



ANNUAL  
REPORT  
2020

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## MCA MISSION STATEMENT

"To promote and safeguard a communications environment that is conducive to investment, innovation, economic growth and social well-being."

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**Mr Jesmond Bugeja**  
MCA Acting Chairman & CEO

## FOREWORD

Inarguably, 2020 was an unprecedented year which managed to seal the role of the digital landscape within all facets of business and society. As life shifted online, electronic communications services formed the backbone of connectivity around the world, more than they had ever before. In truth, however, the industry developments observed over the past year did not come as a surprise to a sector which had long been witnessing evolution driven by social, economic and technological change.

As in many other countries, people and organisations in Malta adapted to teleworking in a matter of days. The continuity of this shift alone might very-well encourage employers to rethink traditional working models as we slowly shift closer to normality. From the Authority's own experience, similar to many other organisations, we had to quickly adapt to this new normality. We implemented remote working procedures throughout most of 2020, at times even undergoing periods with running a fully virtual office, and we positively noted little to no disruption in our operations. This was in no small part thanks to our technological preparedness which allowed for this seamless shift.

Beyond remote working, the COVID-19 pandemic also served to accelerate other digital trends. Educational institutions also adopted eLearning tools and local eCommerce significantly

expanded as businesses shifted to online platforms. We've also seen other trends in business procedures such as the rise in online payments as well as eSignatures and certification services.

In accelerating our course towards a digital economy and society, these developments contributed to a significant increase in data and voice traffic over broadband connections. In fact, fixed broadband subscriptions rose by 5.4% in 2020, voice minute volumes by 14%, and mobile data volumes by a remarkable 141%<sup>1</sup>.

Despite the strain, communications operators were resilient in ensuring a continued stream of quality supply. The Authority was also pleased to see service providers going the extra mile and providing additional services and solutions to help people and businesses alike adapt to extraordinary circumstances.

These trends we've observed over the past year demonstrate a stronger reliance on connectivity and digital services from all aspects of business and society. However, they are also proof, if it was ever needed, that our goals are a moving target – we are constantly uncovering areas which call for an expansion or re-evaluation of existing regulation, or in some cases even the formulation of a whole new regulatory regime in itself.

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<sup>1</sup> [https://www.mca.org.mt/sites/default/files/DRS%20Q12016%20Q42020%20Press%20Release\\_0.pdf](https://www.mca.org.mt/sites/default/files/DRS%20Q12016%20Q42020%20Press%20Release_0.pdf)

In this respect, policy formulation and advice will continue to remain a critical component role in shaping a competitive communications regulatory landscape. The MCA actively participates at varying levels in discussions both within national and international fora, contributing to the process of drafting new policies, by providing technical expert advice while also helping steer the wider agenda towards digital progress.

Our commitment towards international cooperation has not gone unnoticed. In fact, we are proud to have a number of MCA officials in highly respected positions, across international bodies responsible for the electronic communications and postal sectors, marking a sign of trust in the regulatory work that the Authority is doing, both in the national and international sphere. My own individual election in October 2020 as BEREC Vice-Chair for 2021 was significant in marking the first time the MCA would be forming part of BEREC's leadership team.

Coordinating and laying out the necessary policy and regulatory foundations is crucial in fostering a dynamic communications infrastructure catering to today's digital age. Indeed, in encouraging society to embrace new ways to communicate or conduct business online, the COVID-19 pandemic has also uncovered gaps and issues which need to be addressed.

Legislation can never risk being stagnant, especially considering the rapid developments observed over the past year. Therefore, keeping our legal and regulatory framework in line with fast-changing developments in technology is key to ensuring a beneficial impact to the economy and society.

In this regard, the European Electronic Communications Code (EECC) acts as a significant building block in the formulation of a Digital Single Market in Europe, ushering in a revamp of the electronic communications regulatory framework. The MCA continues to offer significant support to the Government in the adoption process for the EECC, following the submission of a detailed proposal for its transposition in 2020.

Another defining point in addressing the changes and challenges in the digital space will be the upcoming overhaul of the European Commission's eCommerce Directive, in the form of the Digital Services Act (DSA) and Digital Markets Act (DMA). Known as the Digital Services Act package, this series of obligations will aid in ensuring a level playing field for businesses, and fostering innovation, growth, and competitiveness within a harmonised single market. Following the publication of the first draft of the Digital Services Act Package in December 2020, the MCA now continues to participate in EU debate and discussions surrounding this much-anticipated legislation.

The road towards 5G has been a clear statement of the MCA's forward-looking approach, and the rise in demand for fast and ultra-fast fixed broadband continues, which was clearly evident in 2020, makes the upcoming implementation of this technology all the more pertinent.

As the national regulatory authority, we have strived to maintain a balance between the needs of all stakeholders, while creating the necessary conditions for the timely and successful introduction of 5G technology. In 2020, the MCA finalised the necessary groundwork in order to be able to grant

the necessary rights of use of the 5G 'Pioneer Bands' in 2021 – which will mark an exciting milestone for this technology. We also made a sizeable investment in the procurement of a state-of-the-art radio spectrum monitoring system, which will see its first full year of operation in 2021. Ensuring that our monitoring equipment continues to meet the highest standards is essential in preparing for the seamless operation of 5G, along with other spectrum-based services. We are also working on a host of other security-related projects, notably the implementation of the Commission guidelines on 5G Cybersecurity – the so-called Toolbox of risk mitigation measures.

With regards to the postal sector, this new age of connectivity has undeniably presented its fair share of challenges. Notable among these is the acceleration in the electronic substitution of physical mail. However, as local businesses have increasingly ventured into eCommerce, this has also brought about opportunities for overcoming these obstacles in the form of innovative logistical solutions and new avenues for growth.

Going forward, we will continue to do our part in facilitating the expansion in postal operations by the Universal Service Provider (USP) and other market players, particularly in relation to eCommerce activity. The upcoming review of the EU Postal Services Directive is anticipated to help better shape postal regulation in line with today's realities. Indeed, international cooperation and engagement will become even more essential in ensuring the sustainable development of the postal sector and the provision of the Universal Service.

Furthermore, in our efforts to foster a sustainable communications industry, we must also look beyond our traditional policy mainstays to assess potential implications arising from other initiatives. As a case in point, the Authority embarked on a research initiative in 2020 pertaining to the European Green Deal, which we intend to continue throughout 2021 to address this valuable European strategy and contribute to its success.

From an internal standpoint, we are also in the process of finalising our new eCommerce Strategy, taking into consideration changing consumer behaviours and trends, particularly in the wake of the digital transformation instigated by the COVID-19 pandemic. The continued implementation of the Web Accessibility initiative relative to public sector websites is also a priority for the Authority, as we continue to strive in enhancing online accessibility to develop a fully-inclusive digital society.

Apart from strictly regulatory-driven endeavours, the MCA has also been utilising other avenues to facilitate sector development, and encourage businesses and individuals to solidify their online presence. In 2020 the MCA signed a Memorandum of Understanding (MoU) with the eSkills Foundation in our common interest advance society's competency in IT skills, eCommerce, and digital platforms. The eBiznify training programme, organised in partnership with eSkills, will continue to serve as a valuable platform in equipping individuals and businesses with the correct knowledge and tools for confidently navigating the digital realm – a skill which has become a necessity in recent times.

In 2021, the Authority will be celebrating its 20<sup>th</sup> Anniversary, and it is safe to say that, if anything, the past year has been a testament to the steadfast communications environment fostered over the past 20 years. Nevertheless, in the rapid digital revolution coming our way, we have to continuously acknowledge our part in this bigger wave. The crux of our regulatory approach has always been forward-looking, evolving along with the sector which it regulates. Were this not the case, our communications industry would not have been able to stand its ground throughout the pandemic and demonstrate its vigour as it has done so far. In adapting our approach to market developments and promoting sustainable investment and competition, we will continue laying the groundwork for the next stage of this digital transformation.



# MCA BOARD MEMBERS & MANAGEMENT COMMITTEE

## MCA Board

Appointed on 1st October 2020



**Mr Jesmond Bugeja**  
*Acting Chairman*



**Mr Kevin Abela**



**Ms Graziella Farrugia**



**Mr Mario Fava**



**Mr Mark Musù**



**Dr Alexandra Mizzi**



**Mr Massimo Zammit**



**Ms Alison Beach**  
*Board Secretary*

\*Up till 30th September 2020, the MCA Board was composed of Mr Jesmond Bugeja, Mr Kevin Abela, Ms Graziella Farrugia, Mr Mario Fava, Mr Mark Musu, Dr Alexandra Mizzi and Ms Isabella Vella

## MCA Management Committee



**Mr Jesmond Bugeja**  
*Chief Executive Officer*



**Mr Ian Agius**  
*Chief of Operations*



**Dr Paul E. Micallef**  
*Chief of Legal*



**Mr Robert Mifsud**  
*Chief of External Relations*



**Ing Antoine C. Sciberras**  
*Chief of Spectrum  
Management & Technology*



**Mr Patrick Vella**  
*Chief of Policy & Planning*



**Mr Jason Galea**  
*Senior Manager, Finance*



**Ms Nevis Borg Caligari**  
*Manager, Human  
Resources &  
Administration*



**Mr Joseph Seychell**  
*Manager, ICT  
& Technology*



**Ms Alison Beach**  
*Management Committee  
Secretary*

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The MCA is committed to taking the appropriate regulatory measures and creating a favourable climate for both infrastructure and service-based competition.

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# **ELECTRONIC COMMUNICATIONS**

# MARKET OVERVIEW

## Market developments in electronic communications

The year 2020 placed telecom service providers in a unique position, having to accommodate an aggregate shift in communication requirements of their subscriber base. End-users at large exhibited a much higher need to stay connected online or via voice communication platforms, in order to cope with lack of physical contact to the outside world as a result of COVID-19. Overall, the sector stood resilient to address a surge in voice call activity, teleconferencing and online video streaming, without end-users facing any serious setbacks to quality. Commendably, local service providers also voluntarily contributed to ease some of the pressures faced by frontliners and those stuck abroad due to the travel chaos by offering free voice and data and sometimes even free access to TV channels.

Year-on-year, subscriber growth for the different telecom segments scaled up from a negative 0.2% for mobile telephony to a positive of 1% for fixed telephony and Pay-TV. Growth for fixed broadband stood distinct at 5.4%. The latter positive change must be seen in the context of the COVID-19 crisis forcing social and business activities to shift online. This has provided an extra boost to the inherent trend observed in recent years for this segment. Significantly, demand accelerated for fast and ultrafast broadband as households and businesses upgraded download speeds alongside efforts by service providers to voluntarily upgrade download speeds of some of

their clients. At the end of 2020, around 87% of total broadband subscriptions received headline download speeds of 50 Mbps or higher, up by four percentage points year-on-year.

The year 2020 was not much different when it comes to other key market trends. The rise in take-up for contract-based plans stood prevalent, underscored by an increase in the number of bundle-based subscriptions. In fact, almost 93% of all fixed broadband subscriptions recorded at the end of 2020 were purchased in a bundle, followed by 83% for fixed telephony and 80% for Pay-TV. The mobile telephony segment stood out from the rest, with end-users stopping short from linking their subscription from bundle purchases notwithstanding that post-paid or contract-based mobile subscriptions increased by 6% year-on-year.

Additionally, for the mobile telephony segment, mobile voice minute and mobile data usage surged ahead, by 14% and 141% respectively, in line with the rise in post-paid subscriptions that typically feature both voice and data allowances.

The accelerating shift away from Digital Terrestrial Television (DTTV) marked the Pay-TV segment, with the operator offering DTTV notifying remaining clients on this platform of the imminent switch off. Service providers also started laying their plans for offerings based on online TV.

## Fixed line telephony

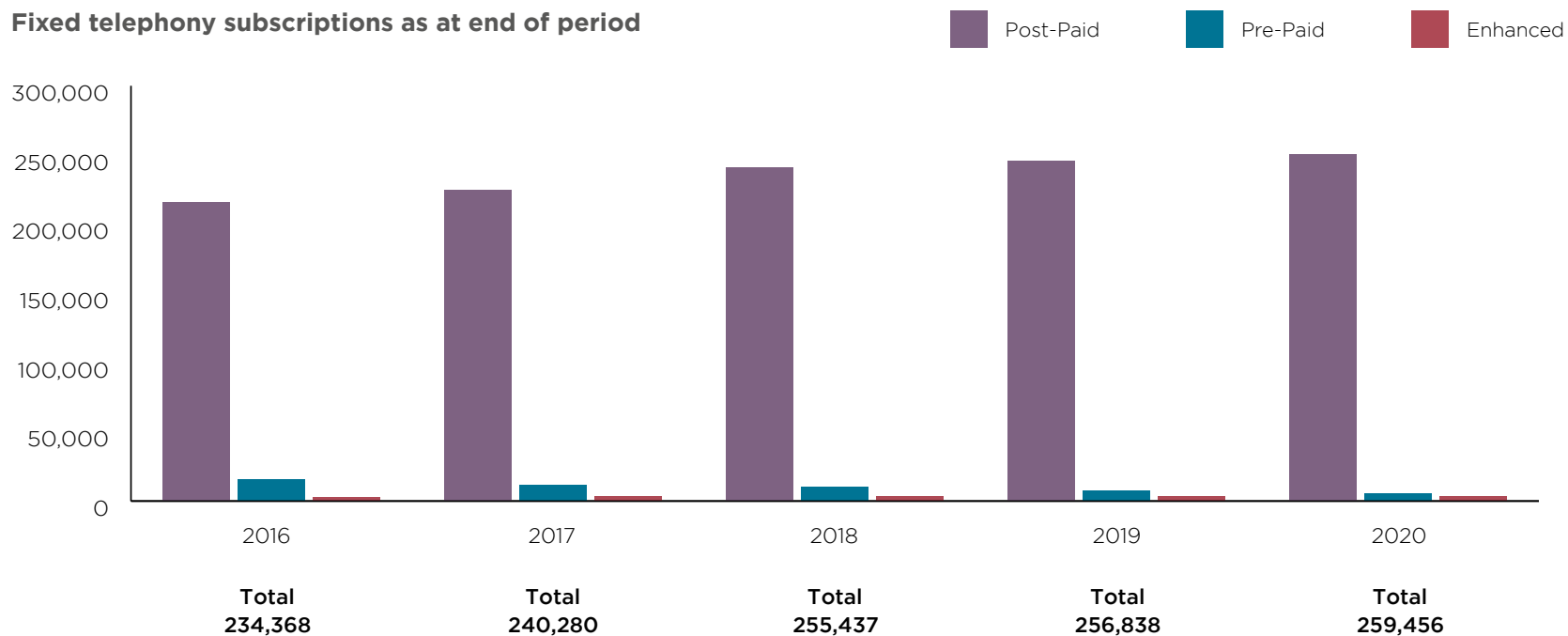
The performance of the fixed telephony segment is better understood when looking at the big picture. Take-up for the service is strongly linked to the current practices of local service providers to include fixed telephony together with fixed broadband as their default offering. The continued declines in fixed traffic volumes and traffic activity per subscriber confirm that the service has fallen out of favour when it comes to end-user voice calling practices. Nonetheless, operators still generate access revenues from the service and effectively reported a bigger ARPU for the service in 2020 compared to the previous year.

### Subscriptions

Subscription numbers were up by 1% in 2020 compared to the previous year, equivalent to a rise of 2,618 subscriptions. Mainly contributing to this increase was the uptrend of post-paid (or contract-based) subscriptions, with a leap of 4,585 subscriptions. In contrast, the pre-paid segment saw a drop of 1,882 subscriptions<sup>1</sup>.

<sup>1</sup> Apart from post-paid and pre-paid subscriptions, the fixed telephony segment is also composed of enhanced subscriptions which encompass subscribers on packages offering multiple (dual or more) channel connections. These are effectively post-paid subscriptions but earmarked for business users.

Fixed telephony subscriptions as at end of period



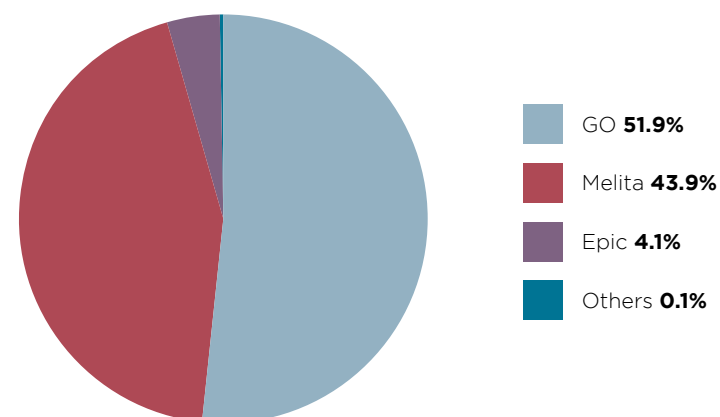
Fixed telephony subscriptions in a bundle	2018	2019	2020
		<b>179,669</b>	<b>192,520</b>
<b>Dual play</b>	65,357	65,251	70,765
Fixed telephony (FT) + Mobile telephony (MT)	5,090	4,232	3,561
FT + Fixed broadband (FBB)	55,306	55,691	61,280
FT + pay TV (TV)	4,961	5,328	5,924
<b>Triple play</b>	61,148	76,382	81,232
FT + MT + FBB	3	5,132	3,465
FT + FBB + TV	61,145	71,250	77,767
<b>Quad Play</b>	53,164	53,887	55,970
FT + MT + FBB + TV	53,164	53,887	55,970
<b>Number of fixed line subscriptions (end of period)</b>	<b>255,437</b>	<b>256,838</b>	<b>259,456</b>
<b>as a percentage of fixed line subscriptions</b>	<b>70.34%</b>	<b>74.96%</b>	<b>80.16%</b>

Significantly, the number of fixed telephony subscriptions in a bundle rose by 15,447 (or by 7.4%) in the 12-month period to the end of 2020. This result implies that all of the new fixed telephony consumers for 2020 as well as existing clients got the fixed telephony service in a bundle subscription.

#### Market shares in terms of subscriptions

Four operators are currently offering fixed telephony services in Malta, namely GO, Melita, Epic and Vanilla Telecoms. GO registered the biggest market share by the end of 2020, at 51.9%, followed by Melita at 43.9% and Epic at 4.1% whilst Vanilla Telecoms' market share stood at just 0.1%.

**Market shares in terms of fixed telephony subscriptions as at end of period**

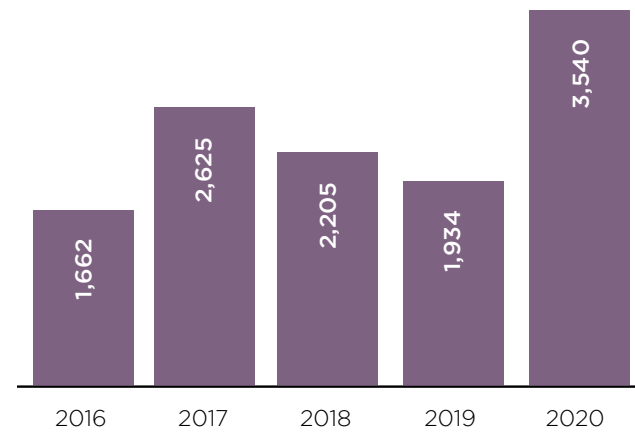




### **Fixed line inward portability**

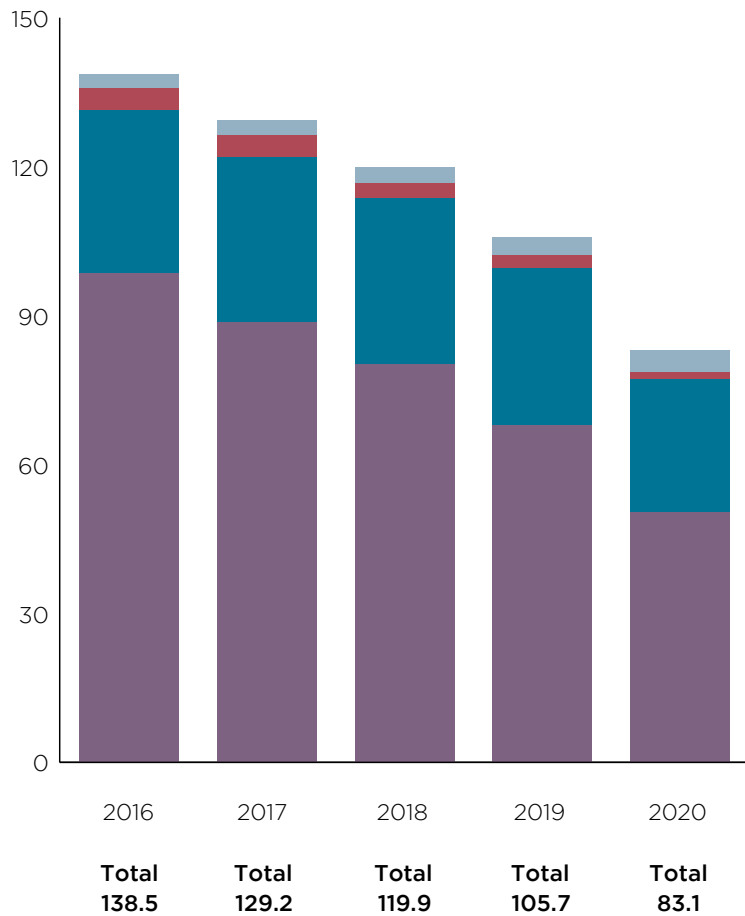
The portability of fixed telephony numbers is an ongoing seamless exercise carried out by local service providers when end-users switch to their network. The number of fixed line inward portings totalled 3,540 in 2020, thus representing a reversal from the downward trend for inward portings observed in previous years, with the main beneficiary for 2020 being Melita.

### **Fixed line inward portings**

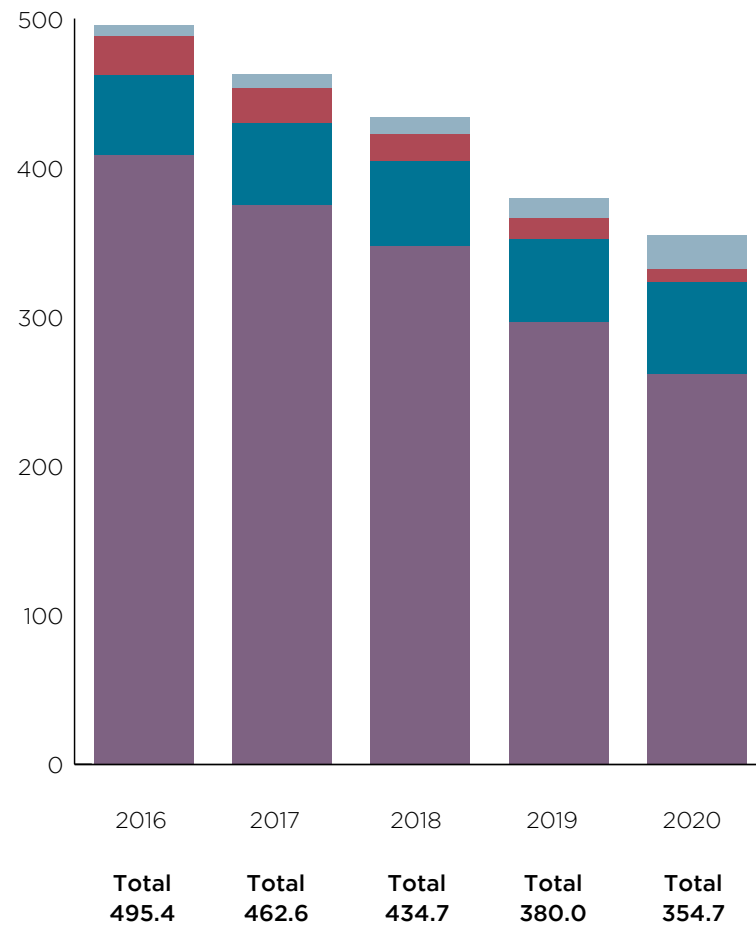




**Fixed telephony traffic volumes  
- number of voice calls (in millions)**



**Fixed telephony traffic volumes  
- number of voice minutes (in millions)**



### Traffic volumes

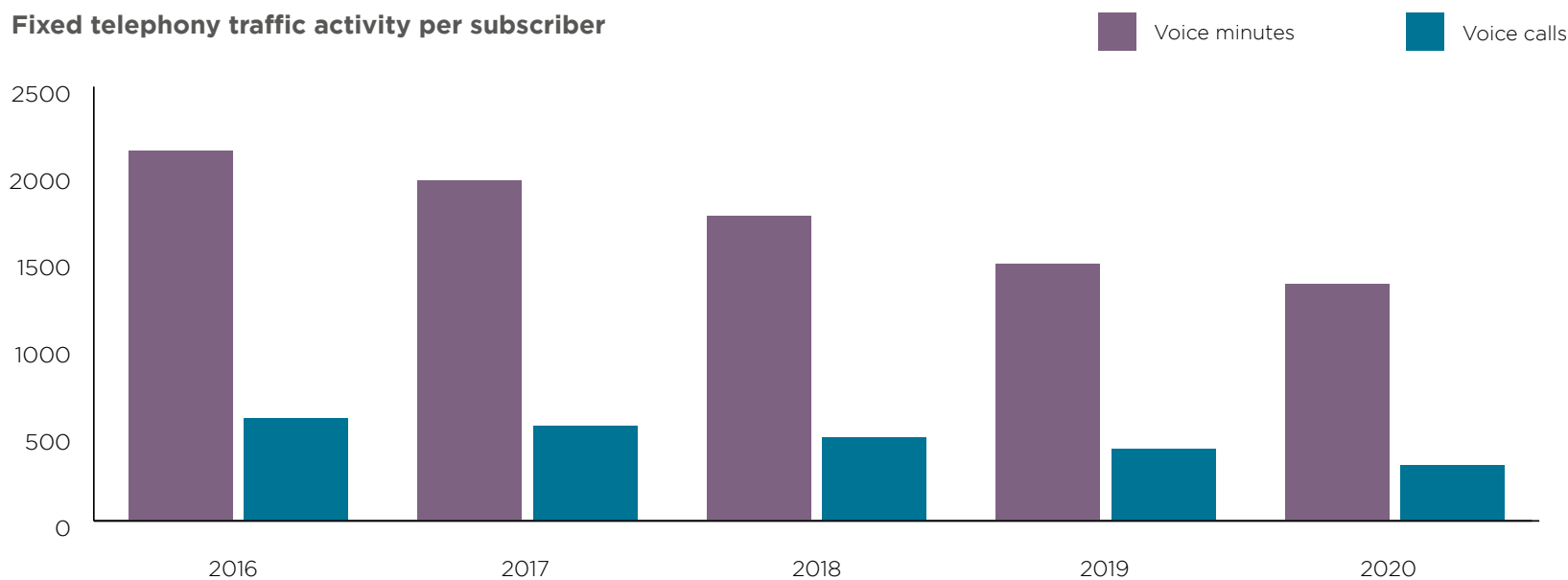
Traffic volumes in 2020 were lower than those recorded a year earlier, in line with long-term market trends, particularly as end-users' preference for mobile voice calling persists. In terms of the number of voice calls, volume was down by 21.4% year-on-year, representing a drop of 22.6 million calls in 2020 compared to the previous year. The drop is attributed largely to national voice calling between fixed numbers, from 67.9 million in 2019 to 50.4 million in 2020.

