
ANNUAL REPORT & FINANCIAL STATEMENTS 2012

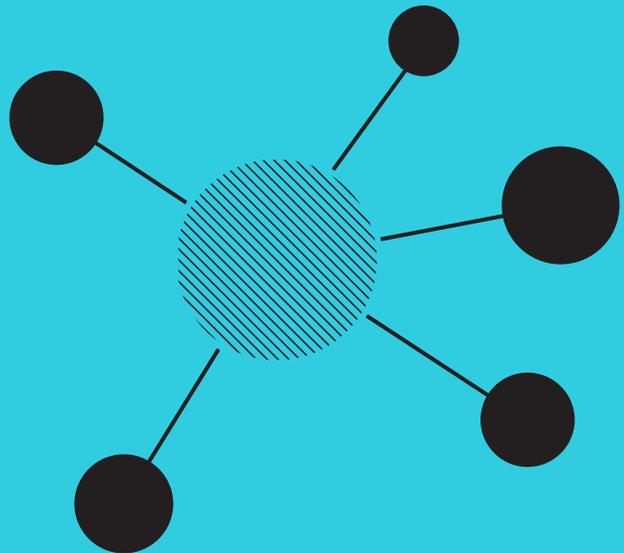


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FOREWORD



→ THE COMMUNICATIONS SECTOR IS AT THE CENTRE OF THE ON-GOING DIGITAL REVOLUTION, UNDERPINNING ECONOMIC AND SOCIAL DEVELOPMENT AND FURTHER FUELLING THE EMERGENCE OF INNOVATIVE PRODUCTS AND SERVICES. EASY AND AFFORDABLE ACCESS TO ONLINE SERVICES ENSURES THAT THE PUBLIC, AS WELL AS OUR BUSINESS COMMUNITY ARE ABLE TO EXPERIENCE THE BENEFITS OF THIS NEW MEDIA AGE. IT IS ONLY THROUGH STATE-OF-THE-ART TELECOMS INFRASTRUCTURE, OPERATED IN A COMPETITIVE ENVIRONMENT THAT THIS REALITY CAN MATERIALISE.

AM ACUTELY AWARE OF THE FACT THAT THE POLICY AND REGULATORY LANDSCAPE THIS AUTHORITY CARVES OUT TODAY, WILL SIGNIFICANTLY INFLUENCE THE COMMUNICATIONS MARKETS OF TOMORROW AND CONSEQUENTLY, THE EXTENT TO WHICH MALTA WILL BE ABLE TO PARTICIPATE IN THE DIGITAL ECONOMY.

I firmly believe that the Authority must take a strong stance to ensure that the national communications markets and the products and services they provide to consumers and businesses, stand at par, from all aspects, with those available in the most technologically advanced and competitive countries across the globe. It is only if this objective is achieved, that Malta can truly maximise on its most important natural asset – its human resource – in order to build a digital economy driven by innovation and the provision of value-added services. Malta cannot afford to be complacent. Complacency leads to mediocrity, which spells inefficiency. The Authority will make its contribution to the concerted effort that must be undertaken to drive Malta's economy to the next level.

Twenty years ago we witnessed the start of the Internet revolution. Today, our industry is once again facing a moment of truth. The unprecedented changes that the Internet has brought about mean that our market players are experiencing perpetual disruptions to their operational models. In particular, over-the-top players are radically challenging long-established supply chains and revenue streams. The Authority is well aware of this.

These major market shifts were fuelled by technological developments that allow for on-going increases in bandwidth, both in the fixed and the wireless industries, and the proliferation of evermore powerful, always connected, mobile devices.

The regulatory actions of the past focused heavily on liberalisation and the fostering of competition. Today we need to assume a more pro-active approach to regulation, anticipating demand for latest technologies and effectively catering for the regulation of future technologies in the legal framework. We need to focus on taking tangible steps in order to ensure that we can effectively carry out our functions in the interest of the public, businesses and the country as a whole.

There is much more to be done. We will be supporting Government in its efforts to ensure that ultrafast broadband is universally available in Malta at affordable prices; providing an environment where mobile operators can roll-out next generation technologies in mobile broadband and securing competitive offers to consumers that compare, as a minimum, to what is available to consumers in neighbouring EU Member States. We will also be looking into cloud computing and digital media and the implications for Malta; and particularly the impact these will have on our industry.

We look forward to an intensive year of activity working with our counterpart regulatory authorities in the other EU Member States. We anticipate the start of the review of the current EU regulatory framework for electronic communications, the proposal by the European Commission on net neutrality, further work on measures to facilitate the roll-out of next generation broadband networks, the introduction of structural measures to facilitate competition in roaming services and much more. In every instance it is vital that the measures adopted at the EU level cater for the needs of our industry with its own peculiarities, so that we can truly form part of, and contribute to, the single European market.

10 years after the liberalisation of the electronic communications sector, it was only on the 1st of January this year that the postal sector was fully liberalised. The Authority has strategically focused on ensuring that both the regulatory and licensing regimes are reflective of these changing circumstances. One cannot underestimate the vital importance of this sector, both from an economic and social perspective. It is a wide-spread misconception that electronic media have rendered the postal service a medium of the past. Increased online activity, particularly in the commercial world, has opened up new opportunities for the postal sector which, very often, is a critical element in the eCommerce supply chain. Our priority has to be ensuring that there is the appropriate regulatory framework in place to cater for competition. In this regard, I am pleased to state that in the coming months we intend to propose legislative changes to Government to further strengthen our legal framework, in light of the changing competitive environment.

Apart from its regulatory activities, the Authority carries out another very important function - that of driving digital literacy. The Authority has facilitated the training of almost 6000 individuals, driving up the digital literacy indicators for Malta. Notwithstanding these important results, there are still 29% of Maltese individuals aged between 16 and 75 who have never used the Internet. To this end, we will shortly be launching a large scale, part-EU funded project aimed at significantly reducing this figure. Today, the MCA provides over 170 free public Wi-Fi spots across Malta and Gozo and will continue to collaborate with Government to expand this service. This is all positive, but we also need to ensure that computer users continue to have all the skills allowing them to fully exploit the potential of new digital products as they become available.

On the eBusiness front, over the past 18 months, the Authority trained some 130 employees of micro and small-to-medium sized enterprises in the use of ICT for small enterprises. I am very pleased to note that indications are showing that, following completion of this course, the vast majority of these enterprises have introduced new, ICT-based applications in their daily operations. I will be making every effort to ensure that the Authority's actions in this regard are further intensified.

In the coming year, the Authority will also look introspectively to consolidate its organisation and operations to facilitate and regenerate its objectives.

I envisage a demanding but productive year ahead for the Board and the executive arm of the Authority.



DR. EDWARD WOODS
CHAIRMAN

LIST OF BOARD MEMBERS AND MANAGEMENT COMMITTEE



BOARD MEMBERS

EDWARD WOODS

Chairman

PHELIM CAVLAN

Member

SARAH MIFSUD

Member

ALEXANDRA MIZZI

Member

GODFREY VELLA

Member

CELIA FALZON

Board Secretary and
Chief of External Relations

MANAGEMENT COMMITTEE

IAN AGIUS

Acting Chief Executive Officer
& Chief of Operations

STEVE AGIUS

Chief Information Officer

PAUL MICALLEF

Chief Legal Advisor

HELGA PIZZUTO

Chief of Spectrum
Management & Technology

PATRICK VELLA

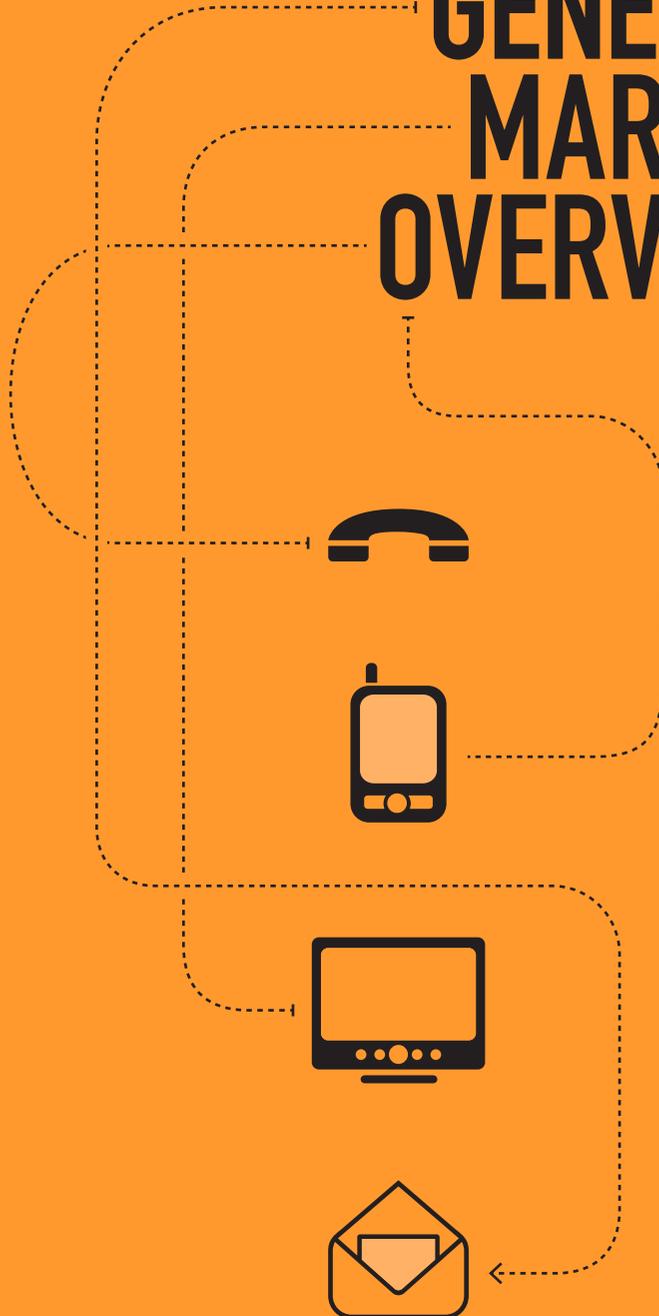
Chief of Policy & Planning

LAWRENCE BRIFFA

Chief Financial Officer

The Chairman and Board Members were appointed on the 6th May 2013.

GENERAL MARKET OVERVIEW



THE PERFORMANCE OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SECTORS

ELECTRONIC COMMUNICATIONS SECTOR

Data compiled by the NSO indicates that there was no significant change in the telecoms sector contribution to the national Gross Value Added (GVA)¹ in 2012, which stood at around 2.2%.

In absolute terms, this sector's contribution to the economy's GVA in 2012 was of €127.5 million, up from €123.7 million in the previous year.

During the said period, compensation to employees went down by 18.5%, most likely a result of the drop in employment levels in the sector whilst in turn, the operating surplus improved significantly.

The average full-time equivalent employment levels decreased from 1,762 in 2011 to 1,610 in 2012.

POSTAL SECTOR

In 2012, the postal sector contributed just about €15.9 million (around 0.3%) to the national GVA.

A breakdown of data shows that compensation to postal employees totalled €13.1 million, marginally up from €12.8 million in the previous year.

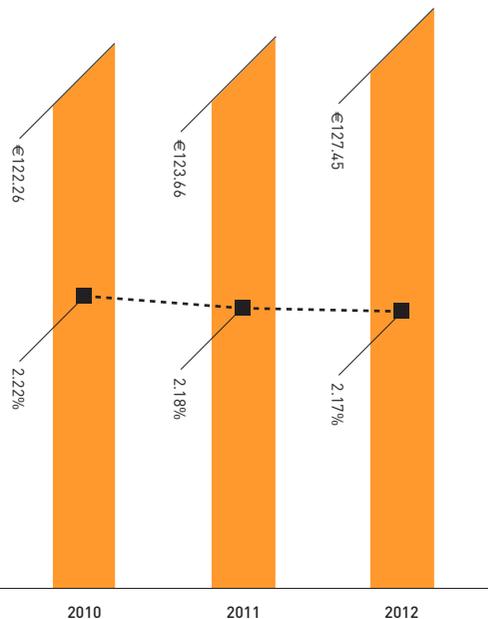
On the other hand, operating surplus for the sector declined to €1.8 million from €2.9 million in 2011.

The average full-time equivalent employment levels in the postal sector showed a slight increase, from 768 in 2011 to 778 in 2012.

CONTRIBUTION BY TELECOMS TO NATIONAL GVA IN MILLIONS

Source: National Statistics Office

- SECTORAL CONTRIBUTION TO GVA
- AS A PERCENTAGE OF TOTAL GVA



1. Gross value added is a measure of the value of goods and services produced by the economy or a particular sector of the economy.

FIXED LINE TELEPHONY

The developments observed in the fixed line sector in 2012 in terms of take-up and usage were in line with those in previous years. Meanwhile, a further narrowing of price differentials for fixed and mobile tariffs contributed to falling fixed line traffic volumes.

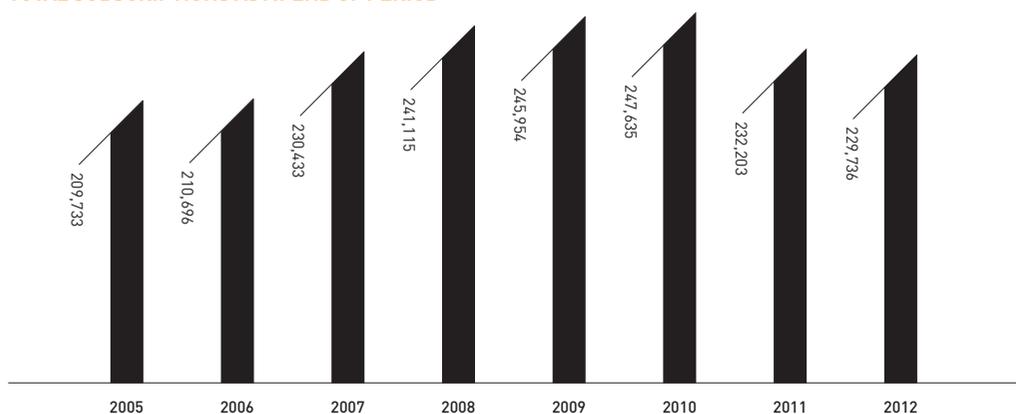
FIXED LINE SUBSCRIPTIONS

The number of fixed line subscriptions fell by 1.1%, to 229,736 at the end of 2012.

Subscriptions on a standard post-paid contract accounted for 83.4% of the local fixed line subscriber base, which is equivalent to 191,630 subscriptions. The number of standard pre-paid subscriptions, which accounted for 15.4% of the

total, fell by 11.9% to 35,282 as at the end of 2012. The latter decline is a result of GO reporting a drop of 5,414 subscriptions during the said period, as it revised its database to remove inactive subscriptions. Meanwhile, other operators recorded an overall increase of 669 subscriptions. The number of 'enhanced' or multiple line telephony subscriptions as at the end of 2012 totalled 2,824 or 1.2% of total subscriptions.

TOTAL SUBSCRIPTIONS AS AT END OF PERIOD



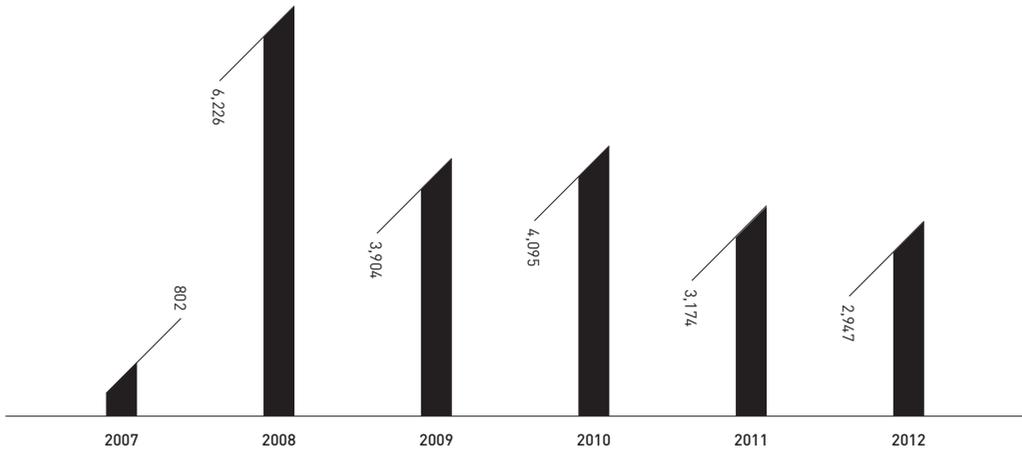
The number of end users bundling post-paid fixed line telephony with other electronic communications services continued to increase in 2012. In fact, the number of fixed line subscriptions on a bundle increased by 5,533 year-on-year, to reach 85,900 at the end of 2012. The latter figure corresponds to 44.8% of the total number of post-paid fixed line subscriptions recorded at the time.

Fixed post-paid subscriptions on a bundled offer	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
...on a two-play offer	28,951	31,537	34,028	35,497	33,810	34,641	35,290	35,523
...on a triple-play offer	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794
...on a quadruple-play offer	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583
...in total on a bundled offer	71,901	74,681	77,322	80,367	80,798	83,462	85,458	85,900
...as a percentage of fixed post-paid subscriptions	38.28%	39.64%	40.81%	42.44%	42.94%	43.95%	44.88%	44.83%
Post-paid subscriptions as at end of period	187,830	188,420	189,490	189,350	188,159	189,891	190,425	191,630

FIXED LINE PORTABILITY

Fixed line porting activity registered a small decline in 2012 compared to the previous year. The number of fixed line portings declined from 3,174 in 2011 to 2,947 last year, with the majority of portings moving from GO to Melita.

FIXED LINE PORTINGS



FIXED LINE TRAFFIC VOLUMES

Fixed voice traffic volumes dropped in 2012 when compared to the previous year, as the number of voice calls and voice call minutes fell by 2.4% and 2.5% respectively.

VOICE CALLS

The fall in fixed line call volumes reflects a decline of 7.4% in on-net Fixed-to-Fixed (FTF) calls and a drop of 2.7% in Fixed-to-International (FTI) calls.

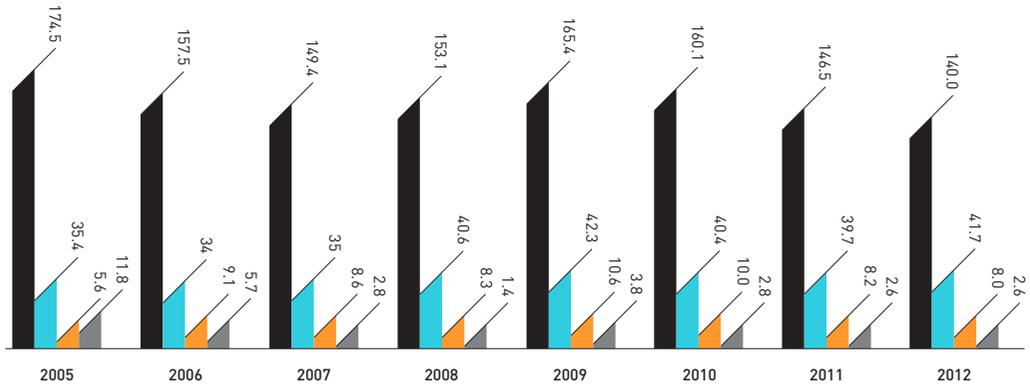
The number of on-net FTF calls was down to 101.5 million, whilst the number of FTI calls was down to eight million. These declines outweighed increases reported under other fixed line traffic headings.

Notably, year-on-year the number of off-net FTF calls was up by 1.6 million (4.3%) and the number of Fixed-to-Mobile (FTM) calls was up by two million (5.1%). These increases are mainly a result of operators providing flat rate packages, which include a certain amount of free off-net and FTM minutes.

FIXED TELEPHONY TRAFFIC VOLUMES

NUMBER OF CALLS (MILLIONS)

■ FTF ■ FTM ■ FTI ■ OTHER



VOICE CALL MINUTES

In terms of voice call minutes, volumes were down by 2.5% from 672.7 million in 2011 to 655.9 million in 2012.

On a disaggregate level, the number of on-net FTF minutes went down by 5.6% to 392.9 million in 2012, the number of FTI minutes fell by 14% to

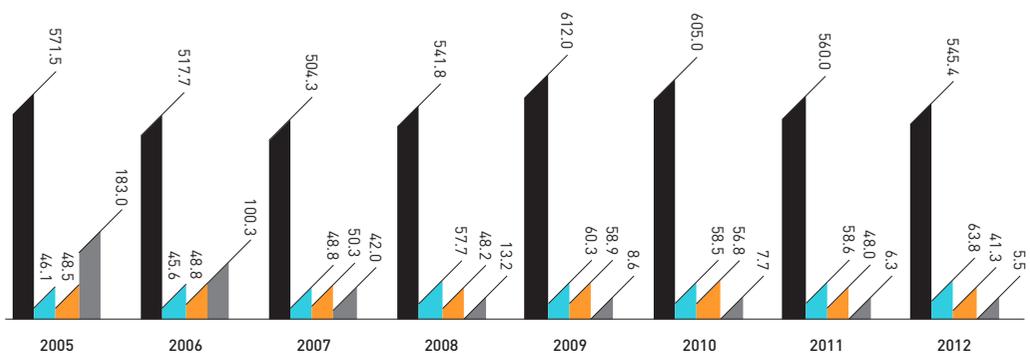
41.3 million, and the number of 'other national call² minutes dropped by 13.2% to 5.5 million.

Meanwhile, the number of off-net FTF minutes and FTM minutes went up by 6.2% and 8.8% respectively, which in absolute terms is equivalent to an overall increase of 14 million minutes.

FIXED TELEPHONY TRAFFIC VOLUMES

NUMBER OF CALL MINUTES (MILLIONS)

■ FTF ■ FTM ■ FTI ■ OTHER



2. Other national call minutes include premium and freephone call minutes.

MARKET SHARES

...ON THE BASIS OF SUBSCRIPTIONS

GO held onto its leading market share of the local fixed line subscriber base. However, this share fell from 73.5% at the end of 2011 to 71.1% at the end of 2012.

On the other hand, Melita's market share increased from 25.8% to 28.3%. Vodafone (Malta), Ozone Malta and SIS together held a 0.7% market share at the end of 2012.

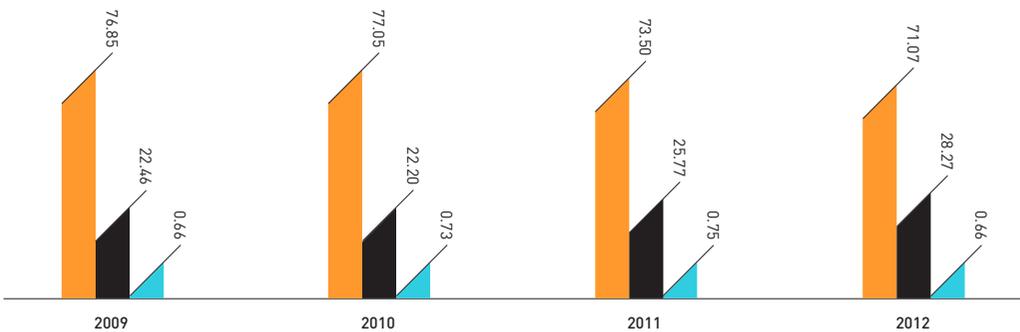
MARKET SHARES IN TERMS OF SUBSCRIPTIONS, AS AT END OF 2012

IN PERCENTAGES

GO

MELITA

OTHERS



...ON THE BASIS OF NATIONAL VOICE CALL MINUTES

In line with the trend in subscriber lines, GO lost out to other operators in its share of national traffic volumes, from 71.1% of the total in 2011 to 68% in 2012.

Meanwhile, Melita gained market share, with its take increasing by 2.5 percentage points to 29.5% last year. Vodafone (Malta) also recorded a 0.4 percentage point gain in its market share.

SIS and Ozone accounted for a market share of 1.2% and 0.3% respectively at end 2012.

...ON THE BASIS OF INTERNATIONAL VOICE CALL MINUTES

GO's 'Ten21' VoIP service accounted for the lion's share of international voice traffic volumes, at 63.5% of the total number of international voice call minutes recorded in 2012. Nevertheless, this market share was down by nearly 0.7 of a percentage point over that recorded in the previous year. GO also recorded a decline in market share, by 1.2 percentage points, when taking into account its International Direct Dialling (IDD) service.

Melita and Ozone increased their share of international traffic volumes, from 17.1% to 19.6% and from 2.1% to 4.7% respectively.

Meanwhile, SIS and Vodafone (Malta) held onto their 2011 share level, at 0.5% and 0.1% respectively.

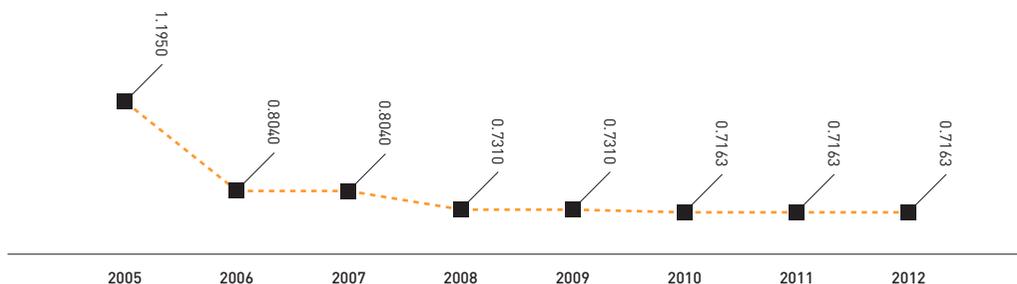
FIXED TERMINATION RATES (FTRs)

Local FTRs went down from €0.012 in 2005 to €0.007 in 2012. The FTR for 2012 was set in 2010, following a Decision published by the MCA in August of the same year.

In December 2012, the MCA published another Decision which stipulated an FTR of €0.004 as of January 2013 and €0.0004 as of June 2013.

FIXED TERMINATION RATES IN MALTA

IN EURO CENTS



AVERAGE REVENUE PER USER (ARPU)

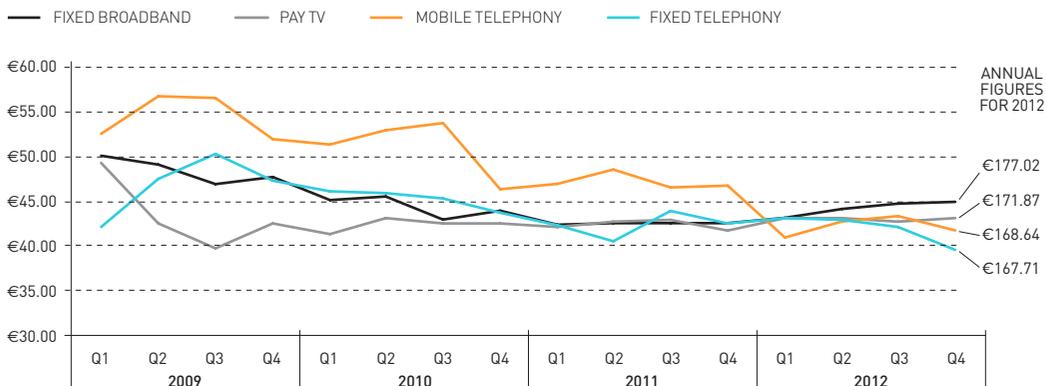
Fixed line telephony ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions.³

The revenue heading takes into account revenues from access, revenues from all outgoing voice activity, (including revenues from freephone and premium calls but excluding interconnection revenues) and revenues from other activity, as specified by the operator.

Fixed line telephony ARPU for 2012 totalled €167.71, a marginal change from the €169.08 registered in the previous year.

AVERAGE REVENUE PER USER

BY SERVICE



3. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period plus the number of subscribers at the end of the period, divided by 2.

AVERAGE RATE PER MINUTE OF FIXED LINE COMMUNICATIONS

The MCA monitors price developments in the fixed line sector through a revenue-based calculation, referred to as the Average Rate Per Minute (ARPM) of fixed line communications.

The ARPM calculation divides voice traffic revenues (exclusive of revenues from access fees, VAT and excise tax) by the number of minutes reported under each respective heading.

With the exception of FTI calls, all types of fixed calls registered a drop in the ARPM, indicating that consumers are getting more value for their average spend on fixed telephony.

The ARPM for an on-net FTF call went down by 10%, from €0.011 in Q4 2011 to €0.010 in Q4 2012.

The ARPM for an off-net FTF call dipped by nearly 8%, from €0.013 in Q4 2011 to €0.012 in Q4 2012.

