rate of decline for fixed telephony subscriptions. As a result, the activity levels for the sector (i.e.

¹³ This traffic component includes freephone calls, premium calls and payphone calls.

call volumes per active fixed line subscription) in the second half of 2014 were weaker than recorded in the second half of 2013.

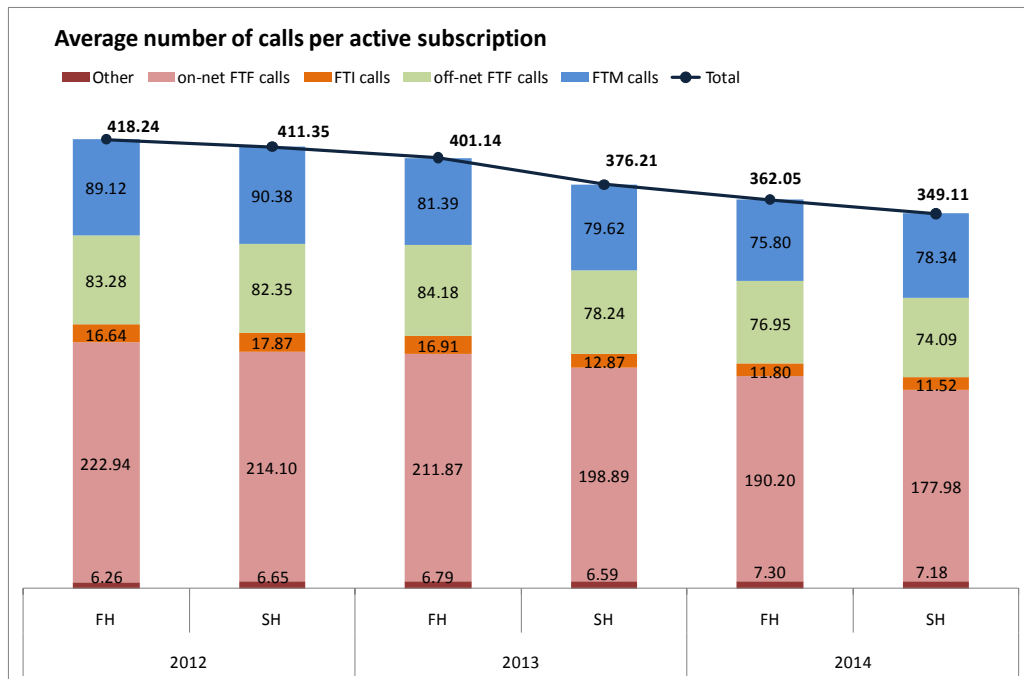


Figure 10: Average number of calls per active subscription

Figure 10 illustrates that each active fixed line subscription accounted for an average of around 349 calls in the second half of 2014¹⁴, down from around 362 in the second half of the previous year. This downward move is explained by a drop in both on-net FTF and off-net FTF traffic volumes, although volumes were also down for FTM and FTI traffic.

¹⁴ Total depicted in Figure 10 includes the number of *other calls* (which encompasses premium, freephone, and Internet calls) per active subscription.

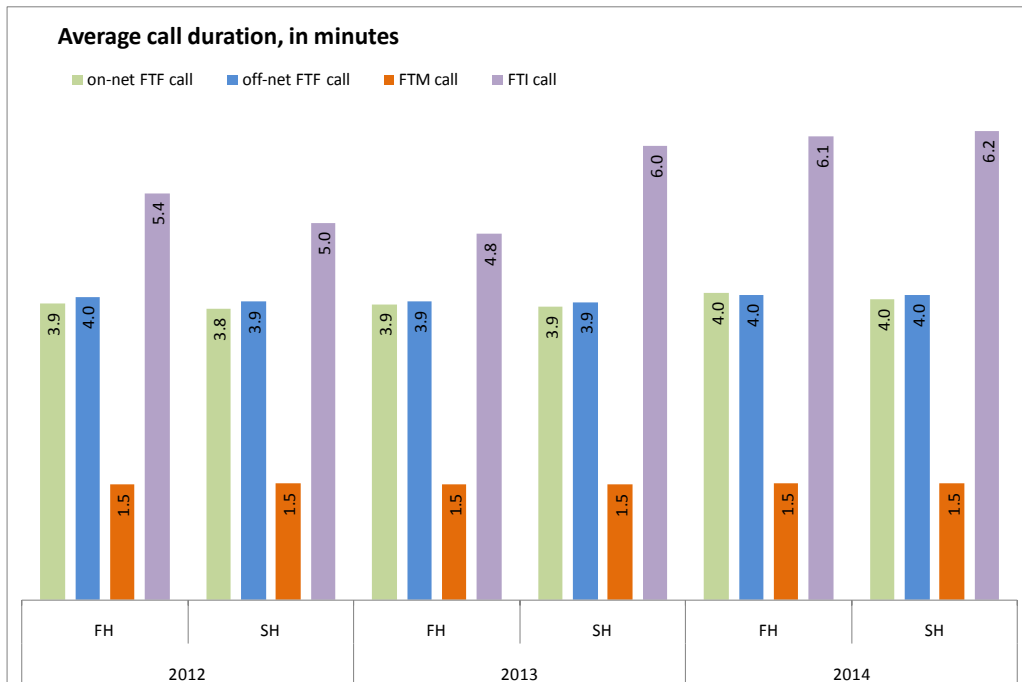


Figure 11: Average duration of an outgoing fixed line call

The duration of an outgoing fixed line call on average stood at 3.5 minutes (or 3 minutes and 30 seconds) during the second half of 2014, marginally higher than 3.4 minutes in the second half of 2013.

As to the average length of fixed line calls according to type, Figure 11 illustrates that the average duration of a FTI call stood at around 6 minutes in the second half of 2014, compared to 1 minute and 30 seconds for a FTM call. On-net FTF calls and off-net FTF calls on average lasted four minutes during the same period.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector for the second half of 2014 stood at €77.50. This is lower than that observed in the second half of the previous year, which stood at €80.04.

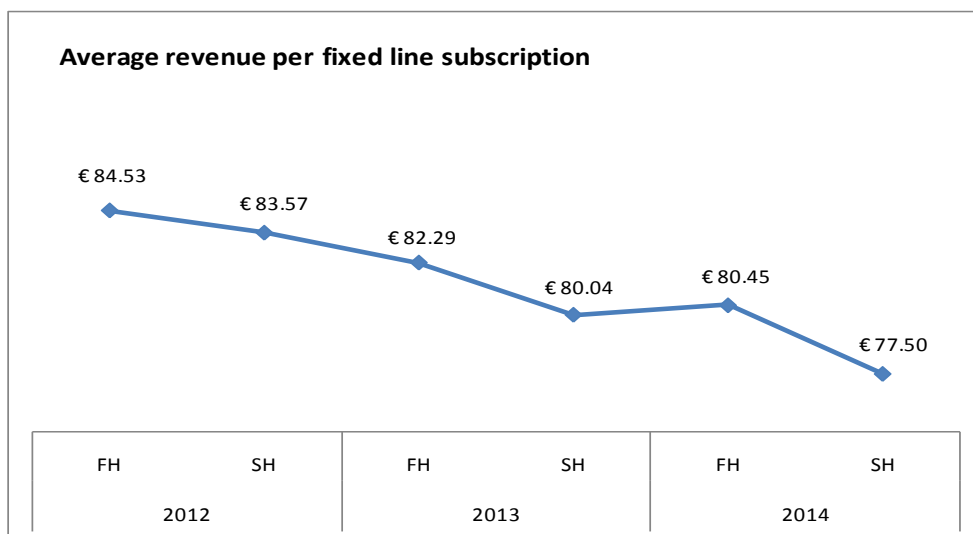


Figure 12: Average revenue per fixed line user

This decline in ARPU may be attributed to discounts availed by the end-user when purchasing fixed telephony as part of a bundle, free minute allowances and the trend to shift voice usage away from fixed to mobile.

Methodology used in deriving fixed ARPU figures

Fixed ARPU figures are derived by dividing the total revenues of service providers by the average number of active subscribers, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from access;
2. revenues from all local and international voice call activity (incl. freephone & premium call activity); and
3. revenues from 'other' activity as specified by the operator.

The average number of active subscribers during a given period corresponds to the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the same period, divided by two.

4.6. Average rate per minute of fixed line communications

Revenue-based figures in Figure 13 show that the ARPM of an on-net FTF call and off-net FTF call stood at €0.01 in the second half of 2014, unchanged from the prevailing rate in the second half of 2013¹⁵.

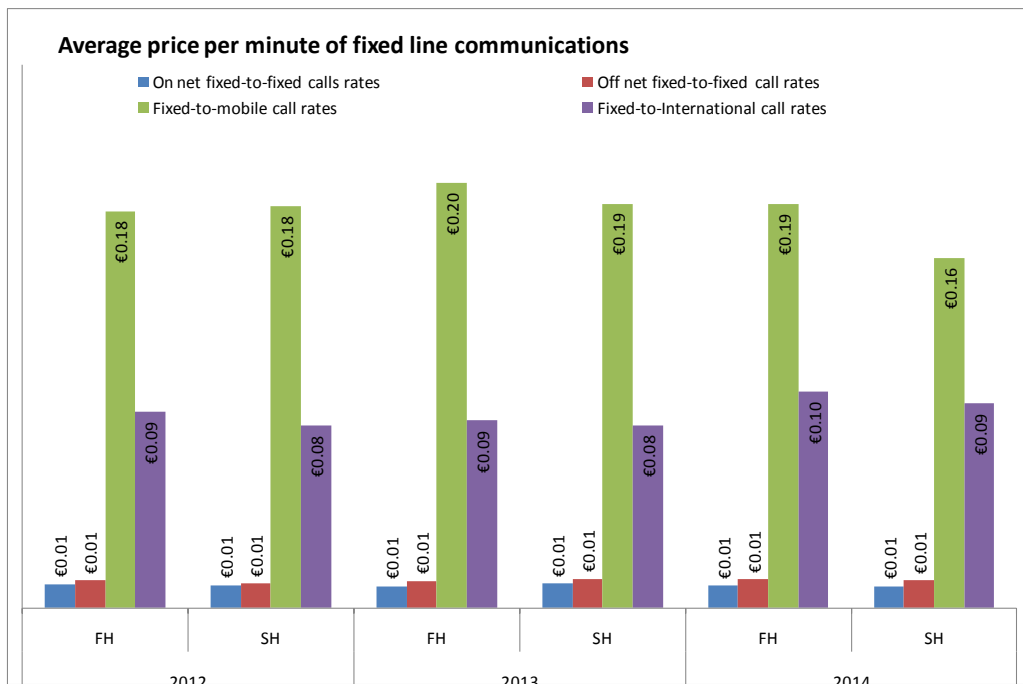


Figure 13: Average cost of a fixed line call derived from revenue-based workings

The ARPM of a FTM call was however lower in the second half of 2014 when compared to the second half of 2013, down from €0.19 to €0.16. On the other hand, the ARPM of a FTI call increased slightly, from €0.08 in the second half of 2013 to €0.09 in the second half of last year.

¹⁵ Workings do not take into account free phone calls, premium calls and payphone calls.

Methodology used in deriving fixed ARPM figures

The average rate per minute of fixed line communications is derived by subdividing voice traffic revenues, but excluding revenues from access fees, VAT and excise tax, by the number of minutes reported under each respective heading.

Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It is also noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled offers and cheaper call rates on weekends. This would affect the outcome for the average rate per minute of fixed line communications.

5. Mobile telephony

End-users continue changing their voice usage patterns rapidly, with a steep rise observed for mobile voice traffic volumes in contrast to declining SMS and MMS traffic volumes and falling fixed telephony usage levels.

Overall, however, the number of active mobile telephony subscriptions was down by 10,438 (or by 1.9%) at the end of 2014 compared to 12 months earlier. The mobile penetration rate stood at 127.4% at the end of last year¹⁶.

It is of also of note here that the proportion of mobile subscriptions purchased in a bundle with other electronic communications services remains far lower than the proportion observed for fixed telephony. In fact, only 10.6% of local mobile subscriptions were bundled with some other electronic communications service at the end of December 2014. This is just 0.6 percentage points higher than December 2013, in contrast to fixed telephony, which experienced a jump of 6.4 percentage points in the proportion of subscriptions purchased in a bundle. Previous CMR publications have already underlined that this low take-up of mobile subscriptions on a bundle is mainly a result of service providers typically marketing optional free mobile minute allowances as an add-on to existing dual play and triple play bundle offers, rather than combining mobile access in the final price of the bundle. Furthermore, end-users are likely to consider mobile telephony as a personal service rather than being a household service.

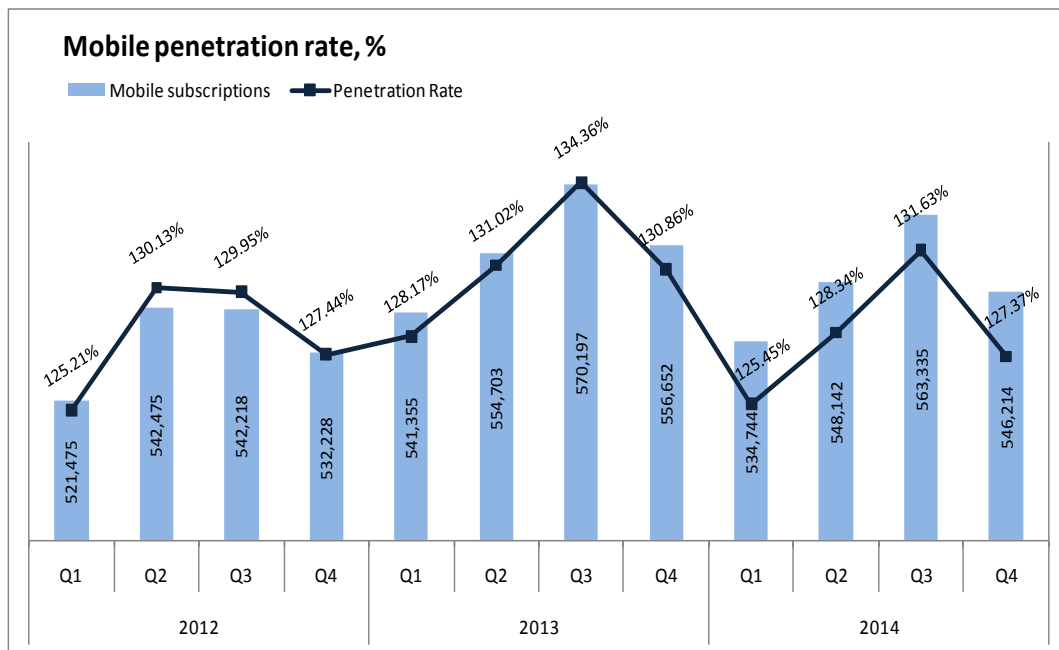


Figure 14: Mobile penetration in Malta

Fixed-to-mobile (FTM) substitution became more evident over the last few years, because of end-users moving more calls and minutes from their landline to mobile. Figure 15 illustrates that the number of mobile-originated voice call minutes has been exceeding the number of fixed-originated voice call minutes since Q2 2013¹⁷. The gap between the two has continued to widen in the second half of 2014, as mobile telephony registered additional gains in voice traffic volumes in contrast to fixed telephony.

¹⁶ The mobile penetration rate corresponds to the proportion of Malta’s population owning an active SIM card.

¹⁷ It is also relevant to underline here that the number of mobile-originated voice calls has also been exceeding the number of fixed line-originated voice calls for the last few years.

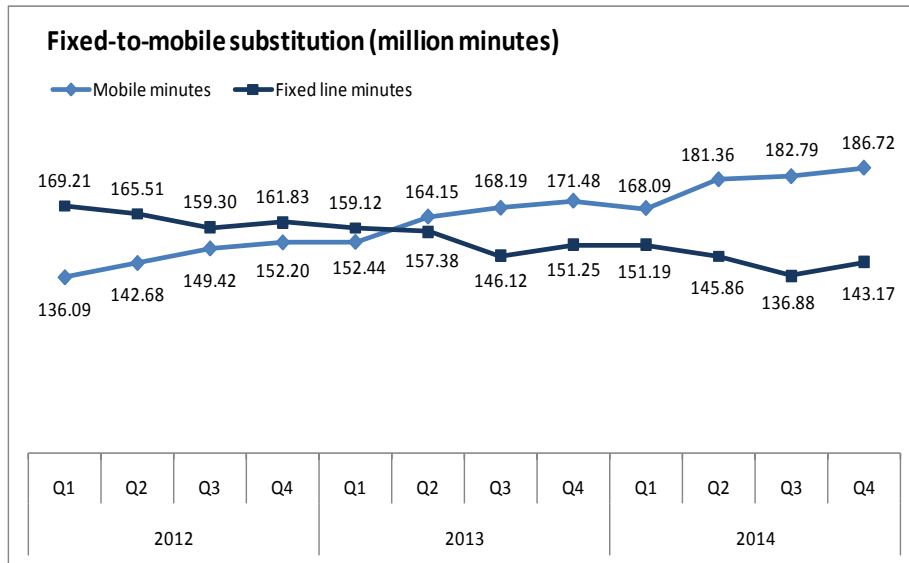


Figure 15: Fixed-to-mobile substitution

Various factors contribute to the persistent FTM substitution trends observed in Figure 15 above. Apart from changing consumer preferences and mobility issues, mobile voice telephony services are becoming less expensive for the end-user particularly as service providers offer calling plans that allow for free on-net calling and other free minute allowances, along with occasional promotional discounts. Higher demand for mobile broadband data services also contributes to the increasing popularity of mobile telephony.