In terms of fixed voice call minutes, volume was down by 6.6%, equivalent to 25.2 million minutes. Reflecting voice calling patterns, the largest decline in minute volume is attributed to fixed-to-fixed calling.

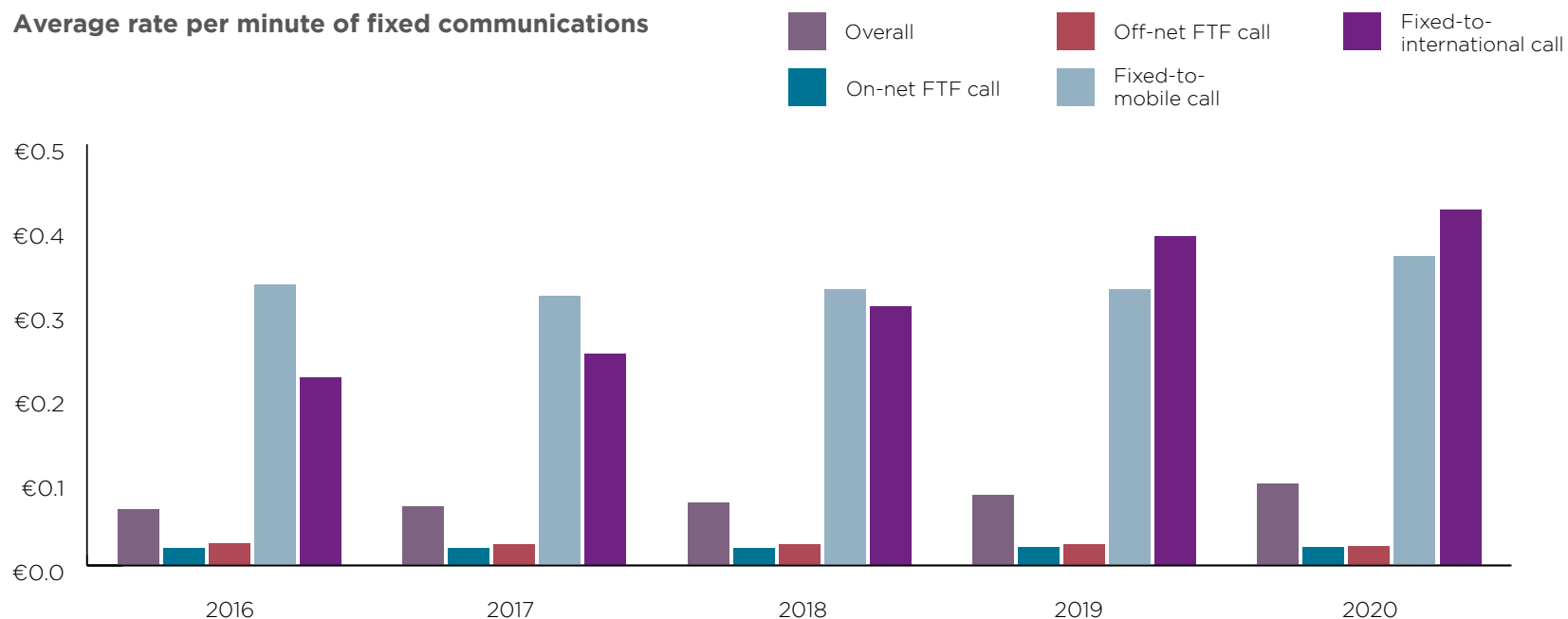
It is relevant to note that in 2020, with regards to national voice traffic volumes, 97% of fixed telephony calls occurred locally, i.e. between numbers assigned to local service providers.

Regarding traffic volumes per active subscription, the average number of fixed voice calls per subscriber dropped from 415 in 2019 to 322 in 2020, whereas the average number of fixed voice call minutes decreased as well, in this case from 1,483 to 1,367 for the same period.

### Fixed telephony traffic activity per subscriber



## Average rate per minute of fixed communications



### Price movements

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

ARPM for fixed telephony in 2020 stood at €0.097 in 2020, up from the prevailing rate in 2019, at €0.084.

The methodology used to generate the average rate per minute figures now includes access fees that are also apportioned by each type of call. This explains why the average rate per minute of fixed communications has been rising, given that end-users are paying access revenues that have been relatively unchanged over the years but consuming less voice minutes year-on-year.

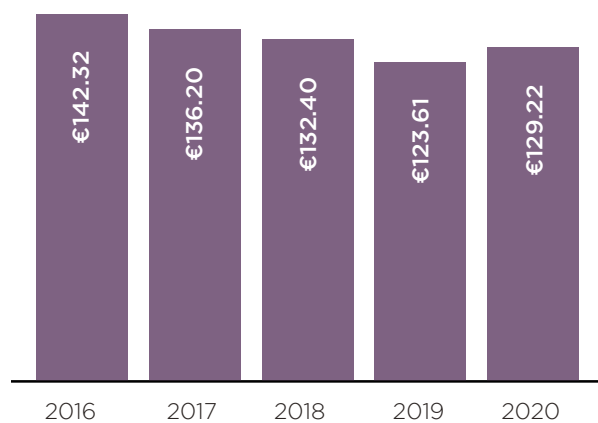
<sup>2</sup> The ARPM calculation divides voice traffic revenues (exclusive of revenues from access fees, VAT and excise tax) by the number of minutes reported under each respective heading.

### Average Revenue per Fixed User (ARPU)

The ARPU measure acts as an indicator of the average revenue for a particular electronic communications service, which providers report monthly on a per-user basis. Fixed ARPU data is measured by dividing the total revenue (from access and voice calls, including freephone and premium calls, excluding interconnection revenues) earned by the operator, by the average number of active subscriptions, for a specific period.<sup>3</sup>

2020 saw a rise in fixed telephony ARPU, displaying an increase of 4.5% from €123.61 in 2019 to €129.22 in 2020, thus stopping the steady downward trend observed throughout the four years prior the year under review.

### Average Revenue per fixed telephony user



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





## Mobile telephony

The mobile telephony segment faced significant uncertainties by the end of the first quarter of the year, particularly as COVID-19 caught many expats off-guard, a number of whom had to leave Malta at least for a period of time. This left an immediate impact on subscriptions, with these dropping by around 16,000 between March and June. Furthermore, the almost immediate drop in travel activity negatively impacted roaming volumes—both with regards to minutes and data volumes. Eventually, however, the sector recouped significantly in terms of take-up, with subscriptions by the end of 2020 standing at just 0.2% lower year-on-year. Post-paid users contributed to growth in the total number of subscriptions, hence, the reduced subscription rate is solely a result of declined pre-paid subscriptions. Roaming did not however recuperate as travel remained highly restricted throughout most of the year.

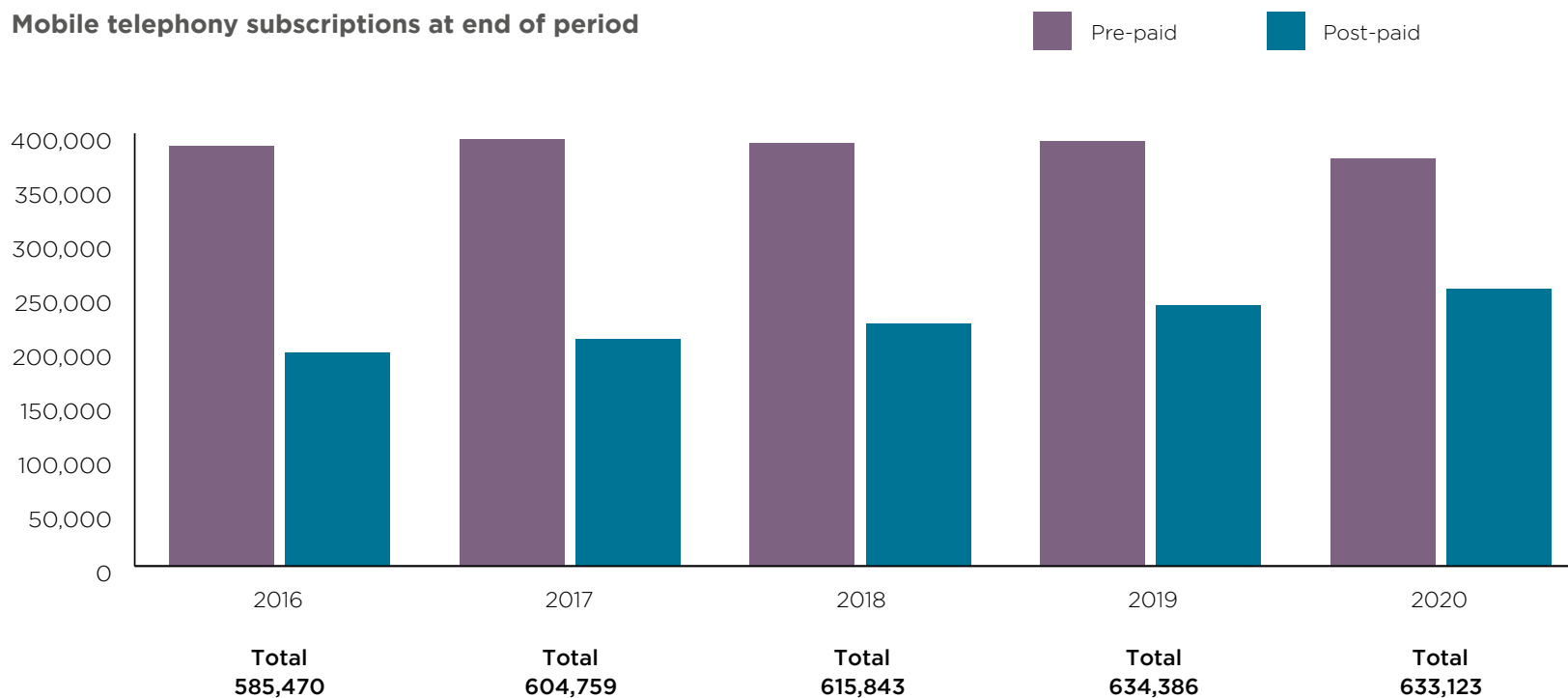
Mobile operators also met the rising demand for voice and data services. In fact, domestic mobile traffic volumes rose rapidly during 2020, with voice minutes up by 14% compared to volumes recorded in the preceding year, whilst mobile data consumption shot up by 141% respectively. The impact of the pandemic on roaming does seem to have left a significant impact on revenues, with ARPU for 2020 falling compared to the previous year. Meanwhile, increased competition on the pricing front may have also contributed to this. Also commendably, local operators GO, Melita and Epic did their part in supporting customers by making free data available to certain individuals including front liners and those stuck abroad in the ensuing COVID-related chaos pertaining to travel logistics.

### Mobile subscriptions

Mobile subscriptions were down by 0.2% year-on-year, to 633,123 by the end of the year. Significantly, the overall year-on-year change in subscriptions is a result of a 4% drop in pre-paid subscriptions, equivalent to 15,738 subscriptions, in contrast to a 6% increase in post-paid subscriptions, equivalent to 14,475 subscriptions.

Take-up of mobile telephony in a bundle effectively dropped slightly year-on-year, from 63,251 by the end of 2019 to 62,996 by the end of the current reporting period. End-users are more inclined to get the service without links to a household plan. Nonetheless, take-up of mobile telephony in a quad play bundle is deemed to be a good proposition by a small but gradually rising number of end-users.

### Mobile telephony subscriptions at end of period



### Mobile telephony subscriptions in a bundle (as at end of period)

	2018	2019	2020
<b>Total subscriptions in a bundle</b>	<b>58,257</b>	<b>63,251</b>	<b>62,996</b>
<b>Dual play</b>	5,090	4,232	3,561
Mobile telephony (MT) + Fixed telephony (FT)	5,090	4,232	3,561
<b>Triple play</b>	3	5,132	3,465
MT + FT + Fixed broadband (FBB)	3	5,132	3,465
<b>Quad Play</b>	53,164	53,887	55,970
MT + FT + MBB + Pay TV (TV)	53,164	53,887	55,970
<b>Number of mobile telephony subscriptions as a percentage of total mobile subscriptions</b>	<b>9.46%</b>	<b>9.97%</b>	<b>9.95%</b>

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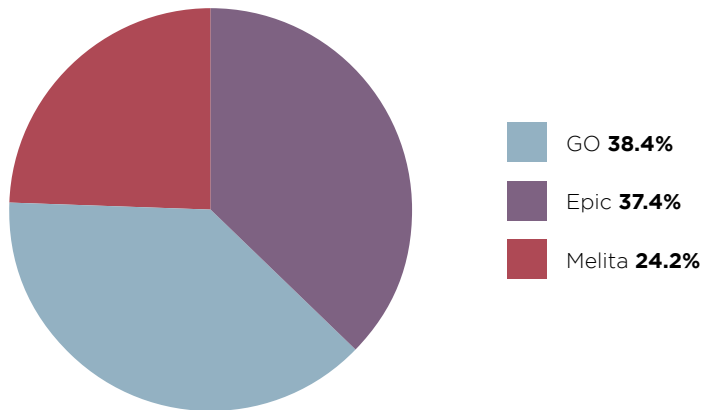
Take-up of mobile telephony in a quad play bundle is deemed to be a good proposition by a small but gradually rising number of end-users.

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### Market Share

2020 has seen a repositioning in market lead status, with GO emerging ahead by a 1 percentage point margin over Epic. As at the end of 2020, GO recorded a 38.4% market share, closely followed by Epic at 37.4% and Melita at 24.2%. It is to be noted however that Epic retained the biggest number of post-paid subscriptions at 94,468 compared to 81,123 for GO and 80,545 for Melita. YoM, the only MVNO active in Malta, recorded a negligible market share by the end of the current reporting period.

**Mobile telephony market shares, by operator  
(on the basis of subscriptions as at end of period)**



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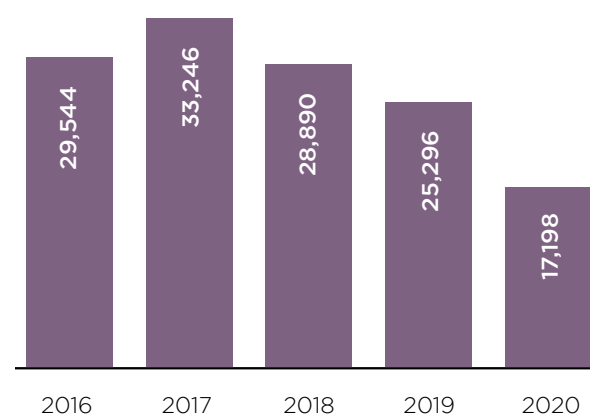
Traffic activity remained strong during 2020, with voice and data volumes leaping ahead at a fast pace.

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### Mobile inward portability

Mobile telephony users were less keen to switch between service providers in 2020. Year-on-year, the number of inward portings were down by 32%. This decline has nothing to do with the porting process per se, as this is very much a seamless exercise. This big decline more likely has to do with the lack of incentive to change operator in uncertain times.

**Mobile telephony inward portings**







### **Traffic Activity Levels**

Traffic activity remained strong during 2020, with voice and data volumes leaping ahead at a fast pace. Alongside organic growth brought about by the changing consumer preferences and consumption patterns, the COVID-19 scenario effectively enticed end-users to connect with others and the outside world via voice calling and mobile data usage. The decline in SMS usage also has to be understood in this context, with the likelihood that end-users resorted to messaging via OTT-based services and of course traditional mobile voice calling.

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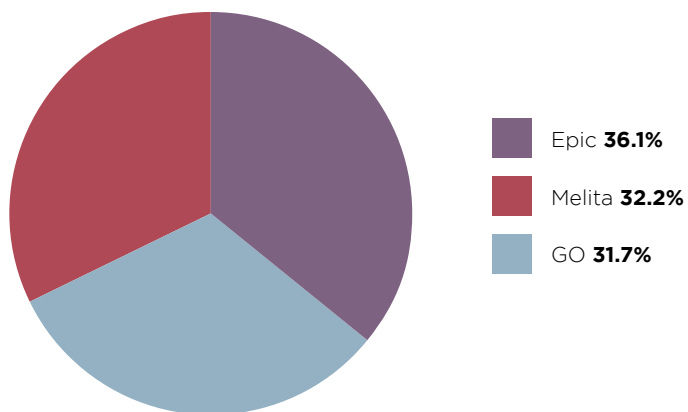
The COVID-19 scenario effectively enticed end-users to connect with others and the outside world via voice calling and mobile data usage.

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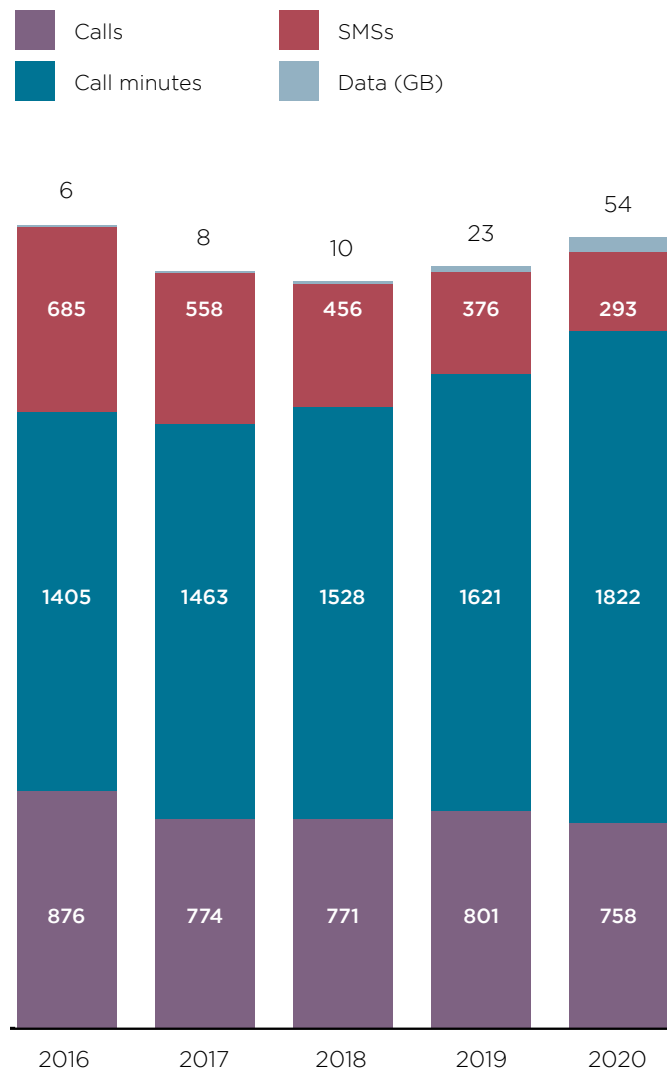
Year-on-year, the number of mobile voice call minutes was up by almost 14%, coinciding with a 4.1% drop in the number of voice calls. This goes to suggest that end-users made lengthier calls in 2020 compared to the previous year. SMS volumes were down by 27%, whilst data volumes – in million Mb – were up by 141% for 2020.

Taking into account the average number of subscriptions for 2020, on average each end-user consumed 758 calls (down 5.4% year-on-year), 1,822 voice call minutes (up 12.4% year-on-year), 293 SMSs (down 22.1% year-on-year) and 53,787 domestic Mb (up 88.9% year-on-year).

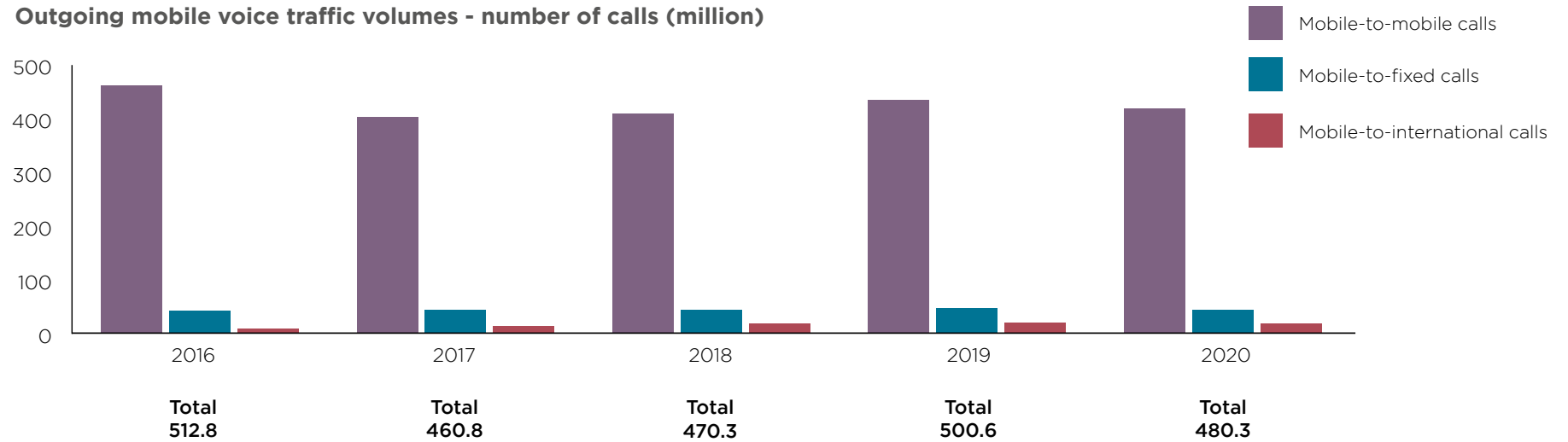
#### Mobile telephony market shares by operator - voice call minutes in 2020



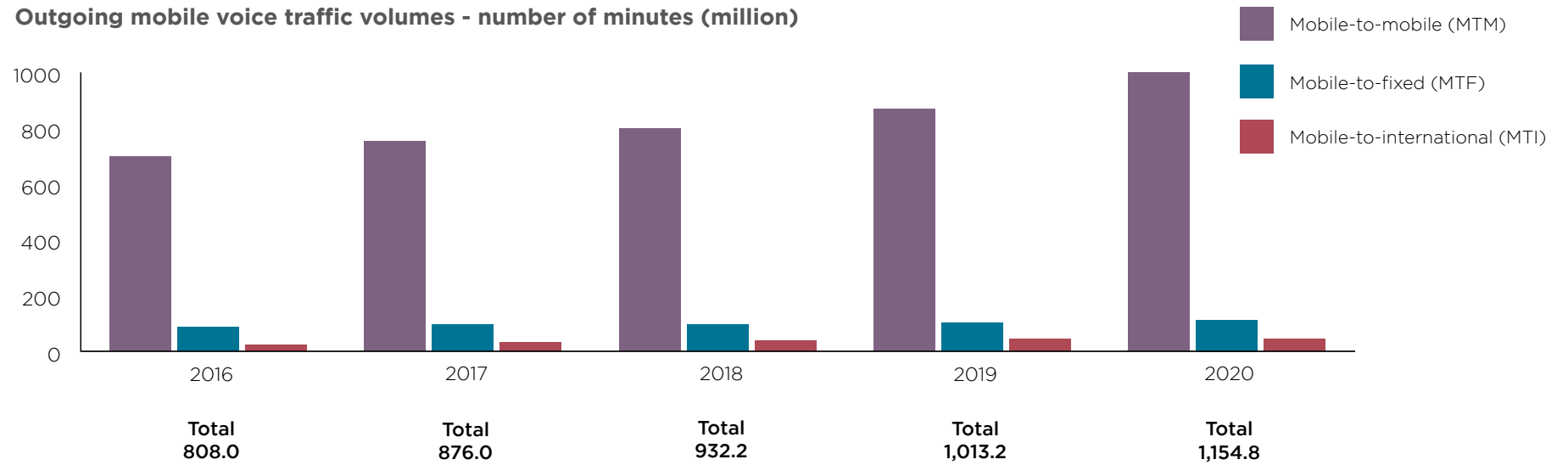
#### Average number of mobile calls, call minutes, SMSs and data per subscriber



### Outgoing mobile voice traffic volumes - number of calls (million)



### Outgoing mobile voice traffic volumes - number of minutes (million)

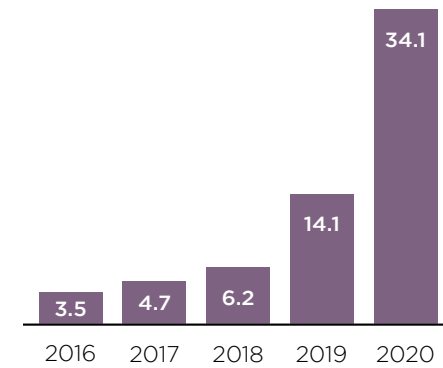


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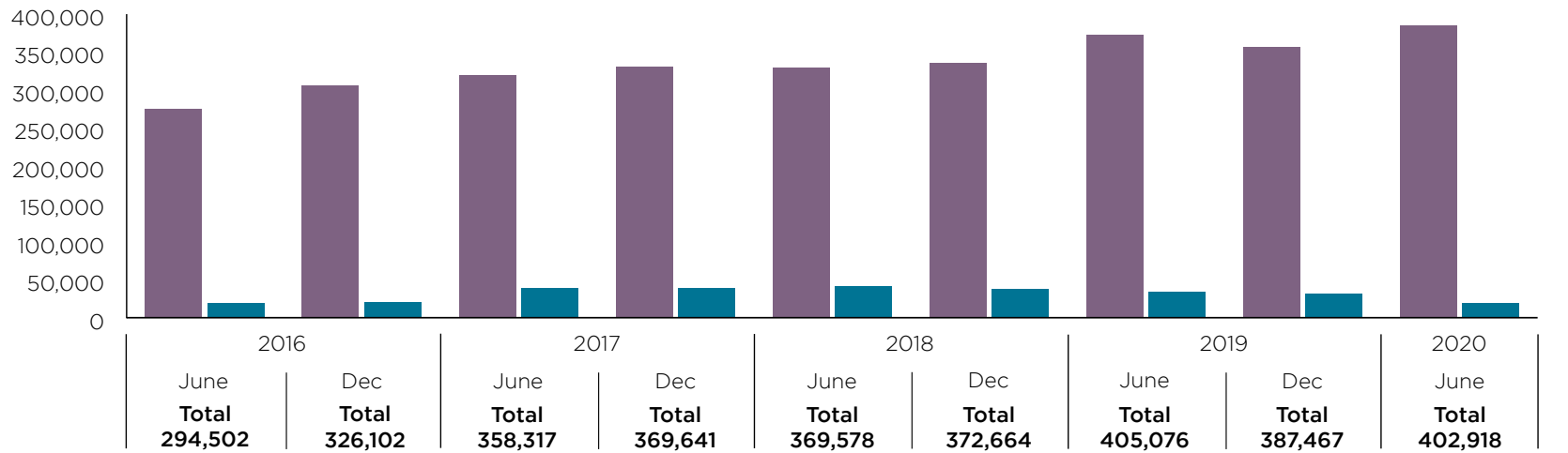
Data volumes - in million MB - were up by 141% for 2020.

