

## **Malta Communications Authority** **MCA's Annual Plan 2005**

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**March 2005**

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## Part 1 - Introduction

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This document represents the Malta Communications Authority's (MCA) Annual Plan for 2005. It sets out the overall approach to regulation, the business priorities for 2005, and how the MCA's effectiveness will be measured and evaluated.

The business priorities have been identified based on an understanding of the Authority's mandate, mission and longer-term objectives and on an assessment of conditions and trends at both the national and international levels and within the internal operating environment of the MCA.

The process of developing this Annual Plan has involved the Chairman / Director General, the MCA Board and each unit of the MCA. The Annual Plan is reflective of the MCA's Strategic Plan 2002 – 2005.

### 1.1 Background

The MCA was established on the 1<sup>st</sup> January 2001, assuming the previous responsibilities of the Office of the Telecommunications Regulator, as laid out in the Malta Telecommunications (Regulation) Act of 1997. The Authority's mission and mandate derives from the Malta Communications Authority Act (Cap. 418 of the Laws of Malta). In addition to the regulation of electronic communications systems and services, the MCA is also responsible for the regulation of postal services in Malta and is also the appointed competent authority for the supervision of signature certification service providers established in Malta as defined in the Electronic Commerce Act (Cap 426 of the Laws of Malta).

In line with Government's decision to migrate all relevant radio-communication functions and activities carried out by the Wireless Telegraphy Department (WTD) to the MCA, as from July 2004 the MCA was assigned the responsibility for the regulation of radio communications, including the management and monitoring of the radio frequency spectrum.

The primary role of the MCA is to enable choices and value for money for consumers. In addition, the MCA has a strategic role to create an environment that is conducive to business and that ensures sustainability of competition. The MCA also reviews authorisations, resolves disputes, and in general ensures the well being of the markets it regulates. It also has obligations to the consumer relating to prices, standards of services and availability of services.

In a relatively short span of time, the MCA has built up a core team of professionals possessing the necessary specialised skills and competencies required to regulate the sectors under its purview. Notable among these is the electronic communications sector, which has shown significant growth considering that it has only recently been open to competition. This sector is undergoing a rapid change, posing significant challenges for both the industry and the regulator, and therefore requires a constant investment in resources.

The electronic communications sector in Malta was fully liberalised on the 1<sup>st</sup> of January 2003. Most of the activity carried out by the MCA in 2002 and 2003 was

related to the preparatory work for the achievement of this target. As expected, a significant amount of activity in 2004 was still dedicated to the achievement of a truly liberalised environment (i.e. an environment that would further enable competition to establish itself, allow consumers to choose the technology and services that best fit their requirements and offer the necessary assistance to new entrants in penetrating the market) via the implementation of a number of key regulatory mechanisms.

An activity of major importance that took place during 2003 and the first half of 2004 was the transposition of the new European Union (EU) Framework for electronic communications networks and services - brought into force at the start of quarter four 2004. This new regulatory framework has changed the way the electronic communications sector is regulated. It aims to further enable the development of competition in the sector, following the initial transition from a monopolistic to a liberalised market. It ensures harmonisation and consistency across the single European market and strives to be in tune with the rapidly converging services provided via the various technology platforms that make up the electronic communications sector.

On the other regulatory fronts, the implementation of the obligations on the MCA emerging from the e-Commerce Act, including the development of internal structures, processes and procedures required to fulfil the regulatory functions associated with the supervision of information society service providers are to be finalised during the first half of 2005.

The tasks required to fulfil the postal sector strategic objectives are currently well underway. The build-up of the main elements of the postal service regulatory framework are to be finalised during the first half of 2005.

## **1.2 Mission Statement and Strategic Objectives**

The mission of the MCA is:

*'To regulate the sectors of electronic communications, e-commerce and posts with a view to achieving sustainable competition, enabling customer choice and value for money, coincident with contributing to the development of an environment that is conducive to investment, and continued social and economic growth'*

For the MCA to achieve its mission and to meet its various operational requirements, the following are the identified strategic objectives covering the MCA's strategic plan period 2002 - 2005.

| <b>Electronic Communications</b> |                                                                                                                                                                                                                                                                     |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| T1                               | Attaining the target, within established timeframes of a fully liberalised and solid electronic communications environment that is capable of sustaining competition among existing providers while allowing new entrants to do so with relative ease.              |
| T2                               | Ensuring that residential and business consumers of electronic communications services get the best value-for-money from electronic communications services providers operating in Malta, and that any social inclusion aspects as may be identified are addressed. |
| T3                               | Achieving the proliferation and development of electronic communications related industry via the creation of the appropriate business and technical infrastructure environment that is capable of attracting such an industry.                                     |
| T4                               | Facilitating the proliferation of Broadband, in line with the e-Europe mission and objectives, via the development of the necessary regulatory environment.                                                                                                         |
| <b>e-Commerce</b>                |                                                                                                                                                                                                                                                                     |
| E1                               | The expansion of e-Commerce in Malta both in terms of the supply and demand sides of the equation.                                                                                                                                                                  |
| E2                               | The consolidation of the institutional and organisational elements on a National scale, that are required for the achievement of a solid e-Commerce environment that inspires trust in all those who use it.                                                        |
| E3                               | The attraction of the e-Commerce industry to Malta via the creation of the appropriate business and technical infrastructure environment.                                                                                                                           |
| <b>Postal Services</b>           |                                                                                                                                                                                                                                                                     |
| P1                               | Attaining the target, within established timeframes, of a liberalised postal services environment that is capable of sustaining competition among the respective players, while allowing new entrants to do so with relative ease.                                  |
| P2                               | Ensuring that residential and business consumers of postal services get the best value-for-money from Maltese postal services providers, and that any social inclusion aspects as may be identified are addressed.                                                  |

These strategic objectives, as well as the host of tasks that were identified as necessary in order to attain them, underpinned the MCA's Strategic Plan 2002 - 2005. Beyond these tasks, it was premised that outcomes would be tracked, with a view to ascertaining the effectiveness of the Authority's activities. How this organisation's activities translate in actual benefits in the economic and social sphere remains the core element of its raison d'être.

