



Malta Communications Authority

Annual Plan 2006

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1. Introduction

This document represents the Malta Communications Authority's (MCA) Annual Plan for 2006. It sets out the overall approach to regulation, the business priorities for 2006, and how the MCA's effectiveness will be measured and evaluated.

The business priorities have been identified based on an understanding of the MCA's mandate, mission and longer-term strategic objectives and on an assessment of ongoing and envisaged trends in the sectors concerned at both national and international levels.

The Annual Plan is reflective of the MCA's Strategic Plan Update covering the period 2006 - 2008.¹

1.1 Background

The MCA's mission, mandate and functions derive from the Malta Communications Authority Act (Cap 418). The MCA is the National Regulatory Authority (NRA) responsible for the regulation of:

- electronic communications networks and services and the management and monitoring of the radio frequency spectrum as defined in the Electronic Communications (Regulations) Act (Cap 399);
- radiocommunications as defined in the Radio Communications Act (Cap 49);
- postal services as defined in the Postal Services Act (Cap 254); and of
- signature certification service providers as defined in the Electronic Commerce Act (Cap 426).

The role of the MCA is to enable choice and value for money for consumers. In addition, the MCA has a strategic role to create an environment that is conducive to the development of competitive business.

The MCA therefore has the primary role in creating, and thereafter, maintaining the conditions for a competitive environment where its mission so requires. It also has obligations to the consumer relating to prices, standards of services and availability of services.

Over the past few years the MCA has built up a core team of professionals possessing the necessary specialised skills and competencies required to regulate the sectors under its purview.

1.1.1 Electronic Communications Sector

The electronic communications sector has shown significant progress thanks to the opening up of various electronic communications markets to competition - considering that it was fully liberalised in January 2003.

¹ MCA Strategic Plan Update 2006 – 2008 was published on the 22nd December 2005 (<http://www.mca.org.mt/news/show.asp?id=330>).

This process is expected to consolidate during the coming years as the deployment of several new network infrastructures such as digital terrestrial television and radio, third generation mobile and broadband wireless access is finalised.

Over the past two years electronic communications markets have experienced a period of considerable change. New voice services such as commercial Voice over Internet Protocol (VoIP) services and digital broadcasting are offering consumers greater diversity, choice and value.

Take-up of broadband has continued to expand over the past year. Overall there is strong consumer demand for new and advanced electronic communications services. The forthcoming replacement of legacy networks with next-generation networks offers the potential to deliver advanced services to consumers whilst allowing network operators to reap the benefit of more efficient platforms.

A new European Union (EU) Framework for electronic communications was introduced in Malta in July 2004. This new framework promotes two principal regulatory concepts - technologically neutral regulation and the application of a common economic and legal framework for the analysis of eighteen (18) key markets using competition law principles. The new framework is also very clear on principles of independence and self-sustainability of national regulatory authorities. The new electronic communications framework has been successfully implemented in Malta.

The MCA is close to completing the analysis of the electronic communications markets and applying remedies to those markets where one or more operators have been designated as having significant market power. This will ensure that the MCA regulates markets consistently and only where necessary, thus minimising the regulatory burden on providers of electronic communications networks and services.

1.1.2 e-Commerce Sector

The deployment of broadband infrastructures coupled with the various government initiatives related to the widespread availability of access to information communication technologies (ICT) - such as investment in human capital through education and training - should be reflected in a parallel increment of electronic commerce activity during the coming years if the right conditions subsist.

The implementation of the functions of the MCA emerging from the e-Commerce Act, including the development of internal structures, processes and procedures required to fulfil the regulatory functions associated with the supervision of Information Society Service Providers will be completed during 2006.

During 2006 the MCA will work towards the implementation and subsequent operation of the necessary regulatory structures that are required to achieve a solid e-Commerce environment.

1.1.3 Postal Services Sector

With regard to the postal sector, the MCA's key statutory objective is to promote the development of the postal sector and in particular the availability of a universal postal service within Malta at an affordable price for the benefit of all users.

The tasks required to fulfil the postal sector strategic objectives are well underway. The build-up of the postal service regulatory framework will be completed by the first half of 2006, with a consolidation of regulatory mechanisms following suit over the next two years.

A key development that took place in that latter half of 2005 was the bringing into force of the Postal Services (General) Regulations. These regulations, amongst others, established a licensing and authorisation framework for a postal sector operating in a competitive environment.

1.2 Key Achievement and Developments

Appendix 1 - Key Developments in the External Environment gives a high level rendering of the key achievements and developments in the respective sectors regulated by the MCA during 2005.

1.3 Mission Statement

The mission of the MCA is:

'To regulate the sectors of electronic communications, e-commerce and posts with a view to achieving sustainable competition, enabling customer choice and value for money, coincident with contributing to the development of an environment that is conducive to investment, and continued social and economic growth'

In carrying out its mission the MCA is committed to performing in a manner that is transparent, proportionate, non-discriminatory and objective. The mission statement implies a number of principles which the MCA needs to hold central to all the activities that it carries out:

- The realisation of a range of electronic communications services of high quality and competitive prices is best achieved through the development of fair and sustainable competition.
- In the absence of competition, regulation will seek to produce the estimated effect of competition.
- Regulation will cater for the interests of consumers but will also take into account the exigencies of service providers.
- Regulation will tend towards technological neutrality and be sufficiently flexible as to enable change and allow for technology convergence.
- Regulatory decisions will be transparent and accessible in order to facilitate decisions by market players, policy makers and other stakeholders.

- The MCA's regulatory activity should serve to overall contribute to Malta's transition to a knowledge based society and economy.
- The overall social and economic welfare should be another outcome of the MCA's regulatory activity.
- The wider implications at a European market level will be taken into account in the formulation of any decisions at the local level.

1.4 Strategic Objectives

For the MCA to achieve its mission and to meet its various operational requirements over the next three years, the following are the identified strategic objectives covering the period 2006 - 2008.

Electronic Communications	
T1	Consolidating an electronic communications environment that is capable of sustaining competition among existing providers whilst ensuring ease of entry to new undertakings.
T2	Ensuring that residential and business consumers of electronic communications services get the best value-for-money from Maltese electronic communications services providers, and that any social inclusion aspects as may be identified are addressed.
T3	Contributing to the ongoing discussion, at an international level, on the consistent implementation and ongoing development of the electronic communications regulatory framework and related issues.
T4	Facilitating the proliferation of Broadband, in line with the e-Europe mission and objectives, via the development of the necessary regulatory environment.
e-Commerce	
E1	The consolidation of the institutional and organisational elements on a National scale, that are required for the achievement of a solid e-Commerce environment that inspires trust in all those who use it.
Postal Services	
P1	Attaining the target, within envisaged timeframes, of a liberalised postal services environment that ensures ease of entry to new undertakings and sustainable competition.
P2	Ensuring that residential and business consumers of universal postal services get the best value-for-money from Maltese postal services providers.
P3	Contributing to the ongoing discussion, at an international level, on the consistent implementation and ongoing development of the postal regulatory framework and related issues.