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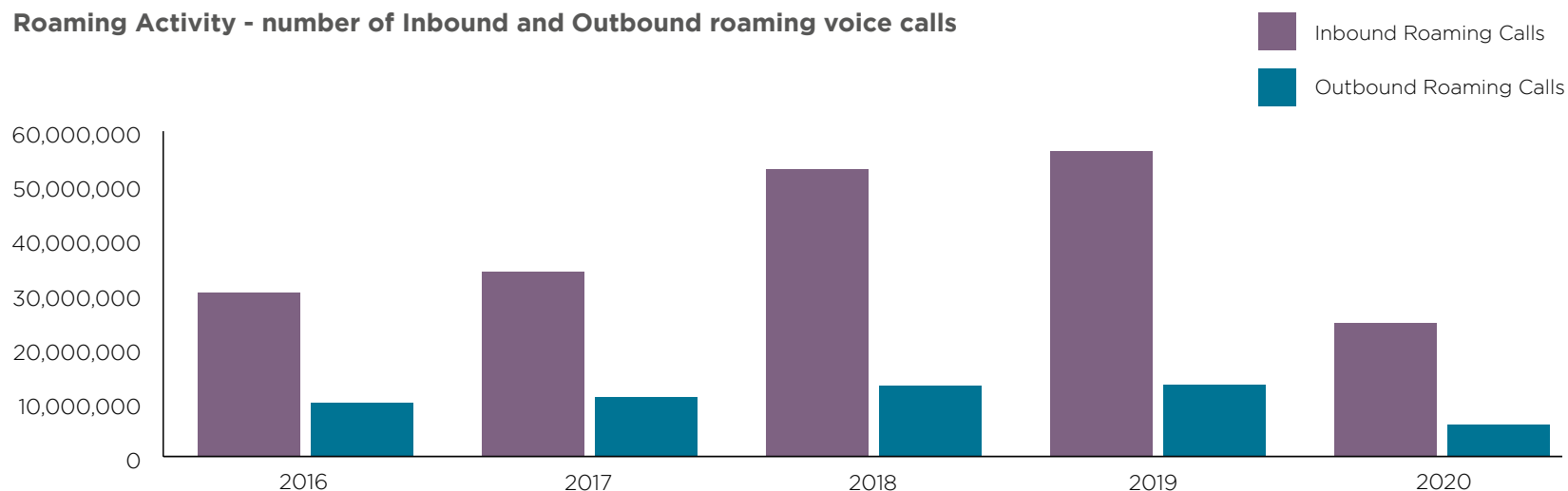
Mobile broadband - data consumption (in million GB, excluding roaming activity)



Mobile broadband users - total users actively using mobile broadband



## Roaming Activity - number of Inbound and Outbound roaming voice calls



### International roaming

International roaming traffic involves the usage of voice, SMS and data by the end-user, among other services, when travelling in a foreign country. Operators effectively become a party to international roaming agreements to provide their subscribers with the aforementioned services through a foreign mobile network while simultaneously being charged by the chosen service provider in the domestic country<sup>4</sup>. As expected, with

increased restrictions in travel for the majority of 2020 due to the pandemic, roaming traffic volumes plummeted in 2020.

Roaming activity is divided between inbound and outbound roaming traffic volumes, as clearly identified in the graph provided above. The former includes call, SMS and data services operated on local mobile networks by foreign subscribers when roaming in Malta, whereas the latter encompasses voice call, SMS, and data services operated on foreign mobile networks by local users when roaming abroad. The volume of inbound and outbound roaming calls for 2020 dropped by 56.3% and 56% respectively compared to volumes recorded in the previous year. On a similar vein, inbound and outbound roaming minutes fell by 45.3% and 43% respectively.

<sup>4</sup> Available data distinguishes between inbound and outbound roaming activity.

Inbound roaming activity refers to call, SMS and data services made on local mobile networks by foreign subscribers when roaming in Malta.

Outbound roaming activity refers to call, SMS and data services made on foreign mobile networks by local subscribers when roaming abroad.

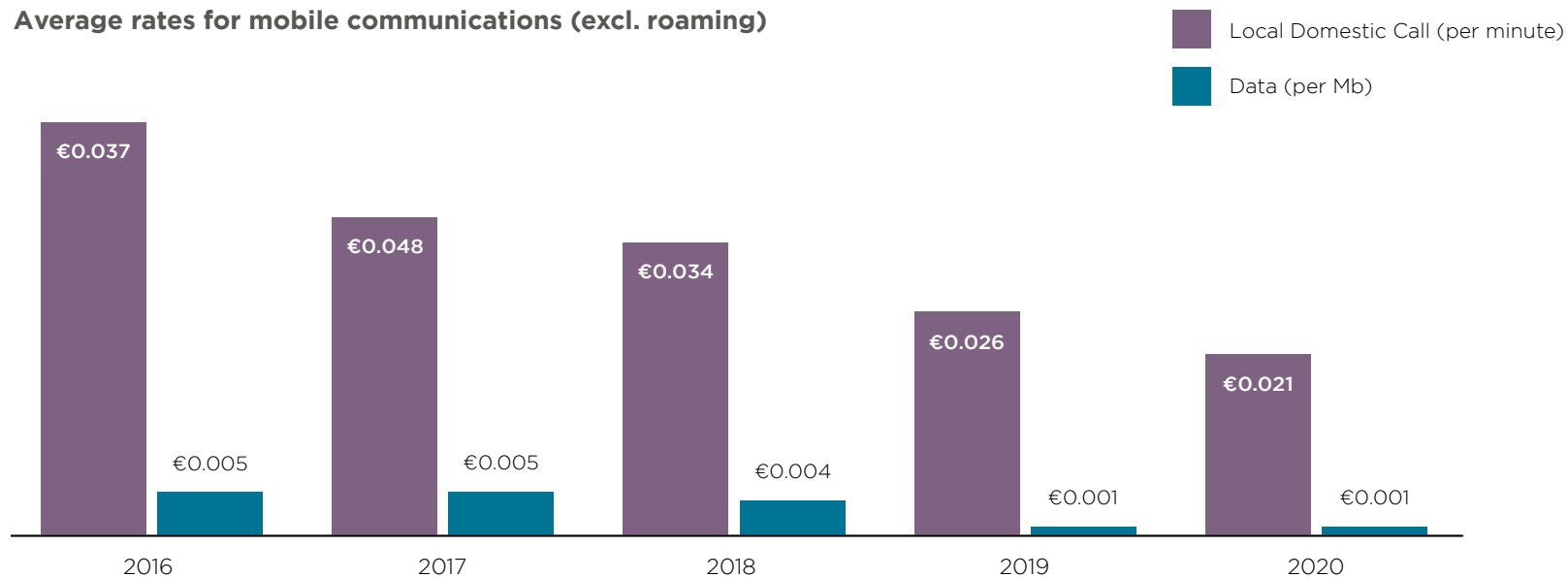
### Price movements

Mobile telephony call, SMS and data charges vary by communications provider and depend on a number of factors such as the chosen plan by the end-user (post-paid vs pre-paid) and type of activity (on-net vs off-net for example) amongst others. The extent of allowances included in the plan also impact on the final price effectively paid by the end-user per unit of consumption. Hence, the relevance of the average rate per unit of consumption on the basis of dividing revenues reported by local service providers for a particular activity per unit of consumption (i.e. per voice call minute, per SMS and per Mb).

Taking into account access revenues and apportioning these revenues by the different mobile telephony services shows that the average rate per minute of mobile communications (ARPM) in Malta was down to €0.021 in 2020 compared to €0.026 in 2019, whilst the ARPM for international calls was down to €0.065 from €0.090.

The average rate per Mb was unchanged, at €0.001. Again, these declines largely reflect improved allowances.

### Average rates for mobile communications (excl. roaming)

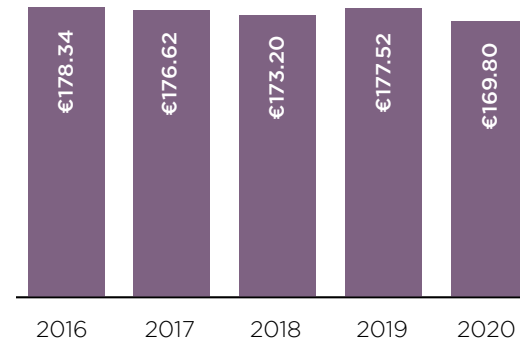




### Average Revenue per Mobile User (ARPU)

The ARPU<sup>5</sup> for the mobile telephony sector in 2020 shows a 4.3% drop, from €177.52 in 2019 to €169.80 in 2020. Falling roaming traffic volumes and stronger price competition based on allowances on offer are likely the two main factors contributing to this decline.

### Average Revenue per mobile telephony user



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

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

## Fixed broadband

The fixed broadband segment saw the biggest rise in take-up year-on-year, with local service providers adding around 11,000 new clients in 2020. An element of new subscriptions materialised on the back of more people relying on their home connectivity for work and entertainment requirements. Nonetheless, it is worth highlighting that the year-on-year increase in fixed broadband subscriptions since 2017 has always exceeded the 10,000 mark.

Continuing with trends observed in recent years, the rate of broadband subscriptions purchased in a bundle plan increased further to a little over 93% by the end of the current reporting period, given that such plans are heavily promoted to the local client base. On the other hand, the number of end-users on stand-alone products continued to drop.

Broadband products allowing for fast and ultra-fast download speeds are now mainstream, with the number of connections supporting download speeds of 100Mbps or more rising by 7 percentage points year-on-year to reach 53% by the end of 2020.

Notwithstanding that take-up of fast and ultra-fast fixed broadband would typically generate higher revenues for operators, fixed broadband ARPU was down year-on-year.





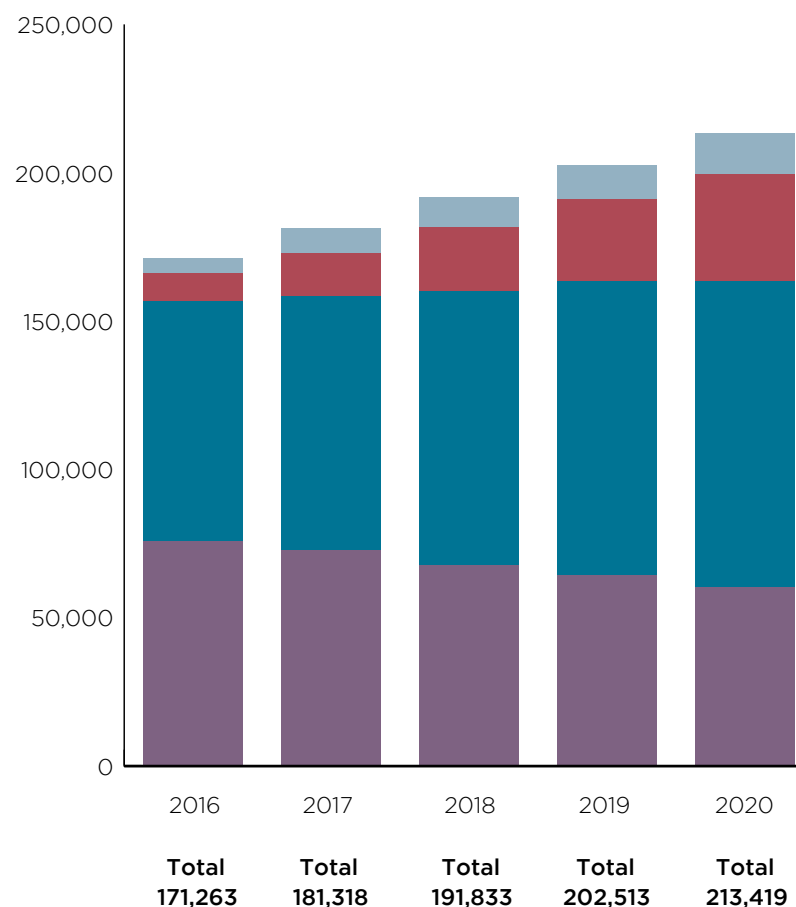
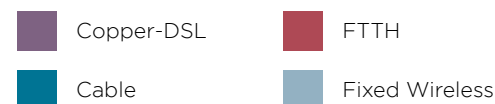
### Fixed broadband subscriptions

Year-on-year, the number of fixed broadband subscriptions increased by 10,906 (or 5.3%) to reach 213,419 by the end of 2020.

Locally, the supply of fixed broadband services is met by several service providers over different technologies, namely copper-based Digital Subscriber Line (DSL), Fibre-to-the-Home (FTTH), cable DOCSIS 3.1 and fixed wireless. Comparing developments in take-up by technology platform, copper-DSL saw a 6.6% drop in subscriptions year-on-year, or a decline of 4,239 subscriptions. This was a somewhat expected development given the ongoing investment by the operator owning the DSL infrastructure to switch clients to FTTH. In fact, the number of FTTH subscriptions jumped by 30.5%, or by 8,454 - 70% of which supported a download speed of 100Mbps and more. Subscriptions on the cable DOCSIS 3.1 network increased by 4.3% year-on-year, to reach 103,091 by the end of the current reporting period. Notably, fixed wireless broadband also exhibited a 21% year-on-year rise in subscriptions, equivalent to 2,438 new clients on this technology platform's subscriber base.

93% of all fixed broadband subscriptions were purchased in a bundle by the end of the current reporting period, up by almost 2 percentage points year-on-year. Fixed broadband is the default product upon which local service providers build their bundle offerings, with the triple-play type seeing the biggest take-up. Of note, is that take-up of fixed broadband in dual play bundle offers has seen the biggest rise year-on-year, with a 10% increase in subscriptions.

### Fixed broadband subscriptions as at end of period - by type of platform



### Fixed subscriptions as at end of period - by type of technology and download speed

Fixed broadband subscriptions	Cable Platform	DSL Platform	FTTH Platform	Fixed Wireless
<5Mbps	-	99	26	162
≥ 5Mbps but < 10Mbps	-	8	5	61
≥ 10Mbps but < 20Mbps	-	3,334	896	146
≥20Mbps but < 30Mbps	-	490	109	68
≥ 30Mbps but < 50Mbps	3,410	3,551	999	13,607
≥ 50Mbps but < 100Mbps	13,558	52,663	7,831	1
≥ 100Mbps	86,123	-	26,272	-

### Fixed broadband subscriptions in bundles (end of period)

Fixed broadband subscriptions in a bundle	2018	2019	2020
	169,618	185,960	198,482
<b>Dual play</b>	55,306	55,691	61,280
FT + FBB	55,306	55,691	61,280
<b>Triple play</b>	61,148	76,387	81,232
FT + MT + FBB	3	5,132	3,465
FT + FBB + TV	61,145	71,250	77,767
<b>Quad Play</b>	53,164	53,887	55,970
FT + MT + FBB + TV	53,164	53,887	55,970
<b>Number FBB subscriptions on a bundle</b>	191,833	202,513	213,419
<b>as a percentage of total FBB subscriptions</b>	<b>88.4%</b>	<b>91.8%</b>	<b>93.0%</b>

### Market shares

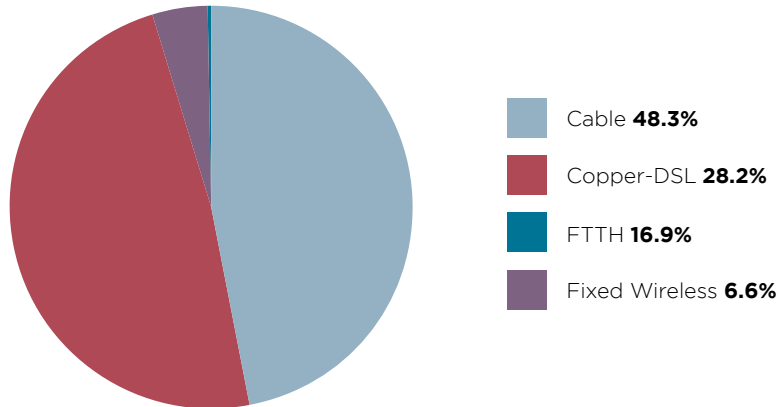
The fixed broadband market is largely characterised by GO and Melita in terms of take-up, with these two operators accounting for 93.4% market share. On an operator level, Melita leads by a small margin on GO, at 48.3% compared to 47.1% market share for the latter. A few other service providers shared the rest of the subscriber base, with Epic getting 4.4% of the market share and 0.1% accounted for by Vanilla Telecoms. Year-on-year, Melita's market share was down by a 0.4 percentage point, whilst GO's market share was up by a 0.7 percentage point. Epic's share was also down, by a 0.2 percentage point.

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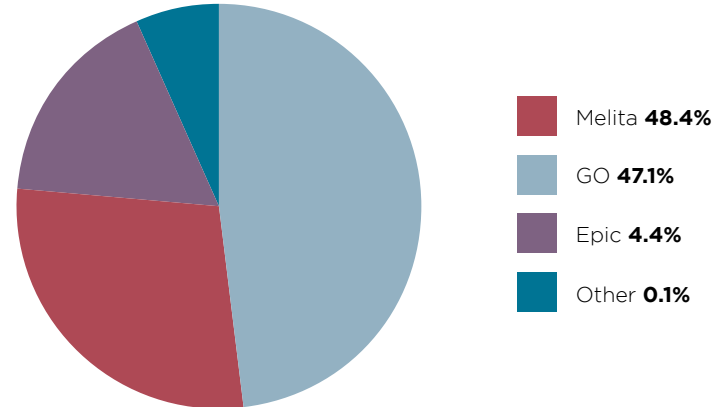
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Market shares – by technology platform as at end of period



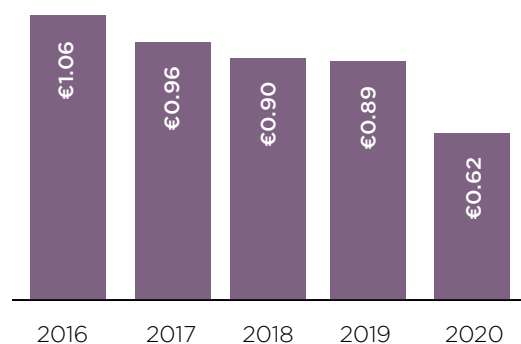
Market Shares – by operator



### Price movements

An evaluation of advertised prices for fixed broadband essentially rests on the monthly access fees charged by local operators for the service<sup>6</sup>. A starting point for such an evaluation corresponds to the monthly access fee of entry-level plans in a product line-up. In this regard, the MCA considers that the relevant entry-level access fees for stand-alone and dual-play plans have not changed much in recent years<sup>7</sup>. The MCA does note however the long-term drop in the average rate per Mbps as download speeds improved. The average rate per Mbps paid by local end-users stood at €0.62 in 2020 down from €0.89 in 2019. As already highlighted, this is a result of a continued improvement in headline download speeds.

### Fixed Broadband – Average Rate per Mbps



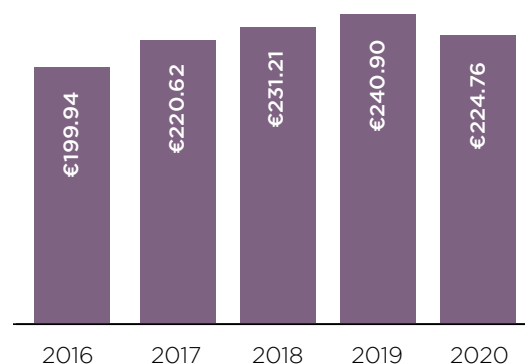
- 6 For the purposes of this exercise, the workings take into account residential and business plans that are offered in Malta on a national scale. Plans not available nationwide are excluded from the workings.
- 7 Triple-play plans including fixed broadband are not taken into account in this measurement, although even here monthly access fees have remained largely stable over time.

### Fixed Broadband ARPU

Fixed broadband ARPU is a measure which evaluates the operators' revenues gain from fixed broadband per subscriber. This is calculated by dividing the total retail revenues generated (excluding revenues from one-time installation and connection fees) by the average number of subscriptions.<sup>8</sup>

Notwithstanding the growing number of subscriptions and the rising take-up of fast and ultra-fast fixed broadband in a bundle subscription, fixed broadband ARPU for 2020 stood at €224.76, equivalent to a 6.7% year-on-year decline.

### Average Revenue per fixed Broadband User



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

## Pay-TV

Local service providers tend to promote TV plans in a similar fashion to fixed broadband and fixed telephony, generally bundled together in any dual-, triple- or quad- play combination. In fact, 2020 continued to exhibit a larger increase in the take-up of TV in a bundle setting rather than the overall rise in TV subscriptions as a stand-alone service. Also, to a significant extent, however, the content (in terms of linear TV channels) and prices for the Pay-TV plans featuring in 2020 were very similar to those prevailing in the previous year. Nonetheless, the year under review has seen the phasing out of some plans and also local service providers launching new ways as to how end-users could access the TV channels in their plan via, for example, registration of devices and apps. This, in order to allow online viewing that does not necessitate the set-top box functionality and thus avoid restricting accessibility to one specific location. Some changes of note did however materialise when it comes to add-ons of premium content, this being either sports, series and movies.

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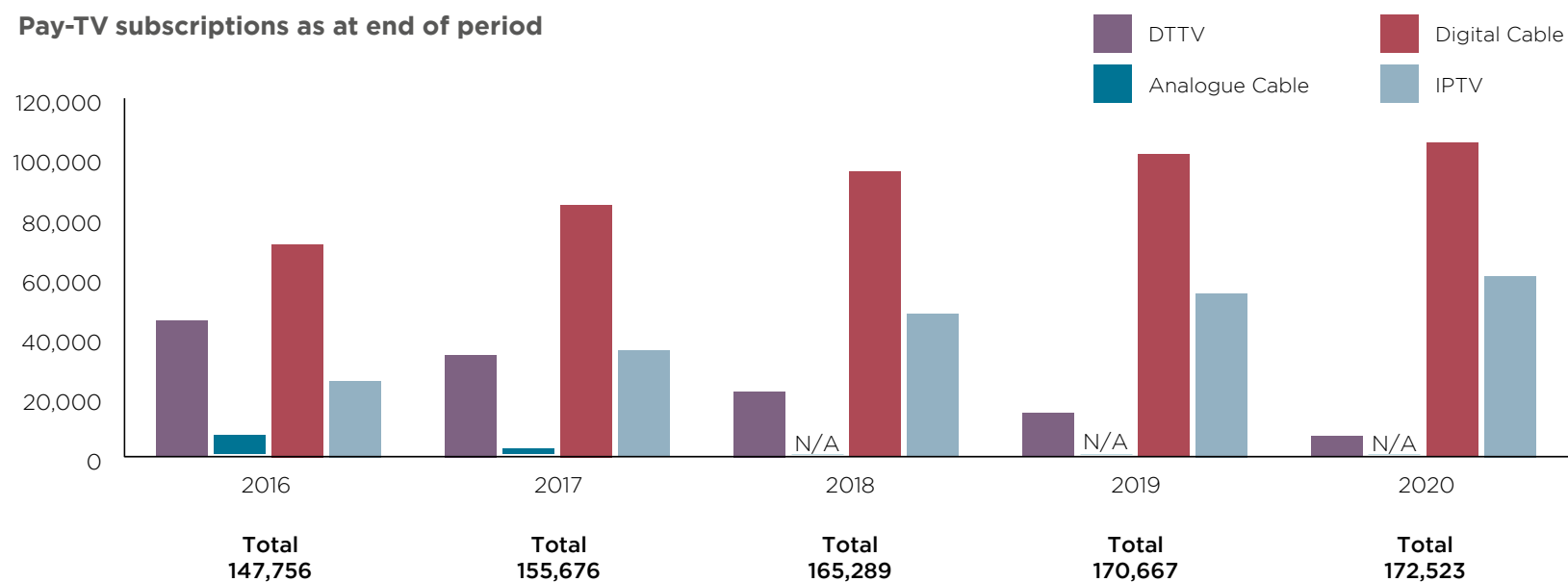
### Subscriptions

Pay-TV subscriptions were up by 1.1% year-on-year, increasing by 1,856 to 172,523 by the end of the current reporting period.

