

ANNUAL REPORT  
& FINANCIAL  
STATEMENTS  
2017



'TO  
PROMOTE  
AND SAFEGUARD  
SUSTAINABLE  
COMPETITION, CUSTOMER  
CHOICE AND VALUE FOR  
MONEY IN THE ELECTRONIC  
COMMUNICATIONS, ECOMMERCE  
AND POSTAL SECTORS; AND TO  
FACILITATE THE DEVELOPMENT  
OF AN ENVIRONMENT  
THAT IS CONDUCIVE  
TO INVESTMENT,  
INNOVATION, SOCIAL  
INCLUSION AND  
ECONOMIC  
GROWTH.'

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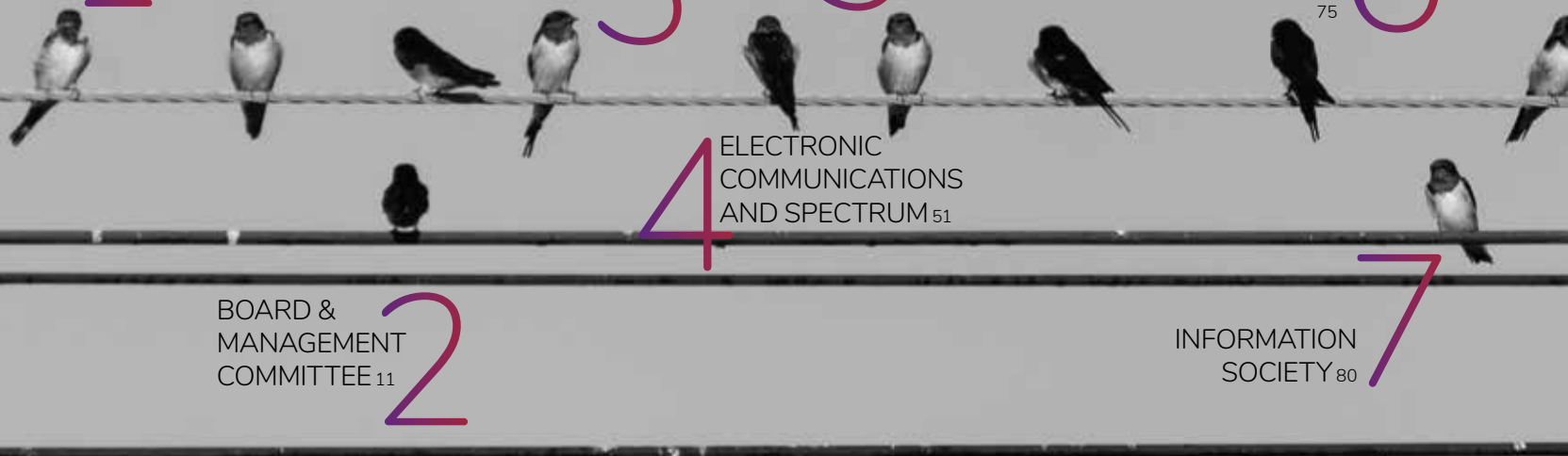
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# Ensuring Connectivity

# FOREWORD



# FOREWORD

Communication lives at the heart of our society and technology is the fundamental enabler. Society is at the cusp of a digital transformation, driven by the uptake of key technologies that are shifting the global flows of goods, services and finance. These are exciting times as long as we are able to collaborate across geographies, sectors and disciplines in order to grasp opportunities.

The Malta Communications Authority (MCA) is committed to ensure that, through facilitation and regulation, citizens are fully engaged in this digitally advanced age. 2017 was the year which lead us to realising that technologies such as Internet of Things, 5G and Artificial Intelligence were no longer pipe-dreams, but were now plausible and nearly possible. As the Internet becomes embedded deeper into our economy and society, governments globally are facing a host of new and complex issues and our responses to these challenges have to be swift.

Foresight is needed to establish adequate measures in preparing for this shift where technological advancements lead the way, especially in the face of citizens' expectations. The Authority is entrusted to ensure that Malta harnesses an innovative culture and generates a stable telecommunications and postal industry. The groundwork has to be premeditated and strategies to deal with novel technologies need to be formulated.

Back in 2014, it was evident to the Authority that the telecommunications industry was moving at an unprecedented pace. Consequently, Chapter 418 of the Laws of Malta was updated to outline MCA's functions in a more comprehensive manner. This Chapter continues to serve as a legal framework for the MCA to fulfil its remit and encourage Malta's advancement into a Gigabit society.

These updated functions that fall under MCA's remit are vital for a connected Malta, ensuring and encouraging widespread connectivity, competition, scalability, robustness, investment, quality of service, support and innovation.

During 2017, the Authority fulfilled a number of indicators set out in this Chapter. These actions continue to build public confidence in the Authority's role and both consumers, as well as industry, reaped benefits from both the undertakings and achievements.

MCA's work has continued to underline the importance of regulation, quality of service, innovation, net neutrality, monitoring the market and digital inclusion for all, with the objective of ensuring that we drive Malta forward. The work done is based on a strong vision for optimum communication services for Malta. With a well-developed broadband infrastructure in place, the Maltese market has reached a certain maturity in relation to connectivity, which is high on the EU's agenda and is especially important to Malta, as connectivity is

recognised to be the prime enabler for a strong digital economy. Malta is triumphing in this regard, as confirmed through the Digital Economy and Society Index 2018 (DESI) published by the European Commission, which proclaims Malta as the best performing country from all EU member states in the field of broadband connectivity.

In 2017, Malta witnessed the nuances of a fast-evolving competitive market, with the announcement made by two out of the three national telecommunications operators with plans to merge in order to enhance their cost efficiencies and compete with higher intensity. In response to this, and as part of its competition-safeguarding function, the Authority gathered and presented the facts about the current status of the industry landscape and how it is foreseen to evolve. Prepared through detailed analysis of information obtained by MCA's team of economists and market surveyors, this documentation was made available to the competent Authorities. By the end of 2017 and at their own discretion, the involved parties actually decided to halt the merger.

Within this context of an unconcluded merger, the MCA and the industry turned their focus to the assignment of the 800MHz frequency band. An application was published for interested parties to gain access to this bandwidth and the evaluation of the application commenced in the last quarter of 2017. Demand for better service is ever increasing and this assignment of the 800MHz to industry is of great benefit to consumers as it promises to provide even better connectivity, through faster fixed broadband and mobile broadband. In 2017, the Authority held large scale trials utilising the 800MHz in collaboration with industry, with the purpose of building confidence and to address any concerns with regard to this spectrum band, especially concerns on interference. Additionally, preparatory work began in relation to the assignment of 5G pioneer spectrum bands, most notably the 700MHz spectrum, another enabler which promises to ensure innovations in products and services.

Regulatory activities have persisted towards generating improvements in technologies available to end-users and an overall climate that is favourable to investment. During 2017, both nationwide fixed broadband network operators continued in their ambitious plans to ensure that their networks deliver cutting-edge speeds. Melita announced nationwide Gigabit internet speed to the mass market, starting with St Julians, Sliema and Valletta. GO also continued to roll out its Fibre to the Home (FTTH) network, with coverage surpassing 27% of households by the end of the year. These improvements are crucial to the ongoing development of the technology ecosystem and are also indispensable for the continuing competitive survival of operators.

It is reassuring to note that the increase in technological capabilities of fixed broadband networks in Malta was accompanied by a growth in the take-up of Internet services and of higher speeds. Total fixed broadband service subscription went up by around 6% with the number of connections supporting download speeds of 100Mbps or higher going up by around 26,000.

A digital society and digital reliant economy demands more governance and this is being addressed at an EU Level with the establishment of the European Electronic Communications Code. The Code is an important component of the Digital Single Market Strategy, which is imperative for Europe to be a strong contender in the digital global economy. A key pillar of the EU and Malta's Digital Strategy and vital to our regulatory function, is the work that has been ongoing since September 2016, when the European Commission published its proposal for this new Directive. The Code is set to reform current rules that have become outdated, given the dramatic developments in technology and changes in the demand for services and aims to put in place modern 'future-proof' regulation, paving the way for future technological evolution in the coming years.





Throughout 2017, MCA has continued to participate in the policy debate providing technical advice to Government and participating in the drafting and issuance of BEREC (Body of European Regulators of Electronic Communications) opinions on the various aspects in the Code aimed at assisting the European Council and Parliament in their debates. Discussions on such complex rules have not been easy, and at times it was necessary to stand firm when seeing things moving in an unfavourable direction. The Authority is confident that the final outcome will be positive and that it will help make the EU a world-leading digital economy within which Malta continues to play a protagonist role.

MCA's work towards the Code will not stop at its approval, but will take the leading role in the transposition of the Directive into national law and subsequently, its implementation. In close collaboration with our colleagues from national regulatory authorities within EU member states and other stakeholders, MCA will continue to promote effective and independent regulation that ensures communications markets operate in the long-term interests of society.

Monitoring the telecommunications service providers commitments to subscribers is a vital role of the Authority. In order to ensure quality of service (QoS), in 2017, a pre-consultation exercise was initiated with industry to confirm that the level of service promised is actually being delivered. To facilitate this exercise, a data set was procured from Ookla which ranks mobile and fixed broadband speeds from around the world. This is crucial in determining the present situation and it gives the Authority better insight for the planned QoS consultation period, with service providers scheduled to commence in 2018.

Encouraging more investment in infrastructure for delivery of advanced telecommunications has been a priority for the MCA. Looking towards the future, a proposal has been made to Government, exposing a number of risks associated with concentrating Malta's connectivity in one geographical area. The recommendation is that a new connection to mainland Europe would improve Malta's credibility as a destination for international business investment, and would also ensure that the country's future international telecoms connectivity requirements and competitiveness can be met.

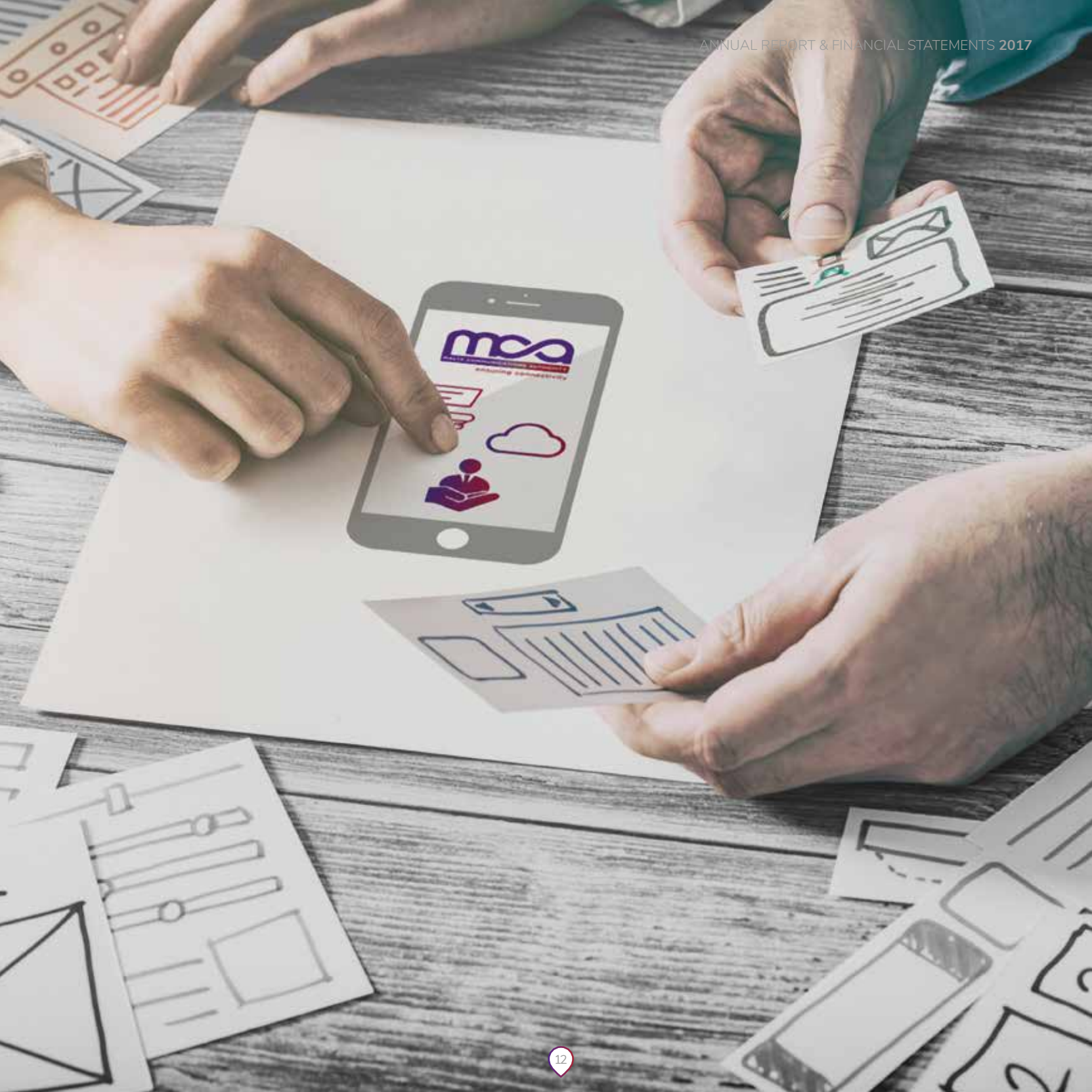
Whilst infrastructural investment and competition in the industry is paramount for the application of the key technologies of today and tomorrow, in 2017, MCA continued to provide clear information to consumers and businesses to assist them to make informed choices in their use of electronic communications services. The rapid uptake of broadband in Malta has certainly created a more connected and contemporary society. The Authority has a strong legacy of successful programmes aimed at reaching out to society and encouraging the first steps in digital accessibility. In 2017, more initiatives that span the broader promotion of the use of digital technologies were actioned, ensuring inclusion across society. This focus evolved further to introduce digital facilitation in areas such as eCommerce, Coding, Cloud Computing and areas of digital innovation, amongst others.

These are dynamic times and society is in a continued state of technology-led transition, at a pace that is not expected to slow down. As the Independent Statutory Authority for the telecommunications and postal industry, the MCA continues to draw on the Government Agenda to place Malta as a front-runner in the adoption of digital technologies and proactive strategies, in order to turn digital disruption into growth across all industries.

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## BOARD & MANAGEMENT COMMITTEE

ensuring connectivity



# BOARD OF DIRECTORS



## FROM LEFT TO RIGHT

The Board is composed of:

Mr Mario Fava

Ms Maria Dimech (Board Secretary)

Dr Edward Woods (Chairman)

Mr Godfrey Vella

Dr Alexandra Mizzi

Perit Simon Saliba

Mr Norman Vella

Ms Sarah Kennard (not in photo)



# MANAGEMENT COMMITTEE

EDWARD WOODS  
CHAIRMAN



ANTOINE  
SCIBERRAS



IAN AGIUS



JASON GALEA



PATRICK VELLA



PAUL MICALLEF



STEVE AGIUS



ROBERT MIFSUD







# WHAT WE DO?

REGULATE AND  
FACILITATE  
TELECOMS



REGULATE AND  
FACILITATE POST



SAFEGUARD  
COMPETITION







MOBILE

WIFI  
HOTSPOTS

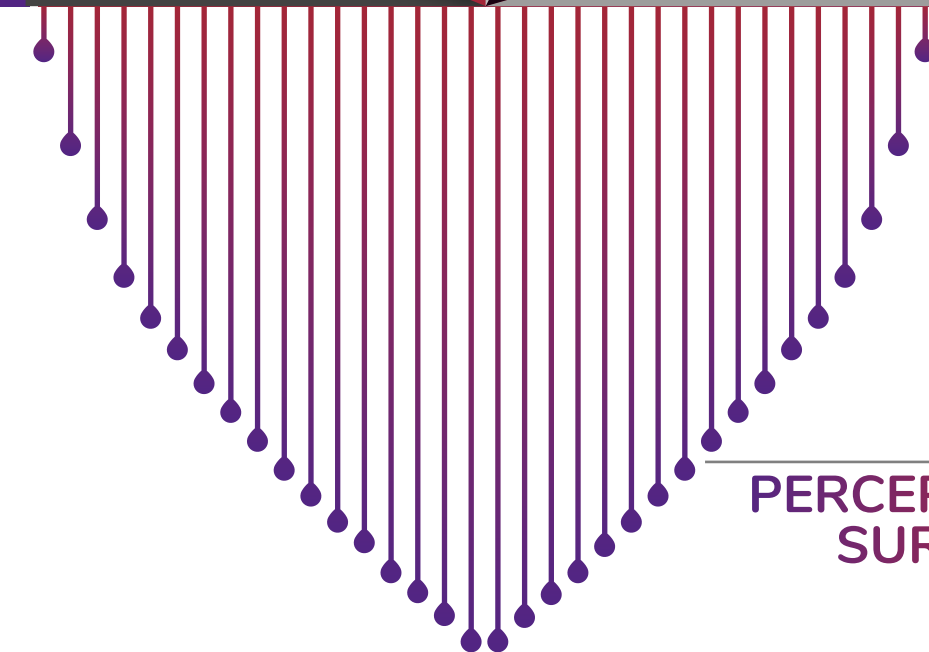
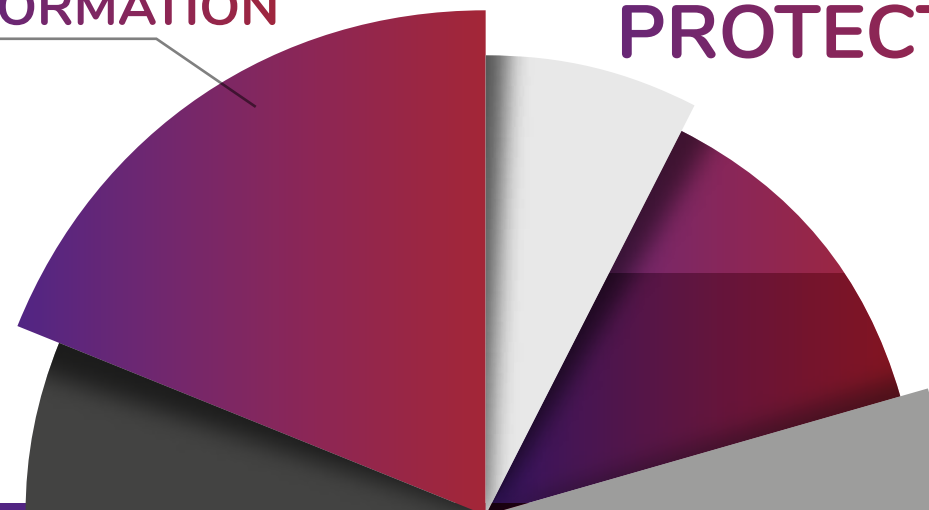


BROADBAND

FIXED  
TELEPHONY

MARKET  
INFORMATION

CONSUMER  
PROTECTION



PERCEPTION  
SURVEYS





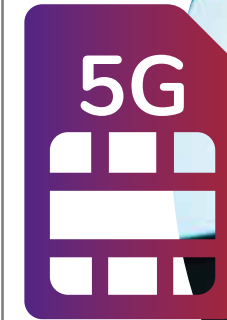
PROVIDE POLICY ADVICE  
TO GOVERNMENT



EU AND INTERNATIONAL  
ENGAGEMENT



INNOVATION



eCOMMERCE



CLOUD  
COMPUTING

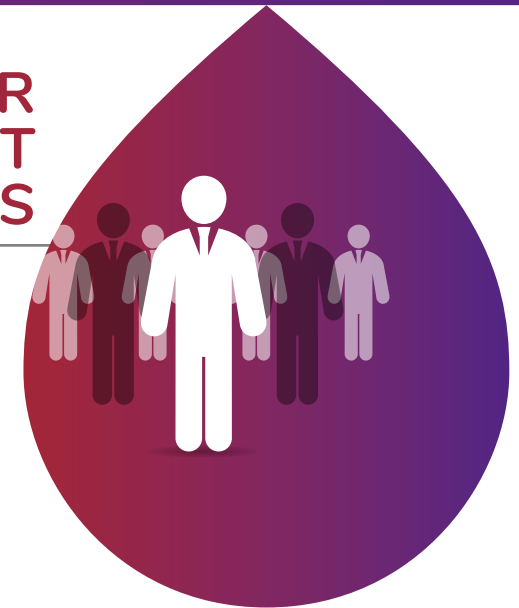


INITIATIVES



TRAINING  
AND  
EDUCATION

CAREER  
DEVELOPMENT  
& INTERNSHIPS



ENSURE DIGITAL  
INCLUSION



INTERNET  
SAFETY

# MARKET OVERVIEW

ensuring connectivity



# MARKET OVERVIEW

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## DISCLAIMER

This document contains information and statistics that have been obtained from sources believed to be reliable in regard to the subject matter covered.

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The cut-off date for the figures presented in this publication is the 18th of May 2018. Figures could be revised when published in the forthcoming Data Report Sheet (DRS) and Communications Market Review (CMR) publications.



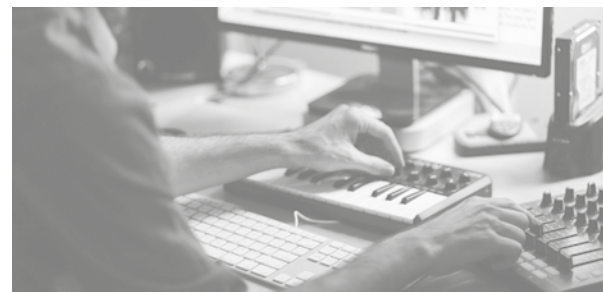


THE NUMBER OF  
SUBSCRIPTIONS  
FOR FIXED  
BROADBAND  
INCREASED BY

10,055

181,318

END 2017



MOBILE BROADBAND  
ROSE FROM

274,775

362,199

WHICH  
REPRESENTS AN  
INCREASE OF

31.8%

YEAR-ON-YEAR



UP BY

7,920

155,676

PAY TV SUBSCRIPTIONS  
AT THE END OF 2017



THE NUMBER OF  
FIXED LINE CALLS  
WAS DOWN BY

6.8%

WHILE THE NUMBER  
OF FIXED VOICE  
CALL MINUTES WAS  
DOWN BY

6.6%



THE NUMBER OF  
MOBILE CALL MINUTES  
WAS UP BY

9.3%



# THE COMMUNICATIONS MARKETS AT A GLANCE

	2017	2016
Number of active fixed line subscriptions	<b>240,280</b>	234,368
Fixed line portings	<b>2,625</b>	1,662
Total number of outgoing fixed calls	<b>129.1 million</b>	138.5 million
Total number of outgoing fixed minutes	<b>462.8 million</b>	495.4 million
Number of mobile subscriptions	<b>604,725</b>	585,470
Mobile portings	<b>33,246</b>	29,544
Total number of outgoing mobile calls	<b>464.2 million</b>	512.8 million
Total number of outgoing mobile minutes	<b>882.8 million</b>	808.0 million
Total number of outgoing SMSs	<b>332.6 million</b>	401.8 million
Fixed broadband subscriptions	<b>181,318</b>	171,263
Subscriptions on speeds less than 10Mbps (Mega Bits Per Second)	<b>857</b>	1,239
Subscriptions on speeds equal to 10Mbps but less than 30Mbps	<b>38,370</b>	68,269
Subscriptions on speeds equal to 30Mbps but less than 100Mbps	<b>105,801</b>	91,194
Subscriptions on speeds equal to 100Mbps or more	<b>36,290</b>	10,561
Pay TV subscriptions	<b>155,676</b>	147,756
Number of analogue cable subscriptions	<b>1,456</b>	5,399
Number of digital cable subscriptions	<b>84,388</b>	71,213
Number of Digital Terrestrial TV (DTTV) subscriptions	<b>34,181</b>	45,640
Number of Internet Protocol TV (IPTV) subscriptions	<b>35,651</b>	25,504
Postal mail volumes	<b>36.9 million</b>	37.1 million
Domestic postal volumes	<b>28.9 million</b>	29.0 million
Inbound cross-border mail	<b>5.87 million</b>	5.94 million
Outbound cross-border mail	<b>2.24 million</b>	2.17 million



## MARKET OUTCOMES 2017

In 2017, we can observe a raft of positive demand-side indicators. Demand for fixed and mobile data rose markedly as evidenced by a higher uptake of fast and super-fast broadband products and a corresponding increase in the active usage of mobile broadband services. Indicatively, both broadband and mobile Internet penetration rates were up compared to the previous year. Take-up of mobile telephony surged ahead, driven by an increasing appetite for mobile voice and data services. Demand for fixed telephony access has also grown, but the segment keeps facing a challenging environment, as consumers call less via fixed and instead shift their usage of voice telephony to mobile. 2017 also exhibits the continuation of a major trend that has shaped the telecoms landscape over the last years, namely the growing demand for bundle products, especially for dual and triple play packages encompassing fixed telephony, fixed broadband and pay TV. Developments on the postal front continue along the same lines evidenced in the past few years, with ongoing declines in local letter mail flows and increases in incoming international mail, the latter being a result of more buoyant eCommerce activity.

The rise in mobile telephony uptake and usage goes on, with more subscriptions registered with local service providers and continued fixed-to-mobile substitution. By the end of 2017, the number of mobile telephony subscriptions totalled 604,725 compared to 585,470 a year earlier, which translates into around 19,000 (or 3.3%) more subscriptions over a 12-month period. This increase is underlined by a rise in post-paid subscriptions that is twice as much as that recorded for pre-paid. Year-on-year growth in mobile voice minute volumes was registered, with a 9.3% increase in traffic. Concurrently, the number of mobile voice calls was down by 9.5%. These contrasting trends signal that consumers are making lengthier calls, most likely as a result of falling rates per minute of communication and a wider availability of call minute allowances. Active usage of mobile broadband data services has also trended upwards in 2017, with 60% of all mobile subscribers actively using the service in the latter half of 2017. Consumers have also shown more willingness to switch suppliers in the year under review. Around 33,000 inward portings were recorded in 2017, which is up by 12.5%

compared to the number of inward portings registered in 2016. Mobile telephony continues to be the least likely product to be bundled with other electronic communication services (ECS), given that the demand profile for this service is more granular and individualised in terms of end-user requirements. Increasing subscriptions and growing demand for mobile telephony services did not however translate into a bigger average revenue per user (ARPU) for the sector. In fact, mobile telephony ARPU in 2017 totalled €177.00, which is down by 0.75% from €178.34 in 2016.

The fixed voice sector has on its part relayed contrasting developments, with two such trends being the rising number of subscriptions and the drop in voice traffic volumes. In the former instance, subscriptions were up by around 5,900 year-on-year, equivalent to a 2.5% increase in subscriptions over a 12-month period. On the other hand, the number of fixed voice calls and fixed voice call minutes were down by 6.8% and 6.6% respectively, compared to traffic volumes recorded a year earlier. Fixed-to-mobile substitution drives the latter trend, as consumers increasingly use their mobile handsets to reach other people via voice calling. Take-up of fixed telephony within a bundle intensified, with the proportion of such subscriptions to the total subscriber base rising by 5 percentage points in a year to reach the 68% mark.

As in previous years, fixed broadband sported positive year-on-year growth, with demand for products supporting fast and superfast download speeds progressing rapidly. The total number of fixed broadband subscriptions was up by around 10,000 (or by almost 6%) in the 12-month period ending December 2017. Subscriptions supporting a download speed of 30Mbps or higher accounted for 78.4% of the local subscriber base at the end of the year, significantly up from 59.4% in a span of twelve months. Also consistent with the historical trend is the increase in uptake of fixed broadband internet in a bundle, which strengthened to 84% of all fixed broadband subscriptions recorded at the end of the current reporting period. Overall, higher uptake of fixed broadband in 2017 pushed the penetration rate of the service to 40.1% of the Maltese population. It is also encouraging to see that the

good progress in fixed broadband adoption coincided with a further 9% year-on-year decline in the average price per Mbps of download, mainly as a result of headline download speeds rising at a faster rate than the upward adjustments observed in monthly access fees.

The increase in pay TV subscriptions recorded in 2017 is a significant development for the sector. This increase materialised, notwithstanding the ongoing developments with respect to take-up of internet TV and online video-on-demand (VOD) viewing. In terms of access platforms, the rate of change remains steady for GO's IPTV, with subscriptions in a year growing by around 40%, from 25,504 at the end of 2016 to 35,651 at the end of 2017. The IPTV platform accounted for 23% of the total subscriber base at the end of the current reporting period, up by almost six percentage points in a year. Meanwhile, GO's digital terrestrial platform saw a 25% decline in subscriptions over a 12-month period to the end of 2017, whilst Melita's digital platform recorded an increment of 13,175 subscriptions. As anticipated, the number of subscriptions on Melita's analogue cable platform dropped further, especially following the announcement in the third quarter of 2017 that all customers on this platform will be switched to the digital cable alternative.

With regard to the postal sector, developments in postal mail volumes are not surprising. These were marginally down by 0.3% year-on-year, from 37.1 million in 2016 to 37.0 million in 2017, with a 4% dip in letter mail volumes fully accounting for this outcome. Meanwhile, other types of mail, namely registered mail, bulk mail and parcel mail showed more buoyant activity year-on-year, but not enough to outweigh the dip in letter mail. Interestingly, parcel mail volumes were up by 4% year-on-year, driven by the flourishing eCommerce activity, as purchases from abroad by local residents and businesses continue to rise.

## FIXED LINE TELEPHONY

The strengthening of the fixed telephony subscriber base in 2017 played out against an evergrowing number of subscriptions purchased in a bundle and the continued fall in fixed voice traffic volumes.

The number of fixed telephony subscriptions reached 240,280 by the end of the current reporting period, which is up by around 5,900 in just a year. Fixed telephony subscriber growth took place in the post-paid segment of the market, with contract-based subscriptions going up by almost 9,500 during this period. Meanwhile, the number of pre-paid subscriptions was down by around 3,600.