**Appendix 1** gives a high level rendering of achievements and outstanding tasks, which remain to be finalised in 2005 for a full attainment of the MCA's Strategic Plan 2002 - 2005.

## Part 2 – Regulatory Environment

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Over the past three years, the MCA has undertaken a significant number of initiatives set at building the regulatory regimes in the respective areas for which it is responsible. As envisaged, the workload was such that an element of prioritisation was inevitable. In undertaking this prioritisation exercise a number of key milestones were taken into consideration, namely the:

- full liberalisation of the telecommunications market on the 1<sup>st</sup> January 2003;
- coming into force of the Postal Services Act on the 1<sup>st</sup> June 2003, which places the responsibility for postal services regulation on the MCA;
- transposition of the new EU regulatory framework for electronic communication markets and its coming into force during the third quarter 2004;
- preparatory work required for the successful migration of all relevant radio-communication functions and activities (inc. the human resources responsible for the management of the radio spectrum) carried out by the WTD, in line with government policy – completed during the third quarter 2004; and the
- eEurope broadband objectives set for 2005 combined with government's broadband objectives as outlined in the National Broadband Strategy.

In addition to a number of new initiatives, the MCA's Annual Plan for 2005 includes the continuation or enhancement of several activities and programs that are already underway (refer to **Part 3 – Business Priorities for 2005**).

This year the MCA is expected to be faced with a number of challenges emanating from the immediate and wider external environments (national and international) within which it operates. These challenges in the main consist in the:

- implementation of the obligations and requirements emanating from the new regulatory framework for the electronic Communication markets, the regulatory framework for Postal services and that of e-Commerce;
- additional MCA responsibilities related to the efficient and effective management of the radio spectrum (consisting of spectrum management, licensing, monitoring and enforcement);
- convergence of voice, data and video and the availability of new technologies and alternative platforms, such as cable and wireless as well as Voice over Internet Protocol (VoIP) and Voice over Broadband (VoBB);
- rollout of additional broadband technologies such as Third Generation Mobile Technology (3G), Digital Terrestrial Television Broadcasting (DTTV), Broadband Wireless Access (BWA) and Power Line Communications; and the
- anticipated increase in competition and consumer expectations that would follow the rollout of the above mentioned additional broadband technologies combined with the availability of an additional international gateway.

The increasing demands on the MCA would also have a corresponding impact on the organisation and administration of the Authority resulting in the need to further develop and keep under review:

- human resource management systems;
- records and document management systems;
- financial management procedures and information;
- staff training and development programmes; and
- the best possible use of technology and information systems.

Within this envisaged overall context, the following perceived scenarios present themselves in respect of the MCA's major areas of activity during 2005.

## **2.1 Electronic Communications**

The annual plan period in question is envisaged to be characterised by a high degree of activity in the continued rollout of the new regulatory framework for electronic communications, consisting mainly in the ongoing implementation and monitoring of a number of initiatives that had started over the past two years.

An important aspect of the new regulatory framework is the adoption of competition policy tools that will allow much of the current sector-specific regulation to be replaced with a general competition law discipline. Key to this process is the requirement for the MCA to carry out market reviews aimed at verifying whether or not each market is effectively competitive. The MCA will mandate (or maintain) ex-ante regulatory obligations exclusively in those markets that are deemed not to be effectively competitive, i.e. markets in which one or more operators are considered to have Significant Market Power (SMP). The development of the first market reviews started in the last quarter of 2004 and are expected to be completed by the end of 2005 or shortly thereafter.

In line with Government's policy, Malta is aiming to maintain the tempo of Information Communications Technology (ICT) penetration - particularly an increase in broadband penetration via different technologies (e.g. 3G, DTTV and BWA). The deployment of these broadband technologies would further enable the increase in access to broadband services across multiple platforms, thereby, enabling new business opportunities and offering customer choice. Furthermore, broadband has the potential to revolutionise commerce, education, healthcare, national security, entertainment, and countless other areas. As such, broadband is a key to future economic growth for the communications industry and the economy as a whole. The need to ensure that there exists an ideal environment for such penetration to take place will be another priority that the MCA will address with renewed focus.

It is perceived that during 2005 there would still be elements of the regulatory infrastructure to build. Operational capability has to be consolidated as the market will be generating a higher workload as the current and, potentially, new players start to operate in a completely liberalised environment. Full liberalisation of the electronic communications sector by definition entails an overhaul of the rules of the game. This means a radical shift away from the 'traditional' mode of doing business on the part of incumbent operators. As anticipated, this has brought with it an increment in litigation between competing



operators and between the individual parties and the MCA itself. As envisaged 2004 showed an escalation in litigation, which is not likely to subside in the course of the annual plan period, as more operators are expected to come on the scene.

