

# Communications Market Review

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January to June 2011

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## 1 Overview

This report, which has been drawn up by the Malta Communications Authority (“MCA”), presents key trends and developments in the Maltese communications and postal sectors for the first half of 2011.

The document follows a series of publications issued by the MCA on a regular basis over the last three years. The first publication in the series was issued in September 2008, followed by five more publications, the latest of which was issued last June<sup>1</sup>.

Market report findings are presented under five main platforms and draw on a range of data provided by local operators. Occasionally, reference is made to research findings from publications in the areas of interest, which have not necessarily been carried out by the MCA<sup>2</sup>.

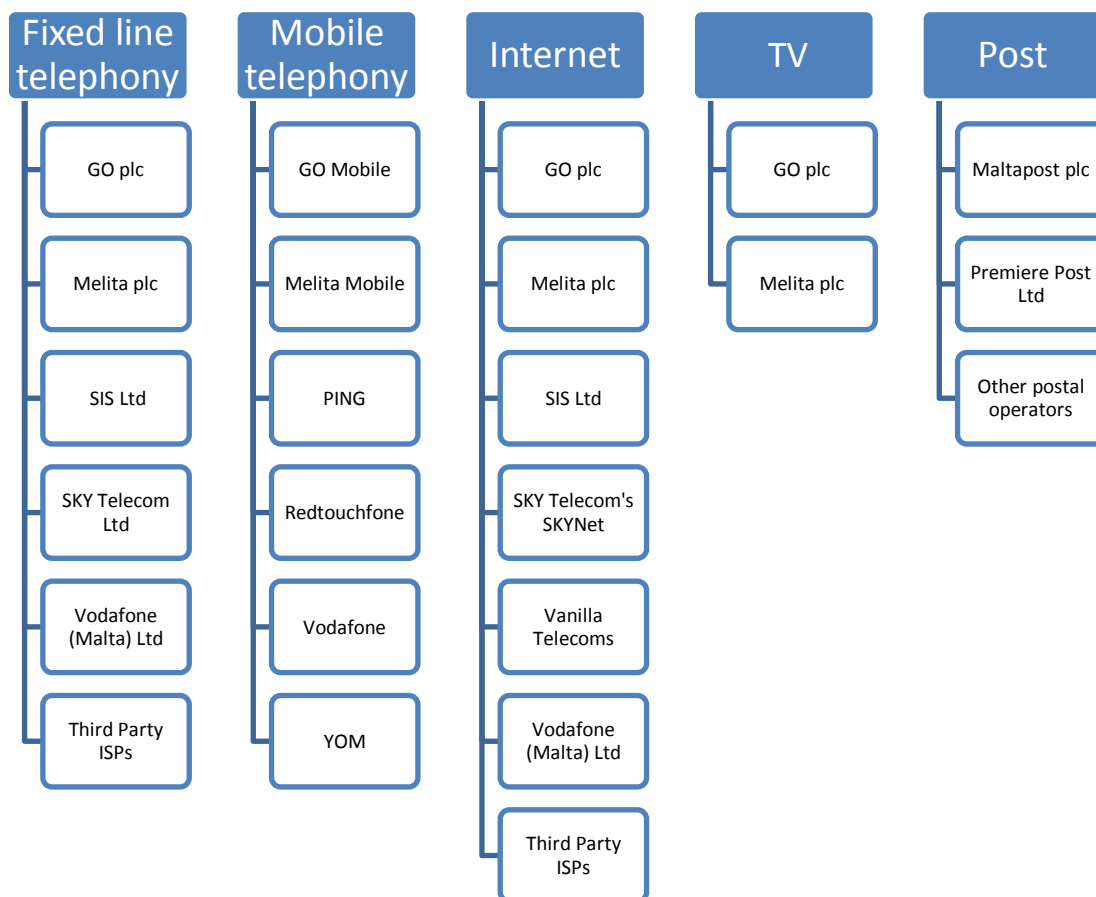


Figure 1: Operators providing quarterly data

<sup>1</sup> Link to the document: <http://www.mca.org.mt/article/communications-market-review-july-december-2010-mcao11-0312>

The MCA also publishes a data report sheet ('DRS') on a regular basis on the MCA website. The latest DRS is available on the following link: <http://www.mca.org.mt/newsroom/openarticle.asp?id=959>

<sup>2</sup> In this report there are some references to links to other websites and quotes as appropriate from third party sources. Such references and/or quotes should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA for any of the information however so described contained therein.

Further to the above, the report also provides an insight into customer complaints filed with MCA concerning electronic communications and post.

## 2 Reporting parameters

This report covers quarterly data for three whole calendar years, 2008, 2009, and 2010 and the first six months of 2011<sup>3</sup>. Data cut-off date for the current review is the 31<sup>st</sup> of October 2011.

Developments in electronic communications and post are captured by a set of key measurements listed in Figure 2 below.

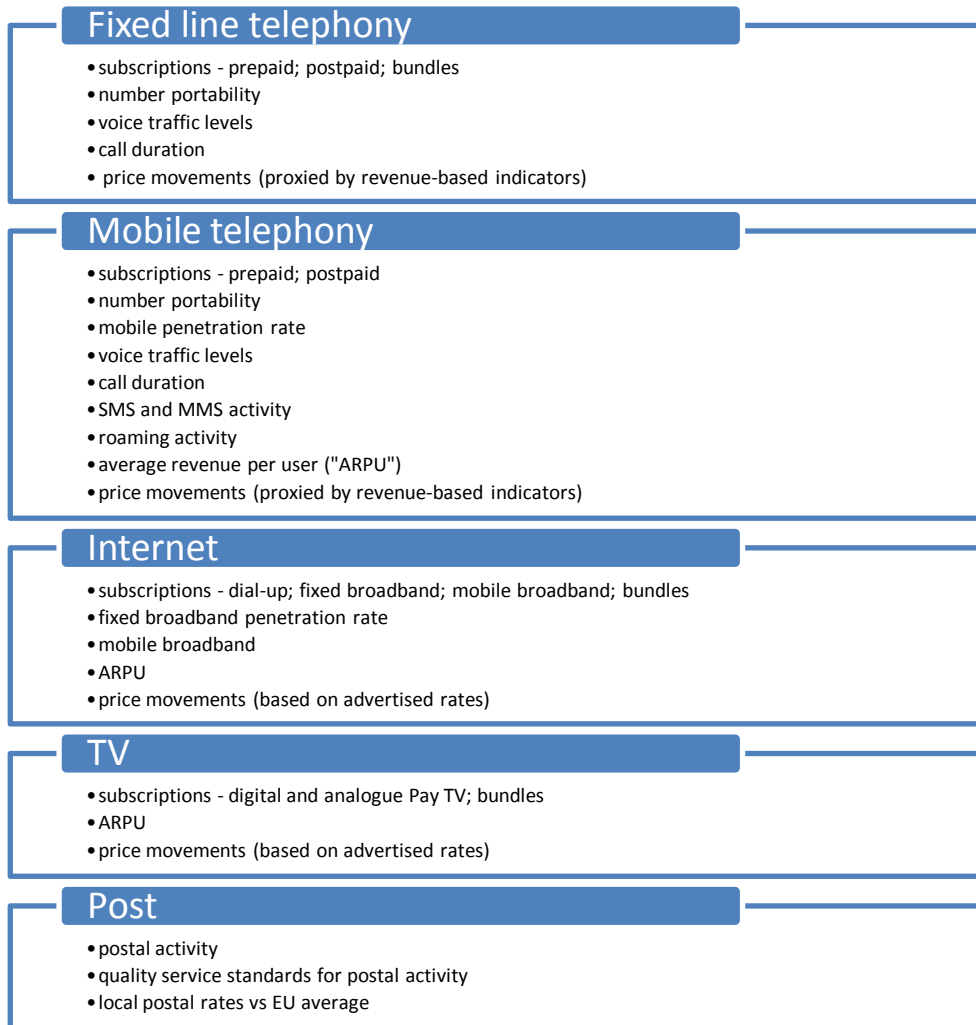


Figure 2: Key measurements for electronic communications and post

<sup>3</sup> A report sheet publishing data for a number of electronic communications and postal indicators can be found at <http://www.mca.org.mt/article/key-market-indicators-electronic-communications-and-post-q1-2005-q2-2011>

## 3 Key market outcomes

Overall, Malta's electronic communications sectors fared well in the first six months of 2011, despite the woes and uncertainty that gripped the world economy, especially the euro zone, during the period.

On comparing the first half of 2011 with the first half of 2010, two main findings emerge: a minor setback for fixed line telephony and a dip in activity reported by the postal sector.

In the former case, the fixed line telephony sector registered both a fall in subscriptions and lower traffic volumes. The dip in activity reported for the postal sector comes as a result of weaker postal mail volumes in the universal service area. Postal activity in the competitive area improved but this was not enough to outweigh negative developments elsewhere.

Improvements were however registered for mobile telephony, Internet and Pay TV. As a result, the overall picture for electronic communications tends to remain positive.

The following sections will provide a summary of key trends and developments in electronic communications and post in the first half of 2011 compared with the same period in 2010, following the generally positive market outcomes experienced over the past years.

### *Fixed line telephony*

Over the 12-month period ending June 2011, the number of fixed line subscriptions declined by 3,687 or 1.5 percent, as a fall in the number of prepaid subscriptions more than outweighed increases in the number of postpaid and enhanced subscriptions.

The number of prepaid fixed line subscriptions totalled 50,633 as at the end of Q2 2011, down by 4,384 since June 2010. Over the same period, the number of postpaid and enhanced fixed line subscriptions increased by 681 and six respectively.

As at the end of the current review period, 77.9 percent of all fixed line subscriptions were on a postpaid plan, up from 76.5 percent as at the end of Q2 2010. The corresponding share for prepaid and enhanced subscriptions stood at 20.9 percent and 1.2 percent respectively.

As at the end of Q2 2011, 39 percent of all postpaid subscriptions were also bundled with some other electronic communications service, up from 29.7 percent as at the of Q2 2010.

Fixed line traffic volumes in the first half of 2011 were weaker than those reported in the corresponding period in 2010. The number of outgoing calls declined by 7.7 percent and the number of outgoing voice call minutes declined by 7.3 percent.

The number of fixed line portings recorded in the first six months of 2011 totalled 1,469. This figure is 29.8 percent lower than that reported in the first six months of 2010.

The average rate per minute of fixed line communications in Q2 2011 stood at €0.007 for on-net fixed-to-fixed calls, €0.013 for off-net fixed-to-fixed calls, €0.091 for fixed-to-international calls and €0.207 for fixed-to-mobile calls. In all instances, these rates were lower than the ones reported in Q2 2010.

## *Mobile telephony*

Mobile telephony subscriptions went up by 11.8 percent since the end of June 2010 and totalled 491,346 by the end of Q2 2011.

Most of these subscriptions, at 79.7 percent, were on a prepaid plan and the rest were on a postpaid plan. In absolute terms, the number of prepaid mobile subscriptions totalled 391,698 and the number of subscriptions on a postpaid plan totalled 99,648.

The mobile penetration rate as at the end of the reporting period reached 118.9 percent, up from 106.4 percent as at the end of Q2 2010.

On comparing the first half of 2011 to the first half of 2010, mobile operators reported a significant improvement in terms of voice traffic volumes, but a slight decline in terms of SMS traffic volumes.

In the first half of 2011, some 157.5 million mobile calls were made and some 229.8 million minutes recorded. Less voice calls and voice minutes were recorded in the first half of 2010, at 132.3 million and 177.1 million respectively.

The number of outgoing SMSs went down, from 277 million in the first half of 2010 to 275.5 million in the first half of 2011. Correspondingly, MMS traffic also went down, from 76,845 in the first half of 2010 to 75,465 in the first half of 2011.

The number of mobile portings in the first six months of 2011 totalled 28,712 compared with 24,511 portings in the first six months of 2010.

The average revenue per user (ARPU) of mobile communications in Q1 and Q2 2011 stood at €54.76 and €57.24 respectively. Both figures are down when compared to those recorded in Q1 and Q2 2010, which stood at €62.26 and €63.92 respectively.

The average rate per minute of mobile communications in Q2 2011 was lower than that reported in Q2 2010. The average rate for a local call stood at €0.140 per call minute in Q2 2011, down from €0.169 in Q2 2010. The corresponding rate for an international call stood at €0.413 per call minute, which is also down from €0.511 a year earlier.

The average cost per domestic SMS in Q2 2011 stood at €0.026, down from €0.028 in Q2 2010.

## *Internet*

In the first six months of 2011, the number of fixed broadband subscriptions continued to increase. As at the end of June 2011, more than half of these subscriptions were on the digital subscriber line platform, which accounted for 52.2 percent of the total. Correspondingly, the cable platform accounted for a further 44.1 percent of the total and the fixed wireless platform accounted for 3.7 percent.

In absolute terms, the number of fixed broadband subscriptions increased by 8,952 or 7.6 percent since the end of Q2 2010, up from 117,089 to 126,041 as at the end of Q2 2011. 54 percent of all fixed broadband subscriptions recorded as at the end of Q2 2011 were purchased with some other electronic communications service. The corresponding figure in 2010 stood at 41.3 percent.



The fixed broadband penetration rate as at the end of June 2011 stood at 30.5 percent, which is up by 2.2 percentage points since the end of June 2010.

No dial-up subscriptions were recorded as at the end of the current review period.

In terms of broadband connection speeds as at the end of June 2011, this review shows that nearly 72.5 percent of all fixed broadband subscriptions had a connection speed equal to or exceeding 4Mbps but less than 6Mbps, down from 76.4 percent as at the end of June 2010.

A year-on-year increase to June 2011 was however reported for broadband subscriptions with a connection speed equal to or exceeding 6Mbps. As at the end of Q2 2011, 26.4 percent of all fixed broadband subscriptions had such a connection speed, up from 21.5 percent as at the end of the Q2 2010.

On the revenue side, this review observes that the average revenue per fixed broadband user in Q1 and Q2 2011 stood at €14.19 and €14.29 respectively.

This review also considers the average advertised rate for broadband on the basis of advertised download speed (Mbps). For ease of reference, findings are presented according to a set of categories differentiating broadband products according to download speed and download limit. Observed developments reflect a mixture of factors such as market consolidation, product upgrades, and adjustments in advertised prices.

With respect to broadband products advertised with a set download limit, the average advertised rate per Mbps went down for the category of products with a download speed equal to or greater than 2Mbps but less than 4Mbps, from €6.20 in Q2 2010 to €4.75 in Q1 2011, and for the category of products with a download speed equal to or greater than 8Mbps but less than 10Mbps, down from €3.83 in Q2 2010 to €3.63 in Q2 2011. No broadband products with a download speed equal to or greater than 2Mbps but less than 4Mbps were advertised in Q2 2011.

An increase in the average advertised rate per Mbps was however observed for the category of broadband products with a download speed equal to or greater than 4Mbps but less than 6Mbps, up from €3.12 in Q2 2010 to €3.46 in Q2 2011. A corresponding increase was reported for the category featuring products with a download speed equal to or greater than 10Mbps but less than 20Mbps, up from €3.13 in Q2 2010 to €3.23 in Q2 2011.

No change in the average rate per Mbps was reported between Q2 2010 and Q1 2011 for broadband products having a download speed equal to or greater than 6Mbps but less than 8Mbps. The average price per Mbps in Q1 2011 stood at €2.26. No such broadband products were advertised in Q2 2011.

The average price per Mbps for broadband products with a download speed equal to or greater than 20Mbps but less than 30Mbps was €4.13 in Q2 2010 and Q2 2011. In the interim, the rate went down to €2.82 in Q1 2011 but bounced back to €4.13 in Q2 2011.

With respect to broadband products with unlimited download, this review shows that, between Q2 2010 and Q2 2011, no change in the average advertised rate per Mbps was observed for the category encompassing products with a download speed equal to or greater than 4Mbps but less than 6Mbps and the category encompassing products with a download speed equal to or greater than 6Mbps but less than 8Mbps. The respective average advertised rates stood at €5.04 and at €5.90 respectively.

In the case of broadband products with a download speed equal to or greater than 10Mbps but less than 20Mbps, the average advertised rate per Mbps increased from €5.57 in Q2 2010 to €6.89 in Q2 2011.

The average advertised rate per Mbps for broadband products with a download speed equal to or greater than 20Mbps but less than 30Mbps declined from €3.42 in Q2 2010 to €2.51 in Q2 2011. The average price per Mbps for broadband products with a download limit of 30Mbps or more also went down from €2 in Q2 2010 to €0.86 in Q2 2011.

The current review also provides data on mobile broadband. Latest data shows that annual growth in mobile broadband has maintained a steady pace, with the number of available terminals/SIM cards/mobile broadband dedicated data service connections increasing from 97,600 in January 2010 to 147,146 in July 2011. Significant improvements in terms of mobile broadband usage were also reported. However, latest available figures suggest that usage of mobile broadband in Malta remains low when compared to the EU average.

### *Reception of TV broadcasts via Pay TV platforms*

Over a 12-month period ending June 2011, growth in Pay TV subscriptions was most evident for the digital terrestrial Pay TV platform. DTTV subscriptions were up by 21.9 percent, whilst digital cable Pay TV subscriptions were up by 1.4 percent. During the same period, analogue cable Pay TV subscriptions were down by 40.4 percent.

In absolute terms, the number of digital terrestrial Pay TV subscriptions totalled 63,982 as at the end of June 2011 and the number of digital cable Pay TV subscriptions totalled 72,032. The number of analogue cable Pay TV subscriptions totalled 11,708.

The combined total of Pay TV subscriptions went up to 147,722 as at the end of Q2 2011, up from 143,186 as at the end of Q2 2010.

Digital Pay TV subscriptions as at the end of Q2 2011 totalled 136,014. Around 30 percent of such Pay TV subscriptions were bundled with some other electronic communications product or service.

On the revenue side, this review outlines that the average revenue per Pay TV user in Q1 and Q2 2011 stood at €42.28 and €42.92 respectively.

On assessing developments in terms of advertised Pay TV package rates, this review observes that no significant changes have materialised within the current reporting period, despite some further realignment in the channel line-up of some Pay TV packages.

As at end Q2 2011, the average advertised rate for Pay TV packages listing not more than 24 channels stood at €2.99. That for Pay TV packages listing 25 to 49 channels and Pay TV packages listing 50 to 74 channels stood at €11.38 and €24.99 respectively. The average rate for Pay TV packages listing 75 to 99 channels stood at €19.99 and that for Pay TV packages listing 100 or more channels stood at €29.99 respectively.

## *Post*

Postal mail volumes handled in the first half of 2011 totalled 21.8 million items, 0.4 percent less than in the first half of 2010. This drop is attributable to a lower number of letter mail items which outweighed a higher number of bulk mail items, parcel mail items and registered mail items.

In absolute terms, letter postal mail volumes went down by 185,283 items. On the other hand, bulk mail and parcel mail volumes were up by 51,475 items and 17,156 items respectively. Registered mail volumes were also up, this time by 38,337 mail items.

This review distinguishes between two postal areas, the universal service area and the competitive area. In the first half of 2011, postal mail volumes in the universal service area were down by 0.6 percent when compared to the first half of 2010. On the other hand, postal mail volumes within the competitive area were up by 20.2 percent. However, in absolute terms, the drop in postal activity in the former case more than outweighed the gain in the latter.

During the reporting period, all Quality of Service (“QoS”) delivery targets, set by the MCA, for the delivery of postal items were met by Maltapost (as the Universal Service Provider) .

#### 4 Market shares of the local subscriber base

**Fixed line telephony:** As at the end of Q2 2011, GO accounted for the largest market share, at 76.1 percent, of the subscriber base for fixed line telephony. However, GO's market share declined by 0.6 percent since the end of Q2 2010. Other losses in market share were registered by SKY Telecom and Vodafone (Malta), down by 0.08 percent and 0.06 percent respectively.

On the other hand, gains in market share were registered by Melita and SIS, up by 0.75 percent and 0.02 percent respectively.

Market shares	GO	Melita	SIS	SKY Telecom	Vodafone
End of Q2 2011	76.14%	23.31%	0.08%	0.38%	0.09%
End of Q2 2010	76.77%	22.56%	0.06%	0.46%	0.15%
End of Q2 2009	76.93%	22.40%	0.04%	0.45%	0.18%

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

**Mobile telephony:** As at the end of Q2 2011, no operator held a market share exceeding the 50 percent mark of the mobile subscriber base.

Vodafone still enjoyed a margin over GO Mobile, with the former holding approximately 47.2 percent of the market against 41.2 percent of the latter. The margin between these two operators stood at 6.25 percent in favour of Vodafone as at the end of Q2 2009. This went down to 5.76 percent as at the end of Q2 2010 but slightly up to 5.97 percent as at the end of the current review period. Both GO Mobile and Vodafone registered a decline in their market share over the last two years.

Market shares	GO Mobile	YOM	Melita Mobile	Ping	Redtouch fone	Vodafone	Bay Mobile
End of Q2 2011	41.22%	0.05%	9.47%	0.14%	1.92%	47.19%	-
End of Q2 2010	42.79%	-	6.73%	-	1.93%	48.55%	-
End of Q2 2009	43.57%	-	4.75%	-	1.74%	49.82%	0.12%

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

On the other hand, Melita's market share increased from approximately 4.8 percent as at the end of Q2 2009 to approximately 9.5 percent as at the end of Q2 2011.

During the same period, the market share of Redtouchfone registered a slight gain, up from 1.7 percent to 1.9 percent.

Ping's and YOM's market share as at the end of the current review period stood at 0.1 percent and 0.05 percent respectively.

Bay Mobile ceased operations in 2009.

**Fixed broadband Internet:** GO and Melita held the two largest market shares of the subscriber base for fixed broadband as at the end of Q2 2011.

GO held a leading market position with a share of approximately 51.9 percent of the local subscriber base. Melita’s share stood at approximately 44.1 percent. Since the end of Q2 2008, GO’s market share went up by 15.8 percent, whilst Melita’s share declined by 7.8 percent.

As at the end of the current review period, Vodafone held a share of 3.3 percent of the local subscriber base, SKYNet held a share of 0.3 percent, ISPs held a share of 0.2 percent, Vanilla Telecoms held 0.1 percent and SIS held the remaining 0.08 percent.