Fixed telephony is typically purchased in a bundle. In fact, 68% of all subscriptions reported at the end of 2017 were acquired in a bundle with other electronic communications services, generally in a triple play bundle encompassing fixed broadband and pay TV. Year-on-year, this represents a five-percentage point increase in the proportion of fixed telephony subscriptions purchased in a bundle.

Fixed voice traffic volumes were down year-on-year, with the number of calls and the number of voice call minutes dipping by 6.8% and 6.6% respectively. The biggest fall was for on-net fixed-to-fixed calling i.e. voice calling between end-users subscribed to the same service provider. The downward trend in traffic volumes coincided with a rise in the number of subscriptions, thereby resulting in dwindling voice activity levels per fixed telephony subscription. In fact, the number of voice calls per subscription was down to 544 in 2017 from 596 a year earlier, whilst the number of voice call minutes per subscription was down to 1,950 from 2,133.

Of note is the year-on-year decline in the average rate per minute (ARPM) of fixed voice communication. MCA calculations based on revenues reported by local service providers for the corresponding voice traffic activity show that, overall, the ARPM for fixed telephony was down by almost 3% between 2016 and 2017. This decline is mainly attributable to continued rise in take-up of fixed telephony in a bundle, whereby end-users would typically avail themselves of minute allowances that are included in the packages on offer.

The year-on-year drop in the average revenue per user (ARPU) for fixed telephony reflects the above-mentioned factors of declining traffic volumes and the price reductions that are implicit in the take-up of bundled subscriptions. ARPU for the sector in 2017 totalled €136.30, which is down by 4.5% when compared to 2016.

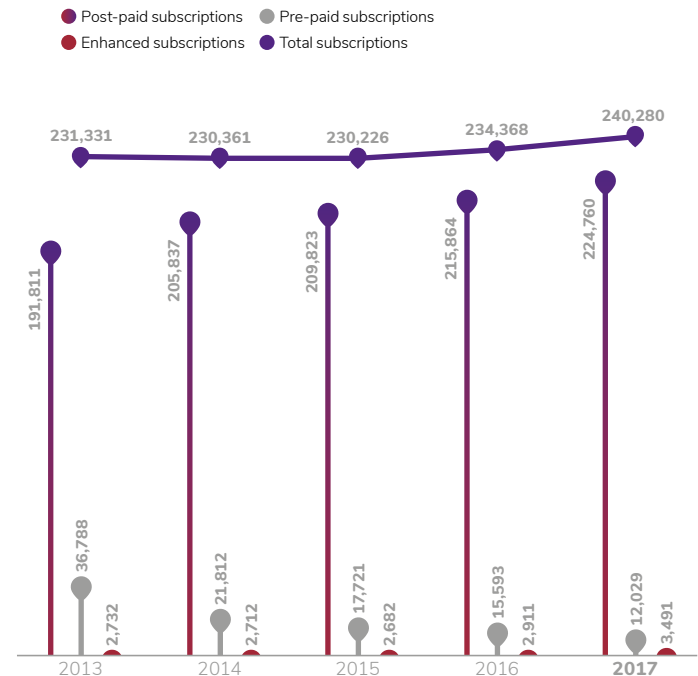
## SUBSCRIPTIONS

The number of fixed telephony subscriptions totalled 240,280 at the end of the current reporting period, which represents a year-on-year increase of 5,912. This increase was composed largely of contract-based subscriptions i.e. post-paid subscriptions<sup>1</sup>, which outweighed the decline in subscriptions recorded for pre-paid. Thus, post-paid subscriptions rose by 9,476 compared to a decline of 3,564 in the pre-paid category. The proportion of all subscriptions on a post-paid contract stood at 95.0% by the end of 2017, up from 93.3% a year earlier.

This shift from pre-paid to post-paid results from the continued efforts of local service providers to bring about this change, such as by implementing marketing strategies that entice end-users to opt for a bundled subscription. By the end of 2017, 68.1% of all fixed telephony subscriptions formed part of a bundle. In absolute terms, the number of fixed telephony subscriptions on a bundle increased by 15,921 (or by 10.8%) between December 2016 and December 2017. The dual-play bundle containing fixed broadband and fixed telephony continues to be the most popular choice with local end-users, with 66,932 dual-play subscriptions involving fixed telephony being recorded by the end of 2017. However, take-up of triple-play subscriptions involving fixed telephony has gone up significantly between 2016 and 2017, in contrast to the small decline in take-up for the dual-play option. In fact, the number of triple-play subscriptions during this period jumped by 16,319 (or by 53.4%) whilst the number of dual-play subscriptions fell slightly by 283 (or by 0.4%).

<sup>1</sup> This heading also includes 'enhanced' subscriptions, which encompass subscribers on packages offering multiple (dual or more) channel connections.

## SUBSCRIPTIONS AS AT END OF PERIOD

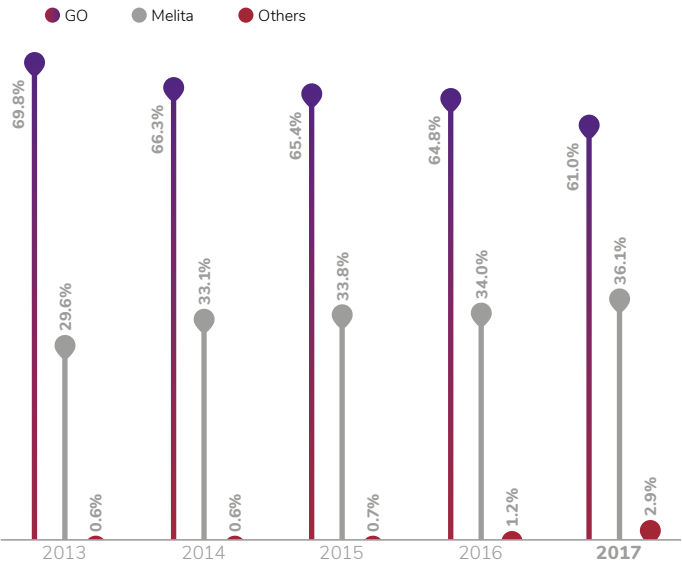


	2016	2017
Fixed telephony subscriptions in a bundle	147,655	163,576
Dual play	67,215	66,932
Fixed telephony + Mobile telephony	7,258	6,092
Fixed telephony + Fixed broadband	54,413	55,793
Fixed telephony + Pay TV	5,544	5,047
Triple play	30,540	46,859
Fixed telephony + Mobile telephony + Fixed broadband	58	24
Fixed telephony + Fixed broadband + Pay TV	30,482	46,835
Quad play	49,900	49,785
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	49,900	49,785
Number of fixed line subscribers (end of period)	234,368	240,280
as a percentage of fixed line subscriptions	63.00%	68.08%

MARKET SHARES IN TERMS OF SUBSCRIPTIONS

From an operator perspective, the main alternative service providers to GO have performed very well in terms of enhancing their market presence. Melita recorded a two percentage point gain in a year, from 34.0% in 2016 to 36.1% in 2017. Meanwhile, Vodafone Malta improved its market presence by almost two percentage points, from 0.8% to 2.6% over a 12-month period. On the other hand, GO's market share was down by almost four percentage points, from 64.8% in 2016 to 61.0% in 2017. Other smaller alternative service providers, namely Ozone Malta and Vanilla Telecoms, together accounted for 0.3% of the market at the end of 2017.

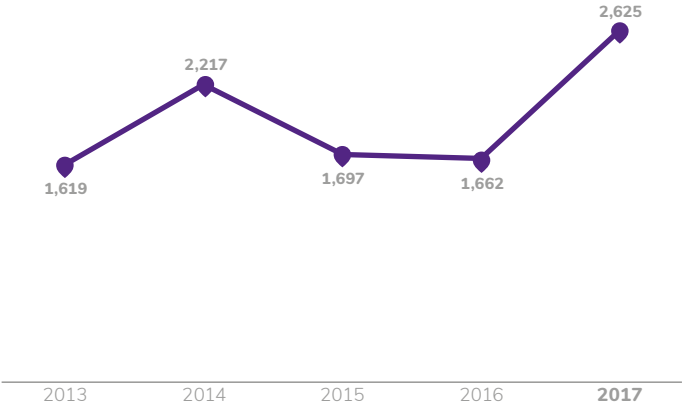
MARKET SHARES IN TERMS OF SUBSCRIPTIONS AS AT END OF PERIOD



FIXED LINE INWARD PORTABILITY

A total of 2,625 fixed line portings were recorded in 2017, up significantly from 1,662 portings recorded in the previous year. This jump in portability for fixed telephony corresponds to the advance of alternative service providers in terms of market share.

FIXED LINE INWARD PORTINGS



TRAFFIC VOLUMES

Changing consumer tastes and behaviours and the rising popularity of mobile telephony are weighing down on the fixed telephony segment, as is evident from the continued loss in voice traffic volumes for the sector. This notwithstanding the rise of fixed telephony subscriptions recorded in the twelve-month period to December 2017. This goes to suggest that the uptake of fixed telephony is being sustained by the proliferation of bundled subscriptions, whilst fixed-to-mobile substitution continues unabated.

Voice calls

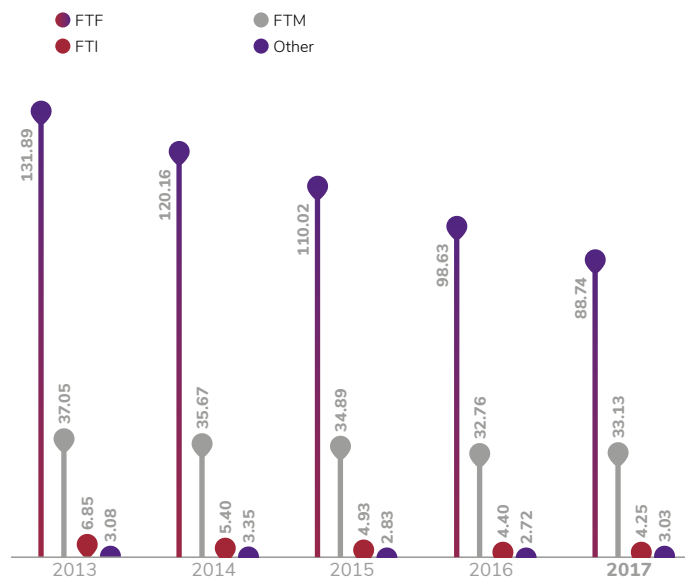
Fixed-to-Fixed (FTF) voice calls remain the most popular amongst subscribers of fixed telephony. In 2017, such calls accounted for 68.7% of the total, with service providers recording 88.7 million FTF voice calls by year's end. The latter figure represents a drop of 9.9 million FTF voice calls compared to 2016.

In line with expectations, around 70.2% of all FTF voice calls took place on-net i.e. between numbers on the same network. In absolute terms, the number of on-net FTF calls was down by 7.3 million year-on-year, from 69.6 million to 62.3 million, equivalent to a 10.5% dip in on-net FTF traffic volumes. The number of calls taking place off-net i.e. between numbers on different fixed networks has also gone down, this time by 2.6 million (or by 8.9%), from 29.1 million to 26.5 million.

Another decline was recorded for the Fixed-to-International (FTI) segment, with the number of voice calls falling by 0.2 million (or by 3.5%) year-on-year.

In contrast with the above-mentioned declines, Fixed-to-Mobile (FTM) call volumes improved by 1.1% year-on-year, from 32.8 million in 2016 to 33.1 million in 2017. The 'other calls' traffic segment, which encompasses premium and freephone calls, also experienced higher activity levels, with traffic volumes rising by 11.3% year-on-year.

### FIXED TELEPHONY TRAFFIC VOLUMES NUMBER OF VOICE CALLS (IN MILLIONS)

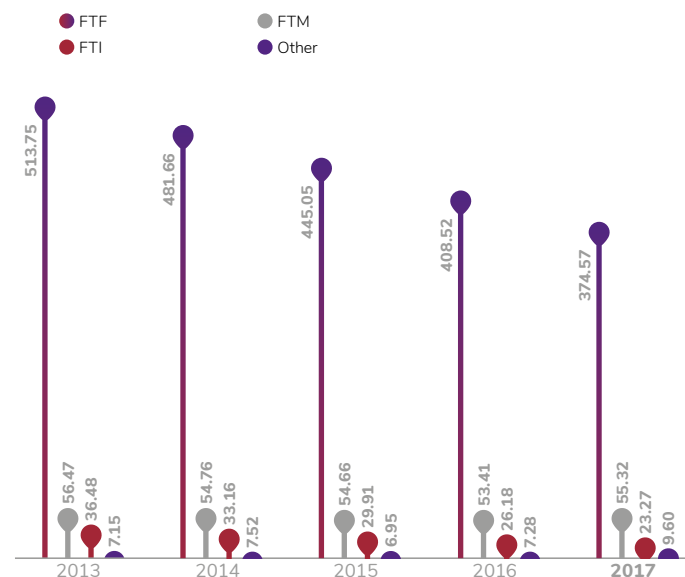


### Voice call minutes

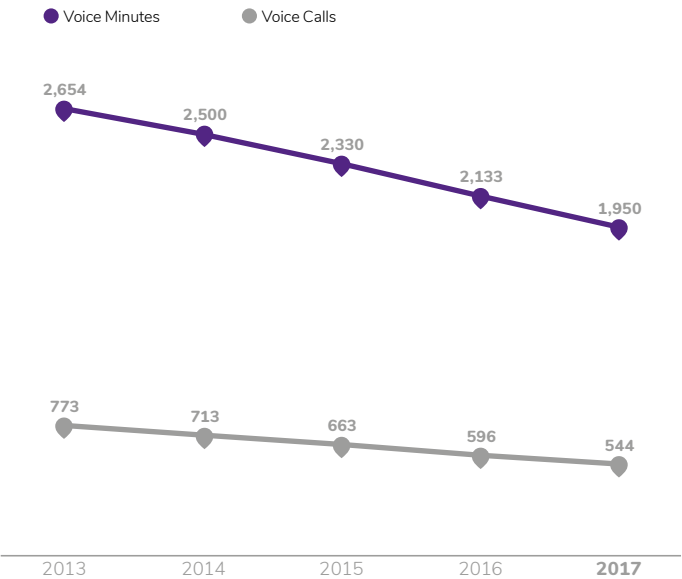
462.8 million fixed telephony voice call minutes were recorded in 2017. Year-on-year, volumes were down by 32.6 million (or by 6.6%). Most of the traffic took place on-net i.e. between numbers of the same fixed telephony operator. The decline in voice call minute volumes happened mainly for the Fixed-to-Fixed segment, with on-net FTF minutes falling by 27.4 million and off-net FTF minutes dropping by 6.5 million. The FTI segment also recorded dwindling traffic during the same period, with the number of voice call minutes falling by 2.9 million.

In contrast, the number of FTM and 'other call' voice call minutes saw a rise year-on-year. FTM traffic was up by 1.9 million (or by 3.6%) and 'other call' traffic was up by 2.3 million (or by 31.8%).

### FIXED TELEPHONY TRAFFIC VOLUMES NUMBER OF VOICE MINUTES (IN MILLIONS)



TRAFFIC ACTIVITY PER SUBSCRIBER



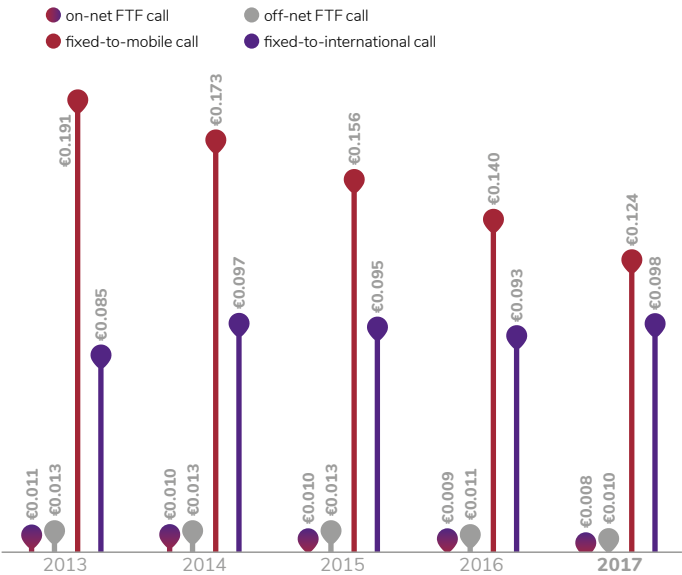
Voice activity levels per subscription trended downward in the period under review, as a result of the decline in voice call traffic volumes materialising in parallel to a rise in subscriptions. In terms of the number of voice calls per active subscription, the annual count was down to 544 in 2017 from 596 in the previous year. Correspondingly, the number of fixed voice call minutes was down to 1,950 from 2,133.

PRICE COMPETITION

The Authority monitors fixed line telephony tariff trends through a revenue-based calculation, which is used to derive the Average Revenue per Minute (ARPM)<sup>2</sup> of fixed line communications.

Price movements for fixed telephony voice services in 2017 were generally in line with those observed in previous years, trending slightly down in favour of the end-user. MCA calculations show that the ARPM was most visibly down for off-net FTF calls, with the rate in this case dropping by almost 15.3%. Meanwhile, the FTM rate was down by 11.1%, from €0.140 in 2016 to €0.124 in 2017, and the on-net FTF rate was down by 5.8%. As already highlighted earlier, the main contributor to this change is the wider availability of minute allowances with fixed telephony purchased in a bundle.

AVERAGE RATE PER MINUTE OF FIXED LINE COMMUNICATIONS



<sup>2</sup> The ARPM calculation divides voice traffic revenues (exclusive of revenues from access fees, VAT and excise tax) by the number of minutes reported under each respective heading.

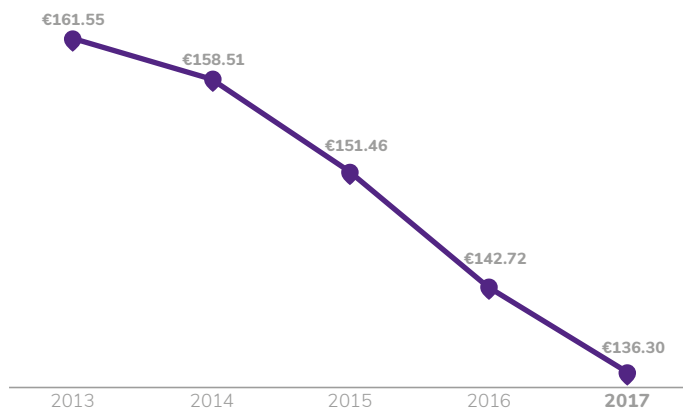
### Average Revenue per Fixed User (ARPU)

ARPU indicators serve as a measure of the average monthly revenue for a particular electronic communications service on a per-user basis.

Fixed ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions for a given period<sup>3</sup>. Revenue includes all revenues from access and voice calls (including revenues from freephone and premium calls, but excluding interconnection revenues).

In 2017, fixed voice traffic volumes were down compared to the previous year, corresponding to a broader shift in voice usage to mobile. This development coincided with an increase in uptake of fixed telephony, underlined by purchases of bundle packages featuring this service. These changes contributed to a 4.5% dip in ARPU for the sector, from €142.72 in 2016 to €136.30 in 2017.

### AVERAGE REVENUE PER FIXED TELEPHONY USER



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

## MOBILE TELEPHONY

The mobile sector has maintained a healthy subscriber growth rate in 2017, with the number of subscriptions progressing by 3.3% year-on-year. In absolute terms, a total of 19,255 new subscriptions were added to the client base of local mobile service providers, with the number of subscriptions reaching 604,725 by year end. Of particular significance is the continued rise in take-up of post-paid plans, with this segment of the market registering a growth rate of 6.7%, compared to a growth rate of 1.6% for the pre-paid market. Despite higher take-up growth for post-paid, the composition of the mobile subscriber base has not changed significantly in 2017. By year end, post-paid subscriptions accounted for 34.8% of the local subscriber base, up from 33.7% a year earlier, whilst pre-paid subscriptions accounted for the remaining share, at 65.2%.

The increase in mobile telephony subscriptions goes hand in hand with the increase in voice traffic volumes, specifically in the form of sizeable progression in mobile voice minute volumes. Year-on-year, voice minute volumes leapt ahead by 9.3%, reaching a total of 882.8 million in 2017. The significance of the increase of voice minute volumes has to be seen in the context of a corresponding decline in the number of mobile voice calls. In fact, the number of outgoing mobile voice calls was down by 9.5% year-on-year. This means that consumers are spending more time in conversation for every mobile voice call they make. Two factors contributing to this trend are the decline in the average rate per minute of mobile communication and a wider access to minute allowances that typically feature in contract-based plans.

Data services are another driver of growth for the mobile sector, with demand by mobile subscribers for the underlying connectivity increasing rapidly throughout the year under review. Indeed, the proportion of mobile subscribers that actively use mobile data services has gone up to almost 60% by the end of 2017, significantly up from around 47% a year earlier. This growth is also fuelled by higher take-up of post-paid plans, which typically feature data allowances.

Notwithstanding the higher take-up and ever-growing usage of mobile voice and data services, mobile telephony ARPU in 2017 was down by 0.8%, compared to a year earlier. This hints towards a higher level of competition in the mobile sector on the basis of price, typically by way of service providers improving on the minute and data allowances they offer to clients.

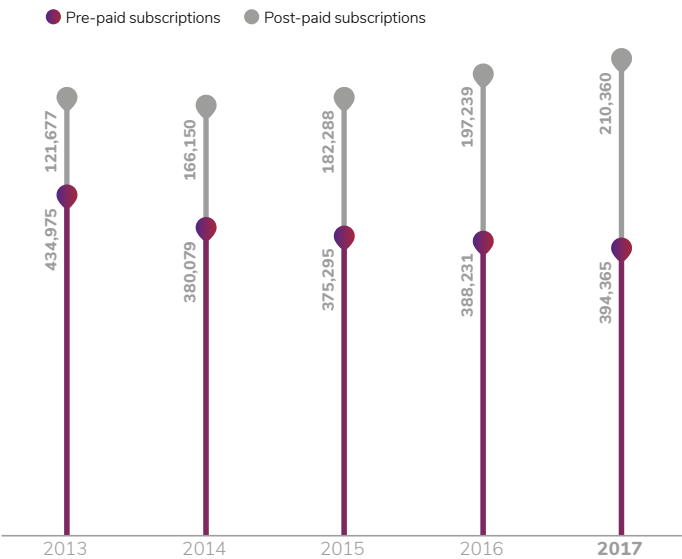
MOBILE SUBSCRIPTIONS

2017 exhibits a further consolidation of the mobile telephony subscriber base, with the number of subscriptions going up by 19,255 (or by 3.3%) in the 12-month period under review, to a total of 604,725 by year end.

As for the composition of the mobile telephony subscriber base as at the end of 2017, 65.2% of all subscriptions were on pre-paid terms of payment. The remaining 34.8% of subscriptions had opted to sign up for a plan with a contract-term agreement.

Upon comparing 2017 with 2016, the number of post-paid subscriptions was up by 13,121 (or by 6.7%), whilst the number of pre-paid subscriptions was up by 6,134 (or by 1.6%).

SUBSCRIPTIONS AS AT END OF PERIOD



Mobile telephony users are not keen on purchasing the service in a bundle. They have a personal attachment to the service and have a more individualised perspective as to what kind of plan they purchase. This explains the low take-up of mobile telephony in a bundle subscription.

In fact, the number of mobile telephony subscriptions forming part of a bundle stood at 57,216 by the end of 2017. This represents 9.8% of the subscriber base recorded at the time.



	2016	2017
Mobile telephony subscriptions in a bundle (end of period)	57,216	55,901
Dual play	7,258	6,092
Mobile telephony + Fixed telephony	7,258	6,092
Triple play	58	24
Mobile telephony + Fixed telephony + Fixed broadband	58	24
Quad play	49,900	49,785
Mobile telephony + Fixed telephony + Fixed broadband + Pay TV	49,900	49,785
Number of mobile telephony subscriptions as at end of period	585,470	604,725
as a percentage of total mobile subscriptions	9.77%	9.24%

## MARKET SHARE

There are five authorised undertakings providing retail mobile telephony services in Malta with nationwide coverage. These are Vodafone Malta, GO Mobile, Melita Mobile, Redtouchfone and VFC Mobile.

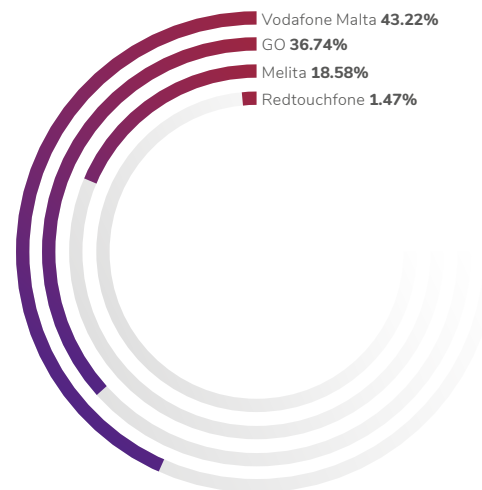
The three largest operators reported an increase in subscriptions in absolute terms, with Melita adding 12,846 new subscriptions to its client base, followed by GO with 4,393 new subscriptions and Vodafone Malta with 2,918 new subscriptions.

In view of the above, Melita's market share improved by 1.6% year-on-year, from 17.0% at the end of 2016 to 18.6% at the end of 2017. Meanwhile, both Vodafone Malta and GO experienced a dent in their market share. In the case of Vodafone Malta the market share was down by a 0.9%, from 44.1% to 43.2%, compared to a 0.5% dip for GO, representing the decline in market share for this operator from 37.2% to 36.7%.

The reseller Redtouchfone has also seen its market share shrink slightly, from 1.7% at the end of 2016 to 1.5% a year later.

VFC Mobile did not report any subscriptions by the end of the current reporting period.

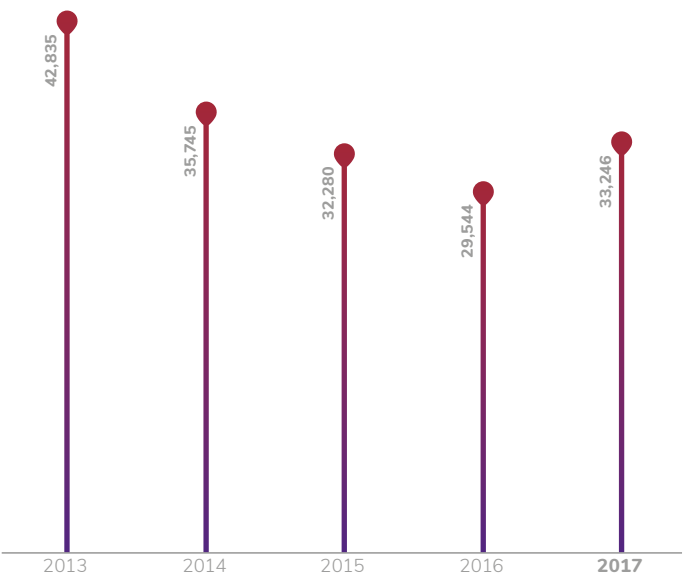
## 2017 MARKET SHARES, BY OPERATOR ON THE BASIS OF SUBSCRIPTIONS AS AT END OF PERIOD



## MOBILE INWARD PORTABILITY

2017 represents a turnaround when it comes to mobile number portability, given that it is the first time over a long time span where the number of inward portings improved year-on-year. A total of 33,246 mobile inward portings have been reported in 2017, significantly up by 12.5% from 29,544 recorded in 2016. Whether this trend persists in the following years remains to be seen.

MOBILE INWARD PORTINGS



ACTIVITY LEVELS

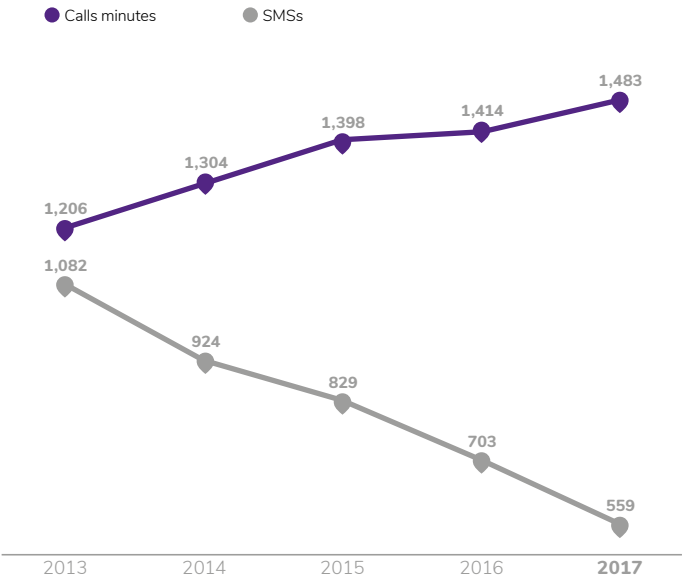
As seen in previous years, consumers continue to move away from the use of traditional SMS messaging and fixed calling to mobile voice calling, primarily as a result of falling rates per minute of communication and improved voice minute allowances.

On average, every active connection in 2017 accounted for 65 voice calls and 124 voice call minutes per month, compared to 75 voice calls and 118 voice call minutes per month in 2016. The contrasting trends observed in terms of activity levels by call and voice call minutes are likely to represent a shift in how consumers perceive the cost of a one-minute call. With the falling rates per minute of communication and availability of voice minute allowances, consumers have become more inclined to make lengthier calls, instead of a larger number of shorter calls.

Continuing on the trend observed in previous years, usage of SMS messaging dropped further in 2017. In fact, the number of SMSs for every active mobile telephony connection averaged at 47 per month in the year under review, down from 59 a year earlier.

In terms of active usage of mobile data, the number of mobile subscriptions making use of related services has gone up from 305,223 at the end of 2016 to 362,199 at the end of the current reporting period. Again, this reflects changing consumer behaviour with respect to connectivity and the availability of plans that induce further usage of mobile data services.

