



## Communications Market Review

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January to June 2019

<b>Document No:</b>	MCA-POL/kc/20-3799
<b>Date:</b>	3 <sup>rd</sup> March 2020

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## 1. Reporting parameters

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

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

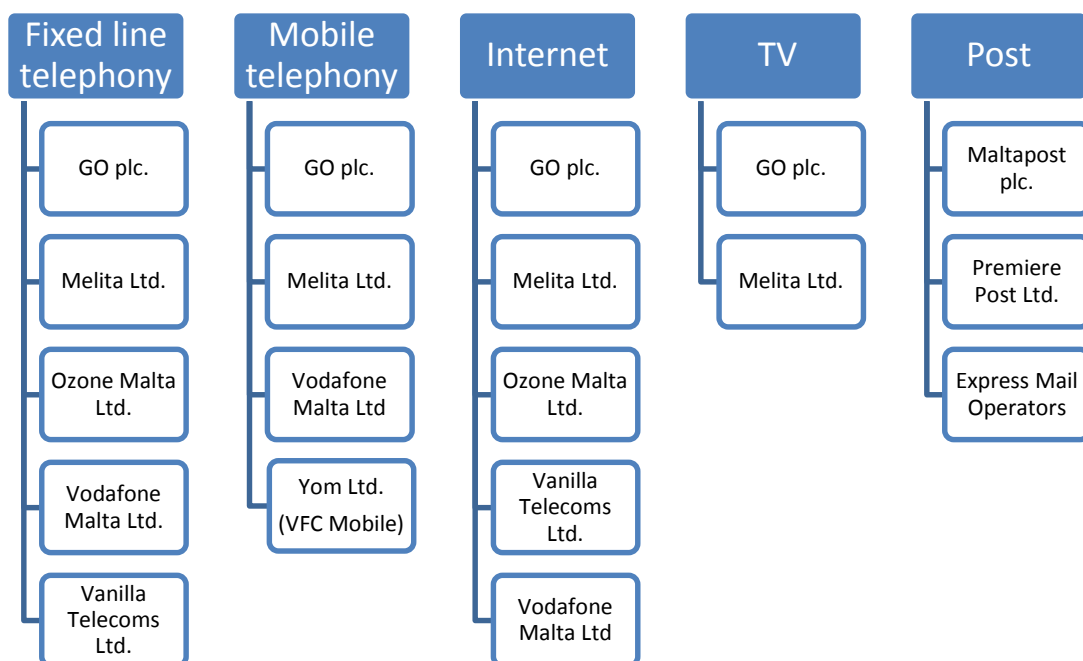


Figure 1: Operators providing quarterly data in 2019<sup>1</sup>

This report also refers to findings extracted from publications of third parties in the areas of interest<sup>2</sup>.

### 1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly and half-yearly basis for the period starting Q1 2015 and ending Q2 2019.

<sup>1</sup> In previous years, DHL Malta featured separately under the list for post, given that in 2010 the MCA granted this postal operator a 10-year licence to provide 'universal postal services' in Malta. This operator renounced this licence late 2018.

<sup>2</sup> References to information contained in other websites and quotes from third party sources, such as reference to Deutsche Post's postal rate figures in Malta and the EU, should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA.

The data cut-off date for implementing changes and updates in the data has been set at the 15<sup>th</sup> October 2019. Any data revised and updated by the sources after the cut-off date has been incorporated in the Data Report Sheet (DRS) published in 29<sup>th</sup> October 2019.<sup>3</sup>

## 1.2. The KPIs in this report

This report is composed of five sections dealing with trends observed for fixed telephony, mobile telephony, Internet, pay-TV and post. Figure 2 lists the main indicators covered in this review.

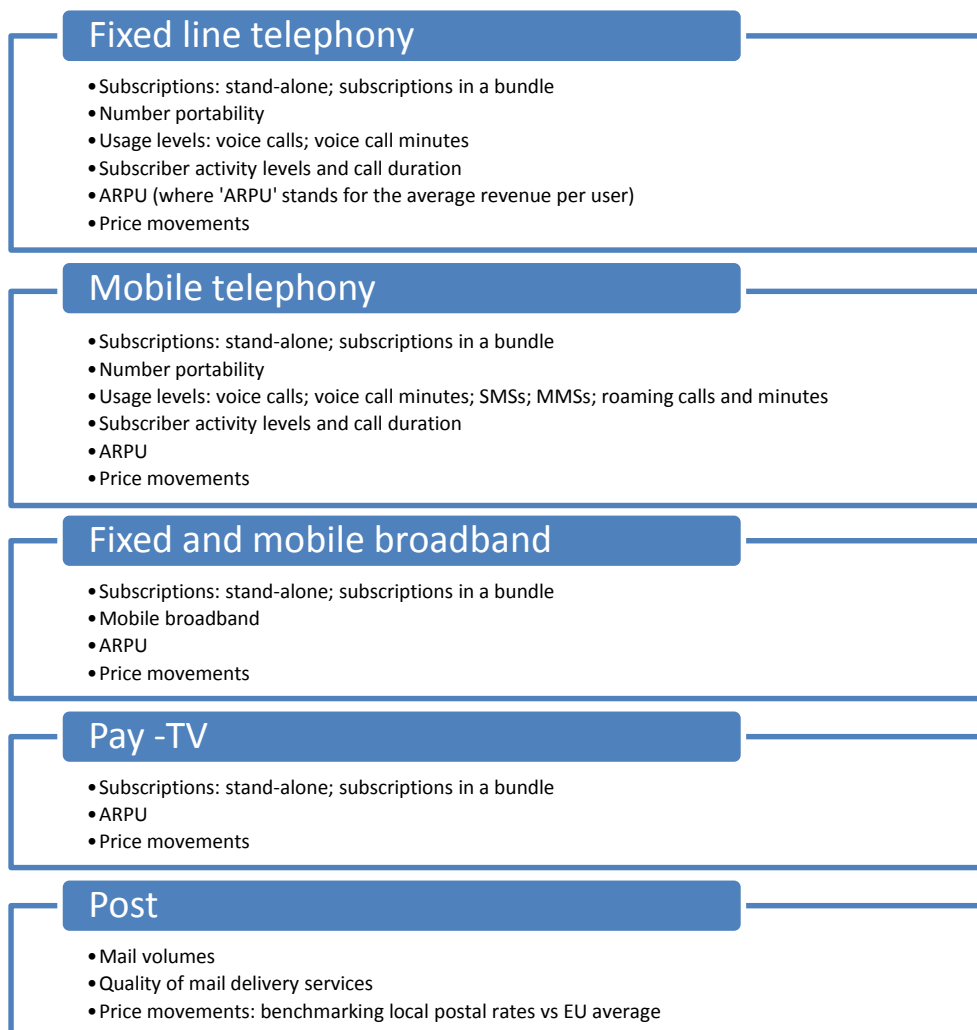


Figure 2: Key market indicators for electronic communications and post

<sup>3</sup> The MCA publishes a DRS on a regular basis, the latest of which can be found on: <https://www.mca.org.mt/articles/data-report-sheet-drs-latest-figures-published-4>

## 2. Key market outcomes

The first half of 2019 for the telecommunications sector can be categorised as one that is both healthy and buoyant. Year-on-year this sector continues to register encouraging results seeing that subscriber growth continues to thrive in all segments. The improvement in subscriber numbers comes the back of increased availability of bundles, which generally includes a fixed telephony connection with unlimited calls, an ultra-fast fixed broadband connection and a pay-TV service. Stand-alone plans have diminished significantly in availability amongst consumers but some legacy plans are still in circulation. Notwithstanding the uplift in subscriber numbers, some segments registered negative traits such as dwindling numbers in terms of usage, as was evident in the fixed telephony sector.

During the period under review, the fixed telephony sector was up by 8,379 subscriptions (or by 3.4%) to reach 256,299 subscriptions by the end of the first half of 2019. These numbers, though positive, only give a partial image of the fixed telephony situation in Malta. Usage continued to drop for this service, as users switched to alternatives for communication such as mobile telephony or OTT services. During this period voice calls were down by 5.3 million (or by 8.9%) and voice call minutes also declined by 19.3 million (or by 9.0%). Despite the lower activity, fixed telephony continues to maintain its presence amongst consumers, essentially as a result of its proliferation in most bundle packages offered to subscribers.

Fixed broadband services once again increased in popularity amongst consumers with this sector registering 6,788 new subscriptions (up by 3.6%) to reach a total of 194,792. The fixed broadband sector developed not only in raw subscription numbers but also in terms of the quality of subscriptions consumers are seeking. Ultra-fast fixed broadband connections continue to rise in popularity amongst consumers and now make up 40% of all connections. Also of note, was the increased take-up of fixed broadband connections in a bundle set-up; this sector is now the most bundled service at 90.7% up from 88.4% a year earlier. Operators continue to sustain a similar strategy to what was observed in previous years, which is to advertise ultra-fast fixed broadband packages solely in bundle set-ups.

The increased take-up of ultra-fast fixed broadband packages translated into consumers generally paying higher monthly access fees but benefitting from lower rates at a per Mbit level; at least, when it comes to ultra-fast connections. This trend was reflected in the new levels of Average Revenue per User (ARPU), which reached new heights of €121.36, up 6.7% from last year's results.

By June 2019, the mobile telephony subscriber base consisted of 629,320 subscriptions that is 2.3% higher than what was observed a year earlier. This bigger subscriber base contributed significantly to larger voice traffic volumes, with the number of voice calls and voice call minutes up by 7.3% and 9.1% respectively when comparing the first half of 2019 to the same period a year earlier. Also, bigger voice minute allowances contributed to this outcome, which materialised alongside bigger mobile data usage. A total of 4.86 million GBs were consumed in the first half of 2019, which is more than double what was observed during the same period a year earlier. By our estimates, this means that, on average, a consumer was using more than 7.2GB of data during the 6-month period under review. A higher take-up and bigger voice and data consumption resulted in a larger ARPU of €87.32 for the current reporting period, up by 1.9% from €85.63 in the same period of 2018.

By the end of the current reporting period, the pay-TV sector saw its subscriber base increase by 5,936 subscriptions (or by 3.7%) thus reaching a total of 167,633 subscriptions. Similar to fixed telephony and fixed broadband, pay-TV continued to propagate in take-up because of its increased presence in a number of popular triple-play bundles. In fact, by the end of the first half of 2019, some 76% of all pay-tv plans were bundled with other services, up from 68.9% a year earlier. As expected, market share for GO's DTTV platform continued to decline as the operator concentrated its efforts on encouraging the take up of its interactive platform. Similarly, the discontinuation of Melita's analogue service at the end of 2018 meant that all pay-TV subscriptions for Melita's subscriber base consisted solely of digital cable.

As expected, the postal sector in Malta continued its downwards trajectory in mail volumes when compared to previous years. Total mail volumes reached 18.2 million mail items in the first half of 2019, which is down 0.6 million when compared to the same period a year earlier. Bulk mail, standard letter and parcels all registered losses in volumes whilst registered mail recorded gains during the same period.

More detailed information on the main market outcomes for the electronic communications and postal sectors is provided in Sections 4 to 8 of this document.

## i. Mobile telephony

- The number of mobile telephony subscriptions was up by 13,897 (or by 2.3%) year-on-year, to 629,320 at the end of June 2019. The mobile penetration rate at the end of the current reporting period stood at 125.60%, down from 126.91% a year earlier.
- The number of post-paid subscriptions was up by 18,399 (or by 8.5%) year-on-year and the number of pre-paid subscriptions was down by 4,502 (or by 1.1%).
- The proportion of the subscriber base on a post-paid plan was up from 35.4% at the end of June 2018 to 37.5% at the end of June 2019.
- 10.1% of all mobile subscriptions recorded at the end of June 2019 were bundled with some other electronic communications service.
- The number of mobile inward portings totalled 15,704 in the first half of 2019, up by 793 (or by 5.3%) from 14,911 inward portings recorded in the same period a year earlier.
- The number of mobile voice call minutes recorded in the first half of 2019 totalled 500 million, which is up by 42 million (or by 9.1%) from 458.0 million recorded in the first half of 2018. The number of mobile voice calls was also up, by 16.6 million (or by 7.3%) from 228.9 million to 245.5 million.
- Voice usage levels per subscription were down in terms of voice calls but up in terms of voice call minutes. Table 1 below outlines these contrasting trends and the continued decline in usage levels per subscription noted in the case of SMSs.

Mobile telephony	FH 2017	FH 2018	FH 2019
<b>Subscriptions (end of period)</b>	601,099	615,423	629,320
<b>Activity levels per subscription</b>			
Number of voice calls	383	375	394
Number of voice call minutes	710	744	795
Number of SMSs	340	279	190
<b>ARPM (overall)</b>	€0.068	€0.061	€0.051
<b>Average rate per SMS (overall)</b>	€0.037	€0.039	€0.042
<b>ARPU</b>	€86.86	€85.63	€87.32

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

- In line with long-term market trends, mobile telephony maintains the drive towards more competitively priced voice call offers. In fact, the average rate per minute (ARPM) of mobile communications in the first half of 2019 was down by 16.4% to €0.051 from €0.061 in the first half of the previous year.



## ii. Fixed line telephony

- The number of fixed line subscriptions totalled 256,799 by the end of June 2019, up by 8,379 subscriptions (or by 3.4%) from 248,420 a year earlier.
- Year-on-year, the number of post-paid subscriptions and 'enhanced' subscriptions was up by 9,851 and 153 respectively. In contrast, the number of pre-paid subscriptions was down by 1,625.
- As for the proportion of the local subscriber base by type of subscription, 94.7% were on a post-paid contract at the end of the current reporting period, 3.9% were on a pre-paid plan and 1.5% were on an 'enhanced' plan.
- 73.7% of all fixed line telephony subscriptions at the end of the current reporting period were purchased in a bundle with other electronic communications services.
- There were 1,003 fixed line inward portings in the first half of 2019, marginally down from 1,270 inward portings recorded a year earlier.
- Fixed line traffic volumes were down in the first half of 2019 when compared to the same period a year earlier. The number of outgoing voice calls was down by 5.3 million (or by 8.9%) and the number of outgoing voice call minutes was down by 19.3 million (or by 9.0%). The decline in traffic volumes, combined with a larger subscriber base, contributed to lower voice activity levels per subscription. Table 2 below illustrates these trends.

Fixed line telephony	FH 2017	FH 2018	FH 2019
<b>Subscriptions (end of period)</b>	239,582	248,420	256,799
<b>Voice activity levels per subscription</b>			
Number of voice calls	276	246	215
Number of voice call minutes	994	898	786
<b>Average rate per minute (ARPM)</b>	€0.028	€0.024	€0.024
on-net FTF call	€0.008	€0.007	€0.006
off-net FTF call	€0.010	€0.008	€0.008
FTM call	€0.131	€0.108	€0.097
FTI call	€0.104	€0.096	€0.110
<b>Average revenue per user (ARPU)</b>	€68.77	€67.22	€62.00

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

- Fixed telephony ARPU in the first half of 2019 was down by 7.8% when compared to the same period a year earlier, from €67.22 to €62.00. This was mainly a result of lower voice traffic volumes as well as an increased take-up of this service in a bundle, whereby on-net voice allowances are more predominant.
- The ARPM of fixed line communications in the first half of 2019 stood at €0.024, which is identical to the ARPM observed in the first half of 2018.

## iii. Fixed and mobile broadband

- The number of fixed broadband subscriptions totalled 194,792 the end of June 2019. This figure is up by 6,788 (or by 3.6%) from 188,004 reported a year earlier.
- The fixed broadband penetration rate stood at 38.88% at the end of June 2019, representing an increase of 0.11 percentage points year-on-year.
- 91.5% of all fixed broadband subscriptions reported at the end of the first half of 2019 were in a bundle, up from 86.4% recorded in the first half of 2018. In absolute terms, the number of fixed broadband subscriptions in a bundle totalled 178,241 at the end of June 2019.

Fixed broadband	FH 2017	FH 2018	FH 2019
<b>Subscriptions (end of period)</b>	177,327	188,004	194,792
less than 5Mbps	653	660	374
greater than or equal to 5Mbps but less than 10Mbps	338	118	100
greater than or equal to 10Mbps but less than 20Mbps	54,455	20,862	11,896
greater than or equal to 20Mbps but less than 30Mbps	2,838	2,061	1,311
greater than or equal to 30Mbps but less than 50Mbps	37,409	29,657	25,884
greater than or equal to 50Mbps but less than 100Mbps	57,434	83,369	76,918
100Mbps and more	24,200	51,277	78,309
<b>Average rate per Mbps</b>	€0.90	€0.84	€0.88
less than 5Mbps	€4.425	€4.425	€4.425
greater than or equal to 5Mbps but less than 10Mbps	€4.327	€4.327	€4.327
greater than or equal to 10Mbps but less than 20Mbps	€1.783	€1.783	€1.783
greater than or equal to 20Mbps but less than 30Mbps	€2.012	€2.012	€2.012
greater than or equal to 30Mbps but less than 50Mbps	€0.798	€0.798	€0.799
greater than or equal to 50Mbps but less than 100Mbps	€0.608	€0.595	€0.630
100Mbps and more	€0.390	€0.363	€0.300
<b>ARPU</b>	€106.90	€113.69	€121.36

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

- The number of fixed broadband subscriptions supporting a download speed of '30Mbps but less than 100Mbps' totalled 102,802 at the end of June 2019. This figure is down 9.0% when compared to the end of June 2018. Meanwhile, the number of subscriptions supporting download speeds of '100Mbps and greater' was up by 52.7% to 78,309.
- At the end of June 2019, the number of fixed broadband subscriptions on the cable platform totalled 96,058 (which is equivalent to 49.3% of the subscriber base). The number of DSL-based and wireless-based subscriptions totalled 64,644 (equivalent to 33.2% of the total) and 10,180 (equivalent to 5.2% of the total) respectively. Fibre-to-the-Home (FTTH) subscriptions totalled 23,910 (representing 12.3% of the subscriber base).
- Fixed broadband ARPU in the first half of 2019 stood at €121.36, up by 6.7% from €113.69 in the first half of 2018.

- The average rate per Mbps in the first half of 2019 stood at €0.88, down by 4.5% from €0.84 in the first half of 2018.
- Take-up of mobile broadband services was up in the current review period, with the number of active users surging from 447,427 by the end of June 2018 to 677,430 at the end of June 2019.
- On average, each active mobile broadband subscription consumed 7.2GB of data in the first half of 2019, up by 1GB (or by 16.1%) when compared to the same period a year earlier.

## iv. Pay-TV

- The number of pay-TV subscriptions totalled 167,633 at the end of June 2019, up by 5,936 (or by 3.7%) from 161,697 a year earlier.
- There were no analogue subscriptions during this period due to Melita terminating this service. The number of digital terrestrial TV (DTTV) subscriptions fell by 8,499 (or by 31.2%), given the continued efforts by the service provider – GO - to switch clients to IPTV-based packages.
- Conversely, demand was up for digital cable TV offered by Melita and Internet Protocol TV (IPTV) offered by GO. The former platform saw a rise of 6,681 subscriptions whilst the latter saw an increase of 7,769 subscriptions.

Pay-TV	FH 2017	FH 2018	FH 2019
<b>Subscriptions (end of period)</b>	152,332	161,697	167,633
<b>Average market rates for pay-TV packages</b>	€19.66	€19.66	€19.66
up to 24 channels	€9.99	€9.99	€9.99
25 to 49 channels	€14.66	€14.66	€10.00
50 to 74 channels	-	-	-
75 to 99 channels	€21.99	€22.00	€22.00
100 channels or more	€32.00	€32.00	€32.00
<b>ARPU</b>	€93.52	€86.54	€86.84

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

- The share of total pay-TV subscriptions on the digital cable platform stood 58.8% at the end of June 2019 up 2.0 percentage points when compared to the same period a year earlier. Meanwhile, the DTTV and IPTV platforms respectively accounted for 11.2% and 30.1% of the subscriber base recorded at the end of current reporting period. Compared to its standing at the end of June 2018, DTTV is down by 5.6 percentage points, whilst IPTV is up by 3.7 percentage points.
- The number of pay-TV subscriptions in a bundle was up by 13,756 year-on-year to reach 125,200 by the end of June 2019. The percentage of pay-TV subscriptions purchased in a bundle at the end of June 2019 stood at 74.7%, up by 5.8 percentage points year-on-year.
- MCA workings show that the average advertised monthly access fee for pay-TV plans offered on a stand-alone basis stood at €19.66 in the first half of 2019

## v. Post

- Postal mail volumes delivered in the first half of 2019 totalled 18.2 million items, 0.6 million items lower than recorded in the same reporting period last year.
- Standard mail activity accounts for 95.5% of all postal mail volumes recorded in the first half of 2019. Express mail activity accounted for the remaining share.
- In absolute terms, standard mail volumes in the first half of 2019 were slightly down by 0.3 million items (or by 2.2%) when compared to the same period a year earlier. Similarly, express mail volumes were down by 19.8%, from 1,008,020 mail items to 808,864 mail items.

Post	FH 2017	FH 2018	FH 2019
<b>Postal mail volumes</b>	18,594,780	18,781,510	18,191,371
Standard mail volumes	18,000,242	17,773,490	17,382,507
Single piece letter mail	5,913,961	6,055,104	5,875,918
Bulk mail	11,286,028	10,724,599	10,507,620
Registered mail	715,043	892,125	901,567
Parcel mail	85,210	101,662	97,402
Express mail volumes	594,538	1,008,020	808,864
Single piece letter mail	397,712	408,692	430,529
Bulk mail	-	-	-
Registered mail	-	-	-
Parcel mail	196,826	599,328 <sup>4</sup>	378,335 <sup>5</sup>

Table 5: Postal mail volumes

- As to developments by type of mail item, bulk mail activity accounted for 57.8% of all postal mail volumes recorded in the first half of 2019, followed by single piece letter mail at 34.7%, registered mail at 5.0% and parcel mail at 2.6%.

<sup>4</sup> The MCA has investigated this figure with the local service provider that registered the big jump in parcel mail volumes. This service provider confirmed its earlier data submission.

### 3. Market share on the basis of subscriptions

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

#### 3.1. Fixed line telephony

By the end of first half of 2019, GO's market share stood at 55.4% when compared to Melita's market share of 40.3%. Vodafone Malta's market share stood at 4.1% whilst Ozone Malta and Vanilla Malta held a market share of 0.2% and 0.1% respectively.

Year-on-year, GO's market share was down by 2.7 percentage points, whilst Melita's market share was up by 2.3 percentage points and that of Vodafone Malta was up by 0.9 percentage points.

Market shares	GO	Melita	Vodafone Malta	Ozone Malta	Vanilla Telecoms
End of FH 2019	55.4%	40.3%	4.1%	0.19%	0.06%
End of FH 2018	58.1%	38.0%	3.2%	0.20%	0.06%
End of FH 2017	63.4%	35.0%	1.4%	0.21%	0.04%

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

#### 3.2. Mobile telephony

Vodafone Malta's market share dropped by 2.4 percentage points year-on-year, from 42.87% at the end of the first half of 2018 to 40.49% at the end of June 2019. GO's market share grew, albeit marginally by 0.6 percentage points during the same period, from 36.09% to 36.65%. Melita also registered gains with its subscriber base growing from 19.63% to 22.82%.

As of 2019, Redtouch Fone ceased all operations and as a result no longer holds any market share in this sector. Conversely, Yom was marginally up by 0.01 percentage points from 0.03% at the end of the first half of 2019 to 0.04% at the end of the first half of 2019.

Market shares	GO	Vodafone Malta	Melita	Redtouch Fone	Yom Ltd.
End of FH 2019	36.65%	40.49%	22.82%	-	0.04%
End of FH 2018	36.09%	42.87%	19.63%	1.39%	0.03%
End of FH 2017	36.66%	44.03%	17.75%	1.56%	0.01%

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

### 3.3. Fixed broadband

GO's fixed broadband market share was down by 1.5 percentage points year-on-year to 45.46% by the end of the June 2019. Meanwhile, Melita's market share was up by 1.45 percentage points, from 47.86% to 49.31%. Vodafone Malta also saw a 0.1 percentage point rise in its market share, from 4.90% at the end of June 2018 to 4.98% at the end of the current reporting period. The market shares of Ozone Malta was down by 0.04 percentage points over the last 12 months whilst the market share for Vanilla Telecoms was relatively unchanged.

Market shares	GO	Melita	Vodafone Malta	Ozone Malta	Vanilla Telecoms
End of FH 2019	45.46%	49.31%	4.98%	0.11%	0.14%
End of FH 2018	46.95%	47.86%	4.90%	0.15%	0.14%
End of FH 2017	49.12%	47.20%	3.39%	0.18%	0.11%

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

### 3.4. Pay-TV

Melita accounts for the largest market share in the pay-TV segment and continues to register gains. The market share of this operator was up by 1.96 percentage points year-on-year, from 56.80% at the end of June 2018 to 58.76% at the end of June 2019. Meanwhile, GO's market share dropped from 43.20% to 42.21% during the same reporting period.

Market shares	GO	Melita
End of FH 2019	41.24%	58.76%
End of FH 2018	43.20%	56.80%
End of FH 2017	46.02%	53.98%

Figure 6: Market shares in terms of pay-TV subscriptions as at end of period.