There was a substantial increase in mobile voice traffic volumes in the second half of 2014 compared to the same period a year earlier. The number of mobile voice calls was up by 10.5 million (or by 4.1%) and the number of mobile voice call minutes jumped by 29.8 million (or by 8.8%). The growth rate for traffic volumes coincided with a drop in subscriptions and, as a result, activity levels per subscription strengthened. The average number of mobile voice calls per subscription went up to 487 in the second half of 2014 from 460 in the second half of 2013. Meanwhile, the average number of mobile voice call minutes per subscription jumped from 611 in the second half of 2013 to around 667 in the second half of last year.

Despite the fact that mobile call rates and SMS rates have generally become less expensive, the sector experienced higher ARPU in the second half of 2014 compared to the same period a year earlier. This is because the mobile telephony sector is most likely experiencing improved revenues from a higher take-up of post-paid plans (even as existent subscribers migrate from pre-paid to post-paid plans) and increased spending on mobile broadband connectivity services.

5.1. Subscriptions

The number of active mobile subscriptions¹⁸ totalled 546,214 as at the end of 2014¹⁹, down from 556,652 a year earlier²⁰. This development came about because of a decline in pre-paid subscriptions outweighing the increase in post-paid subscriber numbers.

¹⁸ The number of active mobile subscriptions refers to the number of subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for pre-paid connections and within 30 days of the period stipulated for post-paid connections.

¹⁹ In terms of activity over the 2G and 3G network, 62.3% of all active mobile subscriptions at the end of 2014 registered activity over the 3G network.

Subscriptions by category: post-paid vs. pre-paid

There were 413,754 pre-paid mobile subscriptions (equivalent to 75.8% of the total) at the end of the current reporting period, down by 21,221 (or by 4.9%) from 434,975 a year earlier. Although this decline has much to do with a change in the methodology implemented by one of the largest local service providers when compiling subscription numbers, migration of existent subscribers from pre-paid to post-paid plans has also contributed to this outcome.

The number of post-paid mobile subscriptions stood at 132,460 (equivalent to 24.3% of the total) at the end of 2014, up by 10,783 (or by 8.9%) from 121,677 a year earlier.

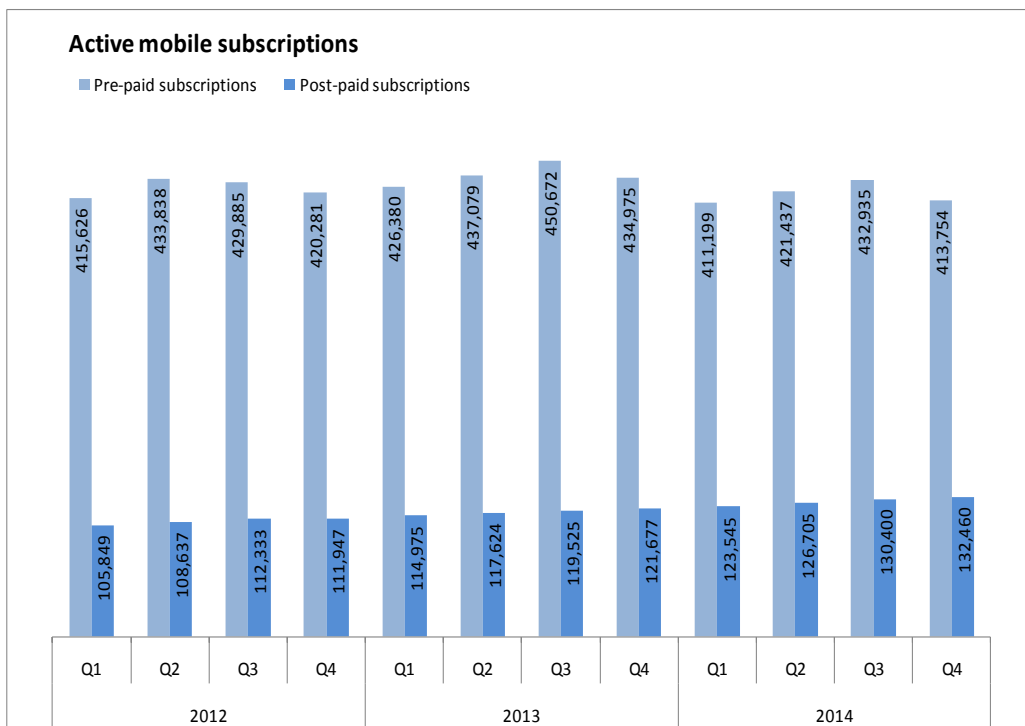


Figure 16: Mobile telephony subscriptions as at end of period

Subscriptions on a bundle

As to the number of mobile subscriptions purchased by the end-user in combination with other electronic communications services, Table 9 illustrates that these increased by 943 (or 1.7%) in the 12-month period to December 2014. The proportion of mobile subscriptions on a bundle stood at 10.6% at the end of the current reporting period.

The incidence of recording activity over the 3G network is more likely amongst post-paid subscriptions. In fact, as at the end of the reporting period, 61.0% of all pre-paid subscriptions reported activity over the 3G network compared to 72.9% of post-paid subscriptions.

²⁰ See footnote 16 on page 22.

Mobile telephony subscriptions on a bundle	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mobile telephony subscriptions on dual play contract	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443	12,890	13,427	12,061	11,112
Mobile telephony + fixed telephony	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443	12,890	13,427	12,061	11,112
Mobile telephony subscriptions on triple play contract	304	437	405	-	361	344	325	289	263	312	227	620
Mobile telephony + fixed telephony + fixed broadband	304	437	405	-	361	344	325	289	263	312	227	620
Mobile telephony subscriptions on quad play contract	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Mobile telephony + fixed telephony + fixed broadband + p	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Mobile telephony subscriptions on a bundle	50,610	52,194	53,495	54,150	54,208	53,839	54,470	55,218	56,089	57,808	56,054	56,161
Number of mobile telephony subscriptions as at end of period	521,475	542,475	542,218	532,228	541,355	554,703	570,197	556,652	534,744	548,142	560,458	532,322
Percentage of mobile telephony subscriptions on a bundle	9.71%	9.62%	9.87%	10.17%	10.01%	9.71%	9.55%	9.92%	10.49%	10.55%	10.00%	10.55%

Table 9: Mobile subscriptions on a bundled offer²¹

5.1. Mobile inward portings

There were 16,425 mobile inward portings²² in the second half of 2014, down by 5,403 (or 24.8%) compared to the second half of 2013. This means that approximately three out of every 100 subscribers have switched mobile operator in the current reporting period. As to the reason why there were less inward portings in the second half of 2014 compared to the second half of 2013, it is considered that end-users today are getting used to the idea of having multiple subscriptions rather than opting to switch, even though switching is a relatively easy, fast and hassle free exercise.

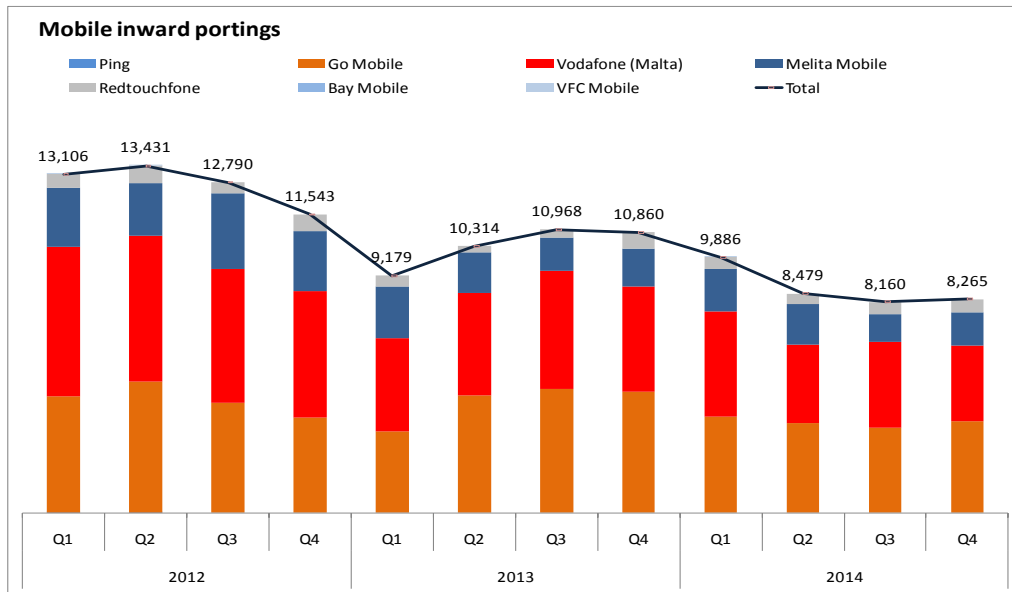


Figure 17: Mobile number portability - number of mobile portings

At an operator level, Go Mobile accounted for 41.5% of all mobile inward portings reported in the second half of 2014, closely followed by Vodafone (Malta) at 38.1% and Melita Mobile at 14.4%. Redtouchfone accounted for approximately 6.0% of all mobile inward portings reported in the period under consideration.

5.2. Usage trends for mobile telephony

Usage of mobile voice telephony services registered a notable increase in the second half of 2014, when compared to the same period a year earlier. On the other hand, SMS and MMS traffic volumes were down.

²¹ See footnote 6, page 8.

²² This term corresponds to the total number of mobile users that switch their subscription from one operator to another, whilst keeping the same number. Figures presented above only take into account the number of mobile inward portings.

Voice calls

The number of mobile voice calls in the second half of 2014 amounted to 266.3 million, which is up by 10.5 million (or 3.5%) from 255.8 million in the second half of 2013.

All traffic segments registered increases. The number of on-net MTM calls was up by 4.4 million (or 2.5%), from 178.7 million calls in the second half of 2013 to 183.1 million in the second half of last year.

The number of off-net MTM calls went up by 4.8 million (or 8.8%), from around 54.7 million in the second half of 2013 to 59.5 million in the same period of 2014, and the number of mobile-to-fixed (MTF) calls was also up by 0.7 million (or 3.6%), from 18.5 million to 19.2 million.

Voice Calls	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
National voice calls	82,249,683	85,989,486	97,358,461	101,317,479	98,435,597	120,435,805	127,420,905	124,442,365	118,157,887	129,503,497	131,964,914	129,824,078
Mobile-to-mobile calls	73,172,739	76,837,842	87,576,347	91,534,936	89,601,938	111,445,221	118,141,811	115,228,946	109,266,452	119,951,796	122,416,930	120,207,890
on-net	48,469,739	51,545,062	60,743,306	66,054,869	64,718,875	84,080,806	90,406,898	88,267,645	83,438,927	90,849,880	92,543,201	90,560,765
off-net	24,703,000	25,292,780	26,833,041	25,480,067	24,883,063	27,364,415	27,734,913	26,961,301	25,827,525	29,101,916	29,873,729	29,647,125
Mobile-to-fixed calls	9,076,944	9,151,644	9,782,114	9,782,544	8,833,659	8,990,584	9,279,094	9,213,419	8,891,435	9,551,701	9,547,984	9,616,188
International voice calls	1,429,648	1,693,002	1,943,803	938,121	1,658,582	1,859,182	1,973,322	1,971,399	1,697,894	2,026,277	2,283,297	2,192,194
Total voice calls	83,679,331	87,682,487	99,302,264	102,255,601	100,094,179	122,294,987	129,394,227	126,413,764	119,855,781	131,529,774	134,248,211	132,016,272

Table 10: Outgoing mobile traffic - number of voice calls

The number of MTI calls was also up in the second half of 2014 when compared to the same period a year earlier, in this case by 0.5 million (or by 13.5%).

Voice call minutes

Consistent with the increase in the number of mobile-originated calls, call minute volumes were also significantly higher. The number of mobile voice call minutes totalled 369.5 million in the second half of 2014, up by 29.8 million (or 8.8%) from 339.7 million in the second half of 2013.

Voice Minutes	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
National voice call minutes	162,583,808	170,390,548	177,171,336	179,175,816	179,413,877	194,795,478	199,543,457	203,211,380	200,054,352	217,472,182	220,257,859	225,436,122
Mobile-to-mobile minutes	146,310,499	153,399,054	159,068,809	161,627,533	161,515,331	176,692,316	181,014,780	184,477,277	181,785,585	198,461,196	200,847,222	205,281,063
on-net	116,046,299	121,334,177	126,460,541	129,908,021	130,224,947	141,389,160	144,761,526	147,916,452	145,314,072	157,029,661	157,699,146	161,140,066
off-net	30,264,200	32,064,877	32,608,268	31,719,512	31,290,384	35,303,156	36,253,254	36,560,825	36,471,513	41,431,535	43,148,076	44,140,997
Mobile-to-fixed minutes	16,273,309	16,991,494	18,102,527	17,548,282	17,898,546	18,103,161	18,528,677	18,734,102	18,268,767	19,010,986	19,410,637	20,155,058
International voice call minutes	3,774,590	4,358,344	4,859,104	4,747,563	4,316,574	4,662,666	4,901,370	4,827,419	4,509,624	5,316,272	5,683,009	5,420,715
Total voice call minutes	166,358,398	174,748,892	182,030,439	183,923,378	183,730,451	199,458,144	204,444,826	208,038,798	204,563,977	222,788,453	225,940,868	230,856,837

Table 11: Outgoing mobile traffic - number of voice call minutes

Disaggregating this increase by the type of traffic shows that on-net MTM minutes were up by 11.7 million (or by 5.3%); off-net MTM minutes were up by 14.5 million (or by 19.9%); MTF minutes were up by 2.3 million (or by 6.2%); and MTI minutes were up by 1.4 million (or 14.1%).

5.3. SMS and MMS activity levels

Whilst the volumes of mobile voice calls and minutes leapt up in the current review period, the amount of SMSs and MMSs went into reverse.

SMS traffic volumes

The number of outgoing text messages totalled 252.3 million in the second half of 2014, down by 34.9 million (or by 12.2%) from 287.2 million in the same period a year earlier²³.

This development is mainly attributable to a significant fall in the number of on-net SMSs, although other traffic segments registered declines as well.

²³ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

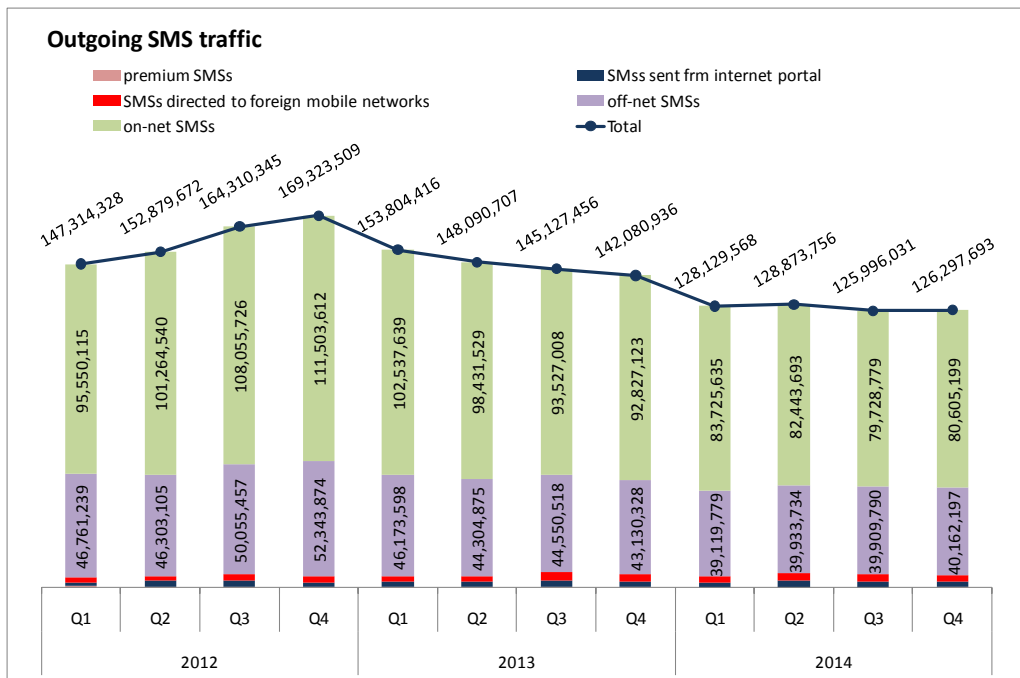


Figure 18: SMS activity - number of outgoing SMSs (1)

The number of on-net SMSs in the second half of 2014 totalled 160.3 million, down by 26.0 million (or by almost 14.0%) from 186.4 million in the second half of 2013. Meanwhile, the number of off-net SMSs was down by 7.6 million (or 8.7%) from 87.7 million to 80.1 million and the number of premium SMSs declined by 0.5 million (or 51.9%).