AVERAGE NUMBER OF CALL MINUTES & SMSs PER SUBSCRIBER

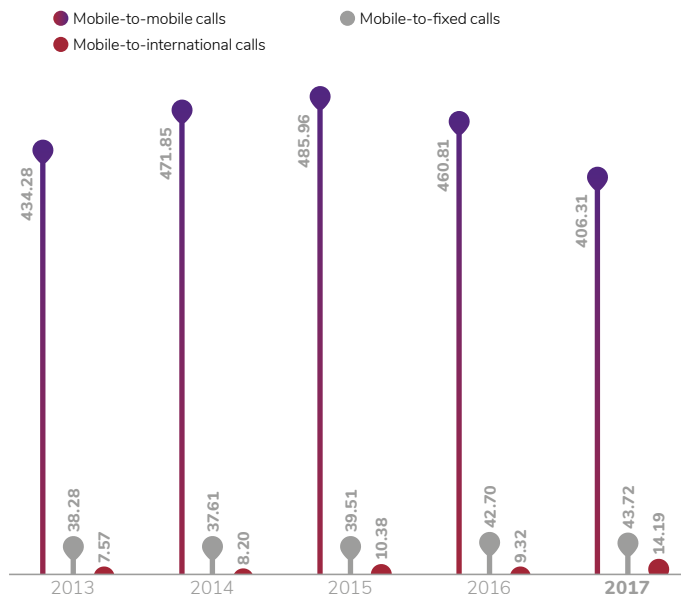


### Voice and SMS traffic

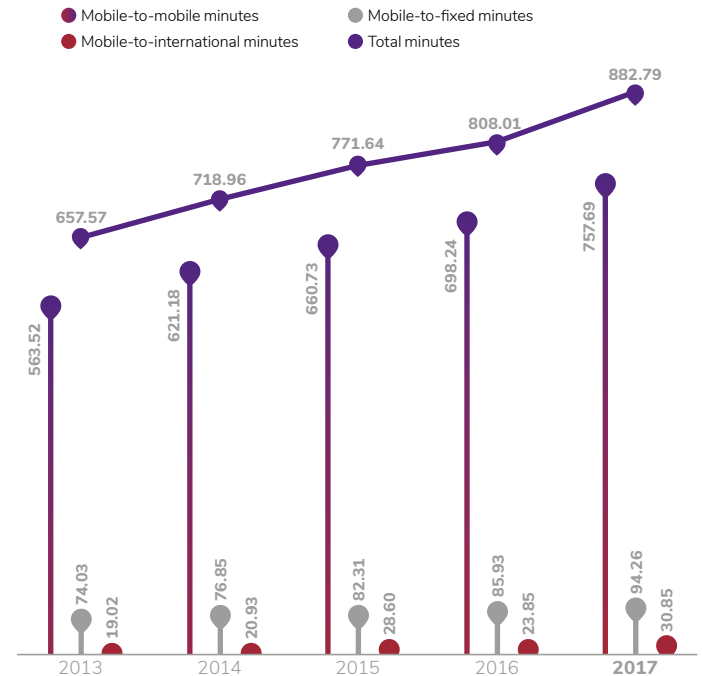
As was observed in the past, the majority of mobile telephony calls took place from one mobile phone to another (MTM) at 87.5%. Despite this, calls taking place from MTM were down by 11.8% and, on average, 406.3 million calls took place throughout 2017. On-net MTM calls were the most popular, with 258.2 million calls taking place within this category. Nevertheless, there was also a decline in this category by 70.3 million (or a drop of 21.4%) when compared to 2016. Conversely, off-net calls increased by 15.8 million within the same period and totalled to 148.1 million by the end of the year.

In comparison, subscribers seemingly continue to elude making calls from a mobile phone to a fixed line (MTF), fearing higher rates. The MCA can report that MTF calls increased by 2.4% year-on-year by the end of 2017 and totalled to 43.7 million of all calls taking place.

### OUTGOING VOICE TRAFFIC VOLUMES NUMBER OF CALLS (MILLION)



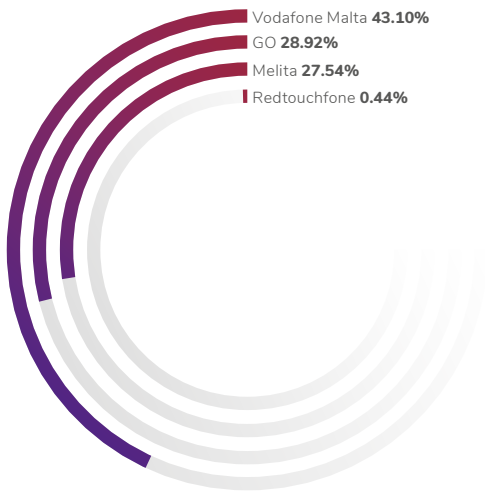
### OUTGOING VOICE TRAFFIC VOLUMES NUMBER OF MINUTES (MILLION)



In 2017, mobile subscribers sent 332.6 million SMSs, down by 69.2 million (or by 17.2%) from 401.8 million in 2016.

SMSs sent from internet portals increased in 2017, with 7.9 million SMSs being sent from the aforementioned platform. This was an increase of almost half a million SMSs when compared to 2016.

2017 MARKET SHARES, BY OPERATOR  
ON THE BASIS OF VOICE CALL MINUTES IN 2017

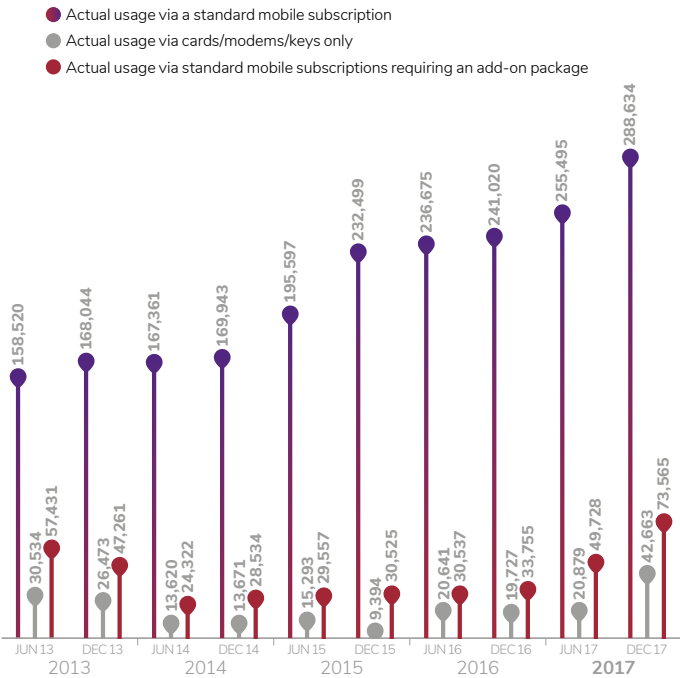


Mobile broadband data

Mobile broadband usage in Malta continues to grow year-on-year as users become more dependent on social media, online video content as well as OTT communication platforms. The increased take-up of post-paid plans with sizeable data plans, as well as cheaper smartphones and the launch of new network technologies have, to a certain extent, contributed to this phenomenon.

By the end of 2017, a total of 362,199 mobile subscriptions made active use of mobile broadband. This represents a 32% increase from the previous year. Meanwhile, active usage of mobile broadband via stand-alone subscriptions involving data cards and dongles has more than doubled, up from 19,727 connections at the end of 2016 to 42,663 by the end of 2017.

MOBILE BROADBAND  
ACTIVE USAGE OF MOBILE BROADBAND CONNECTIONS



International roaming

International roaming is a service that allows a subscriber to a particular mobile operator in one country to obtain voice, data, and/or SMS services from another operator in a country being visited, using the same handset and the same telephone number, facilitated by a common technology and a wholesale inter-operator contract<sup>4</sup>.

<sup>4</sup> Available data distinguishes between inbound and outbound roaming activity. Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta. Outbound roaming activity refers to call, SMS and data services made on foreign mobile networks by local subscribers when roaming abroad.

Total inbound roaming calls, as well as total inbound roaming minutes have increased by 14.4% and 79.4% respectively, when compared to the previous year. Similarly, outbound roaming calls and outbound roaming minutes increased by 11.6% and 25.5% respectively. These increases are likely due to the implementation of new 'Roam Like At Home' (RLAH) regulations during the summer of 2017.

On the other hand, SMSs sent by Maltese whilst travelling abroad declined by 19.4% year-on-year, from 8.2 million in 2016 to 6.6 million in 2017.

## ROAMING ACTIVITY

### NUMBER OF VOICE CALLS



## PRICE COMPETITION

Revenue-based market trends serve the purpose of tracking actual movements in mobile voice call rates and SMS tariffs charged by local operators. The revenue-based workings carried out by the MCA once again show that 2017 displayed trends similar to what was observed in previous years.

The increased take-up of mobile telephony subscriptions, coupled with an increase in the number of call minutes taking place, have once again led to ARPMs of domestic calls and international calls to continue on their downward trend.

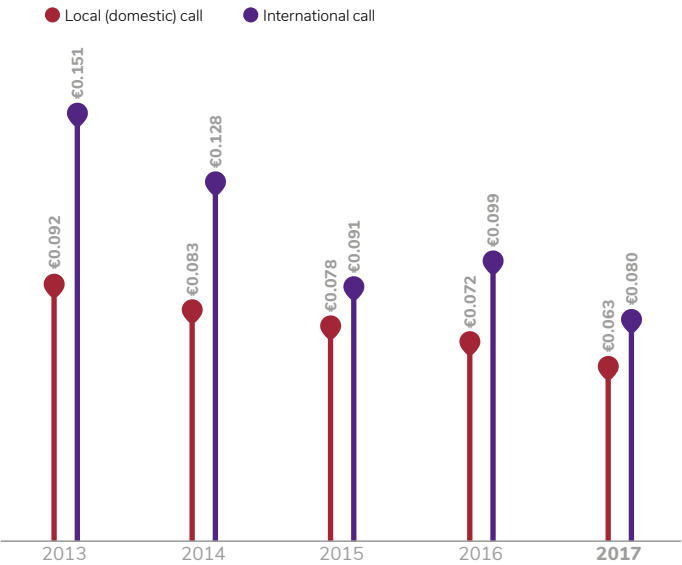
Over the years, the dynamics of the mobile telephony sector have developed as consumers have become less dependent on SMS messaging and more reliant on services which provide greater immediacy, such as applications over data and mobile telephony calls. As a result, operators have risen to meet these demands and have become more competitive, offering plans with increased data and call allowances in the aforementioned fields.

### The ARPM of mobile voice call communications

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

The ARPM for domestic calls decreased again by the end of 2017 and now stands at €0.063, down by 12.5% in comparison to last year. A similar observation was seen with regard to international calls, now standing at €0.080, down 19% in the same period.

AVERAGE RATE PER MINUTE OF MOBILE COMMUNICATIONS



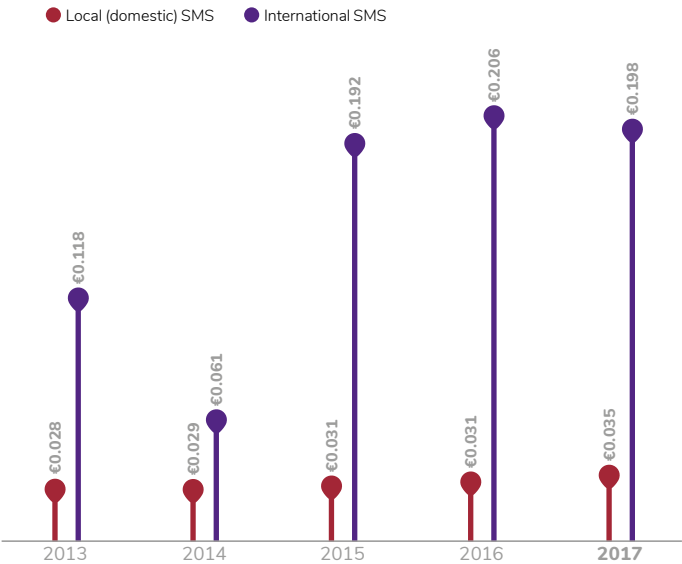
The average rate per SMS

The average rate per SMS is derived by dividing SMS revenues by the number of SMSs reported for the period<sup>5</sup>.

In 2017, subscribers spent €0.035 on average per local SMS, up by 12.9% when compared to the rate prevailing in 2016. A decline was also noted with regard to the average rate per international SMS, down from €0.206 in 2016 to €0.198 in 2017.

<sup>5</sup> Calculations include relevant figures for premium SMSs and SMSs sent from Internet portals. Revenues from VAT and excise tax are excluded.

AVERAGE RATE PER SMS



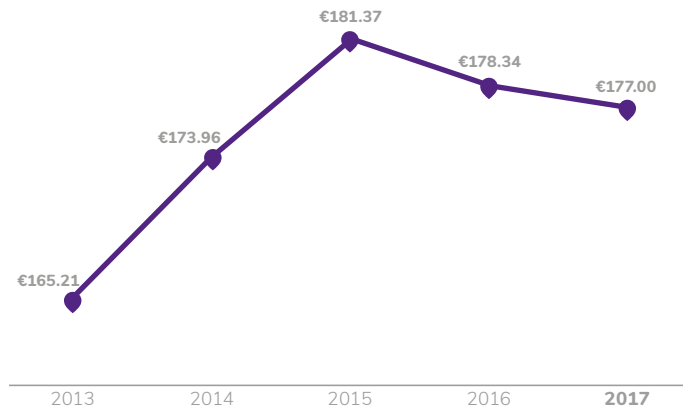
Average Revenue per Mobile User (ARPU)

ARPU<sup>6</sup> for the mobile telephony sector has dropped from €178.34 in 2016 to €177.00 in 2017. This drop can be attributed to a rate of increase in mobile telephony subscriptions outpacing the rate of increase in revenues from higher data and voice minute usage.

<sup>6</sup> Mobile ARPU figures are derived by dividing total revenues of the operator by the average number of active subscriptions, for a given period. The average number of active subscriptions during the respective period is arrived at by adding the number of subscribers at the start of the period plus the number of subscribers at the end of the period, divided by 2.

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

### AVERAGE REVENUE PER MOBILE TELEPHONY USER



## FIXED BROADBAND

Take-up of broadband data services progressed further in 2017, with more people subscribing to fixed broadband and usage of mobile data services growing at a very healthy pace.

In just 12 months, service providers added 10,000 new subscriptions to their client base, pushing the service penetration rate to almost 41% of the Maltese population. In total, the number of fixed broadband subscriptions reached 181,318 by the end of 2017.

More significantly, take-up of fast and superfast fixed broadband gathered bigger momentum and now, these products are solidly the most common choice of the local consumer. At the end of 2017, just around 22% of the local subscriber base opted for a connection with speed lower than 30Mbps, down from 41.6% a year earlier. Also of note is the increasing share of fixed broadband subscriptions in a bundle, up by five percentage points in 12 months to 84.1% by the end of the current reporting period.

Year-on-year, Malta has witnessed a significant growth in the number of consumers accessing mobile data services via their mobile handset. The number of mobile subscriptions actively making use of data services rose by around 32%, from 274,775 in December 2016 to 362,199 in December 2017. Coupled with the rise in the number of active internet dongles and other wireless broadband subscriptions, the number of end-users actively accessing mobile data services shot up by almost 35% in the 12-month period to the end of 2017.

As a proxy measure of price movements for the fixed broadband sector, the MCA monitors changes in the average rate per Mbit of download speed. This mechanism has been in place for a number of years now, and the latest findings indicate that price movements in 2017 maintained a downward trajectory. The average rate per Mbit stood at €0.99 at the end of 2017, down by almost 10% since the end of 2016. Based on this metric, fixed broadband products with download speeds of 50Mbps or more exhibit the most advantageous per Mbit

rate. Higher take-up of fixed broadband with higher download speeds also left a positive impact on the revenue side of service providers, with ARPU for fixed broadband climbing by around 9% year-on-year.

FIXED BROADBAND SUBSCRIPTIONS

Fixed broadband subscriptions totalled 181,318 at the end of 2017, meaning that around 10,000 new clients were added to the subscriber base of local service providers over a period of 12 months. This represents an increase of 5.9% in subscriptions year-on-year.

SUBSCRIPTIONS AS AT END OF PERIOD  
BY TYPE OF PLATFORM

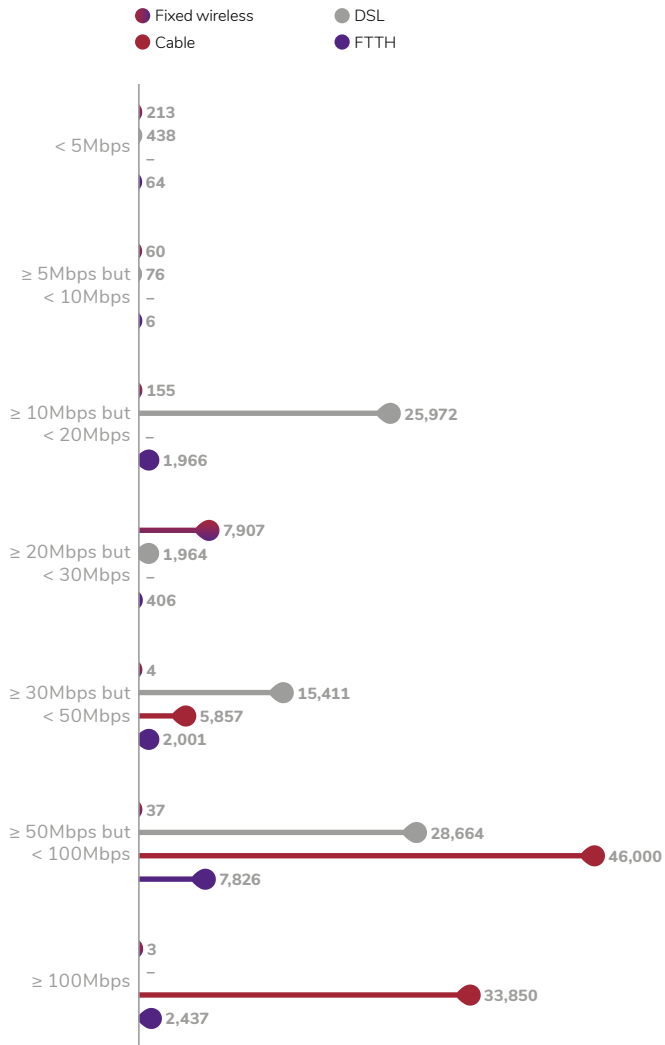


The transition to fast and superfast fixed broadband gained traction throughout 2017, with the number of subscriptions supporting download speeds of 30Mbps or more, reaching a total of 142,091 at year end. On a more disaggregated level, the upward trend has been particularly strong for connections supporting download speeds of 100Mbps or more. Here, the number of subscriptions shot up by 25,729 year-on-year. Meanwhile, the number of subscriptions supporting download speeds of '50Mbps but less than 100Mbps' went up by 21,233. Together, these increases by far exceeded the year-on-year drop of 6,626 subscriptions for products supporting download speeds of '30Mbps but less than 50Mbps' and therefore, fully account for the progress achieved in the fast and superfast segments of the market.

On the other hand, the number of fixed broadband subscriptions supporting download speeds below the 30Mbps threshold were down by 43.5% year-on-year, from 69,508 at the end of 2016 to 39,227 at the end of 2017.



## SUBSCRIPTIONS AS AT END OF PERIOD BY TYPE OF DOWNLOAD SPEED



	2016	2017
Fixed broadband subscriptions in a bundle (end of period)	134,853	152,437
Dual play	54,413	55,793
Fixed telephony + Fixed broadband	54,413	55,793
Triple play	30,540	46,859
Fixed telephony + Fixed broadband + Mobile telephony	58	24
Fixed telephony + Fixed broadband + Pay TV	30,482	46,835
Quad play	49,900	49,785
Fixed telephony + Mobile telephony + Fixed broadband + Pay TV	49,900	49,785
Number of fixed broadband subscriptions as at end of period	171,263	181,318
as a percentage of total number of fixed broadband subscriptions	78.74%	84.07%

Fixed broadband also maintained its position as the most bundled ECS product, with a 13% rise in the number of subscriptions purchased in a bundle with other electronic communications services, to reach 152,437 by year end. As a result, the proportion of fixed broadband subscriptions in a bundle spiked from 78.7% at the end of 2016 to 84.1% at the end of the current reporting period.

## MARKET SHARES

Fixed broadband access in Malta is provided by a number of service providers over the following fixed technologies: Digital Subscriber Line (DSL), Fibre-to-the-Home (FTTH), cable and fixed wireless.

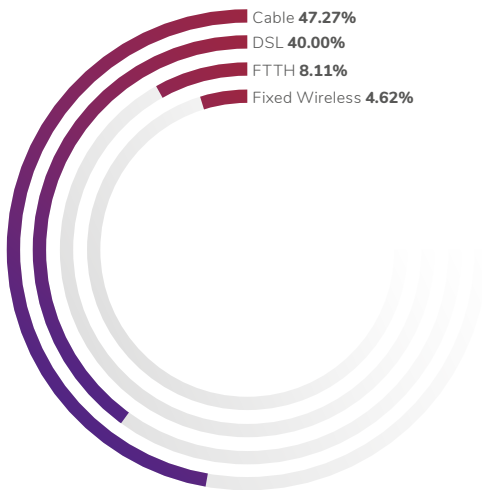
In terms of market share developments by access technology, cable retained the lead over other platforms, with 47.3% of all fixed broadband subscriptions at the end of 2017 accounted for by this platform. This share is relatively unchanged in relation to that recorded at the end of the previous year. The share of FTTH and the Fixed Wireless platforms also improved year-on-year, from 5.6% to 8.1% in the former case and from 3.0% to 4.6% in the latter case.

On the other hand, the share of DSL was down by 4.2 percentage points during the same period, from 44.2% to 40.0%.

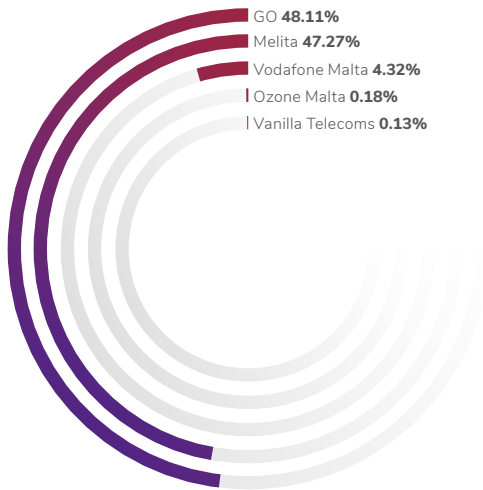
Taking a look at subscriptions by service provider, GO added 2,076 new subscriptions to its client base in 2017 and boasts the largest number of subscriptions at year end. Nevertheless, this operator still lost market share year-on-year, from 49.7% at the end of 2016 to 48.1% at the end of 2017. This is because other service providers managed to consolidate their client base by a larger number of new subscriptions throughout the period under review.

Melita added 4,826 new subscriptions, with its market share improving slightly from 47.2% to 47.3%. Meanwhile, Vodafone Malta added 3,195 new subscriptions and saw its market share rise from 2.7% to 4.3%. The combined market share of Ozone Malta and Vanilla Telecoms was unchanged at around 0.3%.

MARKET SHARES – BY TECHNOLOGY PLATFORM  
AS AT END 2017



MARKET SHARES – BY OPERATOR  
AS AT END 2017



PRICE COMPETITION

The MCA utilises the average rate charged by local service providers per each Mbps of download (the rate per Mbps) when measuring how fixed broadband prices change over time. This metric is derived by monitoring changes in the actual advertised rates for local broadband packages and the corresponding advertised download speeds (or headline download speeds)<sup>7</sup>.

Changes in the average rate per Mbps cannot be seen in isolation given that, for example, consumers may benefit from offers discounting this rate even further, such as by opting for triple or quad play bundle offers that come with discounted monthly access fees for a limited period of time.

<sup>7</sup> MCA workings are based on actual advertised headline speeds for stand-alone products and do not take into account promotional offers and fixed broadband products included in triple play and quad play bundled packages.

### Average rate per Mbps

Overall, the average rate per Mbps has been in decline for a number of years, mainly as headline download speeds improved. 2017 was no exception, with the average rate per Mbps falling to €0.99 by year end, which is down by almost 10% from €1.10 a year earlier. This decline reflects the drive by local service providers to update their line-up by products supporting higher download speeds. Meanwhile, monthly access fees have gone up over the years, but not as fast as headline download speeds.

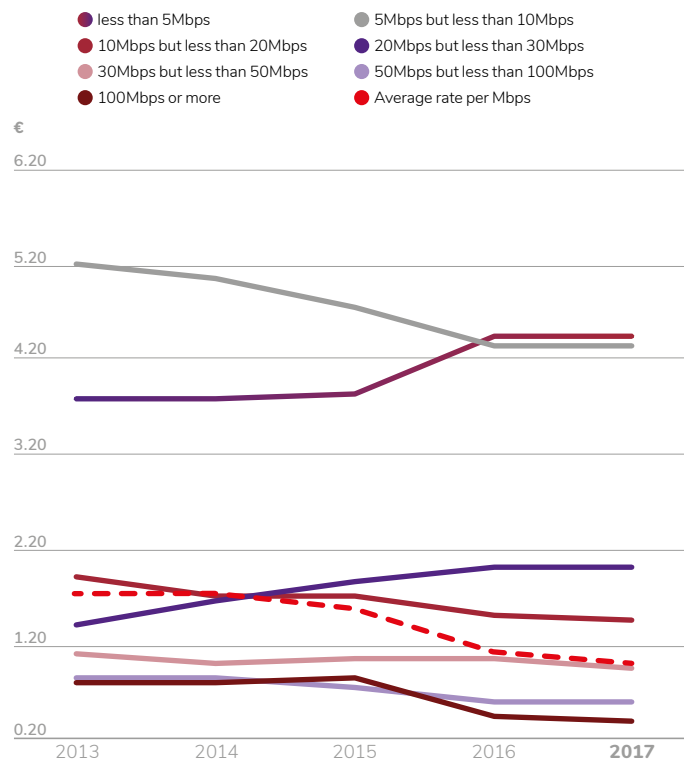
The cost of fixed broadband varies substantially across the different product ranges outlined in this section. The average rate per Mbps for connections supporting a download speed of 'less than 5Mbps' and connections supporting a download speed of '5Mbps but less than 10Mbps' benchmark significantly above the corresponding rates for other product ranges. In the case of the 'less than 5Mbps' product range, the average rate per Mbps stood at €4.43 at the end of 2017, whilst that for the '5Mbps but less than 10Mbps' product range stood at €4.33. Both rates were unchanged year-on-year.

The average rate per Mbps goes significantly down to €2.01 for the '20Mbps but less than 30Mbps' product range and to €1.44 for the '10Mbps and less than 20Mbps' product range. In the latter case, the average rate per Mbps was down by 4.6% year-on-year. Meanwhile, the average rate per Mbps was unchanged for the '20Mbps but less than 30Mbps' product category.

The lowest average rates per Mbps apply for connections supporting headline download speeds of 30Mbps or more. In the case of the product category supporting download speeds of '30Mbps but less than 50Mbps', this stood at €0.97 per Mbps by the end of the current reporting period, down by 9.3% year-on-year. The average rate per Mbps for the product category supporting download speeds of '50Mbps but less than 100Mbps' was also in decline year-on-year, in this case by 2.9% from €0.62 to €0.60.

Connections supporting download speeds of '100Mbps or more' exhibit the lowest rate per Mbps at the end of 2017, at €0.38, which is down by 18.1% from €0.46 a year earlier.

### FIXED BROADBAND – AVERAGE RATE PER MBPS



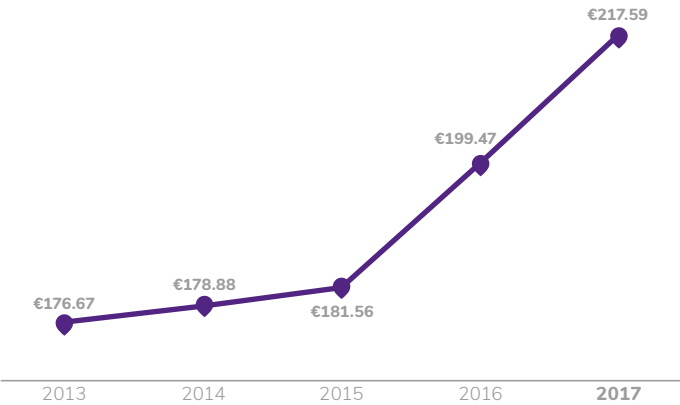
### FIXED BROADBAND ARPU

Fixed broadband ARPU is an indicator evaluating fixed broadband operators' revenues per user. This is calculated by dividing the total retail revenues from broadband subscriptions, but excluding revenues from installation, by the average number of subscriptions<sup>8</sup>.

<sup>8</sup> The average number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the period under consideration, divided by two.

Growing demand for fixed broadband products supporting higher download speeds is translating into higher revenues for local service providers. This is evident from the changes observed for fixed broadband ARPU, which was up by 9.1% year-on-year, from €199.47 in 2016 to €217.59 in the year under review.

AVERAGE REVENUE PER FIXED BROADBAND USER



PAY TV

Take-up of pay TV sector has seen a return to growth in 2017, with subscriptions increasing by 5.4% over a 12-month period to reach 155,676 by year end.

Melita's digital TV and GO's IPTV platforms experienced a notable surge in take-up<sup>9</sup>. Melita's digital pay TV segment experienced a 19% boost in the client base, with subscriptions rising by 13,175 in the 12-month period ending December 2017. GO's IPTV platform has also registered solid growth, with subscriptions rising by 10,147 year-on-year to reach 35,651 by year end. Meanwhile, the other pay TV segments registered a drop in subscriptions, each for completely different reasons. The decline in Melita's analogue pay TV subscriptions has been going on for several years, but the announcement by this operator that it will be discontinuing the service accelerated the process considerably. On the other hand, the decline in the number of GO's DTTV subscriptions has to do with the successful drive of this operator to switch clients to its interactive products. GO's subscriptions on DTTV were down by 25.1% year-on-year.

