



Communications Market Review

January to June 2015

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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 June 2015. The report draws on quarterly and half-yearly 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.

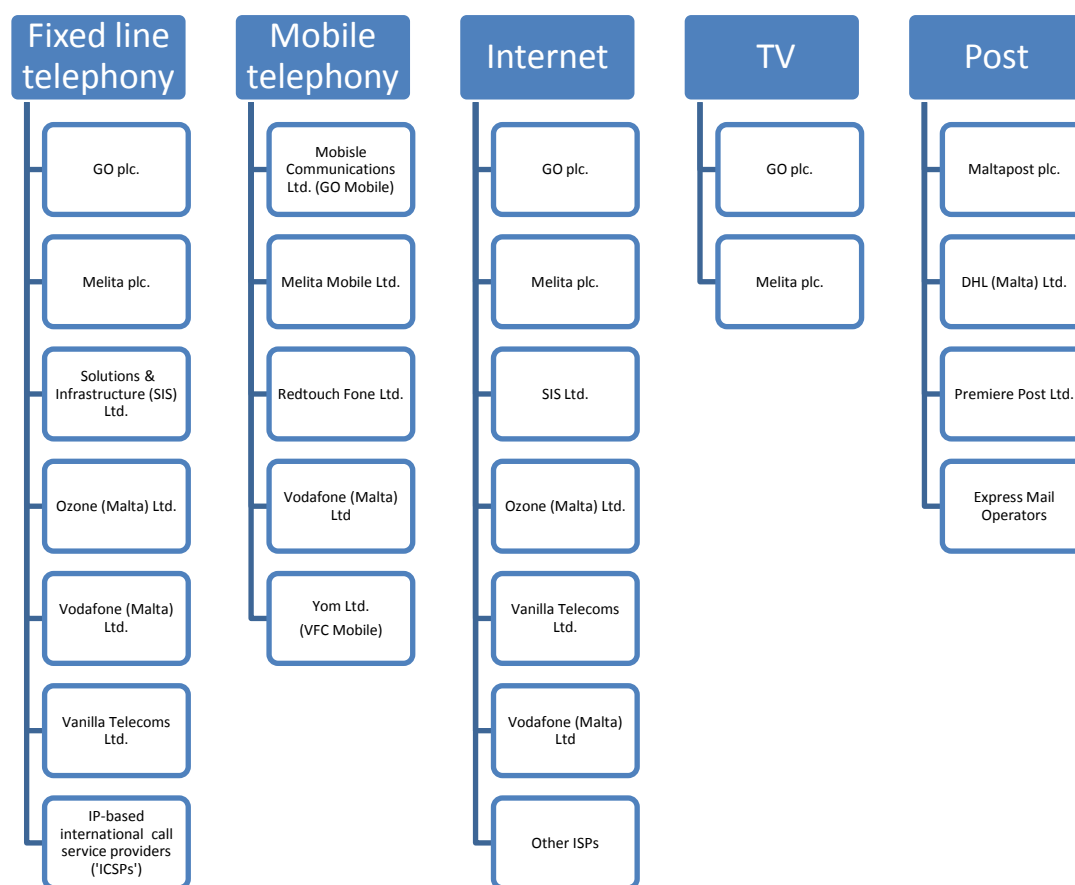


Figure 1: Operators providing quarterly data

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 Q2 2015³.

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 31st of August 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 December 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.

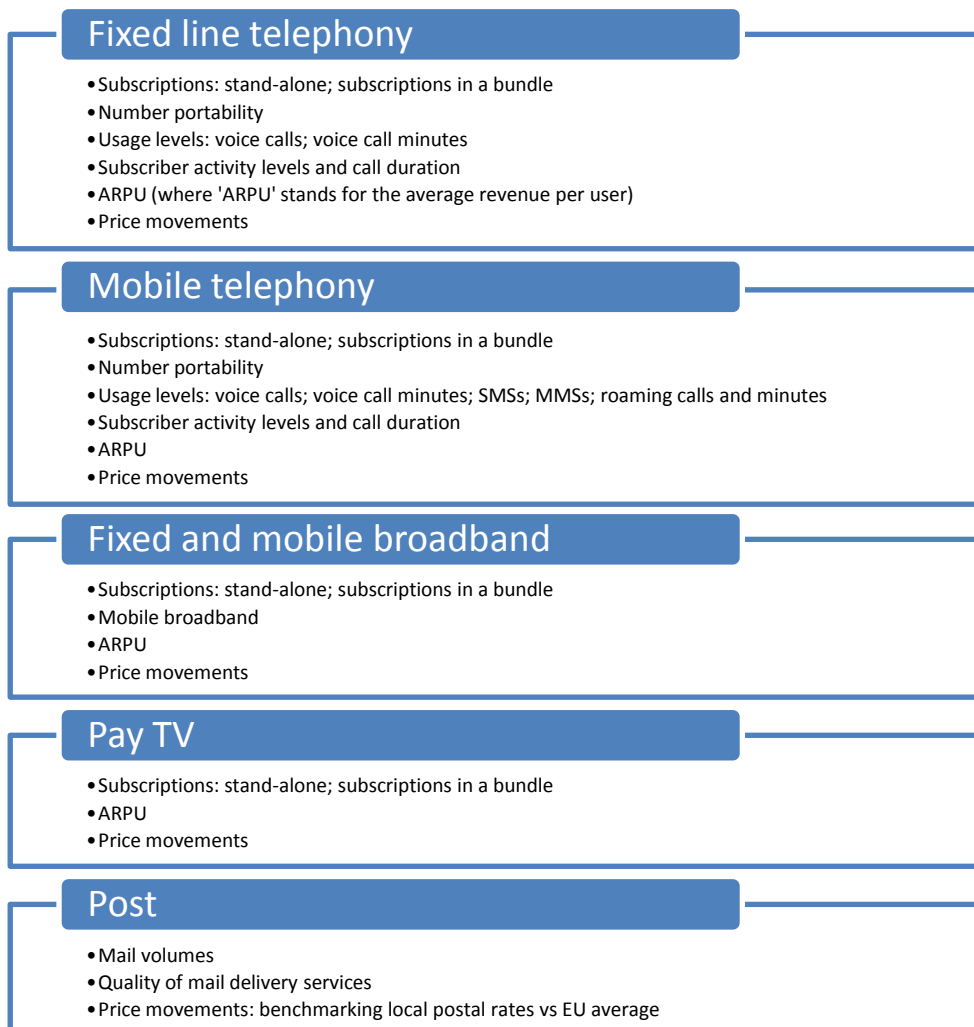


Figure 2: Key market indicators for electronic communications and post

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-q1-2011-q2-2015-0>

2. Key market outcomes

Market trends observed for the first half of 2015 continue to show an increased propensity for end-users to move towards mobile-related services and higher broadband data speeds. Of significance in this regard is the continued drive to more competitively priced offers on the market.

The mobile sector witnessed further growth in the first half of 2015, particularly in terms of subscriber numbers, traffic volumes and uptake of mobile data services. The total number of mobile subscriptions at the end of last June stood at 562,978. This figure is up by almost 15,000 (or by 2.7%) from 548,142 subscriptions recorded a year earlier. Growth in this area comes on the back of a shift in the types of subscriptions (pre-paid vs. post-paid) making up the local subscriber base. In this regard, the number of post-paid subscriptions grew by almost 14,000 between June 2014 and June 2015, representing a growth rate of 11.1%. The number of pre-paid subscriptions grew by just 838 during the same period, representing a growth rate of 0.2%. As a result, the proportion of post-paid subscriptions of the local subscriber base improved by almost two percentage points during the period under review.

As for mobile telephony traffic volumes, year-on-year growth was significant. In this regard, the number of mobile voice calls and the number of voice call minutes per mobile subscription was up from 455 and 633 respectively in the first half of 2014 to 474 and 692 respectively in the first half of this year. Mobile data has also contributed to growth for mobile operators, as evidenced by the increase in the number of mobile users making active use of mobile broadband services.

The increases registered in terms of traffic volumes and uptake of mobile data services contributed to an improvement in ARPU for the sector, which went up from €83.44 in the first half of 2014 to €86.28 in the first half of 2015. This increase in ARPU materialised in parallel to a 9% reduction in the average rate per minute of mobile communication, from €0.09 in the first half of 2014 to €0.08 in the first half of this year. The overall positive aspect of these trends is the increasing value for money for local subscribers.

In line with the ongoing trend, developments in the fixed line sector were generally in stark contrast to those observed for the mobile sector. This did not come at a surprise given the ongoing shift from the usage of fixed telephony to the usage of mobile. The number of fixed line subscriptions was down by 3,478 (or by 1.5%) in the 12-month period to the end of June this year, from 232,469 to 228,991. This reflects a drop of 3,701 pre-paid fixed line subscriptions, attributed to either service providers disconnecting those lines that were inactive for a long period or else to a continued effort to shift subscriptions to post-paid contracts.

In terms of fixed voice traffic volumes, developments for the sector were in line with long-term market trends. Fixed voice traffic volumes in the first half of this year were considerably weaker than reported in the first half of 2014. In this regard, the number of voice calls and the number of voice call minutes per fixed line subscription was down from 362 and 1,283 respectively to 337 and 1,191 respectively.

Given that the average rate per minute of fixed line communication was also down by around 6% 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 €76.48 in the first half of this year, from €80.45 for the same period a year earlier. The decline in ARPU and average rate per minute of fixed line communication most likely reflects the higher uptake of bundled fixed line subscriptions, which typically enables end-users to avail of discounted call rates and/or free minute allowances.

Take-up of fixed broadband and mobile broadband remained strong during the first six months of 2015. When compared to the end of June 2014, the number of fixed broadband subscriptions at the end of the current reporting period was up by 6,713 (or up by 4.5%). Underlying the progress in take-up of fixed broadband has been an increase in the number of end-users opting for products supporting download speeds of 30Mbps or higher. In this regard, the proportion of fixed broadband subscriptions supporting such download speeds stood at 57.8% at the end of June 2015, up from 47.7% a year earlier. The increase in high-speed subscribers helped local service providers improve upon their ARPU figure, even though the average

price per Mbit was down by 1.1% year-on-year. Fixed broadband ARPU for the first half of 2015 stood at €90.49, up by 2.5% from €88.29 for the same period a year earlier.

Meanwhile, the number of end-users actively using mobile broadband services increased by around 46,500 (or by around 21%) between June 2014 and June 2015. The stronger penetration and usage of mobile broadband comes on the back of a continued increase in the uptake of smart-phones, tablet computers and laptops, especially as local service providers continue offering such devices at discounted prices in combination with mobile data plans.

The Pay TV sector saw its subscriber base shrink in the 12-month period to June 2015. The number of subscriptions was down by 927 (or by 0.6%), from 149,158 at the end of June 2014 to 148,231 at the end of June 2015. This drop in subscriptions has also negatively affected ARPU for the sector. Pay TV ARPU in the first half of 2015 stood at €84.10, which is marginally down by 0.6% from €84.52 in the first half of last year.

As to postal mail volumes, overall market trends in the first half of this year showed little variation from the trends observed in the past. Standard mail volumes, which primarily consist of letter mail items and bulk mail items, totalled 18.4 million in the first half of 2015, down by 1.3 million (or by 6.8%) from 19.7 million in the corresponding period a year earlier. At the same time, parcel mail volumes were up by 34,652 (or by 8.8%), from 396,195 mail items in the first half of 2014 to 430,811 in the first half of 2015. Overall, postal mail volumes were down by 1.3 million items (or by 6.4%).

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

i. Mobile Telephony

- The number of mobile telephony subscriptions totalled 562,978 as at the end of June 2015. This figure is up by 14,836 (or by 2.7%) from 548,142 at the end of June last year.
- The number of post-paid subscriptions was up by 13,998 (or by 11.1%) between June 2014 and June 2015 and the number of pre-paid subscriptions was up by 838 (or by 0.2%). These increases are in line with long-term market trends and explain a growing proportion of the local subscriber base having a post-paid contract. At the end of June 2015, 25.0% of total mobile subscriptions were on a post-paid contract, up from 23.1% a year earlier.
- 9.8% of all mobile subscriptions⁵ were bundled with some other electronic communications service at the end of June 2015.
- The number of mobile inward portings totalled 17,024 in the first half of 2015, down from 18,066 inward portings recorded in the same period a year earlier.
- Mobile traffic volumes continued to grow steadily in the first six months of this year. In this respect, the number of mobile voice calls recorded in the first half of 2015 was up by 11.3 million (or by 4.5%) compared to the first half of 2014. A similar comparison for the number of mobile voice call minutes shows that the respective figure was up by 34.3 million (or by 9.8%).
- Stronger voice traffic volumes corresponded to higher voice activity levels per mobile subscription, as illustrated in Table 1 below.

⁵ 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.

Mobile telephony	FH 2013	FH 2014	FH 2015
Subscriptions (end of period)	554,703	548,142	562,978
Activity levels per subscription			
Number of voice calls	409	455	474
Number of voice call minutes	583	633	692
Number of SMSs	556	465	414
ARPM (overall)	€0.10	€0.09	€0.08
domestically-bound call	€0.10	€0.09	€0.08
Internationally-bound call	€0.16	€0.13	€0.10
Average rate per domestic SMS	€0.02	€0.02	€0.02
Average rate per international SMS	€0.19	€0.06	€0.06
ARPU	€82.68	€83.44	€86.28

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

- SMS traffic volumes persisted in their long-term decline. In fact, the number of SMSs per subscription fell from an average of 465 per mobile subscription in the first half of 2014 to an average of 414 per mobile subscription in the first half of 2015.
- Mobile telephony maintained the trend towards more competitively priced voice call offers. In fact, the average rate per minute of mobile communications in the first half of 2015 was down by 9% to €0.080 from €0.088 in the first half of 2014.
- The increase in voice traffic volumes, a higher uptake of mobile data services and a falling average rate per minute of mobile communications contributed to an increase in mobile ARPU, from €83.44 in the first half of 2014 to €86.28 in the first half of 2015.

ii. Fixed line telephony

- The number of fixed line subscriptions totalled 228,911 at the end of June 2015, down by 3,478 (or by 1.5%) in 12 months. As for the proportion of the local subscriber base by type of subscription at the end of last June, 91.0% were on a post-paid contract, 7.8% were on a pre-paid plan and 1.2% were on an 'enhanced' plan (the latter type of plans supporting multiple connections).
- 59.8% of all standard post-paid fixed line telephony subscriptions at the end of the current reporting period were bundled with some other electronic communications service.
- There were 849 fixed line inward portings during the first half of 2015, down from 1,485 inward portings recorded in the first half of 2014.
- Traffic volumes in the first half of 2015 were weaker than recorded during the same period a year earlier. The number of outgoing voice calls was down by 6.2 million (or by 7.4%) and the number of outgoing voice call minutes was down by 23.3 million (or by 7.8%). Overall, 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 2 below.

Fixed line telephony	FH 2013	FH 2014	FH 2015
Subscriptions (end of period)	229,919	232,469	228,991
Voice activity levels per subscription			
Number of voice calls	401	361	338
Number of voice call minutes	1,378	1,280	1,191
Average rate per minute (ARPM)	€0.033	€0.032	€0.030
on-net FTF call	€0.01	€0.01	€0.01
off-net FTF call	€0.01	€0.01	€0.01
FTM call	€0.20	€0.19	€0.16
FTI call	€0.09	€0.10	€0.10
Average revenue per user (ARPU)	€82.29	€80.45	€76.48

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

- ARPU for fixed line telephony in the first half of 2015 was down to €76.48, from €80.45 in the first half of 2014.
- The average rate per minute (ARPM) of fixed line communications was also down, from €0.032 in the first half of 2014 to €0.030 in the first half of this year.

iii. Fixed and mobile broadband

- The number of fixed broadband subscriptions totalled 154,888 at the end of June 2015. This figure is up by 6,713 (or by 4.5%) from 148,175 reported a year earlier.
- The fixed broadband penetration rate (measured as the proportion of the number of active fixed broadband connections to Malta's population) stood at 36.1% at the end of the current reporting period, representing an increase of 1.4 percentage points on the corresponding rate at the end of June 2014.

Fixed broadband	FH 2013	FH 2014	FH 2015
Subscriptions (end of period)	140,711	148,175	154,888
less than 5Mbps	12,658	10,452	7,102
greater than or equal to 5Mbps but less than 10Mbps	12,807	1,891	603
greater than or equal to 10Mbps but less than 20Mbps	89,985	58,984	54,025
greater than or equal to 20Mbps but less than 30Mbps	8,606	6,237	3,584
greater than or equal to 30Mbps but less than 50Mbps	13,267	64,985	82,283
greater than or equal to 50Mbps but less than 100Mbps	2,431	4,609	5,796
100Mbps and more	957	1,017	1,495
Average rate per Mbps (end of period)	€1.73	€1.72	€1.70
less than 5Mbps	€3.79	€3.79	€3.79
greater than or equal to 5Mbps but less than 10Mbps	€4.56	€5.51	€4.81
greater than or equal to 10Mbps but less than 20Mbps	€1.91	€1.67	€1.72
greater than or equal to 20Mbps but less than 30Mbps	€1.34	€1.53	€1.84
greater than or equal to 30Mbps but less than 50Mbps	€1.13	€1.09	€1.04
greater than or equal to 50Mbps but less than 100Mbps	€0.84	€0.84	€0.76
100Mbps and more	€0.80	€0.83	€0.81
ARPU	€90.00	€88.29	€90.49

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

- 70.6% of all fixed broadband subscriptions reported at the end of last June were purchased in a bundle. This figure is up by almost 15.0 percentage points since the end of June 2014. In absolute terms, the number of fixed broadband subscriptions in a bundle totalled 109,328 at the end of last June.

- Demand of fixed broadband has witnessed a shift towards products supporting higher download speeds. At the end of June 2014, 52.3% of all fixed broadband subscriptions had a download speed of less than 30Mbps, almost 47.0% had a download speed of 30Mbps but less than 100Mbps, whilst 0.7% had a download speed of 100Mbps or more. The two latter categories registered gains in take-up in the first six months of 2015. In fact, the proportion of subscriptions having a download speed of 30Mbps but less than 100Mbps improved by ten percentage points to 56.9% whilst the proportion of subscriptions having a download speed of 100Mbps or more improved marginally to 0.9%. Meanwhile, the proportion of subscriptions with a download speed of less than 30Mbps fell by 10.1 percentage points to 42.2%.
- Of all fixed broadband subscriptions reported at the end of June 2015, those on the cable platform totalled 79,342 (equivalent to 51.2% of the total). Meanwhile, the number of subscriptions on the DSL and wireless platforms totalled 74,047 (equivalent to 47.8% of the total) and 1,499 (equivalent to 1.0% of the total) respectively.
- Fixed broadband ARPU in the first half of 2015 stood at €90.49, up from €88.29 in the corresponding period a year earlier. This increase in ARPU happened despite a slight fall in the average rate per unit of download speed (or per Mbps), from €1.72 in the first half of 2014 to €1.70 in the first half of this year.
- As for the uptake of mobile broadband services, preliminary figures show that the number of end-users actively making use of mobile broadband services increased from around 214,000 at the end of June 2014 to around 270,000 at the end of June this year. This increase is mainly attributed to a higher propensity of end-users making use of data services delivered over their mobile connection.

iv. Pay TV

- The number of Pay TV subscriptions totalled 148,231 at the end of June 2015, down by 927 (or by 0.6%) since the end of June 2014.
- The number of analogue cable subscriptions was down by 671 (or by 9.3%) in twelve months to 6,537 by the end of June 2015. Meanwhile, the number of digital cable subscriptions and DTTV subscriptions fell by 1,160 (or by 1.6%) and by 5,317 (or by 8.9%) respectively. On the other hand, the number of IPTV subscriptions went up from 9,289 at the end of June 2014 to 15,510 at the end of the current reporting period, which represents a year-on-year growth rate of almost 67%.

Pay TV	FH 2013	FH 2014	FH 2015
Subscriptions (end of period)	149,049	149,158	148,231
Average market rates for pay TV packages	€19.37	€22.44	€22.44
up to 24 channels	€3.99	€3.99	€5.00
25 to 49 channels	€12.49	€15.66	€15.66
50 to 74 channels	€23.49	€23.49	€23.49
75 to 99 channels	€24.49	€26.32	€24.99
100 channels or more	€29.99	€34.99	€32.99
ARPU	€85.90	€84.52	€84.10

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

- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 4.4% and 48.3% respectively at the end of June 2015, down from 4.8% and 48.8% respectively at the end of June 2014. Meanwhile, the Digital terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 36.8% and 10.5% of total pay TV subscriptions recorded at the end of June

2015 respectively. The representativeness of the former is down by 3.4 percentage points from the end of June 2014, whilst that of the latter is up by 4.3 percentage points.