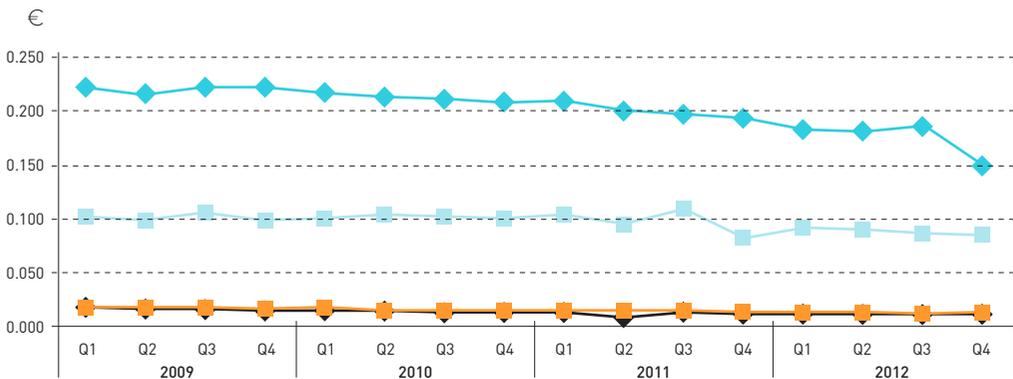
FTM calls registered the most notable decline in the ARPM, with the rate slashed by a quarter, from €0.193 in Q4 2011 to €0.148 in Q4 2012.

On the other hand, the ARPM for FTI calls increased slightly, from €0.081 in Q4 2011 to €0.083 in Q4 2012.

AVERAGE RATE PER MINUTE OF FIXED LINE COMMUNICATIONS

BASED ON REVENUES PER CALL

◆ DOMESTIC ON-NET CALL ■ DOMESTIC OFF-NET CALL ◆ FIXED-TO-MOBILE CALL ■ INTERNATIONAL CALL



MOBILE TELEPHONY

Mobile telephony subscriptions and voice traffic maintained a healthy upward trend in 2012, reflecting higher take-up of multiple subscriptions and a reduction in the ARPM of mobile communications.

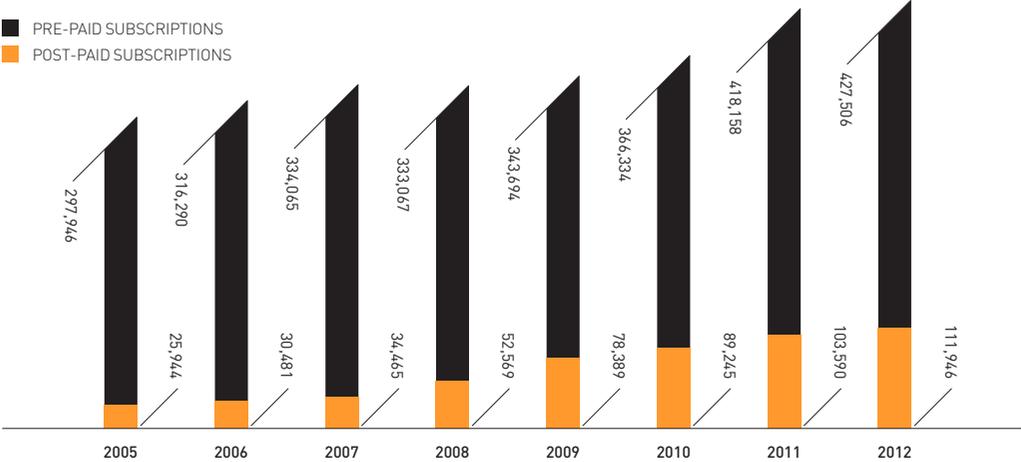
MOBILE SUBSCRIPTIONS

During 2012, mobile subscriptions increased by 3.4% and totalled 539,452 at the end of the year, which is equivalent to a mobile penetration rate of 129.2%. This compares to 521,748 subscriptions and 125.4% penetration, a year earlier.

The number of mobile subscriptions on a bundled offer increased from 48,995 (9.4% of total mobile subscriptions) at the end of 2011 to 54,150 (10% of total mobile subscriptions) at the end of 2012.

79.2% of all subscriptions were on a pre-paid contract at the end of 2012, down from 80.1% at the end of the previous year.

SUBSCRIPTIONS AS AT END OF PERIOD

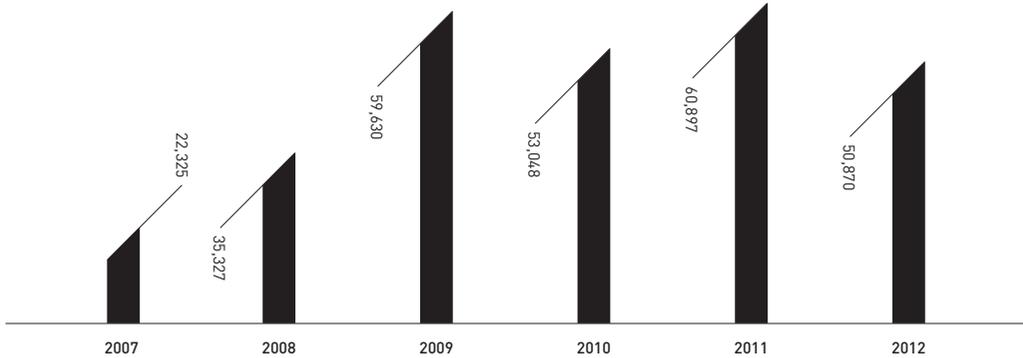


MOBILE NUMBER PORTABILITY

In terms of mobile number portability, the number of portings totalled 50,870 in 2012, down from 60,897 a year earlier. The figure for 2012 indicates that around 9% of all active subscribers switched operator at some point in time during the year.

The sustained trend in churn between mobile operators is a clear indication that consumers are constantly on the lookout for the best offers and find little, or no difficulty in switching from one provider to another.

MOBILE PORTINGS



MOBILE TRAFFIC VOLUMES

VOICE CALLS

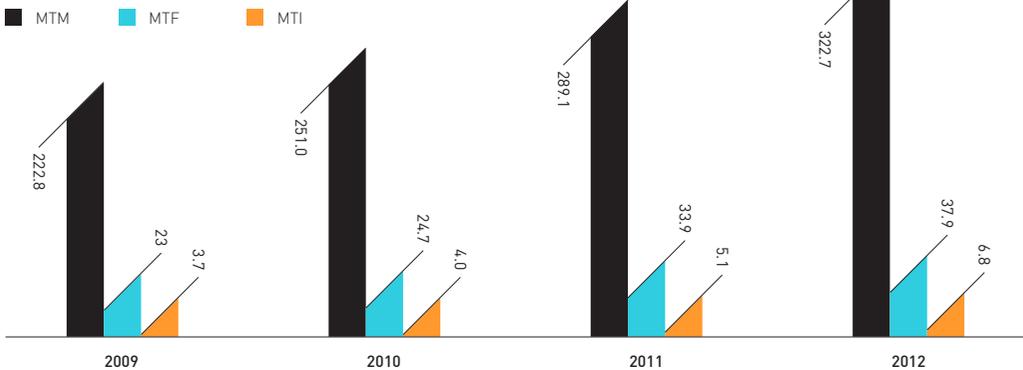
The number of mobile voice calls was up by 12%, year-on-year, reaching a total of 367.4 million in 2012. This represents an increase in the average number of mobile calls per subscriber, from around 671 in 2011 to 692 in the past year.

The number of on-net calls went up by nearly 17%, to a total of 220 million, while the number of off-net calls was also up by 1.6%, to 102.7 million.

The number of Mobile-to-Fixed (MTF) calls and Mobile-to-International (MTI) calls has also seen an increase. The former grew by 11.8% to 37.9 million and the latter was up by 34.4% to 6.8 million.

VOICE CALL TRAFFIC VOLUMES

NUMBER OF CALLS (MILLIONS)



VOICE CALL MINUTES

Mobile call minutes were up too, from 492.6 million in 2011 to 581.2 million minutes in the following year. This brought the average number of mobile minutes per subscriber from 1,008 in 2011 to around 1,095 in 2012.

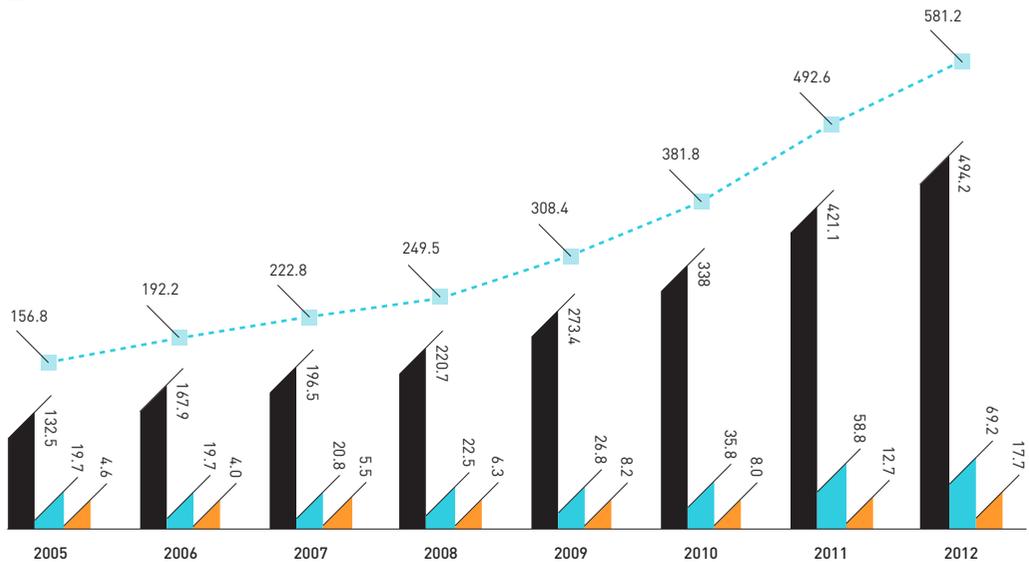
The number of on-net voice call minutes increased by 20.9%, to 367.4 million in 2012. Relatively smaller, but still materially significant gains were recorded for off-net MTM traffic and MTF traffic. Here, traffic

volumes were up by 9.7 million minutes (8.3%) and by 10.4 million minutes (17.7%), respectively. The increase in voice traffic volumes is mainly attributed to falling rates per minute of mobile communications, higher mobile penetration and the availability of free minutes to local subscribers.

VOICE CALL TRAFFIC VOLUMES

NUMBER OF CALL MINUTES (MILLIONS)

■ MTM ■ MTF ■ MTI — TOTAL



SMS TRAFFIC

Mobile customers sent 633.8 million SMSs in 2012, an increment of nearly 10% from the 577 million SMSs sent in 2011. On a per user basis, the number of SMSs increased from an average of 1,181 in 2011 to 1,194 in the past year.

On-net SMS traffic volumes showed the strongest year-on-year increase, up by 14.1%, to 416.4 million in 2012, mainly as a result of special offers giving users free on-net SMSs during certain periods of the day or during weekends.

Meanwhile, the number of off-net SMSs increased by 3.4% to reach a total of 195.4 million in 2012. The number of SMSs from Internet Portals also increased, by 6.4%, to reach a total of 9.4 million.

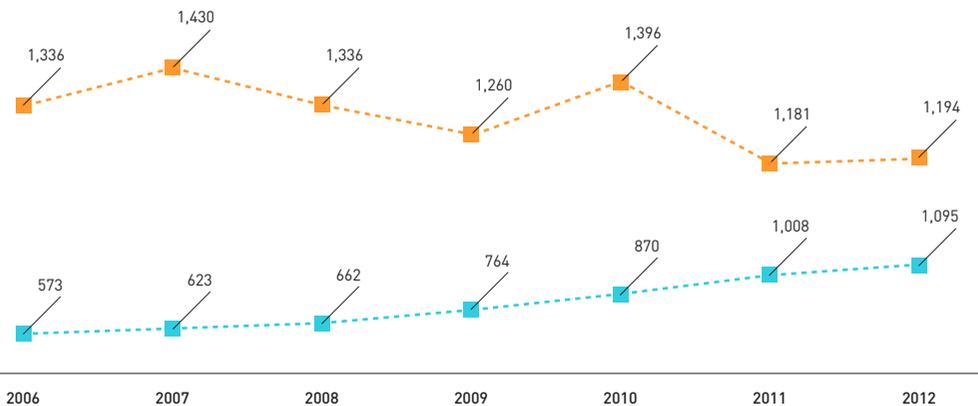
Contrary to the positive year-on-year trends observed above, SMSs to foreign mobile networks fell by 5.4% and premium SMSs fell by 35.6%, to 10.5 million and 2.1 million respectively.

AVERAGE NUMBER OF CALL MINUTES & SMSs PER SUBSCRIBER

PER SUBSCRIBER

— SMSs

— CALL MINUTES



INTERNATIONAL ROAMING ACTIVITY

International roaming encompasses any activity registered by mobile subscribers whilst travelling abroad and distinguishes between inbound and outbound roaming activity.⁴

International roaming traffic volumes in 2012 grew in relation to volumes reported in the previous year.

The number of inbound roaming minutes increased by 7.6%, to a total 43.4 million in 2012. Meanwhile, the number of outbound roaming minutes went up by 14.8%, to 13.3 million.

In terms of SMSs made by local subscribers whilst roaming abroad, traffic increased by 16.2%, up from 13.8 million to 16.1 million.

The notable increase in roaming traffic volumes is a result of a gradual decline in retail prices for roaming voice and text messaging as well as a larger numbers of foreign travellers in Malta and Maltese travellers abroad.

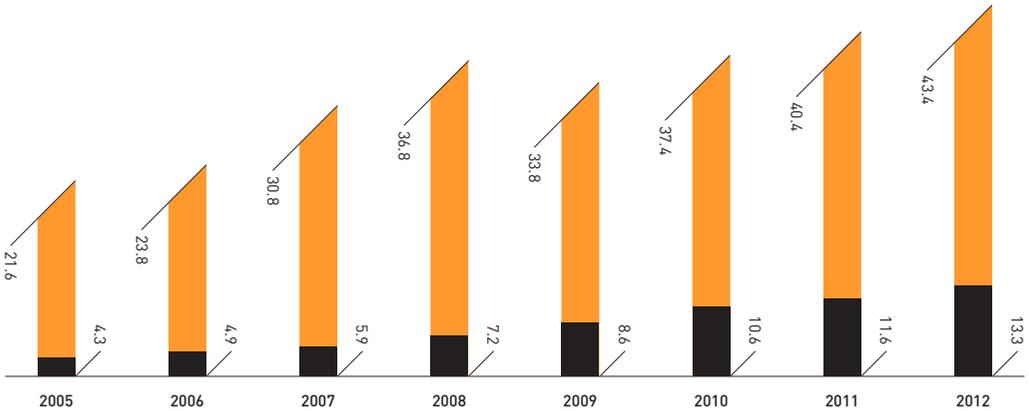
⁴. Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta. Outbound roaming activity refers to call, SMS, and data services made on foreign mobile networks by local subscribers when roaming abroad.

ROAMING ACTIVITY

NUMBER OF MINUTES (MILLIONS)

■ OUTBOUND ROAMING MINUTES

■ INBOUND ROAMING MINUTES



MARKET SHARES

...ON THE BASIS OF SUBSCRIPTIONS

Vodafone consolidated its market share as it accounted for 50.4% of the local mobile subscriber base as at the end of 2012, up from 49.8% as at the end of the previous year.

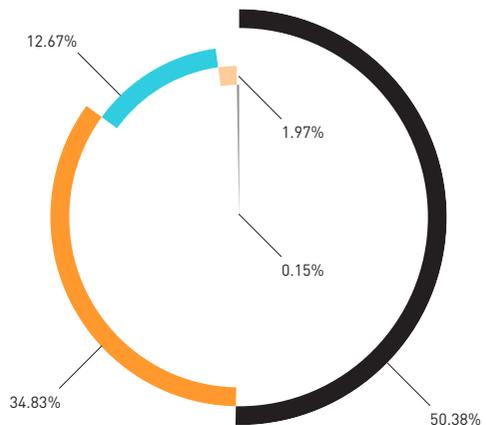
Another year-on-year increase in market share was recorded by Melita Mobile, from approximately 10.7% in 2011 to 12.7% in 2012.

Meanwhile, GO Mobile lost market share, down from 37.4% to 34.8%.

Redtouchfone showed a market share of 2.0% at the end of 2012, whilst VFC Mobile and Ping together accounted for a market share of 0.1%.

OVERALL 2012 MARKET SHARES IN TERMS OF SUBSCRIPTIONS BY OPERATOR

- VODAFONE (MALTA): 50.38%
- GO MOBILE: 34.83%
- MELITA MOBILE: 12.67%
- REDTOUCHFONE: 1.97%
- OTHERS: 0.15%



...ON THE BASIS OF VOICE TRAFFIC VOLUMES

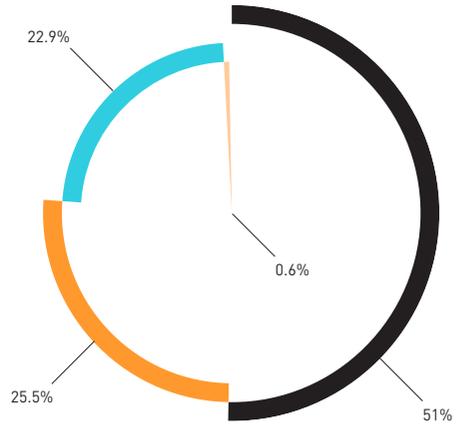
In terms of mobile voice call minutes, Vodafone (Malta) accounted for 51% of all traffic in 2012, up from 46.9% in the previous year. Melita also saw its share grow during the same period, from 20.9% to 22.9%.

On the other hand, GO Mobile accounted for 25.5% of voice traffic in 2012, down from 31.3% in 2011.

Other operators' market shares together totalled 0.6% in 2012.

OVERALL MARKET SHARES AS AT END 2012 IN TERMS OF VOICE TRAFFIC BY OPERATOR

- VODAFONE (MALTA): 51%
- GO MOBILE: 25.5%
- MELITA MOBILE: 22.9%
- OTHERS: 0.6%



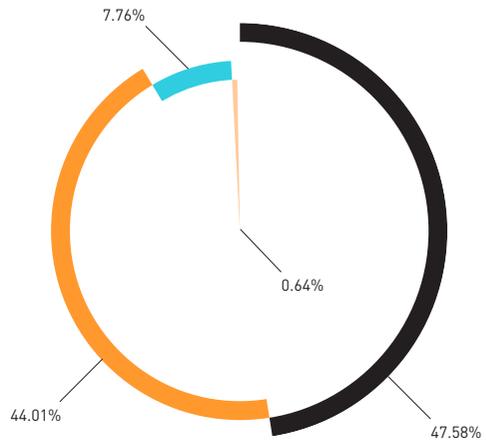
...ON THE BASIS OF SMS TRAFFIC VOLUMES

With respect to outgoing SMS traffic, Vodafone (Malta)'s share accounted for 47.6% of all traffic recorded in 2012, whilst GO Mobile accounted for 44%.

Melita Mobile accounted for a market share of 7.8%. Other operator's market shares together totalled 0.6%.

OVERALL MARKET SHARES AS AT END 2012 IN TERMS OF SMS TRAFFIC BY OPERATOR

- VODAFONE (MALTA): 47.58%
- GO MOBILE: 44.01%
- MELITA MOBILE: 7.76%
- OTHERS: 0.64%



MOBILE TERMINATION RATES (MTRs)

The current MTR enforced by the MCA came into force on the 1st July 2012 and stands at €0.0207, down by half from the previous rate of €0.0418.

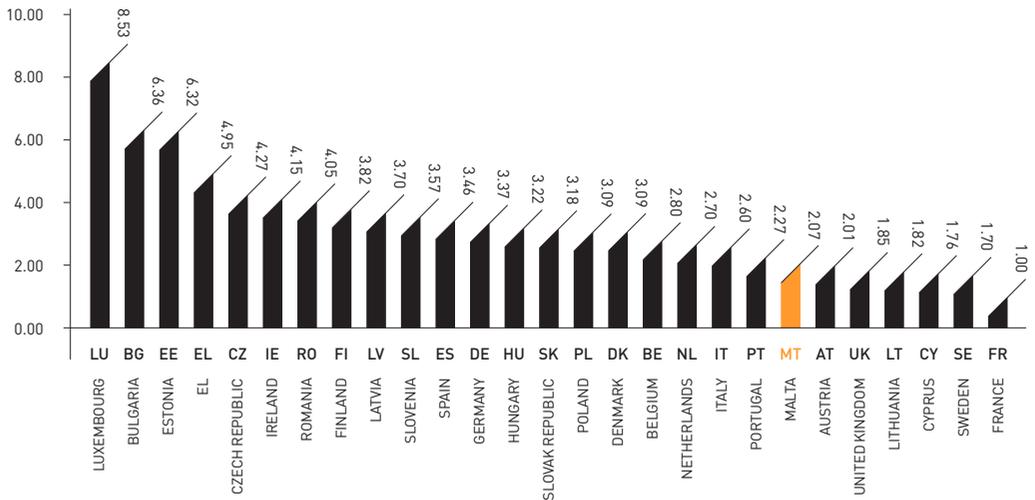
(BEREC) on MTRs across the EU as at 1st July 2012, Malta's MTR benchmarks amongst the lowest rates observed.

Compared to figures published by the Body of European Regulators of Electronic Communications

MTRs AS AT JULY 2012

EURO CENTS

Source: BEREC

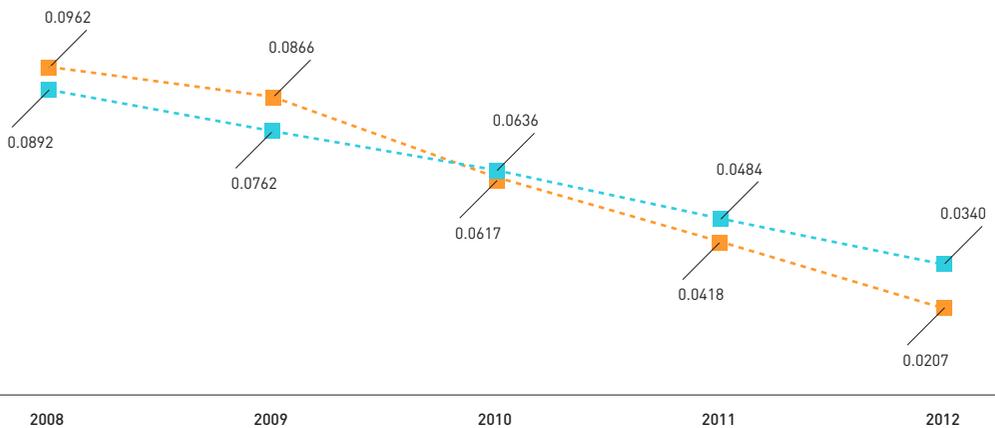


MTRs: MT VS EU AVERAGE

EURO

— AVERAGE RATE - MT

— AVERAGE RATE - EU27



AVERAGE REVENUE PER USER (ARPU)

Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions.

The revenue heading takes into account revenues from all outgoing voice activity (excluding interconnection revenues), revenues from SMS and MMS activity, revenues from monthly access fees, revenues from data services, revenues from outbound roaming activity but excluding revenues from inbound roaming activity.

Mobile ARPU for 2012 totalled €168.64, down from €188.49 in the previous year. Given the increased activity registered across all types of mobile services, this drop in ARPU is indicative of increased competitive pressures at the retail level resulting in a significantly improved value proposition for consumers.

AVERAGE VOICE CALL AND SMS RATES

Revenue-based market data serves the purpose of tracking actual movements in mobile voice call rates and SMS tariffs charged by local operators.

As at the end of 2012, the ARPM for a domestic call over the mobile network stood at €0.098, down from €0.112 as at the end of 2011.

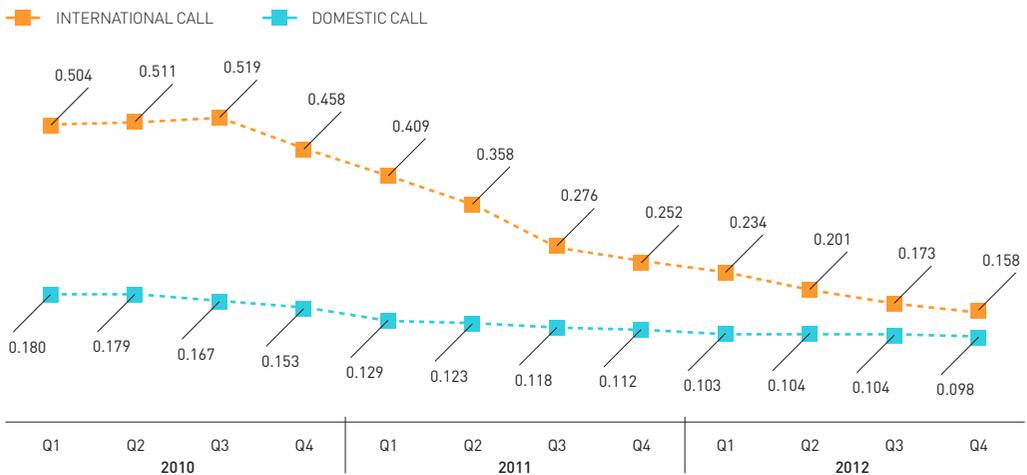
THE ARPM OF MOBILE VOICE CALL COMMUNICATIONS

The ARPM of mobile communications is derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues)⁵, by the number of minutes reported under each respective heading.

The ARPM for an international call over the mobile network stood at €0.158, which is also down from €0.252 a year earlier.

AVERAGE RATE PER MINUTE OF MOBILE COMMUNICATIONS

EURO



5. Revenues from VAT, excise tax, and retail roaming services are excluded from the workings.

THE AVERAGE RATE PER SMS

The average rate per SMS is derived by dividing SMS revenues by the number of SMSs reported for the period.⁶

The average rate per international SMS stood at €0.113 in Q4 2012, again down from €0.132 as at Q4 2011.

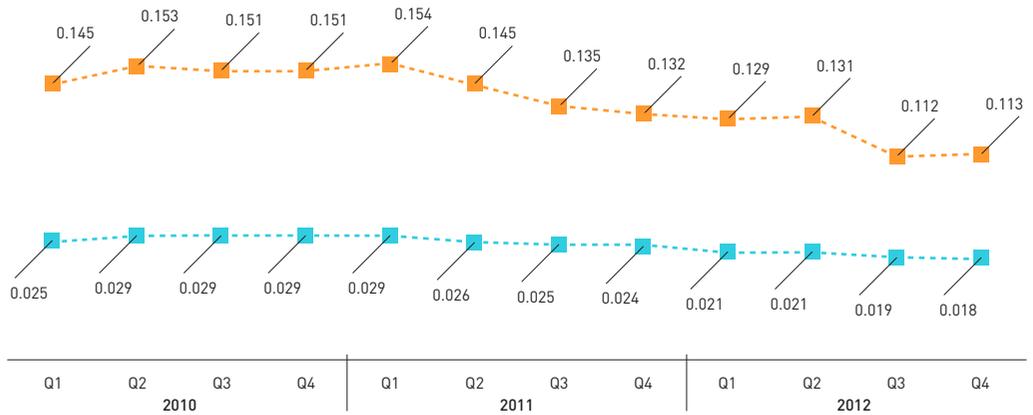
Workings show that, on average, a subscriber spent €0.018 per domestic SMS in Q4 2012, down from €0.024 in Q4 2011.

AVERAGE RATE PER SMS OF MOBILE COMMUNICATIONS

BASED ON REVENUE PER SMS (EXCL. TAXES)

EURO

INTERNATIONAL SMS DOMESTIC SMS



6. Calculations include relevant figures for premium SMSs and SMSs sent from Internet portals. Revenues from VAT and excise tax are excluded.

FIXED BROADBAND

While average rates per Megabit per second (Mbps) continued on their downward trend in 2012, the sector showed an increase in subscriptions and ARPU.

Local service providers also created opportunities for customers to avail themselves of higher broadband speeds by launching new offers on the market and upgrading broadband speeds of existing customers.

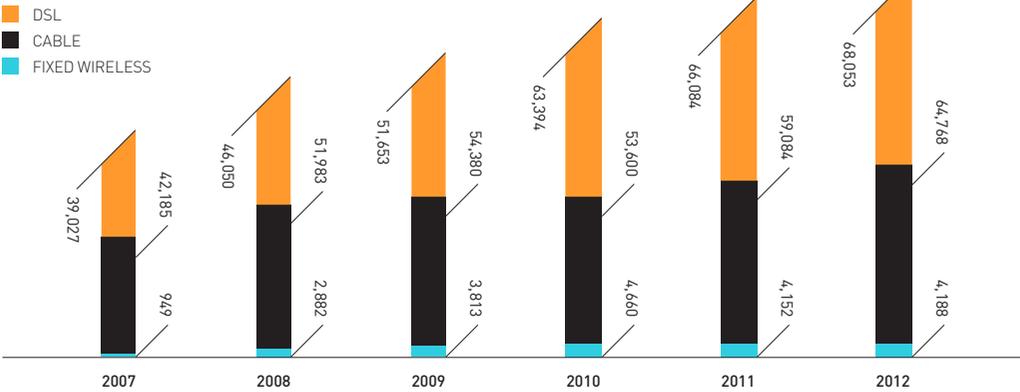
SUBSCRIPTIONS

...BY PLATFORM

Fixed broadband subscriptions, which incorporate all broadband connections at a fixed location, totalled 137,009 at the end of 2012, up by 5.9% from 129,320 a year earlier.