During the course of 2005 there should be the consolidation of another important aspect of the MCA's mandate, that is, ensuring Universal Service Obligations (USO), i.e. the obligations imposed on certain operators to meet policy objectives to connect households to public electronic communication networks, and Quality of Service (QoS), i.e. that consumers get value for money for the service. This is being catered for, in the first instance, by the creation of the environment that should make for a choice of operators in the field. In itself this should reflect in a beneficial effect on pricing and quality.

There is, however the more direct public/consumer interface that the MCA has to address. It is envisaged that, as more players enter the field and competition mounts, there would be an escalation in communications between the MCA and the general public/consumers. On the one hand the public will become more exigent and will want to know more about the choices that are open to them and on their rights in this new and potentially confusing environment. On the other hand it is the Authority's duty to inform the public of their rights and their means of redress in case they are short-changed by their service-providers. An informed public will in turn make more use of our services.

Already it is evident that the MCA has attained a higher public profile following its involvement on matters that have a direct impact on the public. Thanks to the heightened public awareness, it is feasible to state that in terms of the public communications and customer complaints-handling aspects, the MCA will be subject to an upsurge of activity from this year onwards.

Another important aspect in dealing with QoS has to do with ensuring that market players operate up to established technical as well as quality standards. There will be the need to consolidate the technical monitoring and auditing capabilities of the MCA in ensuring that such standards are maintained.

From an operational viewpoint, the streamlining of the spectrum assignment and management function into the overall regulatory framework will be another key objective towards ensuring that, first and foremost, the MCA's clients will enjoy a one-stop-shop. It will also ensure that regulatory operations are carried out in a more streamlined fashion, as it is not recommended to divorce spectrum assignment and management from the rest of the regulatory environment.

In addition, 2005 should see a consolidation of the Authority's working processes and procedures as more experience is gained. It should also witness a continuing harmonisation of activities between the MCA, the Ministry responsible for communications and other national regulatory authorities that, to varying degrees, have a stake in electronic communications, namely the:

- management of the radio spectrum originally falling within the Ministry responsible for Communications (i.e. previously WTD);
- Department of Corporate Services within the Ministry responsible for communications with respect to the administrative functions associated with the licensing of apparatus for which a frequency assignment is not required;

- Malta Maritime Authority (MMA) with respect to administrative functions associated with the licensing of wireless telegraphy apparatus used by merchant ships or other seagoing vessels;
- Civil Aviation Department (CAD) with respect to administrative functions associated with the licensing of wireless telegraphy apparatus used in aviation related activities;
- Malta Transport Authority (ADT) with respect to the management of the public rights of way, i.e. the right granted to operators to allow access across public or private roads, land or property for the purposes of either building, maintaining or improving their transmission infrastructures;
- Office of Fair Competition with respect to the cooperation procedures between the two agencies on competition issues and during the market analysis and review; and the
- Malta Broadcasting Authority with respect to broadcasting and spectrum assignment issues.

## 2.2 e-Commerce

The acceleration of the uptake of the information society needs to be addressed from both the supply and the demand side. On the supply side of the equation, one finds issues related to Internet service provision and the promotion of e-commerce via the necessary legal and institutional environment.

The Electronic Commerce Act places a series of obligations on the MCA from the regulatory point of view. The implementation of such obligations is still underway - given other major priorities during 2003 and 2004. The intention is now to address these during the first half of 2005. Foremost among these is the necessity to supervise the activity of Certification Services Providers, which constitute an essential aspect for a reliable and secure e-Commerce environment.

The MCA does not intend to duplicate the efforts that are made by various other governmental entities in this field, but the intention is to play a facilitative role in the future development of e-Commerce. In this respect, the MCA is already working closely with NISCO<sup>1</sup> and other interested parties to ensure that there is a concerted effort in realising an information society.

The e-commerce related activity during the business plan period is therefore expected to consist mainly in the management of the regulatory regime in line with the provisions of the law.

## 2.3 Postal Services

As anticipated, a significant amount of the postal services regulatory framework build-up has taken place during 2004, following the initial scoping of the requirements on this front in 2002 and 2003. The regulatory arguments for the

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<sup>1</sup> This Council falling within the Ministry for Investment, Industry and Information Technology brings together the major Information Communications Technology (ICT) stakeholders (inc. the MCA) and assists the Government in implementing the national ICT Strategy (refer to [www.miti.gov.mt](http://www.miti.gov.mt)).

Postal sector are, in essence (but not in detail) similar to those in the electronic communications sector and the time and effort required to set the regulatory structures up is substantial.

The envisaged activity during the annual plan period will focus on the continued development of Postal sector regulation for the benefit of all stakeholders. Particular attention will be paid to the universal service requirements, QoS monitoring, the implementation of accounting separation by Maltapost as well as the introduction of a price control mechanism.

## Part 3 - Business Priorities for 2005

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In the MCA's Strategic Plan 2002 - 2005 a number of tasks required to achieve the Authority's strategic objectives were identified.

In order to facilitate the achievement of these objectives and in cognisance of the milestones that have to be achieved and the envisaged developments in the sector that are currently visible, the MCA during the annual plan period, will continue to focus its thrusts in the following directions:

- consolidation of the ongoing operational aspects of electronic communications regulation;
- an increase in the Authority's enforcement and monitoring capabilities;
- ongoing technical and QoS auditing of operators;
- enhancement of the technical input that all the units of the MCA require for support;
- enhancement of the external communications function of the MCA - as the means to educate and inform consumers and keep operators and other stakeholders abreast of developments;
- continued build-up and maintenance of the e-commerce regulatory capability;
- continued build-up and maintenance of the postal regulatory capability;
- ensuring constant policy review and quick response to developments on the local scene as well as internationally;
- focus on both transferring value to consumers as well as on creating the value that will ensure the continued development of networks and technological innovations;
- the use of competition law principles to apply ex-ante remedies to address market failure (i.e. the carrying out of market analysis);
- cater for the increased international obligations of the MCA - especially with regard to EU obligations; and
- contribute, within the ambit of its regulatory mandate, towards the achievement of the eEurope 2005 targets.

