



Communications Market Review

January to June 2013

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1. Reporting parameters

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

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

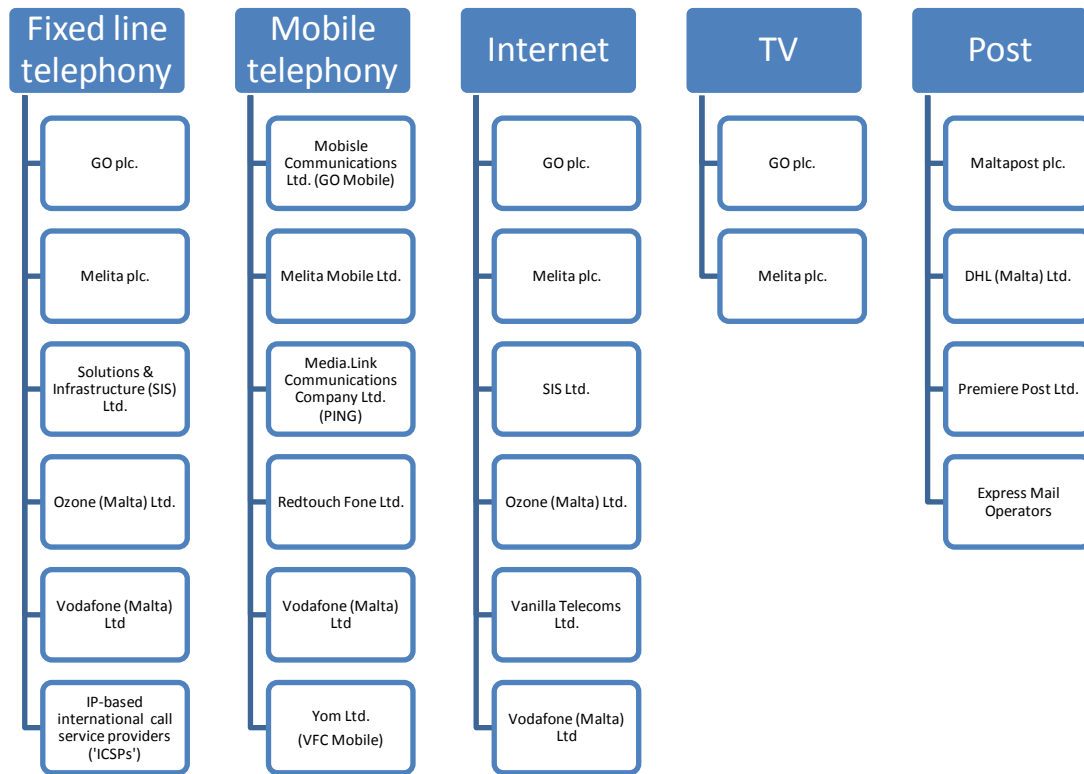


Figure 1: Operators providing quarterly data

This report also makes reference to findings extracted from publications of third parties in the areas of interest¹.

1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly basis for the period starting Q1 2011 and ending Q2 2013².

¹ References to information contained in other websites and quotes from third party sources, such as reference to Deutsche Post's postal rate figures in Malta and the EU, should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA.

² Previous MCA CMR publications are available to download for free from the MCA website by clicking [here](#).

The data cut-off date for implementing changes and updates in the data has been set on the 6th of September 2013. Any data revised and updated by the sources after the cut-off date will be incorporated in the forthcoming Data Report Sheet (DRS) publication envisaged for December 2013³.

1.2. The KPIs in the report

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

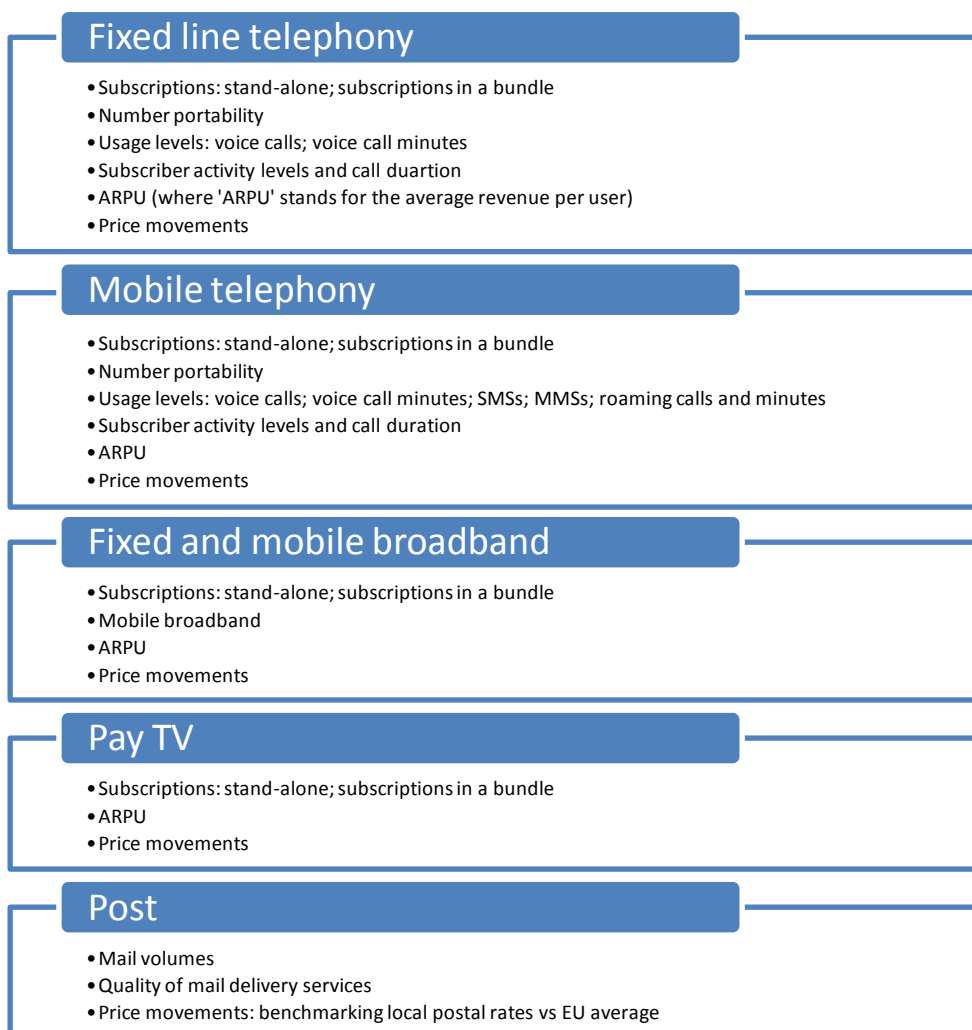


Figure 2: Key market indicators for electronic communications and post

³ The MCA publishes a DRS on a regular basis, the latest of which can be found on: <http://www.mca.org.mt/statistics/key-market-indicators-electronic-communications-and-post-q1-2009-q2-2013>

2. Key market outcomes

Market data indicates that Malta continues to experience a growing level of competition in electronic communications markets, as service providers battle it out on the basis of wider choice and further price declines. Technological advancements and changing consumer preferences have been influential, as has been notably the case with developments concerning mobile telecommunication and high speed Internet connectivity.

Against this backdrop, the performance in the first half of 2013 for Internet connectivity and mobile telephony has been significant, with the two sectors experiencing strong growth in terms of take-up and usage levels. The number of fixed broadband subscriptions totalled 142,295 at the end of last June, which translates into an increase of 6.2% when compared to June 2012. Meanwhile, the number of end-users actively using their mobile broadband subscription climbed from an average of 219,000 to an average of 244,000. The availability of more innovative data plans and the continued proliferation of smartphones, tablets and other mobile data-enabled devices have been the major forces behind these increases, although falling prices and the bundling of services played an important role to boost take-up, especially for products supporting higher download / upload speeds and improved download allowances.

Another notable change relates to the provision of voice telephony services. Here, market outcomes were driven by a growing consumer preference for mobile-based services. In this regard, fixed line telephony has seen strong substitution by mobile, as clearly underlined by usage trends for the first six months of this year. Compared to the first half of 2012, mobile voice calls and voice call minutes surged by 21.4% and 12.2% respectively, while fixed voice calls and voice call minutes fell by 5.6% and 5.9% respectively. This shift has been mainly driven by the narrowing gap between fixed and mobile call rates. In fact, the average rate per minute of mobile communications for a domestic call in the first half of 2013 was on average 5.7% lower than in the first half of the previous year. In terms of take-up, the fixed line sector saw an increase in subscriptions in the first six months of 2013. However, the number of fixed line subscriptions at the end of the current reporting period was lower than that recorded twelve months earlier. On the other hand, the number of mobile subscriptions increased gradually over the 12-month period ending June 2013 to reach a total of 554,651.

Taking a look at the Pay TV market, it is of note that growth in take-up for such services slowed up considerably, as evidenced by relatively stable subscriber numbers. In fact, the number of pay TV subscriptions totalled 149,049 at the end of June 2013, up by just 0.4% from 148,470 a year earlier.

As to postal services, an important milestone this year has been the full liberalisation of the sector. The evolving scenario is especially challenging for the provision of universal services. Here, demand has been gradually falling for a number of years, particularly for letter post services. The principal causes behind this development were the digitisation of communication and esubstitution, although more recent market trends may suggest that esubstitution is becoming less prominent over time as the remaining postal customer base is more 'paper' loyal and thus less likely to shift demand away from traditional postal services.

In fact, the first six months of 2013 have seen an increase in postal mail volumes when compared to the same period a year earlier, although it has to be said that the national elections played an important role in boosting postal activity. Also of significant relevance with regard to postal volumes is the contribution of the parcel business, which registered significant growth in line with the increasing popularity of online shopping.

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

i. Fixed line telephony

- The number of fixed line subscriptions totalled 229,997 as at the end of Q2 2013, down by 1.4% since the end of the corresponding period a year earlier. 83.1% of total subscriptions were on a postpaid contract, 15.7% were on a prepaid plan and the remaining share of 1.2% were on an 'enhanced' arrangement.
- Around 39% of all fixed line telephony subscriptions at the end of the current reporting period were bundled with some other electronic communications service.
- The number of fixed line inward portings recorded in the first half of 2013 totalled 883 compared to 1,898 inward portings in the first half of the previous year.

Fixed line telephony	FH 2011	FH 2012	FH 2013
Subscriptions (end of period)	242,873	233,159	229,997
Voice activity levels per subscription			
Number of voice calls	408	418	399
Number of voice call minutes	1,413	1,436	1,370
Average rate per minute (ARPM)			
on-net FTF call	€0.009	€0.011	€0.010
off-net FTF call	€0.013	€0.013	€0.013
FTM call	€0.205	€0.183	€0.178
FTI call	€0.099	€0.090	€0.088
Average revenue per user (ARPU)	€83.77	€85.74	€83.31

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

- Traffic volumes in the first half of 2013 were considerably down over volumes recorded in the first half of 2012. The number of outgoing voice calls was down by 5.6% and the number of outgoing voice traffic minutes was down by 5.9%. These declines are also reflected in lower activity levels per fixed line subscription, as illustrated in Table 1 above.
- ARPU for fixed line telephony in the first half of this year stood at €83.31, down from €85.74 in the first half of 2012.
- The average rate per minute (ARPM) of fixed line communications concerning fixed-to-mobile (FTM) calls and fixed-to-international (FTI) calls was down in the first half of 2013, when compared to the same period a year earlier. Meanwhile, the ARPM concerning on-net and off-net fixed-to-fixed (FTF) calls was practically unchanged. The ARPM of an on-net FTF call and of an off-net FTF call stood at €0.010 and €0.013 respectively. That for a FTM call stood at €0.178 and that of a FTI call stood at €0.088.

ii. Mobile Telephony

- The number of mobile subscriptions totalled 554,651 as at the end of the current reporting period. This figure is up by 3.3% since the end of June 2012 and corresponds to a mobile penetration rate of nearly 132%.
- Prepaid subscriptions account for the lion's share of the local mobile subscriber base. Their number increased by 8,556 (or by 2.0%) in the 12-month period ending June 2013 to a total of 437,079. This figure is equivalent to 78.8% of total mobile subscriptions recorded at the time. The number of postpaid subscriptions also increased during the same period, this time by 8,935 (or by 8.2%) to reach a total of 117,572.

- Around ten percent of all mobile subscriptions were bundled with some other electronic communications service at the end of June 2013.
- The number of mobile inward portings totalled 19,493 in the first half of this year, down from 26,537 inward portings recorded in the same period a year earlier.

Mobile telephony	FH 2011	FH 2012	FH 2013
Subscriptions (end of period)	491,504	537,160	554,651
Activity levels per subscription			
Number of voice calls	332	324	379
Number of voice call minutes	486	527	570
Number of SMSs	582	567	550
ARPM			
domestically-bound call	€0.125	€0.103	€0.097
Internationally-bound call	€0.480	€0.212	€0.162
Average rate per domestic SMS	€0.027	€0.021	€0.018
Average rate per international SMS	€0.252	€0.173	€0.185
ARPU	€90.96	€82.96	€81.87

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

- Mobile traffic volumes grew consistently in the first six months of 2013. Compared to the same period a year earlier, mobile voice calls increased by 21.4% and mobile voice call minutes were up by 12.2%.
- Traffic volumes grew at a faster rate than subscriptions, thereby resulting in an increase in the number of mobile voice calls and voice call minutes per subscription, as illustrated in Table 2 above.
- The average length of a mobile-originated call increased from 1 minute and 30 seconds in the first half of 2012 to 1 minute and 36 seconds in the first half of this year.
- Contrary to developments for voice, growth in subscriber numbers exceeded that for SMS traffic volumes. Hence, the number of SMSs per subscription went down, from an average of 567 in the first half of 2012 to an average of 550 in the first half of 2013.
- Mobile retail prices maintained their downward projection. The average rate per minute of mobile communications in the first half of 2013 stood at €0.097 for a domestic (or local) call, down from €0.103 in the first half of 2012. The ARPM for an international call also went down from €0.212 to €0.162.
- The average rate per domestic SMS declined during the same period, from €0.021 to €0.018.
- Mobile ARPU in the first half of 2013 stood at €81.87, down from €82.96 in the first half of 2012.

iii. Fixed and mobile broadband

- By the end of the first half of 2013, Malta had a total of 142,295 fixed broadband subscriptions. This figure is 6.2% higher than that reported 12 months earlier and corresponds to a fixed broadband penetration rate (measured on the basis of the number of active connections as a proportion of Malta's population) of 33.9%.
- The number of fixed broadband subscriptions on a bundle continued to grow at a faster pace than new subscriptions. Bundled fixed broadband subscriptions totalled 66,866 at the end of June 2013, thereby accounting for nearly 47% of all fixed broadband subscriptions.

- About 19.0% of all fixed broadband subscriptions as at the end of June 2013 had a connection speed of less than 10Mbps. Broadband subscriptions with a connection speed of 10Mbps but less than 30Mbps accounted for 69.3% of all subscriptions, whilst those with a connection speed of 30Mbps but less than 100Mbps accounted for 11.0% of all subscriptions. Fixed broadband subscriptions with a connection speed of 100Mbps or more only accounted for 0.7% of the total number of subscriptions.
- DSL technology retained its position as the most popular broadband platform, accounting for almost 49% of all subscriptions at the end of June 2013. Meanwhile, the cable platform came close by and accounted for 48.1% of all subscriptions and the fixed wireless platform accounted for the remaining share, at 3% of the total.
- At the end of June 2013, DSL subscriptions totalled 69,682, cable subscriptions totalled 68,397, and fixed 'wireless' subscriptions totalled 4,216.

Fixed broadband	FH 2011	FH 2012	FH 2013
Subscriptions (end of period)	126,041	134,001	142,295
less than 5Mbps	92,828	48,693	14,242
greater than or equal to 5Mbps but less than 10Mbps	15,142	16,926	12,807
greater than or equal to 10Mbps but less than 20Mbps	13,143	50,844	89,985
greater than or equal to 20Mbps but less than 30Mbps	4,288	15,437	8,606
greater than or equal to 30Mbps but less than 50Mbps	3	8	13,267
greater than or equal to 50Mbps but less than 100Mbps	314	1,247	2,431
100Mbps and more	323	846	957
Average rate per Mbps (end of period)	€3.988	€2.211	€2.164
less than 5Mbps	€5.308	€3.772	€3.560
greater than or equal to 5Mbps but less than 10Mbps	€4.367	€5.250	€5.250
greater than or equal to 10Mbps but less than 20Mbps	€4.235	€1.832	€1.648
greater than or equal to 20Mbps but less than 30Mbps	€3.127	€1.319	€1.329
greater than or equal to 30Mbps but less than 50Mbps	not avail.	€1.661	€1.174
greater than or equal to 50Mbps but less than 100Mbps	€1.000	€1.000	€0.841
100Mbps and more	€0.700	€0.700	€0.800
ARPU	€84.86	€87.05	€88.78

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

- Fixed broadband ARPU in the first half of 2013 stood at €88.78, up from €87.05 in the corresponding period a year earlier.
- Retail fixed broadband prices declined further. In this regard, the average rate per unit of download speed (or per Mbps) went down from €2.211 at the end of the first half of 2012 to €2.164 at the end of the current reporting period.
- Mobile internet connectivity intensified during the first half of 2013 due to a higher take-up of mobile data plans and the continued proliferation of connected mobile devices such as smartphones and tablets. The number of active mobile broadband subscriptions averaged around 244,000 in June 2013, up from around 219,000 a year earlier.

iv. Pay TV

- The number of Pay TV subscriptions totalled 149,049 at the end of June 2013, up by 579 (or 0.4%) since the end of June 2012.
- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 5.3% and 49.4% respectively at the end of the current reporting period. Meanwhile, the Digital

terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 42.0% and 3.3% of total pay TV subscriptions respectively.

- In absolute terms, the number of analogue subscriptions declined by 1,293 over a 12-month period ending June 2013. The number of digital cable and DTTV subscriptions also went down during the same period by 459 and 164 respectively. Meanwhile, the number of IPTV subscriptions increased by 2,495.
- The growing preference for bundled services is also reflected in the take-up of digital and IP Pay TV services as part of a bundle. The number of such subscriptions increased by 3,221 over a 12-month period ending June 2013 to reach a total of 67,286. The latter figure corresponds to almost 48% of all digital and IP-based pay TV subscriptions recorded at the time.

Pay TV	FH 2011	FH 2012	FH 2013
Subscriptions (end of period)	147,722	148,470	149,049
Average market rates for pay TV packages			
up to 24 channels	€2.99	€3.99	€3.99
25 to 49 channels	€11.38	€12.49	€12.49
50 to 74 channels	€24.99	€23.49	€23.49
75 to 99 channels	€19.99	€19.99	€24.49
100 channels or more	€29.99	€29.49	€29.99
ARPU	€83.80	€85.99	€84.41

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

- Pay TV ARPU in the first half of 2013 stood at €84.41, down from €85.99 in the first half of 2012.
- MCA workings show that average advertised rates for Pay TV were rather stable with the exception of the categories encompassing Pay TV packages listing between 75 and 99 channels and 100 channels or more. However, these increases have to be seen in their proper context given that these were triggered by a minor adjustment in the channel line-up of one particular Pay TV package, which originally featured under the 100 channels or more category and eventually placed under the 75 to the 99 channels category. This new product mix pushed up the average advertised rates for these two categories.

v. Post

- Postal mail volumes delivered in the first half of 2013 were 1.7% higher than in the first half of 2012 and amounted to 21.1 million items.
- Both the universal service area and the competitive area reported an increase in activity during the reporting period. Compared to the first half of 2012, postal mail volumes in the universal service area were up by 1.6% and reached a total of 20.8 million items. Meanwhile, postal mail volumes under the competitive area were up by 13.7% to reach a total of 0.3 million items.
- Bulk mail accounted for 58.3% of all postal items delivered in the first half of 2013, followed by letter mail at 38.0%, registered mail at 2.5% and parcel mail at 1.2%.