- Take-up of pay TV subscriptions in a bundle strengthened in the first half of 2015. In this respect, the number of bundled pay TV subscriptions at the end of June 2015 was up by 2,124 (or by 2.8%) from 75,965 at the end of June 2014. 55.1% of all pay TV subscriptions recorded at the end of last June were purchased in a bundle package in combination with other electronic communications services.
- Pay TV ARPU in the first half of 2015 stood at €84.10, slightly down from €84.52 in the first half of 2014.
- MCA workings show that the overall average advertised rate (or average monthly access fee) for pay TV in the first half of 2015 was the same as that recorded in the first half of 2014, at €22.44.

v. Post

- Postal mail volumes delivered in the first half of 2015 totalled 18.8 million items, down by 1.3 million (or by 6.4%) from 20.1 million items in the first half of 2014.
- Two types of mail, standard mail and express mail, account for postal mail activity in Malta. 97.7% of all mail activity recorded in the first half of 2015 was standard mail. Express mail accounted for the remaining activity.
- In absolute terms, standard mail activity in the first half of 2015 weakened by 1.3 million items (or by 6.8%) when compared to the first half of 2015. A similar comparison for express mail shows that volumes were up by 34,652 mail items (or by 8.8%).

Post	FH 2013	FH 2014	FH 2015
Postal mail volumes	21,192,837	20,094,974	18,800,853
Standard mail volumes	20,832,863	19,698,815	18,370,042
Single piece letter mail	7,916,114	6,672,104	6,468,893
Bulk mail	12,339,164	12,377,239	11,229,918
Registered mail	527,734	590,761	604,533
Parcel mail	49,851	58,711	66,698
Express mail volumes	359,974	396,159	430,811
Single piece letter mail	221,356	266,094	277,433
Bulk mail	-	-	-
Registered mail	-	-	-
Parcel mail	138,618	130,065	153,378

Table 5: Postal mail volumes

- As to developments by type of mail item, bulk mail activity accounted for 59.7% of all postal activity recorded in the first half of 2014, followed by letter mail at 35.9%, registered mail at 3.2% and parcel mail at 1.2%.
- Malta's 2015 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 first half of 2015.

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 June 2015, GO’s market share fell by 1.2 percentage points, whilst that of Melita improved by the same margin.

The combined market share of other operators, namely Vodafone (Malta), Ozone (Malta), SIS and Vanilla Telecoms stood at 0.7% at the end of the current reporting period, slightly up than reported a year earlier.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone (Malta)
End of FH 2015	65.51%	33.82%	0.09%	0.34%	0.02%	0.22%
End of FH 2014	66.73%	32.66%	0.10%	0.35%	0.02%	0.14%
End of FH 2013	70.32%	29.08%	0.10%	0.35%	-	0.15%

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

3.2. Mobile telephony

Vodafone continues to account for the largest number of subscriptions in the mobile telephony sector, although its market share has declined over the last few years. In the 12-month period to June 2015, Vodafone’s market share showed a marginal decline of 0.4 percentage points, from 44.4% to 44.0%.

Meanwhile, the market share of GO Mobile strengthened slightly by 0.1 percentage points to 39.0% and that of Melita Mobile also improved marginally by 0.4 percentage points to 15.2%.

The smaller players in the sector, namely RedTouch Fone and VFC Mobile, together accounted for just 1.8% of the local subscriber base at the end of last June, slightly lower than 1.9% a year earlier.

Market shares	GO Mobile	VFC Mobile	Melita Mobile	Redtouch Fone	Vodafone (Malta)
End of FH 2015	39.02%	0.01%	15.19%	1.75%	44.03%
End of FH 2014	38.91%	0.01%	14.78%	1.90%	44.40%
End of FH 2013	36.26%	0.01%	13.27%	1.93%	48.53%

Figure 4: Market shares in terms of mobile telephony subscriptions as at end of period⁶

⁶ Ping Mobile has not been active since 2013.

3.3. Fixed broadband

The market share of Melita improved by almost 2.0 percentage points in the 12-month period ending June 2015, whilst GO’s market share fell by 1.3 percentage points.

The remaining operators accounted for a combined market share of 1.1% at the end of June 2015, down by 0.5 percentage points from 1.6% a year earlier.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone (Malta)	IP-based ISPs
End of FH 2015	47.74%	51.23%	0.05%	0.26%	0.14%	0.59%	0.01%
End of FH 2014	49.02%	49.37%	0.02%	0.26%	0.15%	1.08%	0.11%
End of FH 2013	49.32%	48.61%	0.02%	0.28%	0.13%	1.50%	0.15%

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 June 2015, GO continued improving its market share, which was up by 0.9 percentage points to 47.3% from 46.4% at the end of June 2014. On the other hand, Melita’s market share was down by the same margin, from 53.6% at the end of June 2014 to 52.7% at the end of last June.

Market shares	GO	Melita
End of FH 2015	47.29%	52.71%
End of FH 2014	46.39%	53.61%
End of FH 2013	45.31%	54.69%

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

4. Fixed line telephony

The fixed line sector witnessed a decline in subscriptions during the first half of 2015. The shrinking subscriber base reflects the ongoing decline in the number of pre-paid subscriptions, which is a result of local service providers disconnecting inactive connections and ongoing efforts to switch pre-paid subscribers onto a post-paid contract.

Meanwhile, fixed line traffic volumes in the first half of this year were also weaker than recorded during the same period a year earlier. As a result, the average number of voice calls and voice call minutes per subscription fell during the period under review.

Some other relevant considerations at this stage are the following:

- Take-up of fixed telephony in bundled subscriptions strengthened in the first six months of 2015. In fact, almost 60% of all post-paid fixed telephony subscriptions recorded at the end of last June were accounted for in a bundle.
- The average rate per minute of fixed line communications in the first half of 2015 stood at €0.030, down by 6.3% when compared to the corresponding rate in the first half of 2014.
- In line with the fall in traffic volumes and the average rate per minute of communication, fixed telephony ARPU in the first half of 2015 was down by 4.9% when compared to the same period a year earlier, from €80.45 to €76.48.

4.1. Subscriptions

Take-up of fixed telephony continued on a downward trend in the six-month period under review, as the number of subscriptions fell to a total of 228,981 by the end of last June, down by 3,478 (or by 1.5%) compared from 232,469 a year earlier.

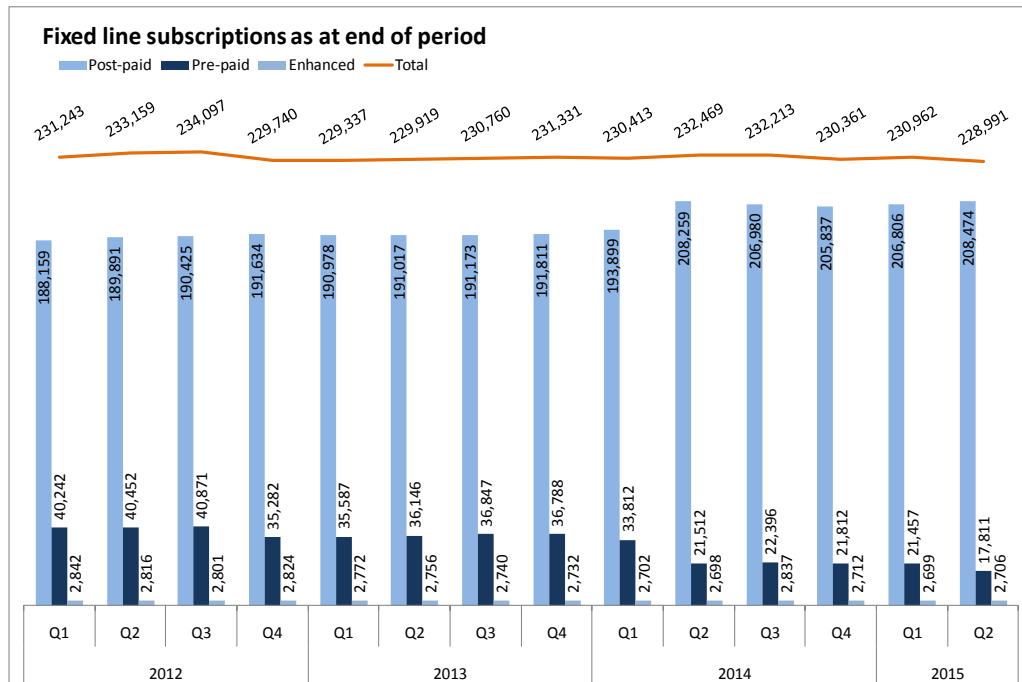


Figure 7: Fixed line telephony subscriptions as at end of period

This review distinguishes between two types of fixed line telephony subscriptions, namely standard subscriptions and enhanced subscriptions. The former category encompasses those subscriptions typically referred to as post-paid or pre-paid. These kinds of subscriptions offer the end-user a single connection at his/her residential unit or business location. Enhanced fixed line telephony subscriptions refer to those subscriptions offering multiple (dual or more) channel connections.

The fixed line subscriber base at the end last June comprised 208,474 post-paid subscriptions, 17,811 pre-paid subscriptions, and 2,706 enhanced subscriptions. Compared to the end of June 2014, the number of post-paid subscriptions was up by 215 (or by 0.1%) whilst the number of pre-paid subscriptions was down by 3,701 (or by 17.2%). Meanwhile, the number of enhanced subscriptions was up by 8 (or by 0.3%).

These figures show that the fixed line subscriber base shrank in the 12-month period to the end of June this year because of a drop in the number of pre-paid subscriptions, which outweighed small gains reported for post-paid and enhanced subscriptions. The drop in pre-paid subscriptions mainly reflects the continued efforts of local service providers to disconnect those lines that were inactive for a long period.

At the end of the current reporting period, 91.0% of all fixed line telephony subscriptions were on a post-paid contract, which represents a 1.5 percentage point increase compared to 89.6% recorded at the end of June 2014. Meanwhile, pre-paid subscriptions accounted for 7.8% of the local fixed telephony subscriber base, down from 9.3% a year earlier. Meanwhile, enhanced subscriptions accounted for an unchanged 1.2% of the local fixed telephony subscriber base.

Subscriptions on a bundle

Take-up of fixed telephony in bundled subscriptions continued to strengthen in the period under review. In absolute terms, the number of post-paid fixed line telephony subscriptions purchased in a bundle increased by 18,948 (or by 17.9%) from 105,683 at the end of June 2014 to 124,631 at the end of last June.

Post-paid fixed line telephony subscriptions in a bundle	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Fixed telephony subscriptions on a dual play contract	34,641	35,521	33,056	33,715	39,137	47,948	52,230
Fixed telephony + mobile telephony	12,738	13,567	12,156	12,443	13,427	11,112	8,985
Fixed telephony + fixed broadband	6,222	9,653	10,068	11,349	15,979	29,890	36,927
Fixed telephony + pay TV	15,681	12,301	10,832	9,923	9,731	6,946	6,318
Fixed telephony subscriptions on a triple play contract	9,802	9,794	15,459	21,376	22,477	25,490	26,718
Fixed telephony + fixed broadband + mobile telephony	437	-	344	289	312	620	630
Fixed telephony + fixed broadband + pay TV	9,365	9,794	15,115	21,087	22,165	24,870	26,088
Fixed telephony subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Fixed telephony + fixed broadband + pay TV + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Total number of fixed post-paid telephony subscriptions on a bundle	83,462	85,898	89,854	97,577	105,683	117,867	124,631
Number of fixed post-paid telephony subscriptions as at end of period	189,891	191,634	191,017	191,811	208,259	205,837	208,474
Percentage of fixed post-paid telephony subscriptions in a bundle	43.95%	44.82%	47.04%	50.87%	50.75%	57.26%	59.78%

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

Table 6 shows that almost 60.0% of all post-paid fixed line telephony subscriptions reported at the end of last June were purchased in combination with some other electronic communications service⁷. This figure was up by 9.0 percentage points when compared to the end of June 2014.

4.2. Fixed line inward portings

The number of fixed line inward portings⁸ recorded in the first half of 2015 totalled 849, down by 636 (or by 42.8%) from 1,485 portings reported in the first half of the previous year.

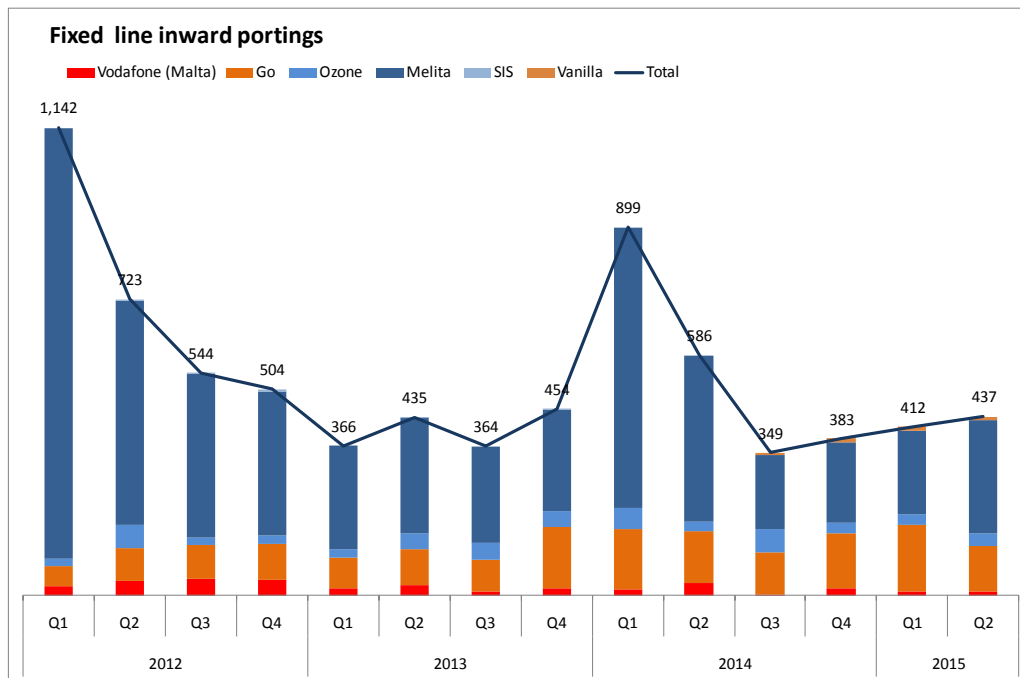


Figure 8: Fixed line number portability - number of inward portings

⁷ Locally, only fixed line subscriptions on a post-paid contract can be purchased in a bundle with other electronic communications services.

⁸ 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.

Melita and GO accounted for 88.7% of all inward portings reported in the first half of this year. Market share developments for the different operators also indicate that fixed line portability during this period mostly came about as a result of end-users switching from GO to Melita.

On an operator level, Melita registered 479 inward portings, followed by GO, which recorded 274 inward portings, Ozone (Malta) recorded 58 inward portings, whilst Vanilla Telecoms and Vodafone (Malta) reported 20 and 18 inward portings respectively.

4.3. Usage trends for fixed line telephony

Fixed line traffic volumes in the first half of 2015 were down significantly when compared to the same period a year earlier. The number of landline calls was down by 6.2 million (or by 7.4%) from 83.8 million in the first half of 2014 to 77.6 million. Meanwhile, the number of fixed line voice call minutes was also down, in this case by 23.3 million (or by 7.8%), from 297.0 million to 273.8 million.

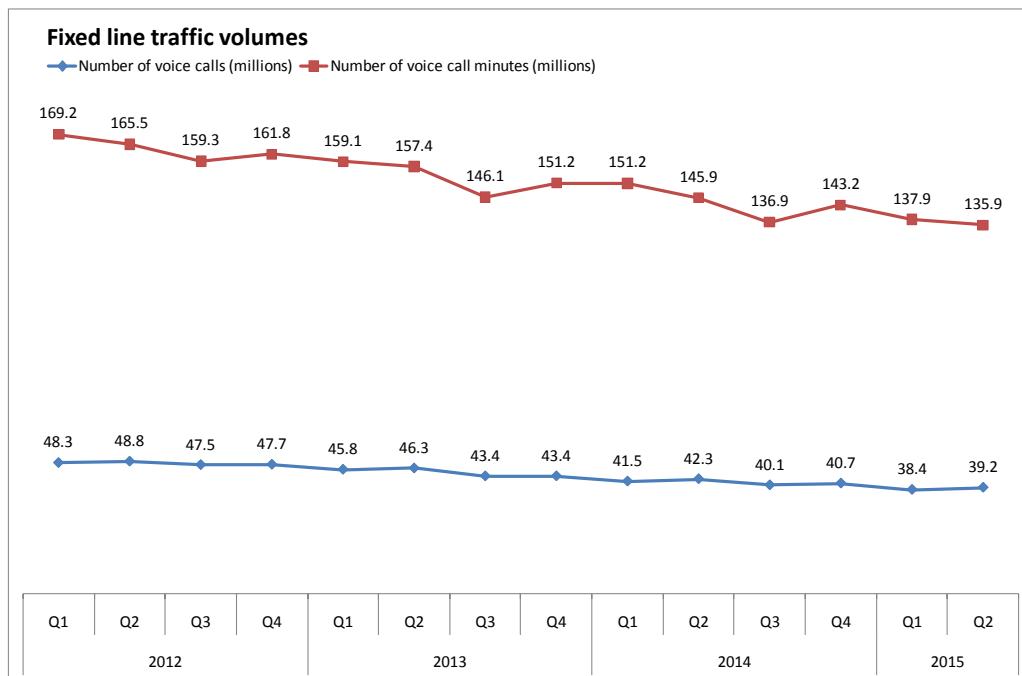


Figure 9: Voice traffic originating from local fixed line networks

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. The relevant developments for these traffic segments are described below.

4.3.1 National voice traffic volumes

National fixed line traffic volumes in the first half of 2015 amounted to 75.1 million voice calls and 258.6 million voice call minutes. This means that, on average, each fixed telephony subscriber made approximately 327 national voice calls and 1,126 national voice call minutes during the period under review.

National voice calls

The number of national fixed line voice calls in the first half of 2015 totalled 75.1 million, down by almost 6.0 million (or by 7.4%) from 81.1 million in the corresponding period a year earlier.

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

The number of on-net FTF calls fell by 4.4 million (or by almost 10.0%), from 44.0 million in the first half of 2014 to 39.6 million in the first half of this year. At the same time, the number of off-net FTF calls dropped by 1.3 million (or by 7.1%), from 17.8 million to 16.5 million, and the number of FTM calls dipped by 0.06 million (or 0.3%), from 17.5 million to 17.4 million.

Fixed voice calls (national)	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Total	93,253,424	91,072,184	88,230,089	83,794,407	81,061,884	78,122,647	75,069,500
Fixed -to-fixed (FTF)	71,106,727	68,614,478	67,982,076	63,912,398	61,829,592	58,333,116	56,181,487
on-net FTF	51,767,904	49,553,582	48,651,217	45,868,914	44,020,136	41,187,247	39,631,892
off-net FTF	19,338,823	19,060,896	19,330,859	18,043,484	17,809,456	17,145,869	16,549,595
Fixed-to-mobile (FTM)	20,692,609	20,917,476	18,688,835	18,362,387	17,543,834	18,127,981	17,486,895
Other	1,454,088	1,540,230	1,559,178	1,519,622	1,688,458	1,661,550	1,401,118

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

The 'other' national calls component⁹ has also witnessed a decline in traffic volumes, with the number of calls reported in the first half of 2015 totalling 1.4 million, down by 0.3 million (or by 17.0%) from 1.7 million in the same period a year earlier.

National voice call minutes

In terms of national voice call minutes, traffic volumes in the first half of 2015 totalled 258.6 million. This figure is down by 21.7 million (or 7.8%) from 280.4 million minutes in the first half of 2014.

All national voice traffic components, except for the national FTM segment, experienced a drop in minute volumes. The number of on-net FTF traffic voice minutes was down by 17.4 million (or by 9.8%), from 178.1 million in the first half of 2014 to 160.7 million in the first half of this year. Meanwhile, the number of off-net FTF minutes was down by 4.2 million (or by 5.9%), from 71.6 million to 67.4 million whilst the number of 'other' national voice minutes was down by 0.4 million (or by 11.7%).