### 3.1 Outline of Work Programme for 2005

**Appendix 2** outlines the work programme that will be undertaken by the MCA during 2005.

### 3.2 Critical Success Factors

The following have been identified as essential requirements for successfully achieving the MCA's objectives.

- Experienced staff committed to achieving the MCA's mandate.

- All the necessary financial and human resources to meet the demands on the MCA.
- Effective human resource management including a system of performance management.
- Career structures to attract and retain suitably qualified staff for the purpose of achieving the MCA's mandate.
- Structures within the MCA to allow for necessary specialisation.
- Office management systems that support the MCA's strategic objectives.
- Excellent information management systems for the dissemination of information and knowledge management.
- Good communication with staff and all stakeholders (i.e. Government, EU, industry, consumers and other national regulatory authorities).

The Authority will continue striving to ensure that all the essential components are available for it to be able to carry out its mission efficiently and effectively.

## Part 4 - Human Resources

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A challenge for the MCA is to build and maintain the competencies required to deliver its current and future requirements. The goal is to maintain highly qualified staff who are well equipped to adapt to a changing work environment.

The MCA is committed to creating a continuous-learning environment, selecting the most appropriate and effective learning methods, including partnerships with local and international organisations, industry exchanges, coaching, mentoring and self-learning. At the same time, while meeting both the organisation's and the employees' development and learning needs, the Authority must respect the principles of efficiency and affordability.

The MCA's Business Plan for 2004 - 2006 identified the need for a number of additional staff to cater for a constantly increasing workload. The planned recruitment started at the beginning of 2004 and was completed towards the end of 2004. In weighing the possibilities in terms of staff requirements, several factors were taken into consideration. These are listed hereunder:

- The introduction of the new electronic Communications framework will result in a substantially increased regulatory workload in 2005.
- There will be an element of increased efficiency and effectiveness on the part of staff in the course of 2005 as experience in this highly specialised field increases and processes and procedures are consolidated.
- Liberalisation and the rollout of new technologies will bring with it an element of competition that will result in a rise in the ongoing regulatory activities of the organisation.
- The nature of regulation is such that constant review is necessary. It does not follow that once the regulatory policies are in place the task is finished. There will be need for constant review and redefinition.
- The MCA will, to the extent that this is possible, continue to follow a policy of outsourcing its short-term requirements especially where the level of expertise required is highly specialised and not available within the organisation or where economies of scale do not warrant.
- The staff migrated from the WTD in June 2004 and the staff engaged during the first three quarters of 2004 requires training, additional equipment and office space.

### 4.1 Human Resource Requirements

Taking the above-mentioned factors into consideration and on the basis of the anticipated activity that will bear on the Authority during 2005, the MCA has grown from a staff complement of eighteen at the end of 2003 to forty-eight<sup>2</sup> at the end of 2004.

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<sup>2</sup> This includes the staff detailed to the MCA from the Ministry of Competitiveness and Communications (i.e. Wireless Telegraphy Department) in June 2004.

## Part 05 - Finance and Effectiveness

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This section provides an overview of the MCA's budget for 2005 and how MCA intends to evaluate its performance.

### 5.1 Finance

For 2005, the MCA will cost Lm1.25 million. Of the Lm1.25 million budget it is envisaged that Lm 60k will be capital expenditure, Lm 225k will be operational expenses, Lm 125k will be administrative expenses, Lm 475k will be payroll costs and Lm 365k related to project and regulatory activities. The budget is based on an adjusted cash basis, which includes capital expenditure but excludes depreciation.

### 5.2 Evaluating our Effectiveness

To exercise the Authority's accountability and reporting requirements to the respective stakeholders, the MCA carefully evaluates its effectiveness and progress towards the achievement of its objectives through:

- performance management;
- publication of an annual report; and
- through feedback which it seeks from stakeholders.

The success of the MCA's objectives will be measured by the following activities:

| <b>What the MCA will do</b>                                                                                                                                                                                              | <b>When the MCA will do it</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Formally and informally, ascertaining MCA stakeholders' perceptions of the regulator.                                                                                                                                    | Ongoing                        |
| Critically assess the efficiency of the MCA and its existing procedures by internal review, including obtaining feedback from staff and from the examination of information obtained from the MCA's information systems. | Ongoing                        |
| Carry out market reviews providing an overview of the trends in the sectors regulated by the MCA (electronic communications, postal and e-Commerce).                                                                     | Biannually                     |
| Conduct performance measurement and monitoring in line with the evaluation criteria identified in the MCA's Strategic Plan.                                                                                              | Ongoing                        |
| Publish the MCA's Annual Report which will provide financial statements and information relative to the Authority's activities during the year.                                                                          | Annually                       |