Digital Subscriber Line (DSL) technology emerges again with the largest subscriber base as at year end, with 68,053 subscriptions, followed by cable technology, with 64,768 subscriptions and fixed wireless technology, with 4,188 subscriptions.

SUBSCRIPTIONS, AS AT END OF PERIOD



43.8% of all fixed broadband subscriptions at the end of 2012 were purchased as part of a bundle, which again reflects the popularity of bundles amongst households.

Fixed broadband subscriptions on a bundled offer	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
...on a two-play offer	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,655
...on a triple-play offer	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794
...on a quadruple-play offer	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583
...in total on a bundled offer	50,269	50,157	50,533	52,905	53,512	55,043	59,356	60,032
...as a percentage of total fixed broadband subscriptions	40.65%	39.79%	39.44%	40.91%	40.88%	41.08%	43.69%	43.82%
Fixed broadband subscriptions as at end of period	123,663	126,041	128,134	129,320	130,887	134,001	135,847	137,009

...BY SPEED

The year under review saw a rise in the number of subscriptions for faster broadband connections, mainly as a result of service providers upgrading existing customers to higher speeds.

A total of 31,539 customers were subscribed to a service at a speed of less than 10Mbps at the end of 2012, which means that subscriptions under this category were down by nearly 68% or 65,942 since the end of 2011. A significant portion of these subscriptions now have a broadband connection supporting a speed of between 10Mbps and 30Mbps.

The number of subscriptions under the latter category totalled 92,627 at the end of 2012, up from 30,241 a year earlier.

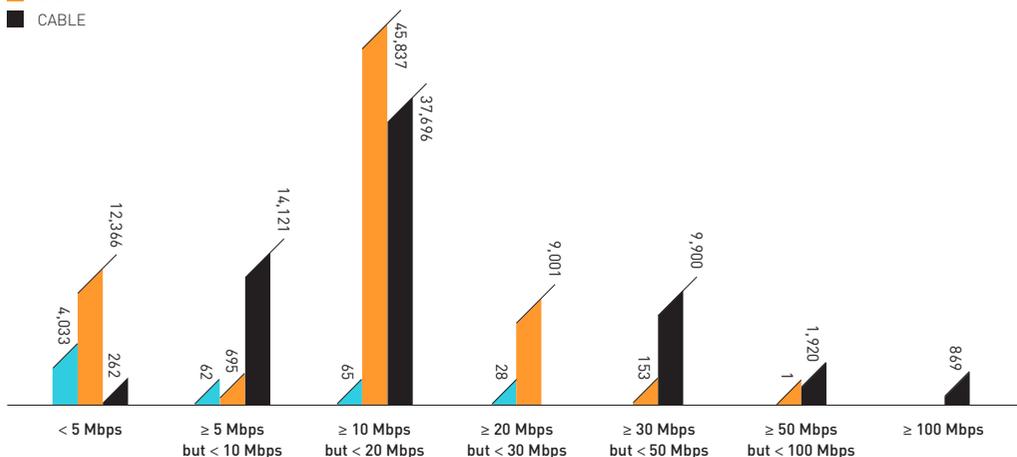
The number of subscriptions with a broadband speed of 30Mbps but less than 50Mbps has also increased, to reach 10,053 by the end of 2012.

Other increases were reported in terms of subscriptions supporting broadband speeds of 50Mbps but less than 100Mbps and broadband speeds of 100Mbps or more. Whilst take-up under these two categories remains rather modest, the number of subscriptions under the former category almost doubled to reach 1,921 or 1.4% of the total as at the end of 2012. Meanwhile, the number of fixed broadband subscriptions with speeds of 100Mbps or more stood at 869 at the end of 2012, or 0.6% of the total.

FIXED BROADBAND SUBSCRIPTIONS, BY TECHNOLOGY & SPEED

AS AT END 2012

- FIXED WIRELESS
- DSL
- CABLE



FIXED BROADBAND PENETRATION RATE

Malta's fixed broadband penetration rate stood at 32.8% as at the end of 2012, up by 1.7 percentage points since the end of the previous year.

MARKET SHARES

...BY PLATFORM

Broadband subscriptions based on DSL technology represented 49.7% of all fixed broadband subscriptions at the end of 2012. This figure is down by 1.4 percentage points since the end of the previous year.

The share of subscriptions of fixed wireless technology was also slightly down, from 3.2% at the end of 2011 to 3.1% at the end of the last year.

Meanwhile, the share of subscriptions on cable technology increased by 1.6 percentage points to reach 47.3%.

...BY OPERATOR

GO had a market share of 49.4% of fixed broadband subscribers at the end of 2012, down from 50.8% a year earlier. Nevertheless, in absolute terms, GO's subscriptions increased from a total of 65,720 at the end of 2011 to 67,732 at the end of 2012.

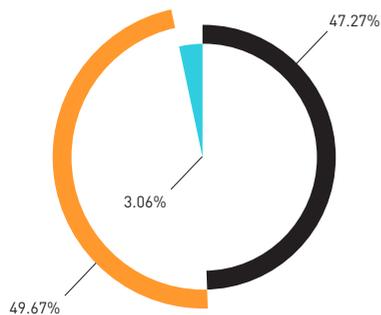
Melita's subscriber base totalled 64,768 by the end of 2012, corresponding to a market share of 47.3%, up by 1.6 percentage points since the end of the previous year. Vodafone's market share went down from 2.9% at the end of 2011 to 2.7% at the end of 2012. Its subscribers totalled 3,686 at the end of 2012, practically unchanged from the end of 2011.

Other operators in the market accounted for the remaining 0.6% share of subscribers at the end of 2012. There has been no change in this figure since the end of the previous year.

MARKET SHARE IN TERMS OF SUBSCRIPTIONS, BY PLATFORM

AS AT END OF 2012

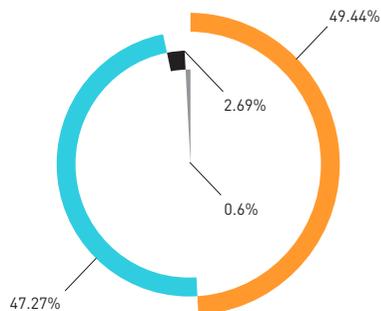
- DSL: 49.67%
- CABLE: 47.27%
- FIXED WIRELESS: 3.06%



MARKET SHARE IN TERMS OF SUBSCRIPTIONS, BY OPERATOR

AS AT END OF 2012

- GO: 49.44%
- MELITA: 47.27%
- VODAFONE (MALTA): 2.69%
- OTHER: 0.6%



PRICING OF FIXED BROADBAND INTERNET

Price movements for fixed broadband are evaluated according to trends observed for the average rate per unit of download speed (or average rate per Mbps), which is calculated on the basis of actual advertised rates for local broadband packages. Overall, the average rate per Mbps for fixed broadband Internet went down from €2.20 in Q4 2011 to €1.84 in Q4 2012.

The average rate per Mbps for broadband products with a download speed equal to or greater than 4Mbps but less than 6Mbps went down from €3.81 in Q4 2011 to €3.60 in Q4 2012. This is a result of Ozone reducing the price of its broadband products within this product category.

At €2.22 in Q4 2012, the average rate per Mbps for broadband products with a download speed equal to or greater than 6Mbps but less than 8Mbps has not changed since Q4 2011.

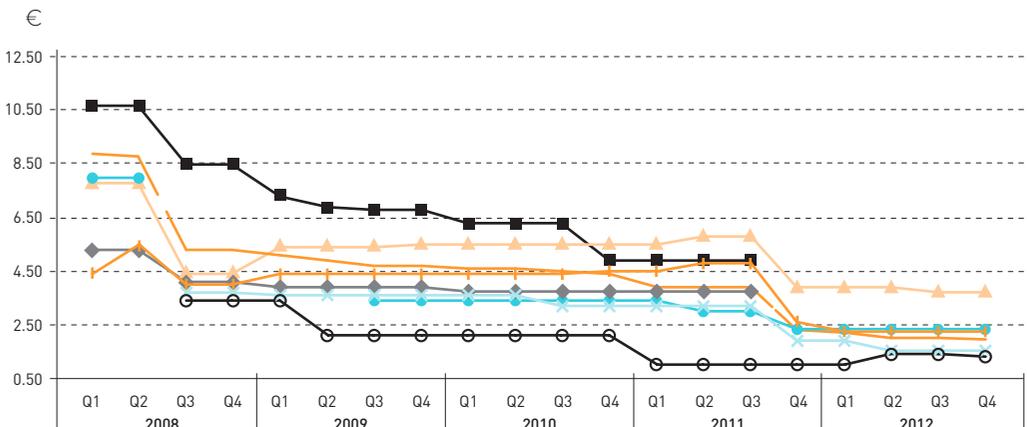
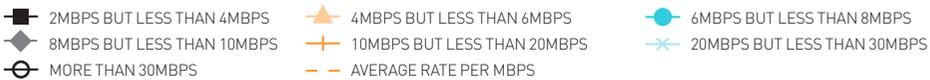
Other declines in the average rate per Mbps were recorded for speeds equal to or greater than 10Mbps but less than 20Mbps and the category encompassing broadband products with a download speed equal to or greater than 20Mbps but less than 30Mbps.

The former category saw the rate go down from €2.54 in Q4 2011 to €2.13 in Q4 2012. This is a result of Melita introducing new offers having a head-line speed of 15Mbps in this product range throughout 2012, thereby reducing the overall average rate.

The rate per Mbps for the latter category went down from €1.79 in Q4 2011 to €1.41 in Q4 2012. This development is a result of Vodafone (Malta) introducing new offers in this product range (LibertyPlus and LibertyMax) throughout 2012.

With regard to broadband products with a download speed of 30Mbps or more, the average rate per Mbps went up from €0.85 in Q4 2011 to €1.18 in Q4 2012. This is attributable to the launch by GO of its 35Mbps offers in this product range and Melita launching its Fibre Power product range, which pushed the average rate upwards.

FIXED BROADBAND: AVERAGE RATE PER MBPS (EURO)



FIXED BROADBAND ARPU

Fixed broadband ARPU is an indicator evaluating operators' revenues per fixed broadband subscription.

It is achieved by dividing the total retail revenues from fixed broadband subscriptions, excluding revenues from installations or connection fees, by the average number of subscriptions.

Fixed broadband ARPU for the year 2012 was €177.02, up from €169.77 in the previous year.

PAY TV

For the first time since 2009, the Pay TV sector reported a drop in the overall number of subscriptions, as the increase in Internet Protocol TV (IPTV) subscriptions was insufficient to compensate for the declines in Digital Terrestrial TV (DTTV) subscriptions and cable-based TV subscriptions.

ARPU for the sector was higher in 2012 than the previous year, most likely resulting from some increases in the average advertised rates for Pay TV packages.

SUBSCRIPTIONS

Pay TV subscriptions totalled 147,896 at the end of 2012, down by 1.2% since the end of 2011.

This year-on-year decline happened despite an increase of 2,563 IPTV subscriptions, as other segments of the Pay TV market totalled a larger drop in subscriptions.

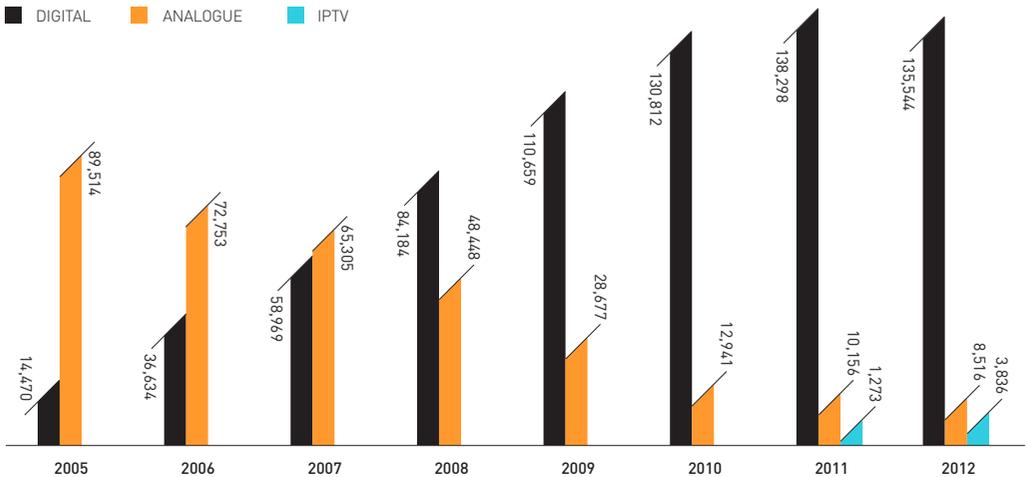
The number of analogue cable subscriptions continued on their steep downward trend and fell by 16.2%, from 10,156 at the end of 2011 to 8,516 at the end of 2012. DTTV subscriptions dipped by 3.7% to

62,292 and digital cable subscriptions were down by 0.5% to 73,252.

The growing consumer preference for bundled services is also reflected in the take-up of digital and IP Pay TV services as part of a bundle. The number of such subscriptions on a bundle increased from 61,111 at the end of 2011 to 62,678 at the end of last year. The latter figure represents 45% of total digital and IP Pay TV subscriptions recorded at the time.

SUBSCRIPTIONS, AS AT END OF PERIOD

■ DIGITAL ■ ANALOGUE ■ IPTV



Digital & IP Pay TV subscriptions on a bundled offer	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
...on a two-play offer	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301
...on a triple-play offer	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794
...on a quadruple-play offer	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583
...in total on a bundled offer	59,417	60,213	60,801	61,111	61,999	64,065	62,513	62,678
...as a percentage of Digital & IP Pay TV subscriptions	44.67%	44.27%	44.05%	43.78%	44.72%	46.02%	44.65%	44.97%
Digital & IP Pay TV subscriptions as at end of period	133,022	136,014	138,024	139,571	138,636	139,213	140,002	139,380

MARKET SHARES

...BY PLATFORM

The share of total Pay TV subscriptions on the analogue cable and digital cable platforms was 5.8% and 49.5% respectively at the end of 2012.

Meanwhile, the share of subscriptions on the DTTV platform was 42.1% and that on the IPTV platform was 2.6%.

...BY OPERATOR

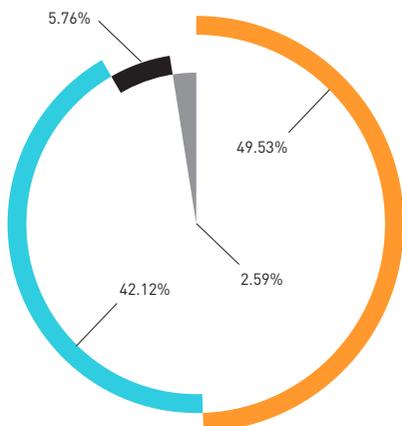
Melita held a share of 55.3% of the local Pay TV subscriber base at the end of 2012, down by 0.7 percentage points since the end of the previous year.

The drop in market share for Melita was absorbed by GO, which saw its market share increase from 44% at the end of 2011 to 44.7% at the end of last year.

2012 MARKET SHARES, PLATFORM

IN TERMS OF ALL PAY TV SUBSCRIPTIONS

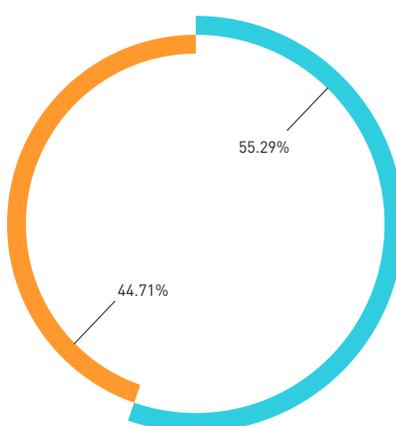
- DIGITAL CABLE: 49.53%
- DTTV: 42.12%
- ANALOGUE: 5.76%
- IPTV: 2.59%



2012 MARKET SHARES, OPERATOR

IN TERMS OF ALL PAY TV SUBSCRIPTIONS

- MELITA: 55.29%
- GO: 44.71%



AVERAGE ADVERTISED RATES FOR PAY TV

An assessment of price movements for local Pay TV packages is carried out on the basis of observed advertised rates⁷ on the market. For comparative reasons, five Pay TV package categories have been identified, according to the number of channels included in the package:

- Up to 24 channels
- Between 25 to 49 channels;
- Between 50 to 74 channels;
- Between 75 to 99 channels; and
- 100 channels or more.

In Q4 2012, the average advertised rate for Pay TV packages with up to 24 channels stood at €3.99, unchanged since Q4 2011. This channel category only includes GO's Bronze package.

The average advertised rate for Pay TV packages listing between 25 and 49 channels stood at €12.49 in Q4 2012, up from €11.38 in Q4 2011. This change is a result of Melita increasing the price of its Medium Pay TV package, from €7.76 to €9.99 per month. GO's Silver Pay TV package also features in this package category but no change in price has been observed.

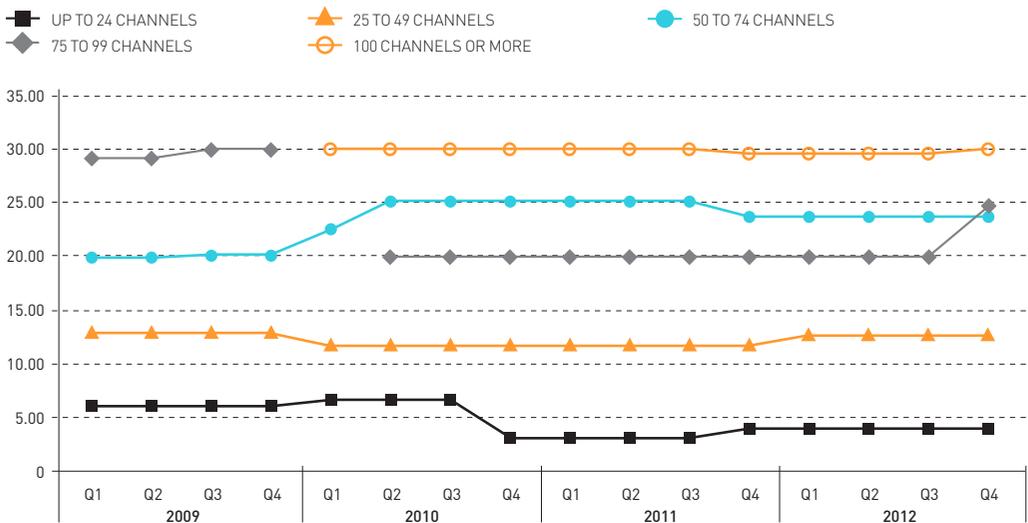
The average advertised rate for Pay TV packages listing between 50 to 74 channels stood at €23.49 in Q4 2012. This again implies no change since Q4 2011. This channel category includes GO's Gold package and GO's Silver Interactive TV package (the latter excluding the HD channel line-up).

Regarding the category encompassing Pay TV packages listing between 75 to 99 channels, the advertised rate went up from €19.99 in Q4 2011 to €24.49 in Q4 2012. The 75 to 99 channel category includes Melita's Large Pay TV package and GO's Gold Interactive TV package (excluding the optional HD channel line-up), which was placed under this category in Q4 2012 following a minor channel line-up adjustment by GO.

With respect to the 100 channels or more category, the average advertised rate went up slightly from €29.49 in Q4 2011 to €29.99 in Q4 2012. As at Q4 2012, this category only included Melita's Extra Large Pay TV package.

AVERAGE MARKET RATES FOR PAY TV PACKAGES

WORKINGS BASED ON ADVERTISED PACKAGE RATES (EXCL. OPTIONAL ADD-ONS)



7. All rates featured are inclusive of the access charge per set-top box and VAT.

PAY TV ARPU

Pay TV ARPU is an indicator evaluating operators' revenues per Pay TV subscription.

The ARPU calculation reflects the average spend by users for Pay TV services and is derived by dividing the total retail revenues for Pay TV services, excluding premium services⁸, installations and

connection fees, by the average number of Pay TV subscriptions for the period.

Pay TV ARPU for the year 2012 totalled €171.88, up from €169.51 in 2011.

8. Premium services include Sports, Movies and Video-On-Demand packages.

POST

MaltaPost (the designated Universal Service Provider (USP)), DHL International and Premiere Post provide services within the universal postal service area (the universal service area relates to the provision of quality postal services, or products, which Maltese citizens have a right to access, at fair and affordable prices, irrespective of where they may live).

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

Provisional figures show that postal volumes were lower in 2012 compared to the previous year both in the universal service area and outside the scope of the universal service.

POSTAL ACTIVITY

The number of postal mail items, which include letter mail, bulk mail, registered mail, parcel mail and express mail, handled in 2012 totalled 41.6 million, down by 1.2 million or 2.8% from 42.8 million items handled in 2011.

Although the volumes for letter mail, registered mail and parcel mail grew in 2012, this growth was insufficient to counter the drops in bulk mail experienced in the same period.

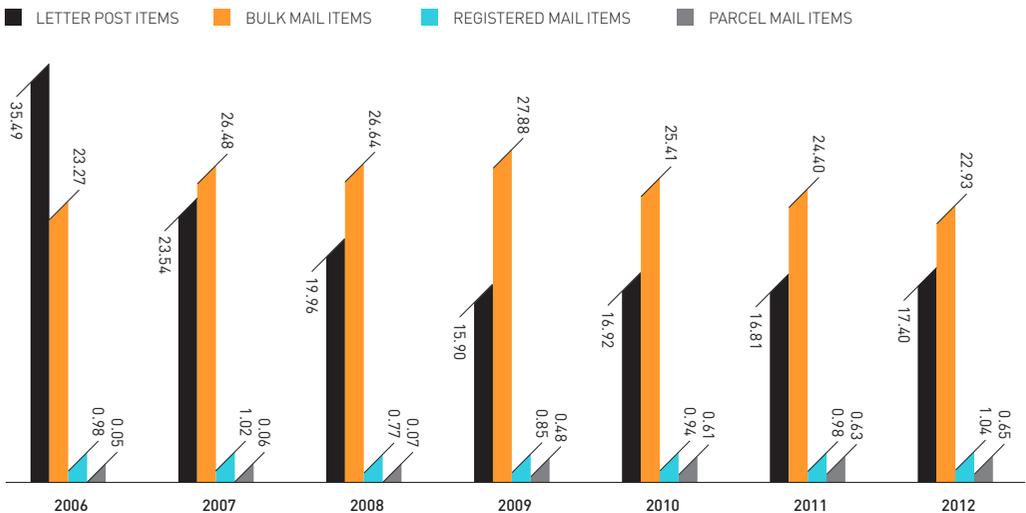
Bulk mail volumes were in fact down by six percent, from 24.4 million items in 2011 to 22.9 million items in 2012.

Meanwhile, letter mail volumes increased by 3.5%, from 16.8 million items in 2011 to 17.4 million items in 2012 and registered mail volumes increased by 5.6%, from 0.9 million to one million items. Parcel mail volumes were also up, this time by 2.4%, from 633,188 item to 648,593 items.

Mail volumes recorded under the universal service area accounted for 98.7% of all postal traffic volumes.

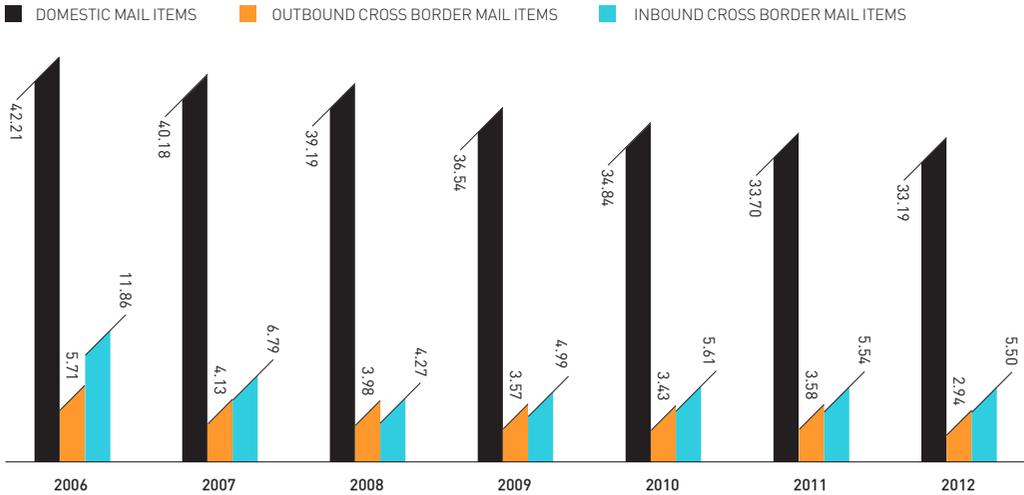
POSTAL ACTIVITY

VOLUMES BY TYPE OF MAIL ITEM (MILLIONS)



POSTAL ACTIVITY

VOLUMES BY TYPE OF MAIL CATEGORY (MILLIONS)



QUALITY OF SERVICE (QoS)

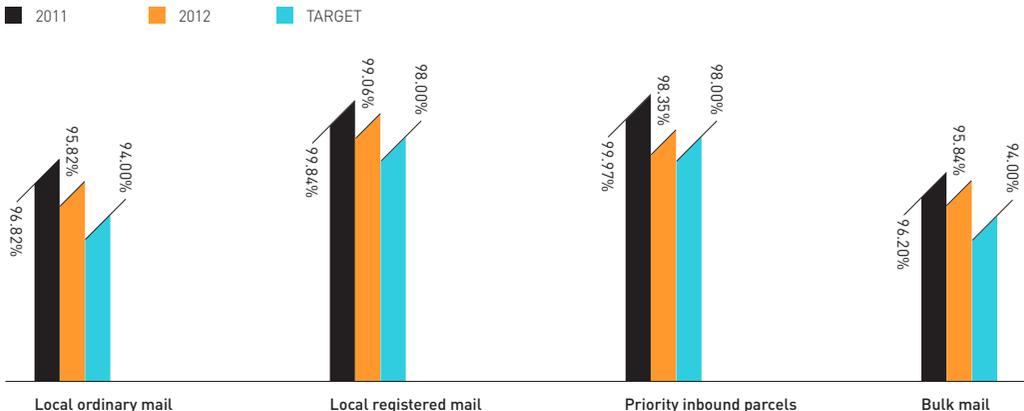
The MCA sets a series of QoS standards to monitor how the USP is performing with respect to the delivery of local ordinary mail (QoS target for D+1⁹ set at 94%), bulk mail (QoS target for D+1 set at 94%) and local registered mail (QoS target for D+1 set at 98%).

MaltaPost, as the designated USP, is required to reach these targets in the delivery of the identified mail items.

In 2012, MaltaPost exceeded all the QoS targets described above.

QUALITY OF SERVICE

ACTUAL DELIVERY VS TARGET FOR THE YEARS



9. D+1 is defined as the mail quality standard that the provider should reach and which represents [1] working day from the day of deposit, to delivery to addressee.

POSTAL RATES IN MALTA AND THE EU

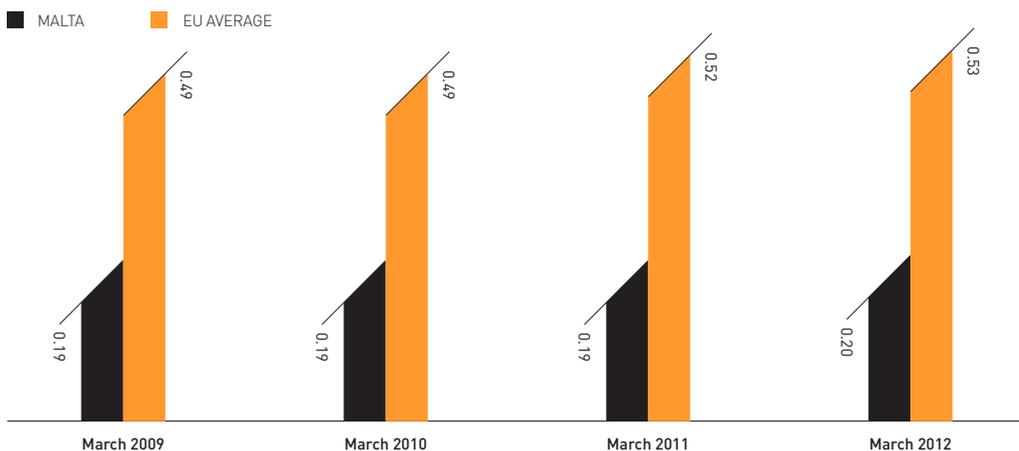
In 2012, Malta's nominal prices for a domestic standard letter and an outbound letter within the EU stood at €0.20 and €0.37 respectively.