Market shares	GO	Melita	SIS	SKYNet	Vanilla Telecoms	Vodafone	ISPs
End of Q2 2011	51.86%	44.09%	0.08%	0.30%	0.12%	3.34%	0.22%
End of Q2 2010	48.28%	46.13%	0.09%	0.25%	0.17%	3.05%	2.02%
End of Q2 2009	42.84%	50.22%	0.06%	0.15%	0.17%	3.00%	3.55%

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

**Pay TV:** The Pay TV subscriber base is shared between two operators, GO (the DTTV operator) and Melita (the cable operator providing Pay TV services over analogue cable and digital cable).

As at the end of Q2 2011, Melita held an overall market share of approximately 56.7 percent of all Pay TV subscriptions<sup>4</sup>, down from 67.7 percent a year earlier.

During the same period, GO improved its overall market share, up from approximately 36.7 percent to 43.3 percent.

Market shares	GO	Melita
End of Q2 2011	43.31%	56.69%
End of Q2 2010	36.66%	63.34%
End of Q2 2009	29.69%	70.31%

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

<sup>4</sup> Melita’s analogue cable platform accounted for 7.9 percent of total Pay TV subscriptions, whilst Melita’s digital cable platform accounted for a further 48.8 percent.

Melita holds 100 percent of the local subscriber base for analogue Pay TV as it is the only operator providing analogue Pay TV services.

In absolute terms, Melita’s analogue cable subscriptions totalled 11,708 as at the end of Q2 2011, a decline of 47,105 subscriptions since the end of Q2 2008. During the same period, Melita’s digital cable subscriptions increased by 16,738 to reach 72,032 by the end of the current review period.

## 5 Fixed line telephony

### 5.1 Number of active fixed line subscriptions

The number of active fixed line telephony subscriptions<sup>5</sup> as at the end of Q2 2011 stood at 242,453. Postpaid subscriptions accounted for 77.9 percent of the total, whilst prepaid subscriptions accounted for a further 20.9 percent. Other subscriptions, or enhanced subscriptions<sup>6</sup>, accounted for the remaining share, at 1.2 percent.

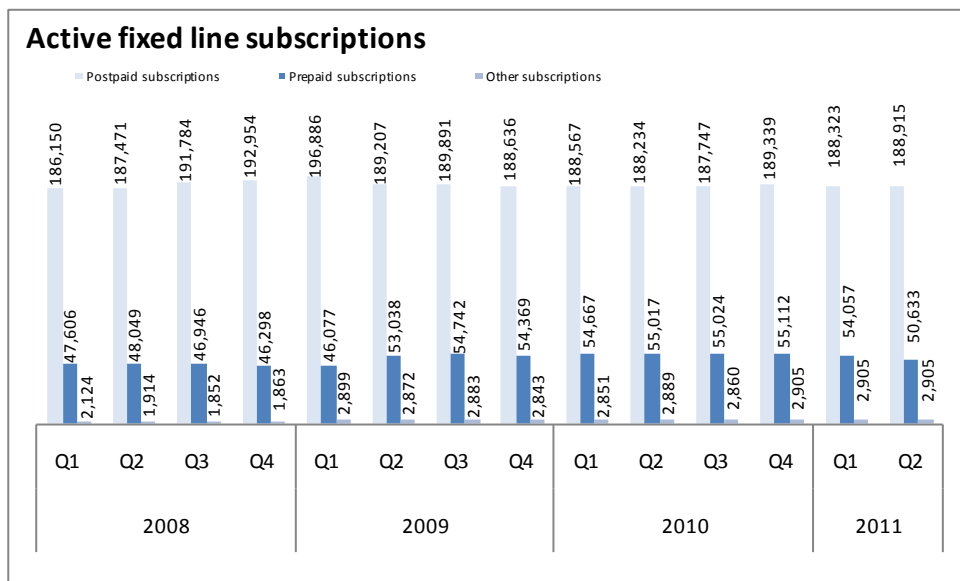


Figure 7: Fixed line telephony subscriptions as at end of period

In absolute terms, the number of active fixed line subscriptions went down by 3,687 over the corresponding period a year earlier, mainly as a result of a fall in the number of prepaid subscriptions outweighing increases reported in terms of postpaid and other subscriptions.

In this respect, prepaid subscriptions went down by 4,384 whilst postpaid subscriptions increased by 681. The number of enhanced fixed line subscriptions increased by six.

The reduction in prepaid subscriptions is mainly the result of an exercise by GO to disconnect any inactive prepaid accounts which have accumulated over the years.

<sup>5</sup> Active subscriptions are defined as those subscriptions making or receiving a call within 90 days of the period stipulated.

<sup>6</sup> Standard fixed line subscriptions refer to subscriptions offering a single fixed line telephony connection. Enhanced fixed line subscriptions encompass those subscriptions offering multiple channel (dual or more) fixed telephony connections.

As from Q2 2009, all operators submitted figures for prepaid and postpaid subscriptions in a standard format. As from the said period, Melita started providing subscription figures disaggregated by type of subscriptions, namely postpaid and prepaid subscriptions. Previously all Melita connections were reported under the postpaid category.

## 5.2 Fixed line subscriptions on a bundled offer

In Malta, the number of those signing up to a bundle offer, bundling two or more electronic communications services, continues to increase.

In this regard, the number of consumers signing up to a bundle offer comprising a postpaid fixed line subscription<sup>7</sup> went up by 17,895 over a 12-month period ending Q2 2011.

Fixed postpaid subscriptions on a bundled offer	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Fixed postpaid subscriptions on two-play bundled offers	14,740	15,756	15,516	12,559	11,327	8,062	8,360	6,952	6,288	5,865
Postpaid telephone line + Mobile	-	-	-	-	-	-	-	-	-	-
Postpaid telephone line + BB Internet	1,165	1,100	703	932	861	641	865	1,046	965	823
Postpaid telephone line + Digital Pay TV	13,575	14,656	14,813	11,627	10,466	7,421	7,495	5,906	5,323	5,042
Fixed postpaid subscriptions on triple-play bundled offers	4,973	5,477	4,446	4,448	4,757	4,723	5,083	5,934	6,095	6,211
Postpaid telephone line + Mobile + BB Internet	2,529	3,327	3,503	3,970	4,355	4,444	4,955	5,889	6,077	6,196
Postpaid telephone line + Digital Pay TV + Mobile	-	-	-	-	-	-	-	-	-	-
Postpaid telephone line + Digital Pay TV + BB Internet	2,444	2,150	943	478	402	279	128	45	18	15
Fixed postpaid subscriptions on quadruple-play bundled offers	15,369	21,002	26,706	30,488	37,812	43,044	49,657	57,135	59,601	61,648
Number of users on multiple play offers including a postpaid fixed line subscription	35,082	42,235	46,668	47,495	53,896	55,829	63,100	70,021	71,984	73,724
Number of postpaid fixed line subscriptions	196,886	189,207	189,891	188,636	188,567	188,234	187,747	189,339	188,323	188,915
as a percentage of postpaid fixed line subscriptions	17.82%	22.32%	24.58%	25.18%	28.58%	29.66%	33.61%	36.98%	38.22%	39.02%

Table 1: Fixed line postpaid subscriptions on a bundled offer as a percentage of total postpaid subscriptions

Of all postpaid subscriptions reported as at the end of Q 2011, 39 percent formed part of a bundle, compared to 29.7 percent as at the end of the corresponding period a year earlier.

<sup>7</sup> During the period under review, only fixed line postpaid plans could be bundled with some other electronic communications service.

**5.3 Fixed line portings**

The number of fixed line portings<sup>8</sup> reported in the first six months of 2011 amounted to 1,469 which is well below 2,094 portings reported in the corresponding period of 2010.

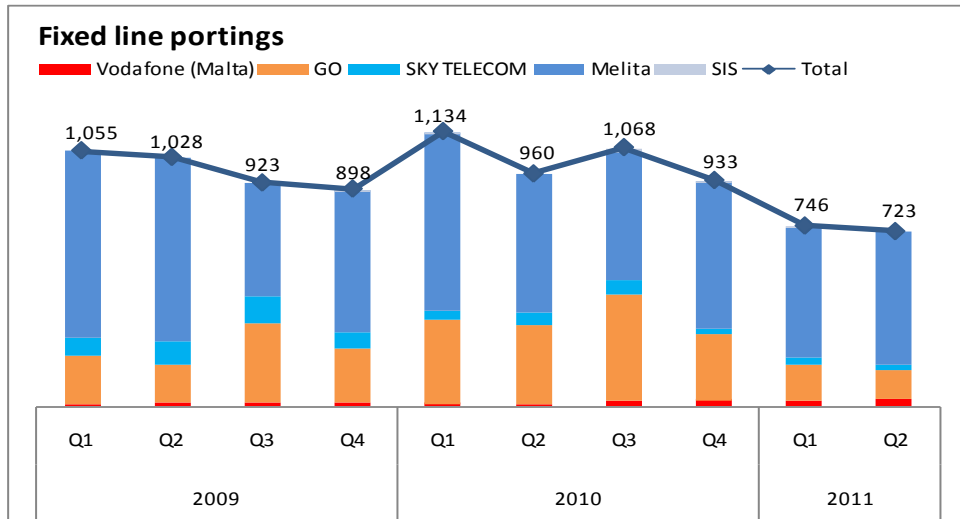


Figure 8: Fixed line number portability - number of portings

During the period under review, nearly 74.3 percent of all portings were accounted for by Melita. In absolute terms, Melita reported 1,091 portings, GO reported 266, and Vodafone reported 54. The remaining were reported by SIS, and SKY Telecom.

<sup>8</sup> The term 'fixed line portings' refers to the total number of subscribers that switch from a fixed line operator to another whilst keeping the same number. Figures only take into account inward portings.



**5.4 National and international voice traffic levels**

Outgoing fixed line traffic during the first half (hereafter, also referred to as “FH”) of 2011 was slower than that reported in the FH of 2010. In terms of outgoing calls and minutes traffic levels were down by 8.3 million and 26.8 million respectively.

During FH 2011 the number of outgoing voice calls was down by 7.7 percent and the number of outgoing minutes was down by 7.3 percent compared to the traffic levels reported in FH 2010. It is worth noting that outgoing fixed line traffic recorded in FH 2010 was even lower than that reported in FH 2009.

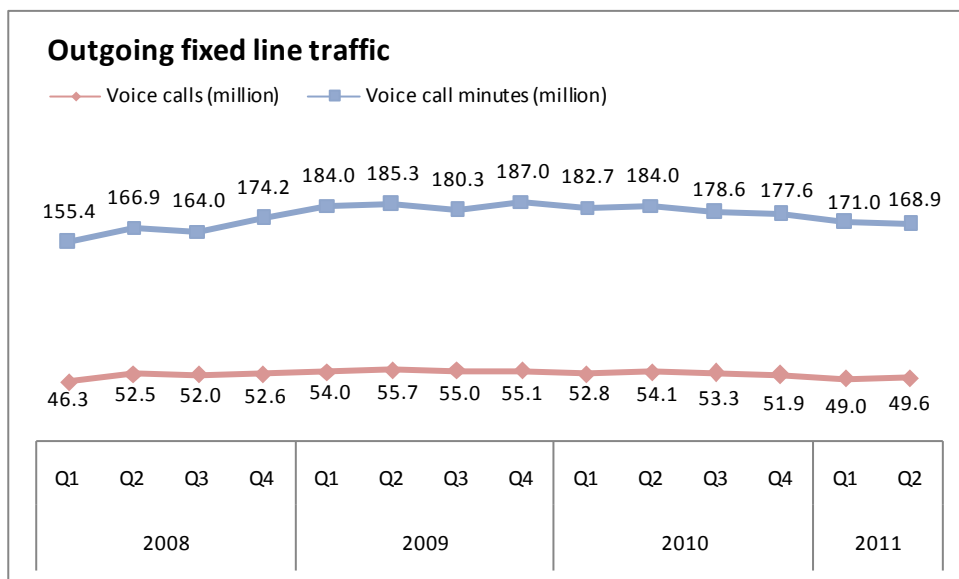


Figure 9: Voice traffic originating from local fixed line networks

Outgoing fixed line traffic encompasses two main traffic segments, namely the national segment and the international segment. In terms of the former, the number of voice calls reported in the first half of 2011 amounted to 94.6 million, which is 7.3 percent lower than that reported in the first half of 2010. The number of international voice calls also went down, this time by 17.3 percent, from nearly 4.9 million in the first half of 2010 to 4.0 million in the first half of 2011.

Year	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
National voice calls	51,665,592	53,219,774	52,587,870	52,761,793	50,288,423	51,711,981	51,004,834	49,809,837	46,928,008	47,651,744
Fixed-to-fixed calls	41,046,249	41,585,272	40,939,533	41,847,028	40,082,919	40,812,163	39,834,602	39,370,434	37,212,282	37,298,651
on-net	32,796,875	32,350,814	31,779,966	32,116,047	30,767,912	31,171,676	30,365,574	29,853,604	28,074,401	27,817,852
off-net	8,249,374	9,234,458	9,159,567	9,730,981	9,315,007	9,640,487	9,469,028	9,516,830	9,137,881	9,480,799
Fixed-to-mobile calls	10,030,369	11,039,520	10,999,523	10,314,510	9,704,790	10,298,084	10,534,384	9,843,862	9,179,772	9,817,762
Other voice calls	588,974	594,982	648,814	600,255	500,714	601,734	635,848	595,541	535,954	535,331
International voice calls	2,292,296	2,439,887	2,456,351	2,317,782	2,512,896	2,377,753	2,287,794	2,058,119	2,089,971	1,953,089
originating from local network operators	2,197,140	2,351,157	2,338,313	2,233,298	2,452,626	2,326,172	2,191,040	1,973,537	2,000,549	1,863,790
originating from third party ISPs	95,156	88,730	118,038	84,484	60,270	51,581	96,754	84,582	89,422	89,299

Table 2: Outgoing fixed line traffic - number of voice calls

Disaggregating the national call traffic segment even further shows that the number of on-net fixed-to-fixed calls (hereafter, also referred to as “on-net FTF calls”) reported in FH 2011 went down by six million, or around 9.8 percent, compared to the FH 2010.

The number of off-net FTF calls and fixed-to-mobile calls (hereafter, the latter also referred to as “FTM calls”) declined by 0.3 million, or 1.8 percent, and one million, or five percent, respectively. The ‘other calls’<sup>9</sup> element also declined by 2.8 percent.

The downtrend in fixed line traffic volumes is also evident when considering outgoing voice call minutes.

Table 3 shows that outgoing voice call minutes in FH 2011 amounted to 339.9 million, corresponding to 315.5 million national minutes in addition to 24.4 million international minutes. Overall, the number of outgoing voice call minutes in FH 2011 was 26.8 million down, or 7.3 percent less, when compared to the corresponding traffic levels reported in the FH 2010.

Year	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
National voice call minutes	169,221,350	170,975,355	165,687,071	172,694,113	169,243,170	170,674,432	165,083,856	164,503,295	158,448,890	157,056,184
Fixed-to-fixed minutes	154,016,769	153,558,993	148,189,556	156,188,981	153,589,009	154,167,825	148,298,766	148,974,842	143,782,451	141,647,401
on-net	123,221,983	120,438,722	115,314,819	120,538,613	118,050,365	117,415,882	112,865,510	112,604,602	107,940,665	105,097,743
off-net	30,794,786	33,120,271	32,874,737	35,650,368	35,538,645	36,751,943	35,433,257	36,370,240	35,841,786	36,549,657
Fixed-to-mobile minutes	14,226,361	15,556,548	15,634,416	14,888,148	14,158,690	14,924,614	15,177,352	14,196,296	13,421,832	14,158,183
Other call minutes	978,219	1,859,814	1,863,099	1,616,984	1,495,471	1,581,993	1,607,738	1,332,157	1,244,607	1,250,600
International voice call minutes	14,732,629	14,343,230	14,617,368	14,307,504	13,467,685	13,352,696	13,493,772	13,097,745	12,533,133	11,858,542
originating from local network operators	13,969,212	13,637,051	13,701,743	13,602,302	12,953,951	12,919,746	12,736,948	12,371,027	11,706,862	11,100,418
originating from third party ISPs	763,418	706,179	915,625	705,202	513,734	432,950	756,824	726,718	826,271	758,124

Table 3: Outgoing fixed line traffic - number of voice call minutes

This decline is attributed to a drop of 22.4 million on-net FTF minutes, compounded by other drops under the FTM, FTI and ‘other fixed’ headings. Declines under these headings amounted to 1.5 million minutes, 2.4 million minutes and 0.6 million minutes respectively. These declines significantly outweighed a slight increase reported in terms of off-net FTF minutes.

<sup>9</sup> The term ‘other calls’ includes *Internet calls*, *Freephone calls* and *Premium calls*.

The term ‘other call minutes’ includes *Internet call minutes*, *Freephone call minutes* and *Premium call minutes*.

5.5 Activity levels per subscription

Activity levels per subscription in the first half of 2011 were also lower than in the corresponding period of 2009 and 2010. The average number of calls per active fixed line subscription<sup>10</sup> in Q1 and Q2 2011 stood at nearly 200 and 205 respectively.

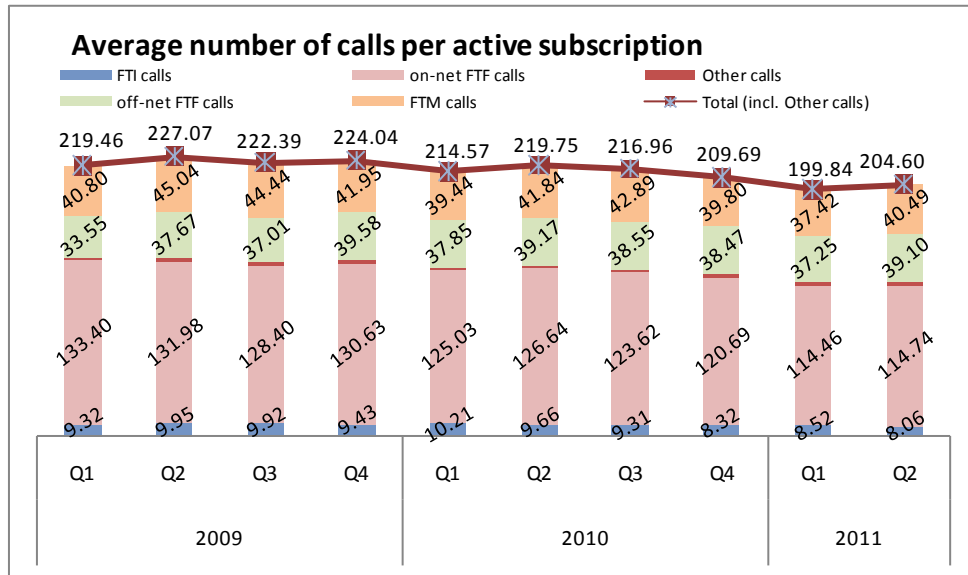


Figure 10: Average number of calls per active subscription

Disaggregating activity levels even further would show that the average number of on-net FTF calls accounts for the largest segment of activity reported by fixed line subscribers. Activity levels in terms of FTM calls is also slightly higher than that reported in terms of off-net calls, as shown in Figure 10 above.

Figure 10 also shows that declines in activity per fixed line subscription in FH 2011 were evident across all headings, when compared to FH 2010.

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

**5.6 Average call duration**

Figure 11 shows that fixed line calls in FH 2011 generally lasted more than in FH 2010.

Taking Q2 2011 as a baseline for comparison is indicative of this outcome.

In the case of on-net and off-net FTF calls, call duration in Q2 2011 was 3.78 and 3.86 minutes respectively, up from 3.77 and 3.81 minutes in Q2 2010.

In Q2 2011, a fixed-to-international call (hereafter, also referred to as “FTI call”) generally lasted around six minutes, slightly lengthier than observed in Q2 2010. No significant change has been observed in terms of duration of FTM calls.

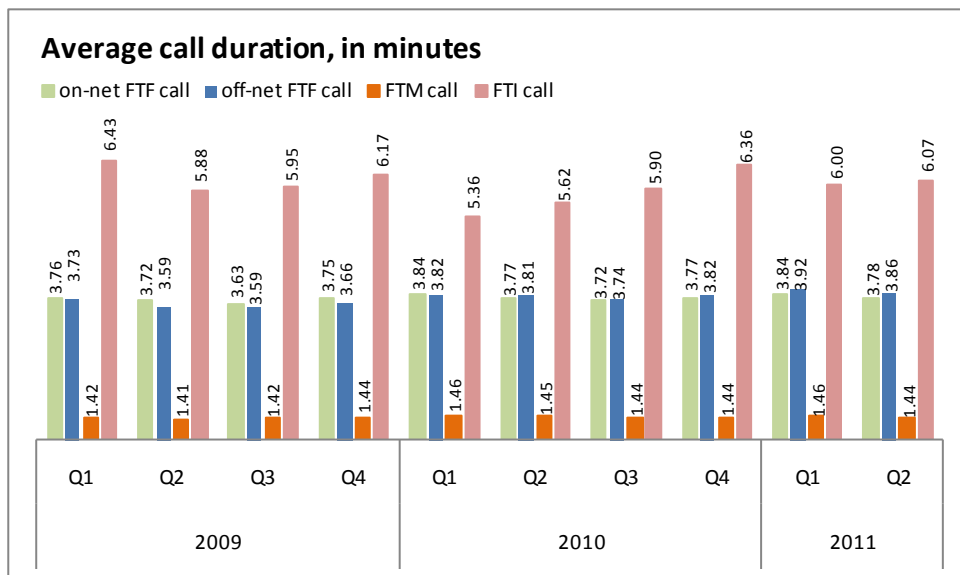


Figure 11: Average duration of an outgoing fixed line call

Taking an overall picture for FH 2011 and FH 2010 would show that, on average, a fixed line call generally lasted longer in 2011.

**5.7 Average rate per minute of fixed line communications**

Revenue-based<sup>11</sup> figures for fixed line telephony show that, in Q2 2011, the cost of an off-net and on-net FTF call were on average €0.013 and €0.007 per minute of communication respectively. Both figures are lower than those recorded for Q2 2010.

