

## **Communications Market Review**

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**July – December 2008**

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## Executive Summary

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The Malta Communications Authority (MCA) bi-annual market reviews provide up-to-date quarterly data on key areas of the Maltese electronic communications industry, the postal sector, and e-Commerce. Each bi-annual review also provides an annex outlining on regulatory developments during the period under consideration.

The reporting timeframe of this review covers the period July – December 2008. However, the statistical annex to this document provides data in relation to some of the key indicators covered in this review for the period starting Q1 2006 up to Q4 2008.

### **Market Update**

#### *Fixed line telephony*

The number of fixed line telephone subscriptions continued to increase during the second half of 2008. As at the end of December 2008, the number of subscriptions with fixed operators reached 239,252 thereby exceeding the corresponding 2007 figure by 4.81 percent. This continued growth in subscribers is attributed to a considerable number of consumers choosing to subscribe to more than one fixed line telephony service, possibly in order to benefit from cheap on-net call tariffs.

During the second half of 2008, the fixed line sector also experienced a significant increase in voice call traffic with fixed-to-fixed traffic increasing by around 21.8 million minutes, or 6.9 percent, over the corresponding period in 2007. This growth was mainly driven by competitively priced offers for on-net calls by local service providers. Higher traffic was also registered in terms of fixed-to-mobile and fixed-to-international minutes.

It is also worth noting that increases in fixed line originating traffic were reported despite the declines registered in minutes generated by dial-up internet access and notwithstanding the competition from unmanaged IP-telephony services such as Skype.

During Q3 and Q4 2008, a total of 3,843 fixed line portings were carried out.

#### *Mobile telephony*

The mobile sector maintained a healthy growth path across all indicators during 2008. In terms of competition, Q4 of 2008 saw the entry of two new service providers, Bay Mobile and Redtouch fone, which both use Vodafone's infrastructure to offer mobile services. Furthermore, during 2008 Melita deployed its own mobile infrastructure thereby setting the scene for more infrastructure-based competition in the mobile sector later in 2009.

Mobile subscriptions reached 385,636 by the end of December 2008, an increase of 14,106 subscribers, or 3.8 percent, over the end of Q4 2007. Subscribers on postpaid plans reached 52,569 (13.63 percent of total), whereas subscribers on a prepaid plan reached 333,067 (86.37 percent of total).

In line with developments in the subscriber base for the mobile sector, the local mobile penetration rate as at the end of Q4 2008 stood at approximately 94 percent of the local population. This is more than four percentage points higher than the corresponding rate as at the end of Q4 2007.

During the last six months of 2008 the number of mobile portings increased as well, with over 23,000 mobile portings registered in this period, compared with 22,325 portings reported in the

corresponding period for 2007. Mobile portings are more common during the fourth quarter of each respective year as a number of Christmas offers are launched during this period.

Mobile usage during the second half of 2008 generated a stronger volume of voice call traffic than that recorded in the same period a year earlier. Mobile originating traffic during the second half of 2008 reached 129.22 million minutes, thereby exceeding the corresponding period in 2007 by more than 8.3 percent. More than 88 percent of all mobile voice call traffic originated in the last six months of 2008 was accounted for by mobile-to-mobile traffic.

Contrary to developments in mobile voice call traffic, SMS traffic declined from 264.21 million text messages in the second half of 2007 to 241.53 million text messages in the second half of 2008. The fall in SMS traffic is attributed to a number of promotional offers featuring free minute bundles enticing users to make on-net mobile calls.

#### *Roaming activity*

In 2008 roaming activity increased substantially as both inbound and outbound tourism registered notable increases. Outbound roaming activity, which is generated by Maltese residents whilst roaming abroad, reached 2.41 million minutes during the second half of 2008, exceeding the corresponding 2007 levels by more than 15 percent.

Correspondingly, inbound roaming activity generated by visitors in Malta during the same period was 2.62 percentage points higher than that generated in the second half of the previous year.

#### *Pay TV broadcasting*

Pay TV subscriptions increased as well, mainly as a result of the increase in digital TV connections. Digital TV connections increased from 56,372 as at the end of 2007 to 80,219 as at the end of the following year. On the other hand, analogue TV connections declined by more than 25 percent, from 63,180 at the end of 2007 to 47,126 at the end of 2008.

#### *Internet*

Subscribers to Internet services reached 102,908 by the end of 2008, an increase of approximately 23 percent over the corresponding period in 2007. This change reflects an increase of 18,809 broadband connections which significantly outweighed the decline in dial-up connections.

The MCA notes that as from Q1 2008 it has started defining narrowband (dial-up) subscribers as those having an active dial-up connection. This makes for a more realistic picture of dial-up usage in Malta.

#### *Post*

Total mail volumes handled in the second half of 2008 declined when compared to the corresponding period in 2007, even though gains were reported in relation to inbound registered mail, bulk mail items, and parcel post.

Quality of Service (QoS) delivery targets on the next day (*D+1*) set by the MCA for the delivery of local ordinary mail (*D+1* target: 92%), registered mail (*D+1* target: 97%), bulk mail (*D+1* target: 93%), and domestic and foreign inbound priority parcels (*D+1* target: 97%), were all reached by Maltapost during the period under review.

## *e-Commerce*

The MCA carries out an e-Commerce survey on a regular basis, the latest carried out in September 2008. Consecutive surveys suggest that e-Commerce activity is on the rise as local internet users are shopping online more frequently. Around 63 percent of those using the Internet for the purposes of shopping online have made from one to five online purchases in the six months prior to September 2008. Some 22 percent made from six to ten online purchases, with the remaining 15 percent purchasing more than 10 times online. Online purchases are more common in relation to IT related goods and other electronic items.

# Chapter 1 Fixed Line Telephony

## 1.1 Fixed line telephony<sup>1</sup>

The fixed line sector is characterised by a number of operators, namely the incumbent PSTN operator, GO plc.; the incumbent cable operator, Melita plc.; Vodafone (Malta) Ltd, operating a VOB service over its WiMAX network; and a carrier pre-selection operator Sky Telecom Ltd. hosted by GO Plc. The sector also encompasses a small number of ISPs offering IP-based international call services.

## 1.2 Subscriptions

As at the end of Q4 2008, the total number of fixed line telephone subscribers registered with local operators reached 239,252 compared with 228,262 as reported at the end of the corresponding period in 2007. This means that fixed line telephone subscriptions increased by 4.8 percentage points in a 12-month period.

Chart 1

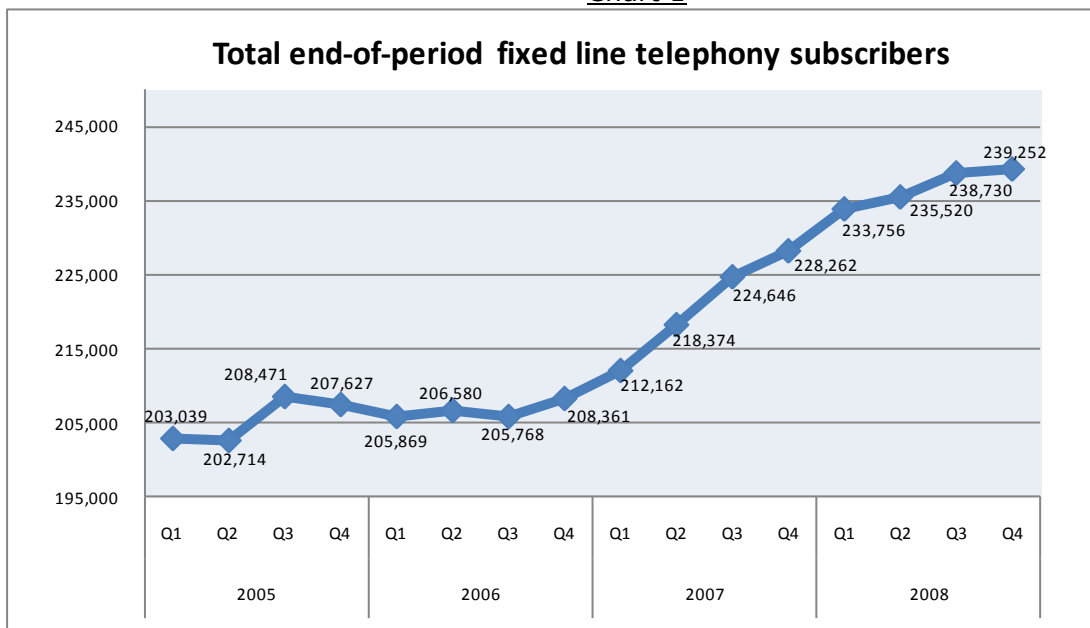


Chart 2 shows that this increase is attributable to developments in the 'uncategorized'<sup>2</sup> segment of local fixed line telephone subscriptions, namely subscriptions with Melita plc and Vodafone (Malta) Ltd. On the other hand, the residential and non residential segments of local telephone subscriptions declined by 6,864 and 2,722 respectively. The distinction between residential and non residential subscriptions is applied by Go plc and Sky Telecom Ltd.

<sup>1</sup> Fixed line telephony comprises calls originating from publicly available telephone services provided at a fixed location.

<sup>2</sup> This term refers to fixed line telephone subscriptions that are not registered with those operators distinguishing between residential and non residential subscribers.

Chart 2

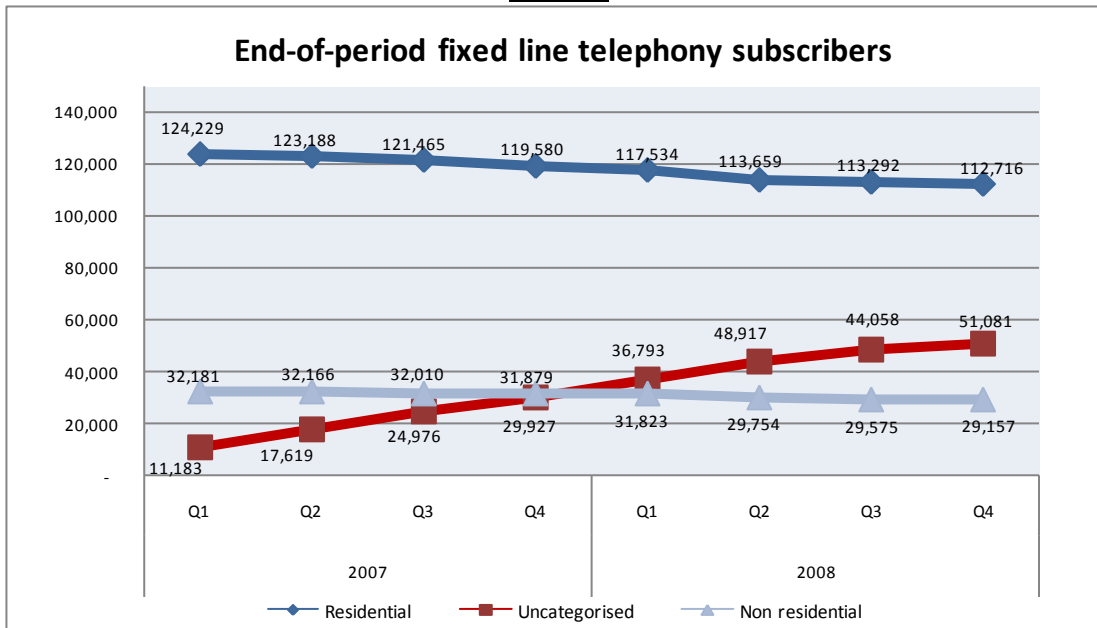
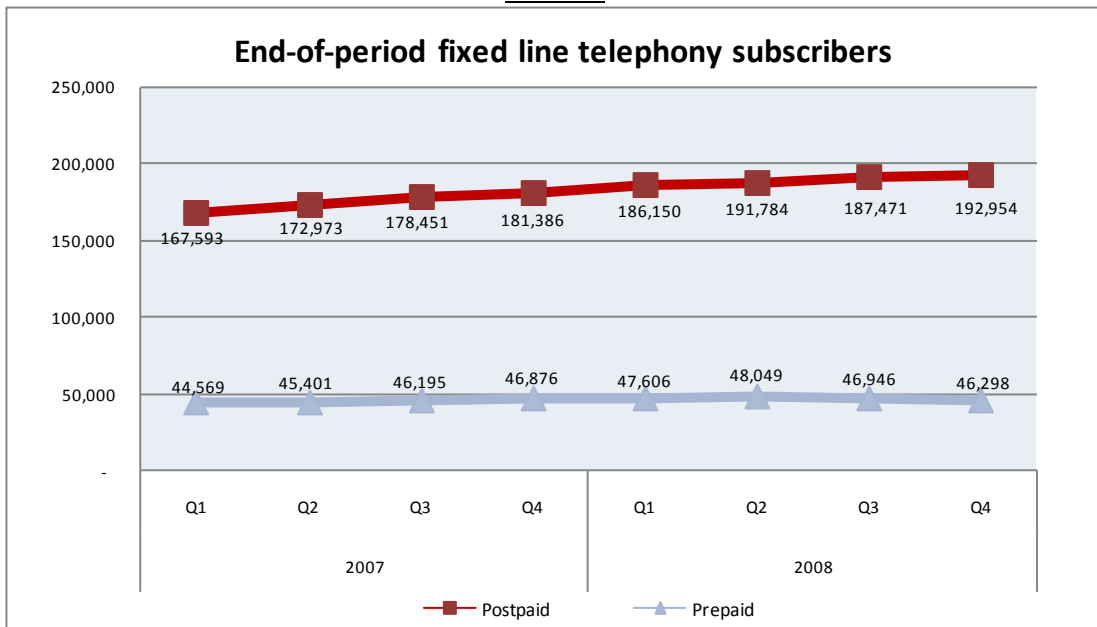
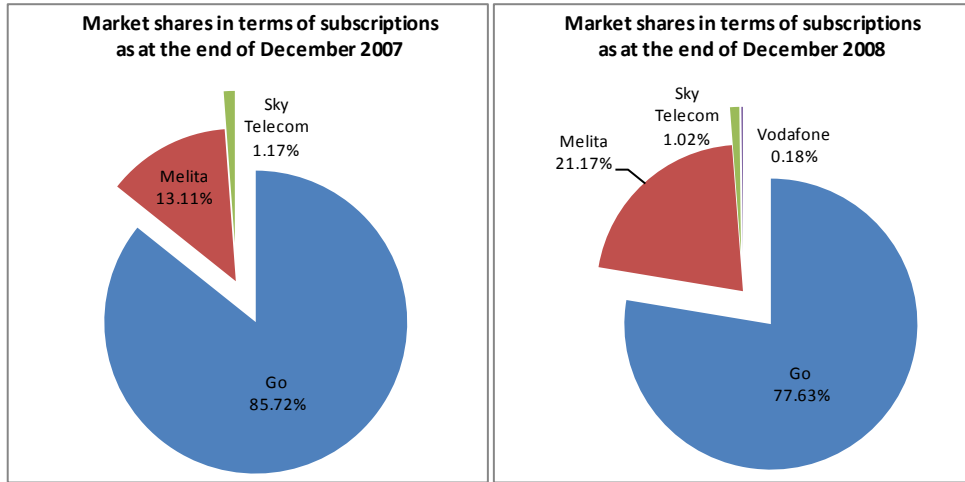


Chart 3



The number of fixed line telephone subscribers registered on a postpaid scheme as at the end of Q4 2008 stood at 192,954, an increase of 11,568 over the corresponding figure as at the end of Q4 2007. During the same period, the number of fixed line telephone subscriptions registered on a prepaid scheme declined by 578, or 1.2 percent.

Chart 4



As at the end of the reference period for this market review, Go’s fixed line telephone subscribers accounted for approximately 77.63 percent of the local subscriber base. The respective market shares for Melita plc, Sky Telecom Ltd, and Vodafone (Malta) Ltd stood at approximately 21.17 percent, 1.02 percent, and 0.18 percent respectively. Chart 4 indicates that Go’s share in terms of local fixed line telephone subscriptions declined by slightly over 8 percent in twelve months.

**1.3 Outgoing fixed line traffic (minutes)**

Chart 4 indicates that, since Q3 2007, outgoing fixed line traffic has somewhat reversed the downward trajectory observed in the previous months. Instead, the market now looks positioned to register healthier results. In fact, the results for Q4 2008 have been much better than those registered in Q4 2006 and Q4 2007.

Outgoing fixed line traffic in Q4 2008 increased by 7.56 percent over the same period a year earlier, representing an increase of 12.19 million fixed line minutes.

