MALTA COMMUNICATIONS AUTHORITY

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Market developments for electronic communications and post – a review of outcomes for 2022 based on Q4 figures

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The Malta Communications Authority (MCA) is responsible for the regulation and oversight of Malta's telecommunications and postal sectors. As part of this mandate, the MCA regularly collects data from authorized operators in these industries to track market trends and ensure compliance with regulations. This data gathering exercise is conducted on a quarterly basis, with operators submitting their data to the MCA for analysis.

The current publication provides insight into the key market trends for the telecoms and postal sectors in Malta during the year 2022. By highlighting these trends, the MCA aims to inform industry stakeholders and the general public about the state of these sectors in Malta.

The publication specifically takes into account changes in telecom subscriptions, voice call activity, internet data consumption and postal mail activity.

General developments

In 2022, the electronic communications segment experienced a further expansion in the subscriber base. Year-on-year, subscription growth was strongest for the mobile telephony service, as almost 52,000 new clients were registered by local operators. Take-up also performed strongly in the fixed element, where the number of subscriptions for fixed broadband was up by 8,275, year-on-year. Demand for high-speed connectivity remained strong, as evidenced by the bigger availability of fast and ultra-fast connectivity. Plans supporting download speeds of 100Mbps or more accounted for 68% of all internet subscribers by the end of 2022, up from 62% a year earlier.

More users are also turning to their mobile data plans for internet access, alongside their fixed internet connectivity plans. This is likely due to the wider availability of unlimited mobile plans and the convenience of using mobile devices for internet access. Furthermore, mobile developments are happening in the context of 5G deployment, which may accelerate the consumer trend toward wireless, even though activity over the 5G platform remains rather low.

Mobile telephony and mobile broadband saw a significant increase in demand, underscored by three-player competition. Alongside the increase in subscriptions, take-up for mobile broadband rose by an impressive 61% year-on-year, excluding demand for Wi-Fi connectivity. These figures demonstrate the growing reliance on mobile devices and the importance of connectivity on-the-go.

Pay-TV services also experienced growth, with almost 6,000 new subscriptions recorded year-on-year. In contrast, the growth in fixed telephony was not as substantial, with a modest increase of 1,108 subscribers as prepaid plans phased out in 2022 and the previous year. The rise in fixed telephony post-paid subscriptions may reflect the trend of the service being offered in a bundle alongside fixed broadband, without effectively translating into a bigger use of the service. In fact, fixed telephony minute volumes in 2022 were 27% lower than in 2021.

In the postal mail segment, there was a sharp year-on-year drop in traditional mail services, as single-piece letter mail, parcel mail, bulk mail, and registered mail recorded lower volumes year-on-year. However, in contrast to the general volume decline, there was an increase in mail items weighing up to 2kgs that were delivered in Malta, potentially due to the rise of e-commerce activity and the need for larger-sized parcel deliveries. This trend reflects the shift towards online shopping and a decrease in traditional mail services.

Overall, the trends observed in the electronic communications and postal industries in 2022 indicate a growing reliance on high-speed connectivity, mobile devices, and bundle plans. As technology continues to evolve and shape consumer behavior, it is likely that these trends will continue to shape the industry in the years to come.Further insights for the telecoms and postal segments are provided below.

Fixed broadband

The total number of fixed broadband subscriptions amounted to 229,473 which represents an increase of 8,275 year-on-year (or 3.7%). The FTTH network accounted for 25.6% of all fixed broadband subscriptions, with a rise of 10,627 (or 22.1%) during the review period. Cable subscriptions also increased by 8,275 (or 3.7%), making up 47.9% of all subscriptions. Meanwhile, fixed wireless broadband subscriptions grew by 2,400 (or 16.3%), comprising 7.5% of all fixed broadband subscriptions. However, copper DSL subscriptions decreased by 7,750 (or 15.1%), although still representing 19% of all subscriptions at the end of 2022. This decline is due to the operator's fiber deployment strategy, which involves migrating existing customers from the copper DSL platform.