Bundling of pay TV remains a predominant practice. In fact, the number of pay TV subscriptions in a bundle surged ahead by almost 16,000 year-on-year, which is twice the number of new subscriptions appearing on the client books of local pay TV service providers during the same period. In view of this increase, the proportion of pay TV subscriptions in a bundle climbed from 58.2% at the end of 2016 to 65.3% at the end of the current reporting period.

Despite the solid growth in subscriptions, retail revenues for the sector did not accelerate at the same rate, with ARPU for the sector declining by 3% year-on-year. There are two main reasons for this. First, looking at the monthly access fees applicable for the stand-alone pay TV products that are on offer, we observe that, overall, the average advertised rate has gone down by almost 25% year-on-year to €18 at the end of 2017. This change reflects two main developments in 2017, namely the launch of new plans earmarked for

<sup>9</sup> Traditional pay TV services in Malta are currently offered over four different platforms, namely analogue cable (which is no longer marketed and is only offered to existing clients), digital cable, digital terrestrial (DTTV) and Internet Protocol (IPTV).

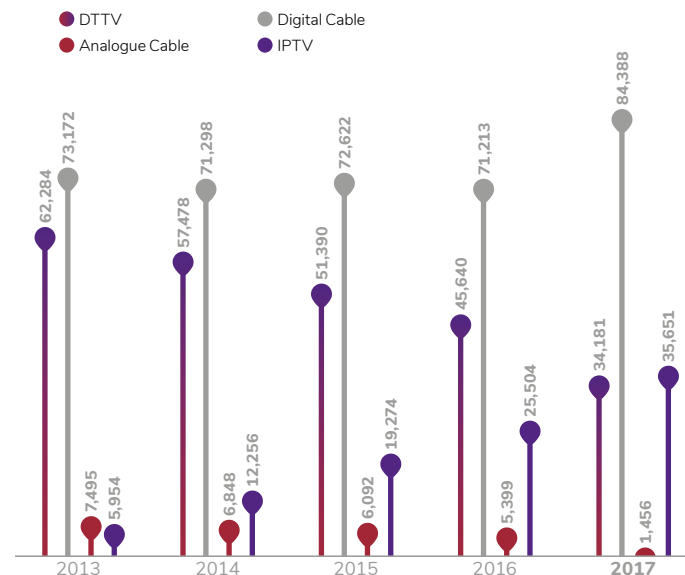
customers requiring a plan with a small number of channels. The streamlining by Melita of its product line-up to just one plan is another change of note in this respect. In addition, more subscriptions have been purchased on a bundle in 2017, thereby allowing consumers to avail themselves of the temporary discounts that come into effect with these plans.

## SUBSCRIPTIONS

There were 155,676 pay TV subscriptions by the end of 2017, up by 7,920 (or by 5.4%) from 147,756 subscriptions recorded a year earlier. This upward change in subscriptions is attributed to gains in the digital cable and IPTV platforms, which more than outweighed losses recorded for the analogue cable and DTTV platforms.

The number of subscriptions for analogue TV went down substantially from 5,399 to 1,456 during the period under review, following the announcement by Melita that it would be discontinuing the service. Meanwhile, the DTTV platform saw a 25% drop in subscriptions, from 45,640 at the end of 2016 to 34,181 at the end of 2017. The latter change is attributed to the switching of GO's subscriptions to interactive-based plans. In fact, GO's IPTV subscriptions were up by 10,147 during the same period. Also, Melita's digital cable subscriptions were up by 13,175.

## SUBSCRIPTIONS AS AT END OF PERIOD



Another key change in take-up of pay TV is the rise in the number of subscriptions being purchased in a bundle. By the end of 2017, 65.3% of all pay TV subscriptions were purchased in a bundle with other electronic communications services. This represents a 7.1 percentage point increase year-on-year.

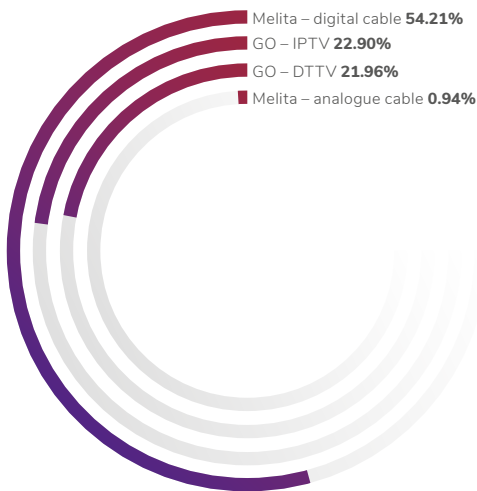
	2016	2017
Pay TV subscriptions in a bundle (end of period)	85,926	101,667
Dual play	5,544	5,047
Pay TV + Fixed telephony	5,544	5,047
Triple play	30,482	46,835
Pay TV + Fixed telephony + Fixed broadband	30,482	46,835
Quad play	49,900	49,785
Pay TV + Fixed telephony + Mobile telephony + Fixed broadband	49,900	49,785
Number of pay TV subscriptions as at end of period	147,756	155,676
as a percentage of total number of pay TV subscriptions	58.15%	65.31%

MARKET SHARE DEVELOPMENTS

Market share developments reflect the changes in the demand profile of the local customer. Melita’s digital cable pay TV featured as the most popular platform at the end of 2017, as it accounted for 54.2% of the local pay TV subscriber base. Year-on-year, this platform experienced a jump of six percentage points in its market share. GO’s IPTV has also seen a rise in its popularity during the same period, with its market share climbing by almost six percentage points, from 17.3% to 22.9%. Mainly as a result of the latter change, GO’s DTTV platform has seen a dilution in its market presence, with the market share falling by nine percentage points year-on-year, from 30.9% to 22%.

Following Melita’s notification that the analogue cable TV platform will be discontinued, a large number of analogue cable subscriptions have been switched or disconnected. This explains the drop in market share for this platform, from 3.7% at the end of 2016 to 0.9% a year later.

2017 MARKET SHARE – BY OPERATOR IN TERMS OF ALL PAY TV SUBSCRIPTIONS



PRICE COMPETITION

An assessment of price movements for local pay TV packages is carried out on the basis of observed advertised rates for stand-alone products<sup>10</sup>. The assessment distinguishes between several categories of products depending on the number of channels featuring on the channel line-up. An average for the market is then calculated.

The overall average monthly advertised rate paid by subscribers for pay TV services at the end of 2017 stood at €18.00, down from €23.99 a year earlier. This change effectively reflects the launch of new products by Melita and GO earmarked for customers that only require a basic TV service. Melita introduced its ‘Starter Pack’ plan in the first quarter of 2017, charging a price of €9.99 for a mix of 20 standard channels and 4 HD channels. Subsequently, GO launched its ‘Start Interactive TV’, which is the cheapest pay TV plan currently offered by the operator, at a price that is identical to that applicable for Melita’s Starter Pack. A significant adjustment in the product line-up was implemented by Melita in 2017, with this operator no longer offering stand-alone plans featuring more TV channels than currently available with the ‘Starter Pack’. Such products are now only available with Melita’s ‘Flexi’ bundle offers. A number of adjustments were also implemented by GO as to the channels featuring in the line-up of its pay TV plans. However, it did not affect the categorisation of products offered by this operator throughout the year under review.

At a disaggregate level, the pay TV category encompassing packages listing ‘up to 24 channels’ only features Melita’s price of €9.99 for its ‘Starter Pack’, hence the average for this product category stood at this level by end of 2017.

<sup>10</sup> All rates related to this sector featured in this report are inclusive of the access charge per set-top box and VAT.

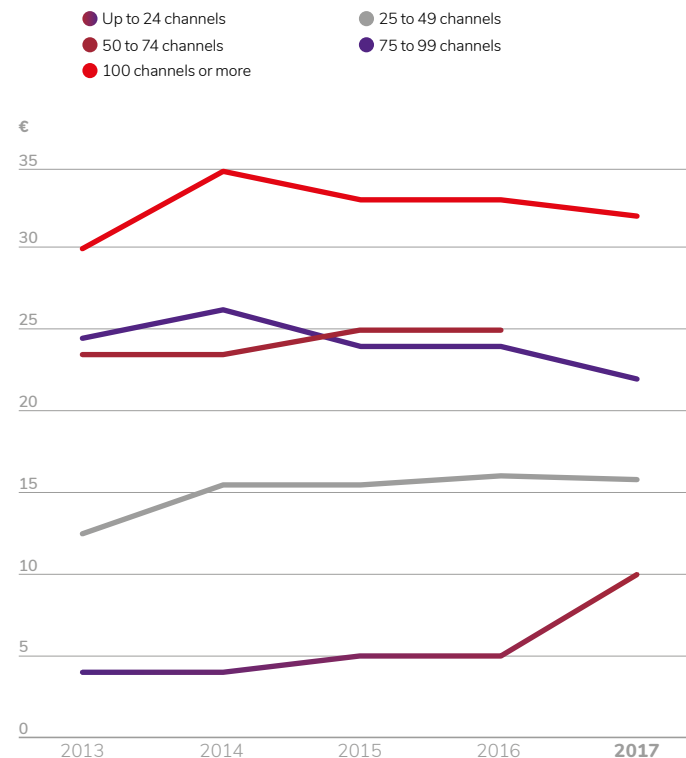
In the case of the pay TV category encompassing packages listing '25 to 49 channels', the average advertised rate stood at €14.66 at the end of 2017, which is down from €16.49 a year earlier. As already outlined earlier, this change is a result of GO's launch of the 'Start Interactive TV' plan, which brought down the average advertised rate for this product category.

No pay TV plans featured under the category encompassing packages listing '50 to 74 channels' in 2017.

Meanwhile, the categories listing pay TV plans featuring '75 to 99 channels' and '100 channels or more' were down year-on-year. In the former case, the average advertised rate declined by 8.3%, from €33.99 and €32.00 respectively. This is a result of Melita discontinuing the 'Large' plan, thus leaving only GO's 'Silver Interactive TV' plan in this category. A similar development occurred in the case of the '100 channels or more' category, where Melita also discontinued to offer the 'Extra Large' plan, leaving only GO to offer a stand-alone plan called the 'Gold Interactive TV' plan. This had the effect of bringing down the average advertised rate for this product category from €33.99 at the end of 2016 to €32.00 at the end of the current reporting period.

It must be noted that billing and other charges (such as fees related to the use of direct debit) are not taken into account when arriving at the final figures, as it is considered that local service providers typically offer customers an opportunity to avoid such charges.

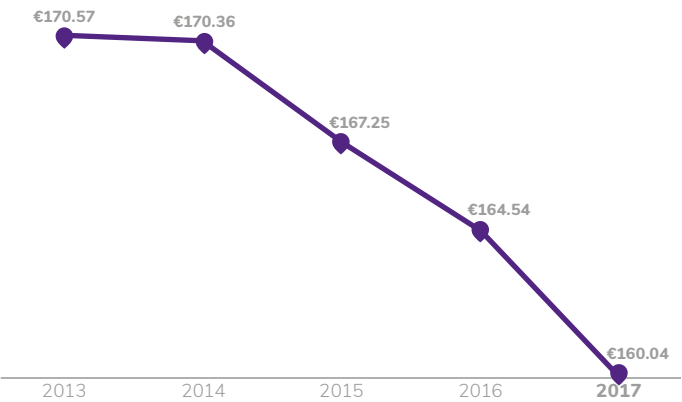
### AVERAGE MARKET RATES FOR PAY TV PACKAGES WORKINGS BASED ON ADVERTISED PACKAGES RATES (EXCL. OPTIONAL ADD-ONS)



PAY TV ARPU

Pay TV ARPU in 2017 totalled €160.04, which is down by 2.7% compared to ARPU recorded in 2016. Mainly, this decline is attributable to the drop in the average advertised rate for stand-alone pay TV products and the rising number of pay TV in bundled subscriptions. This development has to be seen in the context of bundle offers, allowing for discounts or the total financial outlay that would be incurred if the bundle components are purchased separately.

AVERAGE REVENUE PER PAY TV USER



POST

The major changes shaping the postal activity landscape in 2017 were consistent with developments observed over the last years. Year-on-year, postal mail volumes were marginally down by 0.3%, with the fall in single piece letter mail volumes fully contributing to this change. The downward trend in single piece letter mail has to do with the increasingly digitally-enabled consumers becoming more inclined to use online communication platforms.

The move towards digital presents the postal sector with opportunities. Of significance is the growing demand for parcel mail delivery driven by ballooning eCommerce activity. Parcel mail volumes were up by 4% year-on-year, whilst postal activity for registered mail and bulk mail was also on the rise. Registered mail volumes were up by 5% year-on-year, whilst a 2% gain was observed for bulk mail volumes.

From a pricing standpoint, this review makes reference to a report published on a yearly basis by Deutsche Post, which benchmarks the postal rates observed across different countries, including Member States of the EU. On the basis of this benchmarking exercise, Malta’s 2017 postal rates for a standard domestic letter and an outbound letter (i.e. letter mail directed to any other EU country) benchmark well below the rates derived for the EU 28 average.

As regulator for postal matters, the MCA is also responsible for setting the quality of service standards (QoS) which MaltaPost must meet on a yearly basis. In the year under review, MaltaPost succeeded in surpassing the QoS targets set for local registered mail, bulk mail and priority inbound parcels, but failed to meet the QoS target set for local ordinary mail.

MAIL VOLUMES

Postal volumes in 2017 totalled 37.0 million mail items, which is down by 0.1 million mail items (or by 0.3%) when compared to volumes registered in the previous year. Bulk mail items accounted for 57.7% of the total number of mail items delivered to Maltese homes and businesses in 2017. Single piece letter



mail items made up 36.7% of all mail items that were delivered, followed by registered mail items at 4% and parcel mail at 1.6%.

### Developments by type of postal mail item

The slight drop in postal mail activity is attributed to a decline in single piece letter mail volumes, which outweighed volume gains for registered mail, bulk mail and parcel mail.

The number of single piece letter mail volumes was down by 3.9% year-on-year, from 14.1 million items in 2016 to 13.6 million items in 2017. On the other hand, the number of bulk mail and registered mail items was up year-on-year by 0.4 million items and 0.1 million items respectively (or by 1.7% and 5.0% respectively). The number of parcel mail items was also up during the same period, in this case by 0.02 million items (or by 4.0%).

### POSTAL ACTIVITY VOLUMES BY TYPE OF MAIL



### Developments by type of postal activity

Standard mail continues to be the most popular postal service used in Malta, accounting for 96.5% of all mail volumes recorded in 2017. Express mail accounted for the remaining 3.5%.

The number of standard postal mail items handled in 2017 totalled 35.7 million, down by 0.2 million (or by 0.5%) when compared to the previous year. On the other hand, the number of express postal mail items delivered in 2017 totalled 1.3 million, representing a 5.9% increase over volumes reported in the previous year.

### POSTAL ACTIVITY VOLUMES BY TYPE OF MAIL ITEM



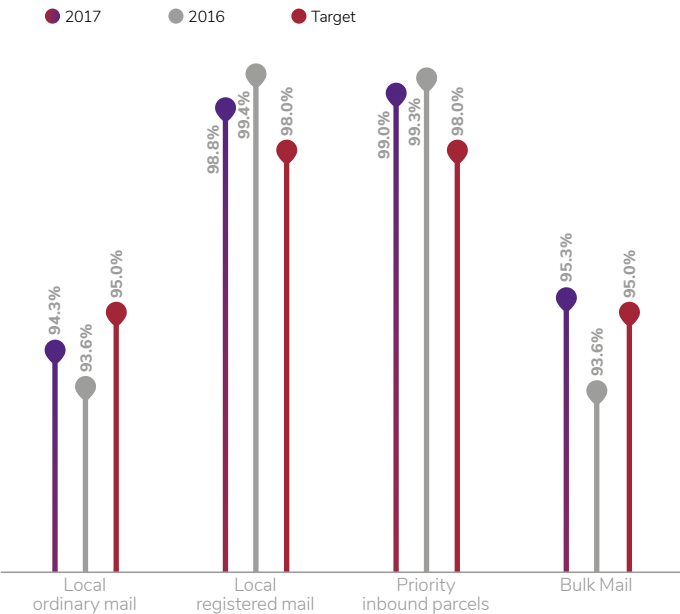
QUALITY OF SERVICE

The MCA establishes efficiency targets for measuring quality of service delivery by MaltaPost, in order to monitor how the universal service provider is performing with regard to the delivery of local ordinary mail (QoS target for D+1<sup>11</sup> set at 95%), bulk mail (QoS target for D+1 set at 95%) and local registered mail (QoS target for D+1 set at 98%).

The data reported in the chart below includes information directly submitted by MaltaPost on a regular basis to the MCA. This information outlines the level of quality achieved by this operator for the delivery of different mail services during a particular period.

MaltaPost reports that, in 2017, it has surpassed the QoS delivery targets set by the MCA for registered mail, bulk mail and priority inbound parcels. However, MaltaPost did not meet the QoS target for the delivery of local ordinary mail.

QUALITY OF SERVICE FOR MALTAPOST



<sup>11</sup> D+1 is defined as the mail quality standard that the provider should reach and which represents one (1) working day from the day of deposit, to delivery to addressee.

LETTER MAIL POSTAGE RATES IN MALTA AND THE EU

A study carried out by Deutsche Post benchmarks Malta's nominal postage rates at the bottom of the ranking amongst the [28 Member countries of the European Union](#)<sup>12</sup>. Malta features as the 'country charging the lowest domestic letter price in nominal terms', at €0.26, compared to €0.84 for the EU 28 average.

At a charge of €0.59 for a letter to another European country, Malta also features at the bottom of the price ranking amongst EU countries, with the average charge being €1.37 for the EU 28.

It is noted that Deutsche Post's study takes into account all postage rates applicable as of March 2017.

<sup>12</sup> Link to Deutsche Post latest publication: [http://www.dpdhl.com/en/media\\_relations/media\\_library/documents/letter\\_price\\_survey\\_europe.html](http://www.dpdhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html)

# 4

## ELECTRONIC COMMUNICATIONS AND SPECTRUM

ensuring connectivity



# ELECTRONIC COMMUNICATIONS AND SPECTRUM

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The electronic communications operators in Malta continue to invest and upgrade their networks, in order to meet the ever-growing demand for better quality of service and additional bandwidth on both fixed and mobile broadband networks.

The MCA promotes and safeguards an open, competitive electronic communications market so that end-users can have access to advanced, affordable and high-quality services.

The Authority encourages a competitive environment in the electronic communications markets through monitoring and intervention. By keeping abreast with all the changes, both locally and internationally, the MCA regulates with this in-depth knowledge of the sector. Standards are set by the thorough understanding of both the services being offered by the providers and the needs of consumers and business.

The MCA regulates by:

- undertaking market reviews and imposing remedies on operators found to have Significant Market Power (SMP) to enable new entrants to compete on a level playing field;
- managing national spectrum and numbering resources, taking into account potential impact of the assignment and allocation of these scarce resources in the supply of electronic communications services; and

- facilitating customer mobility, i.e. customers are free to switch providers in response to better deals in the markets.

## PROMOTING AND SAFEGUARDING COMPETITION IN THE ELECTRONIC COMMUNICATIONS SECTOR

Throughout 2017, the MCA continued to promote competition and create a climate for increased investment and innovation in fast and ultra-fast fixed and mobile broadband technologies via a number of initiatives as described below.

### ***Input to the proposed concentration between Apax Partners Midmarket SAS (which owns Melita Ltd. together with Fortino Capital) and Vodafone Malta Ltd.***

Following the publication of a 'Notification of Concentration' published in the issue of the Government Gazette of 6 June 2017, the MCA submitted its written observations on this concentration to the Director General of the Office of Competition within the Malta Competition and Consumer Affairs Authority (MCCAA). In its submission, the MCA highlighted the potential impact on competition resulting from the proposed concentration, as well as on other aspects concerning spectrum assignment and management.

The MCA provided further detailed input to the Office of Competition in response to the latter's request. Following an initial assessment, the Office of Competition initiated a detailed Phase II investigation, in view of serious concerns on significant impediment to effective competition in the market.

In December, the proposed transaction was terminated and the notification of concentration withdrawn by both companies as they declared that they were unable to satisfy the MCCA's requirements.

In the course of the year, the MCA had to realign its work programme, taking into account these developments.

### **Maintaining conditions for a multi-player scenario in the NGA environment**

In February 2016, the MCA published a decision document entitled 'Virtual Unbundled Access to Fibre-to-the-Home, Response to Consultation and Decision'. In its Decision, the MCA stated that it intended to issue a further Decision aimed at enhancing and maintaining the implementation of the VULA remedy through the development of a series of metrics, aimed at safeguarding an Other Alternative Operator against any potentially discriminatory behaviour.

In January 2017, the MCA published a consultation document putting forward the series of metrics to serve as a measurement tool to gauge the performance of particular processes, namely:

- Order Validation and Installation of a VULA FTTP Connection;
- Termination of a VULA FTTP Connection; and
- Fault Reporting and Fault Resolution of a VULA FTTP Connection.

MCA received responses from GO plc and Vodafone Malta Ltd. The process for the issuance of a final decision was influenced by the proposed merger between Vodafone and Melita.

Further to the withdrawal of the notification of concentration in December 2017, the MCA intends to finalise and publish its decision in 2018.

### **Facilitating deployment of, and access to, Next Generation Networks**

During 2017, the MCA continued to facilitate the deployment and access to the physical network infrastructure for the provision of ECS services. The MCA engaged in discussions with the involved stakeholders, namely the ECS, energy and other utilities operators, together with public sector bodies, in order to identify and improve upon any impediments that may be experienced in the roll-out of fixed and wireless telecommunications infrastructure. In particular, the MCA provided its assistance and expertise to the Building Regulations Office to ensure that newly constructed or renovated buildings will facilitate the deployment of high speed fixed and wireless networks.

The MCA also continued to assist ECS providers in reaching lease agreements with Government to make use of strategically located telecommunications towers, which are essential for enhancing mobile coverage and resilience.

### **Efficient Management and Use of Numbers**

Access to numbers is essential to the functioning of electronic communications markets. The MCA is entrusted to ensure efficient use of Malta's numbering plan, including attaching conditions to the rights of use of numbers.

During 2017, the MCA continued to monitor operators in their utilisation of numbering resources, whilst keeping abreast of developments in emerging telecommunications markets that would require assignment of such resources in the future. The MCA is guided by the principle of balancing the need to preserve this finite national resource, against the need to ensure an adequate supply of numbers to meet the demands of new and existing customers and service providers, whilst enabling technological change.

### **Business Perception Surveys**

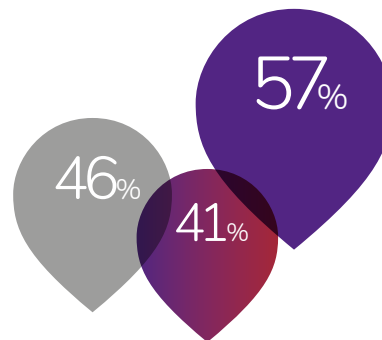
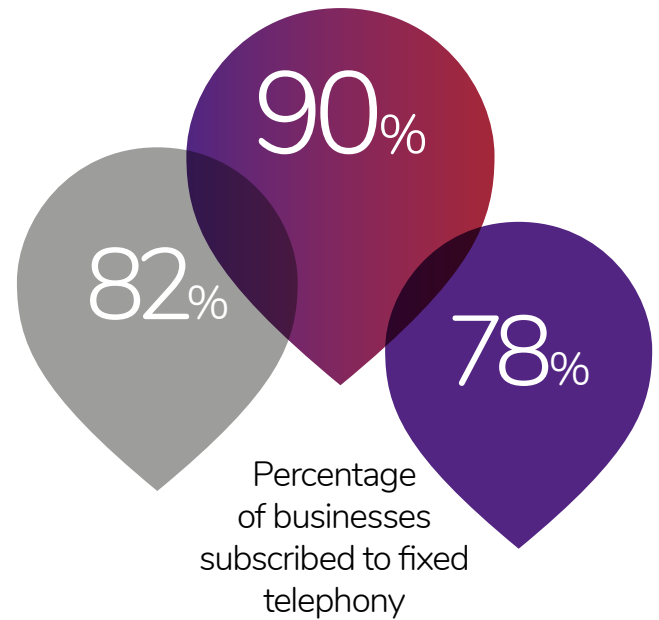
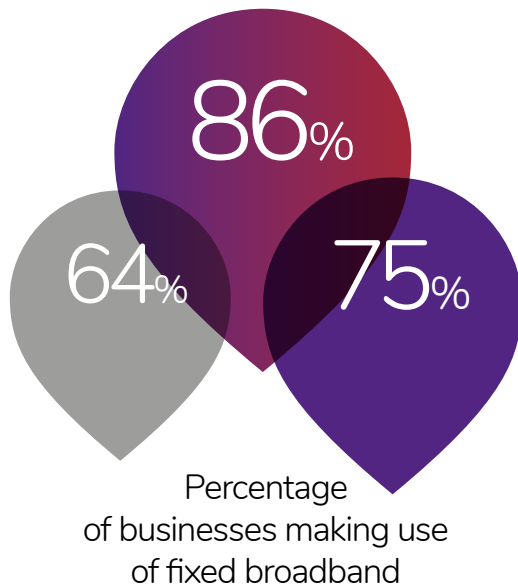
The MCA has been carrying out Business Perception Surveys on a two-yearly interval since 2008. These surveys are aimed at examining the views and opinions of local businesses based on their experience in using products and services related to mobile telephony, fixed broadband, fixed telephony, and other tailor-made packages for business clients. The variables assessed include the level of satisfaction with the products and services being purchased, the sensitivities to price changes, and the overall experience with service level agreements.

The results of these surveys serve as an additional source of information for the MCA's regulatory decisions, in order to ensure an environment that is conducive to sustainable competition and investment in view of the growing demands of the future.

In November 2017, the MCA published the findings from its Business Perception Survey that was carried out for the period December 2016 to March 2017.

Survey findings indicate that the majority of local businesses are largely satisfied with their interaction with electronic communications service providers operating in Malta. With a significant majority of interviewed companies having a subscription to fixed telephony (90%), as well as fixed broadband (86%), along with a significant proportion of businesses offering their employees with a mobile connection (41%), the general perception is that the services purchased are of a good quality and offered at a reasonable price.

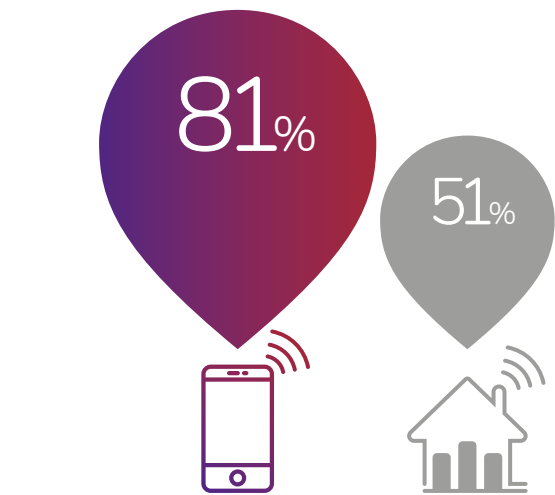
Respondents have generally shown a lack of awareness of their monthly expenditure on the products and services purchased from local service providers. Of those businesses that are aware of their monthly expenses on the services under investigation, the majority feel that their monthly expenditure is reasonable.





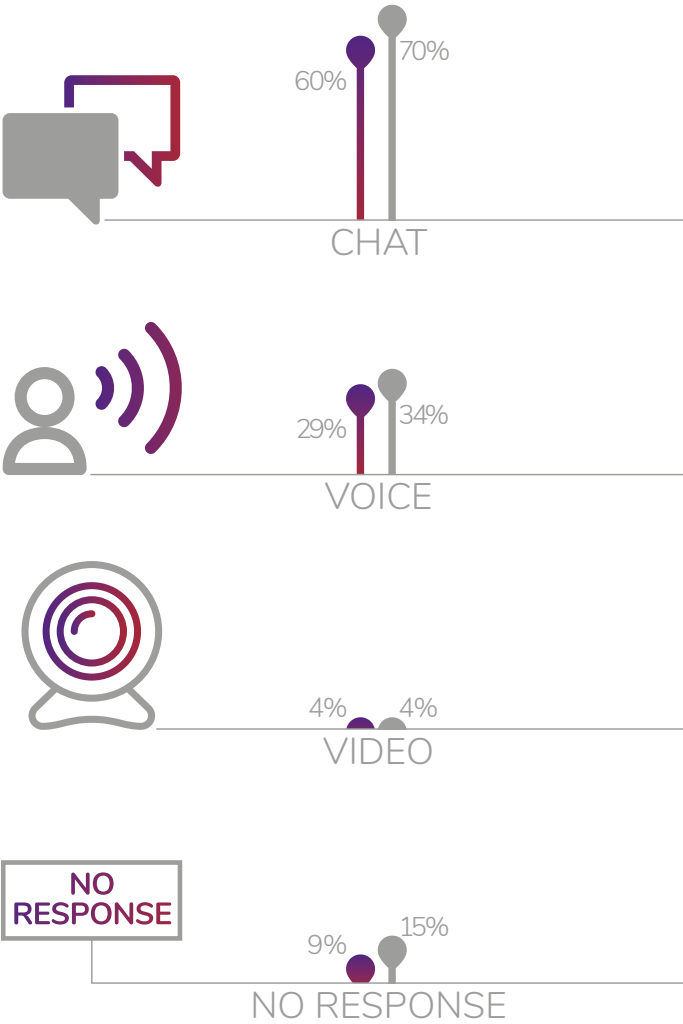
Also of note is that only a small percentage of respondents reported having made a switch between operators in the last two years. For example, only 5% of respondents having a fixed broadband connection reported having changed their operator over the last two years, and only 6% in the case of respondents having a mobile subscription. This somewhat corresponds to the survey findings of a perceived high level of quality of service being offered by local service providers to their business clientele. Notwithstanding this, a segment of respondents still perceive switching to be an inconvenient process and switching to alternatives would not meet their business requirements.