Chart 5

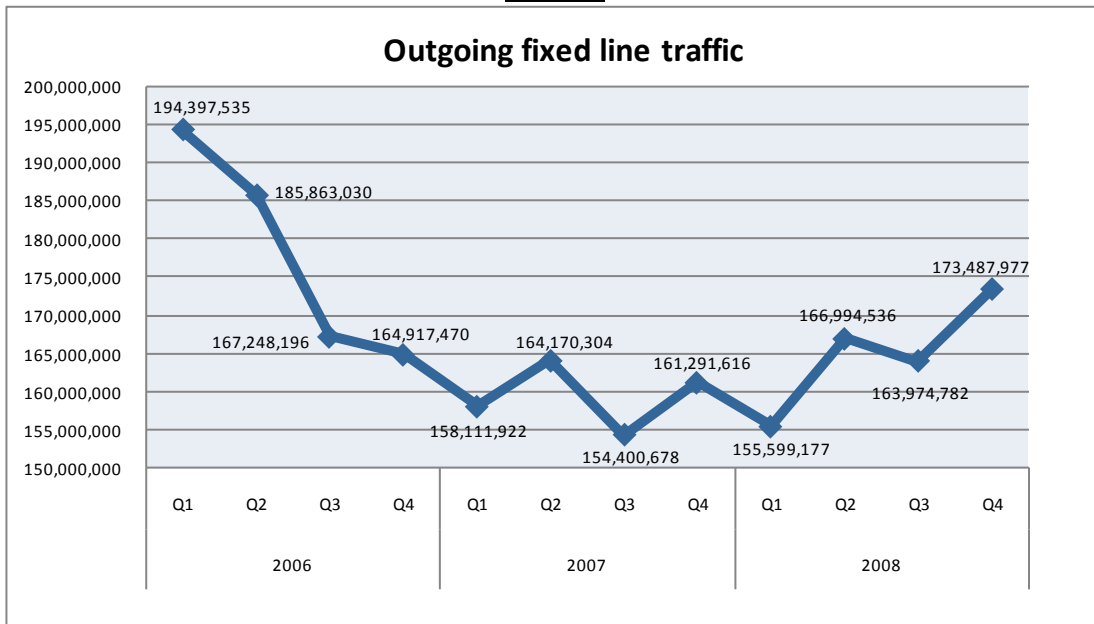
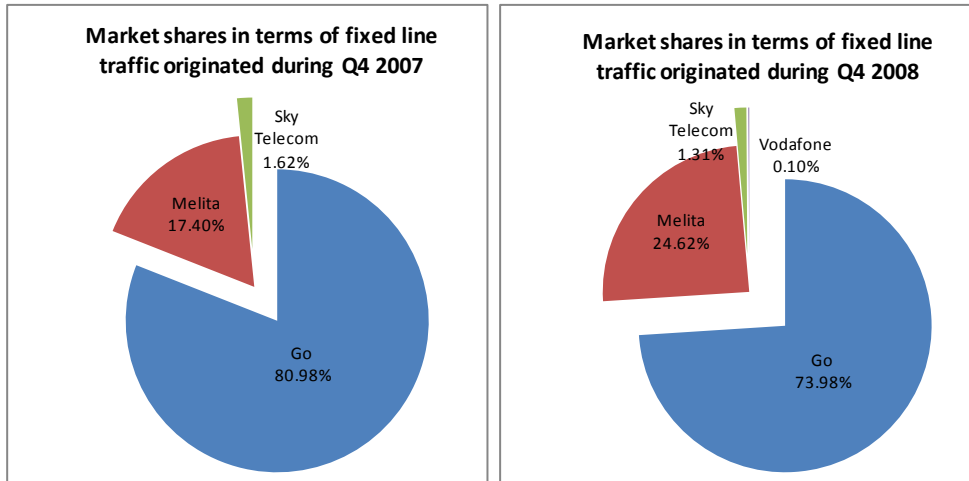




Chart 6



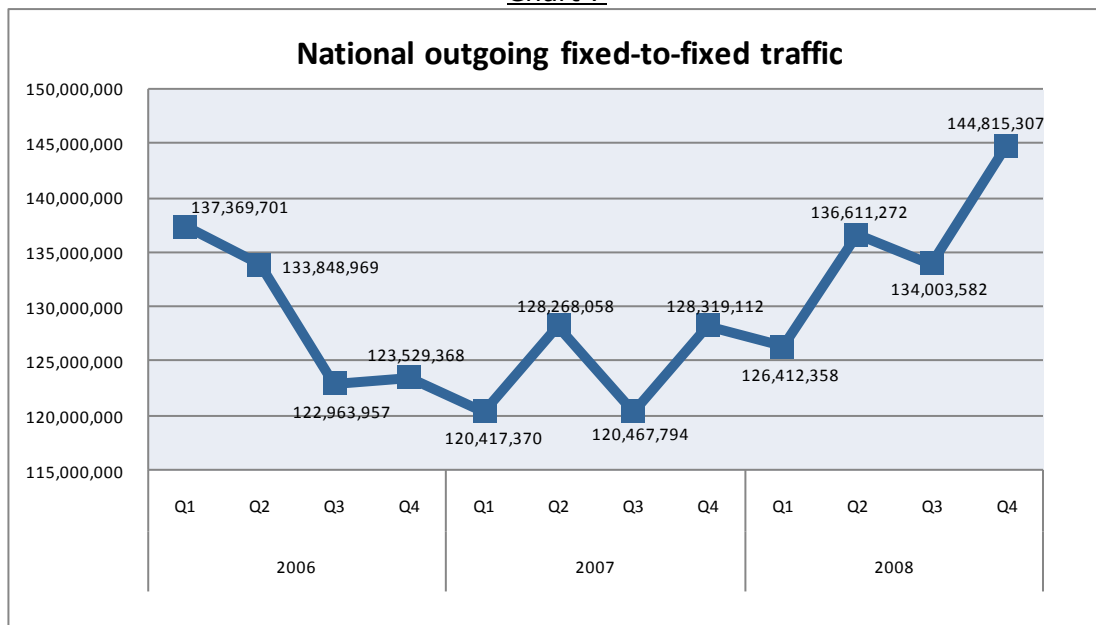
During Q4 2008, Go’s fixed line originated traffic accounted for approximately 74 percent of all such traffic originated during the period. Traffic originated by Melita, Sky Telecom, and Vodafone accounted for 24.62 percent, 1.31 percent, and 0.10 percent of all originated fixed line traffic respectively.

#### 1.4 National outgoing fixed line traffic (minutes)

National outgoing fixed line traffic can be disaggregated in two main segments, namely fixed-to-fixed (FTF) traffic, and fixed-to-mobile (FTM) traffic.

National fixed-to-fixed traffic<sup>3</sup> for the period July to December 2008 increased significantly when compared to the corresponding 6 month period in 2007. Indeed, national fixed-to-fixed traffic increased by 12 percent, representing an increase of approximately 30 million minutes.

Chart 7

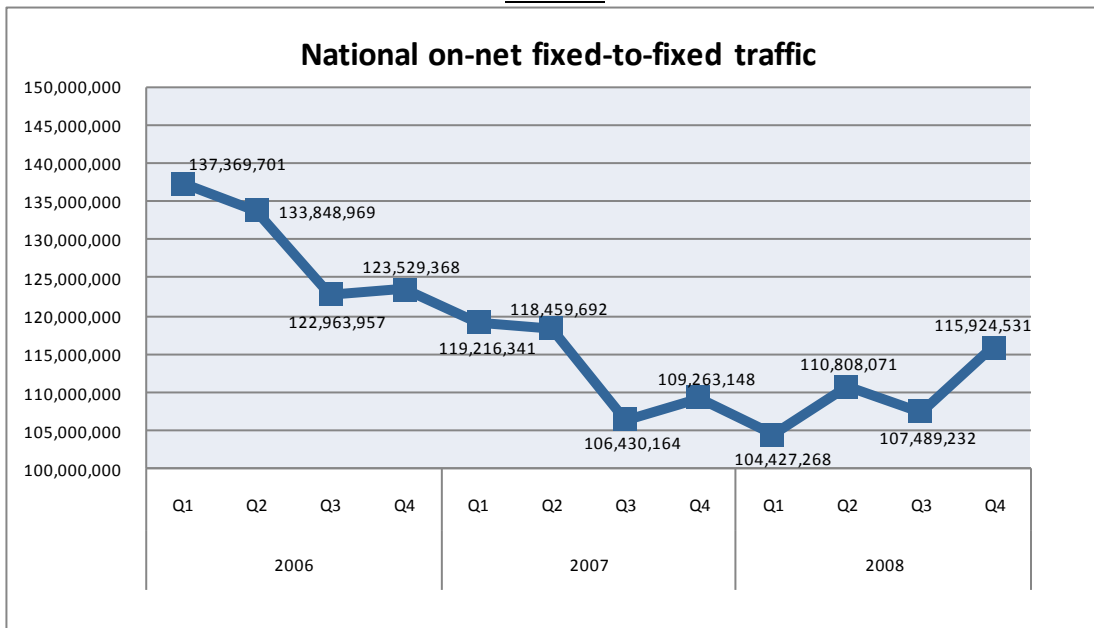


A further distinction with respect to fixed-to-fixed traffic relates to the on-net and off-net elements of this indicator. Chart 8 indicates that national on-net fixed-to-fixed traffic has been generally on

<sup>3</sup> As of Q1 2007, national outgoing fixed-to-fixed traffic includes both on-net and off-net minutes. Off-net minutes were not available in previous market reviews.

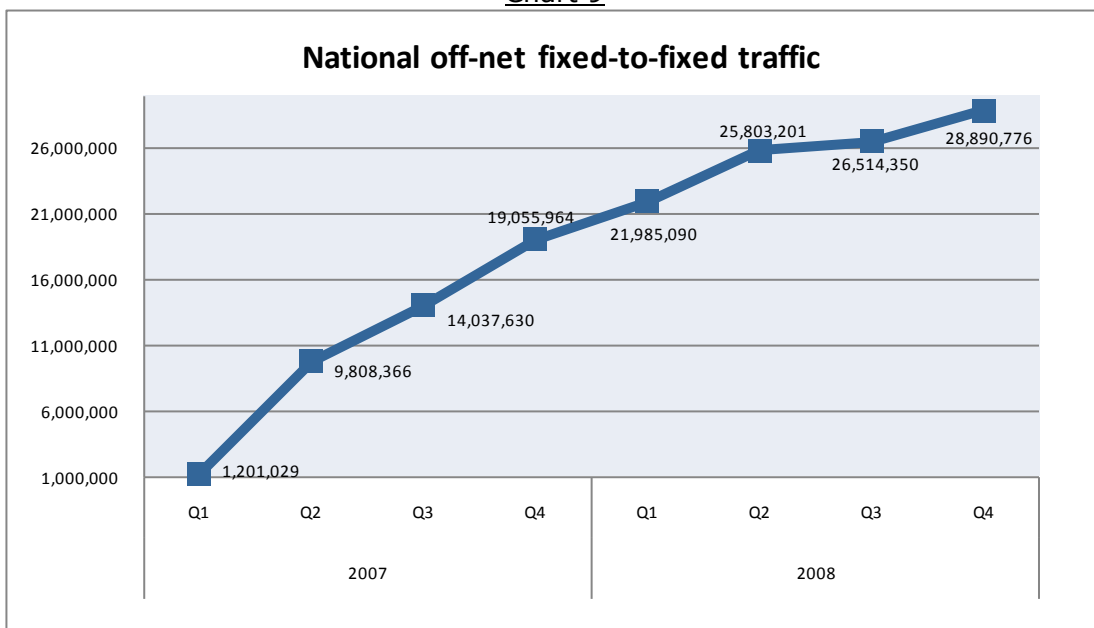
the decline prior to Q3 2007, whereupon the situation seemed to stabilise. Lately, national on-net fixed-to-fixed traffic registered an increment, mainly as a result of cheaper on-net call rates.

Chart 8



National off-net fixed-to-fixed traffic has also been increasing consistently quarter-on-quarter as evidenced by Chart 9 below. This increase corresponds with the entry of new operators in the market.

Chart 9

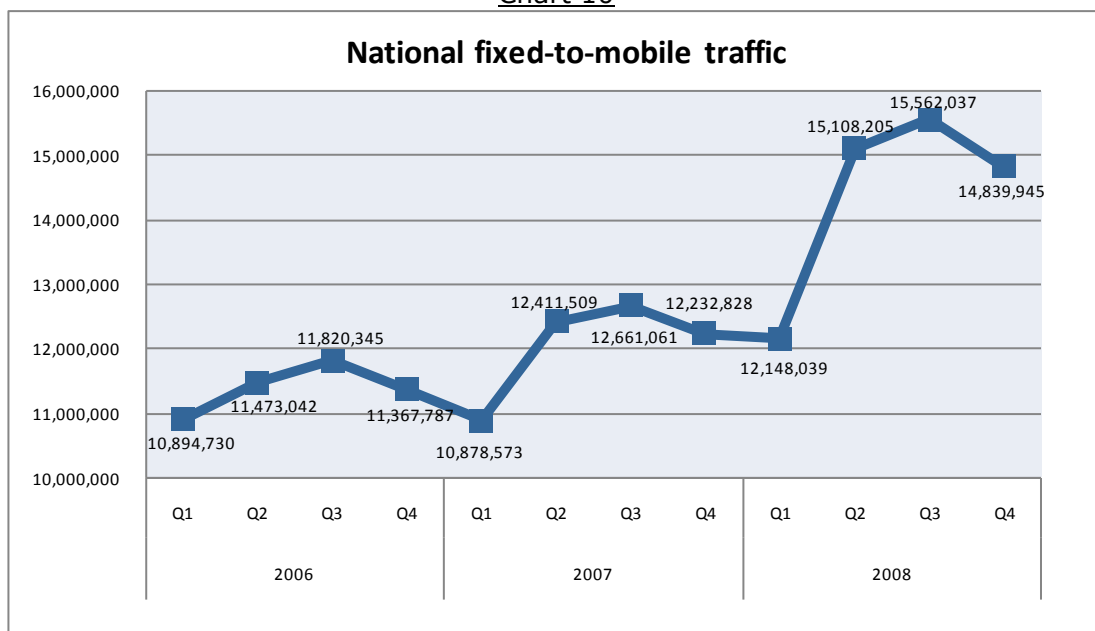


### 1.5 National fixed-to-mobile traffic (minutes)

Seasonal fluctuations remain evident in relation to national fixed-to-mobile traffic. Chart 10 clearly indicates that outgoing fixed to mobile traffic peaks on Q3 of each year, subsequently reaching its lowest point in Q1 of the following year.

Fixed-to-mobile traffic peaked at 15.56 million minutes in Q3 2008, the highest figure ever recorded for such traffic over a three-year period.

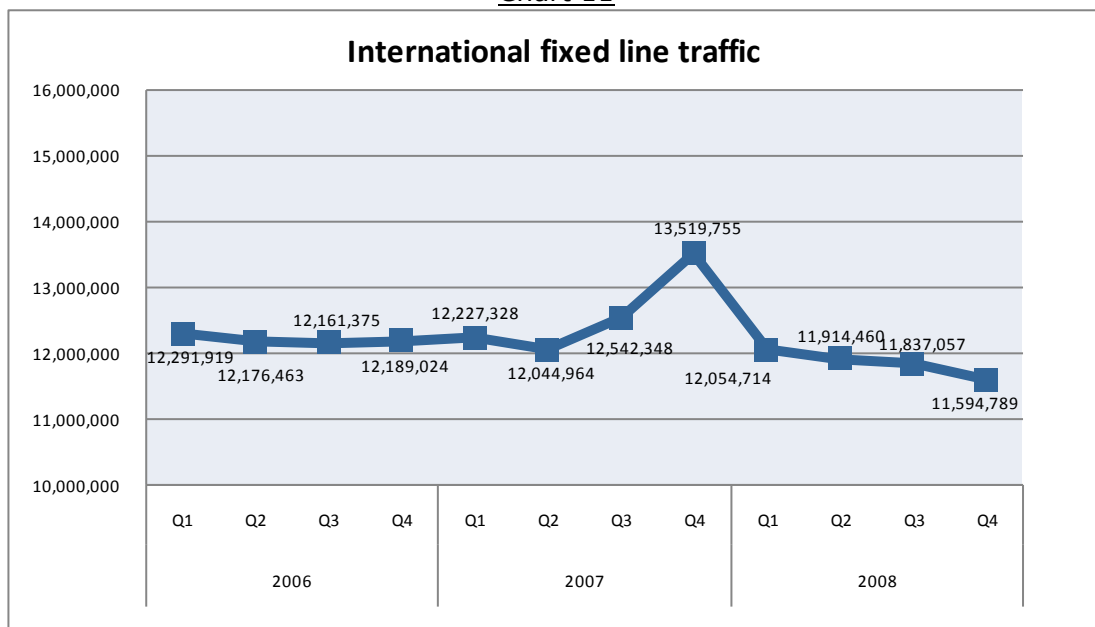
Chart 10



### 1.6 International fixed line traffic (minutes)

This indicator covers the fixed line traffic originating in Malta to destinations outside the country. It is reported in number of minutes terminated on international fixed and mobile networks<sup>4</sup>.

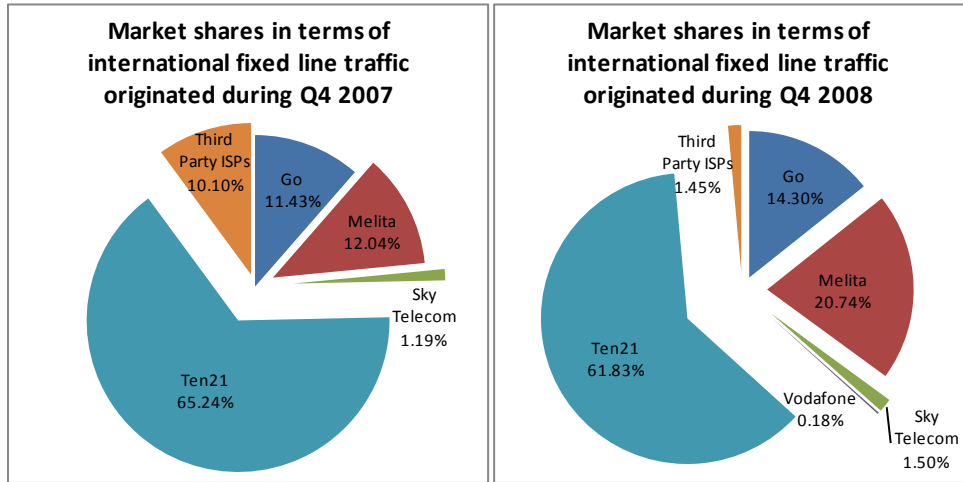
Chart 11



Outgoing fixed line traffic terminated on international fixed and mobile networks has declined consistently since Q4 2007. In Q4 2008, international fixed line traffic reached 11.59 million minutes, representing a decline of approximately 1.93 million minutes, or 14.28 percent, compared with the corresponding period in 2007.

<sup>4</sup> This indicator sums international outgoing fixed line traffic (minutes) reported by Go plc., Melita plc., Sky Telecom Ltd., Vodafone (Malta) Ltd., and third party ISPs.

Chart 12



In terms of market shares, the Ten21 service maintains a substantial lead over its competitors. Over 60 percent of all international fixed line traffic reported during Q4 2008 has been originated using the Ten21 service.