## 4. Fixed line telephony

The first half of 2019 has seen the subscriber base for the fixed telephony sector increase rapidly over a 12-month time span. Both GO and Melita have strengthened their positions within this sector by bundling fixed telephony with other services such as fixed broadband and pay-TV. It is also noted that despite the greater subscriber numbers and the improved monthly fixed telephony allowances, activity levels for this service in terms of both calls and minutes continued to decline. This decline is generally a result of consumers making use of alternative services such as mobile telephony as their means of daily communication. The lower usage levels have in turn translated into lower levels of revenues for operators on a per user basis for this sector.

### 4.1. Subscriptions

There was a total 256,799 fixed telephony subscriptions by the end of June 2019, up by 8,379 (or by 3.4%) year-on-year. Three types of fixed telephony subscriptions are under review namely post-paid, pre-paid and enhanced.<sup>6</sup> The number of post-paid subscriptions was up by 9,851 (or by 4.22%) year-on-year, from 233,225 to 243,076. At the same time, the number of ‘enhanced’ subscriptions was also up by 153 subscriptions (or 4.2%) year-on-year.

Contrary to the above-mentioned positive trends, the number of pre-paid subscriptions for fixed telephony was down by 1,625 (or 14.1%) to 9,924. Unlike post-paid plans, pre-paid plans do not entail any contractual agreements and are not available in bundle set-ups.

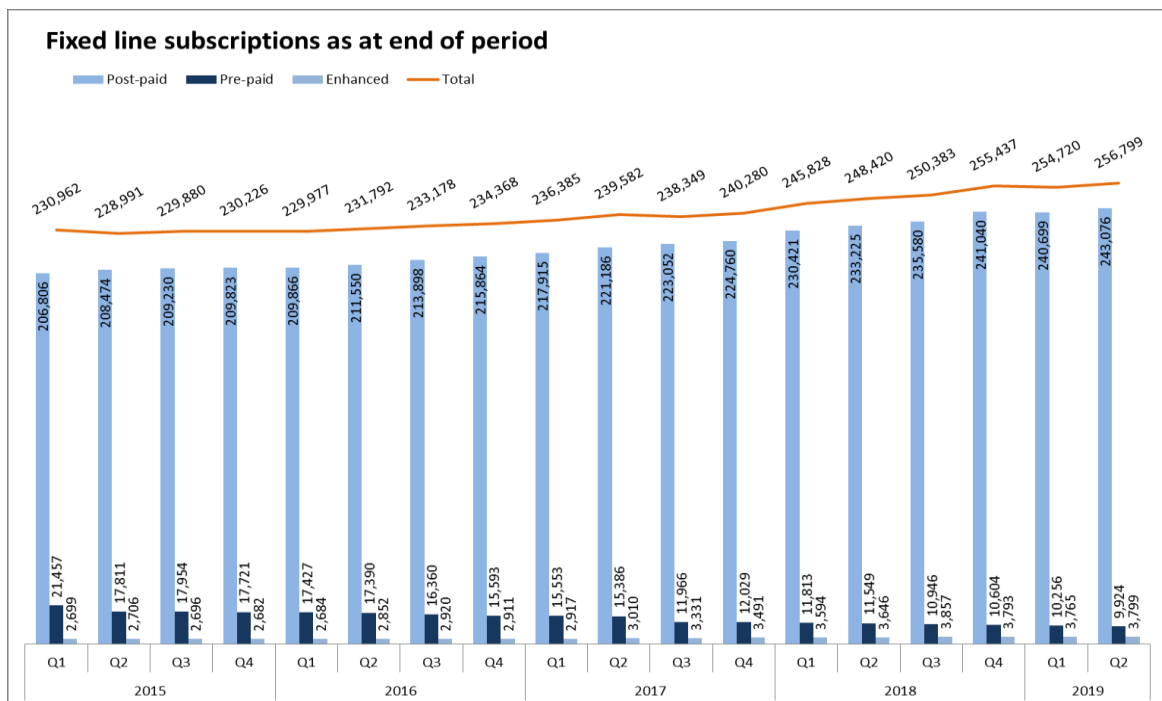


Figure 7: Fixed line telephony subscriptions as at end of period

<sup>6</sup> Readers should note that ‘enhanced’ connections are connections which are considered to be non-standard including dual and multiple channel subscriptions typically used for business connections.



As at end of June 2019, 94.7% of all fixed telephony subscriptions were on a post-paid plan, representing a year-on-year 0.8 percentage point increase. The pre-paid segment accounted for just 3.9% of the local fixed telephony subscriber base, down from 4.7% a year earlier, followed by the 'enhanced' segment, at 1.5%.

#### 4.2. Subscriptions on a bundle

73.7% of all fixed telephony subscribers purchase their fixed telephony plan in a bundle set-up, typically with fixed broadband and pay-TV. This figure is up by 4-percentage points year-on-year.

Fixed line telephony subscriptions in a bundle	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
<b>Fixed telephony subscriptions on a dual-play contract</b>	52,230	57,870	62,844	67,215	67,120	66,932	65,909	65,357	62,160
Fixed & Mobile	8,985	7,850	7,502	7,258	6,597	6,092	5,555	5,090	4,602
Fixed & Internet	36,927	44,179	49,622	54,413	55,227	55,793	55,649	55,306	52,754
Fixed & TV	6,318	5,841	5,720	5,544	5,296	5,047	4,705	4,961	4,804
<b>Fixed telephony subscriptions on a triple-play contract</b>	26,718	27,525	28,613	30,540	40,675	46,859	55,064	61,148	72,595
Fixed & Mobile & Internet	630	139	84	58	37	24	16	3	5,632
Fixed & TV & Internet	26,088	27,386	28,529	30,482	40,638	46,835	55,048	61,145	66,963
<b>Fixed telephony subscriptions on a quad-play contract</b>	45,683	-	48,075	49,900	49,175	49,785	51,691	53,164	53,433
Fixed telephony + fixed broadband + pay-TV + mobile telephony	45,683	-	48,075	49,900	49,175	49,785	51,691	53,164	53,433
<b>Total number of fixed telephony subscriptions in a bundle</b>	<b>124,631</b>	<b>85,395</b>	<b>139,532</b>	<b>147,655</b>	<b>156,970</b>	<b>163,576</b>	<b>172,664</b>	<b>179,669</b>	<b>188,188</b>
<b>Number of fixed telephony subscriptions as at end of period</b>	<b>228,991</b>	<b>230,226</b>	<b>231,792</b>	<b>234,368</b>	<b>239,582</b>	<b>240,280</b>	<b>248,420</b>	<b>255,437</b>	<b>255,438</b>
<b>Percentage of fixed telephony subscribers in a bundle</b>	<b>54.43%</b>	<b>37.09%</b>	<b>60.20%</b>	<b>63.00%</b>	<b>65.52%</b>	<b>68.08%</b>	<b>69.50%</b>	<b>70.34%</b>	<b>73.67%</b>

Table 6: Fixed line subscriptions on a bundled offer

In absolute terms, the number of fixed line telephony subscriptions purchased in a bundle increased by 15,524 (or by 6.2%) year-on-year, to 188,188 by the end of the current reporting period.

#### 4.3. Fixed line inward portings

A total of 1,003 fixed line inward portings was reported in the first half of 2019, down by 267 from 1,335 inward portings reported in the first half of 2018.<sup>7</sup>

<sup>7</sup> The term 'fixed line inward portings' refers to the total number of subscribers that switch from a fixed line operator to another whilst keeping the same number. Figures presented above only take into account inward portings.

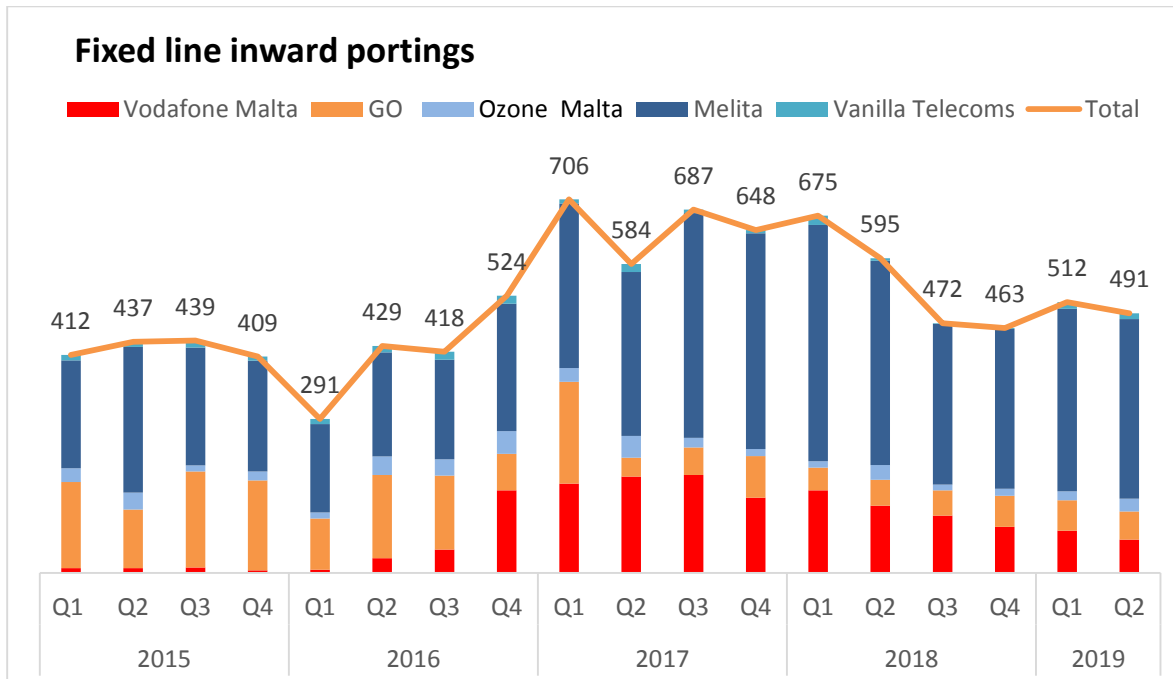


Figure 8: Fixed line number portability - number of inward portings

In the current review period, the majority of inward portings was recorded by Melita, at 68.3% of the total, followed by Vodafone Malta at 14.3% and GO at 11%. During the same period, Ozone Malta and Vanilla Telecoms accounted for 4.1% and 2.4% of inward portings respectively.

#### 4.4. Usage trends for fixed line telephony

In general, fixed voice traffic volumes have been in long-term decline as a result of fixed-to-mobile substitution. In the first half of 2019, the number of fixed voice calls was down by 5.8 million (or by 9.5%) compared to the same period a year earlier, from 61.1 million to 55.3 million. Similarly, the number of voice call minutes was down by 21.2 million (or by 9.5%), from 223 million to 201.8 million.

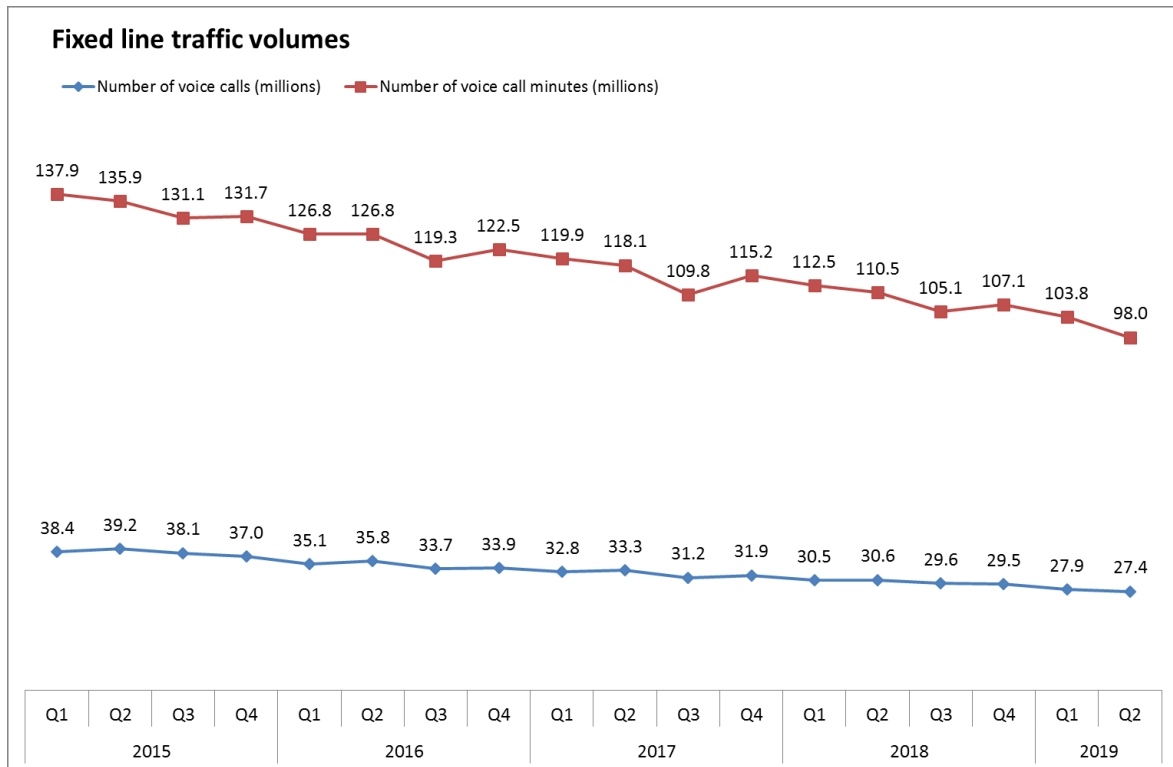


Figure 9: Voice traffic originating from local fixed line networks

Figure 9 depicts developments for both the national traffic and international traffic. The national voice traffic segment refers to volumes of fixed voice calls and voice minutes originated and terminated in Malta, whilst the international voice traffic segment refers to volumes of fixed voice calls and voice minutes originated locally and terminated in a foreign territory. The remainder of this section will focus on the relevant developments for these traffic segments.

#### 4.4.1. National voice traffic volumes

National fixed line traffic volumes in the first half of 2019 comprised of 54.1 million voice calls and 194.0 million voice call minutes. This means that, on average during this period, each fixed telephony subscription accounted for approximately 210 national voice calls and 756 national voice call minutes.

##### National voice calls

Traffic volumes in this segment totalled 54.1 million in the first half of 2019, down by 5.3 million (or by 8.9%) from 59.4 million recorded in the corresponding period a year earlier.

Almost all components that make-up the national voice call traffic segment registered a drop in usage in the first half of 2019 when compared to the first half of 2018.

The number of on-net FTF calls was down by 4.0 million (or by 13.8%), from 28.7 million to 24.7 million, whilst the number of off-net FTF calls was down by 1.7 million (or by 13.3%), from 12.7

million to 11.0 million. Also, Fixed-to-mobile (FTM) calls was down by 0.4 million (or by 2.5%), from 16.7 million to 16.3 million.

Fixed voice calls (national)	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	75,080,520	72,657,406	68,547,147	65,563,474	63,859,644	61,085,677	59,442,893	57,659,206	54,050,103
Fixed-to-fixed(FTF)	56,188,852	53,829,105	50,621,535	48,005,094	45,981,776	42,777,957	41,402,808	38,834,568	35,747,140
on-net FTF	39,631,778	37,723,423	35,555,002	34,006,980	32,594,971	29,661,016	28,701,962	26,845,531	24,737,214
off-net FTF	16,557,074	16,105,682	15,066,533	13,998,114	13,386,805	13,116,941	12,700,846	11,989,037	11,009,926
Fixed-to-mobile(FTM)	17,490,548	17,404,228	16,572,110	16,190,347	16,517,323	16,637,481	16,682,373	16,652,029	16,263,351
Other	1,401,120	1,424,073	1,353,502	1,368,033	1,360,545	1,670,239	1,357,712	2,172,609	2,039,612

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

Conversely, the 'other' national calls component was up by 0.7 million calls (or by 50.2%).<sup>8</sup>

### National voice call minutes

In terms of national voice call minutes, traffic volumes in the first half 2019 totalled 194.0 million, which is down by 19.3 million (or by 9.0%) from the first half of 2018.

The number of on-net FTF traffic voice call minutes was down by 16.5 million (or by 13.2%), from 124.5 million to 108.1 million, whilst the number of off-net FTF minutes was down by 5.6 million (or by 10.1%), from 55.9 million to 50.2 million.

Fixed voice call minutes (national)	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	258,636,682	248,023,544	239,931,933	229,280,304	225,729,942	213,922,616	213,297,468	203,799,106	194,038,567
Fixed-to-fixed(FTF)	228,062,609	216,988,931	209,588,785	198,933,848	194,717,465	179,863,433	180,421,182	167,698,720	158,310,814
on-net FTF	160,680,942	152,164,197	147,487,069	140,732,212	137,236,132	123,580,585	124,542,376	114,850,688	108,071,269
off-net FTF	67,381,667	64,824,734	62,101,716	58,201,636	57,481,332	56,282,848	55,878,806	52,848,032	50,239,546
Fixed-to-mobile(FTM)	27,223,360	27,436,775	26,774,772	26,633,512	27,244,519	28,113,509	28,607,640	28,853,492	28,624,227
Other	3,350,713	3,597,839	3,568,376	3,712,943	3,767,958	5,945,674	4,268,646	7,246,894	7,103,526

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

In contrast to the above-mentioned declines, the number of 'other' national voice call minutes was up by 2.8 million (or by 66.4%), from 4.3 million to 7.1 million whilst the number of FTM voice call minutes was marginally up by 16,587 (or by 0.06%).

#### 4.4.2. International voice traffic volumes

There were approximately 1.3 million fixed-to-international (FTI) voice calls and 7.6 million FTI voice call minutes in the first half of 2019. These figures translate to an average of 5 international voice calls and around 30 international voice call minutes per active fixed telephony subscription.

In comparison to the first half of 2018, the number of FTI voice calls was down by 0.6 million (or by 30.3%), whilst the number of international voice call minutes was down by 2.7 million (or by 24.7%).

#### 4.5. Activity levels and call duration

Activity levels reported in the first half of 2019 are in line with results observed in previous years. Lower levels of fixed telephony calls and voice calls minutes coupled with larger fixed telephony

<sup>8</sup> This traffic component includes freephone calls, premium calls and payphone calls.

subscription numbers through bundling resulted in lower overall activity levels in this sector. In fact, the average number of voice calls and voice call minutes per active fixed line subscription in the first half of 2019 was lower than that recorded in the first half of previous year.

Figure 10 illustrates that the average number of voice calls and the average number of voice call minutes per active fixed line subscription in the first half of 2019 stood at 216 and 786 respectively. This is down from an average of 250 voice calls and 898 voice call minutes per subscription in the first half of 2018.

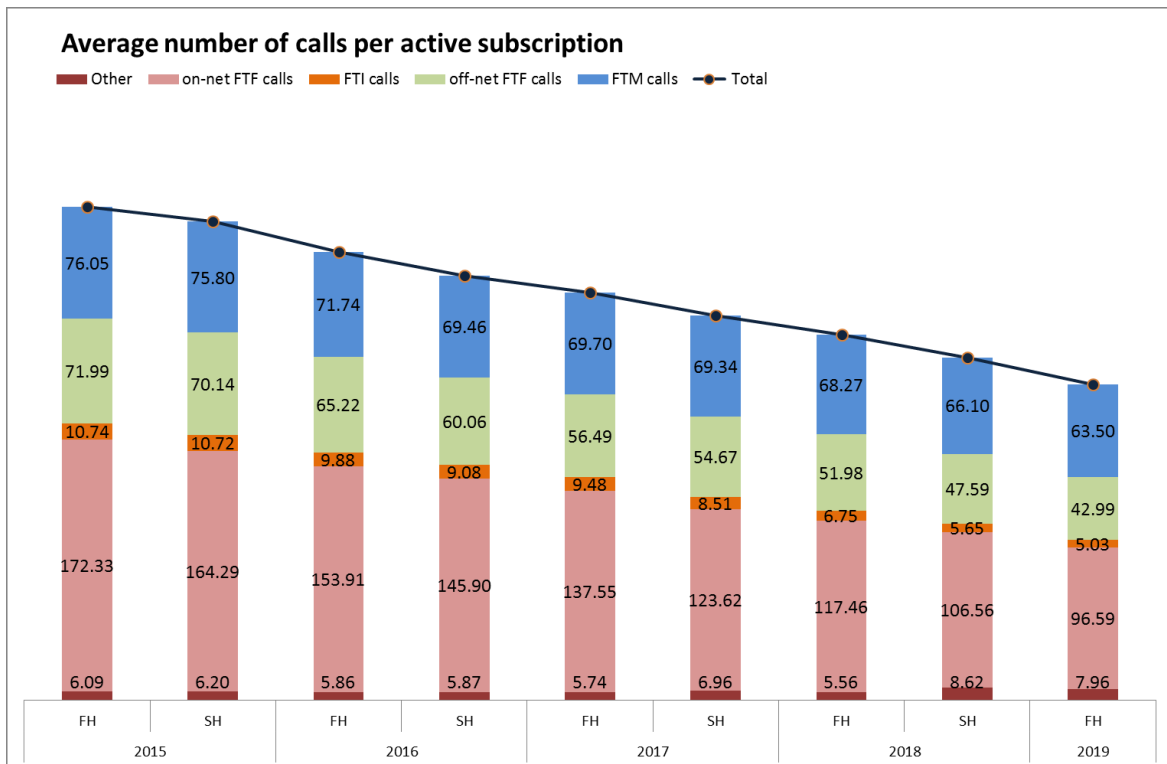


Figure 10: Average number of calls per active subscription

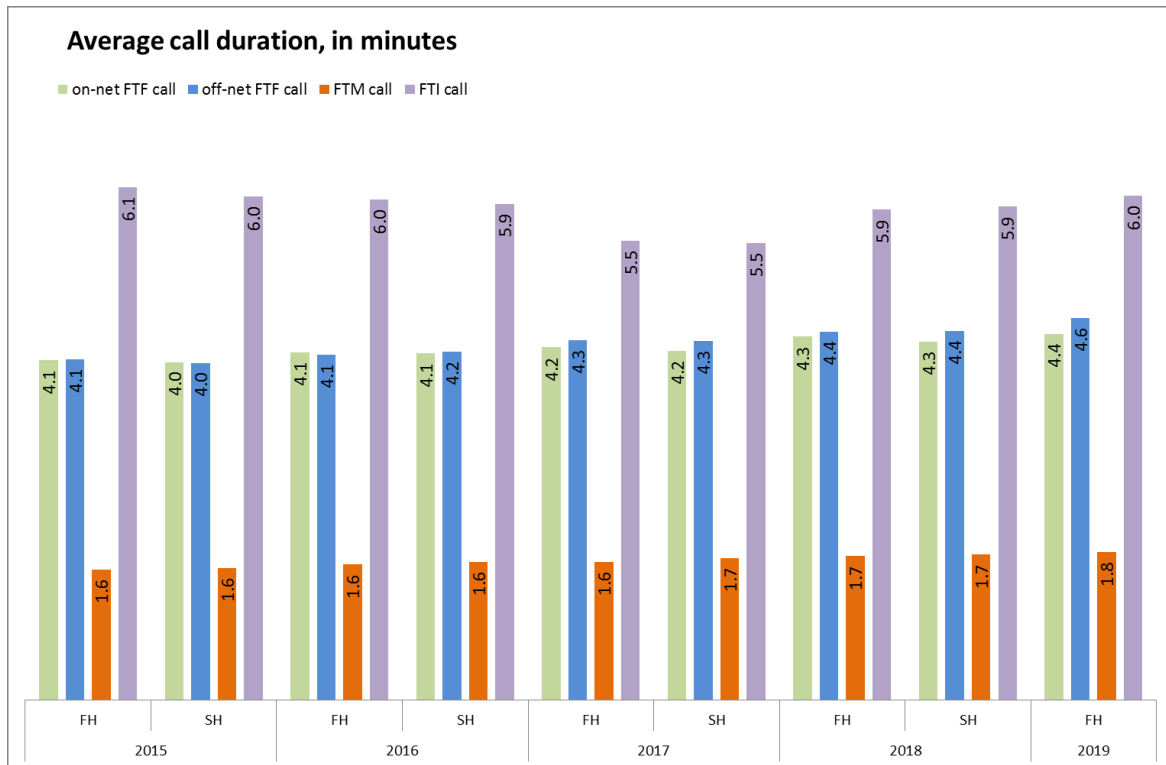


Figure 11: Average duration of an outgoing fixed line call

On average, a fixed line call generally lasted 3 minutes and 39 seconds during the first half of 2019, which is similar to results obtained in the first half of 2018. Figure 11 illustrates that a FTI call on average lasted a little over 6 minutes in the current review period whilst a FTM call lasted 1 minute and 48 seconds. An on-net FTF call on average lasted 4 minutes and 18 seconds whilst an off-net FTF call on average lasted 4 minutes and 24 seconds.

#### 4.6. Fixed telephony ARPU

Fixed telephony ARPU totalled €62.00 in the first half of 2019, which is down by 7.8% from €67.22 recorded in the first half of 2018. Fixed ARPU figures are derived by dividing the total revenues of service providers, including revenues from access fees, by the average number of active subscriptions.<sup>9</sup>

<sup>9</sup> The average number of active subscribers during a given period corresponds to the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the same period, divided by two. The revenue element for each individual service is composed of revenues from both stand-alone and bundle subscriptions to a specific service, but excludes installation and connection revenues. Readers should note that operators are left at their discretion to allocate their 'bundled' revenues to the individual services.

