



Market developments for electronic communications and post for the first quarter of 2020

The MCA is hereby outlining the main trends observed for the Maltese telecoms and postal segments in the first quarter of 2020. Insights are based on data that the MCA collects on a quarterly basis from local service providers and which is presented in more detail in the 'Data Report Sheet (DRS)' publication covering the period Q1 2016 to Q1 2020.

Overall developments

The first quarter of 2020 (Q1) coincides with the first days of measures aimed to check the spread of the coronavirus. Significantly, many people were asked to work remotely from their homes, thus requiring telecom operators to step up efforts to meet stronger demand for connectivity and an accelerating rise in mobile data consumption.

Effectively, subscriptions for telecoms were up across the board, boosted by domestic demand compensating for a good number of foreign workers that returned home prior to the Malta airport suspending all inbound flights as of 11:59 p.m. on March 20.

Year-on-year growth was strongest for fixed broadband, with subscriptions at the end of March 2020 up by 6.6% compared to 12-months earlier. During the same period, the pay TV segment registered a 3.3% increase in subscriptions, whilst the mobile segment recorded an increase of 3%. Year-on-year growth for fixed telephony stood at 0.9%.

All new subscriptions with telecom operators were registered in a bundle set-up, and as a result the proportion of telecom subscriptions in a bundle edged up further during the first quarter of this year. A significant 92% of all fixed broadband subscriptions recorded at the end of March were purchased in a bundle, with two thirds of these buying two or three more services (from pay TV, fixed telephony and mobile telephony) alongside the fixed broadband service. This brought in more money to telecom operators and served to increase end-user loyalty.

As for the postal segment, mail activity during the first quarter of this year was slightly down compared to the same period a year earlier, with postal mail volumes down by 0.4%, pretty much in line with long term market developments.

More insights for the telecoms and postal segments are provided below.

Fixed Broadband

A total of 206,316 fixed broadband subscriptions were recorded as of 31 March 2020, which is 13,000 than the year before. This translates into a 6.6% rise in fixed broadband subscriptions in the 12-month period ending last March.

The results for the quarter under review confirm the ongoing increase in FTTH subscriptions (up by 29% year-on-year), cable DOCSIS subscriptions (up by almost 7% year-on-year) and fixed wireless subscriptions (up by 26% year-on-year). For the proper context, GO's FTTH network reach currently stands at 42% of homes and dwellings in Malta, which means that take-up of FTTH cannot effectively match its full potential. Nonetheless, the rise in the number of FTTH subscriptions was bigger than the number of end-users migrating from copper DSL subscriptions. Of note is that the number of DSL subscriptions fell by 4.3% year-on-year.

Growth in fixed broadband subscriber base is due to an increase in the number of subscriptions supporting ultra-fast speeds. Year-on-year, the proportion of fixed broadband subscriptions supporting a download speed of 100Mbps or more was up by 10 percentage points, from 37% at the end of March 2019 to 48% at the end of March 2020.

Contrary however to trends observed quarter-on-quarter for the past years, ARPU for the first quarter of 2020 was lower than the ARPU for the first quarter of 2019. Fixed broadband ARPU in the first quarter of 2020 stood at €57.44, down from €60.36 in the first quarter last year.

Mobile telephony

With mobility restrictions for large parts of the population coming into force by mid-March, take-up of mobile telephony continued to rise. The number of mobile telephony subscriptions was up by 3% year-on-year, reaching 633,422 by the end of March 2020.

Also consistent with trends observed in 2019 and earlier, the proportion of post-paid subscriptions to the total registered a one-percentage point year-on-year increase, reaching almost 39% by the end of March. At the same time, the share of pre-paid subscriptions to the total was down by the same margin. It is understood that monthly allowances are a key factor pushing post-paid uptake.

Significantly, mobile voice and data volumes were up year-on-year, with the number of outgoing voice calls in the quarter under review edging upwards by 2.3 million (or by 2%) when compared to the same period in 2019, whilst the number of voice call minutes surged by 32.3 million (or by 13%). Meanwhile, the number of mobile SMS text messages was down by 10.8 million (or by 17%). Roaming activity already started to feel the pinch with volumes in quarter one of 2020 down when compared to the same period a year earlier, for example by 10.7% in terms of outbound roaming minutes and by 4.4% in terms of inbound roaming minutes.