Fixed voice call minutes (national)	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Total	314,021,005	300,574,025	297,752,857	279,628,212	280,368,533	263,568,719	258,620,408
Fixed -to-fixed (FTF)	279,148,307	264,934,516	265,708,234	248,045,344	249,682,050	231,976,896	228,053,979
on-net FTF	202,010,148	190,009,017	189,659,199	177,296,513	178,064,325	163,134,907	160,680,590
off-net FTF	77,138,159	74,925,499	76,049,036	70,748,832	71,617,725	68,841,990	67,373,389
Fixed-to-mobile (FTM)	31,562,195	32,081,886	28,531,576	27,941,261	26,892,375	27,867,348	27,215,490
Other	3,310,503	3,557,623	3,513,046	3,641,606	3,794,108	3,724,475	3,350,939

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

Meanwhile, the number of national FTM voice minutes totalled 27.2 million in the first half of this year, up by 0.3 million (or by 1.2%) from 26.9 million in the first half of 2014.

⁹ This traffic component includes freephone calls, premium calls and payphone calls.

4.3.2 International voice traffic volumes

During the first half of 2015, fixed line telephony users made 2.5 million fixed-to-international (FTI) voice calls and 15.2 million fixed-to-international voice call minutes. This translates into approximately 11 international voice calls and around 66 international voice call minutes per active fixed telephony subscriber during this period.

Compared to the first half of 2014, the number of fixed-to-international (FTI) voice calls was down by 0.2 million (or by 8.6%), whilst the number of international voice call minutes was down by 1.5 million (or by 9.0%).

4.4. Activity levels and call duration

The rate of decline with respect to fixed voice traffic volumes in the first half of this year was again stronger than the rate of decline recorded for fixed telephony subscriptions. As a result, activity levels for the sector (i.e. the average number of voice calls and voice call minutes per active fixed line subscription) in the first half of 2015 were weaker than recorded in the first half of the previous year.

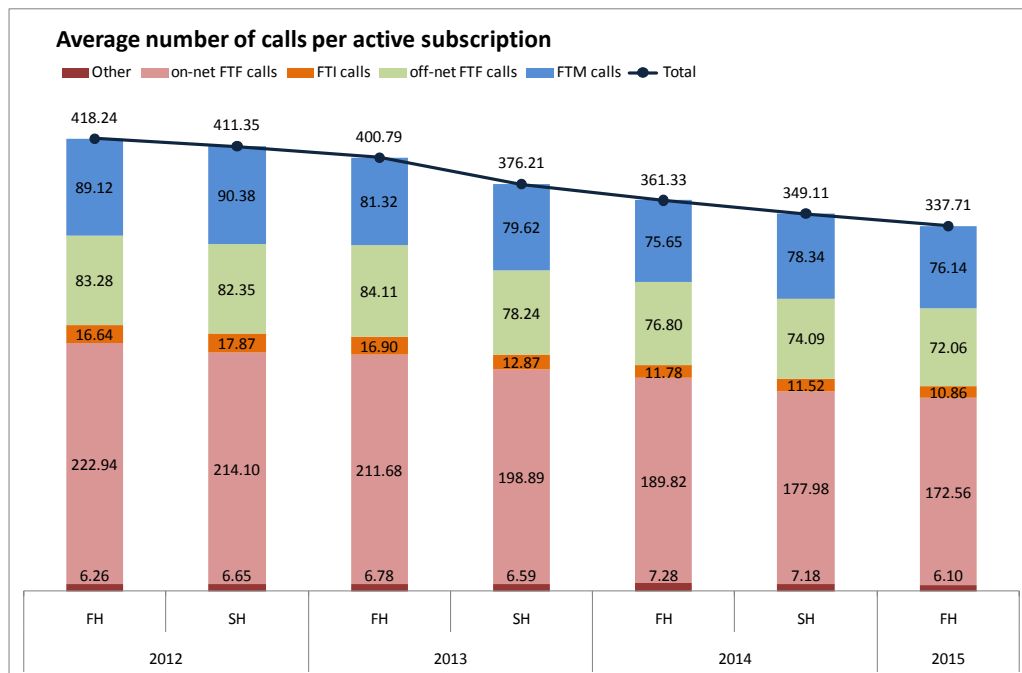


Figure 10: Average number of calls per active subscription

Figure 10 illustrates that each active fixed line subscription accounted for an average of around 338 calls in the first half of 2015¹⁰, down from around 361 in the first half of the previous year. This drop is mainly explained by negative developments for both on-net FTF and off-net FTF traffic volumes, although volumes were also down for FTI and ‘other’ traffic.

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

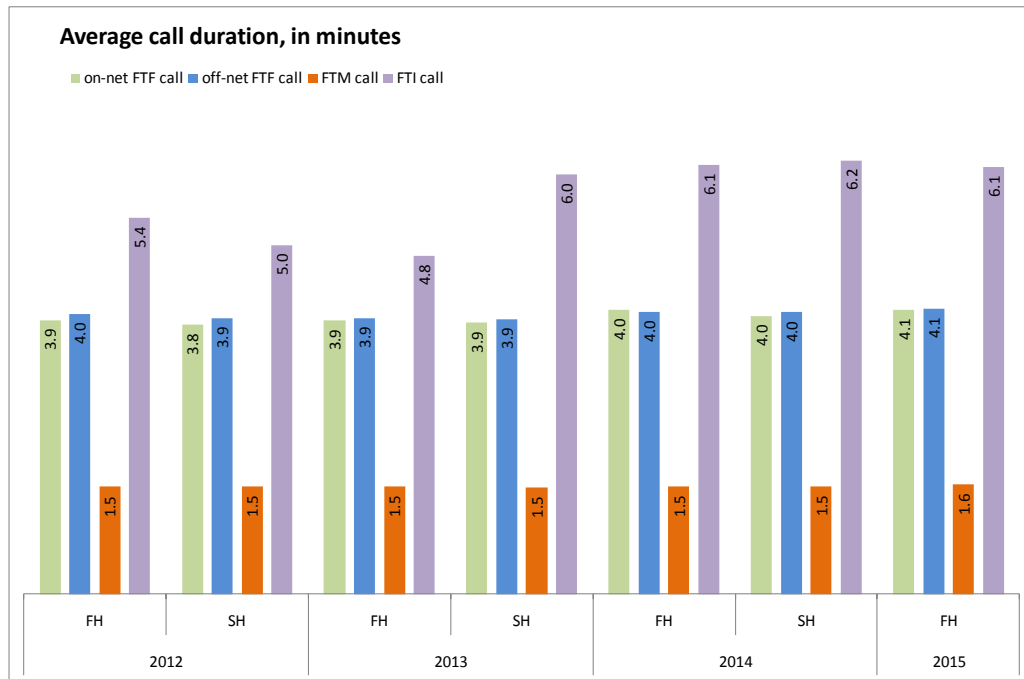


Figure 11: Average duration of an outgoing fixed line call

The duration of an outgoing fixed line call on average stood at 3.5 minutes (or 3 minutes and 30 seconds) during the first half of 2015, which is unchanged from the figure recorded in the first half of 2014.

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 first half of 2015, compared to 1 minute and 30 seconds for a FTM call. On-net FTF calls and off-net FTF calls on average lasted around four minutes during the same period.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector totalled €76.48 in the first half of 2015. This is lower than the ARPU level observed in the first half of the previous year, which stood at €80.45.

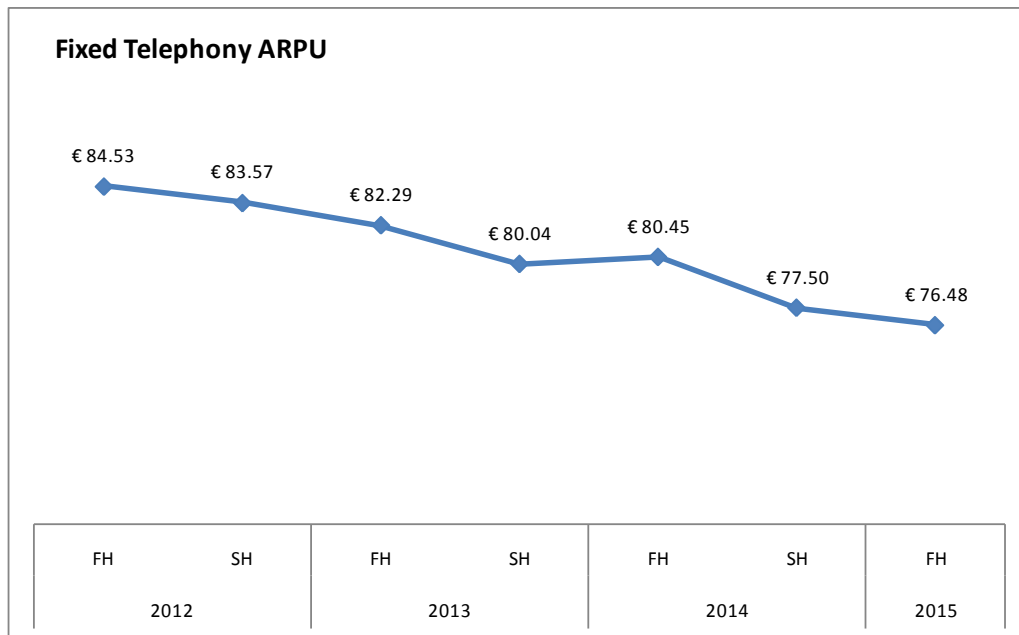


Figure 12: Average revenue per fixed line user

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 prevailing trend of end-users shifting 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 first half of 2015, unchanged from the prevailing rate in the first half of 2014¹¹.

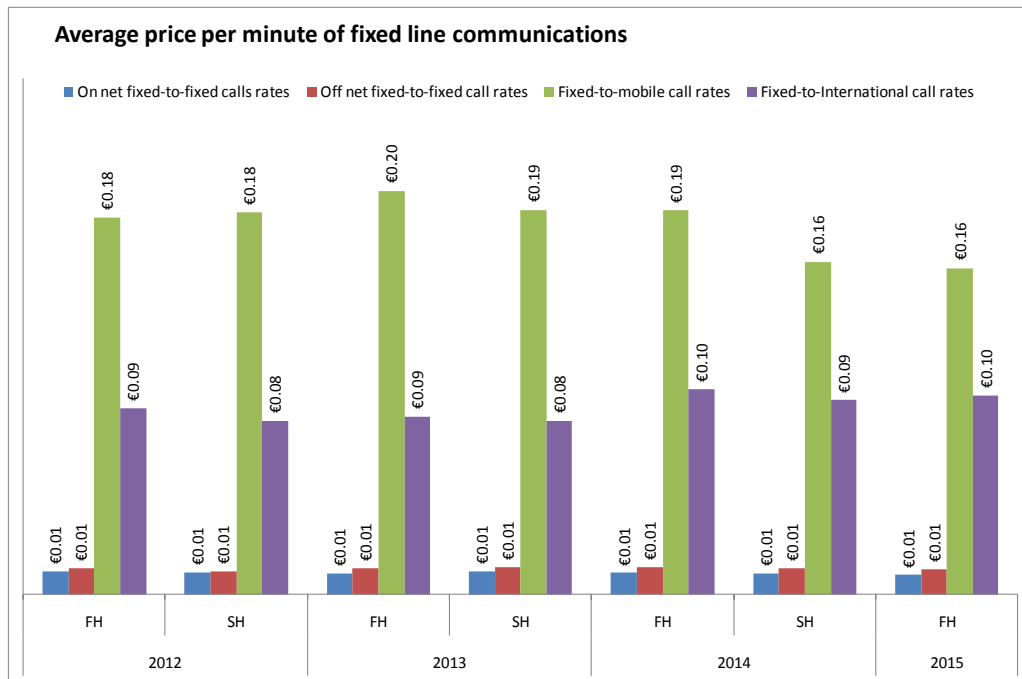


Figure 13: Average cost of a fixed line call derived from revenue-based workings

The ARPM of a FTI call in the first half of 2015 was also unchanged compared to the prevailing rate in the first half of the previous year and stood at €0.10.

Meanwhile, the ARPM for a FTM call was down by 15.8%, from €0.19 in the first half of 2014 to €0.16 in the first half of this year.

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.

¹¹ Workings do not take into account traffic volumes and revenues from free phone calls, premium calls and payphone calls.

5. Mobile telephony

The mobile sector experienced a solid performance in the first half of this year, with 16,750 new connections registered during this period and subscriptions climbing to 562,978 at the end of the current reporting period. Based on the latter figure, the mobile penetration rate reached 131.3% at the end of last June, up from 128.3% a year earlier¹².

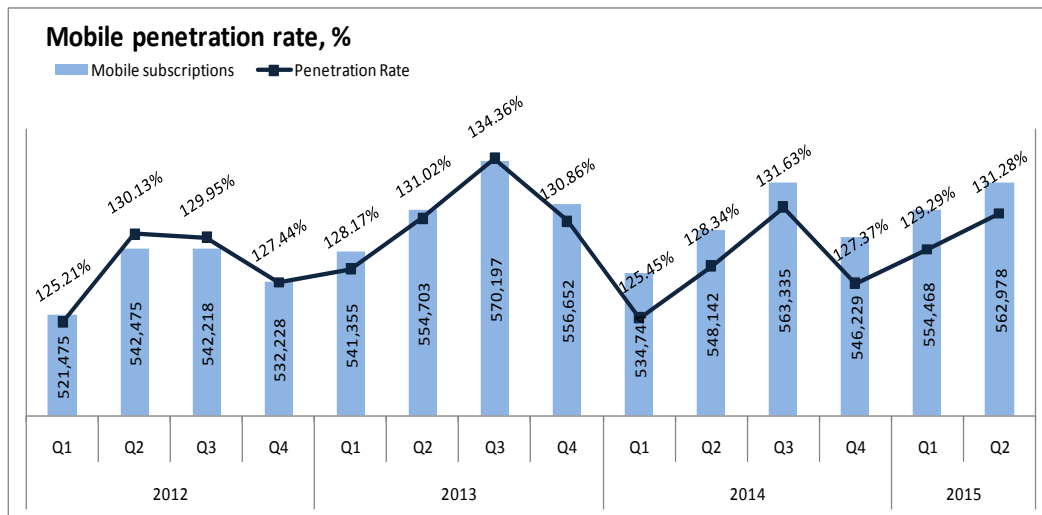


Figure 14: Mobile penetration in Malta

The expansion of the subscriber base during the first six months of this year reflects the combined increase of almost 14,000 post-paid subscriptions and 838 pre-paid subscriptions. Because of this development, the proportion of post-paid subscriptions to the local mobile subscriber base reached 25.0% at the end of last June.

It is 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 9.8% of local mobile subscriptions were bundled with some other electronic communications service at the end of last June. Furthermore, this figure is 0.8 percentage points lower than that reported a year earlier. This is in contrast to developments for the fixed telephony sector, which experienced a jump of 9.0 percentage points in the proportion of post-paid subscriptions purchased in a bundle, from 50.8% at the end of June 2014 to almost 60.0% at the end of last June. This reflects the prevailing preference of end-users to keep their mobile subscription as a personal service, bought separately from electronic communications services shared by several household members.

Some other relevant considerations at this stage are the following:

- Fixed-to-mobile (FTM) substitution continues unabated as end-users increasingly opt for mobile when making calls. Figure 15 illustrates that the number of mobile-originated voice call minutes has been exceeding the number of fixed-originated voice call minutes since 2013¹³. The gap between the two widened even further in the first half of 2015, as mobile telephony registered considerable gains in voice traffic volumes in contrast to consistent declines for fixed telephony.

¹² The mobile penetration rate corresponds to the proportion of Malta's population owning an active SIM card.

¹³ 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.

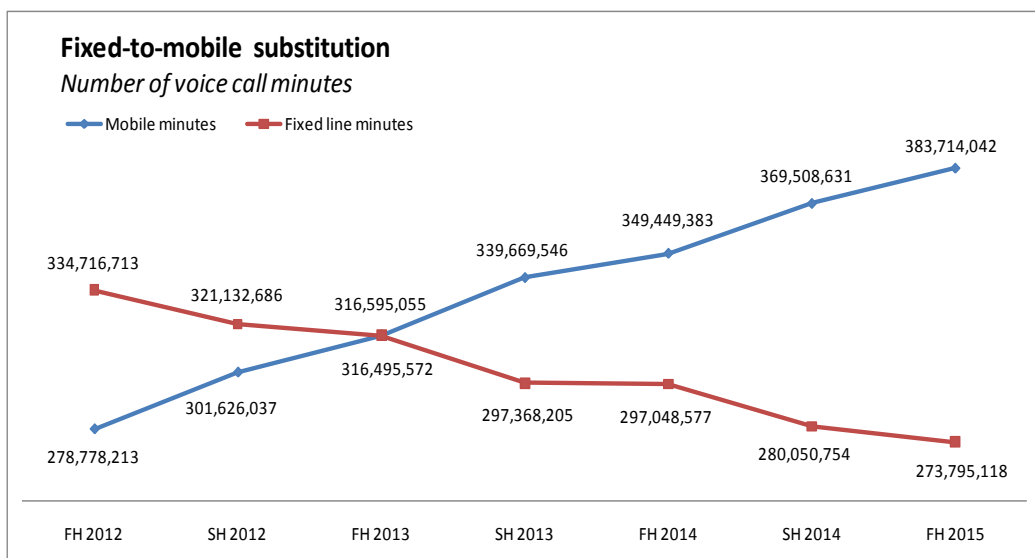


Figure 15: Fixed-to-mobile substitution

- Voice traffic volumes for the mobile sector in the first half of 2015 were significantly stronger than reported during the same period a year earlier. The number of mobile voice calls was up by 11.3 million (or by 4.5%) and the number of mobile voice call minutes increased by 34.3 million (or by 9.8%).
- Growth in traffic volumes was stronger than growth in subscriptions. As a result, activity levels per subscription improved significantly in the first half of 2015 when compared to the first half of the previous year. The average number of mobile voice calls per subscription totalled 474 in the first half of 2015, up from 455 in the first half of 2014. Meanwhile, the average number of mobile voice call minutes per subscription jumped from 633 in the first half of 2014 to 692 in the first half of this year.
- With operators offering more generous minute allowances and discounted rates for on-net calling, the average rate per minute (ARPM) of mobile communication witnessed a decline in the 12-month period to June 2015. The ARPM of mobile communication in the first half of 2015 stood at €0.080, which is down by 9.1% from €0.088 in the first half of 2014.
- Higher voice traffic volumes and stronger mobile data usage levels bolstered the sector's revenue performance. In fact, mobile telephony ARPU in the first half of 2015 improved by 3.4% to €86.28 from €83.44 in the first half of 2014.

5.1. Subscriptions

The number of active mobile subscriptions¹⁴ totalled 562,978 as at the end of June 2015¹⁵, up by almost 15,000 (or by 2.7%) from 548,142 twelve months earlier. This development came about because of an

¹⁴ 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.

¹⁵ In terms of activity over the 2G and 3G network, 67.5% of all active mobile subscriptions at the end of June 2015 registered activity over the 3G network, compared to 63.7% a year earlier.

increase of almost 14,000 post-paid subscriptions and an increase of 838 pre-paid subscriptions during this period.

The number of mobile subscriptions on a post-paid contract at the end of June 2015 totalled 140,703. This figure corresponds to 25.0% of all mobile subscriptions registered at the time. Meanwhile, the number of mobile subscriptions on pre-paid terms totalled 422,275. This figure corresponds to 75.0% of the local mobile subscriber base.