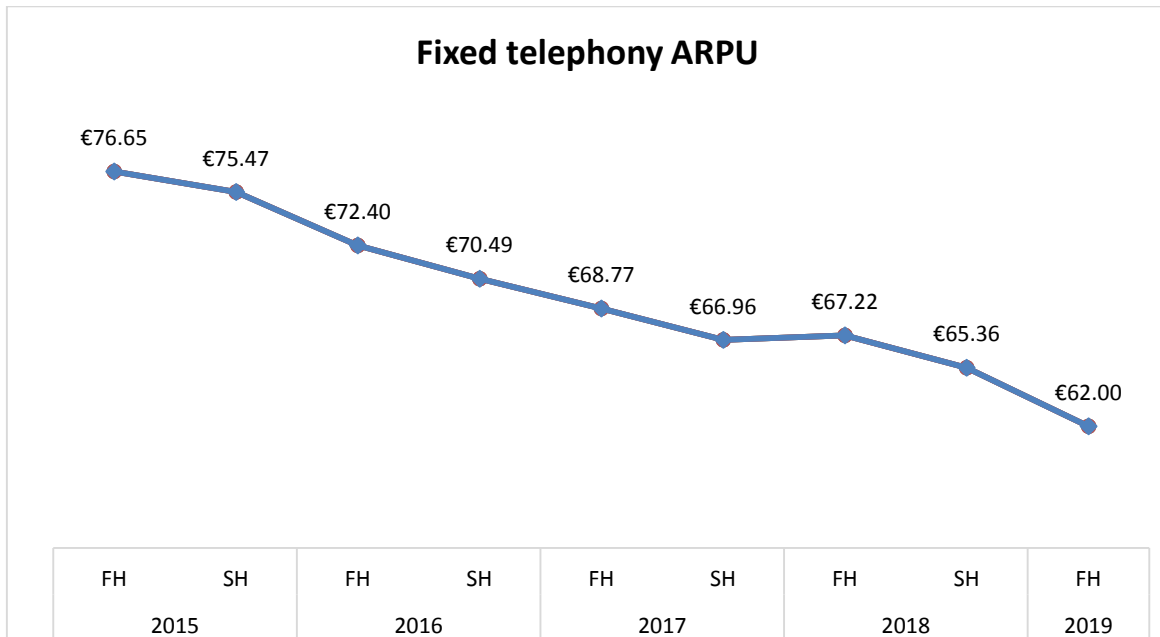
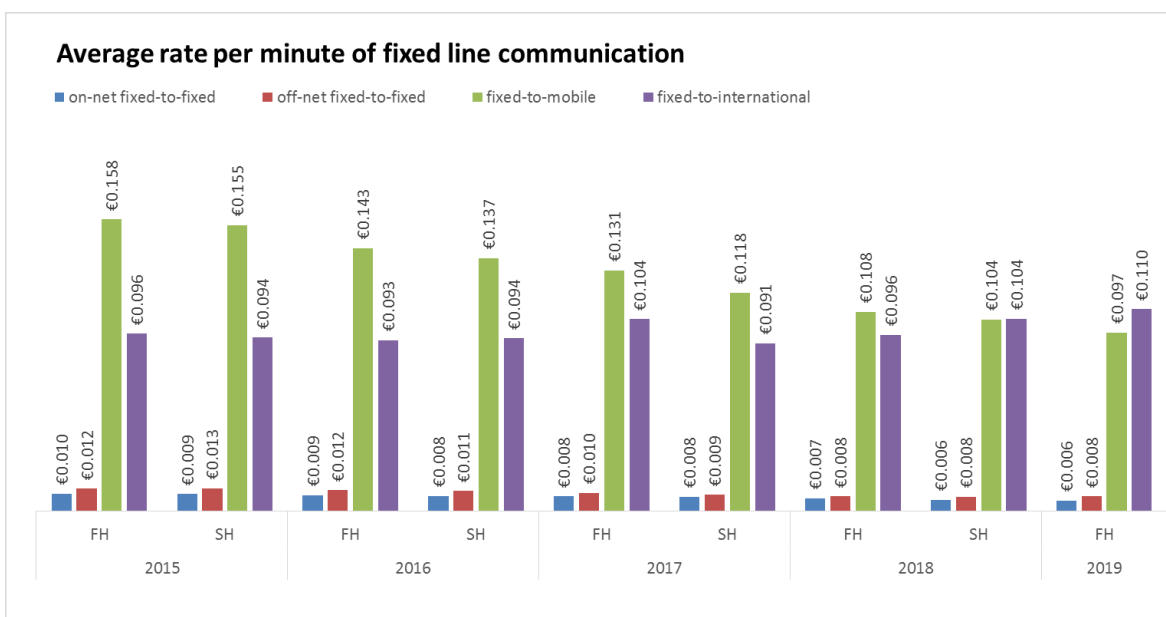


Figure 12: Average revenue per fixed line user

As expected, the ARPU for the fixed telephony sector continued on its downward trajectory in the first half of 2019. Reduced traffic on this platform in terms of both calls and minutes as well as a rise in subscriptions numbers in a bundle format have led to a drop in ARPU.

4.7. Average rate per minute of fixed line communications

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



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

Overall, the ARPM for a fixed line voice call in the first half of 2019 was €0.024, identical to the ARPM in the first half of 2018. The ARPM of both on-net FTF calls and off-net FTF calls stood at €0.01 in the first half of 2019, relatively unchanged from the corresponding rate observed in the first half of 2018. Meanwhile the ARPM for FTM voice calls was down by 9.1%, from €0.11 in the first half of 2018 to €0.10 in the first half of 2019.<sup>10</sup> The change in ARPM for the FTM segment corresponds to increased take-up of post-paid fixed telephony services in a bundle, which generally include fixed-to-mobile voice allowances. Conversely, the FTI segment registered a small uptick in ARPM of about €0.01 (or by 14.6%), from €0.10 in the first half of 2018 to €0.11 in the first half of 2019.<sup>11</sup>

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<sup>10</sup> Workings do not take into account monthly access fees from fixed telephony plans and traffic volumes and revenues from free phone calls, premium calls and payphone calls.

<sup>11</sup> Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It is to be noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled offers and cheaper call rates on the weekends. These would affect the outcome for the average rate per minute of fixed line communications.



## 5. Mobile telephony

Local mobile service providers reported over 13,000 new clients in the 12-month period to June 2019. The surge in mobile voice and data usage has also to be seen in the context of a continued shift from pre-paid to post-paid plans, as well as the changing patterns observed when it comes to end-users' messaging habits. Mobile ARPU improved in the current reporting period compared to the same period a year ago, buoyed by healthier revenue streams from post-paid take-up and bigger mobile voice and data usage.

### 5.1. Subscriptions

A total 629,320 mobile telephony subscriptions were reported by the end of June 2019, up by 13,897 (or by 2.3%) from 615,423 a year earlier.<sup>12</sup> During this period, the number of post-paid subscriptions was up by 18,399 (or by 8.5%), from 217,655 to 236,054. On the other hand, the number of pre-paid subscriptions was down by 4,502 (or by 1.1%), from 397,768 to 393,266.

The pre-paid segment accounted for 62.5% of the mobile telephony subscriptions recorded at the end of June 2019, down from 64.6% from a year earlier. The remaining 37.5% of subscriptions pertained to the post-paid sector, up by 2.1 percentage points year-on-year.

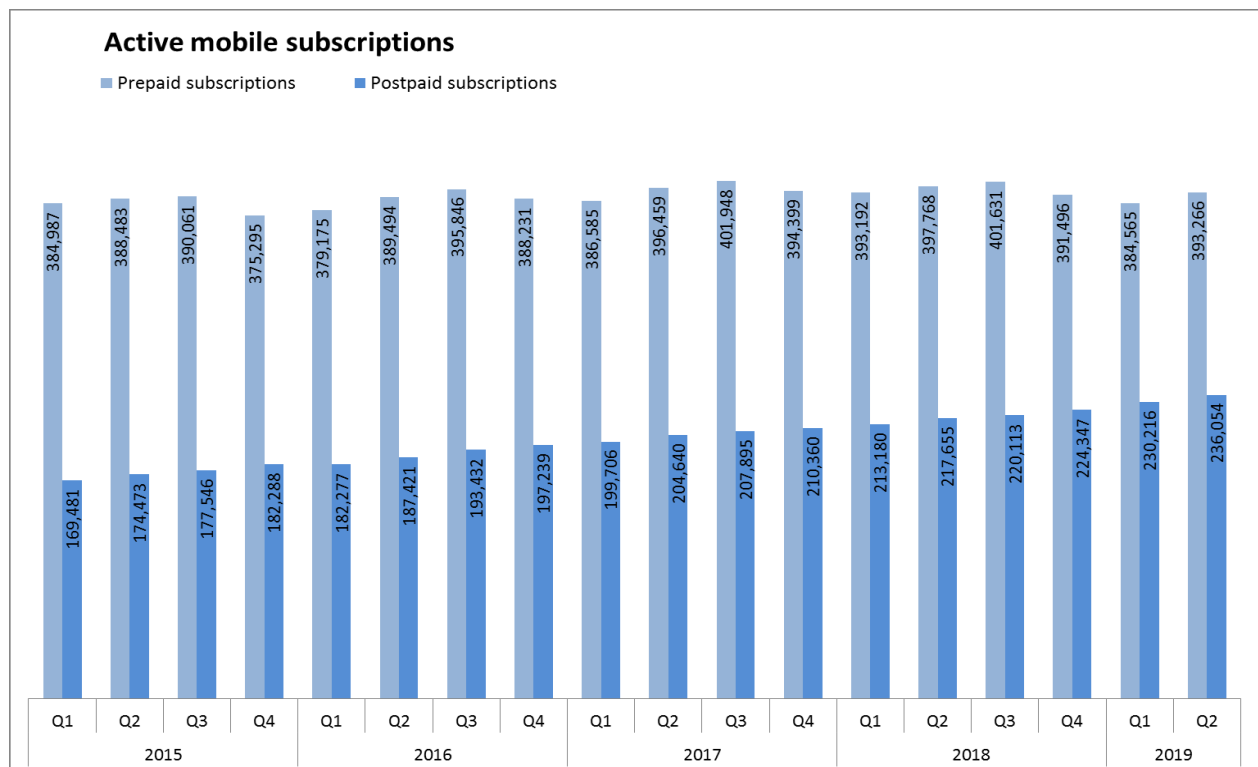


Figure 14: Mobile telephony subscriptions as at end of period

<sup>12</sup> The number of active mobile subscriptions refers to the number of subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for pre-paid connections and within 30 days of the period stipulated for post-paid connections.

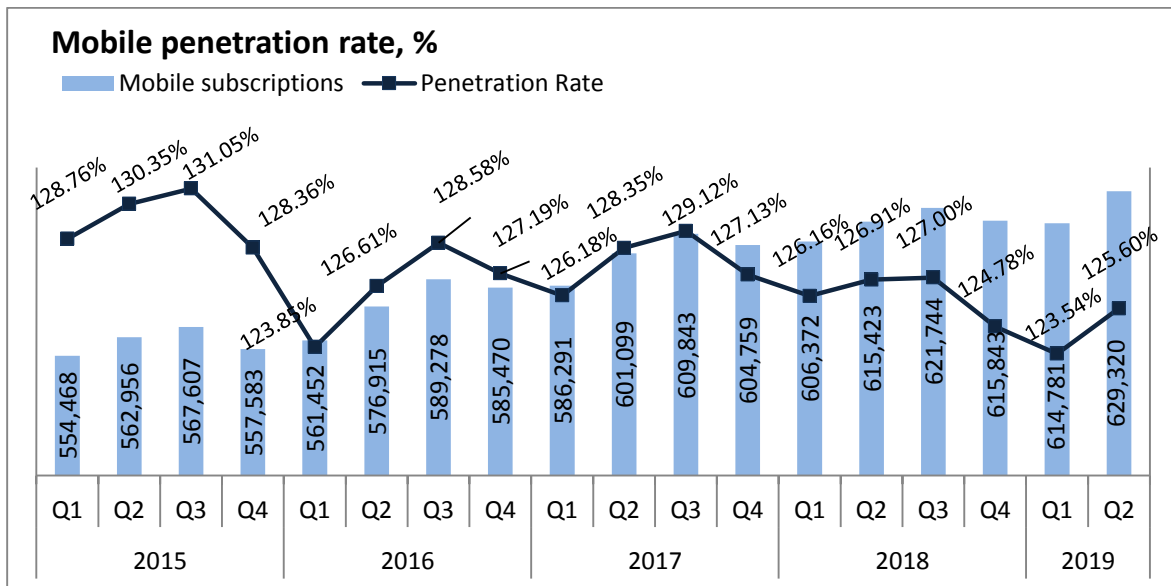


Figure 15: Mobile penetration in Malta

The adoption rate of the mobile telephony service depends on two factors, a bigger subscriber base and population growth. During the current reporting period the mobile penetration rate stood at 125.6%, down from 126.9% recorded a year earlier at end of the first half of 2018. The drop in penetration is a result of the population growing at a faster rate than mobile telephony subscriptions.

Subscriptions in a bundle

End-users generally purchase their mobile telephony subscription as a stand-alone service. In fact, just around 10% of all local mobile telephony subscriptions are purchased in a bundle, and it remains to be seen whether the new streamlined bundle plans allowing for easier opt-in mobile telephony add-ons will boost such take-up in the medium to long run.

In absolute terms, the number of mobile telephony subscriptions purchased in a bundle totalled 63,667 at the end of June 2019, which is up by 6,405 (or by 11.2%) year-on-year.

Mobile telephony subscriptions in a bundle	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
<b>Mobile telephony subscriptions on a dual play contract</b>	<b>8,985</b>	<b>7,850</b>	<b>7,502</b>	<b>7,258</b>	<b>6,597</b>	<b>6,092</b>	<b>5,555</b>	<b>5,090</b>	<b>4,602</b>
Mobile telephony + fixed telephony	8,985	7,850	7,502	7,258	6,597	6,092	5,555	5,090	4,602
<b>Mobile telephony subscriptions on a triple contract</b>	<b>630</b>	<b>139</b>	<b>84</b>	<b>58</b>	<b>37</b>	<b>24</b>	<b>16</b>	<b>3</b>	<b>5,632</b>
Mobile telephony + fixed telephony + fixed broadband	630	139	84	58	37	24	16	3	5,632
<b>Mobile telephony subscriptions on a quad play contract</b>	<b>45,683</b>	<b>46,988</b>	<b>48,075</b>	<b>49,900</b>	<b>49,175</b>	<b>49,785</b>	<b>51,691</b>	<b>53,164</b>	<b>53,433</b>
Mobile telephony + fixed telephony + fixed broadband + pay TV	45,683	46,988	48,075	49,900	49,175	49,785	51,691	53,164	53,433
<b>Total number of mobile telephony subscriptions in a bundle</b>	<b>55,298</b>	<b>54,977</b>	<b>55,661</b>	<b>57,216</b>	<b>55,809</b>	<b>55,901</b>	<b>57,262</b>	<b>58,257</b>	<b>63,667</b>
<b>Total number of mobile telephony subscriptions at end of period</b>	<b>562,956</b>	<b>557,583</b>	<b>576,915</b>	<b>585,470</b>	<b>601,065</b>	<b>604,725</b>	<b>615,423</b>	<b>615,843</b>	<b>629,320</b>
Percentage of fixed telephony subscriptions in a bundle	9.82%	9.86%	9.65%	9.77%	9.29%	9.24%	9.30%	9.46%	10.12%

Table 9: Mobile subscriptions on a bundled offer

5.2. Mobile inward portings

There were 15,704 mobile inward portings in the first half of 2019, up by 793 (or by 5.3%) compared to the same period a year earlier.<sup>13</sup>

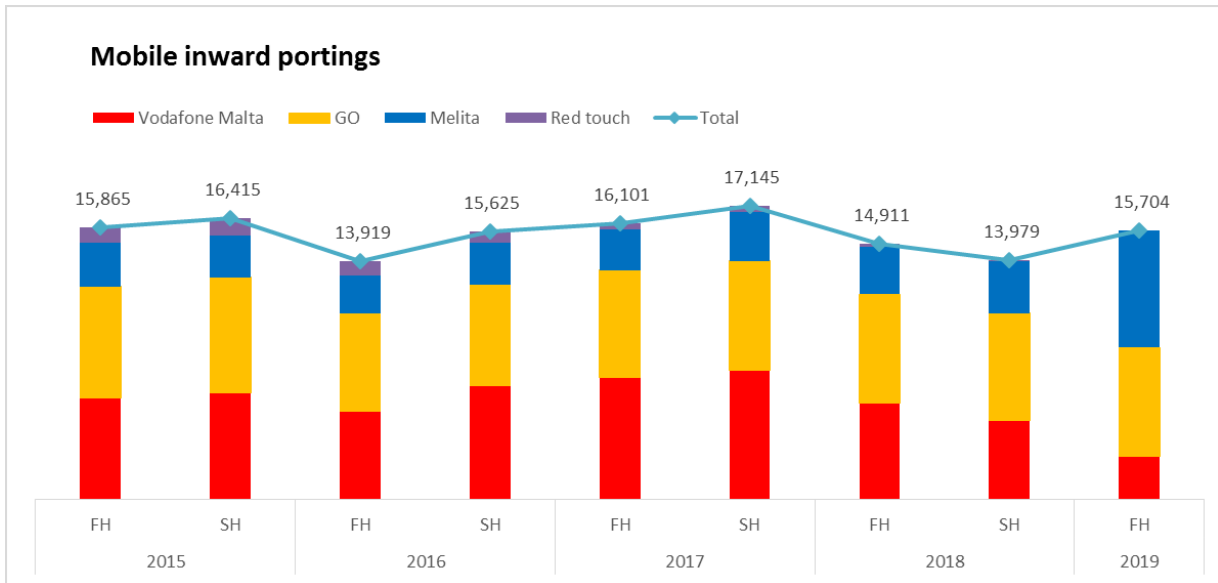


Figure 16: Mobile number portability - number of mobile portings

43.5% of all inward portings reported in the current review period took place on Melita’s network, followed by 40.3% for GO and 16.2% for Vodafone Malta. There were no inward portings reported by Redtouch fone since this operator has discontinued operations in Malta in Q4 2018.

5.3. Voice usage trends for mobile telephony

End users are making bigger use of mobile voice telephony services, given the consolidating preference for mobile-based voice calling and improving voice call allowances with post-paid offers. This trend is in contrast to that observed for fixed telephony. As may be seen in Figure 17, fixed voice call minute volumes are steadily in decline.

<sup>13</sup> This term corresponds to the total number of mobile users that switch their subscription from one operator to another, whilst keeping the same number. Figure 17 only takes into account the number of mobile inward portings.

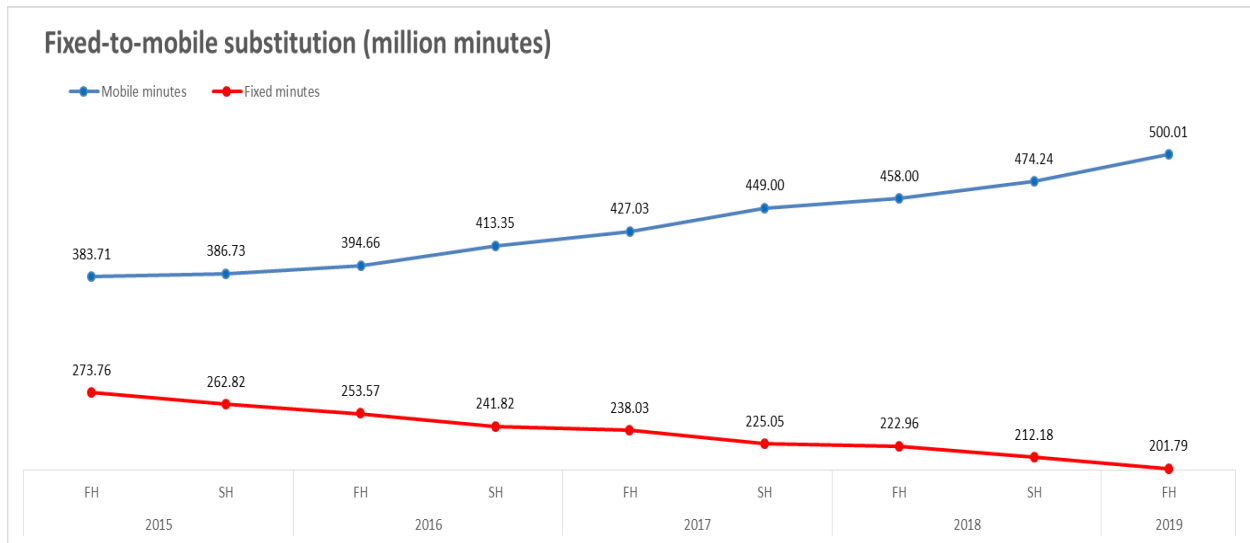


Figure 17: Fixed-to-mobile substitution

5.3.1. Voice calls

The number of mobile voice calls reported in the first half of 2019 amounted to 245.5 million, which is up by 16.6 million (or by 7.3%) from 228.9 million reported in the first half of 2018.

Mobile voice calls	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	261,199,190	274,658,212	259,931,283	252,890,126	227,372,393	233,389,349	228,873,729	241,459,866	245,466,482
Mobile-to-mobile calls (MTM)	237,816,382	248,147,749	236,647,482	224,160,687	200,923,780	201,924,304	198,754,552	209,375,479	213,763,997
on-net MTM	177,728,673	183,378,292	172,775,579	155,781,776	130,578,178	127,622,510	126,116,316	130,854,997	131,321,660
off-net MTM	60,087,709	64,769,457	63,871,903	68,378,911	70,345,602	74,301,794	72,638,236	78,520,482	82,442,337
Mobile-to-fixed calls (MTF)	19,176,332	20,336,816	19,340,803	23,356,467	20,751,963	22,971,117	21,573,991	22,052,414	22,381,189
Mobile-to-international (MTI)	4,206,476	6,173,647	3,942,998	5,372,972	5,696,650	8,493,928	8,545,186	10,031,973	9,321,296

Table 10: Outgoing mobile traffic - number of voice calls

On a disaggregated level, voice call volumes under the on-net and off-net mobile-to-mobile (MTM) segments were up by 5.2 million and 9.8 million respectively. Meanwhile, the mobile-to-international (MTI) segment saw a rise of 0.8 million voice calls.

5.3.2. Voice call minutes

The number of mobile voice call minutes totalled 500 million in the first half of 2019, up by 42 million (or by 9.1%) from 458.0 million in the first half of 2018.

Mobile voice call minutes	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
Total	379,645,131	386,734,592	394,663,889	413,350,385	427,029,443	448,998,678	458,000,106	474,242,556	500,009,106
Mobile-to-mobile calls (MTM)	328,242,026	332,491,267	342,331,655	355,905,501	369,606,725	381,318,473	392,614,001	405,525,806	430,004,359
on-net MTM	234,871,600	234,096,857	235,093,966	240,818,410	245,893,738	250,283,342	253,992,662	260,643,364	270,846,737
off-net MTM	93,370,425	98,394,410	107,237,689	115,087,091	123,712,987	131,035,130	138,621,339	144,882,442	159,157,622
Mobile-to-fixed calls (MTF)	39,894,002	42,412,245	41,464,160	44,463,315	44,217,808	50,039,970	47,735,163	48,422,109	49,626,080
Mobile-to-international (MTI)	11,509,103	11,831,080	10,868,074	12,981,569	13,204,909	17,640,236	17,650,942	20,294,641	20,378,667

Table 11: Outgoing mobile traffic - number of voice call minutes

On a disaggregate level, on-net MTM minutes and off-net MTM minutes were up by 16.8 million (or by 6.6%) and by 20.6 million (or by 14.9%) respectively. The number of MTI minutes was up by 2.7 million (or by 15.3%).

## 5.4. SMS and MMS usage trends

The number of SMSs was down by 19.9 million (or by 14.3%) in the first half of 2019 compared to the corresponding period a year earlier whilst the number of MMSs was down by over 5,352 (or by 6.9%).

As already noted in previous CMR publications, these volumes are a reflection of a shift in preferences to voice calling alongside indications of the rising popularity of OTT-based services.

### 5.4.1. SMS traffic

119.8 million SMSs were recorded in the first half of 2019, down by 19.9 million (or by 14.3%) when compared to 139.7 million SMSs recorded in the same period of 2018.<sup>14</sup> All segments of the SMS traffic activity followed a negative trend, with on-net volumes recording the biggest drop.

In the first half of 2019, the number of on-net SMSs was down by 13.0 million (or by 15.9%) to 68.6 million. Meanwhile, the number of off-net SMSs was down by 6.4 million (or by 12.1%) from 53 million to 46.6 million and the number of premium SMSs and SMSs sent from internet portals was down by 98,877 (or by 73.3%) and by 0.4 million (or by 14.0%) respectively.