**Appendix 1 – Outline of Outputs / Outcomes - Strategic Objectives 2002  
– 2004**

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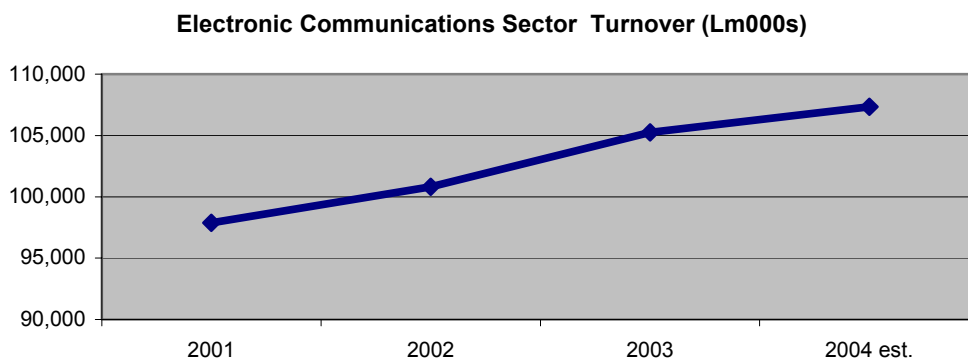


## Actual Outputs/Outcomes 2002 – 2004

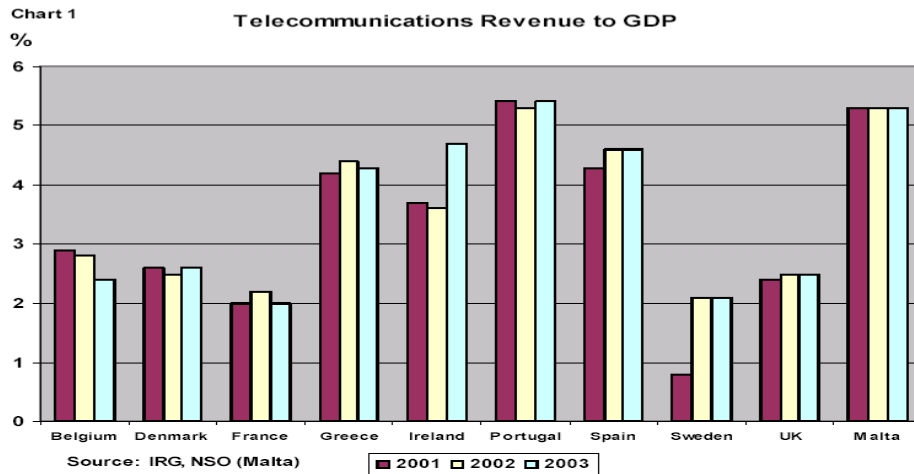
### Electronic Communications

#### Competition

- There were 19 ISP's in 2004, up from 17 in 2003, 1 DTTV operator was licensed in 2004 and a mobile telephony operator started an international data service in 2004.
- The new legal and regulatory framework established in 2004 has simplified authorisation procedures thereby facilitating market entry for new operators.
- Increase in the volume of services provided has been noted mainly in the mobile telephony, Voice over IP (VoIP) areas as well as broadband Internet.
- Second international link has contributed to lowering of broadband Internet wholesale and retail rates.
- New service offerings have consisted mainly of GPRS, MMS, Wi-Fi services, Digital Cable TV, VoIP/VoBB, Digital Terrestrial TV (Trials), various broadband products.
- A partial tariff rebalancing exercise in respect of local and overseas fixed telephony rates was carried out in 2004 so as to align retail rates with relative service costs. Outcomes have been as follows:
  - From a consumer standpoint this measure has resulted mainly in higher line rentals and lower overseas rates.
  - From a competition standpoint such a measure is necessary in that it ensures a level playing field for all operators via the elimination of product cross-subsidisation.
- An overall decline in wholesale prices of various products has taken place. Retail price movements have been mixed (given fixed telephony tariff rebalancing) but a general downward trend in various service prices was prevalent.
- Overall electronic communications sector turnover has improved indicating sustainable competition.

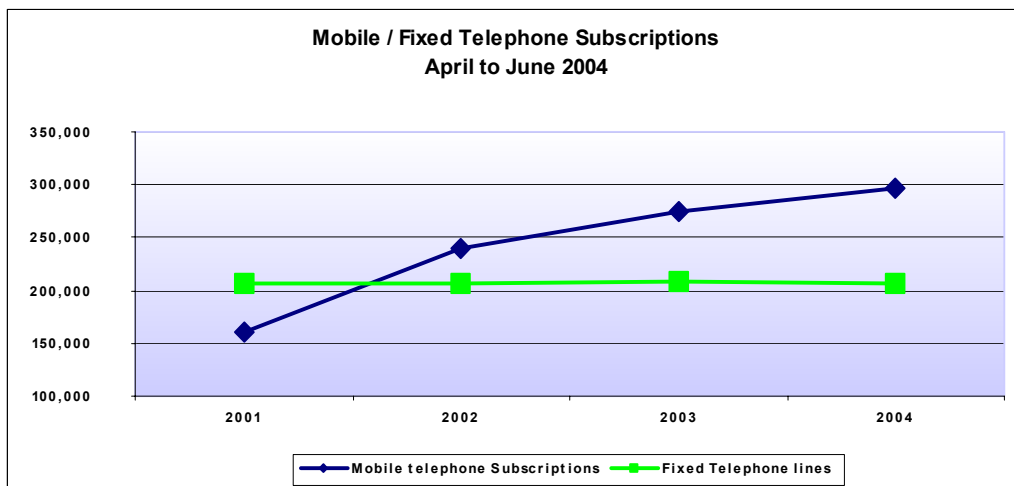


- The electronic communications sector continues to constitute an important component of Malta's Gross Domestic Product (GDP) at 5.1%.