1.5 Consultations and Communications

The MCA is committed to ongoing consultation with a broad range of stakeholders when developing policy and regulatory initiatives. The major stakeholders include consumers, industry, government, EU, interest groups and other national regulatory authorities. The maintenance of open, effective and timely communications with stakeholders is therefore a key element of the MCA's operations.

1.6 Measuring Performance

To exercise the MCA's accountability and reporting requirements to the Minister responsible for the MCA and its stakeholders, the MCA carefully monitors and reviews its performance and progress towards the achievement of its objectives through:

- performance management;
- publication of an annual report; and
- through feedback which it seeks from its stakeholders.

The success of the MCA's strategies will be measured by:

What the MCA will do	When the Authority will do it
Formally and informally, ascertain the MCA stakeholders' perceptions of the regulator.	Ongoing
Critically assess the efficiency of the MCA and its existing procedures by internal review, including obtaining feedback from staff and from the interpretation of information obtained from the MCA's information systems.	Ongoing
Carrying out market reviews providing an overview of the trends in the sectors regulated by the MCA (electronic Communications, Postal and e-Commerce).	Biannual
Conducting performance measurement and monitoring in line with the evaluation criteria identified in the MCA's Strategic Plan.	Ongoing
Monitoring the achievement of the MCA's objectives and identifying the reasons for deficiencies and taking the necessary steps to remedy them.	Ongoing

2. Operating Environment

The MCA is being faced with a number of developments and resultant challenges emanating from the immediate and wider external environments (both national and international) within which it operates, namely:

- the existence of multiple networks and services in practically all electronic communications markets;
- the accelerated pace of technological innovation that is resulting from the convergence of networks and services;
- an envisaged increase in competition and consumer expectations that will follow the rollout of the above-mentioned additional broadband technologies;
- the review by the European Commission of the regulatory framework for electronic communications and defined markets in 2006 which will facilitate the transition from analogue to digital and from switched-circuit fixed line networks towards next-generation networks based on the Internet Protocol (IP);
- the ITU Regional Radio Communications Conference (RRC) that is due to take place in 2006, which will establish the future plan for digital radio and television terrestrial services in a post-analogue era and wherein Malta will need to formalise the number of broadcasting frequencies to be utilised for a number of years to come;
- an envisaged increase in the uptake of e-commerce services in Malta;
- the further liberalisation of the postal sector in 2006 as competitors to Universal Service Provider (USP) will be permitted to deliver letters, so long as their weight exceeds 50g; and
- the review by the European Commission of the regulatory framework for postal services appropriate once the liberalisation of the postal market within the EU is fully accomplished by 2009.

Within this envisaged overall context, the following perceived scenarios present themselves in respect of the MCA's major areas of activity during the annual plan period.

2.1 Electronic Communications

2.1.1 Strategic Objective T1

Consolidating an electronic communications environment that is capable of sustaining competition among existing providers whilst ensuring ease of entry to new undertakings.

The promotion of competition is a vital component of effective regulation. Competition is key to ensuring a sustainable industry, which has the means and is willing to invest in developing innovative products. In a situation where

competition is lacking, ex-ante regulation becomes vital to ensure that there exists a level playing field for both incumbents and new entrants, which in turn ensures the availability of a range of products and services to consumers, which offer them choice, quality and competitive prices.

A substantial amount of progress has been made over the past four years in the liberalisation of the electronic communications sector and in opening up markets to competition. The focus of the MCA's work streams on the competitiveness front will be focused on consolidating the environment in order to ensure that lasting competition prevails.

Details of the key work streams during the annual plan period are described below.

Market Analysis

As mentioned above an innovative aspect of the new regulatory framework is the adoption of competition policy tools that will allow much of the current sector-specific regulation to be replaced with a general competition law discipline.

Key to this process is the requirement for the MCA to carry out market reviews aimed at verifying whether or not each market is effectively competitive. The MCA will have the obligation to mandate ex-ante regulatory obligations (a number of which are already in place as a result of market analyses carried out under the preceding regulatory framework) exclusively in those markets that are deemed not to be effectively competitive, i.e. markets in which one or more operators are considered to have significant market power.

By the end of the first half of 2006 the MCA would have finalised the first wave of market reviews as stipulated in the new regulatory framework. It is envisaged that the market reviews should hold good for two years. Notwithstanding the envisaged timelines, given the rapid transition of the Maltese markets to a competitive environment the MCA will, during the intervening period keep a vigilant watch over market developments and implement market review exercises ahead of the envisaged review date, if deemed necessary. There is therefore the likelihood that reviews in respect of a number of markets will have to start as early as the latter end of 2006.

Ensuring Access and Interconnection

The MCA will continue to promote competition by ensuring that rights to access and interconnection will, within the limits imposed by regulation, continue to be available to all service providers.

Reference Interconnection Offers (RIO) will continue to be required where necessary, and will be supplemented by mechanisms such as cost accounting, accounting separation, cost modelling and interconnection rate glide paths as detailed in the 'Interconnection Strategy for Electronic Communications Sector in Malta' published in March 2005. This strategy maps out the short-term and medium to long-term actions and regulatory initiatives aimed at achieving reasonable downward adjustments to fixed and mobile interconnection rates.

A key consideration in this case is that wholesale line rental, call origination and termination rates as well as other access conditions that operators having

significant market power offer do not constitute a barrier to competition. The MCA will continue to ensure that this is not the case.

Next-Generation Networks and Technology Convergence

Traditional circuit switched networks are gradually migrating to IP based networks. The regulatory treatment of so-called next-generation networks in the context of competition is a key issue that has emerged on the international scene in recent months. It still needs to be addressed in a wholesale fashion in terms of the policy and regulatory approach. The MCA will address this issue in conjunction with its European counterparts, the European Commission and other international bodies so as to ensure a consistent approach where necessary.

Key issues to be tackled in this area will be the treatment of IP based networks, the interconnection regimes and the implications arising from the accelerated convergence of services that can be delivered by fixed and wireless means.

Numbering

In 2006 the MCA will finalise a new strategic policy review of its work on numbering. The numbering policy is being reviewed in order to ensure that numbering does not serve as a barrier to new technologies.

The numbering policy will also take into account the upcoming requirement for e-numbering. Internal market harmonisation of certain numbering resources will also be taken into account.

Developing the Potential Value of Frequency Spectrum

Frequency spectrum is a finite natural resource with immense potential value to the Maltese people and an essential component in the development of infrastructure-based competition.