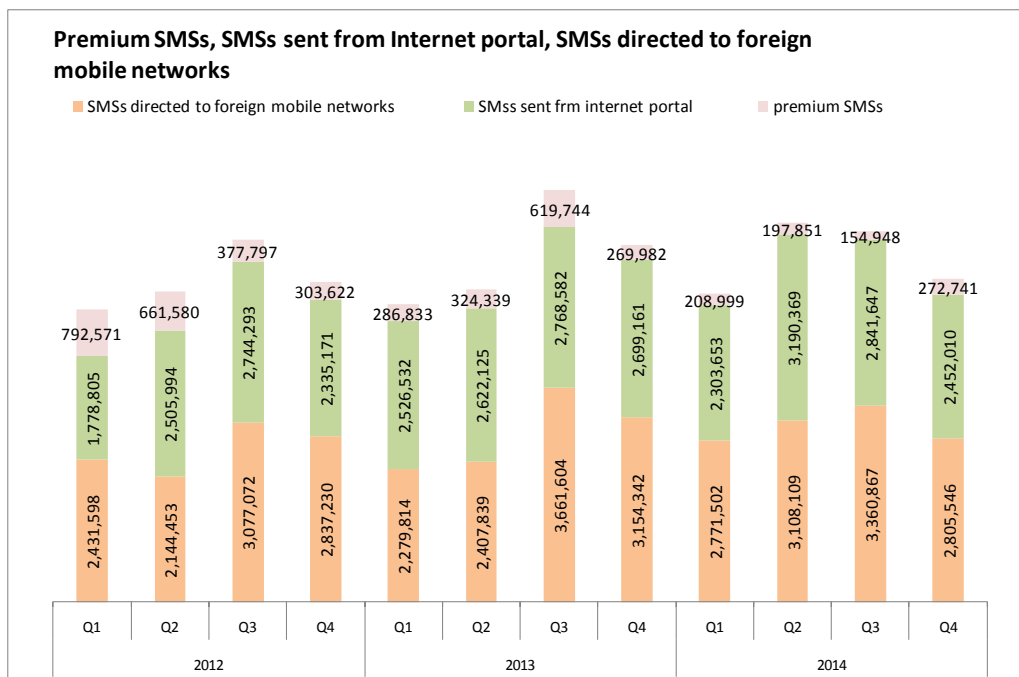


Figure 19: SMS activity - number of outgoing SMSs (2)

The number of SMSs directed to foreign mobile networks and SMSs sent from Internet portals registered declines as well. The former was down by 0.6 million (or by 9.5%), from 6.8 million in the second half of 2013 to 6.2 million in the second half of last year. The latter was down by 0.2 million (or by 3.2%), from 5.5 million to 5.3 million.

MMS traffic volumes

The number of MMSs in the second half of 2014 totalled 46,935. This figure is 56.5% lower than that recorded in the second half of 2013, when the number of MMSs totalled 107,954.

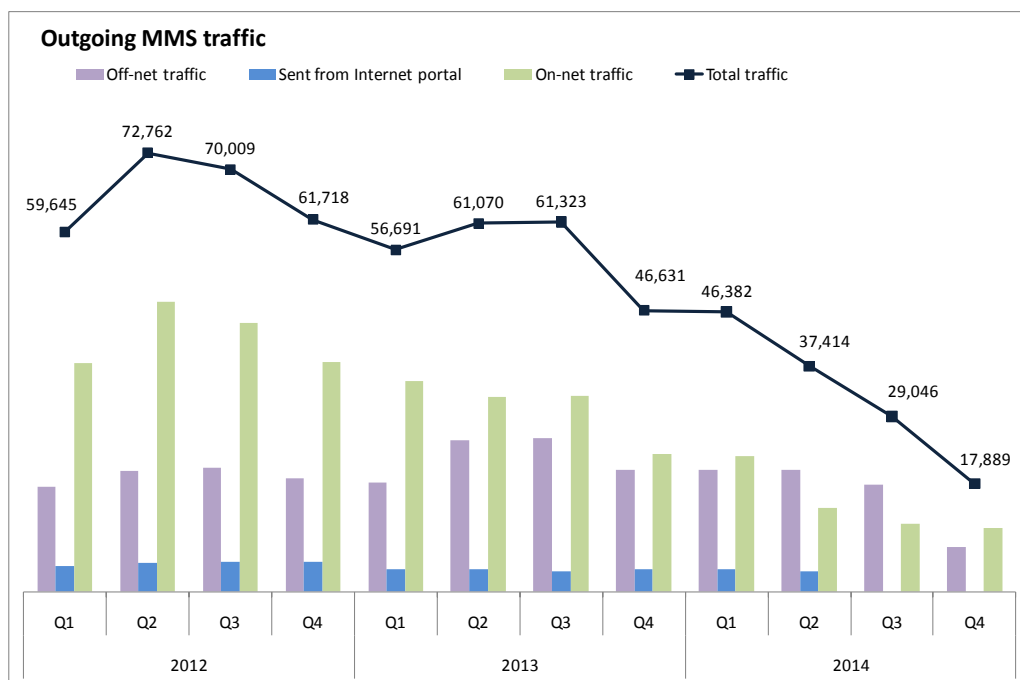


Figure 20: MMS activity - number of outgoing MMSs

5.4. Activity levels per mobile subscription

Developments in activity levels per mobile subscription depend on the rate of growth in traffic volumes and the change in the number of subscriptions.

Voice call activity levels per subscription

There was a considerable increase in voice traffic volumes during the period under review whilst subscriptions fell. As a result, the average number of voice calls per active subscription went up from around 460 in the second half of 2013 to around 487 in the second half of last year.

On-net traffic continued to represent the largest portion of voice call activity recorded by active mobile subscriptions. In this regard, the average number of on-net MTM calls per active subscription increased from around 322 in the second half of 2013 to 335 in the second half of 2014.

Meanwhile, the number of off-net MTM calls per active mobile subscription also went up from around 98 to 109, whilst the number of MTF calls per mobile subscription increased from 33 to 35.

A slight increase in activity levels was reported in terms of the number of MTI calls per active subscription, up from 7 in the second half of 2013 to 8 in the second half of 2014.

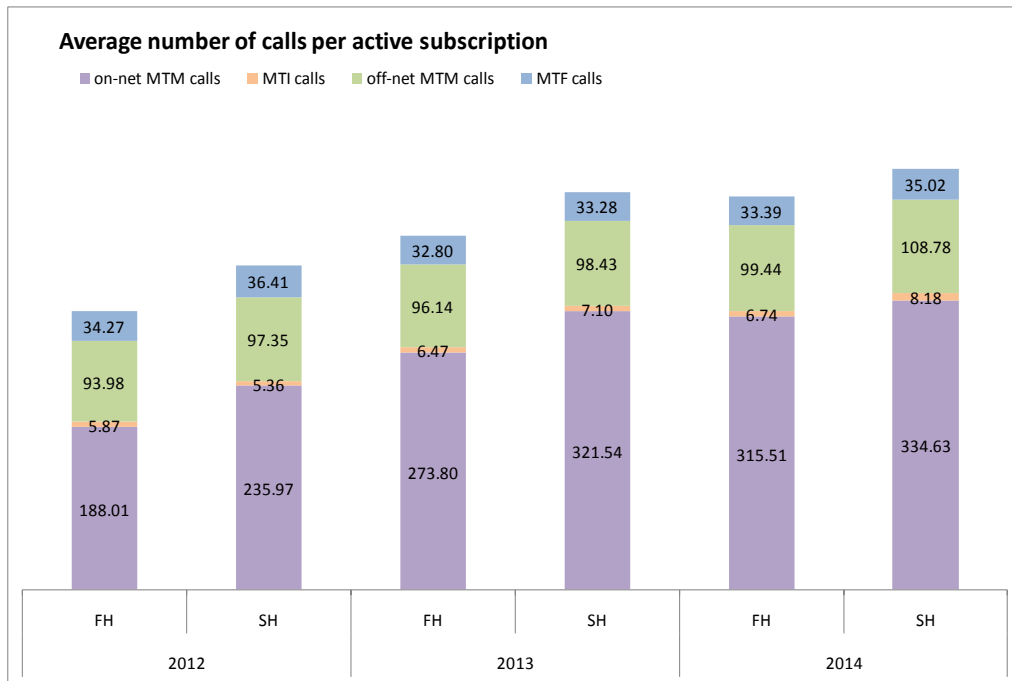


Figure 21: Average number of calls per active subscription

SMS activity levels per mobile subscription

SMS traffic volumes in the second half of 2014 declined considerably when compared to volumes reported in the same period a year earlier. In combination with the increase in mobile subscriptions, the decline in SMS numbers resulted in a drop in activity levels for this type of traffic per subscriber.

In fact, the number of SMSs per active subscription in the second half of 2014 amounted to 461, markedly lower than 517 in the second half of 2013. Figure 22 illustrates that each SMS traffic segment registered a fall in activity levels.

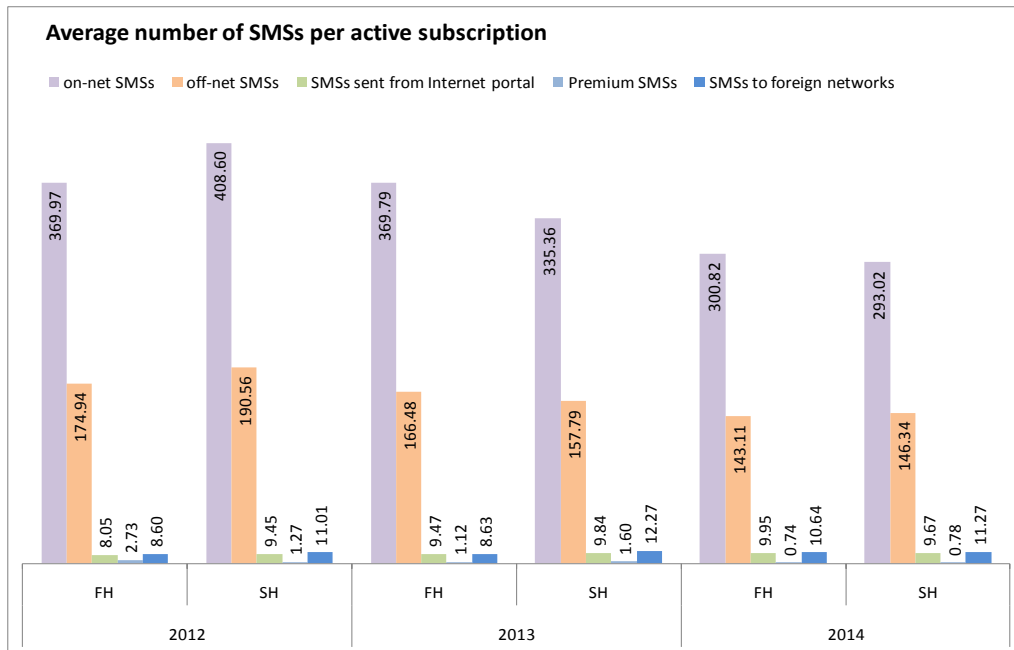


Figure 22: Subscriber activity - average number of SMSs per active subscription

As already observed in previous publications, this development mainly reflects the current shifts in consumer preferences, whereby end-users are increasingly making mobile-originated calls rather than texting a message, given the availability of cheaper call rates (especially on-net call rates) and the availability of free minute allowances.

5.5. Average mobile call duration

Mobile call rates and the availability of free minute allowances have a great impact on the duration of a mobile-originated voice call. For example, lower mobile call rates are likely to contribute to lengthier calling times. Nevertheless, this trend is not always as straightforward as it may sound given that there could be various factors that influence outcomes, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage. Cheaper call rates and free minute allowances may entice end-users, for example, to substitute SMSs with on-net MTM voice calls that are of a short duration.

Overall, average mobile call duration in the second half of 2014 was 1.4 minutes (or 84 seconds), which is slightly lengthier than 1.3 minutes (or 78 seconds) in the second half of 2013.

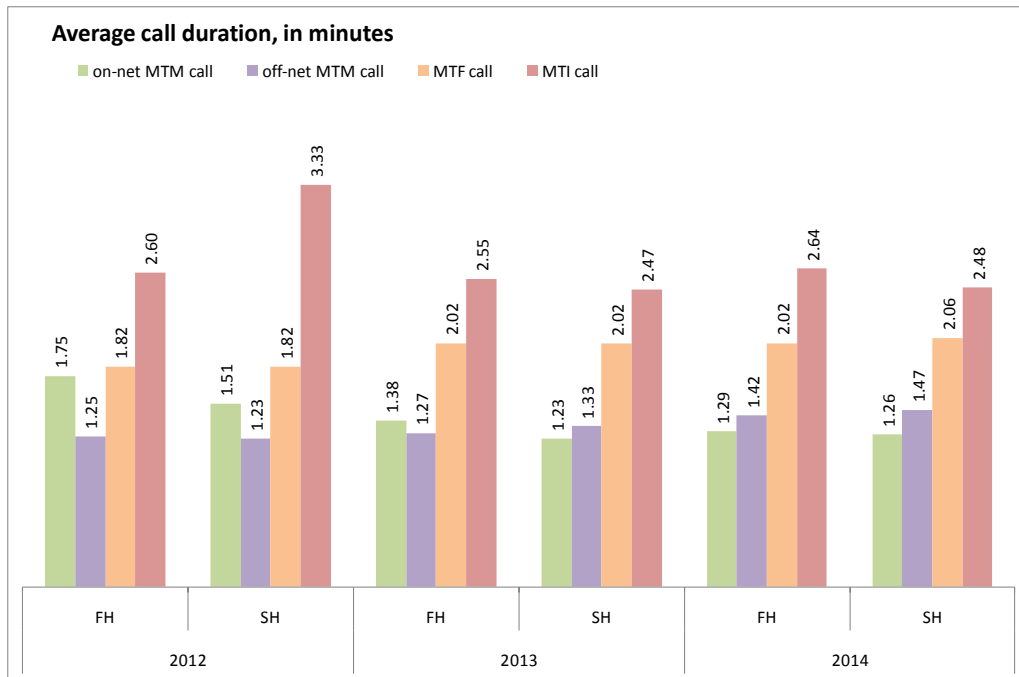


Figure 23: Average duration of an outgoing mobile call

This result keeps with the trend that has been observed for the last few years, mainly that the increasing availability of free minute allowances, and their extension to different types of mobile-originated calls, contributes to lengthening call conversations over mobile. Meanwhile, it is evident that many end-users are now using these free minute allowances to voice contact other people rather than using an SMS.

5.6. International roaming activity levels

The level of international roaming activity²⁴ depends on two main factors, namely the frequency and pattern of travel by end-users and the relative roaming charges that apply for calls and SMSs. It is of relevance to underline here that Malta continued to experience a consistently higher inflow and outflow of tourists over the last few years. Meanwhile, the number of Maltese travelling abroad has also increased. Stronger tourist flows coincided with falling roaming charges, both in the case of voice calls and text messaging.

5.6.1 Outbound roaming activity

This type of roaming activity refers to voice call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad.

²⁴ From a technical perspective, international roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. In this regard, end-users would be using voice-roaming services when making or receiving calls via their mobile subscription while abroad. They would be using SMS roaming services when sending or receiving an SMS via their mobile subscriptions. End-users can also send or receive data while abroad over their mobile.

Data for inbound and outbound roaming calls is currently under review and should be interpreted with caution.

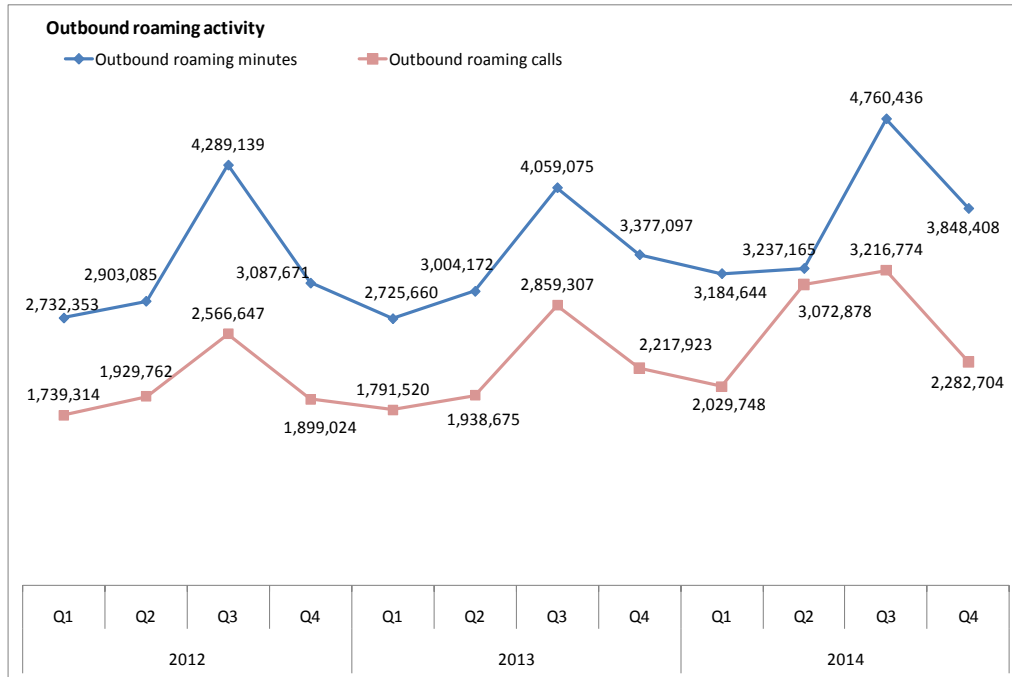


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 5.5 million in the second half of 2014, up by 0.4 million (or by 8.3%) from 5.1 million in the second half of 2013. Traffic volumes were also stronger in terms of outbound roaming minutes, which went up by 1.2 million (or 15.8%), from 7.4 million in the second half of 2013 to 8.6 million in the second half of 2014.