When it comes to the technology over which the TV service is offered, the FTTH-based IPTV service provided by GO saw a rise of 5,812 subscriptions in the 12-month period to the end of the year under review. This increase materialised organically on the back of the increasing take-up of fixed services associated with the current FTTH deployment project by GO. Meanwhile, GO's Digital Terrestrial TV (DTTV) is being phased out, which explains why the number of subscriptions on this platform dropped by 7,733 year-on-year to 6,953 by the end of 2020.

Furthermore, Melita's cable-based TV service saw subscriptions increase by 3,777 to a total of 105,042 by the end of the year.

### Pay-TV subscriptions as at end of period



### Pay-TV subscriptions in a bundle (as at end of period)

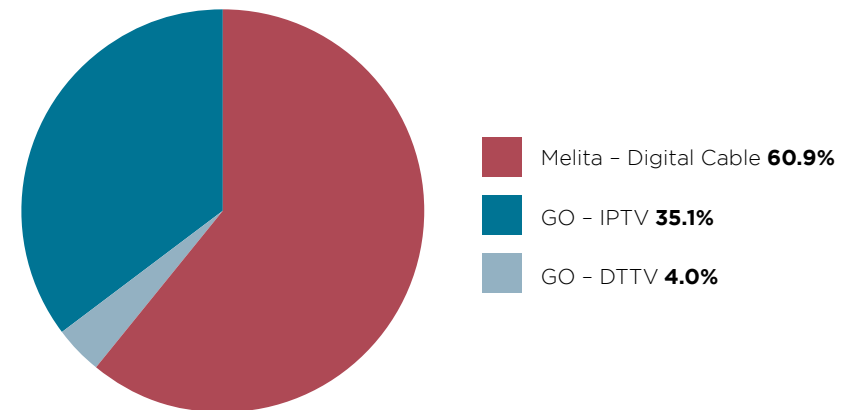
Pay-TV subscriptions in a bundle	2018	2019	2020
	<b>119,385</b>	<b>130,465</b>	<b>139,661</b>
<b>Dual play</b>	4,961	5,328	5,924
FT + TV	4,961	5,328	5,924
<b>Triple play</b>	61,145	71,250	77,767
FT + FBB + TV	61,145	71,250	77,767
<b>Quad Play</b>	53,164	53,887	55,970
FT + MT + FBB + TV	53,164	53,887	55,970
<b>Number of Pay-TV subscriptions</b>	165,289	170,667	172,523
<b>as a percentage of fixed line subscriptions</b>	<b>72.2%</b>	<b>76.4%</b>	<b>81.0%</b>



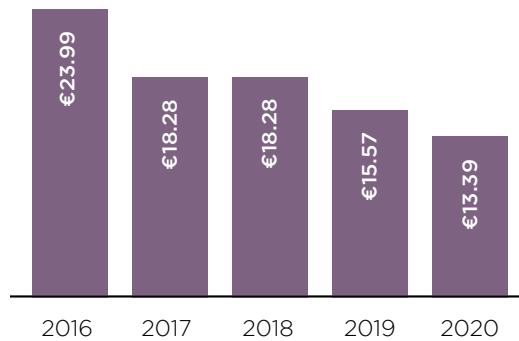
### Market share developments

Melita remains with the highest market share in the Pay-TV segment, at a significant margin ahead of its direct competitor GO. By the end of 2020, Melita accounted for 60.9% of the local Pay-TV subscriber base, compared to GO's market share of 39.1%. Year-on-year, Melita's market share was up by 1.6 percentage points, whilst GO lost share by a similar margin.

### Market share by operator in terms of all Pay-TV subscriptions, as at end of period



### Average advertised market rates for Pay-TV packages



### Price competition

An assessment of price movements for local Pay-TV packages is carried out based on observed advertised rates for stand-alone products<sup>9</sup>. The assessment distinguishes between several categories of products depending on the number of channels featuring on the channel line-up. An average for the market is then calculated. Overall, the average monthly advertised rate for local Pay-TV packages at the end of 2020 stood at €13.39, down from €15.57 a year earlier. This is mainly a result of the phasing out of some plans that have been on offer for several years and that were priced above average<sup>10</sup>. Otherwise, the monthly access fees for the plans that remained on offer in 2020 were unchanged year-on-year.

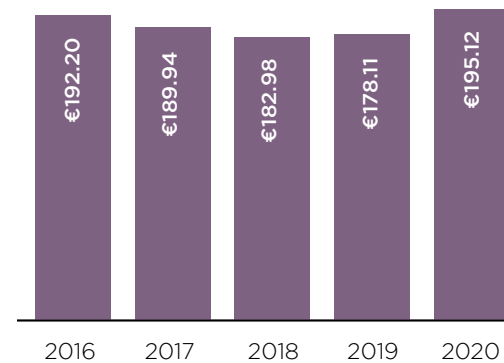
9 All Pay-TV rates featuring in this report are inclusive of the access charge per set-top box and VAT. These calculations exclude all products which can be acquired in a dual-play or triple-play bundle.

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

### Pay-TV ARPU

TV ARPU saw a significant rise from €178.11 in 2019 to €195.12 in 2020. Whilst this increase could have been attributed to growing demand for TV services as well as rising take-up of add-on packages, figures supplied by local service providers did not point to such developments. Another possibility relates to how bundles per component are priced, possibly shifting costs from fixed broadband to TV.

### Average revenue per Pay-TV User



“...the monthly access fees for the plans that remained on offer in 2020 were unchanged year-on-year.”

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## REGULATION

The Malta Communications Authority, constituted by law under the Malta Communications Authority Act (Chapter 418 of the Laws of Malta), is the designated National Regulatory Authority (NRA) responsible for the electronic communications sector.

In regulating the underlying market infrastructure, the MCA concentrates its efforts on strengthening competition and facilitating industry growth, ensuring the provision of quality services particularly by prioritising transparency of information, and continuously monitoring the market to ascertain compliance with existing regulation while also singling out defining industry trends. With regards to the latter, laying down the necessary policy and regulatory foundations to support modern-day economic and social development is especially relevant when it comes to ensuring certainty whilst promoting innovation in electronic communications networks and services. Future-proof networks and services are meant to attract and facilitate the existence of an advanced digital society, in turn producing the necessary virtuous cycle for a thriving general economy.

In light of this, the ideal legal and regulatory environment needs to be firmly in place so as to allow the market to operate to the highest standards and to set the stage for future developments.

## Promoting and safeguarding competition

The scope and nature of local electronic communications competition regulation is determined by a process known as market analysis, as set out in European law. The process calls for the MCA to first define the relevant markets falling under the scope of the regulation, upon which it then assesses the state of competition to evaluate whether dominant service providers exist, in which case remedies can be imposed to mitigate the likely effect of this dominance, in terms of its impact on competition and consumers.

With this being said, the MCA is committed to taking the appropriate regulatory measures and creating a favourable climate for both infrastructure and service-based competition, as it is the driving force behind innovation, market growth, and value-for-money services. Regulatory interventions may therefore be required to ensure that the electronic communications markets continue to work effectively in a multi-player environment.

While the local market scenario remains both encouraging and challenging, throughout the year, the MCA continued to build on its efforts to sustain a competitive environment both in the short and longer term.

## **European Electronic Communications Code (EECC) Transposition Progress**

The EECC is a new European Directive which was adopted on the 20<sup>th</sup> December 2018. It revises the entire EU regulatory framework for electronic communications, and replaces four EU directives, being the Framework Directive, Authorisation Directive, Access Directive and the Universal Services Directive.

Given the rapid development undergone by the electronic communications sector in recent years, the EECC was developed to better reflect evolving technologies and key market developments, including the demand for High Capacity Networks (HCN) and the need for efficient spectrum management to support next generation mobile connectivity (such as 5G).

Overall, the aim of this revised framework is to promote investment through sustainable competition, encourage efficient and effective use of radio spectrum, maintain the security of networks and services, and provide a higher level of consumer protection.

The MCA has been offering substantial support to the Government in the adoption process for the EECC. In 2020, the Authority submitted to the Government a detailed proposal for the transposition of the EECC, detailing all legal changes amending several laws. The amendments proposed pertained to the following legislation:

- The Malta Communications Authority Act (Chapter 418)
- The Utilities and Services (Regulation of Certain Works) Act (Chapter 81)
- The Electronic Communications (Regulation) Act (Chapter 399)
- The Single European Emergency Call Service ('112' number) and The European Harmonised Services of Social Value ('116' numbering range) Regulations (S.L. 399.43)

Furthermore, the MCA also proposed the enactment of a new regulation to completely replace the current 'Electronic Communications Networks and Services (General) Regulations' (SL 399.28).

As of the end of 2020, the EECC was still in the process of being transposed into national legislation, with the public consultation being issued in January 2021, and the draft subsidiary legislation expected for publication later in the year.

## **Review & Analysis of Markets 3A & 3B**

In 2020, the MCA concluded its assessment of the wholesale fixed broadband access market, namely with regards to the regulatory treatment of wholesale local access provided at a fixed location (Market 3a) and wholesale central access provided at a fixed location for mass-market products (Market 3b). This exercise takes into account the EU Regulation on Relevant Markets published in October 2014.

In May 2020, the MCA published for public consultation its market analysis findings concerning the provision of wholesale fixed broadband access in Malta. Submissions were received from GO, Melita and Epic. A pre-notification meeting was also held with the European Commission, in line with the established rules.

The MCA continued its assessment to take into account the feedback received during the public consultation, as well as relevant market developments that followed. It envisages to publish its final position in 2021.

### **Monitoring GO's VULA Reference Offer**

As the operator designated with Significant Market Power (SMP) in the broadband Wholesale Unbundled Infrastructure Access Market, GO is obliged, among other things, to provide Virtual Unbundled Local Access (VULA) over its FTTH infrastructure to alternative operators. Following an agreement signed between GO and Vodafone in 2018, a series of discussions were facilitated by the MCA, and in 2019, Vodafone (now Epic) started offering retail fixed broadband services over GO's fibre network.

The MCA continues to monitor the implementation of the VULA agreement, including wholesale charges, Key Performance Indicators and Service Level Agreements. Although Vodafone in 2016 had contested the MCA's decision on 'Virtual unbundled Access to Fibre-to-the-home: implementing the VULA remedy in front of the Administrative Review Tribunal, the appeal remains pending as of 2021.

### **Development of Rate of Return (WACC)**

When imposing obligations related to cost recovery and price controls, according to Article 12 of the Access Directive NRAs typically determine the reasonable rate of return by estimating the weighted average cost of capital (referred to as 'WACC') of the SMP operator. The WACC rate therefore generally represents the maximum return that SMP operators can earn on the capital they employ to provide the regulated services.

A public consultation regarding the WACC was published by the MCA in April 2019. Taking into account the feedback received during the consultation period and from the European Commission, the MCA consequently published its Decision in January 2020, setting the WACC rate for the fixed market at 6.98% and that for the mobile market at 7.31%, both rates being stated in pre-tax nominal terms. These WACC rates were applied on regulatory accounting periods ending on or after 31 December 2019.

## **Ensuring Quality and Transparency**

Changing consumer and business needs continue to drive demand for better choice, prices and quality. Although promoting sector competition in itself induces improvements in the quality of electronic communications services, the MCA continues to dedicate resources and initiatives specifically for the fulfilment of this goal.

As technology has become increasingly complex and product offerings have significantly expanded, it has become equally challenging to ascertain that users are getting a fair value out of their paid service. The Authority's efforts in this regard involve a mix of tools ranging from specific quality thresholds, comparative service comparison exercises, and diligent measurement and reporting mechanisms for fixed and mobile broadband operators.

Going hand-in-hand with this, the MCA is also committed to overseeing information obligations and reporting requirements, and promoting greater clarity in service offerings and conditions. Enhanced transparency also leads to improved service provision, and endows end-users with greater confidence and protection when choosing their telecommunications service.

### **Universal Service Obligation (USO) Review**

In line with local legislation and European Directives, the MCA is required to monitor the availability of a Universal Service - in other words, that a number of identified electronic communication services are made available to all end-users in the Maltese islands, independently of geographic location, at affordable prices and meeting specific quality thresholds.

In 2019 the MCA initiated its work on a review of the USOs, which were last revised in 2015, as an interim measure so as to take into account changing market realities and social requirements, and wherever possible, the new provisions set in the EECC. In 2020, the MCA published a Consultation and Proposed Decision with the aim to analyse, identify and review which services should be considered as a Universal Service.

Furthermore, as a reflection of the new EECC obligations, the MCA proposed a widening of the scope of Universal Service to include the availability of adequate broadband internet services at a fixed location.

### **Universal Service Obligations (USO) Implementation**

In accordance with national law, GO has the right to seek to receive funds for the net costs it believes to have incurred, to fulfil part or all of the universal service obligations (USO). In December 2017, the MCA received from GO a detailed application for USO funding in relation to the net costs it claimed to have incurred in providing universal services during 2016.

On the basis of an auditing exercise carried out by an independent body, in August 2020, the MCA issued a Consultation and proposed decision entitled 'Review of GO plc's application for funding of the net costs claimed to have been incurred to provide universal service obligations during 2016 - Consultation and proposed decision'. It was established that the net cost incurred by GO plc amounted to €66,438.

In November 2020, the MCA then issued a proposed decision on the Source of Funding to compensate GO for the said net cost incurred during 2016. Taking into consideration that no feedback was received, the MCA published its final decision on the same lines of its proposed decision in the same month. It was established that the total aforementioned amount of €66,438 pertaining to the net cost incurred by GO plc to provide universal service obligations during 2016 would be financed from public funds.

Meanwhile the MCA also continues to monitor the performance of GO's current universal service obligations, namely with regards to the provision of a network connection at a fixed location at an affordable price, capable of supporting voice and data communications in areas where no other undertaking offers such services.

### **Establishing a Quality of Service (QoS) Framework**

In accordance with Article 104 of the EECC, the MCA will be responsible to monitor and collect systematic information about the quality of the services offered by providers of internet access services and publicly available interpersonal communications services. In anticipation of the transposition of the Code, the MCA initiated a process in 2019 to determine a minimum set of quality of service (QoS) parameters to be measured by providers. Throughout this process, the MCA also referred to the BEREC Guidelines on Quality of Service Parameters, published in March 2020, to help achieve the common aim of having a consistent and harmonised application of this Article across Member States.

In establishing this Framework, the MCA will be able to more efficiently track trends in the electronic communications sector as all QoS parameters will be consolidated under one single framework. Moreover, it will encourage competition and investment by allowing service providers to benchmark the quality of their services. End-users will also be empowered to take more informed decisions by being provided with comparable and up-to-date information on the quality of services offered by providers.

In December 2020, the MCA issued a Consultation proposing the methodologies that should be adopted by providers when measuring the performance of these QoS parameters, as well as the requirements regarding the content, form and manner in which the QoS performance results are to be published by providers. The accompanying Decision is expected to be published in 2021.

### **Establishing the foundations for Geographical surveys of network deployments**

Article 22 of the EECC requires a geographical survey of the reach of electronic communications capable of delivering broadband. This is to be undertaken at a national level by the 21<sup>st</sup> December 2023 and updated at least every three years thereafter. During 2020, the MCA started laying down the necessary foundations for undertaking such geographical surveys, particularly through its contributions to BEREC in the preparation of Guidelines to assist NRAs on the consistent application of geographical surveys of network deployments and through initial requirements analysis.

### **Finalising the New Price Comparison Portal**

In its commitment to empowering consumers through the availability of transparent, up-to-date, and readily-available information, one of the topmost priorities for the MCA in 2020 was finalising the re-vamp of its online price-comparison portal, known as Telecosts.

The availability of an independent comparison tool to evaluate and compare different services is also called upon in the new regulations under the EECC. The idea behind Telecosts is to allow consumers to easily compare all the local electronic

communications services, including the different prices and features. However, the existent platform required significant enhancements in order to continue offering a worthwhile service to consumers in the future.

After commissioning a software company to implement extensive changes, the new platform was finalised in 2020, with the official launch planned for January 2021. This enhanced platform will be regularly updated under newly developed standard operating procedures to reflect any developments in service offerings, allowing consumers to accurately compare all available options.

## Monitoring Security, Resiliency and Performance

In keeping the sector accountable to the appropriate quality standards, it is equally important to survey how its security and resiliency hold up to evolving trends, challenging user demands, and potentially disruptive unforeseen developments.

The security and integrity of networks took centre stage during 2020. The global COVID-19 pandemic placed increasing emphasis on the instrumental role that electronic communications networks and services play in the functioning of the economy and society at large. The MCA continued to monitor industry trends and performance through a variety of data-gathering sources, however this monitoring practice became exceedingly more vital as businesses increased their reliance on electronic commerce and society satisfied its communication needs through the online medium, requiring robust 24/7 service provision.

### Ensuring the security and integrity of networks

2020 saw intensive developments to ensure the resilience of electronic communications networks, in particular those providing 5G. Following a call by the European Council for a concerted approach to the security of 5G, the European Commission adopted a Recommendation on the Cybersecurity of 5G networks in March 2019, setting the stage for major regulatory developments in 2020.

In January 2020, the EU toolbox of risk mitigating measures was adopted following a year-long collaboration between the European member states and the EU Cybersecurity Agency (ENISA). In June 2020, the MCA reported to the European Commission on the state of implementation of the EU toolbox. MCA stepped up its involvement in the NIS Cooperation Group and within ENISA, contributing actively to the revised guidelines for the security of electronic communications. MCA also furthered its work on the regulatory framework concerning the security and integrity of networks in preparation for the consultation on enhanced regulatory measures in 2021.

At a national level, the MCA continued to monitor and follow-up on security and integrity related incidents within the electronic communications networks. It also contributed actively within the National Cybersecurity Committee on aspects concerning national strategy formulation as well as coordination with other competent authorities.

### **Monitoring and Policy Coordination during COVID-19**

The efforts taken by local operators in mitigating the effects of the COVID-19 pandemic played no small part in maintaining the quality and continuity in the supply of communications services. Nevertheless, on its part the MCA had an essential role to play in ensuring uninterrupted service provision. The MCA's regulatory framework and the relevant oversight of the availability, integrity and security of networks throughout the years has ensured a high level of resilience in the industry. The Authority's approach of maintaining ongoing liaison and open dialogue with operators, allows for any arising issues to be addressed immediately. Such an approach, as undertaken by the MCA, proved its worth during the course of the pandemic.

Furthermore, the Authority also maintained close cooperation with the Government, the European Commission and the Body of European Regulators to support any policies in preventing or alleviating the pandemic's effects. In a coordinated international effort, the MCA communicated regular updates on the Internet traffic situation in Malta throughout 2020, as part of a special reporting mechanism organised by BEREC for regularly monitoring developments and any congestion issues in each Member State. As confirmed through the MCA's monitoring exercise, although the Maltese electronic communications sector faced unprecedented demand throughout the year, it demonstrated its resiliency in withstanding challenge relatively well, with no reports of any major congestion issues. An increase of approximately 34% in peak broadband data traffic and approximately 67% increase in peak fixed telephony traffic was observed. Notwithstanding the unplanned increase in traffic volumes, the networks were sufficiently robust to withstand the load without any significant level of disruption.

Nevertheless, despite disruption being minimal, in June 2020 the Authority revised its work programme to take into consideration the inevitable workload incumbent on the major operators as well as objective impediments on task outputs.

### **Monitoring Open Internet Access**

As the Authority responsible for enforcing Regulation (EU) 2015/2120 (the 'EU Regulation') concerning Open Internet access rules, the MCA continuously monitors services providers to ensure compliance with the Regulation. The Open Internet Access Regulation is a major achievement for the Digital Single Market. It creates the individual and enforceable right for end-users in the EU to access and distribute internet content and services of their choice. In this respect, the MCA actively collaborates with The Office of the Information and Data Protection Commissioner (IDPC), which is the entity responsible for enforcing the data protection obligations arising from the EU Regulation.

As part of its obligations, the MCA is required to publish an annual report on its monitoring and findings in ensuring the availability of open internet access services in Malta. In June 2020, the MCA published the report covering the period between 1st May 2019 and 30th April 2020, whereby it concluded that all IAS providers in Malta were compliant with the requirements of the EU Regulation.

The MCA analysed all Internet Access Services (IAS) products that were newly placed on the market as well as those which were modified and/or updated. The MCA also requested all

fixed and mobile IAS providers to complete a self-assessment questionnaire pertaining to their commercial and technical practices in relation to the products they offer.

In the report, the MCA noted that it received twelve complaints regarding discrepancies between the contracted speed and the actual speed performance of the service. In addition, the report noted one complaint regarding the application of Traffic Management policy in case of alleged excessive usage of the internet connection.

In accordance with the BEREC Guidelines on the Implementation by National Regulators of the European Net Neutrality Rules, the MCA also maintained quarterly monitoring of the uptake of zero-rated offers, given the potential risk to end-user rights and competition. In this regard, it was concluded that although there has been an increase in the uptake of these type of offers, this is not deemed to be detrimental.

While the findings of the report serve as an indication that there are no major issues in the market, ongoing monitoring and review of the open internet and new IAS products remains important due to the dynamic nature of this sector.

In addition to this reporting, the MCA actively participates and collaborates with other EU regulatory authorities within BEREC on matters concerning open internet access. Of particular mention is the MCA's involvement in BEREC's Expert Working Group on the Open Internet which is currently preparing updates to BEREC's Net Neutrality guidelines.

### **Tracking Market Trends and Developments**

In order to effectively monitor the main trends and developments shaping the electronic communications sector, the MCA collects and reviews a wide range of data, either from electronic communication providers, consumer surveys, or other research initiatives conducted by the Authority.

This data gathering exercise is essential for keeping the general public informed and maintaining transparency with regards to any market developments. It also serves as an additional source of information for regulatory decisions, while also indicating how consumers' needs are changing over time.

Over 2020, the MCA published four updates as part of its Data Report Sheets (DRS) series, covering Quarter 1 2015 to Quarter 2 2020. These publications highlight key developments and indicators in the electronic communications sector on a quarterly basis. One Communications Market Review was also published, covering the period of January to June 2019. This report draws on quarterly and half-yearly data compiled by the MCA from network operators and service providers, in order to develop Key Performance Indicators (KPIs) for the sector.

The MCA also carries out Consumer Perception Surveys concerning the various products and services offered by electronic communication service providers, specifically with regards to the level of local customer satisfaction and the extent to which providers are meeting evolving consumer demands. These surveys in particular are an excellent indicator as to how consumers' needs are changing over time, and how providers' services and products have adapted accordingly. Four of these



surveys were published in 2020, concerning mobile telephony usage in Malta, mobile telephony usage by expats living in Malta, fixed telephony, and Pay-TV services.

Details pertaining to all the Authority's publications (reports, consultations, decisions and other), legal updates, information on international relations, and other developments, are all published in the MCA's monthly e-newsletters summarising all the relevant updates pertaining to the Authority.

## **RADIO SPECTRUM & INNOVATION IN COMMUNICATIONS**

Our reliance on radio spectrum is increasing every day, as we continue to witness exponential increases in data transmitted over wireless networks, whether it is for television and radio broadcasting, mobile communications, emergency communication systems, or a plethora of other useful and essential services. It therefore goes without saying that radio spectrum is critical for the proper functioning of electronic communications. With this being said, this invaluable yet finite national resource needs to be carefully managed so that we are able to fully realise its potential and maximise its benefits on the economy and society. Furthermore, the increased demand on spectrum also means that the elements of security and resilience have inevitably risen in prominence.

In line with the European regulatory framework, the MCA is responsible for establishing the rules for the assignment of spectrum for electronic communications. The MCA is also responsible for managing the wider radio spectrum on behalf of the Government of Malta. Efficient use of the radio spectrum resource plays a key role in the delivery of services, competition, choice and widespread availability. However, the increasing demand for radio spectrum also leads to a corresponding increase in the risk of interference. Therefore, maximising the potential of frequency spectrum remains a pivotal policy tool for the MCA in relation to the development of the electronic communications sector, particularly in monitoring compliance with established security standards, and facilitating the deployment of additional spectrum for next generation fixed and mobile networks.

### **Spectrum Regulation, Compliance, and Review**

Spectrum management incorporates a vast number of activities including, amongst others, spectrum monitoring, spectrum planning/allocations, coordination, licensing and enforcement.

Spectrum management is essential for a variety of different reasons. First and foremost, it prevents interference between different sources, both within a country's boundaries and outside of them. Secondly, spectrum is limited in the sense

that, to date, only a limited number of users may use a specific frequency in a particular geographical location - hence, the need to manage it. Furthermore, harmonising the availability and efficient use of spectrum is conducive to further economic growth and sectoral development, resulting in better prices for electronic communication services, as well as many benefits to stakeholders, including users, manufacturers, and service providers alike through the availability of wireless services.