PERCENTAGE OF FIXED BROADBAND AND MOBILE BUSINESS USERS MAKING USE OF OTT SERVICES



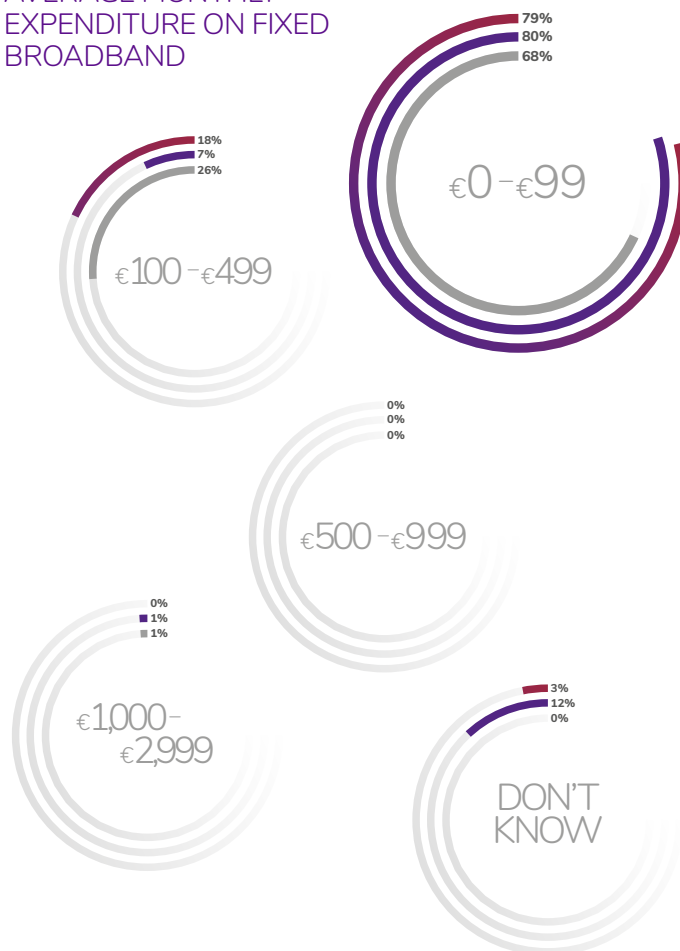
● mobile broadband    ● fixed broadband

TYPE OF OTT SERVICES THAT ARE USED



Usage of mobile broadband is also quite a widespread practice among local businesses, with 51% of interviewed businesses stating that they make active use of the service, particularly for chat-based and voice-based Over-the-Top services (OTTs). These businesses have also shared a highly positive perception as to the quality of service obtained when using mobile broadband.

### AVERAGE MONTHLY EXPENDITURE ON FIXED BROADBAND



### DO RESPONDENTS FIND THEIR MONTHLY EXPENDITURE TO BE EXPENSIVE OR REASONABLE?



● 2016 ● 2014 ● 2012

### Consumer Perception Surveys

In 2017, the MCA also carried out the necessary fieldwork on a number of consumer perception surveys dealing with pay TV services, mobile telephone services, fixed broadband, fixed telephony and bundles. The findings of these surveys are expected to be published in 2018.

### Data gathering and related publications

The MCA compiles data received from local operators on a quarterly and ad hoc basis. This data is published on the MCA website, following a validation exercise that is carried out internally. Currently, the MCA is publishing data on a quarterly basis in the Data Report Sheet (DRS), which lists the quarterly time series data for a number of electronic communications and postal indicators. A detailed presentation and assessment of the data is provided in the bi-annual Communications Market Review (CMR) publication, covering the period January to June and July to December of each year. The MCA intends to consolidate its repository of data publications in 2018, particularly as regards ongoing retail price movements.

## ENSURING TRANSPARENT, VALUE FOR MONEY SERVICES TO END-USERS

### Informing, empowering and protecting consumers

The MCA is committed to enhancing consumer well-being by safeguarding the rights of end-users of communication products and services through consumer empowerment and enforcement action, where appropriate. Subscribers' contracts, termination and switching procedures, as well as customer care services, are monitored to ensure that all applicable regulatory requirements are being adhered to. The Authority also operates a customer care function that investigates consumer complaints and addresses queries related to their services.

In 2017, the MCA developed and implemented two national campaigns aimed at educating and empowering consumers on roaming services and on the Internet. Information resources, including guidelines and frequently asked questions, were developed and made available on the Authority's website.

The campaigns utilised various channels to deliver the key messages, including traditional media (participation in TV and radio programmes, newspaper articles), as well as social media platforms.

Further information is provided under the Consumer Protection chapter.

### Roaming management and monitoring

Conventional roaming charges within the EU came to an end on 15 June 2017, as a result of a series of Regulations<sup>1</sup> enacted between 2015 and 2017. Users are able to use their mobile devices when travelling in the EU, whilst paying the same prices as when they are at home (domestic prices). In order to prevent any abusive or anomalous usage, as in the case of a permanent roaming scenario, a 'fair use policy' may be established by an operator.

The MCA actively conducted implementation monitoring by means of:

- Specific test devices in various EU countries outside Malta using operators' SIMS to check:
  - that transparency messages are sent;
  - applicable tariffs are in line with the roaming regulations;
- Checking domestic service providers of mobile services' advertised tariff plans on their respective websites and various mediums; and
- Following up on any matters brought to the MCA's attention by subscribers and operators.

Prior to the implementation of 'Roam Like at Home' (RLAH), all mobile service providers were adhering to the RLAH+ Regulation. During the initial part of 2017, the MCA maintained close contact with all mobile telephony service providers, exchanging information and providing expertise and clarifications on RLAH-related matters. Two of the service

<sup>1</sup> The 2015 Telecoms Single Market Regulation, the 2016 Implementing Act on Fair Use and Sustainability, and the 2017 Review of Wholesale Roaming Charges.

providers actually introduced RLAH measures prior to the set implementation date of 15 June 2017. Only minor compliance matters were highlighted by the MCA to one of the operators and these were rectified within a couple of days.

No applications for sustainability derogation were received, and no increases in domestic prices before or after the 15 June 2017 were noticed.

In addition, through an internal analysis, the MCA observed a change in data roaming usage patterns, where both the Maltese travelling abroad and the foreigners visiting Malta increased their usage.

The MCA also continued to participate and provide its contribution within the Body of European Regulators of Electronic Communications (BEREC) working group tasked with the development of guidelines and reports on the application of the Roaming Regulation.

### Net Neutrality

Net neutrality initiatives aim at ensuring that the local internet service providers uphold the quality of the open Internet, meet minimum quality of service requirements and maintain non-discriminatory access to the Internet.

The MCA ensures that these principles are upheld in line with the EU Telecoms Single Market Regulation. The MCA notes that there were no major concerns on open Internet access during 2017. An initial assessment on the twelve months preceding April 2017 was published and presented to the European Commission in May 2017, with the subsequent analysis forming part of a report due in June 2018.

Apart from its continued oversight of the open Internet, the MCA also participates actively in BEREC which is tasked by the European Commission with the Regulation's implementation. The MCA contributes its expertise within BEREC on matters concerning the development of guidelines supporting the Regulation, as well as tools for the qualitative and quantitative assessment of the open Internet.

Information on net neutrality also formed part of a national campaign undertaken by the MCA towards the end of 2017, to inform consumers about the benefits of the open Internet.

### Measuring broadband quality of service (QoS)

In today's reality, where broadband is becoming increasingly essential to persons and businesses alike, aspects relating to quality of service have become more critical and have strong links with the Net Neutrality Regulation.

During 2017, various provisions as laid out in the Fixed Broadband QoS framework updated during the previous year, came into effect. The MCA ensured the industry's compliance with these provisions.

To further complement this framework, the MCA also procured data sets related to the quality of service of both fixed and mobile broadband in Malta from an established international provider. These data sets are being analysed with a view to issuing a report outlining the findings in 2018.

The MCA also embarked on pre-market consultations in relation to the establishment of a QoS framework for mobile broadband. The consultation document and the related decision will be published during 2018.

### Security and integrity of networks and services

The MCA continued its oversight function on electronic communications providers to ensure that these meet their obligations with regard to the security and integrity of their networks and services. Incidents that resulted in the unavailability of networks and services were investigated and, where applicable, reported to the European Union Agency for Network and Information Security (ENISA).

In 2017, the MCA also undertook a high-level assessment of the larger operators' policy and operational framework for the security and integrity of their networks and services, through self-assessment questionnaires based on ENISA's technical guidelines on minimum security measures. Further in-depth research and analysis shall be carried out in 2018 and the MCA

intends to publish its policy proposals on the establishment of minimum security requirements.

The MCA continues to participate in the inter-ministerial committee responsible for cyber security which is entrusted with the implementation and upkeep of the National Cyber Security Strategy.

### **Review of the Universal Service Provider's claim for funding the universal service**

In November 2017, the MCA published a proposed decision for consultation on the review of GO plc's application for funding of the net cost claimed to be incurred by providing universal service obligations during financial year 2014.

In accordance with national law, the designated undertaking has the right to seek to receive funds for the net cost it believes to have incurred to provide part or all of the universal services and may submit a written request to the Authority. In December 2015, GO submitted its funding request for the unfair burden it claims to have suffered during 2014. The MCA commissioned an independent audit to verify the calculation of the net cost claimed by GO for the provision of the USOs, taking into account any market benefits.

The audit concluded that GO had suffered an element of unfair burden for providing the specified universal services, amounting to a net cost of €33,542 during the financial year 2014.

A final decision was published in January 2018. The allocation of the source of funding to GO plc's USO claim for the financial year 2014 was addressed in a separate consultation issued by the MCA.

### **Review of must-carry obligations**

Must-carry obligations demand that operators of TV broadcast networks that are used by a significant number of end-users be obliged to reserve part of their network capacity for the transmission of TV channels in order to meet the General Interest (GI) objectives.

In July 2016, the MCA published a consultation document to determine the must-carry obligations on GO's IPTV network, with respect to the carriage of all GI TV channels, in view of substantial increases in its subscriber base.

MCA's decision issued in January 2017, laid down that must-carry obligations on GO's IPTV network should come into force with immediate effect. Must-carry obligations on Melita's Digital Cable TV network remain unchanged.

### **Development of the Radio Spectrum Potential**

Radio spectrum is a finite natural resource that is fundamental to most technology-based industries and wireless applications as evidenced by the increased demand for radio spectrum in the wireless broadband sector. Wireless communications is also of critical importance to government entities for, amongst others, national security, civil protection, health and defense.

The MCA is the national authority responsible for the management of spectrum. In accordance with the Electronic Communications (Regulation) Act, the MCA advises Government on how the radio spectrum shall be used. Through the National Frequency Plan (NFP), Government designates portions of radio spectrum and frequency bands for specific use in accordance with international deliverables, as well as national priorities and policies. This includes approaches towards increased flexibility in the use of spectrum, as well as making available additional resources for new services.

The Authority is also responsible for the management of radio frequencies assigned to it under the NFP, to ensure the maximum economic and social benefits from this resource.

### **National Radio Spectrum Management Strategy**

In view of the latest mobile market developments, together with the much anticipated wireless technologies of 5G and IoT, the MCA has embarked on the process of reviewing the national radio spectrum management strategy for the upcoming five years (2018 – 2022).

This programme will review the spectrum assignment and management principles, with particular focus on pricing, spectrum caps and competitive assignment mechanisms, amongst others. Through this exercise, the MCA is preparing for, and shaping, the future of wireless communications services in Malta.

#### Review of National Frequency Plan (NFP)

During 2017, the MCA conducted two reviews of the National Frequency Plan. The first review was presented to Government early in 2017 and subsequently adopted in April 2017. The second review took place towards the end of the year, with subsequent adoption expected in 2018. These reviews were triggered by, amongst others, changes necessary to align the national plan to the requirements of the EU and the International Telecommunication Union.

#### Assignment of the 800MHz band

The additional spectrum for wireless broadband in the 800MHz band complements the mobile service providers' roll-out of their next generation mobile networks capable of supporting higher user demands, whilst attaining mobile broadband speeds which were not possible with their previous spectrum holdings.

Work on the 800MHz spectrum started in earnest in 2012, after this spectrum was identified by the EU Commission for its importance in facilitating the deployment of 4G mobile networks and was harmonised across all EU member states. Upon the adoption of the EU Decision, Malta commenced discussions with its neighbouring countries, in order to co-ordinate the use of an alternative TV channel essential for the continued reception of General Interest programmes. Challenges in the international coordination process for an alternative broadcasting frequency, coupled with interference experienced from Italy, led Malta to request, and be granted, a derogation by the EU Commission. The 800MHz band was only fully cleared for local use (the migration of GIO multiplex from Channel 66 to Channel 43) at the start of 2017, after extensive work carried out by the MCA.

The 800MHz spectrum was set to make its foray after Melita Ltd expressed demand for this band in August 2016, with further interest registered from GO and Vodafone. However, the assignment process had to be terminated prematurely, due to the proposed merger between Vodafone Malta Ltd and Melita Ltd.

During 2017, the MCA led various initiatives aimed at facilitating access to this band. In particular, the MCA, together with industry, undertook widespread technical trials to assess and establish the mitigating factors concerning interference from wireless broadband services in the 800MHz band on Digital Terrestrial Television. These trials led the MCA to amend the 2014 Decision governing the assignment of this spectrum to ensure a better fit to the current technological and market developments.

The assignment process was eventually restarted in August 2017, following a request by GO plc. Out of the initial four parties who had expressed interest, three applications were submitted. The MCA expects to complete this assignment within the first quarter of 2018.

#### Assignment process of the 1.5GHz band

As per Commission Implementing Decision (EU) 2015/750, the 1.5GHz band was earmarked to be made available for wireless broadband supplemental downlink (WBB SDL). The assignment of the 1.5GHz band for wireless broadband use shall permit the further enhancement of downlink capability for mobile broadband systems, therefore facilitating in exceeding the Digital Agenda targets. This spectrum band could also be a strategic tool to tackle the growing mobile data traffic asymmetry driven by increased multimedia usage in the future.

In July 2016, the MCA issued a consultation document outlining the proposed assignment and applicable licence conditions for the 1.5GHz band (1452 – 1492MHz band). Responses to the consultation were received from GO plc and Vodafone Malta Ltd. After taking into consideration the consultation feedback, which for the most part was in concurrence with principles as listed in the consultation document, the Authority published the final Decision governing the 1.5GHz band in May 2017.

### National Roadmap for the use of the 470 – 790MHz frequency band

Over the next years, developments in 5G and IoT will usher a new era in mobile connectivity services. To help meet this demand, during 2017, the MCA held discussions with interested stakeholders to identify their needs and interest in the respective bands. The proposed roadmap for the UHF band between the 470 – 790MHz band reflects the outcome of such discussions.

The 700MHz band (694MHz – 790MHz), being one of the pioneer bands earmarked for the deployment of 5G technologies, is harmonised throughout the European Union. Spectrum in the 700MHz band is an attractive resource with high value primarily to mobile network operators and society at large. The harmonised Decision mandates the use of mobile services in a specific part of this band, whilst allowing flexibility for other parts of the band to be used for different purposes. These include use for public protection and disaster relief (PPDR), machine to machine communications, more commonly known as Internet of Things, as well as other uses. The MCA has started its assessment of spectrum needs for these applications, as well as for the economic and technical aspects of digital terrestrial television operating in the the sub-700MHz band.

### Licensing framework for the Complementary Ground Component of the 2GHz Mobile Satellite Service

Mobile satellite services (MSS) are services provided by a satellite system which communicates with mobile earth stations. Complementary ground components (CGCs) of mobile satellite systems are ground-based stations used at fixed locations, in order to improve the availability of MSS in geographical areas within the footprint of the system's satellite(s), where the required quality of communications with one or more space stations cannot be assured.

In accordance with the relevant EU law, it was necessary for Malta to establish a licensing framework for the deployment of 2GHz CGCs. Following a public consultation process launched in 2016, the MCA submitted proposals to Government to

amend the Authorisation of Frequency Use (Provision of 2GHz Mobile Satellite Services) Regulations [S.L.399.44]. MCA's proposals were considered positively by Government and the associated Legal Notice amending these Regulations was published in the Government Gazette in May 2017.

### Review of the Test and Trial licensing framework

In February 2017, the MCA published its final decision on the licensing framework for the rights of use of radio spectrum for test and trial purposes. This decision allows entities to experiment with radio spectrum and its uses under market-friendly conditions, paving the way towards the adoption of new wireless technologies, such as 5G and facilitating successful commercial outcomes.

As a result of this exercise, during 2017, the MCA issued a total of 17 trial licenses to both local and foreign entities. These trials allowed industry players to gather fundamental insights into the characteristics of their wireless technologies and services, including coverage and speed. The trials were also critical in establishing the real-life mitigating measures necessary to limit 800MHz-related interference to Digital Terrestrial Television.

### International liaison on spectrum management

The use of more spectrum efficient broadcasting technologies led to the identification of the second digital dividend in the UHF band on a global basis, namely the 700MHz band (694 – 790MHz). In Europe, this band is considered to be a pioneer band for 5G and, due to its strategic importance in meeting the objectives of the Digital Agenda, the European Parliament and the Council under the Maltese presidency adopted a legal act to, amongst other things, make this spectrum resource available for wireless broadband services in a timely manner, however by not later than June 2022.

In view of Malta's obligations under this instrument, the MCA held a number of cross-border coordination discussions with its neighbouring countries in order to seek agreement on when the 700MHz band may be used for wireless broadband services and to secure additional resources for television transmissions in the sub-700MHz band. The MCA managed to



successfully conclude coordination agreements with Italy and Greece. Discussions with Malta's North African neighbouring countries were at an impasse and as a consequence the MCA, through Government, was compelled to seek assistance from the European Commission on this important matter. Additional liaison with the concerned countries is expected to continue during 2018.

During 2017, the MCA examined 21 requests submitted by foreign jurisdictions to either establish new stations, or to modify the transmission parameters of existing stations. In this process, the MCA was ensured that Malta's transmissions are not affected by such stations, taking into account the relevant provisions of international agreements.

The MCA's efforts to improve the cross-border harmful interference situation in the FM band continued. This theme was raised during several bilateral and EU/ITU meetings. The MCA's efforts in this area will continue during 2018.

### **Review of television transmission policy**

In 2017, the MCA initiated a review of the television transmission policy encompassing both commercial broadcasting and GI TV transmissions, in view of the need to redeploy the 700MHz band by 2021, in line with EU regulations.

The review will serve to update Government's policy for digital broadcasting that meets GI objectives, taking into consideration developments in enhanced video technologies (such as HD and ultra HD) in broadcasting. The review will also provide direction to the market in respect of spectrum availability, following the expiry of GO's radio spectrum license for terrestrial TV transmissions in 2021.

The review shall be finalised in 2018.

### **Licensing of radiocommunications equipment**

The MCA is responsible for the licensing of radiocommunications apparatus. In carrying out this function, it also makes recommendations to Government to regulate apparatus in the most effective manner.

In this regard, in September 2017, the MCA published a consultation document proposing a number of amendments to its light-licensing framework pertaining to a number of radiocommunications apparatus, namely, the General Authorisations (Radiocommunications Apparatus) Regulations (S.L.399.40). Whilst most of the amendments need to be adopted in order for Malta to meet its international spectrum-management obligations, other amendments are being proposed for adoption as a national initiative. These initiatives include the establishment of new licensing frameworks for certain radio beacons, such as Personal Locator Beacons, and specific satellite earth stations.

The general authorisation licensing framework as provided for in the proposed regulations provides a flexible licensing regime which allows radiocommunications apparatus compliant with the set technical conditions to proliferate. Hence, this regime provides opportunities for growth, both to economic operators, as well as to the general public in terms of availability of different wireless solutions which could be used for a variety of applications.

Changes to the licensing framework are planned to be implemented in 2018.

In addition, in December 2017, the MCA also published a consultation document to rationalise the amateur radio licensing framework. The Authority's proposals include the adoption of a life-time licensing regime, the introduction of a simplified licence template and the use of new call sign prefixes. This activity forms part of Government's simplification initiatives and is expected to be fully implemented by September 2018.

Spectrum monitoring and enforcement

The MCA undertakes a number of spectrum monitoring exercises to ensure the optimal and lawful use of this national resource.

During 2017, the MCA carried out 354 measurements to ensure that the levels of electromagnetic radiation do not exceed the levels established in national law and authorisations. These refer to the levels adopted and published by the International Commission on Non-Ionising Radiation Protection (ICNIRP). A number of these measurements were requested by members of the general public, whilst others form part of MCA’s annual audit programme. Results by locality are published on the MCA’s website. The EMF audit programme will continue during 2018.

In ensuring that the radio spectrum is used as authorised, the MCA undertook several radio monitoring activities with respect to various services, including essential radio services such as aeronautical and maritime. Action was taken as necessary to ensure the most efficient use of the resource. In order to enhance the efficiency and effectiveness on how the radio spectrum is monitored, thereby strengthening its enforcement capacity, the MCA is committed to upgrade its existing spectrum monitoring facilities. In this regard, there are plans to issue a call for tenders for a state-of-the art monitoring system.

The MCA also verified the details of installed radiocommunications apparatus pertaining to private mobile radio (PMR), maritime and aeronautical services. The main objective of this activity was to ensure that installed apparatus complied with the relevant standards and that the radio spectrum was used in the most efficient manner. Various frequency measurements and a total of 214 on-site inspections were undertaken.

Licence Type	No. of inspections
PMR	57
Aeronautical	12
Maritime	145

The PMR and aeronautical-related inspections also had the purpose to verify that only licensed apparatus was installed and consequently, being used. To this end, the necessary enforcement action was taken to address cases of non-compliance.

Verifications	PMR	Aeronautical
Inspected apparatus	779	69
Frequency measurements <sup>1</sup>	1,514	11
Non-compliance cases	17	2

1 a paired channel is counted as one.

DEVELOPING THE SATELLITE COMMUNICATIONS SECTOR IN MALTA

In line with the [Malta National Space Policy](#),<sup>2</sup> as part of its drive to promote Malta as a destination for high-value commercial users of communications services and ICTs, the MCA continued its work to address the needs and explore opportunities for the satellite communications industry in Malta.

Satellite filings with the ITU through Malta

The MCA continued to encourage satellite operators to register space resources with the ITU through Malta, in line with the procedures for the management of satellite network filings.

Galileo Global Navigation Satellite System (GNSS), Public Related Service (PRS) programme and GovSatcom

The MCA continued to support local industry and academia participating in the Galileo projects. During 2017, the MCA actively represented Malta in the relevant GNSS-related fora, particularly the GNSS Programme Committee and the GSA Administrative Board meetings. The MCA also participated in the EU GovSatcom expert group concerning the feasibility for setting up a European satellite communications network to address governmental communication needs.

<sup>2</sup> <http://mcst.gov.mt/wp-content/uploads/2017/04/The-Malta-National-Space-Policy-2017.pdf>

# POSTAL SERVICES

ensuring connectivity



# POSTAL SERVICES

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The postal sector continues to face both challenges and new opportunities. The decline in letter mail volumes has been a persistent challenge year-on-year. This decline is primarily the result of electronic substitution. Despite the decline in letter mail volumes, a significant growth in eCommerce activity has driven a rise in small packet and parcel volumes. It is vital that postal operators are flexible, innovative and adapt to likely further declines in traditional letter mail volumes. They must take advantage of any new opportunities that may arise in the changing postal sector.

During 2017, the MCA continued to:

- promote the development of the postal sector and facilitate sustainable competition and innovation in the market;
- ensure the provision of a universal postal service that meets the reasonable needs of postal service users;
- collect relevant, accurate and timely information on the postal market in an efficient and effective manner; and
- provide information regarding the provision of postal services in Malta and including this in published bi-annual market reviews.

## SAFEGUARDING SUSTAINABLE COMPETITION IN THE POSTAL SECTOR

### MANAGEMENT OF THE POSTAL SERVICES REGULATORY FRAMEWORK

#### Regulation of the Postal Market

MaltaPost is currently designated as having Significant Market Power (SMP) in all the identified relevant markets falling within the scope of the universal postal service and is thereby liable to the continued application of cost-orientation and tariff approval, amongst others. These *ex-ante* remedies imposed on MaltaPost aim to prevent anti-competitive practices and safeguard the interests of users and operators alike.

In 2017, the MCA continued to monitor the application of the current remedies and the relevant postal service markets to ensure that market review decisions remain applicable and that remedies are modified in the event of developments in the market.

In addition, the MCA continued to enhance its current price control model used to monitor MaltaPost's tariffs, as well as to cater for any price review requests. The price control model, coupled with MaltaPost's audited regulatory (separated) accounts, provides critical information necessary for the MCA to assess the financial performance of the universal postal service, its prices in relation to compliance with the

cost orientation tariff requirement, as well as other regulatory requirements. There were no price review requests made by MaltaPost in 2017.

## MANAGEMENT OF POSTAL COMPLIANCE FRAMEWORK

### Market Operations

In 2017, the number of authorised undertakings of postal services amounted to twenty-six, three of which are licensed to provide services within the scope of the universal postal service.

During the course of 2017, the MCA continued to ensure regulatory compliance by both licensed postal operators providing services within the scope of the universal postal service, as well as operators subject to a general authorisation, the latter solely providing services falling outside the scope of the universal postal service.

Regulatory compliance is required of all service providers, in order to protect the integrity and security of mail, the functional set-up of complaints-handling procedures and compensation schemes, as well as to uphold quality of service.

### Collection and publication of market information

The MCA is continuously engaged in collecting market information and statistics directly from market players on a regular basis. These are published in bi-annual communications market reviews.

This activity is supplemented by public and business perception surveys which are carried out periodically. The results of these surveys serve as an additional source of information when formulating regulatory decisions and also provide an indication of how postal users' needs (whether these are businesses or consumers) are changing over time.

In 2017, the MCA published the results of its household perception survey on the use of postal services. This survey was commissioned in 2016, with a further two surveys relating to business users and bulk mailers in 2017. The results of these surveys were also published in 2017.

## ENSURING TRANSPARENT, VALUE FOR MONEY SERVICES TO USERS, WHILST ADHERING TO REQUIRED SOCIAL OBLIGATIONS

### SECURING THE CONTINUING PROVISION OF THE UNIVERSAL POSTAL SERVICE

The MCA has a statutory function to ensure the provision of a universal postal service that meets the reasonable needs of postal service users in Malta. Furthermore, the MCA has a statutory objective to promote the availability of a universal postal service within, to and from Malta, at an affordable price for the benefit of all postal service users.



The Universal Service Obligation (USO) requires MaltaPost to, among other things, deliver mail six days a week at an affordable and geographically uniform price to every address in Malta. In this respect, the MCA has the duty to ensure the stable provision of the universal postal service, whilst considering the need for such a service to be financially sustainable and efficient.

The development of eCommerce has triggered an increase in demand for letter packets and parcels. Conversely, traditional letter mail volumes, upon which the sustainability of the universal postal service was historically based, are expected to continue to decline due to e-substitution.

MaltaPost’s audited regulatory accounts show that the growth in revenue in domestic and outgoing cross-border mail flows, mainly due to price adjustments in 2014, is slowing down due to the ongoing decline in traditional letter mail volumes. On the other hand, the growth in revenue from incoming cross-border mail flows is increasing as a result of the significant growth in incoming mail due to eCommerce.

The surplus being generated by MaltaPost from inbound cross-border mail flows currently compensates for income declines in other areas, thereby supporting the financial sustainability of the USO. This situation may, however, change due to the continuous decline in letter mail volumes on the one hand and the increasing competition in cross-border eCommerce-related delivery services on the other. In addition, in the light of ever-increasing intra-EU eCommerce, in May 2016, the European Commission adopted a proposal for a Regulation on cross-border parcel delivery services which includes measures concerning the transparency of tariffs, with the intention of reducing mail prices across the EU. Following approval by the European Parliament and the Council towards the end of 2017, the Regulation will be published in the EU’s Official Journal in the first half of 2018.

The MCA’s objective remains to ensure that postal users benefit from a universal postal service which delivers innovation and affordable prices, recognising its duty to balance this against

the financial sustainability of the company providing that service. Given the evolving dynamics of the postal sector, and in order to minimise any cost in providing a universal postal service, the specifications of the universal postal service may, in the future, need to be redefined in order to reflect present-day usage requirements.

In 2017, the MCA continued to monitor the quality of service delivery of the universal postal service at the established efficiency targets, whilst allowing MaltaPost the necessary flexibility to seek a right-sized USO in order to secure the necessary efficiencies in operation and related costs.

**MALTAPOST’S QUALITY OF SERVICE PERFORMANCE**

The MCA ensures that universal postal services are provided at a level of quality that meets the reasonable needs of postal service users and that such universal postal services are available all across Malta.

In its 2016 Decision on the QoS standards to be achieved by MaltaPost for the universal postal service, the MCA retained the existing performance targets for the delivery of mail, whereby the next day delivery (D+1) target for local ordinary mail and bulk mail is set at 95%, whilst the next-day delivery target for locally registered mail and parcel post is set at 98%.

The following table indicates the QoS standards and performance achieved for ‘D+1’ and ‘D+3’ ‘performance targets for inland mail services provided by MaltaPost for the universal postal service, where:

- D+1 is defined as the mail quality standard that the postal service provider should reach and which represents one (1) working day from the day of deposit to delivery to addressee; and
- D+3 is defined as the mail quality standard that the postal service provider should reach and which represents three (3) working days from the day of deposit to delivery to addressee.