A policy and strategic review of the radio spectrum is being articulated and will be submitted to the MCMP during the first half of 2006. This review will advise government, operators and the general public on the principles that should govern spectrum management, and what more needs to be done to ensure that all users, including non-commercial users, are focused on using their spectrum in the most efficient way possible. In doing so, it will consider the use of spectrum management tools such as spectrum valuation, pricing and market-oriented approaches for the assignment of the rights of use of radio spectrum.

An important task will be to keep spectrum clear of interference through targeted enforcement, making effective use of remote monitoring and unattended monitoring systems.

2.1.2 Strategic Objective T2

Ensuring that residential and business consumers of electronic communications services get the best value-for-money from Maltese service providers, and that any social inclusion aspects as may be identified are addressed.

Addressing important consumer issues is another key element of the MCA's work. Consumer interests are best served within a healthy competitive

environment that offers benefits in terms of attractive and transparent pricing, a wide range of choice in terms of services and suppliers and high quality services and products.

The MCA will continue to carry out work to support widespread access to electronic communications services. This will encompass the following activities:

- Work on universal service to ensure that basic telephony services and Internet access are available to everybody on reasonable request and at an affordable price.
- Finalisation of a detailed review of the Universal Service Obligations in Malta in preparation for the European Commission's review of the Universal Service Directive.
- The enforcement of price controls where these are still warranted. A RPI-x mechanism that will control the prices of a number of the fixed telephony incumbent's services is expected to be introduced in the first half of 2006 and remain in place until such time as competitive forces are brought to bear on the price-controlled services.
- The continued review and monitoring of the universal service and must-carry obligations in the case of broadcasting. Such reviews will be made with a view to establishing universality of access to those services considered as being essential whilst ensuring the to be the best possible extent the burden on the service provider is minimised. The concept of what constitutes an essential service will also be periodically reviewed in line with EU principles and recommendations.
- The continued review and maintenance of quality of service provision concepts under the new electronic communications framework. To the extent necessary the MCA will continue to enforce and monitor quality of service standards and measures particularly in those areas where market forces are inadequate. The MCA will provide information to the public relative to the performance of undertakings.
- The ongoing programming and execution of market surveillance in accordance with the Radio and Telecommunications Terminal Equipment (R&TTE) regulations.
- The ongoing monitoring of frequency spectrum with a view to ensuring that no harmful interference occurs.
- Continue working towards the switchover to digital television in 2010 and the identification of the technical and commercial options for the use of any analogue spectrum that will be released by switchover.
- The ongoing monitoring of electronic magnetic emissions with view to ensuring levels of electromagnetic radiation in conformity with the International Commission on Non-Ionizing Radiation Protection (ICNIRP) guidelines.

The protection of consumer interests needs to be reinforced by a mix of regulatory requirements, consultations, complaints channels, public information and sector self-regulation. The MCA has recognised the need to draw together

the various strands of our work which are focused on consumers. These areas of work will be reviewed during 2006 with a view of identifying key priorities and setting out clearly the MCA's strategy vis-à-vis consumer interests.

Alongside this review, we will continue to work to:

- strengthen the complaints handling and dispute resolution functions;
- improve the information available to citizens and consumers, primarily by encouraging communications providers to supply better information; and to
- inform consumers via end-user surveys and research on the consumer attitudes to and use of communications technologies, and to raise awareness of the options open to consumers with regard to communications services and products in the Maltese market.

2.1.3 Strategic Objective T3

Contributing to the ongoing discussion, at an international level, on the consistent implementation and ongoing development of the electronic communications regulatory framework and related issues.

Increasing focus on the international context that inevitably influences the local electronic communications sector will be one of the key objectives of the MCA's work during the coming years.

It is noted that the regulatory framework within which the MCA operates has been set at a pan-European level by the EU. The implementation of this framework has enabled the MCA to apply a consistent and harmonised set of rules to the electronic communications market in Malta, which are based on the principles of technological neutrality, regulation only where necessary and the primacy of competition law.

It is recognised that the work of the MCA is facilitated by, and at times depends on, cooperation with regulatory counterparts in the other Member States, as well as the European Commission via the European Regulators' Group (ERG). In addition, the MCA participates in a number of other European fora to ensure that it follows best practice with regard to the regulation of the electronic communications sector.

The interactions of MCA staff on an international plane have constituted a precious investment in knowledge for this organisation. Such participation has also meant that Malta's viewpoints have been put forward in areas where an international dimension to Malta's interests exists. One example is frequency co-ordination that needs to take place between all neighbouring countries.

It is now felt that the MCA, five years after its inception, can make a more lasting contribution towards shaping European regulatory policy at various levels. The extent and importance of such activity is such that the MCA needs to dedicate a sufficient amount of time and existing resources to cater for it.

The MCA's role of adviser to Government on the international dimension of the electronic communications regulatory framework is another key task that is incumbent on the MCA in achieving this objective.

The MCA will strive to achieve its objective by means of the following key tasks:

- The ongoing provision of advice to government on proposed EU legislative measures and other communications.
- The ongoing provision of advice to government on the interpretation and application of any new Directives, recommendations and other EU documents as well as any related issues and disputes arising.
- The active participation in EU organisations such as the Communications Committee (COCOM), the Radio Spectrum Committee (RSCOM), the Radio Spectrum Policy Group (RSPG), the European Regulators' Group (ERG) and the European Network and Information Security Agency (ENISA).
- Active participation in other international fora such as the International Telecommunication Union (ITU), European Conference of Postal and Telecommunications Administrations (CEPT), the International Regulators' Group (IRG) and related workgroups. Of particular relevance is the MCA's participation in the IRG workgroup that has been set-up with the aim of providing input to the 2006 review of the electronic communications framework.
- The ongoing submission of accurate statistics and information to the EU and other international organisations thus allowing the MCA to be in a position to comment on the make up of sector information requirements with a view to providing valid information to the European Commission; and
- collaboration on a one-to-one basis with peer regulators on a regular or one-off basis.

The MCA's international work will also include promoting a more harmonised approach to the implementation of the EU regime governing electronic communications, contributing to the development of EU communications policy by strengthening our engagement with the ERG.

Furthermore, there will be a range of activity designed to achieve an international framework, both at European and international level, which provides the minimum level of harmonisation needed to facilitate the development of new and innovative services, together with the flexibility to maximise the benefits of spectrum trading and liberalisation. Specifically, we will be:

- monitoring and contributing to the review by the European Commission of the regulatory framework for electronic communications and defined markets in 2006;
- preparing for the Regional Radio Conference 2006 at which we will be seeking a new ITU plan for digital broadcasting; and
- contributing to pan-European initiatives on radio spectrum by means of the MCA's participation in the Radio Spectrum Policy Group.

2.1.4 Strategic Objective T4

Facilitating the proliferation of Broadband, in line with the e-Europe mission and objectives, via the development of the necessary regulatory environment.