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

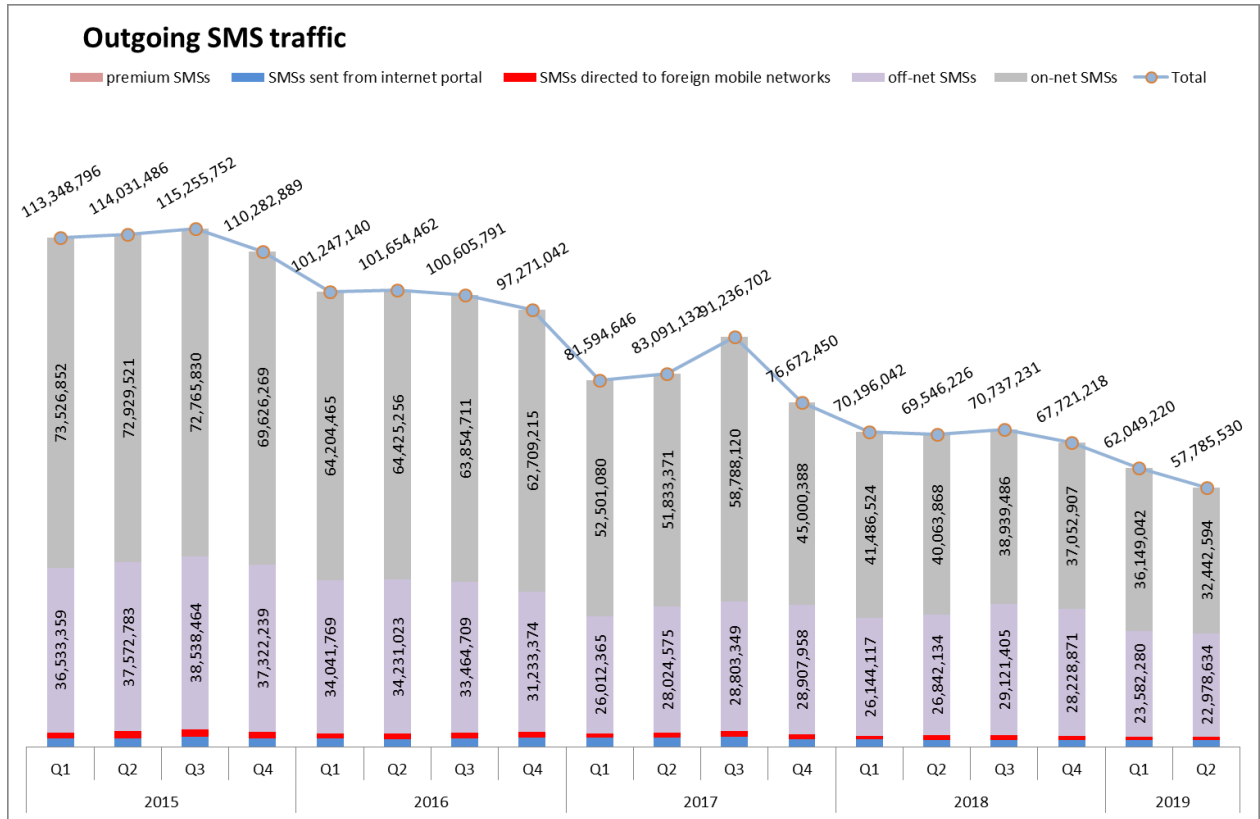


Figure 18: SMS activity - number of outgoing SMSs (1)

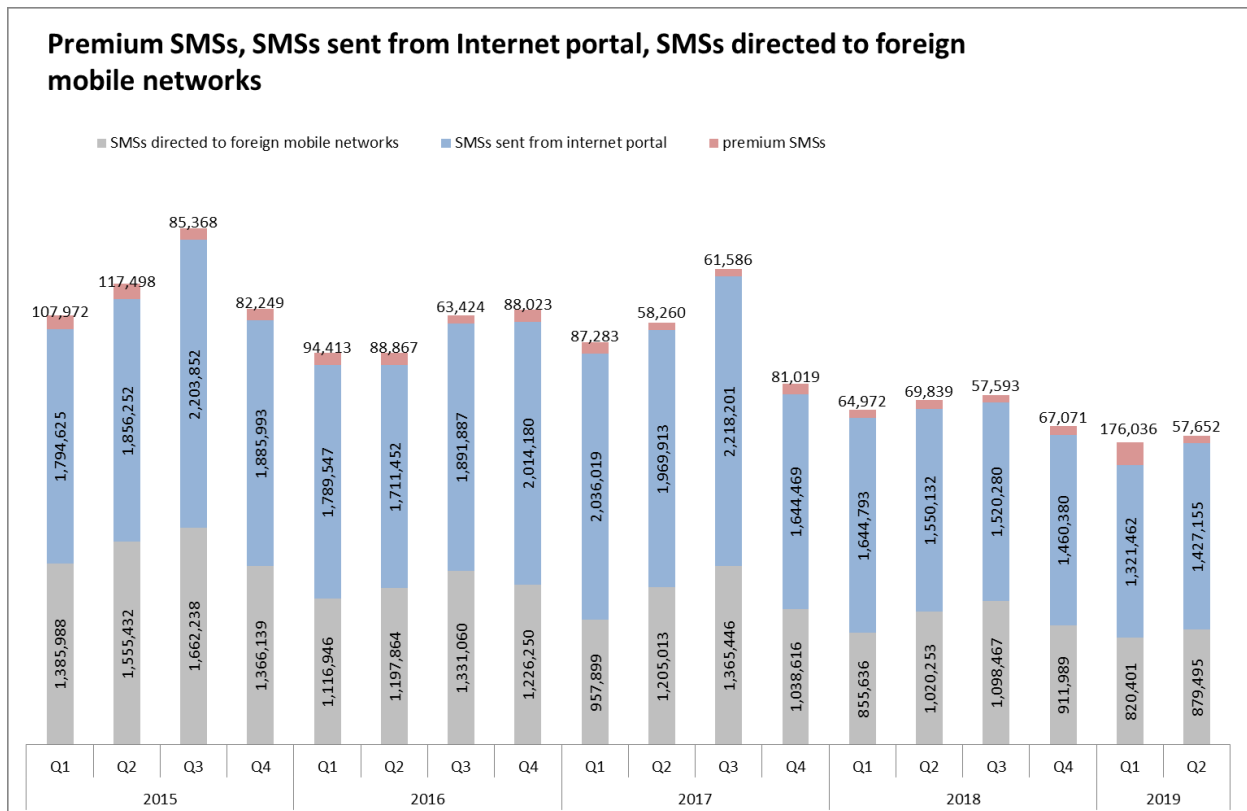


Figure 19: SMS activity - number of outgoing SMSs (2)

Also in line with the above-mentioned trends, the number of SMSs directed to foreign mobile networks was down by 0.2 million (or by 9.4%), from 1.9 million in the first half of 2018 to 1.7 million in the first half of 2019.

5.4.2. MMS traffic

The number of MMSs in the first half of 2019 totalled to 72,189. This figure is down by 5,352 (or by 6.9%) from 77,541 MMSs recorded in the first half of the previous year.

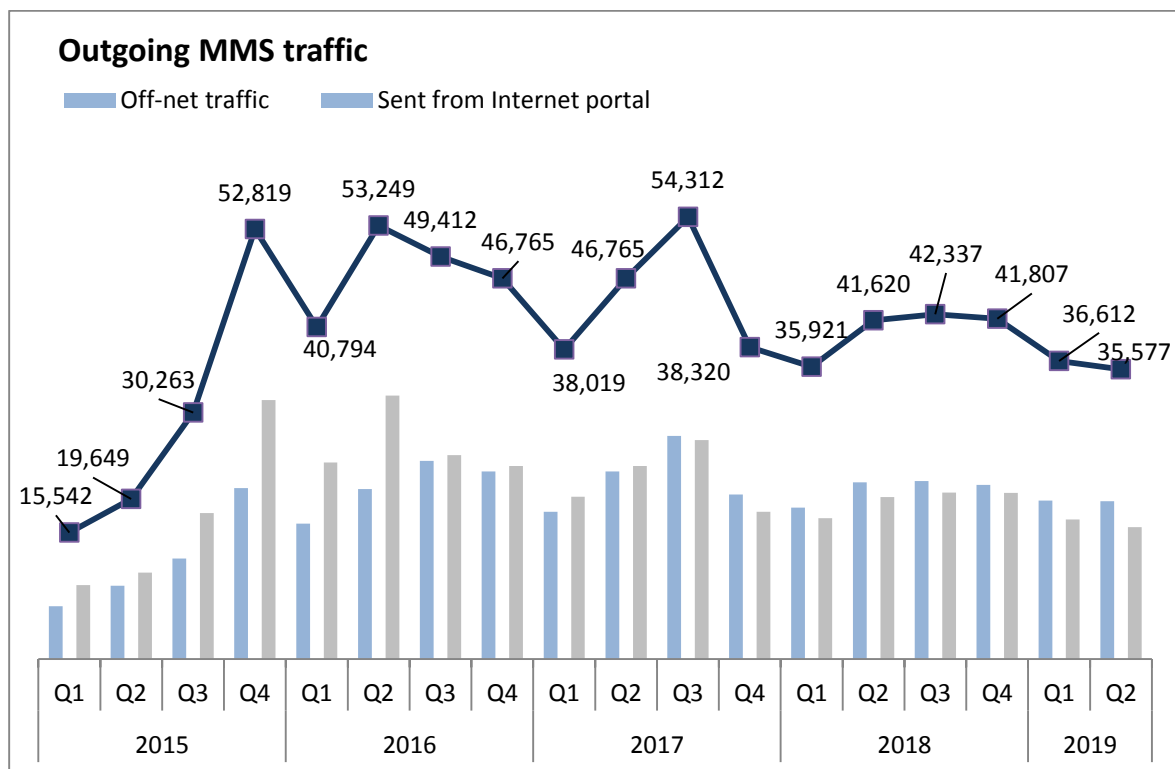


Figure 20: MMS activity - number of outgoing MMSs

5.5. Activity levels per mobile subscription

Developments in activity levels per mobile subscription depend on the rate of growth in traffic volumes and the change in the number of subscriptions.

5.5.1. Voice call activity levels per subscription

In the first half of 2019, mobile telephony voice calls and minute volumes were up when compared to the activity levels observed in the first half of 2018. During this period mobile telephony voice calls were up by 5.1% whilst voice call minutes were up by 7%. The average number of on-net MTM voice call minutes per subscription totalled 435 in the first half of 2019, up from 416 in the first half of 2018. During the same period, the average number of MTM voice call minutes taking place off-net per subscription was up from 227 in the first half of 2018 to 256 in the first half of 2019.

Voice minute activity levels were also up for MTF calls. In this case, on a per subscription basis, MTF minutes totalled 80 minutes in the first half of 2019 up from 78 minutes reported a year earlier. Meanwhile, the average number of MTI voice call minutes per subscription taking place in the first half of 2019 totalled 33, up from 29 in the same period a year earlier.

In terms of voice calls per subscription, the average number of calls was also up in the first half of 2019 compared to the same period a year earlier. In fact, on average, subscribers made 394 calls during the current reporting period, up from 375 calls a year earlier (or up by 5.0%).<sup>15</sup>

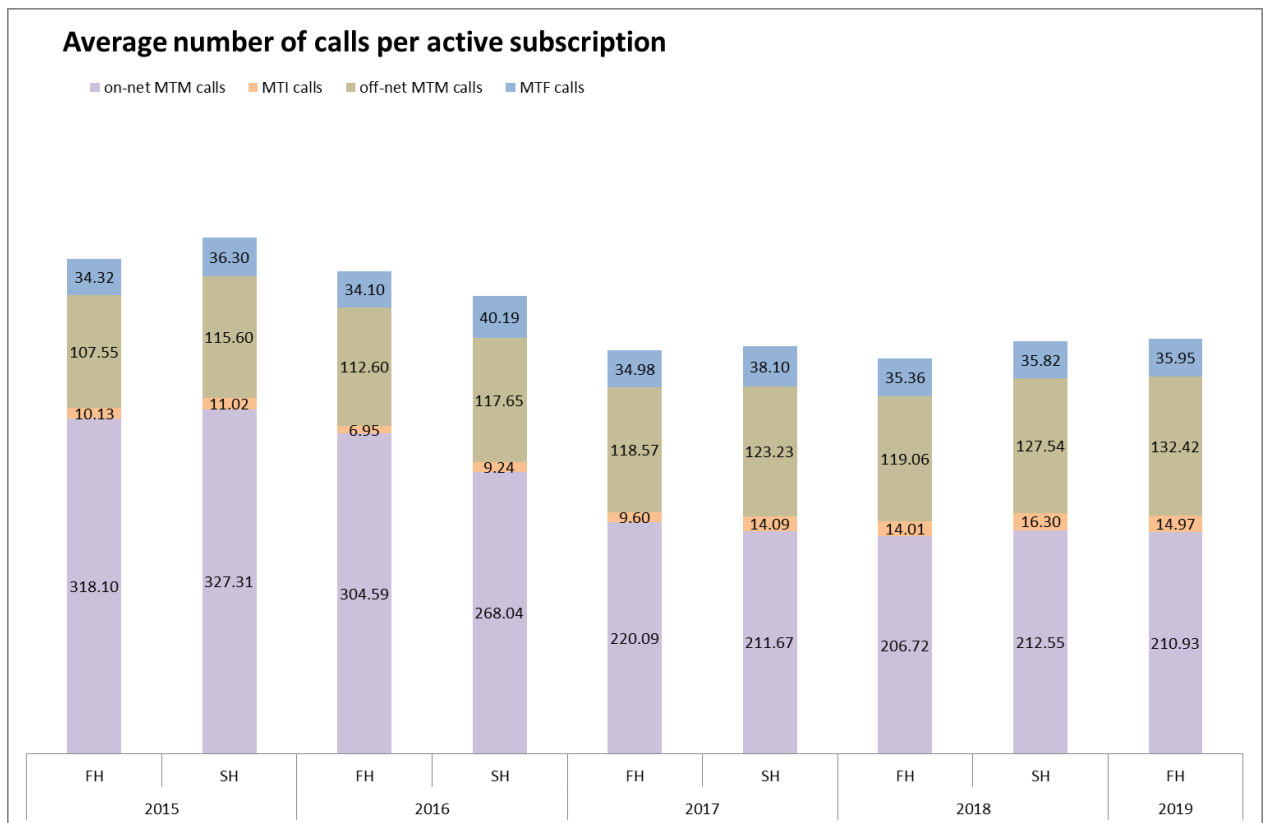


Figure 21: Average number of calls per active subscription

### 5.5.2. SMS activity levels per subscription

The steady fall in the traditional SMS segment is evident from Figure 22 below.

<sup>15</sup> This figure includes calls taking place on-net, off-net, MTF and MTI.



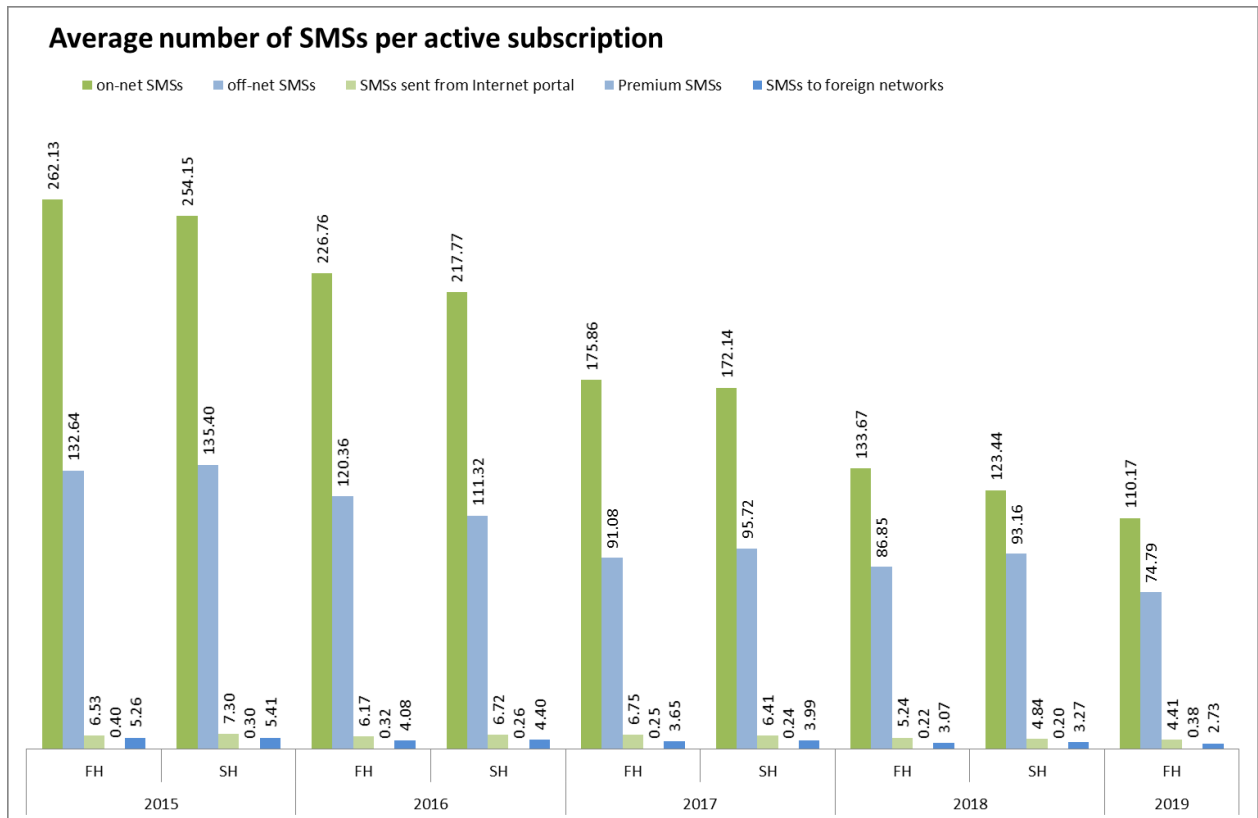


Figure 22: Subscriber activity - average number of SMSs per active subscription

In the current reporting period, the number of SMSs per active subscription was down to 192 from 229 in the first half of 2018. A more disaggregated look at this segment shows that only premium SMSs registered a net increase during the current reporting period whilst all the other activity segments were down.

### 5.6. Average mobile voice call duration

The rise in take up of plans with voice call minute allowances and an improvement in the minute allowances themselves led to end-users making lengthier calls voice calls over the years. However, there is no marked difference in the length of mobile voice calls in the first half of 2019 when compared to the first half of the previous year.

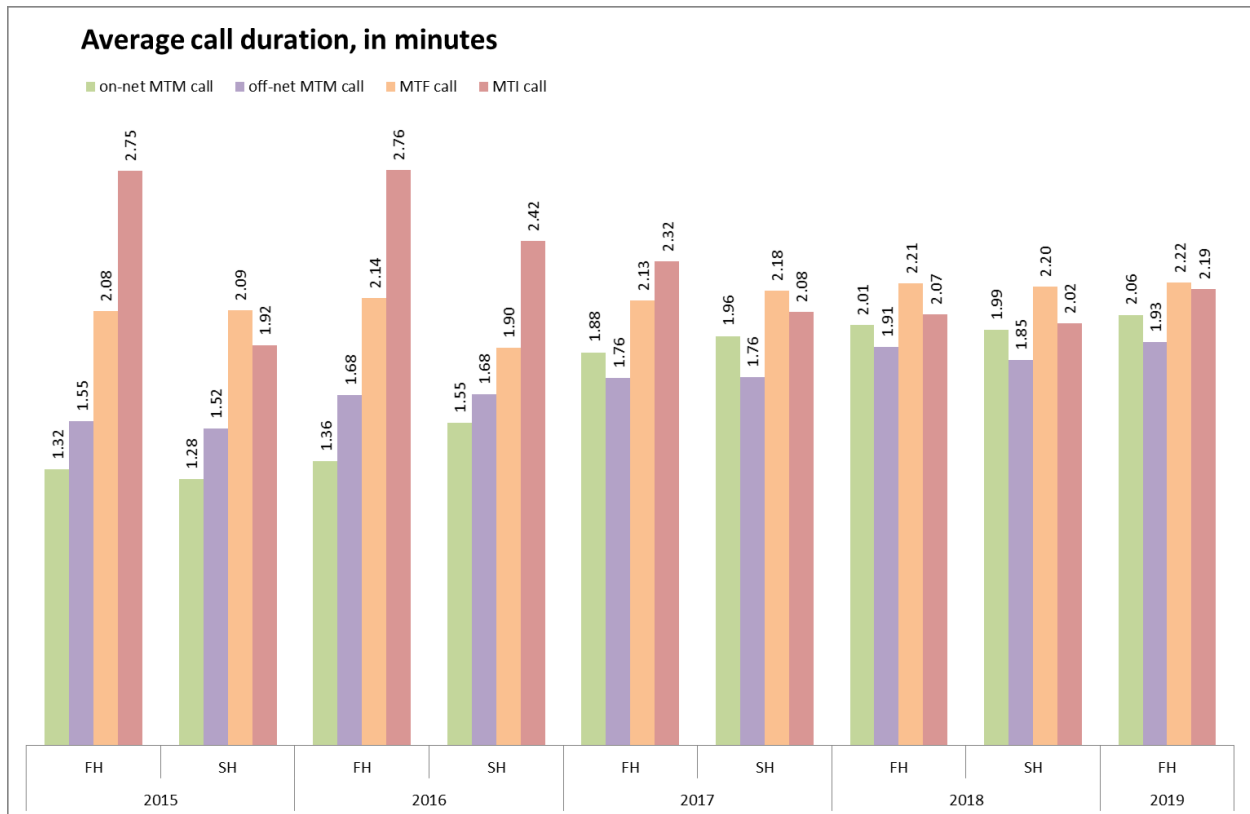


Figure 23: Average duration of an outgoing mobile call

### 5.7. International roaming usage trends

The level of international roaming activity depends on two main factors, namely the frequency and pattern of travel by end-users and the relative roaming charges that apply for calls and SMSs.<sup>16</sup> It is of relevance to underline here that the number of tourists visiting Malta has increased consistently in recent years. This, alongside the steady rise in the number of Maltese that are travelling abroad, led to a big surge in roaming traffic volumes. The cheaper roaming charges implemented by way of the implementation of the EU Roaming Regulation have contributed significantly to the rise in roaming activity.<sup>17</sup>

#### 5.7.1. Outbound roaming

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

<sup>16</sup> From a technical perspective, international roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. In this regard, end-users would be using voice-roaming services when making or receiving calls via their mobile subscription while abroad. They would be using SMS roaming services when sending or receiving an SMS via their mobile subscriptions. End-users can also send or receive data while abroad over their mobile.

<sup>17</sup> As of the 15th of June 2017 new roaming regulations were implemented, whereby EU citizens travelling within EU member states were no longer charged roaming rates but were rather charged their standard domestic rates.

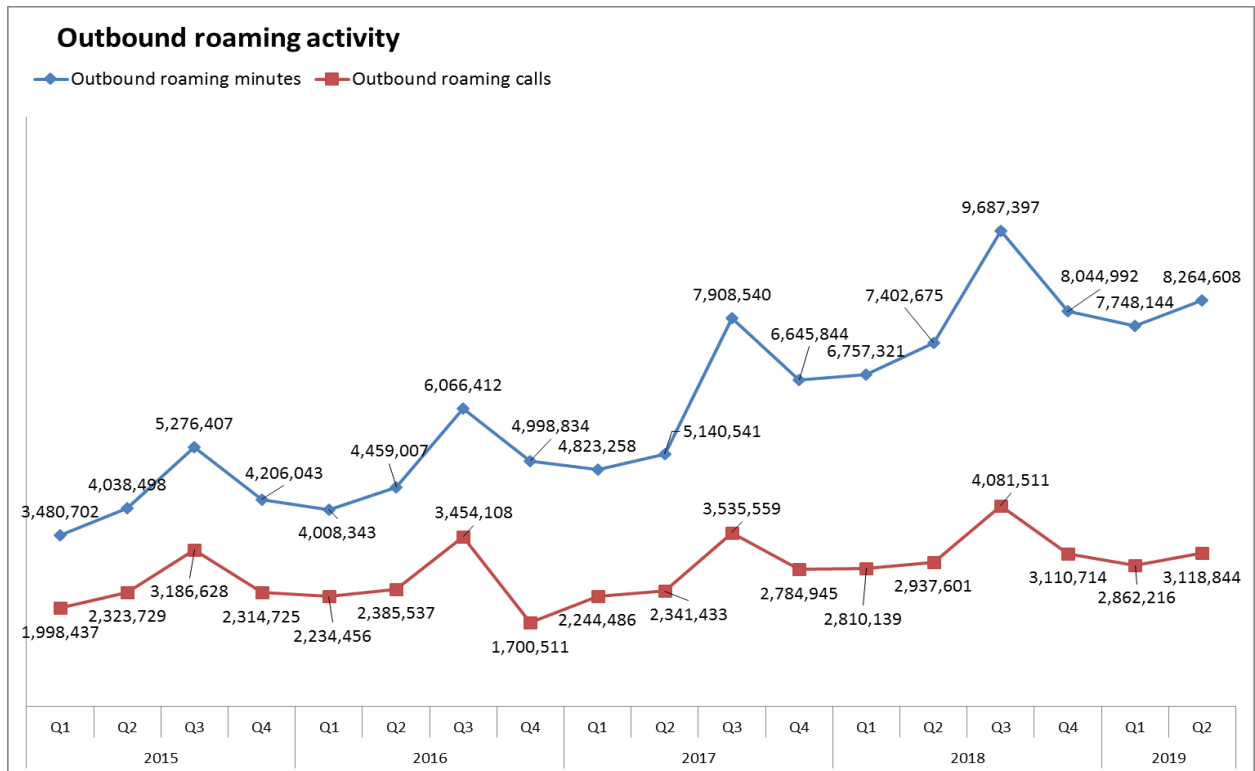


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 6.0 million in the first half of 2019, up 4.1% when compared to the same period a year earlier. Meanwhile, the number of outbound roaming minute volumes was up by 1.9 million (or by 13.1%) from 14.2 million to 16 million.

### 5.7.2. Inbound roaming

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

The number of inbound roaming calls totalled 25.8 million in the first half of 2019, up by 2.2 million (or by 9.2%) from 23.6 million in the corresponding period a year earlier.