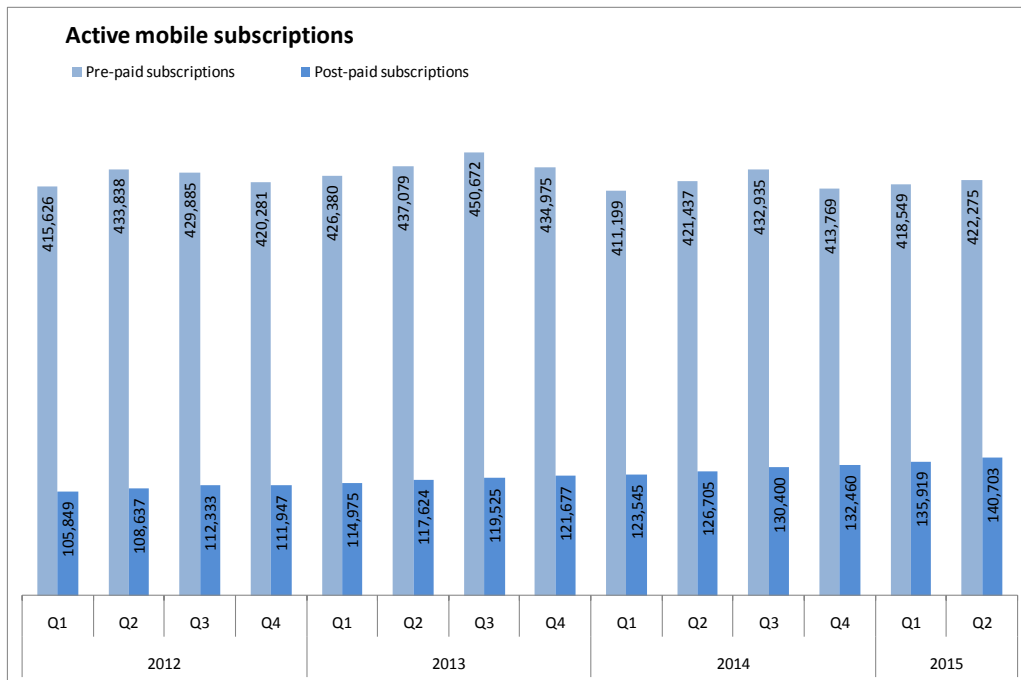


Figure 16: Mobile telephony subscriptions as at end of period

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 went down by 2,510 (or by 0.5%) in the 12-month period to June 2015. The proportion of mobile subscriptions on a bundle stood at 9.8% 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.

Mobile telephony subscriptions in a bundle	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Mobile telephony subscriptions on a dual play contract	12,738	13,567	12,156	12,443	13,427	11,112	8,985
Mobile telephony + fixed telephony	12,738	13,567	12,156	12,443	13,427	11,112	8,985
Mobile telephony subscriptions on a triple play contract	437	-	344	289	312	620	630
Mobile telephony + fixed telephony + fixed broadband	437	-	344	289	312	620	630
Mobile telephony subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Mobile telephony + fixed telephony + fixed broadband + pay TV	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Total number of mobile telephony subscriptions in a bundle	52,194	54,150	53,839	55,218	57,808	56,161	55,298
Number of mobile telephony subscriptions as at end of period	542,475	532,228	554,703	556,652	548,142	546,229	562,978
Percentage of mobile telephony subscriptions in a bundle	9.62%	10.17%	9.71%	9.92%	10.55%	10.28%	9.82%

Table 9: Mobile subscriptions on a bundled offer¹⁶

5.2. Mobile inward portings

There were 17,024 mobile inward portings¹⁷ in the first half of 2015, down by 1,042 (or 5.8%) compared to the first half of 2014. 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 first half of 2015 compared to the first half of 2014, it is considered that end-users got 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.

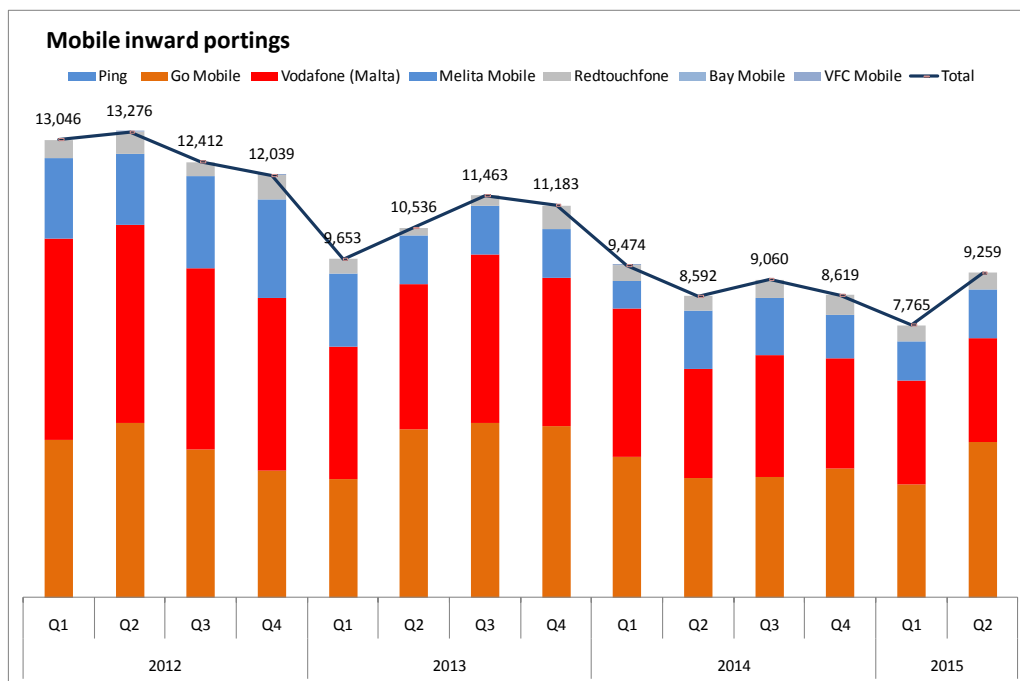


Figure 17: Mobile number portability - number of mobile portings

At an operator level, GO Mobile accounted for 45.0% of all mobile inward portings reported in the first half of 2015, closely followed by Vodafone (Malta) at 34.7% and Melita Mobile at 14.8%. Redtouchfone accounted for approximately 5.4% of all mobile inward portings reported in the period under consideration.

¹⁶ See footnote 5, page 7.

¹⁷ 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.

5.3. Usage trends for mobile telephony

Mobile voice traffic volumes grew significantly in the first half of 2015 compared to volumes recorded in the same period a year earlier. On the other hand, SMS and MMS traffic volumes were down.

5.2.1 Voice calls

The number of mobile voice calls in the first half of 2015 amounted to 262.6 million, which is up by 11.3 million (or by 4.5%) from 251.4 million in the first half of 2014.

All mobile voice traffic segments registered increases. The number of on-net mobile-to-mobile (MTM) calls was up by 3.4 million (or by almost 2.0%), from 174.3 million calls in the first half of 2014 to 177.7 million in the first half of this year.

The number of off-net MTM calls went up by 5.2 million (or by 9.4%), from around 54.9 million in the first half of 2014 to 60.1 million in the first half of 2015. Meanwhile, the number of mobile-to-fixed (MTF) calls was up by 0.7 million (or by almost 4.0%), from 18.4 million to 19.2 million.

Mobile voice calls	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Total	171,375,310	201,566,855	222,398,680	255,812,768	251,385,555	266,261,676	262,644,261
Mobile -to-mobile	150,024,073	179,120,273	201,056,673	233,375,534	229,218,248	242,622,349	237,811,690
on-net MTM	100,028,293	126,807,165	148,809,195	178,679,320	174,288,807	183,103,762	177,725,940
off-net MTM	49,995,780	52,313,108	52,247,478	54,696,214	54,929,441	59,518,587	60,085,750
Mobile-to-fixed	18,228,588	19,564,658	17,824,243	18,492,513	18,443,136	19,163,833	19,175,441
Mobile-to-international	3,122,650	2,881,924	3,517,764	3,944,721	3,724,171	4,475,494	5,657,130

Table 10: Outgoing mobile traffic - number of voice calls

The number of mobile-to-international (MTI) calls was also up in the first half of 2015 when compared to the same period a year earlier, in this case by 1.9 million (or by 51.9%), from 3.7 million to 5.7 million.

5.2.2 Voice call minutes

Consistent with the increase in the number of mobile-originated calls, call minute volumes were also higher. The number of mobile voice call minutes totalled 383.7 million in the first half of 2015, up by 34.3 million (or by 9.8%) from 349.4 million in the first half of 2014.

Mobile voice call minutes	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Total	278,778,213	301,626,037	316,595,055	339,669,546	349,449,383	369,508,631	383,714,042
Mobile-to-mobile	237,380,477	256,368,562	271,614,107	292,677,979	302,343,734	318,839,211	328,244,470
on-net	175,051,399	192,040,781	205,020,567	219,863,900	224,440,686	231,550,138	234,871,754
off-net	62,329,077	64,327,781	66,593,540	72,814,079	77,903,048	87,289,073	93,372,717
Mobile-to-fixed	33,264,802	35,650,809	36,001,708	37,262,779	37,279,753	39,565,696	39,893,552
Mobile-to-international	8,132,934	9,606,666	8,979,240	9,728,788	9,825,896	11,103,724	15,576,020

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 10.4 million (or by 4.7%); off-net MTM minutes were up by 15.5 million (or by 19.9%); MTF minutes were up by 2.6 million (or by 7.0%); and MTI minutes were up by 5.8 million (or by 58.5%).

5.4. SMS and MMS activity levels

In contrast to the increase in mobile voice traffic volumes, SMS and MMS traffic volumes in the first half of 2015 were lower than recorded during the same period in 2014.

5.4.1 SMS traffic volumes

The number of outgoing text messages totalled 229.7 million in the first half of 2015, down by 27.3 million (or by 10.6%) from 257.0 million in the same period a year earlier¹⁸.

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

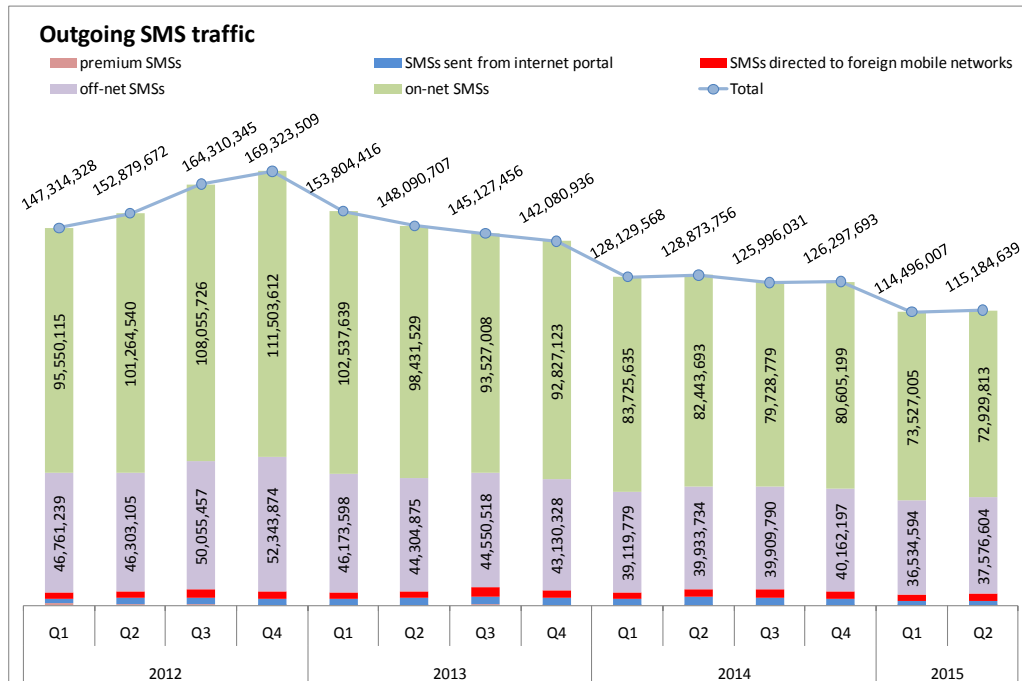


Figure 18: SMS activity - number of outgoing SMSs (1)

The number of on-net SMSs in the first half of 2015 totalled 146.5 million, down by 19.7 million (or by almost 12.0%) from 166.2 million in the first half of 2014. Meanwhile, the number of off-net SMSs was down by 4.9 million (or by 6.3%) from 79.1 million to 74.1 million and the number of premium SMSs declined by 0.2 million (or by 44.4%).

¹⁸ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

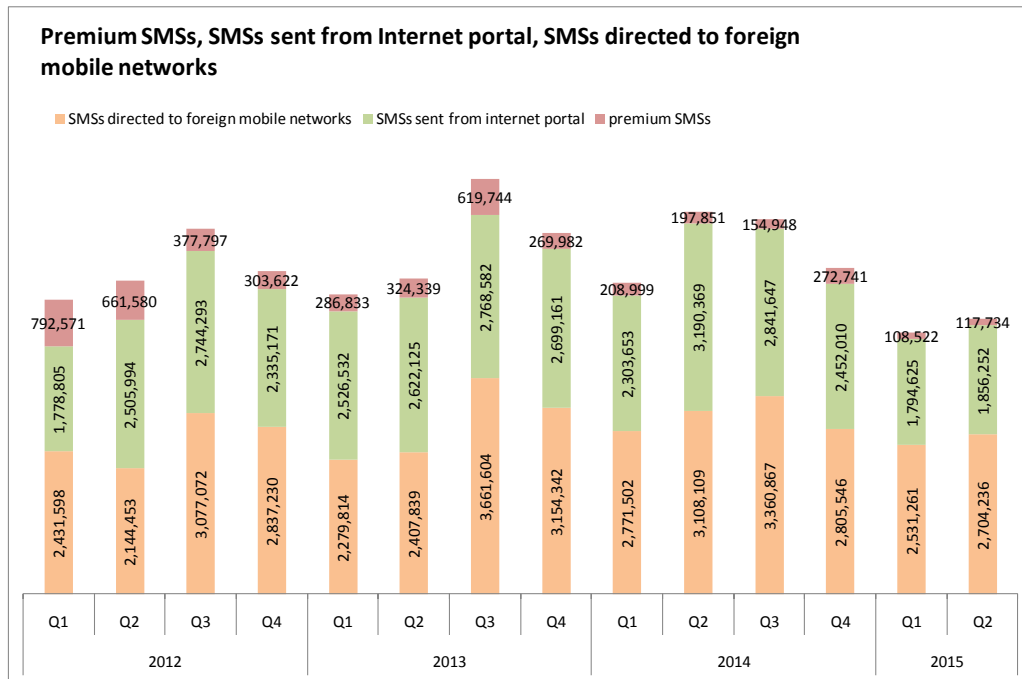


Figure 19: SMS activity - number of outgoing SMSs (2)

Other volume declines were recorded for SMSs directed to foreign mobile networks and SMSs sent from Internet portals. The former was down by 0.6 million (or by almost 11.0%), from 5.9 million in the first half of 2014 to 5.2 million in the first half of this year. At the same time, the latter traffic segment was down by 1.8 million (or by 33.6%), from 5.5 million to 3.7 million.

5.4.2 MMS traffic volumes

The number of MMSs in the first half of 2015 totalled 35,191. This figure is 58.0% lower than that recorded in the first half of 2014, when the number of MMSs totalled 83,796.

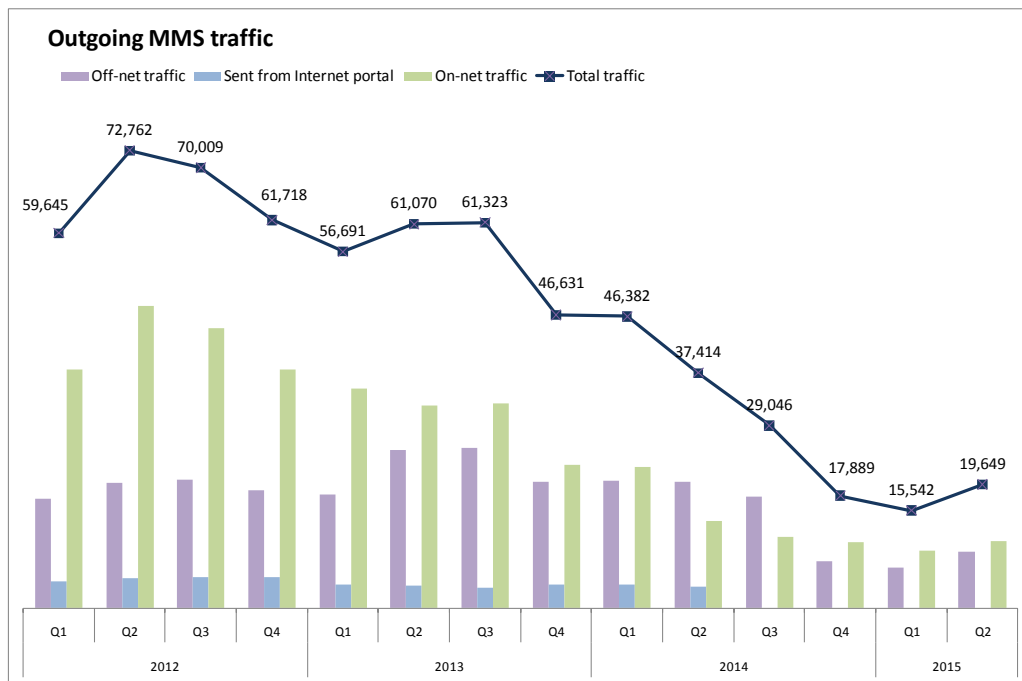


Figure 20: MMS activity - number of outgoing MMSs

5.5. 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.

5.5.1 Voice call activity levels per subscription

The first six months of 2015 witnessed a considerable increase in mobile voice traffic volumes and an increase in mobile telephony subscriptions. However, the rate of increase for the former exceeded that reported for the latter. As a result, the average number of voice calls per active subscription went up from around 455 in the first half of 2014 to around 474 in the first half of this year.

On-net traffic continued to represent the largest portion of voice call activity recorded by the sector. In this regard, the average number of on-net MTM calls per active subscription increased from around 316 in the first half of 2014 to 320 in the first half of 2015.

Meanwhile, the number of off-net MTM calls per active mobile subscription also went up from around 99 to around 108, whilst the number of MTF calls per mobile subscription increased from 33 to around 35.

An increase in activity levels was also reported in terms of the number of MTI calls per active subscription, up from around 7 in the first half of 2014 to around 10 in the first half of this year.

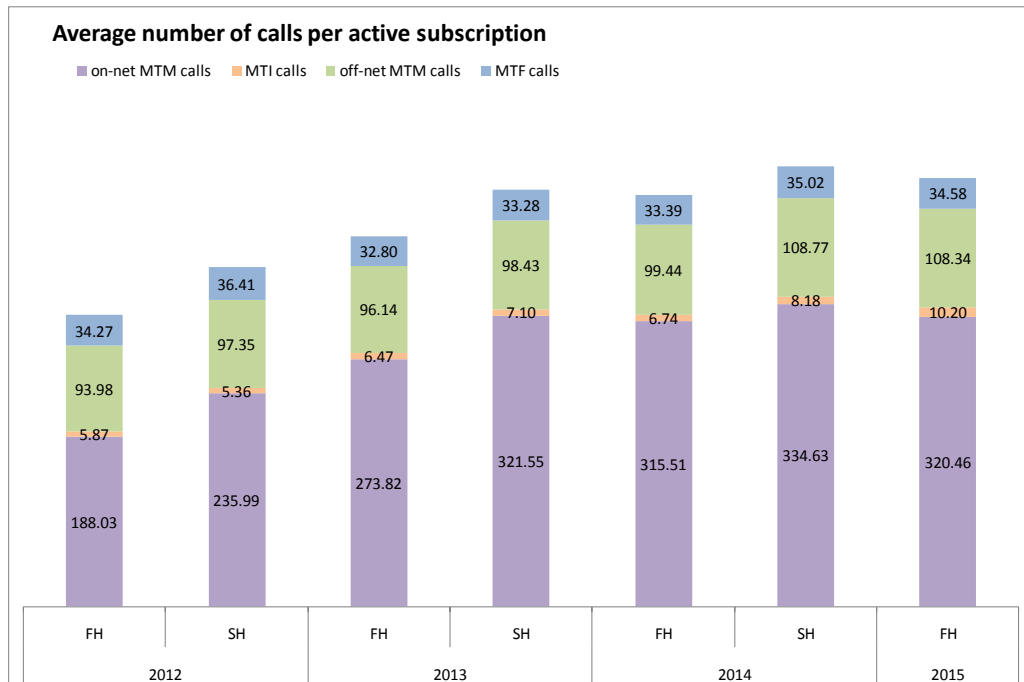


Figure 21: Average number of calls per active subscription

5.5.2 SMS activity levels per subscription

SMS traffic volumes in the first half of 2015 was down 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.