A publication by Deutsche Post¹⁰ shows that the prices quoted above are well below the EU average. In both instances, Malta is benchmarked 'at the

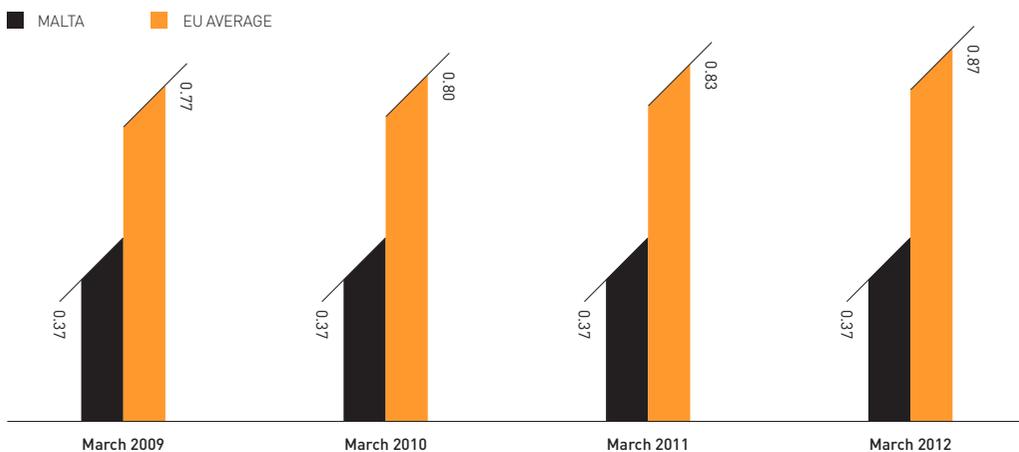
bottom of the ranking', with the lowest applicable rates in the EU.

The said publication shows that the EU average rates for a domestic standard letter and an outbound letter within the EU stood at €0.53 and €0.87 respectively.

NOMINAL STAMP PRICES IN MALTA AND THE EU FOR A DOMESTIC STANDARD LETTER (EURO)



NOMINAL STAMP PRICES IN MALTA AND THE EU FOR LETTER MAIL WITHIN EUROPE (EURO)



10. Link to latest publication: http://www.dp-dhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html

The publication findings are based on a survey taking 'into account all postage rate changes that were known at the time of its printing (April 2012)' across the 27 EU Member States, the EFTA countries of Norway and Switzerland.

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

THE COMMUNICATIONS MARKETS IN 2012 AT A GLANCE

TELECOMMUNICATIONS ECONOMIC CONTRIBUTION	€127.5 million (2.2% of GVA)
NUMBER OF ACTIVE FIXED LINE SUBSCRIPTIONS (AS AT END OF YEAR)	229,736
FIXED LINE PORTINGS	2,947
TOTAL NUMBER OF OUTGOING FIXED CALLS	192.3 million
TOTAL NUMBER OF OUTGOING FIXED MINUTES	655.9 million
NUMBER OF MOBILE SUBSCRIPTIONS (AS AT END OF YEAR)	539,452
MOBILE PORTINGS	50,870
TOTAL NUMBER OF OUTGOING MOBILE CALLS	367.4 million
TOTAL NUMBER OF OUTGOING MOBILE MINUTES	581.2 million
TOTAL NUMBER OF OUTGOING SMSs	633.8 million
FIXED BROADBAND SUBSCRIPTIONS (AS AT END OF YEAR)	137,009
SUBSCRIPTIONS ON SPEEDS LESS THAN 10 MBPS	31,539
SUBSCRIPTIONS ON SPEEDS OF 10 MBPS BUT LESS THAN 100 MBPS	104,601
SUBSCRIPTIONS ON SPEEDS OF 100 MBPS OR MORE	869
NUMBER OF ANALOGUE PAY TV SUBSCRIPTIONS	8,516
NUMBER OF DIGITAL PAY TV SUBSCRIPTIONS	135,544
NUMBER OF IP PAY TV SUBSCRIPTIONS	3,836
DOMESTIC MAIL VOLUMES	33.2 million
INBOUND CROSS-BORDER MAIL VOLUMES	5.5 million
OUTBOUND CROSS-BORDER MAIL VOLUMES	2.9 million

THE INDUSTRY



THE INDUSTRY - ELECTRONIC COMMUNICATIONS

REGULATORY REMEDIES

DEVELOPMENT OF A BOTTOM-UP COST MODEL FOR A FIXED NETWORK AND FIXED INTERCONNECTION RATES

In December 2012, the MCA published a decision mandating revised fixed interconnection charges based on the calculations resulting from the Bottom-Up Long-Run Incremental Cost (BU-LRIC) model of fixed core and access networks developed by the Authority. The Decision mandated the new voice termination rate on a pure LRIC basis, in accordance with the 2009 EC Recommendation, as well as the new voice origination rate based

on LRAIC+ (Long Run Average Incremental Cost) methodology. The Decision followed a private consultation with GO as well as a public consultation where the model structure, network configuration and the main inputs of the BU-LRIC model were consulted upon. The Decision established a glidepath for fixed termination and origination rates, which became applicable as of 1st January 2013, as outlined in the following tables.

GLIDEPATH FOR FIXED TERMINATION RATES

	From	1st January 2013	1st July 2013
Price (€ cent/minute)		0.3803	0.0443

GLIDEPATH FOR FIXED ORIGINATION RATES

	From	1st January 2013	1st July 2013
Price (€ cent/minute)		0.4903	0.2643

The charges shall be applicable to all those operators having Significant Market Power (SMP) in the wholesale fixed termination and/or origination markets. These charges shall remain applicable, as a minimum, until 31st December 2013.

MOBILE TERMINATION RATES

In June 2012, the MCA published a decision which established an interim mobile termination rate, which came into effect as from 1st July 2012. This rate is calculated on a benchmark methodology, based on rates resulting from pure LRIC models already adopted by other EU countries and which is compliant with the European Commission's Recommendation of 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU¹¹. This interim rate is established at €2.07 cents and is applicable to all operators designated as having SMP in the mobile termination services market. This rate shall remain in force until it is replaced by the termination rate emanating from the MCA's BU-LRIC model. The MCA remains committed to have its own model-based rate in place by Q3 2013.

ESTIMATING THE COST OF CAPITAL

In 2012, the MCA carried out a rigorous analysis aimed at revisiting the parameters making up the Weighted Average Cost of Capital (WACC) calculation methodology established in 2008. The WACC establishes the overall rate of return that a company is required to obtain in order to meet the expectations of its investors. Following a consultation process with the industry, a decision was issued in November 2012, establishing a pre-tax nominal WACC rate of 9.65% for the fixed market and 10.80% for the mobile market.

MARKET ANALYSIS

In accordance with Article 9 of the Electronic Communications (Regulation) Act, the MCA is obliged to carry out reviews of competition in communications markets to ensure that regulation remains appropriate in the light of changing market conditions. During the year under review, the Authority finalised the second round of market analysis as indicated below.

RETAIL ACCESS TO THE PUBLIC TELEPHONE NETWORK AT A FIXED LOCATION

Consultation published: 19th September 2011
Notification to the European Commission:
24th November 2011
Decision published: 7th February 2012

In its decision, the Authority identified four relevant markets. The first market dealt with the traditional fixed access line offered to residential customers, whilst the remaining three markets related to access services offered to business customers.

After analysing these markets, the MCA found that GO enjoys SMP in all of the access markets. This

evidence is supported by the fact that GO has a market share that well exceeds the 50% benchmark and that no alternative operator is expected to be able to significantly erode this market power within the timeframe of the market review.

As a result of this finding, the MCA imposed the following remedies:

1. measures to counter excessive pricing charges or predatory pricing;
2. measures to counter undue preference to specific end users; and
3. measures to counter the unreasonable bundling of services.

11. <http://www.ictregulationtoolkit.org/en/Publication.3837.html>

WHOLESALE BROADBAND ACCESS

Consultation published: 15th June 2012
Notification to the European Commission:
15th October 2012
Decision published: 6th March 2013

In this market review the Authority addressed two markets:

1. the market for wholesale physical infrastructure access; and
2. the wholesale broadband access market.

With regard to the market for wholesale physical infrastructure access, the MCA found that this market is national in scope and;

1. includes all unbundled access (including shared access) products and services provided via the existing broadband copper network (including access to the sub-loop);
2. includes unbundled access services over fibre;
3. excludes wholesale broadband access services; and
4. excludes wholesale services provided over cable.

The MCA found that GO enjoys SMP in this market and as a result, imposed a number of remedies on GO including the provision of wholesale access in accordance with a defined set of rules and price controls.

With regard to the wholesale broadband access market, the MCA found that this market is also national in scope and includes wholesale broadband access over DSL, cable and fibre, but excludes access over WiMax. It also includes DSL and cable self-supply.

In its analysis, the MCA found that Melita and GO could not behave independently from one another. Consequently, the MCA considered that there is no clear evidence supporting the finding of single or joint market dominance and therefore proposed that no remedies should be imposed.

PROVISION OF DEDICATED CAPACITY OVER LEASED LINES

Consultation published: 31st July 2012
Notification to the European Commission:
31st October 2012
Decision published: 12th December 2012

In its decision, the MCA identified two markets at the retail level for the provision of dedicated capacity, the first over national leased lines and the second over international leased lines.

In its analysis, the MCA found that GO enjoys a position of dominance in the market for the provision of national leased lines but found that sufficient competition exists in the market for international leased lines given the presence of various market players. Consequently, the MCA imposed a number of remedies on GO with respect to the provision of national leased lines, including amongst others, price controls, whilst it deregulated the international market.

At the wholesale level, a further three markets were identified. The first for dedicated capacity over national trunk segments of leased lines, the second over international trunk segments and the third over terminating segments of leased lines.

Following its analysis, the MCA established that GO enjoys SMP in the markets for the provision of dedicated capacity over national trunk and terminating segments of leased lines. GO is therefore obliged to follow a set of remedies imposed by the MCA, which include, amongst others, the provision of wholesale access upon approved terms and conditions.

With respect to the wholesale market for international trunk segments, the MCA concluded that sufficient competitive constraints exist such that no operator can exert market powers.

The market was therefore deregulated.

WHOLESALE ACCESS AND CALL ORIENTATION ON MOBILE NETWORKS

Consultation published: 21st May 2012
Notification to the European Commission:
4th July 2012
Decision published: 7th August 2012

In its definition of the market, the MCA concluded that all three mobile network operators fall within the same market given the fact that these are all offering equivalent mobile services to end-users.

In its analysis, the MCA found sufficient evidence to conclude that the wholesale mobile access and call origination market is effectively competitive and therefore the obligations on Vodafone (Malta) and GO were no longer warranted. To this effect, the Authority decided to withdraw existing wholesale regulations. In its previous review, the MCA concluded that Vodafone (Malta) and GO Mobile enjoyed a position of joint dominance. However, following the entry in the market of Melita in 2009, the mobile market experienced a rapid growth and a significant improvement in market offerings.

SPECTRUM MANAGEMENT

PREPARING FOR ULTRA-FAST BROADBAND ACCESS

Ultra-fast broadband connectivity is considered to be essential to ensure that Malta can continue to remain competitive on the global market. On the consumer front, it enables a more robust and heightened video, internet and voice experience. It is also essential for the provision of next generation electronic communication services. Following the in-depth study to assess the business case for building such a network in Malta, the MCA continued to assist Government in the publication of an Expression of Interest and the subsequent market sounding meetings held with interested vendors.

Regulatory environment for Next Generation

Access (NGA): During the course of 2012, the MCA started to implement its strategy for NGA networks in Malta. The strategy aims to use both symmetrical and asymmetrical regulation to create the opportunities for dynamic and sustainable competition, as well as facilitate the roll-out of such networks via the existence of an appropriate set of deployment rules. As part of this stream of activities, the Authority commenced its assessment as to whether a framework, for the sharing of electronic communications wiring inside buildings with the

objective of facilitating deployment, is required. It is expected that a consultation in this regard will be published in Q2 2013.

Market developments: Key market players have continued to upgrade their market offerings. Melita continued to offer speeds of up to 100 Mbps. GO is now offering broadband connections of up to 35 Mbps and has conducted an FTTH pilot project in Lija, reaching some 500 residential units. It also has fibre deployments in another two separate private developments with speeds reaching between 35 Mbps and 200 Mbps.

MANAGEMENT OF AVAILABLE SPECTRUM

Rights of use of radio spectrum in the 3400 – 3800 MHz bands:

In a decision published in June, the Authority outlined its position on the assignment of frequencies in the 3400 – 3800 MHz band, the process that will be used when awarding rights of use to this spectrum and the related conditions in this regard. The MCA also sought to revisit the original 2005 policy in order to address technological and market developments, one of which was the adoption of the 2008 European Commission Decision (Decision 2008/411/EC), which harmonised the technical parameters for the provision of electronic communications services in this frequency band.

Spectrum requests: Vodafone (Malta) was granted the right of use of spectrum for channels in the 11 GHz frequency band, whilst Ozone was granted spectrum in the 18 GHz band in order to provide fixed radio links.

Revision of the National Frequency Plan:

The Authority made recommendations to Government for the revision of the National Frequency Plan. These revisions implemented EU decisions and CEPT ECC deliverables concerning spectrum use, as well as some decisions of the ITU World Radiocommunication Conference (WRC-12) concerning new frequency allocations. Revisions to the plan were published in January and May 2012 and reflected in the European Frequency Information System (EFIS) of the European Communications Office.

1ST TEST AND TRIAL LICENCE ISSUED

Aeromobile AS of Norway was granted a licence to use radio frequency spectrum and related radio communications apparatus to carry out tests in Malta on innovative products being developed for the electronic communications sector. These radio frequencies will be used to conduct installation and certification testing on board aircrafts that are being equipped with wireless systems which are used to provide in flight mobile communications services. This is the first licence of this kind to be issued by the MCA.

LONG TERM EVOLUTION (LTE) TECHNOLOGY

The Authority is channelling its efforts into the development of a strategy for the potential deployment of high-speed mobile broadband technologies, such as LTE in both assigned and unassigned electronic communications radio spectrum bands. To date, the status of the spectrum bands earmarked for LTE is as indicated in the following table.

FREQUENCY BAND	AVAILABLE SPECTRUM	EU MEASURE	STATUS
800 MHz	60 MHz	2010/267/EU	A Derogation from Article 6 (4) RSPD Decision was requested by Malta in May 2012. Review of this band is expected to continue in 2013.
900 MHz	70 MHz	2011/251/EU	The entire spectrum in this band was assigned in 2011.
1800 MHz	150 MHz	2011/251/EU	The spectrum in this band was assigned in 2011, with the exception of 60 MHz, for which no applications for use were received.
2 GHz	120 MHz	2012/688/EU	The entire spectrum in this band was assigned for 3G services in 2005 and 2007. Work is now underway to liberalise the rights of use, in view of Decision 2012/688/EU, which established the technical parameters for the introduction of LTE in this band.
2.6 GHz	190 MHz	2008/477/EU	The spectrum in this band is available, however to date, market players have not shown any interest in this band.
3.4-3.8 GHz	400 MHz	2008/411/EC	In 2005, the entire spectrum in the 3.4-3.6 GHz band was assigned on a technology-neutral basis for broadband wireless access services. In 2008, one of the licensees rescinded its right of use. However to date, there was no market demand for the unassigned spectrum in this band.

INDUSTRY FORA

ELECTRONIC COMMUNICATIONS FORUM

A total of four meetings were organised during 2012, ensuring a regular exchange of information and dialogue between the industry players and the Authority on matters of general interest to the sector. Among the topics discussed were the World Radiocommunications Conference 2012, the Anti-Counterfeiting Trade Agreement (ACTA), FTTH and the results of a survey on the use of ICT by minors, as well as draft regulations under discussion at EU level, such as the Data Protection Regulation.

eBIZ AWARDS

Building on the success of the first edition, in November, the Authority held the 2nd edition of the eBusiness awards, which aim to recognise enterprises that have developed and / or deployed web-based technologies that have contributed to either social development, improved interaction with clients and administrators or improved competitiveness or a combination of outcomes. The MCA received 54 submissions, which translates into a 50% increase over 2011, out of which 18 nominations were shortlisted across the seven categories that were awarded. The categories for this edition were the following: best eGovernment initiative; best use of technology in the tourism sector; best eCommerce site (B2C); best use of social media; best B2B application; best mobile

application (mobile phone and tablet); and best eBusiness idea of the year. Furthermore, the Adjudication Committee, comprising representatives from industry, Government and academia, decided to award the solution, which they considered to be the most innovative out of all the nominated solutions. These awards complement the MCA's efforts to drive the take-up of ICT and promote eBusiness. By recognising those initiatives, which are bringing tangible benefits to the day-to-day operation of organisations, the MCA aims to encourage other businesses or entities to follow suit. These awards offer participants the unique opportunity of showcasing their innovative solutions to the entire business community and the general public.

MALTA INTERNET GOVERNANCE FORUM

The MCA held its third Internet Governance Forum in March 2012. This national, multi-stakeholder forum provides an opportunity for the industry, Government, academia and civil society to discuss key issues associated with the Internet and Internet Governance. The event focused on ACTA and other rules that could shape the way the Internet is evolving. The Forum is officially recognised by the IGF (Internet Governance Forum), established under the aegis of the United Nations.

THE INDUSTRY - eCOMMERCE

eCOMMERCE BUSINESS SURVEY

The MCA commissioned a survey to gauge the level of ICT penetration across the different business sectors. The survey also took stock of the amount of local businesses that have a presence on the Internet and provided an indication of the use of eCommerce as a distance selling and marketing tool. In addition, the data obtained gave a useful insight into the use of B2B technologies across

business sectors and the security measures adopted by local businesses to safeguard their online commercial activity.

708 interviews were carried out with local businesses, proportionately distributed among seven sectors according to the actual number of companies within each sector.



eCOMMERCE MONITORING EXERCISE

The MCA is responsible for the supervision of information society service providers established in Malta. In this capacity, the Authority carries out spot checks to ensure that local eCommerce service providers are complying with the relevant provisions of the Electronic Commerce Act (Cap 426). In cases where websites are not fully compliant, the MCA instructs the online trader to either effect the necessary changes or to revert back to the Authority with any objections that they may have in this regard, within a stipulated time-frame.

eCOMMERCE FORUM

The MCA maintained its appointment with eCommerce industry players and other stakeholders. Besides being a platform for discussion and networking, this forum has become a popular showcase for a number of companies to exhibit their products and services. The 8th eCommerce forum provided an insight into the current discussions and debates taking place across Europe and looked into the important developments that are shaping the future of the Internet economy.

THE INDUSTRY - POSTAL SERVICES

DEVELOPMENT OF A REVISED REGULATORY REGIME IN A LIBERALISED ENVIRONMENT

The MCA's primary objective with regard to the regulation of the postal sector is to safeguard the provision of an efficient, affordable, high quality universal service together with the promotion of fair market conditions, conducive to effective competition between postal operators. In line with the third European Postal Directive¹², full market opening of the postal sector in Malta took place on the 1st of January 2013, when the area reserved to MaltaPost, as the designated USP, was completely abolished.

These changing market conditions called for a review of the regulatory framework in order to strike a balance between ensuring fair and effective competition on the one hand and safeguarding the provision of the universal service on the other.

To this end, in August 2012 the MCA embarked on a consultation process outlining the MCA's proposed approach for regulating the postal sector in a fully liberalised market environment. Moreover, to give effect to the proposed framework for the regulation of competition, the Authority recommended corresponding amendments to the Postal Services (General) Regulations.

The MCA has submitted the proposed legal amendments to the Minister in order for these to be published and brought into force. Subsequently, MaltaPost was designated as having SMP in the letter, bulk letter, registered letter and parcel-post markets.

In line with the new postal regulatory framework, the MCA will carry out a first round of market reviews 2013 to analyse the level of competition in critical postal markets within the universal service area. The market reviews will allow the MCA to identify markets where MaltaPost continues to have SMP. In the absence of effective competition, the MCA imposes regulatory remedies accordingly.

REVIEW OF POSTAL LICENSING FRAMEWORK

In a fully liberalised market environment, an appropriate authorisation regime is necessary to ensure a level playing field by lowering barriers to entry, leading to further innovation, investment, and competition. The MCA therefore undertook a review of the existing legal framework related to authorisation of postal services and initiated a consultation process in order to develop proposals for submission to Government. The consultation addressed three main aspects:

- An **authorisation regime** compatible with a fully liberalised postal market. The MCA proposed to maintain the existing authorisation regime whereby an individual licence is required for the provision of postal services within the universal service area and a general authorisation is required to provide postal services that fall outside the scope of the universal service area.
- A **licensing structure** consistent amongst all postal operators licensed to provide postal services within the scope of the universal services. The existing licensing structure distinguishes between postal operators providing services within the scope of the universal services and a designated universal service provider. The MCA proposed that such a distinction be eliminated and all postal operators would be granted an identical individual licence. The designation of a postal operator as a USP to provide all or part of the universal service would remain a distinct process from that of the issuance of postal licences.
- **Administrative charging** principles that would guide the development of a suitable and equitable fee algorithm. The MCA proposed to review the administrative charge-out algorithm determining the annual fees payable by postal operators, in line with the proposed charging principle during the course of 2013. The MCA will subsequently make recommendations to Government on this matter.

12. Directive 97/67/EC as amended by Directive 2002/39/EC and as amended by Directive 2008/06/EC

The MCA submitted the proposed changes to legislation to the Minister. Subsequently, the current specimen licence for the provision of services within the scope of the universal services has been updated and existing licences will be updated by the 1st of May 2013. The updates to the specimen licence take into account comments received on certain provisions of the licence, in particular dispute resolution and licence termination. The MCA will be granting a new licence to MaltaPost when its licence expires on the 30th of April 2013.

POSTAL TARIFF REALIGNMENT FRAMEWORK

The postal regulatory framework requires that the tariffs for each of the services provided by the USP and forming part of its universal service must be, amongst other things, cost-oriented. They should provide incentives for an efficient universal service provision.

To this end, after consultation with the industry and other stakeholders, the MCA published a decision on the price control mechanism to be applied by MaltaPost and its position on a number of tariff revisions requested by MaltaPost.

Throughout 2012, MaltaPost was negatively impacted by changes in international postal regulations, introduced by the Universal Postal Union¹³. The changes resulted in increases in the inter-operator fees receivable/payable in respect of international mail. Consequently, MaltaPost's revenues in this regard were significantly reduced.

This, coupled with reductions in the volumes of domestic mail, put increasing pressures on the long-term sustainability of the universal service area. The MCA therefore proposed a price control mechanism having the following regulatory objectives:

- safeguarding the viability of the universal service;
- promoting competition;
- preventing abuse of market power;
- safeguarding the affordability of the universal service;
- contributing towards productive and allocative efficiency;
- complying with tariff principles in the Postal Directive; and,
- minimising regulatory and implementation overheads.

Following technical consultations with MaltaPost on the price control mechanism, MaltaPost submitted its request for tariff revisions. In evaluating these requests, the MCA applied a two-pronged test to primarily ensure that the proposed tariffs were in line with the price control mechanism and furthermore, to assess affordability implications.

After due consideration, the Authority approved price increases in a number of universal service products in order to safeguard the provision of such services.

The tariff revisions are as follows:

13. An International organisation, which sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail, parcel and financial services volumes and improve quality of service for customers (www.upu.int)

PRODUCT	2012 TARIFF	REVISED TARIFF AS OF APRIL 2013
Domestic Single Piece Letter Mail (effective as of 1st April 2013)		
0 – 50g	€0.20	€0.26
50 – 100g	€0.26	€0.32
>100g, up to 2kg and for each additional 50g	€0.09	€0.20

PRODUCT	2012 TARIFF	REVISED TARIFF AS OF NOVEMBER 2012
Domestic Bulk Letter Mail (effective as of 19th November 2012)		
0 – 50g	€0.19	€0.24
50 – 100g	€0.26	€0.30
>100g, up to 2kg and for each additional 50g	€0.09	€0.20

Domestic Registered Mail (effective as of 19th November 2012)		
Registration fee	€0.49	€0.90
Advice of delivery	€0.40	€0.90

International Registered Mail (effective as of 19th November 2012)		
Registration fee	€1.40	€2.25
Advice of delivery	€0.61	€1.75

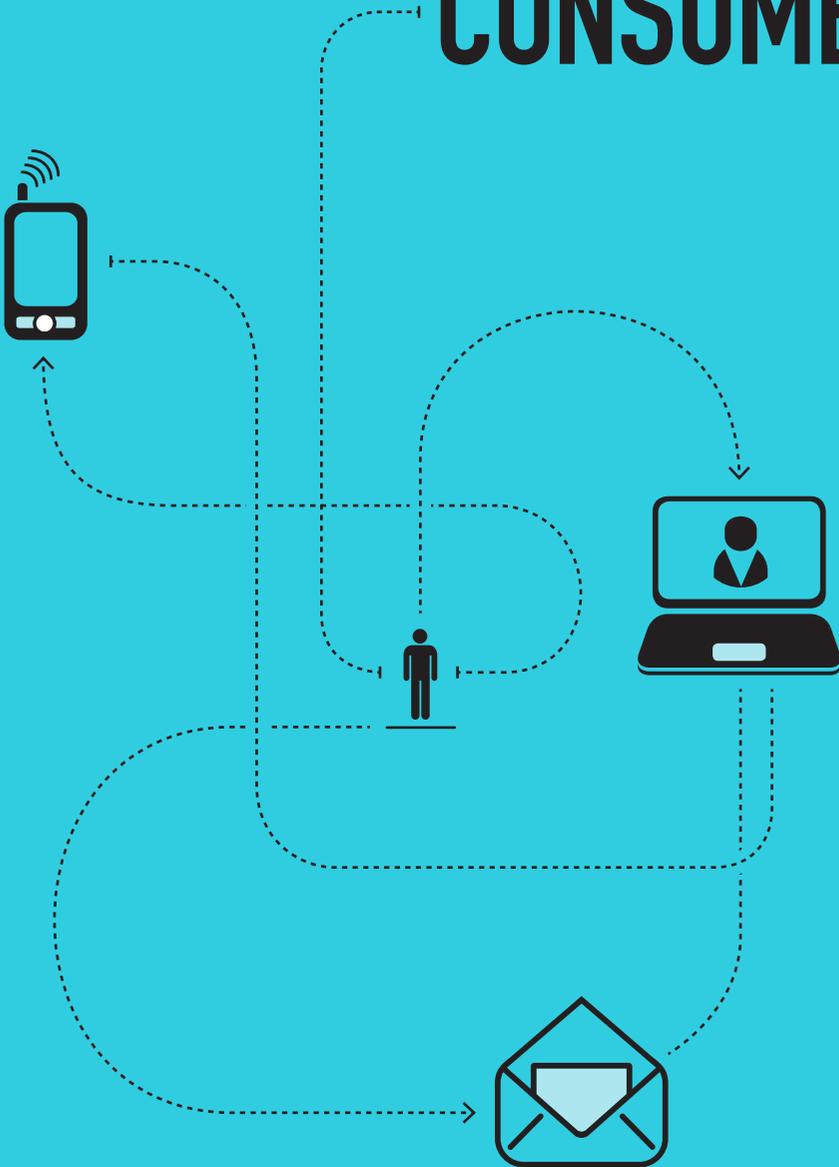
Note: The prices of domestic single piece/bulk letter mail above also apply to domestic postcards, printed papers and direct mail. MaltaPost will also be able to offer bulk-mail discount schemes on a non-discriminatory basis to high volume clients.

Decision on the tariffs applied for redirection of mail services: In a decision published in June, the MCA approved the revised tariff structure proposed by MaltaPost for postal redirection services. The postal redirection service allows an addressee who has moved to a new address, to continue receiving mail, bearing the previous address, for a period of time. As the designated USP, MaltaPost is required to provide such services.

In its assessment, the MCA recognised that postal redirection services are primarily intended as an interim solution to customers' relocation needs. It also considered the costs involved in providing the service and the impact on postal operations. The following table outlines the previous rates and the new, approved rates.

PREVIOUS RATES	RATES APPROVED BY THIS DECISION
<p>Inland mail / outbound cross border mail:</p> <ul style="list-style-type: none"> • €4.66 for normal redirections. • €23.29 when the redirection is to a Post Office Box/Branch. 	<p>General mail addressed to local addresses:</p> <ul style="list-style-type: none"> - Individuals, NGOs, not-for-profit organisations: <ul style="list-style-type: none"> • Free for the first six months. • €5 for the second six months.
	<p>General mail addressed to local addresses:</p> <ul style="list-style-type: none"> - Businesses and other entities: <ul style="list-style-type: none"> • €10 for the first 12 months.