Post	FH 2011	FH 2012	FH 2013
Postal mail volumes	20,965,354	20,792,007	21,149,477
Competitive area postal volumes	259,458	280,067	318,442
Letter mail	162,636	176,452	121,465
Parcel mail	96,822	103,615	196,977
Universal service area postal volumes	20,705,896	20,511,940	20,831,034
Letter mail	7,531,589	7,749,493	7,916,114
Bulk mail	12,635,700	12,191,586	12,339,164
Registered mail	493,160	527,584	525,905
Parcel mail	45,447	43,277	49,851

Table 5: Postal mail volumes

- Despite last April's increase in local postage rates, Malta's nominal stamp prices for a *domestic standard letter* and *letter mail within Europe* are likely to have remained the lowest in the EU.

3. Market share trends of the local subscriber base

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

3.1. Fixed line telephony

As the number of fixed line subscriptions fell during the first half of 2013, Melita increased its market share of the total subscriber base for fixed telephony from around 27% at the end of Q2 2012 to 29.1% a year later. Meanwhile, GO's market share dipped to 70.3% from 72.3%.

Vodafone (Malta) and Ozone (Malta) has also lost market share during the same period, whilst SIS's position was practically unchanged.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vodafone (Malta)
End of Q2 2013	70.30%	29.07%	0.10%	0.35%	0.18%
End of Q2 2012	72.32%	26.98%	0.09%	0.40%	0.21%
End of Q2 2011	76.01%	23.27%	0.08%	0.38%	0.27%

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

3.2. Mobile telephony

Mobile subscriptions increased by around 17,500 over a 12-month period ending June 2013.

Melita Mobile's share gained 1.9 percentage points to reach 13.3% at the end of the reference period, whilst Go Mobile's market share strengthened by 0.3 percentage points to 36.3%.

Meanwhile, other providers' experienced a downturn, with Vodafone (Malta) seeing its market share lead down to 48.5% from 50.5% a year earlier, Redtouch Fone experiencing a slight drop in its market share, VFC Mobile registering a further reduction in its already negligible share and Ping ceasing its operations.

Market shares	GO Mobile	VFC Mobile	Melita Mobile	Ping	Redtouch Fone	Vodafone
End of Q2 2013	36.26%	0.01%	13.27%	-	1.93%	48.52%
End of Q2 2012	35.96%	0.04%	11.39%	0.12%	1.98%	50.51%
End of Q2 2011	41.21%	0.05%	9.47%	0.18%	1.92%	47.18%

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

3.3. Fixed broadband

Fixed broadband subscriptions increased by 8,294 over a 12-month period ending June 2013, with Melita absorbing around 70% of new customers. As a result, Melita’s market share of the total subscriber base improved by 1.4 percentage points to 48.1% as at the end of Q2 2013.

Although in absolute terms the number of fixed broadband subscriptions with GO increased during the same period, the market share of the total subscriber base for this operator fell by 1.2 percentage points to 48.8%.

Other market share drops were recorded by Vodafone (Malta) and third party ISPs. The former saw its market share decline by 0.1 percentage points to 2.6% at the end of the reference period, even though it managed to retain the same number of subscriptions.

Meanwhile, the market shares of SIS, Ozone (Malta) and Vanilla Telecoms were unchanged.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone	IP-based ISPs
End of Q2 2013	48.77%	48.07%	0.02%	0.28%	0.13%	2.60%	0.15%
End of Q2 2012	49.93%	46.70%	0.02%	0.28%	0.13%	2.75%	0.19%
End of Q2 2011	51.86%	44.09%	0.08%	0.30%	0.12%	3.34%	0.22%

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

3.4. Pay TV

GO’s and Melita’s market shares of the local Pay TV subscriber base converged further in the 12-month period ending June 2013. GO’s share increased by 1.4 percentage points, from 43.9% to 45.3%⁴, whilst Melita’s share was down by the same margin, from 56.1% to 54.7%⁵.

Market shares	GO	Melita
End of Q2 2013	45.31%	54.69%
End of Q2 2012	43.92%	56.08%
End of Q2 2011	43.31%	56.69%

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

⁴ As at the end of Q2 2013, GO’s DTTV and IPTV platforms accounted for 42.0% and 3.3% of the local Pay TV subscriber base respectively.

⁵ As at the end of Q2 2013, Melita’s digital and analogue cable platforms accounted for 49.4% and 5.3% of the local Pay TV subscriber base respectively.

4. Fixed line telephony

The performance of the fixed line sector in the first six months of 2013 has been marked by an overall decline in usage levels when compared to the same period a year earlier. The principal cause behind this development has been fixed-to-mobile substitution, most likely driven by the narrowing price differences between fixed and mobile call rates and the growing preference of consumers to use their mobile handsets to communicate.

In order to mitigate the impact that mobile has had on fixed line usage levels, service providers implemented new strategies over the years to respond to competitive pressures in the marketplace. A very successful strategy in this regard has been the commercial practice of selling fixed telephony together with other electronic communications products and services in a bundle. The relevance of this strategy has to be seen in the context of latest market developments, where it is observed that the number of fixed telephony subscriptions in a bundle increased by nearly 4,000 in the first six months of 2013, whilst the total number of fixed telephony subscriptions increased by just 257.

Some other relevant considerations at this stage are the following:

- Although the number of end-users having a fixed telephony subscription increased in the first six months of this year, the number of fixed telephony subscriptions totalled 229,997 at the end of June 2013, which is down by 1.4% since the end of June 2012.
- Bundling had a considerable impact in allowing fixed operators to limit the number of disconnections and to limit churn levels. As at the end of Q2 2013, 39.1% of all local fixed line subscriptions formed part of a bundle, up from 35.8% as at the end of Q2 2012. Meanwhile, only 9.7% of mobile subscriptions were bundled with some other electronic communications service at the end of Q2 2013.
- The increasing number of fixed line subscriptions as part of a bundle may provide one explanation as to why the number of fixed line inward portings in the first half of 2013 was the lowest when compared to the number of portings recorded during the same period in the previous four years.
- Market trends suggest that competition at the retail level has intensified. One major contributor in this regard has been the increase in the number of subscriptions with some alternative operators at the expense of GO. Between Q2 2012 and Q2 2013, the number of fixed telephony subscriptions with GO went down by nearly 7,000. Meanwhile, the number of subscriptions with Melita increased by nearly 4,000. SIS also managed to increase its subscriptions, whilst Vodafone (Malta) and Ozone (Malta) registered a slight decline.
- Although fixed line-originated call rates are much lower than mobile-originated ones, the decline in retail prices for mobile voice services encouraged end-users to make increasing use of mobile. In fact, fixed line voice call traffic volumes (in terms of voice call minutes) in the first half of 2013 were 5.9% lower than in the same period a year earlier. Meanwhile, mobile voice call traffic volumes increased by 12.2% over the same period.

4.1. Subscriptions

Recent trends show that the number of fixed line telephony subscriptions has been in decline since 2009.

Fixed line subscriptions totalled 229,997 as at the end of Q2 2013, which is down by 1.4% since the end of Q2 2012 and by 6.8% since the end of Q2 2009.

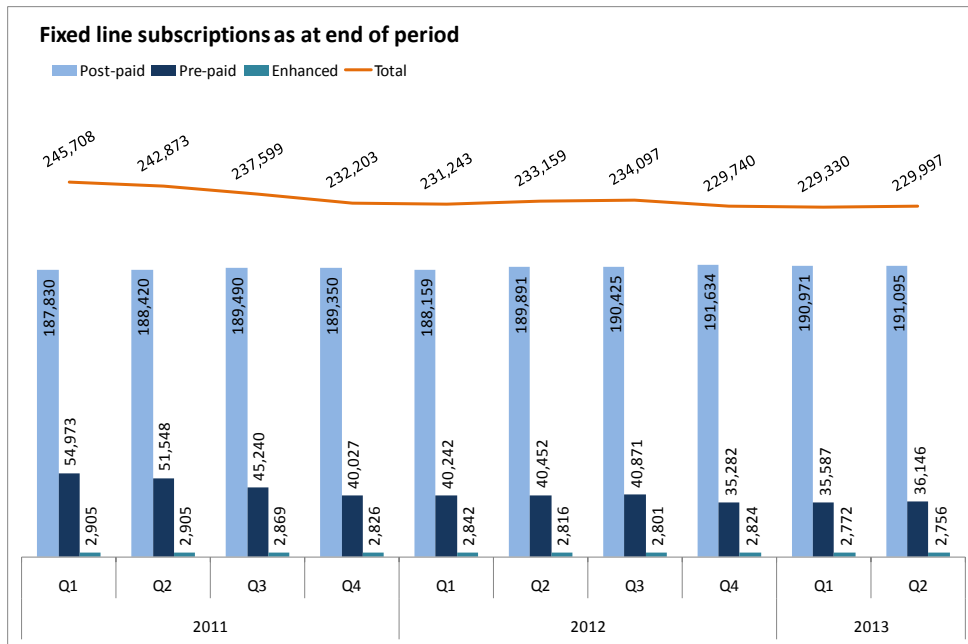


Figure 7: Fixed line telephony subscriptions as at end of period

The take-up of fixed line telephony subscriptions over the 12-month period ending June 2013 has been characterised by two major factors:

- First, the number of prepaid fixed line subscriptions decreased by 4,306 and the number of enhanced subscriptions⁶ declined by 60. These declines outweighed an increase of 1,204 postpaid fixed line subscriptions recorded during the same period.

The number of postpaid fixed line subscriptions totalled 191,095 at the end of the current reporting period, which represents 83.1% of the total fixed line subscriber base recorded at the time.

- Second, the number of end-users opting to bundle their fixed line subscription with other electronic communications services increased further to reach 89,854 as at the end of Q2 2013.

Fixed telephony subscriptions on a bundle		2011				2012				2013	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		71,901	74,681	77,322	80,367	80,798	83,462	85,458	85,898	84,862	89,854
Double Play	Total number of dual play subscriptions incl. mobile	28,951	31,537	34,028	35,497	33,810	34,641	35,290	35,521	34,168	33,056
	Fixed telephony + Pay TV	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832
	Fixed telephony + Fixed broadband	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,653	10,038	10,068
	Fixed telephony + Mobile	4,681	7,022	8,914	10,917	11,971	12,738	13,352	13,567	12,818	12,156
Triple Play	Total number of triple play subscriptions incl. mobile	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794	9,665	15,459
	Fixed telephony + Pay TV + Fixed broadband	16,951	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115
	Fixed telephony + Mobile + Fixed broadband	484	433	368	304	304	437	405	-	361	344
Quadruple Play	Total quadplay subscriptions incl. Mobile	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
	Fixed telephony + Mobile + Fixed broadband + Pay TV	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
Number of fixed telephony subscriptions as at end of period		187,830	188,420	189,490	189,350	188,159	189,891	190,425	191,634	190,971	191,095
Bundled subscriptions as a percentage of total fixed telephony subscriptions		38.28%	39.64%	40.81%	42.44%	42.94%	43.95%	44.88%	44.82%	44.44%	47.02%

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

⁶ 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 pre-paid and post-paid subscriptions in a standard format. As from the said period, Melita started providing subscription figures disaggregated by type of subscriptions, namely post-paid and pre-paid subscriptions. Previously all Melita connections were reported under the post-paid category.

Locally, only post-paid fixed line subscriptions are offered in a bundle in combination with other electronic communications services. Table 6 shows that 47.0% of all fixed post-paid subscriptions as at the end of Q2 2013 were purchased in a bundle.

4.2. Fixed line inward portings

The number of fixed line inward portings⁷ recorded in the first half of 2013 totalled 883, which is less than half the number of portings recorded in the corresponding period a year earlier.

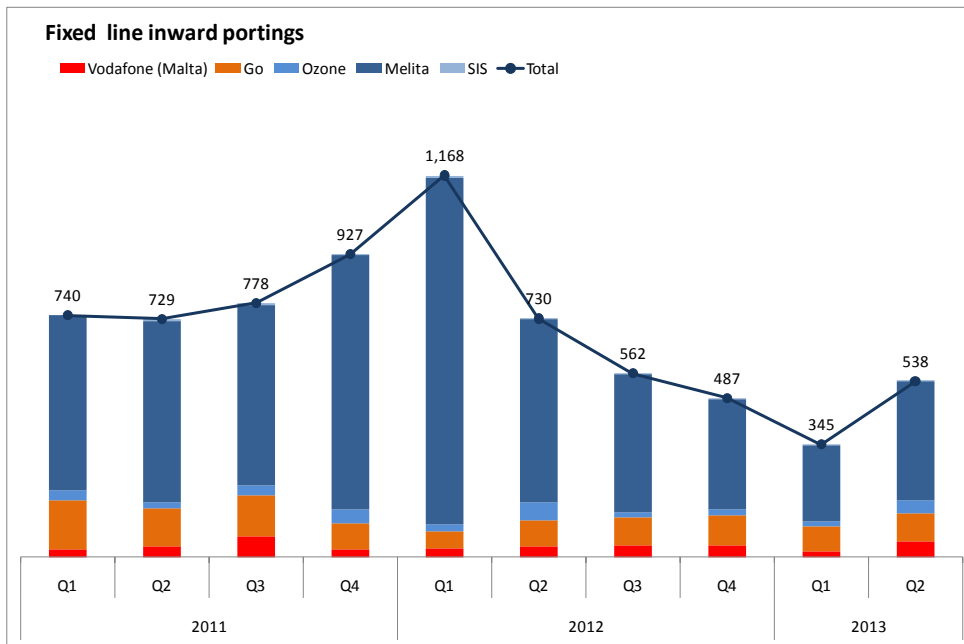


Figure 8: Fixed line number portability - number of inward portings

The latest recorded decline in fixed number portability is in line with recent historic trends for the sector. In fact, annual figures show that the number of fixed line inward portings has been on the decline since 2010. One major reason explaining this market outcome is the constant increase in the number of fixed line subscriptions in a bundle, a trend which is anticipated to persist over the coming years.

The reasoning in this regard is that as more end-users opt for a fixed line subscription in a bundle, the less likely it is to experience the same levels of fixed number portability observed two or three years ago.

Looking at the number of fixed line inward portings by operator shows that Melita accounted for 67.7% of the total number of portings recorded in the first half of 2013, followed by GO at 18.3% and other service providers at 14.0%.

4.3. Usage trends for fixed line telephony

Usage trends for the fixed line sector show that people are communicating less via their fixed line subscription as they rely more on their mobile connection.

In terms of actual usage of fixed voice services, the number of voice calls in the first half of 2013 totalled 91.7 million, down by 5.6% from 97.1 million in the first half of 2012. Fixed line voice call minutes were also

⁷ 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 presented above only take into account inward portings.

down, in this case by 5.9%, from 334.7 million in the first half of 2012 to 315.1 million in the first half of 2013.

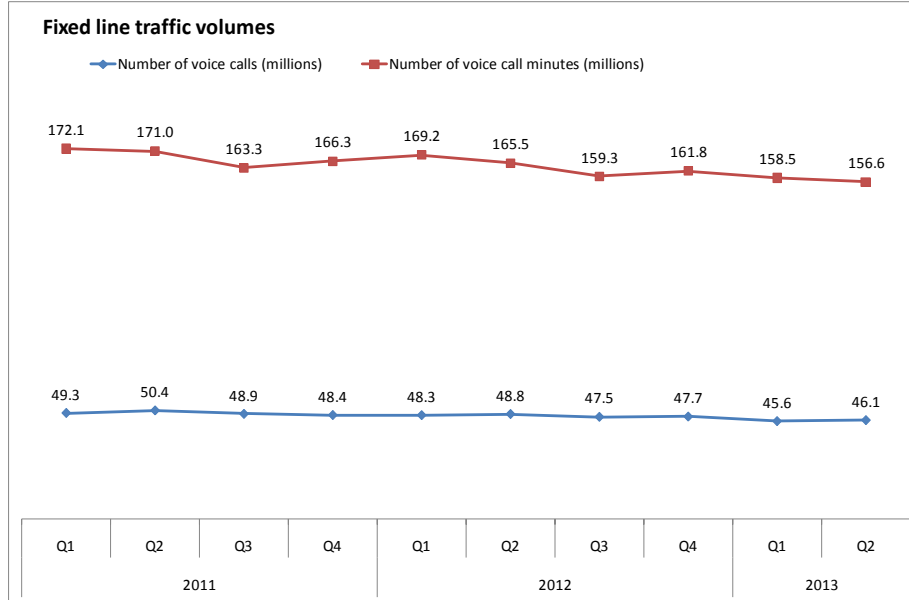


Figure 9: Voice traffic originating from local fixed line networks

Fixed voice usage levels can be disaggregated under two main segments, namely the national voice traffic segment and the international voice traffic segment.

4.1.1 National voice traffic volumes

Declining national voice traffic volumes were the major contributor to falling fixed line usage levels.

Fixed line voice calls

The number of national fixed line voice calls in the first half of 2013 totalled 87.8 million, down by 5.8% from 93.3 million in the corresponding period in 2012.

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

The number of on-net FTF calls fell by 8.0%, from 51.8 million in the first half of 2012 to 47.6 million in the first half of 2013, the number of off-net FTF calls dropped by 3.8%, from 19.3 million to 18.6 million, and the number of FTM calls dipped by 3.0%, from 20.7 million to 20.1 million.

Period	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
National voice calls	47,067,277	48,288,345	46,889,393	46,516,114	46,503,940	46,749,484	45,443,186	45,628,883	43,779,465	44,059,375
Fixed-to-fixed calls	37,207,782	37,353,011	35,911,377	35,807,466	35,827,180	35,279,547	34,014,776	34,599,702	33,274,998	32,938,906
on-net	28,074,401	27,872,212	26,747,715	26,752,168	26,181,332	25,586,572	24,573,019	24,980,563	23,882,189	23,729,507
off-net	9,133,381	9,480,799	9,163,662	9,055,298	9,645,848	9,692,975	9,441,757	9,619,139	9,392,809	9,209,399
Fixed-to-mobile calls	9,179,772	10,254,237	10,263,319	9,919,751	9,973,948	10,718,661	10,684,613	10,232,748	9,778,851	10,286,832
Other voice calls	679,723	681,097	714,697	788,897	702,812	751,276	743,797	796,433	725,616	833,637
International voice calls	2,230,387	2,158,199	1,986,336	1,847,617	1,795,125	2,067,986	2,101,217	2,034,342	1,821,063	1,992,137
originating from local network operators	2,005,562	1,953,578	1,878,396	1,759,682	1,723,242	1,989,794	2,023,349	1,975,806	1,772,095	1,939,361
originating from third party ISPs	89,422	89,299	-	-	-	-	-	-	-	-
Total Voice Calls	49,297,664	50,446,544	48,875,729	48,363,731	48,299,065	48,817,470	47,544,403	47,663,225	45,600,528	46,051,512

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

Meanwhile the 'other' national calls component⁸ registered an increase, with the number of calls in the first half of 2013 totalling 1.6 million, which is 7.2% higher than the number of 'other' national calls recorded in the same period a year earlier.

Fixed line voice call minutes

In terms of national voice call minutes, overall traffic volumes were down by 5.5%, from 314.0 million minutes in the first half of 2012 to 296.7 million minutes in the first half of 2013.

Again, all national traffic components except for 'other' national voice call minutes in the first half 2013 were down when compared to the corresponding period a year earlier. On-net FTF traffic minutes were down by 7.2%, from 202.0 million to 187.5 million, off-net FTF minutes were down by 3.6%, from 77.1 million to 74.4 million, and FTM minutes were down by 0.8%, from 31.6 million to 31.3 million.