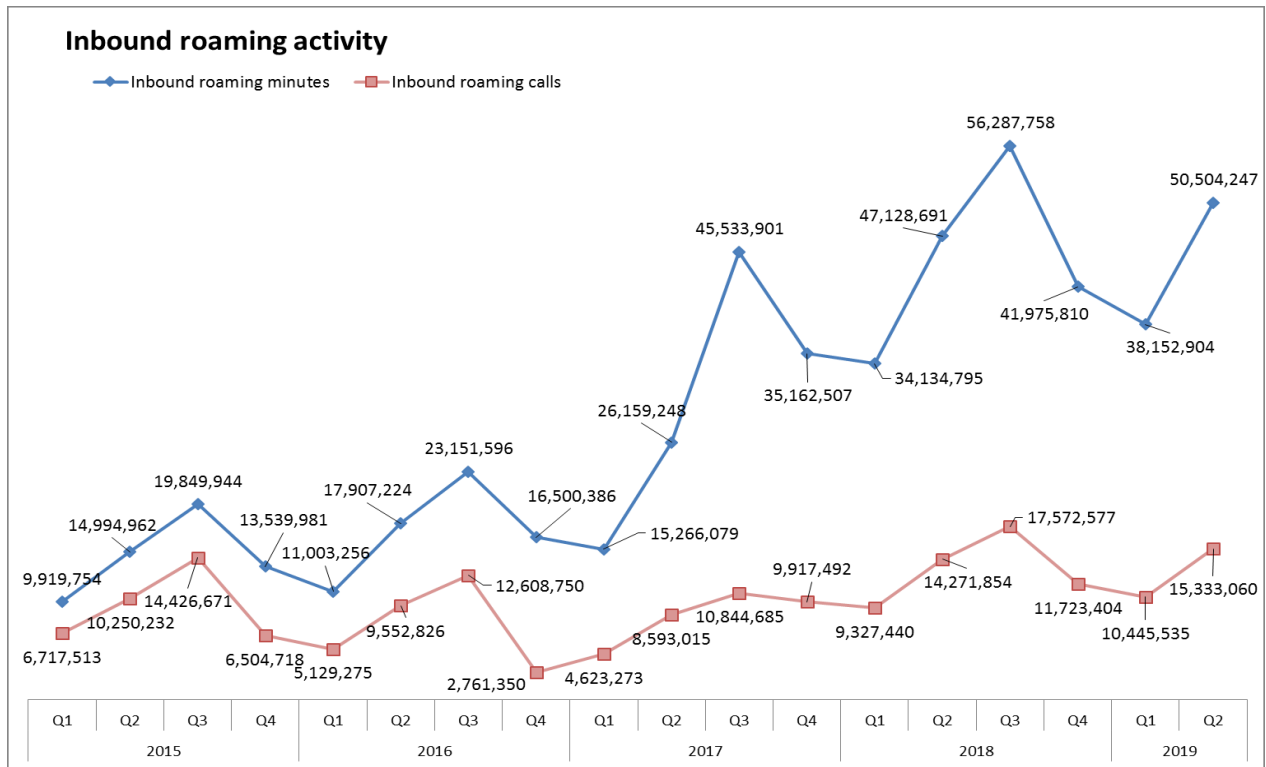


Figure 25: Inbound roaming activity

At the same time, the number of inbound roaming minutes went up by 7.4 million (or by 9.1%), from 81.3 million in the first half of 2018 to 88.7 million in the first half of 2019.

### 5.8. Mobile ARPU

Mobile telephony ARPU in the first half of 2019 totalled €87.32, which is up by 1.9% from €85.63 in the first half of 2018.<sup>18</sup> These figures are derived by dividing total revenues of mobile service providers, including access and activity revenues related to voice, SMS, MMS and data traffic, by the average number of active subscriptions, during a given period.<sup>19</sup>

<sup>18</sup> The derived ARPU excludes revenues from interconnection and inbound roaming activity. The revenue element for each individual service is composed of revenues from both stand-alone and bundle subscriptions to a specific service, but excludes installation and connection revenues. Readers should note that operators are left at their discretion to allocate their revenues to individual services.

<sup>19</sup> The average number of active subscriptions during a given period is derived by adding the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the said period, divided by two.

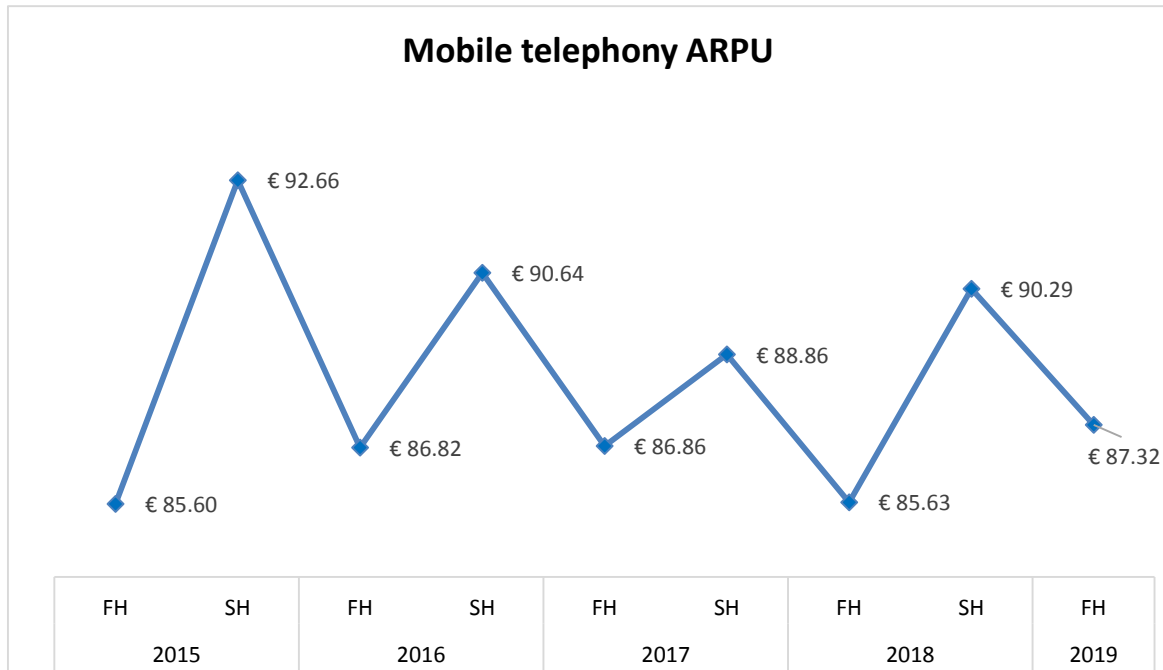


Figure 26: Average revenue per mobile user

This change is likely to be a result of a bigger client base and a continued rise in the number of post-paid subscriptions.

### 5.9. Pricing developments for mobile telephony

It is difficult to determine the exact price paid by the end-user to make a mobile voice call and / or to send an SMS, given the wide array of plans currently on offer and the availability of call and SMS allowances. To this effect, the MCA has developed a metric whereby it seeks to map price movements in mobile voice calls and SMSs by taking into account changes in the average revenue per call minute and the average revenue per SMS based on figures supplied by local service providers.<sup>20</sup>

As figure 27 shows, the average rate per minute (ARPM) of mobile communication has been declining at a steady rate over the last few years, most likely a result of bigger voice calling allowances.

<sup>20</sup> To calculate the Average Rate Per Minute (ARPM) of mobile voice communication, figures are derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues but excluding roaming revenues, VAT and excise tax), by the number of minutes reported under each respective heading. In the case of the average rate per SMS, figures correspond to the division of SMS-related revenues by the number of SMSs made during the period. These calculations exclude revenues from VAT, excise tax, and retail roaming services.

The ARPM of mobile communication for a domestic call stood at €0.051 in the first half of 2019, down by almost 15% from an average of €0.060 in the first half of 2018.<sup>21</sup>

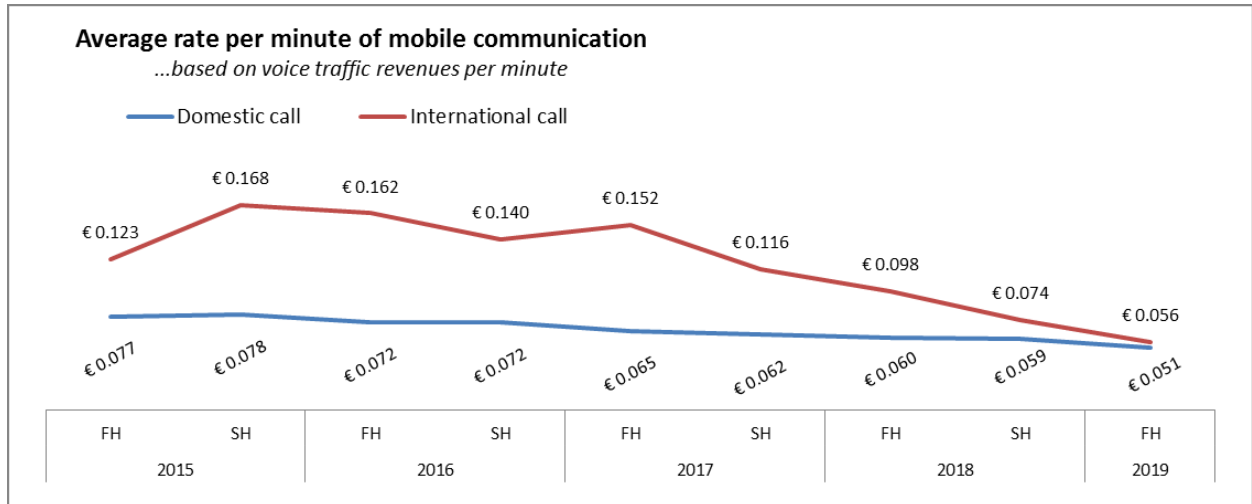


Figure 27: Average rate per minute of mobile communications

The average rate per minute of mobile communication for an international call was also down, this time by 42.8%, from €0.098 in the first half of 2018 to €0.056 in the first half of 2019.

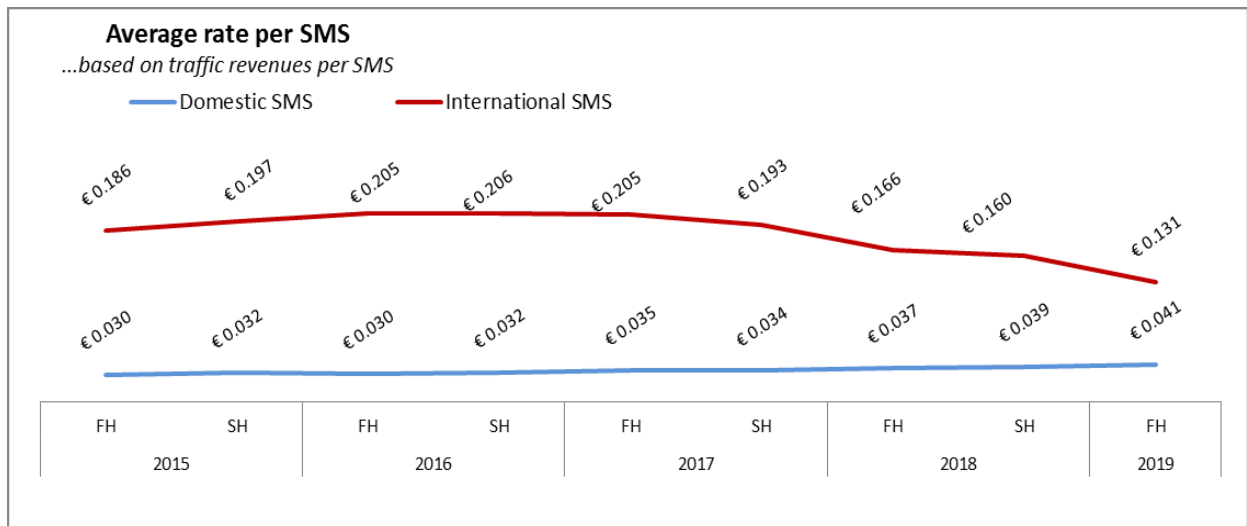


Figure 28: Average rate per domestic and international SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in the first half of 2019, the end-user on average paid €0.04 for a domestically bound SMS and €0.13 for an internationally bound SMS.

<sup>21</sup> It is again noted here that local mobile operators may offer monthly allowances such as free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. However, the current calculations do not take these factors into account.

## 6. Fixed and mobile broadband

The steady growth rate in fixed broadband take-up over the last three to four years has been underscored by new and existing end-users moving to faster broadband deals. This was also the case in the current review period, with the proportion of subscriptions having a connection supporting a download speed of 100Mbps or more rising to 40% by the end of June 2019. This trend reflects changing end-user data connectivity requirements, particularly in the context of the emergence and proliferation of Internet-connected TV and video-on-demand services. The continued rise of bundled fixed broadband subscriptions is another relevant observation, considering that ultra-fast broadband products are typically offered in a bundle and not stand-alone. Of note is that local service providers have in recent years diluted their stand-alone fixed broadband offers, and where they do offer such products, the monthly access fees are no real competition to the fees charged for the relevant bundle subscriptions.

Demand for mobile broadband services also surged in recent years. In fact, the mobile broadband segment grew rapidly in the current review period, both in terms of take-up and usage. Average data usage per active mobile broadband subscription surged from 1.1GB a month in the first half of 2018 in the first half of 2019 to 1.7GB per month in the first half of 2019.

### 6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions was up by 6,788 (or by 3.6%) in the 12-month period ending June 2019, from 188,004 to 194,792. This increase is underscored by bigger take-up of fast and ultra-fast broadband services supplied over FTTH and DOCSIS 3.1 technologies.

Growth in subscription numbers observed in the last 12-month however did not exceed population growth during the same period. As a result of more subscriptions reported by local service provider, fixed broadband penetration increased by 0.1 percentage point year-on-year, from 38.77% to 38.88%.

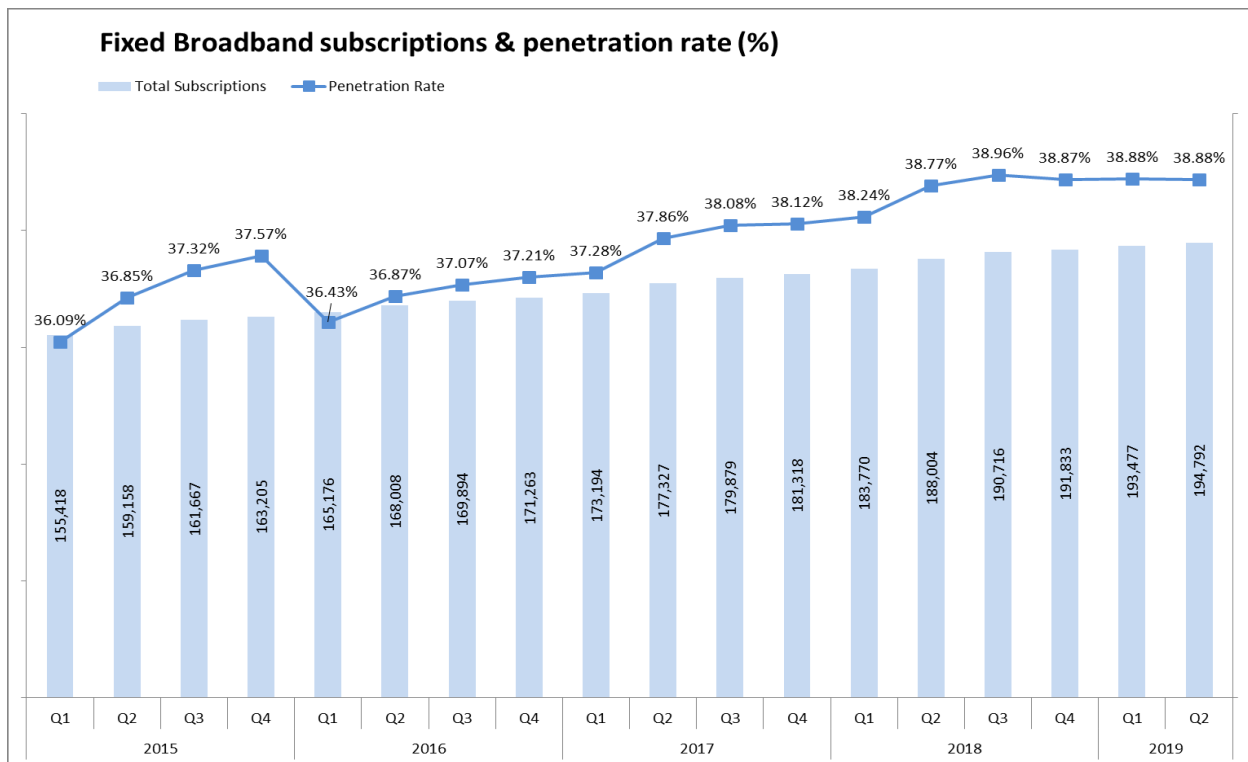


Figure 29: Take-up of fixed broadband and fixed broadband penetration

Fixed broadband subscriptions in a bundle	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
<b>Fixed broadband subscriptions on a dual-play contract</b>	36,927	44,179	49,622	54,413	55,227	55,793	55,649	55,306	52,213
Fixed broadband + fixed telephony	36,927	44,179	49,622	54,413	55,227	55,793	55,649	55,306	52,213
<b>Fixed broadband subscriptions on a triple-play contract</b>	26,718	27,525	28,613	30,540	40,675	46,859	55,064	61,148	72,595
Fixed broadband + fixed telephony + mobile telephony	630	139	84	58	37	24	16	3	5,632
Fixed broadband + fixed telephony + pay-TV	26,088	27,386	28,529	30,482	40,638	46,835	55,048	61,145	66,963
<b>Fixed broadband subscriptions on quad-play contract</b>	45,683	46,988	48,075	49,900	49,175	49,785	51,691	53,164	53,433
Fixed broadband + fixed telephony + pay-TV + mobile telephony	45,683	46,988	48,075	49,900	49,175	49,785	51,691	53,164	53,433
<b>Total number of fixed broadband subscriptions in a bundle</b>	109,328	118,692	126,310	134,853	145,077	152,437	162,404	169,618	178,241
<b>Number of fixed broadband subscriptions as at end of period</b>	158,869	163,205	168,008	171,263	177,327	181,318	188,004	191,833	194,792
<b>Percentage of fixed broadband subscribers in a bundle</b>	68.82%	72.73%	75.18%	78.74%	81.81%	84.07%	86.38%	88.42%	91.53%

Table 12: Fixed broadband subscriptions purchased in a bundle

The fixed broadband segment represents the most bundled electronic communications service, whereby 91.5% of all subscriptions were purchased in a bundle, by the end of June 2019, up 5.1 percentage points when compared to the same period a year earlier.

## 6.2. Fixed broadband subscriptions by type of access technology

Fixed broadband services in Malta are offered over three main technology platforms, these being DSL, fibre and DOCSIS cable. To a significantly lesser and limited extent, these services are also offered over fixed wireless access.

A total of 96,058 cable-based broadband subscriptions were reported by the end of the current reporting period. Meanwhile, DSL-based subscriptions and FTTH-based subscriptions totalled 64,644 and 23,910 respectively and subscriptions on the fixed wireless platform totalled 10,180.



The current reporting period saw the subscriber base for the FTTH platform grow substantially when compared to the same period a year earlier. Indeed, the number of fixed broadband subscriptions over this technology was up by 6,221 over a 12-month period ending June 2019. The cable segment was also up during this period, albeit with a slightly smaller margin of 6,055. Meanwhile, the fixed wireless segment registered an increase of 987 subscriptions. Somewhat as expected, the number of DSL-based subscriptions was down because of efforts undertaken by the relevant operator to switch consumers to fibre in areas where the technology is available. In fact, the DSL-based segment registered a drop of 5,939 subscriptions during this 12-month period.

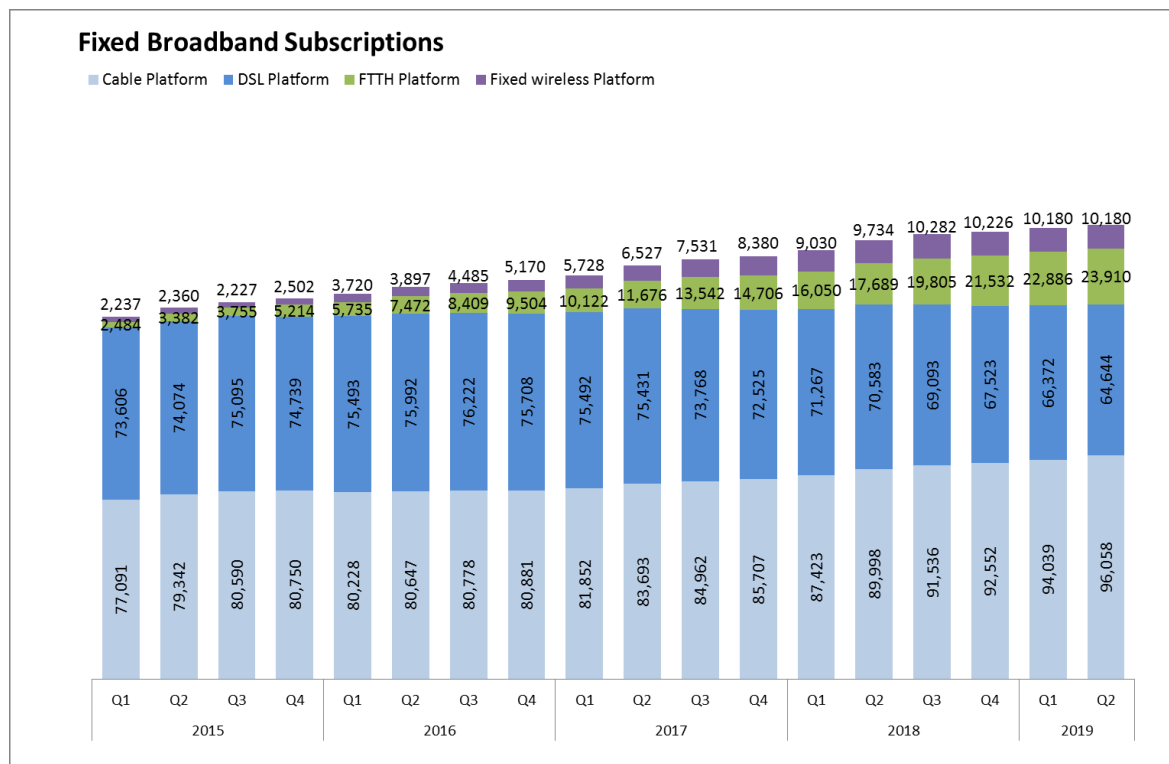


Figure 30: Fixed broadband subscriptions as at end of period - by technology

By the end of the current reporting period, the cable platform accounted for 49.2% of all fixed broadband subscriptions followed by the DSL platform at 33.1%, FTTH at 12.2% and fixed wireless at 5.5%.

### 6.3. Fixed broadband subscriptions by download speed<sup>22</sup>

A disaggregated look at the fixed broadband subscriptions by speed shows that the '100Mbps and more' product segment saw a rise of 27,032 subscriptions (or by 52.7%) between the end of June 2018 to the end of June 2019, from 51,277 to 78,309. As a result of this change, the proportion of subscriptions supporting ultra-fast download speeds shot up from 23.3% to 40.1%.

Meanwhile, the number of fixed broadband subscriptions supporting a download speed of '30Mbps but less than 100Mbps' was down by 9,683 (or by 8.6%), from 113,026 to 103,343. The subscriber

<sup>22</sup> Quoted figures refer to advertised speeds.

base for fixed broadband subscriptions supporting download speeds of less than 30Mbps also shrunk, in this case by 10,020 from 23,701 subscribers at the end of June 2018 to 13,681 at the end of the current reporting period.