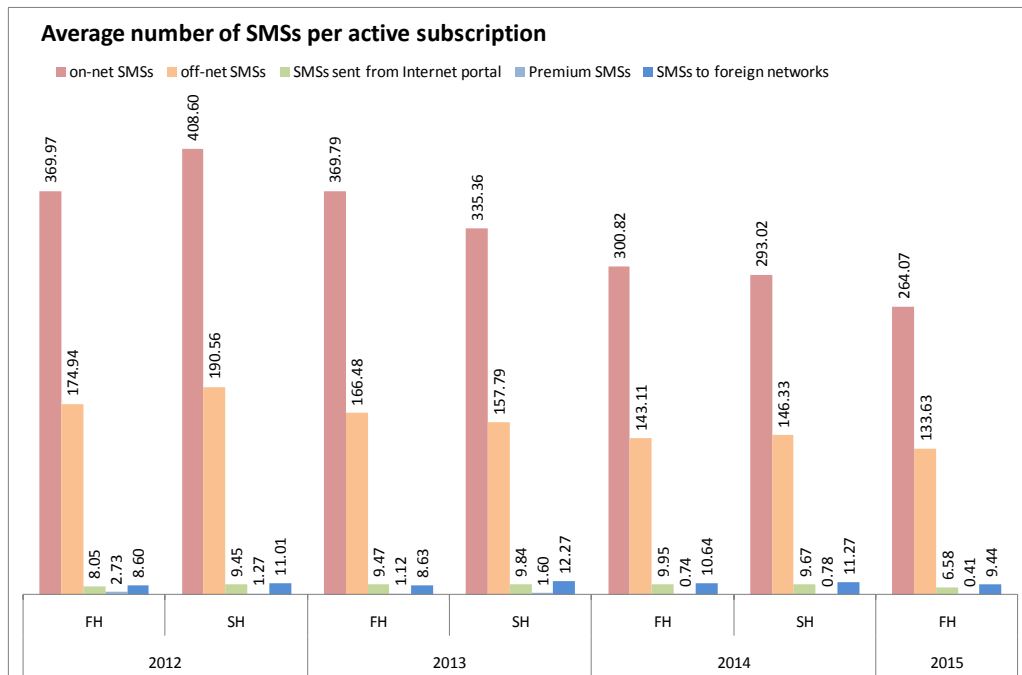


Figure 22: Subscriber activity - average number of SMSs per active subscription

In fact, the number of SMSs per active subscription in the first half of 2015 amounted to 414, markedly lower than 465 in the first half of 2014. Figure 22 illustrates that each SMS traffic segment registered a fall in activity levels.

As already observed in previous publications, this development mainly reflects the current shifts in consumer preferences, whereby end-users are increasing usage of mobile voice calls rather than texting a message. This increase in usage of mobile voice services is due to the availability of cheaper call rates (especially on-net call rates) and the availability of free minute allowances.

5.6. Average mobile call duration

Mobile call rates and the availability of free minute allowances 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 given that various factors, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage, may influence pricing outcomes and consumer preferences. For example, cheaper call rates and free minute allowances may entice end-users to substitute SMSs with on-net MTM voice calls that are of a short duration.

Overall, average mobile call duration in the first half of 2015 was 1.5 minutes (or approximately 90 seconds), which is slightly lengthier than 1.4 minutes (or approximately 84 seconds) in the first half of 2014.

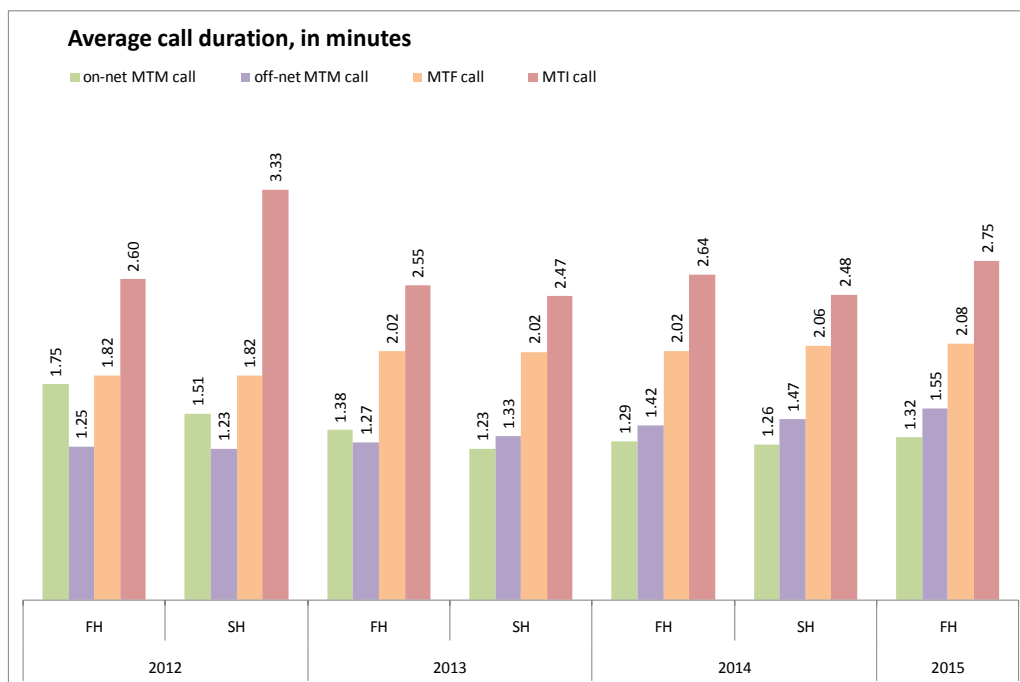


Figure 23: Average duration of an outgoing mobile call

This result keeps with the trend that has been observed for the last few years, mainly that the wider availability of free minute allowances, and their extension to different types of mobile-originated calls, contributes to lengthen call conversations over mobile or to entice end-users to contact third parties via voice calls rather than via an SMS.

5.7. International roaming activity levels

The level of international roaming activity¹⁹ 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 continues 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 have also coincided with falling roaming charges, both in the case of voice calls and text messaging.

5.7.1 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.

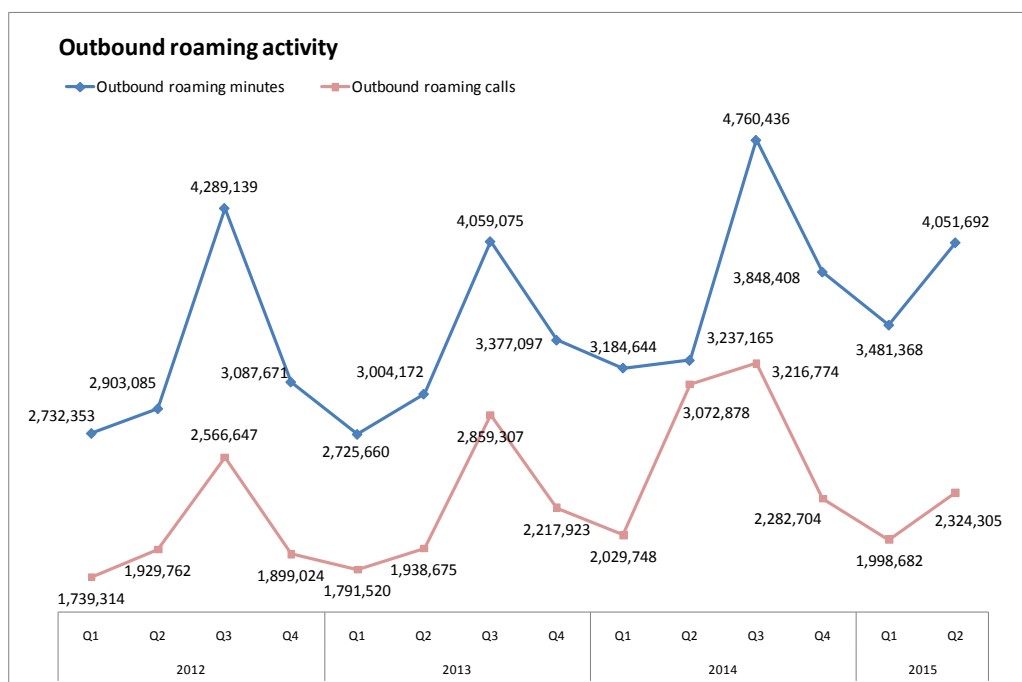


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 4.3 million in the first half of 2015, down by 0.8 million (or by 15.3%) from 5.1 million in the first half of 2014. On the other hand, traffic volumes were stronger in terms of outbound roaming minutes, which went up by 1.1 million (or by 17.3%), from 6.4 million in the first half of 2014 to 7.5 million in the first half of this year. These contrasting developments may be attributed to the fact that, given the lower roaming call charges, mobile end-users are likely to make lengthier calls rather than making multiple shorter calls when travelling abroad.

¹⁹ 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.

5.7.2 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 19.2 million in the first half of 2015, which is slightly up by 0.1 million (or by 0.6%) from 19.1 million in the corresponding period a year earlier.

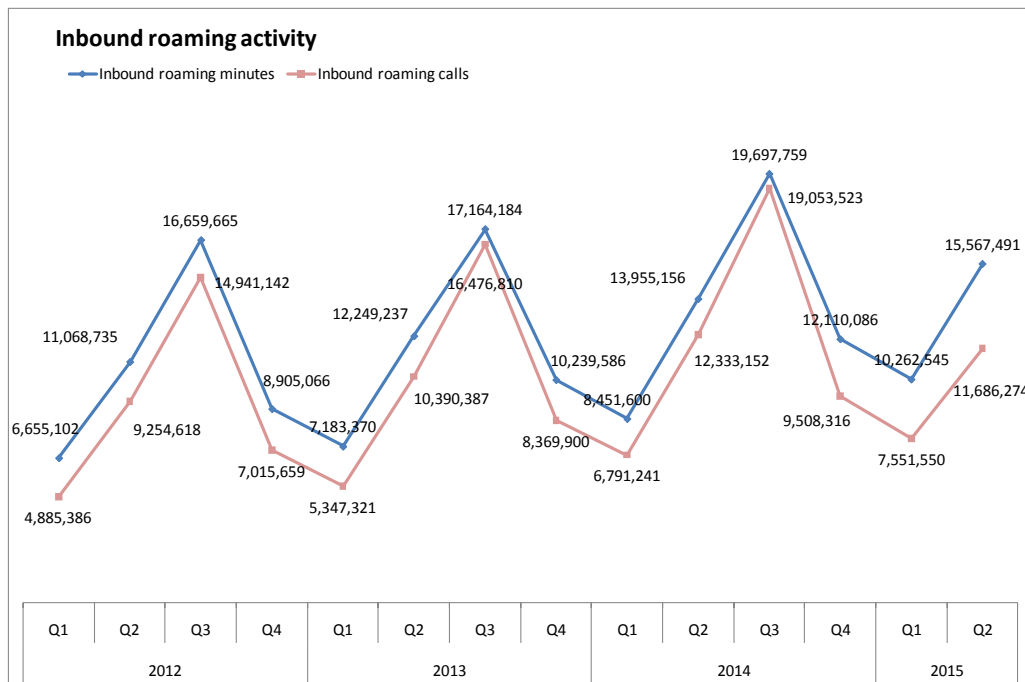


Figure 25: Inbound roaming activity

The number of inbound roaming minutes went up by 3.4 million (or by 15.3%), from 22.4 million in the first half of 2014 to 25.8 million in the first half of this year.

5.8. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector for the first half of 2015 was higher than that observed in the first half of the previous year. Figure 26 shows that mobile ARPU in the first half of this year stood at €86.28, which is up by €2.84 (or by 3.4%) from €83.44 in the first half of 2014.

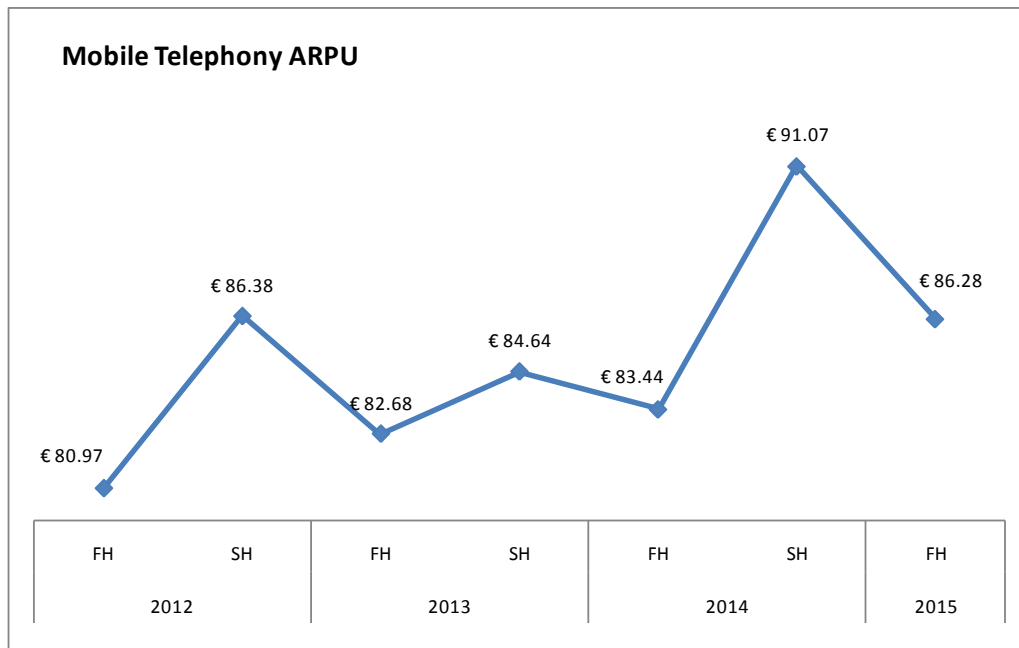


Figure 26: Average revenue per mobile user

This improvement in average revenue per mobile user is attributable to the strong increase in the number of mobile subscriptions on 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.

5.9. 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.

In this scenario, 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 heading²⁰. In the latter case, figures correspond to the division of SMS-related revenues by the number of SMSs made during the period.

Figure 27 shows that the average rate per minute of mobile communication for a domestic call stood at €0.080 in the first half of 2015, down by 8.0% from €0.087 in the first half of 2014²¹.

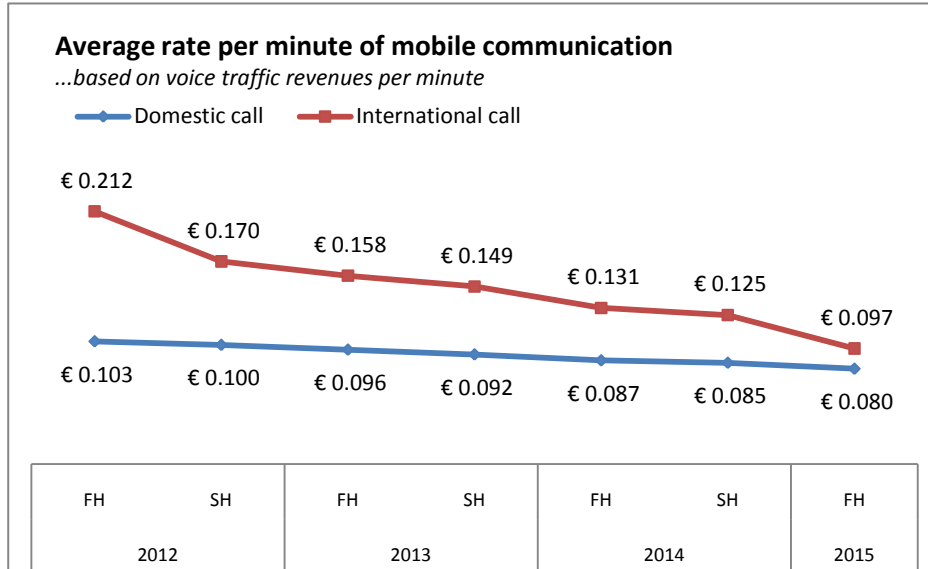


Figure 27: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communication for an international call over the mobile network was also down, this time by almost 26.0%, from €0.131 in the first half of 2014 to €0.097 in the first half of 2015.

²⁰ In this calculation, revenues from VAT, excise tax, and retail roaming services are excluded.

²¹ 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.

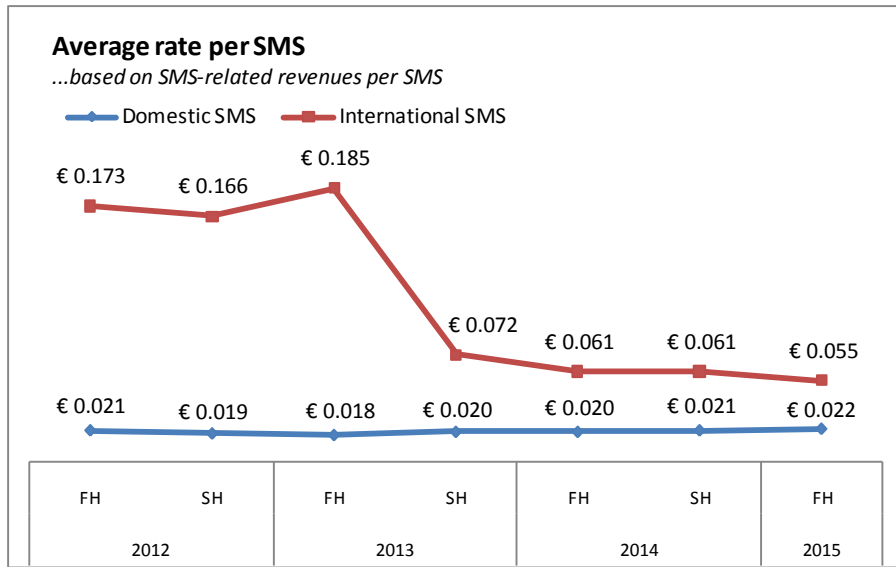


Figure 28: Average rate per domestic and international SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in the first half of 2015, the consumer on average paid €0.022 for a domestically bound SMS and €0.055 for an internationally bound SMS.

6. Fixed and mobile broadband

The fixed broadband subscriber base now surpassed the 150,000 mark as 6,713 new customers signed up to the service in the 12-month period to the end of last June. Fixed broadband subscriptions totalled 154,888 at the end of the current reporting period, corresponding to a fixed broadband penetration rate of 36.1%, up from 34.7% a year earlier.

Of the total fixed broadband subscriptions recorded at the end of last June, 89,574 subscriptions (or 57.8% of the local fixed broadband subscriber base) had a connection supporting a download speed²² of 30Mbps or more. Meanwhile, 65,314 subscriptions had a connection supporting a download speed of less than 30Mbps. Year-on-year, the number of connections supporting download speeds of 30Mbps or more was up by almost 19,000 (or by almost 27%), whilst the number of connections supporting download speeds lower than 30Mbps was down by 12,250 (or by 15.8%).

Take-up of fixed broadband in bundle packages increased, with these kinds of subscriptions climbing by 26,803 (or by 32.5%), from 82,525 at the end of June 2014 to 109,328 at the end of June this year. As a result, the proportion of fixed broadband subscriptions on a bundle at the end of last June reached 70.6%, up from 55.7% a year earlier.

As for pricing of fixed broadband services, the average rate per Mbps calculation shows that, overall, the fixed broadband sector continues to register prices that are more competitive, particularly for products supporting fast and ultra fast download speeds. In fact, the average rate per Mbps in the first half of 2015 was slightly down by 1.0% to €1.70, from €1.72 recorded in the first half of the previous year.

Given the increase in uptake of fast and ultrafast fixed broadband offers, ARPU for the sector improved by 2.5%, from €88.29 in the first half of 2014 to €90.49 in the first half of 2015.

Take-up of mobile broadband represents another area of growth for local service providers, as reflected by an increase of 58,000 end-users actively using mobile broadband services in the year to the end of June 2015. In line with this increase, Malta continues to improve its mobile broadband penetration rate, as confirmed by figures published by the European Commission.

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 154,888 at the end of last June. This figure is up by 6,713 (or by 4.5%) from 148,175 fixed broadband subscriptions recorded at the end of June 2014²³.

The number of fixed broadband subscriptions recorded at the end of last June corresponds to a fixed broadband penetration rate of 36.1%, up by 1.4 percentage points from 34.7% a year earlier.

²² Reference is to 'headline' (or 'advertised') download speeds.

²³ 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.