It is recognised worldwide that broadband has the potential to revolutionise commerce, education, healthcare, national security, entertainment and countless other areas. As such, broadband is a key to future economic growth for the electronic communications sector and the economy as a whole. Maintaining competition and nurturing its development is essential to ensuring choice and innovation at reasonable prices into the long term.

Broadband empowers by providing increased access to information and applications, and increasingly affordable means to communicate within communities and around the world. Broadband is an enabling technology that allows businesses to transform processes through Internet business solutions, and to realise significant returns on investment.

The MCA will continue to encourage and promote broadband development, deployment and availability across multiple platforms to ensure that there are no access barriers to adoption of affordable broadband technologies as they become available. To meet this objective the MCA will concentrate on the following key tasks:

- monitoring the rollout of wireless broadband infrastructures and services with a view to ensuring timely implementation in line with licence conditions;
- reviewing broadband quality, pricing and bundling;
- facilitating such rollout via co-ordination with other government bodies where necessary;
- informing consumers of the various broadband solutions on the market;
- ensuring that operators adhere to their regulatory obligations e.g. Local loop unbundling and third party wholesale access, with respect to matters affecting the provision of broadband; and
- ensuring technology neutrality in the application of regulation for all broadband networks and services.

2.2 e-Commerce

2.2.1 Strategic Objective E1

The consolidation of the institutional and organisational elements, on a National scale, that are required for the achievement of a solid e-Commerce environment that inspires thrust in all those who use it.

The MCA will continue to work towards the implementation of the necessary regulatory structures that are required to achieve a solid e-Commerce environment. Notable among the tasks required to attain this strategic objective, are:

- ensuring adequate awareness at a service provider level of obligations arising out of the e-Commerce Act;
- ensuring that customers are aware of their rights and avenues of redress;
- implementation a tailored complaints handling system;
- encouraging and facilitation the adoption of industry led codes of practice and/or trust mark schemes;
- providing adequate and up-to-date information to service providers regarding requirements relative to the take up and pursuit of such services;
- securing the notification of Certification Services Providers with the MCA;
- setting up and maintaining an e-signatures audit and supervision function;
- carrying out e-signatures technical and security audits;
- supporting the development of a voluntary accreditation scheme for Certificate Service Providers; and
- co-ordination with government and other institutional bodies with a view to ensuring a seamless service to the public.

2.3 Postal Services

2.2.2 Strategic Objective P1

Attaining, within envisaged timeframes, a liberalised postal services that ensures ease of entry to new undertakings and sustainable competition.

The postal sector has, for a number of years, been characterised by a monopoly in the universal service area and competition in the courier service sector. The incumbent Maltapost plc is, to an extent, not new to a competitive environment – at least in the so-called wider competitive area.

It is not envisaged that there will be a strong competitive push in the universal service area. Nevertheless, in the MCA's view, the availability of competing postal services, as envisaged in European and National legislation, is the best way of ensuring that the universal service provided by Maltapost plc is fully reflective of customer needs. It is therefore necessary for the MCA to continue to create the environment that is conducive to the onset of competition within the limits imposed by the reserved area.

It is noted that from 1st January 2006 the postal services which are 'reserved' to Maltapost was further reduced so that only services involving items of correspondence for delivery in Malta weighing less than 50g and priced at less than 2½ times the basic tariff cannot be provided by competitors. From this date competitors to Maltapost will be allowed to deliver all other letters, so long as they weigh more than 50g.

The coming years should be characterised by the implementation and ongoing review of the regulatory policies and remedies that have been built by the MCA.

These should ensure the continued high quality provision of the universal service assessable to all and at affordable prices.

The Universal Service Provider (USP) needs to take into account its viability in a potentially competitive environment. This is an undeniable right, but one which needs to be exercised within the confines of the regulatory framework. The MCA will be monitoring the development of rationalisation measures, which Maltapost plc as the USP may need to take.

It is not envisaged that there will be an overriding requirement to articulate wholesale access obligations - although the requirement for third party access at certain points of the infrastructure may arise - given also the fact that Malta's size and population density probably makes the duplication of an access infrastructure such as Maltapost's a feasible proposition.

Further issues that will need to be addressed relate to VAT on postal services and cross-border mail agreements. This issue with respect to VAT is still under scrutiny at an EU level and it is not expected that Malta will take a position in advance of such a decision. The situation will, nonetheless, be monitored. The key task in this case will be that of striking a balance between a level of competitive playing field and affordability of service.

With regard to cross-border mail agreements the MCA needs to ensure that terminal dues are fixed in relation to the costs of processing and delivering incoming cross-border mail, the levels of remuneration are related to the quality of service achieved and that they transparent and non-discriminatory.

It is noted that the MCA will retain light touch regulation in the wider competitive area. Courier services will only be required to provide assurance as to their adherence to the essential requirements relating to mail integrity and to respect the area that is reserved for Maltapost.

The MCA may, from time to time, will test activity in any area of the postal sector that falls within its remit in order to ensure the proper functioning of market forces.

2.2.3 Strategic Objective P2

[Ensuring that residential and business consumers of universal postal services get the best value-for-money from Maltese postal services providers.](#)

It is envisaged that key tasks to be undertaken by the MCA towards the attainment of this objective will relate mainly to finalising the implementation of the regulatory framework established to date.

Thereafter it is expected that the MCA activity will be mainly concerned with monitoring and review exercises in order to ensure that the USP meets its regulatory obligations. Such exercises will focus mainly on cost-orientation and tariff controls as well as on the quality of service targets that are set.

The main challenge in relation to this strategic objective will be the continued supply of a sustainable service in line with established quality standards on the part of the USP.

As in the case of the electronic communications sector, the MCA will also continue to update its complaints handling mechanisms in order to meet public

requirements and expectations. The MCA will also ensure that the public is kept informed of regulatory and market developments that are taking place.

2.2.4 Strategic Objective P3

Contributing to the ongoing discussion, at an international level, on the consistent implementation and ongoing development of the Postal regulatory framework and related issues.

As in the case of the electronic communications sector, the MCA will strive to achieve its objective by means of the following main tasks:

- Ongoing provision of advice to the government on the interpretation and application of any new Directives, recommendations and other EU documents as well as any related issues and disputes arising.
- Active participation in EU fora, European Committee for Postal Regulation (CERP) as well as in other international organisations. The MCA will strive to make a valid contribution to the discussion now that this organisation has reached a stage of maturity, where participation can make a valid impact.
- Input to the EU exercise on the revision of the Postal Directive.
- Monitoring and contributing to the European Commission's developments leading to a new regulatory framework appropriate once the liberalisation of internal market for postal services is fully accomplished by 2009.
- Ongoing submission of accurate statistics and information to the EU and other international organisations. The MCA will also be in a position to comment on the make up of sector information requirements with a view to providing valid information to the European Commission.
- Collaboration on a one-to-one basis with peer regulators on a regular or one-off basis.