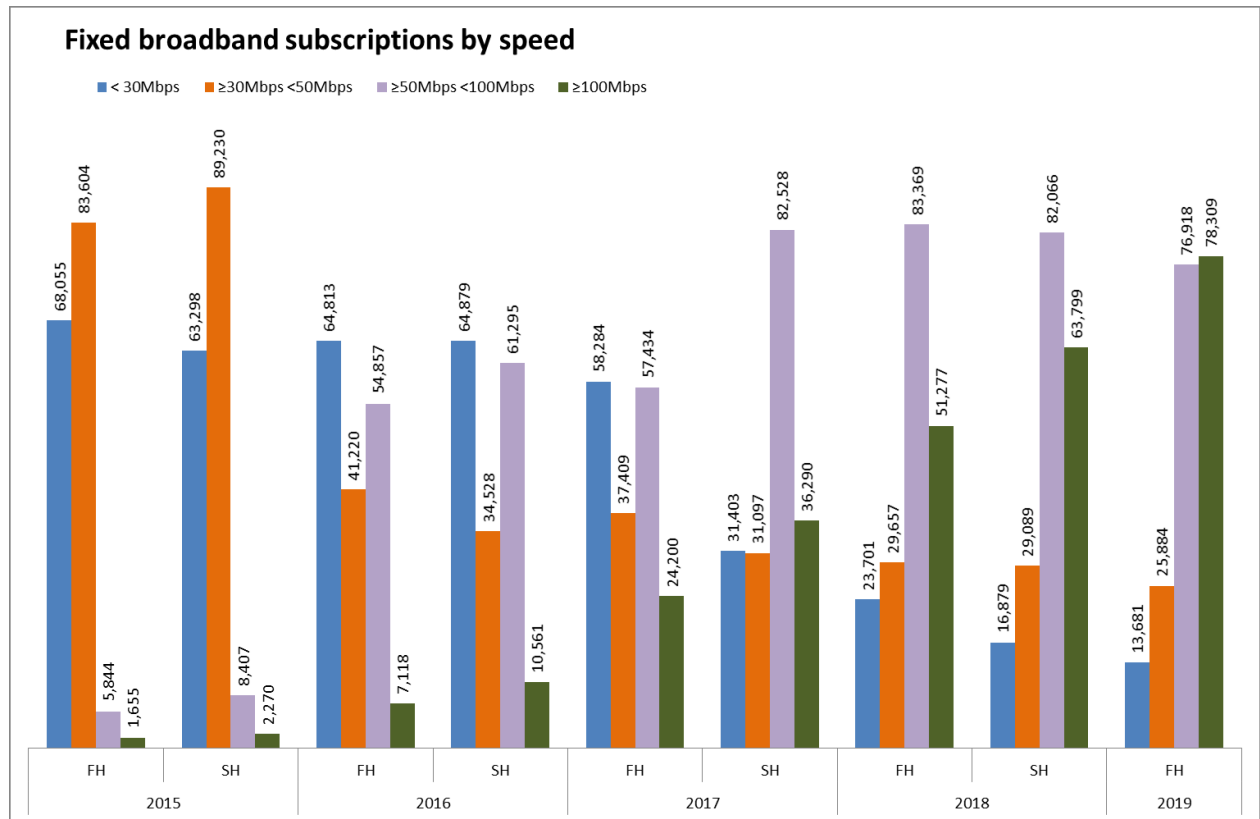


Figure 31: Fixed broadband subscriptions as at end of period, by speed

6.4. Fixed broadband subscriptions by access technology and download speed<sup>23</sup>

A closer look at the reported fixed broadband subscription numbers by technology, shows that as at the end of June 2019, 69.2% of all cable-based fixed broadband connections supported download speeds of ‘100Mbps or more’ whilst 26.2% of cable-based subscriptions supported download speed of ‘50Mbps but less than 100Mbps’. The remaining 46% of all cable-based subscriptions supported download speeds of ‘30Mbps but less than 50Mbps’.

When it comes to FTTH, 49.6% of subscriptions supported download speeds of ‘100Mbps or more’ and 42.1% supported download speeds of ‘30Mbps but less than 100Mbps’. The remaining 8.3% of FTTH subscriptions allowed for a download speed of ‘less than 30Mbps’.

With respect to DSL, none of the subscriptions supported a download speed of 100Mbps or more, but 82.7% allowed for a download speed of between ‘50Mbps and 100Mbps’ whilst 15.1%

<sup>23</sup> The download speeds reported in this segment are those advertised by the operators and they do not necessarily represent the download speeds end-users reach in their households.

supported a download speed of ‘30Mbps but less than 50Mbps’. Meanwhile, 17.3% of all DSL subscriptions supported a download speed of ‘less than 30Mbps’.

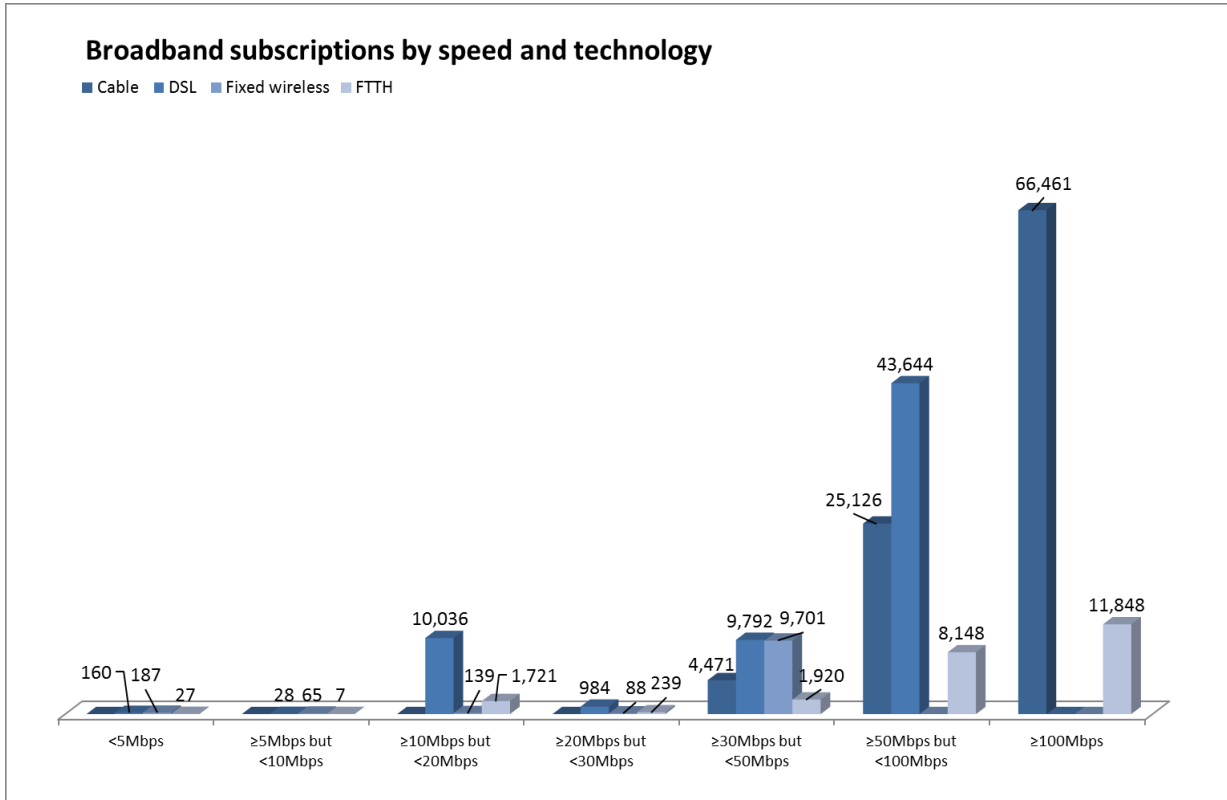


Figure 32: Broadband subscriptions as at end of period - by technology & connection speed

As for the download speeds supported over fixed wireless platforms, 95.5% of all subscriptions supported download speeds of ‘30Mbps but less than 50Mbps’ whilst 4.5% of such connections supports download speeds of less than 30Mbps. Meanwhile, there were no connections over this technology platform that supported download speeds higher than 50Mbps.

### 6.5. Fixed broadband ARPU

Fixed broadband ARPU in the first half of 2019 totalled €121.36, up by 6.7% year-on-year. Fixed broadband ARPU figures are derived by dividing the total retail revenues reported by service providers in terms of monthly access fees related to the fixed broadband service (excluding installation costs and connection fees) by the average number of subscriptions during a given period.<sup>24</sup>

<sup>24</sup> The average total number of subscriptions takes the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two. The revenue element for each individual service is composed of revenues from both stand-alone and bundle subscriptions to a specific service, but excludes installation and connection revenues. Readers should note that operators are left at their discretion to allocate their revenues to individual services.

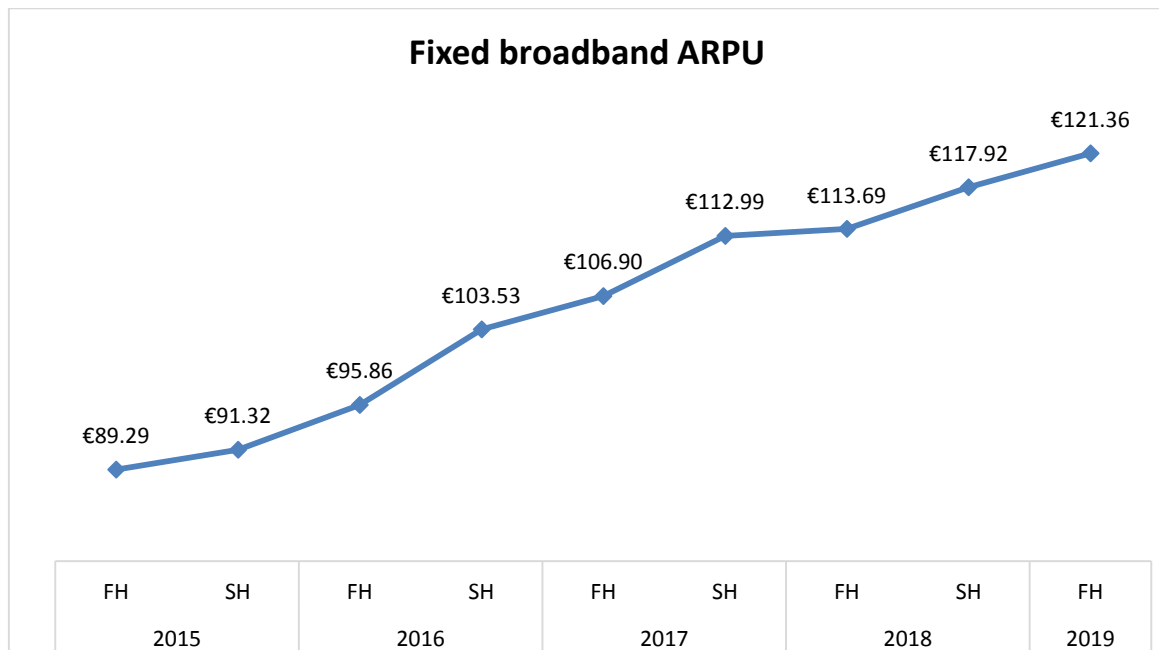


Figure 33: Average revenue per fixed broadband user

The ARPU for the fixed broadband sector has been steadily on the rise over the past years for a number of reasons, the most obvious being the widespread switch from legacy products to products supporting fast and ultra-fast fixed download speeds.

#### 6.6. Average rate per Mbps

The MCA continuously monitors the pricing strategies undertaken by operators with respect to fixed broadband. Pricing developments in this sector have become increasingly more relevant seeing that such changes strongly influence competition. This segment gives special attention to the average rate charged per Mbps of download (the rate per Mbps) based on numerous observations of products advertised on websites of operators. Of note is that the average rates per Mbps quoted in this section correspond to different categories of stand-alone and dual-play offers depending on the advertised download speeds.<sup>25</sup>

It is relevant to point out that over the years ultra-fast fixed broadband packages have become particularly prominent amongst consumers mostly due to their increased presence in bundle set-ups. Greater proliferation of ultra-fast fixed broadband packages resulted in higher entry-level prices as download speeds improved. From a per-Mbit rate perspective however, this tends to be lower for higher speed products. This is evident from figure 34 below.

Based on the metric implemented for the purposes of this indicator, the MCA notes that the average rate per Mbps roughly increased by 4.8% in the first half of 2019 when compared to the same period a year earlier. This is a result of the discontinuation of a number of legacy plans in the '30Mbps but less than 50Mbps' and in the '50Mbps but less than 100Mbps' range.

<sup>25</sup> The average rate per Mbps calculation in this report takes into account fixed broadband plans that are available nationwide, including dual play bundled packages. Plans that are on a triple-play or quad-play bundle are not taken into account. Also, expenses incurred by the end-user, such as installation fees and other charges, do not feature in the calculations when determining the average rate per Mbps.

The average rate per Mbps for fixed broadband connections supporting a download speed of ‘less than 5Mbps’ was calculated at €4.43 during the current reporting period whilst the average rate per Mbps for products supporting download speeds of between ‘10Mbps but less than 20Mbps’ stood at €4.33. These rates were unchanged from what was observed 12 months earlier.

In case of the segments for products supporting a download speed of ‘10Mbps but less than 20Mbps’ and ‘20Mbps but less than 30Mbps’ the average rate per Mbps stood at €1.78 and €2.01 respectively; these results were also unchanged when compared to the same period a year earlier. Similarly, ‘30Mbps but less than 50Mbps’ segment was also unchanged with the average rate per Mbps being no less than €0.80 by the end of the first half of 2019.

Meanwhile, the average rate per Mbps for products supporting download speeds of ‘50Mbps but less than 100Mbps’ was up by 5% from €0.60 at the end of the first half of 2018 to €0.63 during the current review period. The dilution in the stand-alone and dual-play line-up for fixed broadband packages in this speed category contributed to the overall increase observed in the average rate per Mbps.

In the case of fixed broadband products supporting a download speed of ‘100Mbps or more’, the average rate per Mbps was down by almost 16.7%, from €0.36 in the first half of 2018 to €0.30 in the first half of 2019. The drop in the average rate per Mbps for this segment was a result of an operator upgrading packages for its clientele from download speeds of 50Mbps to download speeds of 100Mbps at no additional monthly fee.

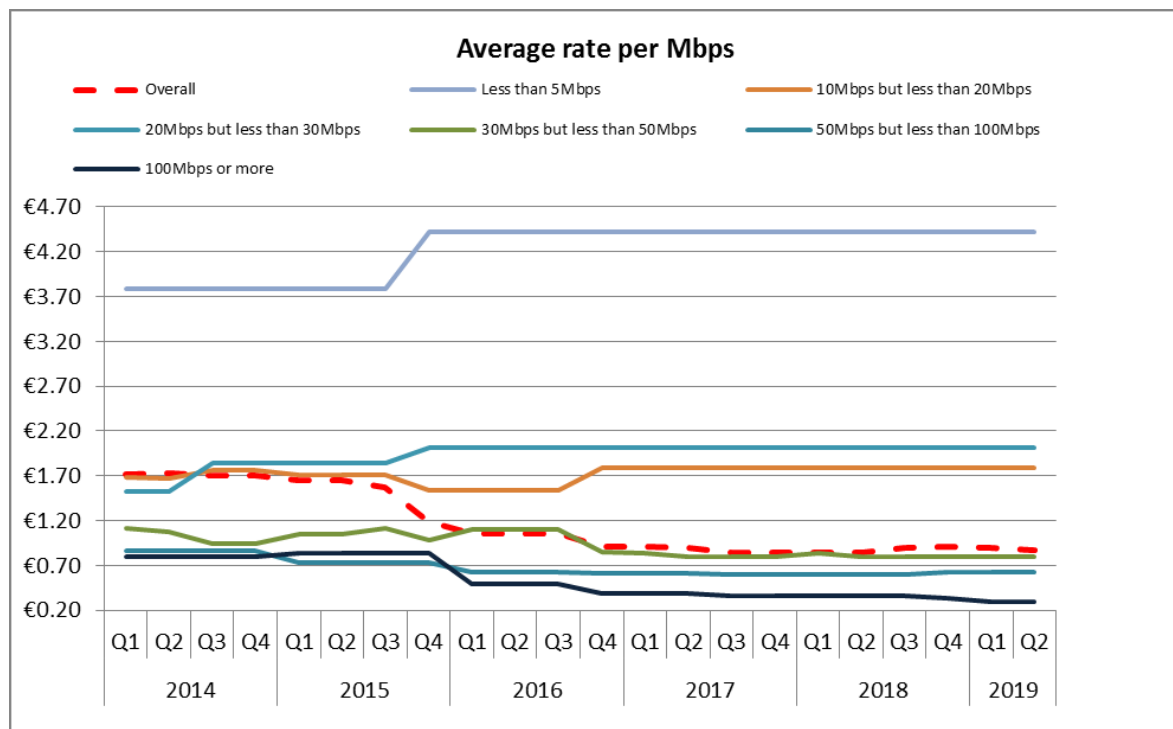


Figure 34: Average price per Mbps of fixed broadband

## 6.7. Take-up and usage of mobile broadband

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

- A mobile handset with 3G or 4G capabilities; and / or
- portable computers and tablets, enabled by USB dongles / keys and built-in broadband cards.

For the sake of consistency, the methodology used to measure the take-up of mobile broadband in Malta corresponds with that adopted by the EU Commission when measuring progress in this area across the EU.<sup>26</sup>

Figure 35 illustrates that the number of end-users actively accessing mobile broadband services via 3G and 4G-enabled mobile subscriptions totalled 487,114 at the end of June 2019. This figure is up by 39,687 (or by 8.9%) from 447,427 at the end of June 2018.

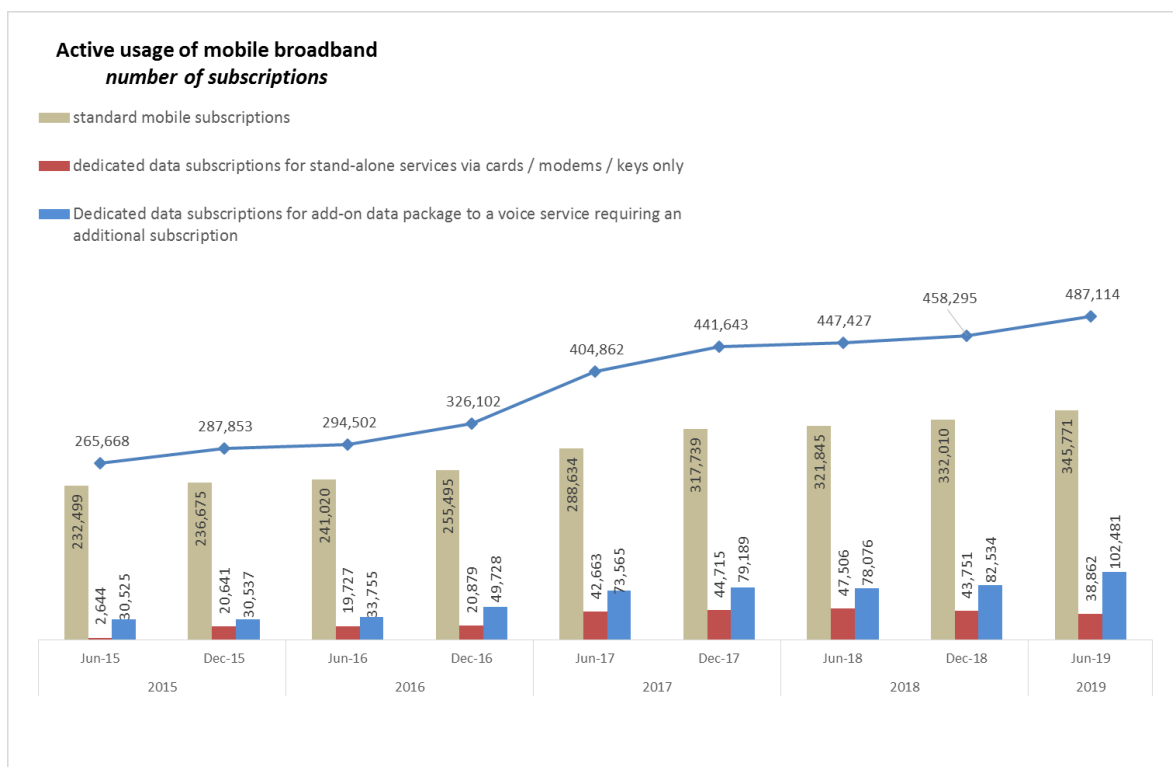


Figure 35: Mobile broadband active connections as at end of period

A disaggregated look at the above illustration shows that the number of active users of mobile broadband services via cards/modems and keys was down from 47,506 at the end of June 2018 to 38,862 at the end of June 2019. During the same period, the number of active users of mobile data

<sup>26</sup> The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration per 100 population.

services through standard mobile subscriptions was up, in this case by 23,926 (or by 7.4%) from 321,845 to 345,771. Meanwhile, the number of active users making use of mobile data services via mobile telephony add-ons was up by 24,405, from 78,076 at the end of June 2018 to 102,481 at the end of the current reporting period.

6.8. Mobile data usage

Data is fast becoming the key component in any mobile telephony plan. Consumers are regularly making use of online services, which require regular mobile data access. As a result, a number of mobile telephony plans are now bundled with improved monthly allowances and end-users are increasingly making the switch to post-paid plans to benefit even further from such allowances.<sup>27</sup> Figure 36 shows that total mobile data volumes consumed in the first half of 2019 amounted to 4.86 million GB, up by 2.83 million GB (or by 75.9%) in the same period a year earlier.

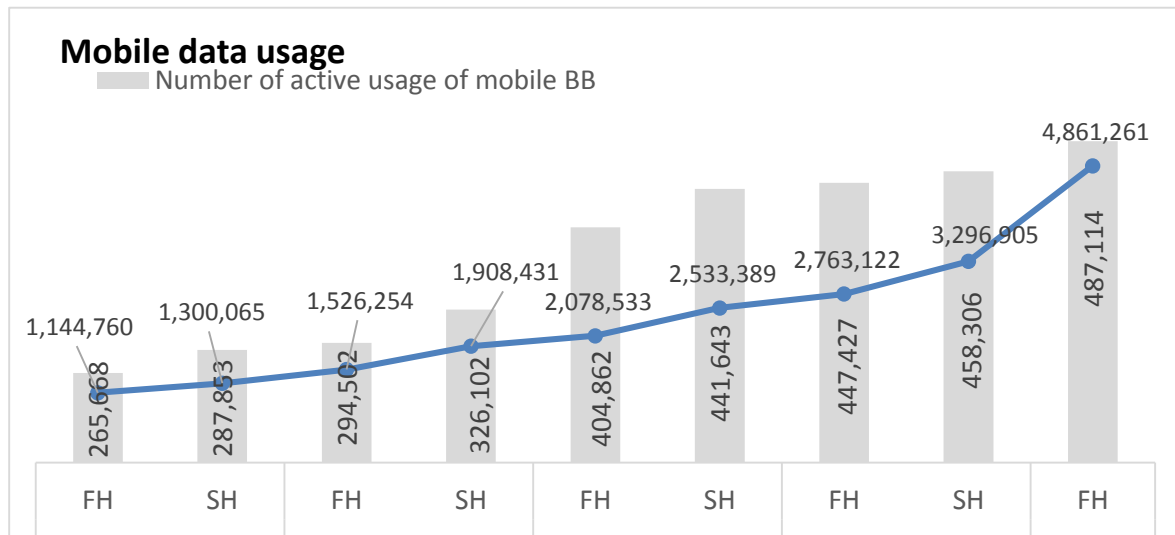


Figure 36: Mobile data usage as at end of period

<sup>27</sup> It is relevant to underline that these figures only take into account active mobile data users via paid mobile subscriptions. It does not consider any mobile data usage over wireless networks such as residential WiFi and free or paid WiFi hotspots.

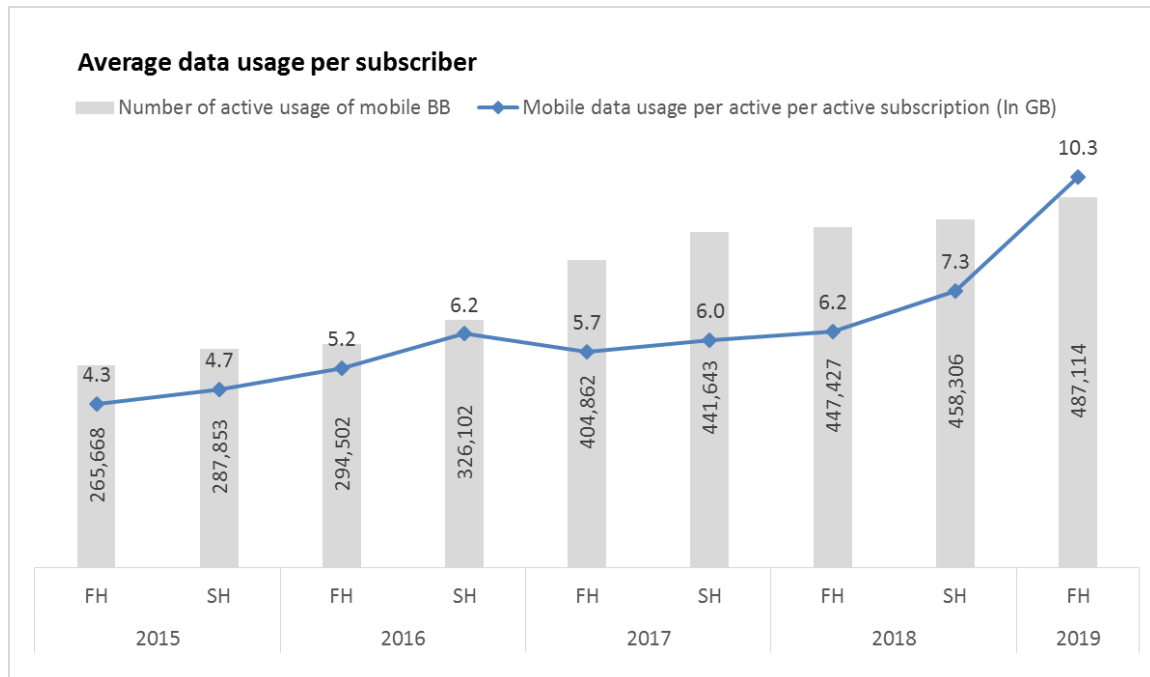


Figure 37: Active data usage at end of period

### 6.9. Mobile broadband data usage per active subscription

Figure 37 shows that, on average, each active mobile broadband subscription consumed 10.3GB of data in the first half of 2019, which is up by more than 4.1GB (or by 66.1%) than what was consumed in the first half of 2018 at 6.2GB.

### 6.10. Mobile broadband penetration

According to the EU’s Digital Agenda Scoreboard Malta surpasses the EU average in terms of mobile broadband penetration. As at June 2018, Malta’s mobile broadband penetration rate at 97.2% whilst the EU average stood at 96.0%.<sup>28</sup>

<sup>28</sup> Data beyond June 2018 is currently not available on the Commission’s Digital Agenda Scoreboard.