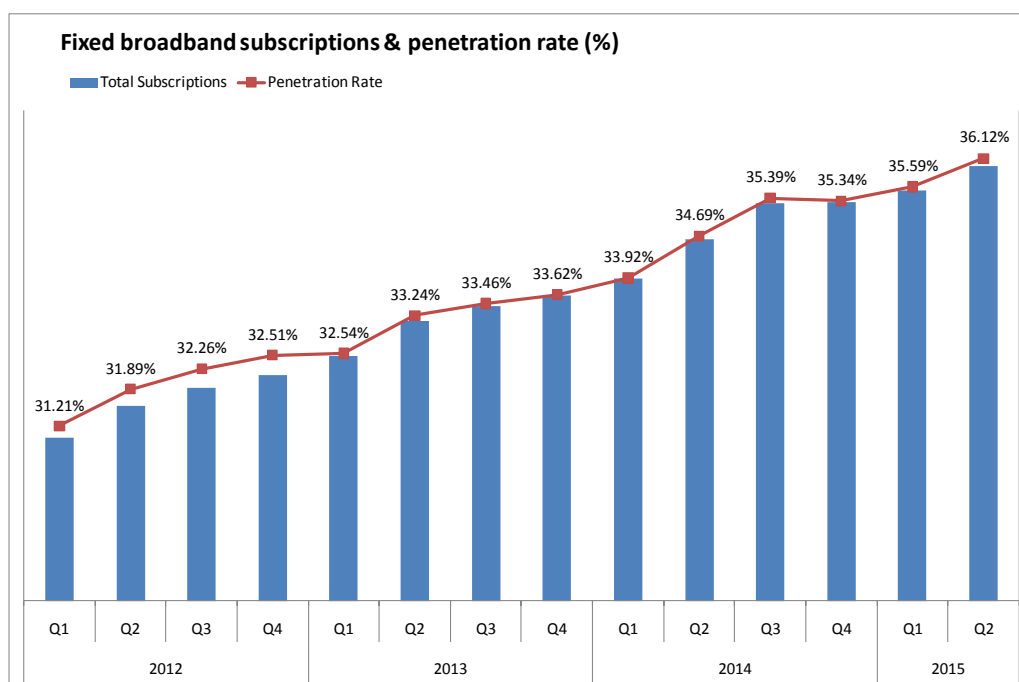


Figure 29: Take-up of fixed broadband and fixed broadband penetration

The number of end-users opting to purchase their fixed broadband subscription in combination with other electronic communications products and services in a bundle continued to increase steadily.

Fixed broadband subscriptions in a bundle	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Fixed broadband subscriptions on a dual play contract	6,222	9,653	10,068	11,349	15,979	29,890	36,927
Fixed broadband + fixed telephony	6,222	9,653	10,068	11,349	15,979	29,890	36,927
Fixed broadband subscriptions on a triple play contract	9,802	9,794	15,459	21,376	22,477	25,490	26,718
Fixed broadband + fixed telephony + mobile telephony	437	-	344	289	312	620	630
Fixed broadband + fixed telephony + pay TV	9,365	9,794	15,115	21,087	22,165	24,870	26,088
Fixed broadband subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Fixed broadband + fixed telephony + pay TV + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Total number of fixed broadband subscriptions in a bundle	55,043	60,030	66,866	75,211	82,525	99,809	109,328
Number of fixed broadband subscriptions as at end of period	132,921	135,758	140,711	143,010	148,175	151,543	154,888
Percentage of fixed broadband subscriptions in a bundle	41.41%	44.22%	47.52%	52.59%	55.69%	65.86%	70.59%

Table 12: Fixed broadband subscriptions on a bundled offer

In this regard, the number of fixed broadband subscriptions purchased in combination with some other electronic communications service on a bundle totalled 109,328 at the end of the current review period. The latter figure is equivalent to 70.6% of all fixed broadband subscriptions recorded at the time.

6.2. Fixed broadband subscriptions by type of access technology

A breakdown of fixed broadband subscriptions by technology shows that there were 79,342 cable-based subscriptions at the end of June 2015, up by 6,187 (or by 8.5%) from 73,155 subscriptions a year earlier.

Meanwhile, DSL-based subscriptions and fixed wireless subscriptions totalled 74,047 and 1,499 respectively at the end of last June. The DSL subscriber base saw an increase of 1,188 connections over a 12-month period since the end of June 2014, whilst the subscriber base for fixed wireless saw a drop of 662 connections during the same period.

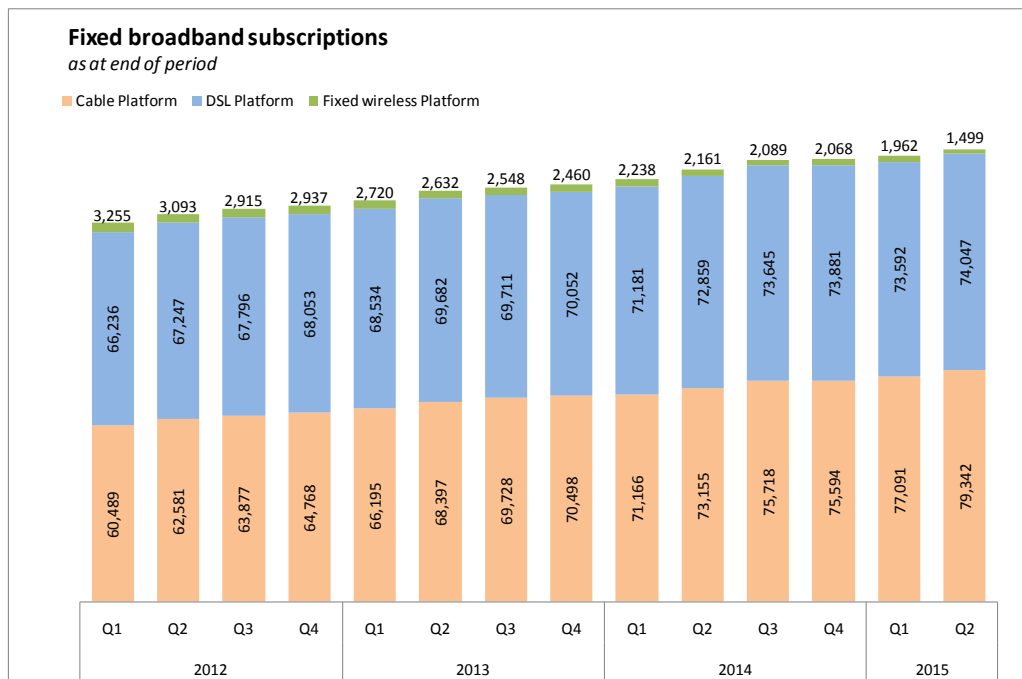


Figure 30: Broadband Internet subscriptions as at end of period - by technology

In view of the changes observed above, cable increased its market share of the local fixed broadband subscriber base from 49.4% at the end of June 2014 to 51.2% at the end of last June. Meanwhile, DSL lost market share, from 49.2% to 47.8%, whilst fixed wireless also experienced a weakening market presence, from 1.5% to 1.0%.

6.3. Fixed broadband subscriptions by speed²⁴

Over the last few years, take-up of fixed broadband has shifted towards products supporting higher download speeds.

Figure 31 illustrates that the number of fixed broadband subscriptions supporting download speeds of less than 30Mbps at the end of last June stood at 65,314. This figure is down by 12,250 (or by 15.8%) from 77,564 at the end of June 2014.

Meanwhile, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps was up by 18,485 (or by 26.6%), from 69,594 to 88,079.

²⁴ Quoted figures refer to advertised speeds.

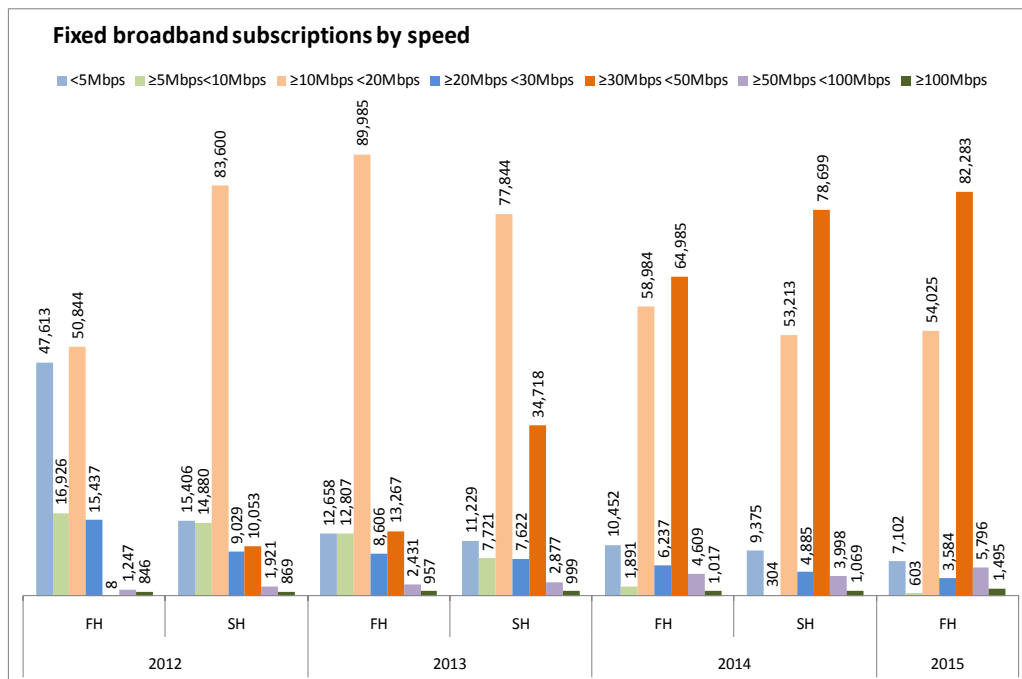


Figure 31: Fixed broadband subscriptions as at end of period, by speed

The number of fixed broadband subscriptions availing of a download speed of 100Mbps or more has also increased during the same period, from 1,017 to 1,495.

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 type of access technology and download speeds, would show that all fixed wireless broadband subscriptions recorded at the end of 2014, except for two, allowed for a download speed of less than 30Mbps. The two connections mentioned before allowed for a download speed of 30Mbps but less than 50Mbps.

Meanwhile, with respect to DSL, 86.2% of all subscriptions on this technology platform allowed for a download speed of less than 30Mbps, 13.8% allowed for a download speed of 30Mbps but less than 50Mbps and 0.1% allowed for a download speed of 50Mbps or more.

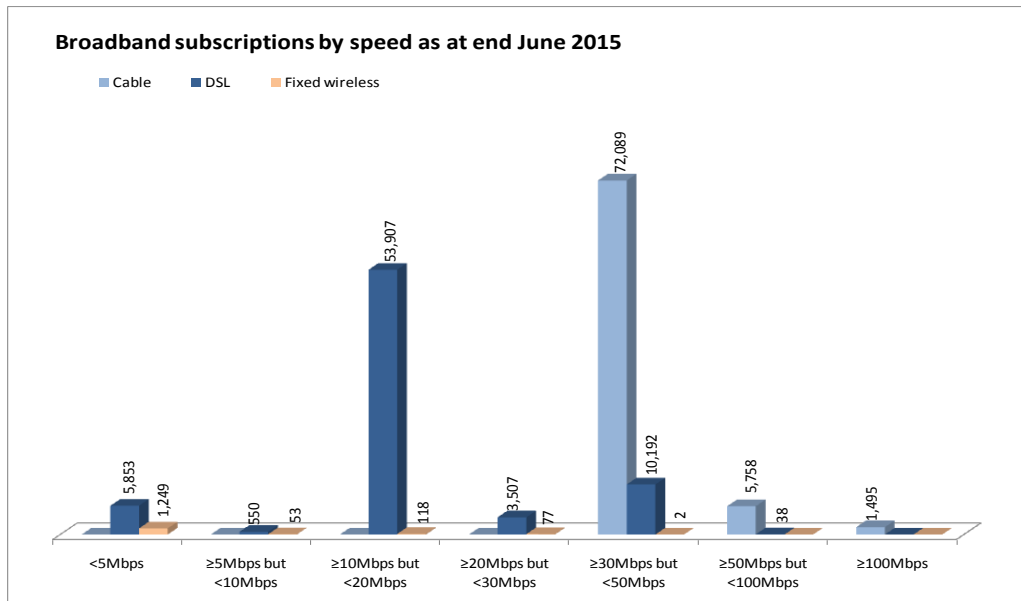


Figure 32: Broadband Internet subscriptions as at end of period - by technology & connection speed

With respect to cable-based fixed broadband subscriptions, Figure 32 illustrates that 90.9% of these allowed for a download speed of 30Mbps but less than 100Mbps, 7.2% allowed for a download speed of 30Mbps but less than 50Mbps and 1.9% allowed for a download speed of 100Mbps or more.

6.5. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the first half of 2015 stood at €90.49, up from €88.29 in the same period a year earlier.

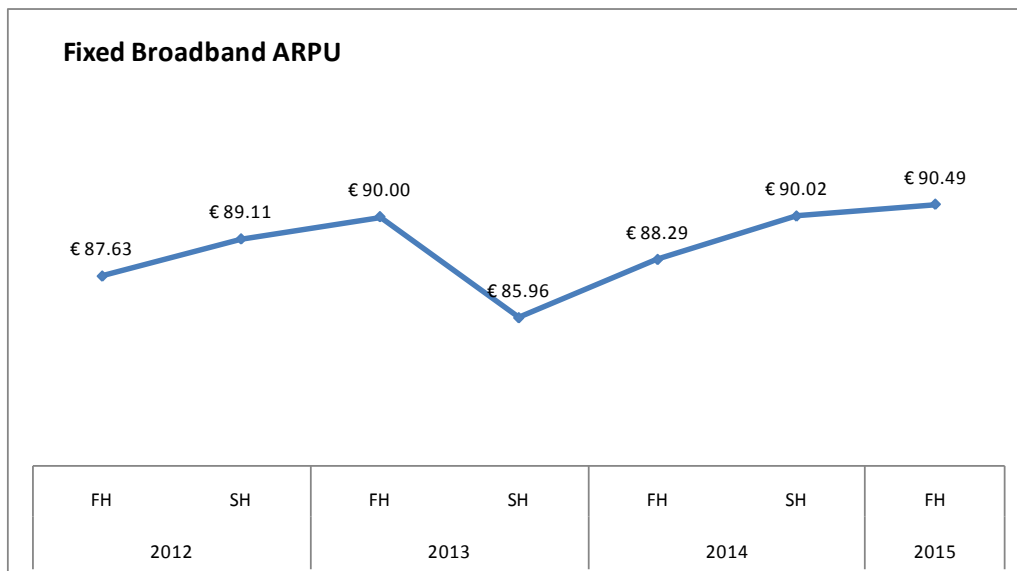


Figure 33: Average revenue per broadband user

This increase in ARPU for fixed broadband materialised at a time when take-up for products supporting fast and super fast download speeds increased significantly. Such an increase in take-up enables service providers to get a higher premium.

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.

6.6. 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 down slightly from €1.72 at the end of June 2014 to €1.70 at the end of last June, most likely a result of cheaper monthly access fees associated with products purchased on a 2-year contract.

On a disaggregated level, Figure 34 illustrates that, when compared to the average rate per Mbps observed at the end of June 2014, the corresponding rates at the end of last June 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 €1.67 to €1.72 whilst that for the latter category increased from €1.53 to €1.84.

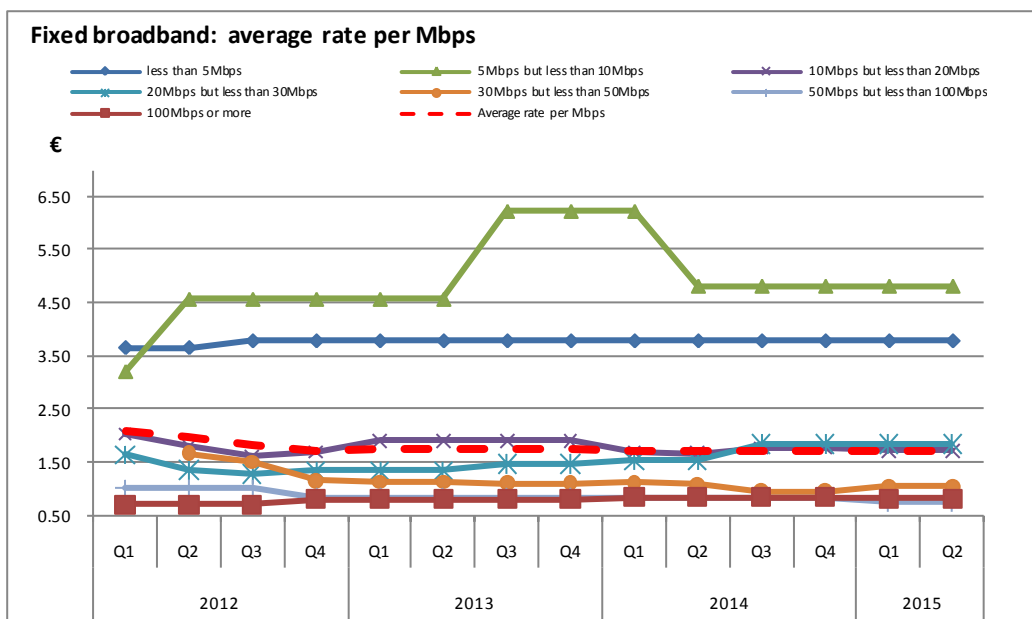


Figure 34: Average price per Mbps of fixed broadband for packages

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

Otherwise, other broadband categories reported a decline in the average rate per Mbps or remained the same.

The rate per Mbps for broadband products with download speeds of less than 5Mbps and broadband products with download speeds of 5Mbps but less than 10Mbps was unchanged at €3.79 and €4.81 respectively.

Meanwhile, the rate per Mbps for broadband products supporting download speeds of 30Mbps but less than 50Mbps fell from €1.07 at the end of June 2014 to €1.04 at the end of last June.

As for categories including fixed broadband products supporting download speeds of 50Mbps or more was also down year-on-year²⁵. In the case of broadband products supporting download speeds of 50Mbps but less than 100Mbps, the rate per Mbps fell from €0.84 to €0.76, whilst that for broadband products supporting speeds of 100Mbps or more fell slightly from €0.83 to €0.81.

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.

The calculation of the rate of fixed broadband per unit of download speed for the different products featuring in the above-mentioned categories is derived by dividing the relevant monthly access fee by the supported download speed. The final rate per Mbps figure for each category is based on a simple average of the rate per Mbps figures for the different products involved.

²⁵ Plans not available nationwide do not feature in this category for the purposes of deriving the average rate per Mbps.

6.7. 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 EU²⁶. 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 35 illustrates that the number of users actively accessing mobile broadband services via 3G-enabled mobile subscriptions totalled 233,712 at the end of June 2015. This figure is up by 35,235 (or by 17.8%) from 198,477 at the end of June 2014.

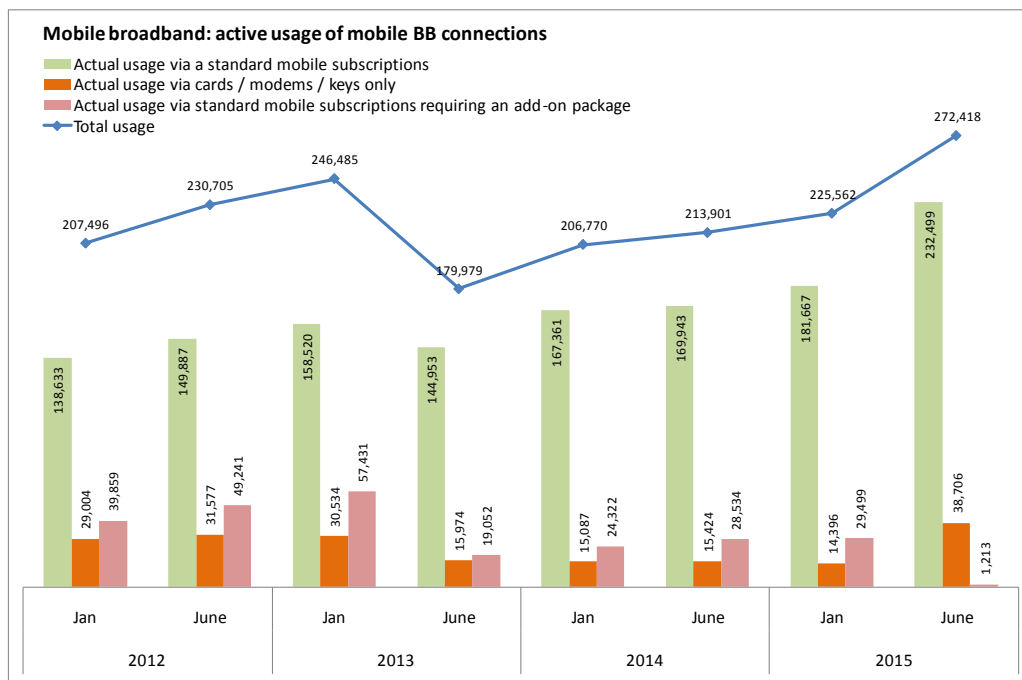


Figure 35: Mobile broadband active connections as at end of period²⁷

Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modems/keys more than doubled during the same period, increasing by 23,282 (or by almost 151.0%) from 15,424 to 38,706.