5.6.2 Inbound roaming activity

This type of roaming activity refers to call, SMS and data services operated on local mobile networks by foreign subscribers when roaming in Malta.

The number of inbound roaming calls totalled 28.6 million in the second half of 2014, which is up by 3.7 million (or by 9.6%) from 24.8 million in the corresponding period a year earlier.

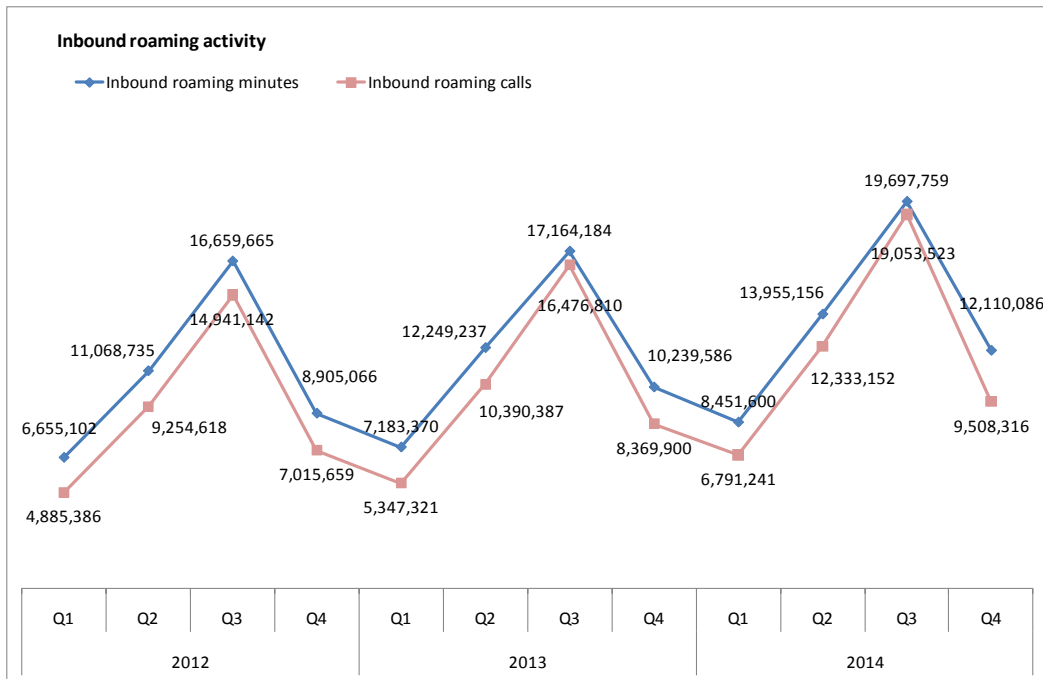


Figure 25: Inbound roaming activity

The number of inbound roaming minutes went up by 4.4 million (or by 16.1%), from 27.4 million in the second half of 2013 to 31.8 million in the second half of last year.

5.7. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector for the second half of 2014 was notably higher than that observed in the second half of the previous year. Figure 26 shows that mobile ARPU in the second half of last year stood at €91.07, which is up by €6.43 (or by 7.6%) from €84.64 in the second half of 2013.

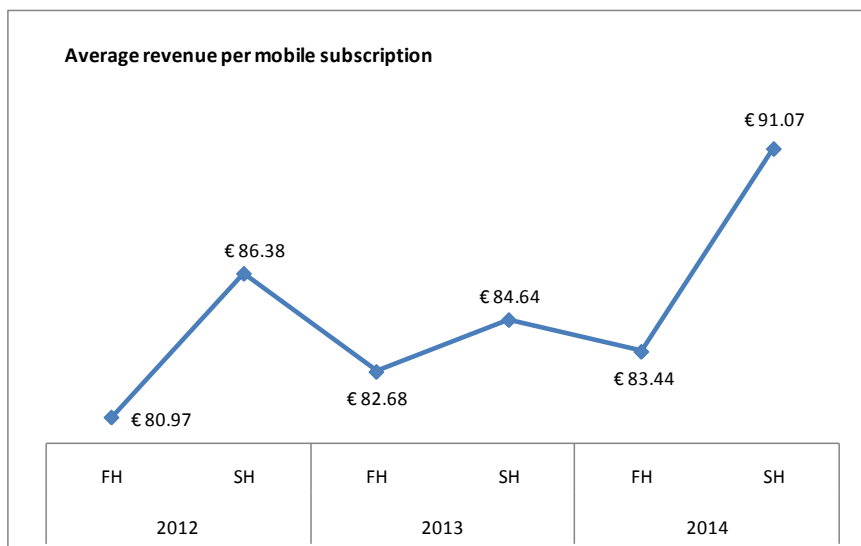


Figure 26: Average revenue per mobile user

This significant improvement in average revenue per mobile user is attributable to three factors. These are more end-users migrating or opting to post-paid plans, higher voice call traffic volumes, and stronger usage of mobile broadband data services.

Methodology used in deriving mobile ARPU figures

Mobile ARPU figures are derived by dividing total revenues of service providers by the average number of active subscriptions, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from all outgoing voice activity (excluding interconnection revenues);
2. revenues from SMS and MMS activity;
3. revenues from monthly access fees;
4. revenues from data services; and
5. revenues from outbound roaming activity (but excl. revenues from inbound roaming activity).

The average number of active subscribers during a given period is derived by adding the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the said period, divided by two.

5.8. Pricing developments for mobile telephony

Service providers compete on the market by launching new offers and new pricing models to entice new customers to their network and to retain existing ones. Some of the most common pricing models allow for free minute and SMS allowances, cheaper on-net call rates, hybrid plans combining prepaid elements to postpaid plans, bundling of calls and data within a package or even bundling of calls targeting different social groups / contact networks and different time zones at preferential rates. This whole mix of plans and offers makes it difficult to determine the exact price paid by the end-user to make a mobile voice call and / or to send an SMS.

The MCA carries out a regular exercise to calculate the average rate per minute of mobile voice call services and the average rate per SMS. In the former case, figures are derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading²⁵. In the latter case, figures correspond to the division of SMS-related revenues by the number of SMSs made during the period.

5.8.1 The average rate per minute of mobile communications

Figure 27 shows that the average rate per minute of mobile communications for a domestic call stood at €0.084 in Q4 2014, down by 4.5% from €0.088 in Q4 2013²⁶.

²⁵ In this calculation, revenues from VAT, excise tax, and retail roaming services are excluded.

²⁶ It is again noted here that local mobile operators may offer free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. However, the current calculations do not take these factors into account.

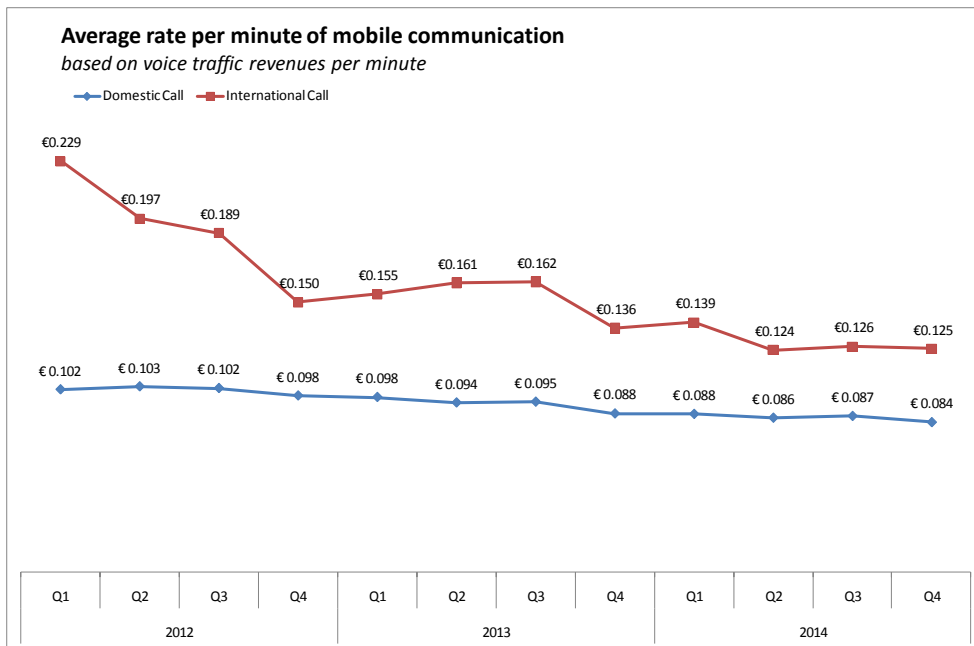


Figure 27: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communications for an international call over the mobile network was also down, this time by 8.1%, from €0.136 in Q4 2013 to €0.125 in Q4 2014.

5.8.2 The average rate per SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in Q4 2014, the consumer on average paid €0.021 and €0.060 for a domestic and an internationally bound SMS, respectively.

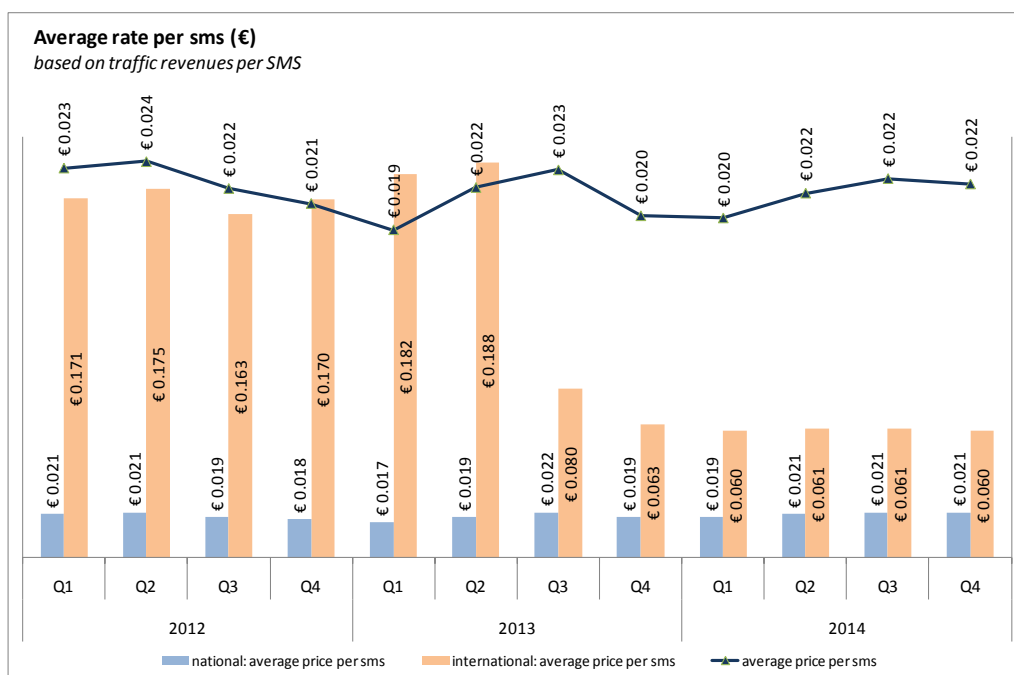


Figure 28: Average rate per domestic and international SMS

6. Fixed and mobile broadband

The broadband sector's performance continues to be remarkably good, with key market outcomes for the second half of 2014 considerably better than outcomes observed for the second half of the previous year.

Take-up of fixed broadband continued to strengthen, with subscriptions up by 8,533 (or by almost 6.0%) in the 12-month period ending December 2014. This was also reflected in a higher fixed broadband penetration rate (i.e. the number of active fixed broadband connections per population), which improved by 1.7 percentage points from December 2013 to reach 35.3% by the end of the current reporting period.

Qualifying the increase in the number of fixed broadband subscriptions are the following considerations:

- Low speed fixed broadband subscriptions got even more marginal in the latter half of 2014. In fact, only 6.2% of all fixed broadband subscriptions at the end of 2014 offered a download (headline) speed of less than 5Mbps, down from 7.9% at the end of 2013.
- At the end of 2014, broadband plans offering a download speed of 5Mbps but less than 30Mbps were in use by 38.5% of the local subscriber base, down from 65.2% a year earlier.
- Meanwhile, fast broadband plans offering a download speed of 30Mbps but less than 100Mbps were in use by 54.6% of the local subscriber base, up from 26.3% at the end of the previous year.
- Ultrafast connections (i.e. connections supporting headline download speeds of 100Mbps or more) only represented a fraction of fixed broadband subscriptions at the end of the current reporting period, at 0.7%, despite the fact that local service providers are capable of offering plans delivering such a speed.

The trend of bundling fixed broadband with other electronic communications services consolidated in the last six months of 2014, with the proportion of fixed broadband subscriptions on a bundle going up from 52.6% at the end of 2013 to 65.9% at the end of last year.

ARPU for fixed broadband also improved, from €85.96 in the second half of 2013 to €89.95 in the second half of 2014. This is a result of developments highlighted above, whereby more end-users are now on plans that allow for a headline download speed of 30Mbps or more. It is common knowledge that end-users have to pay a premium when availing of such plans instead of those offering a slower download speed.

The average price for fixed broadband (based on the average rate per Mbps calculation) at the end of 2014 was practically unchanged when compared to the average price prevailing at the end of the previous year. In this regard, end users on average paid €1.89 per Mbps at the end of 2014 compared to €1.78 at the end of 2013.

Mobile broadband represents another fast growing segment of the local data market. Figures show that take-up of mobile broadband services increased throughout 2014, as reflected by the increasing mobile broadband penetration rate figures published by the European Commission. Nevertheless, mobile broadband does not yet constitute a proper substitute to fixed broadband, but rather a complementary service. The number of end-users actively using mobile broadband services increased by 33,922 (or by 18.8%) between July 2013 and July 2014. This came about as a result of an increase of 34,472 mobile handsets used to access mobile data services, in contrast with a decline of 550 mobile broadband connections accessing mobile data services via a dongle (or built-in connectivity in a laptop, netbook or tablet).

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 151,543 at the end of the current reporting period. This figure is up by 8,533 (or by almost 6.0%) from 143,010 fixed broadband subscriptions recorded at the end of 2013²⁷.

The respective fixed broadband penetration rate stood at 35.3% at the end of 2014, up by 1.7 percentage points from 33.6% at the end of 2013.

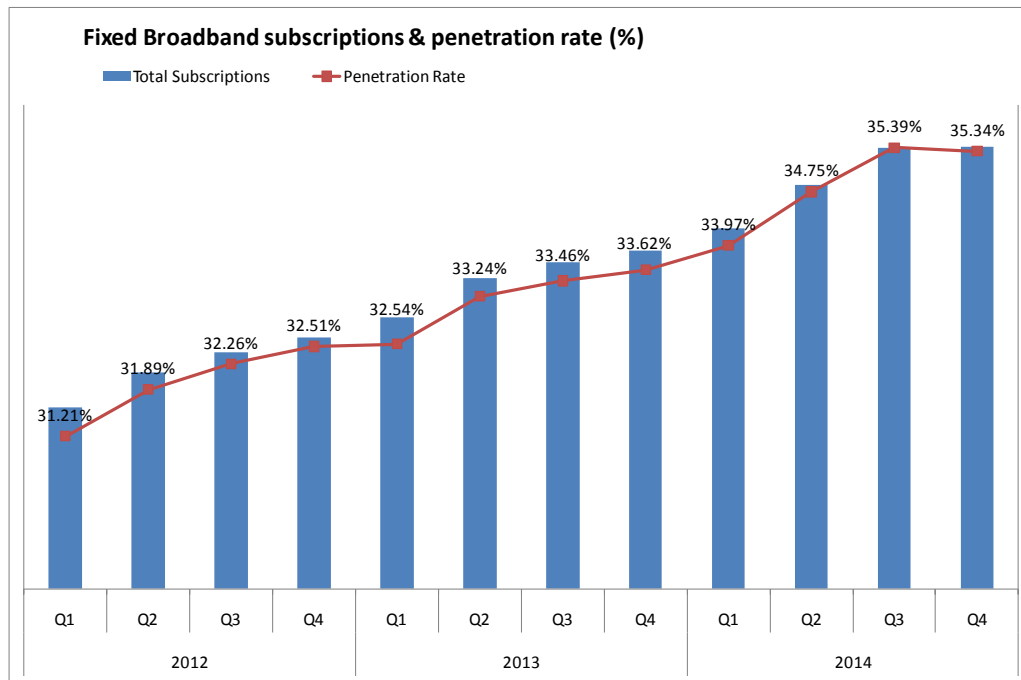


Figure 29: Take-up of fixed broadband and fixed broadband penetration

In line with trends observed in previous years, the number of end-users opting to purchase their fixed broadband subscription in combination with other electronic communications products and services in a bundle showed a further increase.