During the year in review, several key spectrum management projects were undertaken as detailed below.

### **Review of the National Frequency Plan**

The National Frequency Plan (NFP) outlines the radio frequency spectrum allocations within the Maltese territory. It also details the types of radiocommunications services permitted within the various frequency ranges. The Plan is based both on International Telecommunication Union (ITU) Radio Regulations, and the European report of frequency allocations and applications (ERC Report 025). This is done so as to ensure greater harmonisation within the European frequency spectrum.

The NFP is updated regularly since allocations are not fixed, and change as old radio systems cease to be used, and new ones are introduced. The Plan also needs to take into consideration changes in agreements on spectrum utilisation at the international level or as a consequence of national decisions.

On this account, the latest edition of the NFP was published in November. The key developments included:

- Implementation of Commission Implementing Decisions (EU) 2019/235, 2019/784 and 2020/590 concerning terrestrial systems capable of providing wireless broadband electronic communications in the 3400-3800 MHz and 24.25-27.5 GHz bands;
- Implementation of Commission Implementing Decisions (EU) 2020/636 and 2020/667 concerning terrestrial systems capable of providing wireless broadband electronic communications in the paired 2 GHz and 2.6 GHz frequency bands;
- Implementation of Commission Implementing Decision (EU) 2019/758 concerning ultra-wideband technology;
- Implementation of Commission Implementing Decision (EU) 2019/1345 concerning short range devices; and
- Revision of footnote MLT09 describing the list of frequency bands which can be traded or leased.

### **Monitoring EMF Levels and Drafting Guidelines**

To enable mobile communications, multiple radio transmitting apparatus are set up nationwide which expose their surroundings to electromagnetic waves. Licensees intending to install or modify radio transmitting apparatus need to evaluate the Radio Frequency field strength in the vicinity of this apparatus and in areas that are accessible to the general public. In doing so, they must abide by guidelines for the public maximum exposure of Electromagnetic fields (EMF), as defined by the ICNIRP (International Commission on Non-Ionizing Radiation Protection) or as otherwise prescribed at law.

The MCA is continuously evaluating communications networks in order to identify any potential interferences, and to ensure that EMF levels remain well-below the established limits. In doing so, the Authority performs rigorous routine audits to monitor the levels of EMF at various locations around Malta and Gozo. Despite the restrictions imposed by the COVID-19 pandemic, the MCA still managed to carry out 161 on-site measurements.

To further strengthen its oversight on EMF compliance, the MCA continued to invest in its EMF measurement capabilities through the procurement of a mobile multi-band EMF Area Monitor. With the use of this professional monitoring equipment, the MCA was able to undertake street-level measurements around the towns and villages across the Maltese Islands through an extensive drive-test campaign.

The results attained continue to deliver confidence in the MCA's compliance measures and oversight capacity. EMF levels recorded throughout the year remain well below the stipulated safety exposure levels. The findings of the EMF audits are also sent to the competent health authorities for any action they deem necessary.

Furthermore, the MCA continued to enhance its regulatory toolkit overseeing EMF radiation limits by promoting a high level of harmonisation to the procedures followed by licensees. The MCA drafted a set of guidelines outlining the measures and procedures to be followed by service providers when installing or modifying a base station, effectively adopting a European measurement standard. It also presented a set of reports which

service providers would need to provide to the MCA both upon the installation of the base station, as well as on an annual basis. These guidelines were issued for private consultation to the service providers in November and are due for publication in early 2021.

### **Spectrum Compliance Activities**

Apart from dedicated EMF monitoring and the overall management of the radio spectrum, the MCA undertakes a number of monitoring exercises to ensure the optimal and lawful use of this national resource. During 2020, the MCA continued with its monitoring programme ensuring that spectrum bands were free from any illegal transmissions, taking immediate enforcement action to ensure compliance with the applicable national instruments.

Throughout the year, the MCA received 62 reports of alleged interference. Upon consideration, 18 of these were seen as being potential interference cases and were investigated accordingly. One of the key cases of interference affected the proper operation of certain global navigation satellite services. The source of the interference was cross-border and the MCA sought assistance from the Ministry responsible for foreign affairs to tackle this issue with the concerned country.

### **Building further capacity in spectrum management**

In order to ascertain the efficient and effective use of spectrum, especially with the introduction of new spectrum-based services, monitoring equipment needs to satisfy the highest standards at all times. The MCA continued to invest in building further capacity through the acquisition and upkeep

of monitoring equipment that can address modern-day requirements. In 2020, the MCA concluded the procurement of a state-of-the-art radio spectrum monitoring system, which will see its first full year of operation in 2021. Further strategic investments are earmarked and will continue to assist in facilitating the transition to ultra-high speed mobile broadband for new a generation of services.

MCA experts continued to receive specialised training in various fields, including spectrum and interference management, as well as in the use of the new tools acquired during the year.

### **Interoperability of Car Radio Devices**

To promote a more widespread use of digital radio services across Europe, the EECC contains several provisions on the interoperability of car radio devices as per Article 113, which require that any car radio receiver integrated in a new vehicle of category M2 which is made available on the market for sale or rent in the European Union as from the 21 December 2020, is capable of receiving digital terrestrial radio.

In 2019, the MCA published a consultation document proposing an amendment to the Electronic Communications Networks and Services (General) Regulations, S.L. 399.284 ('the Regulations') in line with the aforementioned Article 113(1) of the EECC. This was primarily intended to provide legal clarity to the effect that, any car radio receiver integrated in a new car (category M) which is made available on the market for sale or rent in Malta from 21 December 2020 shall comprise a receiver capable of receiving and reproducing at least radio services provided via digital terrestrial radio broadcasting of type DAB+.

In response to the consultation, Digi B Network Limited and the GRTU Malta Chamber of SMEs submitted their feedback on the views and proposals raised. Upon reflection on the responses provided, the MCA emphasised its commitment to awareness-raising as an effective means to increase consumer knowledge on digital radio technologies. The MCA also indicated that it would assess whether there is the need to propose legislative measures for aftermarket and domestic radios to include as a minimum DAB+ from a set date, apart from in-car receivers, as well as whether the mandate for the installation of digital radio connectivity in all new cars of category M should be in the future extended to commercial vehicles.

On the basis of this consultation and the responses received, in 2020 the MCA then submitted to the Minister responsible for communications a report on the consultation together with the proposed amendments to the Regulations of the consultation document. The amendments to the Regulations were published by Government on the 21st April 2020 via Legal Notice 151 of 2020.

### **Radiocommunications Equipment Licensing**

In line with Part IV of the Electronic Communications (Regulation) Act (Chapter 399), the MCA continued to administer radiocommunications equipment licences for use of radio frequencies as well as the installation or use of radiocommunications equipment. Malta has various forms of authorisations which can be categorised under three high-level categories, namely, individual licensing, light-licensing and

licensing-exempt – all of which are managed by the MCA. As at the end of 2020, the total number of active licences amounted to 1,251, a notable increase of 152 licenses when compared to the previous year, greatly attributed to the surge in the number of aircraft licenses. These licences pertained to a wide range of wireless applications, including aeronautical, maritime, fixed and land mobile services.

With regard to maritime services, the Authority liaised with Transport Malta on various maritime-related radiocommunications licensing matters. During 2020, the Authority processed 184 requests for the assignment of maritime identities. 23 inspections were also carried out to ensure that the equipment installed or used on board locally-registered vessels complied with national regulations. In response to the COVID-19 pandemic, the MCA had to adapt its procedures on verifying compliance with the applicable national regulations, which ultimately resulted in this relatively lower number of inspections.

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Licence Type	No. of active licenses (2020)
Aircraft	541
Aircraft ground station	9
Aircraft portable station	3
Broadcasting (national, community, repeaters)	58
Maritime coast stations	36
Links	24
Miscellaneous	9
On-site paging	1
PMR	123
PMSE	1
Amateur Radio	444
Satellite Earth stations	2

#### **DTT Spectrum Assignment framework for the sub700 MHz band**

Digital Terrestrial Television (DTTV) is a wireless terrestrial service which enables the broadcasting of audio-visual content in digital format. Since the award of the first radio spectrum licences for the provision of DTTV service back in 2005, there have been significant technological and policy developments with regards to DTTV broadcasting. Among these developments, the current Digital Terrestrial Television (DTTV) spectrum licence is due to expire in May 2021. Certain

obligations have also arisen from the decisions published by the European Commission concerning the harmonisation of spectrum in the 700MHz band for the use of wireless mobile broadband services, along with the goals identified in the National Roadmap for the UHF band between 470-790MHz.

In light of these factors, in June 2020 the MCA put forward a consultation concerning the assignment process and respective license conditions associated with the award and use of radio spectrum channels in the sub-700MHz band for the commercial DTTV services. Following the consultation and consequent feedback received from GO Plc, the MCA published its Decision, detailing the assignment process and the relevant license conditions for the rights of use concerning the twelve available spectrum channels in the 470-694MHz band. These consist of four spectrum channels which form part of the spectrum channels registered for use by Malta under the Geneva 2006 Agreement (GE 06) and an additional eight spectrum channels which are the result of the negotiation process between Malta and its neighbouring countries concerning the use of additional UHF channels for commercial DTTV broadcasting.

Following a formal request from an authorised electronic communication service provider ('ECS')- GO Plc - for the assignment of spectrum in the sub-700 MHz band to be used for the provision of DTV network, the Authority published a Call for Expression of Interest to determine the demand for the spectrum channels available in this band. As GO remained the sole interested stakeholder, the Authority proceeded to carry out the due qualification process as prescribed in its Decision, with the assignment towards GO Plc expected in 2021.

### **Assignment of Radio Spectrum for Fixed Links**

The MCA received two applications for the grant of rights of use of radio spectrum being made available for assignment by the Authority in connection with radio links. The first application pertained to the rights of use of the respective channels within the 7 GHz frequency band. The second application related to the assignment of the respective channel within the 2 GHz frequency band. Notice of such applications was published by the Authority, and both requests were processed accordingly as no objections were made.

## **Paving the Way for New Technology**

While managing the efficient use of the spectrum, the MCA is also committed to promote the use of spectrum for innovation, ensuring that sufficient radio spectrum is made available for new wireless technologies in order to facilitate the deployment of new and innovative services. This is especially relevant with regards to ongoing and future trends, including increased demands for advanced mobile services, 5G technology, and new wireless opportunities associated with space communications. Indeed, the MCA regularly researches and explores emergent policy areas of relevance to its mandate to make way for ongoing sectoral development. Some of the MCA's forward-looking efforts for 2020 in the realm of spectrum are outlined in further detail below.

### **Facilitating 5G deployment**

Apart from bringing about faster networks across Malta, 5G technology has the potential of introducing a whole new level of connectivity in itself. While this promise has yet to be realised, the Authority has nonetheless made the successful deployment of 5G one of its utmost priorities. In doing this, the MCA has endeavoured to maintain a balance between the timely roll-out of new technology whilst continuing to ensure compliance in relation to EMF as well as security and integrity obligations.

Concomitantly, the Authority has also been working on a host of other security-related projects, notably the implementation of the Commission guidelines on 5G Cybersecurity – the previously aforementioned EU Toolbox of risk mitigating measures. The Toolbox sets out a comprehensive and objective risk-based framework, in an effort to ensure a coordinated approach to 5G Cybersecurity across the EU. It highlights a number of relevant security challenges which are likely to appear or become more prominent in 5G networks, as well as a consequent set of mitigating measures which can be applied at the national and European level. In particular, this approach aims to minimise the exposure and potential dependency on high risk suppliers. In light of this, the Authority has been reassessing the security and integrity of Malta's public communications networks leading up to implementation of these guidelines in 2021.

Throughout 2020, the Authority continued to monitor the process for testing 5G technology within Malta, to ensure that interested stakeholders are in full compliance with the obligations associated with this type of license, as specified in the MCA's lightweight test and trial licensing framework.

In addition to these monitoring efforts, the MCA finalised the necessary preparation needed to be able to grant the rights of use of the 5G 'Pioneer Bands', in other words, the frequency bands which are required for 5G technology to function. The consultations for the licensing of these additional spectrum frequency ranges are planned for Quarter 1 2021.

Beyond this, the MCA continued to participate in the EU-sponsored initiative known as 5GZorro, which stands for Zero-touch security and trust for ubiquitous computing and connectivity in 5G networks. The project envisions solutions for cognitive network management with minimal manual intervention, making use of Smart contracts based on Distributed Ledgers Technologies to enhance agility and flexibility across various business agents coexisting on a highly pervasive shared network infrastructure.

### **Test & Trial Licenses**

In its efforts to continue encouraging innovation in spectrum use, the MCA operates a test and trial licensing framework for wireless systems on a non-commercial basis. Malta's geographic location and population density make it an ideal location for pilot studies on wireless technologies; this coupled with the island's political and economic stability, and its strong ICT infrastructure, amongst other favourable socio-economic factors. The availability of high-demand spectrum bands, along with the low license fee permits for interested parties, are also enticing as they allow for the testing and trials of wireless technology with minimum investment. These licenses allowed their holders to gather fundamental insights into the characteristics of their wireless technologies and services, including coverage, reliability and speed.

All applications for pilot studies are processed in an open, transparent and non-discriminatory manner. To this end, during 2020, the MCA issued one trial and three test licences to industry players, for the use of radio spectrum on a temporary basis, on various portions of the radio spectrum.

### **Training on Spatial Analysis**

8 MCA employees benefited from training related to mapping and spatial analysis at NQF 4 through the SpatialTrain Scholarship Scheme.<sup>11</sup>

This is a very vast and far-reaching topic, which allows for the analysis of complex themes, the outcome of which is projected in a pictorial representation for easier interpretation. The MCA is set to benefit greatly from this training, as the knowledge learnt may eventually be applied to many communication-related areas which fall within the MCA's remit, including, amongst others, broadband mapping, Quality of Service, broadband coverage, market and statistical analysis.

Four of the spatial training projects dealt with throughout the course, were specifically related to EMF. These utilised EMF measurements collected by the MCA throughout the years as a basis for analysing the EMF situation in Malta, and how it has evolved throughout the years. Apart from the periodic exams, the course also involved the presentation of a mini-thesis as a final project.

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<sup>11</sup> <https://www.pa.org.mt/en/international-funded-projects-details/spatialtrain-scholarships-scheme>

### **Space Communications Initiatives**

During the year 2020, the MCA continued to step up its space communications initiatives, exploring the needs and opportunities for the space communications industry in Malta, whilst consolidating its role in this policy area.

The Authority participated in a number of European fora for the European Global Navigation Satellite Systems (E-GNSS) - Galileo and EGNOS, representing Malta's interests particularly by supporting and advising Government in relation to the relevant European Commission proposals for regulations within this sector. The MCA is an active member of the E-GNSS Programmes committee which was established to assist the Commission in the management of Galileo and EGNOS. In 2020, the Authority also participated in the Working Group E-GNSS Evolution that supports activities related to the definition of the mission and system requirements for the next generation of the European Navigation Systems; the EU GNSS Interference Task Force which is concerned with interference prevention; and the Search and Rescue (SAR) Expert Working Group which discusses matters concerning the development of SAR/Galileo Services. The MCA also virtually attended meetings of the administrative board of the European GNSS Agency (GSA) and participated in bilateral meetings held with Mr. Rodrigo da Costa, the new Executive Director for the agency.

The MCA continued to contribute and participate in the European Commission's expert group on governmental satellite communications (GovSatCom), concerning the feasibility for setting up a European satellite communications network to address governmental communication needs.



As the entity representing Government in the International Telecommunication Union (ITU), the MCA has also reviewed and commented to notifications and requests submitted by other administrations for the use of radio spectrum and satellite orbits by networks providing satellite related services. In undertaking this task, the MCA's primary aim was to safeguard locally based networks and services.

In line with ITU procedures adopted at the 2019 World Radiocommunication Conference, the MCA submitted a notification to the ITU to replace its satellite related assets as currently registered in Appendix 30/30A of the ITU Radio Regulations. The details of Malta's proposed network were published in October 2020. The successful outcome of this process is dependent on the frequency coordination procedures which will be undertaken with other administrations.

Furthermore, the MCA is also a member of the Malta Space Taskforce, which was mandated with the development of a National Space Strategy.

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The value of monitoring postal sector trends has become especially relevant over the past year to assess the impact of COVID-19.

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The background features a grid of light blue lines on a dark blue gradient. Scattered across the grid are numerous white and light blue outline icons of envelopes, some of which are slightly larger and more prominent than others. A bright light source in the top-left corner creates a lens flare effect, illuminating the scene.

**POSTAL**

# MARKET OVERVIEW

## Market developments in postal services

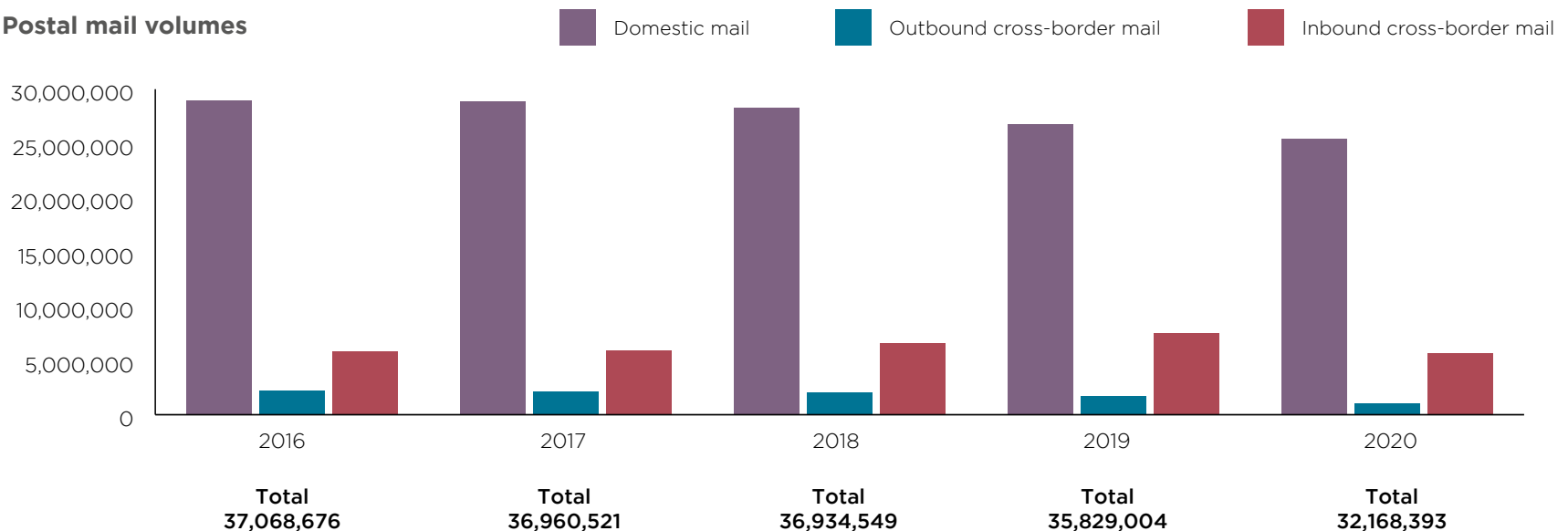
The postal segment reflects the current trend of a growing reliance on digital means, with an overall decline in postal mail volumes, accelerated by the COVID-19 pandemic. As an indication of this trend is the outlier positive rise displayed in parcel mail items for 2020.

Simultaneously, with the rise of COVID-19, the issue of physical connectivity also played a role in 2020, which negatively impacted postal services. Due to this, certain people may have

refrained from online shopping, especially from overseas. 2020 has also seen the encouraging rise in local eCommerce, resulting in the introduction of a number of local express mailers.

Even so, the threat of downward pressures on traditional postal mail services remains. Quarterly developments for the year under review, particularly from the second quarter onwards, clearly outline this trend. As a matter of fact, year-on-year mail volumes were down by 10.2%. When it comes to postal mail volumes within the scope of the universal service, a year-on-year comparison shows that single-piece letter mail, registered mail and bulk mail volumes all decreased. The number of single piece letter mail delivered in 2020 decreased by almost 23% compared to 2019, whilst registered mail was down by 4.7% and bulk mail followed by a 3.5% reduction. Conversely, parcel mail items were up by 21.4%. The developments are consistent with the postal

Postal mail volumes



sector's continued adaptation to the opportunities presented by digital developments, alongside a greater reliance on online transactions.

Furthermore, mail volumes outside the scope of the universal service saw a decline, as bigger sized parcel mail items volumes saw a shift upwards.

### Mail volumes

Year-on-year, mail volumes were down by 10.2%, from 35.8 million mail items in 2019 to 32.2 million mail items in 2020. Similar to previous years, the traditional mail segments saw the biggest declines, primarily in the case of bulk letter mail and standard single-piece letter mail.

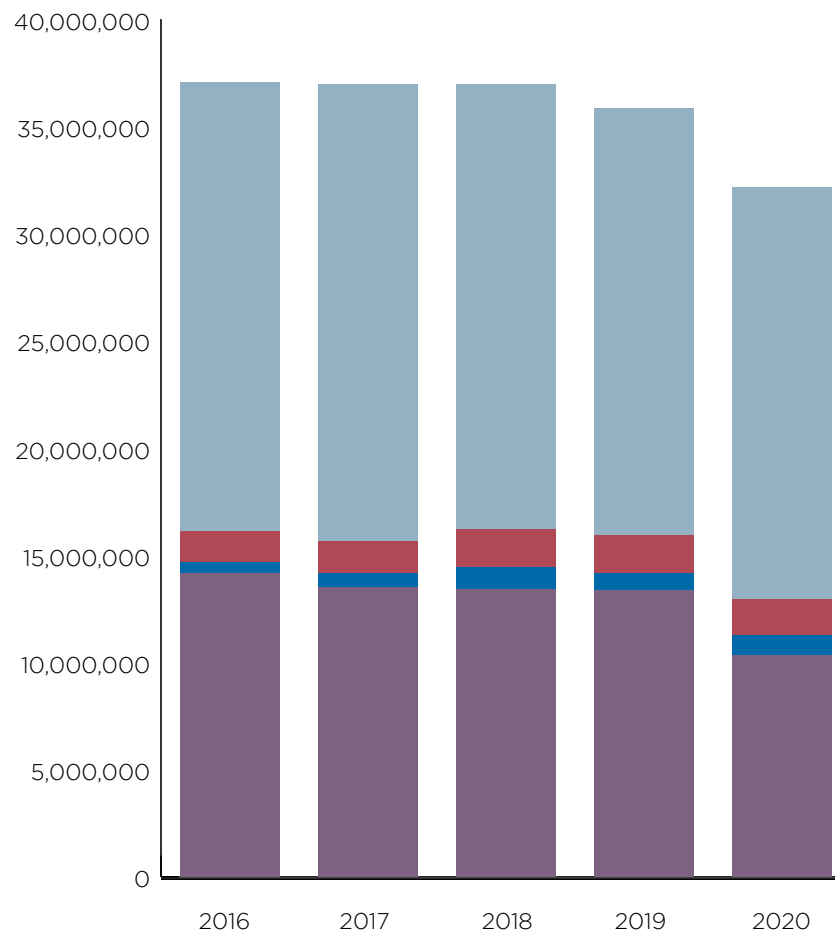
Volumes for domestic mail, inbound cross-border mail and outbound cross-border mail were down by 5.0%, 23.9% and 38.1%, respectively.

### Developments by type of postal activity...

Postal mail activity includes the two segments of standard mail and express mail. In 2020, the former accounted for 95.0% of all mail volumes, whereas the latter accounted for the remaining 5.0%. In absolute terms, standard postal mail items totalled to 30.6 million by the end of 2020, down by 3.6 million year-on-year, whilst 1.6 million mail items were delivered as an express service, having declined marginally from 2019.

In 2020, single-piece letter mail volumes declined by 23.7%, whereas registered mail volumes were down by 4.7% and bulk mail volumes followed, by a 3.5% decline. On the other hand, parcel mail volumes were up by 21.4%, likely due to a surge of online purchases.

### Postal mail volumes



# REGULATION

In the face of evolving postal dynamics experienced worldwide, the MCA's priorities in regulating the postal sector remain to ensure a sustainable, high quality, and affordable universal postal service, and to promote fair market conditions conducive to healthy competition between postal service providers. This ultimately results in postal services users deriving maximum benefits in terms of choice, price and quality.

While quality of service remains of utmost importance, maintaining feasibility of postal services poses equal urgency. Throughout 2020, the Authority remained committed to exploring regulatory measures for long-term structural development, by safeguarding the universal postal service while also facilitating the expansion in postal operations by market players.

## The Postal Market Trend

On the one hand, COVID-19 continued to amplify the persistent decline in traditional letter mail volumes, yet on the other hand, this has been partially counterbalanced by the significant growth in the parcel mail sector which was amplified by the increased eCommerce activity witnessed in 2020. The Authority is endeavoured to continue monitoring ongoing developments and challenges affecting the postal sector in its efforts to ensure a sustainable future for the provision of the postal services, particularly with regards to the universal postal service.

## Monitoring and Publishing Market Trends

The Authority regularly collects and publishes market information directly from postal service providers. This activity is supplemented by public and business perception surveys which are carried out periodically. In the last quarter of 2020, the Authority commenced a new round of household and business perception surveys of the postal sector. Field work and dissemination of survey findings will take place in 2021. The results of these surveys act as a valuable indicator as to how postal users' needs, including both businesses' and consumers', are evolving over time, and whether the postal sector performance is matching up to these needs. The results also serve as an additional source of information for the MCA when formulating regulatory decisions.