6.6. Mobile broadband penetration

In line with developments observed over the last few years, Malta’s take-up of mobile broadband (or mobile broadband penetration)²⁸ is likely to continue catching up with the EU average.

²⁶ 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.

²⁷ Data is under review and subject to change.

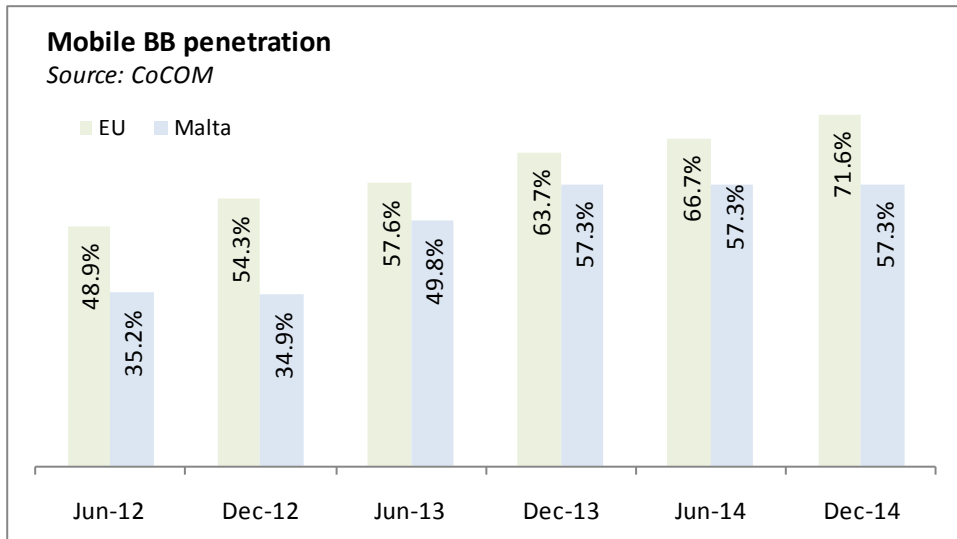


Figure 36: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 36 illustrates that, in December 2014, Malta’s mobile broadband penetration rate per 100 people stood at 57.3%, compared to an EU average of 66.7%.

²⁸ The data is available on the EU Commission’s Digital Agenda Scoreboard.

7. Pay TV

The pay TV sector continues to operate against the backdrop of an overall decline in service uptake. At the end of last June, the pay TV subscriber base comprised 148,231 connections, down by 927 (or by 0.6%) from 149,158 connections recorded twelve months earlier.

The dynamics in terms of service uptake have continued to shift in favour of IPTV, which was the only segment of the market that registered an increase in subscriptions. IPTV subscriptions climbed by 6,221 (or by 67.0%) in the 12-month period to the end of last June, from 9,289 to 15,510. It is relevant to underline that marketing efforts by local service providers have 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.

During the same period, all the other segments of the market, namely analogue cable, digital cable and DTTV together registered a combined loss of 7,148 subscriptions, in contrast to the increase in uptake of IPTV. DTTV emerged with the biggest casualty, as the number of subscriptions for this segment fell by 5,317. Meanwhile, analogue cable and digital cable lost 671 and 1,160 subscriptions respectively.

Pay TV is the third most commonly bought electronic communications service in a bundle, after fixed broadband and fixed telephony. At the end of last June, the proportion of pay TV subscriptions in a bundle rose from 50.9% at the end of June 2014 to 52.7% at the end of last June²⁹.

On average, end-users paid a monthly access fee of €22.44 for their pay TV service (when purchased on a stand-alone basis) in the first half of 2015, unchanged from the first half of 2014.

Given the decline in pay TV subscriptions and a higher uptake of bundle packages including pay TV, ARPU for the sector dropped slightly from €84.52 in the first half of 2014 to €84.10 in the first half of this year.

7.1. Pay TV subscriptions

There were 148,231 pay TV subscriptions at the end of last June, down by 927 (or by 0.6%) from 149,158 subscriptions a year earlier.

Despite the overall decline in the number of pay TV subscriptions, the proportion of bundled pay TV subscriptions continued to rise. Table 13 shows that the number of bundled pay TV subscriptions totalled 78,089 (corresponding to 55.1% of all digital-based and IP-based pay TV subscriptions) at the end of last June, up by 2,124 (or by 2.8%) from 75,965 (corresponding to almost 53.5% of all digital-based and IP-based pay TV subscriptions) at the end of June 2014.

Pay TV subscriptions in a bundle	2012		2013		2014		2015
	FH	SH	FH	SH	FH	SH	FH
Pay TV subscriptions on a dual play contract	15,681	12,301	10,832	9,923	9,731	6,946	6,318
Pay TV + fixed telephony	15,681	12,301	10,832	9,923	9,731	6,946	6,318
Pay TV subscriptions on a triple play contract	9,365	9,794	15,115	21,087	22,165	24,870	26,088
Pay TV + fixed telephony + fixed broadband	9,365	9,794	15,115	21,087	22,165	24,870	26,088
Pay TV subscriptions on a quad play contract	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Pay TV + fixed telephony + fixed broadband + mobile telephony	39,019	40,583	41,339	42,486	44,069	44,429	45,683
Total number of pay TV subscriptions (excl. analogue) in a bundle	64,065	62,678	67,286	73,496	75,965	76,245	78,089
Number of pay TV subscriptions as at end of period	139,213	139,380	141,085	141,410	141,950	141,032	141,694
Percentage of pay TV subscriptions in a bundle	46.02%	44.97%	47.69%	51.97%	53.52%	54.06%	55.11%

Table 13: Pay TV subscriptions on a bundled offer³⁰

²⁹ These figures are different from the ones provided in Table 13, given that they correspond to the proportion of bundled pay TV subscriptions to the total subscriber base. 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.

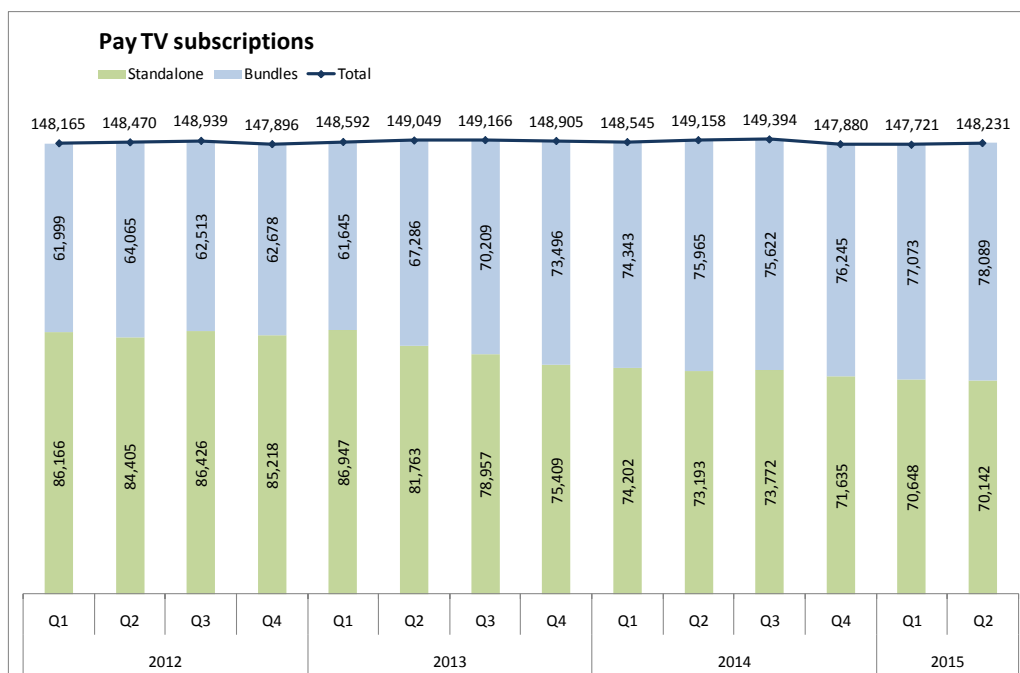


Figure 37: Pay TV subscriptions as at end of period

It is also relevant to underline that 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 Melita³¹.

Figure 38 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions totalled 54,587 by the end of last June, which is down by 5,317 (or by 8.9%) from 59,904 at the end of June 2014.

The analogue cable and the digital cable platforms have also registered declines during the same period. Subscriptions under the former platform were down by 671 (or by 9.3%), from 7,208 at the end of June 2014 to 6,537 at the end of last June, whilst digital cable subscriptions were down by 1,160 (or by 1.6%), from 72,757 to 71,597.

In contrast to the above-mentioned declines, the number of IPTV subscriptions was up by 6,221 (or by almost 67.0%), from 9,289 to 15,510.

³⁰ See footnote 6, page 8.

³¹ 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.

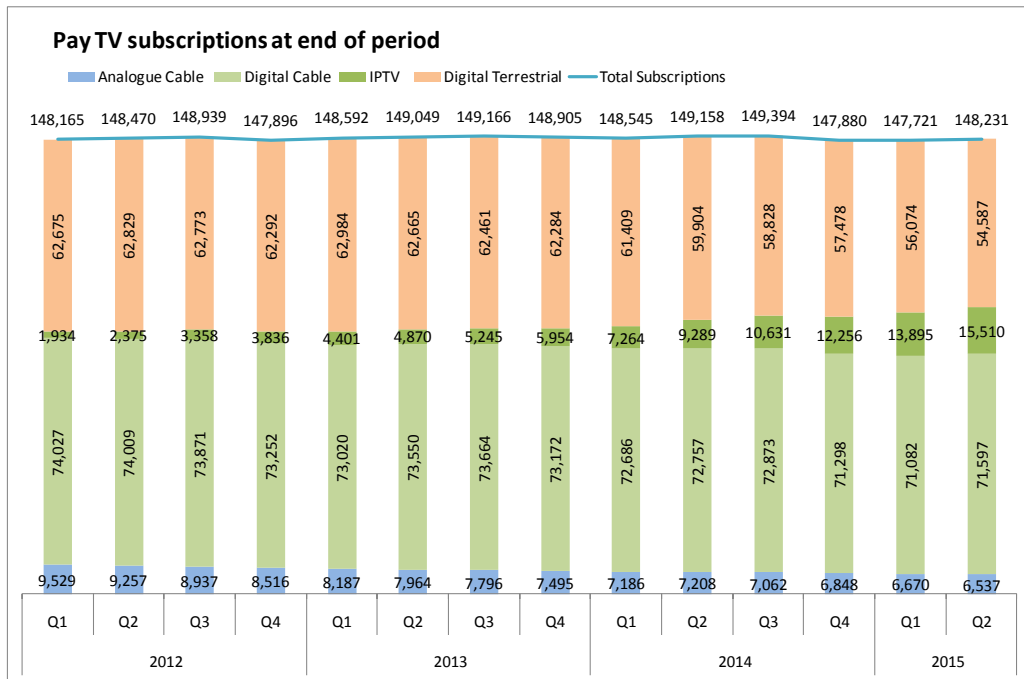


Figure 38: Pay TV subscriptions as at end of period

During the period under review, IPTV gained market share while the rest of the pay TV platforms contracted. IPTV market share increased from 6.2% at the end of June 2014 to 10.5% at the end of last June. Meanwhile, the market share of DTTV fell to 36.8%, from 40.2%, and that for digital cable TV fell to 48.3% from 48.8% a year earlier. The market share of analogue cable TV was also down, this time by 0.4 percentage points from 4.8% 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 the current reporting period.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the first half of 2015 stood at €84.10, slightly down from €84.52 in the same period a year earlier.

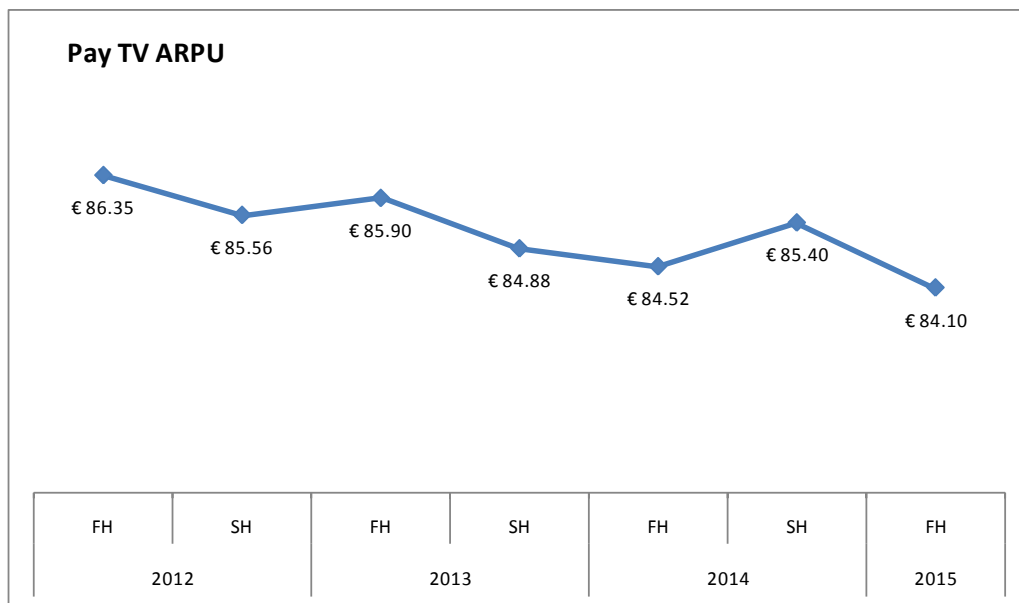


Figure 39: Average revenue per Pay TV user

This downward move in Pay TV ARPU is most likely a result of more subscribers availing of discounts associated with bundled offers. Some promotional offers may have also contributed to this outcome.

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 services³², 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 monthly 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 in the first half of 2015 was practically unchanged to that observed in the first half of the previous year. This is not to say that no changes in prices have materialised during this period for some products. However, the overall outcome was stable in the period under review as increases in prices for some products were smoothed because of new TV channels added to some packages, with the latter move not involving an increase in price.

Figure 40 illustrates that the monthly average advertised pay TV rate (or pay TV monthly access fee) has gone up from €3.99 to €5.00 for the pay TV category encompassing plans listing up to 24 channels. Only one plan features in this category.

³² Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

The average advertised rate was unchanged for the pay TV category encompassing plans listing 25 to 49 channels and the pay TV category encompassing plans listing 50 to 74 channels. The average advertised rate stood at €15.66 in the former case and at €23.49 in the latter case.

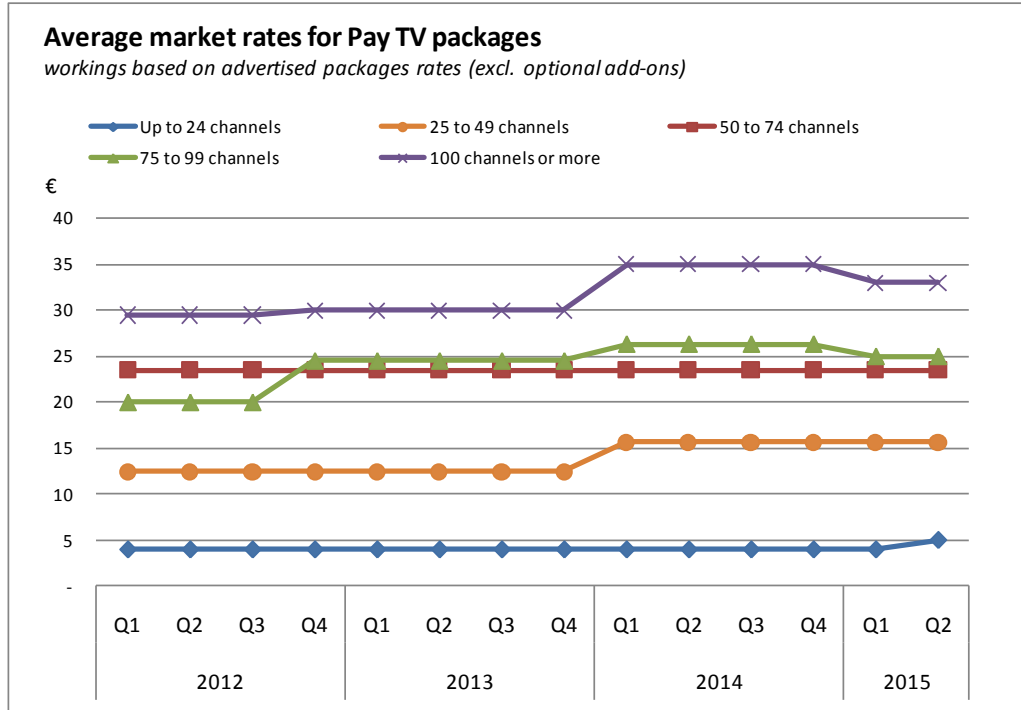


Figure 40: Average market rates for Pay TV packages³³

Meanwhile, the pay TV categories encompassing plans listing 75 to 99 channels and 100 channels or more experienced a drop in the average advertised rate. The average advertised rate for the former category was down to €24.99 from €26.32 whilst that of the latter category was down to €32.99 from €34.99. These declines happened as a result of new TV channels added to the line up of one of the plans on offer. In fact, given the channel line-up adjustment, the plan in question was removed from the pay TV category encompassing 75 to 99 channels and assigned to the pay TV category encompassing 100 or more channels.

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.

³³ The 'up to 24 channel' category only includes GO's Bronze pay TV package.

The '25 to 49 channel' category includes GO's Silver TV pay TV package and Melita's Medium pay TV package.

The '50 to 74 channel' category includes GO's Gold TV and Silver Interactive TV pay TV packages.

The '75 to 99 channel' category included GO's Gold Interactive pay TV package (until December 2014) and Melita's Large pay TV package.

The '100 channels or more' category now includes GO's Gold Interactive pay TV package and Melita's Extra Large pay TV package.

8. Post

The postal sector continued to witness a drop in postal mail volumes during the period under review. In fact, the number of postal mail items delivered in the first half of this year was down by 1.3 million (or by 6.4%) when compared to the first half of 2014.

This document distinguishes between two postal mail activities, namely standard mail³⁴ and express mail³⁵. A further drill down for the two mail activities categorises delivery volumes by different types of mail item, namely single piece letter mail, bulk mail, registered mail and parcel mail.

Standard mail activity in the first half of this year was weaker than recorded during the same period a year earlier, with the number of delivered mail items falling from 19.7 million to 18.4 million. Meanwhile, the number of delivered express mail items increased by 8.8%, from 396,519 to 430,811.

As for developments by type of mail item, registered mail volumes and parcel mail volumes in the first half of 2015 were up by 2.3% and 16.6% respectively, when compared to volumes recorded in the same period a year earlier. This is mainly a result of increasingly buoyant eCommerce activity, which opened up new opportunities for postal business in this area. Meanwhile, single piece letter mail volumes and bulk mail volumes were down by 2.8% and 9.3% respectively.

Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* last year benchmarked well below the EU average, as evidenced by a report published by Deutsche Post.

8.1. Postal mail volumes

Postal mail items delivered by local postal operators³⁶ in the first half of 2015 totalled 18.8 million. This figure is down by 1.3 million (or by 6.4%) from 20.1 million postal mail items delivered in the same period a year earlier.

³⁴ Standard mail activity encompasses services related to the delivery of single piece letter mail, bulk mail, registered mail and parcel mail.

³⁵ Express mail activity encompasses the accelerated and secure worldwide delivery of mail items, be it for important letters, documents or parcels, through express mail or courier service providers. The services offered by these providers is characterised throughout by a degree of speed, tracking and managerial control (that exceed that applied to the fastest standard category of the basic universal letter post and parcel services). The distinguishing characteristic of a courier service provider is that it focuses on the delivery of express mail items that are in possession of an employee of the company at all stages of its journey.