When comparing Q4 2008 with the corresponding period in 2007, the Ten21 service registered a decline of 3.41 percentage points in its share of the international calls market, whilst Third Party ISPs reported a decline of 8.65 percentage points. On the other hand, gains in market shares for international fixed line traffic were reported by Go, Melita, Sky Telecom, and Vodafone (Malta), as can be seen in Chart 12 depicted above.

## Chapter 2 Mobile Telephony

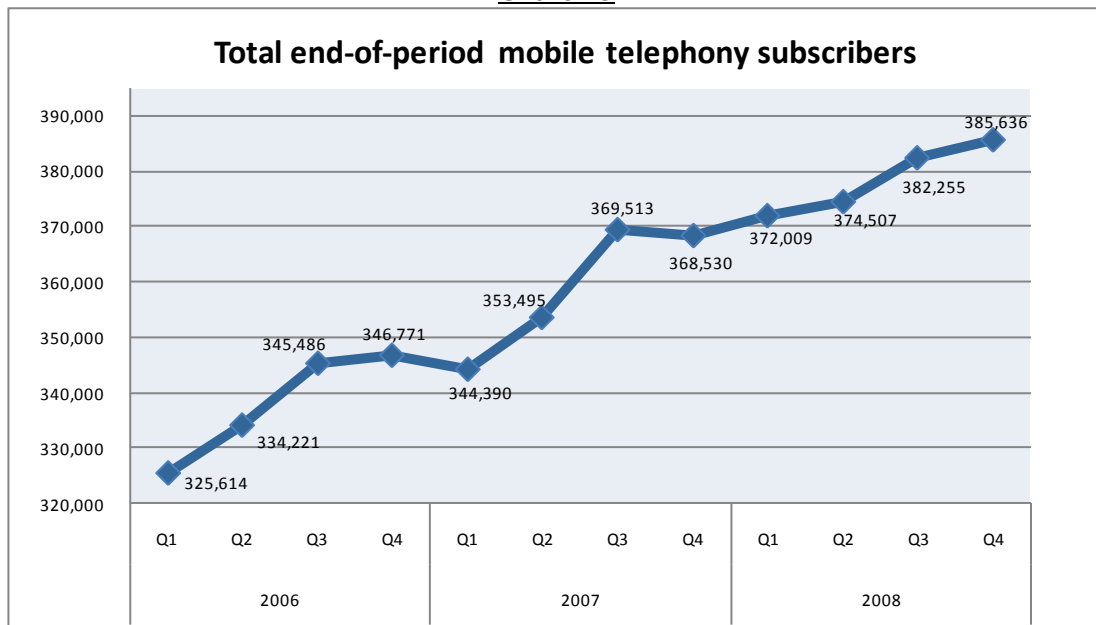
### 2.1 Mobile telephony

Considerable changes have occurred in the mobile telephony sector since the publication of the last bi-annual market review. During Q4 2008, two mobile virtual network operators (MVNOs), namely Bay Mobile and Redtouch fone started offering mobile services using Vodafone's network. Melita also deployed its own mobile infrastructure, thereby setting the scene for more infrastructure based competition in the mobile sector in 2009.

### 2.2 Mobile subscriptions

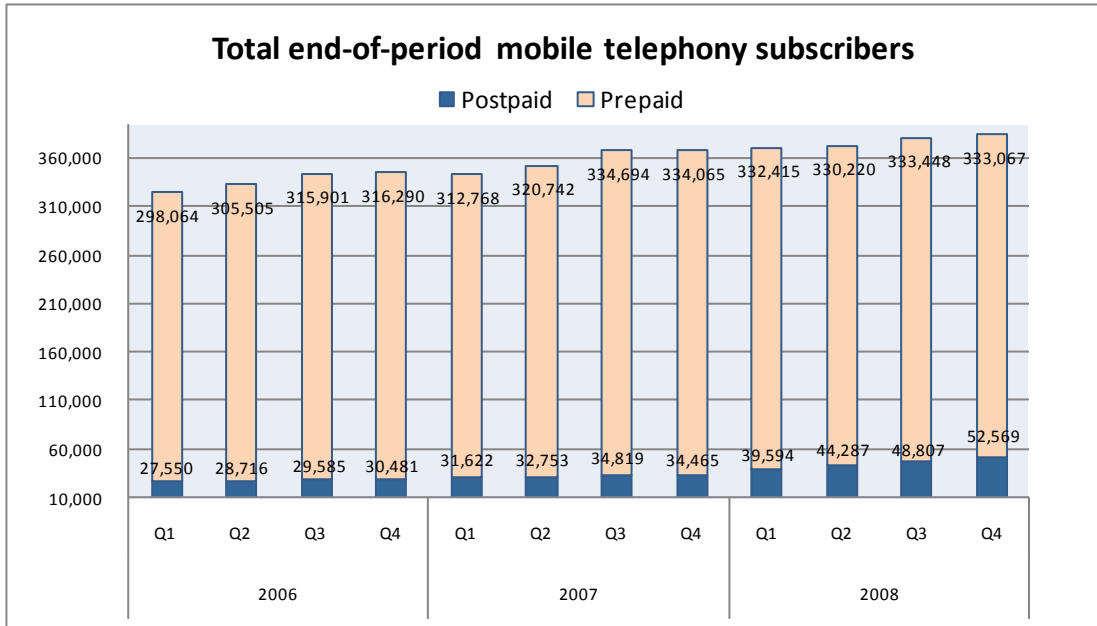
The total number of mobile subscriptions reached 385,636 as at the end of 2008. In comparison with the corresponding observable date in 2007, mobile subscriptions were 4.64 percent higher, representing an increase of 17,106 subscriptions in a twelve-month period.

Chart 13



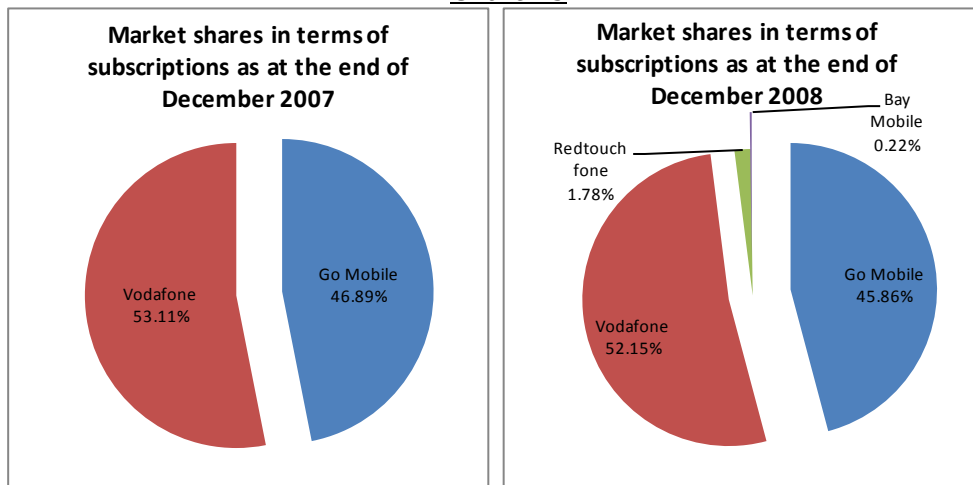
Out of 385,636 mobile subscribers registered at the end of December 2008, more than 86 percent were reported as having a prepaid tariff plan. This underlines that prepaid schemes remain by far the most popular type of mobile connection, although it is worth noting that postpaid subscriptions increased from 34,465 as at the end of Q4 2007 to 52,569 as at the end of Q4 2008 i.e. an increase of more than 18,000 postpaid subscriptions.

Chart 14



As at the end of 2007, Vodafone (Malta) held a market share slightly exceeding 53 percent of all mobile subscribers, with Go Mobile holding the remaining market share. A year later, the corresponding market shares for both Vodafone and Go Mobile declined as MVNOs captured their own market shares. Notwithstanding these declines, between Q4 2007 and Q4 2008, the number of mobile subscribers with Vodafone and Go Mobile increased by 5,388 and 4,014 respectively.

Chart 15

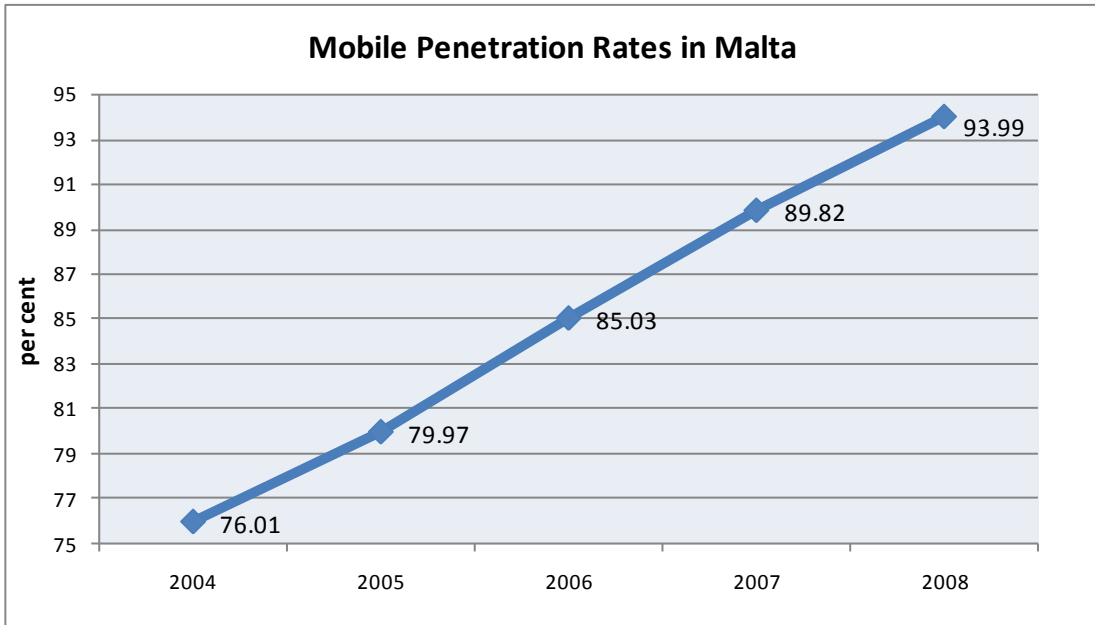


### 2.3 Mobile penetration rates

The average penetration of mobile subscriptions in Malta has reached nearly 94 percent<sup>5</sup> by December 2008, having increased by more than 4 percentage points in a year.

<sup>5</sup> This refers to the proportion of active lines (made/received calls within last 90 days), in relation to the total Maltese population. Figures for the total Maltese population are published by the National Statistics Office (NSO).

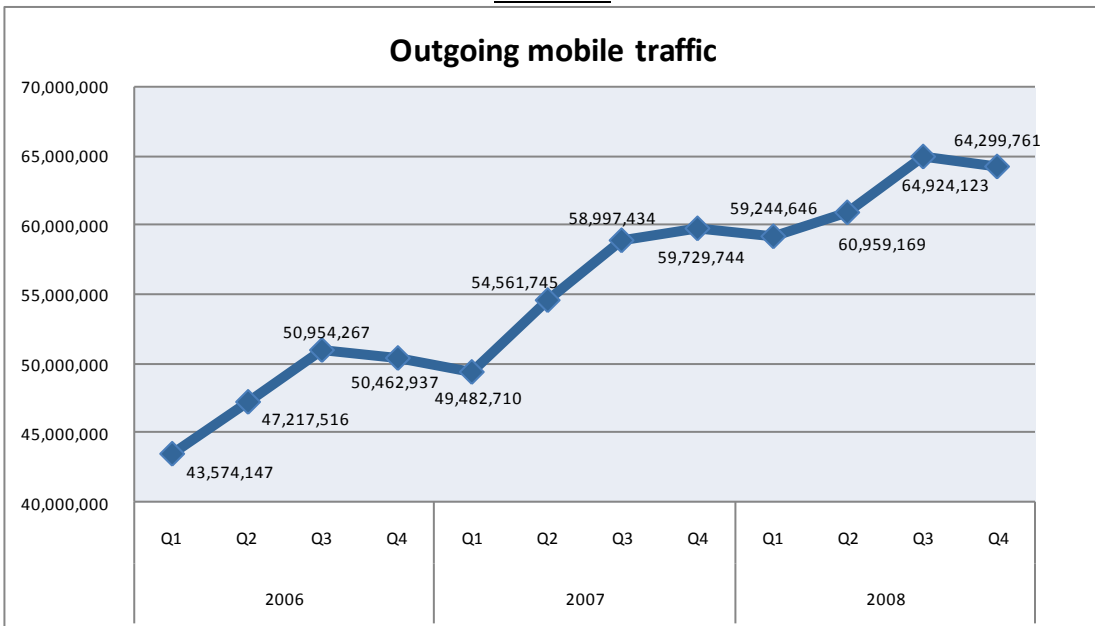
Chart 16



**2.4 Outgoing mobile traffic (minutes)**

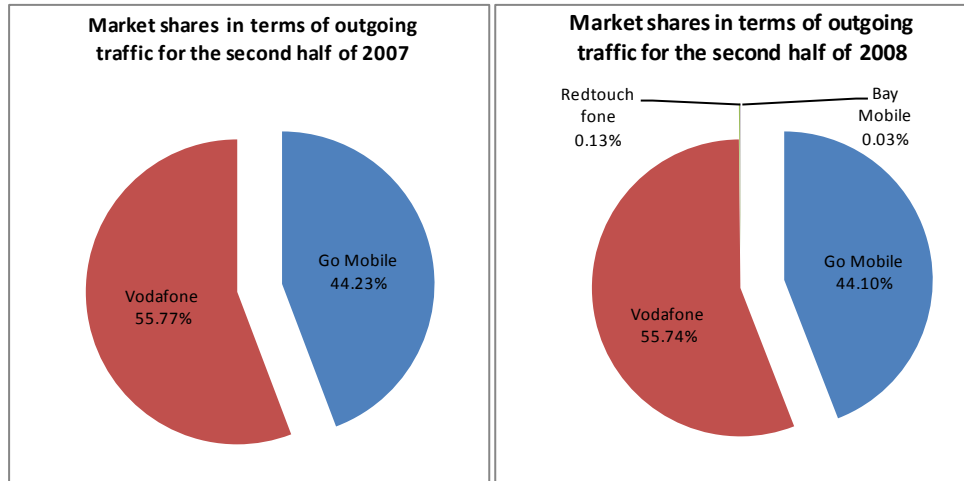
Regarding mobile usage, Chart 17 indicates an upward underlying trend in terms of outgoing mobile traffic.

Chart 17



Total outgoing mobile traffic registered during the second half of 2008 amounted to 129.22 million minutes, representing an increase of 10.49 million minutes over the corresponding 6 month period in 2007.

Chart 18



During the second half of 2008, Vodafone accounted for 56.74 percent of all mobile originated traffic, i.e. 0.33 percent less than in the corresponding period for 2007. During the same period, Go Mobile's market share of all outgoing mobile traffic shrank by 0.13 percent. In both cases the decline in market shares happened irrespective of the increase in mobile minutes generated by both operators.

As shown in Chart 18, MVNOs managed to capture nearly 0.16 percent of all outgoing mobile traffic.

## 2.5 National outgoing mobile-to-mobile traffic (minutes)

National outgoing mobile traffic can be categorised under two main headings, namely mobile-to-mobile (MTM) traffic and mobile-to-fixed (MTF) traffic.

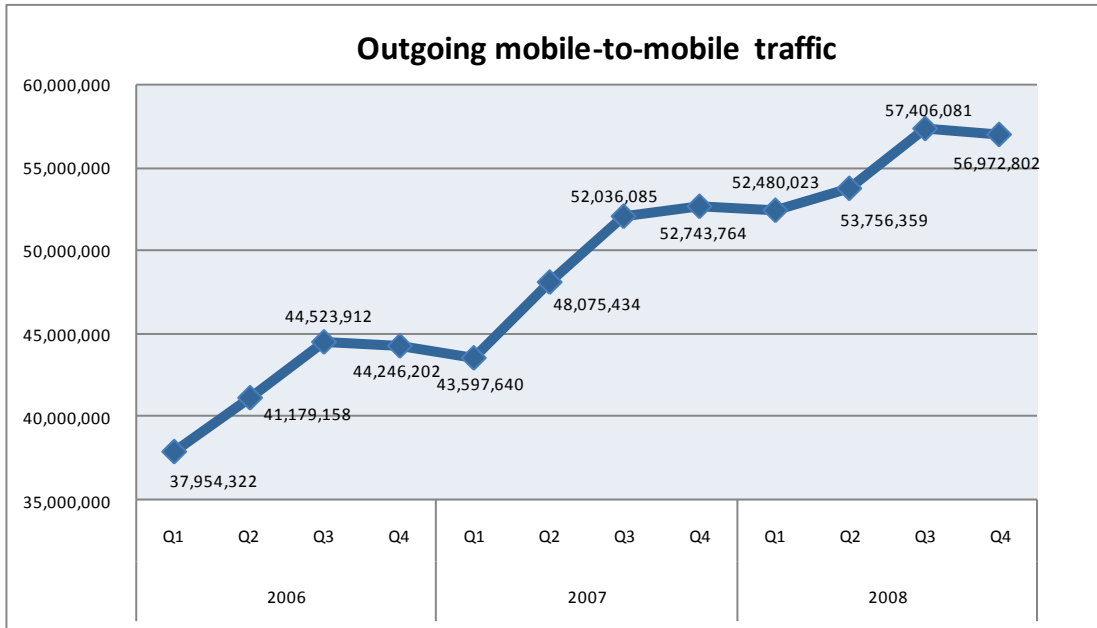
Chart 19 indicates that national outgoing mobile-to-mobile traffic registered significant gains over the last three years. The indicator in question is also cyclical in nature, characterised by an upward underlying trend.

Indeed, Chart 19 shows that mobile-to-mobile traffic experiences quarter-on-quarter increases in the second and third quarter of each year, followed by declines in the fourth quarter of the same year and the first quarter of the following year.