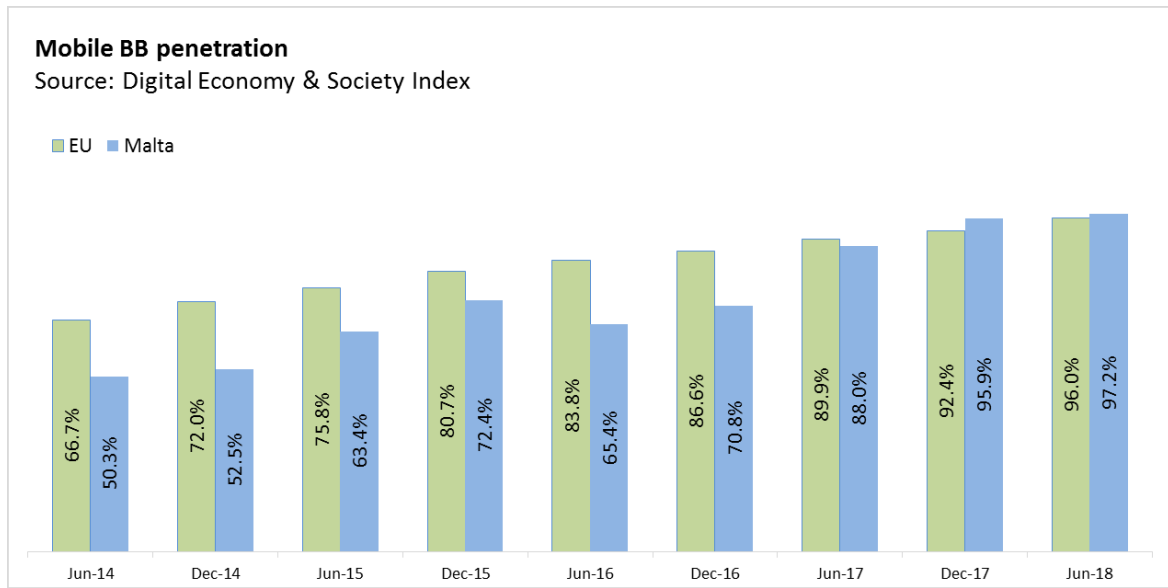


Figure 38: Mobile broadband penetration (active end-users/100 people), as at end of period

## 7. Pay-TV

The pay-TV segment has seen a year-on-year uptick in its subscriber base, with subscriptions rising by almost 4.0% to a total of 167,633 by the end of June 2019. Most of the new subscriptions were purchased in a bundle package with other electronic communications services. This trend, alongside the continued decline in the number of existing pay-TV clients on a stand-alone service, pushed upwards the proportion of bundled pay TV subscriptions by six percentage points year-on-year, to almost 75.0% by the end of June 2019.

Of note is that all pay TV subscriptions were on a digital platform by the end of last June, as Melita switched off the analogue pay TV platform in 2018. GO offers two digital subscription formats, one based on a digital terrestrial television (DTTV) platform and the other on an Internet Protocol television (IPTV) platform. Melita offers digital cable TV.

### 7.1. Pay-TV subscriptions

The number of pay-TV subscriptions totalled 167,633 by the end of June 2019, which is up by 5,936 (or by 3.7%) year-on-year.<sup>29</sup> Melita reported the largest number of subscriptions at the end of the current reporting period, at 98,513 subscriptions compared to 69,120 subscriptions reported by GO.

Year-on-year, Melita added almost 6,700 new subscriptions to its client base, from 91,832 at the end of June 2018 to 98,513 at the end of June 2019. Meanwhile, the number of GO subscriptions was down by 730, from 69,850 to 69,120. Of note is the continued shift in subscriptions for GO from DTTV to IPTV. The number of DTTV subscriptions was down by 8,499 subscriptions year-on-year, whilst the number of IPTV subscriptions was up by 7,769 during the same period.

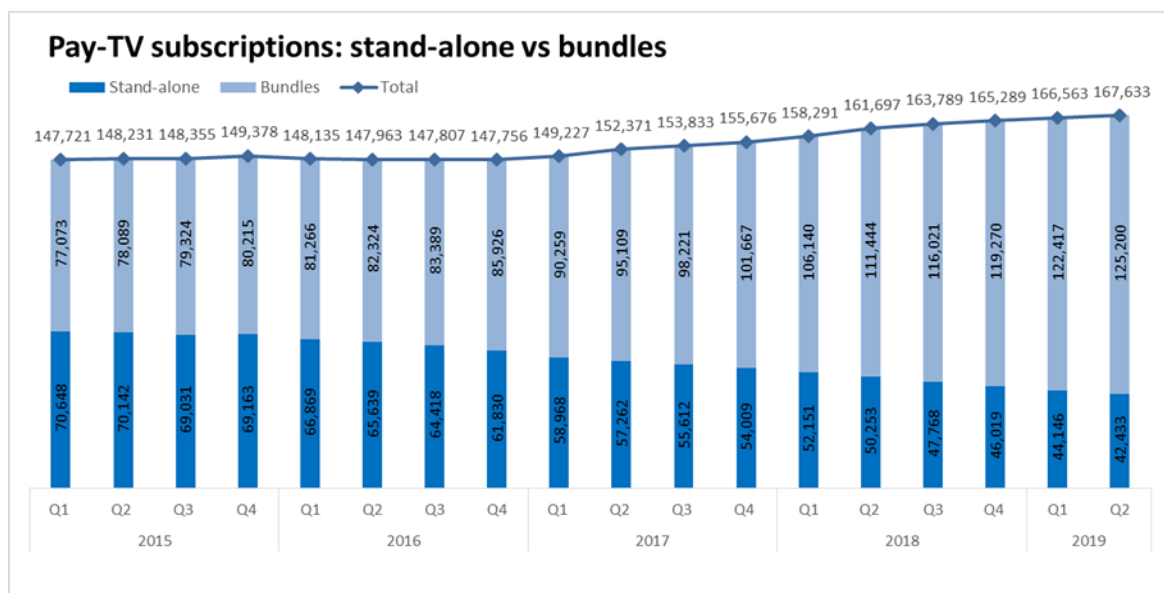


Figure 39: Pay-TV subscriptions as at end of period

<sup>29</sup> This figure excludes subscriptions to Over-the-Top (OTT) Video-on-Demand (VoD) offerings or internet-only streaming services. No data on take-up of such subscriptions is available to the MCA since these providers are not authorised locally.

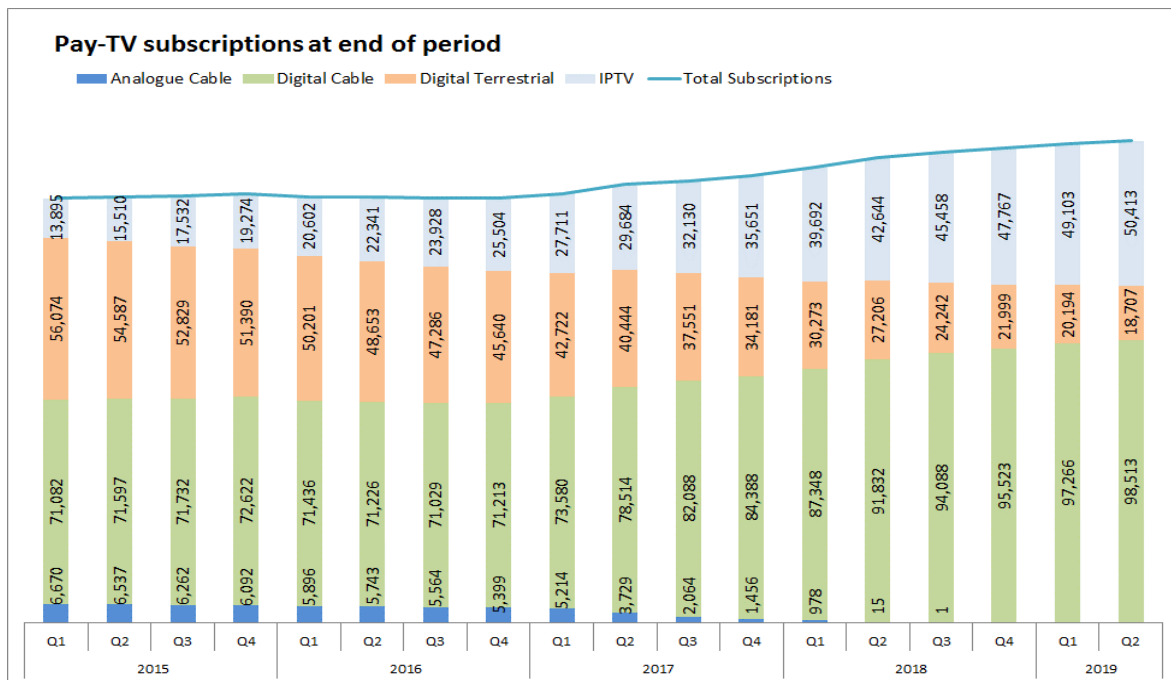


Figure 40: Pay-TV subscriptions as at end of period

Melita’s pay-TV market share was up by two percentage points year-on-year, from 56.8% to 58.8% by the end of the current reporting period. Conversely, GO’s market share shrank by the same percentage point margin, from 43.2% to 41.2%.

7.2. Pay-TV subscriptions in a bundle

There were 125,200 pay-TV subscriptions in a bundle by the end of June 2019, up from 111,444 recorded 12 months earlier. As a result, the proportion of pay-TV subscriptions in a bundle was up by 5.8 percentage points during this period, from 68.9% to 74.7%.

Pay-TV subscriptions in a bundle	2015		2016		2017		2018		2019
	FH	SH	FH	SH	FH	SH	FH	SH	FH
<b>Pay-TV subscriptions on a dual-play contract</b>	6,318	5,841	5,720	5,544	5,296	5,047	4,705	4,961	4,804
Pay-TV + fixed telephony	6,318	5,841	5,720	5,544	5,296	5,047	4,705	4,961	4,804
<b>Pay-TV subscriptions on a triple-play contract</b>	26,088	27,386	28,529	30,482	40,638	46,835	55,048	61,145	66,963
Pay-TV + fixed telephony + fixed broadband	26,088	27,386	28,529	30,482	40,638	46,835	55,048	61,145	66,963
<b>Pay-TV subscriptions on a quad-play contract</b>	45,683	46,988	48,075	49,900	49,175	49,785	51,691	53,164	53,433
Pay-TV + fixed broadband + fixed telephony + mobile telephon	45,683	46,988	48,075	49,900	49,175	49,785	51,691	53,164	53,433
<b>Total number of pay-TV subscriptions in a bundle</b>	78,089	80,215	82,324	85,926	95,109	101,667	111,444	119,270	125,200
<b>Number of pay-TV subscriptions as at end of period</b>	148,231	149,378	147,963	147,756	152,371	155,676	161,697	165,289	167,633
<b>Percentage of pay-TV subscribers in a bundle</b>	52.68%	53.70%	55.64%	58.15%	62.42%	65.31%	68.92%	72.16%	74.69%

Table 13: Pay-TV subscriptions in a bundle

7.3. Pay-TV ARPU

The pay-TV ARPU calculation outlines the total revenues reported by local service providers for the pay-TV service, divided by the average number of subscriptions in the current review period. The calculation takes into account revenues from premium services, such as movies or sports add-ons,

in addition to other revenue streams, such as those generated from installation and monthly access fees.<sup>30</sup>

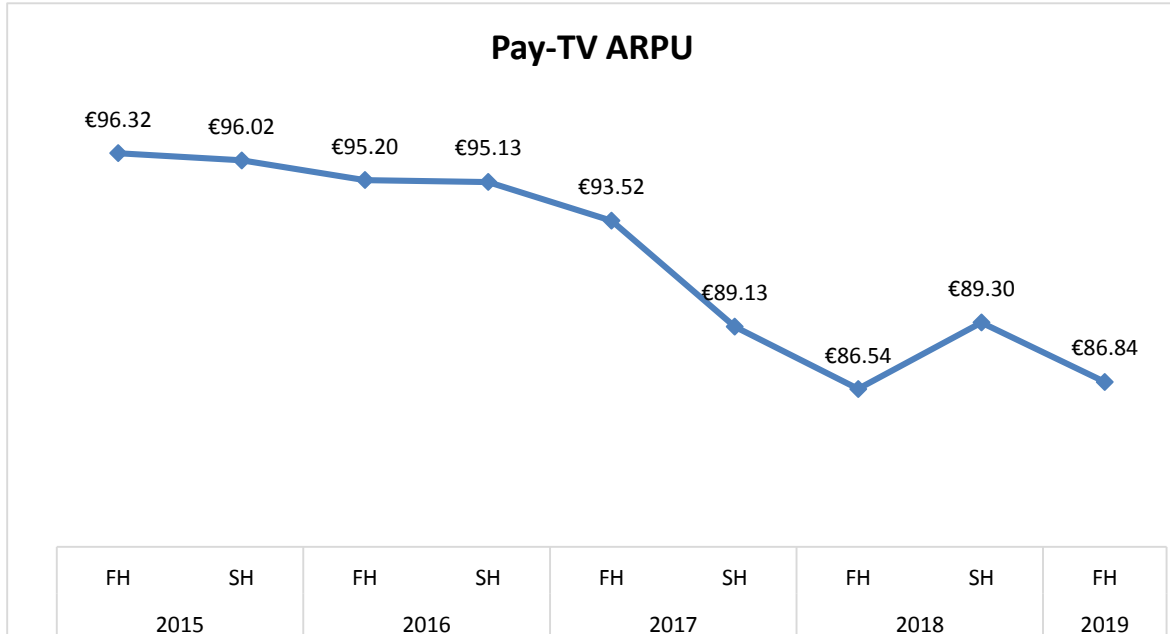


Figure 41: Average revenue per pay-TV user

Pay-TV ARPU has been in long-term decline since 2015. This decline is mainly attributed to the increased take-up of the pay-TV service within a bundle set-up. This is because monthly access fees in a bundle format would typically amount to less than the total of access fees that would be incurred if the components of a bundle had to be purchased on a stand-alone basis. The MCA however observes that pay-TV ARPU stabilised in 2019, possibly as a result of the launch of the TSN sport package line-up and the subsequent rise in its take-up of this service, which boosted revenues. Pay-TV ARPU totalled €86.84 in the first half of 2019, up by 0.3% from €86.54 in the same period a year earlier.

#### 7.4. Average advertised monthly access fees for stand-alone pay-TV

This section outlines changes in the average advertised monthly access fees for five distinct pay-TV channel categories, with each category encompassing stand-alone plans listing a particular number of channels, but excluding optional add-ons (such as those featuring sports and video-on-demand channels). The pay-TV categories highlighted in this section encompass the following number of channels: 'Up to 24 channels'; '25 to 49 channels'; '50 to 74 channels'; '75 to 99 channels'; and '100 channels or more'.

In the first half of 2019 the overall average advertised monthly access fee for stand-alone pay-TV stood at €18.50, which is down by €1.16 (or by 5.9%) in relation to what was observed in the same

<sup>30</sup> Currently, local service providers apportion monthly access fees for bundled products by each electronic communications service featuring in the bundle. Each local service providers implements its own apportionment mechanism.

period a year earlier. In general, changes in the stand-alone pay-TV sector have been limited over the last couple of years with local service providers generally opting to make changes to their pay-TV line-ups and add-on options within their bundle setups rather than changing the monthly access fees. It is however noted that add-ons are not taken into account when calculating the average advertised monthly access fees for pay-TV.

Figure 42 illustrates that the average advertised monthly access fee for pay-TV packages encompassing 'up to 24 channels' stood at €9.99 by the end of the current reporting period, which is identical to the results observed a year earlier. It is noted that only Melita's 'Starter' package appears in this segment.

Meanwhile, GO's entry-level stand-alone pay-TV plan features a greater number of channels and thus appears in the '25 to 49' channels category. The average advertised rate for this channel category stood at €10.00 by the end of June 2019, which is €4.66 lower than what was observed in the previous year.

The pay-tv packages that encompass '75 to 99' channels as well as the '100 channels or more' continue to carry the same monthly access price of €22.00 and €32.00 respectively, unchanged from previous year.

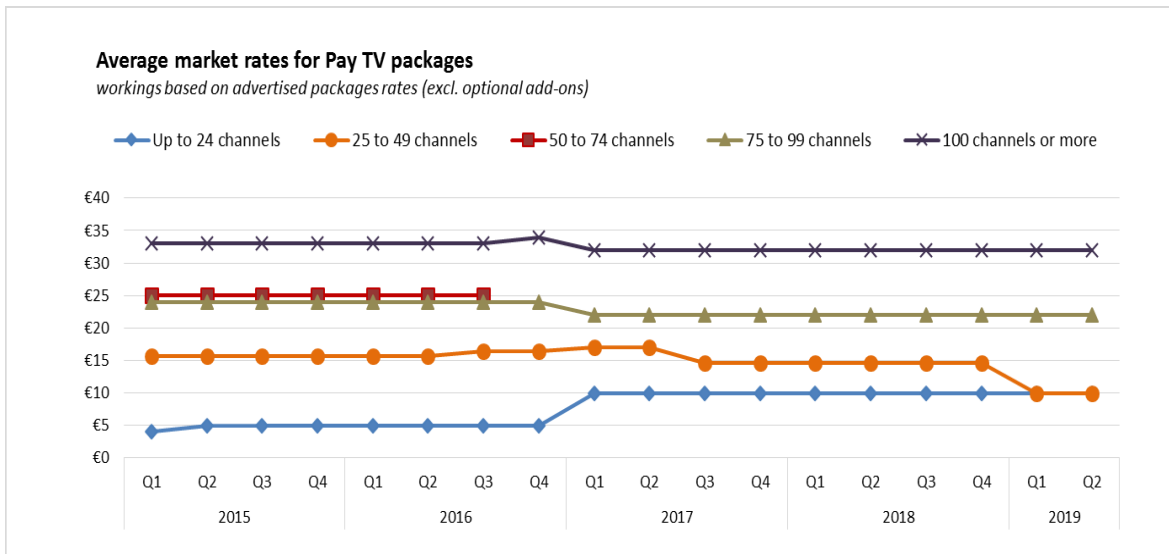


Figure 42: Average market rates for pay-TV packages

The figures presented above are for stand-alone plans only and do not take into account charges or fees that come into force if the end-user requires paper billing or opts not to pay bills via direct debit.

## 8. Post

Over the years letter-mail volumes in Malta have been steadily in decline, generally in line with the overall global trend. The first half of 2019 was no exception.

### 8.1. Postal mail volumes

A total of 18.2 million postal mail items were delivered by local postal operators in the first half of 2019.<sup>31</sup> This figure is down by 0.6 million (or by 3.1%) from 18.8 million postal mail items delivered in the same period a year earlier.

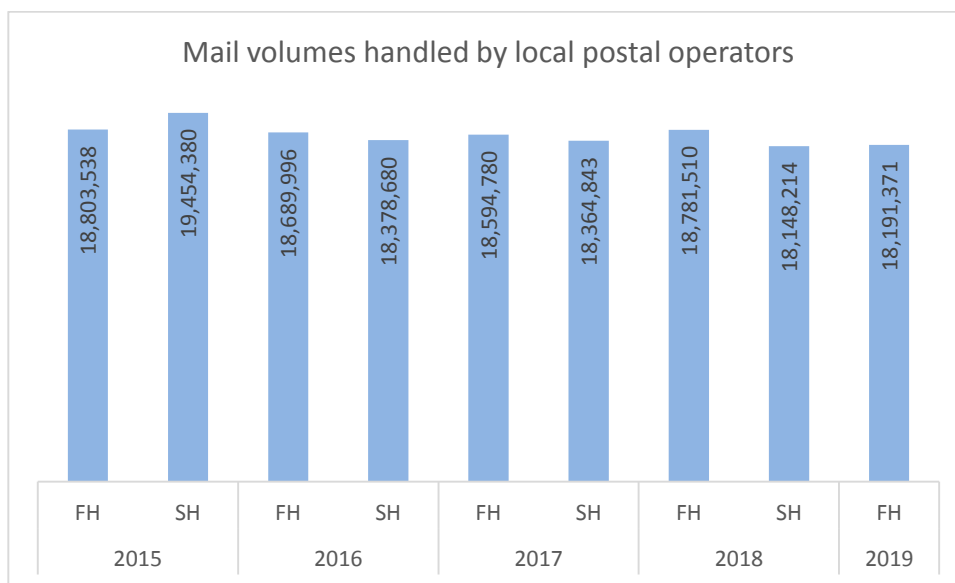


Figure 43: Postal activity - mail volumes handled by local service providers

An important distinction for postal mail volumes relates to the standard postal mail category and the express postal mail category. By way of definition, standard postal mail encompasses the delivery of single piece letter mail, bulk mail, registered mail and parcel mail.<sup>32</sup> Express postal mail encompasses the accelerated and secure worldwide delivery of mail items, be it for important letters, documents or parcels, through express mail or courier service providers. The services offered by

<sup>31</sup> Maltapost plc (the designated Universal Service Provider, hereafter also referred to as "the USP") and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area. Another 23 postal operators (courier and express services) provide services outside the scope of the universal service area. Up till the fourth quarter of 2018, DHL International Ltd. was also licensed to provide non-reserved postal services within the scope of the universal services. DHL International Ltd. renounced this license late 2018.

<sup>32</sup> Single piece letter-post mail (also referred to as ordinary mail) is the ordinary day-to-day correspondence posted by individuals and businesses (other than bulk letter-post mail), at street letterboxes or over the counter at postal outlets. The registered letter-post mail service (also referred to as registered mail) refers to a service providing a flat-rate guarantee against risks of loss, theft or damage and supplying the sender, where appropriate upon request, with proof of the handing in of the postal article or of its delivery to the addressee. Bulk letter-post mail (also referred to as bulk mail) consists of a substantial number of similar letter-post items deposited with MaltaPost at the same place and time, to be transported and distributed to the addressees indicated on each of the postal articles.

these providers is characterised throughout by a degree of speed, tracking and managerial control (that exceed that applied to the fastest standard category of the basic universal letter post and parcel services). The distinguishing characteristic of a courier service provider is that it focuses on the delivery of express mail items that are in possession of an employee of the company at all stages of its journey.

Of note is that standard postal mail accounted for 95.6% of total postal mail volumes delivered in the first half of 2019. Express mail activity accounted for the remaining share, at 4.4%.

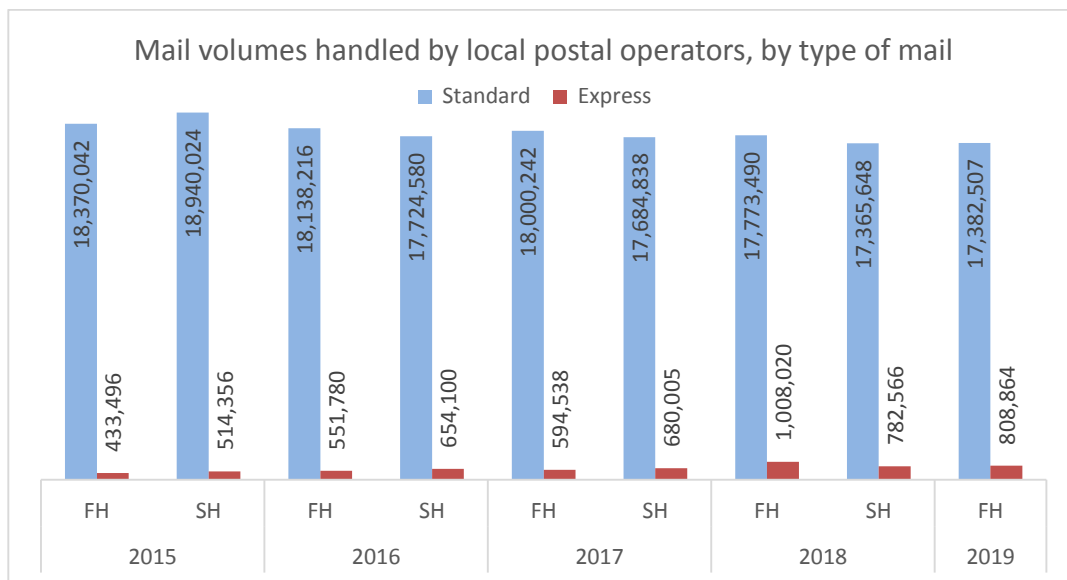


Figure 44: Postal activity - number of handled mail items by type of mail activity

In absolute terms, the number of standard postal mail items delivered in the first half of 2019 totalled 17.4 million, which is slightly down by 0.4 million (or by 2.2%) compared to the volumes recorded in the same period a year earlier. Activity in the express postal mail segment was also down, with a drop of 0.2 million items observed when comparing mail volumes recorded in the first half of 2019 to the first half of 2018.

## 8.2. Postal mail volumes by type of mail

There are four types of postal mail categories, namely single piece letter mail, bulk letter mail and registered letter mail and parcel mail.

Single piece letter-post mail accounted for 34.6% of all postal mail items delivered during the current review period. In absolute terms, the number of single piece letter items totalled 6.3 million in the first half of 2019, which is down by 0.2 million (or by 2.4%) from volumes registered in the first half of 2018.