#### Quality of Service/value for money

- In several areas a decline in prices (wholesale and retail) has occurred, mainly due to heightened competitive activity but also as a result of regulatory intervention.
- The online Internet Health Monitoring System (IHMS) was introduced enabling users to track actual Internet service upload and download speeds.
- Constant monitoring and publication of mobile telephony base station emissions has contributed to adherence to emission standards.
- Extent of fixed line penetration and increased mobile telephony and Internet penetration indicate overall availability and solidity of infrastructures and services.



## Broadband Uptake

- Uptake of broadband is consistently on the increase:

|              | 2002          | 2003          | Q1/2004       | Q2/2004       | Q3/2004       | Q4/2004       | Q3 to Q4 % Growth |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| ADSL         | 9,906         | 13,001        | 13,595        | 14,108        | 17,243        | 21,733        | 26%               |
| Cable Modem  | 6,174         | 9,735         | 11,144        | 12,285        | 13,469        | 15,909        | 18%               |
| <b>Total</b> | <b>16,080</b> | <b>22,736</b> | <b>24,739</b> | <b>26,393</b> | <b>30,712</b> | <b>37,642</b> | <b>23%</b>        |

- Doubled bandwidth offering in latter part of 2004 at no additional cost has been equivalent to a halving of prices, and should contribute to further uptake.
- Competition in broadband Internet and related fall in prices has followed the introduction of second source of international bandwidth.
- Wi-Fi hotspots have become a common feature, given proliferation.

## Postal Services

- The new regulatory framework for postal services – and concomitantly the MCA mandate for postal regulation – came into being in June 2003 with the coming into force of the Postal Services Act (Cap 254).
- The remainder of 2003 and 2004 have been dedicated to an overhaul of the postal subsidiary legislation and the building of the regulatory framework. It is as yet early to speak of outcomes as a result of the activities undertaken so far. In essence the main outputs during this period were the following:
  - Draft regulations in replacement of the existing ones have been drawn up and proposed to Government.
  - Maltapost licence was amended and updated to reflect the liberalised environment and quality of service as well as universal service obligations under new liberalised framework.
  - A list of Maltapost's universal services, and their respective prices was published along with the licence.
  - Quality of service standards and targets for Maltapost, with concomitant compensation schemes in case of substandard service have been mooted by the MCA in a consultation document.
  - The public has also been sounded out on postal quality of service aspects via a sample survey, the results of which have been published.
  - Draft licensing framework has been completed and incorporated in the draft regulations.

- Obligation for transparency and cost-orientation via accounting separation has been placed on Maltapost.

## Expected Outputs/Outcomes - 2005

### Electronic Communications

#### Competition

- Spectrum assignments for new wireless technologies (DTTV, 3G and BWA) will introduce new infrastructure-based players in the respective sectors, thereby enhancing competitive environment.
- Fixed telephony interconnection rates have come down substantially but need to be lowered further with a view to further opening up competition in this area.
- Decline in telephony interconnection prices (fixed and mobile) has been a positive development but should result in a more sustained decline in prices to the consumer as competition sets in.
- A further fixed telephony tariff rebalancing exercise, accompanied by the implementation of a price-cap mechanism for fixed telephony services will finalise service price alignment to costs, while taking into account operator efficiency in service provision.
- From a regulatory standpoint entry into the market is now easier. Further review of current fixed authorisation fees may, however, be required.
- A Numbering Plan that caters for new technologies will consolidate technology neutrality concept in voice services.
- The introduction of number portability will facilitate subscriber mobility and market entry for new operators.
- Market entry should also be enhanced via the finalisation of the local loop unbundling exercise.

#### Quality of Service/Value for Money

- Setting up of Quality of Service standards and measures will ensure better quality service mainly in fixed telephony and Cable TV services.

#### Broadband Uptake

- Rollout of new Wireless technologies should result in significant additional impetus in broadband uptake.

## Postal Services

Implementation of the following will be a necessary minimum requirement for 2005:

- The establishment of Quality of Service standards and monitoring function should make for better performance in postal services.
- The setting up of compensation schemes with respect to sub-standard postal services will also enhance performance and ensure redress.
- Consolidation of the Maltapost complaints handling function should make for better customer care.
- The removal of Government approval procedures for Maltapost business functions will reduce administrative burden on the incumbent.
- The licensing framework for alternative postal operators will facilitate a competitive environment.
- Accounting separation and Price control implementation will ensure transparency in prices and control in postal service price movements.
- Establishment and operation of monitoring mechanisms in respect of Maltapost universal service obligations will verify and safeguard ongoing provision of such services to the public.
- Establishment and monitoring of Maltapost (and any other alternative operator) mail integrity – security and privacy – procedures should serve as a safeguard both to postal staff and public.

## Electronic Commerce

- The setting up of e-Commerce Regulatory Structures will bring about heightened consumer protection and increase public trust in e-commerce transactions
- Implementation of e-Signatures Regulation will pave the way for the introduction of public electronic signature services and products in Malta.