Period	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
National voice call minutes	158,939,617	158,527,431	151,887,110	155,439,196	158,897,034	155,123,971	148,789,578	151,784,220	149,283,261	147,422,392
Fixed-to-fixed minutes	143,782,450	141,827,524	134,866,380	138,530,095	142,054,147	137,094,161	130,613,939	134,320,578	132,520,954	129,349,015
on-net	107,940,665	105,277,867	99,695,171	102,672,253	103,116,366	98,893,782	93,707,176	96,301,841	94,776,387	92,710,063
off-net	35,841,785	36,549,657	35,171,209	35,857,842	38,937,780	38,200,379	36,906,762	38,018,737	37,744,567	36,638,952
Fixed-to-mobile minutes	13,421,832	14,945,602	15,194,039	14,949,112	15,316,902	16,245,293	16,340,785	15,740,874	15,110,449	16,210,535
Other call minutes	1,735,335	1,754,305	1,826,691	1,959,990	1,525,985	1,784,518	1,834,854	1,722,768	1,651,859	1,862,842
International voice call minutes	13,186,693	12,445,864	11,423,452	10,902,154	10,309,570	10,386,138	10,509,985	10,048,676	9,238,655	9,200,293
originating from local network operators	11,706,862	11,100,420	10,846,250	10,448,733	9,968,571	10,004,762	10,125,250	9,757,503	9,006,264	8,930,984
originating from third party ISPs	826,271	758,124	-	-	-	-	-	-	-	-
Total Voice Minutes	172,126,310	170,973,296	163,310,563	166,341,350	169,206,604	165,510,109	159,299,563	161,832,896	158,521,916	156,622,685

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

Meanwhile, 'other' national minutes were up by 6.2%, from 3.3 million to 3.5 million.

4.1.2 International voice traffic volumes

Although to a lesser extent than in the case of national traffic, the decline in international voice traffic volumes did have an impact on the overall usage levels of fixed telephony.

When comparing the amount of traffic recorded in the first half of 2013 to that recorded in the same period a year earlier, the number of fixed-to-international (FTI) voice calls was down by 1.3%, from 3.9 million to 3.8 million, and the number of FTI voice call minutes was down by 10.9%, from 20.7 million to 18.4 million.

4.4. Activity levels and call duration

Based on current trends for fixed voice traffic volumes and subscriptions, activity levels for the sector in the first half of 2013 were weaker than recorded in the corresponding period of 2012.

⁸ This traffic component includes freephone calls, premium calls and payphone calls.

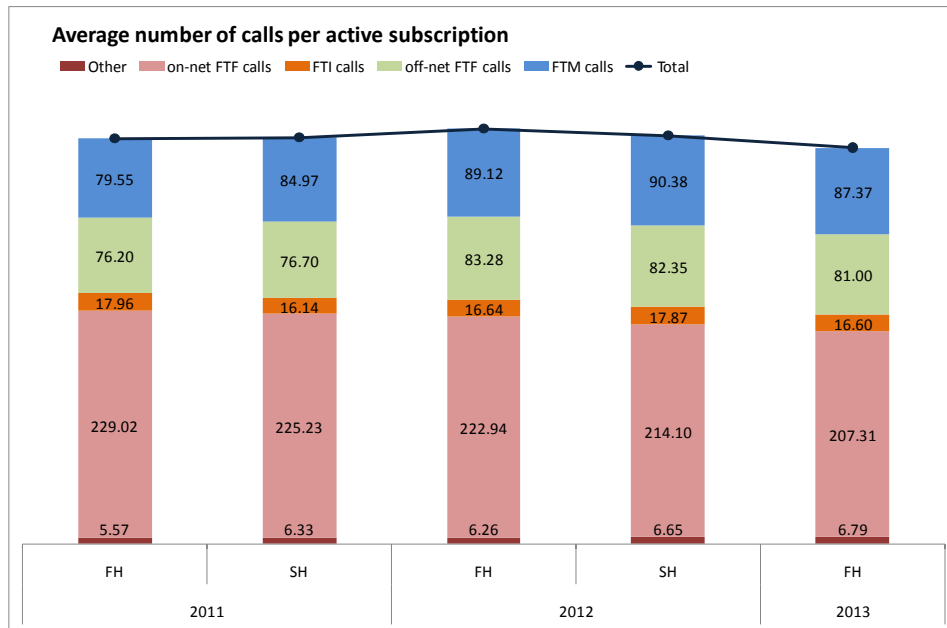


Figure 10: Average number of calls per active subscription

In this regard, each active fixed line subscription made an average of around 399 calls in the first half of 2013⁹, down from around 418 in the first half of 2012. The drop in on-net traffic volumes is the primary driver behind this dive in activity, which is further compounded by declines in off-net, FTM, and FTI traffic volumes.

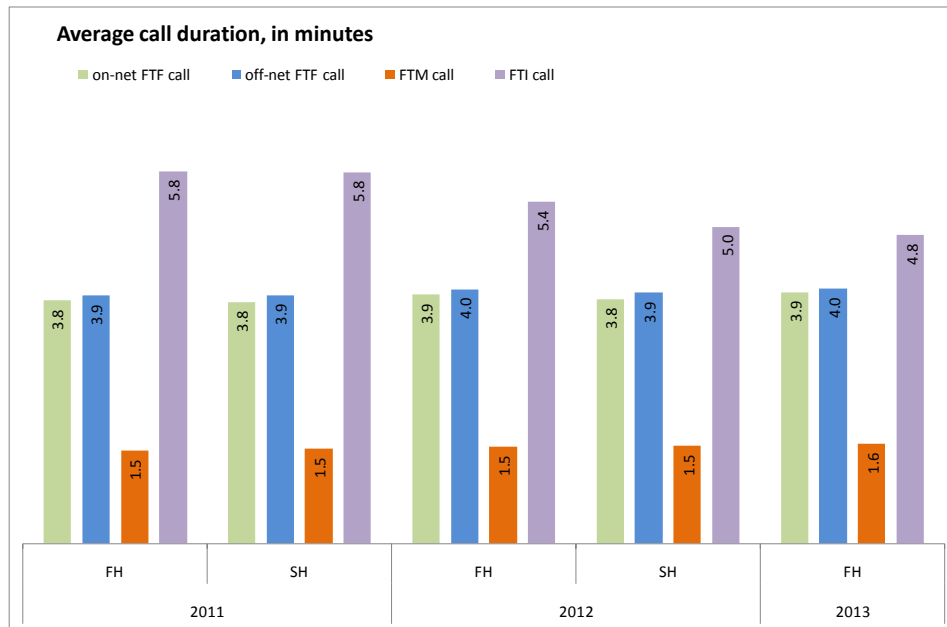


Figure 11: Average duration of an outgoing fixed line call

As activity for fixed line telephony slows, call duration is likewise stabilising, except in the case of FTI calls, which exhibit different demand characteristics than for domestic fixed-originated calls.

⁹ Total depicted in Figure 10 includes the number of *other calls* (which encompasses premium, freephone, and Internet calls) per active subscription.

On-net FTF calls and off-net FTF calls on average lasted around four minutes in the first half of 2013, which is of the same duration recorded in the first half of the previous year. MTF calls lasted slightly longer in the first half of 2013 compared to the same period a year earlier, whilst FTI calls lasted much less.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector for the first half of 2013 was lower than that observed in the first half of the previous year. ARPU for fixed voice services in the first half of 2013 stood at €83.31, which is down from €85.74 in the first half of 2012.

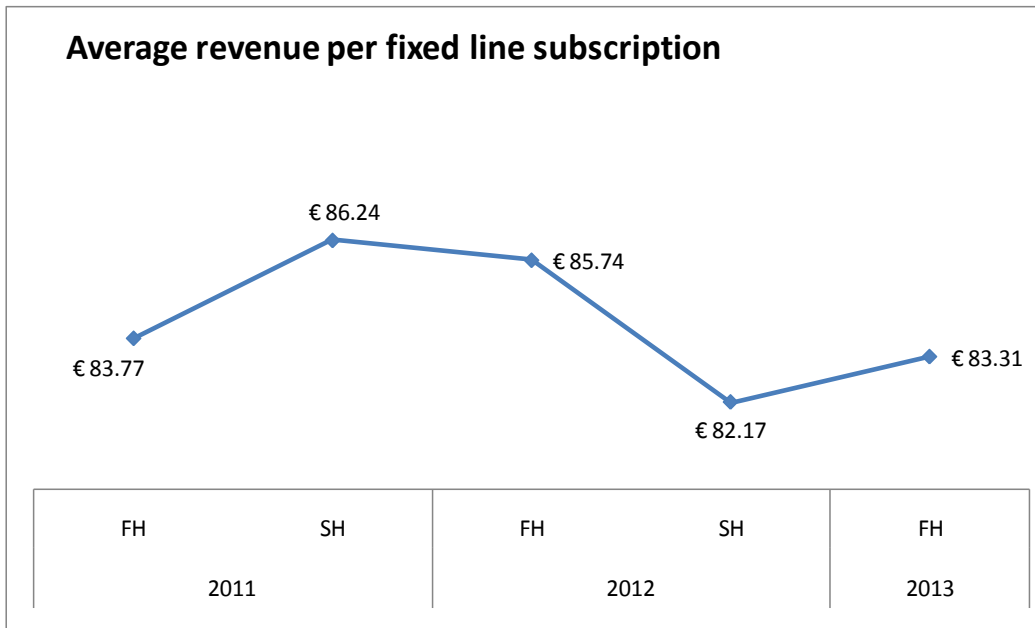


Figure 12: Average revenue per fixed line user

The drop in the volume of minutes and fewer subscriptions are the primary factors behind the fall in fixed telephony ARPU. There are however other factors that may be contributing to falling ARPU for the sector, such as the strategies implemented by service providers to offer free minute allowances with access.

Methodology used in deriving fixed ARPU figures

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

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

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

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

4.6. Average rate per minute of fixed line communications

As already highlighted in the introductory part to this chapter, consumers are increasingly using mobile voice services as a substitute for fixed voice services, despite the latter being much cheaper. The inference from this trend is that consumers are attributing a higher value to a mobile-originated call than to a fixed-originated call.

Revenue-based figures in Figure 13 show that the ARPM for the different types of fixed-originated calls in the first half of 2013 was similar or lower to that observed in the first half of the previous year.

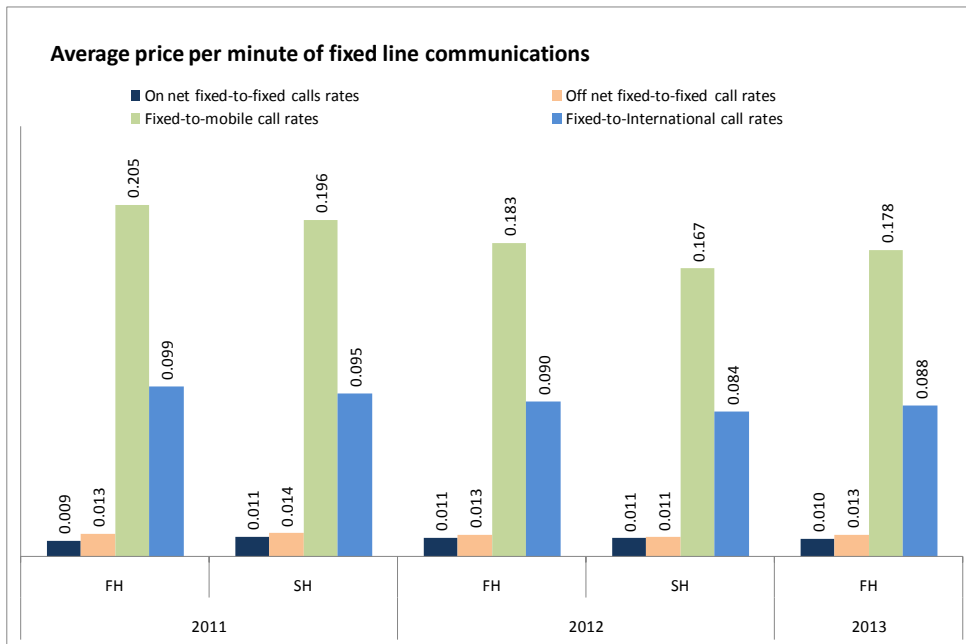


Figure 13: Average cost of a fixed line call derived from revenue-based workings

The ARPM of an on-net FTF call and off-net FTF call was calculated at €0.010 and €0.013 respectively.

That for a FTM stood at €0.178, which is down from €0.183.

The ARPM of a FTI call was also down, from €0.090 to €0.088.

Methodology used in deriving fixed ARPM figures

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

Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It 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.

5. Mobile telephony

Developments for the mobile sector contrast with those observed for the fixed line sector. The major trends for the mobile sector emerging over the course of the current reporting period are highlighted below:

- The mobile penetration rate stood at nearly 132%¹⁰ at the end of Q2 2013, driven by sustained growth in subscriptions.

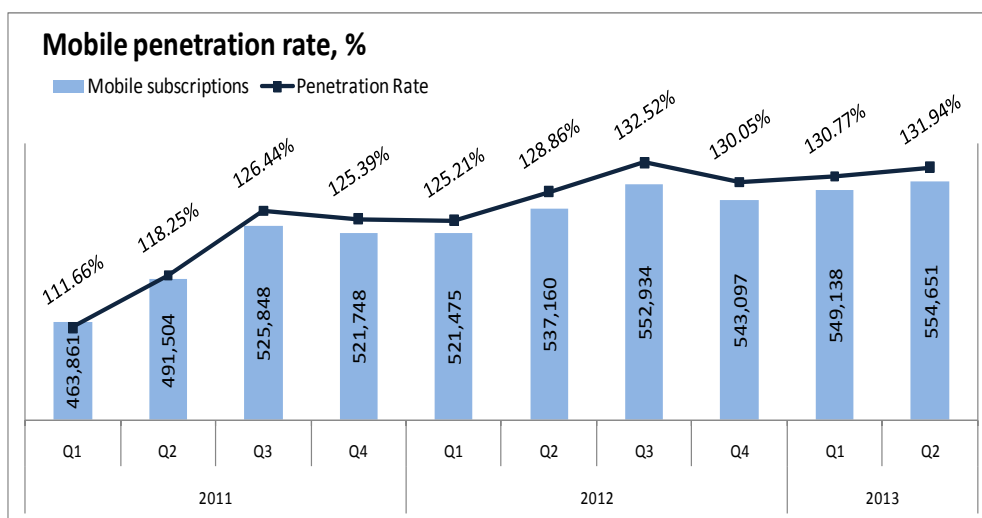


Figure 14: Mobile penetration in Malta

- The number of mobile subscriptions increased for both the prepaid and postpaid segments. Postpaid subscriptions climbed by 8.2% to reach 117,572 by the end of Q2 2013, compared to an increase of 2.0% with respect to prepaid subscriptions, which totalled 437,079 as at the end of the reporting period.
- In terms of the number of subscriptions on a bundle at the end of June 2013, only 9.7% of total mobile subscriptions were bundled with some other electronic communications service, compared to 39.1% of total fixed line subscriptions. This low take-up of mobile subscriptions on a bundle is mainly a result of service providers typically marketing optional free mobile minute allowances as an add-on to existing dual play and triple play bundle offers rather than combining mobile access in the final price of the bundle. Furthermore mobile is considered a personal service rather than a household service.
- The increasing take-up of mobile is driven by a growing consumer preference for mobile services, particularly voice and data services. Service providers also play their part in appealing to new customers as these strive to augment the quantity and quality of services on offer.
- Consumers are increasingly using mobile voice services as a substitute for fixed voice services, as clearly underlined by usage trends for the two services. Compared to the first half of 2012, the number of mobile voice calls and voice call minutes recorded in the first half of 2013 were up by 21.4% and 12.2% respectively. Meanwhile, the number of fixed voice calls and voice call minutes was down by 5.6% and 5.9% respectively.

Table 9 illustrates that the gap between the two types of traffic has been narrowing over the years. Actually, the number of mobile originated calls has been exceeding the number of fixed line

¹⁰ The mobile penetration rate is measured on the basis of the number of active SIM cards as a proportion of Malta's population.

originated calls for a number of years. Meanwhile, the number of mobile voice call minutes maintained its relentless increase and is now very close to exceed the number fixed line voice call minutes.

Fixed vs. Mobile traffic volumes	FH 2011	SH 2011	FH 2012	SH 2012	FH 2013
Fixed voice calls	99,744,208	97,239,460	97,116,535	95,207,628	91,652,040
Mobile voice calls	157,135,971	170,971,969	171,361,818	201,557,865	208,004,130
Fixed voice call minutes	343,099,606	329,651,913	334,716,713	321,132,459	315,144,601
Mobile voice call minutes	229,989,172	262,612,966	278,778,213	301,626,037	312,828,551

Table 9: Fixed-to-mobile substitution

- The strong expansion in mobile usage is mainly a result of the launch of new offers at more attractive prices (through, for example, free minute allowances, cheaper on-net call rates, the introduction of hybrid plans, lower monthly access fees and additional discounts and allowances provided to customers in bundle packages). In turn, the availability of new devices like smartphones and tablets played an important role in bringing about stronger demand for mobile data services.
- The Average Rate per Minute (ARPM) calculation for the mobile sector shows that end-users on average spent €0.097 for a one-minute domestic mobile-to-mobile (MTM) call in the first half of 2013, which is down by 5.8% from €0.103 in the first half of the previous year. Meanwhile, end-users on average spent €0.165 for a mobile-to-international (MTI) call in the first half of 2013, which is 16.2% lower than what they would have paid in the first half of the previous year.
- Cheaper on-net MTM call rates and/or free on-net minute allowances appear to have driven customers to opt for multiple mobile subscriptions. This is one reason as to why Malta's mobile penetration rate has exceeded the 100% mark. In turn, this may also provide one explanation as to why the number of mobile number portings has been falling over the last few years. In fact, around 19,500 mobile number inward portings were reported in the first half of 2013, down by 26.5% from 26,537 in the first half of 2012.
- The availability of postpaid plans combining voice telephony and data services at lower monthly access fees and free minute and data allowances are also contributing towards increasing take-up and higher usage of mobile services.
- The degree of price competition was also reflected on the revenue of service providers. For example, as mobile call rates fell, traditional voice-related revenues declined. Although declines in voice revenues may be softened for by revenues from other mobile services, such as mobile data services, ARPU for mobile telephony in the first half of 2013 was lower than that recorded in the first half of the previous year. This may suggest that, to a certain extent, service providers are forfeiting some revenues via new offers on the market to enhance their competitive position.
- Another trend observed during the reporting period relates to the increasing popularity of mobile data services, mainly as a result of price offers (which typically include allowances of data consumed for browsing) and the arrival of new data devices like smartphones and tablets. It is considered that higher demand for mobile data services has also contributed to higher mobile penetration.
- The latest entrant in the market, Melita Mobile, saw its market share strengthen over time, with its share of the total subscriber base climbing from 11.4% as at the end of June 2012 to 13.3% as at the end of June 2013. Meanwhile, GO Mobile also registered a slight increase in market share, from

35.9% to 36.3%, whilst Vodafone (Malta) recorded a fall, from 50.5% to 48.5%. Smaller service providers did not however manage to increase their market share.

5.1. Subscriptions

The number of active mobile subscriptions¹¹ totalled 554,651 as at the end of the current reporting period¹², with postpaid being the fastest growing subscription type since the end of June 2012.

In terms of market prevalence by subscription type, postpaid accounted for 21.2% of total mobile subscriptions as at the end of the reporting period and prepaid for 78.8%.

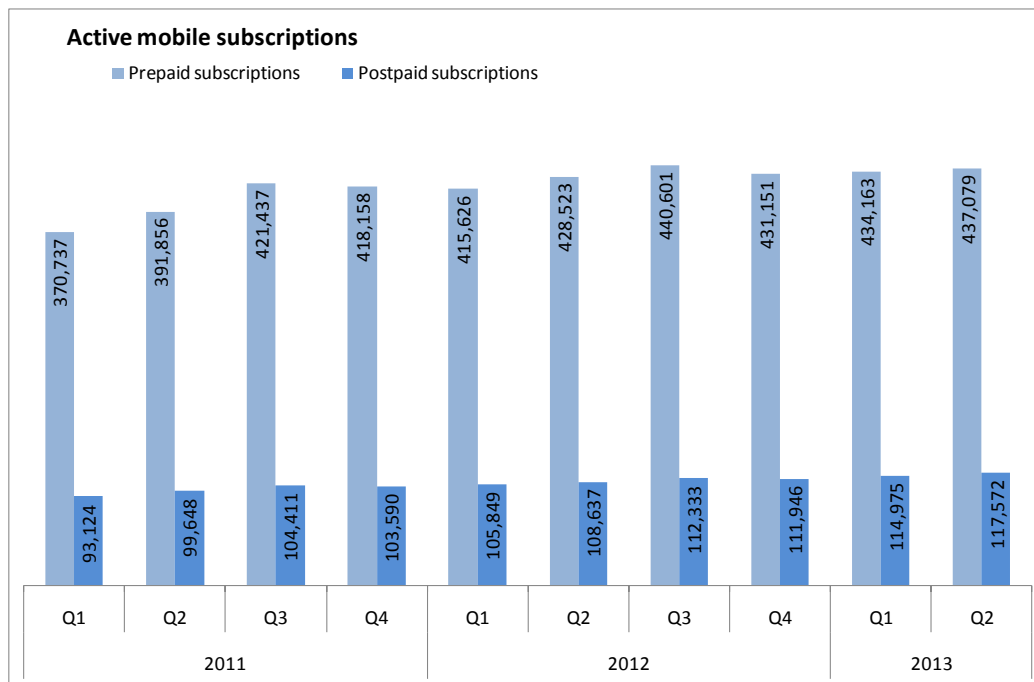


Figure 15: Mobile telephony subscriptions as at end of period

Although, mobile take-up is increasing, end-users are not bundling their mobile subscription with some other electronic communications service. Instead, many end-users today opt to purchase multiple mobile subscriptions in order to benefit from more competitive mobile call rates, especially from free minute allowances and cheaper on-net call rates. Hence, the decline in the number of mobile inward portings observed over the last few years.