2.4 Working Effectively

In order to achieve our objectives the MCA is reliant on a number of key internal corporate resources as outlined below.

2.4.1 Human Resources

The MCA has built a team of professionals capable of handling the onerous work programme and ongoing tasks that the MCA has to undertake in line with its mission and mandate.

This interdisciplinary team has been built painstakingly from scratch over the course of the past four years and has now reached an appreciable stage of maturity and efficiency. As at the start of January 2006, the MCA employed thirty-five staff members together with an additional nine technical staff members detailed from the MCMP.

The ongoing challenges faced by the MCA in a complex and fast-changing operating environment has made investment in the professional development of our staff more important than ever. The MCA is committed to ensuring that it

retains an organisation that is adequately staffed and structured in order to address its mission and mandate.

It is expected that during the coming years ongoing regulatory work will be the mainstream task that this organisation will need to undertake, given that a multi-player scenario has now been established in practically all electronic communications markets. It is reasonable to expect that intervention in inter-operator disputes and market reviews will substantially increase in activity. Existing legal and economic in-house capacity will need to be reassessed in light of the envisaged increase in these activities.

Increasing activity is also envisaged in spectrum management as increasingly wireless networks and services are rolled out. Adequate technical capacity on this front is another essential requirement.

The international dimension has been identified as another inevitable growth area where the MCA will need to dedicate resources.

Policy review, given especially convergence issues in electronic communications, the development of new regulatory frameworks for both the electronic communications and postal sector, will also have a high profile. The MCA will also work on reviewing its longer-term approach to regulation in the electronic communications, postal and e-commerce markets. Particular aspects of this work will involve examining regulatory thinking and practice around the world.

Another area where the MCA will need to dedicate human resources is in the interface with the general public, be it by way of information provision or complaints handling. It is envisaged that, now that there is substantial public awareness of the MCA, requests for information or redress will continue to increase.

Overall, this organisation will have to cater for a sector that should, during the coming years will be in a state of significant expansion, both in terms of overall turnover, as well as with regard to overall market players. It will therefore review its organisational structure and numbers accordingly should the need arise.

2.4.2 Organisation

An organisation that operates in a highly dynamic environment has to have the inbuilt flexibility to adapt to changing circumstances. The MCA will maintain such flexibility via a matrix mode of operation that cuts across formal organisational boundaries and brings together staff from various units and disciplines together to work on specific assignments.

The MCA is also committed to maintaining an efficient and effective strategic and business planning function together with the monitoring of actual performance against set targets. As indicated previously performance monitoring will go beyond the strategic and business planning aspects and include also individual staff performance planning programmes. All these components will be co-ordinated and regularly updated.

Key developments that may affect the MCA's organisational set-up will be monitored. Notable among these is the evolution of technology towards convergence, which is reflected in parallel movements on the institutional side in several other countries. The MCA will ensure that it is responsive to any developments in this direction, in line with Government policy decisions.

2.3.4 Information Services

The MCA's information services function includes three main areas, Information Technology, Consumer Care and Access to Information.

Recognising the benefits of information technology and its ability to deliver a more efficient, timely, transparent and user-friendly service to stakeholders, the MCA intends to provide an improved website offering online services for businesses and individuals who are providing and using services regulated by the MCA.

These would include such services as online notifications of electronic communications and postal service providers, licensing/authorisation e-payments services and electronic submission of operator statistics.

The MCA also intends to introduce a number of initiatives to encourage a proactive and effective approach to providing up-to-date information to consumers through the website via consumer guides, market research and surveys, consultations and annual report.

3. Programme of Works

In line with the objectives mentioned in the previous section the projects envisaged to be performed during the annual plan period are as shown in **Table 1** overleaf.

It is noted that the major outputs listed in **Table 1** represent the MCA's current best view of the work that the MCA will be undertaking during the annual plan period.

These are presented to provide as much clarity as possible. However, it is noted that there is necessarily some uncertainty because:

- there are external dependencies that may affect our timing;
- interdependencies between streams of work may mean that, in the event of delays, there are knock-on effects; and
- there may be external events that are difficult to predict and which we are required to respond to.

Table 1 - Programme of Works 2006

Projects / Activities and Ongoing Initiatives		Objectives and Activities
Electronic Communications – Strategic Objective T1		
Cost Modelling – Maltacom plc	<p>In-house bottom-up core network cost model based on Current Cost Accounting (CCA) and Long Run Incremental Costs (LRIC) in order to establish an appropriate interconnection rate.</p> <p><i>Ongoing refinement and maintenance of the ‘in-house’ bottom-up core network cost model</i></p>	
Reference Interconnection Offer (RIO) Review	<p>Yearly review of SMP operators’ cost models for interconnection rates with the objective of achieving efficient and cost-oriented rates in line with EU benchmarks.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>	
Glide Path for Interconnection Rates (Fixed / Mobile)	<p>The planned continued reduction of termination and call origination rates (fixed and mobile) in order to facilitate competition in the sector.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>	
Review of Accounting Separation and Cost Accounting Decisions	<p>Review of Accounting Separation and Cost Accounting Decisions in line with the European Commission Recommendation and the results of the market analysis.</p> <p><i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>	
Introduction of Current Cost Accounting	<p>The transition from historical cost accounting to current cost accounting which should provide a sounder basis for the calculation of efficient cost-oriented wholesale rates a preparation of regulatory accounts.</p> <p><i>Review of Responses to Consultation / Publication of a Decision Notice</i></p>	

Review of Operators' Annual Regulatory Accounts	Review of regulatory financial accounts of electronic communications operators having SMP. <i>Yearly Review of Regulatory Accounts / Publication of a Statement of Compliance</i>
WACC Methodology Guidelines	Adoption of a clear methodology on the calculation of the Weighted Average Cost of Capital (WACC) for all operators <i>Development and Publication of Regulatory WACC Methodology Guidelines</i>
Reference Unbundling Offer (RUO) Review	Review of Maltacom's RUO to ensure compliance with Regulations / best practice and the principles of cost-orientation and non-discrimination in order to further promote competition in the market. <i>Publication of Consultation Document / Responses to Consultation / Decision Notice</i>
Wholesale Line Rental (WLR) for Carrier Pre Selection (CPS)	Establish a WLR price for Carrier Pre Selection <i>Publications of a Consultation Document / Response to Consultation / Decision Notice</i>
Review of Leased Lines Prices / Terms and Conditions	Review of leased line prices in line with best practice and the developments in cost accounting methodologies. <i>Publications of a Consultation Document / Response to Consultation / Decision Notice</i>
Significant Market Power (SMP) - Market Analysis / Market Reviews	Finalise the market analyses of the eighteen (18) identified markets (inc. the application of remedies) under the new regulatory framework to ensure competition in the respective electronic communications markets coupled with the ongoing market reviews. <i>Publication of Consultation Documents / Response to Consultations / Notification to EU / Decision Notices</i>
Review of Numbering Convention / National Numbering Plan	Review of the numbering convention and national numbering plan. <i>Publication of Decision Notice and National Numbering Plan</i>
Implementation of Full Number Portability	Availability of full number portability in Malta. <i>Commencement of Full Number Portability, Monitoring Number Portability and Reporting Obligations</i>