The Authority also publishes quarterly reports on key developments and indicators in the postal sector. These reports analyse quarterly and half-yearly data from service providers involved in the provision of postal services in Malta.

## Sustaining the Postal Sector Throughout COVID-19

The value of monitoring postal sector trends has become especially relevant over the past year to assess the impact of COVID-19. The postal sector - particularly in relation to the universal postal service - faced no shortage of obstacles throughout 2020, not least among these being the acceleration in the electronic substitution of physical mail and the backlogs in the international mail segment including, significantly, with regards to incoming eCommerce. Nevertheless, postal operators displayed a strong commitment towards maintaining stability and quality of service, especially in the provision of vital services to vulnerable people, while also assuring the safety of their workforce. Among the

measures implemented, customers were no longer required to sign for mail that would have normally required a signature – with the customers’ details being logged in instead- and customers who were not able to receive postal items at the door were given appropriate notice for alternative collection methods.

On its part, the Authority maintained an open dialogue with postal operators to help ensure that citizens and businesses remained connected, and were able to adapt as seamlessly as possible to the unusual circumstances. The Authority also maintained close cooperation with several ministries and other governmental bodies, as well as with counterpart European national regulatory authorities through the EU and the European Regulators Group for Postal Services (ERGP). The aim was to facilitate and support policies and decisions to offset the adverse repercussions of the COVID-19 pandemic. It cannot be overlooked however, that the expansion in eCommerce activities also brings with it new avenues for growth. Therefore, while it is ultimately up to the service providers to explore these new opportunities, the Authority also sought to look beyond the challenges posed, and support any policy endeavours conducive to sector expansion and innovation.

## Sustaining the Universal Postal Service

As the designated Universal Service Provider (USP), MaltaPost is responsible to provide a series of universal postal services as defined in the Postal Services Act, which incorporate the

clearance and delivery of letters and packages six days a week, both domestically and internationally.

In this regard, the MCA seeks to ensure that the universal postal service meets the reasonable needs of postal service users. This is accomplished by regulating the specifications of the universal postal service to be provided, and imposing certain obligations on MaltaPost with regards to the quality of service, including, the regularity and reliability of the delivery of mail. Beyond ascertaining that set standard and performance targets are continually met, the Authority also keeps a close watch on the sustainability of the universal postal service.

### Monitoring the Universal Postal Service

The MCA maintains a critical assessment of the financial performance of the universal postal service, the compliance of prices of the universal services with tariff requirements of the Postal Services Act, and other regulatory requirements. This is ensured, amongst others, by evaluating MaltaPost’s audited regulatory (separated) accounts submitted to the Authority on yearly basis.

During 2020, MaltaPost submitted a request to review the tariffs and conditions of the ‘Postal Redirection Service’ provided as a universal service on a nationwide basis. This service allows an addressee to redirect a postal article from the original postal address to the same addressee at a new postal address. Upon receiving the request for the revision of tariffs and other changes to the service terms and conditions, the Authority embarked on a consultation process to assess the changes put forward by MaltaPost.



First-Year Price List	MaltaPost Request	MCA Decision
Individuals/NGOs – Application Fee	Application Fee of €15	n/a
Individuals – Free months	The first 3 months: A flat fee of €15	First 6 months : Free
Individuals – Standard Fee	From the fourth month: € 10.00 /month	Second 6 months: A flat fee of €10
Businesses – Application Fee	Application Fee of €75	n/a
Businesses – Free months	0 months free	0 months free
Businesses – Standard fee	€ 150 for 3 months	€ 10 per month

Following the Authority’s internal analysis and feedback obtained during the consultation period, the Authority published its decision in May 2020. The following table provides an overview of the revision of tariffs regarding the redirection of mail service.

### Quality of Service Performance

As the designated Universal Service Provider (USP), MaltaPost must ensure that its performance remains in line with the Quality of Service standards and performance targets established by law. Consequently, the Authority ensures that the performance targets for the universal postal service are met by MaltaPost. For the financial year 2019 (Oct 18 – Sep 19), the next day delivery performance for bulk letter mail was above the established next day delivery target of 95% while for single piece letter mail the target was not achieved. Subsequently, in August 2020, the Authority issued a decision directing MaltaPost to contribute the

amount of €10,159<sup>1</sup> into the collective compensation scheme for failing to reach the next day delivery QoS target. The amount of compensation has been appealed by MaltaPost.

## Safeguarding Sustainable Competition

While overseeing the availability of the universal postal service, the Authority also coordinates its efforts to safeguard sustainable competition within the postal sector, implementing appropriate regulatory intervention where necessary. In encouraging a healthy competitive environment, the MCA monitors postal operators to ensure that they are providing transparent and quality services to all users.

<sup>1</sup> <https://www.mca.org.mt/sites/default/files/pageattachments/PR%20-%20MCA%20Fine%20for%20MaltaPost%20%281%29.pdf>

### Managing the Postal Compliance Framework

During 2020, the Authority continued to monitor compliance with the essential requirements for operating or providing postal services, both for licensed operators providing services within the scope of the universal postal service, as well as operators subject to a general authorisation for services falling outside this scope.

By requiring postal service providers to comply by a set of standards, the Authority is able to ensure that operators uphold the integrity and security of mail, safeguard functional complaints-handling procedures, abide by quality of service standards, and encourage consumer confidence in the market.

In 2020 the number of authorised undertakings providing postal services amounted to 27 two of which are licensed to provide services within the scope of the universal postal service. Two new operators started to offer domestic parcel delivery services outside the scope of the universal postal service. The full list of registered undertakings is published on the Authority's website.<sup>2</sup>

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2 [https://www.mca.org.mt/sites/default/files/pageattachments/2021.02.11%20Register%20-%20Postal.pdf#overlay-context=regulatory/authorisations\\_licensing/postal](https://www.mca.org.mt/sites/default/files/pageattachments/2021.02.11%20Register%20-%20Postal.pdf#overlay-context=regulatory/authorisations_licensing/postal)

### Implementing the EU Cross-border parcel Regulation

The Regulation on Cross-border Parcel Delivery Services (Regulation (EU) 2018/644) entered into force in April 2018. The regulation aims to improve price transparency through clearer pricing information for parcel delivery, and enhance regulatory oversight of the providers. Subsequently, the European Commission publishes these tariffs on a dedicated website to allow European citizens to conveniently compare parcel delivery costs. In time, this is expected to promote greater adoption of eCommerce among European consumers and retailers by discouraging certain high prices and inconveniences.

The Authority is responsible for implementing the Regulation and delivering the required analysis as deemed by the Regulation. The Authority so far delivered two studies on the cross-border tariffs review which are accessible in the European Commission portal<sup>3</sup>.

In 2021, the European Commission is expected to submit to the European Parliament, the Council and the European Economic and Social Committee an evaluation report on the application and the implementation of the Cross-border parcel Regulation. Amongst other things, the European Commission shall evaluate the extent to which cross-border parcel delivery services have improved as a result of the Regulation, including in relation to the affordability of such services for SMEs and individuals, and the level of transparency of cross-border tariffs.

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3 [https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/assessment-cross-border-single-piece-parcel-tariffs\\_en](https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/assessment-cross-border-single-piece-parcel-tariffs_en)

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In light of the events of 2020, the MCA naturally placed a renewed emphasis on strengthening online skills and supporting local businesses in their digital journeys.

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# ECOMMERCE AND DIGITAL SERVICES REGULATION



With the restrictions to physical business transactions experienced as a result of the COVID-19 pandemic, it has become increasingly difficult to deny the merits - or more so, the necessity - of having an online presence. While normal business procedures will surely resume in due time, it is clear that the future lies in the digital world. Having an online presence opens up immeasurable prospects for growth and greater choice for consumers at their fingertips. With this in mind, businesses individuals and consumers alike need to sharpen their digital skills to be able to adeptly navigate this new environment.

In facilitating the growth of eCommerce in Malta and contributing towards the greater development of a digital economy and society, the MCA worked on a number of initiatives over the past year, involving a mix of regulatory oversight, consumer awareness, and support to the business community in acquiring the necessary skills to operate online.

Maintaining an effective approach for vigilantly monitoring the quality and reliability of services by Information Society Service Providers (ISSPs) is essential, including efforts to gather and provide relevant information to consumers and sector players. Moreover, as part of the vision of creating a fully inclusive digital society, targeting web accessibility also remains a priority for the Authority.

On a larger scale, contributing to policy development will remain key to sustainable digital progress, not least through ongoing discussions surrounding the Digital Services Act Package - the first draft of which was published in December 2020. This legislation will mark a milestone in addressing the evolving challenges and opportunities surrounding the digital space, in the process fostering a harmonised single market.

## Re-evaluating the MCA's eCommerce Strategy

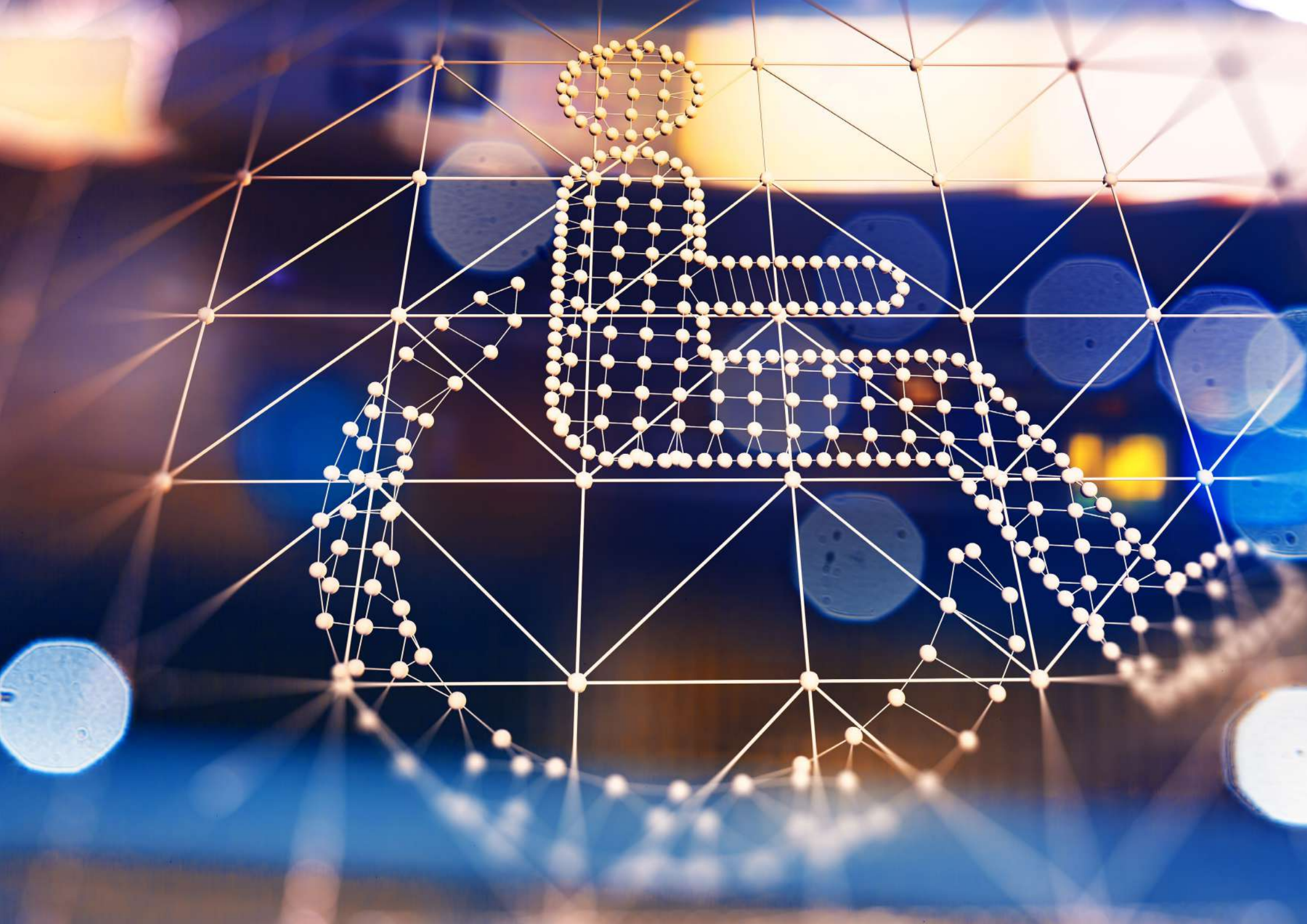
In line with its mandate under the eCommerce Act, towards the end of 2020, the MCA initiated the process leading to the formulation of a new eCommerce strategy, following the expiration of the National eCommerce Strategy 2014 - 2020. The new strategy - due for publication in 2021 - will take into consideration the recent rapid developments in eCommerce, while outlining the framework for the development of local eCommerce in the coming years and exploring what policy measures could further promote the uptake of eCommerce amongst local businesses and consumers. Apart from evaluating local eCommerce practices, the strategy will also explore how incoming eCommerce activity can further evolve to the benefit of Maltese businesses and consumers.

As part of this process, the Authority embarked on a number of intelligence-gathering activities to gain insights and better understand local market developments that are shaping the local market scenario, both from a demand, as well as, from a supply perspective. To this end, the MCA commenced a market research exercise to analyse the degree of penetration of digitalisation across Malta and Gozo, taking into account the level of use of digital technology, with a special focus on eCommerce. Other factors being taken into consideration include changing buying behaviours, perceptions and trends, especially in the wake of the COVID-19 pandemic, which has accelerated digital transformation across the globe.

## Promoting Digital Skills

In light of the events of 2020, the MCA naturally placed a renewed emphasis on strengthening online skills and supporting local businesses in their digital journeys. In April 2020, the MCA signed a Memorandum of Understanding (MoU) with the eSkills Malta Foundation, with the aim of solidifying the excellent relationship between the two entities and further advancing the common interest of expanding the general population's knowledge with regards to IT skills, digital platforms and eCommerce. As part of the mutual effort between the two entities to assist business individuals, micro enterprises and SMEs in tapping into the benefits of the digital world, in May, the MCA and eSkills collaboratively launched the 2020 intake of the eBiznify programme.

First launched in 2018 and accredited by the National Commission for Further and Higher Education (NCFHE), the ESF-funded eBiznify programme involves a series of carefully-selected modules delivered through a customised eLearning platform with several functionalities including online guided tutorials, virtual assistance, online self-assessment and intelligent document handling. While comprising of a 100-hours' worth of learning material, it offers participants the flexibility to learn at their own pace, allowing them to access content and any recorded material at any time or place. Participants also have exclusive access to an online library with educational literature related to digital business, soft skills and other related subjects. On successful completion of the programme, participants are then awarded credits at MQF Level 4 in digital business.



Since the programme's launch, the MCA has received excellent feedback from participants who have been able to successfully apply their newfound digital knowledge into practice. Going forward, the collaboration with the eSkills Foundation will now further contribute to eBiznify's growth and continue success.

## Website Accessibility Directive – Monitoring & Awareness

The Web Accessibility Directive (WAD) - Directive (EU) 2016/2102 - was established to provide people with disabilities with better access to public sector websites and mobile apps. It aims to unify the standards for web accessibility across all EU member states, by setting minimum requirements for compliance, monitoring, reporting and evaluation across Europe, and in the process reinforcing the commitment towards greater accessibility moving forward. All in all, the WAD aspires for a social and inclusive European Union, wherein all citizens can fully and actively participate in today's increasingly digital economy and society.

Following the WAD's transposition into Maltese law in 2018 in the form of the Accessibility of the Websites and Mobile Applications of Public Sector Bodies Regulations (S.L. 418.03 of the Laws of Malta) ('the Regulations'), public sector entities in Malta are now required to ensure their websites and apps are accessible to everyone irrespective of their disabilities. Consequently, in 2019 the MCA was designated to act as the national supervisory authority for the WAD, responsible for enforcing the Directive and regularly monitoring public sector

websites to ensure that they conform to the requirements of the aforesaid Regulations.

In line with these regulations, public service digital platforms are required to be perceivable, operable, and usable by persons with disabilities, and they must be robust enough to work on different browsers and different assistive technologies. In 2020, the MCA started to proactively monitor public sector websites on a continuous basis to confirm adherence to the accessibility standards and pinpoint areas of improvement. These website assessments complement the MCA's enforcement practice of the WAD initiated in 2019, in relation to complaints received from the general public. As part of this proactive process, the MCA also assists public sector entities to close any identified gaps by providing them with reports that can be referred to, to rectify said gaps.

Two types of website monitoring assessments are undertaken, referred to as 'Simplified Monitoring' and 'In-Depth Monitoring'. 'Simplified Monitoring' covers the basic website accessibility requirements and is carried out mostly in an automated manner by the MCA, while 'in-Depth Monitoring' involves a substantially more thorough monitoring process and is carried out in a manual manner by technical personnel as opposed to automated means. In 2020, the Authority carried out 86 simplified assessments and 14 in-depth assessments, in line with the requirements set by the WAD. Since the start of this assessment process, the MCA has observed a considerable improvement in the assessed public sector websites, as they proactively rectified any major issues that were identified. Moreover, all Government entities are now considering web accessibility as a priority.



As part of the efforts to ensure compliance with the WAD, throughout 2020 the MCA continued to work with the Commission for the Rights of Persons with Disability (CRPD) and the Foundation for Information Technology Accessibility (FITA).

Simultaneously, the MCA remains focused on raising awareness on the accessibility requirements, as well as on the necessity of accessibility features in helping persons with disability access the digital world, and other benefits offered to users and owners of websites and mobile apps which satisfy these requirements.

## Maintaining Regulatory Oversight over ISSPs

The MCA maintains regulatory oversight on the activities of the local Internet Solution & Service Providers (ISSPs) so as to ensure that locally established websites continue to satisfy the necessary requirements as listed in the Electronic Commerce Act. This is mainly pertaining to the need for local ISSPs to clearly display information relating to consumer redress, while keeping consumers themselves well-aware on their respective rights and the potential red flags when it comes to online shopping.

As the focus on eCommerce intensified throughout 2020, the MCA continued to keep service providers informed regarding

the requirements for the take-up and pursuit of eCommerce services, while assessing the adoption of eCommerce by local businesses and consumers through surveys – the findings of which are to be published in 2021.

Furthermore, the MCA also maintained active participation in local and international fora on topics relating to the uptake of eCommerce amongst local businesses.

## Encouraging Innovative Trust Services

The MCA is responsible for supervising qualified trust service providers and granting the qualified status to trust services providers and the services they offer, in line with the EU Regulation 910/2014 on electronic identification and trust services for electronic transactions in the internal market, also known as the eIDAS Regulation. In this respect, in 2020 the MCA continued to supervise qualified trust service providers to ensure compliance with the eIDAS Regulation. Furthermore, the Authority also worked on developing the eIDAS regime so as to further facilitate any type of electronic transactions between citizens, companies and the government.

In its efforts to encourage the deployment and use of innovative trust services in Malta, in 2020 the MCA consulted - on behalf of Government - on the regulations pertaining to the use of

remote identification procedures by qualified trust service providers which are mainly used to identify their customers using online rather than physical, in-person methods. The proposed regulations were devised to ensure that the remote identification procedures in place are duly certified by a conformity assessment body (CAB) as being in compliance with the safeguards provided for in said proposed regulations. Apart from contributing to the uptake of eCommerce and the general trust of the public and business in information systems, the proposed regulations were put forward in light of several requests received by the MCA from potential foreign qualified trust service providers expressing an interest in establishing their business in Malta. Therefore, the MCA felt the importance of establishing a solid regulatory regime with the correct safeguards in place to factor in remote identification procedures.



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A vital component of safeguarding consumer interests within the electronic communications, postal, and eCommerce sectors, lies in providing assistance to any who encounter difficulties while utilising these services.

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# CONSUMER PROTECTION

The MCA structures its many regulatory activities in a way meant to foster an environment where consumers and businesses alike can benefit from a wide range of products and services of high quality and affordable prices, with the ideal market conditions in place for unwavering investment and innovation.

With this being said, while promoting new technological solutions and market competition, these regulatory efforts must be equally matched with initiatives to safeguard consumer interests through complaints handling, compliance monitoring, as well as awareness-raising activities. In 2020, the MCA therefore maintained a strong focus on empowering consumers and assisting them wherever necessary, to allow them to make better, informed choices in the use of electronic communications and postal services.

## Consumer Support

A vital component of safeguarding consumer interests within the electronic communications, postal, and eCommerce sectors, lies in providing assistance to any who encounter difficulties while utilising these services. In this regard, the MCA operates a complaints and enquiries handling service to provide direct support to consumers. Apart from complaints, the Authority also receives several enquiries from consumers in relation to the services under its remit.

The complaint-handling procedure itself is quite complex in nature as end-users can only seek MCA intervention once

they have already lodged a formal complaint with their service provider, should they still find themselves unsatisfied with the redress or response received.

Consequently, as part of the commitment to provide relevant and up-to-date information, the MCA publishes an 'End-User Report' on a half-yearly basis analysing the complaints and enquiries received by the Authority, as well as highlighting any enforcement actions or related monitoring activities undertaken during the reporting periods.

Throughout 2020, the MCA received a total of 179 complaints, and handled 543 requests for information. With regards to complaints pertaining to electronic communication services, the main issues concerned quality of service, namely in relation to faults, customer care, internet speed, and mobile reception. Other complaints lodged with the Authority were related to billing issues and termination or switching of services.

Furthermore, during 2020 the MCA did not receive any complaints related to eCommerce services. The Authority did however register 57 complaints concerning postal services, with a substantial increase registered in the last six months of 2020 when compared to the first half of the year. The postal complaints received related namely to customer care, undelivered mail, delayed delivery, mis-delivered mail, registered mail, and compensation.

As regards to what action the MCA can take in relation to a complaint, this varies depending on the issue involved, and the MCA's powers at law. In cases of consumer protection, the MCA's role is limited to regulatory intervention. Legally, the

MCA cannot regulate unfair commercial practices or the use of unfair contract terms undertaken in the communications sector as under Maltese legislation, these areas are exclusively regulated by the Director General (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority. Therefore, although a received complaint may relate to the provision of a service regulated by the MCA, the MCA may still not be legally able to intervene and would therefore have to refer consumers to other competent entities.


## Monitoring Service Delivery

Engendering a culture of compliance amongst service providers is essential in fostering credibility and trust within the respective industries it regulates. The MCA continually monitors local operators' activities with regards to the products and services they offer, ensuring they always abide by obligations reflected in local legislation and MCA decisions, particularly in relation to transparency of information, contract termination or modification, and quality of service.

The MCA is able to monitor product/service delivery and customer satisfaction through a variety of means, including surveys, data provided by service providers, and daily monitoring of complaints and posts published on social media. These platforms are also able to serve as an indicator on how consumers' preferences, behaviours and perceptions of electronic communications services are changing over time. Ongoing analysis of such metrics and relative trends, aid in the MCA's compliance monitoring function, particularly

when a sudden shift in trends is identified. Consequently, upon identifying an issue or area of concern, the MCA then takes whatever regulatory action is necessary – always depending on the capabilities granted to the Authority by law.

Furthermore, the MCA's Consumer team carries out various mystery shopping exercises to identify these areas of concern. Within its aforementioned bi-annual 'End-User Reports', the MCA also publishes the results of its mystery shopping exercises conducted throughout the year, measuring the time taken for a telephone call to be answered by a customer care agent of the main communications service providers. These test calls are terminated after a lapse of 5 minutes if no customer care agent attends to the call. Throughout 2020, the MCA made 833 test calls to Electronic Communications Service Providers throughout different times of the day. Slight improvements were noted over the year, with the average response time improving from 127 seconds in the first half of 2020, to 113 seconds for the second half. In the July-December 2020 period, 81% of calls were also answered within five minutes, when compared to 77% in the first half of 2020. It is worth noting that the response time was substantially higher than that registered in 2019, most likely due to the unprecedented increase in demand for services triggered by the COVID-19 pandemic which unsurprisingly left its impact on the customer care support channels of communication providers.



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Furthermore, throughout 2020 the MCA also carried out a total of 806 test calls to the Postal Universal Service Provider (MaltaPost), positively noting a significant improvement in customer service. In fact, across July-December 2020, 53% of the test calls were answered within 5 minutes, compared to only 10% of calls in the first half of 2020.

## Awareness-Raising Activities

Information is key for consumers when it comes to decision-making. Yet as new products, services, and bundles are continually introduced, it becomes increasingly overwhelming and challenging for consumers to navigate the market and confidently choose between the different services available. Therefore, given the emphasis on consumer empowerment, the MCA partakes in information awareness initiatives across several communication channels to inform consumers with relevant, up-to-date information, educate them on their rights and obligations, and discuss topics of interest. The Authority also strategically employs a mix of other tools to enhance this information resource, ranging from urging greater clarity in operators' description of products and conditions, to comparative price and quality of service data, to effective fixed and mobile broadband measurement and reporting mechanisms.

As part of these awareness-raising activities, the MCA regularly participates in different TV and radio programmes to discuss matters which fall under its remit, of interest to consumers. In

2020, the consumer protection team participated in 16 TV and radio programmes, discussing a variety of topics including consumer redress, postal service provision, wider market trends, as well as advice to telecoms consumers especially in light of the COVID-19 pandemic. The Authority also posts regular updates and useful advice on its website and social media platforms, in an effort to reach as wide of an audience as possible.

In 2020 the MCA also worked on implementing changes to its online price-comparison tool – Telecosts – in preparation for the launch of the enhanced platform in 2021. This new platform will allow consumers to conveniently compare the different prices and features of fixed line, mobile, and pay-TV services. In order to ensure information accuracy, it will be regularly updated by the MCA to reflect any changes in service offerings. Telecosts is therefore expected to be an invaluable tool to consumers in determining which service offering best caters to their specific needs. In addition to these initiatives, throughout 2020, the MCA continued to develop and update its consumer guides through its published FAQs, made available through its website.