- The number of mobile subscriptions purchased in combination with some other electronic communications service increased by 1,645 over the 12-month period ending June 2013 to reach a total of 53,839.

¹¹ The number of active mobile subscriptions refers to the number of subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for pre-paid connections and within 30 days of the period stipulated for post-paid connections.

¹² In terms of activity over the 2G and 3G network, 60.2% of all active mobile subscriptions at the end of Q2 2013 registered activity over the 3G network.

The incidence of recording activity over the 3G network is more likely amongst postpaid subscriptions. In fact, as at the end of the reporting period, 55.9% of prepaid subscriptions reported activity over the 3G network compared to 79.1% of postpaid subscriptions.

However, this increase did not keep pace with the overall increase in mobile subscription numbers. In fact, the percentage of mobile subscriptions on a bundle only represented 9.7% of the mobile subscriber base in June 2013, which is unchanged from the corresponding figure reported a year earlier.

Mobile subscriptions on a bundle		2011				2012				2013	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Double Play	Total number of dual play subscriptions incl. mobile	4,681	7,022	8,914	10,917	11,971	12,738	13,352	13,567	12,818	12,156
	Fixed telephony + Mobile	4,681	7,022	8,914	10,917	11,971	12,738	13,352	13,567	12,818	12,156
Triple Play	Total number of triple play subscriptions incl. mobile	484	433	368	304	304	437	405	-	361	344
	Fixed telephony + Mobile + Fixed broadband	484	433	368	304	304	437	405	-	361	344
Quadruple Play	Total quadplay subscriptions incl. Mobile	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
	Fixed telephony + Mobile + Fixed broadband + Pay TV	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
Number of mobile subscriptions as at end of period		463,861	491,504	525,848	521,748	521,475	537,160	552,934	543,097	549,138	554,651
Bundled subscriptions as a percentage of total mobile subscriptions		8.74%	8.91%	8.88%	9.38%	9.71%	9.72%	9.67%	9.97%	9.87%	9.71%

Table 10: Mobile subscriptions on a bundled offer

- Mobile number portability is in decline. There were 19,493 mobile inward portings¹³ in the first half of 2013, which is 26.5% lower (or around 7,000 less in absolute terms) than recorded in the first half of 2012.

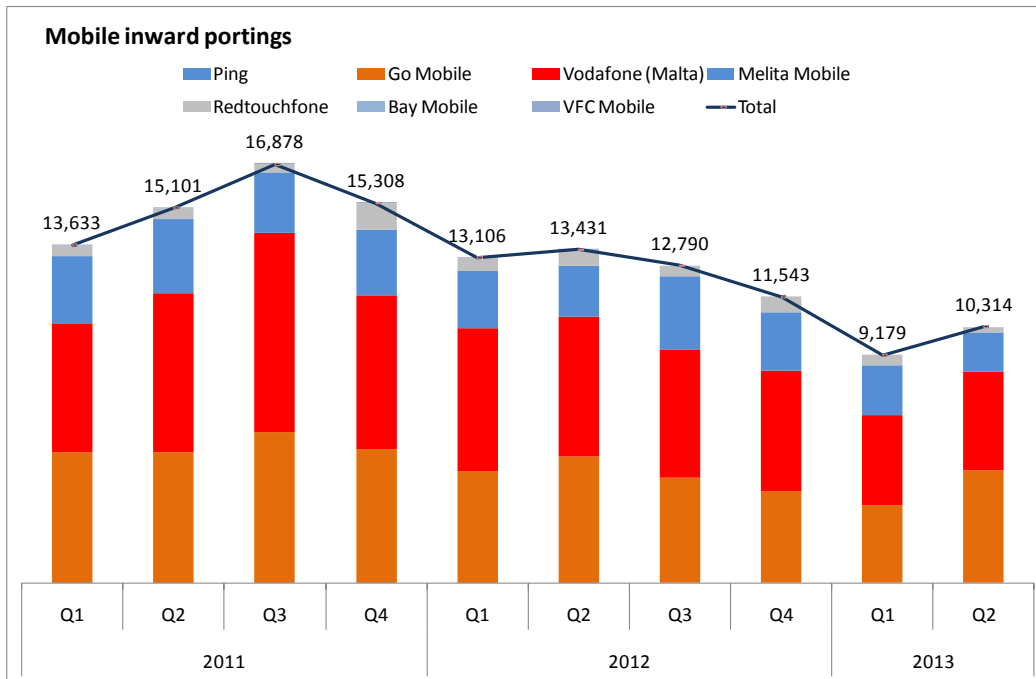


Figure 16: Mobile number portability - number of mobile portings

In terms of the share of total mobile inward portings by operator, 44.2% of all mobile inward portings reported in the first half of 2013 were accounted for by Go Mobile, 38.2% were accounted for by Vodafone (Malta) and a further 15.4% were accounted for by Melita Mobile. Only 2.2% of mobile inward portings in the first half of 2013 were accounted for by smaller service providers.

5.2. Usage trends for mobile telephony

Consumers are increasingly consuming mobile voice services, as evidenced by a higher number of voice calls and SMSs and stronger call minute volumes.

¹³ The total number of mobile users that switch their subscription from one operator to another, whilst keeping the same number. Figures presented above only take into account the number of mobile inward portings.

Voice calls

The number of mobile voice calls in the first half of 2013 amounted to 208.0 million, which is up by 21.4% over the corresponding period a year earlier, when the number of mobile voice calls totalled 171.4 million.

As expected, this increase has mainly been driven by the huge growth reported under the on-net mobile-to-mobile (MTM) traffic segment. Here, traffic volumes climbed by nearly 34%, from 100.0 million calls in the first half of 2012 to 134.0 million in the first half of 2013, as consumers continue to benefit from cheaper on-net call rates, free on-net call allowances and additional call rate discounts in bundle offers.

Other mobile traffic segments also registered increased usage, with the number of off-net MTM calls going up by 2.9%, from around 50.0 million in the first half of 2012 to 51.4 million in the same period of 2013, and the number of mobile-to-fixed (MTF) calls also up by 5.2%, from 18.2 million to 19.2 million.

Voice Calls	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
National voice calls	71,161,552	83,791,625	83,734,824	84,378,394	82,256,514	85,996,147	97,364,076	101,317,479	98,644,467	105,986,358
Mobile-to-mobile calls	63,791,622	75,156,988	74,942,255	75,269,839	73,179,570	76,844,503	87,581,962	91,534,936	89,354,849	96,097,624
on-net	40,867,369	48,774,403	48,717,711	49,736,515	48,476,570	51,551,723	60,748,921	66,054,869	64,718,875	69,294,886
off-net	22,924,253	26,382,585	26,224,544	25,533,324	24,703,000	25,292,780	26,833,041	25,480,067	24,635,974	26,802,738
Mobile-to-fixed calls	7,369,930	8,634,637	8,792,570	9,108,555	9,076,944	9,151,644	9,782,114	9,782,544	9,289,618	9,888,734
International voice calls	1,034,676	1,171,080	1,437,821	1,440,894	1,429,648	1,693,002	1,943,803	938,121	1,561,012	1,812,293
Total voice calls	72,196,228	84,962,705	85,172,645	85,819,288	83,686,162	87,689,148	99,307,879	102,255,601	100,205,479	107,798,651

Table 11: Outgoing mobile traffic - number of voice calls

The total number of MTI calls was also higher in the first half of 2013, when compared to the same period a year earlier, as illustrated in Table 11 above.

Voice call minutes

Consistent with the increase in the number of mobile-originated calls, call minute volumes maintained its upward trend. The number of mobile voice call minutes totalled 312.8 million in the first half of 2013, up by 12.2% from 278.8 million in the first half of 2012.

Higher on-net MTM minute volumes were the major contributor to this increase. On-net MTM minutes in the first half of 2013 were up by almost 30.0 million or 17.1% when compared to on-net traffic levels in the first half of the previous year. Meanwhile, off-net MTM minutes were up by 1.9 million or 3.0% and MTF minutes up by 1.6 million or 4.8%.

Voice Minutes	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
National voice call minutes	104,931,902	119,742,548	123,981,457	131,224,796	132,319,608	138,325,671	144,563,067	147,456,303	146,262,529	157,820,151
Mobile-to-mobile minutes	91,376,321	105,476,754	109,094,003	115,120,886	116,046,299	121,334,177	126,460,541	129,908,021	129,379,493	139,848,648
on-net	65,258,350	75,516,347	78,824,384	84,357,240	85,782,100	89,269,300	93,852,272	98,188,508	98,934,563	106,086,004
off-net	26,117,971	29,960,406	30,269,619	30,763,647	30,264,200	32,064,877	32,608,268	31,719,512	30,444,930	33,762,644
Mobile-to-fixed minutes	13,555,581	14,265,795	14,887,454	16,103,910	16,273,309	16,991,494	18,102,527	17,548,282	16,883,036	17,971,502
International voice call minutes	2,307,279	3,007,443	3,717,642	3,689,070	3,774,590	4,358,344	4,859,104	4,747,563	4,175,091	4,570,780
Total voice call minutes	107,239,180	122,749,991	127,699,099	134,913,866	136,094,198	142,684,015	149,422,171	152,203,866	150,437,620	162,390,931

Table 12: Outgoing mobile traffic - number of voice call minutes

MTI minute volumes were also up, in this case by 0.6 million or 7.5%.

5.3. SMS and MMS activity levels

Despite having significantly increased their usage of mobile voice services, end-users did not renounce from using SMS and MMS services. However, whilst SMS traffic volumes in the first half of 2013 were stronger than in the first half of 2012, MMS traffic volumes were down.

SMS traffic volumes

The number of outgoing text messages totalled 301.9 million in the first half of 2013, up by 0.6% from 300.2 million in the same period a year earlier¹⁴.

This positive outcome is attributable to an increase in the number of on-net SMSs and the number of SMSs sent from Internet portals, again highlighting the shift in the market for on-net traffic as consumers seek to maximise the benefit of cheaper on-net prices.

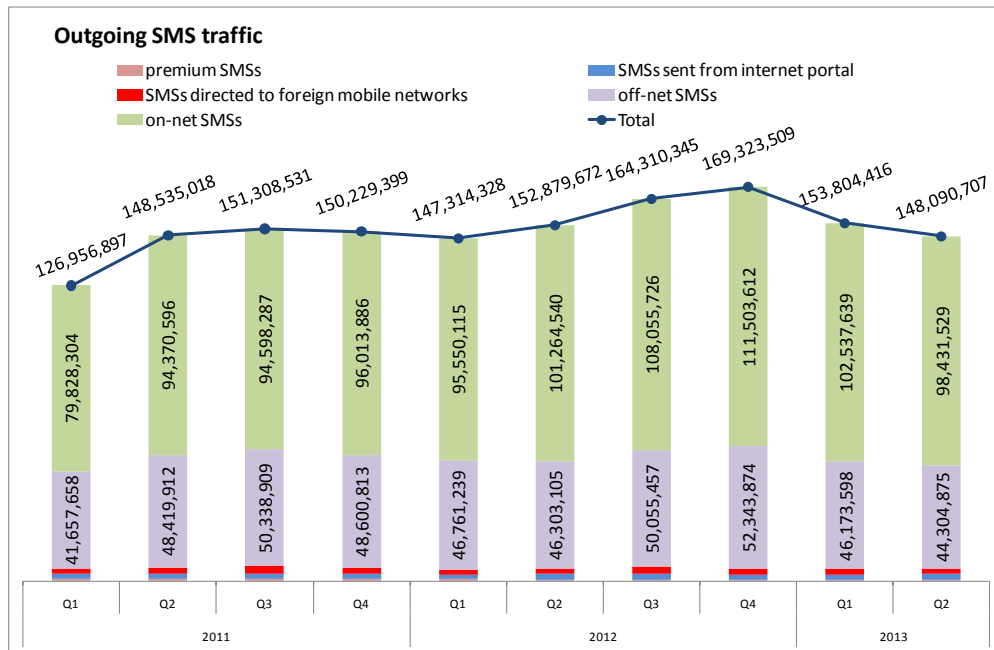


Figure 17: SMS activity - number of outgoing SMSs

The number of on-net SMSs in the first half of 2013 totalled 200.9 million, up by 4.2 million (or 2.1%) from 196.8 million in the first half of 2012. Meanwhile, the number of SMSs sent from Internet portals went up to 5.1 million, from 4.3 million in the corresponding period a year earlier.

Another increase was recorded for SMSs directed to foreign mobile networks, with the number of such SMSs totalling 4.7 million in the first half of 2013, slightly up from 4.6 million in the first half of 2012.

¹⁴ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

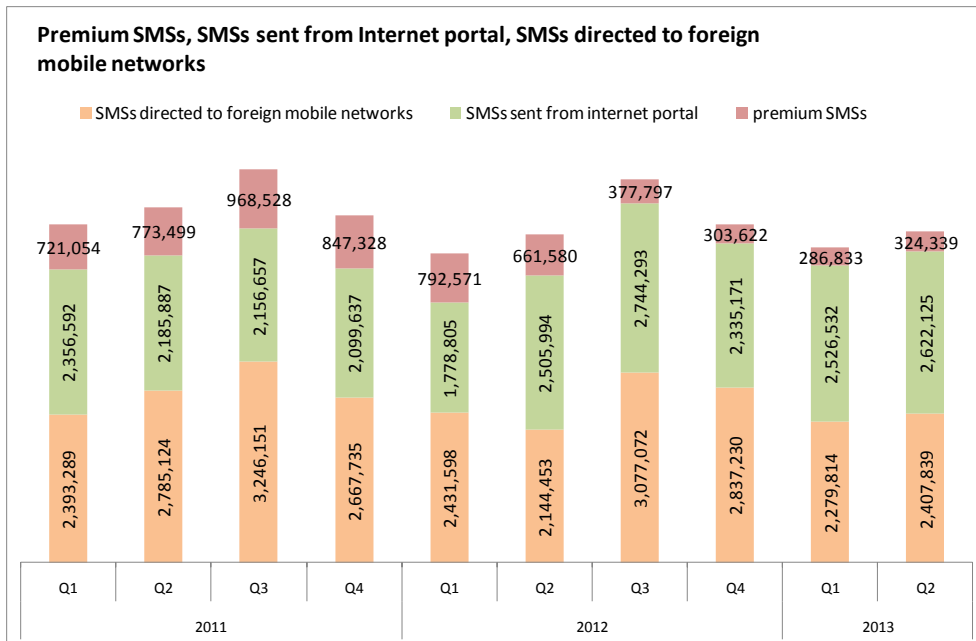


Figure 18: SMS activity - number of outgoing SMSs

The above-mentioned increases were sufficient to outweigh declines recorded in terms of premium SMSs and off-net SMS. Premium SMSs totalled 0.6 million in the first half of 2013, down by almost 58.0% from 1.4 million in the first half of 2012. Meanwhile, off-net SMSs were down by 2.6 million (or 2.8%), from 93.1 million to 90.5 million.

MMS traffic volumes

MMS never actually gained much popularity in Malta, as evidenced by the consistent low volumes registered for the service.

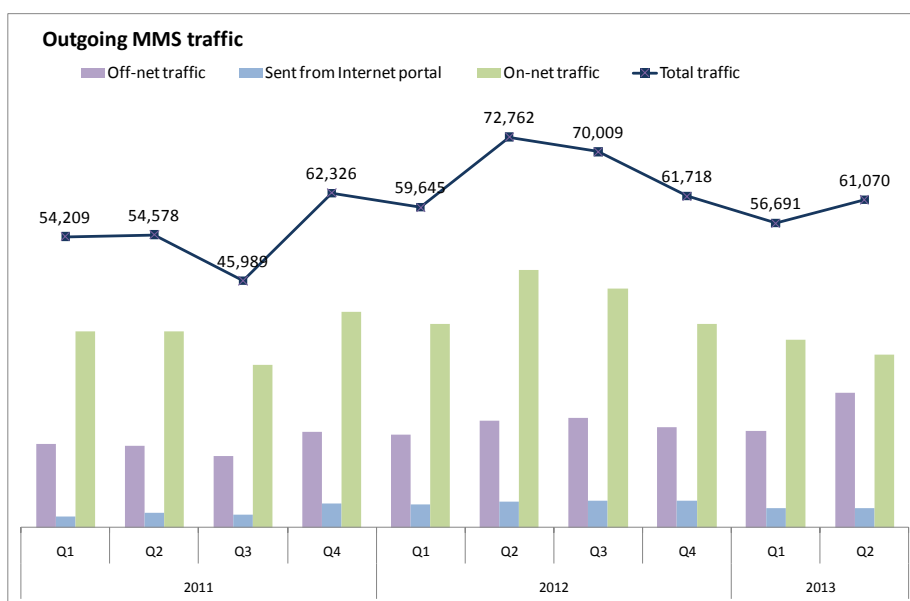


Figure 19: MMS activity - number of outgoing MMSs

The number of MMSs in the first half of 2013 totalled 117,761. This figure is 11.1% lower than that recorded in the first half of 2012, when the number of MMSs totalled 132,407.

5.4. Activity levels per mobile subscription

As mobile services take-up continues to increase year-on-year and usage levels expand at a faster rate over time, activity levels are likely to strengthen.

Voice call activity levels per subscription

The average number of voice calls per active subscription went up from around 324 in the first half of 2012 to around 379 in the first half of 2013, driven by strong increase in activity related to the on-net MTM call segment, which represents the largest segment of voice call activity recorded by active mobile subscriptions.

In this regard, the average number of on-net MTM calls per active subscription increased from around 189 in the first half of 2012 to 244 in the first half of 2013. Another small increase in activity within the same timeframe was recorded for the MTF call segment, which saw the average number of calls per active subscription going up from around 34 to around 35. Meanwhile, the average number of MTI calls per active subscription remained practically the same.

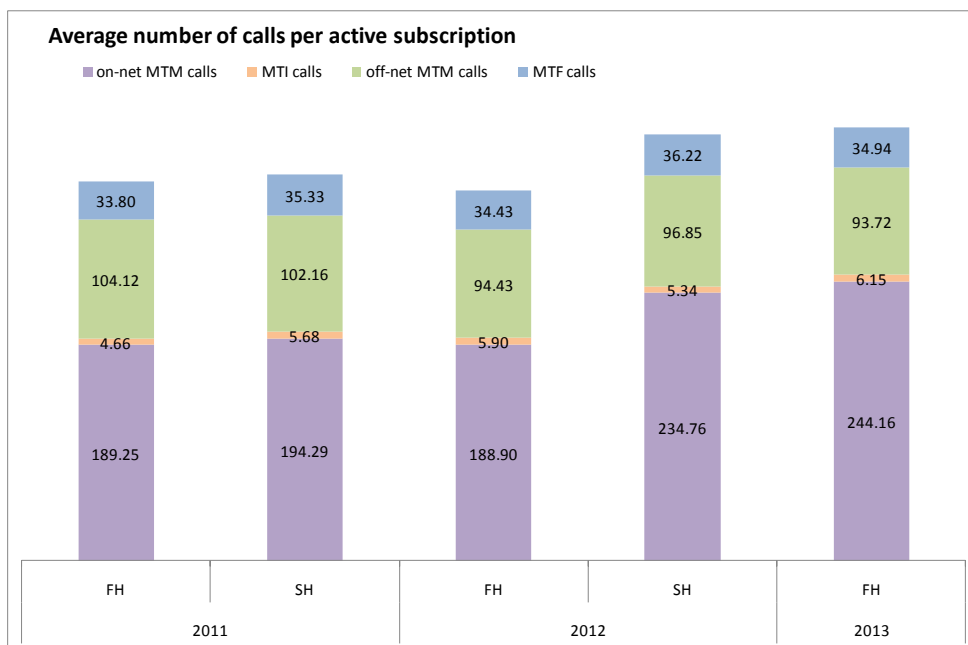


Figure 20: Average number of calls per active subscription

Contrary to developments highlighted above, activity levels in terms of the number of off-net MTM calls per active mobile subscription weakened in the first half of 2013, compared to the first half in 2012, as illustrated in Figure 20 above.