Mobile data consumption soared to new heights, with mobile data volumes in quarter under review equivalent to half the mobile data consumed in 2019.

ARPU for the mobile telephony segment did not change much when comparing year-on-year, notwithstanding the operators' success in upselling low-end subscribers to post-paid plans and the strong increase in consumption of mobile data. Mobile telephony ARPU stood at €43.30 in Q1 2020, relatively unchanged from €43.45 in Q1 2019.

Pay-Tv

The number of pay TV subscriptions increased by 3.3% year-on-year to reach 172,091 by the end of the current review period. Growth has been in line with recent market trends and it remains to be seen how take-up of pay TV continues to evolve in the second quarter of this year due to the growing importance of in-home entertainment when most people were bound at home.

Subscriptions on Melita's digital cable platform were up by 5,293 (or by 5%) whilst GO's digital interactive (IPTV) platform saw a rise of 7,927 subscriptions (a 16% increase). For a proper context behind these developments, it is relevant to note that the increase in GO's IPTV take-

up essentially mirrors migration from the DTTV platform of the same operator. Year-on-year, the number of DTTV subscriptions was down by 7,692 (or by 38%).

Pay TV ARPU was up from €44.02 in Q1 2019 to €50.07 in Q1 2020, most likely a result of a change in the allocation of bundle revenues by service, over which local service providers enjoy full discretion. This change in trend for pay TV ARPU somewhat corresponds with the observed decline in fixed broadband ARPU, which again could indicate a change in the bundle revenue apportionment by service carried out by telecom operators.

Fixed Telephony

Year-on-year growth in fixed telephony subscriptions stood at 1%, with subscriptions reaching 257,000 by the end of last March. Whilst this development is in line with take-up trends observed in recent years, the decline in fixed telephony usage levels seems instead to have accelerated. In fact, when comparing fixed voice call usage in Q1 2020 with that in Q1 2019, the number of voice calls and voice call minutes was each down by some 20% (in absolute terms translating into a drop of 5.4 million calls and 20.5 million voice call minutes).

This again reinforces the view that fixed telephony is being purchased more as a result of its inclusion in bundles alongside fixed broadband than as a result of its voice calling facilities. Of note is that almost 81% of all fixed telephony subscriptions at the end of March were purchased in a bundle. The above also suggests that notwithstanding the rising prevalence of fixed telephony on post-paid and bundle contracts, people are more inclined to use the mobile telephony service for communication purposes.

In view of the above usage developments, fixed telephony ARPU in Q1 2020 stood at €29.99, down from €31.49 in Q1 2019.

Dedicated connections

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

This is a niche business segment for local telecom operators representing a relatively small number of users with somewhat distinct data connectivity requirements to those exhibited by the mass market for fixed broadband. A total of 379 high-quality data connections were

reported by the end of March 2020, 22% less than recorded twelve months earlier. This does not in itself mean that telecom operators lost for good the clients behind the reneged subscriptions. It may be the case that the respective clients migrated to one of the myriad solutions that may be offered by local service providers but which do not fall within the description of dedicated connections addressed in this publication.

Post

The onset of COVID-19 did not inflict immediate shocks on the postal segment. Indeed, the full ramifications of the pandemic would likely get more evident once the data for the second and third quarters of this year is available. Overall, mail volumes in Q1 2020 were down by 0.4% compared to mail volumes in the same quarter of 2019.

The decline was spread across two types of postal mail activity, namely standard letter mail and the closely linked registered letter mail. Here, mail volumes were down by 17% and 26% respectively. A surge in mail activity did however materialise for bulk mail and parcel mail (more specifically domestic parcel mail), with mail volumes jumping by 10% and 46% respectively. Of course, local commercial deliveries spiked during the last two weeks of March once people got more cautious in venturing out from their homes and realised the value of having purchase mailed directly at their residence.

On the other hand, the more chaotic developments on the aviation front did however hinder inbound and outbound postal mail activity. In fact, taking into account mail volumes by destination, inbound and outbound cross border mail volumes were down by 19% and 18% respectively year-on-year (i.e. comparing Q1 2020 with Q1 2019), whilst domestic mail volumes were up by 6%.

Notes:

- (i) Data cut-off date: 27th July 2020;
- (ii) Data is preliminary and subject to change.