During the second half of 2008, local operators reported a total of 114.38 million MTM minutes, i.e. an increase of 9.6 million minutes, or 9.16 percent, over the corresponding period a year earlier.



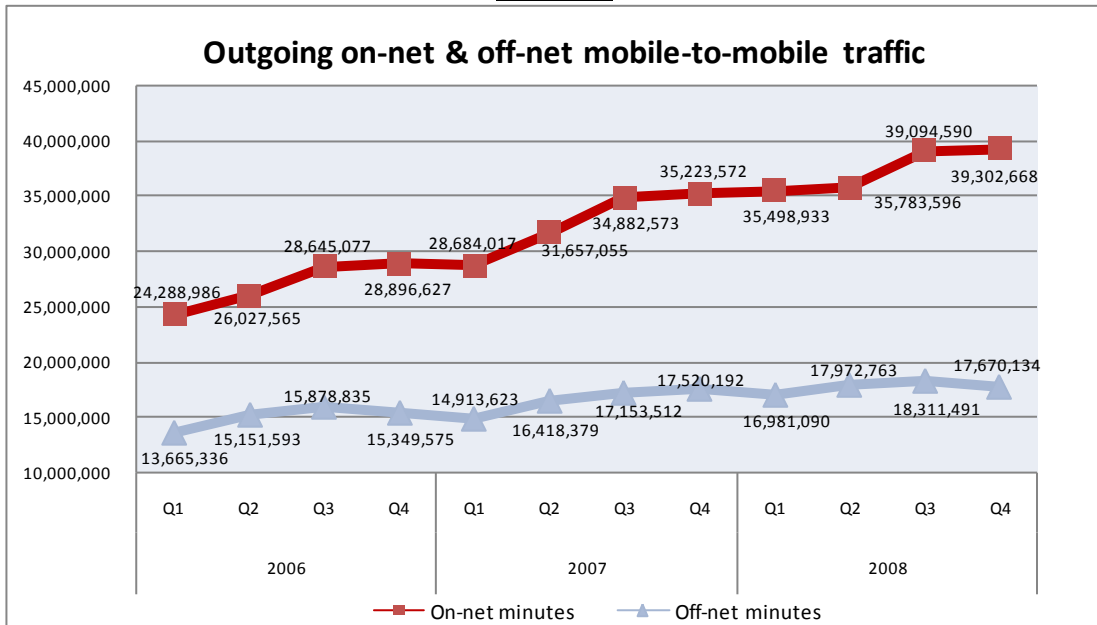
Chart 19



Outgoing MTM traffic consists of on-net MTM traffic and off-net MTM traffic. Chart 20 shows that the increase in national outgoing MTM traffic is mainly attributable to the consistent annual gains registered in terms of the on-net segment, generally peaking in the third quarter of each year.

Chart 20 also shows that off-net MTM traffic increased year-on-year, however such increases were somewhat overshadowed by increases in its on-net counterpart. The gains registered in terms of on-net traffic are mainly a result of the promotional offers featuring free minute bundles enticing users to make on-net mobile calls.

Chart 20

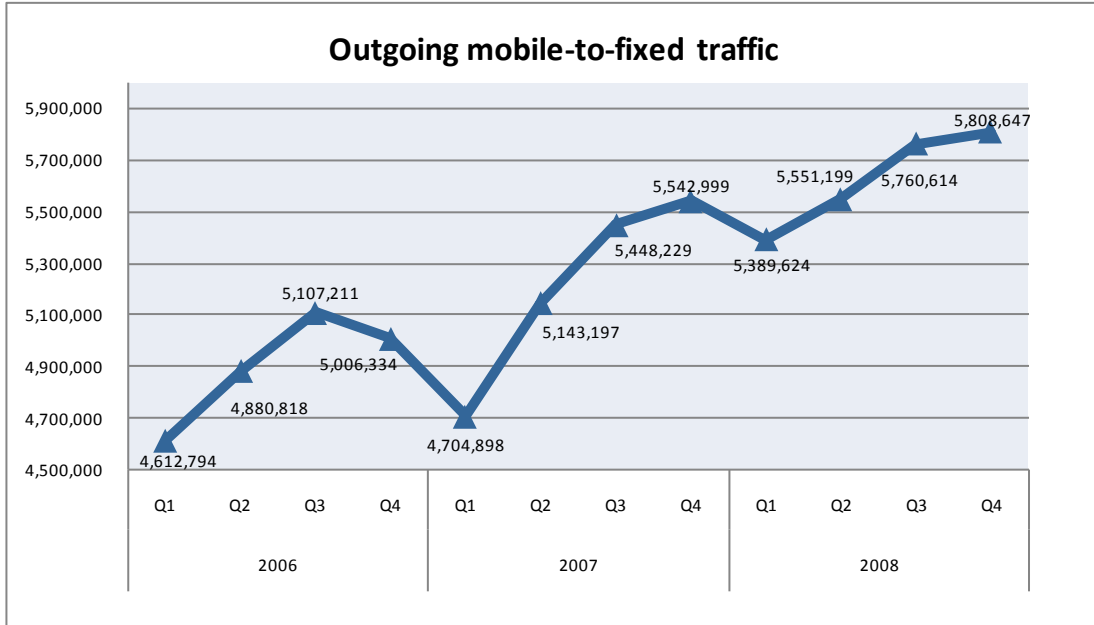


## 2.6 National outgoing mobile-to-fixed traffic (minutes)

Local operators report much lower volumes in terms of national outgoing MTF traffic, when compared to MTM traffic.

Chart 21 however shows that MTF traffic exhibits an upward underlying trend, which is consistent to developments in MTM traffic.

Chart 21



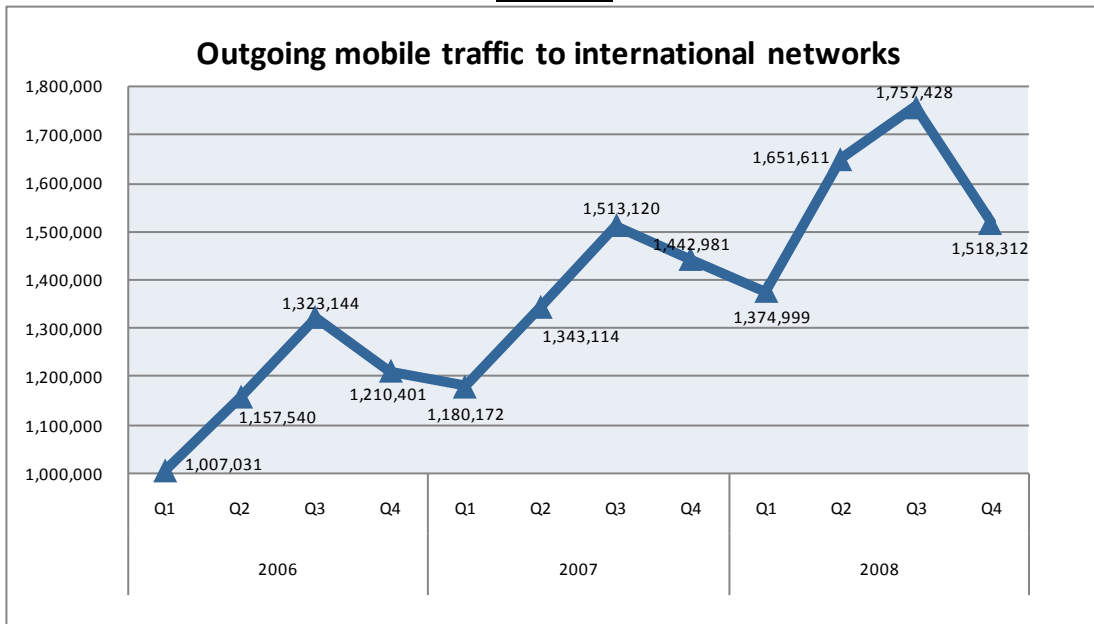
Outgoing MTF traffic recorded during the second half of 2008 was 14.39 percent higher than that recorded in the second half of 2006, and 5.26 percent higher than that recorded in the corresponding period for 2007.

**2.7 Outgoing mobile traffic to international networks**

Chart 22 shows that international traffic originated from local mobile networks peaks during Q3 of each year, followed by a decline over the two subsequent quarters.

It also shows that mobile traffic to international networks increased from 2.96 million minutes in the second half of 2007 to 3.28 million minutes in the second half of 2008.

Chart 22



## 2.8 SMS traffic

SMS traffic<sup>6</sup> has been declining since Q2 2008 as depicted in the chart (Chart 23) below. Approximately 241.53 million text messages were sent during the second half of 2008, compared to 264.21 million text messages sent during the second half of the previous year. This decline is again attributed to a number of promotional offers featuring free minute bundles enticing users to make on-net mobile calls instead of sending an SMS.

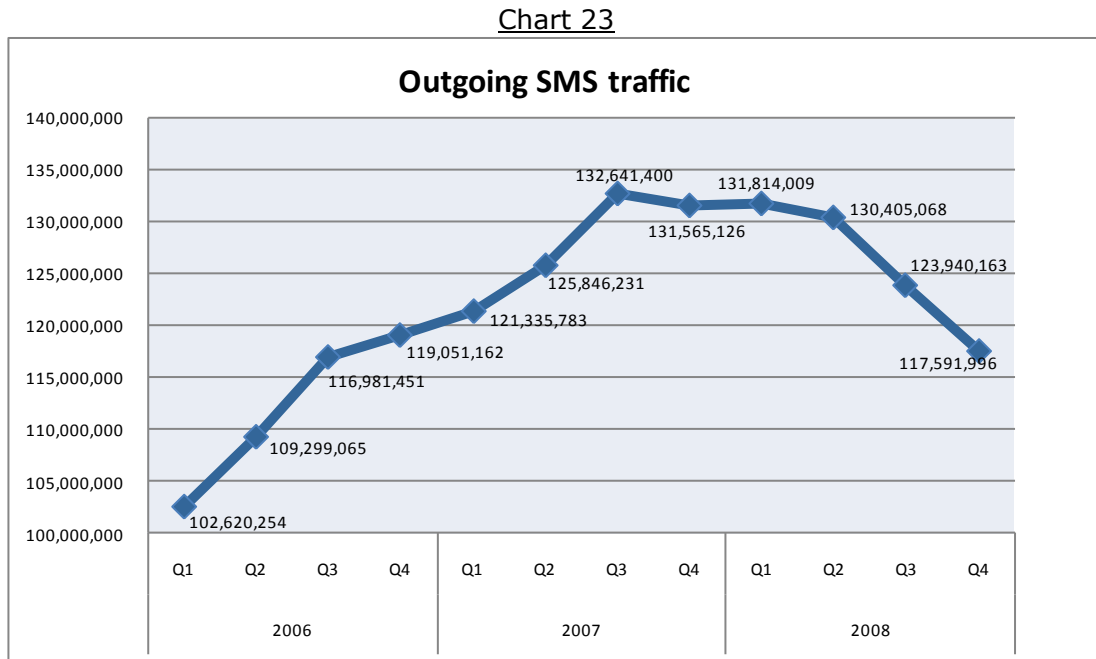


Chart 24 indicates that the decline in outgoing SMS traffic during the second half of 2008 is mainly attributed to a significant drop in the number of on-net text messages. Indeed, on-net SMS traffic recorded by local operators for the second half of 2008 fell by 13.75 million when compared to the corresponding period in 2007. Correspondingly, off-net SMS traffic declined by 8.24 million, or 8.53 percent. This result corroborates the hypothesis that promotional offers featuring free minute bundles are actually enticing users to make on-net mobile calls instead of sending a text message. Furthermore, this is happening at a time when local operators are also marketing a number of SMS bundle offers.

<sup>6</sup> SMS traffic includes on-net and off-net SMSs, SMSs sent from any of the existing Internet portals, Premium SMSs, and SMSs sent to foreign mobile networks.

Chart 24

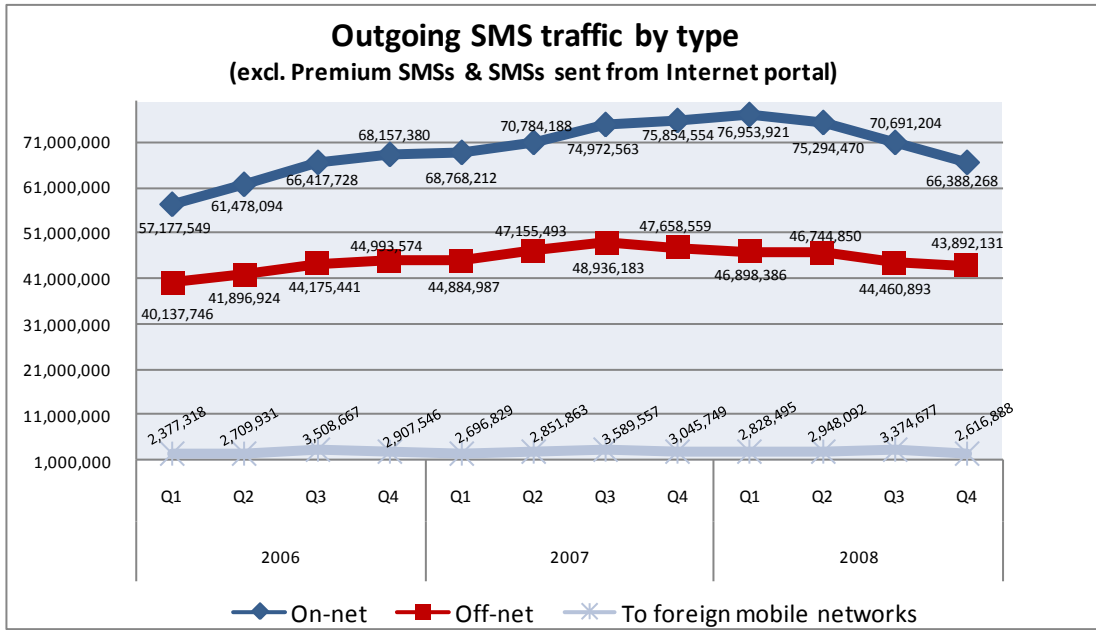
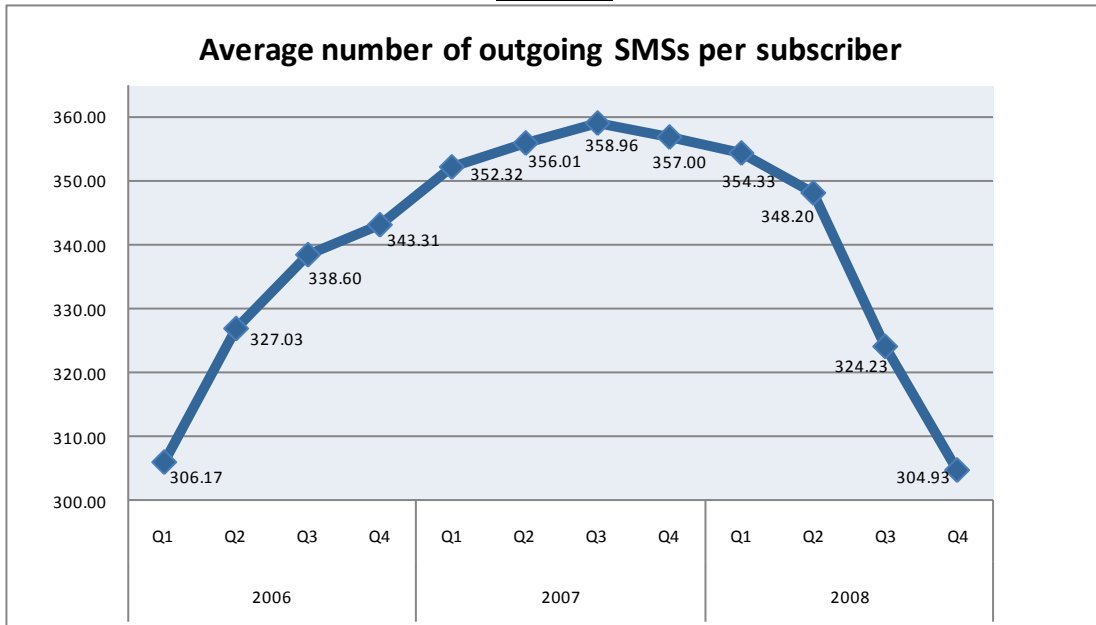


Chart 25

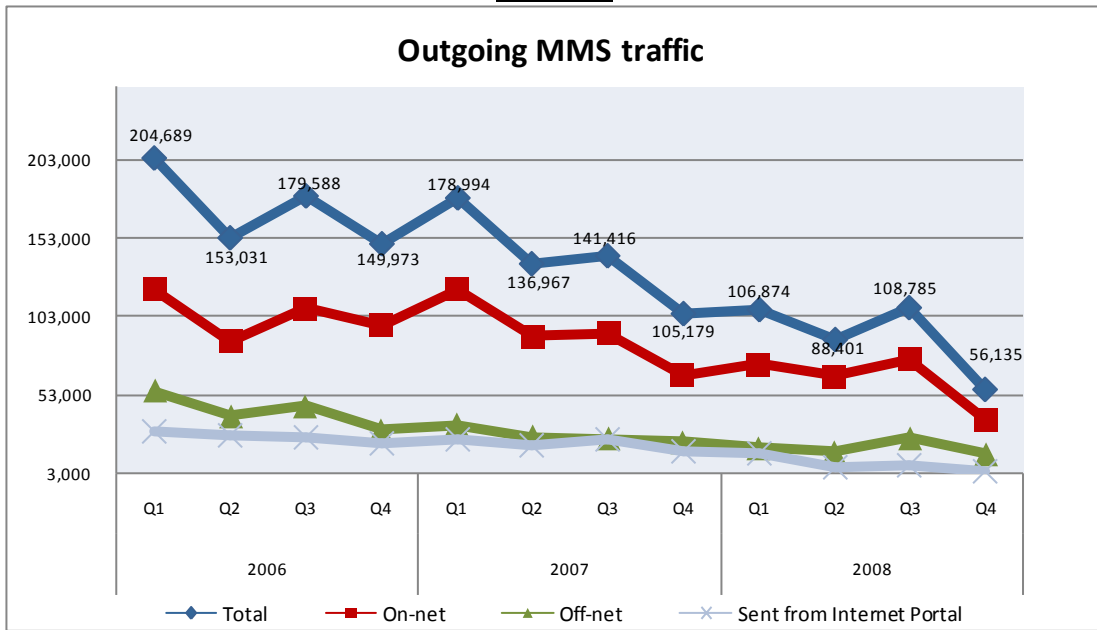


In line with the above-mentioned developments, the average number of outgoing SMSs per subscriber declined from 357 in Q4 2007 to approximately 305 in Q4 2008. In fact, the average number of outgoing SMSs per subscriber has been declining, quarter-on-quarter, since Q3 2007.