SMS activity levels per mobile subscription

Given that growth in subscriber numbers exceeded that for SMS traffic volumes, the number of SMSs per active subscription in the first half of 2013, which stood at around 550, was lower than that recorded in the first half of the previous year, when each mobile subscription accounted for around 567 SMSs.

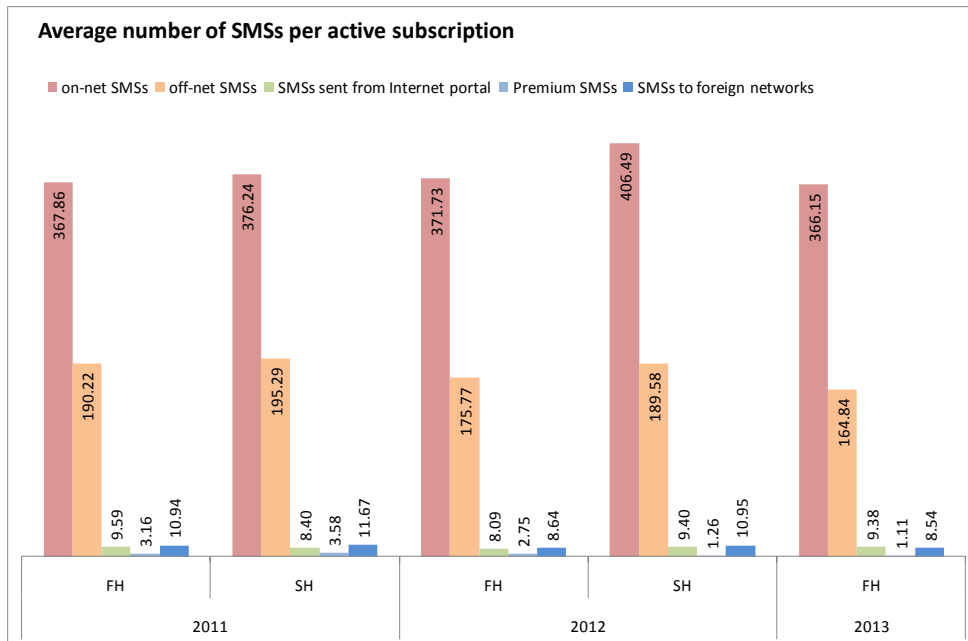


Figure 21: Subscriber activity - average number of SMSs per active subscription

Although the on-net SMS segment remains an important pillar in sustaining overall SMS traffic volumes, the number of on-net SMSs per subscription in the first half of 2013 was down when compared to that in the first half of the previous year. This development actually reflects the current shifts in consumer preferences, whereby cheaper on-net call rates and free on-net minute allowances have led mobile users to opt for the convenience of making an instant on-net call rather than texting a message.

Improved SMS activity levels per subscription in the reference period could only be observed for the traffic segment concerning SMSs sent from Internet portals.

Figure 21 illustrates that SMS activity levels per subscription in the first half of 2013 was weaker than in the first half of the previous year for the on-net, off-net, premium, and international traffic segments.

5.5. Average mobile call duration

Lower priced mobile voice call services do not just increase the number of calls made but also stimulate minute volumes, as consumers are likely to make call rates that last longer. Nevertheless, this trend is not always as straightforward as it may sound given that there could be various factors that influence outcomes, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage.

The results for average call duration for the first half of 2013 have therefore to be seen in this context. The average mobile call duration in this period was 1.5 minutes (or 90 seconds) compared to 1.6 minutes (or 96 seconds) in the first half of 2012. This change is explained by a sudden drop in the average call duration of an on-net MTM call.

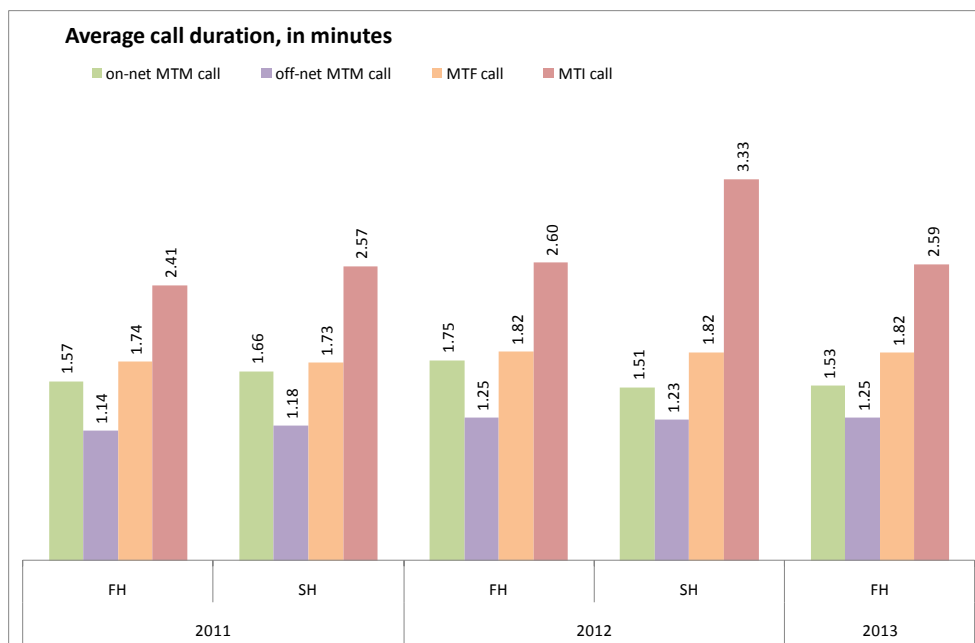


Figure 22: Average duration of an outgoing mobile call

As already explained earlier on, however, this sudden fall may have coincided at a time when service providers offered free on-net minute allowances that consumers utilised for very short calls instead of text messaging.

5.6. International roaming activity levels

The level of international roaming activity¹⁵ depends on two main factors, namely the frequency and pattern of travel by end-users and the relative roaming charges that apply for calls and SMSs. It is of relevance to underline here that Malta has seen a stronger inflow and outflow of tourists than in the corresponding period a year earlier. Meanwhile, the number of Maltese travelling abroad has also increased. This happened at a time when retail prices for roaming voice and text messaging were going down. Hence, the observed increase in outgoing and incoming roaming traffic volumes.

5.6.1 Outbound roaming activity

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

The number of outbound roaming calls totalled 3.5 million in the first half of 2013, up by nearly 1.5% from the corresponding figure for the first half of 2012. Traffic volumes were also stronger in terms of outbound roaming minutes, which went up by 1.7%, from 5.6 million in the first half of 2012 to 5.7 million in the first half of 2013.

¹⁵ From a technical perspective, international roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. In this regard, end-users would be using voice roaming services when making or receiving calls via their mobile subscription while abroad. They would be using SMS roaming services when sending or receiving an SMS via their mobile subscriptions. End-users can also send or receive data while abroad over their mobile. Such services are generally referred to as data roaming services.

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

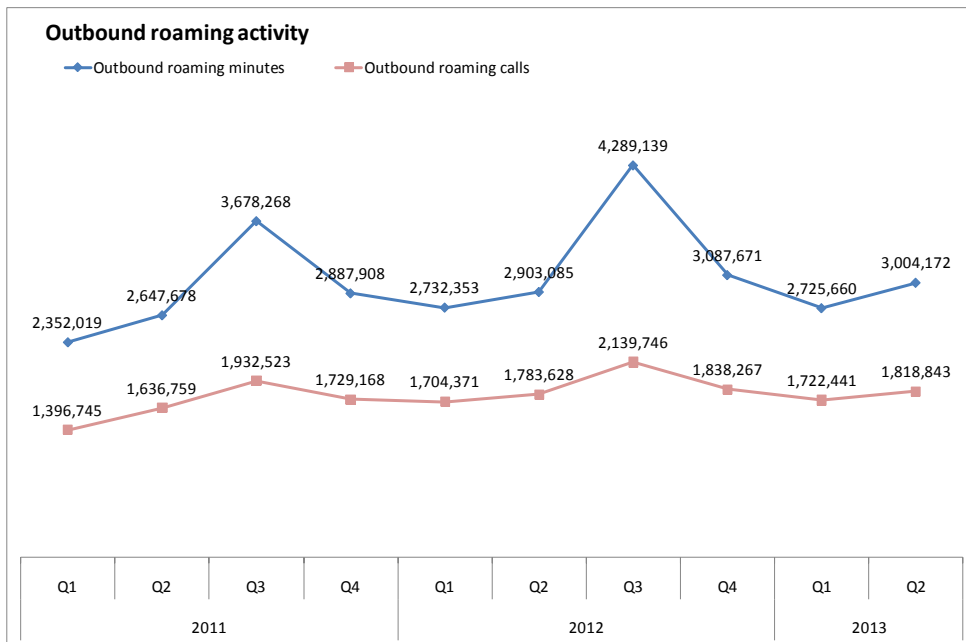


Figure 23: Outbound roaming activity

5.6.2 Inbound roaming activity

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

The number of inbound roaming calls totalled nearly 10.0 million in the first half of 2013, which is down by 7.2% over the corresponding period in 2012.

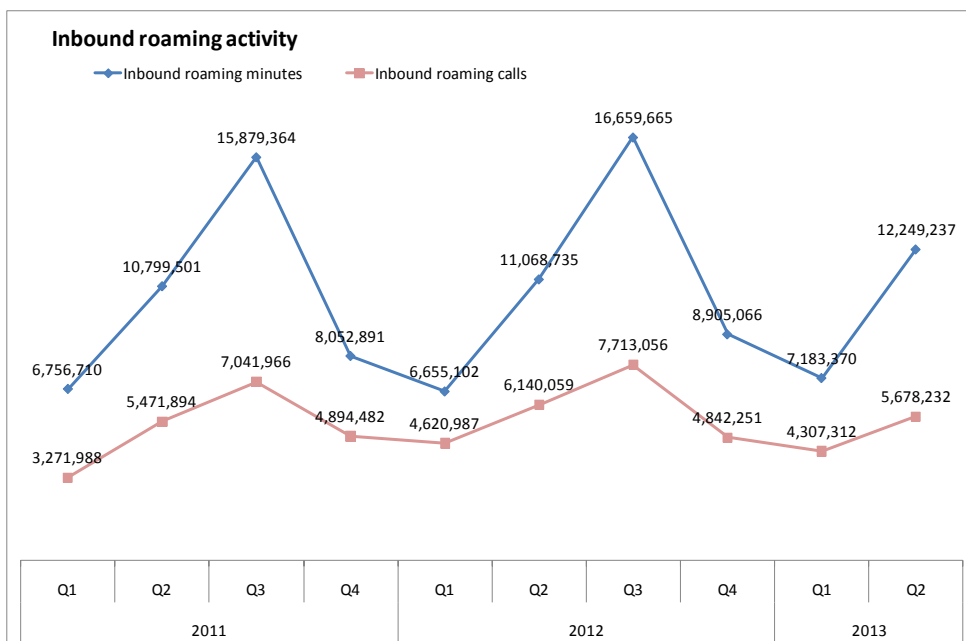


Figure 24: Inbound roaming activity

However, this decline has been compensated for by an increase in the number of inbound roaming minutes, which increased by 9.6%, from 17.7 million in the first half of 2012 to 19.4 million in the first half of this year. This increase goes to suggest that lower roaming prices enticed foreign travellers roaming in Malta to make calls that lasted longer rather than making several calls of a shorter duration.

5.7. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector for the first half of 2013 was lower than that observed in the first half of the previous year. Mobile ARPU in the first half of 2013 stood at €81.87, which is down from €82.96 in the first half of 2012.

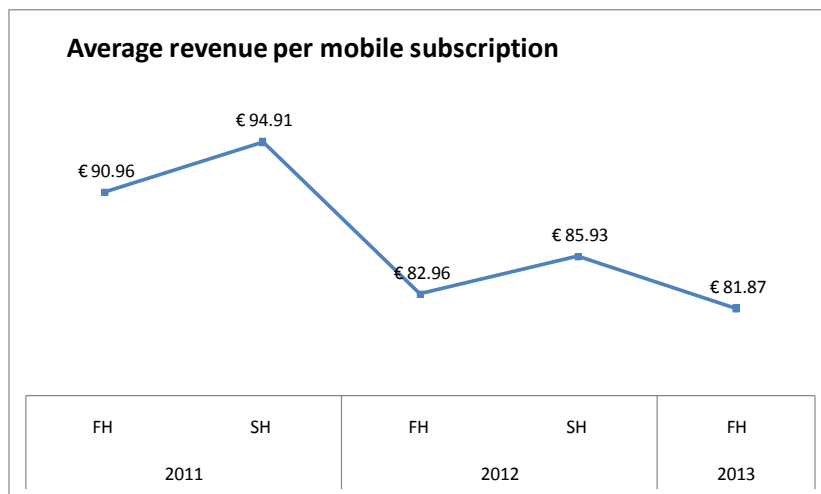


Figure 25: Average revenue per mobile user

This trend is indicative of falling retail prices and better value for money for the consumer.

Methodology used in deriving mobile ARPU figures

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

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

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

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

5.8. Pricing developments for mobile telephony

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

In order to bring some clarity into the picture, a metric has been developed to determine how retail mobile call rates and SMS rates have developed over time. Reference is therefore made here to the average revenue per minute (ARPM) calculation for mobile voice services and the average rate per SMS calculation for text-based services. In the former case, figures are derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues but excluding roaming revenues), by the number of minutes reported under each respective heading¹⁶. In the latter case, figures are derived by dividing SMS-related revenues by the number of SMSs made during the period.

5.8.1 The average rate per minute of mobile communications

Figure 26 shows that the average rate per minute of mobile communications for a domestic call stood at €0.095 in Q2 2013, down by 7.8% from €0.103 in Q2 2012¹⁷.

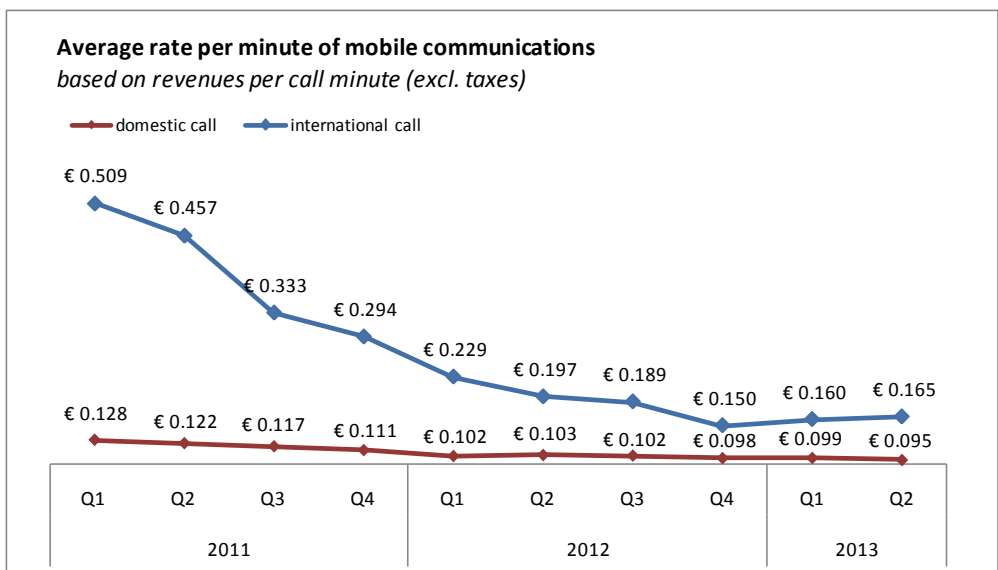


Figure 26: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communications for an international call over the mobile network was also down, this time by 16.2%, from €0.197 in Q2 2012 to €0.165 in Q2 2013.

¹⁶ In this calculation, revenues from VAT, excise tax, and retail roaming services are excluded.

¹⁷ It is again noted here that local mobile operators may offer free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. However, the current calculations do not take these factors into account.

5.8.2 The average rate per SMS

In terms of the average rate per SMS, Figure 27 illustrates that, in Q2 2013, the consumer on average paid €0.019 and €0.188 for a domestic SMS and internationally bound SMS respectively.

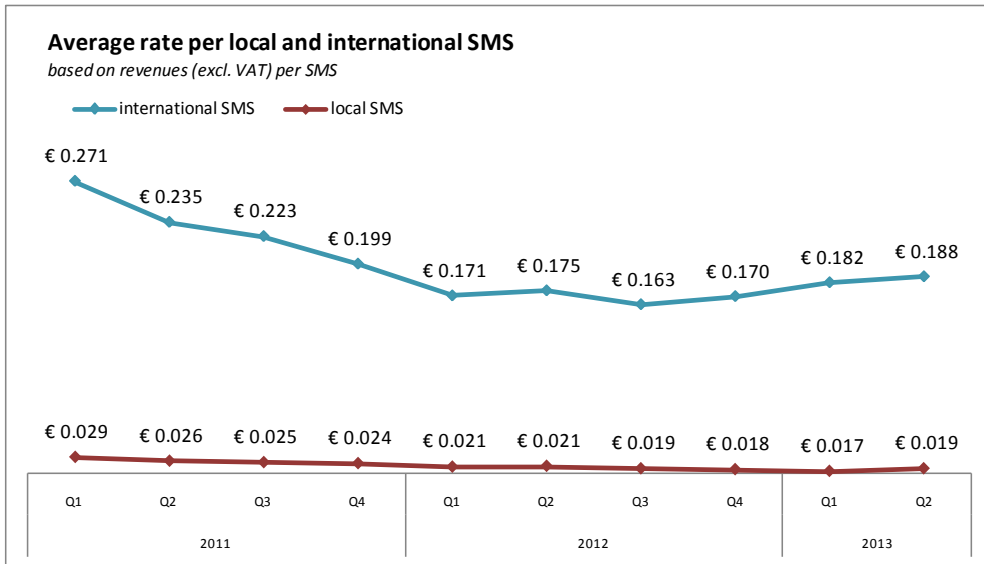


Figure 27: Average rate per domestic and international SMS

6. Fixed and mobile broadband

A number of dynamics are playing out in the sector related to data access and connectivity to the internet, mainly in terms of changing consumer behaviour and advancements in technology.