Fixed broadband subscriptions on a bundle	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fixed broadband subscriptions on dual play contract	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349	17,222	15,979	26,633	29,890
Fixed broadband + fixed telephony	6,524	6,222	9,188	9,653	10,037	10,068	10,270	11,349	17,222	15,979	26,633	29,890
Fixed broadband subscriptions on triple play contract	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376	21,903	22,477	25,169	25,490
Fixed broadband + fixed telephony + mobile telephony	304	437	405	-	361	344	325	289	263	312	227	620
Fixed broadband + fixed telephony + pay TV	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087	21,640	22,165	24,942	24,870
Fixed broadband subscriptions on quad play contract	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Fixed broadband + fixed telephony + pay TV + mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Fixed broadband subscriptions on a bundle	53,512	55,043	59,356	60,030	60,731	66,866	70,259	75,211	82,061	82,525	95,568	99,809
Number of fixed broadband subscriptions as at end of period	129,980	132,921	134,588	135,758	137,449	140,711	141,987	143,010	144,800	148,411	151,460	151,557
Percentage of fixed broadband subscriptions on a bundle	41.17%	41.41%	44.10%	44.22%	44.18%	47.52%	49.48%	52.59%	56.67%	55.61%	63.10%	65.86%

Table 12: Fixed broadband subscriptions on a bundled offer²⁸

In this regard, the number of fixed broadband subscriptions purchased in combination with some other electronic communications service on a bundle totalled 99,809 at the end of the current review period. The latter figure is equivalent to 65.9% of all fixed broadband subscriptions recorded at the time.

²⁷ For the purpose of this report, fixed broadband Internet subscriptions refer to those connections that are *always on* and have a speed of 128kbps or more.

²⁸ See footnote 6, page 8.

6.2. Fixed broadband subscriptions by access technology

A breakdown of fixed broadband subscriptions by technology shows that there were 75,594 cable-based subscriptions at the end of 2014, up by 5,096 (or by 7.2%) from 70,498 a year earlier. Meanwhile, DSL-based subscriptions and fixed wireless subscriptions totalled 73,881 and 2,068 respectively. DSL showed an increase of 3,829 subscriptions since the end of 2013, whilst fixed wireless subscriptions declined by 392 during the same period.

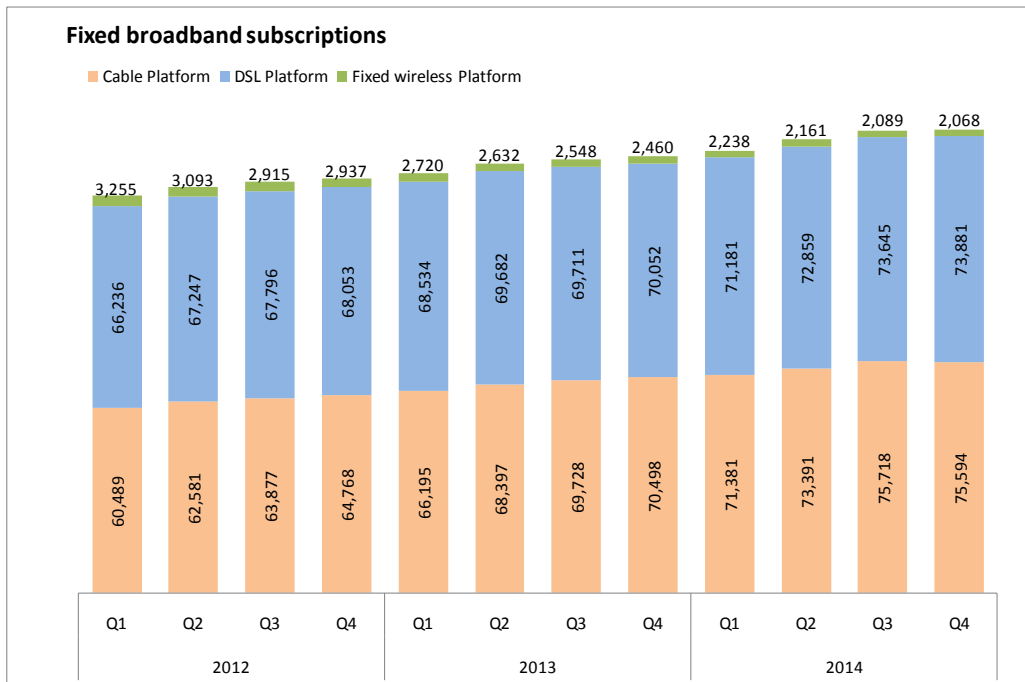


Figure 30: Broadband Internet subscriptions as at end of period - by technology

As a result of the above-mentioned developments, cable increased its market share of the local fixed broadband subscriber base from 49.3% at the end of 2013 to 49.9% at the end of last year. Meanwhile, DSL lost market share, from 49.0% to 48.8%, whilst fixed wireless also experienced a weakening market presence, from 1.7% to 1.4%.

6.3. Fixed broadband subscriptions by speed²⁹

Surveys carried out by the MCA show that consumers are spending more time browsing, streaming and carrying out other activities online. Such activities contribute to higher demand for data and data intensive applications and goes to explain why local service providers come up with offers that support stronger download and upload speeds.

Figure 31 illustrates that the number of fixed broadband subscriptions supporting download speeds of 30Mbps or less was considerably lower in the second half of 2014 when compared to the same period a year earlier.

²⁹ Quoted figures refer to advertised speeds, but there may be significant differences between the advertised speed and the actual speed that end-users receive.

As at the end of last year, the number of fixed broadband subscriptions allowing for a download speed of less than 30Mbps totalled 67,777. This figure is down by 36,639 (or by 35.1%) when compared to the corresponding figure recorded at the end of 2013.

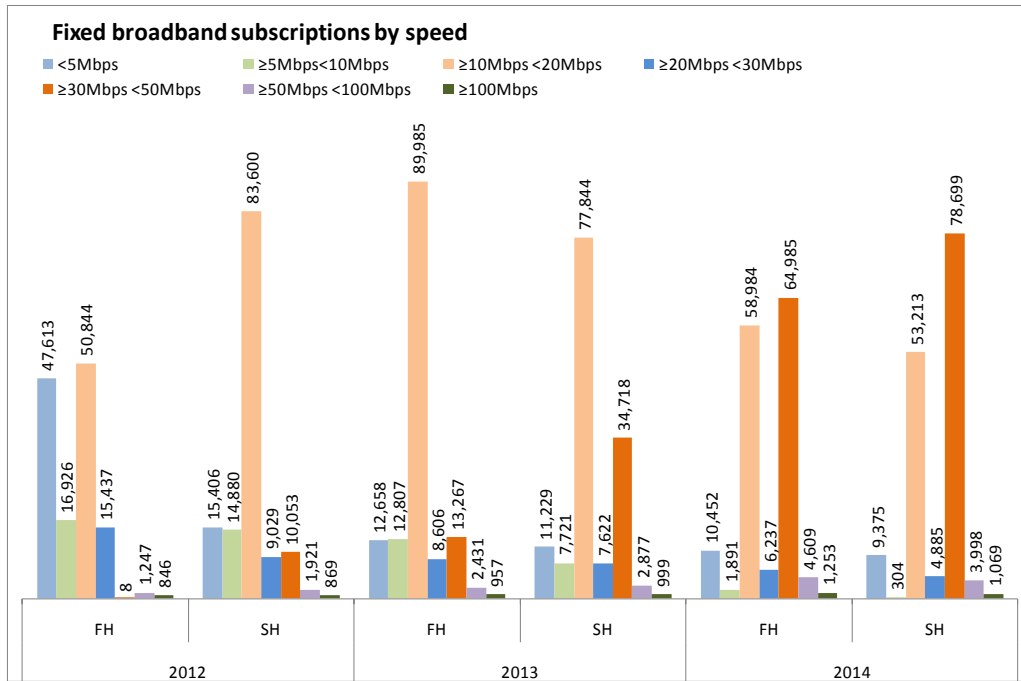


Figure 31: Fixed broadband subscriptions as at end of period, by speed

On the other hand, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps totalled 82,697 as at the end of 2014, up by 45,102 (or by around 120%) since the end of 2013. This is mainly a result of service providers upgrading existing clients to plans supporting higher download speeds.

Meanwhile, the number of subscriptions with a download speed of 100Mbps or more remained largely unchanged, up by just 70 over a 12-month period ending last December.

6.4. Fixed broadband subscriptions by access technology and download speed

A further look at the fixed broadband subscriber base, in particular to the number of fixed broadband subscriptions categorised by access technology and download speeds, would show that all fixed wireless broadband subscriptions recorded at the end of 2014, except for one, allowed for a download speed of less than 30Mbps.

Meanwhile, with respect to DSL, 88.9% of all subscriptions on this technology platform allowed for a download speed of less than 30Mbps, 11.0% allowed for a download speed of 30Mbps but less than 50Mbps and 0.1% allowed for a download speed of 50Mbps or more.

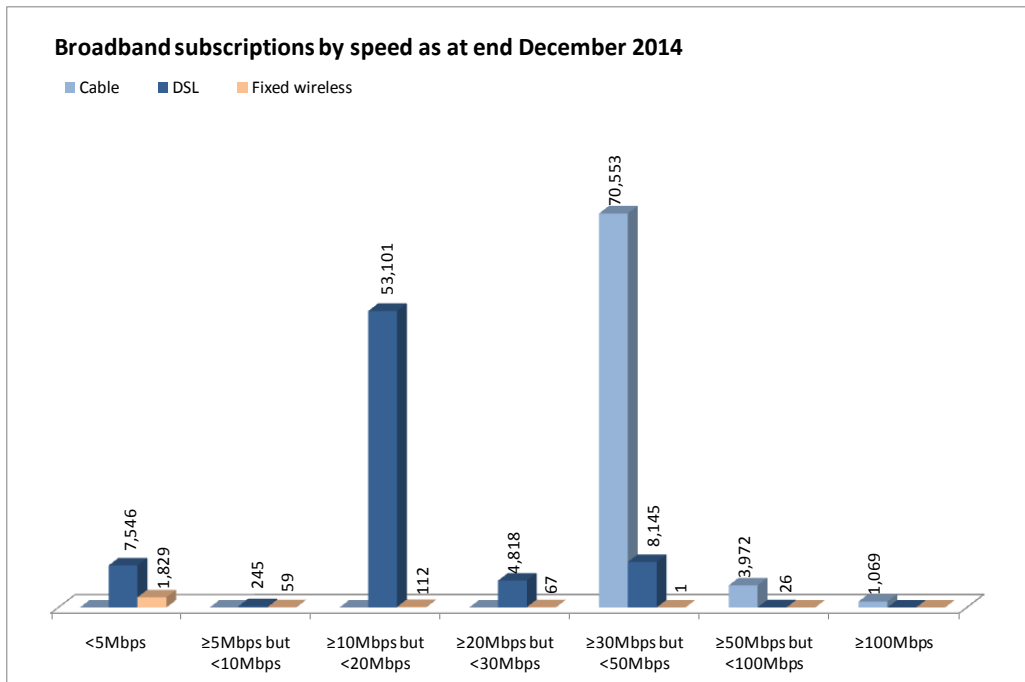


Figure 32: Broadband Internet subscriptions as at end of period - by technology & connection speed

With respect to cable-based fixed broadband subscriptions, Figure 32 illustrates that 98.6% of these allowed for a download speed of 30Mbps but less than 100Mbps and 1.4% allowed for a download speed of 100Mbps or more.

6.5. Take-up and usage of mobile broadband

The term mobile broadband used in this review encompasses data access and internet connectivity services offered over the following devices:

- 3G-enabled mobile handsets, especially smartphones; and
- portable computers and tablets, enabled by USB dongles / keys and built-in broadband cards.

For the sake of consistency, the methodology used to measure the take-up of mobile broadband in Malta corresponds with that adopted by the EU Commission when measuring progress in this area across the EU³⁰. Locally, mobile broadband via 3G-enabled mobile phones can be purchased in a bundle or as an add-on or acquired with other mobile telephony services.

Figure 33 illustrates that the number of users actively accessing mobile broadband services via 3G-enabled mobile subscriptions totalled 198,477 at the end of July 2014. This figure is up by 34,472 (or by 21.0%) from 164,005 at the end of July 2013.

³⁰ The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration per 100 population.

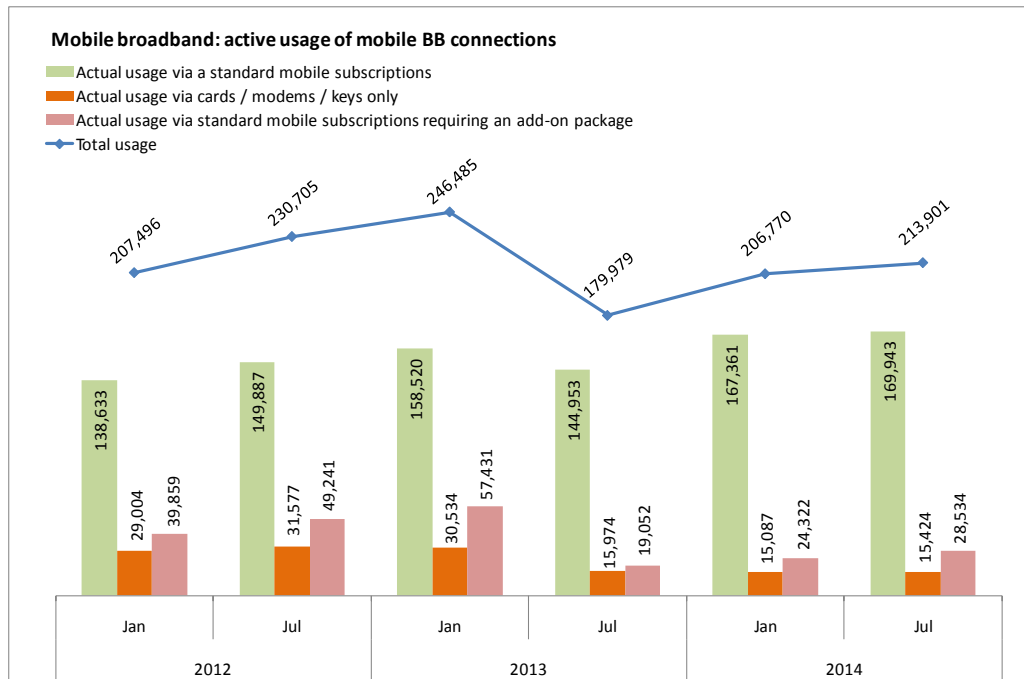


Figure 33: Mobile broadband active connections as at end of period³¹

Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modems/keys was down by 500 (or by 3.4%), from 15,974 at the end of July 2013 to 15,424 at the end of July 2014. This development is likely a result of an increasing preference by end-users to use their mobile handsets, more specifically smart-phones, rather than using cards or network keys to access mobile data services.

Mobile broadband penetration

In line with developments observed over the last few years, Malta’s take-up of mobile broadband (or mobile broadband penetration)³² is likely to continue catching up with the EU average.

³¹ Data is under review and subject to change.

³² The data is available on the EU Commission’s Digital Agenda Scoreboard. Link: [http://digital-agenda-data.eu/charts/see-the-evolution-of-an-indicator-and-compare-countries#chart={\"indicator-group\": \"mobile\", \"indicator\": \"mbb_penet\", \"breakdown-group\": \"total\", \"breakdown\": \"TOTAL MBB\", \"unit-measure\": \"subs_per_100_pop\", \"ref-area\": \[\"EU27\"\]}](http://digital-agenda-data.eu/charts/see-the-evolution-of-an-indicator-and-compare-countries#chart={\)

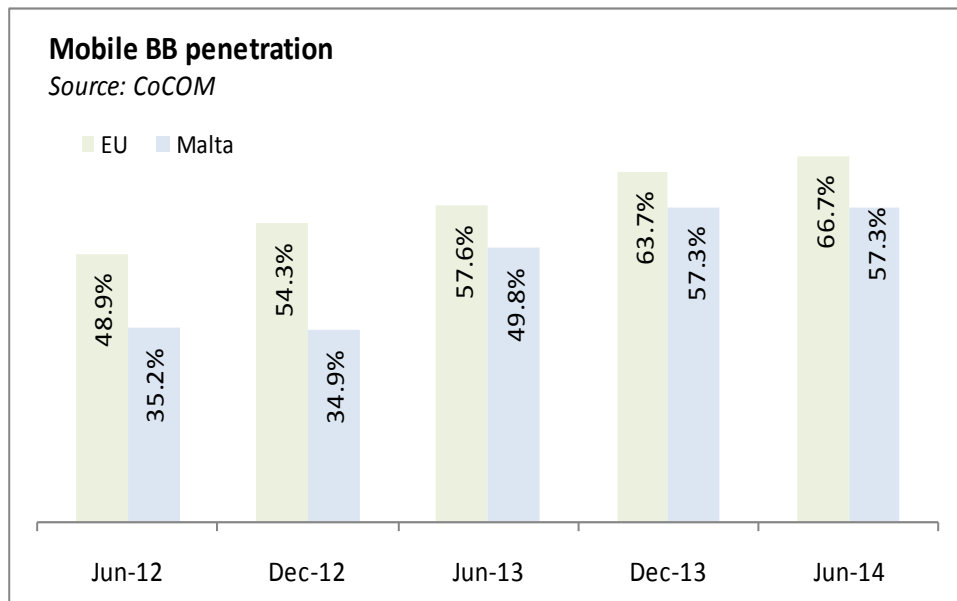


Figure 34: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 34 illustrates that, in June 2014, Malta’s mobile broadband penetration rate per 100 people stood at 57.3%, compared to an EU average of 66.7%.