## **Appendix 2 – Outline of Work Programme for 2005**

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## Outline of MCA's Work Programme 2005

| Projects / Activities                                                         | Key Objective / Key Outputs                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Electronic Communications - Strategic Objective T1</b>                     |                                                                                                                                                                                                                                                                          |
| Significant Market Power (SMP) - Market Analysis / Market Reviews – Phase III | Development of market reviews under the new regulatory framework to ascertain the extent of competition in the respective electronic communication markets.<br><i>Publication of Market Reviews / Notification to EU</i>                                                 |
| Relationship with the Office of Fair Competition                              | Development of a Memorandum of Understanding (MoU) formalising the collaboration between the MCA and the Office of Fair Competition.<br><i>Signing of MoU / Publication of an Explanatory Memorandum</i>                                                                 |
| Review of Numbering Convention / National Numbering Plan                      | Review of the existing Numbering Conventions Decision and National Numbering Plan in line with developments in the electronic communications sector.<br><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i>                       |
| Electronic Communications Price Index                                         | Development of an Electronic Communications Price Index to be used as a tool for future price changes i.e. RPI-X project, tariff rebalancing, etc and to measure inflation attributable to electronic communication services.<br><i>Publication of Price Index Model</i> |
| Interconnection Strategy Document                                             | Establishment of gradual reductions in interconnection rates towards efficient cost-based levels, thus enabling the further development of competition and sustainable competition.<br><i>Publication of Interconnection Strategy Document</i>                           |

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| Introduction of Current Cost Accounting                                    | <p>Transition from historical cost accounting to current cost accounting should provide a sounder basis for the calculation of efficient cost-oriented wholesale rates and preparation of regulatory accounts.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p> |
| Review of Leased Lines Prices / Terms and Conditions                       | <p>Cost-orientation of leased line prices.</p> <p><i>Publication of Decision Notice</i></p>                                                                                                                                                                                                                          |
| Review of Reference Unbundling Offer (RUO)                                 | <p>Review to ensure that Maltacom's RUO is compliant with EU Regulations / Best Practice and the principles of cost-orientation and non-discrimination in order to promote competition in the market.</p> <p><i>Publication of Decision Notice</i></p>                                                               |
| Implementation of Number Portability                                       | <p>Implementation of Number Portability in line with the EU Directives.</p> <p><i>Publication of Decision Notice</i></p>                                                                                                                                                                                             |
| Review of Accounting Separation and Cost Accounting Decisions              | <p>Review Accounting Separation and Cost Accounting Decisions in line with the new Regulatory Framework / EU Commission Recommendations and results of the market analyses.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>                                    |
| Reference Interconnection Offer (RIO) Reviews 2005                         | <p>Establishment of interconnection rates at efficient and cost-oriented levels (more closely in line with EU benchmarks) with the objective of fostering competition.</p> <p><i>Publication of Decision Notice</i></p>                                                                                              |
| Tariff Re-balancing Plan – Phase II                                        | <p>Establishment of a cost orientation process of fixed telephony services and removal of cross-subsidies. Linked to RPI-X project.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>                                                                            |
| Electronic Communications Framework – Review of General Authorisation Fees | <p>Review of the general authorisation fee issues with respect to small operators.</p> <p><i>Issue / Policy Paper</i></p>                                                                                                                                                                                            |



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| Review of VoIP / VoBB Issues                                 | Evaluation of the evolution of VoIP / VoBB across new platforms and emerging technologies.<br><i>Publication of Information Notice</i>                                                                                                                                                                                                                         |
| Review of National Frequency Allocation Plan (NFAP)          | Review of the NFAP to conform to legal and international requirements.<br><i>Publication of National Frequency Allocation Plan</i>                                                                                                                                                                                                                             |
| Strategic Review of Radio Spectrum Management                | Drawing up of a strategic review that will establish the principles that should govern spectrum management, and formulation of a related work programme.<br><i>Publication of Consultation Document / Response to Consultation / Work Programme 2006 – 2008</i>                                                                                                |
| Review of Spectrum Licensing, Monitoring and Enforcement     | Implementation of an exercise to control spectrum use via issuance of licences, with a view to monitoring spectrum across Malta, quickly identify misuse and take appropriate action.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                              |
| Dispute Resolution Process – Users / Undertakings            | Revision of existing process in line with Article 25 Cap. 399 and eventual extension to all sectors under MCA's remit<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                                                                                              |
| EMF Monitoring Project - Extension                           | Investigation and audit of EMF emissions from mobile phone base stations and other sources (e.g. broadcast transmitters, microwave links, satellite antennas, etc).<br><i>Publication of Audit Results</i>                                                                                                                                                     |
| <b>Electronic Communications - Strategic Objective T2</b>    |                                                                                                                                                                                                                                                                                                                                                                |
| Maltacom Plc – RPI-x Price Cap Mechanism / Efficiency review | Establishment of price regulation for a pre-determined basket of fixed telephony services. The RPI-X price cap mechanism would be used as a tariff re-balancing tool and a means for eliminating, to the extent possible, inefficiencies in Maltacom's operations.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i> |

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| Lawful Interception System Implementation                 | Setting up of lawful interception hardware and software facilities for electronic communications.<br><i>Request for Proposals / Award / Commissioning of System</i>                                             |
| Quality of Service Internet Monitoring and Auditing       | Enhancements to the Web-based Internet Health Monitoring System (IHMS)<br><i>Implementation of an enhanced IHMS</i>                                                                                             |
| Quality of Service Standards – Performance Indicators     | QoS performance measurement, reporting, review and audits.<br><i>Publication of Response to Consultation / Decision Notice</i>                                                                                  |
| Universal Service Obligations – Electronic Communications | Review and monitoring of the USO.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                                   |
| <b>Electronic Communications - Strategic Objective T3</b> |                                                                                                                                                                                                                 |
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| <b>Electronic Communications - Strategic Objective T4</b> |                                                                                                                                                                                                                 |
| Broadband Strategy - Phase II                             | Update of Broadband Strategy to reflect new and emerging technologies and services.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                 |
| Powerline Communications Position Paper                   | Establishment of the regulatory treatment of Powerline Communications.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                              |
| Innovative Wireless Technologies                          | Establishment of the regulatory treatment of a number of new wireless technologies (WLANs, WiFi, WiMAX, UWB & RFID)<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i> |
| Assignment of Rights of Use of Frequencies - UMTS/3G      | Development of an assignment mechanism for 3G mobile services and subsequent assignment.<br><i>Assignment of Rights of Use of Frequencies – 3G/UMTS</i>                                                         |