## INLAND MAIL SERVICES – QOS TARGETS / PERFORMANCE ACHIEVED

	D+1 Target	D+1 Performance	D+3 Target	D+3 Performance
<b>Single Piece Letter Mail</b>				
October 2014 – September 2015	95%	95.17%	99%	99.67%
October 2015 – September 2016	95%	93.15%	99%	99.23%
October 2016 – September 2017	95%	94.82%	99%	99.85%
<b>Bulk Letter Mail</b>				
October 2014 – September 2015	95%	96.63%	99%	99.43%
October 2015 – September 2016	95%	93.17%	99%	99.95%
October 2016 – September 2017	95%	95.34%	99%	99.65%
<b>Registered Letter Mail</b>				
October 2014 – September 2015	98%	99.19%	99%	99.96%
October 2015 – September 2016	98%	99.58%	99%	99.95%
October 2016 – September 2017	98%	98.53%	99%	99.80%
<b>Parcel Post</b>				
October 2014 – September 2015	98%	98.60%	99%	99.80%
October 2015 – September 2016	98%	99.96%	99%	99.91%
October 2016 – September 2017	98%	98.69%	99%	99.67%

During the financial year October 2015 – September 2016, MaltaPost achieved a performance of 93.15%, i.e. 1.85% below target of 95%, for D+1 delivery for single piece letter mail and a performance of 93.17%, i.e. 1.83% below the target of 95%, for the delivery of bulk mail. Although the decline in performance was minor, this prompted the Authority to engage with MaltaPost on the issue. MaltaPost's efforts have since yielded results, with QoS results pertaining to the financial year October 2016 – September 2017 having shown the desired improvements in recorded performance.

## MARKET DATA – POSTAL SURVEYS

As the regulator for postal services, the MCA carries out research on a regular basis. The aim of this research is to guide the Authority's decisions, the effects of which are felt by consumers and businesses alike, by providing an additional source of information for such decisions.

The MCA carries out three types of surveys with respect to postal services: household perception, business perception and bulk mailer perception. The function of these surveys is twofold: they indicate how consumer and business needs are changing over time and how the services provided by postal operators are meeting these needs. The following gives an overview of the perception surveys commissioned in 2016 and 2017. The results were published in 2017.

### Postal perception survey – Households

Between November and December 2016, the MCA commissioned a survey with the objective of evaluating household perceptions and satisfaction levels regarding postal services in Malta. The household survey was carried out via telephone interviews with randomly chosen respondents from a representative sample. A total of 500 households participated in this survey.

The results indicated that 58% of households have received the same number of letters in the last 12 months, whilst those claiming to have received fewer letters increased to 32% (from 22%) when compared to a similar survey conducted in 2014. With regard to the amount of letters sent, 56% of respondents claimed to have sent the same number of letters over a one-year period. It is interesting to note that 63% of households claimed to always write the postcode when sending a postal article, down from 71% in 2014.

Meanwhile, despite the fact that 74% of households find the price of letter mail reasonable, 51% of households (up from 38% in 2014) claimed that they would switch to non-postal alternatives should the price of addressed letters be increased by 5% to 10%.

On the other hand, the demand for parcel-related services has continued to grow. Over 52% of households claimed to have received a parcel during the previous 12 months.

When asked about postal deliveries, 58% of households expect postal articles to be delivered on a next-day basis. In addition, when asked if a 5-day delivery week would be acceptable, 73% of respondents replied in the negative.

With regard to the popularity of post offices in Malta, survey results indicated that 84% of households had visited a post office during the previous 12 months (70% in 2014). The most popular services received in a post office included buying stamps (51%), collecting parcels and paying bills (both at 45%).

The survey also addressed the various consumer tools offered by MaltaPost, including its website. Results show that usage of MaltaPost's website has increased significantly since 2014, with 98% of households claiming to have accessed it (up from 20% in 2014). Households that do make use of the website do so to search for postcodes, track parcels and to search for prices of postal services and other related information. 94% of respondents claimed that they were satisfied with the overall quality of MaltaPost's postal services.

### Postal perception survey – Businesses

Between April and May 2017, the MCA carried out a survey which focused on business perceptions and satisfaction levels related to postal services in Malta. This survey was conducted via telephone interviews with randomly chosen respondents within a representative sample (i.e. composed mainly of micro enterprises engaging between 0 – 9 employees). A total of 394 businesses participated in this survey.

Results indicated that the majority of businesses claim to have received (57%) and sent (49%) roughly the same number of addressed letters over the previous 12 months. However, trends also indicate a constant decline in letter mail volumes; businesses who reported sending fewer letters pointed to alternatives such as email (86%) and other online services such as electronic payment facilities, as the reason for this. Moreover, should the price of an addressed letter increase by 5% to 10%, the majority of businesses would consider switching to non-postal alternatives, such as email (45%).

The majority of businesses (76%) did not send parcels, with the remaining respondents equally distributed across those who made exclusive or inclusive use of either MaltaPost or alternative operators.

When asked about the lead-time of letters (i.e. the number of days between the posting of a letter and its delivery), the majority of respondents (58%) claimed that they prefer a next-day (D+1) lead-time.

Survey participants were also asked if they would find a 5-day week, as opposed to the current 6-day week, acceptable. In 2014, 33% replied in the positive whereas in 2017, this figure rose to 44%.

With regard to the popularity of post offices, results show that 68% of businesses have visited the post office during the 12 months preceding the survey. The main reasons for visits to the post office were posting letters and buying stamps (both 47%). 83% of respondents claimed to be satisfied with the overall quality of postal services provided by MaltaPost.

#### Postal perception survey – Large bulk mailers

In another survey carried out between April and June 2017, the MCA sought to evaluate organisations' perceptions and satisfaction levels with specific regard to MaltaPost's bulk mail service, generally used by educational institutions, financial institutions, telecom service providers, etc. Bulk mail refers to postal articles consisting of 50 items or more (of identical format, size and weight) that are deposited with a postal operator, at the same place and at the same time, to be conveyed and delivered to the addresses indicated on the postal articles. This survey was carried out by means of face-to-face interviews with forty organisations.

Whereas previous research in 2014 showed that 35% of respondents claimed to have sent more letters in the 12 months preceding the survey, this year's results indicate that 73% of respondents claimed to have sent the same amount of letters during the same time span.

In the event of a 5 – 10% price increase, the majority of respondents would consider switching to non-postal alternatives, such as email (53%) and their own website (23%). 28% of respondents claimed that they would have no alternative, possibly indicating physical or legal constraints.

When asked about the lead-time of letters (i.e. the number of days between the posting of a letter and its delivery), the majority of respondents (65%) claimed that they prefer a next-day (D+1) lead-time.

Survey participants were asked if they would find a 5-day week, as opposed to the current 6-day week, acceptable. 60% of respondents replied in the positive.

92% of respondents, up from 85% in 2014, claimed to have visited a post office in the 12 months preceding the survey. The majority of respondents visit the post office every week (59%), mainly to post letters, deposit bulk mail and buy stamps (all 65%).

The majority of respondents were satisfied with the overall quality of the postal services provided by MaltaPost (75%). Furthermore, 68% of respondents claimed to be satisfied with MaltaPost's bulk mail service.



# ECOMMERCE AND TRUST SERVICES

ensuring connectivity



# ECOMMERCE AND TRUST SERVICES

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The market for eCommerce is growing stronger all the time as business organisations and consumers turn to the Internet to effect transactions. 2017 proved to be no different as eCommerce relentlessly infiltrated and disrupted long-standing markets and market practices, both locally and on a global scale.

Despite the above, certain quarters of the Maltese supply chain are still hesitant to establish a proper online presence and embrace digital, thereby improving their chances of penetrating new markets in today's global marketplace. Whilst Malta does have numerous successful local case studies of business operations which have flourished online, the MCA continues its commitment to support the business community on its journey to go digital.

In 2017, the MCA spearheaded a number of initiatives aimed at increasing the activity of businesses online. These included the publishing of the National eCommerce Strategy mid-term review, eCommerce surveys with a focus on consumer trends and behaviour, the FastTrak programme and the establishment of a comprehensive eCommerce training programme funded under the ESF Operational Programme for 2014 – 2020.

Furthermore, in 2017, the MCA established the Malta Cloud Forum, with the objective of promoting the use of the cloud amongst businesses.

Further details on these and other supporting MCA eCommerce initiatives follow.

## SUPERVISION AND PROMOTION OF ELECTRONIC SIGNATURES AND TRUST SERVICES

On 1 July 2016, the provisions of the eIDAS Regulation (EU) 910/2014 on electronic identification and trust services for electronic transactions in the internal market came into effect. This Regulation repealed the eSignatures Directive 1999/93/EC and the new rules introduced at EU level under the eIDAS Regulation have the objective of removing existing barriers to the cross-border use of electronic identification means in Member States for public services. The eIDAS Regulation provides for a system of mutual recognition of electronic identification ('eID') schemes across Member States and it also establishes a legal framework for 'trust services' comprising electronic signatures, electronic seals, electronic time stamps, electronic documents, and electronic registered delivery services, as well as certificates for website authentication.

The MCA is the national body responsible to supervise trust service providers. The MCA is also responsible for maintaining and publishing a trusted list of certified service providers offering qualified trust services. The eIDAS Regulation gives the power to the competent supervisory body to issue compliance orders on its own initiative, or upon written application by a qualified entity.



### Implementation of eIDAS Regulation

Maltese laws on matters relating to the eIDAS Regulation are found in Chapter 426, the Electronic Commerce Act of the Laws of Malta. Malta implemented the provisions of the Regulation by means of Act XXXV of 2016, and all existing provisions in Chapter 426 that were inconsistent with the eIDAS Regulation were consequently repealed or amended, and a number of new provisions were added, including:

- the introduction of electronic seals, and
- electronic communications by registered mail.

Article 24 of the Electronic Commerce Act relating to offences and their respective penalties was also amended, with one notable difference being that not all infringements shall be considered as criminal offences.

During 2017, the MCA successfully transitioned the Trust Service Providers under its supervisory remit to the eIDAS Regulation. The eIDAS Regulation provided transitional measures (article 51) to ensure the continuity and legal certainty of products and services associated with electronic signatures under Directive 1999/93/EC. In a nutshell, secure signature creation devices and qualified certificates for electronic signatures for natural persons that are deemed compliant with the eSignatures Directive before 1 July 2016 were also deemed to be compliant with the Regulation until

they expire. Similarly, if deemed compliant with the eSignatures Directive before 1 July 2016, certification service providers issuing qualified certificates for electronic signatures benefited from a one-year transition period to adapt their systems to the new requirements until 1 July 2017.

In the first half of 2017, a number of service providers submitted to the MCA the required Conformity Assessment Reports as required by the eIDAS regulation.

### Forum of European Supervisory Authorities for Electronic Signatures

The MCA maintained membership and actively participated in the Forum of European Supervisory Authorities for Electronic Signatures (FESA) which comprises supervisory bodies from all EU countries. This forum meets twice a year to develop common points of view for the dialog with political or technical institutions and in 2017, the meetings were held in Rome and in Athens. The prevailing topics discussed included planning on a common conformity assessment report structure, CEN/ETSI standardisation framework for digital seals, best practices for the management of trust service providers, procedures on reporting of incidents and suggested practices to cater for trust service providers that were in transition based on article 51.

### Outlook for 2018

As part of the MCA's mandate to promote and facilitate the growth of eIDAS providers in Malta, the Authority is currently engaged with a number of potential trust service providers who have shown interest in establishing a presence in Malta. The MCA will thus strive to assist these providers to help them reach the required level of operation needed by the Regulation and successfully commence their operation.

The MCA is planning to introduce novel methods and approaches to the trust services market, enabling both service providers and potential customers to tap into the opportunities this Regulation brings, related particularly to improved efficiency and quicker turnaround times in a secure manner.

### FASTTRAK

During 2017, the MCA established a programme entitled FastTrak, that encapsulates numerous targeted initiatives aimed at promoting best practices for digital transformation.

The first FastTrak activity, to advise SMEs and micros on the benefits of embracing digital technologies, was launched in collaboration with the GRTU and the Malta Employers Association (MEA).

FastTrak for eCommerce took place during October and November and the MCA plans to continue this project in 2018, extending these sessions to Gozo and also organising further sessions focused on other areas of Digital Marketing, such as Mobile Marketing. This project supports the pillars of the National eCommerce Strategy 2014 – 2020, “Engendering trust in eCommerce”, “Transforming micro-enterprises”, and “Taking industry and SMEs to the next level”.

### MALTA CLOUD FORUM 2017

In 2017, as the entity tasked with promoting and facilitating the uptake of eCommerce, the MCA consolidated the Malta Cloud Forum (MCF). The MCF is a group of stakeholders that meet quarterly to discuss measures that will promote cloud computing adoption in SMEs. The Forum is a multi-stakeholder assembly which brings together parties interested in the cloud computing eco-system, representatives from consulting companies, civil society, government and academia.

One of the aims of the MCF is to conduct studies of the local market with regard to the adoption of the cloud model by businesses, together with the issues and challenges that come along with the implementation of the cloud. This results in the MCA being able to harness the knowledge in order to address the identified matters through different means, including the provision of information sessions and training.

In 2017, the MCF conducted a survey entitled ‘Cloud Computing Survey for Businesses’, which provided useful insights from data gathered from over 400 business organisations.

The survey showed that just over half of the businesses believe that they are knowledgeable about cloud computing technologies and related services. Nevertheless, just less than a third did not think that their industry was moving towards cloud computing.

The survey unequivocally highlighted that lack of knowledge about cloud computing in general is rife amongst business owners, and that IT is still not being given the deserved strategic importance by a significant number of businesses.

The MCA organised the first public event of the Malta Cloud Forum in November attracting around 150 delegates. Amongst the keynote speakers in this event were representatives from Microsoft and Google, two global leaders in the sector. MITA and the eSkills Foundation also contributed to this event through their participation in panel discussions.

# INFORMATION SOCIETY

ensuring connectivity



# INFORMATION SOCIETY

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The proliferation of digital technologies and the Internet are associated with a digitally-enabled society, with evolving cultural, economic and technical constructs that have characterised amazing change in recent decades.

We are in the midst of a continued digital revolution in the way we interact with each other, conduct business, manufacture goods, deliver services, live, work, and spend our spare time.

New forms of technologies, such as the prospects of 5G, the Internet of Things, Artificial Intelligence and Blockchain are to become a reality in the not too distant future. This is the new gigabit society, where massive amounts of data will be generated, consumed and communicated through high speed connectivity channels.

Being very much aware of these developments, the MCA aims for a digitally inclusive society where the benefits of digital technology will be felt by society at large, irrespective of the level of social stratification a person is in.

Notwithstanding this dynamic scenario, the use of some of the more advanced digital services remains below that of European leaders. The MCA therefore needs to increase its efforts to promote the benefits that Information and Communication Technology (ICT) offer, looking beyond technology itself and working towards establishing an advanced information society (IS).

In so doing, one must remain mindful of the digital inequalities and challenges in the various fields of ICT which continue to develop and impact our daily lives.

To address these digital divides in the Maltese society, the MCA conducts regular research to establish the nature of skills gaps which are proactively addressed by the development of a number of initiatives that the MCA carries out.

The functions of the Information Society Unit are often undertaken in cooperation with a number of stakeholders. Amongst the funding instruments that the Authority taps into are: the European Social Fund (ESF), European Regional Development Fund (ERDF), Erasmus+, CEF and the Norwegian Grants for Malta.

Some of the projects that the MCA has been awarded recently through these funds were: StarKids, BeSmartonline – Safer Internet Centre for Malta, 'Smart Women', 'We Wish a Better World' as well as the establishment of an eCommerce learning programme, and Assistive Technology Centres in Malta and Gozo.

To formalise its functions, the MCA has started the process of formulating a strategic framework that will outline areas where it will operate to address various issues that seek to eliminate barriers to our growth as a digital society. The MCA will continue to focus on areas where digital divides may limit access to information or services, by seeking meaningful partnerships to continue building on the existing competences and strengths of a range of stakeholders that have an interest in promoting the benefits of ICT.

## DIGITAL INCLUSION

### *The MCA as an accredited training provider*

The Information Society Unit within the MCA identifies existing and emerging pockets in society where the effects of the digital divide exists and is expected to widen.

This is addressed through training programmes, which consist of a mix of accredited and non-accredited courses. As an incentive to attract more participants, in 2017, the MCA initiated the process towards becoming a recognized training centre, that can offer NCFHE – accredited courses.

A Quality Assurance system has been put in place for the continuous development of the Information Society function to ensure that the quality of programmes and initiatives meet and exceed the standards expected by all stakeholders involved, including the NCFHE and the general public.

### **BeSmartOnline!**

BeSmartOnline! (BSO) has been the national flagship initiative that promotes the safer use of the Internet for the past 8 years. The project is coordinated by the Authority and implemented through a consortium made up of the Foundation for Social Welfare Services (FSWS), the Office of the Commissioner for Children (CfC) and the Directorate Learning and Assessments Programmes (DLAP).

Throughout 2017, the Authority has driven a number of initiatives at various levels, both on its own steam and along with partners. The following are highlights of some of the activities undertaken:

- Provided children, parents and educators with the necessary knowledge to be in a position to identify the risks that exist online through highly-informative awareness campaigns. This was done by team members visiting schools. This initiative has also provided information to educators and parents to allow them to take a pivotal role in the protection of minors in the online environment.
- An Advisory Board, composed of different professionals, met several times through the year to draw upon experience and expertise of entities as contributions to the project.
- Participated in the Insafe training meetings and actively contributed to the INHOPE network.
- Reinforced the operation of the helpline concerning various issues including grooming, sexting and cyber bullying.
- A number of information days were organised throughout the year for families, with various experts present to address any questions or concerns parents or carers might have had on the subject. Moreover, internet safety awareness resources developed throughout the year, were distributed during such information days and during safety awareness talks.
- Parent/Carer Forum – the aim of this forum was to bring together parent representatives and those involved in the care of vulnerable children, including out-of-home care, and to discuss effective ways of ensuring online safety for children.
- Psychosocial Forum – this forum brought together professionals from the psychosocial field who have a direct link with children and are homed in to the current challenges concerning children's online safety.





### Coding our Future

The MCA led a KA1 Erasmus+ project in mobility entitled 'Coding Our Future', with the objective to enable knowledge transferability and job shadowing with other EU organisations operating in the same field.

This project was devised in collaboration with key partners across the EU to establish best practice models for prompting digital competence in early stage career development. The project served to encourage young people to consider taking up technology-oriented topics in their fields of study, whilst also serving as a platform for discussion on digital inclusion issues concerning youths. Job shadowing took place at Media Actie Kuregem-Stad (MAKS) Belgium.

These collaborations mainly involved the exchange of knowledge and experiences, with the spill-over benefit of building a network of prospective future project partners to collaborate with when applying for European funding.

Moreover, as part of the SkolaSajf programme, the MCA, in collaboration with the Ministry of Education, organised a number of coding sessions for young children enrolled in the summer programme.

### eBusiness Awards 2017

The seventh edition of the MCA eBusiness Awards was held in March 2017, following an adjudication process conducted by three independent boards, one for the academic works, another for the best tech startups and a third for the remaining six categories. The boards meticulously reviewed just over 50 nominations across the eight categories. The aim of these awards is to acknowledge unique and innovative ideas and initiatives in the use of web-based technologies and eBusiness for businesses and society at large.

The eBusiness Awards event offers high-profile corporate visibility to the most innovative ICT solutions, developed or adopted in Malta, as well as a platform to promote the uptake of technology at the business, government, NGOs, academic and citizen level.



### GetSmarter

GetSmarter was a new initiative launched in 2017, aimed at helping smartphone users maximise the use of their device. This initiative was held with the collaboration and support of the three leading mobile operators: GO, Melita and Vodafone Malta.

The free training, which attracted over 1000 participants, taught users how to identify different ways of connecting with people, how to browse the Internet over their smartphone, as well as other key functionalities which make the smartphone a productivity device. In order to facilitate participation, the MCA delivered the training sessions at its various Community Technology Learning Centres (CTLCS) across Malta and Gozo.

### Smart Women

The Smart Women project is an Erasmus+ KA2 funded project led by the MCA, along with six partner organisations from Belgium, Romania, Latvia, Lithuania, Cyprus and Spain. The project aims to design and deliver a training programme specialising in Entrepreneurship and eCommerce, by providing aspiring female entrepreneurs with the necessary tools to transform a business idea into a successful enterprise. Complementary to this, the implementation of the project is also focused on the development of a virtual learning environment which facilitates future participation, as well as enables accessibility for participants with different requirements from across Europe. During 2017, a number of tasks were either initiated or completed. Key deliverables included an online platform, project branding and the development of a set of dissemination tools.

The course targets female individuals who would like to:

- increase their knowledge on the importance of eCommerce in today's competitive environment;

- have an opportunity to access a range of resources and tools, specially made for women entrepreneurs who would like to start a business, or have recently started a business;
- explore adopting eCommerce services as part of their product/service offering; and
- use eCommerce to bring a new service/product closer to the market.

### Ċavetta Digitali

The lack of digital literacy tends to be dominant in certain social groups, particularly senior citizens and differently-abled persons. Such individuals are less likely to adopt and make effective use of ICT. Following the positive feedback received from all centres in relation to the 'Lehen Digitali' sessions, the MCA and the Parliamentary Secretariat for the Rights of Persons with Disability and Active Ageing developed a new training programme specifically targeting senior citizens and including specific sessions on Internet Banking, use of social media, shopping online and eGovernment services. The aim of the project is to increase ICT take-up amongst the elderly and encourage active living among this segment of the population.

### Star Kids

The MCA successfully secured €400,000 in EU funds to deliver the Star Kids project, which forms part of the ESF Programme 2014 – 2020 and which kicked off during September. The project focuses on enhancing active inclusion for children who are at risk of poverty or social exclusion, whether they are residing in the community, or in residential care. The children were given an opportunity to gain practical ICT skills that assist them to improve and make the most of their scholastic educational experience. This investment in the younger generation contributes towards encouraging children to further their education and increase their opportunities of future sustainable employment.

A study was undertaken to establish the gaps that exist in terms of ICT skills and the provision of suitable equipment. This situation analysis led to the development of an appropriate training programme and eventually, the provision of ICT tools, facilities and the delivery of training to 850 children. Parents/ caregivers were also involved and asked to support their children's participation. In parallel, a study took place to assess the results of the project and gather a document of lessons learnt for any future projects of a similar nature.

### **Collaboration with ALL Digital**

ALL Digital (previously known as Telecentre Europe) is a leading pan-European association based in Brussels, representing member organisations across Europe that work with 25,000 digital competence centres. The MCA is an active member within this network and during 2017, the Authority participated in the ALL Digital annual summit held in Barcelona.

### **Basic ICT training for staff in the Hospitality Industry**

Led by the MCA and in cooperation with eSkills Malta Foundation and the Malta Hotels and Restaurants Association, (MHRA), this basic ICT course targeted employees in the hospitality sector. The need of the training programme was instigated due to the fact that the penetration of new technologies in the sector was not only outpacing the ICT skills acquired by some of the staff, but was also identified as a cause for career progression prospects in the industry.

A good number of hotels and restaurants participated in this project by giving their staff the opportunity to attend. The training, which consisted of eight sessions, covered topics ranging from basic communication skills; using social networking platforms with clients and colleagues; an introduction to databases and more. This resulted in a more enabled skills base for both employees and business owners. The training was deemed to have led to an overall improvement in the attendees' productivity and to have been of overall benefit to the industry.

### **We Wish a Better World**

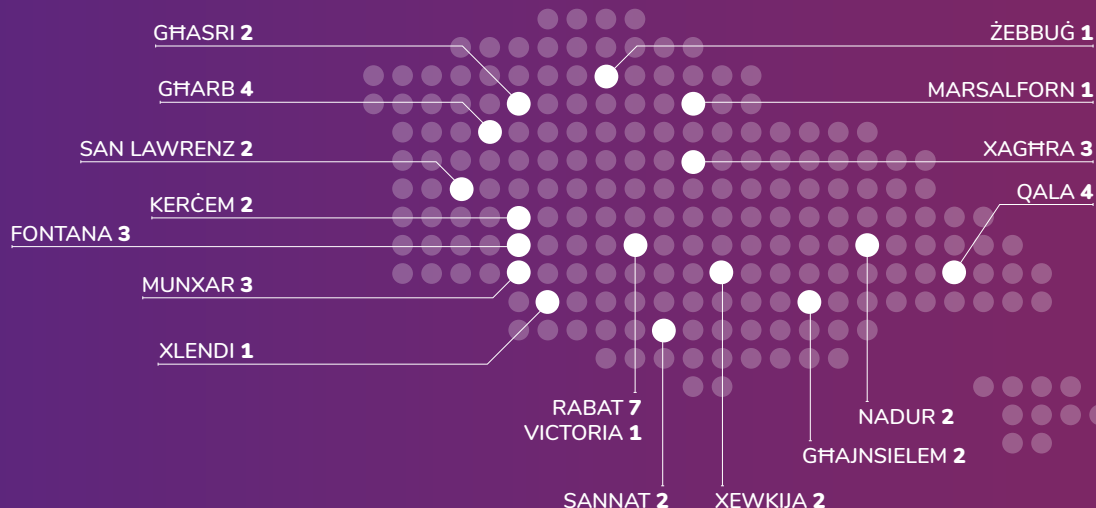
We Wish a Better World is a Erasmus+ project under KA2 led by the Hungarian Teleház Szövetség in partnership with the MCA, Telecentre Danmark, A Katolikus Ifjúsági és Felnőttképzési Egyesület (Hungary) and Societatea Maghiară de Cultură din Transilvania (Romania).

The aim of this project was to equip individuals with the necessary pedagogical skills to be able to teach ICT in the community. Two training programmes were developed through this project – one specifically designed for youths and another for the elderly.

The training offered participants a number of skills that ranged from instilling confidence and trust when teaching a group of seniors, handling difficult situations within a group and identifying the best ways of teaching the elderly about using the Internet effectively.

The training programs were piloted in Hungary, Denmark and Malta and were highly successful in all three countries. Each programme was spread over 10 days with 5 hours of training per day, whereby participants experienced a practical approach to teaching ICT to a group of individuals.

The MCA is committed to the continuation of this project beyond its official closing date of May 2018. Thus, the training will continue being offered in Malta for individuals who are interested in vocational educational training in ICT.



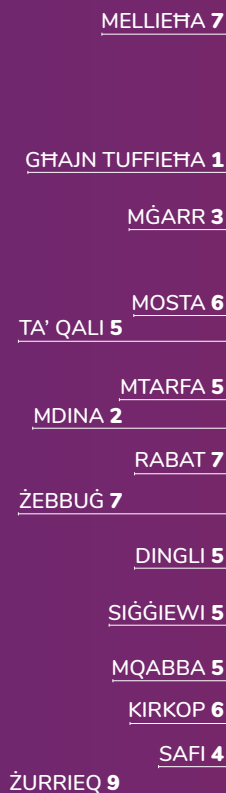
### WiFi Hotspots

As part of its mandate to continue the roll-out of free WiFi, the MCA has laid out a strategy to make Malta one of the most connected states in Europe. This is being achieved through increased free WiFi access points in strategically identified localities. By the end of 2017 the total number of free WiFi places in Malta and Gozo reached 400 hotspots. The plan, which is part of a wider strategy in bridging the digital divide, seeks to increase access to digital technology for all and encourage broadband internet adoption.

An average of 7,500 users access the Internet through these free WiFi networks on a daily basis, whilst the total number of users so far who connected with the MCA free WiFi access points exceeded 8 million. The profile of users who consume the service varies widely but statistics show the majority to be tourists and students.

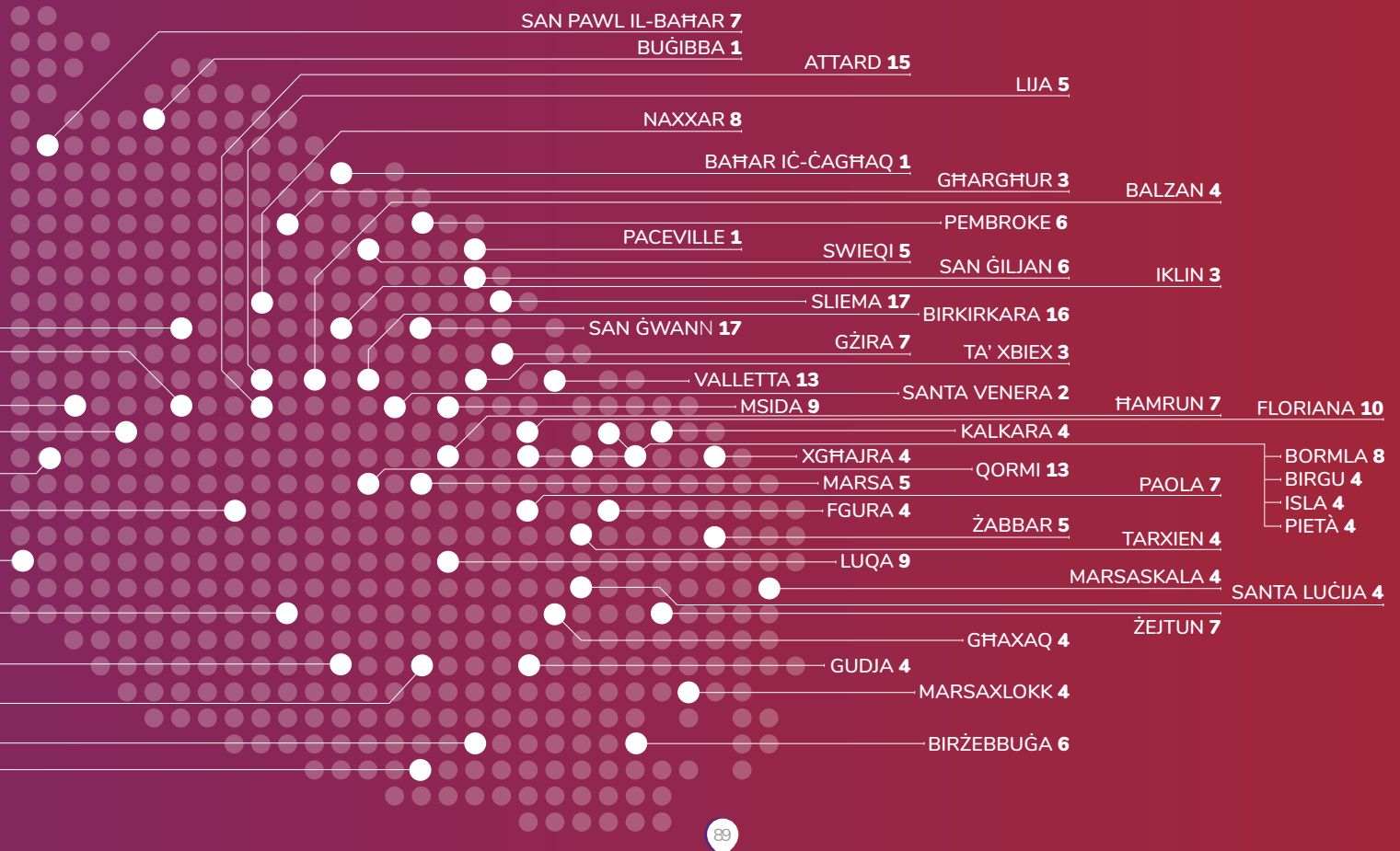
The MCA has also developed a mobile app which makes it easier to locate the access points through a location-based mapping service on any mobile device.