6.6. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the second half of 2014 stood at €89.95, up from €85.96 in the same period a year earlier.

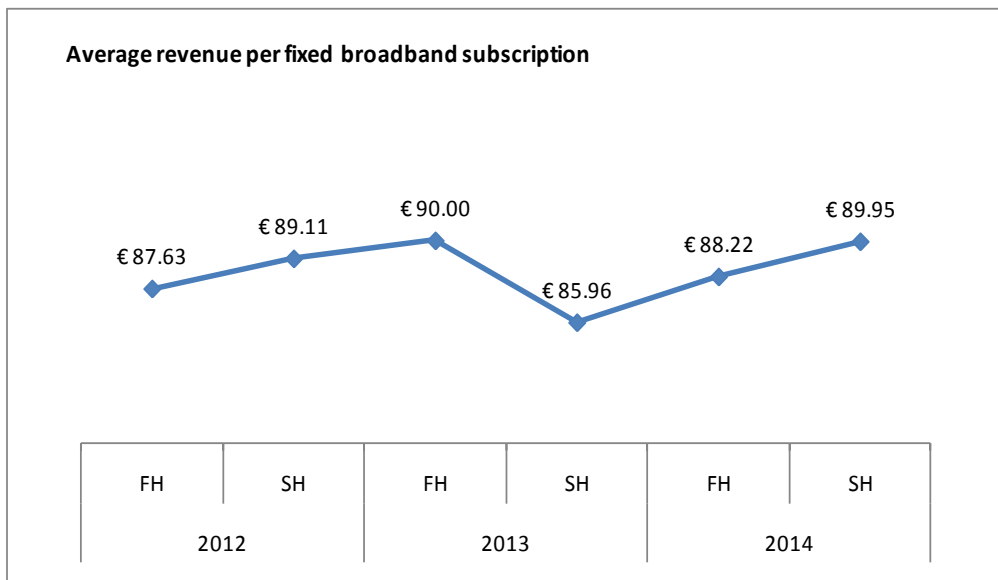


Figure 35: Average revenue per broadband user

Service providers continued to upgrade their customers to offers with higher download (and sometimes upload) speeds throughout the review period. However, following a phase of promotional offers and occasional discounts in the first half of 2014, service providers started getting the premium in the latter part of last year as end-users paid in order to continue availing of plans that offer higher download speeds.

Methodology used in deriving fixed broadband ARPU figures

ARPU for fixed broadband corresponds to the average quarterly spend by end-users for data access and internet connectivity services provided over fixed access technology. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from subscriptions to broadband services, excluding revenues from installation and connection fees.

The average total number of subscriptions takes the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two.

6.7. Average rate per Mbps

The key factor influencing the average rate per Mbps metric is the bandwidth offered with the fixed broadband product. Hence, when figures are broken down into different product portfolios categorised according to download speed, what generally emerges is a lower price per Mbps for products delivering faster download speeds compared to products delivering slower speeds.

Overall, the average rate per Mbps was up from €1.78 at the end of 2013 to €1.89 at the end of 2014. This is most likely a result of the lapse of some promotional offers and discounted access fees associated with upgrades carried out by local service providers in previous months. Further to this, service providers discontinued some plans with download speeds lower than 30Mbps, thereby pulling up the average advertised rate for these product categories.

On a disaggregated level, Figure 36 illustrates that, when compared to the average rate per Mbps observed at the end of 2013, the corresponding rates at the end of last year were higher with respect to broadband products supporting download speeds of 10Mbps but less than 20Mbps and 20Mbps but less than 30Mbps.

The average rate per Mbps for the former category went up from €1.82 to €1.92 whilst that for the latter category increased from €1.46 to €1.67.

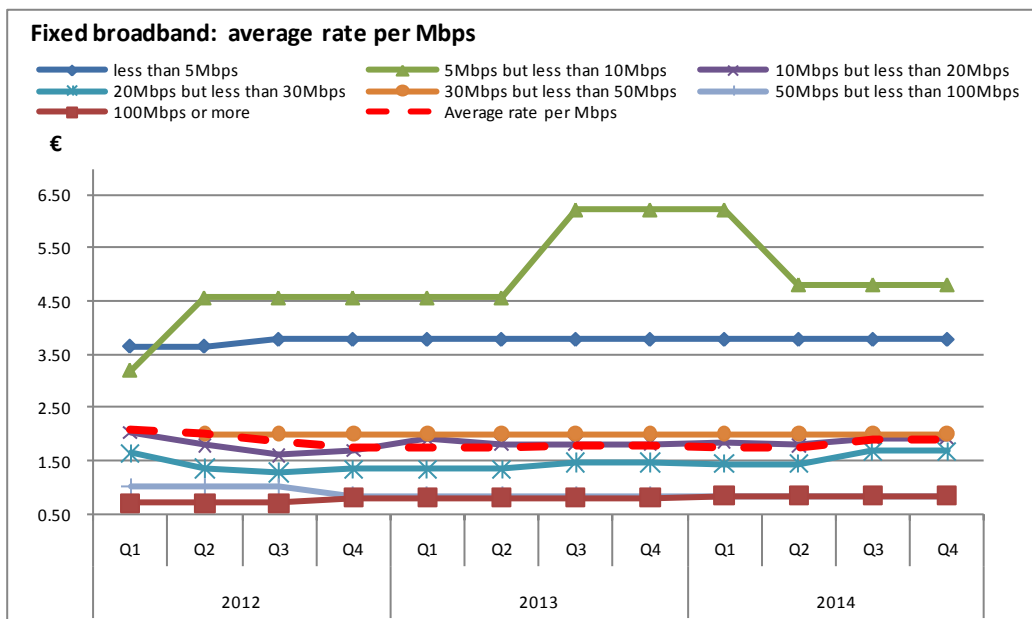


Figure 36: Average price per Mbps of fixed broadband for packages

The increase observed for these broadband products is a result of the discontinuation of some plans featuring in this broadband category, which move pushed up the average advertised rate in this category.

The rate per Mbps for broadband products with download speeds of 5Mbps but less than 10Mbps fell from €6.22 at the end of 2013 to €4.81 at the end of 2014. This is a result of an increase in the number of plans featuring within this broadband category, as service providers launched new offers at monthly access fees that came with plans supporting a download speed of 5Mbps.

As for categories including broadband products supporting download speeds of 30Mbps or more, the average rate per Mbps was generally unchanged³³.

Note

The MCA considers the average advertised rate of fixed broadband per unit of download speed (i.e. per Mbps) as a proxy measure of how pricing for local fixed broadband products develops over time.

Figure 36 illustrates movements in the average advertised rate per Mbps on a more disaggregated level. To this effect seven fixed broadband categories are identified, according to different brackets of headline download speeds, as follows:

- products with a download speed of less than 5Mbps;
- products with a download speed equal to or greater than 5Mbps but less than 10Mbps;
- products with a download speed equal to or greater than 10Mbps but less than 20Mbps;
- products with a download speed equal to or greater than 20Mbps but less than 30Mbps;
- products with a download speed equal to or greater than 30Mbps but less than 50Mbps;
- products with a download speed equal to or greater than 50Mbps but less than 100Mbps; and
- products equal to or greater than 100Mbps.

³³ Plans not available nationwide do not feature in this category for the purposes of deriving the average rate per Mbps.

7. Pay TV

The rise of Internet Protocol television (IPTV) continues to mitigate the current overall downward trend in take-up for pay TV. The number of IPTV subscriptions has indeed more than doubled over a 12-month period ending December 2014 with subscriptions reaching 12,256. On the other hand, the DTTV and cable TV platforms witnessed a substantial fall in subscriber numbers, to the extent that the gains reported for IPTV were not sufficient to compensate for such losses.

This development is likely a result of two main factors: end-users demanding more choice and customisation for pay TV services and the increasing popularity of internet TV and online video services. However, whilst it is realistic to assume that the latter kinds of services are bringing pressure on the traditional pay TV model, it is premature to conclude at this stage that they bear a major influence on the take-up of traditional pay TV services.

It is also relevant to underline that marketing efforts by local service providers have also proved to be instrumental in driving demand for IP-based TV services, such as by allowing end-users on certain pay TV plans to access mobile TV services without incurring additional charges or at discounted prices.

Some important developments for the pay TV sector are highlighted below:

- The total number of pay TV subscriptions was down by 1,025 (or by 0.7%) during the 12-month period ending December of last year, from 148,905 to 147,880.
- The proportion of pay TV end-users having their subscription in a bundle continues to rise, from 49.4% at the end of 2013 to 51.6% at the end of last year³⁴.
- On average, end-users paid €22.44 for their pay TV service in the second half of 2014, compared to €19.37 in the second half of 2013. This increase has more to do with one of the local service providers launching pay TV plans that are not subject to a contract term agreement, but for which a higher monthly access fee applies (when compared to similar plans that are bound by a 2-year contract term agreement).
- ARPU for local service providers in the second half of 2014 stood at €85.40, up from €84.88 in the corresponding period a year earlier. This is likely a result of service revenue growth from the underlying increase in IPTV subscriptions and the take-up of associated on-demand services.

7.1. Pay TV subscriptions

There were 147,880 pay TV subscriptions at the end of 2014, down by 1,025 (or by 0.7%) since the end of the previous year.

Despite the overall decline in the number of pay TV subscriptions, the proportion of bundled pay TV subscriptions continued to rise. The number of bundled pay TV subscriptions totalled 76,245 (corresponding to 54.1% of all digital-based and IP-based subscriptions) at the end of 2014, up by 2,749 (or by 3.7%) from 73,496 (corresponding to almost 52.0% of all digital-based and IP-based subscriptions) at the end of 2013.

³⁴ These figures are different from the ones provided in Table 13 below, given that they correspond to the proportion of bundled pay TV subscriptions to the total. On the other hand, Table 13 presents the proportion of bundled pay TV subscriptions to the total digital-based subscriptions, as Melita no longer offers analogue-based pay TV services to new customers.

Pay TV subscriptions on a bundle	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pay TV subscriptions on dual play contract	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923	9,767	9,731	6,914	6,946
Pay TV + fixed telephony	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923	9,767	9,731	6,914	6,946
Pay TV subscriptions on triple play contract	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087	21,640	22,165	24,942	24,870
Pay TV + fixed telephony + fixed broadband	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087	21,640	22,165	24,942	24,870
Pay TV subscriptions on quad play contract	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Pay TV + fixed telephony + fixed broadband + mobile telephony	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486	42,936	44,069	43,766	44,429
Pay TV subscriptions on a bundle	61,999	64,065	62,513	62,678	61,645	67,286	70,209	73,496	74,343	75,965	75,622	76,245
Number of digital TV & IPTV subscriptions as at end of period	138,636	139,213	140,002	139,380	140,405	141,085	141,370	141,410	141,359	141,950	142,332	141,032
Percentage of pay TV subscriptions on a bundle	44.72%	46.02%	44.65%	44.97%	43.91%	47.69%	49.66%	51.97%	52.59%	53.52%	53.13%	54.06%

Table 13: Pay TV subscriptions on a bundled offer³⁵

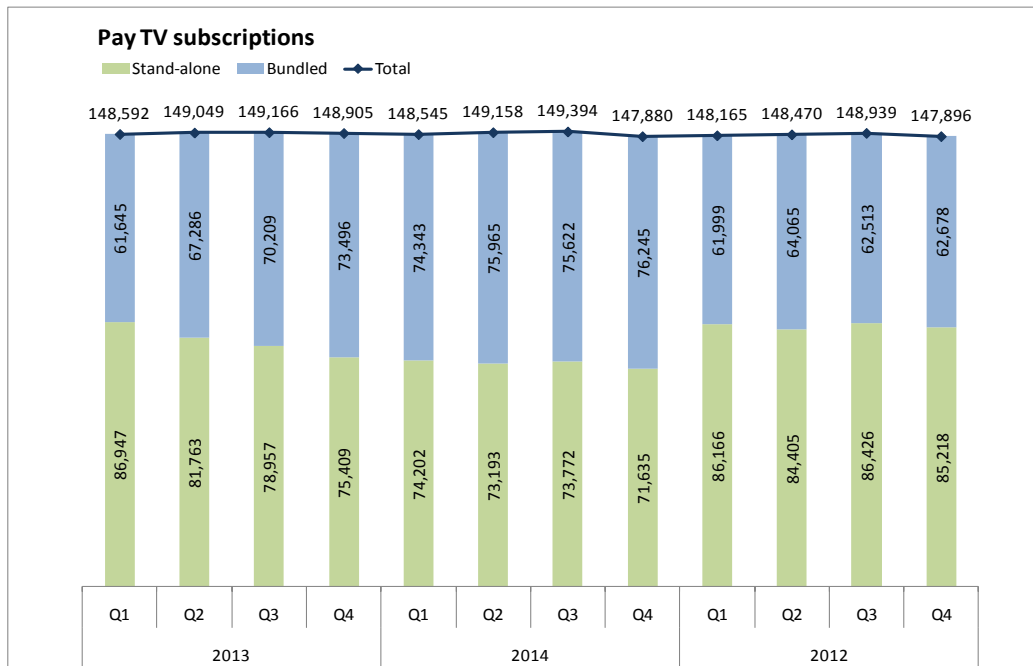


Figure 37: Pay TV subscriptions as at end of period

Analogue cable pay TV subscriptions are no longer offered to new subscribers, either on a stand-alone basis or in a bundle. Table 13 therefore excludes analogue cable pay TV subscriptions from the total number of subscriptions.

7.2. Pay TV subscriptions by technology platform

Local end-users can avail themselves of pay TV services delivered over four technology platforms. These are the digital terrestrial television (DTTV) platform and the Internet Protocol television (IPTV) platform, which are owned by GO, and the analogue cable TV and digital cable TV platforms, which are owned by Melita³⁶.

Figure 38 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions totalled 57,478 by the end of 2014, which is down by 4,806 (or by 7.7%) since the end of 2013.

The analogue cable and the digital cable platforms have also registered declines. Subscriptions under the former platform were down by 647 (or by 8.6%), from 7,495 at the end of 2013 to 6,848 at the end of 2014,

³⁵ See footnote 6, page 8.

³⁶ Melita also offers video on-demand services over its IPTV hybrid network, as an add-on to its IP-based digital cable TV.

There are to date no authorised satellite broadcasters or satellite pay TV platforms in Malta.

whilst digital cable subscriptions were down by 1,874 (or by 2.6%) to 71,298 at the end of the current reporting period.

In contrast to the above-mentioned decline, the number of IPTV subscriptions were up by 6,302 (or by 105.8%), from 5,954 to 12,256.

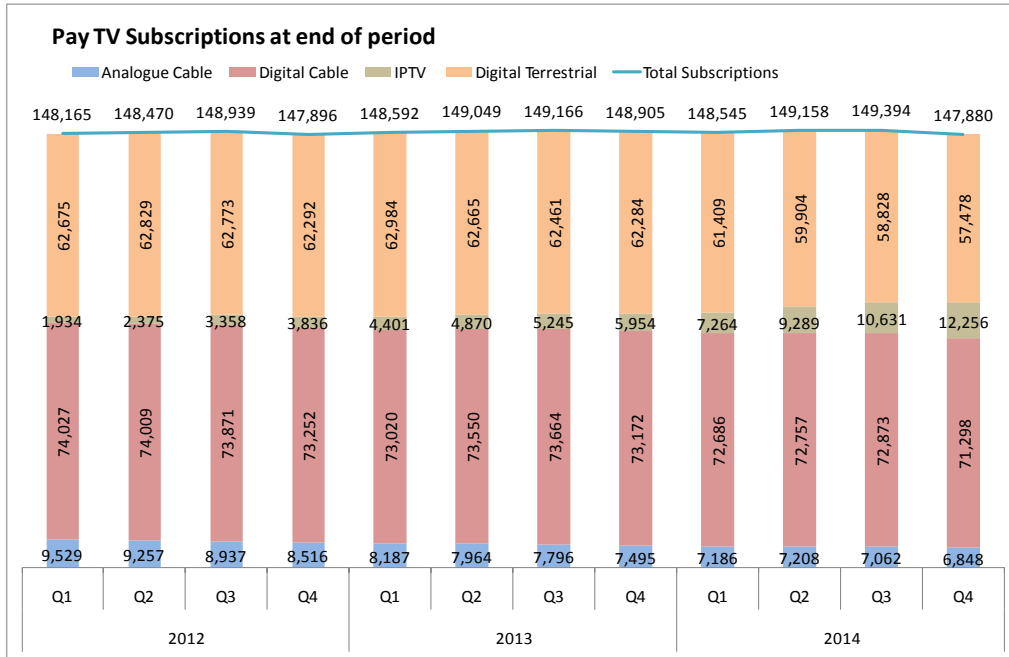


Figure 38: Pay TV subscriptions as at end of period

During the period under review, IPTV gained market share while the rest of the pay TV platforms contracted. IPTV market share increased from 4.0% at the end of 2013 to 8.3% at the end of last year. Meanwhile, the market share of DTTV fell to 38.9%, from 41.8%, and that for digital cable TV fell to 48.2% from 49.1% a year earlier. The market share of analogue cable TV was down by 0.3 percentage points to 4.6%.