Review of New Voice Services	<p>Policy review of the implications and impact of the evolution of VoIP / VoBB across new platforms and emerging technologies and the general principles with regard to the regulatory treatment.</p> <p><i>Drafting of an Issue Paper / Publication of a Consultation Document / Response to Consultation / Decision Notice</i></p>
Review of Next Generation Networks (NGNs)	<p>Policy review on effects that the evolution of NGNs has on interconnection regimes and general principles with regard to regulatory treatment of NGNs.</p> <p><i>Drafting of an Issue Paper / Publication of Regulatory Guidelines</i></p>
Review of Interconnection / Access Regime	<p>A study on the definition of access and interconnection with respect the rights and obligation of undertakings and the powers and responsibilities of the MCA.</p> <p><i>Drafting of an Issue Paper / Publication of Regulatory Guidelines</i></p>
Policy and Strategic Review of Radio Spectrum and Implementation	<p>The policy and strategic review will advise on the principles that should govern spectrum management coupled with a work programme in relation to the work streams and related tasked involved.</p> <p><i>Publication Policy and Strategy Consultation Document / Response to Consultation / Policy and Strategy for the Management of the Radio Spectrum / Work Programme</i></p>
Review of Radio Spectrum Licenses	<p>Review of the radio spectrum licensing regime in line with radio spectrum strategy.</p> <p><i>Publication of Consultation Document / Response to Consultation / Decision Notice</i></p>
Assignment of Rights of User of Frequencies – Broadcasters	<p>Development of a policy recommendations and assignment mechanism for digital TV transmission to the current free-to-air broadcasters.</p> <p><i>Development of Policy Paper / Assignment of Rights of Use of Radio Frequencies</i></p>
Community Radio Stations – Review of the Licensing Process	<p>Process for assigning radio frequencies to community radio stations.</p> <p><i>Review of Assignment Process / Publication of Revised Licensing Process</i></p>
Electronic Communications – Strategic Objective T2	

RPI-X Price Cap mechanism (Maltacom)	Finalisation of RPI-x price cap mechanisms to encourage operator's efficiency through price capping. Publication of a Decision Notice
Tariff Realignment (Maltacom) - Phase II	Phase II of the cost orientation process of fixed telephony services and the removal of cross-subsidies. Publication of a Decision Notice
Electronic Communications Price Index	Electronic Communications Price Index used as a tool for future price changes and to measure inflation attributable to electronic communications services. Ongoing Update of the Electronic Communications Price Index
Data Protection – Implementation of Legal Notice 19 of 2003	To ensure full implementation of Legal Notice 19 of 2003 on Data Protection in electronic communications. Consultations with Stakeholders / Publication of Decision Notice
Network Integrity and Information Security Policy	Development of a network integrity and information security policy with respect to electronic communications networks. Drafting of an Issue Paper / Publication of a Consultation Paper / Decision Notice
EMF Monitoring and Auditing	Ongoing EMF monitoring and auditing. Publication of Audit Results on the website
Quality of Service Internet Monitoring and Auditing	Enhancement of the web based application on monitoring of the Internet speed. Implementation of an Enhanced Internet Health Monitoring System
Implementation of Unified Lawful Interception System	Lawful interception hardware and software facilities for electronic communications in line with the MoU with Security Services. Overseeing the Implementation and Commissioning of the System
Universal Service Obligations – Maltacom plc	Review of existing USOs in light of the current regulatory framework Publication of a Consultation Paper / Response to Consultation / Decision Notice

Electronic Communications – Strategic Objective T3	
Review of the Regulatory Framework for Electronic Communications	Review of the electronic communications regulatory framework (including the review of the current electronic communications markets). <i>Drafting of an Issue Paper / Ongoing Discussions with Stakeholders</i>
Electronic Communications – Strategic Objective T4	
IPv6 Test Bed	Development of a ‘test bed’ to enable operators and interested parties to test new IPv6 routing issues. <i>Implementation of IPv6 ‘Test Bed’</i>
Review of the development of Broadband competition between fixed and wireless access	Policy review of the issues of convergence and the impact fixed/wireless substitution will have on the current telephony and broadband markets definition. <i>Drafting of an Issue Paper / Publication of Report on Fixed/ Wireless Substitution</i>
Review of Bundling and Discounts	The identifications of issues related to bundling and discounting and its impact on competition and consumer aspects. <i>Drafting of an Issue Paper / Publication of Guidelines</i>
Review of Wireless Technologies	Policy review of emerging wireless technologies and general principles with regard to their regulatory treatment. <i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>
e-Commerce – Strategic Objective E1	
e-Signatures supervision	Ensuring that the MCA fulfils its regulatory responsibilities in relation to e-Signatures. <i>Publication of Consultation Document / Response to Consultation / Decision Notice / Notification System</i>
e-Commerce supervision	Implementation of the MCA’s e-Commerce related regulatory responsibilities. <i>Implementation of a Complaints Handling Mechanism / Awareness Campaign</i>

Postal Services – Strategic Objective P1	
RPI-X Price Cap Mechanism - Phase II	Implementation of RPI-X price cap mechanisms and monitoring of retail price movement, including the ongoing review of the efficiency factor. <i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>
Review of Cross-border Terminal Dues	Review of issues related to cross-border mail agreements. <i>Drafting of a Policy / Issue Paper / Discussions with Stakeholders</i>
Review of the USP's Annual Regulatory Accounts	Maltapost's Annual Regulatory Accounts <i>Review of Regulatory Accounts of USP (Maltapost plc) / Publication of a Statement of Compliance</i>
Postal Services – Strategic Objective P2	
Development of Mail Integrity Standards	Establishment of the minimum standards related to protecting the integrity of mail and enforcement measures for postal operators <i>Publication of Consultation Document / Response to Consultation / Decision Notice</i>
Review of Maltapost's Universal Service Obligations (USO)	Review of Maltapost's USO <i>Publication of a Consultation Document / Response to Consultation / Decision Notice</i>
USP's Quality of Service Measurements	Monitoring Maltapost's Quality of Service (QoS) measurements and publication of report on the performance achieved. <i>Monitoring of QoS obligations / Publication of Quarterly Reports on QoS Performance</i>
Definition of Postal Services	Establishment of a clear definition of Postal Services <i>Drafting of Issue Paper / Publication of Regulatory Guidelines</i>
Postal Services – Strategic Objective P3	
Review of the Regulatory Framework for Postal Services	Review of the regulatory framework for postal services. <i>Drafting of an Issue Paper / Ongoing Discussions with Stakeholders</i>