The cost of a minute of FTI communication was on average €0.091, which is also lower than the corresponding figure in Q2 2010.

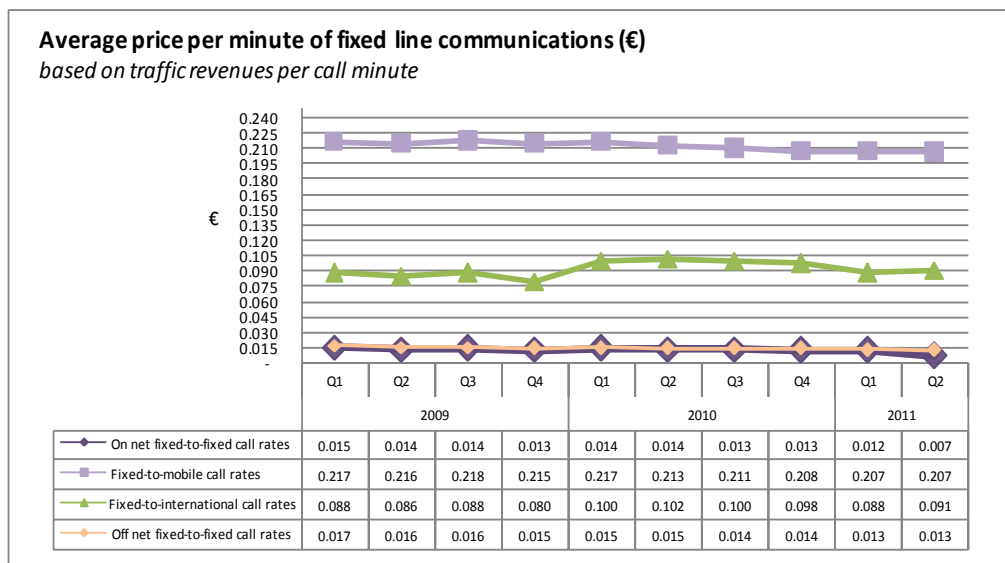


Figure 12: Average cost of a fixed line call derived from revenue-based workings

The cost of a FTM call was on average higher than the rates quoted above, on average at €0.207 per minute of communication. The corresponding average rate in Q2 2010 stood at €0.213.

<sup>11</sup> The average price per minute of fixed line communications is derived by subdividing voice traffic revenues, but excluding revenues from VAT and excise tax, by the number of minutes reported under each respective heading. Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators.

It must also be noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled offers and cheaper call rates on weekends. This would affect the final outcome for the average rate per minute of fixed line communications.

## 6 Mobile telephony

### 6.1 Number of active mobile subscriptions

The number of active mobile subscriptions<sup>12</sup> totalled 491,346 as at the end of Q2 2011, representing a 11.8 percent increase over the corresponding figure as at the end of Q2 2010.

In absolute terms, the number of mobile subscriptions increased by 51,810 in a twelve-month period ending Q2 2011, with prepaid subscriptions accounting for 67.1 percent of this increase, equivalent to 34,768 subscriptions.

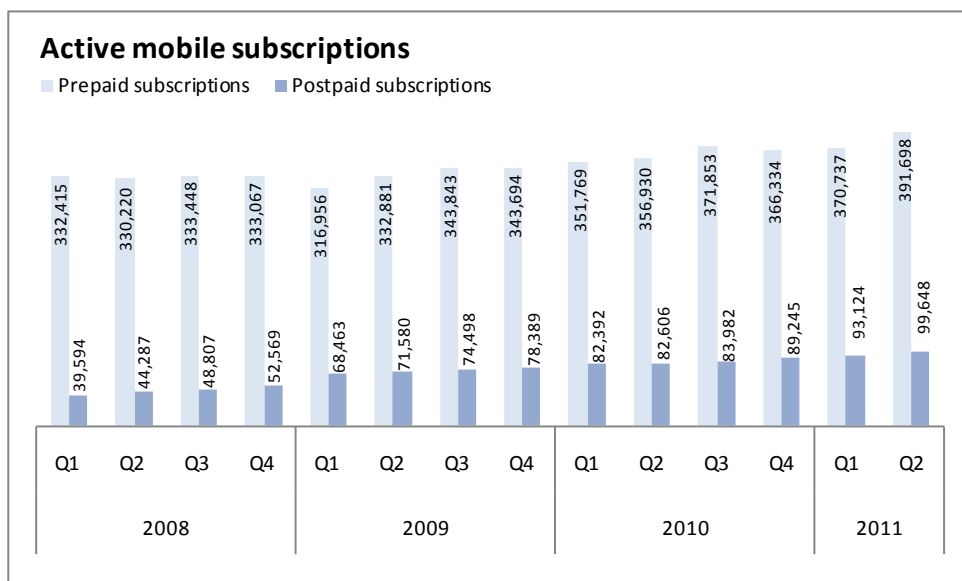


Figure 13: Mobile telephony subscriptions as at end of period

Since the end of Q2 2010, postpaid mobile subscriptions increased by 17,042, or 20.6 percent, and totalled 99,648 as at the end of the current reporting period. As at the end of Q2 2011, prepaid subscriptions totalled 391,698 (equivalent to 79.7 percent of all active mobile subscriptions).

Mobile subscriber statistics are also segmented according to whether activity takes place over the 2G and/or 3G network in the reporting period.

Figure 14 shows that as at the end of Q2 2011, 30.3 percent of all active mobile subscriptions registered activity over the 3G network<sup>13</sup>, up from 25.5 percent in Q2 2010.

<sup>12</sup> Active mobile subscriptions refer to subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for prepaid connections and within 30 days of the period stipulated for postpaid connections.

<sup>13</sup> Activity over the 3G network refers to those subscriptions having made at least one call, SMS, MMS or data activity over the said network.

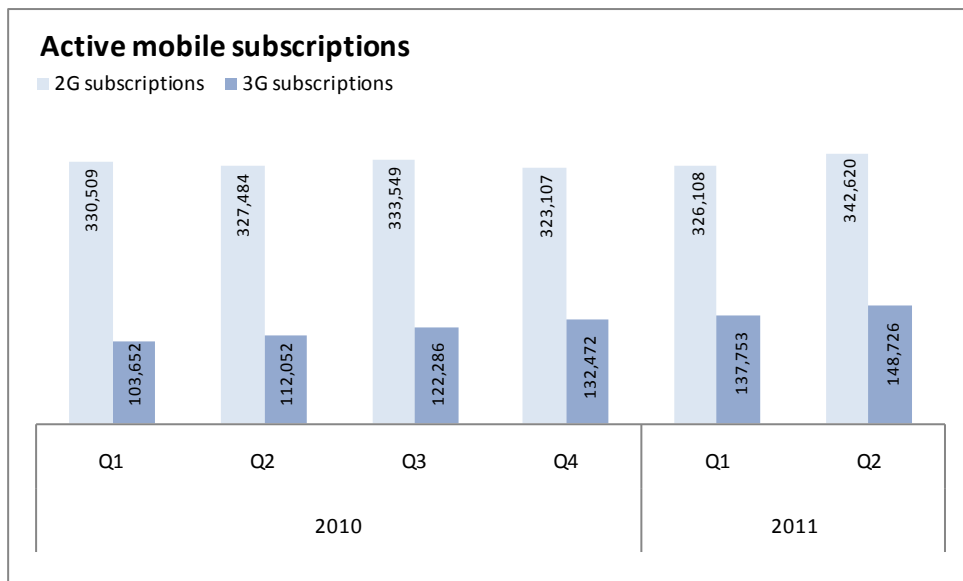


Figure 14: Mobile telephony subscriptions as at end of period by technology

In absolute terms, the number of mobile subscriptions reporting activity over the 3G network increased by 36,674 or 32.7 percent since the end of Q2 2010 and totalled 148,726 as at the end of the current review period.

Of all mobile subscriptions recording activity over the 3G network as at the end of Q2 2011, 95,117 (or approximately 64 percent) were prepaid and 53,609 (or 36 percent) were postpaid.

6.2 Mobile portings

The number of mobile portings<sup>14</sup> in the first half of 2011 totalled 28,712. This is 17 percent higher than the number of portings recorded in the first half of the previous year, totalling 24,511.

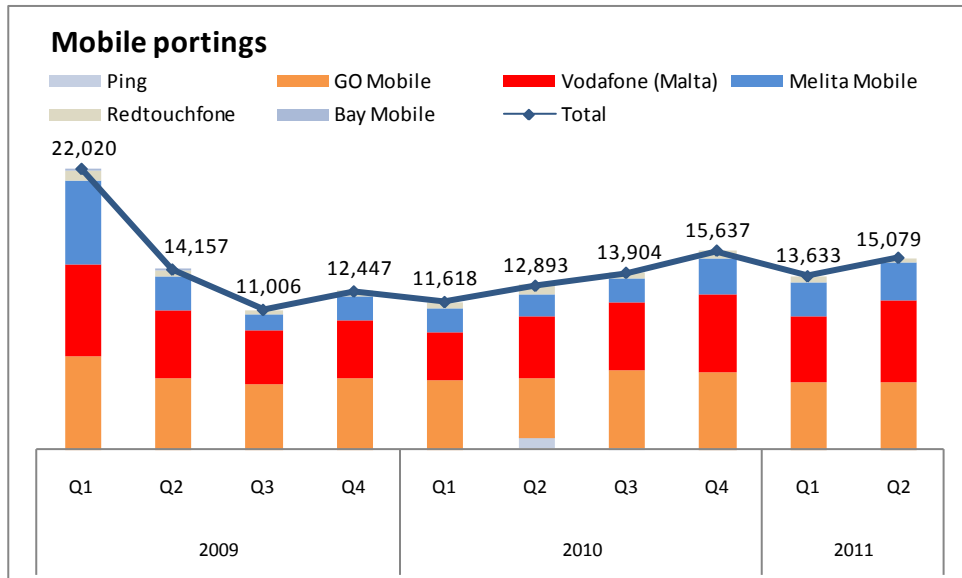


Figure 15: Mobile number portability - number of mobile portings

40.3 percent of all portings in the FH 2011 were accounted for by Vodafone (Malta), 36.5 percent were accounted for by GO and a further 19.9 percent were accounted for by Melita.

The remaining share, at 3.3 percent, was accounted for by Ping, Redtouchfone, and YOM.

<sup>14</sup> The total number of mobile subscribers that switch their subscription from one operator to another, whilst keeping the same number. Figures only take into account inward portings.



**6.3 Malta’s mobile penetration rate (“MPR”)**

The mobile penetration rate stood at nearly 119.0 percent as at the end of Q2 2011, up from 106.4 percent 12 months earlier.

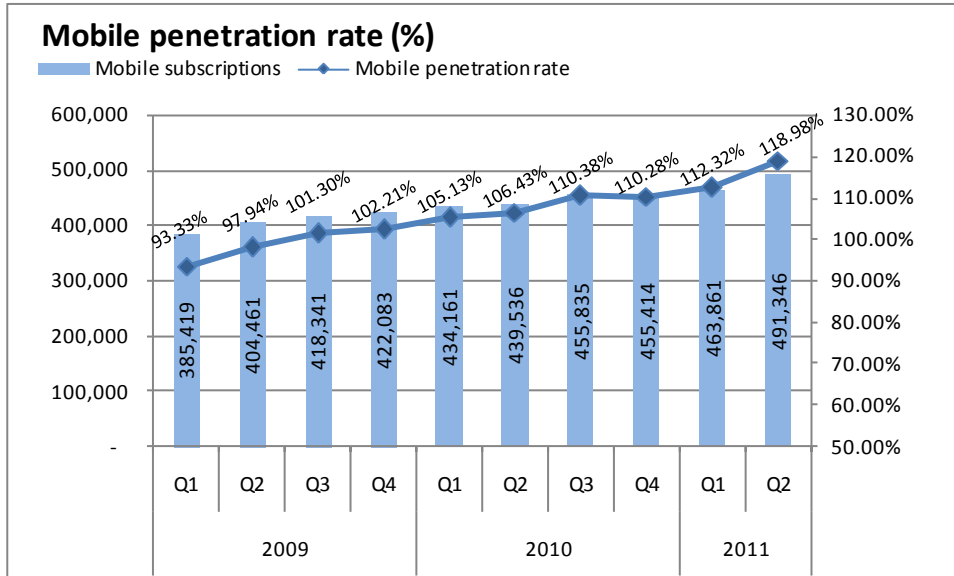


Figure 16: Mobile penetration in Malta

**6.4 Voice activity**

Outgoing mobile voice traffic in the first half of 2011 was significantly higher than that reported for the corresponding period in 2010.

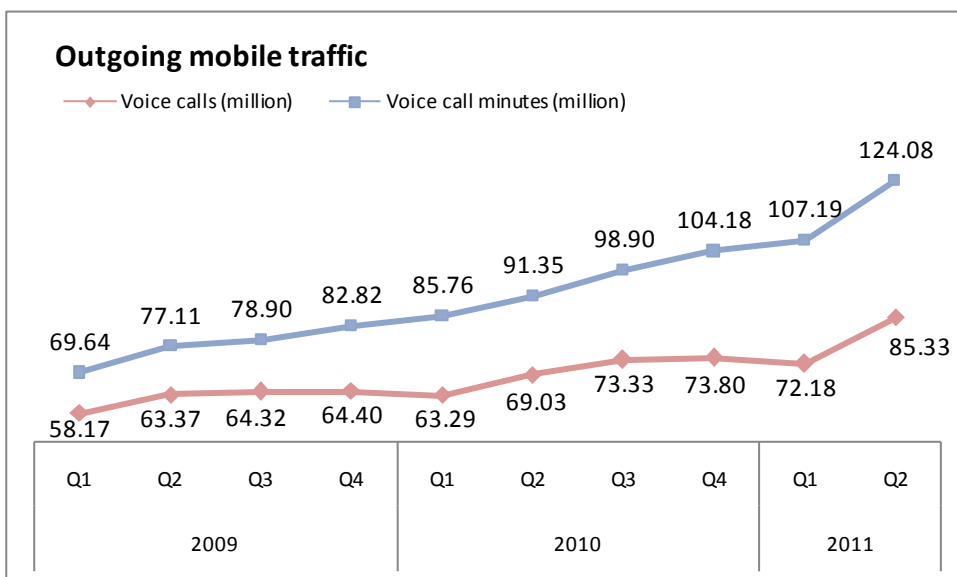


Figure 17: Voice traffic originating from mobile networks

The number of outgoing mobile voice calls reported in the FH 2011 totalled 157.5 million, up by 25.1 million, or by approximately 19 percent, over the number of outgoing calls recorded in corresponding period a year earlier.

80.9 percent of this increase is attributable to a rise in the number of mobile-to-mobile calls (hereafter, also referred to as “MTM calls”), a further 17.9 percent is attributed to a rise in the number of mobile-to-fixed calls (hereafter, also referred to as “MTF calls”), and the remaining share of 1.2 percent is attributed to a rise in the number of mobile-to-international calls (hereafter, also referred to as “MTI calls”).

The number of outgoing MTM calls totalled 139.4 million in the FH 2011, up by 20.3 million, or by 17.1 percent, from 119.1 million in the FH 2010. Correspondingly, the number of MTF calls totalled 15.9 million, up by approximately 4.5 million, or by 39.3 percent, from 11.4 million. The number of MTI calls totalled 2.2 million, an increase of approximately 0.3 million, or 17.4 percent, from 1.8 million in the FH 2010.

Year	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
National voice calls	57,347,260	62,371,969	63,339,344	63,514,929	62,441,525	68,046,164	72,167,006	72,812,103	71,149,463	84,155,003
Mobile-to-mobile calls	51,919,445	56,696,164	57,526,421	57,822,413	57,034,584	62,046,431	65,638,485	66,041,143	63,779,533	75,630,095
<i>on-net</i>	31,075,651	32,934,019	34,060,938	34,890,186	34,646,448	37,816,763	40,650,916	41,490,571	40,855,336	49,254,148
<i>off-net</i>	20,843,794	23,762,145	23,465,483	22,932,227	22,388,136	24,229,668	24,987,569	24,550,572	22,924,197	26,375,947
Mobile-to-fixed calls	5,427,815	5,675,805	5,812,923	5,692,516	5,406,941	5,999,733	6,528,521	6,770,960	7,369,930	8,524,908
International voice calls	823,015	993,242	981,185	889,488	850,244	981,830	1,140,997	989,678	1,034,676	1,116,771

Table 4: Outgoing mobile traffic - number of voice calls<sup>15</sup>

In terms of voice call minutes, outgoing mobile traffic increased by 54.2 million or 30.6 percent, from 177.1 million minutes recorded in the FH 2010 to 229.8 million in the FH 2011.

This increase is mainly attributed to developments in outgoing MTM traffic, which increased by approximately 40.5 million minutes or 25.6 percent over a twelve-month period ending Q2 2011. In absolute terms, this development in outgoing MTM traffic is accounted for an increase in both on-net and off-net MTM minutes. The former traffic segment increased by 34.1 million minutes, or 31.5 percent, whilst the latter increased by 6.3 million, or 12.8 percent.

Year	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
National voice call minutes	67,783,648	74,531,027	76,989,142	80,992,613	83,947,478	89,311,425	96,864,710	102,036,568	104,883,513	121,462,416
Mobile-to-mobile minutes	61,616,755	67,270,190	70,277,667	74,305,474	77,155,099	80,960,786	86,999,739	91,257,521	91,367,934	107,245,271
<i>on-net</i>	40,688,058	43,526,375	46,867,978	51,072,699	53,703,650	54,700,758	59,592,074	63,926,878	65,258,351	77,295,141
<i>off-net</i>	20,928,697	23,743,815	23,409,689	23,232,775	23,451,449	26,260,028	27,407,665	27,330,643	26,109,583	29,950,130
Mobile-to-fixed minutes	6,166,893	7,260,837	6,711,475	6,687,139	6,792,380	8,350,639	9,864,971	10,779,047	13,515,579	14,217,145
International voice call minutes	1,856,990	2,578,302	1,912,216	1,824,548	1,809,934	2,038,406	2,037,549	2,140,853	2,307,279	2,619,569

Table 5: Outgoing mobile traffic - number of voice call minutes

Outgoing MTF traffic increased from 15.1 million minutes in the FH 2010 to 27.7 million minutes in the FH 2011, equivalent to a remarkable increase of 83.1 percent.

<sup>15</sup> Figures not available prior to 2009.

In the FH 2011, the number of MTI minutes increased by 1.1 million or 28 percent compared to traffic levels in FH 2010.

6.5 SMS and MMS activity

SMS traffic

SMS activity during the first half of 2011 was slightly weaker than that reported in the corresponding period a year earlier. The number of outgoing text messages totalled 275.5 million in the FH 2011, down from 277.1 million in the FH 2010, representing a 0.6 percent decline in terms of outgoing SMS traffic volumes<sup>16</sup>.

This decline is attributed to a fall in outgoing off-net SMSs, premium SMSs and SMSs directed to foreign mobile networks and a corresponding drop in the number of SMSs sent from Internet portals.

The number of outgoing off-net SMSs and premium SMSs went down by 7.6 million (i.e. 7.8 percent) and 0.1 million (i.e. approximately 8.0 percent) respectively. The number of SMSs sent from Internet Portals declined by 1.1 million, or 19.1 percent, and the number of SMSs directed to foreign mobile networks went down by 0.2 million, or 4.5 percent.

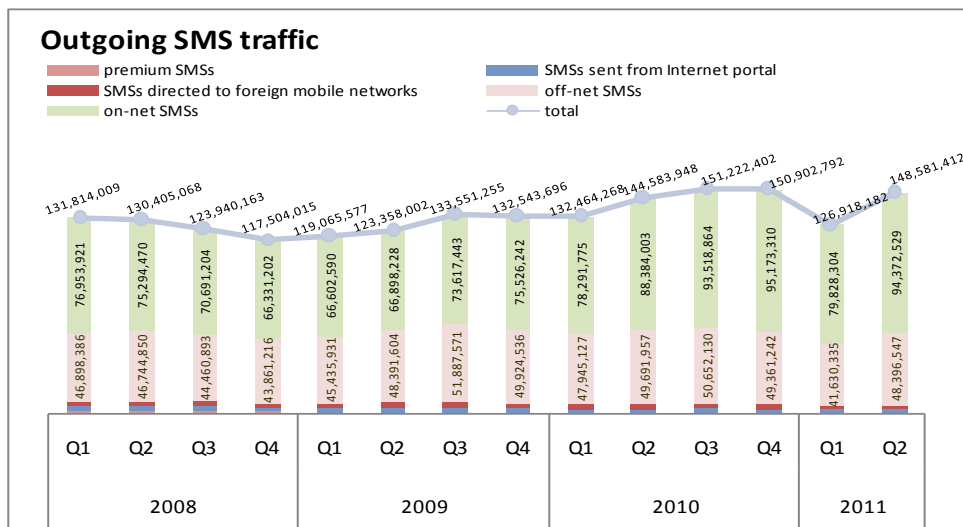


Figure 18: SMS activity - number of outgoing SMSs

Year	2009				2010				2011	
Period	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total	7,027,056	8,068,170	8,046,241	7,092,918	6,227,366	6,507,988	7,045,793	6,366,968	5,459,543	5,812,336
Premium SMSs	965,785	910,748	927,362	874,385	847,008	761,326	975,366	800,475	715,516	765,335
SMSs sent from Internet portal	3,704,565	3,736,794	3,752,427	3,642,730	2,835,249	2,867,593	2,861,077	2,660,656	2,350,738	2,262,467
SMSs directed to foreign mobile networks	2,356,706	3,420,628	3,366,452	2,575,803	2,545,109	2,879,069	3,209,350	2,905,837	2,393,289	2,784,533

Table 6: Premium SMSs, SMSs sent from Internet portal, SMSs directed to foreign mobile networks

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

These declines outweighed an increase recorded in the number of outgoing on-net SMSs, up by 7.5 million or 4.5 percent, from 166.7 million on-net text messages in the FH 2010 to 174.2 million in the SH 2011.

*MMS activity*

MMS activity<sup>17</sup> in the first half of 2011 was slightly lower than that reported in the corresponding period a year earlier. The number of outgoing MMSs totalled 75,465 in the FH of 2011, down by 1.8 percent from 76,845 outgoing MMSs reported in the FH 2010.