It is also relevant to underline that, despite the fall in subscriptions, digital cable continued to feature as the pay TV platform with the largest subscriber base at the end of last year.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the second half of 2014 stood at €85.40, slightly up from €84.88 in the same period a year earlier.

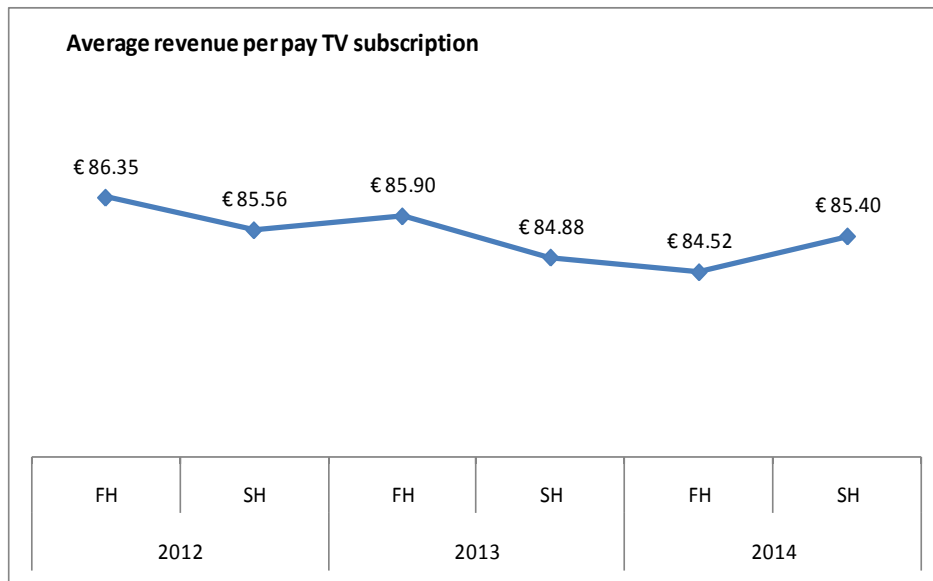


Figure 39: Average revenue per Pay TV user

This upward move in Pay TV ARPU is most likely a result of subscriber growth for IPTV and the increase in revenue streams related to associated on-demand TV services.

Methodology used in deriving pay TV ARPU figures

ARPU for pay TV reflects the average quarterly spend by users for pay TV services. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from pay TV subscriptions, but excludes revenues from premium services³⁷, installations and connections.

To derive the average total number of subscriptions, the MCA sums the total subscriptions at the start and the end of the quarter under consideration and divides the total by two.

7.4. Average advertised rates for Pay TV

This section presents an overview of the average advertised rates (or average advertised access fees) for pay TV services offered in Malta. For ease of reference and practicality, the evaluation seeks to capture price movements for five distinct pay TV categories, with each category bundling plans listing a particular number of channels.

The average advertised rate paid by end-users for pay TV services went up from €19.37 in the second half of 2013 to €22.44 in the second half of 2014. As already explained earlier, this increase is only relative, as it came about because of one service provider starting to offer its existing plans without a contract term agreement, but at a premium.

Figure 40 illustrates that monthly average advertised pay TV rates have gone up on several instances, except for the categories encompassing pay TV plans listing up to 24 channels and plans listing 50 to 74 channels, where advertised rates were unchanged at €3.99 and €23.49 respectively.

The average advertised rate for the pay TV category encompassing plans listing 25 to 49 channels increased from €12.49 at the end of 2013 to €15.66 at the end of last year.

³⁷ Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

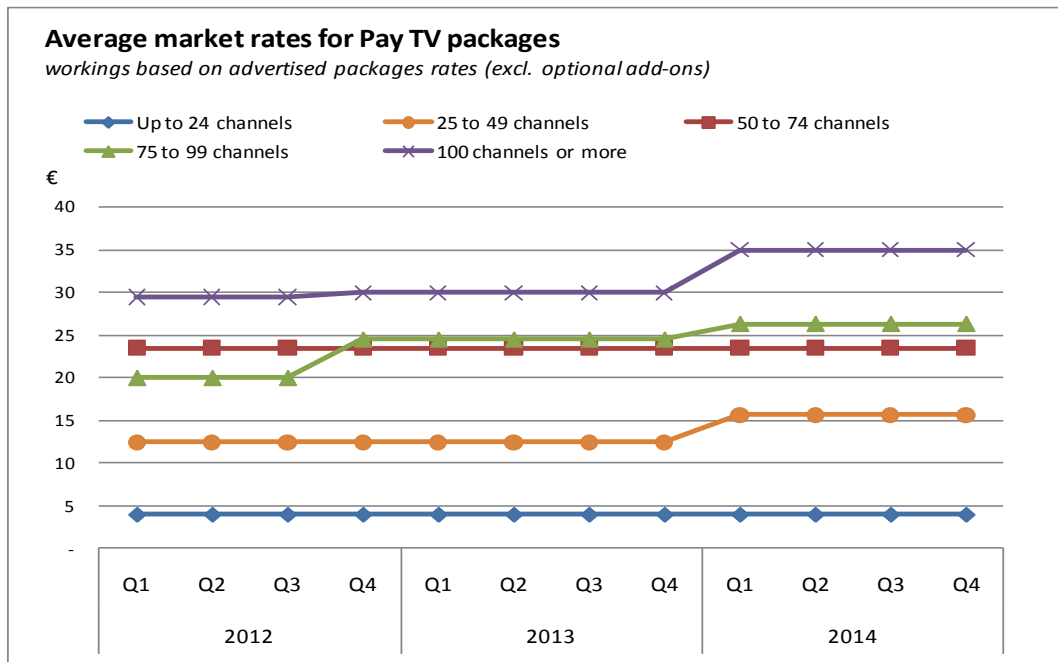


Figure 40: Average market rates for Pay TV packages³⁸

The pay TV categories encompassing plans listing 75 to 99 channels and 100 channels or more also experienced an increase in the average advertised rate during the same period. The average advertised rate for the former category increased from €24.49 to €26.32 whilst that of the latter category increased from €29.99 to €34.99.

It is of note here that the figures presented above do not take into account billing charges i.e. those charges that come into force if the end-user requires paper bills and / or opts not to pay its bills via direct debit.

³⁸ The 'up to 24 channel' category only includes GO's Bronze TV package.

The '75 to 99 channel' category included GO's Gold Interactive TV package (excluding the optional HD channel line-up) and Melita's Large pay TV package.

The '100 channels or more' category only includes Melita's Extra Large pay TV package.

8. Post

Continuing a trend observed in recent years, postal traffic volumes were down in the second half of 2014 compared to the same period a year earlier. There was a clear contrast, however, between developments for single piece letter mail and bulk mail volumes on the one hand and registered mail and parcel mail volumes on the other.

Registered mail and parcel mail volumes have shown growth, particularly as stronger eCommerce activity opened up new opportunities for postal business in this area. Meanwhile, single piece letter mail and bulk mail volumes have registered a decline, in view of the continued digitisation of services and changing communication habits.

Other considerations for this sector are worth highlighting:

- There are two types of postal service providers, namely service providers operating within the scope of the universal service area³⁹, which need a licence to operate, and service providers operating outside the scope of the universal service area⁴⁰.

The postal operator providing services in the universal service area – Maltapost – generally continues to score very highly in terms of reliability and timeliness of postal delivery of local ordinary and bulk mail. High score levels in postal delivery are essential for repeat business and customer loyalty in this business.

- Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* last year benchmarked well below the EU average.

8.1. Postal mail volumes

Postal mail items delivered by local postal operators⁴¹ in the latter half of 2014 totalled 19.9 million. This figure is down by 0.4 million (or by almost 2.0%) from 20.3 million mail items delivered in the same period a year earlier.

³⁹ The Universal Service refers to the delivery and collection, on every working day, of a minimum set of postal services to any person who requests such services. The universal service covers both inland and cross-border services and includes the following minimum facilities: the clearance, sorting, transport and distribution of postal articles up to 2kg; the clearance, sorting, transport and distribution of postal parcels up to 20kg; services for registered and insured articles; and a basic counter service throughout Malta.

A postal service shall be considered to be within the universal service area (also referred to as within the scope of the universal service) if:

- the postal service is within the description of the universal services as set out in the Postal Service Act (Cap 254 of the Laws of Malta) (the 'Act'); or
- if the postal service is within the description of the universal service set out in the Act, but the collection and delivery is not made on each of the working days as required in the Act, or the postal service is not provided throughout Malta, or the postal service is not provided at an affordable uniform price; or
- the postal service is of a kind that, having regard to postal service users, could reasonably be said to be interchangeable with a postal service that falls within the description a universal service set out in aforementioned Act.

For a detailed description of the postal services that are considered as forming part of the Universal Services including the definition of those services that are considered as falling within the scope of the Universal Service area, kindly refer to the MCA's decision entitled 'Specific Aspects of the Universal Postal Service', which was published on the 25th March 2011. Link to decision: <http://www.mca.org.mt/article/decision-specific-aspects-universal-postal-service-mcad11-0227-0>

⁴⁰ These are couriers/express mail service providers, who operate under a general authorisation regime without the burden of the universal service obligation. Of significant relevance here is the increase in the number of private postal operators currently competing with the incumbent Maltapost in the parcel mail business.

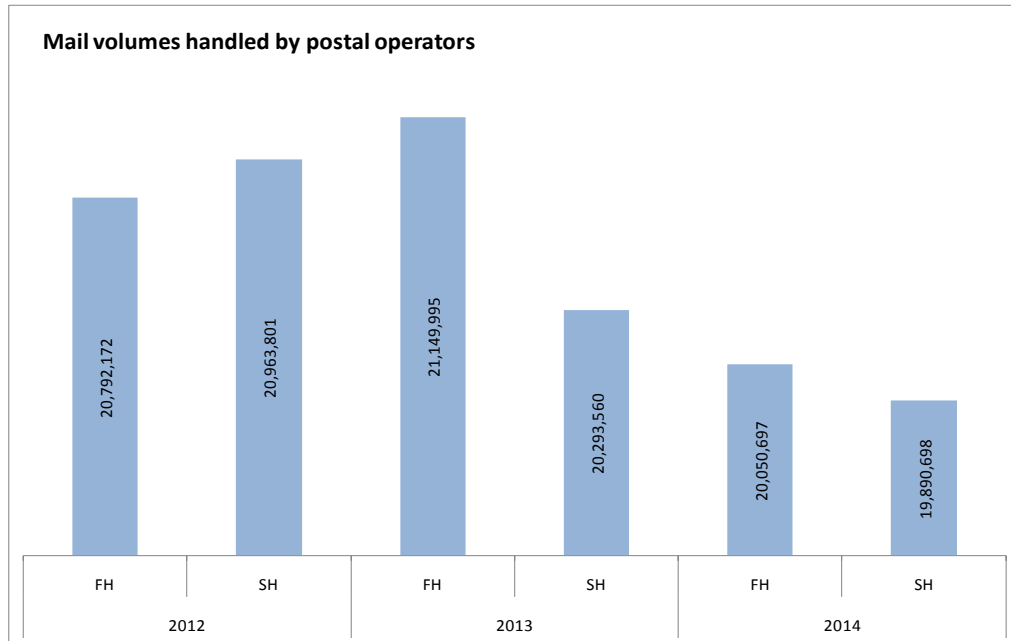


Figure 41: Postal activity - number of handled mail items⁴²

Figure 42 illustrates that mail volumes in the universal service area account for the lion’s share of all postal activity recorded in Malta.

Regarding the composition of postal mail activity in the current reporting period, the universal service area accounted for 98.1% of total mail volumes. The competitive area accounted for the remaining share, at 1.9%.

⁴¹ Maltapost plc (the designated Universal Service Provider, hereafter also referred to as “the USP”), DHL International Ltd., and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area.

Another 16 postal operators (courier and express services) provide services outside the scope of the universal service area.

⁴² Figure 41 shows that postal mail volumes are generally higher in the second half of each year, due to higher mail activity registered during the Christmas period. However, this has not been the case for 2013, given that activity levels in the first half of the year were boosted by national elections.

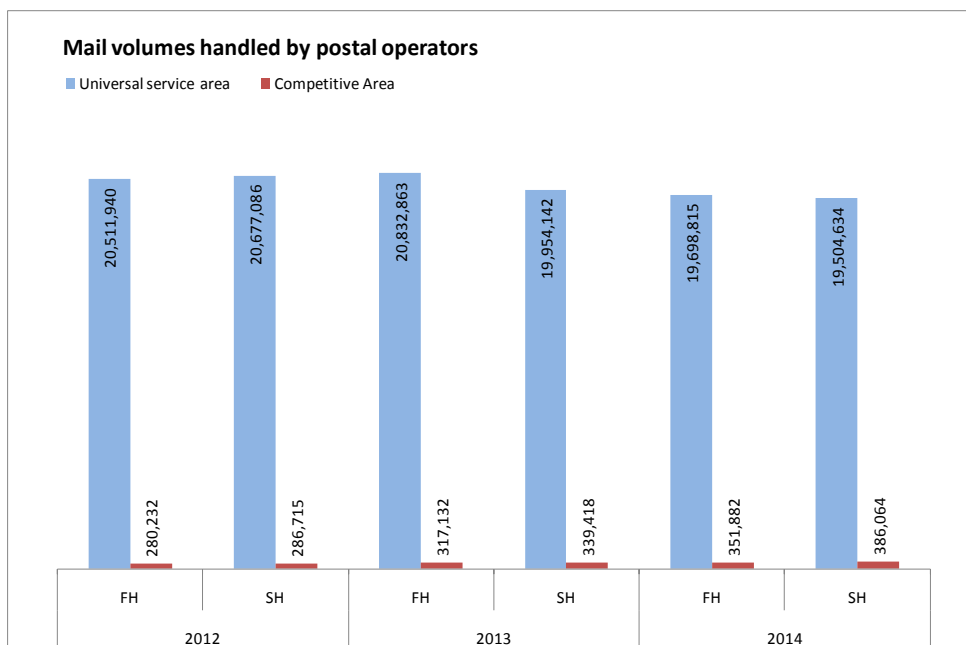


Figure 42: Postal activity - number of handled mail items by postal area

The number of postal mail items handled under the universal service totalled 19.5 million in the second half of 2014, down by 0.4 million (or by 2.3%) when compared to the second half of the previous year.

Meanwhile, the number of postal mail items delivered in the competitive area increased by 46,646 (or by 13.7%), from 339,418 to 386,064.

8.2. Postal mail volumes by type of mail

There are four different segments of postal mail. These are single piece letter mail, parcel mail, bulk mail and registered mail⁴³.

Single piece letter-post mail accounted for 40.0% of all mail items handled during the current review period. In absolute terms, the number of letter-post items totalled almost 8.0 million in the second half of 2014, which is down by 0.5 million (or by 5.6%) from 8.4 million items in the second half of 2013.

⁴³ These different types of mail are defined below:

- Single piece letter-post mail (also referred to as ordinary mail) is the ordinary day-to-day correspondence posted by individuals and businesses (other than bulk letter-post mail), at street letterboxes or over the counter at postal outlets.
- Bulk letter-post mail (also referred to as bulk mail) consists of a substantial number of similar letter-post items deposited with MaltaPost at the same place and time, to be transported and distributed to the addressees indicated on each of the postal articles.
- The registered letter-post mail service (also referred to as registered mail) refers to a service providing a flat-rate guarantee against risks of loss, theft or damage and supplying the sender, where appropriate upon request, with proof of the handing in of the postal article or of its delivery to the addressee.

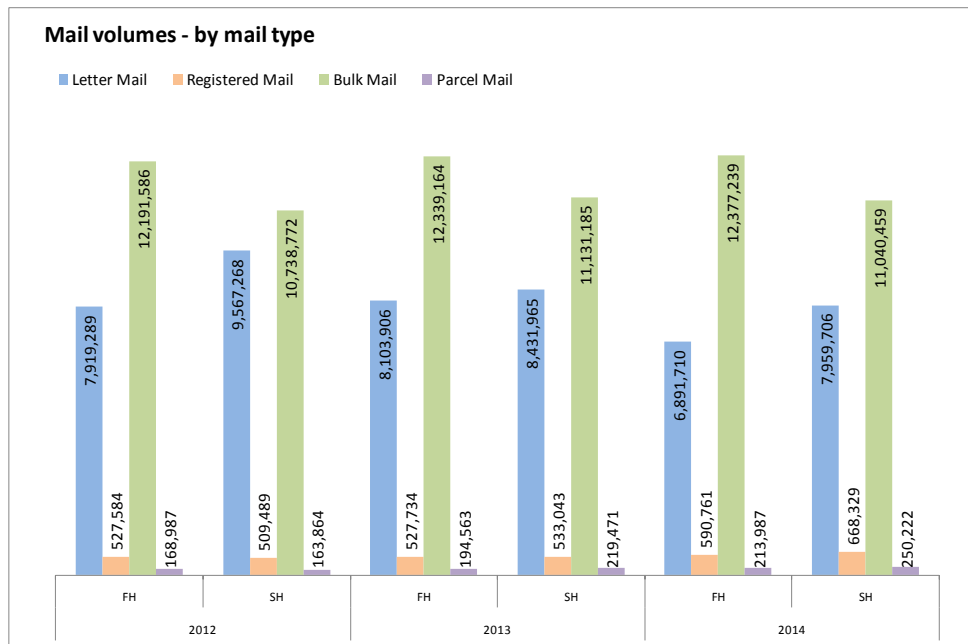


Figure 43: Postal activity - number of handled mail items by postal area

The number of registered mail items handled in the second half of 2014 totalled 0.7 million, which is equivalent to 3.4% of all postal mail items handled during the period. When compared with the second half of 2013, registered mail volumes were up by 135,286 (or by 25.4%).