THE CONSUMER



CONSUMERS - ELECTRONIC COMMUNICATIONS

UNIVERSAL SERVICE OBLIGATIONS

PRINTED DIRECTORY

In the third quarter of 2012, following the failure of the entities interested in providing a printed directory to meet the necessary minimum requirements, the Malta Information Technology Agency (MITA) notified the Authority of its interest to publish a printed directory. The MCA assisted the Office of the Information and Data Protection Commissioner in overseeing the transfer of pilot subscriber data to MITA.

UNIVERSAL SERVICE FINANCING

If an undertaking has suffered an unfair burden as a result of providing all or part of the universal service, it may submit a request for funding to the MCA. When the MCA is determining whether an undertaking has suffered an unfair burden, it evaluates the calculation of the net costs of the universal service. Net costs are the efficiently incurred costs arising from the provision of the service, which the USP only incurs as a result of the USO obligation and which the ISP is unable to cover with the proceeds from the service. In calculating net costs, the intangible benefits resulting from the provision of the service are also taken into account. During the course of 2012, the Authority commenced its assessment of the financial claim filed by GO in relation to service obligations provided during 2010. The MCA is assessing whether the evidence provided by GO is sufficient and detailed enough to support the claim, in light of the legal framework described above. The process is still ongoing.

BROADBAND QUALITY OF SERVICE

Malta currently enjoys multiple networks that can provide access to broadband connections through both fixed and mobile technologies. As the take-up of broadband services continues to grow and general reliance on this service as a means of facilitating social inclusion and competitiveness becomes stronger, the optimal performance of these networks has become of significant importance. In a consultation document published in January, the Authority proposed a quality of service framework for broadband internet services. The Authority identified a minimum number of parameters considered suitable to characterise a broadband internet service, as well as a methodology to measure these parameters. It also established a set of obligations, that service providers will have to honour in order to ensure that the service being consumed by the subscribers, reflects the description of the service that they actually subscribed to, thus increasing the level of confidence amongst users. One such obligation is the publication of quality of service information related to attained speed, latency, packet loss and availability of service for each publicly available product. Furthermore, each ISP will be required to ensure that the clause in its broadband service contract, which describes the service, includes the range of speeds the access network is expected to perform at. A final decision was published in February 2013 with the related obligations coming into force in Q4, 2013.

REGULATORY DEVELOPMENTS

DECISION ON SUBSCRIBER CONTRACTS

In July 2012, the MCA published a decision on subscriber contracts, which specifies the manner by which any undertaking providing any electronic communications service/s is required to conclude agreements with end-users and the information to be included in such contracts, in line with Article 23 of the Electronic Communications (Regulation) Act

(Cap.399). The decision addresses issues related to the agreement and conclusion of a contract; the form contracts should take; the means by which the contracts should be made available to consumers; and the provisions that are legally required to be included in contracts.

DECISION ON MUST-CARRY OBLIGATIONS

Must-carry obligations require operators of certain TV broadcast networks, that are used by a significant number of end-users as the main means to receive TV broadcasts, to reserve part of their network capacity for the retransmission of TV channels qualifying as meeting general interest objectives. In a decision published in February, the MCA imposed obligations on providers of these networks in line with the Authority's guidelines on must-carry, which were published in late 2011. Melita Cable was designated with must-carry obligations for a term of three years. Apart from reserving part of its network for retransmission of general interest TV channels, Melita Cable is also obliged to transmit complementary services, particularly accessibility services to enable appropriate access for disabled end-users and ensure that the transmission and picture quality of the general interest TV channels is of an appreciable and comparable quality to that of the initial (free-to-air) transmission.

REGULATORY ACTIONS

DECISION REGARDING APPLICABLE REFUND SUBSEQUENT TO THE RETURN OF GO'S SET-TOP BOX

Towards the end of 2011, GO proposed changes to its subscriber contracts, which resulted in an increase in some of GO's TV services. Service providers are obliged to notify impacted subscribers of any contractual changes, at least 30 days prior to the implementation of such changes, providing subscribers with the option to exit the contract without incurring any penalty fees and ensuring that any advance payments are refunded accordingly. In this respect, the MCA issued a decision against

GO requiring the said undertaking to ensure that those subscribers, who chose to terminate their service as a result of GO's proposed modifications, are provided with a refund in relation to the unused portion of the advance payment for the lease of their set-top box. The MCA was pleased to note that corrective measures were undertaken by GO and no further actions were required.

DECISION REGARDING MELITA CIRCULAR TO SUBSCRIBERS ENTITLED 'SWITCH OFF PRINTED BILLS LESS PAPER WITH MYMELITA'

In May 2012, the MCA published a decision imposing an administrative fine on Melita for failure to notify the Authority in advance of changes implemented by Melita to the 'My Melita' subscribers' bill delivery method and for non-compliance with MCA's decision on modifications to the terms and conditions of subscriber contracts. Melita subsequently appealed this decision before the Tribunal. The Tribunal ruled in favour of the Authority and upheld the MCA's decision.

DIRECTIVE TO MELITA REGARDING THE APPLICATION OF EARLY TERMINATION CHARGES

Subscribers of electronic communications services are entitled to a contract upon subscription, which may specify an initial contract period which, by law, cannot exceed 24 months. Should subscribers wish to terminate a service during this initial period, the service provider can charge, what are described as, 'early termination charges.' These early termination charges cannot be applied when terminating a service under a contract, which has been renewed after the initial contract had expired. The MCA became aware of a number of instances where early termination charges were being applied by Melita to those subscribers who terminated services after a renewal of contract had taken place and after the initial 24 month-period had elapsed. Consequently, the MCA published a directive requiring Melita to desist from such practices and to refund any related early termination charges already paid by subscribers.

INFORMATION CAMPAIGNS

NEW ROAMING RATES

After nine months of intense negotiations, the European Commission, European Parliament and the Council reached an agreement to reform the current Roaming Regulation. The deal came into effect on the 1st July 2012, whereby further reductions in the 'Euro-Tariff' price caps that mobile operators will be allowed to charge customers, who use mobile services whilst travelling in the EU, were implemented. The 'Euro-Tariff' establishes the maximum price caps and differs from any alternative tariff plans offered by mobile operators. More significant however, for the first time, price caps were introduced on EU data roaming charges for those customers using mobile internet based services whilst abroad. The revised regulation also introduced measures aimed at bringing structural charges to the roaming market, thereby fostering competition. The MCA participated fully in discussions at an EU level in this regard. In order to raise awareness on the new price caps, the Authority embarked on an information campaign spanning a period of four months using a combination of print, online and audio-visual media.

IMPORTATION OF WIRELESS EQUIPMENT

Wireless equipment or devices generally require the use of radio frequencies in order to operate. Operating a device on a frequency band which was not assigned for use by that specific type of device can cause undue interference to other services. In order to minimise the possibility of interference as much as possible, the MCA embarked on a short, but intensive campaign to inform the general public on what information to seek before purchasing or importing wireless equipment from overseas and to ensure that the equipment operates according to European standards and on frequencies assigned to that particular class of equipment. The campaign was spread over four weeks and included the use of radio adverts and online media.

FREQUENCY MANAGEMENT AND MONITORING

During 2012, the Authority continued with its activity to ensure that operators continue to satisfy the roll-out and coverage obligations set out in their licences. Coverage tests were performed on Vodafone (Malta) and GO's 2G, 3G and WiMax respective networks and Melita's 3G network.

NUMBER OF SPECTRUM RELATED INSPECTIONS / SITE VISITS

Service	2009	2010	2011	2012
EMF measurements	125	145	250	276
R&TTE notifications	1,459	1,232	1,407	1,270
R&TTE customs' assistance	-	65	68	9
Interference complaints	34	45	20	55
Inspections of radio installations*	197	192	41	55
Radio monitoring & support	96	84	113	123

*The figures quoted for 2009 and 2010 include inspections on private mobile radio installations. The exercise was not repeated in 2011 and 2012. This explains the drastic reduction in the number of inspections carried out during these years.

INSPECTION OF RADIO INSTALLATIONS

Year	2009	2010	2011	2012
Maritime	12	20	40	55
Broadcasting	5	7	1	0
TOTAL	17	27	41	55

MONITORING OF ELECTRO-MAGNETIC FIELD (EMF) EMISSIONS

The Authority continued its EMF monitoring activity to check that emissions from radiocommunications stations are within the exposure standards established by the International Commission on Non-Ionising Radiation Protection (ICNIRP). In 2012, the Authority performed 276 EMF on-site audits, covering mobile communications base stations, BWA base stations, broadcasting

and other transmitters. These audits included a number of repeat visits on sites, which were already audited in previous years. The EMF on-site audits include 35 measurements that were carried out following requests from the general public. The MCA maintained ongoing liaison with the Environment Health Directorate on EMF related issues.

EMF AUDIT/COMPLAINTS

Year	2009	2010	2011	2012
Audits	70	107	201	241
Complaints	55	38	49	35
TOTAL	125	145	250	276

MONITORING OF HARMFUL INTERFERENCE

Spectrum monitoring provides information on the actual use of frequencies and the level of interference present on the channels. During 2012, the MCA performed 100 monitoring exercises, which also serve to ensure optimal and lawful use

of radio spectrum. Additionally, during the year under review, the MCA investigated 55 complaints concerning alleged harmful interference. The most reported service to have suffered interference was mobile telephony.

INTERFERENCE INVESTIGATIONS				
Year	2009	2010	2011	2012
Broadcasting	13	18	14	16
GSM / 3G / BWA	1	4	0	27
Private Mobile Radio	1	15	2	2
Short Range Devices (SRDs)	3	2	2	1
Other services	16	6	2	9
TOTAL	34	45	20	55

MARKET SURVEILLANCE AND RADIO & TELECOMMUNICATIONS TERMINAL EQUIPMENT (R&TTE) REGULATIONS

The R&TTE Regulations, adopted under the Product Safety Act, seek to ensure that radio and telecommunications terminal equipment complies with essential requirements concerning electromagnetic compatibility, health and safety of the users and other impacted parties. These regulations also have the objective of ensuring the effective use of radio spectrum.

These Regulations require manufacturers and importers to provide certain information regarding the safety aspects and proper use of radio and telecommunications terminal equipment to be placed on the Maltese market. This information is analysed by the Authority and if it is found that the equipment is in conformity with the necessary requirements, then it can be placed on the market.

During 2012, the Authority processed more than 1,250 notifications regarding radio equipment which operates on non-harmonised frequency bands, proposed for placement on the local market. This involved close examination of all technical characteristics of the notified equipment to ensure compliance with the said requirements. Furthermore, the Authority provided assistance to the customs department in verifying that products being imported were compliant with the R&TTE Regulations. During the year under review, the Authority also physically inspected products that were withheld by customs. The MCA performs this function in close collaboration with the Market Surveillance Directorate within the Malta Competition and Consumer Affairs Authority.

R&TTE NOTIFICATIONS				
Year	2009	2010	2011	2012
Approved Equipment	1,313	1,102	1,269	1,169
Not Approved Equipment	146	115	138	101
TOTAL	1,459	1,217	1,407	1,270

CONSUMER TOOLS

PRICE COMPARISON PORTAL

The Authority officially launched a price comparison portal for the electronic communications sector – www.telecosts.com.mt. The portal allows end-users to access information on the various service packages for mobile, fixed, broadband internet and bundled offers, which are available on the market at any given time. This tool aims to assist consumers by enabling them to fully understand and compare prices and other specifications of electronic communications products on offer.

In launching this portal, the Authority recognised that today, as service providers continue to innovate and bundle products together to attract customers, making an informed choice when selecting an electronic communications product is very difficult. The tool allows consumers to select the product, service or package that best matches their individual circumstances and needs. Managed by the service providers themselves, this tool also enables stronger competition as each provider strives to have its packages topping the list.

RESTRUCTURING OF CONSUMER CORNER ON CORPORATE WEBSITE

In order to facilitate access to information related to its consumer function, as well as to provide easier access to regulatory decisions or actions that directly impact end-users, the MCA overhauled the consumer section of its corporate website. This section was restructured and also made available in the Maltese language.

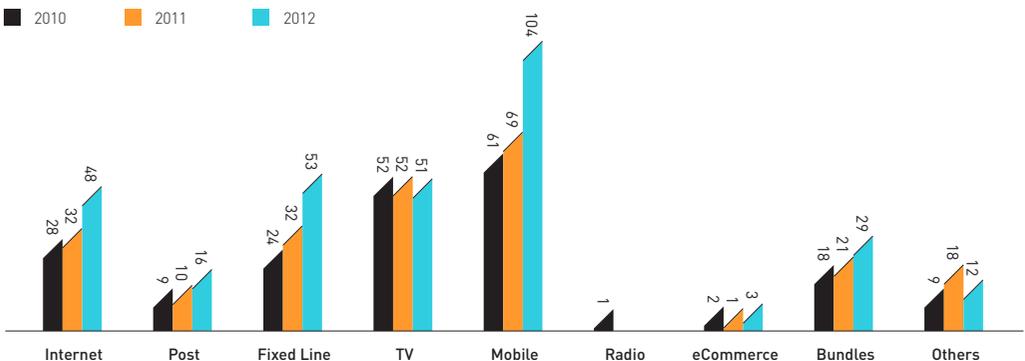
REVIEW OF CONSUMER GUIDES

Back in 2008, the Authority published a set of consumer guides on all electronic communications services with the aim of assisting end-users in selecting a particular service provider. The guides also provided information on the products and services available on the market and the course of redress available to consumers. A number of market and technological developments, as well as changes in the electronic communications regulatory framework, which strengthened consumer protection rules, called for a review of these guides, which the MCA undertook during 2012.

CONSUMER PROTECTION

As competition intensifies, consumers must be appropriately informed, empowered and protected. One of the MCA's roles is to ensure that consumer rights with regard to operator contracts, switching between providers and provision of information, are protected. Whilst it has undertaken a number of initiatives in this regard, complaints and enquiries remain inevitable. 2012 was no exception.

COMPLAINTS BY SECTOR

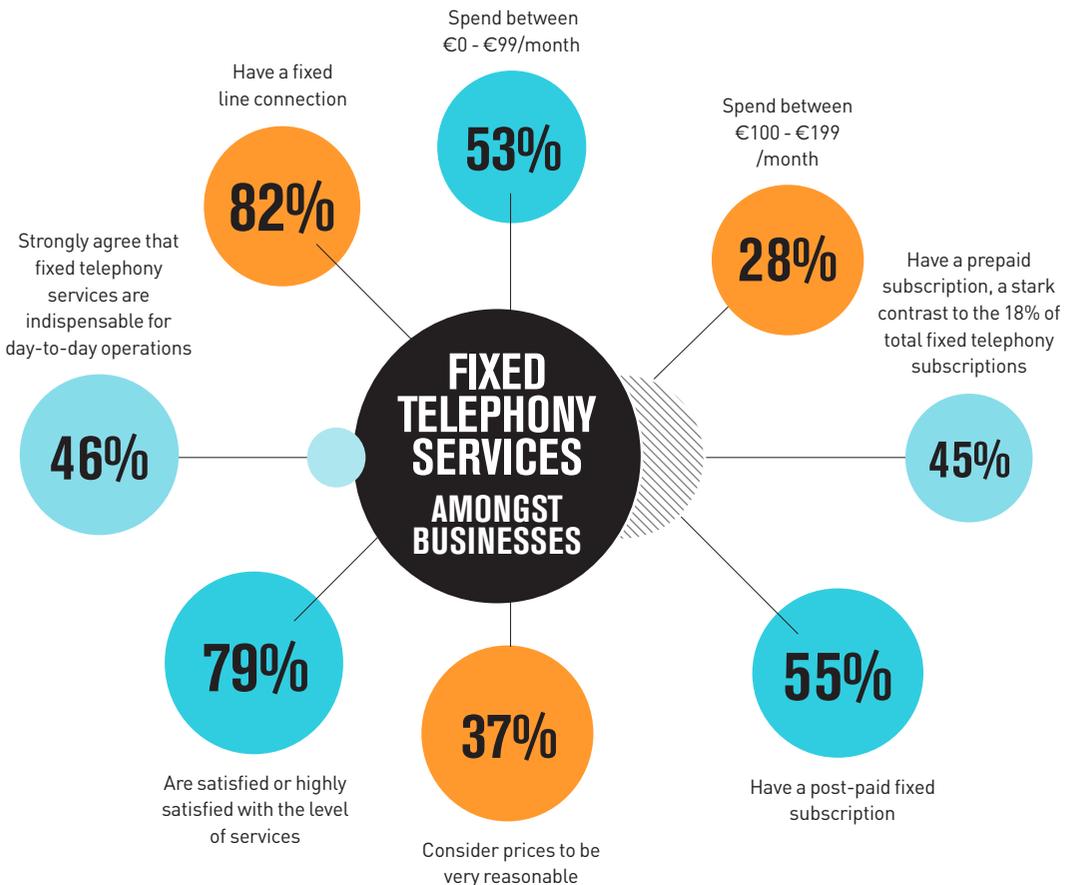


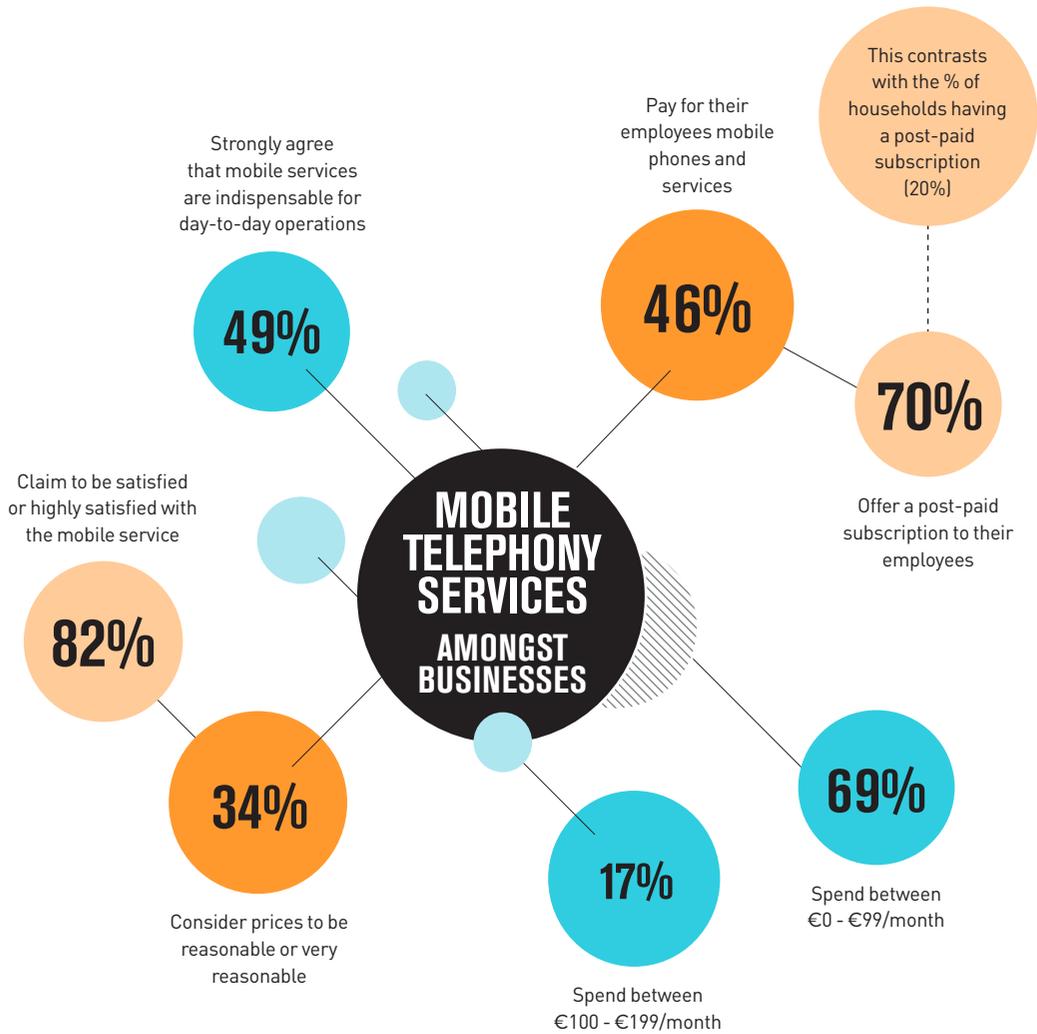
BUSINESS PERCEPTIONS ON TELECOM SERVICES

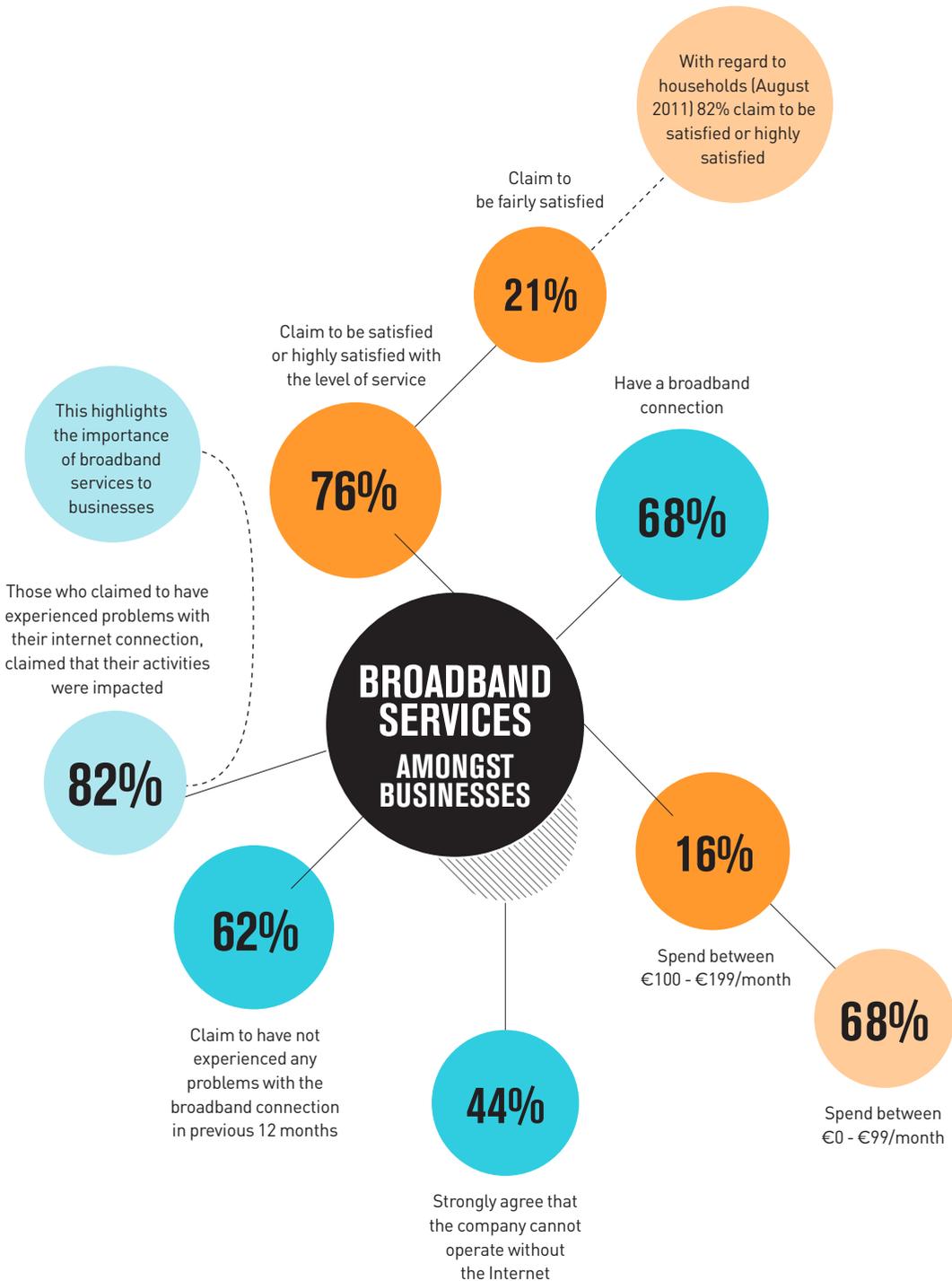
COLLABORATION WITH OTHER ENTITIES

In an all-round effort to protect consumers, the MCA actively participated in meetings organised by the Consumer Affairs Council, which brought together consumer/end-user representatives from the following public Authorities: the Broadcasting Authority, the Competition and Consumer Affairs Authority, the Environment and Planning Authority, the Financial Services Authority, the Resources Authority, Tourism Authority, Medicines Authority and the Transport Malta. These meetings provide a forum where Customer Care Heads from the different Authorities have regular contact, develop a working rapport, improve collaboration, identify best practices and discuss possible joint training and information campaigns. These meetings are ongoing.

During 2012, the Authority commissioned a survey to capture perceptions amongst the business community on the level of satisfaction, price sensitivities, service levels and areas of concern with regard to fixed and mobile telephony and broadband internet services. Satisfaction levels on other high-quality data services, such as Ethernet, IP-VPN and leased lines, were also considered amongst larger and/or specialised businesses. This survey is the first of its kind to be carried out by the MCA and complements the findings of other surveys conducted amongst private households in previous years. A sample size of 405 businesses was stratified according to pre-defined sectors and/or industries and distributed according to the number of employees in each sector.