Corporate / Ongoing Initiatives	
Migration of Maritime Radio-Communications Licences	Finalisation of migration of maritime radiocommunication licences (VHF) to a General Authorisation regime. <i>Publication of General Authorisation / Awareness Campaign addressed at Current and Prospective Users</i>
Review / Development of Customer Care Function	Review of Customer Care Function <i>Implementation of an Integrated Customer Care Database</i>
Regulatory Information Management System	Development of an Integrated Regulatory Information Management System to be in a better position to effectively monitor the sectors regulated by the MCA. <i>Implementation of Regulatory Information Management System</i>
Customer focused Website Re-Design	Implementation of a customer focused re-designed website to better service the MCA's stakeholders. <i>Introduction of Online Services</i>
Dispute Resolution Process – Undertakings / Consumers	Review of Dispute Resolution Process – Undertakings and Consumers <i>Publication of a Consultation Paper / Response to Consultation / Decision Notice</i>
Euro Changeover Plan	Preparation of the Euro Changeover Plan leading to the changeover to the Euro (both from an internal and external regulatory perspective) <i>Report on the Implementation of the Euro Changeover Plan</i>

4. Financial

The MCA's intention is to provide value for money for our stakeholders.

If it is to function at desired levels and get the best possible outputs from its staff, the MCA will need to ensure that they are adequately equipped to carry out the job. In this respect this organisation is committed to providing the environment that is most conducive to productivity. It will do this by committing to provide adequate premises, Information Technology (IT) resources by way of hardware and software and other logistical support as required.

The MCA will ensure that it has adequate finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing this organisation will also ensure that it will provide a full accounting of its activities as required by law.

The MCA's income derives mainly from electronic communications authorisation fees, postal licence and authorisation fees and fees from scarce resources (radio spectrum, rights of way and numbering). Postal fees and fees for scarce resources are fees payable to Government, after deduction of the MCA's administrative requirements.

For 2006, the MCA's expenditures is expected to be Lm1.465 million. Of the Lm1.465 million budget it is envisaged that:

- Lm 264k related to capital expenditure;
- Lm 198k related to operational expenditure;
- Lm 144k related to administrative expenses;
- Lm 586k payroll related costs; and
- Lm 273k related to projects and regulatory activities.

Appendix 1 – Key Developments in the External Environment in 2005

Electronic Communications Sector – Outputs / Outcomes 2005

Competition

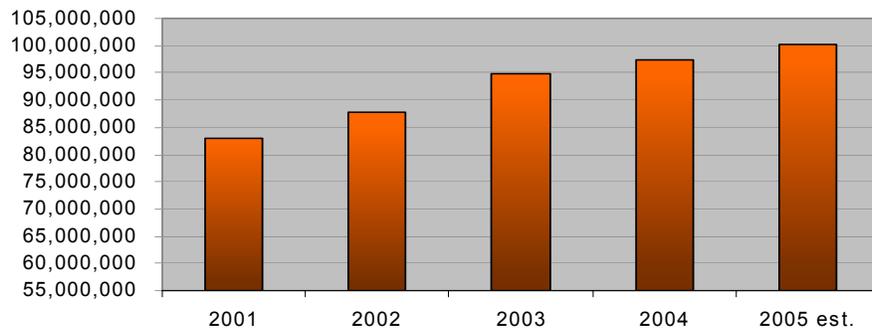
Overall 2005 was characterised by a healthy increase in the number of players. Even more encouraging was the spread of markets, which experienced the introduction of additional players. Equally encouraging is the fact that a significant element of such competition was infrastructure based. One must qualify that in some instances there needs to be a rollout period before the undertakings in question start providing services to the public.

While it is too early to state that competition has taken root the manifestations are starting to show. The following points highlight reflect the main events:

- o Radio spectrum assignments for new wireless technologies (DTTV, 3G and BWA) were completed in the first half of 2005 following the publication of a Policy and Strategy for all three sectors.
- o Two operators were assigned spectrum for the development of DTTV networks and services. One of these started offering started to offer DTTV services in July 2005. A second DTTV operator is expected to start offering services in 2006.
- o The Digital Cable Television Services provider started providing digital cable TV services in February 2005 in advance of impending competition from the digital terrestrial platform.
- o Two operators were assigned rights of use of frequencies for the development of 3G networks and services.
- o Three operators were assigned rights of use of frequencies for the development of nationwide BWA networks and services.
- o The Cable network operator started to offer fixed local and international voice services, in anticipation of offering fully-fledged fixed telephony services in 2006 when it interconnects with other operators.
- o There are currently 22 Internet Service Providers (ISPs) against 19 in 2004. Fifteen ISPs are offering commercial VoIP services.
- o Fixed general authorisation fees have been reduced from Lm 20,000 to Lm 5,000, thereby facilitating even further ease of market entry.
- o The trend in the overall decline of wholesale rates has continued. Fixed and mobile telephony interconnection rates have been reduced further during 2005. As of 1st January 2006, new lower interconnection rates are also effective. This trend should facilitate market entry, particularly for service-based providers.
- o A series of market analyses in line with the New Framework methodology were undertaken during 2005. Work was undertaken on twelve markets, eight of which were finalised and issued for public consultation. One market was concluded and notified to the EU Commission. The remainder are expected to be concluded and notified to the EU by the second quarter of 2006, along with remaining markets to be analysed.

- At a retail price level there was significant reduction in overseas voice calls. It is expected that once new market players enter the scene in 2006 there should be further movement in the right direction at a retail price level as well.
- Very good progress was registered in the implementation of a robust number portability solution. Full number portability will be available by April 2006. This will enable consumers to switch operators more easily.
- The total turnover from fixed and mobile telephony markets expanded from approximately Lm 83 million in 2001 to Lm 97 million in 2004. The projected turnover for 2005 is estimated at Lm 100 million.

Gross Revenues (LM) - Electronic Communications Sector



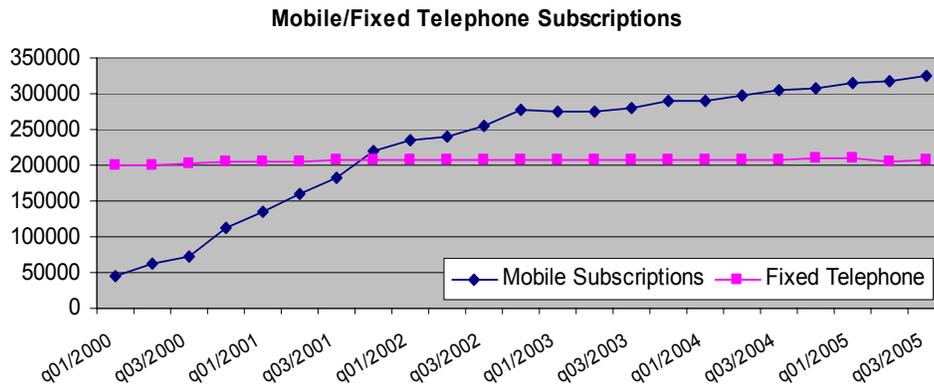
Source: MCA

Quality of Service / Value For Money

Quality of service and value for money improvements overall were mainly due to the onset of competition although sector monitoring and, at times, regulatory intervention was still deemed necessary in a number of instances. Increased take-up of services by the public, in the case of the electronic communications sector, was one indicator of improved value for money in service provision.