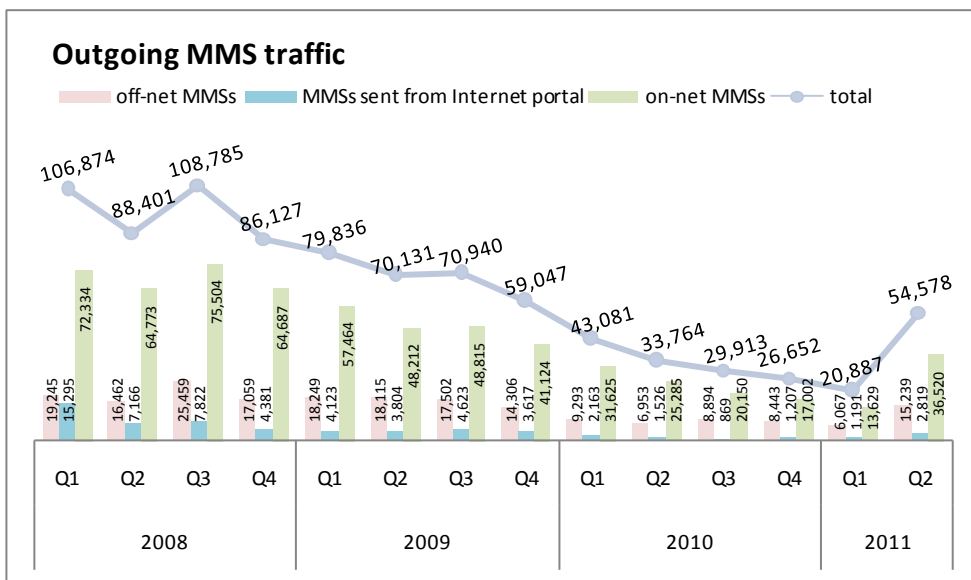


Figure 19: MMS activity - number of outgoing MMSs

During the first half of 2011, on-net MMSs accounted for nearly 66.5 percent of total traffic for the period. Off-net SMSs accounted for another 28.2 percent of the total. The remaining share, at 5.3 percent, was accounted for by MMSs sent from Internet portal.

The corresponding shares for the FH 2010 stood at 74.1 percent, 21.1 percent and 4.8 percent respectively.

<sup>17</sup> MMS figures have been revised since the previous publication.

**6.6 Activity levels per active mobile subscription**

This section provides information on average voice call, SMS and MMS activity levels. Figures are reported on a per user basis (wherein the ‘per user’ term refers to an active mobile subscription) on a quarterly basis.

Figure 20 shows that voice call activity levels in the FH 2011 were stronger than those reported in the FH 2010.

The average number of calls per active mobile subscription totalled 155.6 in Q1 2011 and 173.6 in Q2 2011, up from an average of 145.8 in Q1 2010 and 157.1 in Q2 2010.

On the other hand, the average number of SMSs per active mobile subscription declined from 305.1 in Q1 2010 to 273.6 in Q1 2011 and from 328.9 in Q2 2010 to 302.4 in Q2 2011.

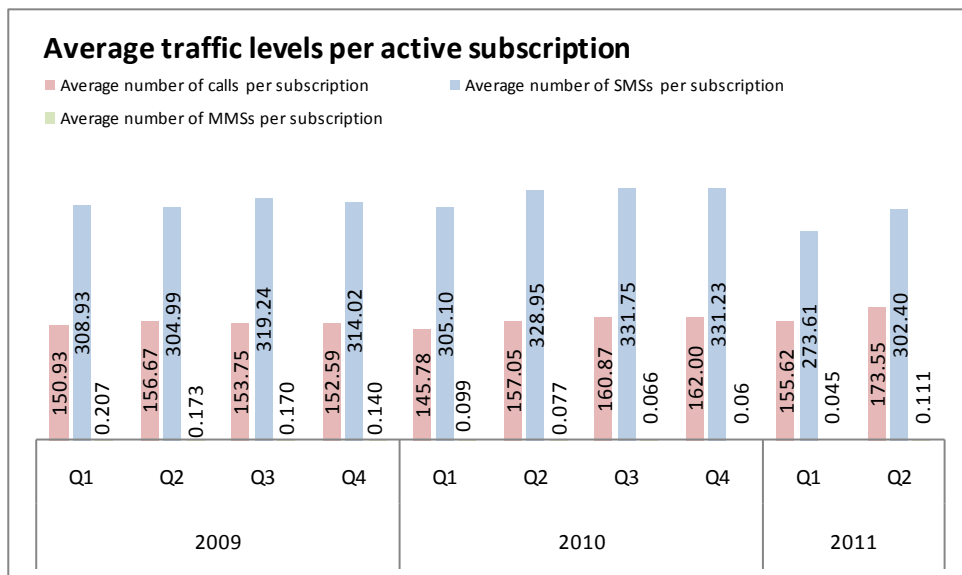


Figure 20: Subscriber activity - average traffic levels per active subscription

The average number of MMSs per active subscription in the first half of 2011 was again negligible.

In terms of the average number of calls per active mobile subscription, on-net MTM calls represent the largest segment of voice call activity by a mobile subscriber. In this regard, the average number of on-net MTM calls per active mobile subscription averaged at around 88 in Q1 2011 and at around 100 in Q2 of the same year (in both instances representing approximately 56.8 percent of all voice call activity reported during the period on a per user basis). The corresponding figures as at Q1 and Q2 2010 stood at around 80 and 86 respectively, as depicted in Figure 21.

The average number of off-net MTM calls per active mobile subscription stood at approximately 49 in Q1 2011 and 54 in Q2 2011.

On comparing Q1 and Q2 2011 with the corresponding figures in 2010, stronger activity levels were also registered in terms of the average number of MTF and MTI calls per active mobile subscription.

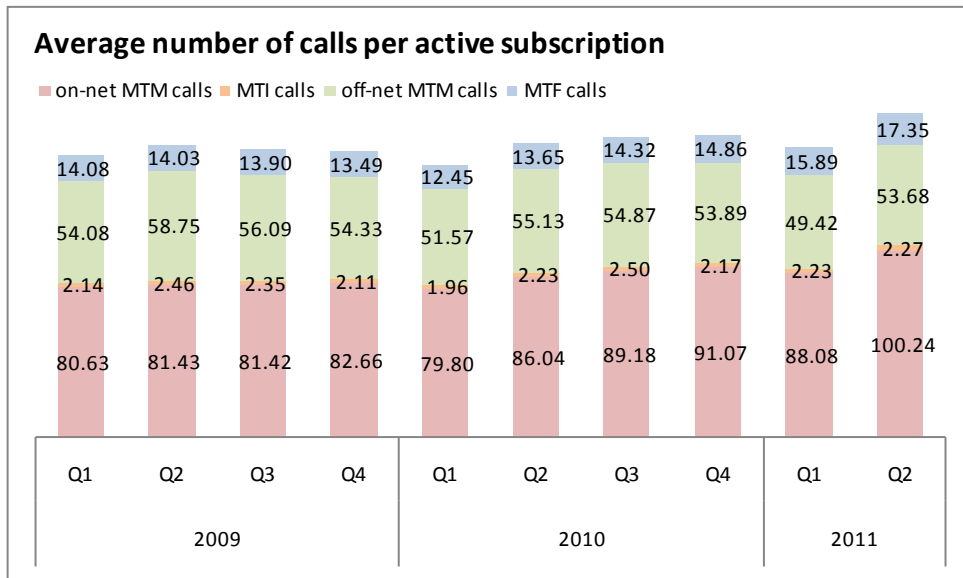


Figure 21: Subscriber activity - average number of calls per active subscription

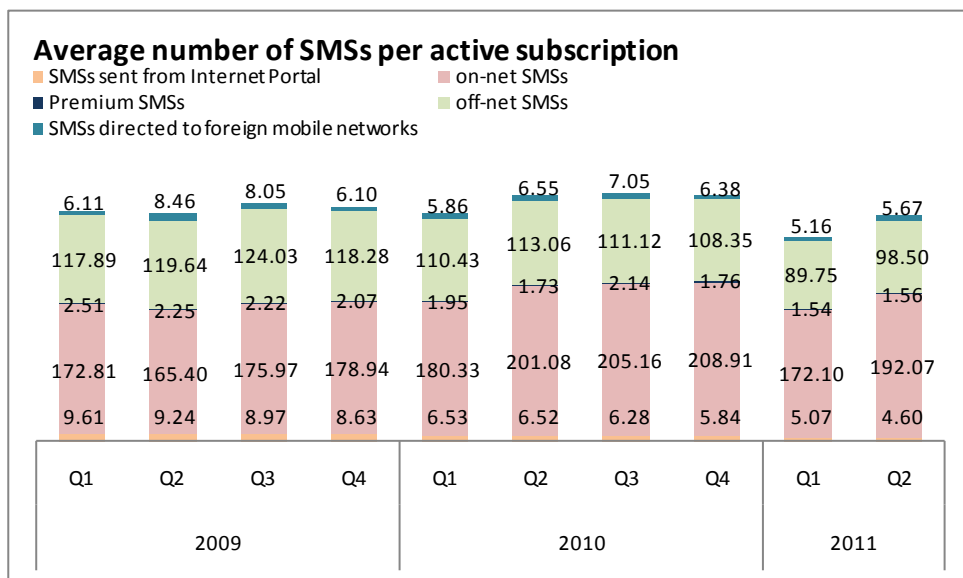


Figure 22: Subscriber activity - average number of SMSs per active subscription

In terms of the average number of SMSs per active mobile subscription, on-net SMS traffic was weaker in the first half of 2011 compared to the corresponding period a year earlier. At an average of 172 and 192 on-net SMSs per active mobile subscription in Q1 and Q2 2011, both figures are down those recorded in 2010.

Off-net SMS traffic per active mobile subscription was clearly weaker in the first half of 2011, when compared to activity recorded in the first half of 2010.

**6.7 Average mobile call duration**

On average, an on-net MTM call lasted around 1.6 minutes in Q1 and Q2 2011, up from around 1.5 minutes in Q1 and Q2 2010.

Off-net MTM calls and MTF calls were also on average lengthier in the first two quarters of 2011, when compared to the same two quarters in 2010.

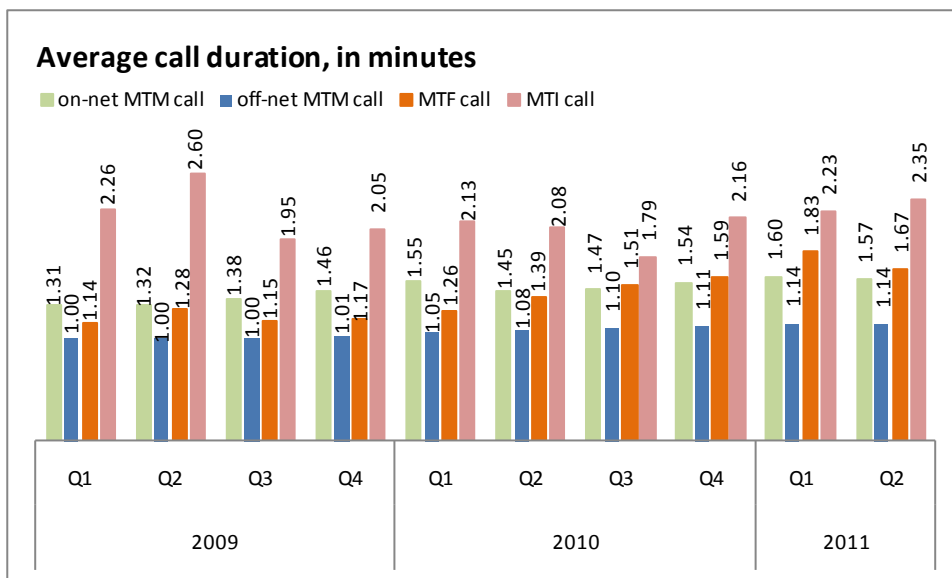


Figure 23: Average duration of an outgoing mobile call

In terms of the average duration of MTI calls, Figure 23 shows that such calls were lengthier in Q1 and Q2 2011 compared to Q1 and Q2 2010.



## 6.8 International roaming activity<sup>18</sup>

International roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. When making or receiving calls while abroad, mobile subscribers would be using voice roaming services. When sending or receiving an SMS while abroad, mobile subscribers would be using SMS roaming services. Mobile subscribers can also send or receive data while abroad. These services are referred to as data roaming services.

When reporting on international roaming activity, local operators distinguish between inbound and outbound roaming activity. Outbound roaming activity refers to call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad.

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

This document outlines developments in voice and SMS roaming activity. No information is yet available with respect to data roaming activity.

In this regard, international roaming activity as reported by local mobile operators registered growth in the first half of 2011, as traffic volumes generally surpassed those reported in the first six months of 2010.

### *Outbound roaming activity*

The number of outbound roaming calls<sup>19</sup> totalled three million in the first half of 2011, up by 15.7 percent from approximately 2.6 million calls in the FH 2010. Traffic volumes were also stronger in terms of outbound roaming minutes. Their number increased by 8.7 percent, up from 4.6 million minutes in the FH 2010 to nearly five million minutes in the FH 2011.

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<sup>18</sup> Data for inbound and outbound roaming calls is currently under review and should therefore be interpreted with caution.

<sup>19</sup> Figures are only estimates and are currently under review.

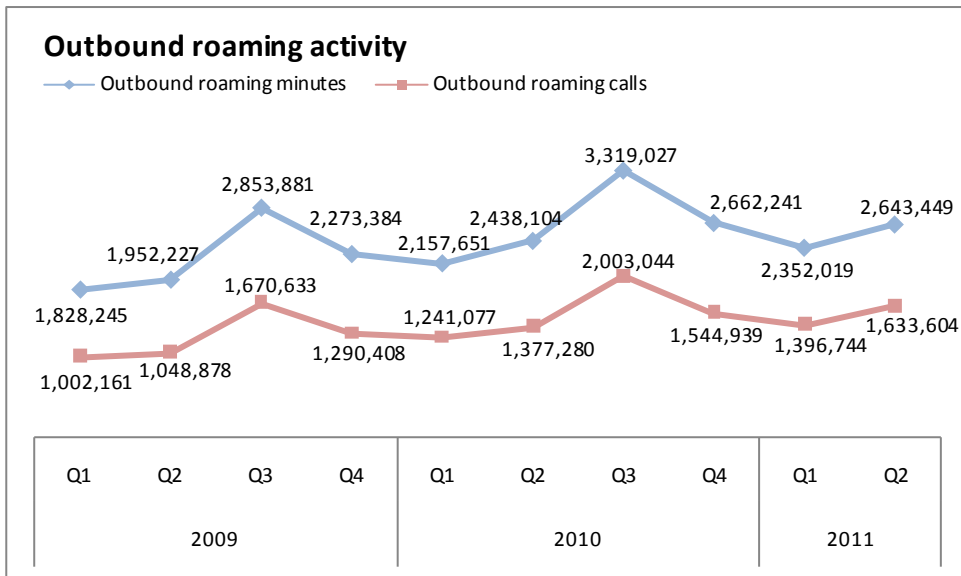


Figure 24: Outbound roaming activity

A more detailed look at developments in outbound roaming activity would show that, during the period under review, an increase was recorded under all sub headings of the said indicator.

In absolute terms, the number of calls made by local subscribers whilst roaming abroad went up from 1.5 million in the FH 2010 to 1.7 million in the FH 2011. During the same period, the number of calls received by local subscribers whilst roaming abroad increased from 1.1 million to 1.3 million.

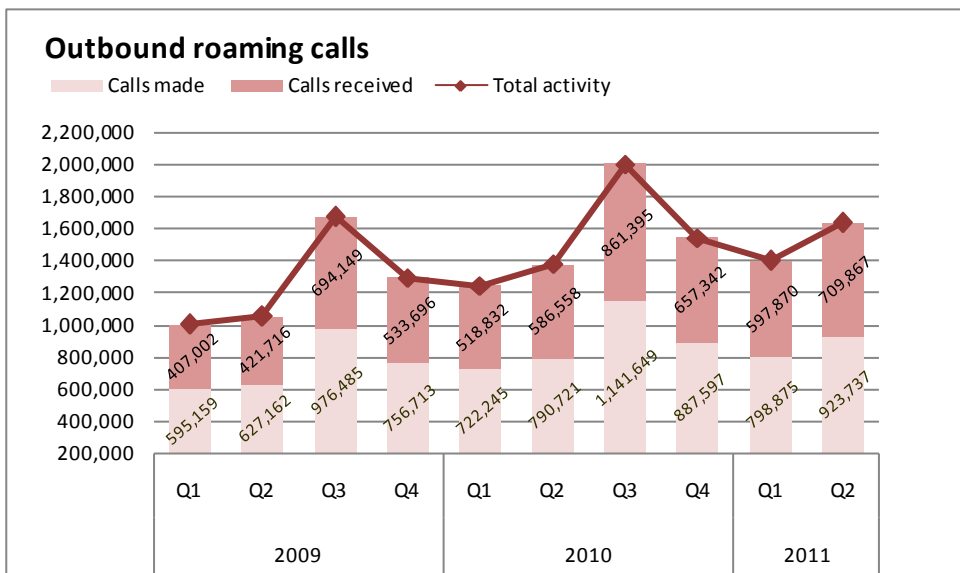


Figure 25: Outbound roaming activity - number of voice calls

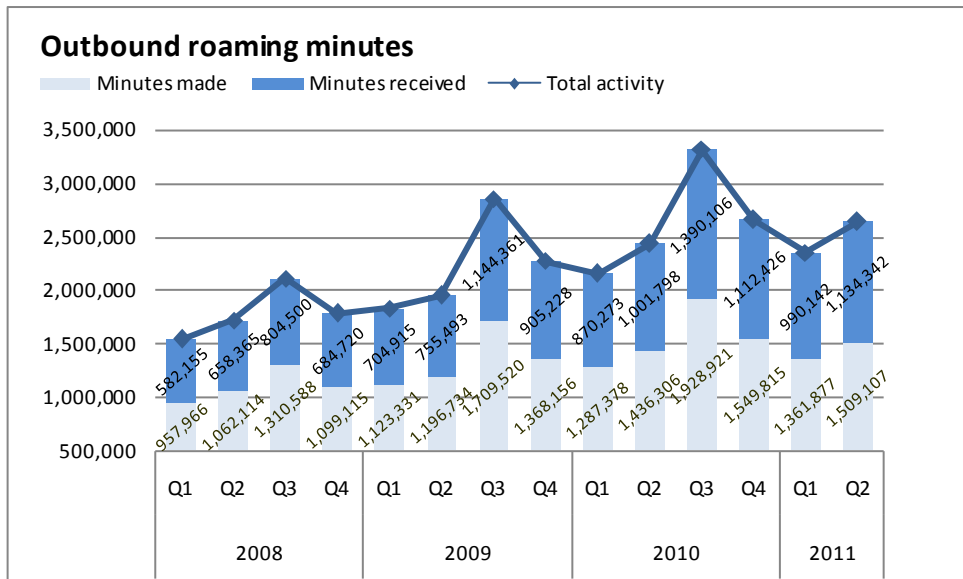


Figure 26: Outbound roaming activity - number of voice call minutes

In terms of outbound roaming minutes, the number received by local subscribers whilst roaming abroad increased from 1.9 million in the FH 2010 to 2.1 million in the FH 2011, representing a 13.5 percent increase in traffic levels.

Minutes made also increased by 5.4 percent during the same period, up from 2.7 million to 2.9 million.

*Inbound roaming activity*

The number of inbound roaming calls<sup>20</sup> totalled nearly 8.7 million in the first half of 2011, representing a drop of nearly 2.2 percent over the corresponding figure in the first half of 2010.

On the other hand, inbound roaming minutes increased by 5.6 percent over the same period, from 15.3 million in the FH 2010 to 16.2 million in the FH 2011.

<sup>20</sup> Figures are only estimates and are currently under review.

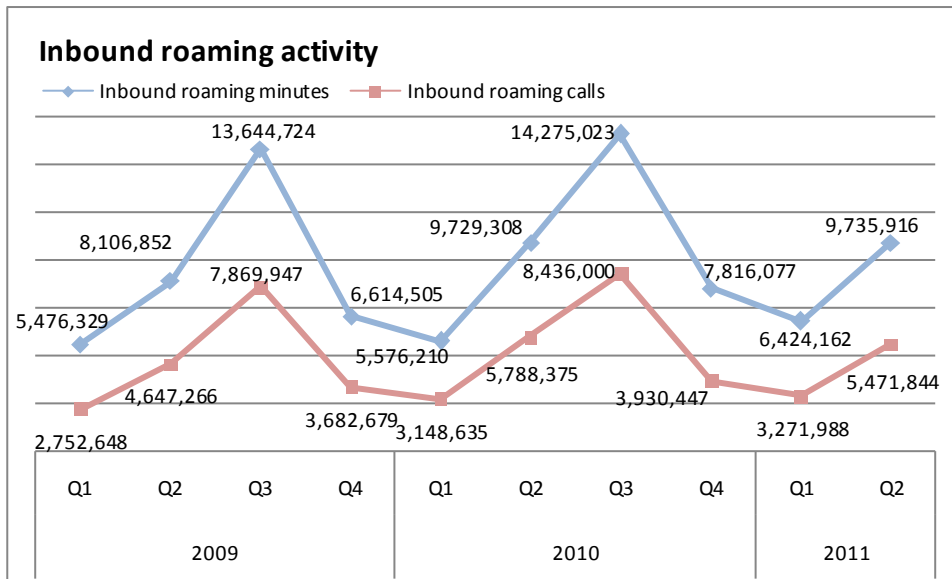


Figure 27: Inbound roaming activity

Disaggregating inbound roaming call figures would show that the number of calls received by foreign mobile subscribers whilst roaming in Malta increased from 2.1 million in the FH 2010 to 2.2 million in the FH 2011.

On the other hand, the number of calls made by foreign mobile subscribers whilst roaming in Malta declined from 6.8 million in the FH 2010 to 6.5 million in the FH 2011.