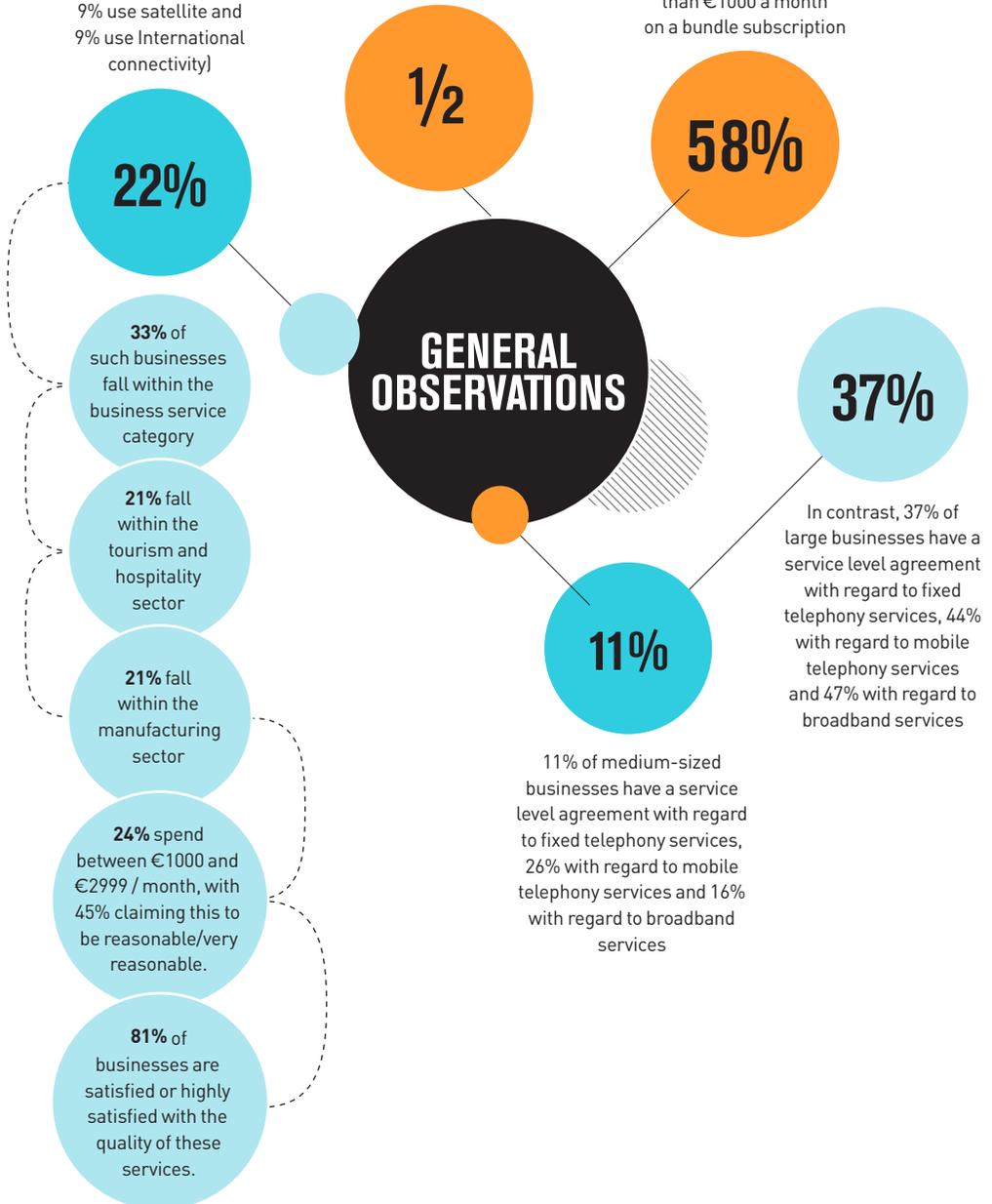




22% of medium or large businesses claim to use other data services (45% of which use Ethernet, 48% use IP-VPN, 6% use leased lines, 9% use microwave links, 9% use satellite and 9% use International connectivity)

More than half of businesses have a triple-play bundle subscription comprising, fixed, mobile and broadband services

Circa 58% of large businesses spend more than €1000 a month on a bundle subscription



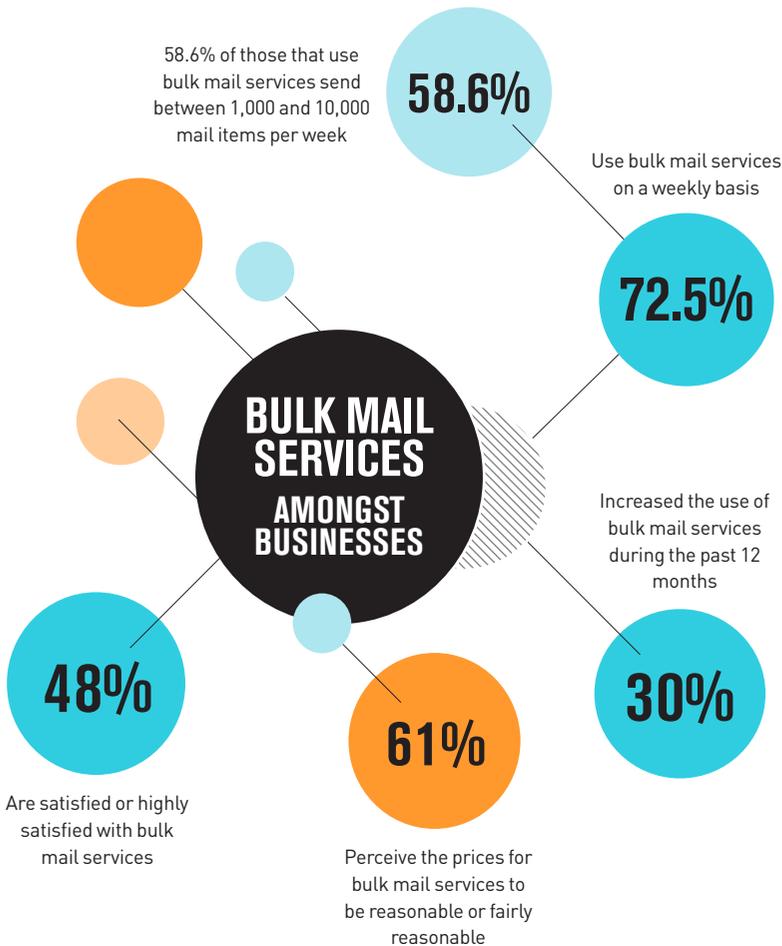
CONSUMERS - POSTAL SERVICES

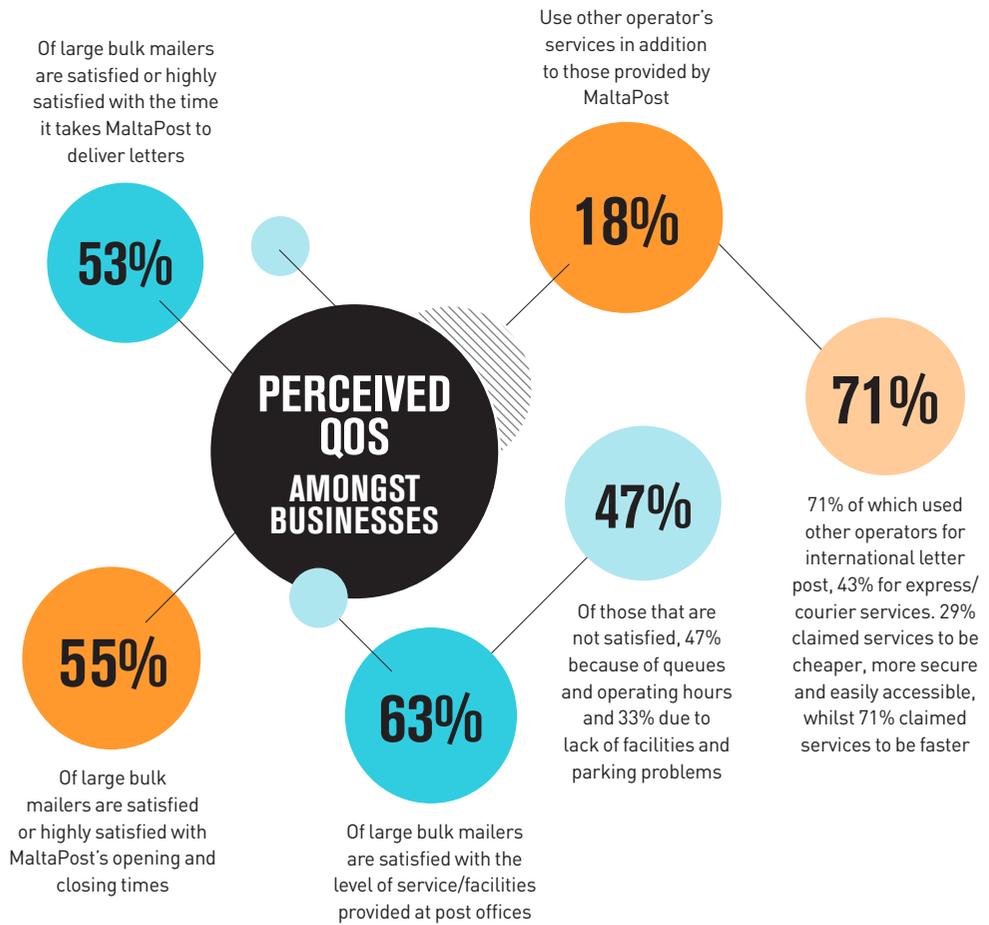
QUALITY OF SERVICE MONITORING

The MCA continued to monitor MaltaPost's universal service obligations through, amongst others, the measurement of QoS targets that MaltaPost has to achieve in the delivery of local ordinary, registered and bulk mail and parcel post. The MCA also monitors and measures the loss and/or substantial delay of mail. During the financial period October 2011 – September 2012, MaltaPost met all QoS delivery targets set by the MCA.

CONSUMER PERCEPTIONS ON BULK MAIL SERVICES

Between January and February 2012, the MCA carried out a survey to gauge organisations' perceptions and satisfaction levels with regard to the bulk-mail service. The bulk mail service refers to postal articles consisting of 50 items or more (of identical format, size and weight step) that are deposited with a postal operator, at the same place and at the same time to be conveyed and delivered to the addresses indicated on the postal articles. Forty organisations participated in this survey through face-to-face interviews.





Consider the price of registered mail to be reasonable or fairly reasonable

47%

Are confident or completely confident that registered mail will be delivered safely

89%

REGISTERED MAIL SERVICES AMONGST BULK MAILERS

64%

Only 28% of large bulk mailers claim to have never used MaltaPost's website in contrast to 85% of households and 73% of micro-businesses

Are satisfied or highly satisfied with the registered mail service offered by MaltaPost

28%

GENERAL OBSERVATIONS

68%

98% of bulk mailers use post offices to post letters, 70% to buy stamps and 90% to send registered mail

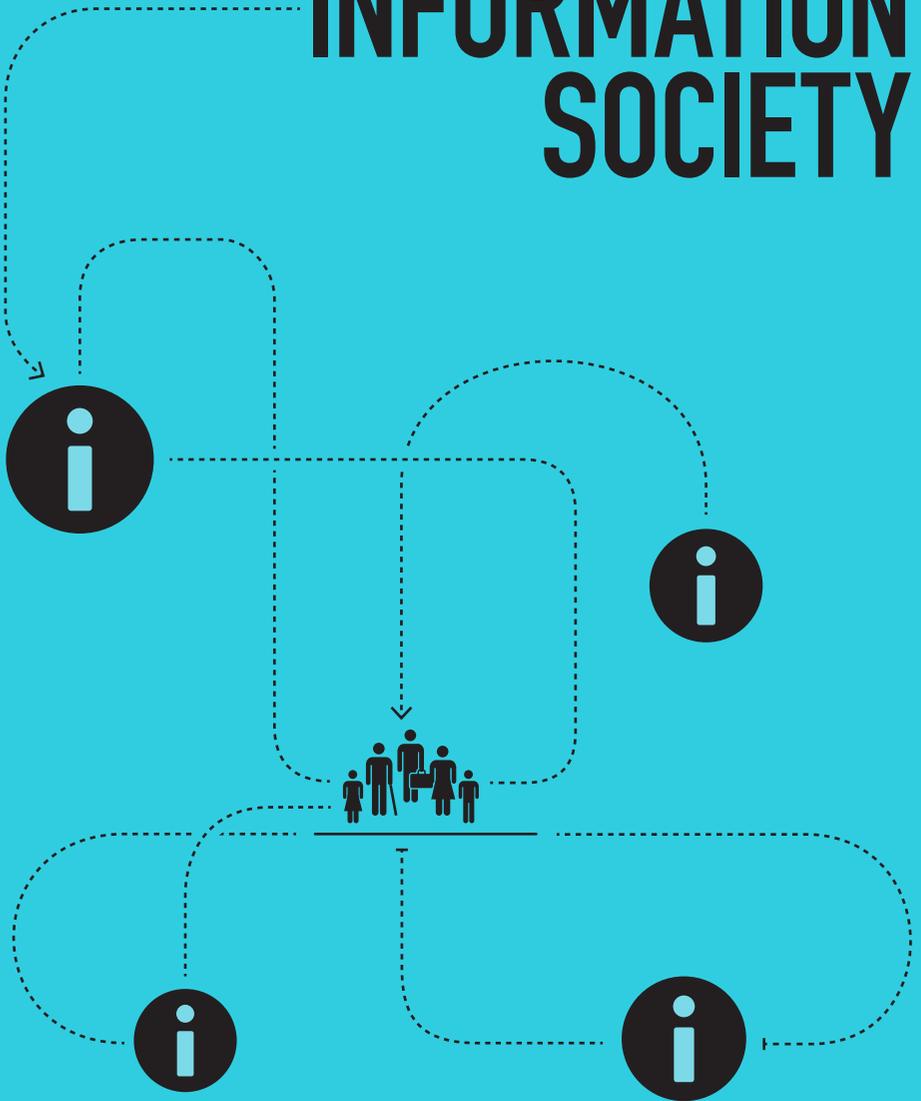
68% of bulk mailers think that the overall quality of service provided by MaltaPost is good or very good

98%

33%

33% had made a formal complaint to MaltaPost about some aspect of its services

THE INFORMATION SOCIETY



THE INFORMATION SOCIETY

IMPLEMENTATION OF INFORMATION SOCIETY STRATEGIES

2012 marked the first year of implementation of initiatives laid out in two strategies that were formally launched during the course of the year. The first strategy 'A networked society' outlines a three-year work programme with the aim of facilitating and supporting the development of a society that capitalises on the opportunities for social cohesion and economic development brought about by IT. The second strategy - 'A networked enterprise' focuses on micro and small enterprises and outlines initiatives that are aimed at supporting and assisting the Maltese entrepreneur identify and implement ICT tools and to efficiently integrate these into business processes, whilst maximising profit as a result of increased business value. The implementation of these initiatives is ongoing.

A NETWORKED SOCIETY

'ICT FORALL' – BRIDGING THE DIGITAL DIVIDE TRAINING

In order to encourage more widespread use of ICT tools amongst the adult population, the Authority offers three highly subsidised ICT courses; the first is a basic course in ICT, the other two courses were developed with Microsoft and cover topics related to digital lifestyles and digital productivity. All courses are aimed at providing the first stepping stone to technology to individuals aged over 25 years of age and are a means to help participants discover how technology can assist them, on a personal level and also in terms of improved employability in the digital age. Throughout 2012, 1071 new recruits attended these training courses, bringing the total number of trained individuals to almost 6000.

INFORMATION SESSIONS

In addition to the training courses, the Authority developed short information sessions, addressing the use of social media, eCommerce and eBanking and how such facilities can be beneficially integrated into individuals' daily activities. These sessions were held on a pilot basis in two major localities – Birkirkara and Valletta in

order to gauge interest by the general public. 400 individuals signed up for these sessions and provided very positive feedback, driving the MCA to launch such sessions, on a national scale during 2013.

GET ONLINE WEEK

Malta was one of 50 countries across Europe, Eurasia and Africa, that organised activities to mark 'Get Online Week', which is an initiative of the Telecentre-Europe AISBL, supported by the European Commission and a number of other international organisations. 'Get online week' is aimed at encouraging more people to get online and start using the Internet, particularly individuals over 45 years' of age. The MCA organised an exhibition stand in Valletta, where a number of computers were made available so that individuals can discuss any difficulties they encountered in their online activities with qualified tutors who were present during the activity. Individuals also had the opportunity to sign up to any of the courses offered by the Authority. By the end of the week, 200 individuals submitted their application to attend a course. These activities were organised with funds provided to the MCA by Telecentre-Europe.

UNITING EUROPE THROUGH DIGITAL EMPOWERMENT (UNITE-IT)

This project forms part of the Lifelong Learning Programme run by the EU. The Unite-IT network, which comprises members from Malta (represented by the MCA), Croatia, Belgium, Hungary, Latvia, Romania and Serbia, focuses on addressing the digital divide across the EU. It is aimed at promoting the exchange of best practices, the sharing of resources, as well as the generation of increased awareness about the value of digital competence for inclusion and social cohesion purposes. To this end, the project members will be developing an online portal, containing information, news, resources, access to network databases of practices and policies in EU on ICTs. The MCA was granted a total of €41,000 to implement initiatives locally for the coming 3 years.

eAGEING – MASTERING EVERYDAY TECHNOLOGY PUBLIC INFORMATION CAMPAIGN

The use of ICTs by ageing individuals is considerably lower than that reported for younger generations. As a result, a good portion of society is excluded from benefitting from ICT developments and taking part in the online activities of the community. This reality is stronger in Malta than across the EU, where the older the individual, the less likely they are to use ICT on a regular basis, if at all. Most ageing individuals do not use ICT, primarily because they do not perceive any value in its use. Such belief might be the result of an inability to appreciate the versatility of ICT applications and how such applications can be adapted in a context that is relevant to the individual. Whilst some ageing individuals may perceive a potential opportunity in technology, they consider it to be too complex to learn and believe that the learning investment is beyond their capacity or outweighs the potential benefits. In order to address these misconceptions and encourage the adoption of technology amongst individuals aged over 55 years, the Authority embarked on a short, but intensive information campaign that was predominantly based on a road-show, which took an exhibition stand to market places across Malta and Gozo. Approximately 1005 individuals in the target age group signed up to an ICT training programme organised by the MCA, that will be rolled-out during the course of 2013.

SEMINAR: AGEING IN THE DIGITAL AGE – OPPORTUNITIES AND CHALLENGES OF AN AGEING POPULATION

Coinciding with the European Year for Active Ageing and Solidarity between Generations and forming part of its eAgeing programme of initiatives, the MCA, in collaboration with the National Committee for the EY2012, organised a half-day seminar on the use of ICT in the context of a local ageing population. The seminar aimed at stimulating a multi-disciplinary discussion on this topic and to serve as an opportunity to explore the social and economic dimensions of ICT use within an ageing population context. The seminar stimulated a wide

discussion and cross-fertilisation of ideas between the diverse entities working in this field ranging from health care to ICT investment.

BeSMARTONLINE! – MAKING RESPONSIBLE CHOICES ONLINE THE PROJECT AND FUNDING

The BeSmartOnline! is an EU funded project forming part of the EU Safer Internet Programme and is primarily aimed at raising awareness on the safer use of the Internet by minors. It also addresses parents, carers and educators and provides information on how these can support and guide minors in order to have a better, more valuable online experience. 99% of the EU funds allocated for the implementation of this project for the period October 2010 to May 2012 were successfully absorbed. Following a submission of a new proposal, the Authority was given the green light by the European Commission to proceed with the continuation of the project with additional funds being granted to the MCA to operate in this regard. To date, a total of €331,586 have been made available to the MCA.

THE ADMINISTRATION

This project brought together the Office of the Commissioner for Children, the Foundation for Social Welfare Services and the MCA as the three main partners, each having a direct interest and distinct expertise in the subject. In addition, an Advisory Board was set up comprising representatives from strategic partners including the Directorate for Educational Services, the Malta Police Force (Cyber Crime Unit), the University of Malta, the Secretariat for Catholic Education, the Independent Schools Association, and Aġenzija Żgħażgħ. These diverse entities bring to the table their vast experience and specific knowledge in order to assist the lead partners in the implementation of the project. This Advisory Board is supported by three stakeholder fora: the Psycho-social Expert Group; the Industry Stakeholder Group and the Parent and Carer Forum.

THE INITIATIVES

Seminar for future educators: A seminar was organised at the University of Malta, giving students reading for a degree in education the opportunity to participate in a discussion led by industry expert, Ms. Annie Mullins OBE, Global Head of Content Standards at Vodafone Group. Ms. Mullins addressed the issues associated with children's digital lives such as their digital footprint, social media and the new tools Vodafone recently brought to the market, including the Vodafone Guardian [an App for Android Smart phones] and the Digital Parenting App and Magazine, which are all important instruments that help parents use both the tools and stay up-to-date and be informed on how to keep their children safe, while using technology responsibly.

Information day: An exhibition stand was set up at the Point, Tigne as part of the BeSmartOnline! project, with the aim of disseminating information on the safer use of the Internet, whilst encouraging people to discuss the problems they encounter whilst using the Internet. Information leaflets were distributed by representatives from the St. Aloysius College (SAC) Scout Group.

Another information day was held during the annual event organised by the Commissioner for Children to mark 'World Children's Day'. The aim of this event was to promote the rights enshrined in the United Nations Convention on the Rights of the Child and to create more awareness about well-being amongst children and their families. The theme for this event centred on the fact that the well-being of individuals also extends to online activities, where one's rights and responsibilities should continue to be respected.

Safer Internet Day 2013: This annual event, is a European initiative, coordinated by Insafe, the European network of awareness centres that promote the safe and responsible use of the Internet. BeSmartOnline! is a member of this network. To mark this occasion, a number of activities were organised, including an event for children that brought together students from three different schools; participation in a number of radio and TV programmes to further disseminate the message set of for Safer Internet Day – 'Connecting

generations and educating each other'; and the dissemination of material related to the safe use of the Internet to school children and higher education establishments.

BeSmartOnline! closing conference: In May 2012, the Authority organised a one day conference to mark the end of Phase 1 of the BeSmartOnline! project. The conference served to sum up the achievements made throughout the previous 20 months.

1st Advisory Board Meeting of Phase II of the BeSmartOnline! project: The BeSmartOnline! lead partners held the first Advisory Board meeting of Phase II of the project in July 2012.

Way forward for Phase II: Following the outcomes of the 1st Advisory Board meeting, the MCA established a work programme of initiatives to be undertaken during 2013. On this note, the MCA commenced the development of resources to be used during a campaign targeting 12 to 13 year old students across all schools in Malta and Gozo. This campaign is scheduled to commence during the first quarter of 2013.

ICT-VALUE NETWORKS – CREATING VALUE FOR SMEs THROUGH VALUE NETWORKS USING ICT

The ICT-VN project, funded under the INTERREG IVC Programme, which commenced in 2010 was implemented by a consortium of 10 partners from nine EU Member States and came to a close during the course of 2012. The objective of the project was to create value for SMEs in terms of increased competitiveness through the application of ICT. Throughout the year under review, the MCA participated in the SMAU Fair in Milan and the ICT-VN final conference in Brussels, where lessons learnt were exchanged amongst participating partners in the project. Locally, as an outcome of this initiative, 'WebCheck', an initiative developed by Failte Ireland to help businesses develop a web presence, will be implemented in close collaboration with the Malta Tourism Authority during 2013.

WI-FI IN PUBLIC SPACES

The MCA continued with the setting up of free Wi-Fi hotspots across Malta and Gozo, bringing the total number to 176 by the end of the year. It is the Authority's intention to continue to roll out these access points with the aim of making Malta one of the first Wi-Fi states. The table below indicates the most popular Wi-Fi spots during 2012. Annex 2 on page 90 provides a comprehensive list of these Wi-Fi spots.

WI-FI LOCATOR APPLICATION

As part of its student support programme, the MCA engaged a number of students offering them the opportunity to put operational and technical skills in the field of ICT into practice. Three students engaged in 2012 developed an application for all mobile devices running on Android 1.6 or higher. This application assists users in locating the free public Wi-Fi hotspots operated by the MCA. The application is free of charge and can be downloaded directly from Google Play store. During its first few weeks, the app ranked 18th and 19th amongst the top free applications. It is anticipated that further value-added enhancements and the development of a similar App for iPhone devices will be undertaken during 2013.

LOCATION OF WI-FI HOTSPOTS	TOTAL NUMBER OF USERS DURING 2012
Mater Dei Hospital – Msida	72,431
Buġibba Square – St Paul's Bay	40,704
St. George's Square – Valletta	31,752
St. Anne's Square – Sliema	31,261
Giovanni Curmi Higher Secondary School – Naxxar	30,179
Mġarr Ferry Terminal – Mġarr, Gozo	22,514

EPITOME- INCREASING ENTREPRENEURSHIP OF THE MICRO-ENTERPRISE THROUGH THE USE AND INTEGRATION OF ICTs IN BUSINESS

During a certificate presentation ceremony held in October, 89 individuals were awarded a certificate after successfully completing training in the use of information systems for small businesses. This training was offered free of charge as part of the EPITOME project, a project co-financed by the European Social Fund and National Funds (Co-financing rate: 85% EU funds; 15% National Funds). Through this course SMEs, micro-enterprises

and the self-employed benefitted from a tailor-made training programme, which focused on a number of ICT applications that will assist such enterprises in becoming more efficient in their day-to-day operations and ultimately increase their competitiveness. A second intake of participants commenced in November, with a further 57 participants attending the course. The training is ongoing and is expected to come to a close in Q2 2013.

MARKET RESEARCH - ICT USAGE AMONGST MINORS - SURVEY RESULTS

The Authority commissioned a survey amongst students attending primary school years 4 to 6 [aged 6-10] and secondary schools forms 1 to 4 [aged 11-14] and their respective parents/ carers to gauge ICT access, use and usage intensity. This research shed light on the level of use of ICT by minors, especially the Internet and identified the perceptions and attitudes of minors and their parents on various safety issues. It also gave valuable insight into the level of awareness amongst parents and minors on the BeSmartOnline! project and the issues that the project aims to address. The results of the survey provided a valid scientific basis on which to determine communication messages to be used in subsequent information campaigns.

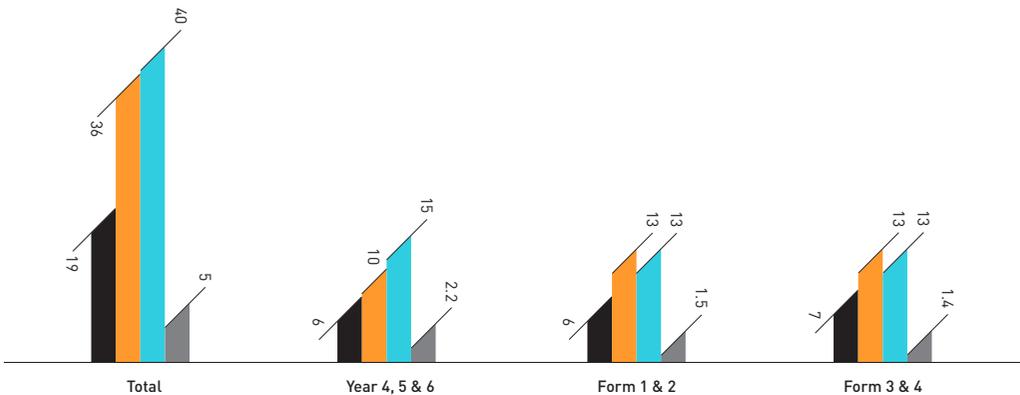
COMMUNITY TRAINING LEARNING CENTRE (CTL) NETWORK

During 2012, the MCA continued to consolidate its efforts to facilitate access to technology and increase opportunities for community members to use ICT applications by extending its network of CTLs. This initiative also assists individuals who do not have direct access to ICT to better integrate into society. Two new centres were launched during 2012, the first at St. Augustine Parish in Valletta and the second at St. Vincent de Paul Residence, which will be addressing the needs of over 1000 long-term care residents. A list of CTLs is available in Annex 1, on page 89.

THE INTERNET IS A SAFE PLACE FOR MY CHILDREN

AS A PERCENTAGE

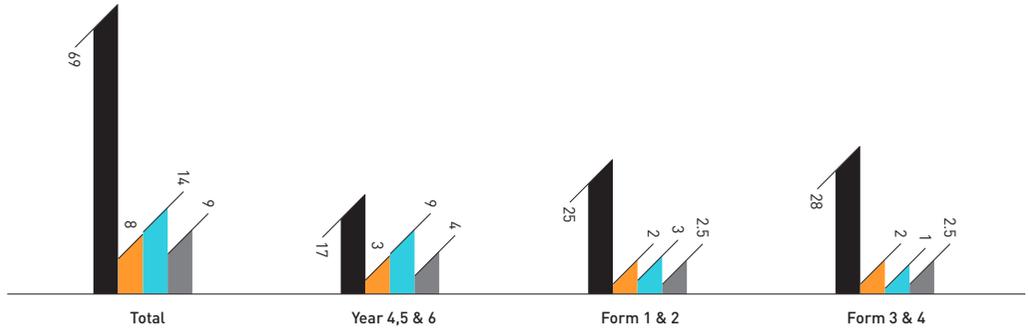
■ AGREE ■ NEUTRAL ■ DISAGREE ■ DON'T KNOW



MY CHILD IS WELL AWARE OF THE RISKS WHEN USING THE INTERNET

AS A PERCENTAGE

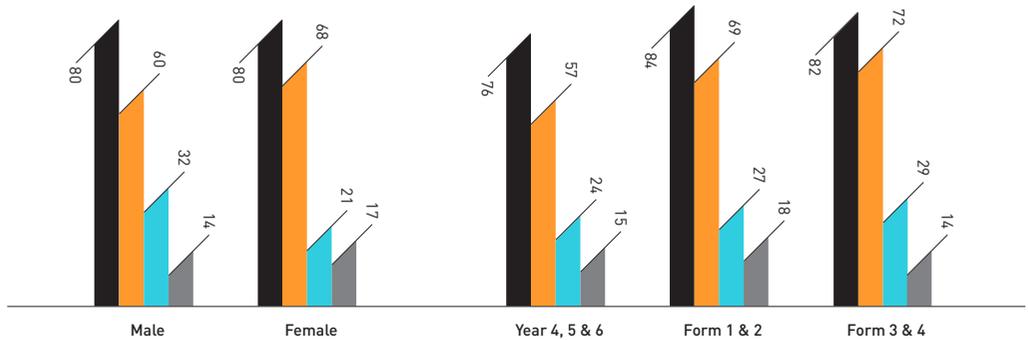
AGREE
 NEUTRAL
 DISAGREE
 DON'T KNOW



DEVICES AT HOME WITH ACCESS TO INTERNET

AS A PERCENTAGE

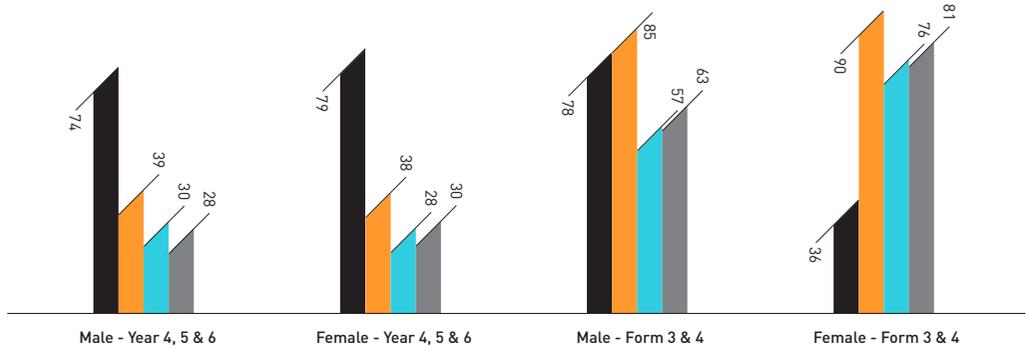
COMPUTER
 LAPTOP
 GAMES CONSOLE
 TABLET



REASONS FOR USING THE INTERNET BY SCHOOL COHORT

AS A PERCENTAGE

PLAYING GAMES ON THE INTERNET
 SOCIAL NETWORKING
 RESEARCH RELATED TO SCHOOL
 CHATTING



LEGISLATION AND LITIGATION

LEGISLATIVE AMENDMENTS

The following Legal Notices were enacted during the year under review.