## 2.9 Outgoing MMS traffic

Approximately 164,920 multimedia messages (MMSs) were sent between July and December of 2008.

Chart 26



In comparison to the same period for 2007, the number of MMSs sent by local mobile subscribers declined by approximately 81,675 or 33.12 percent. The decline in the number of outgoing MMSs has been felt across all types of MMS as depicted in Chart 26 (see above).

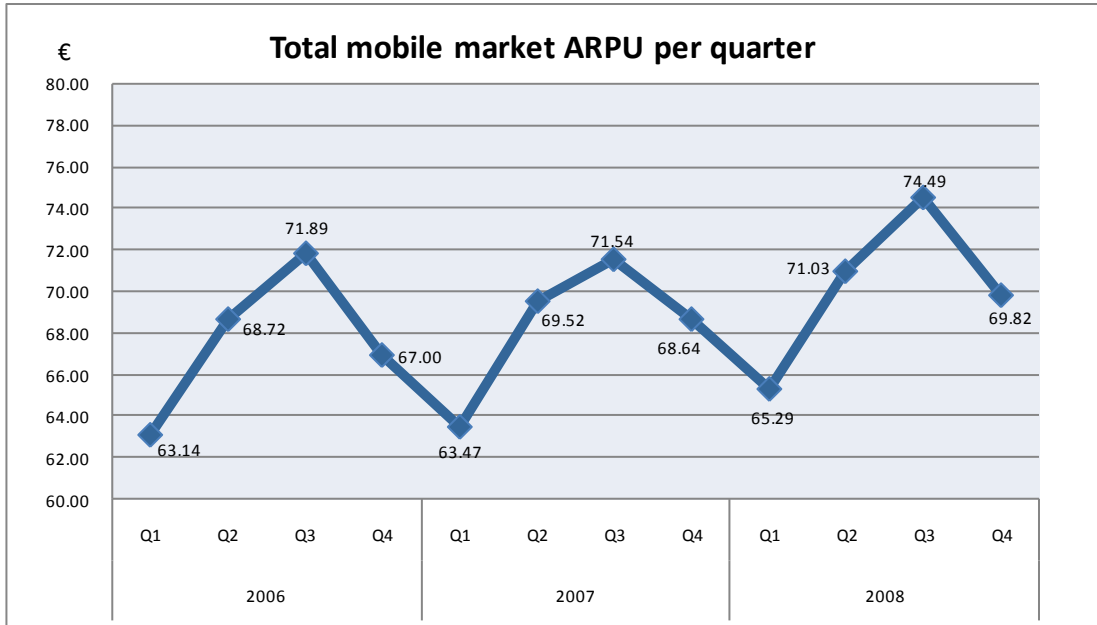
### 2.10 Average revenue per user (ARPU)

ARPU statistics include revenues generated from outgoing and incoming traffic plus outbound roaming revenues, divided by the number of active mobile subscribers during the quarter. Developments in local ARPU<sup>7</sup> for 2008 are depicted in the Charts below.

Chart 27 depicts the total ARPU per quarter for the period 2006 – 2008 taking into account both prepaid and postpaid subscribers. In line with seasonal fluctuations observed over the years, average ARPU for the market experienced a decline in Q4 2008, from €74.49 in the previous quarter to €69.82. The average ARPU for Q4 2008 is also slightly higher than the average ARPU for Q4 2007, which stood at €68.64.

<sup>7</sup> Up to December 2008, ARPU figures include revenues for Vodafone and Go Mobile, but exclude revenues for MVNOs.

Chart 27



Seasonal patterns can also be observed in Chart 28, where prepaid and postpaid ARPU are depicted separately. The maximum prepaid yearly mobile market ARPU is reached during Q3 of each year, whereas postpaid ARPU reaches its maximum for the year in Q2. Chart 28 indicates that postpaid ARPU exhibits an underlying downward trend. In fact, whilst postpaid ARPU as at Q4 2007 was about 4.7 times the level of its prepaid counterpart, postpaid ARPU as at Q4 2008 was about 4 times the level of prepaid ARPU during the same period.

Chart 28

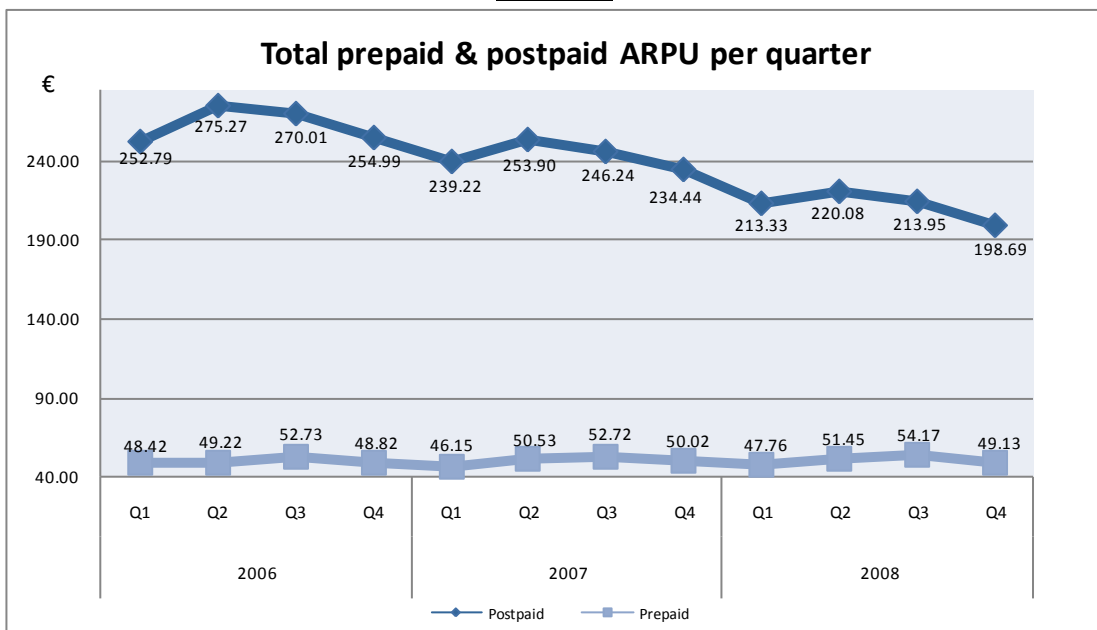


Chart 28 also shows that the prepaid mobile market ARPU for Q3 and Q4 2008 is slightly higher than that observed in the corresponding quarter of the previous year.

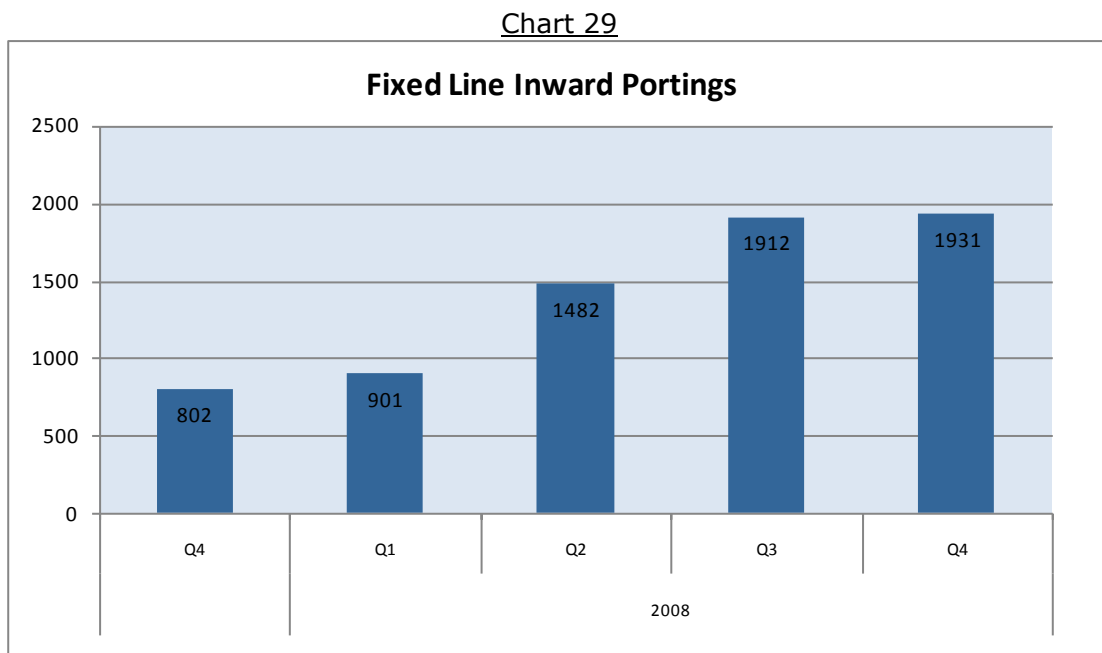
## Chapter 3 Number Portability

### 3.1 Number Portability

Number portability (including re-portings) allows customers to switch or transfer an existing fixed line number or mobile phone number from one operator to another. This facility has made it possible for customers to take advantage of the best deals on the market thereby enhancing competition. Number portability, both in the fixed line sector and the mobile sector, gathered significant momentum in 2008 as local operators intensified their efforts to consolidate their subscriber base.

### 3.2 Fixed line number portability<sup>8</sup>

During Q4 2008, 1931 fixed line number portings have been reported. Chart 29 shows that the number of fixed line portings has been increasing quarter-on-quarter.

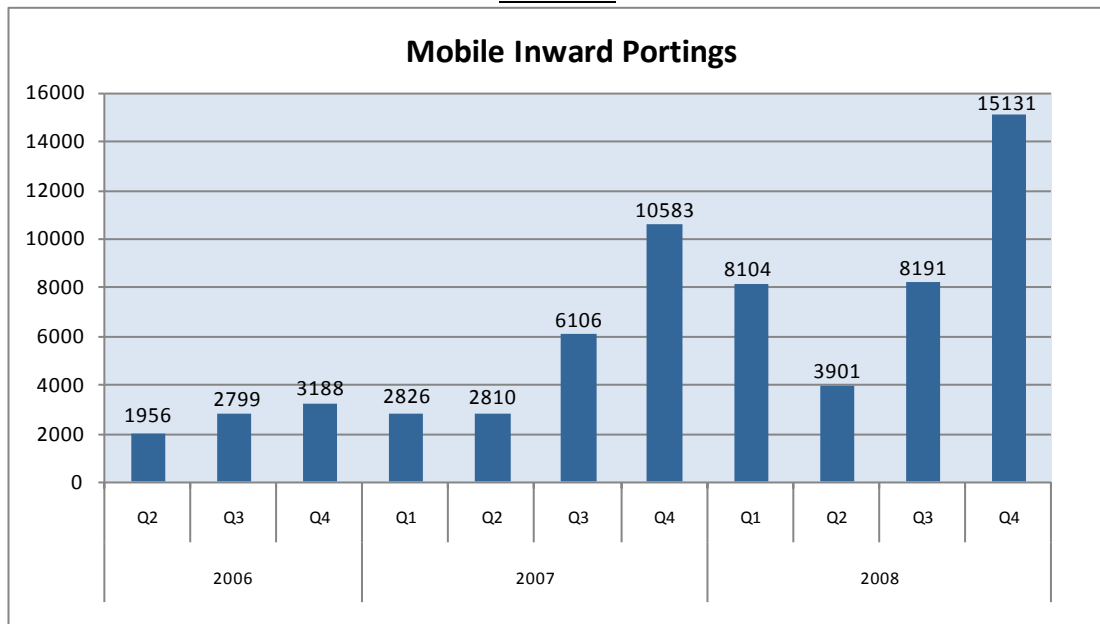


<sup>8</sup> Fixed line number portability is a service that allows fixed line telephone subscribers to keep their telephone number when changing their service provider. Fixed line portability was possible as from February 2007, when the Hello fixed line telephony service was introduced in the market.

### 3.3 Mobile number portability<sup>9</sup>

Mobile number portings reported in the second half of 2008 amounted to 23,322, an increase of 6,633 portings when compared to the corresponding period in 2007.

Chart 30



The substantial increase in the number of mobile number portings registered in Q4 2008 is a result of the arrival of new service providers in the mobile sector and the launch of a number of promotions during the Christmas period.

<sup>9</sup> Mobile number portability was introduced in April 2006, as a facility enabling mobile users to retain their telephone number when changing their mobile operator.



## Chapter 4 Roaming

### 4.1 Roaming activity

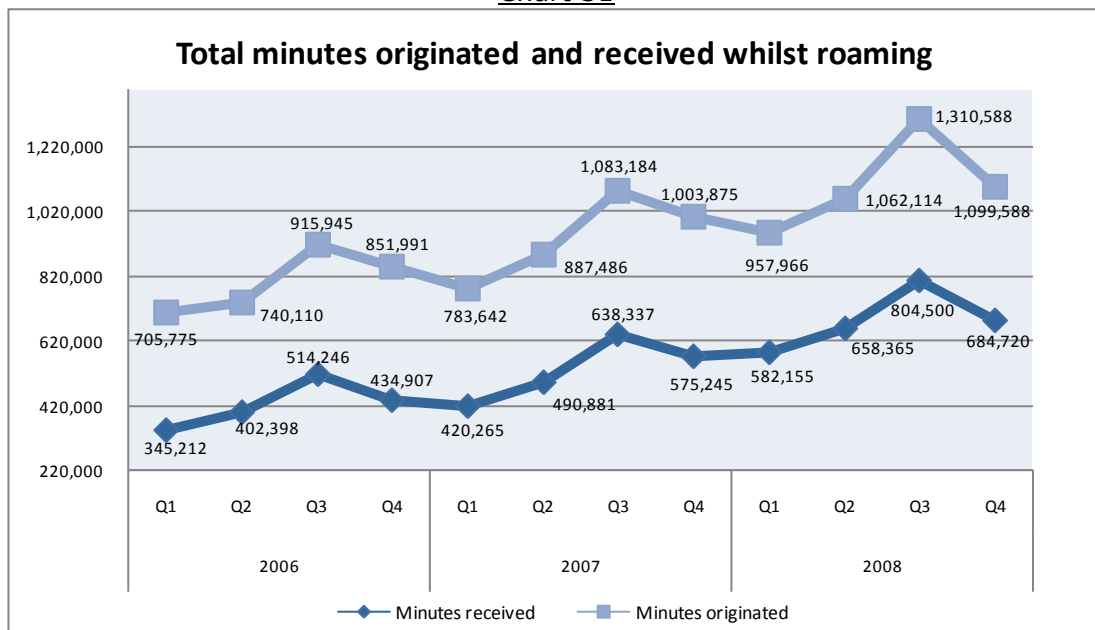
International roaming enables a customer to use the mobile phone when abroad. During 2008, roaming activity increased substantially as both inbound and outbound tourism reached record levels. In addition, roaming activity benefited from lower international roaming tariffs as stipulated by EU Roaming regulation<sup>10</sup> - the Eurotariff – mandated in June 2007. Roaming activity is also seasonal in nature, with much of the activity being generated during the summer months.

### 4.2 Outbound roaming activity<sup>11</sup>

Outbound roaming activity is generated by Maltese residents travelling abroad. Chart 31 shows that, during the second half of 2008, the total number of minutes generated by Maltese residents whilst roaming reached 2.41 million. This figure is 15.48 percent higher than that registered during the corresponding period in 2007.

Correspondingly, local operators reported an increase of 0.28 million minutes received by Maltese residents whilst roaming abroad, representing a 22.71 percentage increase when compared to the second half of the previous year. As depicted in Chart 31, each outbound roaming activity exhibits an upward trend with seasonal spikes in Q3 of each year.

Chart 31



<sup>10</sup> Link to EU Roaming regulation: <http://www.mca.org.mt/infocentre/openarticle.asp?id=1061&pref=40>

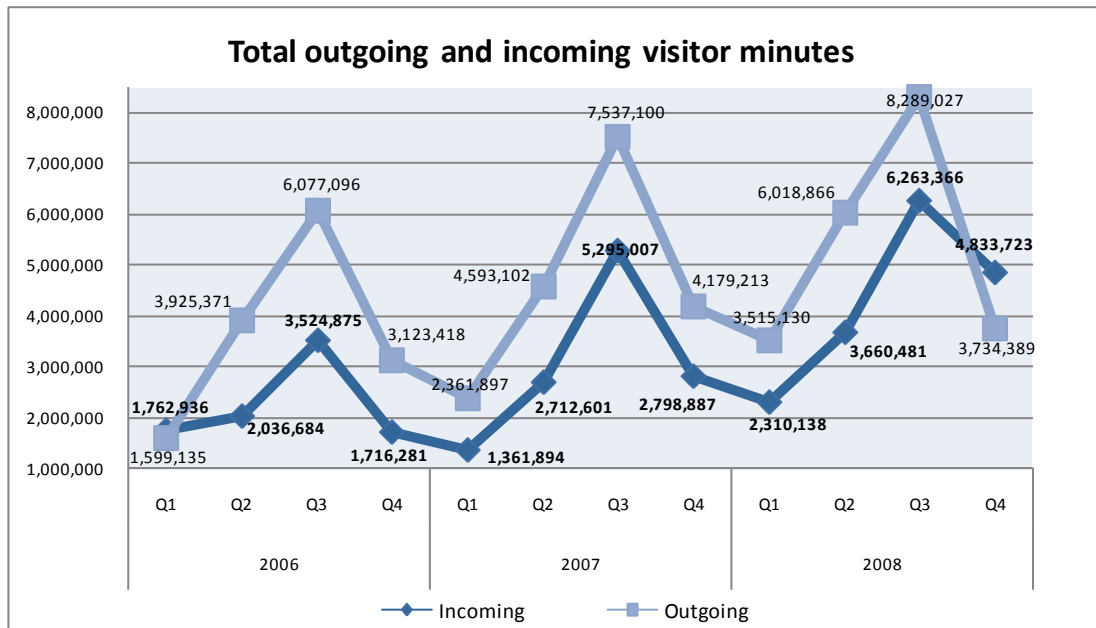
<sup>11</sup> Refers to activity by domestic subscribers generated on foreign networks.