Of particular relevance in this regard are the following considerations:

- The number of fixed broadband connections increased by 8,294 (or by 6.2%) during the 12-month period ending June 2013, to reach a total of 142,295 subscriptions. The latter figure corresponds to a fixed broadband penetration rate of 33.9%¹⁸. Meanwhile, the number of active mobile broadband subscriptions also showed significant growth.
- Underlying the increase in take-up for fixed and mobile broadband are two factors. First, the introduction of plans with higher speeds, improved quality and usage allowances and, second, the diversity of devices over which consumers can access these services, such as smartphones, tablets etc.
- Although the number of consumers using mobile broadband for data access and internet connectivity is increasing steadily, it can still be argued that end-users are more inclined to use fixed broadband for data access and internet connectivity. In this regard, consumers have the option to select between a portfolio of plans offered over cable, DSL and wireless. That said, demand is mainly satisfied via the former two, with these accounting for 97% of the local subscriber base as at the end of Q2 2013.
- The trend of bundling fixed broadband with other electronic communications services has remained strong in the first half of 2013, mainly as a result of higher speeds and improved data allowances available in bundle offers. Around 47% of fixed broadband subscriptions recorded as at the end of Q2 2013 were bundled with some other electronic communications product / service, up from 41% at the end of Q2 2012 .
- The degree of price-quality competition in the fixed broadband sector has intensified, as evidenced by the continued drop in the average rate per Mbps. In this regard, fixed broadband consumers paid €2.164 per Mbps in Q2 2013, compared to an average rate of €2.211 per Mbps in Q2 2012.
- The higher the number of subscriptions, especially for products with higher broadband speeds, the more likely it is for service providers to receive higher revenues. Hence, the observed increase in ARPU for fixed broadband, which went up from around €87 in the first half of 2012 to around €89 in the second half of 2013.

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 142,295 at the end of June 2013, which is up by 6.2% over June 2012, when the number of subscriptions totalled 134,001¹⁹.

The number of subscriptions recorded in June 2013 corresponds to a fixed broadband penetration rate of 33.85%.

¹⁸ The fixed broadband penetration rate is measured on the basis of the number of connections as a proportion of Malta's population.

¹⁹ 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.

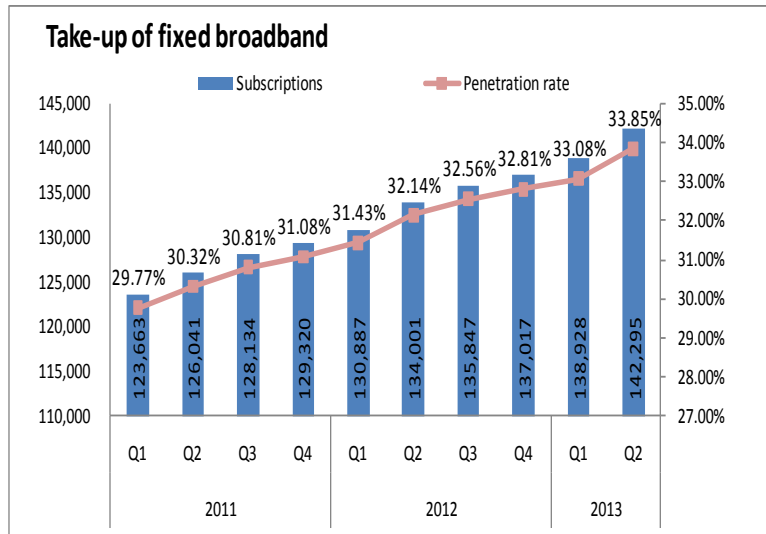


Figure 28: Take-up of fixed broadband and penetration

A greater number of end-users are opting to purchase their fixed broadband subscription in combination with other electronic communications products and services in a bundle. In this regard, the number of fixed broadband subscriptions on a bundled offer totalled 66,866 at the end of the current review period. The latter figure represents almost 47% of all fixed broadband subscriptions recorded at the time.

Fixed broadband subscriptions on a bundle		2011				2012				2013	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		50,269	50,157	50,533	52,905	53,512	55,043	59,356	60,030	60,732	66,866
Double Play	Total number of dual play subscriptions incl. mobile	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,653	10,038	10,068
	Fixed telephony + Fixed broadband	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,653	10,038	10,068
Triple Play	Total number of triple play subscriptions incl. mobile	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794	9,665	15,459
	Fixed telephony + Pay TV + Fixed broadband	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115
	Fixed telephony + Mobile + Fixed broadband	484	433	368	304	304	437	405	-	361	344
Quadruple Play	Total quadplay subscriptions incl. Mobile	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
	Fixed telephony + Mobile + Fixed broadband + Pay TV	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
Number of fixed broadband subscriptions as at end of period		123,663	126,041	128,134	129,320	130,887	134,001	135,847	137,017	138,928	142,295
Bundled subscriptions as a percentage of total fixed broadband subscriptions		40.65%	39.79%	39.44%	40.91%	40.88%	41.08%	43.69%	43.81%	43.71%	46.99%

Table 13: Fixed broadband subscriptions on a bundled offer

A key determinant behind the increasing take-up of fixed broadband in a bundle has been the launch of a number of promotional offers, such as free upgrades to higher headline download / upload speeds and higher data allowances.

6.2. Fixed broadband subscriptions by access technology

A breakdown of fixed broadband subscriptions between DSL, cable and fixed wireless shows that DSL continued to be the most popular access technology in the reporting period, accounting for almost 49% of subscriptions at the end of June 2013. Cable followed very closely with 48.1% of subscriptions, whilst fixed wireless accounted to nearly 3% of total subscriptions.

Compared to 12 months earlier, cable improved its market presence by 1.4 percentage points. Meanwhile, DSL's presence in the market weakened by 1.2 percentage points, whilst that of fixed wireless fell by 0.2 percentage points.

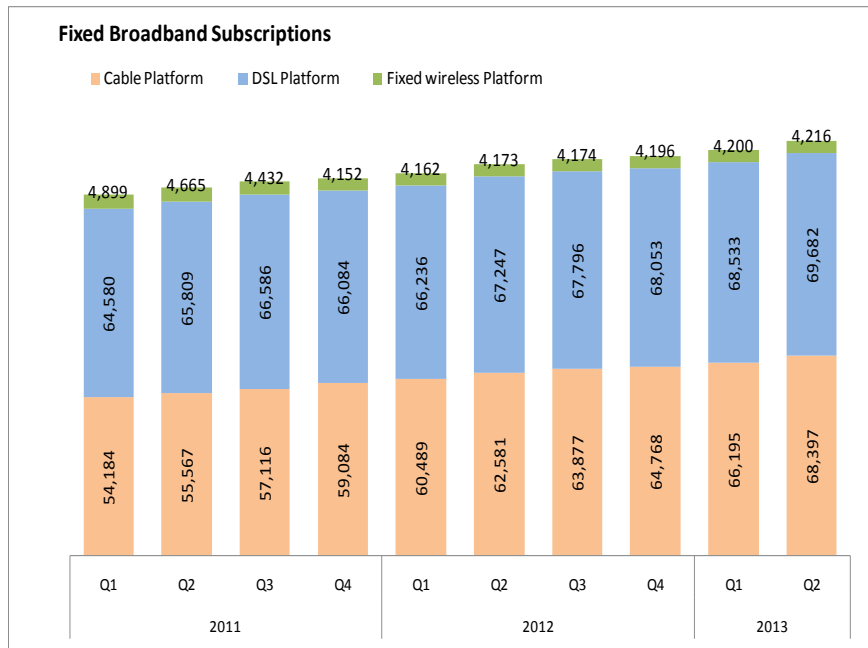


Figure 29: Broadband Internet subscriptions as at end of period - by technology

In absolute terms, however, all access technologies recorded an increase in the number of subscriptions in the 12-month period ending June 2013. Cable emerges as the fastest growing subscription type, with subscriptions increasing by 5,816 or 9.3%. DSL subscriptions increased by 2,435 or 3.6% and fixed wireless subscriptions went up by only 43 or 1.0%.

6.3. Fixed broadband subscriptions by speed²⁰

Consumers are spending more time browsing, streaming and carrying out other activities online. Correspondingly, their demand for data and data intensive applications is also on the rise.

Local service providers have for long recognized these shifts in consumer preferences and changing requirements and thus upgraded their network infrastructure to make available more capacity and offer higher speeds. This provides the backdrop against which service providers are today competing to strengthen their market presence²¹.

As at the end of June 2013, the number of fixed broadband subscriptions allowing for a download speed of less than 10Mbps accounted for 19.0% of the local subscriber base, significantly down from around 49% as at the end of June 2012. In absolute terms, the number of subscriptions under this category decreased by 38,570 to a total of 27,049 as at the end of the current reporting period.

²⁰ Quoted figures refer to advertised speeds.

²¹ Service providers are constantly launching new products and services with promotional discounts, such as, for example, discounts on monthly access fees, unlimited data allowances, free upgrades with subscriptions in bundle packages and other promotional offers.

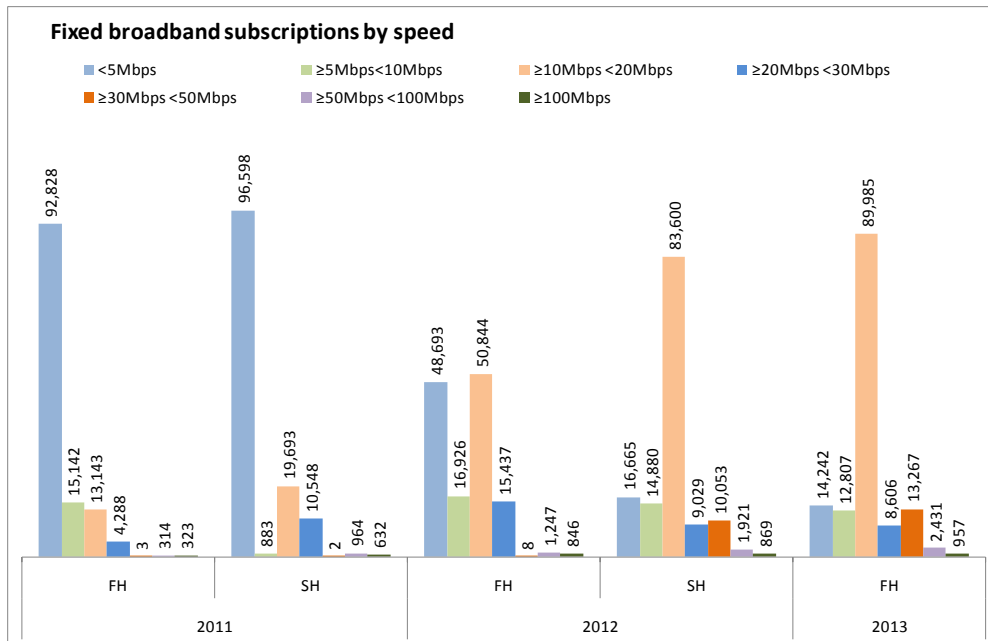


Figure 30: Fixed broadband subscriptions as at end of period, by speed

The category encompassing fixed broadband subscriptions allowing for a download speed of 10Mbps but less than 30Mbps accounted for 69.3% of the total subscriber base as at the end of June 2013, up from 49.5% as at the end of June 2012. In absolute terms, the number of subscriptions under this category increased by 32,310.

Meanwhile, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps totalled 15,698 at the end of June 2013, which is up by 14,443 from 1,255 subscriptions at the end of June 2012. The June 2013 figure represents 11.0% of the fixed broadband subscriber base recorded at the time.

No significant change was however observed in terms of subscriptions with a download speed of 100Mbps or more. These connections only accounted for 0.7% of the fixed broadband subscriber base as at the end of June 2013.

6.4. Fixed broadband subscriptions by access technology and download speed

A further look at fixed broadband subscriptions on the basis of access technology and download speeds shows that 97.3% of all fixed wireless broadband subscriptions recorded at the end of June 2013 allowed for a download speed of less than 10Mbps. The rest, at 2.7%, allowed for a download speed of 10Mbps up to, but not including, 30Mbps.

Meanwhile, with respect to DSL, 15.9% of all subscriptions on this technology platform allowed for a download speed of less than 10Mbps; 83.6% allowed for a download speed of 10Mbps up to, but not including 30Mbps; and just 0.5% allowed for a download speed of 30Mbps but less than 100Mbps. No DSL-based subscriptions had a connection allowing for a download speed of 100Mbps or more.

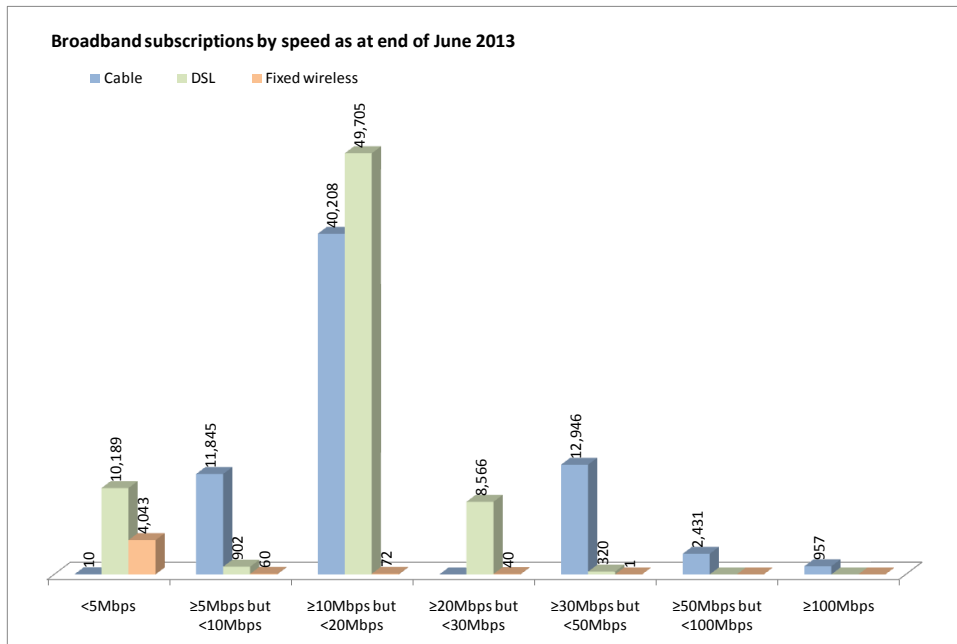


Figure 31: Broadband Internet subscriptions as at end of period - by connection speed

With respect to fixed broadband subscriptions on the cable platform, Figure 31 shows that 17.3% of all subscriptions on this platform allowed for a download speed of less than 10Mbps. Another 58.8% allowed for a download speed of 10Mbps, up to, but not including 30Mbps and a further 22.5% allowed for a download speed 30Mbps up to, but not including 100Mbps. Only 1.4% of cable-based subscriptions allowed for a download speed of 100Mbps or more.

6.5. Take-up and usage of mobile broadband

Another positive development concerning data access and internet connectivity relates to the increasing take-up of mobile broadband services, driven by the proliferation of mobile devices that support the provision of such services and the launch of new plans that allow for higher data rates and improved data allowances.

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

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

For the sake of consistency, the methodology used to measure the take-up of mobile broadband in Malta corresponds with that adopted by the EU Commission when measuring progress in this area across the EU²². Locally, mobile broadband via 3G-enabled mobile phones can be purchased either in a bundle with other mobile services or else as an add-on to standard mobile voice telephony. Figure 32 illustrates that, over a year, the number of active mobile broadband connections via 3G-enabled mobile subscriptions increased by

²² The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration per 100 population. 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.

approximately 14.5%, from an average of 188,000 in the first half 2012 to an average of 215,000 in the first half of this year.

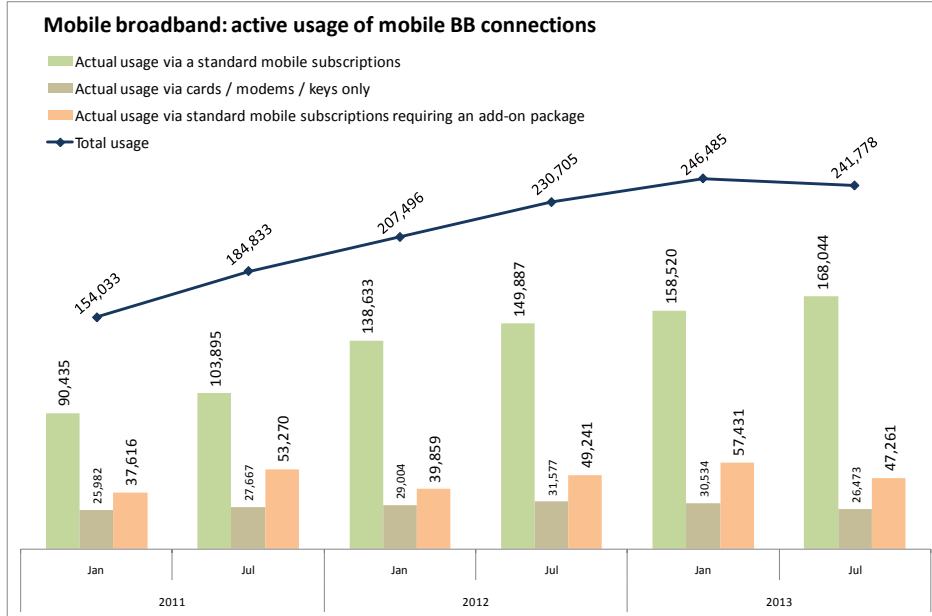


Figure 32: Mobile broadband connections as at end of period²³

Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modes/keys dropped from around 30,000 in the first half of 2012 to around 28,500 in the first half of 2013. This may be a result of the consumer’s increasing preference for data access and internet connectivity via the smaller mobile handsets.

Mobile broadband penetration

Despite the significant increase in the number of active mobile subscriptions in the reporting period, Malta’s take-up of mobile broadband (or mobile broadband penetration)²⁴ benchmarks well below that of the EU average.

²³ Data is under review and subject to change.

²⁴ Mobile broadband penetration is defined on the basis of the number of active end-users of dedicated data service cards/modems/keys was 4.8 per 100 people. The source of the data is CoCOM.

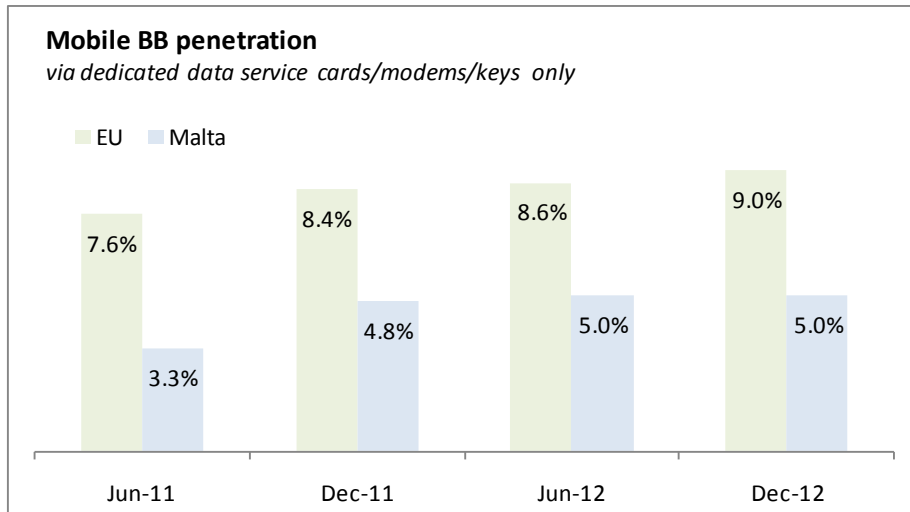


Figure 33: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 33 illustrates that, in January 2012, Malta’s mobile broadband penetration rate stood at 5%, compared to an EU average of 9%.

6.6. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the first half of 2013 stood at €88.78, up from €87.05 in the same period a year earlier.