Postal Services Act (Amendment of the Second Schedule) Regulations, 2012 (L.N. 21 of 2012):

This legal notice establishes the full liberalisation of postal services and removes the concept of reserved services as from the 1st January 2013.

Electronic Communications Networks and Services (General)(Amendment), 2012 (L.N. 60 of 2012) amends Part B of the Eighth Schedule establishing the fees for rights of use of spectrum for the provision of broadband wireless access services in certain designated bands.

Extension of Jurisdiction of the Administrative Review Tribunal (Communications) Regulations, 2012 (L.N. 180 of 2012): These regulations provided for amendments to various laws relating to the communications sector, including to the Malta Communications Authority Act, whereby the determination of appeals from regulatory decisions taken by the Authority was transferred from the former Communications Appeals Board to the Administrative Review Tribunal.

Postal Services (Designation of Universal Service Provider) Order, 2012 (L.N. 409 of 2012) whereby MaltaPost was designated as a universal service provider with the obligation to provide the postal services stated in the Order.

MaltaPost plc Licence (Modification)(Amendment) Regulations, 2012 (L.N. 262 of 2012). This regulation revised the fees relating to redirection of mail.

Postal Services (General) (Amendment) Regulations, 2012 (L.N. 408 of 2012) amended the current regulations including provisions relating to the failure of a universal service provider to provide a universal service and to market regulation.

Roaming on Public Mobile Network (Amendment) Regulations, 2012 (L.N. 266 of 2012).

This amendment brought the existing regulations in line with changes consequential to the enactment of Regulation (EU) No. 531/2012 of the European Parliament and Council of 13th June 2012 on roaming on public mobile communications networks within the European Union.

General Authorisations (Radiocommunications Apparatus)(Amendment) Regulations, 2012 (L.N. 193 of 2012) and Fees (Radiocommunications) (Amendment) Regulations, 2012 (L.N. 194 of 2012):

These regulations were amended to align the technical parameters of certain radiocommunications apparatus with those established in European law. Consequential amendments to the regulations establishing the related fees were also adopted and the same apparatus continued to be installed or used without the need of paying any radiocommunications licence fees. These amendments comprise the following changes:

Schedule 1 (Maritime VHF & EPIRB ship stations)

A new provision was added concerning the use of VHF equipment outside territorial waters, as well as the installation and/or use of handheld DSC enabled VHF equipment.

Schedule 5 (Radiocommunications apparatus intended to be used for Inductive applications)

The maximum allowed field strength levels were revised to bring this regulation in line with Decision 2006/771/EC.

**Schedule 10
(PMR 446 radiocommunications apparatus)**
New provisions were added to allow the use of digital PMR 446 radiocommunications equipment.

**Schedule 26
(Road Transport and Traffic Telematics systems)**
New frequency bands and related technical parameters for these systems were included to bring this regulation in line with Decision 2006/771/EC

ISSUE OF A DIRECTIVE BY THE MCA

Issue of Directive No. 1 of 2012 on the obligation relating to the administration of the unified legal interception system. The issue of this Directive was subsequent to the approval by Government of the funding methodology of the legal interception system. The new funding methodology became applicable as of 1st January 2012.

LITIGATION

NEW ADJUDICATIVE FORUM TO DETERMINE APPEALS FROM REGULATORY DECISIONS

As of June 2012, responsibility for the hearing and determination of appeals from regulatory decisions taken by the MCA was assumed by the Administrative Review Tribunal. The former Communications Appeals Board (and where applicable, the Telecommunications Appeals Board before it), in accordance with the Administrative Justice Act, remains responsible for the determination of any cases, which on 1st June 2012 were pending for a decision by that Board. The remit of the Administrative Review Tribunal relates either to new appeals filed after June 2012, or to those appeals, which as of June 2012 were not pending for final submissions or for a final decision before the Communications Appeals Board.

As was the case with the Communications Appeals Board, there is a right of appeal on a point of law from a decision of the Administrative Review Tribunal to the Court of Appeal (inferior jurisdiction). An important change consequential to the determination of these appeals by the Administrative Review Tribunal, is that the handling of such appeals is now integrated within the Courts of Justice administrative system. Interested parties can now follow the progress of cases on the justice services website. Moreover, the Tribunal, unlike the former Appeals Board, is assisted by the Courts of Justice administrative set-up.

INTER-OPERATOR DISPUTES

Only one dispute was filed during the course of 2012. This was in the postal services sector and was filed by MaltaPost against Mailbox Services Group Ltd. (Mailbox). This dispute related to the allegation that Mailbox had provided postal services without being duly authorised to do so. After considering the submissions of the parties involved, the MCA imposed an administrative fine on Mailbox.

As at the end of 2012, no disputes remained pending. Increased efforts by the MCA in assisting operators to resolve inter-operator issues by mediating between the parties, in many instances, led to amicable settlements, doing away with the need of aggrieved parties to have recourse to the inter-operator dispute handling process applicable under the Malta Communications Authority Act.

APPEALS BEFORE THE ADMINISTRATIVE REVIEW TRIBUNAL

During the period under review, there were eight appeals, seven of which were appeals pending before the Communications Appeals Board, which appeals were subsequently transferred to the Tribunal. Of these eight appeals, two appeals relate to postal services, whereas the rest relate to electronic communications services. Three appeals were withdrawn by the appellant – European Directory Assistance Spa (EDA).¹⁴ Of the remaining five appeals, three appeals were made by Melita (two of which were filed in 2012) and one each by Global Parcels Ltd and by DHL International Ltd. respectively.

The latter two appeals relate to the contestation of what type of postal services authorisation is required, with appellants in both cases arguing that they only provide postal services outside the scope of the universal service and therefore should only be subject to the general authorisation regime.

14. In 2010, EDA had lodged three appeals contesting decisions that the MCA had issued, following disputes that EDA had filed with the MCA against GO, Vodafone (Malta) and Melita whereby EDA were requesting access to directory subscriber data.

Of those appeals filed by Melita in 2012, one appeal relates to the contestation of an administrative fine imposed on Melita in relation to the issue of paperless invoices to subscribers, whereby it was held that effectively, a change in the applicable terms and conditions was effected and that consequently, the MCA had to be informed, a priori and subscribers given the opportunity of exiting the applicable contract of service.¹⁵

The other appeal relates to the contestation of the Regulatory decision on retail access to the public telephone network at fixed locations. The third appeal by Melita was filed in 2011 and relates to the contestation of an administrative fine imposed following the removal of a television channel from Melita's channel line-up, without prior notification to the Authority.

COMMUNICATIONS APPEALS BOARD

No decisions were given by the Communications Appeals Board during 2012. At the end of the year, 13 cases remained pending (including three cases before the Telecommunications Appeals Board).

OTHER LITIGATION

ORDINARY COURTS

A lawsuit filed in 2010 by the Lija Local Council and various residents against Melita, MCA and others, continued to be heard whereby objections have been raised in relation to the alleged harmful effects of a telecoms antenna erected on the roof of a private residence in the locality of Lija. The case remains adjourned for the continuation of the hearing of evidence and of submissions by the various parties to the lawsuit.

The MCA is a party to various other lawsuits initiated in previous years by different litigants, including Melita (contestation of rights of way fees and contestation of the vires of Government to make laws relating to advertising on Cable TV and of a regulatory decision issued consequential to such laws), Vodafone (Malta) (contestation of 2000 law establishing interconnection rates between mobile operators, and contestation of legal intercept fees collected by MCA on behalf of Government) and GO (contestation of legal intercept fees collected by MCA on behalf of Government).

The MCA also initiated court cases against two operators who failed to pay outstanding authorisation dues and who decided to contest MCA's claims. These cases are pending before the Court of Magistrates.

CONSTITUTIONAL CASES

The MCA is party to two constitutional lawsuits. One lawsuit relates to the use by MaltaPost of premises in Hamrun as a post office whereby the owners of the said premises have filed proceedings to regain possession. One of the defendants in the case – the Housing Authority – requested that the MCA be called in as a co-defendant to the lawsuit. The case is pending before the First Hall – Constitutional Jurisdiction.

The other constitutional case was filed by Vodafone (Malta) and GO to contest the levy of a 3% excise tax on mobile services introduced by Government in 2005. The case was filed against the Government and the MCA. The plaintiffs are arguing that the levy of this tax is in breach of the EU Authorisation Directive. The case was won by defendants before the court of first instance. However, the plaintiffs appealed the decision before the Constitutional Court, which in turn, on the request of the plaintiffs, decided to make a reference to the European Court of Justice (ECJ), as to the correct interpretation of the Authorisation Directive.¹⁶

15. This appeal was decided by the Tribunal on the 4 February 2013, whereby MCA's decision was upheld.

16. A sitting before the ECJ was held on the 30 January 2013.

CORPORATE DEVELOPMENTS, INITIATIVES AND ONGOING REGULATORY ACTIVITY



CORPORATE DEVELOPMENTS AND INITIATIVES

HUMAN RESOURCE MANAGEMENT

Believing firmly in on-the-job experience in order to strengthen one's personal and technical skills, the MCA continued to support students by once again employing six University students, from different areas of study, during their summer recess. The Authority also continued with its participation in the Technical Apprentice Scheme, coordinated by the Employment and Training Corporation, which led to the full-time employment of one apprentice, following a public call. By the end of 2012, staff complement at the MCA totalled 73.

ON-THE-JOB LEARNING PROGRAMME

During 2012, the Authority launched the 'On-the-job learning programme', which is an initiative geared towards students wishing to gain specific workplace experience. The programme, which has a duration of a maximum of 24 months, offers periods of theoretical and practical training and is undertaken in collaboration with other educational institutions. This initiative is aimed at providing a framework by which students, from diverse academic backgrounds, including communication sciences, electrical engineering, computer science, management, statistics, information science, economics, or law, can enhance their educational experience through practical work assignments. It also exposes them to the work of the Authority, strengthening their understanding of the MCA's goals and activities. This programme has a two-year cycle, with the next assignment to take place in 2014. During the course of 2012, an ICT intern was employed under this programme and is responsible for providing operational and technical ICT support.

STAFF TRAINING AND DEVELOPMENT

The MCA invests in its staff complement, ensuring that all staff possess the necessary expertise to contribute fully towards the achievement of its objectives. To this end, the MCA continued with the implementation of a staff training and development programme to ensure that staffs' knowledge remains up-to-date.

STATISTICAL ANALYSIS MODULAR SYSTEM (SAMS)

During 2012, the MCA finalised the development of its Statistical Analysis Modular System (SAMS). This system automates the process by which operators submit their quarterly statistics. It also provides reporting functionality, both for internal and external purposes. Throughout January, a series of sessions were organised in which the system was presented to operators and the their staff trained in its use.

WORKSHOPS ON LONG TERM EVOLUTION (LTE) TECHNOLOGY

Two workshops on LTE, one with top management and one with technical staff, were delivered by WiTech. WiTech is a spin-off of the University of Pisa and operates in the telecommunications market with a focus on next generation wireless technologies. The workshops covered both the technological and business perspectives of LTE and highlighted areas of relevance to the introduction of this emerging technology in Malta.

ONGOING REGULATORY ACTIVITY

MANAGEMENT OF LICENCES AND GENERAL AUTHORISATIONS

During 2012, the MCA received two new notifications from undertakings operating in the electronic communications sector. One undertaking terminated its authorisation to operate

in the electronic communications sector. No new authorisations or terminations were registered in the postal sector. Furthermore, two further licences for the use of radio spectrum were granted.

ELECTRONIC COMMUNICATIONS AUTHORISATIONS AND TERMINATIONS DURING 2012					
Public communications network	Publicly available telephone service	Radio & TV distribution service	Other public electronic communications service	Non-public electronic communications service	Private electronic communications network and/or service
			1 [Space Hellas (Malta) Ltd]		1 [Fonicom Ltd]
			1 termination [Globe Wireless Ltd]		

RADIO SPECTRUM LICENCES ISSUED DURING 2012

Aeromobile AS were granted rights of use of radio frequency spectrum for test purposes.

Solaris Mobile Ltd were granted rights of use of radio frequency spectrum for the provision of mobile satellite services.

PARTICIPATION IN THE PARLIAMENTARY DEBATE WITH SOCIAL AFFAIRS COMMITTEE REGARDING ELECTROMAGNETIC FREQUENCIES (EMF)

In July, the MCA was called upon to participate in a second sitting of the Social Affairs Parliamentary Committee on the subject of EMF emissions from mobile base stations. The Committee heard the three mobile telephony network operators, the Health Department, the Health and Safety Authority, the Malta Environment and Planning Authority, as well as the MCA. During the sitting it was noted that the guideline currently established

under Maltese law and which sets the limits for such emissions, has sufficient safeguards, in line with current scientific evidence, to protect against any negative health effects that could arise from such emissions. Furthermore, it was confirmed by the Authority that it monitors such emissions and has invariably found these to be below the permitted limit. No further hearings on the subject were scheduled.

RADIOCOMMUNICATIONS EQUIPMENT LICENSING

On 1st January 2012, the MCA took over the management of individual radiocommunications equipment licensing from the Ministry responsible for communications. As part of its licensing activities, the Authority implemented measures to facilitate licence issuance and renewal processes, such as a new online payment gateway and the availability of online licence application forms on Government's e-forms portal.

INTERNATIONAL LIAISON ON SPECTRUM MANAGEMENT

The MCA continued with its concerted efforts to strengthen the relationship with neighbouring states on matters relating to spectrum management. During 2012, the Authority examined requests submitted by other jurisdictions to establish new radiocommunications stations. It also launched a process to coordinate radiolocation (radar) stations and an AM broadcasting station.

Regarding the cross-border harmful interference experienced on Malta's frequencies, Malta requested the support of the ITU's Radiocommunication Bureau and of the European Union to assist it in finding a solution to this matter. Regular discussions were held on cross-border coordination within the Radio Spectrum Policy working Group (RSPG). Several bi-lateral discussions were also held at a technical and political level with the competent Italian Authorities on the matter.

PARTICIPATION IN INTERNATIONAL FORA



PARTICIPATION AT WORLD CONFERENCES OF THE INTERNATIONAL TELECOMMUNICATION UNION (ITU)

WORLD RADIOCOMMUNICATION CONFERENCE (WRC-12):

The Authority participated in the last World Radiocommunications Conference held in Geneva between 23rd January and 17th February 2012. 3,500 delegates from 195 countries participated in this conference, where the main topics discussed were divided into the following nine main work streams: radio location; aeronautical; maritime; science; satellite; fixed mobile and broadcasting; regulations; future work programme for WRC-15; and general issues. The Conference considered and adopted a number of proposals concerning amendments to the Radio Regulations. The Conference also accepted proposals made by the Maltese delegation to revise certain footnotes to the table of frequency allocations concerning Malta. The Maltese representatives also raised the issue of cross-border harmful interference present on its terrestrial television and radio broadcasting services. This interference is being caused by stations located in Sicily. One of the outcomes of the conference was the establishment of a roadmap to solve the reported cases of harmful interference.

WORLD CONFERENCE ON INTERNATIONAL TELECOMMUNICATIONS (WCIT-12):

The Authority also participated at the World Conference on International Telecommunications, which was held in Dubai, United Arab Emirates between 3rd and 15th December 2012. The conference revised the International Telecommunications Regulations (ITRs) established in 1988, which set out the international framework for the regulation of international telecommunications services.

SUBMARINE NETWORK WORLD 2012

The Authority participated in this conference on behalf of Government. Brochures and other conference material were produced and distributed during this event to promote Malta as an investment destination. Dedicated to the global submarine cable industry, this conference featured top individuals from the largest and most reputable organisations across the globe. The conference aimed at providing insightful knowledge on the latest developments and business models in the global telecommunications infrastructure and first-hand information on cable networks project updates.

BODY OF EUROPEAN REGULATORS OF ELECTRONIC COMMUNICATIONS (BEREC)

The MCA is a member of this Body and participates in Plenary meetings held every quarter, as well as in respective working groups. In December 2012, the MCA hosted the 13th BEREC Plenary - a meeting which brings together the heads of the Authorities and the European Commission. During the meeting, BEREC adopted a number of documents, including a number of Common Positions and its work programme for 2013. At the meeting, the BEREC received a formal request from the Commission to draft an opinion on the Commission's draft Recommendation on issues of non-discrimination and costing methodologies.

LIST OF MEETINGS ATTENDED BY THE MCA IN 2012

Commission / Council meetings

COCOM (Communications Committee)	February / April / June / October / November / December
COCOM Working Group (WG) on MSS (Implementation of framework for pan-European systems providing mobile satellite services)	June
Connecting Europe Facility project planning meeting with Member States	May
Council Working Party (Intermodal)	July
Council Working Party (Telecoms and Information Society)	January / July / September / October / November
DG Connect Workshop on electronic communications market indicators and studies	October
Digital Agenda Assembly 2012	June
Digital Agenda - Digital Champions Meeting	June / September / December
eCommerce Expert Group	July
ENISA Article 13a Workshop	February / October
European Global Navigation Satellite Services (GNSS) Programmes Committee	February
European GNSS WG PRS Bilateral Meeting	September
EU Workshop on Postal Studies	November
High Level Internet Governance meeting	May / November
Postal Directive Committee	May / December
Pre-notification meeting Markets 4/5	March
Radio Spectrum Committee	July / October / December
Radio Spectrum Policy Group (RSPG)	February / June / October / November
RSPG public workshop on inventory and review of spectrum use	May
RSPG WG EU assistance in bilateral coordination	September
RSPG WG Spectrum for wireless broadband	April / October / December

REGULATORY

BEREC Benchmarking Expert WG	December
BEREC Contact Network	February / May / September / November
BEREC Convergence & Economic Analysis and Benchmarking Expert WG	January
BEREC Evaluation Expert WG	September
BEREC Expert Workshop on IP-interconnection in cooperation with OECD	June
BEREC Extraordinary Plenary	November
BEREC Framework Implementation WG	October
BEREC MTR / FTR Expert WG	January / July
BEREC net neutrality Expert WG	January / April / August / October
BEREC NGN WG	November
BEREC Phase II Expert WG	March
BEREC Plenary	February / May / September
BEREC Recommendation on Relevant Markets Expert WG	October / December
BEREC Termination Rates Expert WG	November
CEPT (European Conference of Postal and Telecommunications Administrations)	May / November
CERP (European Committee for Postal Regulation) WG Universal Postal Union	February / May
Dot Celebration Event	July
ERGP (European Regulator Group for Postal Services) sub-group on common cost allocation	March
eSignatures Workshop	January
European Child Safety Online Conference	November

REGULATORY - Continued

European Space Solutions Conference	December
Frequency issues bilateral meeting	January / March / September
FSR (Florence School of Regulation) Communications and Media Annual Training	October / November / December
FSR European Postal Regulation Forum	February
FSR Workshops - Economics of Communication and Media Markets	March
FSR Workshop - The state of the industry: telecommunications and content	November
Global Submarine Cable Forum	March
GSMA meeting	February
ICT-VN Conference	November
ICT-VN Project - Consortium Meeting	April / October
Insafe Resource Cluster meeting	February
Interconnect Communications Regulatory Masterclass	July
ITU Conference	January
ITU Congress	February
Protecting Internet Safety Globally: Connecting generations	May
RIPE NCC Round Table Meeting	February
Safer Internet Forum	October
SMAU Business Fair 2012	October
Submarine Network World 2012	September
Telecentre Europe General Meeting	February
Telecentre-Europe Summit 2012	October
Unite-IT Project meeting	November
UPU Congress	October
World Conference on International Telecommunications	December

OTHER MEETINGS

Article 13A workshop	September
BEREC Summit	November
CEPT - Preparatory Group Meeting for WRC-12	June, November
Conference "Bundling and multi-play: Does it require a new regulatory paradigm?"	May
CRRl Postal and Delivery Service Programme	June
Digital Agenda for Europe High Level Group - Broadband workshop	March
Digital Agenda for Europe round table conference	December
EET's Broadband Measurement Tools	November
ERA briefing on 'Impacts of the ECJ decision in Football Association Premier League and others'	November
Experience exchange with the Cavan Enterprise Board (Ireland)	November
GSM Ministerial Programme	February
IACL Conference	June
IBC Conference	September
ICT-VN	September
Inhope Meeting and Insafe Southern Regional Cluster Meeting	July
Innovation for Digital Inclusion	October
Insafe Training	April, September
Regulatory and Policy Challenges of NGA	November
Workshop with the Cion and Regulatory Accounting WG	September
IPv6 World Congress	February
ITU - Harmful interference to BC/ BT stations in the UHF/VHF bands	May

OTHER MEETINGS - Continued

Join-the-Dot	March
Number Portability Conference	June
Pluralism and Competition in the Regulation of New Media	November
Prospectives for the Development of Electronic Communications Market Conference	October
Safer Internet Forum	October
Submarine Networks World 2011	September
Telecentre Europe Summit	October
Tudela Spain Value Network Forum	December
WebCheck	August
Workshop, Broadband Policy and NGA Regulation	April

Over and above its participation in such meetings, the Authority regularly contributes to ongoing discussions at a pan-European level, often being required to provide regulatory and legal input, either directly, or on behalf of Government, in order to safeguard national interests. Throughout 2012, the Authority was consulted on the issues outlined below.

EUROPEAN COMMISSION PROPOSALS WITHIN THE DIRECT COMPETENCE OF THE MCA

- COM (2011) 942 – A coherent framework for building trust in the digital single market for eCommerce and online services.
- COM (2011) 795 – Universal service in e-communications: report on the outcome of the public consultation and the third periodic review of the scope, in accordance with Article 15 of Directive 2002/22/EC.
- COM (2012) 430 – Establishing the EU position for the review of the International Telecommunications Regulations to be taken at the World Conference on International Telecommunications or its preparatory instances.
- COM (2012) 469 – Signing of provisional application of cooperation agreement between EU and Switzerland (GNSS).
- COM (2012) 470 – Conclusion of cooperation agreement between EU and Switzerland (GNSS).
- COM (2012) 478 – Promoting the shared use of radio spectrum resources in the internal market.

EUROPEAN COMMISSION PROPOSALS WHERE THE MCA WAS REQUESTED TO PROVIDE FEEDBACK TO GOVERNMENT

- COM (2011) 657 – Regulation on guidelines for trans-European telecommunications networks and repealing Decision No. 1336/97/EC.
- COM (2011) 665 – Regulation establishing the Connecting Europe Facility.
- COM (2012) 33 – Interim evaluation of the multi-annual union programme on protecting children using the Internet and other communication technologies.
- COM (2012) 196 – European Strategy for a Better Internet for Children.
- COM (2012) 238 – Electronic identification and trust services for electronic transactions in the internal market.
- COM (2012) 225 – A European consumer agenda.

LIST OF CONSULTATIONS AND DECISIONS



CONSULTATIONS

- Broadband Internet Quality of Service Framework - January
- Information to be included in subscriber contracts - February
- Interim review of wholesale mobile termination rates - March
- Wholesale access and call origination on mobile networks - May
- Pricing of postal redirection services - May
- Review of wholesale access broadband market - June
- Provision of dedicated capacity over leased lines in Malta - July
- Regulation of the postal sector in a fully liberalised market - August
- Postal authorisation regime in a fully liberalised environment - August
- Estimating the cost of capital - September
- A new BUCM for fixed networks and proposed interconnection prices - October
- Price control mechanism for MaltaPost and revised postal tariffs - October

DECISIONS

- MCA Decision on access to the public telephone network at a fixed location – February
- Must Carry Obligations – Designation of obligation on providers of networks used for television and radio distribution services – February
- Measuring authorised operator quality of service performance report – updated March
- Decision on assignment of spectrum in the 3400 – 3800 MHz band – April
- Pricing of postal redirection services provided by MaltaPost – June
- Interim review of wholesale mobile termination rates – June
- Decision on subscriber contracts - July
- Decision on wholesale access and call origination on mobile networks – August
- Regulating the postal sector in a fully liberalised market – November
- Postal authorisation regime in a fully liberalised environment - November
- Price control mechanism for MaltaPost and revised postal tariffs - November
- Estimating the cost of capital – November
- Decision on the definition, assessment of competition and regulation of leased line markets - December
- Response to consultation and decision on the MCA's new BUCM for fixed networks and fixed interconnection prices - December
- Decision designating MaltaPost as having significant market power – December

ANNEX

ANNEX 1: LIST OF CTLGs IN MALTA AND GOZO

CENTRE	LOCALITY
A.T.T.I.C., St. Francis Parish	Qawra
AÇCESS	Vittoriosa
Birkirkara Local Council	Birkirkara
Caritas San Blas *	Siggiewi
Corradino Correctional Facilities *	Corradino
Employment & Training Corporation (ETC) Training Centre	Xewkija, Gozo
Farmers Association **	Ta' Qali
Inspire	Bulebel, Żejtun
Isla Local Council	Isla
Kalkara Local Council	Kalkara
Local Council Association	Balzan
Mount Carmel Hospital *	Attard
National Council of Women (NCW)	Blata l-Bajda
PHRF ¹⁷	Kordin
Richmond Foundation	St. Venera
Salvinu Spiteri Foundation (UHM)	Floriana
St. Augustin Parish, IT Centre	Valletta
St. Vincent De Paul Residence *	Luqa
Substance Abuse Therapeutic Unit (SATU) *	Mtarfa

* Serves a specific community (not open to the general public)

** Specific project for farmers

17. The mission of the PHRF is to serve as a medium for deliberation, exchange of ideas, knowledge, skills and experience, as well as the compilation and dissemination of information. The PHRF organises trade classes and courses of instruction, encourages research in the field of rehabilitation through participation in sports and social activities. It also assists governmental agencies or authorities and private enterprise in their programmes for the rehabilitation of people with disabilities. This centre also helps in securing employment for these individuals.