### 4.3 Inbound roaming activity<sup>12</sup>

Inbound roaming activity is generated by foreigners visiting Malta. Voice traffic originated by foreigners roaming on domestic mobile networks, depicted in Chart 32, exhibits an upward trend with distinct seasonal fluctuations that seem to be accentuating themselves with time.

The second half of 2008 registered an increase of 0.31 million minutes originated by foreigners in Malta (outgoing visitor minutes), equivalent to an increase of 2.62 percent, when compared to the same period of 2007.

Chart 32



Incoming visitor minutes, shown on Chart 32, display similar trends to those featured for outgoing visitor minutes. In fact, Chart 32 exhibits a similar upward trend marked by seasonal fluctuations, with the peak for this indicator being reached during Q3 of each year.

During the second half of 2008, incoming visitor minutes increased by 3 million, or 37.10 percent, when compared to the same period of 2007.

<sup>12</sup> This refers to activity by foreign mobile telephony subscribers (also referred to as visitors), generated on domestic networks.

## Chapter 5 TV Broadcasting Services

### 5.1 TV broadcasting services in Malta

The provision of TV broadcasting services in Malta can be classified according to five main TV reception platforms, namely analogue aerial, analogue cable, digital cable, digital terrestrial and satellite.

Go offers digital TV broadcasting services via the Digital Terrestrial Television (DTTV) platform, whilst Melita offers analogue cable and digital cable TV broadcasting services via its cable network. There are no registered satellite broadcasters or platforms in Malta.

### 5.2 Analogue Aerial TV broadcasting

According to the latest Radio and Television Audiences survey carried out by the Broadcasting Authority<sup>13</sup> for the period October–December 2008, around 12 percent of Maltese households used analogue aerial as the platform on which to receive television broadcasts, down from 17.1 percent registered in the period July–September 2008. Correspondingly, survey findings also underline that around 9.2 percent of all local households received television broadcasts over the satellite platform, up from 8.1 percent in the previous period.

### 5.3 Pay TV broadcasting

At the end of Q4 2008, Pay TV subscriptions reached 127,345. Digital TV subscriptions amounted to 80,219 whilst analogue TV subscriptions amounted to 47,126. Compared with the corresponding period in 2007, digital TV subscriptions increased by 23,847, or 42.30 percent, whilst analogue TV subscriptions declined by 16,054, or 25.41 percent. Periodic movements in the subscriber base for analogue and digital TV are shown in Chart 33 depicted below.

Chart 33

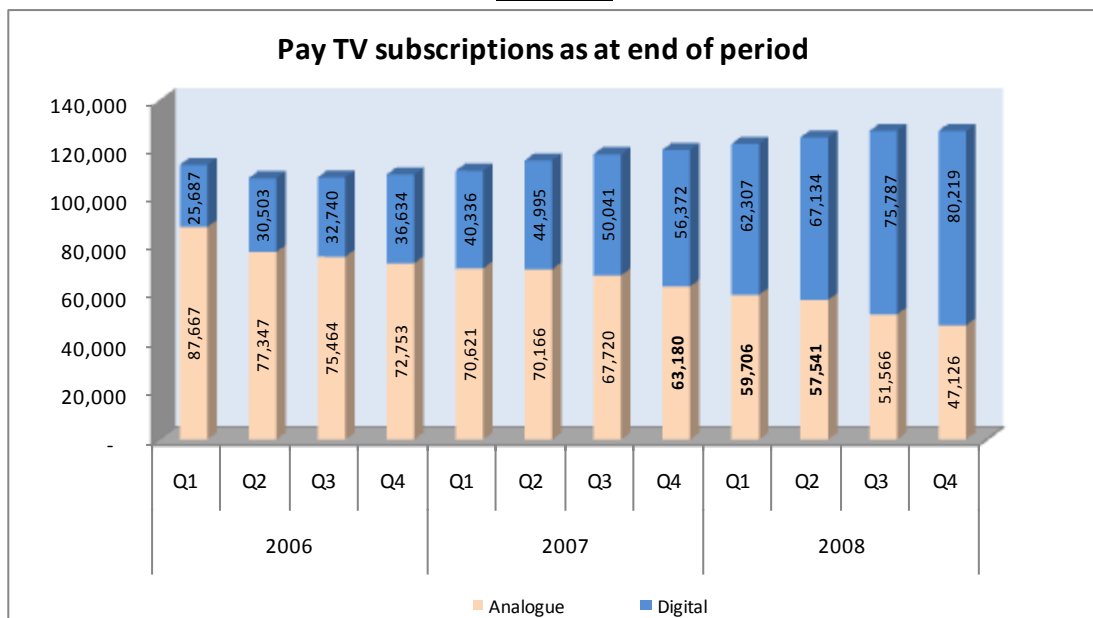
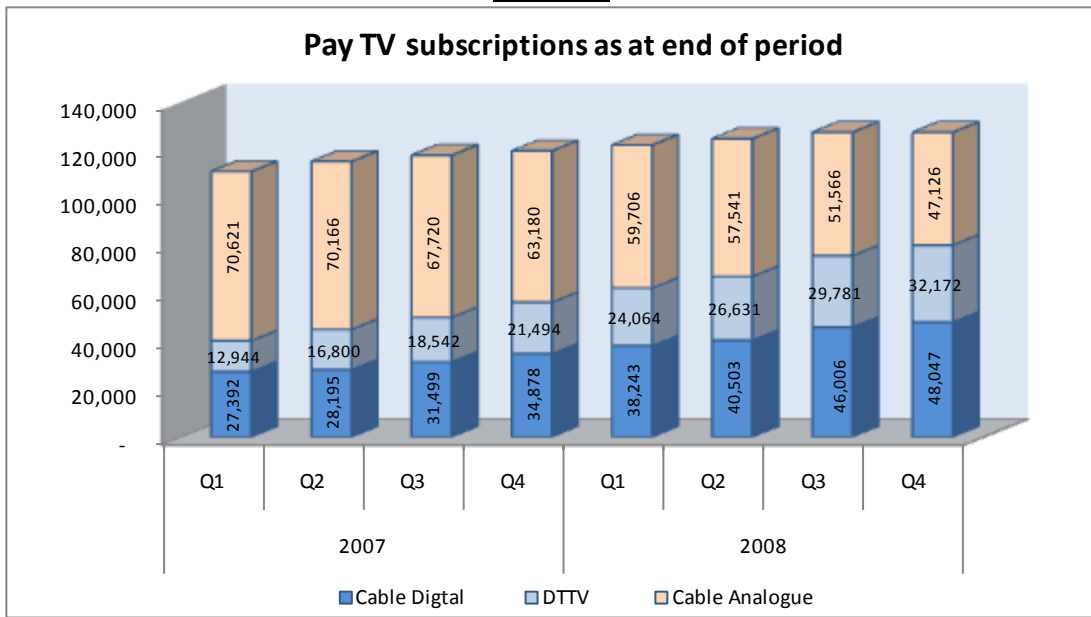


Chart 34 highlights on digital TV subscriptions by distinguishing between Cable Digital subscriptions and DTTV subscriptions. It is evident that these two digital platforms registered strong growth during the last six months of 2008. During this period, Cable Digital subscriptions increased by 7,544

<sup>13</sup> Link to survey results: <http://www.ba-malta.org/prdetails?id=151>

whilst DTTV subscriptions increased by 5,541. On the other hand, Cable Analogue subscriptions decreased by 10,415. This negative trend is expected to continue in the future as more customers opt to switch their cable analogue connection with one of the digital connections available.

Chart 34



Overall, Pay TV subscriptions are actually increasing quarter-on-quarter, with a strong shift being observed in favor of digital television subscriptions. This shift was expected given the efforts of the two network operators to push the take-up of digital television by offering increased channels, free set-top boxes, and other price reductions.

### 6.1 The provision of Internet

In 2008, the provision of Internet services in Malta was characterized by Go plc, Melita plc, Vodafone (Malta) Ltd, and a number of Third Party ISPs namely Bellnet Ltd, IT&T Ltd, Kemmnet Ltd, Melitanet Ltd, Nextweb Ltd, MITA, Telemail Ltd, Unicept Co Ltd, Webwaves Ltd, and Waldonet Ltd.

This report distinguishes between two main types of Internet connections, namely narrowband connections, and connections with broadband speeds. In 2008, connections with broadband speeds (such as ADSL or WiMAX) rose consistently, whilst the number of narrowband connections declined further.

For the purpose of this report, broadband connections refer to those connections which are *always on* and have a speed of 128kbps or more, whilst narrowband (dial-up) connections include those connections which are not *always on* but require a call to an Internet number.

It is of note that up till Q4 2007, dial-up figures did not differentiate between active and inactive dial-up subscriptions, thereby contributing to a significant overestimation of the respective figures. The situation was however rectified as of Q1 2008. From this point onwards dial-up statistics only take into account 'active' subscriptions, including only those subscribers that have made at least one call to any Internet number (20188, 2188 or 2186) during the preceding three months<sup>14</sup>. This implies that only those dial-up subscriptions which have been used recently are considered as being active Internet connections.

The dotted red line in the Chart 35 denotes the start of a new series for narrowband users.

### 6.2 Internet connections

As at the end of Q4 2008, the total number of Internet connections amounted to 102,908. This amount is split between 100,915 broadband connections<sup>15</sup> and 1,993 active narrowband (dial-up) connections. Since the end of Q4 2007, broadband subscriptions increased by 18,809 which is equivalent to a 23 percent growth rate.

Conversely, narrowband connections decreased from 3,913 as at the end of Q1 2008 to 1,993 by the end of the year. This fall in narrowband connections is also reflected in the sharp decline for Internet minutes (see Chart 36) in the corresponding period. Based on the number of dial-up minutes and narrowband connections, the average dial-up subscriber made use of the Internet for approximately 5 hours per month during Q4 2008.

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<sup>14</sup> This new definition adopted by the MCA is not based on any official definition of narrowband services, and is only intended to provide a more accurate figure of active Internet subscriptions in Malta. Other organisations may adopt different definitions and statistics.

<sup>15</sup> Broadband statistics have been updated on the 11th of November 2008, in line with amendments for the WiMAX subscriber base as published by Vodafone Malta.

Chart 35

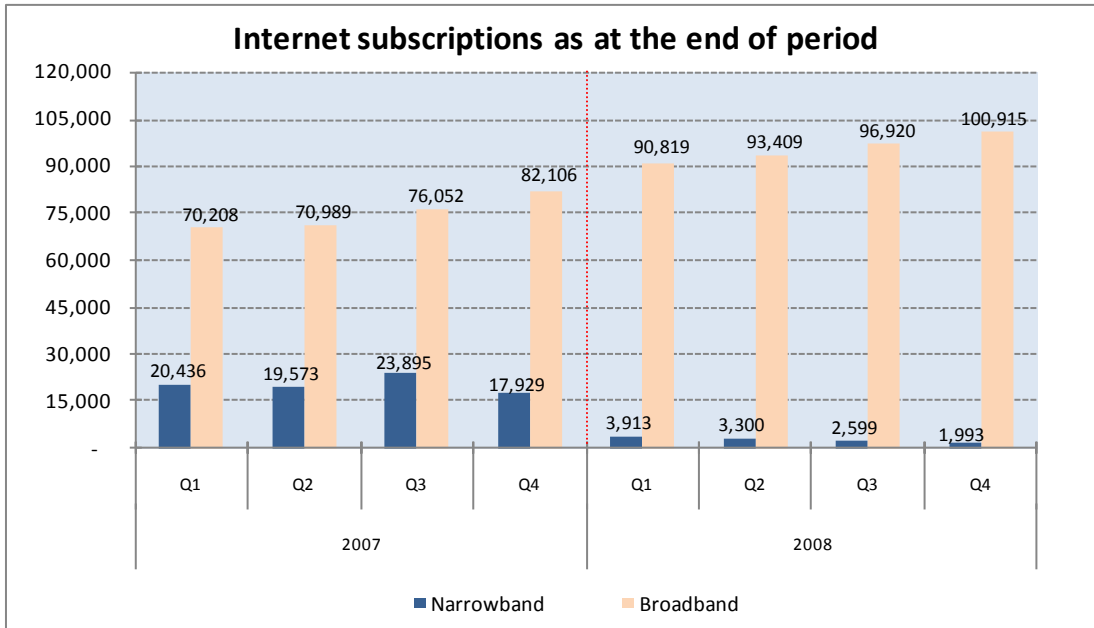
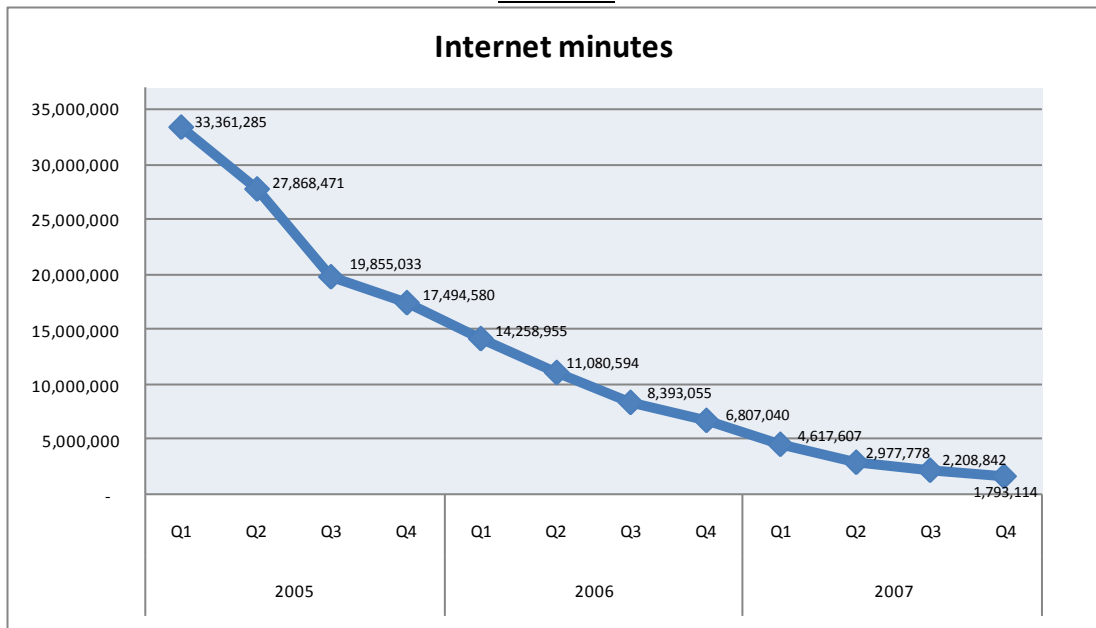


Chart 36



### 6.3 Broadband connections by type and speed

As at the end of December 2008, a total of 100,915 broadband connections were registered with local service providers. Of these, 51.51 percent were cable connections, and 45.63 percent were DSL connections. The remaining 2.86 percent of broadband connections were accounted for by WiMAX. In the period July – December 2008, cable and DSL broadband connections increased by 3,546 and 3,120 respectively.