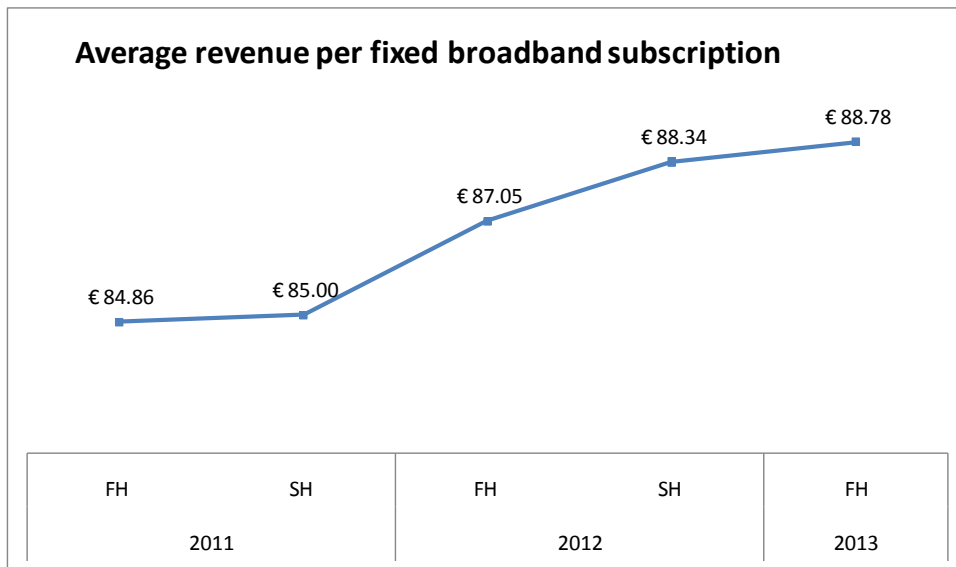


Figure 34: Average revenue per broadband user

This increase in ARPU may be a result of stronger take-up of products allowing for higher download / upload speeds, given that such products attract a higher pricing premium. One of the key attractions for end-users to opt for a connection supporting higher headline speeds relates to the possibility of accessing, for example, IPTV and on-demand services such as film rentals or else in order to be in a better position to address specific business connectivity requirements.

Methodology used in deriving fixed broadband ARPU figures

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

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

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

6.7. Average price per Mbps

The average price per Mbps for the local fixed broadband product portfolio continues on its downward trend, with the price going down to €2.16 in June 2013 from €2.21 in June 2012.

The key factor influencing this metric is the bandwidth offered with the fixed broadband product. Hence, when figures are broken down into different product portfolios categorised according to download speed, what emerges is a lower price per Mbps for products delivering faster download speeds compared to products delivering slower speeds. This trend is clearly illustrated in Figure 35, below.

Figure 35 also shows an increase in the price per Mbps for broadband products with a download speed of 5Mbps but less than 10Mbps. This is a result of one operator enhancing its product portfolio in this category by including a product with a symmetric download and upload speed at a price well above that of other products featuring in the same category. This pushed up the average advertised rate.

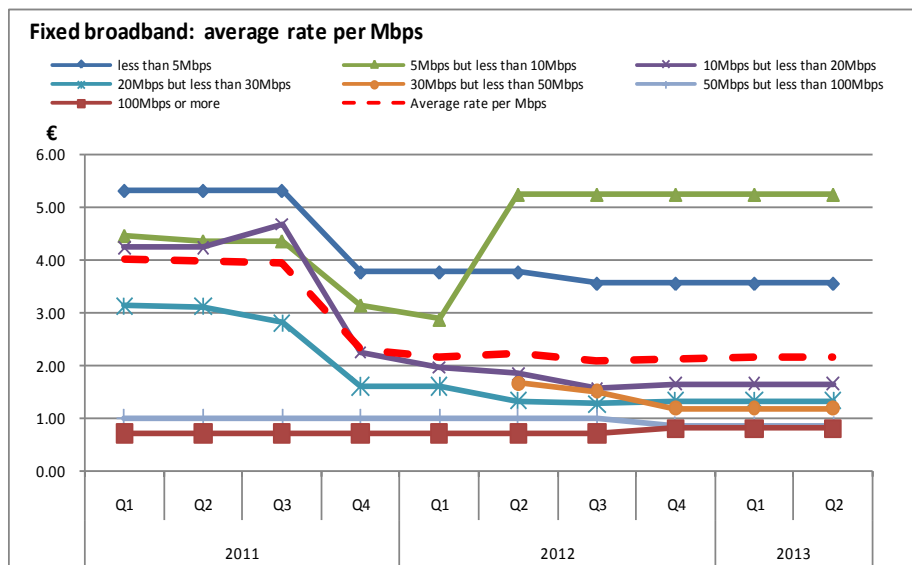


Figure 35: Average price per Mbps of fixed broadband for packages

Otherwise, the average rate per Mbps has generally gone down, especially for broadband products with download speeds varying between 10Mbps and 20Mbps (down by 10%), 30Mbps and 50Mbps (down by 29%), and between 50Mbps and 100Mbps (down by 16%). This is a result of new offers on the market and a discounted monthly access fees for products in two-year contracts.

Note

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

Figure 35 illustrates movements in the average advertised rate per Mbps on a more disaggregated level. To this effect seven fixed broadband categories are identified, according to different brackets of headline download speeds, as follows:

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

7. Pay TV

As subscriber growth for pay TV decreased over the years, service providers sought new ways and strategies to attract new customers and to retain existing ones, possibly even inducing the latter category to spend more on pay TV related services.

In particular, service providers constantly refined their product line-up by, for example, offering premium content channel packs and High Definition (HD) TV services in combination with basic channel packages and also by offering on-demand film services. Service providers also launched technology that gave customers the opportunity to avail of advanced viewing features, such as the record, pause and rewind options for live television programming.

In light of the above, the following considerations assume particular relevance:

- Competition between the two Pay TV service providers intensified, with market shares readjusting further, as shown in sub section 3.4.
- Quality improvements or channel enhancements were at times accompanied by higher monthly charges, although these increases were contained by various promotional offers and discounts. ARPU for the sector in the first half of 2013 was in fact lower than that recorded in the first half of the previous year.
- Around 48% of all Pay TV subscriptions as at the end of June 2013 were purchased with some other electronic communications service. This high rate of Pay TV subscriptions on a bundle has to do with the potential savings benefiting consumers when purchasing such offers instead of stand-alone products.

7.1. Pay TV subscriptions

There were 149,049 pay TV subscriptions at the end of Q2 2013, up by 579 or 0.4% since the end of the same period a year earlier.

Another important trend concerning pay TV take-up relates to the increase in the number of pay TV subscriptions in a bundle. Locally, analogue cable pay TV subscriptions are no longer offered, neither on a stand-alone basis nor in a bundle. Table 14 therefore excludes analogue cable pay TV subscriptions from the total number of subscriptions.

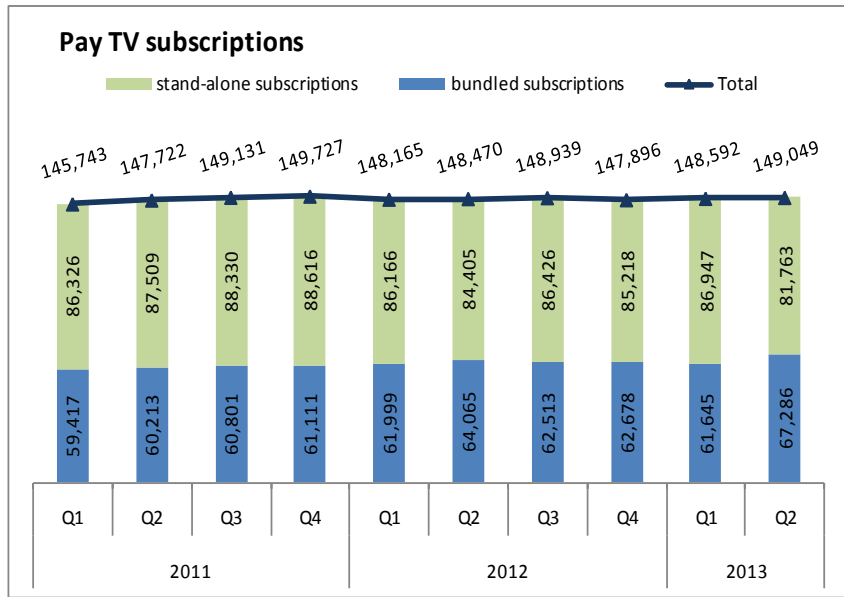


Figure 36: Pay TV subscriptions as at end of period

Pay TV subscriptions on a bundle		2011				2012				2013	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Double Play	Total number of dual play subscriptions incl. mobile	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832
	Fixed telephony + Pay TV	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832
Triple Play	Total number of triple play subscriptions incl. mobile	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115
	Fixed telephony + Pay TV + Fixed broadband	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115
Quadruple Play	Total quadplay subscriptions incl. Mobile	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
	Fixed telephony + Mobile + Fixed broadband + Pay TV	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339
Number of pay TV subscriptions as at end of period		133,022	136,014	138,024	139,571	138,636	139,213	140,002	139,380	140,405	141,085
Bundled subscriptions as a percentage of total pay TV subscriptions		44.67%	44.27%	44.05%	43.78%	44.72%	46.02%	44.65%	44.97%	43.91%	47.69%

Table 14: Pay TV subscriptions on a bundled offer

The number of bundled pay TV subscriptions totalled 67,286 (or nearly 48% of all digital-based and IP-based subscriptions) at the end of June 2013, compared to 64,065 (or 46% of all digital-based and IP-based subscriptions) at the end of June 2012.

7.2. Pay TV subscriptions by technology platform

There are four technology platforms over which pay TV services are currently available. These are the digital terrestrial (DTTV) platform and the Internet Protocol television (IPTV) platform, which are owned by GO, and the analogue cable and digital cable platforms, which are owned by Melita²⁵.

Figure 37 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions fell by 164 during the 12-month period ending June 2013 to a total of 62,665. This figure corresponds to 42.0% of all pay TV subscriptions recorded at the time. Meanwhile, the number of IPTV subscriptions more than doubled to reach 4,870 as at the end of the current reporting period. The latter figure corresponds to 3.3% of all pay TV subscriptions.

²⁵ Melita also offers video on-demand services over its IPTV hybrid network, as an add-on to its IP-based digital cable TV.

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

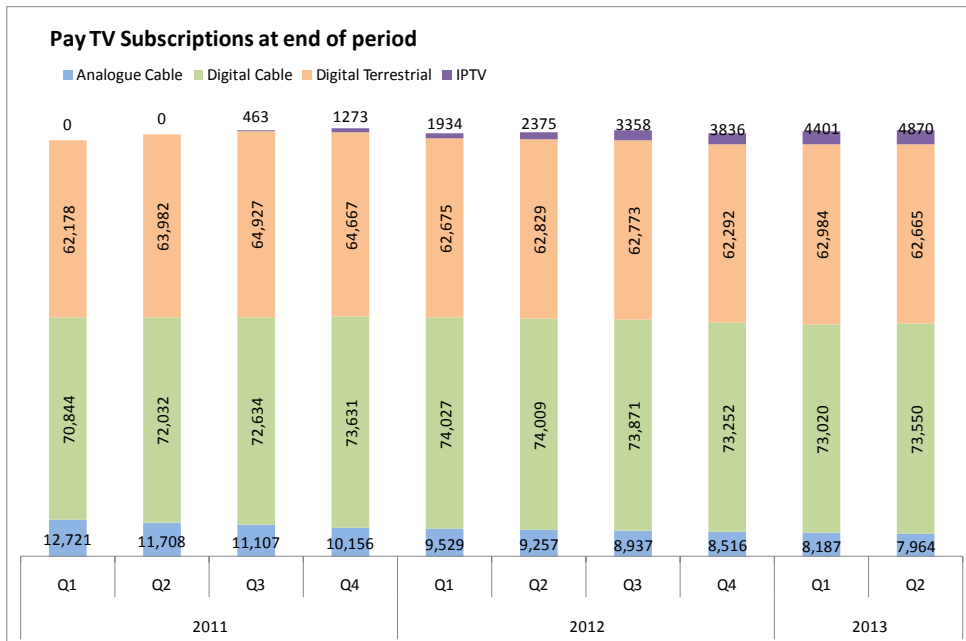


Figure 37: Pay TV subscriptions as at end of period

The analogue cable and the digital cable platforms lost 1,293 subscriptions and 459 subscriptions respectively. As at the end of the current reporting period, digital cable featured as the Pay TV platform with the highest number of subscriptions, at 49.3% of the local Pay TV subscriber base. Analogue cable accounted for 5.3% of the local Pay TV subscriber base.

Focus on standard digital Pay TV platforms

As at the end of June 2013, the number of digital Pay TV subscriptions totalled 136,215. This figure is made up of 73,550 digital cable subscriptions and 62,665 DTTV subscriptions.

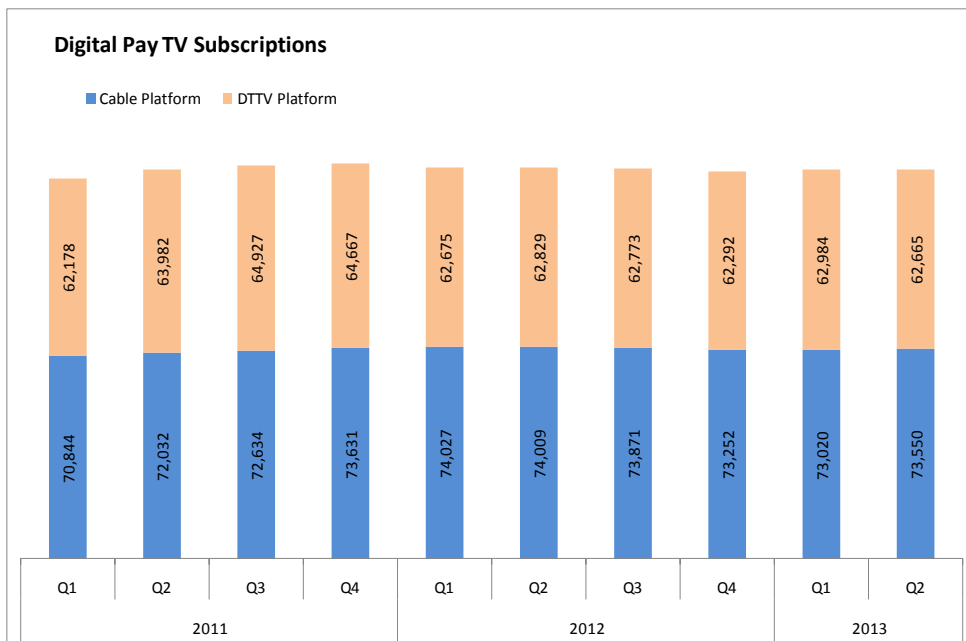


Figure 38: Digital Pay TV subscriptions as at end of period - by platform

As at the end of the current reporting period, the digital cable platform accounted for 54.0% of all digital Pay TV subscriptions, slightly down by 0.1 percentage points since the end of June 2012, and the DTTV platform accounted for the remaining share at 46.0%.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the first half of 2013 stood at €84.41, down from €85.99 in the same period a year earlier.

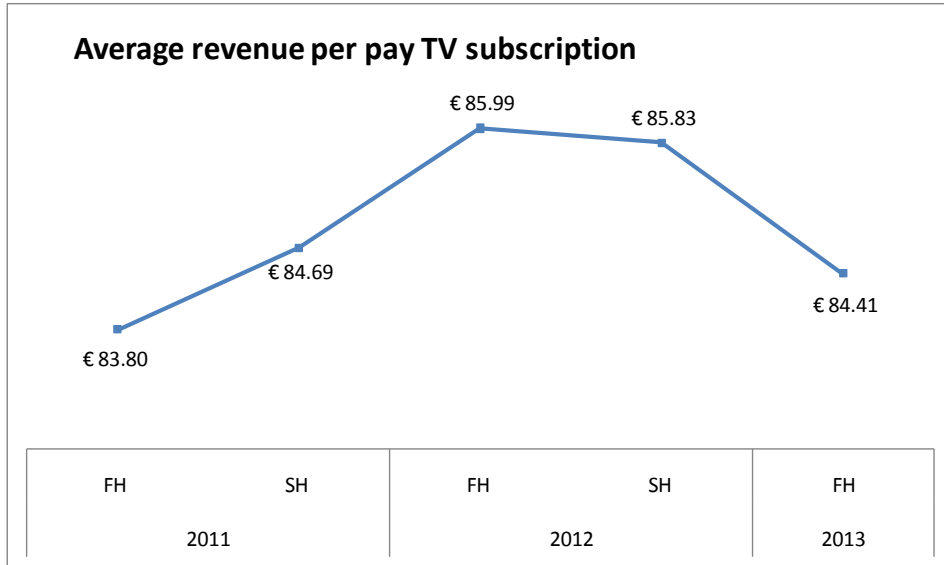


Figure 39: Average revenue per Pay TV user

Methodology used in deriving pay TV ARPU figures

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

The revenue element is composed of the total retail revenues from pay TV subscriptions, but excludes revenues from premium services²⁶, 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 under consideration divided by two.

²⁶ Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

7.4. Average advertised rates for Pay TV

This section presents an overview of the average advertised rates for pay TV services offered in Malta. For ease of reference and practicality, the evaluation seeks to capture price movements for five distinct Pay TV package categories, with each category bundling a particular number of channels, as illustrated in Figure 40 below.

Average advertised rates in Q2 2013 for the categories encompassing *up to 24 channels*, *between 25 and 49 channels* and *between 50 to 74 channels* were unchanged compared to twelve months earlier and stood at €3.99, €12.49 and €23.49 respectively.

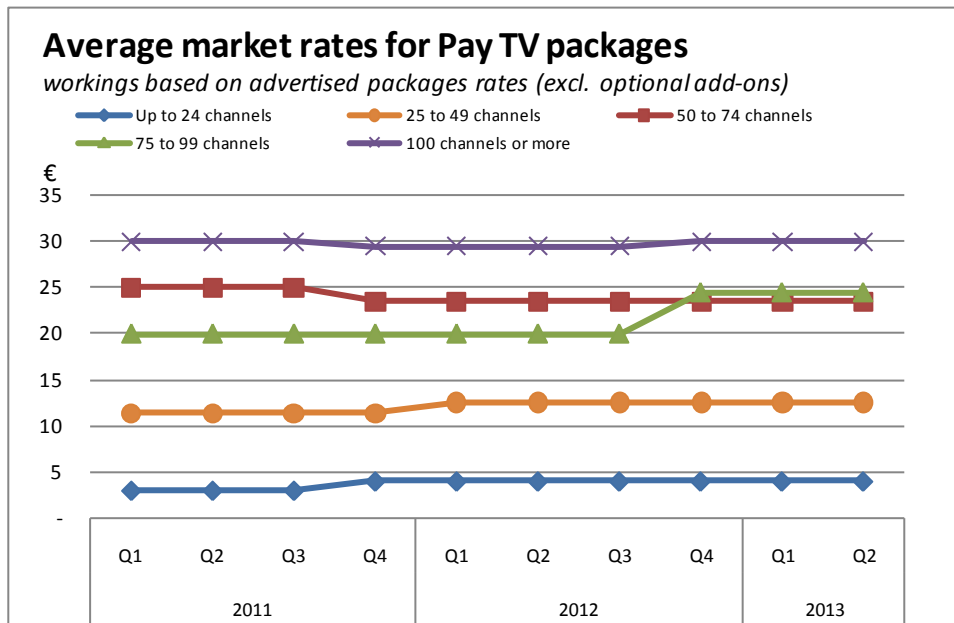


Figure 40: Average market rates for Pay TV packages

Regarding the category encompassing Pay TV packages listing between 75 to 99 channels, the average advertised rate went up from €19.99 in Q2 2012 to €24.49 in Q2 2013²⁷.

With respect to the ‘100 channels or more’ category, the average advertised rate went up slightly from €29.49 in Q2 2012 to €29.99 in Q2 2013²⁸.

It is however relevant to note that the above-mentioned increases were triggered by a minor adjustment in the channel line-up of one particular Pay TV package, which originally featured under the 100 channels or more category but was eventually placed under the 75 to the 99 channels category. The resulting new product mix pushed up the average advertised rates for these two categories.

²⁷ As at the end of the current reporting period, the 75 to 99 channel category included GO’s *Gold Interactive TV* package (excluding the optional HD channel line-up) and Melita’s *Large Pay TV* package. The former package previously featured under the ‘100 channels or more’ category.

²⁸ As at the end of Q2 2013, this pay TV package category only included Melita’s *Extra Large Pay TV* package.

8. Post

The postal sector has been facing challenges over the last few years, especially as traditional mail activity decreased to the increasingly sought digital alternatives.

Of particular interest at this stage are the following considerations:

- The digitisation of communication (through the impact of e-substitutes) remains a major force to contend with for postal operators. However, latest market trends suggest that esubstitution is becoming less prominent as the current postal customer base is likely to be mainly composed of those 'loyal' to traditional paper-based mail.
- Different trends can be observed for letter post and bulk mail volumes on one side and registered mail and parcel mail volumes on the other. Mail volumes were generally down in the former case, but up in the latter, with the increase in activity related to ecommerce and parcel business not enough to compensate for dwindling traditional postal business.