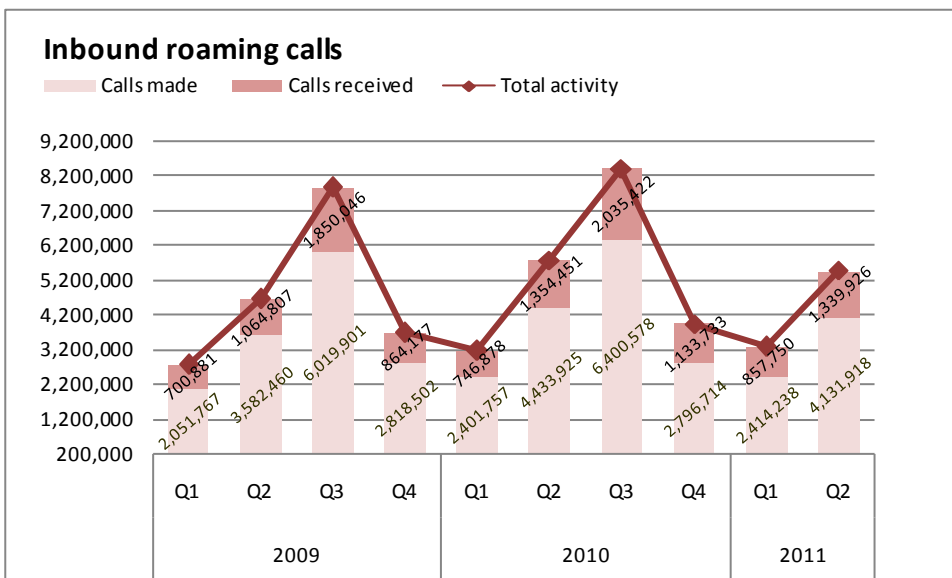


Figure 28: Inbound roaming activity - number of voice calls

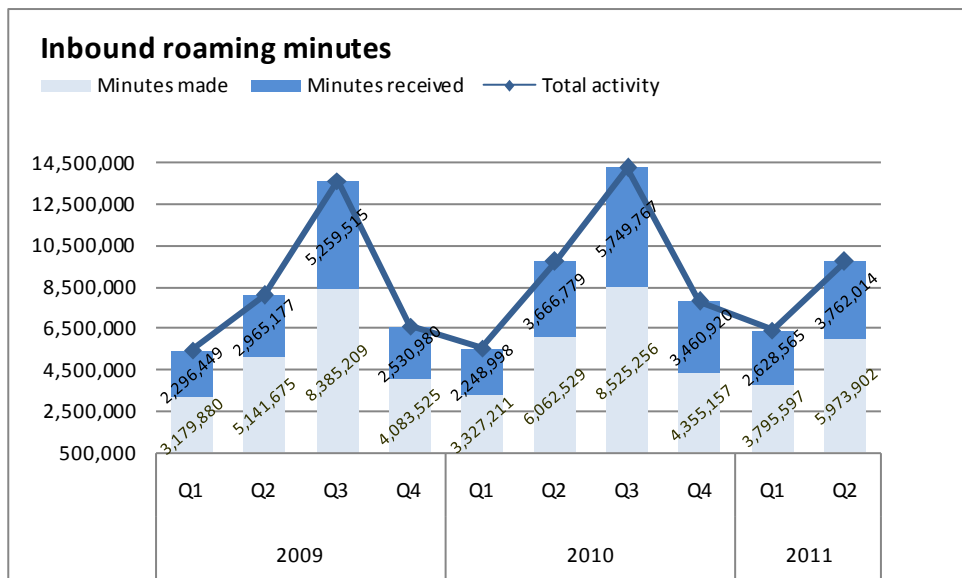


Figure 29: Inbound roaming activity - number of voice call minutes

In terms of inbound roaming minutes, minutes made by foreign mobile subscribers whilst roaming in Malta increased from 9.4 million in the FH 2010 to 9.8 million in the FH 2011. Another significant increase was recorded for minutes received by foreign mobile subscribers whilst roaming in Malta, from a total of 5.9 million in the FH 2010 to 6.4 million in the FH 2011.

6.9 Average revenue per user (“ARPU”)

ARPU statistics include total revenues of the operator divided by the average number of active subscriptions during the period. Total revenues include income from all incoming and outgoing activity registered by all postpaid and prepaid subscribers, including outbound roaming revenues and interconnection revenues, but excluding inbound roaming revenues.

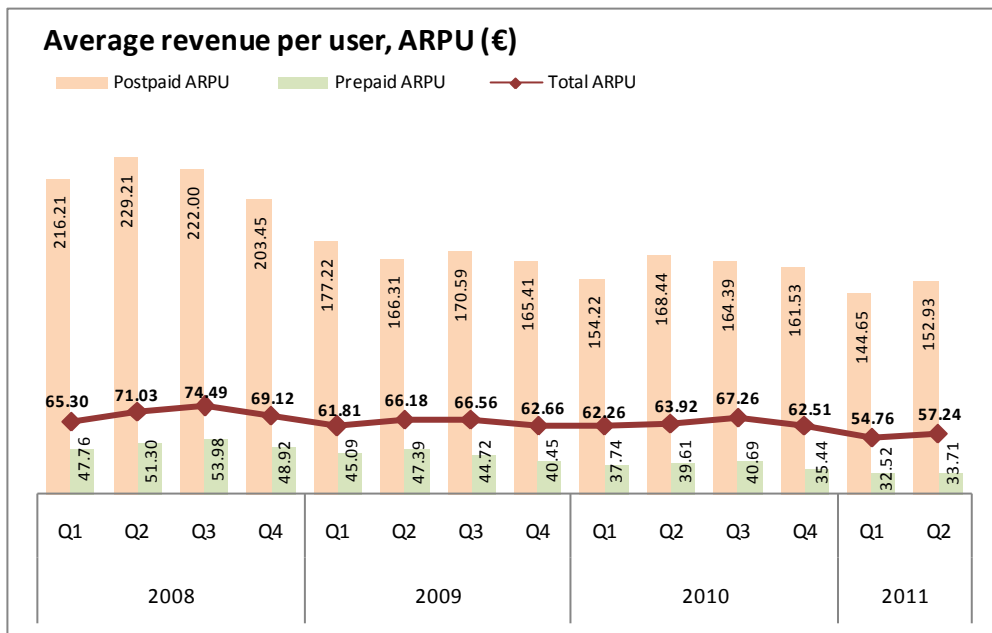


Figure 30: Average revenue per mobile user<sup>21</sup>

Total ARPU in Q1 and Q2 2011 stood at €54.76 and €57.24 respectively. In both instances, the figure is lower than that recorded in the same period a year earlier.

As at Q2 2011 prepaid ARPU stood at €33.71, compared to €39.61 as at Q2 2010, whilst postpaid ARPU stood at €152.93, compared to €168.44 as at Q2 2010.

<sup>21</sup> Mobile ARPU figures have been revised since previous publication, but are still under review. Figures should therefore be interpreted with caution.

**6.10 Average rate per minute of mobile communications and average rate per SMS**

Revenue-based market indicators<sup>22</sup> show that, as at Q2 2011, the average cost of a minute of mobile communications for a domestic call over the mobile network stood at €0.140, which is lower than €0.169 as at Q2 2010.

The average cost of a minute of mobile communications for an international call stood at €0.413 as at Q2 2011, which is again lower than €0.511 as at Q2 2010.

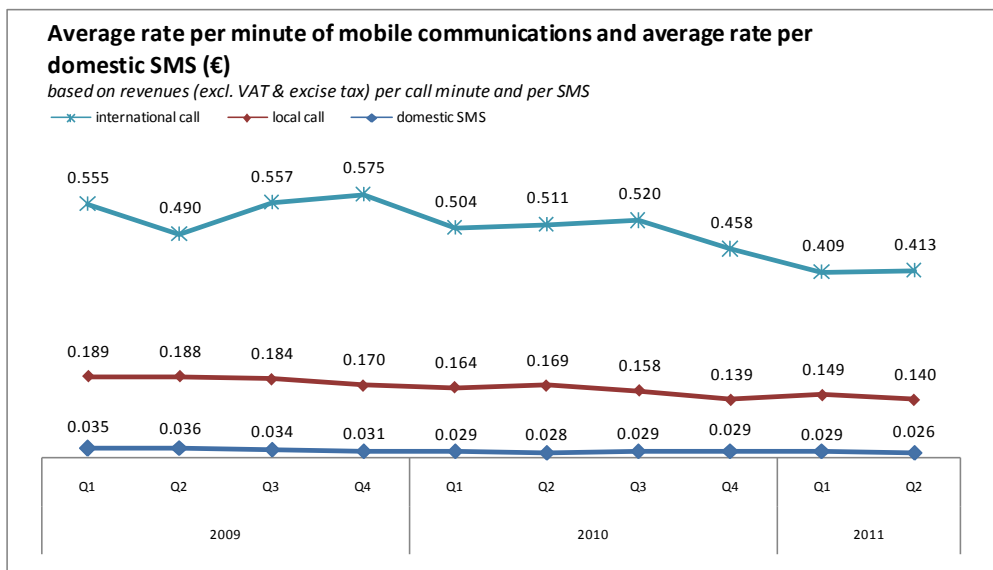


Figure 31: Average cost of a mobile call derived from revenue-based workings<sup>23</sup>

The average cost per domestic SMS stood €0.026 as at Q2 2010, down from €0.028 as at Q2 2010.

<sup>22</sup> The average price per minute of mobile communications is derived by subdividing domestic mobile voice traffic revenues (including access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading. Revenues from VAT, excise tax, retail roamings services and contract line rental fees are excluded from the workings. Figures are to be interpreted with caution, as these are not the actual rates quoted on the market.

It must also be noted that local mobile operators may offer free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. This would affect the final outcome for the average rate per minute of mobile communications.

<sup>23</sup> Figures are preliminary and therefore subject to change.

## 7 Internet

### 7.1 Internet subscriptions

The current review focuses on market developments concerning fixed and mobile broadband<sup>24</sup>. Figures for mobile broadband are quoted from publications of the EU Communications Committee (hereafter, also referred to as “CoCom”).

### 7.2 Fixed broadband subscriptions

Figure 32 shows that as at the end of the current review period the number of fixed broadband subscriptions (hereafter, also referred to as “fixed BB subscriptions”) reached 126,041. This figure represents a year-on-year increase of 7.5 percent over the corresponding figure as at the end of Q2 2010<sup>25</sup>.

This review distinguishes between three different fixed broadband platforms, each with national coverage, over which fixed broadband is currently offered. These include the Digital Subscriber Line (hereafter, referred to as “DSL”) platform, the cable platform, and the fixed wireless platform.

Year-on-year, the different fixed broadband platforms showed annual growth.

The number DSL subscriptions increased by 11.9 percent, up from 58,787 subscriptions as at the end of Q2 2010 to 65,809 as at the end of Q2 2011. During the same period, fixed wireless subscriptions increased by 14.4 percent, up from 4,079 to 4,665. Cable broadband subscriptions increased by approximately 2.5 percent, up from 54,223 as at the end of Q2 2010 to 55,567 as at the end of the current review period.

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<sup>24</sup> Fixed broadband is a term which refers to several different forms of broadband platforms that are available at one (or more) *fixed* access point(s) supporting the provision of broadband products/services. Mobile broadband is a term which refers to those forms of broadband platforms making use of technologies which are portable from one location to another at the discretion of their user.

<sup>25</sup> For the purpose of this report, fixed broadband Internet subscriptions refer to those connections which are *always on* and have a speed of 128kbps or more. Figures are currently under review and therefore subject to change.



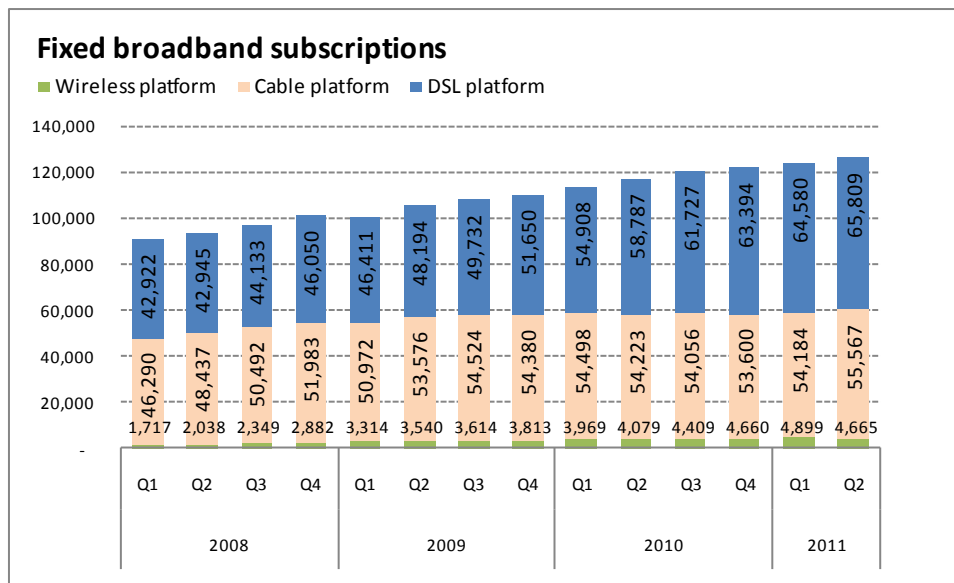


Figure 32: Broadband Internet subscriptions as at end of period - by technology

As at the end Q2 2011, the DSL platform accounted for 52.2 percent of the local subscriber base for fixed broadband, up from 50.2 percent as at the end of Q2 2010. The cable platform accounted for another 44.1 percent, down from 46.3 percent a year earlier, and the fixed wireless platform accounted for the remaining share, at approximately 3.7 percent, up from 3.5 percent.

### 7.3 Broadband download speeds<sup>26</sup>

As at the end of the current review period, 72.5 percent of all fixed broadband subscriptions were accounted for by broadband connections expected to reach a download speed (hereafter, also referred to as “connection speed”) equal to or exceeding 4Mbps but less than 6Mbps. The corresponding figure as at the end of Q2 2010 stood at 76.4 percent.

The share of fixed BB subscriptions with a connection speed of less than 4Mbps stood at approximately 1.2 percent as at the end of Q2 2011, down from 2.1 percent as at the end of Q2 2010. In absolute terms, the number fixed BB subscriptions with a download speed less than 4Mbps totalled 1,450.

On the other hand, year-on-year subscriber growth was reported under those headings referring to higher download speeds.

The year-on-year increase up to June 2011 was approximately 18 percent for the category of connections with download speeds equal to or exceeding 6Mbps but less than 10Mbps. The corresponding increase for those subscriptions with a speed equal to or exceeding 10Mbps was 46.5 percent.

<sup>26</sup> Although the provision of fixed broadband has been characterised by communications service providers upgrading broadband connection speeds over the last few years, quoted figures do not indicate whether or not actual download speeds may match advertised rates.

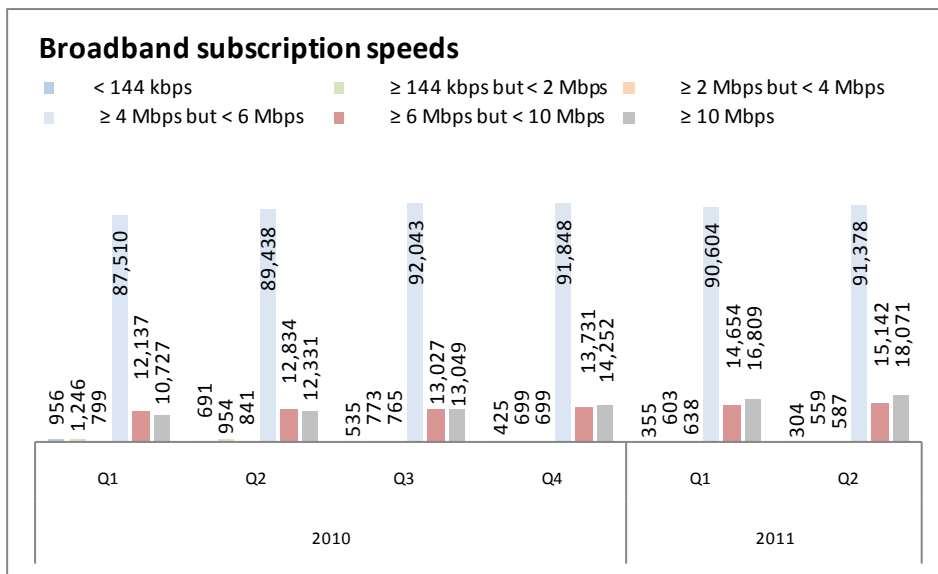


Figure 33: Broadband Internet subscriptions as at end of period - by connection speed

The number of fixed BB subscriptions in the former category totalled 15,142 as at end of Q2 2011, representing 12 percent of all fixed broadband subscriptions. The number of subscriptions in the latter category totalled 18,071 which is equivalent to approximately 14.3 percent of all broadband subscriptions as at the end of the current review period.

Figure 33 shows that, as at the end of Q2 2011, 11.8 percent of all fixed wireless broadband subscriptions feature under the category representing fixed broadband connections with download speeds equal to or exceeding 2Mbps but less than 4Mbps. The corresponding figure as at end of Q2 2010 stood at 18.8 percent. It also shows that approximately 84.2 percent of all fixed wireless broadband subscriptions had a download speed equal to or exceeding 4Mbps but less than 6Mbps, up from 76.5 percent in the corresponding period a year earlier. Just 3.6 percent of fixed wireless broadband connections were recorded as having a broadband download speed equal to or exceeding 6Mbps, down from 4.6 percent as at Q2 2010.

With respect to fixed broadband subscriptions over the cable and DSL platforms, most subscriptions as at end of Q2 2011 were recorded as having a broadband connection speed equal to or exceeding 4Mbps but less than 6Mbps. The respective shares were 70.5 percent for DSL and 73.7 percent for cable. Both figures are down from 70.8 percent and 82.4 percent respectively, as recorded at end of Q2 2010.

Another 22.8 percent of all DSL subscriptions feature under the category representing fixed broadband subscriptions with speeds equal to or exceeding 6Mbps but less than 10Mbps. No cable broadband subscriptions feature under this category.

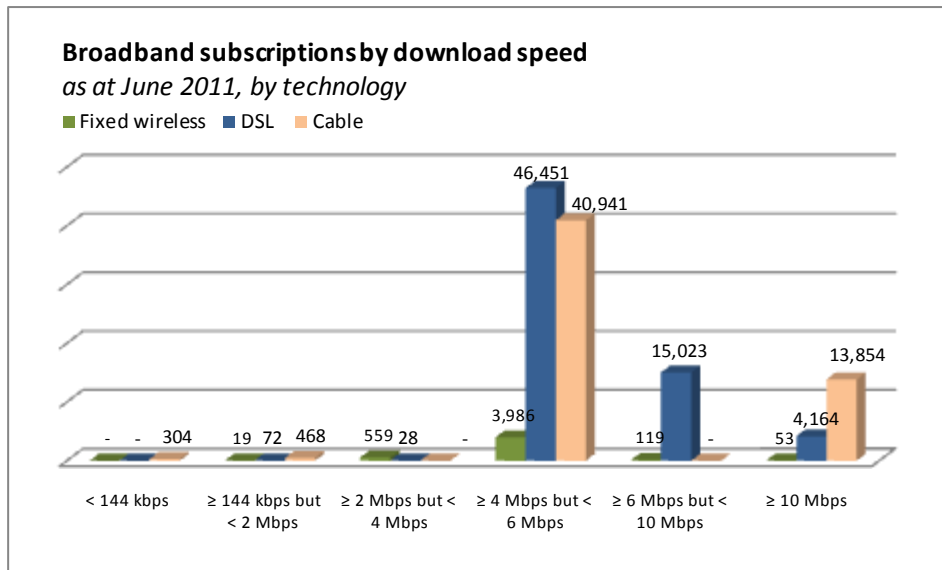


Figure 34: Broadband Internet subscriptions as at end of period - by connection speed

Regarding broadband connections with download speeds equal to or exceeding 10Mbps, 6.3 percent of all DSL subscriptions and nearly 25 percent of all cable subscriptions were recorded as having such download speeds as at the end of Q2 2011.

#### 7.4 Fixed BB subscriptions on a bundled offer

The number of fixed BB subscriptions on a bundled offer increased from 48,408 as at the end of Q2 2010 to 68,243 as the end of Q2 2011, representing an increase of nearly 41 percent over a twelve-month period.

Number of users on multiple play offers including a broadband Internet subscription	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Number of users on two-play offers including:	1,165	1,100	703	932	861	641	865	1,043	932	817
Internet + Postpaid telephone line	1,165	1,100	703	932	861	641	865	1,043	932	817
Number of users on triple-play offers including:	4,973	5,477	4,446	4,147	4,406	4,723	5,029	5,858	5,611	5,778
Internet + Postpaid telephone line + Pay TV	2,444	2,150	943	478	402	279	128	45	18	15
Internet + Postpaid telephone line + Mobile	2,529	3,327	3,503	3,669	4,004	4,444	4,901	5,813	5,593	5,763
Number of users on quadruple-play offers including:	15,369	21,002	26,706	30,488	37,812	43,044	49,657	57,135	59,601	61,648
Internet + Postpaid telephone line + Pay TV + Mobile	15,369	21,002	26,706	30,488	37,812	43,044	49,657	57,135	59,601	61,648
Number of users on multiple play offers including an Internet subscription	21,507	27,579	31,855	35,567	43,079	48,408	55,551	64,036	66,144	68,243
As a percentage of total broadband Internet subscriptions	21.36%	26.19%	29.53%	32.38%	38.00%	41.34%	46.22%	52.64%	53.49%	54.14%

Table 7: Fixed broadband subscriptions on a bundled offer as a percentage of total broadband subscriptions

The figure recorded as at the end of Q2 2011 accounts for 54.1 percent of all active fixed BB subscriptions recorded at the time.

## 7.5 Fixed broadband penetration rate

Malta's fixed broadband penetration (per population) stood at 30.5 percent as at the end of Q2 2011, up by two percentage points over the corresponding period a year earlier.