Chart 37

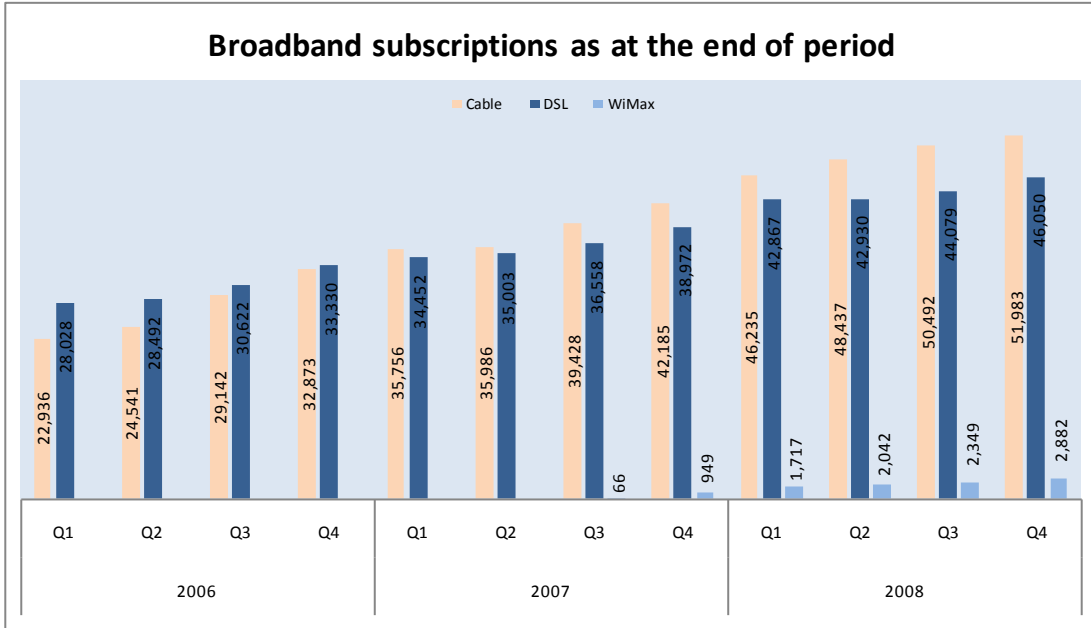
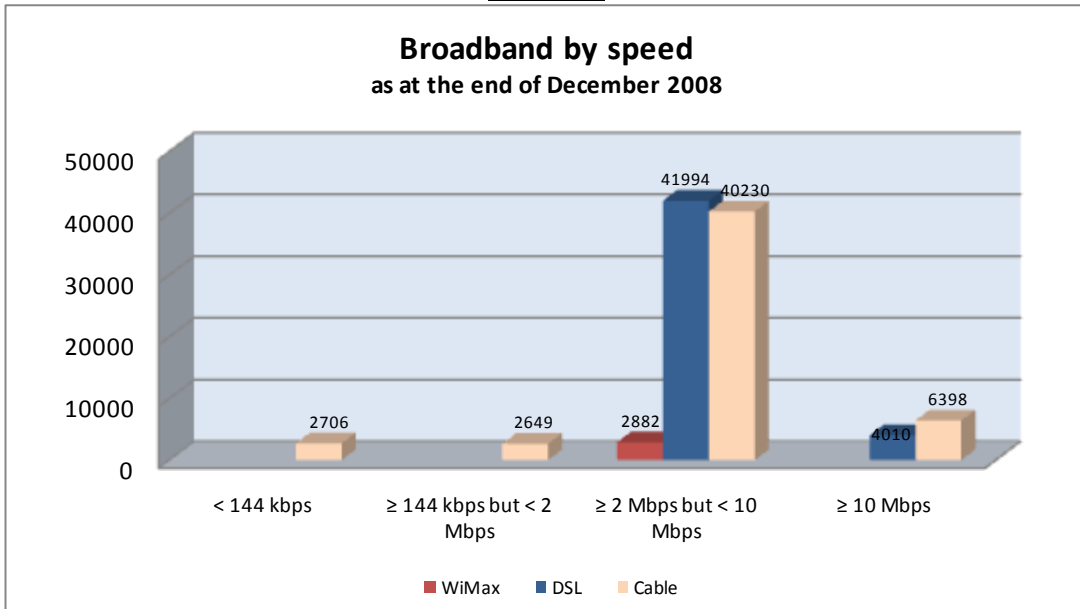


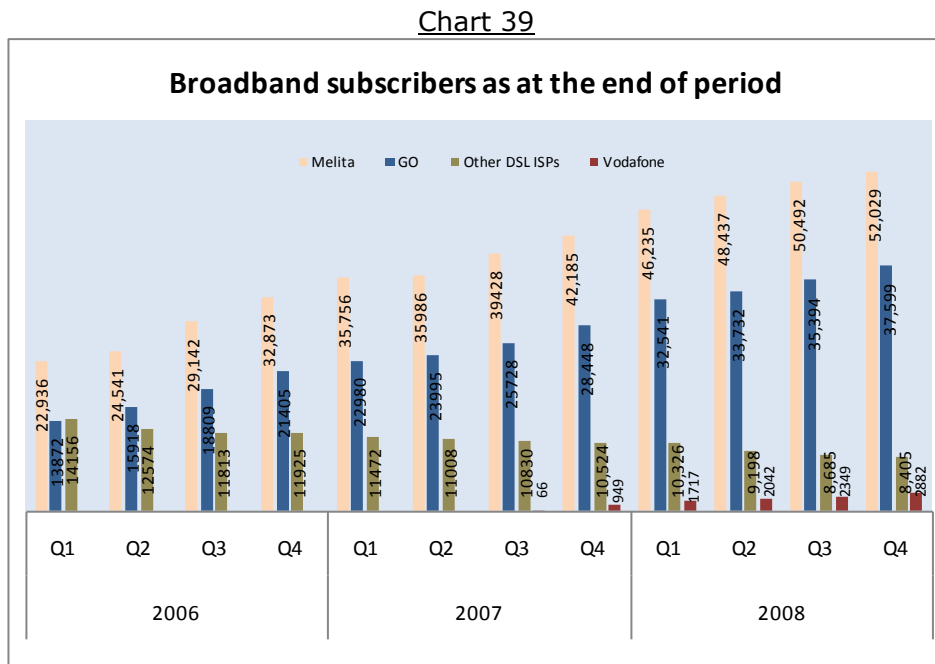
Chart 38 shows that, as at the end of 2008, over 91 percent of DSL broadband subscribers and approximately 77.5 percent of cable broadband subscribers had a connection speed of more than or equal to 2Mbps, but less than 10Mbps. The number of broadband subscribers having a connection speed exceeding 10Mbps reached 10,408 by the end of December 2008. This figure represents approximately 10 percent of all broadband subscribers registered during the period.

Chart 38



## 6.4 Broadband connections by operator

The Chart below depicts the number of broadband connections by operator.



As at Q4 2008, Melita registered 52,029 broadband subscriptions. GO's retail arm holds 37,599 DSL connections whilst independent ISPs share the remaining 8,405 DSL connections. The WiMAX operator, Vodafone, reported 2,882 connections as at the end of 2008.

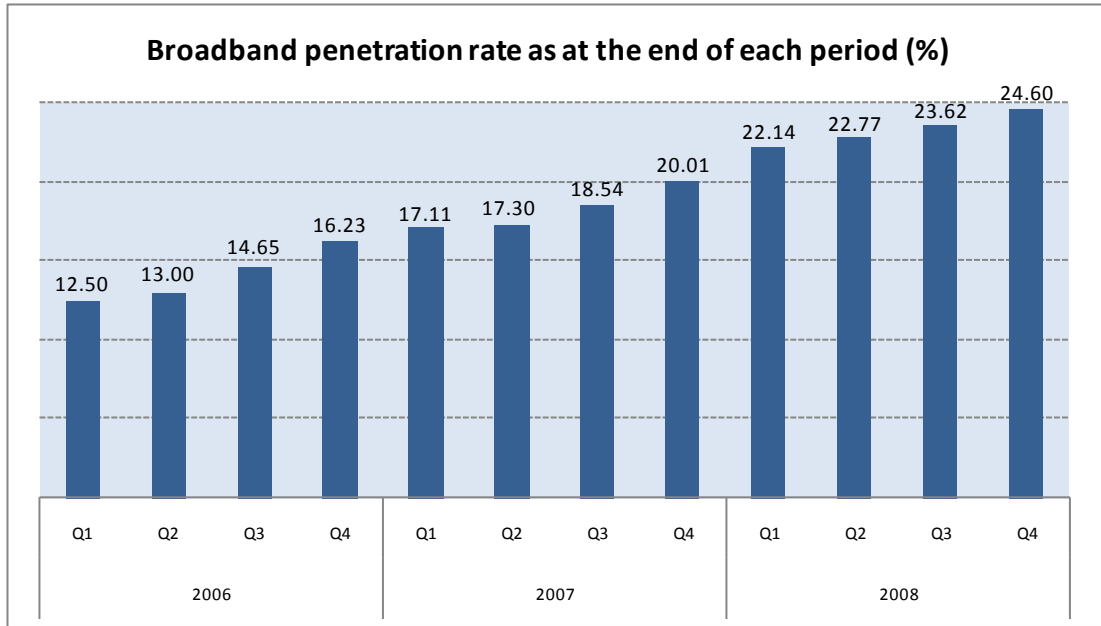
## 6.5 Broadband penetration rates

As at the end of Q4 2008, the broadband penetration rate per population stood at 24.6 percent, compared with a broadband penetration rate of 20.01 percent as at the end of Q4 2007. The Internet penetration rate per population as at the end of Q4 2008 stood at 25.08%<sup>16</sup>.

<sup>16</sup> This figure does not necessarily correspond to the number of Internet users. An Internet connection is most of the time accessed by several users.



Chart 40



## Chapter 7 Postal Services

### 7.1 Postal activity

The provision of postal services in Malta is characterized by the designated Universal Service Provider (USP), namely Maltapost plc, falling within the universal area and another 16 registered postal operators, falling outside the universal service area. The USP is obliged to provide services both within the reserved and non-reserved part of the universal service area. Premiere Post Ltd also holds a license to provide non-reserved postal services within the scope of the universal service area.

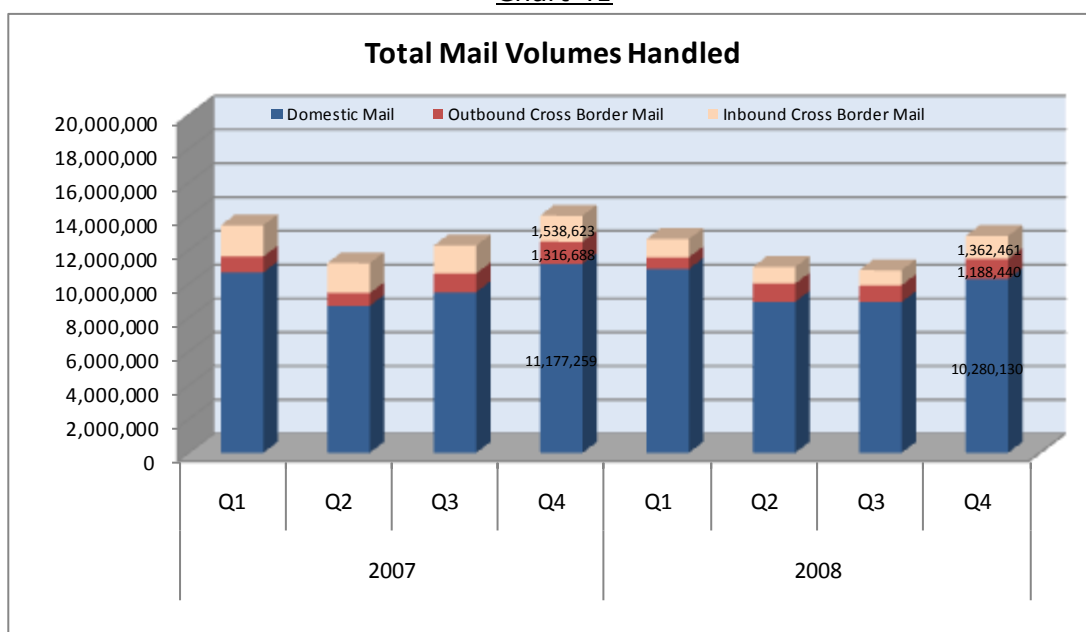
### 7.2 Mail volumes

During the second half of 2008, Maltapost delivered 19.20 million *Domestic Mail* items and 2.25 million *Inbound Cross Border Mail* items. Compared with the corresponding period in 2007, *Domestic Mail* delivered by Maltapost declined by 1.48 million items, i.e. by 7.16 percent, whilst *Inbound Cross Border Mail* declined by 0.94 million items, i.e. a decline of 29.37 percent.

*Outbound Cross Border Mail* during the second half of 2008 reached 2.18 million items, i.e. 0.24 million items less than in the corresponding period a year earlier.

Overall, postal activity in Q3 and Q4 2008 was lower than that registered in the corresponding periods for 2007. This happened irrespective of the gains registered in relation to inbound registered mail, bulk mail items, and parcel post.

Chart 41



### 7.3 Quality of Service for local mail

Under universal service obligations, the MCA has established a number of Quality of Service (QoS) targets that Maltapost Ltd. has to achieve in the delivery of local ordinary and registered mail. All targets are set for a period of one year covering Maltapost's financial year from October to September.

The QoS level for the delivery of ordinary mail on the next day (D+1) has been set at 92%, whilst the target delivery rate for registered mail on the next day has been set at 97%.

Charts 42 and 43 illustrate the actual performance of Maltapost compared to the established target levels. These charts show that Maltapost has met its targets in Q3 and Q4 2008 in relation to the delivery of *Local Ordinary Mail* and *Local Registered Mail*, as it consistently did in previous quarters except for Q2 2007 in relation to *Local Registered Mail*. During that quarter Maltapost was subject to an industrial action specifically on the delivery of registered mail. This had a negative impact on the performance target of the whole quarter.

Chart 42

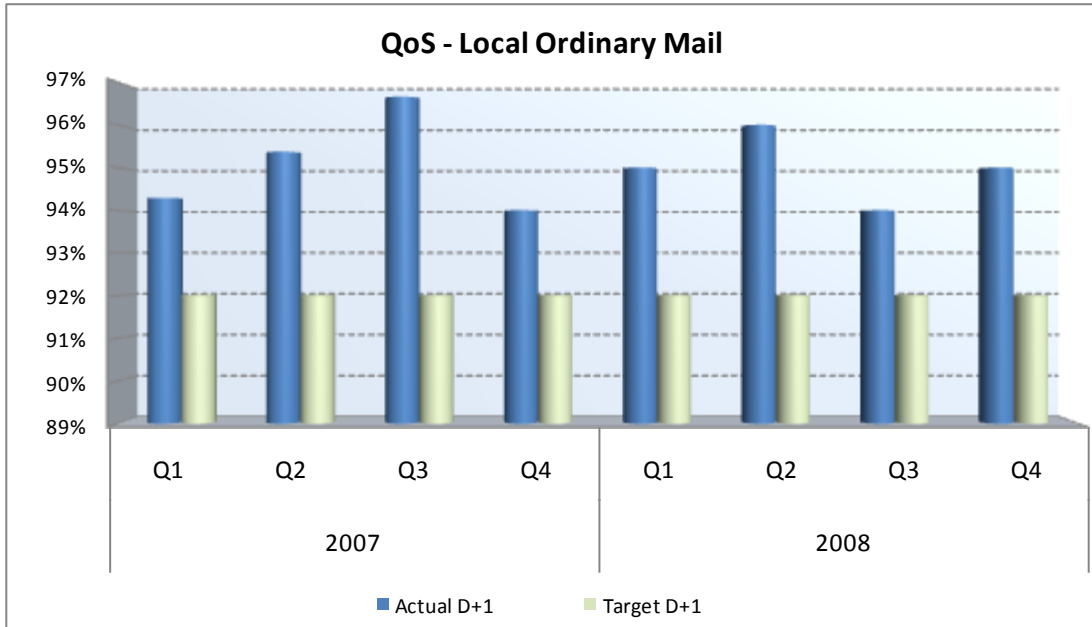


Chart 43

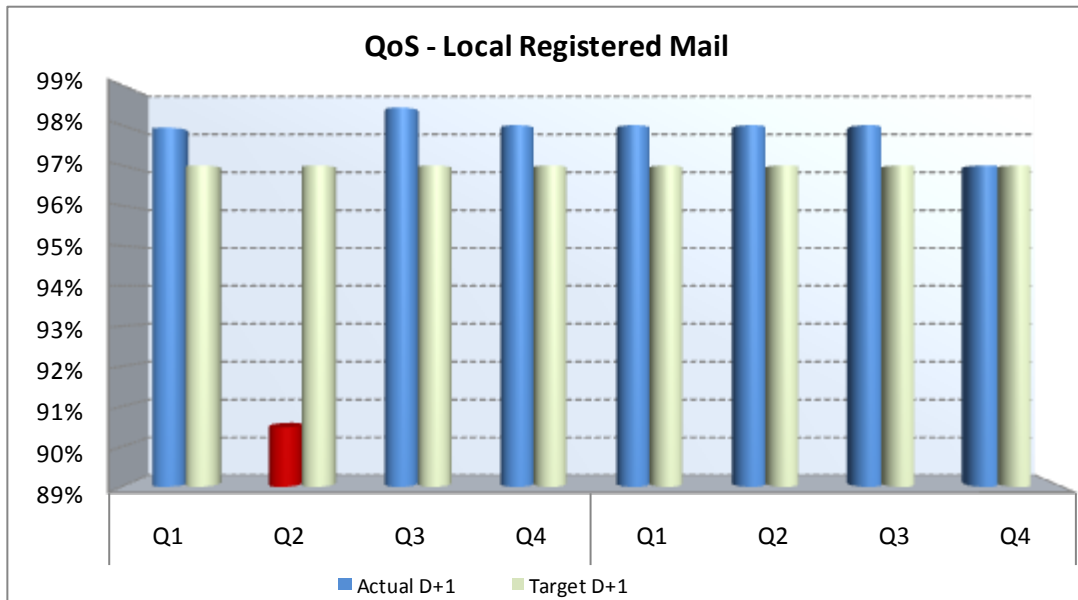


Chart 44

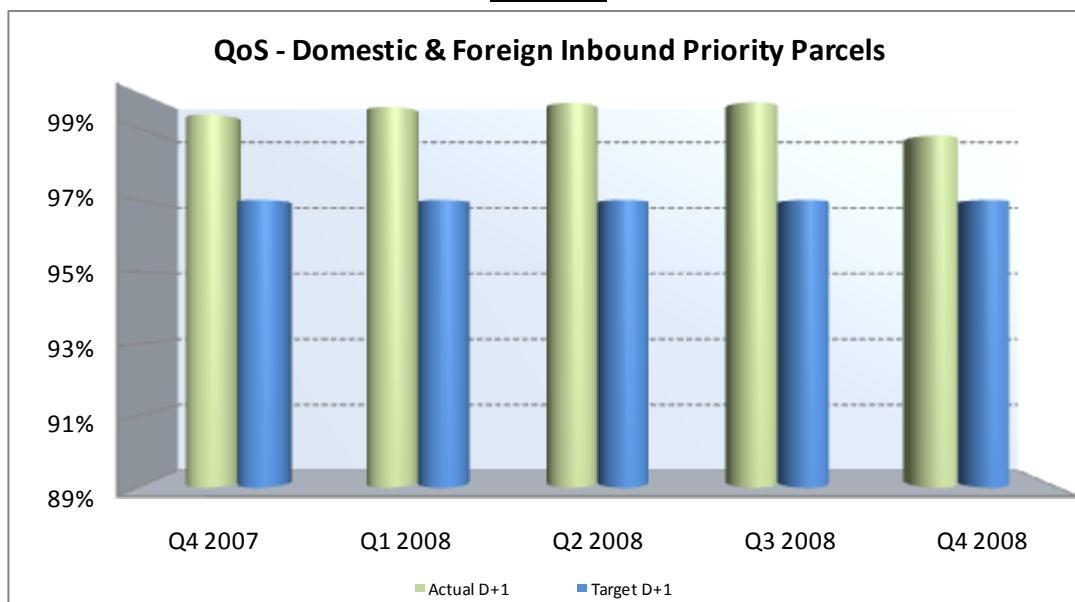
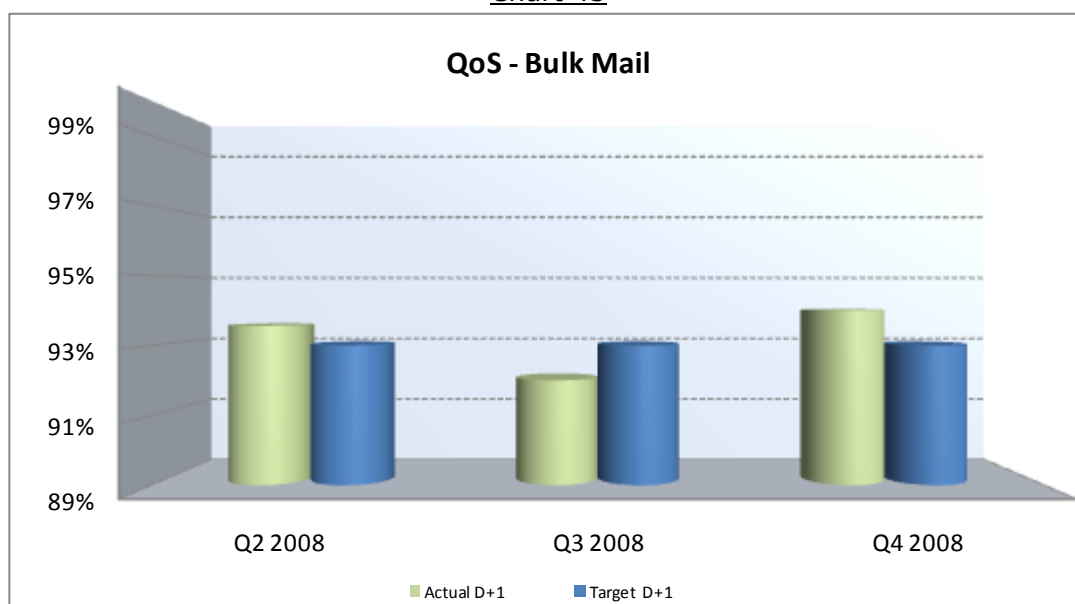