All of the free WiFi connections are filtered through state-of-the-art filtering software that blocks web sites containing any inappropriate and harmful content.





# WiFi Hotspots







# BUSINESS DEVELOPMENT AND INNOVATION

ensuring connectivity





# BUSINESS DEVELOPMENT AND INNOVATION

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The business innovation function actively engages in the promotion and facilitation of tech innovation, advancing Malta as a destination for high value commercial users of communications services and communications technologies to establish places of business in Malta.

Activity undertaken by the function is built on four thrusts:

- Intelligence building: developing, curating and disseminating intelligence to expose niche opportunities relevant to the Maltese economy;
- Building an innovation community: provoking and facilitating dialogue on innovation in communications amongst a diverse representation from industry, academia and the public sector;
- Fostering tech entrepreneurship: promoting tech innovation and entrepreneurship on a national level by educating young people and future entrepreneurs, promoting an entrepreneurial mindset, supporting early stage startups and recognising successful ventures; and
- Facilitating enterprise: attracting and supporting enterprise to invest or base operations in Malta.

## THE GROWTH OF DIGITAL BUSINESS ACTIVITY IN MALTA

### *Malta featured in international study on startup ecosystems*

In 2017, the MCA collaborated with Startup Genome to feature Malta in an international study on startup ecosystems. The study's findings were published in the Global Startup Ecosystem Report (GSER) 2017, published in March 2017. The report notes that Malta shows significant growth potential as a startup ecosystem, scoring particularly highly in talent and market reach.

The study explored and compared the performance of 45 leading 'startup ecosystems', the latter being understood to be business environments that are conducive to the formation and growth of new, ICT-driven ventures deploying globally scalable business models.

The ecosystems under study were evaluated on the basis of five important domains, namely performance, funding, market reach, talent and startup experience. Seventeen indices spread across these domains provided a detailed insight on the strengths and weaknesses of each ecosystem reviewed. Malta ranked highly in a number of these indices against counterpart ecosystems in Europe.

Malta's ecosystem, valued at €770m, exhibits a higher growth rate than the European regional average. This suggests a high potential for Malta-based ventures to increase in terms of both density and valuation in the near future.

In the domain of 'market reach', Malta exhibits the highest rate of born-global companies in the European region, and a degree of global connectedness that is higher than the global average. On 'talent', the report noted that Malta's performance ranked in the top 5 in the region across all indices comprising this domain.

Furthermore, it emerged that Malta is performing strongly in terms of hosting a cosmopolitan startup community, with 39% of local startups being founded by immigrants. This ranks Malta fourth globally, just behind Silicon Valley, Berlin and London. The study also found that the primary reason startups move to Malta is due to better regulation and policies. In no other ecosystem was this characteristic cited as the primary reason.

Wrapping up, the study concluded that, "considering all the concerted efforts that are currently invested into the ecosystem, more success stories are expected to come out of Malta in the near future". Work on the follow-up study, GSER 2018, was initiated in the last quarter of 2017.

### Malta-based tech startups gather for ZEST Malta 2017

On the 19 and 20 September, the MCA gathered Malta's startup community at ZEST Malta 2017, held at the Radisson Blu Golden Sands Resort and Spa. The event hosted a cosmopolitan crowd of locals, expats and fly-ins, consisting of startup founders and CEOs, investors, talent, influencers and support professionals.

Through ZEST, the MCA sought to make a contribution on multiple fronts, including to raise further awareness on digital business; to strengthen the Maltese digital business community; to provide youth with an exceptional platform to discover the opportunities surrounding tech entrepreneurship; and to increase Malta's international appeal in the global digital business scene.

ZEST featured over 50 world-class speakers, 30 of whom were foreigners. The conference component comprised more than 40 content sessions, including keynotes and panel discussions on business foresight, investment, scaling strategies, organisational culture, emerging technologies, as well as on established verticals such as finance, content and hospitality.

The event attracted over 400 delegates, and featured the support of 11 sponsors, 9 collaborating entities and 12 startup exhibitors. Besides the main conference event on the 19 and 20 September, ZEST was augmented by 2 social events and an additional 4 'ZEST Unbound' community meetups taking place between the 17 and 20 September. The latter had a combined attendance of 300 delegates.

### **Fostering a favourable culture towards tech entrepreneurship**

A prerequisite for digital innovation to flourish is to have a strong, underlying culture that is favourable towards tech entrepreneurship. Such a culture requires having regulation that supports innovation and digital businesses, initiatives that promote home-grown success stories, as well as raising awareness on tech entrepreneurship, particularly amongst youth. A number of MCA initiatives in 2017 were aimed squarely at contributing towards fostering such a culture in Malta.

### **Supporting women in tech entrepreneurship**

Throughout 2017, the MCA undertook initiatives aimed at increasing female participation in digital business. In February, the MCA contributed towards the organisation of Women in Web Entrepreneurship, a networking conference aimed at identifying and discussing challenges faced by women in tech. The event formed part of Startup Europe Week 2017, and was attended by 50 delegates.

A follow-up event in June, co-organised with 100 Women in Finance, consisted of the screening of the documentary "She Started IT". The documentary follows the story of five female founders in their quest for startup success. The event attracted the participation of more than 70 delegates.

Furthermore, a ZEST Unbound event, also co-organised with 100 Women in Finance, continued the discussion on female tech entrepreneurship in September. The event, simply titled 'Women', featured the participation of Bindi Karia and Tugce Ergul, leading figures in digital business innovation, and renowned supporters of increasing female participation in tech.

The event, held at the European Commission's Representation in Malta, hosted more than 100 delegates.

### **Malta Investor Roundtable**

In May, the MCA organised the Malta Investor Roundtable, headlined by the participation of Fred Destin, a former partner at Accel Partners - a leader in venture capital investments in Europe. The seminar aimed to raise awareness on the opportunities surrounding angel and venture capital (VC) investments in startups and digital businesses. The event was organised in collaboration with FinanceMalta and was attended by 45 delegates, including representatives from leading audit firms, private equity and venture fund managers' leading entrepreneurs and family business owners.

### **Startup Weekend**

The MCA collaborated with MITA Innovation Hub in the funding and organisation of two Startup Weekend events held in March and November 2017. Startup Weekend is an intensive, 54-hour activity aimed at equipping prospective entrepreneurs with the necessary skills to turn an idea into a viable business proposition. Besides sponsoring both events, the MCA's contribution included participation during the event and assistance on logistics and promotion.

### **'Budding Rockstars'**

In November 2017, the MCA held the third iteration of Budding Rockstars, a tech entrepreneurship conference targeting the highest academic achievers from across all public, church and private schools in Malta and Gozo. The event attracted 150 Form 5 students, together with 50 educators from 40 schools.

At Budding Rockstars, students interacted with emerging and established digital entrepreneurs active in Malta. This provided them with invaluable insights on the experience of tech entrepreneurship. Throughout the speakers' keynotes and panel discussions, tech entrepreneurship was promoted as a viable and exciting career path.

The conference also consisted of hands-on workshops on creative thinking. Directed by University of Malta staff from the Edward de Bono Institute, the students were grouped into small teams and instructed to adopt creativity techniques to propose new, digital products or services. The three groups with the highest rated ideas were subsequently invited to 'pitch' their solution on stage to a panel of judges from industry.

The event was co-organised with the Edward de Bono Institute and the Directorate for Educational Services and further supported by the Secretariat for Catholic Education, Junior Achievement Young Enterprise, and the BeSmartOnline campaign.

#### Partnerships and collaboration with public and private institutions

In 2017, the MCA entered into a collaboration framework with Junior Achievement Young Enterprise (JAYE), consisting of a financial grant to support JAYE's Company Programme (CP) and Start Up Programme (SUP), whilst providing for cross-collaboration between the two entities.

Under this collaboration framework, the MCA sponsored two awards under the CP and SUP respectively. In May, the JAYE company 'Metric' was awarded for the 'Best Presentation and Use of Communications Platform' in the CP, whereas a seed fund of €2,000 was presented to 'Intact Safety' for winning the JAYE SUP for the year's competition.

Furthermore, the MCA participated in, and sponsored, the Malta Innovation Summit held on the 13 October.

#### Increasing Malta's visibility in digital business through participation in international events

With a view to promote Malta as an ideal base for digital business activity, MCA representatives regularly participate in tech conferences abroad to connect with entrepreneurs, investors and tech talent. Besides raising Malta's visibility internationally, such events also contribute towards keeping the MCA abreast on developments in the global digital business scene.

During 2017, the MCA participated in seven international conferences, namely Startup Europe After Two Years in Brussels (2 February); Hacking de l' Hotel de Ville in Paris, (16 March); The Next Web in Amsterdam (24 – 25 May); Tech Open Air in Berlin (12 – 14 July); South Summit in Madrid (4 – 6 October); Ecosystem Summit at Web Summit, Lisbon (6 – 9 November); and Slush in Helsinki (30 November – 1 December).

5G

# EU AND INTERNATIONAL ENGAGEMENT

ensuring connectivity





# EU AND INTERNATIONAL ENGAGEMENT

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The past few years have been very dynamic times for the digital economy, with huge activity occurring in terms of technology development, deployments, changing market structures, innovative business models, and ever-changing needs of consumers. In the wake of ongoing technological advancement and changing consumer expectations, the MCA remains committed to ensuring that the right conditions in the market are in place.

The MCA delivers its objectives which are directly influenced by decisions made at both national and international level. Cognisant of this, the MCA continuously endeavours to provide technical input in the policy debates taking place within the ambit of the European Union and international milieu. During 2017, the Authority remained a strong contributor to the shaping of the communications regulatory scenario, in particular within the European Union. Such work is undertaken in the execution of the different roles played by the MCA: as a national regulatory authority; as an advisor to Government; or in certain designated roles, acting on behalf of Government. The Authority participates in a number of committees and working groups, all aimed at enhancing and shaping the future of communications.

The MCA played an active role in several important initiatives.

## DIGITAL SINGLE MARKET

The MCA continued to monitor, analyse and provide advice to Government on matters related to the Digital Single Market (DSM) Strategy. The DSM Strategy is built on three pillars:

- ensuring better access for consumers and businesses to digital goods and services across Europe;
- creating the right conditions and a level playing field for digital networks and innovative services to flourish; and
- maximising the growth potential of the digital economy.

In particular, the Strategy proposed the analysis and review of a number of policy areas of direct relevance to the remit of the Authority, in particular, eCommerce, postal services and electronic communications. The rest of the initiatives within the DSM Strategy are also indirectly relevant to the Authority as these pertain to digital-related issues.

## REVIEW OF THE ELECTRONIC COMMUNICATIONS FRAMEWORK

During 2017, work on the proposed update to the current Electronic Communications Framework gathered momentum. The European Commission announced an initiative that would overhaul the existing electronic communications

regulatory laws. The Commission proposed to streamline these laws (currently composed of a number of Directives) into a single legislation called the 'European Electronic Communications Code'. Discussions within the Council of Ministers and European Parliament started immediately after the announcement of the proposals.

The review of the framework has been a major feature of the MCA's activity during 2017. As a member of the BEREC (Body of European Regulators for Electronic Communications) network, the MCA has been active in the discussions held between the European regulators and the preparation of opinions by the group. On the other hand, in its role as advisor to Government on electronic communications policy and regulation, the MCA continued to provide input on these proposals, which are expected to be concluded in 2018. The proposals include changes to the rules relating to end-user rights, the provision of universal services, radio frequency spectrum, incentives for investment in high-speed broadband, a more level playing field between traditional and online services and a more effective institutional framework.

The European Commission also presented a separate update to the existing BEREC Regulation, whose tasks are inherently related to the legal framework.

## CROSS-BORDER PARCEL DELIVERY SERVICES

Another of the aims of the Digital Single Market is that of enabling cross-border eCommerce to flourish at a faster pace. The parcel delivery service is one of the strongest drivers of eCommerce and, in particular, having efficient and effective international parcel provision is imperative within the EU single market. With this in mind, in May 2016, the European Commission revealed a proposal for a new Regulation, with measures, set to improve price transparency and enhance regulatory oversight of parcel delivery. This would enable consumers and retailers to benefit from affordable deliveries and convenient return options.

During 2017, the proposed Regulation was subject to legislative deliberations by the European Parliament and the Council of Ministers.

As a member of the European Regulators Group for Postal Services (ERGP), the MCA has been involved in the discussions and preparation of reports and opinions. The MCA has also provided advice to Government during the legislative process in order to ensure that the new legislation is proportionate, reflects the challenges facing the sector and meets the needs of consumers now and in the future. The legislative process was concluded in late 2017. The MCA will continue its work, both within the ERGP and at a national level, to facilitate smooth implementation of the Regulation.

## MOBILE ROAMING

As from 15 June 2017, the new Roaming Regulation came into effect. This meant that EU citizens stopped being charged roaming rates and started to be charged the equivalent of domestic usage rates, more commonly referred to as Roam-like-at-Home. This concluded a European legislative process that started more than a decade earlier.

The Roam-like-at-Home concept with the 2017 deadline was adopted by the European institutions in 2015. This policy required the Commission to propose a number of supporting measures to make this concept work in practice. In particular, this included a legislative proposal to reform the wholesale roaming market and set the maximum rates that operators may charge each other for the use of their networks by roaming customers. Reaching an agreement on these rates between the Member States themselves and with the European Parliament by the 15 June 2017 was imperative for the overall aim to be successful. After challenging negotiations with the involved parties, the Maltese Presidency of the Council of the EU managed to strike a deal before the deadline.

In this regard, the Authority's experts on roaming played a very active part within the relevant BEREC Expert Working Group on roaming, which provided advice to the EU institutions throughout the process.

Since this new Regulation came into force, the MCA has been monitoring its correct implementation in Malta.

## PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION

Malta assumed the Presidency of the Council of the European Union during the first six months of 2017. During this period, Malta chaired a number of meetings ranging from minor meetings to high-level ministerial meetings.

Throughout the Maltese Presidency, the MCA assisted Government and the Permanent Representation of Malta to the European Union in various activities, in particular, by providing support on key dossiers like roaming, the electronic communications framework and the new Regulation on cross-border parcel delivery services. It also assisted in the preparations for the Presidency itself, the meetings of the Council of Ministers and the groundwork for the Digital Assembly.

## DIGITAL ASSEMBLY 2017

Malta hosted the Digital Assembly on 15 and 16 June 2017. The Digital Assembly is an annual event organised by the European Commission and the Presidency of the Council of the European Union. It is a forum for stakeholders to debate, take stock and look ahead at how Europe is preparing for the policy challenges that digital technology brings about.

The Maltese initiative followed a proposal by the MCA in 2015 which was taken on board by Government. The competent Ministry responsible for the Digital Agenda spearheaded the initiative and a number of entities, including the MCA, were involved in making this unique event a success. The MCA formed part of the Ministerial Steering Committee tasked with the coordination of the preparations for the event. Besides the high-level opening, which included various top-notch speakers, thematic working sessions were held. These focused on a number of key priorities, including the data economy, new digital opportunities, cybersecurity, the Internet of Things and digital transformation. The event also showcased a number of technological exhibitions from local entities, including the MCA.

## CONTACT NETWORK MEETINGS OF THE INDEPENDENT REGULATORS GROUP (IRG) AND BEREC

In November 2017, the Authority hosted the fourth session of the BEREC and IRG Contact Network meetings in Malta. The back-to-back meetings were attended by senior representatives of European national regulatory authorities and the European Commission. Within IRG and BEREC, the Contact Network group, which meets four times a year, is tasked with the preparation of the agenda and finalisation of the Work Programme deliverables, before these are approved by the Heads during their next meeting, in this case in December 2017.

## EU AND INTERNATIONAL FORA

In its capacity as national regulatory authority and Government advisor, the MCA regularly participates in a number of EU and international fora.

In particular, during 2017, Authority officials were actively involved in the following:

- The Independent Regulators Group (IRG) and the Body of European Regulators for Electronic Communications (BEREC), which promote regulatory consistency and excellence in the implementation of the related legislative framework. The MCA is an active member of both IRG and BEREC and is a regular contributor to the relevant expert working groups.
- European Regulators Group for Postal Services (ERGP), which is responsible for advising and assisting the European Commission in consolidating the internal market for postal services and ensuring the consistent application of the European postal regulatory framework for postal services.
- The Radio Spectrum Policy Group (RSPG), which provides high-level strategic advice to the European Commission on spectrum policy. The MCA is also involved in a number of RSPG working groups.
- The Communications Committee (COCOM), which assists the European Commission in carrying out its executive powers under the regulatory framework for electronic communications.
- The Radio Spectrum Committee (RSCOM), which is responsible for the development of implementing decisions with respect to technical measures that ensure harmonised conditions across Europe for the availability and efficient use of radio spectrum.
- The European Union Agency for Network and Information Security (ENISA), in relation to incident reporting and security regulation.
- The European GNSS Agency Administrative Board and Galileo Programmes Committee in relation to the European satellite navigation project.
- The Future Internet Forum, a registered group composed of representatives of EU Member States and Associated Countries, which aims to exchange views on H2020 topics relating to “Future Networks” (5G, Cloud, Next-Generation Internet and IoT).
- ALL Digital (previously known as Telecentre Europe), a leading pan-European association representing member organisations across Europe, entrusted to support citizens that have an insufficient level of digital skills. The MCA is a member of the Board of ALL Digital.





10

# CORPORATE SERVICES

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# CORPORATE SERVICES

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The Corporate Services at the MCA encapsulates the Finance, Human Resources, Procurement and Administration Units.

The following sections outline the key roles under the helm of Corporate Services and the 2017 initiatives, which were implemented for the MCA to continue to build its capacity, develop and succeed.

## PEOPLE

During 2017, the Human Resources Unit contributed to the areas of staff planning and capacity building; succession planning; learning and development; health and safety and well-being initiatives.

In order to deliver its services and fulfil its functions, the MCA employs 75 persons across the units. During 2017, the Authority continued to effectively implement its Performance Management Programme which aims to continuously evaluate each staff member's needs, so that the Authority can then respond through concrete actions. This programme facilitates two-way communication and is critical to employee satisfaction and retention.

Additionally, in 2017, the MCA undertook an internal employee perception survey with the scope to delve into the employees' opinion of MCA as an employer. This survey was undertaken by KPMG and the questions concentrated on the key areas which

influence staff's general satisfaction with their work place. The topics addressed included Recognition, Benefits, Career Development, Professional Pride, Personal Development and Work/Life Balance. The summary of the findings were then presented to the staff, and an action plan was devised by management for areas that needed attention. The work to overcome any problems highlighted by the survey is ongoing.

Career development is encouraged at the Authority and in 2017, a number of staff benefited from training, seminars and conferences abroad, namely in Belgium, Germany, Croatia and the Netherlands. In addition, 4 members of staff attended a First Aid training course and a Fire Prevention training course.

With the intention to enable young people to gain experience in a real-life working environment, the MCA offers internship placements across the departments. The placements offer a 10-week term, working 30 hours per week. During 2017, the MCA hosted 7 interns.

Team building is also an important part of the work ethos at the MCA and Human Resources organised an event for staff in April 2017, which was a Gladiator-themed adventure day held in Birgu. These events improve productivity, increase motivation, increase collaboration and communication and are received with enthusiasm by all.

The Social Committee which organises events throughout the year is represented by 1 member from each unit. In 2017, the highlights included, a summer barbecue at a beach lido, a health awareness workshop aimed at raising awareness for Breast Cancer during Pink October, the children's Christmas party, the annual Christmas party for all staff and a lunch in a beautiful Rabat Palazzo, where a token gift was presented to employees who have been working at the Authority for 10 years.

## FINANCES

During the financial year of 2017, the National Audit Office (NAO) reviewed and audited the Revenue Control Systems of the Authority. This is a routine exercise that NAO performs in Government Departments and Agencies. The findings reported by the NAO were a proof of good corporate governance that encompasses the work of the MCA. A few specific recommendations for improvement were put forward by NAO, and these were embraced and implemented. The NAO's findings were proof of good corporate governance in which the MCA prides itself.

In 2017, the Authority initialised the updating of its accounting package and procurement system. The software was tested to ensure that it was fit for purpose once fully implemented.



PREMISES

In 2017, the MCA carried out refurbishment works, which included: the removal of carpets and laying of tiles, structural work and maintenance on some of the original beams. The refurbishment served to give the entire work place a much-needed upgrade.

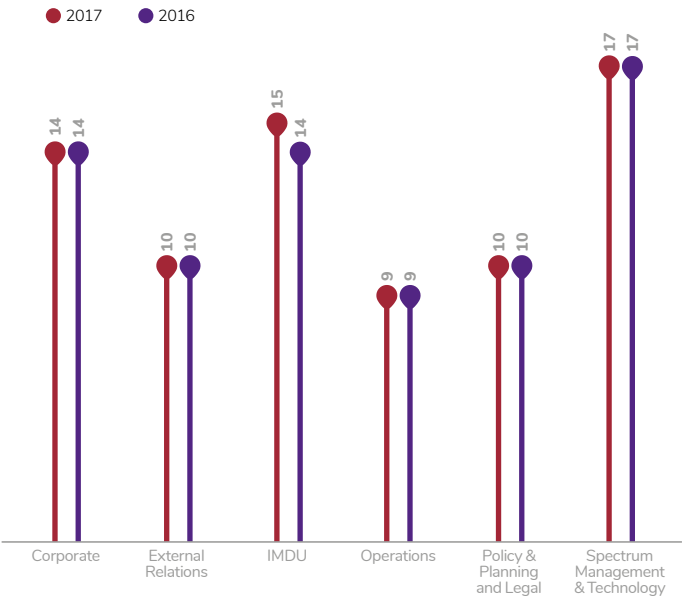
Whilst this project was taking place, many of the staff had to move to alternative work spaces, sitting alongside colleagues from different units. This was instrumental in creating new dynamics in the overall atmosphere and culture of the Authority.

PROCEDURES AND POLICIES

The MCA's internal policies continue to be reviewed and adjusted so that they reflect the overall expectations in the contemporary workplace. The last update was carried out in 2014, and certain changes were made, such as new Family Friendly measures which were put in place.

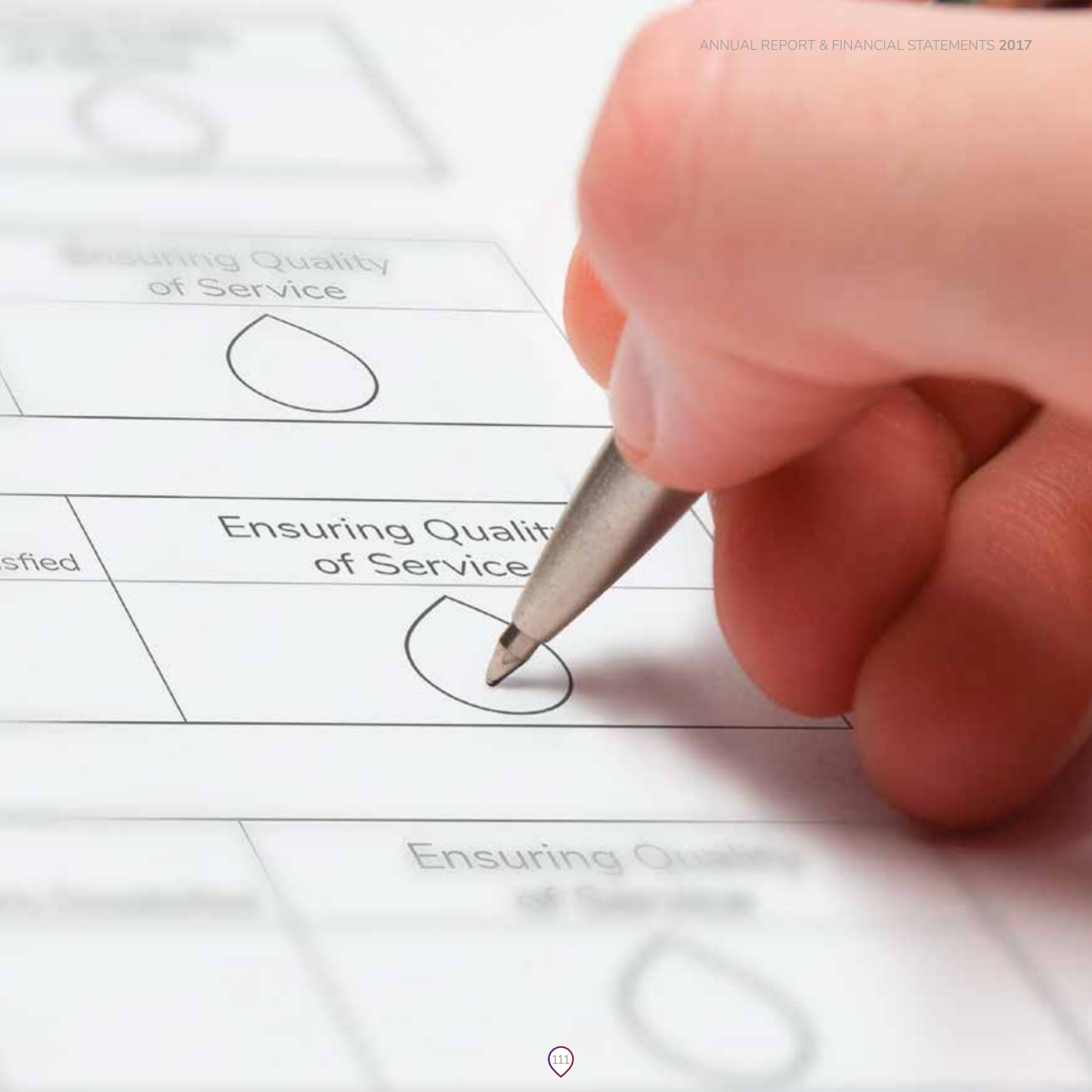
In 2017, meetings were initiated with the Industrial Relations Unit, which is the entity responsible for the salaries and grades of Government entities. These meetings were held with the objective to offer competitive employment conditions to the MCA's current staff and new recruits.

EMPLOYEES BY UNIT



## CONSUMER PROTECTION

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# CONSUMER PROTECTION

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In recent years, consumers have experienced considerable and consistent improvements in the range, scope and cost of communication services available on the market.

These developments are having a lasting social impact and have effectively given rise to an increased dependence on modern, high-end communication services. It is in this context that the MCA remains committed to provide consumers with the information and assistance they may require in choosing the services that are most suited to their particular needs.

During 2017, the Consumer function at the MCA continued to handle consumer queries and complaints and build awareness of the responsibilities of both service providers and end-users.

## END-USER AWARENESS

As part of its efforts to raise awareness on end-user rights, in 2017, the MCA launched an informative campaign on the use of the internet service. During this initiative, the MCA disseminated information on:

- The infrastructures that connect us to the Internet.
- The factors to consider before subscribing to a package.
- The new net neutrality regulations which came into force in 2016.

The campaign also provided useful information to end-users about tools available that enable them to test the quality of their service, as well as various tips on how to improve the quality of their service and other information about their rights and obligations.

This campaign, which ran over a period of 5 weeks, used various media channels including social media platforms, TV programmes and MCA's website.

The results obtained following the campaign demonstrate a keen consumer interest to learn more, with more than 18,900 organic reaches registered on the Facebook related posts and more than 884 hours of viewing time registered of the video produced explaining 'How the Internet Works'.

To reach those persons who are still considering using the Internet, the MCA participated in 10 TV programmes hosted by different TV channels to promote the campaign messages. This campaign which compliments various other awareness activities regularly undertaken by the MCA was welcomed by various stakeholders, amongst which are consumer associations and service providers.



## END-USER GUIDANCE

The MCA has a statutory responsibility to safeguard the interests of end-users in all the sectors it regulates. As part of this function, the Authority is responsible to implement legal provisions which provide end-user protection and ensure that the services being delivered comply with the requirements at law. The MCA ensures that end-users are adequately informed of their rights and obligations.

The Authority also provides guidance to those end-users who have grievances with their service providers and a complaints handling team addresses any issues that have not been satisfactorily resolved for the consumer.