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Only when countries are working together and contributing their expertise towards a common goal, can harmonisation and optimal progress be achieved across the board.

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**EU AND  
INTERNATIONAL  
ENGAGEMENT**

In today's fast-moving reality, communications and digital infrastructures rely heavily on international cooperation to thrive and continually stimulate innovation and sustainable competition. Only when countries are working together and contributing their expertise towards a common goal, can harmonisation and optimal progress be achieved across the board.

On its part, the MCA actively participates within organisations both at a European and international level, whether in relation to the drafting of new policies and technical solutions, or the sharing of regulatory input, best practices and industry knowledge. The Authority's work in this regard is undertaken in the fulfilment of its different roles - as a national regulatory Authority, an advisor to the Government or, when designated to do so, acting on behalf of the Government. Fortunately, despite the travel limitations imposed as a result of the COVID-19 pandemic, the MCA was able to successfully maintain its active engagement at the international level through virtual means.

Decisions made on the international level have a resounding impact on local markets that are regulated by the MCA within a framework of international and EU rules. Therefore, while contributing to the broader sectoral policy development in Malta, the need for international involvement is also essential to ensure that any future policies and regulation are structured in a way that take into account the local circumstances and contribute to Malta's progress in the digital economy and society. The international policy function of the Authority is set to continue evolving in line with modern interrelated developments. New emerging policy areas, such as the new rules

on digital services and digital markets as well as the European Green Deal, fall beyond the traditional policy mainstays of the Authority. Nevertheless, these parallel policy domains demand input from a communications perspective due to their far-reaching impact and the complementary technical expertise developed by telecom regulators.

Taking all this into consideration, the MCA is committed to devoting more and more resources to its participation within these international bodies and fora, as it strives to do its part in shaping a regulatory landscape fit for a digital society.

## **ELECTRONIC COMMUNICATIONS**

### **Involvement within BEREC**

The Body of European Regulators for Electronic Communications (BEREC) consistently strives towards the development of independent, high-quality and harmonised regulation of telecoms and digital markets across the EU. It aims to foster regulatory consistency by assisting the European Commission and National Regulatory Authorities (NRAs), such as the MCA, in implementing the EU regulations on electronic communications by establishing common positions and statements of best practice. Indeed, BEREC is progressively occupying a key advisory role to the European Commission, Parliament and Council with regards to digital dossiers.

**THE MCA IS COMMITTED TO DEVOTING MORE AND MORE RESOURCES TO ITS PARTICIPATION WITHIN THESE INTERNATIONAL BODIES AND FORA, AS IT STRIVES TO DO ITS PART IN SHAPING A REGULATORY LANDSCAPE FIT FOR A DIGITAL SOCIETY.**



The MCA is an active member within BEREC, with several staff members regularly participating in high-level meetings and contributing to the work of the expert working groups, including taking the leading role in drafting several documents. The Contact Network meeting and plenary sessions are held four times a year in the members' countries – for 2020 these were conducted virtually. The MCA's commitment to international involvement was acknowledged and re-affirmed during the 44<sup>th</sup> BEREC Plenary meeting in October 2020, with the unanimous election of the MCA's CEO as BEREC Vice-Chair for 2021, marking the first time since the set-up of BEREC that the MCA would be forming part of body's leadership team. In this capacity, the MCA's CEO will support the BEREC Chair and work in tandem with other elected Vice-Chairs in directing BEREC's work in ensuring the implementation of key deliverables as established under BEREC's 2021 Work Programme, and partaking in official interactions with EU institutions and other stakeholders. Furthermore, in 2020 two MCA representatives were also nominated and selected as Co-Chairs of the two separate workgroups – the BEREC Expert Group on 'Planning and Future Trends' and the BEREC Expert Networking Group on 'Communications'.

Some of the work carried out throughout the year concerned topics such as the revised guidelines on the application of the open internet access regulations, 5G deployment and its impact on regulation, guidelines on new Very High-Capacity Networks, inputs to the European Commission's public consultations on the Digital Services Act package and the New Competition Tool (NCT), and the ongoing implementation of the European Electronic Communications Code (EECC).

Other deliverables throughout the year included the BEREC Guidelines on intra-EU communications, BEREC Guidelines on Public Warning Systems, as well as an update of the BEREC Net Neutrality Guidelines. BEREC also adopted the 5G radar, which is a tool for identifying developments in the 5G ecosystem that may need regulatory attention. The 5G radar will show the most important regulatory aspects for BEREC and NRAs and will allow regulators to prioritise those developments in a timely manner.

## Other EU and International Fora

- **The Independent Regulators Group (IRG)** promotes regulatory consistency and excellence in the implementation of telecommunications legislation, alongside BEREC. The MCA maintained active participation and cooperation within the IRG, attending its General Assemblies throughout the year.
- **The Radio Spectrum Policy Group (RSPG)** is a high-level advisory group which adopts opinions, position papers, and reports to deliver high-level strategic advice on radio spectrum policies to the European Commission. It includes the participation of representatives from both the regulatory authorities and responsible ministries for radio spectrum related matters in each Member State. The group undergoes extensive forward-looking consultations on a variety of technological, market and regulatory developments relating to the use of radio spectrum in the context of relevant EU policies. Apart from attending the plenary meetings of the group, the MCA virtually participated in a number of

RSPG working groups, including its 'Good Office' working group which investigates co-ordination issues and harmful interference between European Member States, and proposes appropriate solutions.

- **The Communications Committee (COCOM)** assists the European Commission in carrying out its executive powers under the regulatory framework for electronic communications.
- **The Radio Spectrum Committee (RSCOM)** is responsible for the development of implementing decisions with respect to technical measures that ensure harmonised conditions across Europe for the availability and efficient use of radio spectrum.
- **The European Union Agency for Cybersecurity (ENISA)** actively contributes to European cybersecurity policy through knowledge sharing, capacity building and awareness raising. MCA participation within the Agency, in relation to cybersecurity and network security regulation, was increasingly pertinent in 2020 as COVID-19 brought to the forefront the need for robust digital security.
- **The International Telecommunication Union (ITU)** has an established history of facilitating international connectivity through communications networks. The MCA maintained its participation with regards to preparation for the ITU World Radiocommunication Conferences.

## European Telecoms Initiatives

The MCA continued to commit to several European-wide initiatives in relation to:

- The harmonisation of additional spectrum for wireless broadband services and the coordination of timing of assignments;
- The European Connectivity Toolbox
- The European Commission's vision and policy actions to turn Europe into a Gigabit Society by 2025;
- The European Commission's 5G Action plan in relation to the development and introduction of 5G wireless technologies in the EU;
- The European Commission consultations on a Digital Services Act package and New Competition Tool;
- EU-wide information gathering exercises regarding the performance of electronic communications infrastructure during the initial months of the COVID-19 pandemic;
- The ongoing submission of accurate statistics and information to the European Commission and other organisations; and
- The annual European Commission Monitoring Mission, through which the Commission discusses developments in the electronic communications sector and the implementation of European legislation in Malta with the MCA, the competent ministries and the industry players, separately. The Authority views this interaction with the Commission as a way to assert its achievement and that of the sector during the past year. The meeting for 2020 was held virtually in December.



## POSTAL

### Involvement within the ERGP

The European Regulators Group for Postal Services (ERGP) is an advisory group to the European Commission composed of the independent NRAs of the EU member states. It is responsible for advising and assisting the Commission in consolidating the internal market for postal services and ensuring the consistent application of the European regulatory framework for postal services, by facilitating consultation and cooperation between the NRAs.

During 2020, the MCA maintained a dynamic involvement within the ERGP, with several of the Authority's officials remotely participating within various working groups and high-level meetings, including the Contact Network and Plenary meetings. The topics addressed throughout the year involved discussions on quality of service, consumer protection and complaints handling, interconnection models and access to international postal networks, cross-border parcel delivery services, as well as the European Commission's forthcoming proposal concerning the review of the Postal Services Directive. Given that the COVID-19 pandemic drastically impacted postal and other delivery services, in particular on a cross-border level, the European Commission and national regulatory authorities within ERGP worked closely to monitor the evolving situation and the impact of the pandemic on the sector.

## Other EU and International Fora

The MCA maintained participation within several other EU and international fora, giving input to numerous formative discussions and developments in the postal sector. These included:

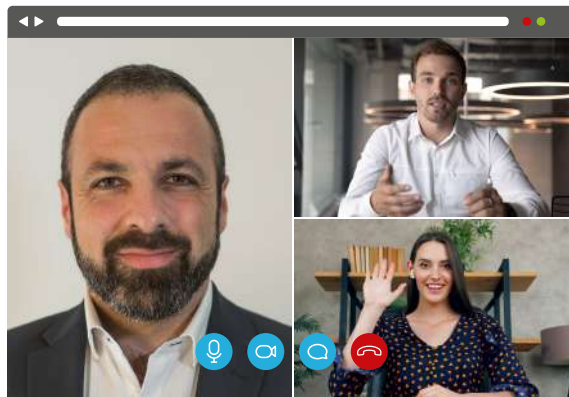
- **The Universal Postal Union (UPU)** is a specialised agency of the United Nations which aims to secure the organisation and improvement of global postal services. During 2020, the MCA followed up on the outcome of the 2019 UPU Extraordinary congress which revised the remuneration of the delivery of inbound international bulky letters and small packets (referred to as terminal dues). This development points increasingly towards cost-orientation as the basis for settlement of postal terminal dues. Due to the COVID-19 pandemic, 27th UPU Congress scheduled to be held during August 2021, is now planned to be held in 2021. Similar to the ERGP, the countries and postal operators within the UPU also continuously monitored and coordinated efforts towards reducing the negative impacts of the pandemic on the postal sector.
- **The European Committee for Postal Regulation (CERP)** brings together 45 European countries to discuss postal regulation and coordinates European preparations and positions for Universal Postal Union meetings.
- **The European Commission's Postal Directive Committee (PDC)** consists of representatives from EU countries' national ministries and serves as a scrutiny body for the application of postal legislation and for the improvement of quality of service, namely with regards to the establishment of quality standards for intra-EU cross-border services.
- **The European Conference of Postal and Telecommunications Administrations (CEPT)** comprises policy makers and regulators from 48 countries across Europe who collaborate on postal, telecommunication, and radio spectrum regulations, to foster harmonised and efficient markets.



# MCA'S INTERNATIONAL ACTIVITY IN 2020

Despite much activity shifting online, in 2020 the MCA continued to uphold its active international presence within several international bodies and fora, in an effort to continue shaping the electronic communications and postal regulatory landscapes.

<b>BEREC</b>	Body of European Regulators for Electronic Communications	<b>EWG</b>	Expert Working Group
<b>ECC</b>	Electronic Communications Committee	<b>GNSS</b>	Global Navigation Satellite System
<b>ENG</b>	Expert Networking Group	<b>RSPG</b>	Radio Spectrum Policy Group
		<b>WG NaN</b>	Working Group Numbering and Networks



## January

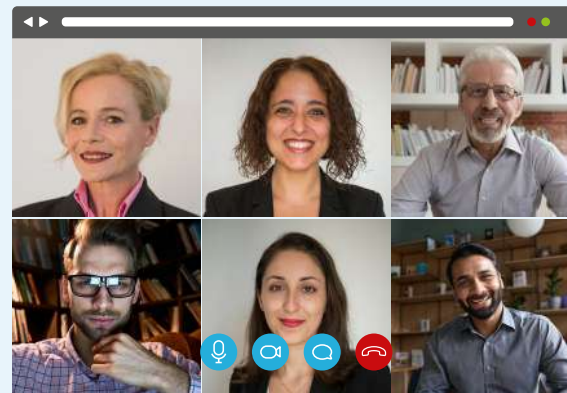
- BEREC Regulatory Framework Expert Working Group Numbering meeting
- BEREC Wireless Network Evolution Working Group Meeting
- Radio Spectrum Policy Group (RSPG) 'Good Offices' Working Group meeting
- European 5G Conference 2020

## February

- IRG-BEREC Contact Network Meeting
- BEREC's Expert Working Group on the Open Internet
- Net Neutrality Expert Working Group & NIS Workshop on 5G Cybersecurity hosted by ENISA

## March

- 42nd BEREC Plenary Meeting
- 70th Meeting of the Radio Spectrum Committee

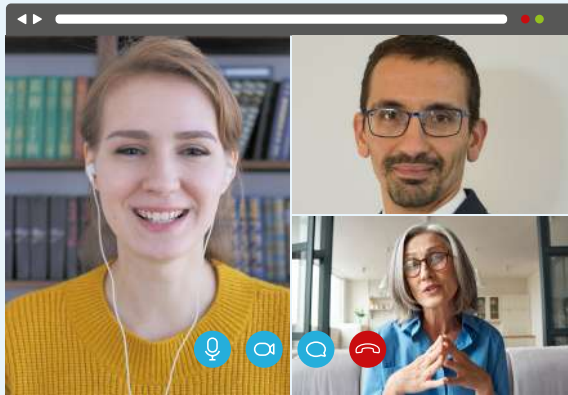


## April

- BEREC's Open Internet Expert Working Group

## May

- 20th Electronic Communications Committee Working Group Numbering and Networks (WG NaN) Meeting
- European Global Navigation Satellite System (GNSS) Programmes Committee Meeting
- Expert Group on Emergency Communications (EG112) Meeting
- RSPG Sub Group for Radio Frequency Spectrum Sharing
- ERGP 1st Contact Network meeting 2020
- IRG-BEREC Contact Network Meeting
- RSPG Sub-Group on the Radio Spectrum Policy Programme - RSPP
- BEREC International Roaming Full Working Group meeting
- 21st eCommerce Expert Group Meeting
- 20th Numbering and Networks (NaN) Plenary meeting



## June

- High Level Group on Internet Governance meeting (HLIG)
- 96th CEPT Working Group on Frequency Management
- 43<sup>rd</sup> BEREC Plenary
- BEREC Communications Expert Network Group meeting
- Co-Chairs Meeting of all the BEREC Expert Network Group
- 3rd Meeting of the RSPG (RSPG)
- 1<sup>st</sup> Extraordinary BEREC Contact Network Meeting 2020

## July

- ITU Regional Seminar on Spectrum Management and Broadcasting for Europe
- 2<sup>nd</sup> Extraordinary BEREC Contact Network Meeting 2020
- BEREC Extraordinary Plenary

## August

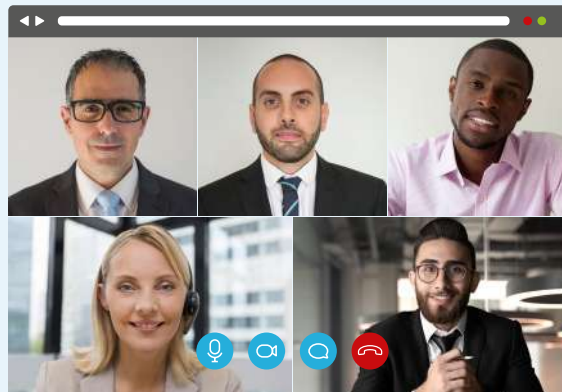
- BEREC Open Internet Working Group

## September

- 3<sup>rd</sup> BEREC Contact Network 2020
- Termination Rates for Fixed & Mobile (Eurates) European Commission
- The 4th meeting of the RSPG
- Prague 5G Security Conference 2020
- European Disability Forum/European Commission Online discussion on the Web Accessibility Directive
- 3<sup>rd</sup> Extraordinary BEREC Contact Network 2020

## October

- BEREC Board of Regulators (BoR) 44th Plenary Meeting
- 44th BEREC Plenary Meetings
- BEREC ENG on Sustainability Workshops and the BEREC chair 2020
- 97th Working Group on Frequency Management
- 5<sup>th</sup> meeting of RSPG



## November

- 6<sup>th</sup> meeting of RSPG
- 4th BEREC Contact Network 2020
- Forum of European Supervisory Authorities Meeting
- 32nd Article 13a Group of Authorities Meeting
- 2nd ERGP Plenary Meeting 2020

## December

- Postal Directive Committee (PDC) meeting
- 45th BEREC Plenary Meetings
- 21st Electronic Communications Committee Working Group Numbering and Networks Meeting
- 7<sup>th</sup> Meeting of the RSPG
- BEREC MEA EWG Meeting

“

In 2020, the MCA made significant investments in its information systems to both sustain the running of its current systems and also to implement new functionalities and further enhance the staff's working environment.

”



# CORPORATE ACTIVITY

THE CONSISTENT HIGH-LEVELS OF PRODUCTIVITY AND PERFORMANCE OBSERVED THROUGHOUT THE YEAR NOT ONLY AFFIRMED THE SUCCESS OF TELEWORKING DYNAMICS WITHIN THE ORGANISATION, BUT ALSO SHOWCASED THE AUTHORITY'S ICT AND LOGISTICAL CAPABILITIES.



The MCA has always strived to be as dynamic as possible and seamlessly adapt to fast-changing environments. The merits of this were evident throughout 2020 as the whole Authority swiftly shifted to a remote working environment in a matter of days due to COVID-19 restrictions. The consistent high-levels of productivity and performance observed throughout the year not only affirmed the success of teleworking dynamics within the organisation, but also showcased the Authority's ICT and logistical capabilities.

In 2020, the MCA made significant investments in its information systems to both sustain the running of its current systems and also to implement new functionalities and further enhance the staff's working environment. Since the MCA staff had to adopt a remote working model, its information systems had to cater for this transition. Whilst most of the MCA's systems were already designed from the ground-up to cater for such arrangements, the MCA also invested further in specific remote-working solutions, including secure VPN clients for all staff members and cloud based collaboration solutions mainly in the form of Microsoft Office365 which was rapidly implemented to all staff. This allowed the MCA to proceed with its planned work programme with virtually no delays.

Being a knowledge-based organisation, it is not only crucial to ensure that the MCA remains adequately staffed and structured, but also to ascertain that employees are equipped with the necessary expertise and up-to-date knowledge to continue optimising performance, hence the importance of ongoing investment in training and continuous learning. In 2020, the MCA recruited 10 new employees, and continued to place great

emphasis on staff training, both in relation to soft and hard skills, in all relevant areas related to the MCA's remit. In 2020, training was structured in a way to enhance staff accomplishments, focusing on the needs and recommendations outlined from the yearly individual performance measurement results. In addition, employees were also enrolled in the continuous development training offered by the Institute for Public Services, whilst in-house training by various departments was also organised on a regular basis.

Staff motivation is also considered as a key element for the MCA's business productivity. The MCA has always endeavoured to create a work environment where employees are given the sufficient support to empower them to do their best work. Furthermore, during 2020, the MCA offices received a face-lift to give more colour and energy to the Authority's common spaces. The MCA's mission statement was also printed out on one of the feature walls.

Furthermore, the MCA continued to offer the On-the-job Learning Programme for students wishing to gain workplace experience. Participating students were given an opportunity to apply their education through practical work assignments and guidance from the overseeing manager. This allowed the students to gain work experience while expanding their knowledge on the MCA's mission and activities, as well as the areas and activities falling under the Authority's remit.





# LEGISLATION & LITIGATION







## LEGISLATION

The following is a list of laws enacted or made during 2020.

### Primary legislation

Whilst no primary legislation relating to the laws administered by the MCA was enacted during 2020, Bill No 179 was published on the 24<sup>th</sup> November 2020. This Bill proposes amendments to two laws namely the Malta Communications Authority Act (Chapter 418) and the Electronic Commerce Act (Chapter 426). The main purpose of the Bill is to implement certain enforcement measures required under the Regulation (EU) 2017/2394 of the European Parliament and of the Council of 12 December 2017 in so far as these relate to the various laws administered by the MCA. The Bill also envisages amendments relating to the role of the Chief Executive Officer of the MCA and some changes to Chapter 426 in line with applicable EU norms as provided for in Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 (Directive on electronic commerce).

## Subsidiary legislation

Legal Notices published in 2020:

- L.N. 4 of 2020 – Registration of Subscriber Identity Modules (SIMs) used for Publicly Available Electronic Communications Services Regulations, 2020. This L.N. regulates the purchase of SIMs acquired by legitimate means in Malta.
- L.N. 5 of 2020 – Application of the proviso to article 3(2)(b) of the Small Business Act (Exemption) Order, 2020. This L.N. exempts L.N. 4 of 2020 from the application of article 3(2) of the Small Business Act giving the reasons therefor.
- L.N. 7 of 2020 – Fees leviable by Government Departments (Amendment) Regulations, 2020. The levy of fees relating to amateur radio licences was removed from this law and instead factored in the Radiocommunications (Amateur Station Licence) Regulations.
- L.N. 8 of 2020 – Radiocommunications (Amateur Station Licence) Regulations, 2020. This L.N. established the framework for regulating the amateur radio service.
- L.N. 150 of 2020 – General Authorisations (Radiocommunications Apparatus) (Amendment) Regulations, 2020. This L.N. implements various EU Commission Implementing Decisions with regards to making available EU harmonised radio spectrum for radiocommunications apparatus.
- L.N. 151 of 2020 – Electronic Communications Networks and Services (General) (Amendment) Regulations, 2020. This L.N. provides for the inclusion of a new regulation relating to the interoperability of car radio receivers in accordance with Article 100 of the European Electronic Communications Code
- L.N. 155 of 2020 – Authorisation of Frequency Use (Provision of 2GHz Mobile Satellite Services) (Amendment) Regulations, 2020. This L.N. updated references to the company particulars of Inmarsat Ventures Limited.
- L.N. 181 of 2020 – Electronic Communications Networks and Services (General) (Amendment No.2), Regulations, 2020. This L.N. amended Part B of the Eighth Schedule of S.L. 399.28 in relation to the fees paid in relation to each paired 5 MHz channel in the 700 MHz band within the 703-733 MHz and 758-788 MHz frequency ranges.
- L.N. 197 of 2020 – Electronic Communications Networks and Services (General) (Amendment No.3), Regulations, 2020. This L.N. amended regulation 51 of the S.L. 399.28 relating to the powers that the MCA has at law to specify the obligations that undertakings need to take in relation to the availability of services in the event of catastrophic network breakdown and, or *force majeure*.
- L.N. 257 of 2020 – Electronic Communications Networks and Services (General) (Amendment No.4) Regulations, 2020. This L.N. amended Part C of the Eighth Schedule of S.L. 399.28 in relation to the fees paid in the allocation of numbers in the ‘4’ number range.

# LITIGATION

## Appeals before the Administrative Review Tribunal (ART)

### **New appeals before ART filed in 2020**

During 2020, one new case was lodged before the Administrative Review Tribunal (ART) by MaltaPost plc in the names MaltaPost plc versus I-Awtorita Malta dwar il-Komunikazzjoni. MaltaPost are contesting a regulatory decision dated 3rd August 2020 whereby the MCA required MaltaPost to pay the sum of €10,159 under the collective compensation scheme for having failed to comply with the quality of service measurement targets for 2019.

### **Appeals before ART carried over from 2019**

Two appeals were carried over from 2019 to 2020. The appeals pending at the end of 2020 were respectively:

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

### **Appeals concluded before ART during 2020**

During 2020, the following case before the ART was concluded, namely:

- Contestation by Vodafone of a regulatory decision issued on 1<sup>st</sup> July 2016 following a dispute filed by Vodafone against GO relating to a request by Vodafone seeking access to the network of GO. This case was decided on the 3<sup>rd</sup> February 2020 whereby the appeal contesting the decision of the MCA was not upheld. No appeal was made from the judgement of the ART.

## Litigation before the First Hall of the Civil Court

In 2020 there was no pending litigation.

## Appeals before the Court of Appeal

In 2020 there were no cases pending before the Court of Appeal (Inferior).

Before the Court of Appeal (Superior) in 2020 there were pending the following cases:

- An appeal filed by Melita contesting a ruling by the Director General (DG) (Consumer Affairs) within the Malta Competition and Consumer Affairs Authority (MCCAA)

whereby the DG (Consumer Affairs) had, after a complaint by the MCA, determined that Melita had acted in breach of the Consumer Affairs Act (Cap. 378 of the Laws of Malta) in relation to advertising using the word 'unlimited' to promote certain products. In doing so, the DG imposed both a daily and a one-off fine on Melita. Subsequently, Melita contested this decision before the Competition and Consumer Appeals Tribunal. The MCA had during the proceedings before the aforesaid Tribunal intervened as a party interested in the outcome having originally submitted the complaint which gave rise to the subject-matter of the proceedings. In February 2016, the Tribunal confirmed the DG's ruling. Melita subsequently appealed this decision before the Court of Appeal (Superior). The case is awaiting a first appointment before the aforesaid Court of Appeal.

- An appeal filed jointly by Vodafone and GO contesting a judgment by the First Hall concerning legal interception fees collected by MCA on behalf of Government and of the Security Service. This appeal is waiting for a first appointment before the Court of Appeal (Superior).

## Inter-operator Disputes or Complaints

During 2020, no inter-operator disputes or complaints were filed or were pending.

## Due diligence further to a change in ownership of a regulated undertaking

### **Request by Vodafone Malta Limited (VFM) for the approval of Citiscus Malta Limited as the new shareholder of VFM**

In January 2020 Vodafone Malta Limited (VFM) wrote to the MCA stating that Monaco Telecom International SAM (MTI) had entered into a share purchase agreement whereby MTI acquired the entire share capital of VFM from Vodafone Europe BV. In the same letter VFM informed the MCA that MTI had assigned its rights under the aforesaid agreement to Citiscus Malta Limited (Citiscus). VFM requested approval from the MCA in relation to the change of control of the licensee so that Citiscus would be approved as the new shareholder. Subsequent to the conduct of a due diligence process in relation to the proposed new owners undertaken also in accordance with article 34A of the Malta Communications Authority Act (Chapter 418 of the Laws of Malta), the MCA as per a communication dated 17<sup>th</sup> March 2020 issued a letter of no objection to the proposed acquisition of VFM by Citiscus.