Chart 45



The QoS level for the delivery of *Domestic and Foreign Inbound Priority Parcels* on the next day (D+1) has been set at 97%, whilst the target delivery rate for *Bulk Mail* on the next day has been set at 93%. The MCA has started compiling data for the former indicator since January 2008. Data compilation for the latter indicator started in April of the same year.

Chart 44 illustrates that Maltapost has met its targets for the delivery of *Domestic and Foreign Inbound Priority Parcels*<sup>17</sup> in Q3 and Q4 2008, as it did in the previous quarter.

<sup>17</sup> All inbound cross border mail (including parcels) arriving at Maltapost's office of exchange before 19:00hrs between Monday to Friday and 16:30 hrs on Saturdays is to be processed on the same day (i.e. when unloaded from airline in Malta) and delivered within the standards and exceptions as those identified under local ordinary mail.

## Chapter 8 e-Commerce

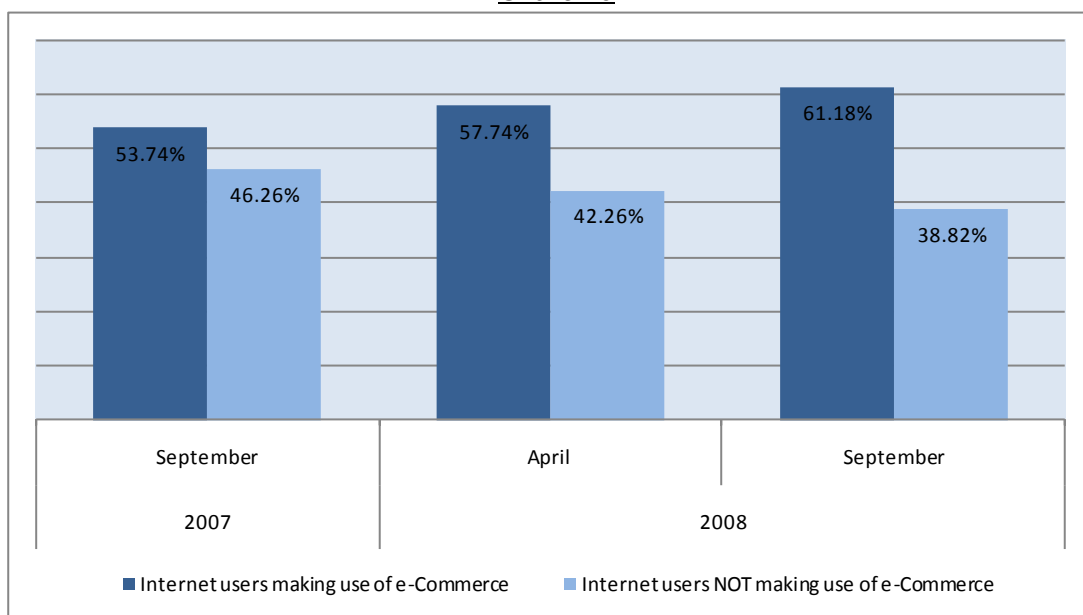
### 8.0 The MCA's e-Commerce Survey

The MCA carries out an e-Commerce survey in April and September of each year, the latest being held in September 2008. The aim of this survey is to obtain an indication of the level of e-Commerce usage across the Maltese islands and the sector's potential for growth.

#### 8.1 e-Commerce activity

e-Commerce activity is on the rise as local internet users are shopping online more frequently. In September 2008, over 61 percent of respondents using the Internet stated that one of the reasons for using the Internet was to make online purchases. This means that local Internet users shopping online increased by 7 percent between September 2007 and September 2008.

Chart 46



It is also of note that 63 percent of those using the Internet for the purposes of shopping online have made from one to five online purchases in the six months prior to September 2008. 22 percent made from six to ten online purchases, with the remaining 15 percent purchasing more than 10 times online.

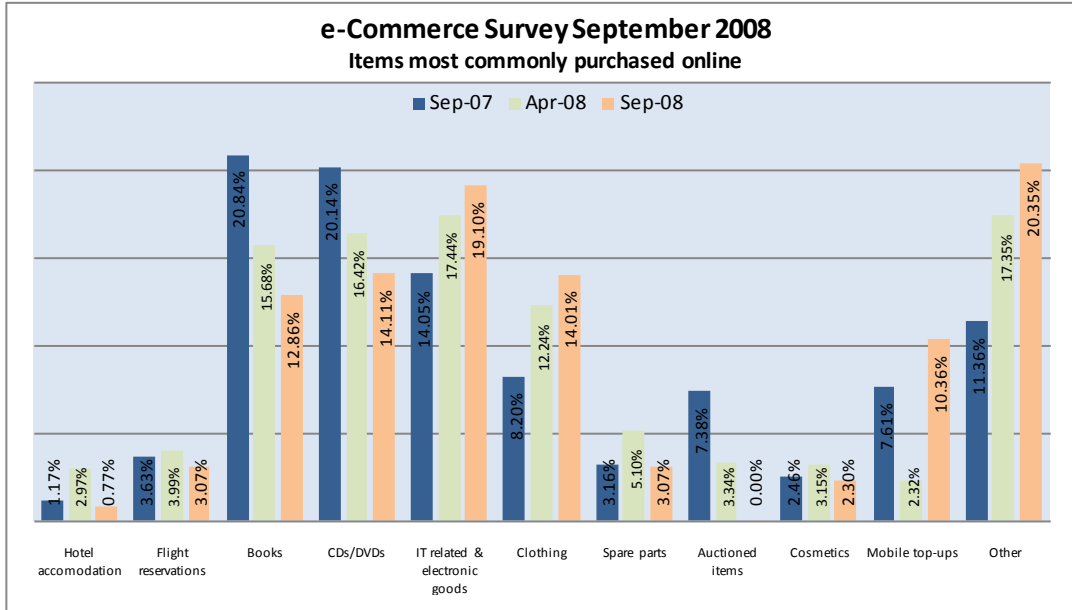
#### 8.2 Online purchases

The September 2008 e-Commerce Survey shows that around 49 percent of all respondents make use of the Internet. Two-third of these respondents claim that one of the reasons for using the Internet is to make online purchases, especially from foreign websites<sup>18</sup>. Online purchases are more common in relation to IT related goods and other electronic items, with this category representing over 19 percent of all goods purchased online. Correspondingly, online shopping for books and CDs/DVDs fell significantly when compared with the levels observed in the previous two surveys. The September 2008 survey shows that, compared with results observed in the September 2007 survey, online purchases of books fell by 8 percent whilst online shopping for CDs/DVDs fell by 6 percent. On

<sup>18</sup> According to the e-Commerce survey referred to above, over 62 percent claiming to have made at least one online purchase stated that they only make an online purchase(s) from foreign websites. A further 35 percent stated that they make online purchases from both foreign and local websites.

the other hand, online purchases of clothing items and mobile top-ups increased by approximately 6 percent and 3 percent respectively.

Chart 47

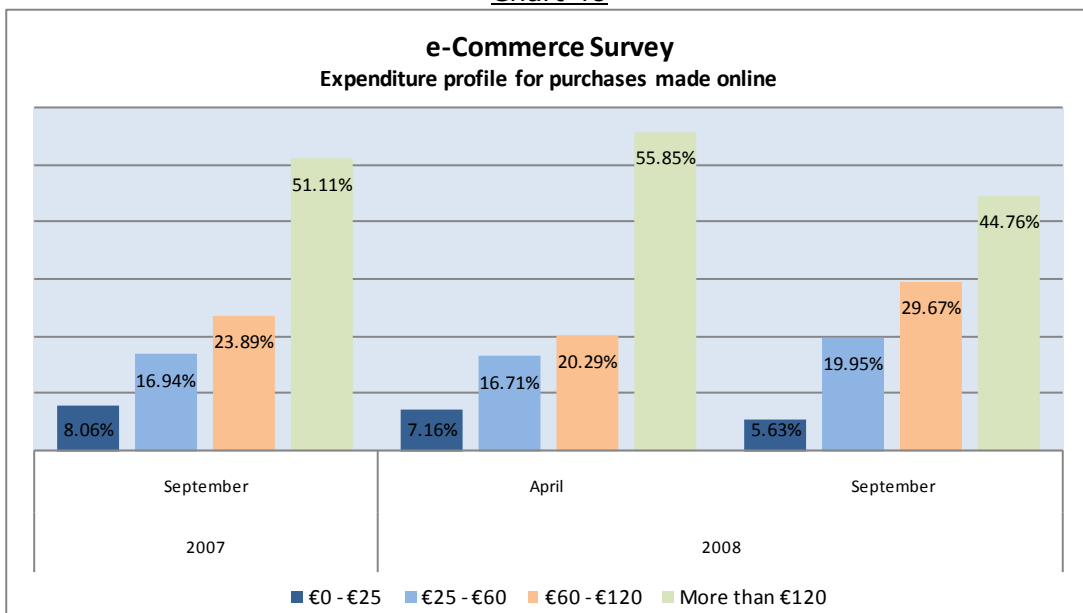


In the September 2008 survey, approximately 15 percent of those making use of the Internet state that they encountered at least one problem when shopping online during the last six months. These internet users claim that the most encountered problem relates to the delivery of goods.

### 8.2 Amount spent on online purchases

In September 2008, nearly 45 percent of those shopping online over the previous six months claimed to have spent more than €120. This means that the number of those making an online purchase of more than €120 declined from approximately 56 percent in April 2008 to approximately 45 percent in September of the same year.

Chart 48



## Annex on Regulatory Developments

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### Decision Notices

1. [International Leased Lines Pricing Review 2008](#)  
Publish date: 22.07.08
2. [Framework for Freephone services in the 800 range](#)  
Publish date: 07.08.08
3. [Estimating the Cost of Capital: Further consultation on Beta Values](#)  
Publish date: 14.08.08
4. [Maltapost Plc's Universal Service Obligations](#)  
Publish date: 10.09.08
5. [Wholesale voice call termination on individual mobile networks](#)  
Publish date: 06.10.08
6. [The Future of the 2.5GHz Band in Malta](#)  
Publish date: 19.11.08
7. [Wholesale Broadcasting Transmission Services](#)  
Publish date: 24.11.08
8. [Modifications to Terms and Conditions of Subscriber Contracts](#)  
Publish date: 25.11.08

### Consultation Papers

1. [Proposed Regulations on International Connectivity: EXPLANATORY MEMORANDUM](#)  
Publish date: 26.08.08
2. [Modifications to Terms & Conditions of subscriber contracts](#)  
Publish date: 28.08.08
3. [Wholesale Broadcasting Transmission Services](#)  
Publish date: 29.08.08
4. [Proposed Amendments to the Postal Services \(General\) Regulations](#)  
Publish date: 09.09.08
5. [MCA Draft Guidelines for Inter-Operator Complaints, Disputes & Own Initiative Investigations](#)  
Publish date: 10.10.08
6. [Retail Public Telephone Call Services provided at a Fixed Location](#)  
Publish date: 05.12.08

# Statistical Annex

Key Indicators	2005				2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Mobile Telephony</b>																
Subscriptions	308,929	315,639	324,763	323,890	325,614	334,221	345,486	346,771	344,390	353,495	369,513	368,530	372,009	374,507	382,255	385,636
Originating minutes	35,566,856	39,226,997	42,230,485	42,126,420	43,574,147	47,217,516	50,954,267	50,462,937	49,482,710	54,561,745	58,997,434	59,729,744	59,244,646	60,959,169	64,924,123	64,299,761
Outgoing SMSs	97,288,443	99,826,729	105,229,540	103,087,202	102,620,254	109,299,065	116,981,451	119,051,162	121,335,783	125,846,231	132,641,400	131,565,126	131,814,009	130,405,068	123,940,163	117,591,996
Market ARPU in Euros	61.08	65.84	68.85	65.24	63.14	68.72	71.89	67.00	63.47	69.52	71.54	68.64	65.29	71.03	74.49	69.82
Mobile penetration rate (%)	76.28	77.93	80.19	79.97	79.84	81.96	84.72	85.03	83.94	86.16	90.06	89.82	90.67	91.28	93.17	93.99
<b>Roaming</b>																
Minutes originated by local subscribers while roaming	648,291	672,488	848,579	692,405	705,775	740,110	915,945	851,991	783,642	887,486	1,083,184	1,003,875	957,966	1,062,114	1,310,588	1,099,588
Minutes received by local subscribers while roaming	331,859	355,531	411,810	302,315	345,212	402,398	514,246	434,907	420,265	490,881	638,337	575,245	582,155	658,365	804,500	684,720
Outgoing visitor minutes	1,609,168	3,505,830	5,419,832	2,854,403	1,599,135	3,925,371	6,077,096	3,123,418	2,361,897	4,593,102	7,537,100	4,179,213	3,515,130	6,018,866	8,289,027	3,734,389
Incoming visitor minutes	1,033,924	1,970,063	3,610,937	1,682,343	1,762,936	2,036,684	3,524,875	1,716,281	1,361,894	2,712,601	5,295,007	2,798,887	2,310,138	3,660,481	6,263,366	4,833,723
<b>Fixed Line Telephony</b>																
Subscriptions	203,039	202,714	208,471	207,627	205,869	206,580	205,768	208,361	212,162	218,374	224,646	228,262	233,756	235,520	238,730	239,252
Originating minutes	227,036,577	221,503,492	199,785,305	200,705,379	194,397,535	185,863,030	167,248,196	164,917,470	158,111,922	164,170,304	154,400,678	161,291,616	155,599,177	166,994,536	163,974,782	173,487,977
<b>Internet</b>																
Dial-up Connections	49,667	50,065	46,052	40,225	38,884	38,195	35,374	29,436	20,436	19,573	23,861	17,002	3,913	3,300	2,599	1,993
Broadband Connections	38,020	39,525	42,768	49,236	50,964	53,033	59,764	66,203	70,208	70,989	76,086	83,033	90,819	93,409	96,920	100,915
Broadband penetration rate (%)	9.39	9.76	10.56	12.16	12.50	13.00	14.65	16.23	17.11	17.30	18.54	20.24	22.14	22.77	23.62	24.60
<b>Pay TV</b>																
Analogue connections	98,587	95,749	93,093	89,514	87,667	77,347	75,464	72,753	70,621	70,166	67,720	63,180	59,706	57,541	51,566	47,126
Digital connections	1,423	3,822	9,721	14,470	25,687	30,503	32,740	36,634	40,336	44,995	50,041	56,372	62,307	67,134	75,787	80,219
<b>Post</b>																
Total Mail Volumes Handled	-	-	-	-	13,081,018	13,283,354	12,766,818	20,646,833	13,460,111	11,222,087	12,260,349	14,032,570	12,644,817	10,992,100	10,807,190	12,831,166
D+1 QoS Local Ordinary Mail (%)	-	-	-	-	-	-	-	93.00	94.00	95.00	97.00	94.00	95.00	96.00	94.00	95.00
D+1 QoS Local Registered Mail (%)	-	-	-	-	-	-	-	97.69	97.94	90.48	98.44	98.00	98.00	98.00	98.00	97.00
D+1 QoS Bulk Mail (%)	-	-	-	-	-	-	-	-	-	-	-	-	-	93.56	92.00	94.00
D+1 QoS Priority Inbound Parcels (%)	-	-	-	-	-	-	-	-	-	-	-	-	99.38	99.59	-	-
<b>Population</b>																
	405,006				407,810				410,290				410,290			