ANNEX 2: LIST OF FREE WI-FI HOTSPOTS

LOCALITY	ADDRESS
Attard	Station Garden
Attard	Tumas Dingli Square
Bahar iċ-Ċaghaq	Recreational Area
Balzan	Bertu Fenech Square
Birgu	Victory Square
Birkirkara	Mrieħel School
Birkirkara	Train Station's Park
Birżebbuġa	Pretty Bay
Bormla	Paolino Vassallo Square
Bormla	Primary School
Ċirkewwa*	Ferry Terminal
Dingli	Dingli Bus Terminus
Fgura	R. Miller Square
Floriana	Education Information Centre
Floriana	Public Library
Floriana	The Granaries
Fontana	Fountain Street
Għajnsielem	Our Lady of Loreto Square
Għarb	Ta' Dbiegi
Għarghur	Peace Gardens
Għasri	Saviour Square
Għaxaq	St. Rocco Zone
Gudja	Public Library
Gżira	Council of Europe Gardens
Gżira	Local Council Activities Centre
Hamrun	St. Paul Square
Iklin	Ġuże Ellul Mercer Street
Isla	Victory Street
Kalkara	Archbishop Gonzi Square
Kerċem	Orvieto Square

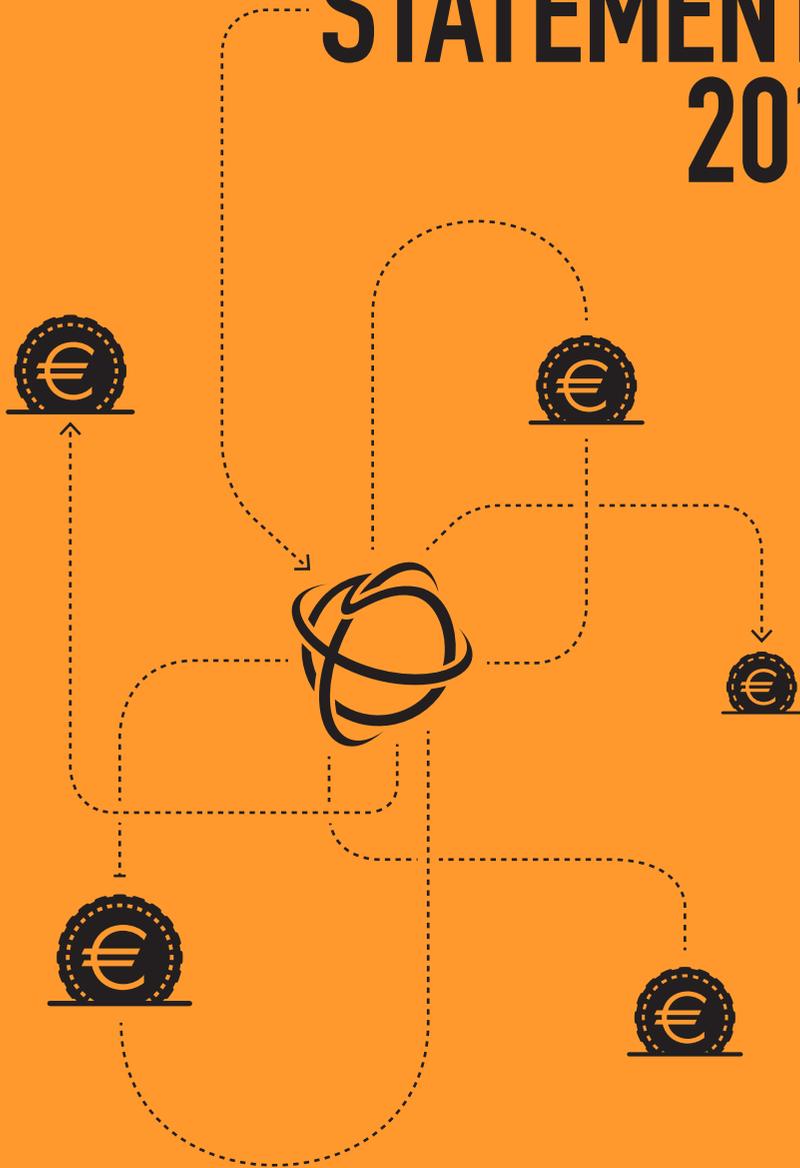
LOCALITY	ADDRESS
Kirkop	Community Playing Field
Kirkop	St. Leonard Square
Lija	Transfiguration Square
Luqa	Football Grounds
Luqa*	St. Vincent de Paule Residence
Marsa	Saint Thomas Street
Marsalforn	Menqa
Marsaskala	Mifsud Bonnici Square
Marsaxlokk	Our Lady of Pompeii Square
Mdina	St. Paul Square
Mellieħa	Dun Anton Debono Gardens
Mġarr	Public Garden in Mons. O. Vella Street
Mġarr (Gozo)	Mġarr Terminal
Mosta	Rotunda Square
Mqabba	Primary School
Mqabba	Tfal ir-Rahal Gardens
Msida	Mater Dei Hospital (Outpatients, Foyer, Emergency Areas and Canteen)
Msida	Menqa Square
Mtarfa	Town Square
Munxar	Profs Ġużè Aquilina Street
Nadur	St. Peter and St. Paul Square
Naxxar	Giovanni Curmi Higher Secondary School
Naxxar	Toni Vella Gardens
Paola	Antoine de Paule Square
Paola	Sant' Ubaldesca Square
Paola	Vittoriosa Lawn Tennis Club

LOCALITY	ADDRESS
Pembroke	Mother Theresa of Calcutta Gardens
Pembroke*	Pembroke Gardens
Pietà	Marina Gardens
Qala	Family Gardens
Qawra	Salini
Qawra*	Access Centre
Qormi	De La Cruz Garden
Qormi	Frederic Maempel Garden
Qormi	Grandmaster Square
Qormi*	Southern Region Offices
Qrendi	Dama Cecilia Garden
Rabat	Parish Square
Rabat	National Archives
Rabat (Gozo)	Independence Square
Rabat (Gozo)	Sir Mikelang Refalo Centre for Further Studies
Safi	Day Care Centre
San Ġwann*	Awrekarja Square
San Ġwann	Misrah Lewża Garden
San Ġwann	Primary School
San Lawrenz	St. Lawrence Square
Siġġiewi	Saint Nicholas Square
Sliema	Bisazza Street
Sliema	Independence Gardens
Sliema	Primary School
Sliema*	Public Library
Sliema	St. Anne Square
Sliema	Qui-Si-Sana Gardens
St. Julians	Balluta Square
St. Julians	Millennium Chapel
St. Julians*	St. George's Bay

LOCALITY	ADDRESS
St. Lucija	7th July Square
St. Paul's Bay	Buġibba Square
St. Paul's Bay*	Buġibba Terminal
St. Paul's Bay	Primary School
St. Venera	Romeo Romano Gardens
Swatar*	Swatar Playing Field
Swieqi	St. Andrew Gardens
Ta' Qali	Adventure Park
Ta' Qali	National Park
Ta' Sannat	St. Margerita Square
Ta' Xbiex	Ta' Xbiex Waterfront
Tarxien	Garden in Annettu Caruana Street
Valletta	Lower Barrakka
Valletta	Mattia Preti Square
Valletta	National Library
Valletta	Passports Office
Valletta	St. George Square
Valletta*	Upper Barrakka Gardens
Xaghra	Victory Square
Xewkija	St. John the Baptist Square
Xghajra	Public Library
Xlendi	St. Simon Street
Żabbar	Council Garden
Żebbuġ	St. Philip Square
Żebbuġ (Gozo)	Assunta Square
Żejtun	St. Gregory Garden
Żurrieq*	Ġibjun Garden
Żurrieq	Student Adrian Borg Garden
Żurrieq*	Wied Babu Street

*Wi-Fi hotspots installed throughout 2012.

FINANCIAL STATEMENTS 2012



GENERAL INFORMATION

The Malta Communications Authority was established by virtue of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

MEMBERS OF THE AUTHORITY

Ing. P. Micallef	[Chairman, resigned on 31 December 2012]
Mr. I. Bartolo	
Dr. A. Ghio	[appointed Chairman on 10 December 2012]
Ms. B. Sullivan	
Ms. A. Vassallo	
Dr. R. Balzan	[appointed on 10 December 2012]

BANKERS

Bank of Valletta plc	HSBC Bank Malta plc
Preluna Towers	17, Lascaris Wharf
Tower Road	Valletta VLT 1921
Sliema	MALTA
MALTA	

HEAD OFFICE

Valletta Waterfront
Pinto Wharf
Floriana FRN 1913
MALTA

AUDITORS

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Authority submit their annual report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The Malta Communications Authority was established by virtue of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta for the purposes of carrying out the functions defined in the said Act. By virtue of Legal Notice 280 of 2000 the Minister for Transport and Communications nominated the Malta Communications Authority to be the Competent Authority to regulate communications services in Malta with effect from 1 January 2001.

Furthermore, by virtue of Legal Notice 835 of 2004, the Minister for Competitiveness and Communications nominated the Malta Communications Authority to fulfil the functions for the management of authorisations in respect of apparatus for which a frequency assignment is required, or used by merchant ships or other seagoing vessels, with effect from 30 July 2004. The Malta Communications Authority was nominated as the competent entity under the E-Commerce Act as from 10 May 2002 as per L.N.110 of 2002.

The Malta Communications Authority became responsible for the Postal Services Act (Cap 259) as from 1 June 2003 as per L.N. 129 of 2003.

RESULTS

By virtue of the Electronic Communications (Regulation) Act, authorised undertakings shall pay the Authority administrative charges to cover the costs of Regulating Electronic Communications incurred by the Authority and fees for rights of use of scarce resources.

The total net operating income generated by the Authority during the year amounted to €9,168,481 (2011: €8,538,299) out of which licensing and usage fees for scarce resources, amounting to €4,687,269 (2011: €3,763,293) were transferred to the Government of Malta. After meeting all expenditure of €4,581,714 (2011: €4,503,109) the Authority closed off the year with a deficit, net of taxation, of €62,679 (2011: surplus, net taxation of €229,033).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to €744,987 (2011: €1,002,488) has been deducted from usage fees for scarce resources forwarded to the Government of Malta.

The deficit made by the Authority during the year was the result of expenditure amounting to €120,987 which was incurred in relation to projects not related to the regulatory function of the Authority. Such projects were funded from the Authority's reserves which are made up of own income which is extraneous to the general authorisations administrative charges collected from regulated undertakings. Notwithstanding the deficit incurred during the year, the reserves of the Authority as at 31 December 2012 stood at €653,405.

MEMBERS OF THE AUTHORITY

The Members who served during the year under review were as noted on page 93.

In accordance with Part II, Section 3 of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, the Chairman and the other Members of the Authority are appointed by the Minister responsible for communications. The Members of the Authority are appointed by the Ministry for a maximum period of three years but may be re-appointed on the expiration of their term of office.

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE AUTHORITY

The Malta Communications Authority Act, Cap. 418 of the Laws of Malta section 20 requires the Authority to keep proper books of accounts and other records in respect of its operations and to prepare a statement of accounts in respect of each financial year.

AUDITOR

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the board members' meeting.

The report of the Members was approved and signed on their behalf by:



A. GHIO
Chairman

Valletta Waterfront
Pinto Wharf
Floriana FRN 1913
MALTA

4th March 2012



I. BARTOLO
Member

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALTA COMMUNICATIONS AUTHORITY

We have audited the financial statements of Malta Communications Authority set out on pages 97 to 115 which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As described in the statement of members' responsibilities on page 95, the members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those

risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

This copy of the audit report has been signed by Emanuel Azzopardi for and on behalf of



ERNST & YOUNG MALTA LIMITED
Certified Public Accountants

4th March 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 EUR	2011 EUR
Income			
Revenues	3	9,144,805	8,279,894
Other income	4	23,676	258,405
		9,168,481	8,538,299
Expenditure			
Staff costs	5	(2,248,289)	(2,106,509)
Depreciation	10	(159,798)	(136,246)
Operating and administrative expenses	6	(2,173,627)	(2,260,354)
		4,586,767	4,035,190
Operating surplus			
Finance income	7	51,030	37,722
		4,637,797	4,072,912
Transfers to Government	8	(4,687,269)	(3,763,293)
		(49,472)	309,619
(Deficit)/surplus before taxation			
Taxation	9	(13,207)	(80,616)
		(62,679)	229,003
(Deficit)/surplus for the financial year			
Other comprehensive income		-	-
		(62,679)	229,003
Total comprehensive (loss)/income for the year, net of tax		(62,679)	229,003

The accounting policies and explanatory notes on pages 101 to 115 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 EUR	2011 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	314,528	357,298
Current assets			
Trade and other receivables	11	1,695,037	4,942,961
Income tax receivable		44,176	-
Cash and short-term deposits	15	2,486,574	2,910,528
		4,225,787	7,853,489
TOTAL ASSETS		4,540,315	8,210,787
EQUITY AND LIABILITIES			
Reserve			
Retained earnings	12	653,405	736,429
Current liabilities			
Trade and other payables	13	3,886,910	7,468,546
Income tax payable		-	5,812
Total liabilities		3,886,910	7,474,358
TOTAL EQUITY AND LIABILITIES		4,540,315	8,210,787

The accounting policies and explanatory notes on pages 101 to 115 form an integral part of the financial statements.

The financial statements on pages 97 to 115 have been authorised for issue by the Members on the 4th March 2013 and were signed on their behalf by:



A. GHIO
Chairman



I. BARTOLO
Member

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Retained earnings EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2012	
Balance as at 31 December 2011	736,429
Deficit for the year	(62,679)
Other comprehensive income	-
Total comprehensive loss	(62,679)
ISS unutilised subvention (note 2.3)	(20,345)
Balance at 31 December 2012	653,405

FINANCIAL YEAR ENDED 31 DECEMBER 2011

Balance as at 31 December 2010	507,426
Surplus for the year	229,003
Other comprehensive income	-
Total comprehensive income	229,003
Balance at 31 December 2011	736,429

The accounting policies and explanatory notes on pages 101 to 115 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 EUR	2011 EUR
Operating activities			
(Deficit)/surplus before taxation		(49,472)	309,619
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		159,798	136,246
Transfers to Government		4,687,269	3,763,293
Gain on disposal of property, plant and equipment		-	(4,000)
Movement in provision for bad and doubtful debts		18,729	1,606
Finance income		(51,030)	(37,722)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		3,231,679	(3,067,363)
(Decrease)/increase in trade and other payables		(3,193,023)	2,489,911
Interest received		4,803,950	3,591,590
Income tax paid		48,546	29,241
		(63,195)	(76,690)
Net cash flows from operating activities		4,789,301	3,544,141
Investing activities			
Proceeds from sale of property, plant and equipment		-	4,000
Purchase of property, plant and equipment		(117,028)	(142,457)
Net cash flows used in investing activities		(117,028)	(138,457)
Financing activities			
Funds paid to Government		(5,096,227)	(4,274,413)
Net cash flows used in financing activities		(5,096,227)	(4,274,413)
Net decrease in cash and cash equivalents		(423,954)	(868,729)
Cash and cash equivalents at 1 January		2,910,528	3,779,257
Cash and cash equivalents at 31 December	15	2,486,574	2,910,528

The accounting policies and explanatory notes on pages 101 to 115 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Malta Communications Authority (“the Authority”) was established on 1 January 2001 by virtue of the Malta Communications Authority Act Cap. 418 of the Laws of Malta. The Authority is a body corporate having a distinct legal personality with its legal representation jointly vested in the Chairman and the Director General.

The purpose of the Authority is to ensure freedom of communication and that communication shall not be limited except when this is necessary for any of the reasons set out in Section 4 (1)(a) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta, and to ensure non-discrimination and equality of treatment in matters related to communications. It shall in particular be the duty of the Authority to exercise such regulatory function in the field of communications under the provisions of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta and as may from time to time be assigned to the Authority by or under an Act of Parliament. The Authority shall also carry out various other related functions and duties as set out in Section 4 (3) of the Act.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements have been prepared under the historical cost convention and are presented in Euro. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta. The accounting policies adopted are consistent with those applied during the previous years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

The Authority has adopted the following new and amended IFRS and IFRIC interpretations:

- IAS 12 Amendments – Recovery of underlying assets (effective for financial years beginning on or after 1 January 2012)
- IFRS 1 Amendment – Severe Hyperinflation and removal of fixed dates for first-time adopters (effective for financial years beginning on or after 1 January 2013)
- IFRS 7 Amendments – Transfer of financial assets disclosures (effective for financial years beginning on or after 1 July 2011)

The adoption of the standards or interpretations above did not have an impact on the financial statements or performance of the Authority.

Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Authority has not early adopted, but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Authority. The new and amended standards are as follows:

- IAS 1 Amendments – Presentation of items of other comprehensive income (effective for financial years beginning on or after 1 July 2012)
- IAS 19 Amendments – Employee Benefits (effective for financial years beginning on or after 1 January 2013)
- IAS 27 Revised – Separate financial statements (effective for financial years beginning on or after 1 January 2013)
- IAS 28 Revised – Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2013)
- IAS 32 Amendments – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- IFRS 7 Amendments – Financial instruments: Disclosures – Offsetting of financial assets and financial liabilities (effective for financial years beginning on or after 1 January 2013)
- IFRS 10 – Consolidated financial statements (effective for financial years beginning on or after 1 January 2013)
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2013)
- IFRS 12 – Disclosures of interests in other entities (effective for financial years beginning on or after 1 January 2013)
- IFRS 13- Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)
- IFRIC 20 – Stripping costs in the production phase of a surface mine (effective for financial years beginning on or after 1 January 2013)

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU

- IFRS 1 Amendments – Government Loans (effective for financial years beginning on or after 1 January 2013)
- IFRS 9 – Financial Instruments (effective for financial years beginning on or after 1 January 2015)
- IFRS 7 Amendments – Disclosure for initial application of IFRS 9 (effective for financial years on or after 1 January 2013)
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for financial years beginning on or after 1 January 2013)
- Investment entities Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for financial years beginning on or after 1 January 2014)
- Improvements to IFRSs issued May 2012 (various effective dates)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from licences is recognised on the issue of a new licence or on the renewal date. Such revenue is recognised in the statement of comprehensive income over the year to which the licence relates. The unexpired portion of annual fees billed in advance is recognised as deferred income in the statement of financial position.

Administration charges consist of amounts receivable from operators in respect of costs incurred by the Authority in ensuring compliance with the regulatory framework.

Usage fees consist of amounts collected by the Authority for rights of use of scarce resources as established under Part B of the Eighth Schedule of the Electronic Communications Networks and Services (General) Regulations, 2011 (SL399.28).

Postal licensing fees consist of licences collected by the Authority in accordance with the First Schedule to the Postal Services General Regulations of 2005 (LN328/05).

Government subvention contributed to the Authority through a vote in parliament is accrued for in accordance with the Authority's approved budget for the year.

Interest income is recognised as the interest accrues using the effective interest method.

Retirement benefit costs

The Authority contributes towards the state pension in accordance with local legislation and does not provide for other contributions or retirement benefit plans or pensions. Related costs are expensed during the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to the statement of comprehensive income in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost.

Property, plant and equipment - continued

Depreciation is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Building improvements	20
Computer equipment	17 - 33
Fixtures, fittings and equipment	10 - 20
Motor vehicles	20

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible assets. Collectables and antiques are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

Impairment of assets

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if

there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount. A provision for impairment is made when there is objective evidence that the Authority will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade and other accounts receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are

charged directly to equity. Financial instruments are offset when the Authority has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The de-recognition of a financial instrument takes place when the Authority no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Trade and other payables

Liabilities for amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade and other payables are recognised when the Authority has a present obligation whether or not billed to the Authority.

ISS unutilised subvention

Information Society Services (ISS) is financed via an annual Government Subvention which is used to finance all ISS related work-streams together with any required ISS related Capital Expenditure. The accounting surplus, net of tax, resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received is transferred back as due to Government.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable to or disallowed for tax. It is calculated using tax rates that were applicable at the date of the statement of financial position.

Deferred taxation

Deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised as income or expense and included in the statement of comprehensive income for the period, except to the extent that the tax arises from a transaction or event which is recognised directly in equity.

Deferred tax assets are recognised only to the extent that future taxable profits will be available such that realisation of the related tax benefit is probable.

Foreign currencies

The Authority's financial statements are presented in Euro, which is the Authority's functional and presentation currency. Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the statement of financial position date. All resulting differences are taken to the statement of comprehensive income.

Related parties

The term 'related party' refers to other Government controlled entities.

Cost Appointment Methodology

In 2011, the Authority revised its cost apportionment methodology with respect to the apportionment of indirect costs levied on the Authority's various activities. Indirect costs are being allocated on various activities other than Electronic Communication Activities using a modified incremental cost model which utilises staff time recordings based on monthly time sheets as its main cost driver. All remaining direct related costs are directly apportioned to the activity to which they pertain.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the members are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the members, the accounting estimates, assumptions and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised)- 'Presentation of financial statements'.

3 REVENUES

The revenues generated by the Authority are made up of:

	2012 EUR	2011 EUR
Telecommunications, postal licensing and right of way (note i, ii)	777,997	767,929
Administrative charges	2,946,357	2,559,534
Usage fees for scarce resources (note ii)	4,206,528	4,137,613
Application fees and other income	785,296	414,818
Government subvention (note iii)	428,627	400,000
	9,144,805	8,279,894

- i. Fees for right of way are collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap 81) under the delegation of the Authority for Transport in Malta.
- ii. All revenue generated from telecommunications, postal licensing, and right of way income and usage fees for scarce resources is transferred to the Government of Malta (note 8), except for an amount of €744,987 (2011: €1,002,488) intended to finance expenses incurred by the Authority not in connection with electronic communications.
- iii. The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament.

4 OTHER INCOME

Other income relates to fines imposed by the Authority in 2012, where such fines had amounted to €23,676 (2011: €258,405).

5 EMPLOYEE INFORMATION

A. Staff costs

The total employment costs were as follows:

The Authority	2012	2011
	EUR	EUR
Members' emoluments	129,038	117,448
Wages and salaries	1,841,166	1,740,641
Social security costs	111,732	99,641
Authority's staff costs recharged to ISS operations (note i)	(67,669)	(67,937)
Authority's staff costs recharged to EU funded projects	(1,015)	(2,436)
Authority's staff costs reimbursed from other entities	-	(17,622)
	2,013,252	1,869,735

- i. This amount relates to staff costs incurred by the Authority for ISS related activities. This is included in ISS Operating and administrative expenses in note 6.

Others:

ISS	2012	2011
	EUR	EUR
Wages and salaries	217,604	217,283
Social security costs	16,418	17,055
ISS staff costs recharged to EU funded projects	(41,994)	(58,930)
	192,028	175,408
EU funded projects		
Staff costs recharged by the Authority	1,015	2,436
Staff costs recharged by ISS	41,994	58,930
	43,009	61,366
Total staff costs	2,248,289	2,106,509

B. Staff numbers

The average number of persons, excluding board members, employed by the Authority during the year was 74 (2011: 74).

6 OPERATING AND ADMINISTRATIVE EXPENSES

	2012 EUR	2011 EUR
The Authority		
Outsourced project costs	673,669	627,745
Corporate administrative expenses	527,973	500,296
Public relations and communications	183,560	206,379
Travelling expenses	111,707	74,373
Increase in provision for doubtful debts	19,329	1,006
Auditors' remuneration	10,129	10,081
Rental expenses	71,583	70,246
Gain on disposal of property, plant and equipment	-	(4,000)
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	77,117	106,585
Bad debts	1,006	139,761
	1,676,073	1,732,472
Others:		
ISS		
Public relations and communications	23,465	40,648
Travelling expenses	952	197
Audit fees	1,317	1,365
Professional fees	3,201	15,634
Bank charges	142	79
Staff costs recharged by the Authority	67,669	67,937
Corporate administrative expenses	44,587	34,115
Outsourced project costs	149,971	175,599
Rental expenses	9,233	8,208
Self financing portion of EU projects	12,679	15,714
(Decrease)/increase in provision for doubtful debts	(600)	600
Bad Debts	600	-
	313,216	360,096
EU funded projects		
Travelling expenses	12,080	15,004
Audit fees	4,425	2,950
Consultancy	21,557	6,121
Outsourced project costs	146,276	143,711
	184,338	167,786
Total operating and administrative expenses	2,173,627	2,260,354

7 FINANCE INCOME

	2012 EUR	2011 EUR
On cash and short-term deposits	19,262	22,508
On amounts due from debtors	31,768	15,214
	51,030	37,722

8 TRANSFERS TO GOVERNMENT

These amounts represent the gross telecommunications, postal licensing and rights of way income and usage fees for rights of use of scarce resources which is being transferred to the Government as provided by section 14 (4) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to €744,987 [2011: €1,002,488].

9 TAXATION

	2012 EUR	2011 EUR
Current tax	12,169	80,616
Adjustment in respect of current income tax of previous years	1,038	-
Deferred tax (note i)	-	-
	13,207	80,616

- i. Under the legislation in force governing the operations of the Authority, the Authority charges administrative fees to the service providers equivalent to its cost. Moreover, all the license fees collected are transferred to the Government. Since the Authority is not expected to generate any taxable profits, management is of the opinion that no deferred tax asset should be accounted for. Keeping in view this fact, the potential deferred tax asset amounting to €39,381 (2011: €6,487) has not been accounted for in these financial statements.

The taxation on profit on ordinary activities differs from the theoretical taxation expense that would apply on the Authority's profit before transfers to Government and taxation using the applicable tax rate in Malta of 35% as follows:

	2012 EUR	2011 EUR
Profit before transfers to Government and taxation	4,637,797	4,072,912
Theoretical taxation expense at 35%	1,623,229	1,425,519
Tax effect of		
- non-deductible expenses	6,555	-
- income not subject to tax	(1,644,599)	(1,326,641)
- excess of capital over depreciation allowances	28,621	(17,459)
- income subject to different tax rates	(1,637)	(803)
- adjustment in respect of current income tax of previous years	1,038	-
	13,207	80,616

10 PROPERTY, PLANT AND EQUIPMENT

	Building improvements EUR	Fixture, Computer equipment EUR	fitting & equipment EUR	Motor vehicle EUR	Total EUR
Cost					
At 1 January 2011	288,163	882,849	349,895	86,509	1,607,416
Additions	1,198	138,182	3,077	-	142,457
Disposals	-	(10,882)	-	(27,123)	(38,005)
At 31 December 2011	289,361	1,010,149	352,972	59,386	1,711,868
Additions	-	112,888	4,140	-	117,028
Disposals	-	(2,905)	-	-	(2,905)
At 31 December 2012	289,361	1,120,132	357,112	59,386	1,825,991
Depreciation					
At 1 January 2011	286,656	629,086	265,165	75,422	1,256,329
Depreciation charge for the year	1,067	111,496	16,555	7,128	136,246
Disposals	-	(10,882)	-	(27,123)	(38,005)
At 31 December 2011	287,723	729,700	281,720	55,427	1,354,570
Depreciation charge for the year	919	139,493	15,427	3,959	159,798
Disposals	-	(2,905)	-	-	(2,905)
At 31 December 2012	288,642	866,288	297,147	59,386	1,511,463
Net book value					
At 31 December 2012	719	253,844	59,965	-	314,528
At 31 December 2011	1,638	280,449	71,252	3,959	357,298

11 TRADE AND OTHER RECEIVABLES

	2012 EUR	2011 EUR
Trade receivables (note i)	1,526,741	4,623,357
Accrued income	39,083	176,164
Prepayments	129,213	143,440
	1,695,037	4,942,961

i. Trade receivables are non-interest bearing and are generally on a 30 day term.

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired			
			<30 days EUR	30-60 days EUR	60-90 days EUR	>90 days EUR
2012	1,526,741	1,119,891	-	27,587	22,970	356,293
2011	4,623,357	4,490,194	-	2,195	14,635	116,333

12 RESERVE

The balance on the retained earnings in the statement of financial position as at 31 December 2012 represents the resulting accumulated surplus over the years.

13 TRADE AND OTHER PAYABLES

	2012 EUR	2011 EUR
Amount due to Government	486,722	1,073,104
Deferred income (note i)	2,475,914	2,741,640
Accruals	271,642	233,239
Social security contributions and other taxes	61,651	46,424
Other payables (note ii)	590,981	3,374,139
	3,886,910	7,468,546

- i. Deferred income comprises the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to €227,155 (2011: €635,187) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.
- ii. Other payables consist of the following:
- As per Directive No. 2 of 2005 on Modalities of Payment for Contributions to the Cost of Legal Intercept Obligations and in accordance with Regulation 13 of the Electronic Communications Networks and Services (General) Regulations, the Authority had introduced a fund mechanism for the sharing of the cost of legal interception obligations. As at 31 December 2012, Legal Intercept funds amounted to €55,173 (2011: €176,457). These are due to the providers of electronic communication services or networks on whom legal interception contributions were imposed during the period 1st January to 31st December 2011. In December 2011, the Authority had issued legal interception invoices, on behalf of Malta Security Services, for the period January to December 2012 amounting to €2,750,000. These invoices had been billed in advance and were included with other payables. Following a Government decision taken in 2012, these legal interception invoices were reversed in 2012.
 - Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.
 - Trade payables are non-interest bearing and are normally settled on 60-day terms.

14 RELATED PARTY DISCLOSURES

	2012	2011
	EUR	EUR

Transactions with key management personnel

During the year ended 31 December 2012, short term employee benefits to key management personnel amounted to €471,436 (2011: €444,788).

Other related party transactions

The Authority has undertaken the following transactions with the Government of Malta as follows:

	2012	2011
	EUR	EUR
Government Subvention – ISS	428,627	400,000
Payments to Government of Malta	5,096,227	4,274,413

Related party balances

Outstanding balances with related parties at 31 December 2012 are disclosed in note 13 on amount due to Government.

15 CASH AND SHORT-TERM DEPOSITS

	2012	2011
	EUR	EUR

Cash at bank and in hand	1,742,034	2,120,214
Short-term deposits	744,540	790,314
	2,486,574	2,910,528

16 COMMITMENTS

Capital commitments

	2012	2011
	EUR	EUR

Capital expenditure contracted but not provided for	-	32,625
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17 CONTINGENT LIABILITIES

Legal Claims

The Authority presently has a pending court case filed by Melita plc, contesting a decision given by the Authority in respect of open access obligations, in respect of which plaintiff is also claiming unquantified damages. The decision under appeal has not yet been enforced and no provision has been made in these financial statements since the outcome of such claim is unknown and cannot be quantified.

Melita plc is contesting a fine imposed by the Authority, with regard to adverts carried out by Melita on its Sports Channel (€23,290).

18 FINANCIAL INSTRUMENTS

At year-end, the Authority's main financial assets on the statement of financial position comprise of trade and other receivables and cash at bank and in hand. At the year-end, there were no off-balance sheet financial assets.

At the year-end, the Authority's main financial liabilities on the statement of financial position consisted of trade and other payables. The Authority's off-balance sheet financial liabilities at year-end are described in note 17 contingent liabilities.

Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Credit risk

Financial assets which potentially subject the Authority to concentrations of credit risk consist principally of certain trade and other receivables and cash at bank.

Authority's cash at bank are placed with quality financial institutions. Carrying amounts for trade receivables are stated net of the necessary impairment provisions which have been prudently made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to a number of customers comprising the Authority's receivable base and the Authority has no significant concentration of credit risk.

Fair values

At 31 December 2012 and 31 December 2011 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values.

Capital management

The primary objective of the Authority's capital management is to ensure that it maintains adequate capital to support its operations. To maintain or adjust its capital structure, the Authority may adjust Government's Appropriations or its borrowings. There were no changes in the Authority's approach to capital management during the year.

19 COMPARATIVE INFORMATION

Where applicable, comparative information was adjusted to conform with the current year's presentation.

MALTA COMMUNICATIONS AUTHORITY
ANNUAL REPORT & FINANCIAL STATEMENTS 2012

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