The image features four dark silhouettes of people standing in a row, facing right. They are set against a background of a blue-to-green gradient. Overlaid on the silhouettes and background is a network of white and green lines with circular nodes, suggesting a digital or communication theme. The overall composition is modern and professional.

# **CONSULTATIONS & DECISIONS**

# CONSULTATIONS

## **Market analysis of the provision of wholesale fixed broadband access in Malta (Markets 3a/3b)**

*Published on: 22<sup>nd</sup> May 2020*

A consultation exercise on the MCA's market analysis concerning the provision of wholesale fixed broadband access in Malta.

### **[MCA Market Analysis\\_WFBA\\_22 05 2020.pdf](#)**

## **Consultation on the Assignment Process of Radio Spectrum in the sub-700MHz Band for Digital Terrestrial Television Services in Malta**

*Published on: 5<sup>th</sup> June 2020*

Consultation concerning the assignment process and respective license conditions associated with the award and use of radio spectrum channels in the sub-700MHz band.

On the 24th of June 2020, the MCA published a revised version of the report. Details of the corrections to the main document are as listed in the corrigendum.

### **[MCA-C-20-3838 Consultation on the Assignment Process of Radio Spectrum.pdf](#)** **[Corrigendum to the Consultation MCA-C-20-3838.pdf](#)**

## **Consultation and Proposed Decision - GO plc's application for funding relating to universal service obligations during 2016.**

*Published on: 25<sup>th</sup> August 2020*

Consultation paper on the review of GO plc 's application for funding of the net costs claimed to have been incurred during 2016 for the provision of the universal service obligations in the electronic communications sector.

### **[Consultation and proposed decision on GO application for USO funding 2016 incl Annex\\_2.pdf](#)**

## **Review of Universal Service Obligations on Electronic Communication Services, Consultation and Proposed Decision**

*Published on: 28<sup>th</sup> August 2020*

Consultation paper to analyse and identify which services should be considered as universal services, and to consider whether any of the current universal services should be updated.

### **[Consultation on ECS USO 2014.pdf](#)**

**Broadband as a Universal Service: Ensuring the availability of an adequate broadband internet access service, including the underlying connection, at a fixed location**

*Published on: 28<sup>th</sup> August 2020*

This consultation document proposes the minimum functional characteristics of an adequate broadband internet access service for Malta. It also depicts the procedure to be used by the Malta Communications Authority (MCA) in safeguarding the availability of an adequate broadband internet access service as a universal service.

**Broadband as a Universal Service - Ensuring the Availability of Broadband Internet Access Service - 28 8 2020.pdf**

**Remote Identification Procedures, Electronic Trust Services Regulations, 2020**

*Published on: 16<sup>th</sup> October 2020*

This consultation proposes regulations on the use of remote identification procedures by QTSPs, ensuring that the procedures used are duly certified by a Conformity Assessment Body as being in compliance with the safeguards provided for.

**Remote Identification Consultation Document.pdf  
Draft Regulations.pdf**

**Proposed Decision on the Source of Funding for the net cost incurred in providing universal service obligations during 2016**

*Published on: November 2<sup>nd</sup> 2020*

A proposed decision on the source of funding for the net cost claimed by GO for the provision of universal services incurred during 2016.

**PD USO Source of funding 2016 .pdf**

**Quality of Service Parameters to be Measured by Internet Access Service Providers and Publicly Available Interpersonal Communications Providers**

*Published on: December 14<sup>th</sup> 2020*

This consultative document proposes the methodologies that should be adopted by providers when measuring the performance of these QoS parameters and also proposes requirements regarding the content, form and manner in which the QoS performance results are to be published by providers.

**QoS Parameters Consultation.pdf**



# DECISIONS

## **Weighted Average Cost of Capital**

*Published on: January 23<sup>rd</sup> 2020*

### **Decision on the Weighted Average Cost of Capital (WACC) WACC Decision final.pdf**

## **Interoperability of Car Radio Devices (Response to Consultation)**

*Published on: 29<sup>th</sup> April 2020*

Response to Consultation - Implementing Article 113 of the European Electronic Communications Code (EECC) with regard to the interoperability of car radio receivers

### **Interoperability of Car Radio Receivers - EECC - Response to Consultation 29 4 2020.pdf**

## **Mail Redirection Services: MaltaPost plc proposed changes in tariffs and service conditions**

*Published on: 14<sup>th</sup> May 2020*

Following a formal request by MaltaPost to review the Redirection Mail tariffs and service conditions, the Malta Communications Authority (MCA) reviewed this proposal and published its Decision.

### **Redirection Mail Service Decision.pdf**

## **Response to the Consultation on Proposed Changes to Regulation 51 of the Electronic Communications Networks and Services Regulations (S.L. 399.28 of the Laws of Malta)**

*Published on: 9<sup>th</sup> June 2020*

Response to the Consultation on Proposed Changes to Regulation 51 of the Electronic Communications Networks and Services Regulations (S.L. 399.28 of the Laws of Malta).

### **Response to Consultation 8 June 2020.pdf**

## **The Assignment Process of Radio Spectrum in the sub-700MHz Band for Digital Terrestrial Television Services in Malta**

*Published on: 25<sup>th</sup> August 2020. Revised 7<sup>th</sup> September 2020.*

The MCA published its final Decision concerning the assignment process and the relevant license conditions concerning spectrum in the sub-700MHz band for the use of DTTV. On the 7<sup>th</sup> of September 2020, the MCA published a revised version of the Decision.

### **MCA-D-20-3934 Accompanying Document 1.pdf**

### **MCA-D-20-3934 Accompanying Document 2.xlsx**

### **MCA-D-20-3934 Accompanying Document 3.txt**

### **Corrigendum to the Decision MCA-D-20-3934 - rev01.pdf**

### **MCA-D-20-3934 Decision - SUB-700MHZ BAND FOR DTTV - Rev 01.pdf**

**Review of GO plc's application for funding of the net cost claimed to have been incurred to provide universal service obligations during 2016**

*Published on: 5<sup>th</sup> October 2020*

Decision on the review of GO's claim for funding of the net cost it incurred during 2016 for the provision of the universal service obligations.

**[Decision on GOs USO funding claim 2016.pdf](#)**

**Decision on the Source of Funding for the net cost incurred in providing universal service obligations during 2016**

*Published on: 27<sup>th</sup> November 2020*

Decision on the source of funding for the net cost claimed by GO plc for the provision of universal service obligations during 2016.

**[Decision USO Source of funding 2016.pdf](#)**





# **FINANCIAL STATEMENTS**

**31 December 2020**

## General Information

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

### Board Members of the Authority

Mr Jesmond Bugeja (Acting Chairman)  
Mr Kevin Abela  
Ms Graziella Farrugia  
Mr Mario Fava  
Mr Mark Musù  
Dr Alexandra Mizzi  
Mr Massimo Zammit (appointed on 1 October 2020)

### Bankers

Bank of Valletta plc  
St. Anne’s Square  
Floriana  
MALTA

APS Bank Ltd.  
APS Centre  
Tower Street  
Birkirkara BKR 4012  
MALTA

### Head Office

Malta Communications Authority  
Valletta Waterfront  
Pinto Wharf  
Floriana FRN 1913  
MALTA

### Auditor

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

## Report of the Board Members of the Authority

The Board Members of the Authority submit their annual report together with the audited financial statements for the year ended 31 December 2020.

### Principal activity

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

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

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

Starting from 1 January 2020, all operations relating to the ISS were transferred to a separate government foundation with the name of Tech.Mt.

### Results

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

The total net operating income generated by the Authority during the year amounted to EUR11,309,930 (2019: EUR12,313,645) out of which licensing and usage fees for scarce resources, amounting to EUR7,340,460 (2019: EUR7,608,104) were transferred to the Government of Malta. After meeting all expenditure of EUR3,959,651 (2019: EUR4,682,200) the Authority closed off the year with a surplus, net of taxation, of EUR23,812 (2019: EUR26,907).

Expenditure incurred by the Authority not in connection with electronic communications, amounting to EUR989,248 (2019: EUR753,139) has been deducted from usage fees for scarce resources forwarded to the Government of Malta.

### **Board Members of the Authority**

The Members who served during the year under review were as noted on page 2.

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

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

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

### **Auditor**

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

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



**MR. J. BUGEJA**  
**Acting Chairman**



**DR. A. MIZZI**  
**Member**

25 March 2021

# Independent Auditor's Report to the Board Members of the Malta Communications Authority

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Malta Communications Authority (“the Authority”) set on pages 8 to 23, which comprise the balance sheet as at 31 December 2020 and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations 2015 and the Schedule accompanying and forming an integral part of those regulations (“GAPSME”), and the requirements of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

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

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

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



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

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

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

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Ernst & Young Malta Limited  
Certified Public Accountants

25 March 2021

# Income Statement

for the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
<b>Income</b>			
Revenue	3	<b>11,300,261</b>	12,302,216
Other income	4	<b>9,669</b>	11,429
		<b>11,309,930</b>	12,313,645
<b>Expenditure</b>			
Staff costs	5	<b>(2,489,964)</b>	(2,715,889)
Operating and administrative expenses	6	<b>(1,244,794)</b>	(1,806,107)
Depreciation	10	<b>(224,893)</b>	(160,204)
		<b>7,350,279</b>	7,631,445
<b>Operating surplus</b>			
Finance income	7	<b>14,010</b>	4,017
		<b>7,364,289</b>	7,635,462
Transfers to Government	8	<b>(7,340,460)</b>	(7,608,104)
		<b>23,829</b>	27,358
Surplus before taxation		<b>23,829</b>	27,358
Taxation	9	<b>(17)</b>	(451)
<b>Surplus for the financial year</b>			
		<b>23,812</b>	26,907

The accounting policies and explanatory notes on pages 12 to 23 form an integral part of the financial statements.

# Balance Sheet

as at 31 December 2020

	Notes	2020 EUR	2019 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<u>769,712</u>	500,255
<b>Current assets</b>			
Trade and other receivables	11	<b>1,278,368</b>	1,773,280
Cash and short-term deposits	15	<b>4,084,981</b>	4,066,445
Income tax receivable		<b>24,459</b>	4,940
		<u><b>5,387,808</b></u>	5,844,665
<b>TOTAL ASSETS</b>		<b>6,157,520</b>	6,344,920
<b>EQUITY AND LIABILITIES</b>			
<b>Reserve</b>			
Retained earnings	12	<u>833,028</u>	809,216
<b>Current liabilities</b>			
Trade and other payables	13	<u>5,324,492</u>	5,535,704
<b>Total liabilities</b>		<u><b>5,324,492</b></u>	5,535,704
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>6,157,520</b></u>	6,344,920

The accounting policies and explanatory notes on pages 12 to 23 form an integral part of the financial statements.

The financial statements on pages 8 to 23 have been authorised for issue by the Members on the 25 March 2021 and were signed on their behalf by:



MR. J. BUGEJA  
Acting Chairman



DR. A. MIZZI  
Member

# Statement of Changes in Equity

for the year ended 31 December 2020

	Retained earnings EUR
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2020</b>	
Balance at 1 January 2020	809,216
Surplus for the year	23,812
Total comprehensive income	23,812
<b>Balance at 31 December 2020</b>	<b>833,028</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2019</b>	
Balance at 1 January 2019	782,309
Surplus for the year	26,907
Total comprehensive income	26,907
<b>Balance at 31 December 2019</b>	<b>809,216</b>

*The accounting policies and explanatory notes on pages 12 to 23 form an integral part of the financial statements.*

# Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 EUR	2019 EUR
<b>Operating activities</b>			
Surplus before taxation		23,812	26,907
<i>Non-cash adjustment to reconcile surplus before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		224,893	160,204
Loss on disposal of property, plant and equipment		5	-
Movement in provision for doubtful debts		(2,492)	-
Transfers to Government		7,208,653	6,941,901
Finance income		(14,010)	(4,017)
<i>Working capital adjustments:</i>			
Movement in trade and other receivables		521,286	(1,188,818)
Movement in trade and other payables		465,920	1,105,749
		<b>8,428,067</b>	7,041,926
Interest received		14,010	4,017
Income tax paid		(19,502)	(25,718)
Income tax refunded		-	-
Income tax charge		(17)	(451)
<b>Net cash flows from operating activities</b>		<b>8,422,558</b>	7,019,774
<b>Investing activities</b>			
Purchase of property, plant and equipment		(494,358)	(378,283)
<b>Net cash flows used in investing activities</b>		<b>(494,358)</b>	(378,283)
<b>Financing activities</b>			
Funds paid to Government		(7,909,664)	(6,273,877)
<b>Net cash flows used in financing activities</b>		<b>(7,909,664)</b>	<b>(6,273,877)</b>
<b>Net increase in cash and cash equivalents</b>		<b>18,536</b>	367,614
Cash and cash equivalents at 1 January		4,066,445	3,698,831
<b>Cash and cash equivalents at 31 December</b>	15	<b>4,084,981</b>	4,066,445

The accounting policies and explanatory notes on pages 12 to 23 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. General Information

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

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

## 2.1 Basis of Preparation and Statement of Compliance

The financial statements have been prepared under the historical cost convention and are presented in Euro. These

financial statements have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations 2015 and the Schedule accompanying and forming an integral part of those Regulations (“GAPSME”) and comply with the provisions of the Malta Communications Authority Act, Cap. 418 of the Laws of Malta.

The financial statements have been prepared on a going concern basis. COVID-19 had minimal impact on the financial performance and position of the Authority during 2020 and is not expected to have a significant impact on its going concern.

## 2.2 Summary of Significant Accounting Policies

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

### Revenue recognition

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

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

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

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

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

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

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

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

#### **Retirement benefit costs**

The Authority contributes towards the state pension in accordance with local legislation and does not provide for other contributions or retirement benefit plans or pensions.

Related costs are expensed during the period in which they are incurred.

#### **Property, plant and equipment**

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

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

	%
Building improvements	20
Computer equipment	16.67 – 33.33
Fixtures, fittings and equipment	10 – 20
Motor vehicles	20



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

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

#### **Impairment of assets**

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if

there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

#### **Financial instruments**

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

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

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

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

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

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

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

Liabilities for amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade and other payables are recognised

when the Authority has a present obligation whether or not billed to the Authority.

#### **ISS unutilised subvention**

Information Society Services (ISS) is financed via an annual Government Subvention which is used to finance all ISS related work-streams together with any required ISS related capital expenditure. The accounting surplus, net of tax, resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received is either transferred back as due to Government or deferred for utilisation in subsequent accounting period.

#### **Taxation**

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

#### **Deferred taxation**

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

Deferred tax is recognised as income or expense and included in the statement of comprehensive income for the period,

except to the extent that the tax arises from a transaction or event which is recognised directly in equity.

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

### **Foreign currencies**

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

### **Related parties**

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

### **Cost Apportionment Methodology**

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

## **2.3 Significant Accounting Judgements, Estimates and Assumptions**

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

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

### 3. Revenue

The revenue generated by the Authority is made up of:

	2020	2019
	EUR	EUR
Administrative charges	2,794,239	2,956,010
Rights of way income and postal licensing (note i, ii)	1,115,418	1,082,005
Usage fees for scarce resources (note ii)	6,148,374	6,221,550
Application fees and other operating income (note ii)	1,242,230	1,432,676
Government subvention (note iii)	-	609,975
	<b>11,300,261</b>	<b>12,302,216</b>

- i) Rights of way income is collected by the Authority and transferred to Government under the Utilities and Services (Regulation of Certain Works) Act (Cap. 81) under the delegation of the Authority for Transport in Malta.
- ii) All revenue generated from rights of way income, postal licensing, usage fees for scarce resources and application fees is transferred to the Government of Malta (note 8), except for an amount of EUR989,248 (2019: EUR753,139) intended to finance expenses incurred by the Authority not in connection with electronic communications.

- iii) The subvention received from Government is used to finance ISS operations. This subvention is approved annually through a vote in parliament. Starting from 1 January 2020, the ISS operations were transferred to a separate entity and are no longer included with those of the Authority.

### 4. Other Income

Other income relates to fines imposed by the Authority amounting to EUR9,669 (2019: EUR11,429).

### 5. Employee Information

#### a. Staff costs

The total employment costs were as follows:

#### The Authority:

	2020	2019
	EUR	EUR
Members' emoluments	105,403	87,904
Wages and salaries	2,243,230	2,331,299
Social security costs	141,331	138,938
Authority's staff costs recharged to ISS operations (note i)	-	(88,216)
	<b>2,489,964</b>	<b>2,469,925</b>

- i) This amount relates to staff costs incurred by the Authority for ISS related activities. This is included in ISS operating and administrative expenses in note 6. Starting from 1 January 2020, the ISS operations were transferred to a separate entity and are no longer included with those of the Authority.

**Others:  
ISS**

	<b>2020</b>	2019
	<b>EUR</b>	EUR
Wages and salaries	-	227,507
Social security costs	-	18,457
ISS staff costs recharged to EU funded projects	-	(52,195)
	-	193,769
<b>EU funded projects</b>		
Staff costs recharged by ISS	-	52,195
<b>Total staff costs</b>	-	2,715,889

**b. Staff numbers**

The average number of persons employed full time by the Authority during the year amounted to 67 (2019: 68).

**6. Operating and Administrative Expenses**

	<b>2020</b>	2019
	<b>EUR</b>	EUR
<b>The Authority</b>		
Outsourced project costs	<b>268,711</b>	152,547
Corporate administrative expenses	<b>575,044</b>	541,669
Public relations and communications	<b>137,009</b>	169,017
Travelling expenses	<b>14,312</b>	132,507
Auditor's remuneration	<b>11,446</b>	11,446
Rental expenses	<b>154,805</b>	136,676
Administrative Services rendered by the Ministry for Infrastructure, Transport and Communications	<b>66,663</b>	46,333
	<b>1,227,990</b>	1,190,195

**Others:**

	2020	2019
	EUR	EUR
<b>ISS</b>		
Public relations and communications	-	61,155
Travelling expenses	-	1,304
Auditor's remuneration	-	1,100
Bank charges	-	675
Staff costs recharged by the Authority (note 5)	-	88,216
Corporate administrative expenses	-	40,501
Outsourced project costs (note i)	-	289,766
Rental expenses	-	14,187
Self-financing portion of EU projects	-	19,532
	-	516,436

	2020	2019
	EUR	EUR
<b>EU funded projects</b>		
Travelling expenses	222	28,664
Outsourced project costs	16,584	70,632
	16,804	99,296
<b>Other expenses</b>		
MCA Sponsorships	-	180
	-	180
<b>Total operating and administrative expenses</b>	1,244,794	1,806,107

(i) Outsourced Project costs includes two EU Funded projects, the cost of which had to be disbursed from IS funds. Due to change in work priorities developed by the new Foundation (Tech.mt) taking over the IS operations in 2019 these projects had to be halted.

## 7. Finance Income

	2020	2019
	EUR	EUR
On cash and short-term deposits	9,281	1,299
On amounts due from debtors	4,729	2,718
	<b>14,010</b>	4,017

## 8. Transfers to Government

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

This amount is net of expenses incurred by the Authority which were not in connection with Electronic Communications amounting to EUR989,248 (2019: EUR753,139).

## 9. Taxation

	2020	2019
	EUR	EUR
Current tax	17	451
Deferred tax (note i)	-	-
	<b>17</b>	451

The taxation on surplus on ordinary activities differs from the theoretical taxation expense that would apply on the Authority's surplus before transfers to Government and taxation using the applicable tax rate in Malta of 35% (2019: 35%) as follows:

	2020	2019
	EUR	EUR
Surplus before transfers to Government and taxation	7,364,289	7,635,462
	<b>2,577,501</b>	2,672,412
Tax effect of		
• income not subject to tax	(2,572,369)	(2,663,089)
• difference between capital allowances and depreciation	(5,092)	(8,756)
• income subject to different tax rates	(23)	(116)
	<b>17</b>	455

- i) Under the legislation in force governing the operations of the Authority, the Authority charges administrative fees to the service providers equivalent to its cost. Moreover, all the license fees collected are transferred to the Government. Since the Authority is not expected to generate any taxable profits, management is of the opinion that no deferred tax asset should be accounted for. In view this fact, the potential deferred tax asset amounting to EUR19,808 (2019: EUR334) has not been accounted for in these financial statements.

## 10. Property, Plant and Equipment

	Building improvements EUR	Computer equipment (i) EUR	Fixture, fitting and equipment EUR	Motor vehicle EUR	Total EUR
<b>Cost</b>					
At 1 January 2019	372,036	1,535,440	478,733	89,557	2,475,766
Additions	2,454	367,011	8,692	125	378,282
Disposals	-	(114,015)	-	-	(114,015)
<b>At 31 December 2019</b>	<b>374,490</b>	<b>1,788,436</b>	<b>487,425</b>	<b>89,682</b>	<b>2,740,033</b>
Additions	-	480,853	13,496	-	494,349
Disposals	-	(80,472)	(14,519)	-	(94,991)
<b>At 31 December 2020</b>	<b>374,490</b>	<b>2,188,817</b>	<b>486,402</b>	<b>89,682</b>	<b>3,139,391</b>
<b>Depreciation</b>					
<b>At 1 January 2019</b>	342,102	1,363,306	419,401	68,781	2,193,590
Depreciation charge for the year	12,449	125,920	16,616	5,219	160,204
Depreciation released on disposal	-	(114,015)	-	-	(114,015)
<b>At 31 December 2019</b>	<b>354,550</b>	<b>1,375,211</b>	<b>436,017</b>	<b>74,000</b>	<b>2,239,778</b>
Depreciation charge for the year	10,222	197,187	12,264	5,219	224,893
Depreciation released on disposal	-	(80,472)	(14,519)	-	(94,991)
<b>At 31 December 2020</b>	<b>364,772</b>	<b>1,491,926</b>	<b>433,762</b>	<b>79,219</b>	<b>2,369,679</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>9,718</b>	<b>696,891</b>	<b>52,640</b>	<b>10,463</b>	<b>769,712</b>
At 31 December 2019	19,940	413,225	51,408	15,682	500,255



(i) Total additions of Spectrum Management Equipment and Software amounting to EUR460,954 (2019: EUR294,032) are included with Computer equipment. The total net book value of this category as at 31 December 2020 amounted to EUR656,836 (2019: EUR350,205).

### 11. Trade and Other Receivables

	2020 EUR	2019 EUR
Trade receivables (note i)	672,889	1,654,046
Accrued income	-	24,902
Prepayments	174,292	93,394
Amount due from Government	430,130	-
Other receivables	1,057	938
	<b>1,278,368</b>	<b>1,773,280</b>

Trade receivables are non-interest bearing and are generally on a 30-day term. Trade receivables are stated net of provision for doubtful debts of nil amount (2019: EUR2,492).

Past due but not impaired

	Total EUR	Neither past due nor impaired EUR	30-60 days EUR	60-90 days EUR	>90 days EUR
2020	672,889	582,888	10,837	1,867	77,296
2019	1,654,046	1,550,029	44,780	4,458	54,779

### 12. Reserve

The balance on the retained earnings in the statement of financial position as at 31 December 2020 represents the resulting net accumulated surplus over the years.

### 13. Trade And Other Payables

	2020 EUR	2019 EUR
Deferred income (note i)	4,377,927	4,071,264
Accruals	648,894	572,365
Social security contributions and other taxes	56,048	68,987
Trade and other payables (note ii)	241,623	552,204
Amounts due to Government	-	270,884
	<b>5,324,492</b>	<b>5,535,704</b>

(i) Deferred income comprises of the unexpired portion of annual fees billed in advance together with the surplus of administrative charges, amounting to EUR526,599 (2019: EUR308,514) paid by undertakings authorised to provide electronic communication services and/or operate electronic communications networks, over the administrative expenses incurred by the Authority in the discharge of its functions. The Authority shall make appropriate repayments or compensation in relation to such surplus in accordance with the Electronic Communications (Regulation) Act and the Directive of 2004, as amended by Directive No. 1 of 2007, on modalities of payment for general authorisations and rights of use.

- ii) Trade and other payables consist of the following:
- 2019 included funds due to Government for the ISS surplus resulting from the deduction of ISS related expenditure (including depreciation) from the subvention received (2020: nil).
  - Trade payables which are non-interest bearing and are normally settled on 60-day terms.

## 14. Related party disclosures

### Transactions with key management personnel

During the year ended 31 December 2020, short term employee benefits to key management personnel amounted to EUR398,643 (2019: EUR436,267).

### Other related party transactions

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

	2020	2019
	EUR	EUR
Government Subvention - ISS	-	609,975
Payments to Government of Malta	<b>7,909,664</b>	6,273,877

### Related party balances

Outstanding balances with related parties at 31 December 2020 are disclosed in note 11 and note 13.

## 15. Cash and Short-Term Deposits

	2020	2019
	EUR	EUR
Cash at bank and in hand	<b>3,556,447</b>	3,547,076
Short-term deposits	<b>528,534</b>	519,369
	<b>4,084,981</b>	4,066,445

## **16. Contingent Liabilities**

### **Legal claims**

The Authority has a pending arbitration case filed by a third party, relating to a traffic accident involving a vehicle driven by one of the Authority's employees and used of for Authority work. If the claim is decided against the defendant, then the Authority may be required to pay the awarded damages which, under the claim, are in an amount of EUR2,325 (2019: EUR2,325) together with legal interest as from 20 August 2015 and expenses. Outcome of such claim is still unknown.

## **17. Subsequent Events**

There are no events after reporting date which require adjustment or disclosure in the financial statements.







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