This trend was reversed in the first half of 2013, as letter post, bulk and parcel mail volumes were higher than what was recorded in the first half of 2012. Only registered mail volumes were down.

- The local postal sector remains characterised by two types of postal service providers, namely service providers operating within the scope of the universal service area²⁹, which need a licence to operate, and service providers operating outside the scope of the universal service area³⁰.

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

- By a comparison of results on a EU level, Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* are much lower than the EU average.

²⁹ The Universal Service refers to the delivery and collection, on every working day, of a minimum set of postal services to any person who requests such services. The universal service covers both inland and cross-border services and includes the following minimum facilities: the clearance, sorting, transport and distribution of postal articles up to 2kg; the clearance, sorting, transport and distribution of postal parcels up to 20kg; services for registered and insured articles; and a basic counter service throughout Malta.

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

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

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

³⁰ These are couriers/express mail service providers, who operate under a general authorisation regime without the burden of the universal service obligation. Of significant relevance here is the increase in the number of private postal operators currently competing with th incumbent Maltapost in the parcel mail business.

8.1. Postal mail volumes

As already pinpointed in the introductory part to this chapter, postal mail activity in the first half of 2013 was stronger compared to the same period a year earlier. In absolute terms, postal mail volumes handled by local postal operators³¹ went up by around 0.4 million mail items (or by 1.7%) to 21.1 million.

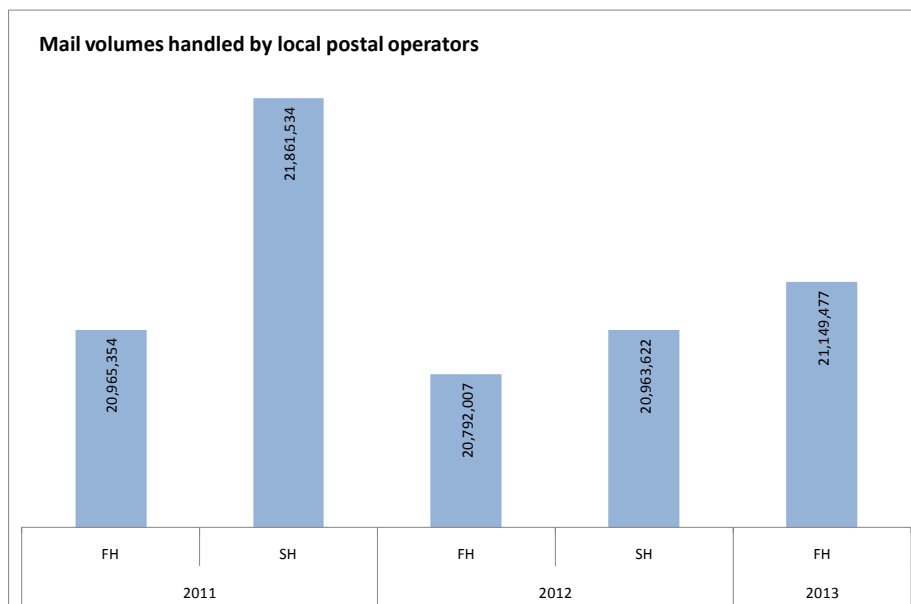


Figure 41: Postal activity - number of handled mail items³²

Measuring postal mail volumes by service area i.e. as to whether postal activity is handled under the universal service area or competitive area, provides a clearer picture as to the major contributor to growth in postal activity.

Figure 42 shows that mail volumes in the universal service area still account for the lion's share of all postal activity in Malta. Regarding the composition of postal mail activity in the first half of 2013, the universal service area accounted for 98.5% of total mail volumes. The competitive area accounted for the remaining share, at 1.5%.

³¹ Maltapost plc (the designated Universal Service Provider, hereafter also referred to as "the USP"), DHL International Ltd., and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area.

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

³² Figure 41 shows that postal mail volumes are generally higher in the second half of each year as a result of higher activity registered during the Christmas period.

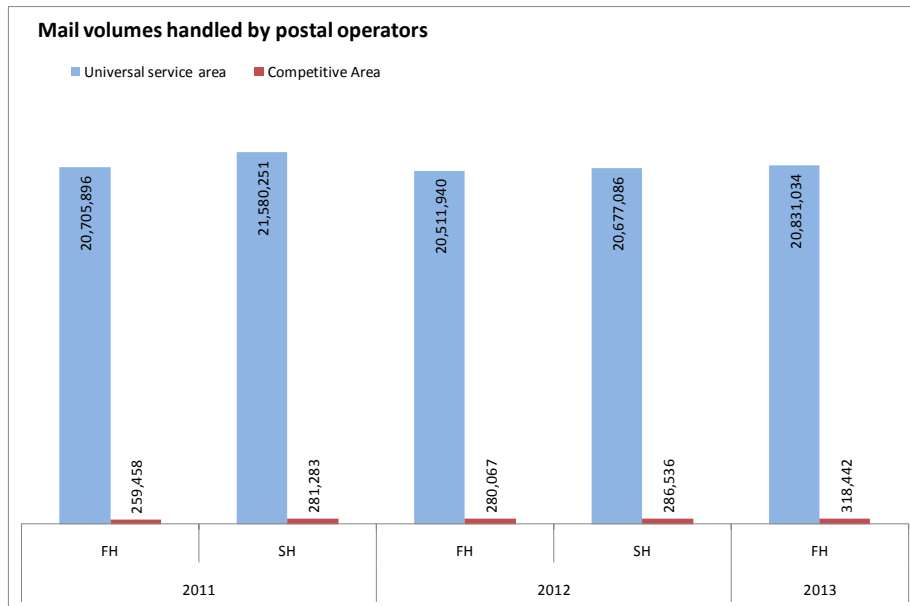


Figure 42: Postal activity - number of handled mail items by postal area

The number of postal mail items handled under the universal service totalled 20.8 million, up by 1.6% when compared to the first half of 2012. Meanwhile, postal mail activity in the competitive area continued to show a healthy rate of growth, with mail volumes up by 13.7% to 0.3 million items.

8.2. Postal mail volumes by type of mail

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

Letter post mail accounted to 38.0% of all mail items handled during the current review period. In absolute terms, the number of letter post items totalled 8.0 million in the first half of 2013, up by 1.4% from 7.9 million items in the first half of 2012. Here, one of the main drivers of the increase was activity associated with the national elections held in the first quarter of the year.

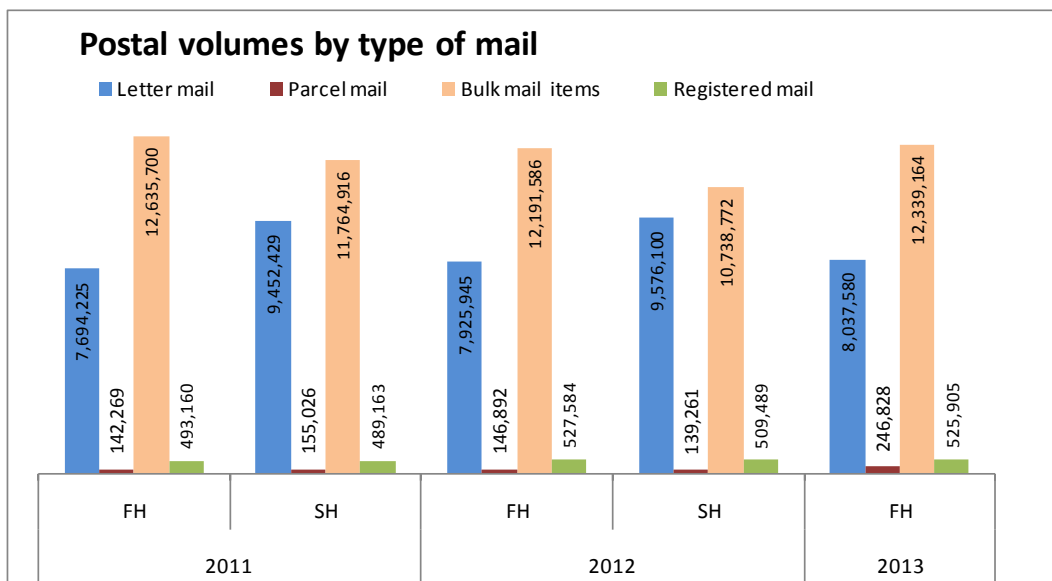


Figure 43: Postal activity - number of handled mail items by postal area

Registered mail accounted to 2.5% of all mail items handled in the first half of 2013. Total registered mail items handled in the first half of 2013 amounted to 0.53 million, slightly down by 0.3% when compared to the corresponding period a year earlier.

Bulk mail items totalled 12.3 million in the reporting period, or 58.3% of total mail volumes, and parcel mail items totalled 0.25 million, or 1.2% of total mail volumes. Compared to mail volumes in the first half of 2012, bulk mail items and parcel mail items were up by 1.2% and 68.0% respectively. Underpinning this growth is the ongoing increase in online shopping carried out by consumers.

8.3. Postal mail volumes by activity heading

This section distinguishes between three postal mail activity headings: domestic mail; outbound cross border mail³³; and inbound cross border mail³⁴.

Domestic mail volumes went up by 2.7% to 17.3 million mail items in the first half of 2013, from 16.9 million in the first half of the previous year.

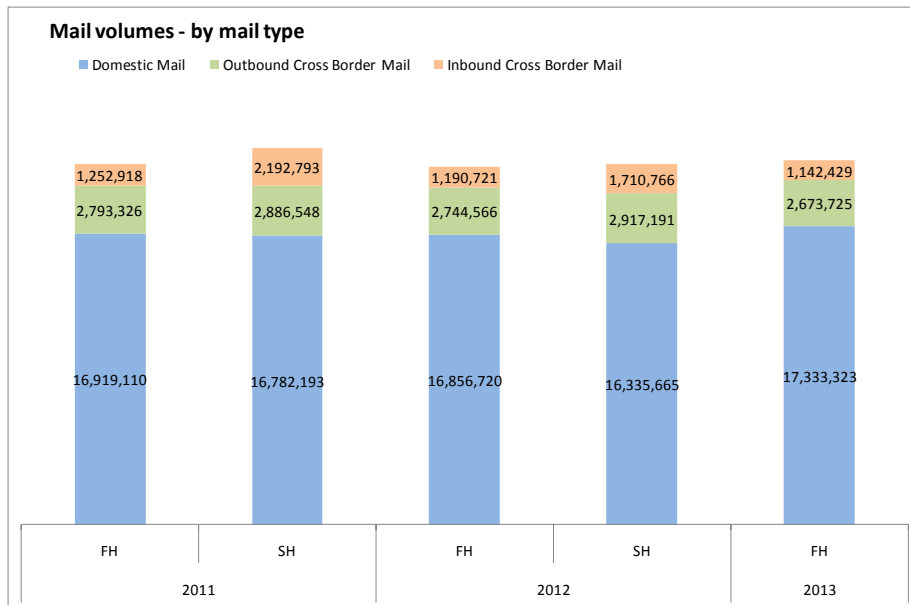


Figure 44: Postal activity - number of handled mail items by type of mail

Volumes of outbound and inbound cross border mail in the first half of 2013 totalled 1.1 million items and 2.7 million items respectively. In both cases, volumes were down when compared to activity levels recorded in the first half of the previous year.

8.4. Quality of postal delivery service

The MCA has established a metric, based on a series of Quality of Service (QoS) targets, to determine whether or not Maltapost is meeting its universal service obligations for the delivery of different mail items. These QoS targets are set in accordance to the MCA Decision³⁵ on the quality performance measurement of

³³ Domestically-originated mail forwarded to foreign destinations.

³⁴ Foreign-originated mail forwarded to Malta.

³⁵ Link to MCA Decision concerning the 'Review of Quality of Service Targets and Requirements to be achieved by Maltapost plc': http://www.mca.org.mt/sites/default/files/articles/QoS_Review_-_DN.Nov.10.pdf

postal items delivered within the defined service standard. QoS data is presented on the basis of the full calendar year³⁶.

8.4.1 QoS – local ordinary mail and bulk mail

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

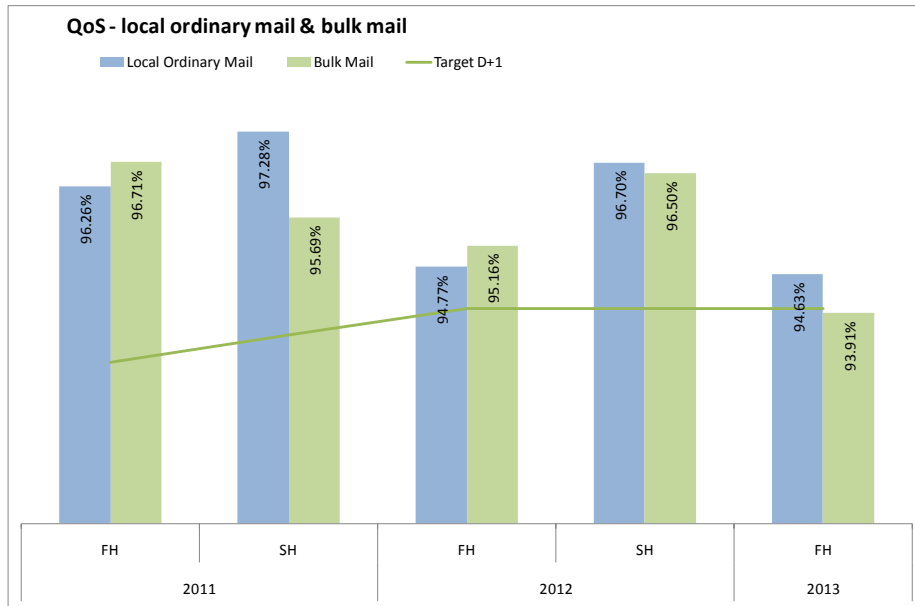


Figure 45: Quality of service - local ordinary and bulk mail

Figure 45 illustrates that Maltapost has generally met and exceeded these targets in the first half of 2013.

8.4.2 QoS – local registered mail and priority inbound parcels

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

³⁶ In terms of the MCA Decision Notice on the measurement of MaltaPost’s Quality of Service, MaltaPost is required to attain the standards set by the Authority over a given financial year (October to September).

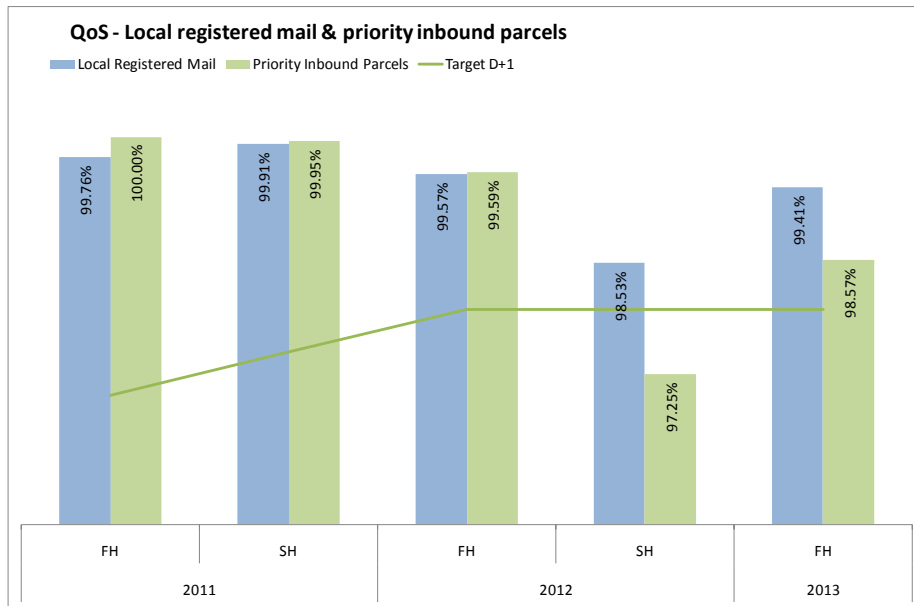


Figure 46: Quality of service - local registered mail and priority inbound parcels

Figure 46 illustrates that, in the first half of 2013, Maltapost has met and exceeded all the set targets for the traffic under consideration.

8.5. Postal rates: Malta vs the EU

The latest publication by Deutsche Post entitled ‘Letter Prices in Europe 2013’ shows that Malta’s nominal prices for a *domestic standard letter* and an *outbound letter within the EU* were the lowest across the EU³⁷. The respective rates are provided in Figure 47, below.

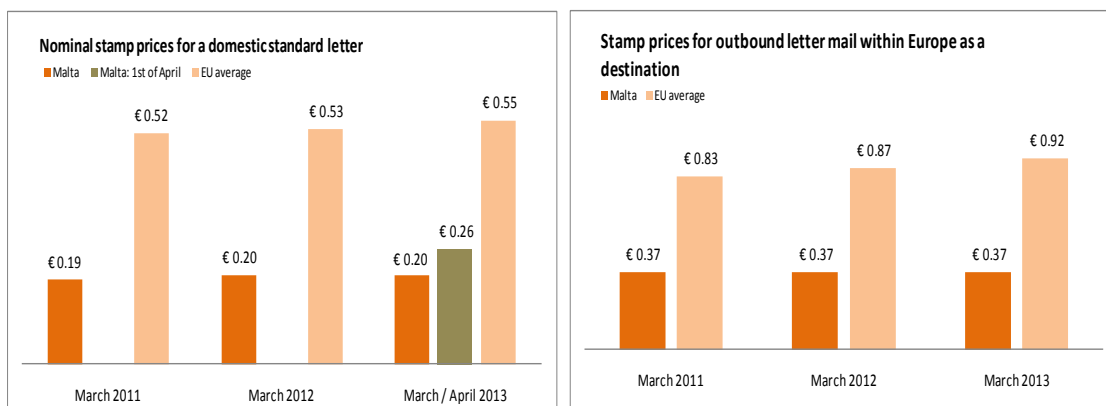


Figure 47: Nominal stamp prices in Malta and the EU

³⁷ Link to latest publication: http://www.dpdhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html

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

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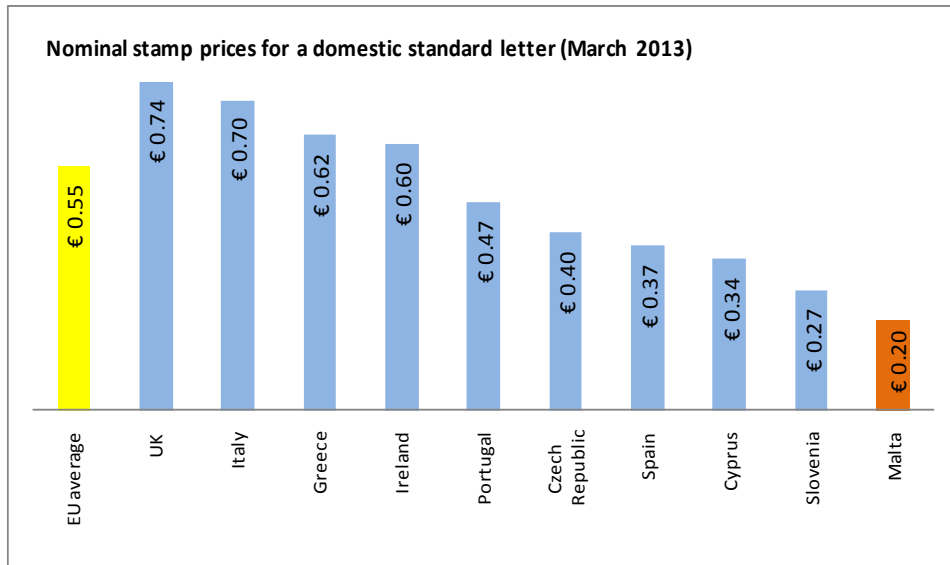


Figure 48: Comparison with selected EU countries

The postal rate of a domestic standard letter in Malta illustrated in Figure 48 is dated, given that this rate actually went up to €0.26 as from the 1st of April 2013. This increase however does not dent Malta’s position, compared to other EU Member States.

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11. Glossary of Terms

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

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

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