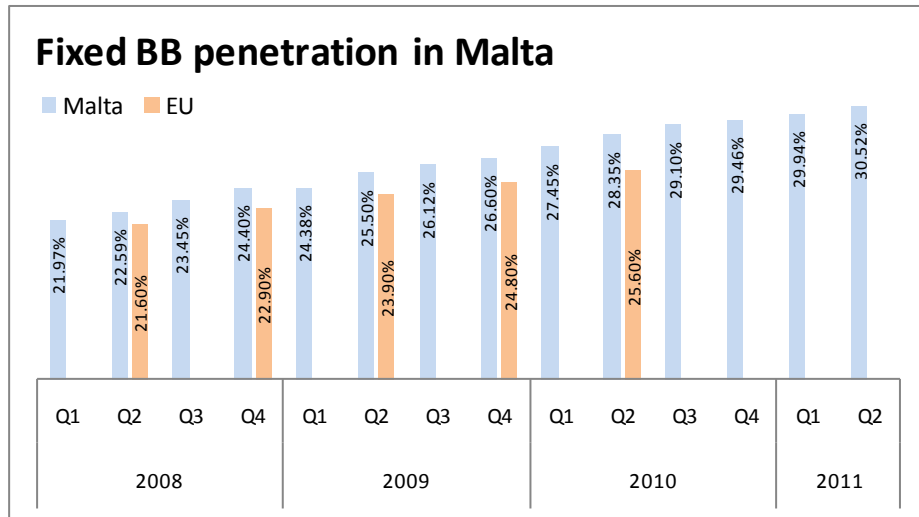


Figure 35: Fixed broadband penetration rate as at end of period

According to the latest CoCom figures released for July 2010, Malta's fixed broadband penetration rate stood above the the EU average rate of 25.6 percent<sup>27</sup>.

## 7.6 Fixed broadband ARPU

The current review is publishing a new indicator evaluating operators' revenue submissions per fixed broadband subscription (hereafter, also referred to as "retail fixed broadband ARPU"). The indicator, which is being published for the first time, presents data on a quarterly basis.

The calculation of ARPU for fixed broadband reflects the average quarterly spend by users for broadband services. Fixed broadband ARPU is calculated as the total retail revenues for broadband subscriptions divided by the average of the total number of broadband subscriptions within a quarter.

The revenue element is composed of the total retail revenues from subscriptions to broadband services, excluding revenues from installations and connections.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter divided by two.

<sup>27</sup> According to the latest CoCom Report on 'Broadband Access in the EU: situation at 1 July 2010', the EU fixed broadband penetration rate is measured as the total number of fixed broadband lines per 100 habitants.

Figure 36 shows that fixed broadband ARPU as at Q2 2011 stood at €42.60 which is lower than the corresponding figure in Q2 2010, at €45.33.

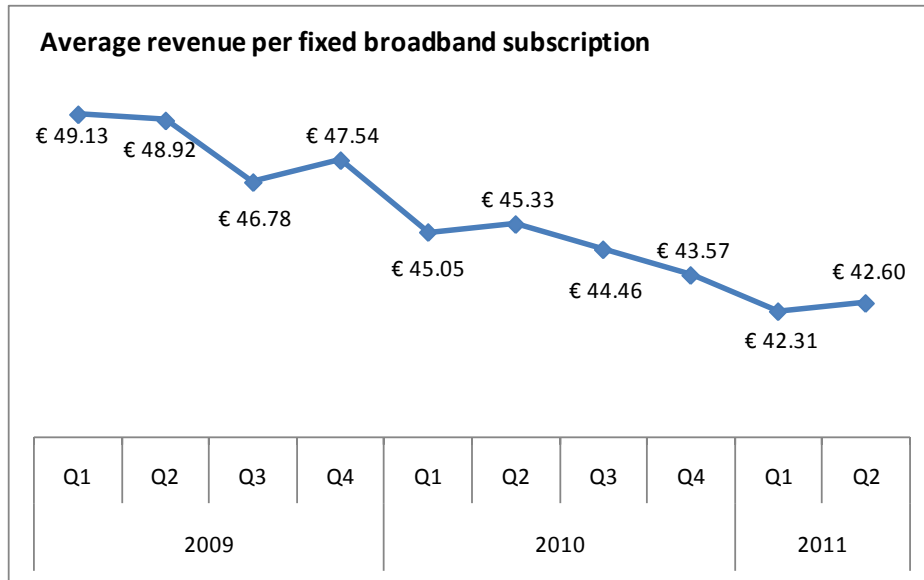


Figure 36: Average revenue per broadband user

Any interpretation of developments for fixed broadband ARPU should carefully consider existing and evolving market dynamics such as the emergence and penetration of bundle offers, market offerings and occasional discounts and changes to upload/download speeds.

The fixed broadband ARPU indicator may be subject to further review and current findings should therefore be interpreted with caution.

**7.7 Mobile broadband**

The current CMR outlines developments for mobile broadband in Malta by making use of data submitted by local operators for publication by CoCom<sup>28</sup>.

Findings reconfirm that mobile broadband take-up maintained its steady growth path over the first six months of 2011. This development occurred in an environment whereby local network operators, namely GO, Melita and Vodafone, upgraded their mobile networks in anticipation that demand for mobile broadband would increase as a result of user requirements.

Annual growth in mobile broadband<sup>29</sup> has been encouraging year-on-year up to July 2011. In terms of availability, the number of *Subscriber Identity Module (hereafter “SIM”)/Universal Subscriber Identity Module (hereafter “USIM”) cards*<sup>30</sup> which work under 3G equivalent or higher standards to enable access to data services in mobile networks went up by 23.4 percent between July 2010 and July 2011.

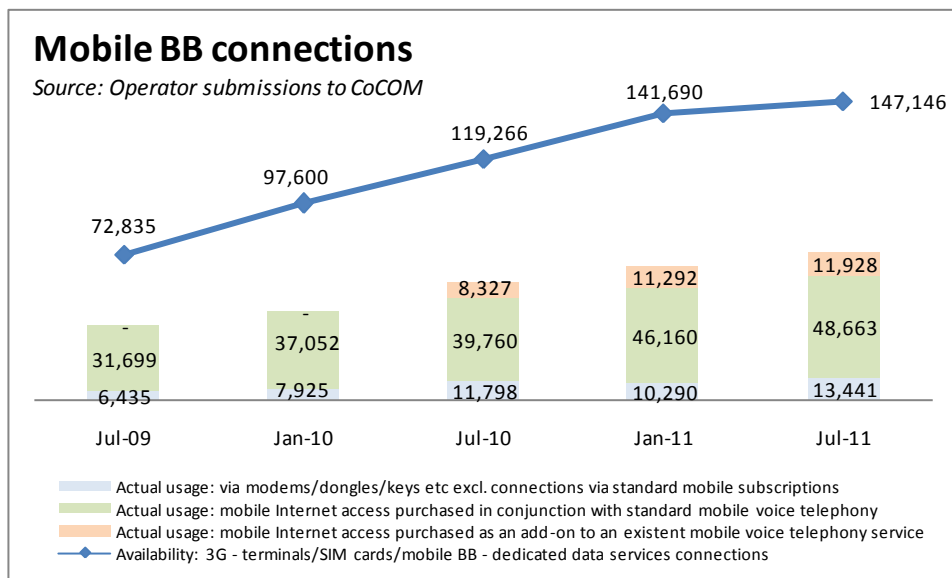


Figure 37: Mobile broadband connections as at end of period

<sup>28</sup> The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration/100 population. For example, in country X, there are ten 3G equivalent phone users (mainly used for voice communication), but only two out of these ten users actually accessed advanced data services in the last 90 days. In addition there are four users who use their modems/USB keys/cards provided by a mobile operator to access BB data via their laptops, since there is, for example, no wired connection available to them.

<sup>29</sup> Refers to the number of subscriptions which have made an Internet mobile connection (using IP) in the previous 90 days through a standard mobile subscription (i.e. requiring a mobile handset) and through modems/dongles/keys purchased on a stand alone basis (i.e. not requiring a mobile handset). The total therefore includes the number of subscriptions bundling mobile Internet access and standard mobile voice telephony, the number of subscriptions to dedicated data services purchased as an add-on to standard mobile voice telephony against an additional fee and the number of subscriptions to dedicated data services purchased on a stand alone basis via modems or dongles/keys.

<sup>30</sup> This is the official term provided by CoCom. In the case of UMTS the unit of reference is SIM/USIM cards (including modem/dongles).

In terms of actual usage, Figure 37 shows that mobile broadband access was stronger in July 2011 compared to activity reported a year earlier. In this regard, the number of subscriptions which recorded mobile broadband activity in the previous 90 days increased from 67,742 in July 2010 to 74,032 in July 2011.

In July 2011, the number of mobile subscriptions (with Internet access incorporated in the price or else Internet access purchased as an add on to the voice service against an additional fee) accessing broadband data services in the previous 90 days totalled 60,591.

Correspondingly, the number of dedicated data service connections purchased on a stand alone basis via modems or dongles/keys etc which accessed high speed advanced data services in the previous 90 days totalled 13,441. This figure is 13.9 percent higher than that reported 12 months earlier.

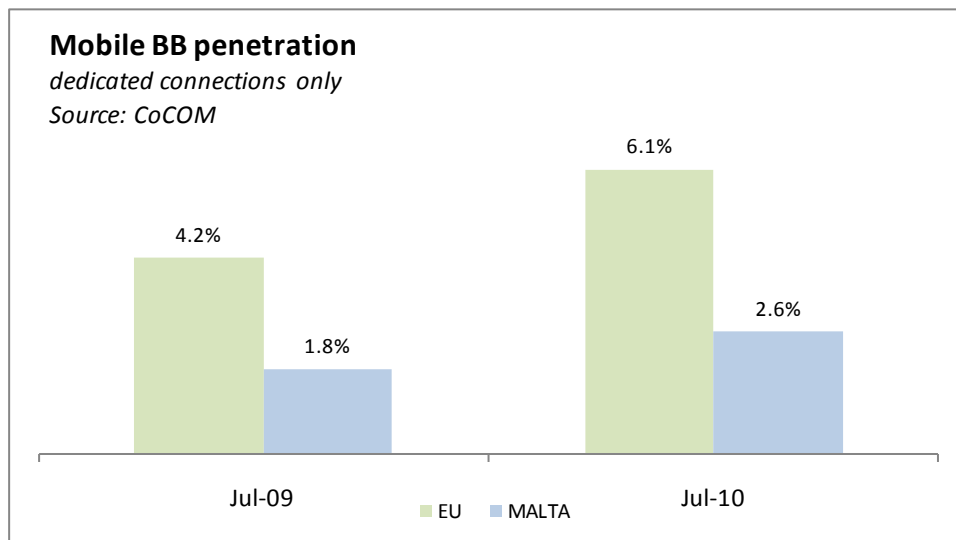


Figure 38: Mobile broadband penetration rate as at end of period

Figure 38 shows that, in July 2010, Malta’s penetration rate of mobile broadband as measured by dedicated data service cards/keys only was 2.6 percent compared to an EU average of 6.1 percent. Data for 2011 is not yet available.

**7.8 Average advertised rate of fixed broadband per unit of download speed**

The MCA considers the average advertised rate of fixed broadband per unit of download speed (Mbps) as a proxy measure of how pricing for fixed broadband develops over time. Workings are undertaken on the basis of an evaluation of the advertised rate of a broadband product against the advertised download speed.

The assessment identifies two types of fixed BB products, those having a specified (or fixed) download limit and others for which no download limit is set (i.e. products with an unlimited download).

For each type of fixed BB product, different categories are set according to the download speed advertised with each product.

Seven different categories were identified as follows:

- products with a download speed equal to or greater than 2Mbps but less than 4Mbps;
- products with a download speed equal to or greater than 4Mbps but less than 6Mbps;
- products with a download speed equal to or greater than 6Mbps but less than 8Mbps;
- products with a download speed equal to or greater than 8Mbps but less than 10Mbps;
- products with a download speed equal to or greater than 10Mbps but less than 20Mbps;
- products with a download speed equal to or greater than 20Mbps but less than 30Mbps;
- and
- products equal to or greater than 30Mbps.

With respect to broadband products with a download speed equal to or greater than 2Mbps but less than 4Mbps and having a set download limit, the average advertised rate per Mbps declined from €6.20 in Q2 2010 to €4.75 in Q1 2011. This is mainly a result of the ceasing of operations by Waldonet as from Q4 2010, thereby leaving only one product advertised by Vodafone in this broadband category. It is also of note that no broadband products with a download speed equal to or greater than 2Mbps but less than 4Mbps have been advertised with a set download limit in Q2 2011.

With regard to products with a download speed equal to or greater than 4Mbps but less than 6Mbps and a set download limit, an increase in the average advertised rate of such products was observed, from €3.12 in Q2 2010 to €3.46 in Q2 2011. This is a result of Melita ceasing its product offering in this category, thereby leaving just one product, advertised by GO, to influence price movements and thereby move the average advertised rate upwards. On considering broadband products falling within the 4Mbps to 6Mbps category but with unlimited download, no change in the average rate per Mbps has been observed in the current review period. The respective rate stood at €5.04 in Q2 2011.

In the case of fixed broadband products having a download speed equal to or greater than 6Mbps but less than 8Mbps, the average rate per Mbps for products with a specified download limit stood at €2.26 in Q1 2011, the same as in Q2 2010. However, no such broadband products were advertised in Q2 2011. For those products with unlimited download, no change in the average rate per Mbps has been observed over a 12-month period. The respective rate stood at €5.90 in Q2 2011.



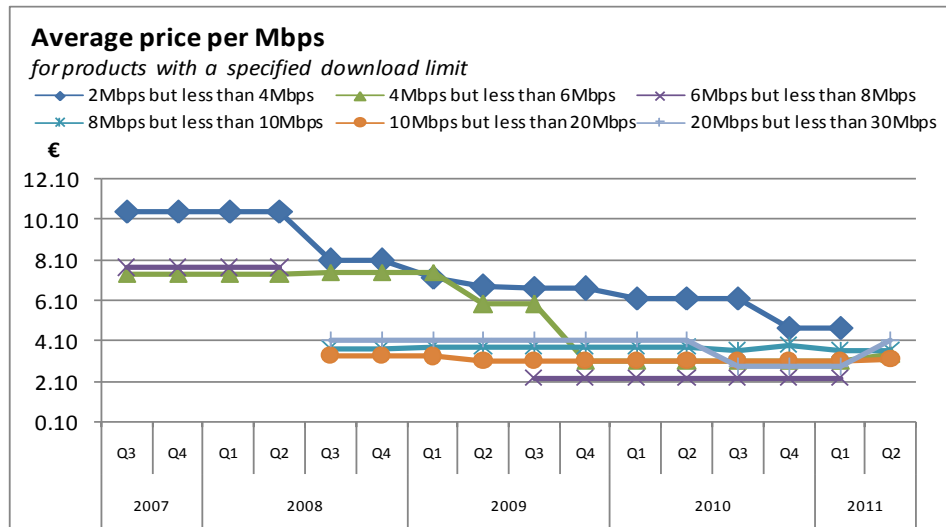


Figure 39: Average price per Mbps of fixed broadband for packages with a specified download limit

A decline in the average advertised rate per Mbps was observed for the category featuring broadband products with a download speed equal to or greater than 8Mbps but less than 10Mbps and a set download limit. This went down from €3.83 in Q2 2010 to €3.63 in Q2 2011. This is again a result of the ceasing of operations by Waldonet as from Q4 2010, which brought with it a decline in the average advertised rate per Mbps. No broadband products with unlimited download featured under this broadband category.

In the case of broadband products with a download speed equal to or greater than 10Mbps but less than 20Mbps, the average price per Mbps increased. For those products with a set download limit, the average advertised rate per Mbps went up slightly from €3.13 in Q2 2010 to €3.23 in Q2 2011. This slight change is a result of Melita ceasing its product offering within this category in Q2 2011 and eventually raising the average advertised rate. The average price per Mbps for those broadband products with unlimited download stood at €6.89 in Q2 2011, up from €5.57 in Q2 2010. This is a result of less broadband products with unlimited download featuring under this broadband category, given that Waldonet ceased operations in 2010, and thereby pushing the average advertised rate upwards.

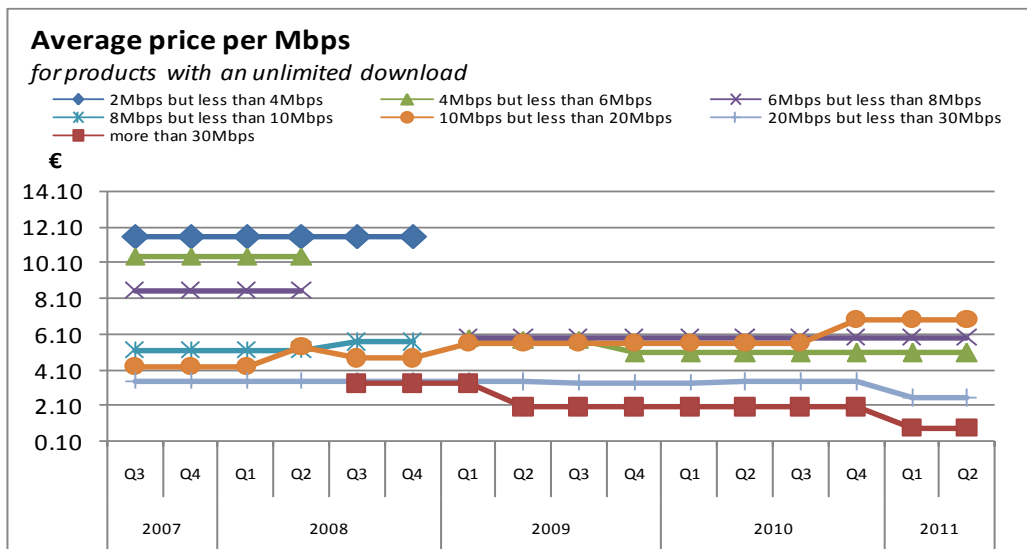


Figure 40: Average per Mbps of fixed broadband for packages with an unlimited download

The average price per Mbps for broadband products with a download speed equal to or greater than 20Mbps but less than 30Mbps was €4.13 in Q2 2010 and Q2 2011. In the interim, the rate for those products with a set download limit went down to €2.82 in Q3 and Q4 2010 and Q1 2011 but bounced back to €4.13 in Q2 2011. This is a result of Melita introducing a new product offering in Q3 2010 and eventually withdrawing it in Q2 2011, thereby influencing calculations on the average advertised rate. Those products advertised with unlimited download showed a decline in the average advertised rate per Mbps, from €3.42 in Q2 2010 to €2.51 in Q2 2011. This outcome is linked to the introduction of a new set of 25Mbps offers by Melita in Q1 2011.

The latest category under consideration refers to those broadband products with a download limit of 30Mbps or more. Only Melita is active within this broadband category as it offers several 50Mbps and 100Mbps products, most of which were launched on the market in 2011. The average price per Mbps for these products stood at €0.86 in Q2 2011, down from €2 in Q2 2010. No products with a set download limit were advertised within this category.

## 8 Reception of TV broadcasts via Pay TV platforms

### 8.1 Number of Pay TV subscriptions

#### Overall market outcome

Pay TV related services are offered in Malta by two service providers, GO and Melita. GO offers its services via the Digital Terrestrial Television (“DTTV”) platform whilst Melita offers Pay TV services via two platforms, the analogue cable platform and the digital cable platform<sup>31</sup>.

As at end 2010, Pay TV subscriptions had already reached 143,753. Six months later their number increased by 3,969 or by approximately 2.8 percent to 147,722.

As at end of the current review period, 92 percent of all Pay TV subscriptions were on a digital platform, up by one percentage point since the end of 2010 and by 5.7 percentage points since the end of Q2 2010. The remaining share of Pay TV subscriptions (i.e. 8 percent) was accounted for by the analogue cable platform.

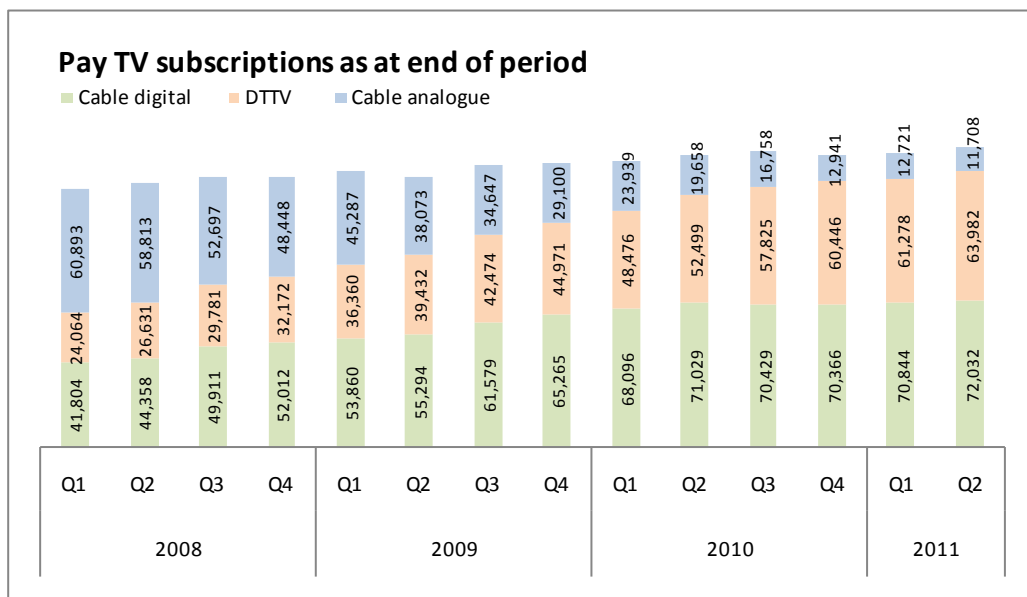


Figure 41: Pay TV subscriptions as at end of period

In absolute terms, the number of digital Pay TV subscriptions increased by 12,486 over a twelve-month period ending Q2 2011. On the other hand, the number of analogue cable Pay TV subscriptions declined by 7,950.

<sup>31</sup> There are to date no registered satellite broadcasters or platforms in Malta.