³⁶ 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.

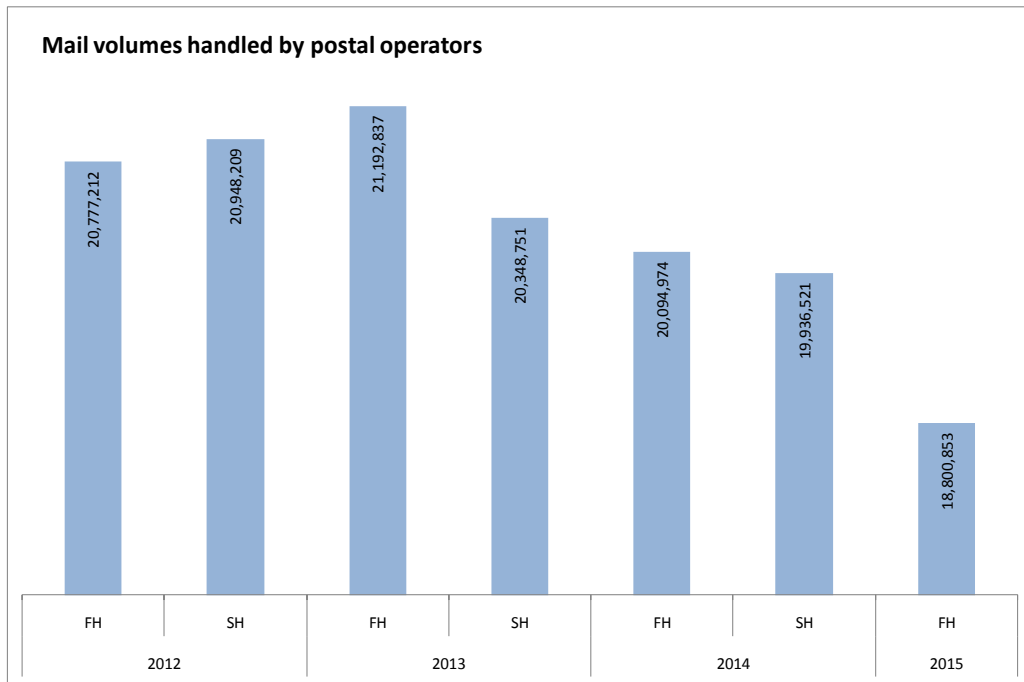


Figure 41: Postal activity - mail volumes handled by local service providers

Figure 41 illustrates that standard mail volumes 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, standard postal mail activity accounted for 97.7% of total postal mail volumes. Express mail activity accounted for the remaining share, at 2.3%.

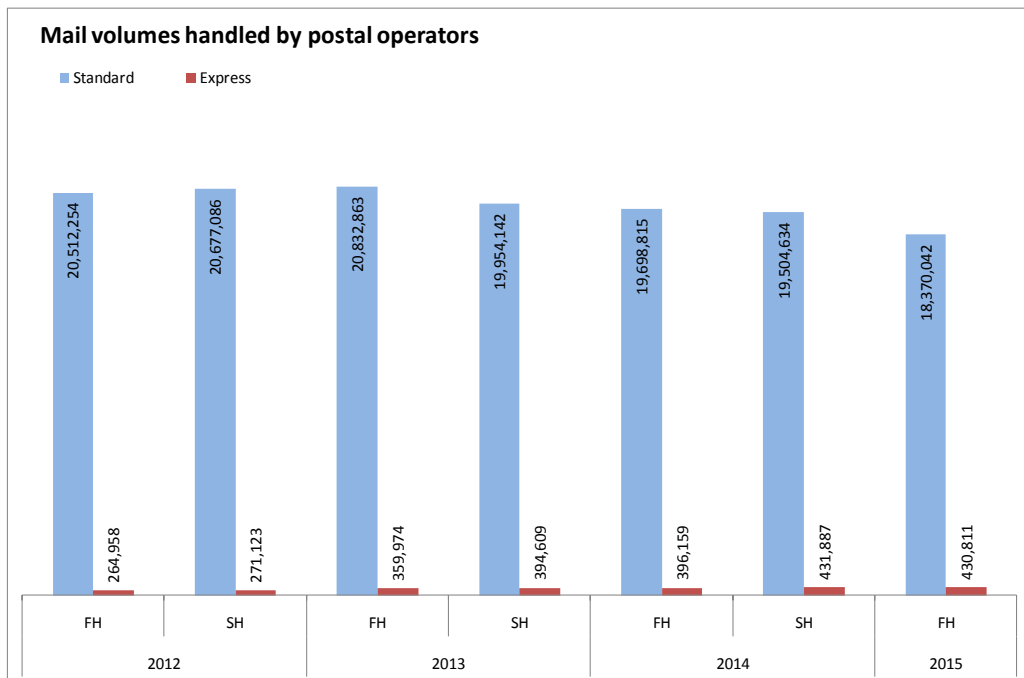


Figure 42: Postal activity - number of handled mail items by type of mail activity

The number of standard postal mail items handled in the first half of 2015 totalled 18.4 million, down by 1.3 million (or by 6.7%) when compared to the same period a year earlier.

Meanwhile, the number of express postal mail items delivered in the first half of this year totalled 430,811. This figure is up by 34,652 (or by 8.7%), from 396,159 express mail items delivered in the first half of 2014.

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 mail³⁷.

Single piece letter-post mail accounted for 35.9% of all mail items handled during the current review period. In absolute terms, the number of letter-post items totalled almost 6.7 million in the first half of 2015, which is down by 0.2 million (or by 2.8%) from 6.9 million items in the first half of 2014.

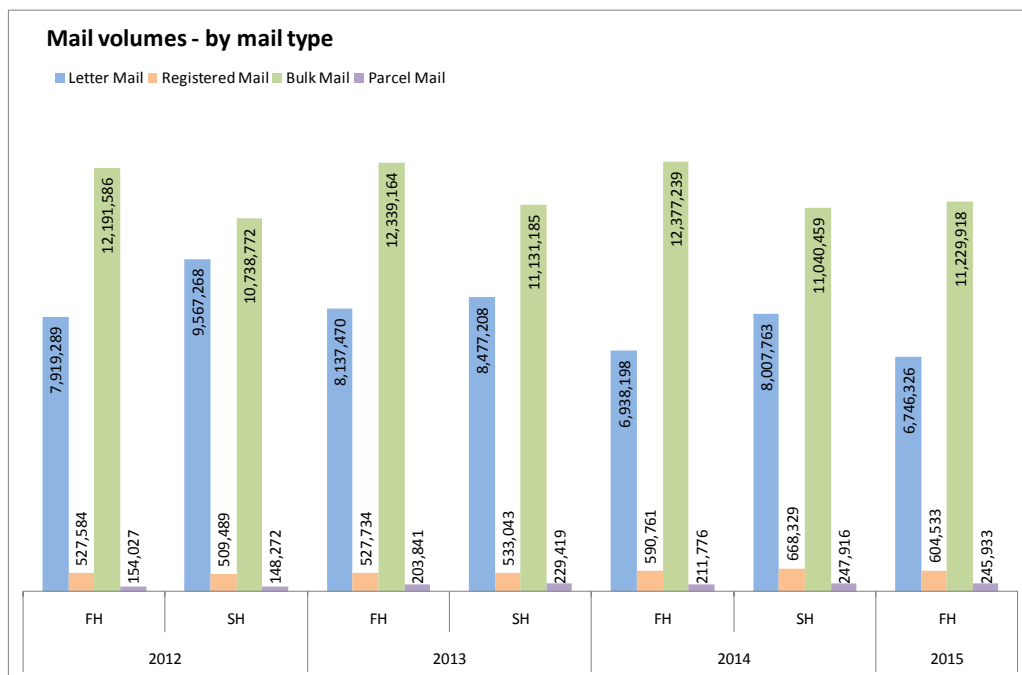


Figure 43: Postal activity - number of handled mail items by type of mail item

The number of registered mail items handled in the first half of 2015 totalled 0.6 million, which is equivalent to 3.2% of all postal mail items handled during the period. When compared with the first half of 2014, registered mail volumes were up by 13,772 items (or by 2.3%).

Bulk mail items totalled 11.2 million in the first half of this year, which is equivalent to 59.7% of total mail volumes delivered during this period. Compared to volumes recorded in the first half of 2014, bulk mail items were down by 1.1 million items (or by 9.3%).

³⁷ 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.

Parcel mail items totalled 0.2 million in the first half of 2015, which is equivalent to 1.2% of total postal mail volumes recorded in the current review period. Compared to mail volumes recorded in the first half of 2014, parcel mail items were up by 31,300 (or by 16.6%). 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 according to destination: domestic mail; outbound cross border mail³⁸; and inbound cross border mail³⁹.

Domestic mail volumes delivered in the first half of 2015 totalled 15.1 million items. This figure is down by almost 1.3 million (or by 7.9%), from 16.4 million items delivered in the same period a year earlier.

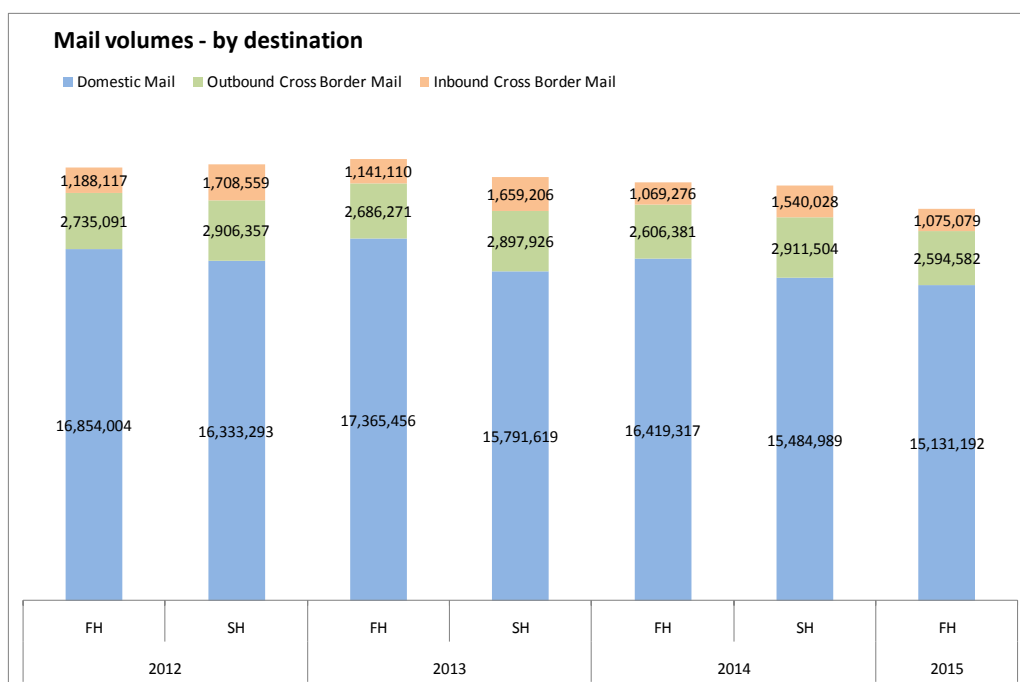


Figure 44: Postal activity - number of handled mail items by destination

Volumes of outbound cross border mail and inbound cross border mail in the first half of 2015 totalled 1.1 million items and 2.6 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 first half of 2014.

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

³⁸ These mail items originate locally for delivery to foreign destinations.

³⁹ Foreign-originated mail forwarded to Malta.

QoS targets are set in accordance with the MCA Decision⁴⁰ on the quality performance measurement of postal items delivered within the defined service standard. QoS data corresponds to the full calendar year⁴¹.

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 95%.

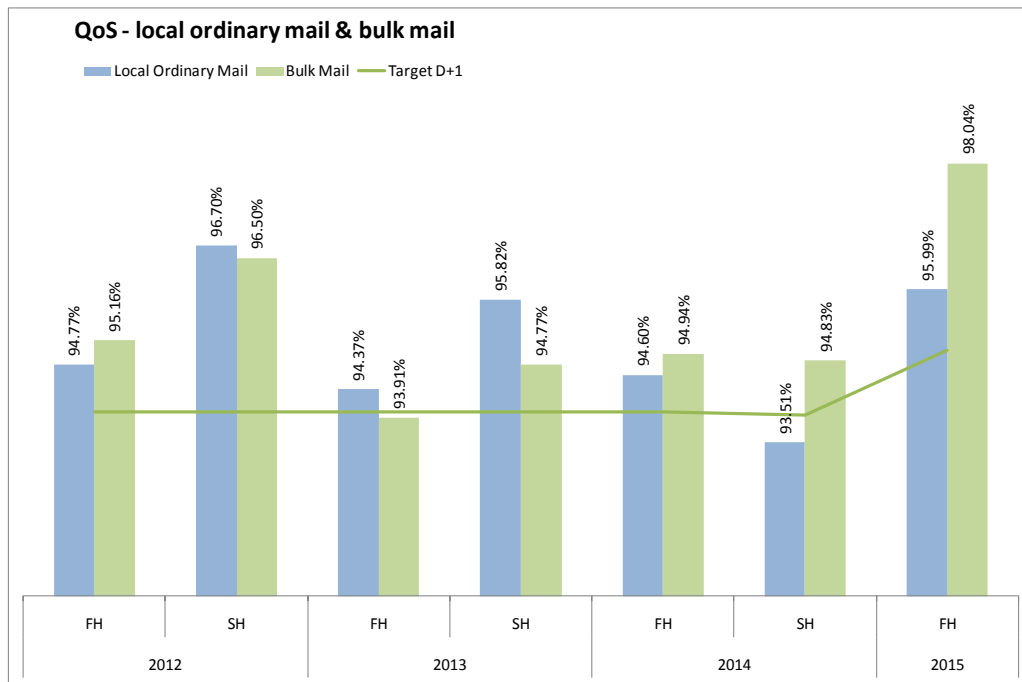


Figure 45: Quality of service - local ordinary and bulk mail

Figure 45 illustrates that Maltapost has exceeded this target in the first half of 2015 when it comes to the delivery of both types of mail items considered in this section.

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%.

⁴⁰ 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

⁴¹ 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.

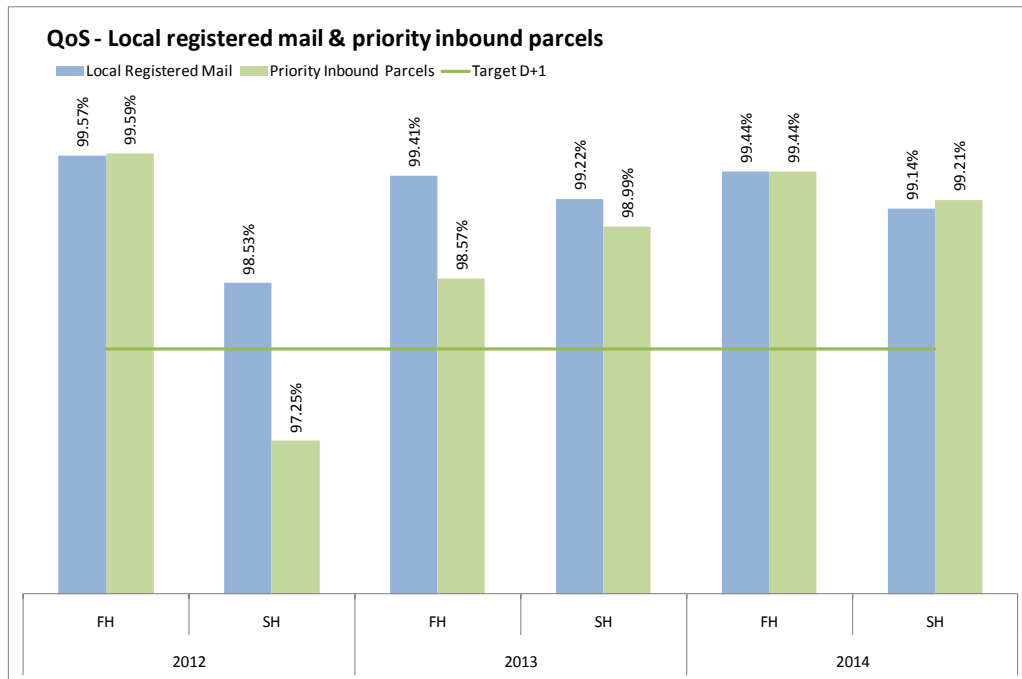


Figure 46: Quality of service - local registered mail and priority inbound parcels

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 – April 2015’ 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 ranking⁴².

In the first half of 2015, Malta’s nominal price for a domestic standard letter and for letter mail within Europe stood at €0.26 and €0.64 respectively.

⁴² Link to latest publication: http://www.dhl.com/content/dam/downloads/g0/press/publication/letter_prices_in_europe.pdf

The publication findings are based on certain considerations that are clearly explained in the document published by Deutsche Post.

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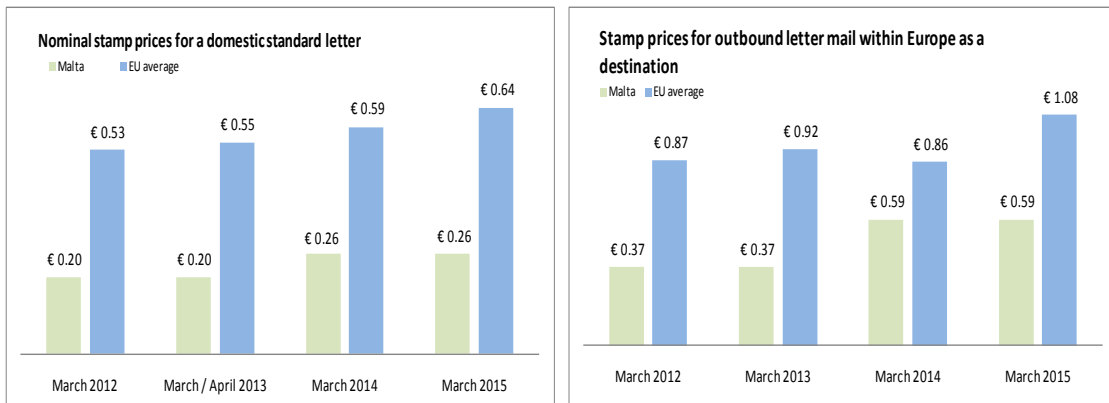


Figure 47: Nominal stamp prices in Malta and the EU

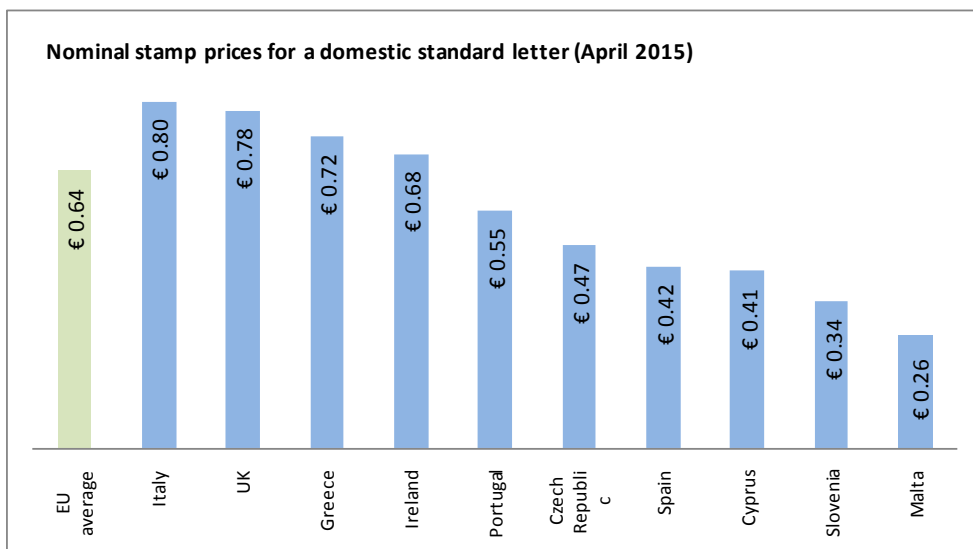


Figure 48: Comparison with selected EU countries

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 first half of 2015.

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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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13. Contact

For any queries, kindly contact via email kevin.r.caruana@mca.org.mt.

Queries may also be posted or faxed to the address below.

Malta Communications Authority

Valletta Waterfront, Pinto Wharf,
Floriana FRN 1913

Malta
Europe

Contact numbers

tel: +356 21 336840

fax: +356 21 336846