Furthermore, the annual fixed broadband ARPU increased from €223.86 in 2021 to €248.75 in 2022. According to figures provided by operators and their allocation approach of bundling revenues by service, ARPU for fixed broadband service remains the most significant source of revenue per user for local telecommunication providers. The year-on-year increase in fixed broadband ARPU is potentially linked to the continued efforts by operators to upgrade their customers to higher broadband speeds, which would in the end generate stronger revenues per user.

Mobile telephony

By the end of 2022, the number of mobile telephony subscriptions had increased by 8% year-on-year, reaching a total of 701,762. The growth in subscriptions was primarily due to a rise of 25,642 post-paid users, offset by a decline of 7,863 pre-paid userss during the 12-month period ending in December 2022.

Mobile data consumption continued to rise in line with long-term market trends, with domestic mobile internet data volumes for 2022 up by 61% compared to the previous year. Despite the growth in mobile data consumption, voice minute traffic volumes decreased by 1.4% in 2022. Moreover, SMS volumes continued to decline, dropping by 8.1% compared to the corresponding 12 months in 2021. This confirms that mobile telephony users are switching from texting to voice calling, given the improved allowances that are now available and potentially even with a higher usage of OTT-based messaging platforms.

Additionally, it is worth noting that based on operators' data, 4G technology continues to carry the majority of mobile data traffic, despite the ongoing deployment of 5G networks.

Finally, the average revenue per user (ARPU) for mobile telephony decreased from €172.49 in 2021 to €155.45 in 2022.

Pay-TV

The number of subscriptions in the TV segment continued to grow steadily, with a year-on-year increase of 5,932 (or 3.3%), reaching a total of 183,425 by the end of the reporting period. Over 83% of TV subscriptions were part of a bundle offer at the end of December 2022.

Analysis of technology platform trends indicates that IPTV-based subscriptions experienced a rise of 7,833 (or 11.8%) year-on-year, while the number of digital cable subscriptions decreased by 722 (or 0.7%) in the 12-month period ending December. In line with its planned phase-out, subscriptions on the DTTV platform fell by 1,179 (or 43.5%), prompting the service provider to notify the remaining users of the platform's scheduled switch-off by the end of February 2023.

Additionally, pay-TV ARPU increased from €185.65 in 2021 to €202.83 by the end of 2022.

Fixed telephony

The fixed telephony segment saw a slight increase in subscriptions by 0.4% year-on-year, but at the same time, there was a significant decrease in voice call and minute volumes, by 22.3% and 27.2% year-on-year respectively. Subscriptions purchased as part of a bundle account for 85.6% of the total. Despite the increase in subscriptions, usage of the service has not strengthened, indicating that operators are able to charge for a service that is experiencing a continuous decline in usage.

In 2022, the average revenue per user (ARPU) for fixed telephony was €97.07, which is €32.36 lower than the previous year. It is important to note that this change can also be attributed to a revised allocation of bundle revenues by service by one of the service providers in Malta.

High quality dedicated connections

Dedicated connections are high-quality, point-to-point data transmission connections typically used by businesses operating in Malta, such as government entities, banks and gaming companies.

This business segment is relatively niche for local operators as it represents a small portion of consumer-base with well-defined data connectivity, distinct from those exhibited by the mass market for fixed broadband. Often, these data connectivity services are offered with specific product characteristics such as no contention ratio, fully symmetrical speeds and Service Level Agreements (SLAs).

The number of high-quality dedicated connections totalled 325 by the end of the of 2022, down from 330 (or by 1.5%) at the end of the previous year. The MCA will over the coming months update the classification of high end connectivity subscriptions, in view of plans launched over the past months by local operators and which have not been reported to date.

Postal services

The volume of postal mail recorded in 2022 decreased by 7.8% compared to 2021, reflecting a long-term trend of declining domestic mail.

Within the universal service, registered mail items decreased by 45% year-on-year, single-piece letter mail volumes dropped by 11%, bulk mail items declined by 6%, and parcel mail decreased by 1%. However, outside the scope of the universal service, postal mail volumes increased by 313,270 items in 2022 compared to the previous year. While larger parcels weighing between 2kgs and 31.5kgs increased by 42.5%, smaller sized parcel mail items only saw a marginal increase of 0.1%.

Notes:

(i) Data cut-off date: 23rd March 2023;

(ii) Data is preliminary and subject to change.