Bulk mail items totalled 11.0 million in the second half of last year, which is equivalent to 55.5% of total mail volumes delivered during this period. Compared to volumes recorded in the second half of 2013, bulk mail items were down by 0.8%.

Parcel mail items totalled 0.2 million in the second half of 2014, which is equivalent to 1.1% of total postal mail volumes recorded in the current review period. Compared to mail volumes recorded in the second half of 2013, parcel mail items were up by 12.6%. As already observed in previous CMR publications, these increases are mainly a result of the ongoing growth in online shopping and eCommerce activity.

8.3. Postal mail volumes by activity heading

This section distinguishes between three postal mail activity headings: domestic mail; outbound cross border mail⁴⁴; and inbound cross border mail⁴⁵.

Domestic mail volumes delivered in the second half of 2014 totalled 15.4 million. This figure is down by almost 0.4 million (or by 2.0%), from 15.8 million delivered in the same period a year earlier.

⁴⁴ These mail items originate locally for delivery to foreign destinations.

⁴⁵ Foreign-originated mail forwarded to Malta.

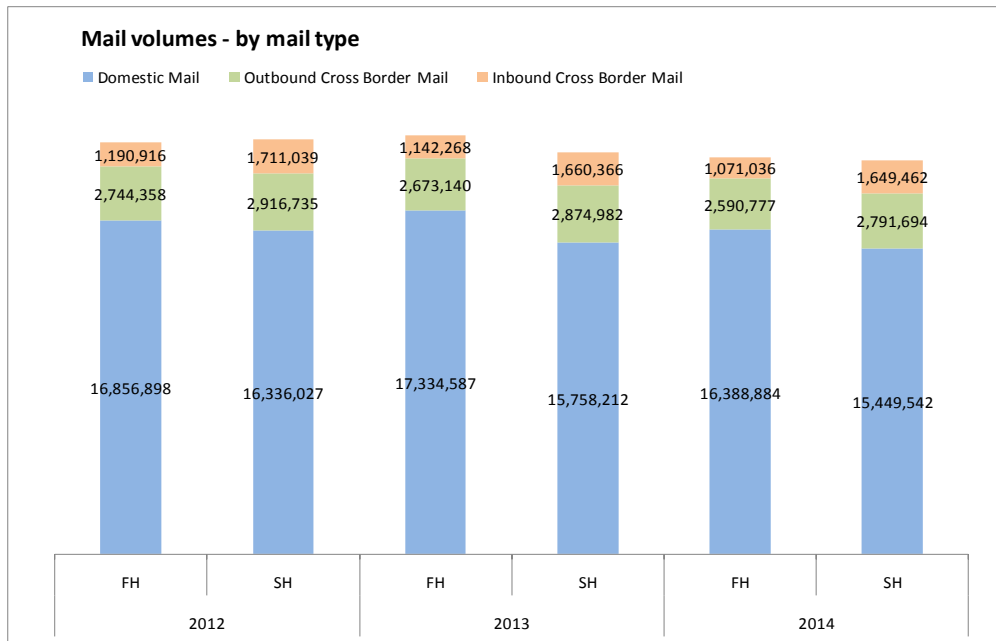


Figure 44: Postal activity - number of handled mail items by type of mail

Volumes of outbound cross border mail and inbound cross border mail in the second half of 2014 totalled 1.6 million items and 2.8 million items respectively. Figure 44 illustrates that, in both cases, volumes recorded in the current reporting period were down, compared to volumes recorded in the second half of 2013.

8.4. Quality of postal delivery service

The MCA has established a methodology, based on a series of Quality of Service (QoS) targets, to determine whether Maltapost is meeting its universal service obligations for the delivery of different mail items. These QoS targets are set in accordance with the MCA Decision⁴⁶ on the quality performance measurement of postal items delivered within the defined service standard. QoS data corresponds to the full calendar year⁴⁷.

8.4.1 QoS – local ordinary mail and bulk mail

The QoS targets for the delivery to destination of local ordinary mail and bulk mail on the next day (D+1) has been set at 94%.

⁴⁶ Link to MCA Decision concerning the 'Review of Quality of Service Targets and Requirements to be achieved by Maltapost plc': http://www.mca.org.mt/sites/default/files/articles/QoS_Review_-_DN.Nov_10.pdf

⁴⁷ In terms of the MCA Decision Notice on the measurement of MaltaPost's Quality of Service, MaltaPost is required to attain the standards set by the Authority over a given financial year (October to September).

It is however of note that the QoS data presented in this report is adjusted to reflect developments over a standard calendar year, not a financial one.

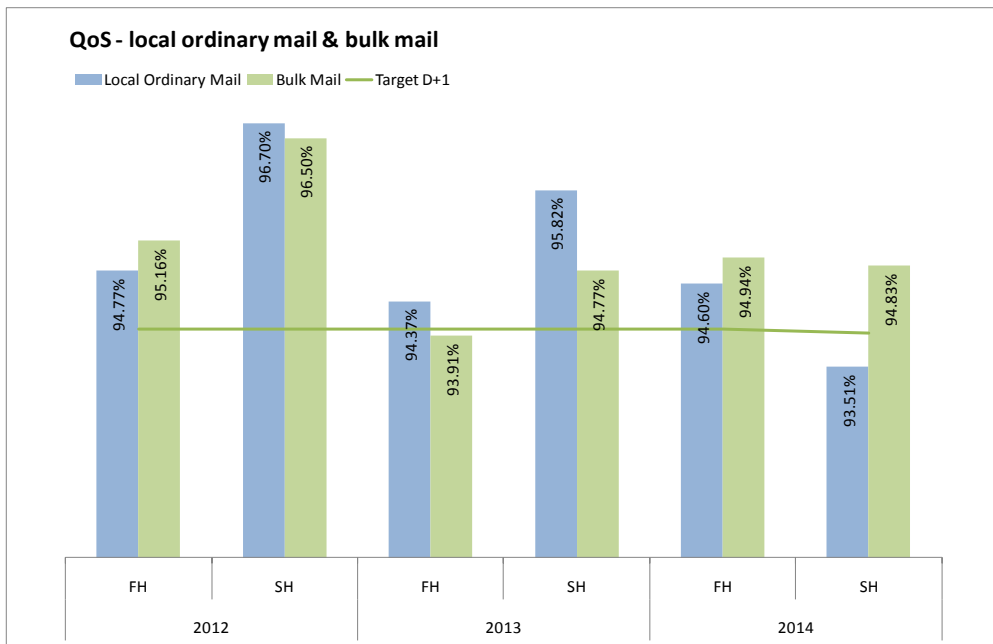


Figure 45: Quality of service - local ordinary and bulk mail

Figure 46 illustrates that Maltapost has exceeded this target in the second half of 2014 when it comes to the delivery of bulk mail but failed to reach it with respect to the delivery of local ordinary mail.

8.4.2 QoS – local registered mail and priority inbound parcels

The QoS targets for the delivery to destination of local registered mail and priority inbound parcels has been set at 98%.

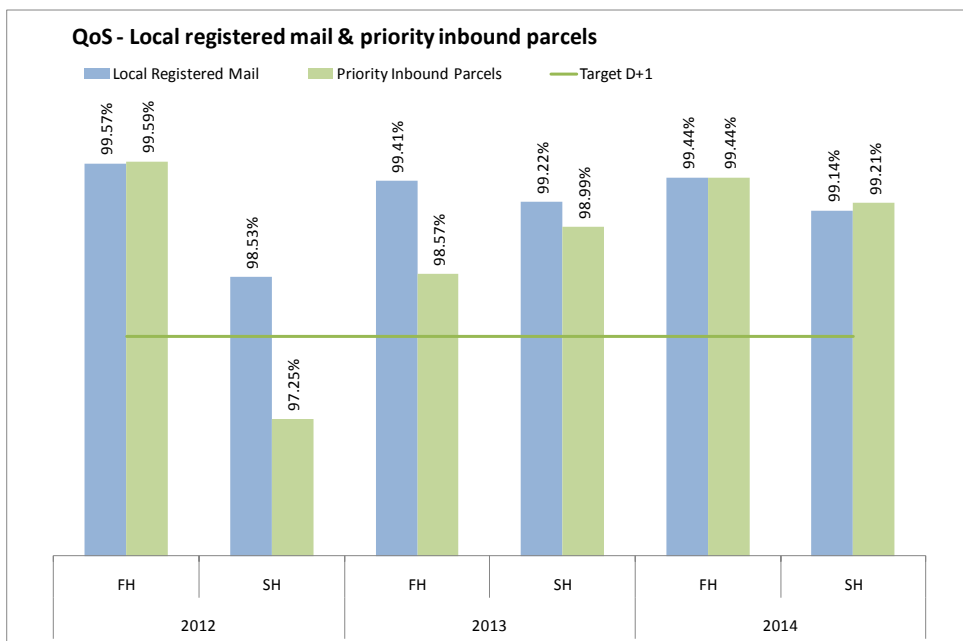


Figure 46: Quality of service - local registered mail and priority inbound parcels

Figure 46 illustrates that, last year, Maltapost has met and exceeded all the set targets for the mail activities under consideration.

8.5. Postal rates: Malta vs the EU

The latest publication by Deutsche Post entitled ‘Letter Prices in Europe 2014’ shows that Malta’s nominal prices for a *domestic standard letter* and an *outbound letter within the EU* continue to benchmark at the bottom (or close to the bottom) of the ranking⁴⁸.

In the second half of 2014, Malta’s nominal price for a domestic standard letter and for letter mail within Europe stood at €0.26 and €0.59 respectively.

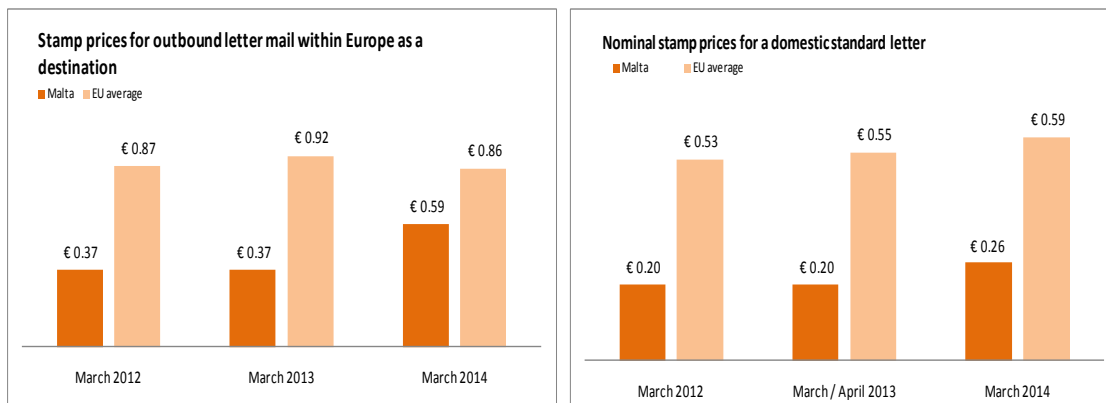


Figure 47: Nominal stamp prices in Malta and the EU

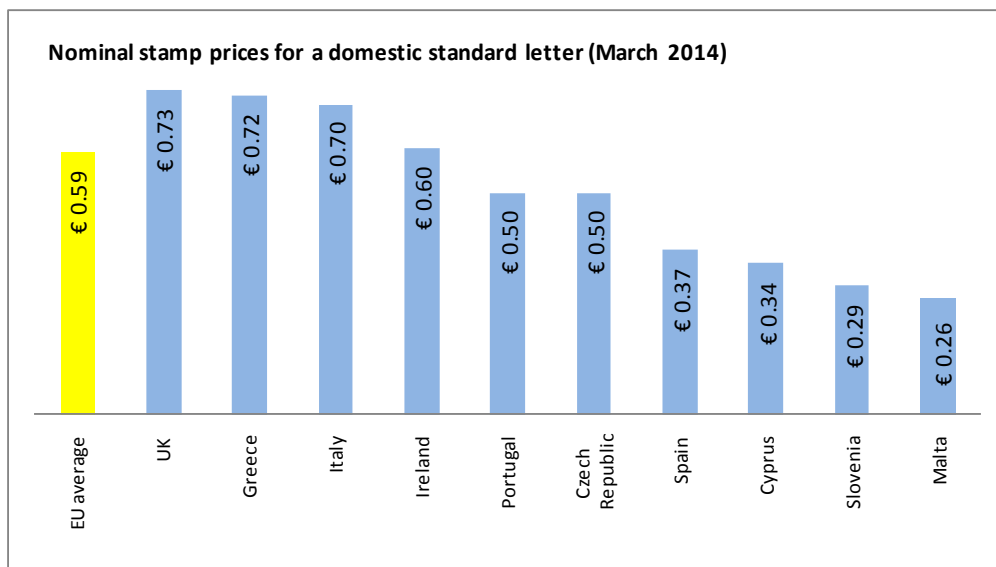


Figure 48: Comparison with selected EU countries

⁴⁸ Link to latest publication: http://www.dpdhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html

The publication findings are based on a survey taking ‘into account all postage rate changes that were known at the time of its printing (March 2013)’ across the 27 EU Member States, the EFTA countries of Norway and Switzerland.

The MCA accepts no responsibility or liability whatsoever with regard to material accessed, operated and/or downloaded from the link provided.

It is relevant to note here that there were no changes in local postage rates for domestic standard mail and outbound letter mail in the second half of 2014.

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11. Glossary of Terms

ARPU	Average revenue per user. Selected revenue items of the operator divided by the average number of active subscriptions during the period.
Broadband	A service or connection to the Internet which is 'always on' and has a speed of more than 128kbps. The number of active broadband subscriptions refers to subscriptions/connections having recorded a transaction within 90 days of the period stipulated.
Dial-up	The number of active dial-up subscriptions refers to those subscriptions/connections which made a call to an Internet number (2188, or 2186) within the last 90 days.
DSL	Digital Subscriber Line. A high-speed transmission technology mainly applied for Internet and video file access service. DSL services allow voice and data to share the same infrastructure and usually require a splitter at the customer's premises to separate voice and data traffic from the line. Forms of DSL include ADSL, HDSL, and VDSL.
DTTV	Digital Terrestrial Television. The term refers to a delivery platform primarily for television programmes in digital format, using the DVB-T standard.
FH	First half of the year, referring to the period January to June.
FNO	Fixed network operator. A provider which owns a fixed line network.
FTF	Fixed-to-fixed traffic.
FTI	Fixed-to-international traffic.
FTM	Fixed-to-mobile traffic.
ISPs	Internet Service Providers. An ISP is a point of access to the Internet for small business and individual users. The ISP provides its customers with access to its router which relays traffic to web servers on the Internet.
Mbps	Megabits per second ("MBit/s") or millions of bits per second. Unit applied to measure the transmission speed of digital information.
MCA	Malta Communications Authority.
MMS	Multimedia Messaging Service. MMS extends the short messaging service ("SMS") to include longer text, graphics, photos, audio clips, video clips, or any combination of the above, within certain size limits.
MNO	Mobile network operator. A provider which owns a mobile network.
MPR	Mobile penetration rate. The MPR is a term used to describe the number of active mobile subscriptions (or SIM cards) as a percentage of total population.
MTM	Mobile-to-mobile traffic.

MTF	Mobile-to-fixed traffic.
MTI	Mobile-to-international traffic.
MVNO	Mobile Virtual Network Operator. An MVNO is a mobile operator that usually would not have a licence to use radio spectrum but would have access to the radio networks of one or more of the current mobile operators and would be able to offer services using that spectrum.
Off-net activity	Activity between two or more connections on different networks.
On-net activity	Activity between two or more connections on the same network.
Pay TV	Television services (generally a channel or set of channels) paid for by the user, by means of subscription or other ways of service payment.
Q	Quarter of the year. Q1 refers to first quarter (January to March), Q2 refers to second quarter (April to June), Q3 refers to third quarter (July to September), Q4 refers to fourth quarter (October to December).
QoS	Quality of Service. A statistical measure of a system or service. May also be used to set varying priorities for traffic.
Service provider	A supplier of electronic communications and postal services, to third parties, either through its own network or through a network of another operator.
SH	Second half of the year, referring to the period July to December.
SMS	Short message service. This refers to short text messages which can be sent from one mobile phone to another, usually up to 160 characters. Such messages can also be sent from the Internet to a mobile phone.
Universal service	The basic level of telecommunications services which should be available to all customers.
USO	Universal Service Obligations. A provision in Maltese law requiring certain operators to provide certain services to all specified persons who may reasonably request them.
VAT	Value Added Tax.

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