*Pay TV subscriptions by operator*

A further look at the landscape of the local digital Pay TV subscriber base shows that, as at the end of the reporting period, the number of Pay TV subscriptions on Melita’s digital cable platform totalled 72,032. The number of subscriptions on GO’s DTTV platform totalled 63,982.

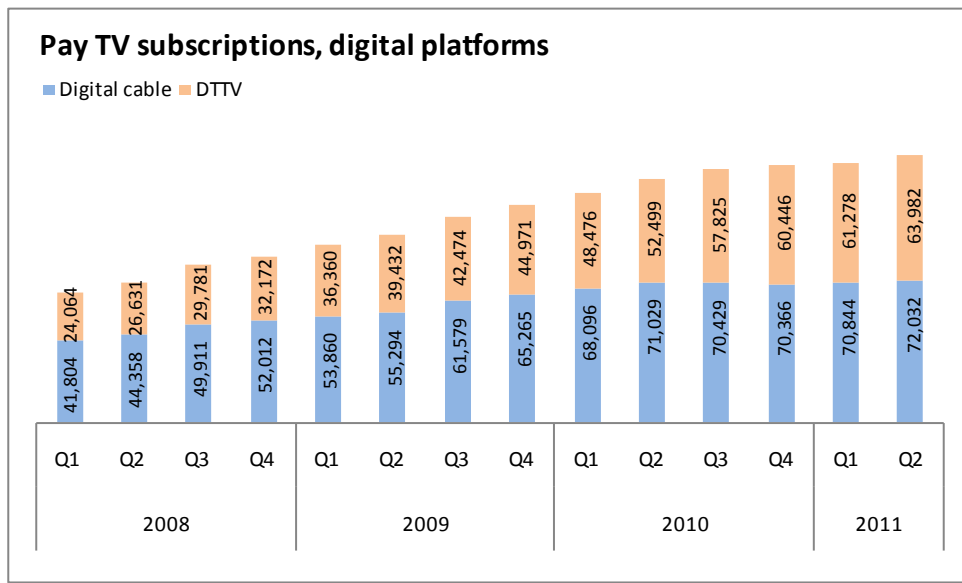


Figure 42: Digital Pay TV subscriptions as at end of period - by platform

Both GO and Melita recorded increases in their number of digital Pay TV subscriptions since the end of Q2 2010. GO’s DTTV subscriptions increased by 11,403, or 21.7 percent, whilst Melita’s digital cable subscriptions increased by 1,003, representing an increase of 1.4 percent.

Melita’s analogue cable Pay TV platform has consistently lost subscriptions. Over a twelve-month period ending Q2 2011, analogue cable subscriptions fell by 40.4 percent from 19,658 to 11,708.

**8.2 Digital Pay TV subscriptions on a bundled offer**

The number of digital Pay TV subscriptions on a bundled offer has increased consistently since 2009.

Table 8 (below) shows that their number increased by 19,407 (or 32.2 percent) over a twelve-month period ending June 2011, up from 59,074 as at the end of Q2 2010 to 78,121 as at the end of the current reporting period.

This means that as at the end of Q2 2011, nearly 53 percent of all digital Pay TV subscriptions were purchased as part of a bundle, up from 41.3 percent a year earlier.

Number of users on multiple play offers including a digital Pay TV subscription	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Digital Pay TV subscriptions on two-play bundled offers	15,933	17,156	17,827	15,065	14,258	11,307	11,578	10,207	10,083	10,262
Digital Pay TV + Mobile	2,358	2,500	3,014	3,438	3,792	3,886	4,083	4,301	4,760	5,220
Digital Pay TV + BB Internet	-	-	-	-	-	-	-	-	-	-
Digital Pay TV + Postpaid telephone line	13,575	14,656	14,813	11,627	10,466	7,421	7,495	5,906	5,323	5,042
Digital Pay TV subscriptions on triple-play bundled offers	4,973	5,477	4,446	4,448	4,757	4,723	5,083	5,934	6,095	6,211
Digital Pay TV + Postpaid telephone line + BB Internet	2,444	2,150	943	478	402	279	128	45	18	15
Digital Pay TV + Postpaid telephone line + Mobile	-	-	-	-	-	-	-	-	-	-
Digital Pay TV + BB Internet + Mobile	2,529	3,327	3,503	3,970	4,355	4,444	4,955	5,889	6,077	6,196
Digital Pay TV subscriptions on quadruple-play bundled offers	15,369	21,002	26,706	30,639	37,812	43,044	49,657	57,135	59,601	61,648
Number of users on multiple play offers including a digital Pay TV subscription	36,275	43,635	48,979	50,152	56,827	59,074	66,318	73,276	75,779	78,121
Number of digital Pay TV subscriptions	135,507	132,799	138,700	139,336	140,511	143,186	145,012	143,753	144,843	147,722
as a percentage of digital Pay TV subscriptions	26.77%	32.86%	35.31%	35.99%	40.44%	41.26%	45.73%	50.97%	52.32%	52.88%

*Table 8: Digital Pay TV subscriptions on a bundled offer as a percentage of total digital Pay TV subscriptions*

**8.3 Average revenue per Pay TV subscription**

The current review is publishing an indicator evaluating operators’ revenue submissions per Pay TV subscription (hereafter, also referred to as “Pay TV ARPU”). The indicator, which is being published for the first time as is the case for fixed broadband ARPU, presents data on a quarterly basis.

The calculation of ARPU for Pay TV services reflects the average quarterly spend by users for Pay TV services. Pay TV ARPU is calculated as the total retail revenues for Pay TV services divided by the average of the total number of Pay TV subscriptions within a quarter.

The revenue element is composed of the total retail revenues from subscriptions to Pay TV services but excluding revenues from premium services, installations and connections. Premium services includes revenues from Sports, Movies, and VOD subscriptions.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter divided by two.

Figure 43 shows that Pay TV ARPU as at Q2 2011 stood at €42.92 which is slightly lower than the corresponding figure in Q2 2010.

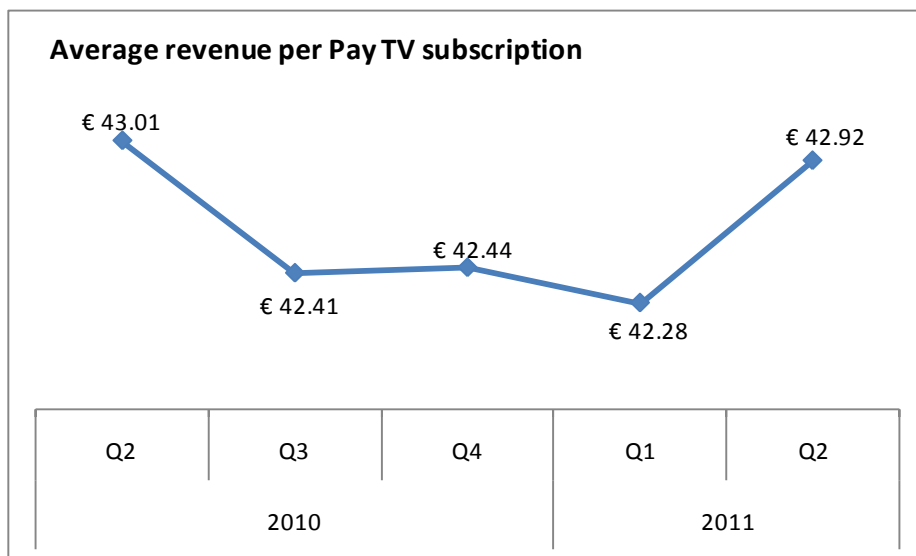


Figure 43: Average revenue per Pay TV user

Any interpretation of developments for Pay TV ARPU should carefully consider existing and evolving market dynamics such as the emergence and penetration of bundle offers, market offerings and occasional discounts and changes to channel line up and content.

The Pay TV ARPU indicator may be subject for further review and current findings should therefore be interpreted with caution.

**8.4 Pay TV Pricing**

This section presents findings based on an evaluation of advertised rates/tariffs for Pay TV packages<sup>32</sup>. For ease of reference and practicality, price movements are captured according to a set of six different Pay TV categories, with each category taking into consideration those Pay TV packages featuring a channel line up (in terms of number of channels) that matches within its parameters. If more than one Pay TV package feature under a particular category, an average of advertised rates is derived.

Figure 44 shows that no significant changes in advertised Pay TV rates has materialised since the end of 2010.

As at end Q2 2011, the average tariff for Pay TV packages listing not more than 24 channels stood at €2.99. This reflects the rate<sup>33</sup> charged by GO for its long-standing Free+ digital package, which was the only product featuring under this category at the time.

It is worth noting however that, a year earlier, Melita was also present in this Pay TV category as it then advertised a Reception package, which was offered over the analogue cable platform and a Medium package, which was offered over the digital cable platform, both listing a 24 channel line-up.

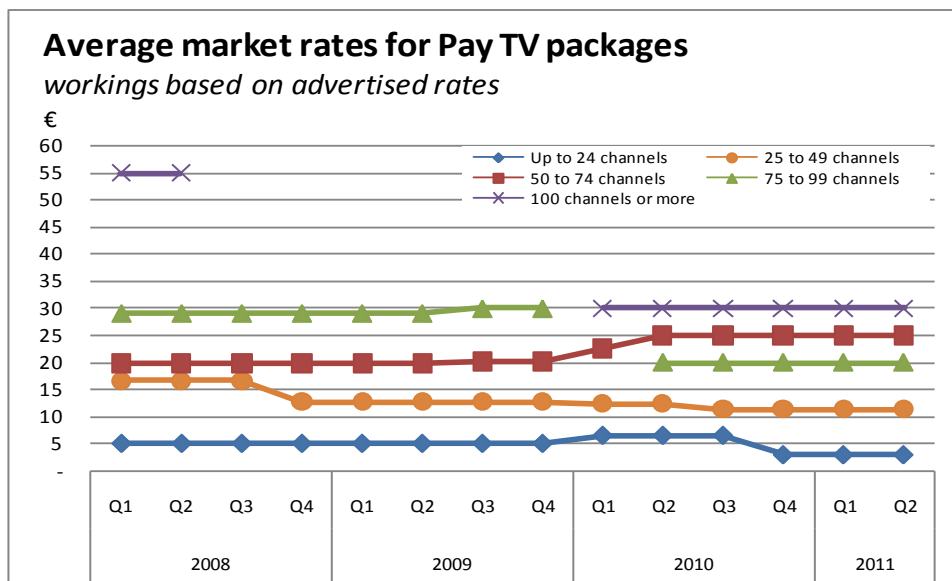


Figure 44: Average market rates for Pay TV packages

<sup>32</sup> Developments in advertised rates for premium Pay TV packages may feature in forthcoming publications.

<sup>33</sup> Tariff is inclusive of network access fee. Until Q4 2009, the Free+ package was available at €2.33 per month. The rate increased to €2.99 in Q1 2010.

Eventually Melita no longer advertised the analogue package and increased the channel line-up of its Medium package, thereby resulting in its withdrawal from the category featuring Pay TV packages listing 24 channels or less.

Throughout 2010, downward price movements were observed for the category including Pay TV packages listing 25 to 49 channels. This category was originally characterised by GO's Silver+ package, including 37 channels and priced at €13.98<sup>34</sup>. However, as from Q1 of 2010, Melita started offering its own product in this category, the Medium package, including 38 channels and priced at €7.76. At the time, this change pushed the average market rate for this channel category downwards, from around €12/€13 to €11.38 by the end of 2010. Since then, no further price movements were observed for this category.

In the period under review, no changes have been observed in the average market rate for the category including Pay-TV packages listing 50 to 74 channels. Following Melita's upgrade of its Large package in the first few months of 2010, only GO's Gold+ Package was left in this channel bracket.

In 2010, only one offer featured under the category of Pay TV packages listing 75 to 99 channels. This was still the case in the first half of 2011, with Melita's Large package listing more than 80 channels at an advertised rate of €19.99.

With respect to the category featuring 100 channels or more, only Melita is represented with its Extra Large package advertised at the rate of €29.99. This rate has remained unchanged since the end of 2010<sup>35</sup>.

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<sup>34</sup> Tariff is inclusive of network access fee. This package was available at €13.98 in 2009. However, the rate was increased to €14.99 as from Q1 2010. GO also implemented a rate increase for its Free+ and Gold+ packages, up from €2.33 to €2.99 in the former case, and up from €23.29 to €24.99 in the latter.

Rate increases were also implemented in 2009 and 2010 by Melita, as was the case with the Large and Extra Large packages. However, in most instances the said rate increases were also accompanied by changes and upgrades in the channel line up.

<sup>35</sup> New Pay TV packages within this category may have been launched by GO during the said period but information regarding the matter is still under verification.



9 Post

9.1 Postal mail volumes

*Total mail volumes handled*

Postal mail volumes handled by local operators<sup>36</sup> during the first half of 2011 totalled 21.8 million items, 0.4 percent less than the volumes handled in the first half of 2010. In absolute terms, mail volumes declined by 76,734 mail items, down from 21.9 million mail items handled in the FH 2010.

Figure 45 shows that mail volumes peak in Q4 of each respective year as a result of higher activity registered during the Christmas period. A change to this trend is observed in 2008, with increased mail volumes reported in Q1 of this year as a result of local general elections.

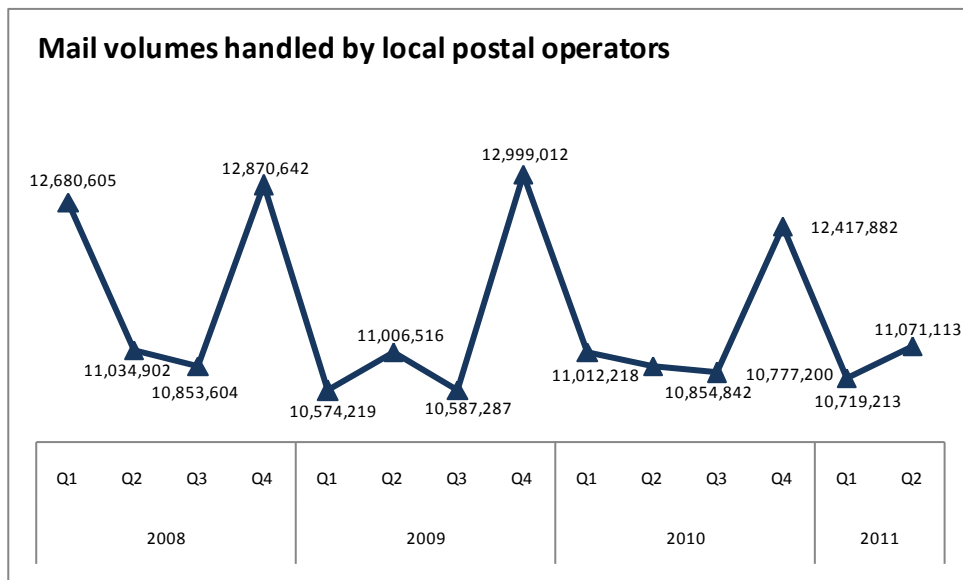


Figure 45: Postal activity - number of handled mail items

<sup>36</sup> Maltapost plc (the designated Universal Service Provider, hereafter also referred to as “the USP”) and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area.

Another 16 registered postal operators (courier and express services) provide services outside the scope of the universal service area. Postal activity for these operators has been taken into consideration in the current review as from Q1 2009. Such data was not available in previous CMR publications.

*Total mail volumes handled – by postal area*

Local postal service providers operate within different postal areas. The main distinction arises between those service providers operating within the scope of the universal service<sup>37</sup> area, which need a licence to operate, and those operating outside the scope of the universal service area, namely couriers/express service providers.

In view of the above, the current review segments total mail volumes handled by postal service providers in two categories, namely mail volumes handled within the universal service area and mail volumes handled within the competitive area.

98.7 percent of all mail items handled in the first half of 2011 were accounted for by postal activity reported within the universal service area. Just 1.3 percent of all mail volumes handled during the same period were accounted for by postal activity reported in the competitive area.

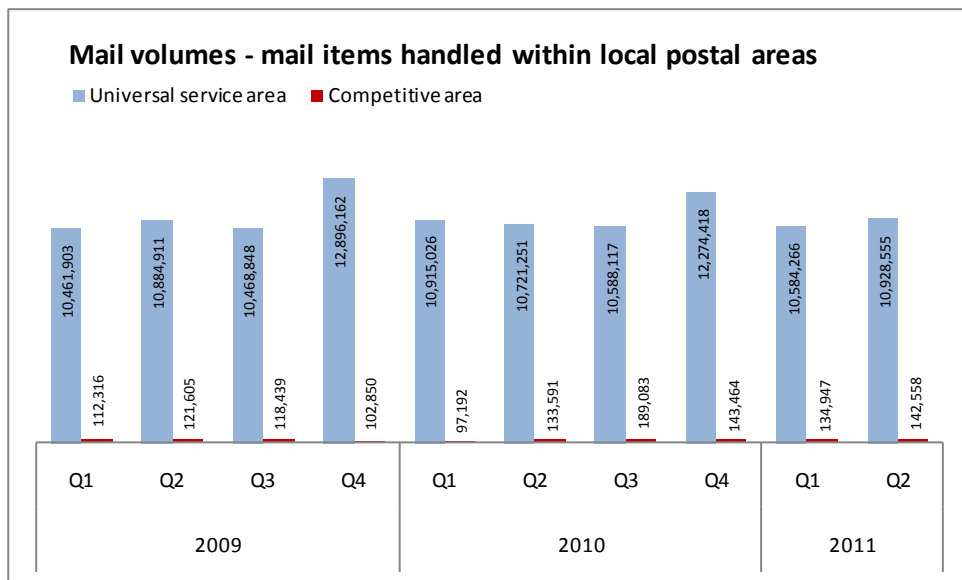


Figure 46: Postal activity - number of handled mail items by postal area

In the FH 2011, total mail volumes handled in the universal service area declined by 0.6 percent when compared to volumes reported in the FH 2010, down from 21.6 million items in the latter period to 21.5 million items in the former.

On the other hand, postal activity within the competitive area reported a rise in total mail volumes handled during the first six months of 2011 compared with the corresponding period a year earlier, up to 277,505 mail items in FH 2011 from 230,783 mail items in FH 2010.

<sup>37</sup> The Universal Service comprises those services or products to which a consumer is entitled to access no matter where he or she lives. These services must be accessible, of a specified quality and affordable. Services falling within the universal service area must be provided by the Universal Service Provider, in Malta’s case, Maltapost plc, and may also be provided, if so licensed, by other service providers. Premier Post Ltd is, in fact, licensed by the MCA to provide services within the scope of the universal service area.

*Total mail volumes handled – by type of postal mail item*

This section provides data on postal activity categorised according to the type of mail item being handled. Four mail item headings are identified, namely letter post mail items, parcel mail items, bulk mail items and registered mail items.

The number of letter post items handled in the FH 2011 were down approximately 2.4 percent when compared to the FH 2010. In absolute terms, letter mail volumes handled in the first six months of 2011 amounted to 7.7 million items. The number of letter post items handled in the FH 2011 accounted for 35.9 percent of all mail items handled during the period.

Contrary to developments for letter mail volumes, volumes were higher for other postal mail item headings. Bulk mail volumes were up by 0.4 percent, parcel mail volumes were up by 13.9 percent and registered mail volumes were also up by 8.4 percent. The latter gains were however not sufficient to outweigh the decline reported in terms of letter post items.

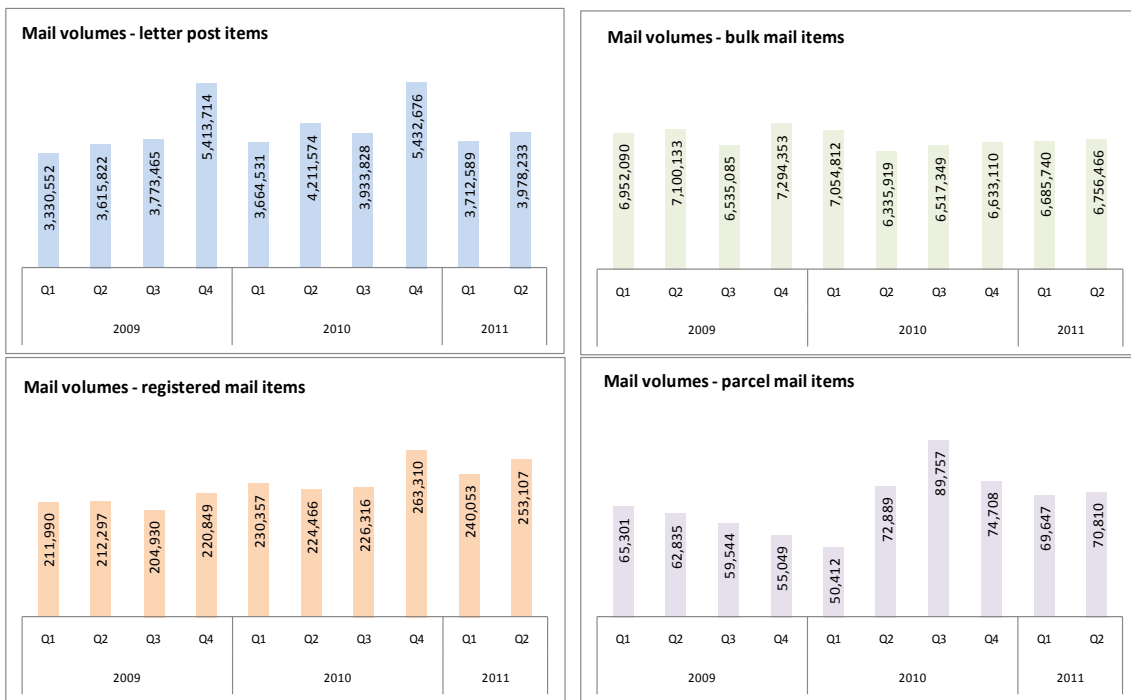


Figure 47: Postal activity – mail volumes by item

*Total mail volumes handled – by type of postal mail activity*

Developments in postal traffic volumes are also observed on the basis of the type of postal mail activity. In this regard, this section distinguishes between three postal mail activity headings: postal activity reported under domestic mail; postal activity reported under outbound cross border mail<sup>38</sup>; and postal activity reported under inbound cross border mail<sup>39</sup>.