- The period under review was characterised by further take up of Voice over Internet Protocol (VoIP) services for international calls. As at September 2005 approximately 9 million minutes of VoIP calls were consumed, an increase of approximately 3 million minutes when compared to the same period last year.
- In several areas a decline in prices (wholesale and retail) has occurred, mainly due heightened competitive activity but also as a result of regulatory intervention. Overseas telephony rates, in particular, have fallen significantly.
- Constant monitoring and publication of mobile telephony base station emissions has contributed to continued adherence to emission standards and has served to keep the public informed of the situation.

- o Setting up of QoS standards and measures should ensure better quality service mainly in fixed telephony. Measurements will be available in 2006.
- o Extent of fixed line penetration and increased mobile telephony and Internet penetration indicate overall availability and solidity of infrastructures and services.
- o At the end of September 2005 there were 208,598 fixed line telephony subscribers, representing an increase of 2194 subscriptions over the same period last year. Mobile subscribers grew to 325,546 in 2005 representing an increase over 2004 of 21,566. Subscriber growth in the local mobile telephony market effectively means that more than of 82% of the Maltese population are subscribed to a mobile network.



Source: NSO

- o The online Internet Health Monitoring System (IHMS) introduced in 2004 and enabling users to track actual Internet service upload and download speeds. During the period September to December 2005 more than thirty-three thousand (33,000) test-downloads have been registered.

Digital Television Uptake

- o Following a number of promotional offers by the two digital TV operators as at the end of December 2005 subscriptions for digital television (both terrestrial and cable) amounted to circa 14,500. This figure indicates that around 11% of the estimated total number of households have migrated to digital in less than a year.

Broadband Uptake

- o The doubled broadband bandwidth offering in the latter part of 2004 and 2005 at no additional cost has been equivalent to a halving of prices, and contributed to further uptake.

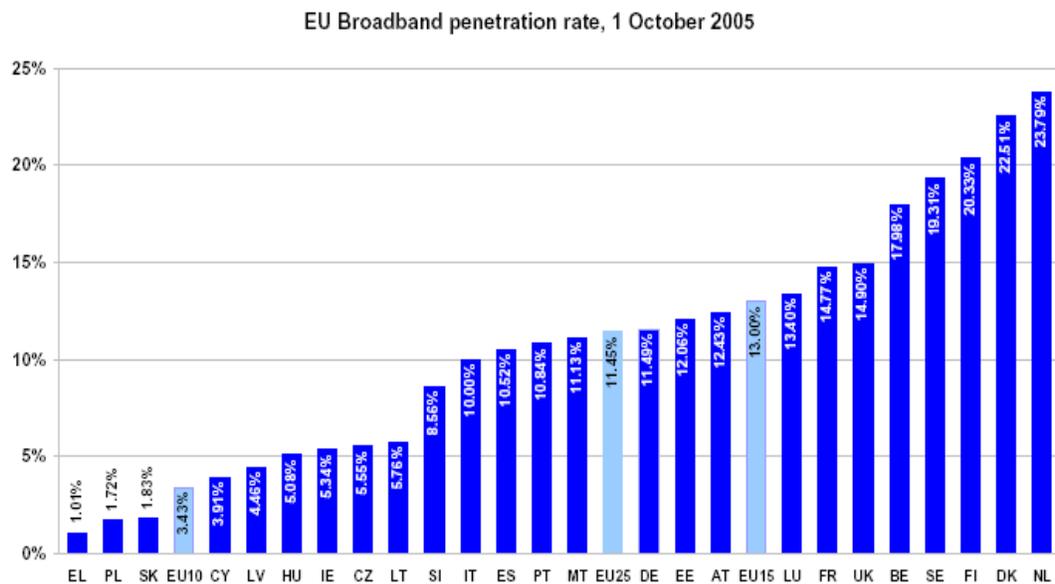
- o Uptake of broadband is consistently on the increase:

	2002	2003	2004	Q3/2005	%Growth Q3/2005 vs. 2004
ADSL	9,906	13,001	21,733	25,972	19.5%
Cable Modem	6,174	9,735	15,909	18,700	17.5%
Total	16,080	22,736	37,642	44,672	18.7%

Sources: MCA

The illustration below shows the number of broadband connections per population in the EU Member States as at October 2005. Malta is practically at the same level as the average penetration within the EU at 11.13% whilst the local broadband penetration is significantly higher than the new EU entrants as the average rate for the latter stands at 3%.

Figure 10



Source EU Commission 11th Implementation Report

Postal Services

The focus on postal regulation during 2005 centred mainly on the finalisation of the legislative framework and the implementation of the regulatory framework.

- o Postal regulations in replacement of the existing ones were brought into force in October 2005 thus bringing under regulatory control all postal

service providers. The licensing / authorisation framework for alternative postal operators will facilitate a competitive environment.

- o Obligation for transparency and cost-orientation via accounting separation has been placed on Maltapost. Accounting separation and price control implementation will ensure transparency in prices and control in postal service price movements.
- o Quality of service standards and targets for Maltapost, with concomitant compensation schemes in case of substandard service have been established.
 - The establishment of Quality of Service standards and monitoring function is leading to improved performance of the universal postal service.
 - The setting up of compensation schemes with respect to sub-standard postal services will also enhance performance and ensure redress.
 - Consolidation of the Maltapost complaints handling function should make for better customer care.
- o During Maltapost's financial year 2004/05, Maltapost delivered 90.78% of all ordinary mail the day after being posted.
- o Establishment and operation of monitoring mechanisms in respect of Maltapost universal service obligations will verify and safeguard ongoing provision of such services to the public.
- o Establishment and monitoring of Maltapost and any other postal operator's mail integrity procedures should serve as a safeguard both to postal staff and public.

Electronic Commerce

During 2005 the MCA was actively involved in:

- o The drafting of regulations under the e-Commerce Act and their subsequent issuance for consultation.
- o The MCA also published its proposed approach relative to the regulation of information society service providers.

The regulations and the stated MCA approach should ensure a robust legal and regulatory framework for e-Commerce transactions in Malta.