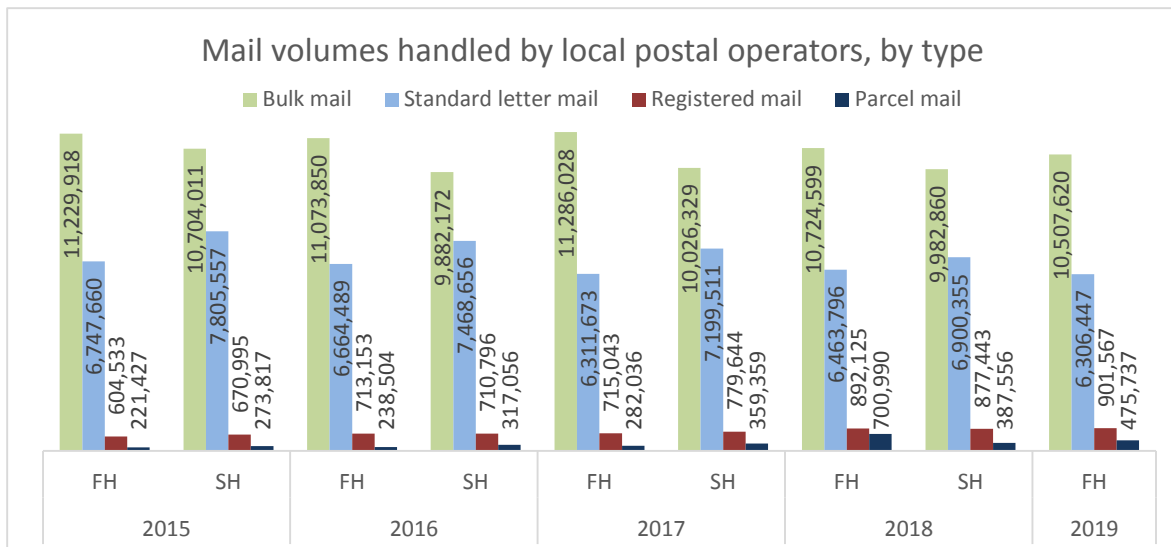


Figure 45: Postal activity - number of handled items by type of mail

Bulk letter mail items totalled 10.5 million in the first half of 2019, which is equivalent to 57.8% of total mail volumes delivered during this period. Compared to volumes recorded in the first half of 2018, the number of bulk mail items that were delivered in the current review period was down by 0.2 million (or by 2.4%).

The number of registered letter mail items delivered in the first half of 2019 totalled 0.9 million, which is equivalent to 4.9% of all postal mail items recorded during the period. When compared with the first half of 2018, registered letter mail volumes were up by 9,442 (or by 1.1%).

Parcel mail items totalled 0.5 million in the first half of 2019, which is equivalent to 2.6% of total postal mail volumes recorded during this period. Compared to parcel mail volumes recorded in the first half of 2018, the number of parcel mail items was down by 225,253 (or by 32.1%).

### 8.3. Postal mail volumes by destination

This section distinguishes between mail activity according to the destination, namely by outlining developments for domestic mail volumes; outbound cross border mail volumes,<sup>33</sup> and inbound cross border mail volumes.<sup>34</sup>

Domestic mail volumes delivered in the first half of 2019 totalled 14.0 million items. This figure is down by 3.5% compared to the figure recorded in the same period a year earlier.

<sup>33</sup> These postal mail items originate locally for delivery to foreign destinations.

<sup>34</sup> Foreign-originated postal mail forwarded to Malta.



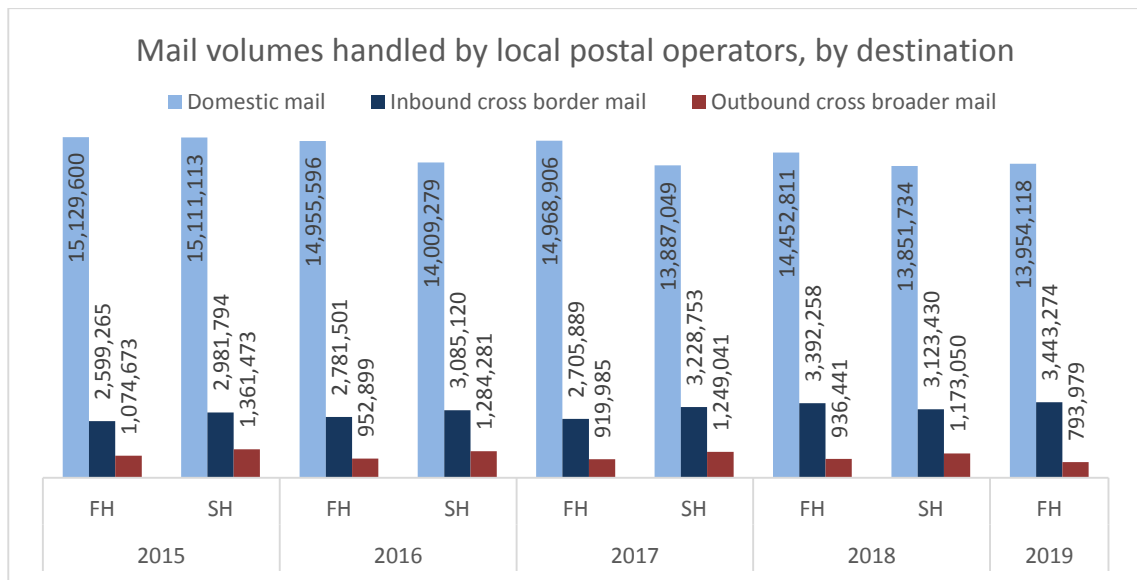


Figure 46: All postal activity - number of handled mail items by destination

Volumes of outbound cross border mail and inbound cross border mail in the first half of 2019 totalled 0.8 million items and 3.4 million items respectively. Figure 46 illustrates that, in the case of inbound cross border mail, volumes recorded in the current reporting period were up by 51,016 items (or by 1.5%), compared to volumes recorded in the first half of 2018. Meanwhile, outbound cross border mail volumes were down 142,462 (or by 15.2%).

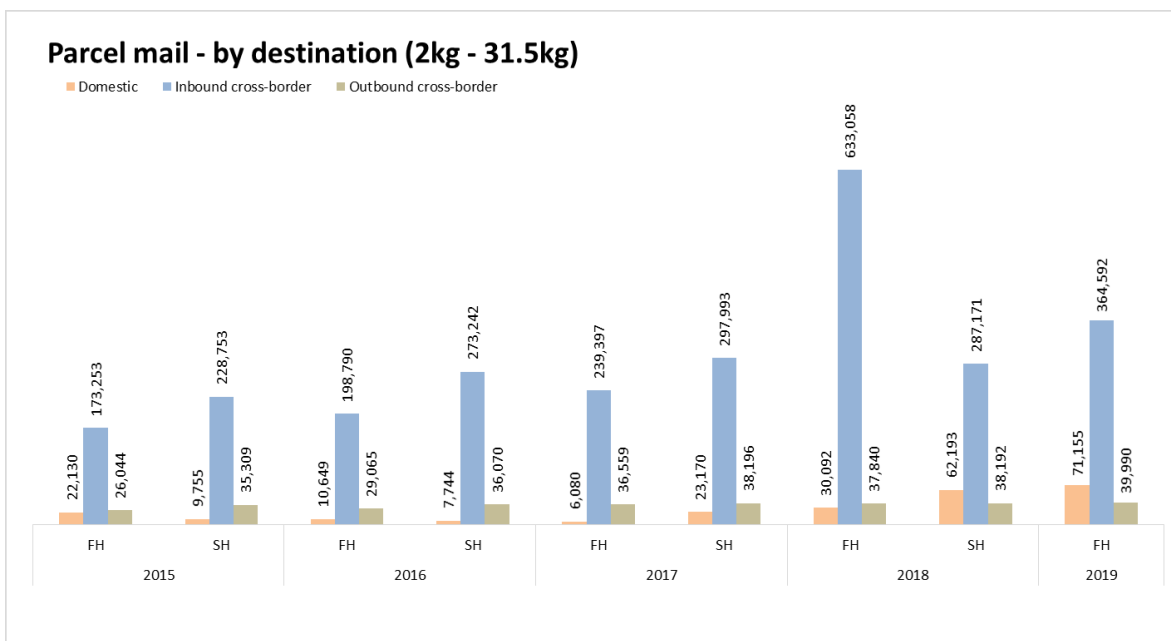


Figure 47: Parcel mail activity - number of handled mail items by destination

Specifically for parcel mail, the volume of outbound cross border mail and inbound cross border mail in the current reporting period totalled 39,990 items and 364,592 items respectively. In the case of inbound cross border parcel mail, the volume recorded in the current reporting period was down by 42.4% compared to the same period in 2018.<sup>35</sup> Meanwhile, volumes for outbound cross border parcel mail were up by 5.7%. The domestic parcel mail segment was also up by 136.5%, when comparing activity reported for the first half of 2019 to that reported in the first half of 2018.<sup>36</sup>

## 8.4. Quality of service for the delivery of postal mail

The MCA has established a methodology, based on a series of Quality of Service (QoS) targets, to determine whether Maltapost is meeting its universal service obligations for the delivery of different mail items. These QoS targets are set in accordance with the MCA Decision on the quality performance measurement of postal items delivered within the defined service standard.<sup>37</sup> QoS data corresponds to the full calendar year.<sup>38</sup>

### 8.4.1. Local ordinary mail and bulk mail

The QoS target set by the MCA for the next day delivery (D+1) to destination of local ordinary mail and bulk mail stands at 95%.

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<sup>35</sup> In the first half of 2018 there was a large amount of activity reported under 'inbound cross border'. This increased buoyancy is a result of an operator reporting an influx of parcels during this period.

<sup>36</sup> As of 2019, the MCA has adjusted its postal segment to include parcels up to 31.5KGs so as to be in line with new European regulations on cross-border parcel delivery services. Further information on this article can be found here: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0644&rid=2>

<sup>37</sup> Link to MCA Decision concerning the 'Review of Quality of Service Targets and Requirements to be achieved by Maltapost plc': [http://www.mca.org.mt/sites/default/files/articles/QoS\\_Review\\_-\\_DN.Nov\\_10.pdf](http://www.mca.org.mt/sites/default/files/articles/QoS_Review_-_DN.Nov_10.pdf).

<sup>38</sup> In terms of the MCA Decision Notice on the measurement of MaltaPost's Quality of Service, MaltaPost is required to attain the standards set by the Authority over a given financial year (October to September). The QoS data presented in this report is adjusted to reflect developments over a standard calendar year, not a financial one.

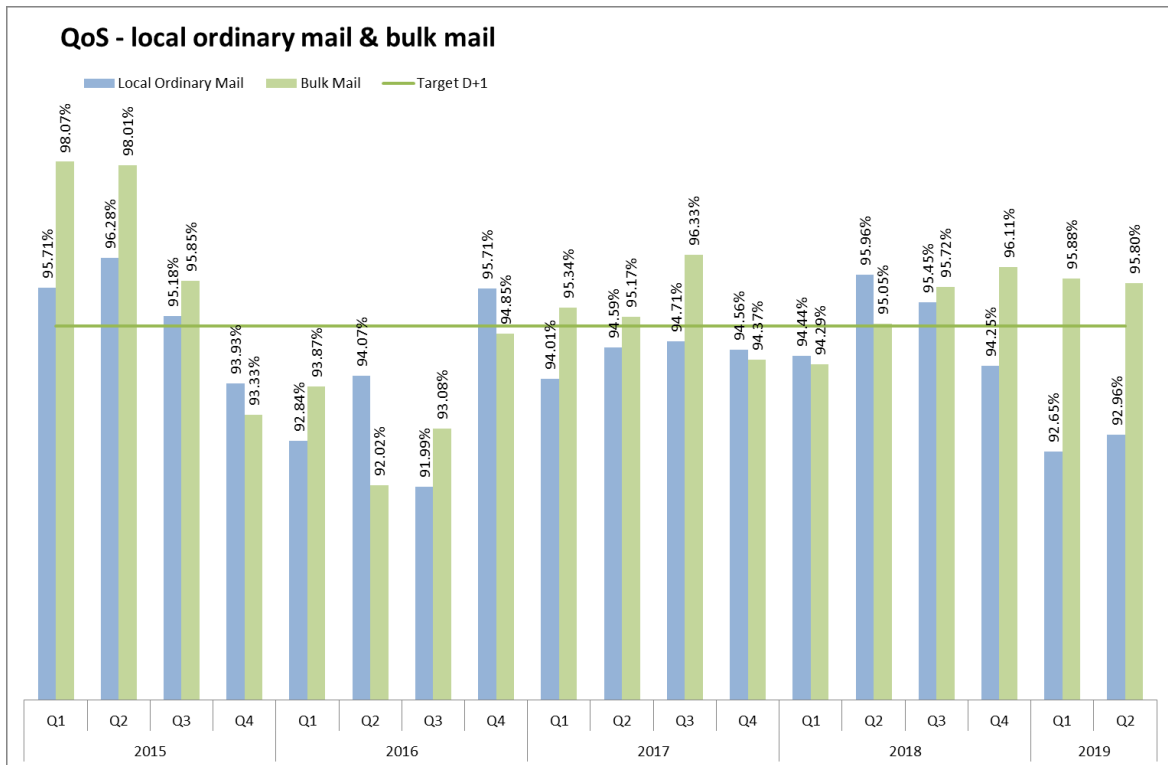


Figure 48: Quality of service - local ordinary and bulk mail

Figure 48 illustrates that Maltapost did reach the established target for bulk mail but not for local ordinary mail in the first half of 2019.

#### 8.4.2. Local registered mail and priority inbound parcels

The (D+1) QoS target for the delivery to destination of local registered letter mail and priority inbound parcels has been set at 98%.

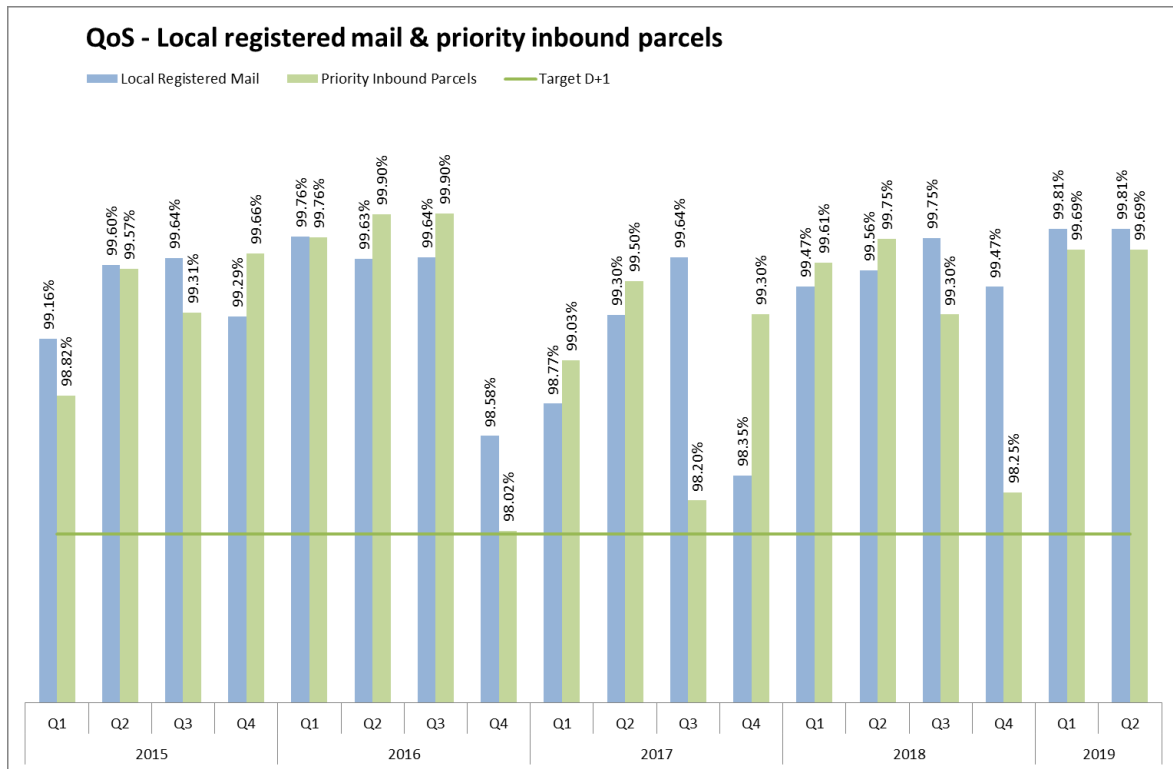


Figure 49: Quality of service - local registered mail and priority inbound parcels

Figure 49 illustrates that, in the first half of 2019, Maltapost has met and exceeded all the set targets for the mail activities under consideration.

### 8.5. Postal rates: Malta vs EU

The March 2019 publication by Deutsche Post entitled ‘Letter Prices in Europe’ shows that Malta’s nominal prices for a domestic standard letter and an outbound letter within the EU continue to benchmark at the bottom (or close to the bottom) of the ranking.<sup>39</sup>

Survey data shows that Malta’s nominal price for domestic standard letter mail item (weighing up to 50 grams) stood at €0.28 as against an EU average for domestic standard letter mail of €0.97. Malta’s rate for an outbound cross-border letter mail within Europe also benchmarked significantly below the EU average rate.

<sup>39</sup> Link to June 2019 publication: <https://www.dpdhl.com/content/dam/dpdhl/en/media-center/media-relations/documents/2019/letter-prices-europe-2019.pdf> The publication findings are based on certain considerations

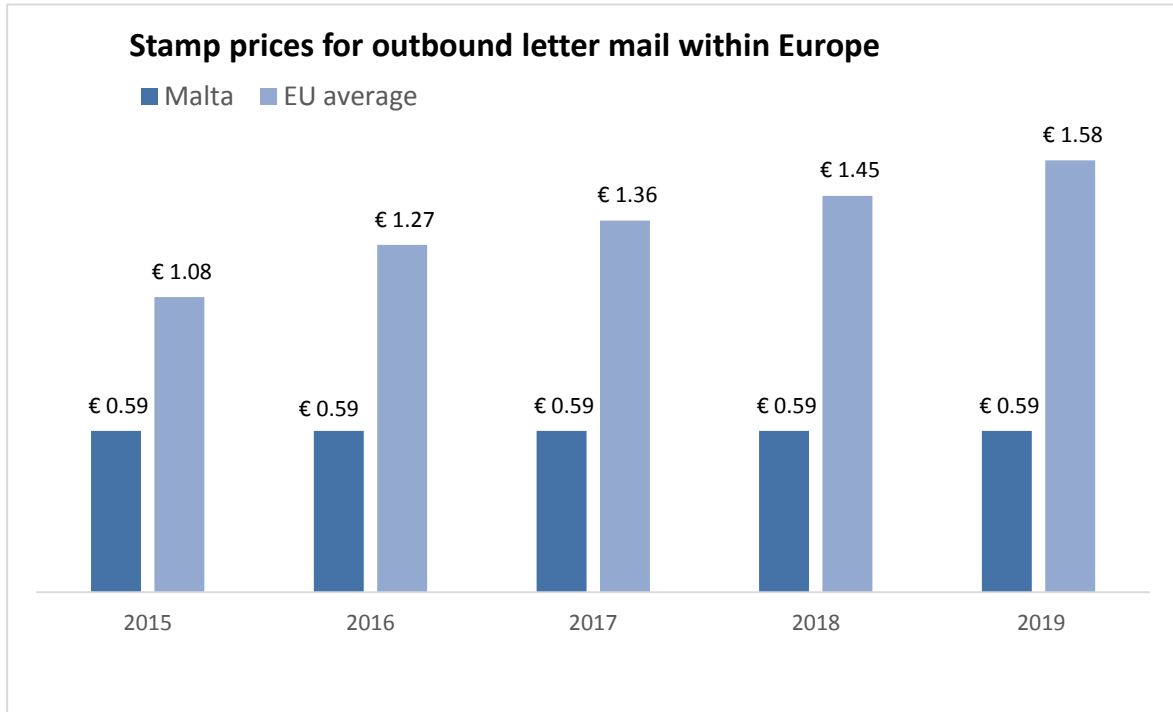
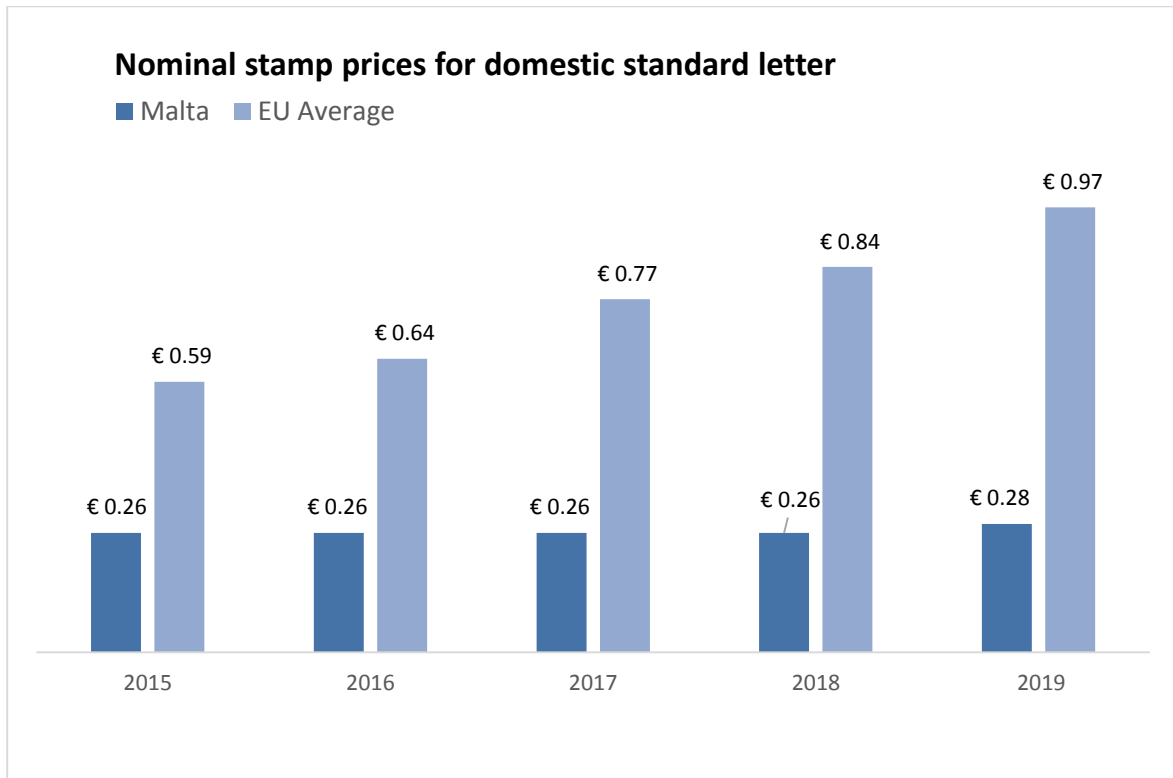


Figure 50: Nominal stamp prices in Malta and the EU

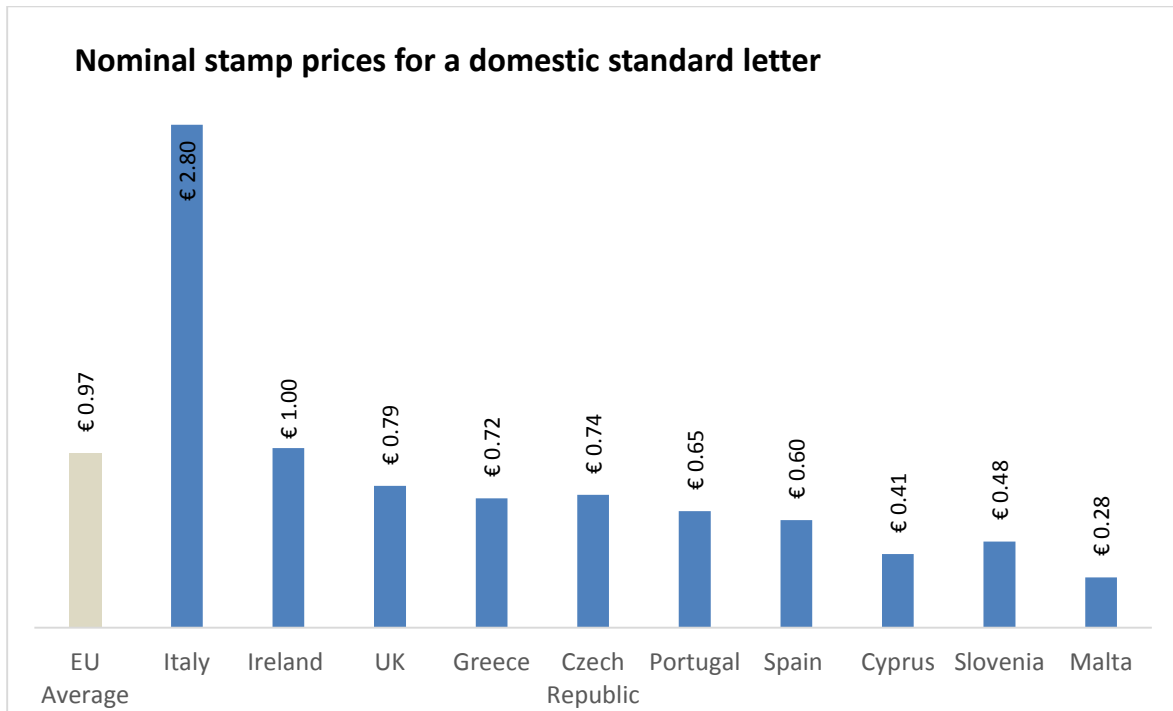


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## 11. Glossary of Terms

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

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

## 12. Legal Disclaimer

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