In the first half of 2011, the domestic mail heading recorded a decline of 67,979 mail items when compared to FH 2010, representing a fall of 0.4 percent in domestic mail volumes. The domestic mail category accounted for 81.2 percent of all mail items handled during the first half of 2011.

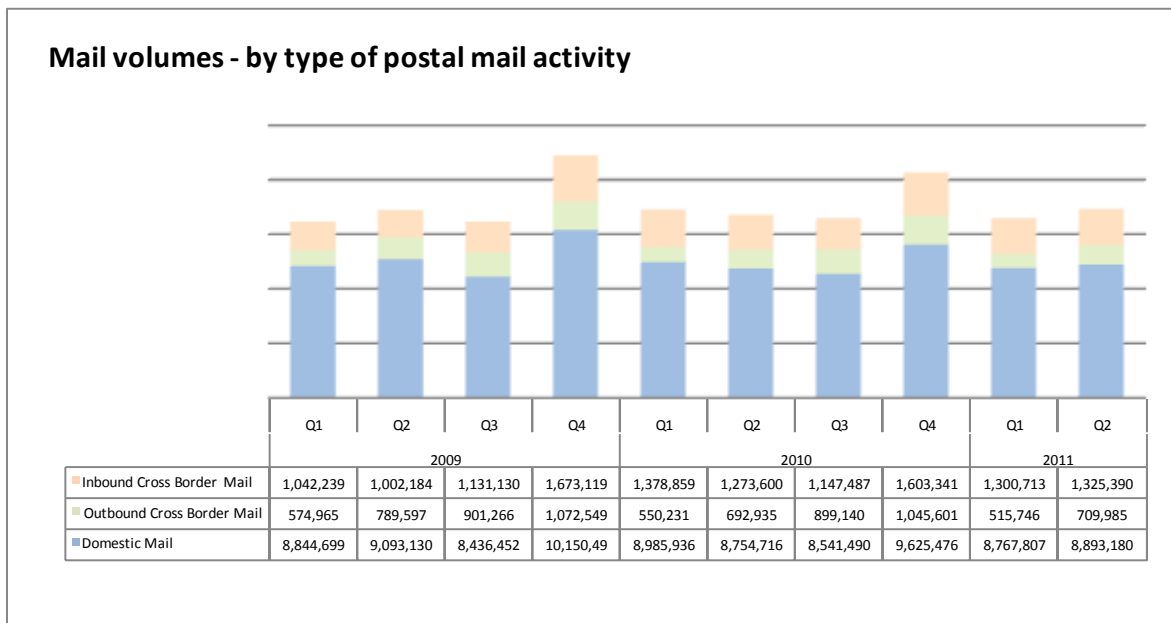


Figure 48: Postal activity - number of handled mail items by type of mail

Volumes of outbound and inbound cross border mail in FH 2011 totalled 1.2 million items and 2.6 million items respectively. In both instances, mail volumes were lower than those recorded in the FH 2010. In the former case, volumes went down by 1.4 percent, and in the latter by nearly one percent.

<sup>38</sup> Domestically-originated mail forwarded to foreign destinations.

<sup>39</sup> Foreign-originated mail forwarded to Malta.

**9.2 Quality of postal delivery service**

The MCA has established a series of Quality of Service (“QoS”) targets to ensure that universal service obligations are achieved in the delivery of different mail items.

All targets are set for a period of one year, covering Maltapost’s financial year from October to September.

The QoS targets for the delivery to destination of local ordinary mail and bulk mail<sup>40</sup> on the next day (D+1) has been set at 93 percent.

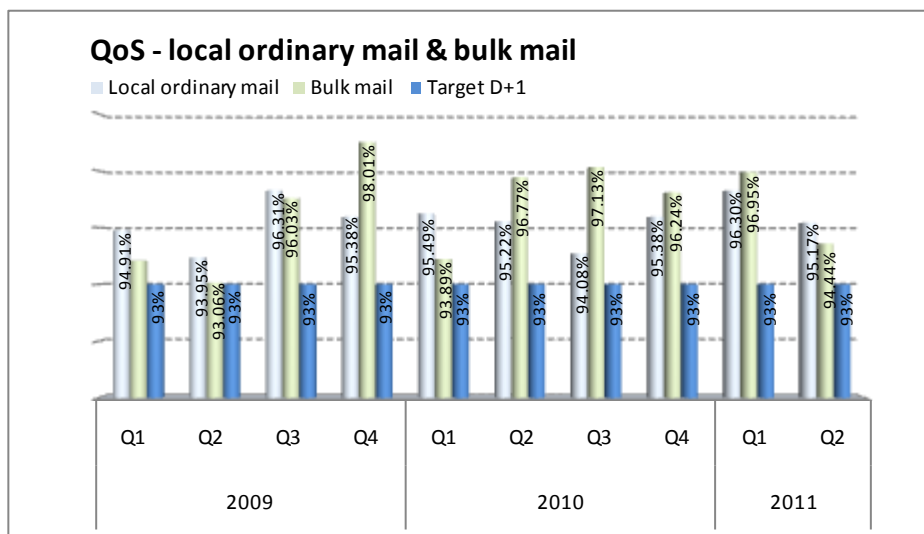


Figure 49: Quality of service - local ordinary and bulk mail

In Q1 and Q2 2011, the delivery target was exceeded both in the case of local ordinary mail and bulk mail.

In 96 percent and 95 percent of local ordinary mail handling in Q1 and Q2 2011 respectively, local ordinary mail was delivered to destination on the next day.

<sup>40</sup> Data for this indicator has been compiled since April 2008.

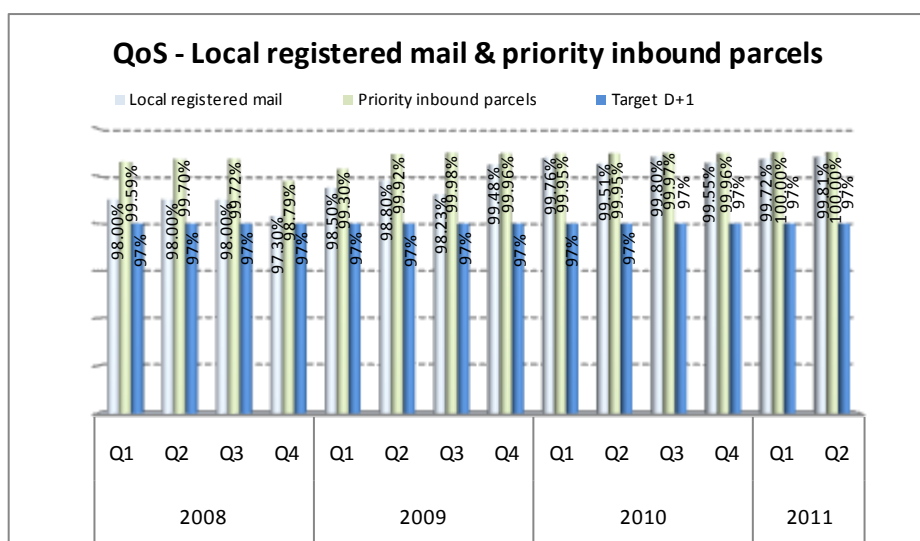


Figure 50: Quality of service - local registered mail and priority inbound parcels

QoS D+1 targets have also been met and exceeded in the delivery to destination of both local registered mail and priority inbound parcels in Q1 and Q2 2011. The D+1 target for the delivery of such mail has been set at 97 percent.

In Q1 and Q2 2011, the delivery to destination in D+1 has been achieved in more than 99 percent of handling of local registered mail, and in all instances of handling inbound priority parcel mail.

### 9.3 Postal rates in Malta and the EU

This review makes use of a regular publication by Deutsche Post concerning 'Letter prices in Europe'<sup>41</sup> in gathering data on local postal rates and how these compare with rates applicable across the EU.

It is of note that local postal rates did not register any changes during the first half of 2011, thereby maintaining the relative stability which characterised these rates in the preceding years.

According to the latest figures published by Deutsche Post last April, Malta's nominal price for a domestic standard letter, at €0.19, benchmarked as the cheapest across the EU. This confirms the trend observed in earlier publications, whereby Malta always featured '*at the bottom of the ranking*' with the lowest rate<sup>42</sup>.

<sup>41</sup> Link to publication: [http://www.dp-dhl.com/en/media\\_relations/press\\_releases/2011/european\\_letter\\_price\\_survey\\_2011.html](http://www.dp-dhl.com/en/media_relations/press_releases/2011/european_letter_price_survey_2011.html)

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

<sup>42</sup> The publication findings are based on a survey taking 'into account all postage rate changes that were known at the time of going to print (March 2011)' across the 27 EU Member States, the EFTA countries of Norway and Switzerland. The survey is generally undertaken in March of each year.

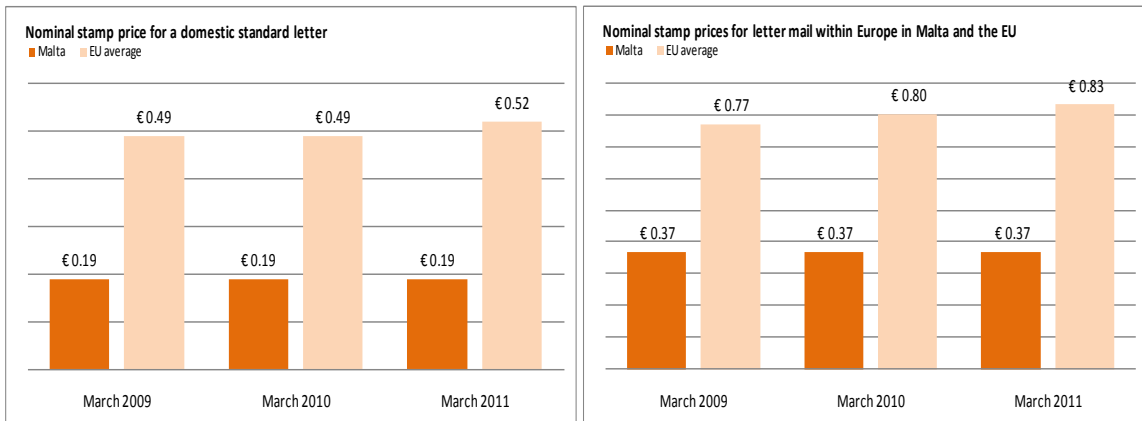


Figure 51: Nominal stamp prices in Malta and the EU

The publication also identifies Malta with the lowest nominal price for letter mail within Europe, at €0.37, with the result that Malta benchmarks again at the very bottom of the respective ranking.

## 10 Consumer affairs

The MCA Consumer Affairs Team deals with complaints raised by consumers on services provided by communications service providers (hereafter, also referred to as “CSPs”). The extent of action that can be undertaken in relation to a complaint<sup>43</sup> filed with the Authority depends on the nature of the complaint and the MCA’s relevant legal powers.

If the complaint involves issues that have a direct regulatory bearing, such as a breach of a regulatory obligation under a law the MCA is empowered to enforce, then the MCA can intervene.

In those instances where the MCA is not empowered to enforce legal action against the relevant CSP, the MCA may try to mediate between the complainant and the service provider involved or alternatively forward the complaint to other relevant authorities.

### 10.1 Complaints filed with the MCA

During the first half of 2011, the number of complaints filed with the MCA amounted to 114<sup>44</sup>.

These complaints are classified under the following headings: Internet, mobile telephony, fixed line telephony, Pay TV, postal services, e-commerce, and bundle offers<sup>45</sup>. The ‘other’ heading encompasses complaints filed with the MCA but which do not strictly fall within the remit of the MCA and were eventually referred to other authorities.

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<sup>43</sup> More detailed information on the procedures for filing a complaint with the MCA can be found at the following link: <http://www.mca.org.mt/form/complaint-form>

<sup>44</sup> This number does not include complaints related to radiocommunications (mainly EMF and interference issues). Figures under this heading are currently under review and will not be issued in this publication.

<sup>45</sup> Complaints not falling under any of the above-mentioned categories feature under the *Others* heading.



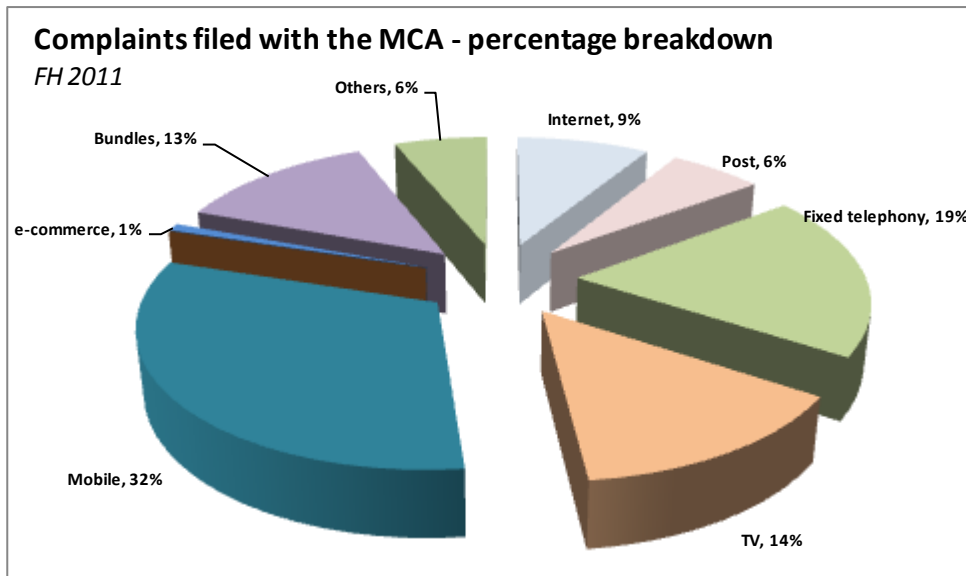


Figure 52: Percentage breakdown of complaints filed with the MCA in FH 2011

32 percent of all complaints filed with the MCA in the first half of 2011 concerned mobile telephony. A further 19 percent concerned fixed line telephony. The corresponding figures recorded in the first half of the previous year stood at 35 percent and 15 percent respectively.

Another 14 percent of all complaints filed with the MCA in the current reporting period concerned TV broadcasting, and 13 percent concerned bundle offers. Complaints related to Internet and post accounted for nine percent and six percent of all complaints received respectively.

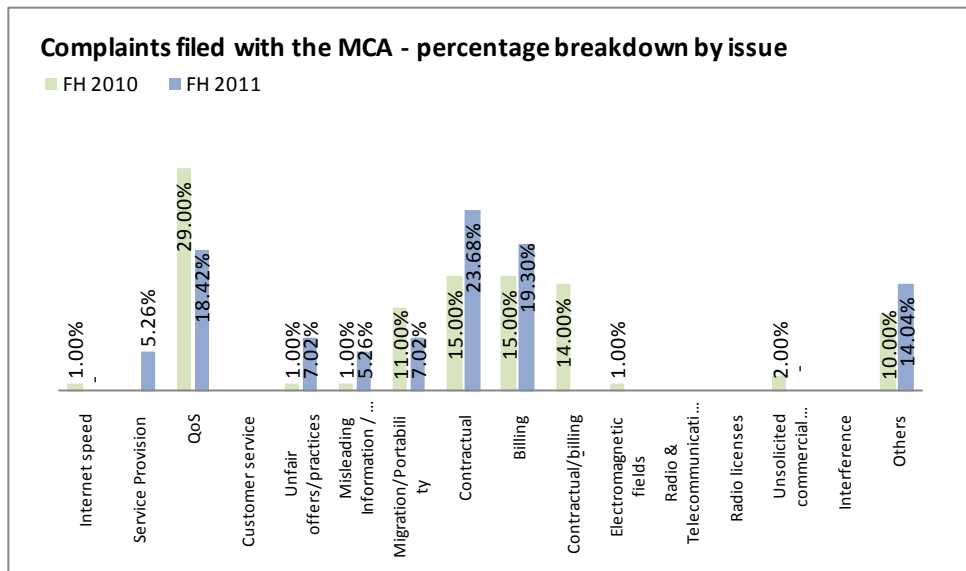


Figure 53: Percentage breakdown of complaints filed with the MCA, by issue

Disaggregating the complaints filed with the MCA by issue shows that nearly 24 percent of all concerns raised by complainants in the FH 2011 were related to contractual obligations imposed

on consumers. A significant share of 19 percent and 18 percent of all concerns raised with the MCA were related to billing activities and quality of service offered by local operators respectively.

During the period under review, the MCA also received complaints concerning poor service quality, potentially misleading and unfair commercial practices, and shortcomings in the migration of services between local operators. Together these matters accounted for 17.5 percent of all complaints received by the MCA during the said period.

## **10.2 Justified complaints logged against local service providers**

In 57 percent of all complaints received (in 65 out of 114 complaints), the MCA found sufficient grounds to proceed further against the service provider concerned.

In this regard, the MCA found justification to proceed on ten complaints concerning operators offering fixed line telephony services, 23 complaints concerning mobile network operators, 12 complaints concerning Pay TV service providers, four complaints concerning broadband service providers, 12 complaints concerning bundles offers marketed by local service providers and three complaints concerning postal operators.

With respect to justified complaints concerning fixed line telephony, 40 percent of these complaints were logged against Melita, 30 percent against GO and another 30 percent against SKY Telecom.

With respect to mobile telephony, nearly 74 percent of complaints received were logged against Melita, 13 percent against Vodafone, 8.7 percent against GO and 4.3 percent against Redtouchfone.

With respect to broadband internet, 75 percent of all complaints were logged against GO (three complaints reported against GO) and the remaining share against Melita (one complaint reported against Melita).

When it comes to Pay TV 66.7 percent of all complaints were logged against Melita (eight complaints recorded against Melita) and the remaining share against GO (four complaints reported against GO).

On complaints concerning bundle offers, the MCA found sufficient grounds to proceed with Melita in nearly 85 percent of the recorded cases, and with GO in 15 percent.

With respect to post, complaints were only logged against Maltapost.

## **10.3 Status of complaints**

Of all complaints reported to the MCA in the first six months of 2011, nearly 67 percent were solved, and 17 percent were referred to other entities.

In 15 percent of the cases, the MCA provided all the necessary information required by complainants to address their concerns.

Less than two percent of all complaints remained pending.

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## Glossary of Terms

<b>ARPU</b>	Average revenue per user. Total revenues of the operator divided by the average number of active subscribers during the period. Revenues include the total revenues from all outgoing and incoming activity registered by all active prepaid and postpaid subscribers, including outbound roaming revenues and interconnection revenues, but excluding inbound roaming revenues.
<b>Broadband</b>	A service or connection to the Internet which is 'always on' and has a speed of more than 128kbps. The number of active broadband subscriptions refers to subscriptions/connections having recorded a transaction within 90 days of the period stipulated.
<b>Dial-up</b>	The number of active dial-up subscriptions refers to those subscriptions/connections which made a call to an Internet number (2188, or 2186) within the last 90 days.
<b>DSL</b>	Digital Subscriber Line. A high-speed transmission technology mainly applied for Internet and video file access service. DSL services allow voice and data to share the same infrastructure and usually require a splitter at the customer's premises to separate voice and data traffic from the line. Forms of DSL include ADSL, HDSL, and VDSL.
<b>DTTV</b>	Digital Terrestrial Television. The term refers to a delivery platform primarily for television programmes in digital format, using the DVB-T standard.
<b>FH</b>	First half of the year, referring to the period January to June.
<b>FNO</b>	Fixed network operator. A provider which owns a fixed line network.
<b>FTF</b>	Fixed-to-fixed traffic.
<b>FTI</b>	Fixed-to-international traffic.
<b>FTM</b>	Fixed-to-mobile traffic.
<b>ISPs</b>	Internet Service Providers. An ISP is a point of access to the Internet for small business and individual users. The ISP provides its customers with access to its router which relays traffic to web servers on the Internet.
<b>Mbps</b>	Megabits per second ("MBit/s") or millions of bits per second. Unit applied to measure the transmission speed of digital information.
<b>MCA</b>	Malta Communications Authority.

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<b>MMS</b>	Multimedia Messaging Service. MMS extends the short messaging service (“SMS”) to include longer text, graphics, photos, audio clips, video clips, or any combination of the above, within certain size limits.
<b>MNO</b>	Mobile network operator. A provider which owns a mobile network.
<b>MPR</b>	Mobile penetration rate. The MPR is a term used to describe the number of active mobile subscriptions as a percentage of total population.
<b>MTM</b>	Mobile-to-mobile traffic.
<b>MTF</b>	Mobile-to-fixed traffic.
<b>MTI</b>	Mobile-to-international traffic.
<b>Multiple-play offer</b>	A multiple-play offering comprises two (dual-play), three (triple-play), and four (quadruple-play) electronic communication services.
<b>MVNO</b>	Mobile Virtual Network Operator. An MVNO is a mobile operator that usually would not have a licence to use radio spectrum but would have access to the radio networks of one or more of the current mobile operators and would be able to offer services using that spectrum.
<b>Off-net activity</b>	Activity between two or more connections on different networks.
<b>On-net activity</b>	Activity between two or more connections on the same network.
<b>Pay TV</b>	Television services (generally a channel or set of channels) paid for by the user, by means of subscription or other ways of service payment.
<b>Q</b>	Quarter of the year. Q1 refers to first quarter (January to March), Q2 refers to second quarter (April to June), Q3 refers to third quarter (July to September), Q4 refers to fourth quarter (October to December).
<b>QoS</b>	Quality of Service. A statistical measure of a system or service. May also be used to set varying priorities for traffic.
<b>Service provider</b>	A supplier of electronic communications and postal services, to third parties, either through its own network or through a network of another operator.
<b>SH</b>	Second half of the year, referring to the period July to December.
<b>SMS</b>	Short message service. This refers to short text messages which can be sent from one mobile phone to another, usually up to 160 characters. Such messages can also be sent from the Internet to a mobile phone.
<b>Subscriber churn</b>	The turnover within a subscriber base of new customers balanced by those leaving the network in a given period.

<b>Universal service</b>	The basic level of telecommunications services which should be available to all customers.
<b>USO</b>	Universal Service Obligations. A provision in Maltese law requiring certain operators to provide certain services to all specified persons who may reasonably request them.
<b>VAT</b>	Value Added Tax.

## Contact

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

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