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| Assignment of Rights of Use of Frequencies - FWA           | Development of an assignment mechanism for FWA services and subsequent assignment.<br><i>Assignment of Rights of Use of Frequencies – FWA</i>                                                                                                                                   |
| Assignment of Rights of Use of Frequencies - DTTV          | Development of an assignment mechanism for DTTV services and subsequent assignment.<br><i>Assignment of Rights of Use of Frequencies – DTTV</i>                                                                                                                                 |
| Review of Must Carry and General Interest Objectives       | Identification of the principles and processes that would be adopted in imposing a must carry obligation on network providers in the digital scenario with respect to broadcast content providers.<br><i>Consultation with Stakeholders / Publication of Information Notice</i> |
| Assignment of Rights of Use of Frequencies - Broadcasters  | Development of an assignment mechanism for digital TV transmission to those free-to-air broadcasters falling within General Interest Objectives.<br><i>Assignment of Rights of Use of Frequencies – Broadcasters</i>                                                            |
| Assignment of Rights of Use of Frequencies – Digital Radio | Development of an assignment mechanism for digital radio services and subsequent assignment.<br><i>Assignment of Rights of Use of Frequencies – Digital Radio</i>                                                                                                               |
| Review of Cable Bitstream                                  | Review of the technical and regulatory implications of implementing Bitstream on cable networks.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                                    |
| IPv6 Position Paper                                        | Review of the new version of Internet Protocol.<br><i>Publication of Information Notice</i>                                                                                                                                                                                     |
| <b>e-Commerce – Strategic Objective E1</b>                 |                                                                                                                                                                                                                                                                                 |
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| <b>e-Commerce – Strategic Objective E2</b>                 |                                                                                                                                                                                                                                                                                 |

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| e-Commerce Regulatory Structures                           | Implementation of e-Commerce Regulatory Structures.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                                                  |
| e-Signatures Regulation - Implementation                   | Implementation of e-Signatures Regulation.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                                                                           |
| <b>e-Commerce – Strategic Objective E3</b>                 |                                                                                                                                                                                                                                                  |
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| <b>Postal Services - Strategic Objective P1</b>            |                                                                                                                                                                                                                                                  |
| Consultation and Implementation of Subsidiary Legislation  | Provision of assistance to the Ministry in bringing into force the new postal subsidiary legislation.<br><i>Publication of Consultation Document – Ministry / Response to Consultation - Ministry / Legal Notice</i>                             |
| Implementation of Postal Licence and Authorisation Regime  | Implementation of the Postal licence and authorisation regime<br><i>Publication of Modalities of Payment / Registration of Postal Operators</i>                                                                                                  |
| RPI-X Price Cap mechanism (Posts)                          | Implementation of RPI-x price cap mechanisms, efficiency review and monitoring of retail price movement, including review of the efficiency factor.<br><i>Publication of Consultation Documents / Response to Consultation / Decision Notice</i> |
| <b>Postal Services - Strategic Objective P2</b>            |                                                                                                                                                                                                                                                  |
| Establishment of Statistical/Data Information Requirements | Establishment of statistical and data information requirements from the postal operators.<br><i>Consultation with Postal Operators / Collection of Statistical Data and Information</i>                                                          |
| Establishment of QoS Standards and Monitoring (Phase II)   | Establishment of QoS Standards to ensure that users derive maximum benefit in terms of quality.<br><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>                                                      |

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| Establishment of Frequency of Access Points                           | <p>The setting up of objective parameters in order to ascertain the frequency of postal access points in line with customer needs and the costs incurred by the USP in collecting mail.</p> <p><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i></p>  |
| Establishment of Mail Integrity Audits                                | <p>Protecting the integrity of mail (including confidentiality of correspondence, security of the network, continuity of service, etc)</p> <p><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i></p>                                                   |
| Establishment of Universal Service Obligations                        | <p>Promoting the development of the postal sector with respect to the availability of a universal service within, to and from Malta at an affordable price for the benefit of all users.</p> <p><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i></p> |
| <b>Corporate Initiatives</b>                                          |                                                                                                                                                                                                                                                                                              |
| Development of Strategic Plan 2006 - 2008                             | <p>Development of a Strategic Plan covering 2006 – 2008 identifying and quantifying the activities and resources necessary to deliver the MCA's objectives and the mechanisms for implementing those objectives.</p> <p><i>Publication of MCA Strategic Plan 2006 – 2008</i></p>             |
| Migration of Maritime Related Radio Licences Administrative Functions | <p>Migration of the Maritime related radio-communication licences administrative functions to the Malta Maritime Authority.</p> <p><i>Publication of Information Notice</i></p>                                                                                                              |
| Review / Development of Customer Care Function                        | <p>Enhancement of MCA's customer care function to deal effectively with the anticipated increment in complaints and requests for information as a result of heightened public awareness of MCA's role.</p> <p><i>Publication of Customer Care Guidelines</i></p>                             |