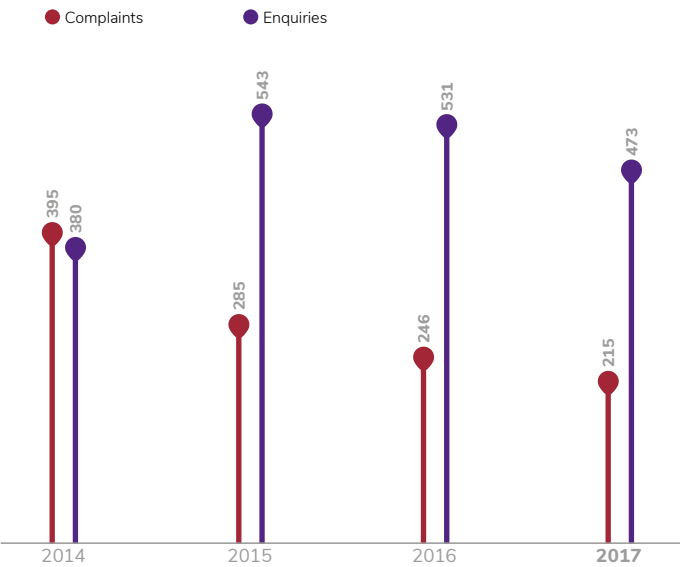
The extent of the action the MCA may take in relation to end-user protection matters is limited to regulatory intervention with respect to certain sector-specific provisions under the laws it enforces. This means that the MCA may not be able to intervene in certain practices undertaken in the communications sectors, such as, amongst others, unfair commercial practices and/or the use of unfair contractual terms as these are exclusively regulated by the Director General (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority ('MCCAA').

## COMPLAINTS AND ENQUIRIES RECEIVED

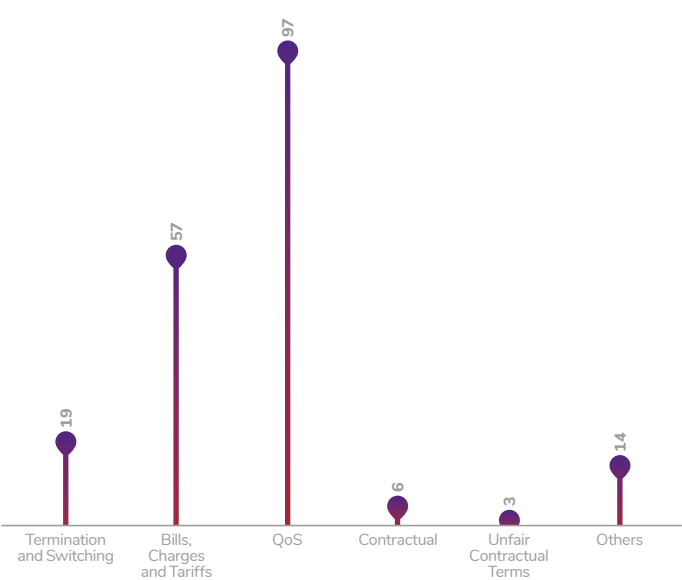
The MCA regularly publishes reports which provide statistical analysis of the complaints and enquiries it receives, together with information on enforcement actions and related monitoring activities conducted on various services provided in the sectors it regulates.

In the past year, complaints received continued to decrease when compared to previous years, with a total of 215 complaints during 2017, a decrease of more than 13% when compared to 2016. In addition, the Authority also assisted end-users on various topics with a total of 473 requests for information recorded during 2017.

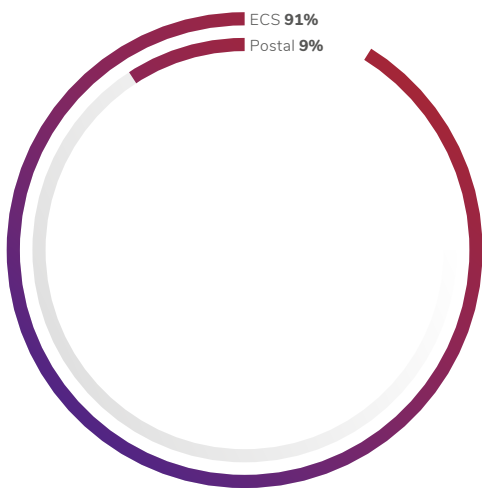
COMPLAINTS AND ENQUIRIES RECEIVED BETWEEN 2014 AND 2017



ELECTRONIC COMMUNICATION SERVICES (ECS) COMPLAINTS BY ISSUE



COMPLAINTS BY SECTOR (IN % TERMS)



The majority of complaints received in 2017 related to electronic communications services with a total of 196 complaints received. Predominantly, quality of service (QoS) was the most common category of complaint, with a total of 97 complaints recorded, of which 43 related to faults. Other frequent QoS complaints were related to internet speeds, mobile reception and access to services.

In terms of Bills, Tariffs and Charges, the MCA noticed a substantial decrease in the number of complaints with a total of 57 complaints in 2017, a decrease of more than 32% when compared to 2016. This change in trend could possibly be attributed to the intervention made by one of the service providers to its own billing processes, following discussions held with the MCA on the matter, which resulted in a substantial decrease in the number of billing complaints received.

The trend in complaints received regarding termination and switching also continued to improve, with the total figure going down to 19 complaints in 2017 when compared to 43 complaints received in 2016.

The total number of postal complaints received in 2017 amounted to 19. Most of these related to delayed and undelivered mail, in which case the MCA escalated the matter with the service provider, requesting it to take the necessary measures in the indicated areas after identifying the shortcoming. No eCommerce complaints were recorded during 2017.

Besides investigating complaints and providing information to enquiries received, the MCA also monitors claims published in the printed media and on social media, including various pages of consumer dedicated public groups on Facebook, following-up with further investigation if, and when, necessary. It also conducts several mystery shopping exercises to ensure that service providers are complying with the Decisions issued by the Authority.



# 12

## LEGISLATION AND LITIGATION

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# LEGISLATION AND LITIGATION

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## LEGISLATION

The following is a list of legislation enacted or made during calendar year 2017:

### Primary legislation

No primary legislation relating to the laws administered by the MCA was enacted during 2017.

### Subsidiary legislation

- Legal Notice 138 of 2017 entitled “Electronic Communications Networks and Services (General) (Amendment) Regulations, 2017”. These amendments relate to changes to the Eighth Schedule of SL 399.28 of the Laws of Malta in relation to usage fees due for the use of radio spectrum.
- Legal Notice 139 of 2017 entitled “Authorisation of Frequency Use (Provision of 2GHz Mobile Satellite Services) (Amendment) Regulations, 2017” provided for amendments relating to the licensing of radio frequencies for the provision of Complementary Ground Components (CGCs) of the 2GHz Mobile Satellite Services (MSS), this in accordance with the European Commission Decisions No. 2007/98/EC and No. 2009/449/EC.

## LITIGATION

### Appeals before the Administrative Review Tribunal

During 2017, no new cases were lodged before the Administrative Review Tribunal (ART).

### Appeals before ART carried over from 2016

Nine appeals were carried over from 2016 to 2017. The appeals pending at the end of 2017 were respectively:

- Contestation by Melita of a regulatory decision (issued August 2010) further to a complaint by Melita (which complaint was not upheld by the MCA) about GO’s bundled product offer;
- Contestation by Vodafone of a regulatory decision (issued March 2014) establishing mobile termination rates;
- Contestation by Vodafone of a regulatory decision (issued April 2015) on retail access in the fixed telephony market;
- Contestation by Melita of a regulatory decision (issued April 2015) on retail access in the fixed telephony market;
- Contestation by Melita of a regulatory decision (issued April 2015) on wholesale access to data and the provision of publicly available directory information services.



- Contestation by Vodafone of a regulatory decision (issued February 2016) on virtual unbundled access to fibre-to-the-home (VULA).
- Contestation by Vodafone of a regulatory decision (issued in June 2016) following a dispute filed by Vodafone versus GO relating to access to GO's network.

#### Appeals concluded before ART during 2017:

During 2017, ART decided two cases both in favour of MCA, namely:

- Contestation by Melita of an administrative fine (issued December 2014) in relation to the breach of termination of contractual norms. This case was decided by ART in February 2017 confirming the regulatory decision of MCA. The judgment by ART was not appealed.
- Contestation by Melita of a regulatory decision on directory services (issued in April 2015). Case was decided by ART in favour of MCA in July 2017. The judgment by ART was not appealed.

#### Appeals before the Court of Appeal

The Court of Appeal (Inferior) decided two cases in 2017 namely:

- An appeal by SESCO Investments Limited filed following a judgment by the Court of Magistrates. The Court of Appeal as per a judgment given in November 2017 dismissed the appeal by SESCO and confirmed the authorisation fees due by SESCO to the MCA.
- An appeal by DHL from a judgment given by ART whereby DHL contested a regulatory decision by the MCA which determined that DHL provided postal services within the scope of the universal services and therefore required an individual licence. The judgment by the Court of Appeal was given in January 2017, upholding the earlier judgment by ART which had, in turn, confirmed the MCA's decision.

Another appeal remains pending before the Court of Appeal (Inferior). This is an appeal by GO from a judgment by ART which had confirmed a regulatory decision by MCA relating to Market 4 (Wholesale Unbundled Infrastructure Access Market – Identification and Analysis of Markets, Determination of Market Power and Setting of Remedies – Final Decision).

### **Other Litigation before the other courts and adjudicative fora**

The following is a list of other lawsuits where MCA is a party or intervened:

The Authority is a party to a lawsuit initiated by Vodafone and GO contesting legal interception fees collected by MCA on behalf of Government and the Security Service. This case is pending for the First Hall of Civil Court.

The Authority intervened in a case lodged by Melita contesting a ruling by the Director General (DG) (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority (MCCAA) whereby the DG (Consumer Affairs) had, after a complaint by the MCA, determined that Melita had acted in breach of the Consumer Affairs Act in relation to advertising using the word 'unlimited'. In doing so, the DG imposed both a daily and a one-off fine on Melita. Subsequently, Melita contested this decision before the Competition and Consumer Appeals Tribunal. In February 2016, the Tribunal confirmed the DG's ruling. Melita have since appealed this decision before the Court of Appeal (Superior).

Two separate cases against former operators – SESCO and Melitanet were decided by the Court of Magistrates (Malta). The said operators failed to pay outstanding authorisation dues and chose to contest MCA's claims for settlement of such dues. In both instances, the Court confirmed the MCA's entitlement to the outstanding dues. Melitanet did not contest the Court's decision. Conversely, SESCO appealed before the Court of Appeal (Inferior). The Court of Appeal however did not uphold SESCO's appeal.

### **Inter-operator Disputes or Complaints**

During 2017, no new inter-operator disputes or complaints were filed.

# 13

## CONSULTATIONS AND DECISIONS

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# CONSULTATIONS AND DECISIONS

The following is a list of consultations and decisions issued by the MCA in 2017:

Proposed source of funding for the net cost incurred in providing the universal service obligation during 2013	Consultation	5 January 2017
Review of must-carry obligations	Decision	17 January 2017
High-quality access and connectivity services provided at a fixed location in Malta	Decision	23 January 2017
Virtual unbundling access to fibre-to-the-home: Enhancing the non-discrimination obligation	Consultation	27 January 2017
Review of Test and Trial Licensing framework	Decision	13 February 2017
Source of funding for the net cost incurred in providing the universal service obligation during 2013	Decision	23 February 2017
Mid-term evaluation of the National eCommerce Strategy (2014 – 2020)	Consultation	22 May 2017
Assignment process for the 1.5GHz band for terrestrial systems capable of providing electronic communications services in Malta	Decision	24 May 2017
Proposed amendments to the MCA Decision “Assignment process for additional spectrum for wireless broadband”	Consultation	8 August 2017
Proposed amendments to subsidiary legislation concerning the licensing of radiocommunications apparatus	Consultation	29 September 2017
Assignment process for additional spectrum for wireless broadband	Decision	9 October 2017
Review of GO plc’s application for funding the net cost claimed to have been incurred to provide USOs during 2014	Consultation	22 November 2017
Review of the Amateur Radio Licensing Framework	Consultation	19 December 2017
Amendments to the Directive on the Modalities of Payment – Postal Services	Decision	4 December 2017
Amendments to the Directive on the Modalities of Payment – Electronic Communications Networks and Services	Decision	4 December 2017

# FINANCIAL STATEMENTS

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# FINANCIAL STATEMENTS

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## GENERAL INFORMATION

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

### MEMBERS OF THE AUTHORITY

Dr E. Woods (Chairman)  
Mr G. Vella  
Ms S. Kennard  
Dr A. Mizzi  
Mr M. Fava  
Mr S. Saliba  
Mr N. Vella

### BANKERS

**Bank of Valletta plc**  
Preluna Towers  
Tower Road  
Sliema  
MALTA

### **APS Bank Ltd.**

APS Centre  
Tower Street  
Birkirkara BKR 4012  
MALTA

### HEAD OFFICE

**Valletta Waterfront**  
Pinto Wharf  
Floriana FRN 1913  
MALTA

### AUDITOR

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

## REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Authority submitted their annual report together with the audited financial statements for the year ended 31 December 2017.

### Principal activity

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

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

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

### Results

By virtue of the Electronic Communications (Regulation) Act, Cap. 399 of the Laws of Malta, authorised undertakings shall pay the Authority administrative charges to cover the costs of Regulating Electronic Communications incurred by the Authority and fees for rights of use of scarce resources.

The total net operating income generated by the Authority during the year amounted to EUR10,173,331 (2016: EUR9,846,398) out of which licensing and usage fees for scarce resources, amounting to EUR5,423,285 (2016: EUR5,506,840) were transferred to the Government of Malta. After meeting all expenditure of EUR4,705,794 (2016: EUR4,319,123) the Authority closed off the year with a surplus, net of taxation, of EUR35,070 (2016: surplus of EUR36,333).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR1,007,842 (2016: EUR835,831) has been deducted from usage fees for scarce resources forwarded to the Government of Malta.

## REPORT OF THE MEMBERS OF THE AUTHORITY *continued*

### **Members of the Authority**

The Members who served during the year under review were as noted on page 13.

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

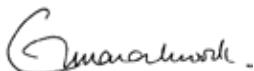
### **Statement of responsibilities of the Members of the Authority**

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

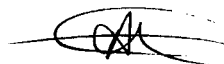
### **Auditor**

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

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



DR E. WOODS  
Chairman



DR A. MIZZI  
Member

Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
MALTA

22 March 2018

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

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Malta Communications Authority ("the Authority") set on pages 132 to 148, which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The members are responsible for the other information. The other information, which we obtained at the date of the auditor's report comprises the General Information and the Report of the Members of the Authority, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the members for the financial statements

The members are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Malta Communications Authority Act, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is the intention to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*The partner in charge of the audit resulting in this independent auditor's report is Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

22 March 2018

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

		2017	2016
	Notes	EUR	EUR
<b>Income</b>			
Revenues	3	10,172,871	9,837,598
Other income	4	460	8,800
		<b>10,173,331</b>	9,846,398
<b>Expenditure</b>			
Staff costs	5	(2,720,255)	(2,592,415)
Operating and administrative expenses	6	(1,857,836)	(1,582,400)
Depreciation	10	(127,703)	(144,308)
<b>Operating surplus</b>		<b>5,467,537</b>	5,527,275
Finance income	7	5,544	15,996
		<b>5,473,081</b>	5,543,271
Transfers to Government	8	(5,423,285)	(5,506,840)
Surplus before taxation		<b>49,796</b>	36,431
Taxation	9	(14,726)	(98)
<b>Surplus for the financial year</b>		<b>35,070</b>	36,333
Other comprehensive income		–	–
<b>Total comprehensive income for the year, net of tax</b>		<b>35,070</b>	36,333

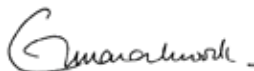
The accounting policies and explanatory notes on pages 136 to 148 form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION as at 31 December 2017

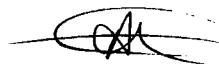
		2017	2016
	Notes	EUR	EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	285,450	266,388
<b>Current assets</b>			
Trade and other receivables	11	933,977	775,830
Income tax receivable		–	9,330
Cash and short-term deposits	15	3,094,225	3,355,481
		<b>4,028,202</b>	<b>4,140,641</b>
<b>TOTAL ASSETS</b>		<b>4,313,652</b>	<b>4,407,029</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserve</b>			
Retained earnings	12	716,968	681,898
<b>Current liabilities</b>			
Trade and other payables	13	3,585,602	3,725,131
Income tax payable		11,082	–
<b>Total liabilities</b>		<b>3,596,684</b>	<b>3,725,131</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,313,652</b>	<b>4,407,029</b>

The accounting policies and explanatory notes on pages 136 to 148 form an integral part of the financial statements.

The financial statements on pages 132 to 148 have been authorised for issue by the Members on the 22 March 2018 and were signed on their behalf by:



DR E. WOODS  
Chairman



DR A. MIZZI  
Member



## STATEMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2017

	Retained earnings
	EUR
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2017</b>	
Balance as at 1 January 2017	681,898
Surplus for the year	35,070
Other comprehensive income	–
Total comprehensive income	35,070
<b>Balance at 31 December 2017</b>	<b>716,968</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2016</b>	
Balance as at 1 January 2016	645,565
Surplus for the year	36,333
Other comprehensive income	–
Total comprehensive income	36,333
<b>Balance at 31 December 2016</b>	<b>681,898</b>

The accounting policies and explanatory notes on pages 136 to 148 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 EUR	2016 EUR
<b>Operating activities</b>			
Surplus before taxation		49,796	36,431
Non-cash adjustment to reconcile surplus before tax to net cash flows:			
Depreciation of property, plant and equipment		127,703	144,308
Transfers to Government		5,423,285	5,506,840
Finance income		(5,544)	(15,996)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(48,654)	590,591
Increase in trade and other payables		181,022	103,975
		5,727,608	6,366,149
Interest received		5,544	15,996
Income tax paid		(88)	(3,660)
Income tax refunded		5,774	7,379
<b>Net cash flows from operating activities</b>		<b>5,738,838</b>	<b>6,385,864</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(146,765)	(131,480)
<b>Net cash flows used in investing activities</b>		<b>(146,765)</b>	<b>(131,480)</b>
<b>Financing activities</b>			
Funds paid to Government		(5,853,329)	(5,299,800)
<b>Net cash flows used in financing activities</b>		<b>(5,853,329)</b>	<b>(5,299,800)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(261,256)</b>	<b>954,584</b>
Cash and cash equivalents at 1 January		3,355,481	2,400,897
<b>Cash and cash equivalents at 31 December</b>	15	<b>3,094,225</b>	<b>3,355,481</b>

The accounting policies and explanatory notes on pages 136 to 148 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

### 2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

#### **Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year**

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

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017).
- Amendments to IAS 7: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017).

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

#### **Standards, interpretations and amendments to published standards as endorsed by the European Union that are not yet effective**

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

- IFRS 9 – Financial Instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 (effective for financial years beginning on or after 1 January 2018)

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018).

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Authority.

#### **Standards, interpretations and amendments to published standards that are not yet endorsed by the European Union**

These are as follows:

- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration (effective for financial years beginning on or after 1 January 2018)
- IAS 40 (Amendment) – Transfers of Investment Property (effective for financial years beginning on or after 1 January 2018)
- IFRS 17 Insurance Contracts (effective for financial years beginning on or after 1 January 2021)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2019)

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective for financial years beginning on or after 1 January 2019)

## **2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Revenue recognition**

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

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

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

Administration charges consist of amounts receivable from operators in respect of costs incurred by the Authority in ensuring compliance with the regulatory framework. Such revenue is recognised in the statement of comprehensive income over the year in which the related charges are incurred.

Usage fees consist of amounts collected by the Authority for rights of use of scarce resources as established under Part B of the Eighth Schedule of the Electronic Communications Networks and Services (General) Regulations, 2013 (SL399.28). Revenue is recognised in the statement of comprehensive income over the year during which the respective scarce resources were being utilised.

Postal licensing fees consist of licences collected by the Authority in accordance with the First Schedule to the Postal Services General Regulations of 2005 (LN328/05). Such revenue is recognised in the statements of comprehensive income over the year to which the license relates.

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

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

#### Retirement benefit costs

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

#### Property, plant and equipment

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

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

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

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

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

#### Impairment of assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **Trade and other receivables**

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

#### **Financial instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Authority has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

#### **Cash and short-term deposits**

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

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

#### **Trade and other payables**

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

#### **ISS unutilised subvention**

Information Society Services (ISS) is financed via an annual Government Subvention which is used to finance all ISS related work-streams together with any required ISS related capital expenditure. The accounting surplus, net of tax, resulting from the deduction of ISS related

expenditure (including depreciation) from the subvention received is either transferred back as due to Government or deferred for utilisation in subsequent accounting period.

### **Taxation**

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

### **Deferred taxation**

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

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

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

### **Foreign currencies**

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

into Euro at the rates of exchange ruling at the statement of financial position date. All resulting differences are taken to the statement of comprehensive income.

### **Related parties**

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

### **Cost Apportionment Methodology**

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

## **2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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



### 3. REVENUE

The revenue generated by the Authority is made up of:

	2017	2016
	EUR	EUR
Administrative charges	2,977,033	2,850,361
Rights of way income and postal licensing (note i, ii)	1,137,250	992,690
Usage fees for scarce resources (note ii)	4,560,494	4,563,329
Application fees and other operating income (note ii)	1,041,752	983,877
Government subvention (note iii)	456,342	447,341
	<b>10,172,871</b>	<b>9,837,598</b>

- i. Rights of way income is collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap 81) under the delegation of the Authority for Transport in Malta.
- ii. All revenue generated from rights of way income, postal licensing, usage fees for scarce resources and application fees is transferred to the Government of Malta (note 8), except for an amount of EUR1,007,842 (2016: EUR835,831) intended to finance expenses incurred by the Authority not in connection with electronic communications.
- iii. The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament.

### 4. OTHER INCOME

Other income relates to fines imposed by the Authority amounting to EUR460 (2016: EUR8,800).

### 5. EMPLOYEE INFORMATION

#### a. Staff costs

The total employment costs were as follows:

#### The Authority

	2017	2016
	EUR	EUR
Members' emoluments	106,924	81,933
Wages and salaries	2,315,525	2,191,087
Social security costs	139,382	131,277
Authority's staff costs recharged to ISS operations (note i)	(82,298)	(72,162)
	<b>2,479,533</b>	<b>2,332,135</b>

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

**Others:**

	2017	2016
	EUR	EUR
<b>ISS</b>		
Wages and salaries	223,347	241,590
Social security costs	17,375	18,690
ISS staff costs recharged to EU funded projects	(40,777)	(16,030)
	199,945	244,250
<b>EU funded projects</b>		
Staff costs recharged by ISS	40,777	16,030
	40,777	16,030
<b>Total staff costs</b>	<b>2,720,255</b>	<b>2,592,415</b>

**b. Staff numbers**

The average number of persons employed full time by the Authority during the year amounted to 75 (2016: 72).

**6. OPERATING AND ADMINISTRATIVE EXPENSES**

	2017	2016
	EUR	EUR
<b>The Authority</b>		
Outsourced project costs	313,755	127,513
Corporate administrative expenses	553,406	544,788
Public relations and communications	234,352	246,611
Travelling expenses	92,747	60,306
Auditor's remuneration	10,268	10,030
Rental expenses	134,367	125,111
Administrative Services rendered by Ministry for Infrastructure, Transport and Communications	158,776	166,271
	<b>1,497,671</b>	<b>1,280,630</b>

	2017	2016
	EUR	EUR
Others:		
<b>ISS</b>		
Public relations and communications	914	5,304
Travelling expenses	4,433	2,555
Auditor's remuneration	1,178	1,416
Professional fees	7,783	7,266
Bank charges	200	1,285
Staff costs recharged by the Authority (note 5)	82,298	72,162
Corporate administrative expenses	42,756	54,747
Outsourced project costs	156,855	95,418
Rental expenses	14,997	22,154
Self-financing portion of EU projects	11,387	5,229
	322,801	267,536
<b>EU funded projects</b>		
Travelling expenses	20,336	13,122
Consultancy	3,371	3,514
Outsourced project costs	13,657	17,598
	37,364	34,234
<b>Total operating and administrative expenses</b>	<b>1,857,836</b>	<b>1,582,400</b>

## 7. FINANCE INCOME

	2017	2016
	EUR	EUR
On cash and short-term deposits	2,090	1,389
On amounts due from debtors	3,454	14,607
	5,544	15,996

## 8. TRANSFERS TO GOVERNMENT

These amounts represent the gross rights of way income, postal licensing, usage fees for scarce resources and radio communication licences (included as part of application fees and other income) which are being transferred to the Government as provided by section 14 (4) of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to EUR1,007,842 (2016: EUR835,831).

## 9. TAXATION

	2017	2016
	EUR	EUR
Current tax	14,726	98
Deferred tax (note i)	–	–
	14,726	98

The taxation on surplus on ordinary activities differs from the theoretical taxation expense that would apply on the Authority's surplus before transfers to Government and taxation using the applicable tax rate in Malta of 35% (2016: 35%) as follows:

	2016	2016
	EUR	EUR
Surplus before transfers to Government and taxation	5,476,962	5,543,271
Theoretical taxation expense at 35%	1,916,937	1,940,145
Tax effect of		
– income not subject to tax	(1,898,675)	(1,927,651)
– difference between capital allowances and depreciation	(3,418)	(12,265)
– income subject to different tax rates	(118)	(131)
	14,726	98

- i. Under the legislation in force governing the operations of the Authority, the Authority charges administrative fees to the service providers equivalent to its cost. Moreover, all the license fees collected are transferred to the Government. Since the Authority is not expected to generate any taxable profits, management is of the opinion that no deferred tax asset should be accounted for. In view this fact, the potential deferred tax asset amounting to EUR23,645 (2016: EUR36,059) has not been accounted for in these financial statements.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Building improvements	Computer equipment	Fixture, fitting & equipment	Motor vehicle	Total
	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>					
At 1 January 2016	323,379	1,259,632	449,445	63,587	2,096,043
Additions	11,654	114,738	5,088	–	131,480
At 31 December 2016	335,033	1,374,370	454,533	63,587	2,227,523
Additions	32,782	82,476	5,537	25,970	146,765
Disposals	–	(8,870)	(1,168)	–	(10,038)
At 31 December 2017	<b>367,815</b>	<b>1,447,976</b>	<b>458,902</b>	<b>89,557</b>	<b>2,364,250</b>
<b>Depreciation</b>					
At 1 January 2016	300,933	1,111,815	354,892	49,187	1,816,827
Depreciation charge for the year	9,134	107,603	22,771	4,800	144,308
At 31 December 2016	310,067	1,219,418	377,663	53,987	1,961,135
Depreciation charge for the year	15,691	83,828	23,384	4,800	127,703
Depreciation released on disposals	–	(8,870)	(1,168)	–	(10,038)
At 31 December 2017	<b>325,758</b>	<b>1,294,376</b>	<b>399,879</b>	<b>58,787</b>	<b>2,078,800</b>
<b>Net book value</b>					
At 31 December 2017	<b>42,057</b>	<b>153,600</b>	<b>59,023</b>	<b>30,770</b>	<b>285,450</b>
At 31 December 2016	24,966	154,952	76,870	9,600	266,388

## 11. TRADE AND OTHER RECEIVABLES

	2017	2016
	EUR	EUR
Trade receivables (note i)	511,223	465,706
Accrued income	119,530	150,754
Prepayments	176,723	157,082
Amount due from Government	123,556	–
Other receivables	2,945	2,288
	<b>933,977</b>	<b>775,830</b>

i. Trade receivables are non-interest bearing and are generally on a 30 day term. Trade receivables are stated net of provision for doubtful debts of EUR27,948 (2016: EUR 27,948).

	Total	Neither past due nor impaired	Past due but not impaired		
			30 – 60 days	60 – 90 days	>90 days
	EUR	EUR	EUR	EUR	EUR
2017	511,223	441,419	5,394	7,190	57,220
2016	465,706	380,971	63,341	9,754	11,640

## 12. RESERVE

The balance on the retained earnings in the statement of financial position as at 31 December 2017 represents the resulting net accumulated surplus over the years.

## 13. TRADE AND OTHER PAYABLES

	2017	2016
	EUR	EUR
Amount due to Government	–	320,551
Deferred income (note i)	2,313,663	2,377,536
Accruals	667,199	407,958
Social security contributions and other taxes	56,327	55,352
Other payables (note ii)	548,413	563,734
	<b>3,585,602</b>	<b>3,725,131</b>

i. Deferred income comprises of the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR62,202 (2016: EUR13,368) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.

ii. Other payables consist of the following:

Funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received as disclosed in note 2.3.

Trade payables which are non-interest bearing and are normally settled on 60-day terms.

#### 14. RELATED PARTY DISCLOSURES

##### **Transactions with key management personnel**

During the year ended 31 December 2017, short term employee benefits to key management personnel amounted to EUR452,205 (2016: EUR387,916).

##### **Other related party transactions**

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

	2017	2016
	EUR	EUR
Government Subvention – ISS	456,342	447,341
Payments to Government of Malta	5,853,329	5,299,800

##### **Related party balances**

Outstanding balances with related parties at 31 December 2017 are disclosed in note 11 and note 13.

#### 15. CASH AND SHORT-TERM DEPOSITS

	2017	2016
	EUR	EUR
Cash at bank and in hand	2,577,207	2,539,955
Short-term deposits	517,018	815,526
	3,094,225	3,355,481



## 16. CONTINGENT LIABILITIES

### Legal claims

The Authority has a pending arbitration case filed by a third party, relating to a traffic accident involving a vehicle driven by one of the Authority's employees and used of for Authority work. If the claim is decided against the defendant, then the Authority may be required to pay the awarded damages which, under the claim, are in an amount of EUR2,325 (2016: EUR2,325) together with legal interest as from 20 August 2015 and expenses. Outcome of such claim is still unknown.

## 17. FINANCIAL INSTRUMENTS

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

At the year-end, the Authority's main financial liabilities on the statement of financial position consisted of trade and other payables. The Authority's off-balance sheet financial liabilities at year-end are described in note 16 contingent liabilities.

### Timing of cash flows

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

### Credit risk

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

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

### Fair values

At 31 December 2017 and 31 December 2016 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the short term nature of these balances.

### Capital management

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



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