2. The Fixed Line Market

2.1 Fixed Line Market Definition

The fixed line market, sometimes also referred to as the landline market, for the purposes of this ECMR, is the market for telephone lines for which voice travels through a solid medium, either metal wire or optical fibre for at least one part of the call leg. During this ECMR period, the domestic fixed line market was characterised by competition between the incumbent PSTN operator, Maltacom Plc.[1], the incumbent cable operator, Melita Cable Plc., operating a Voice over Broadband (VOB) service[2], and a new carrier preselection operator hosted by Maltacom Plc., Sky Telecom Ltd.

[1] Maltacom Plc. has been rebranded under the Go portfolio following the end of this ECMR period.
[2] Although this is not classified under the same market as per the European Commission's Communications Framework Directive, and despite its not being circuit-switched but rather redirected by an Edge device towards the Media Access Control (MAC) address associated with a particular subscriber number, it was still deemed appropriate to lump this service in with fixed line telephony, since from a consumer's perspective, irrespectively of the different technologies used, they are very much akin to their Public Switched Telephony Network (PSTN) counterparts insofar as usage is concerned.

2.2 Fixed Line Subscriptions

As at the end of March 2007 the number of fixed-line telephony subscribers stood at 212,134. This represents a rise in subscriptions of 3.1% in relation to the figure recorded in September 2006 and a rise of 3.2% relative to the end of the same quarter last year. These figures hide two partially countervailing trends: a downward one where business subscribers are concerned and an upward one when it comes to residential subscribers. The former is possibly due to increased usage of Private Automatic Branch Exchanges (PABXs), which would require less subscriptions to fixed lines to operate and also to increased usage of Voice Over Broadband (VOB) using leased lines, high-speed broadband connections and normal broadband Internet connections as carriers of Internet Protocol (IP) packets. The latter is probably the result of one of the incipient fixed line operators' marketing strategies geared not so much towards the substitution of the network operator as to the educing of an evaluation of their services while retaining the other service(s). These are shown in charts 1, 2, 3, 4 and 5 on pages 3, 3, 4, 4 and 5 respectively.

As at the end of this (ECMR) period, the penetration of fixed line telephony stood at 52.5 lines per 100 inhabitants, up from the 50 registered during the previous ECMR period. More meaningful statistics, however, are obtainable using the business-residential split. Accordingly, the percentage number of residential lines *per capita* stood at 41[3], the number of residential lines per 100 households[4] stood at 129.4, and the number of business lines per 100 businesses stood at 65.9[5]. There was also a number of unclassified subscriptions that have not been taken into account in the foregoing ratios.

The total number of lines as a ratio of the total number of individuals residing in Malta and businesses operating in Malta stood at 43.9% if the unclassified subscriptions had to be omitted and at 46.3% if they had to be included.

[3] The population statistic used in the computation of this indicator has been obtained from the "Census of Population and Housing – Preliminary Report", NSO (2006) p. 3.

[4] As per the latest census figures published by the National Statistics Office, the number of households used in computing this statistic was taken to be 127,970.

[5] The figure used for the computation of this statistic has been provided by the National Accounts unit at the National Statistics Office of Malta (NSO) and the source used to extract the statistic was the Business Register.

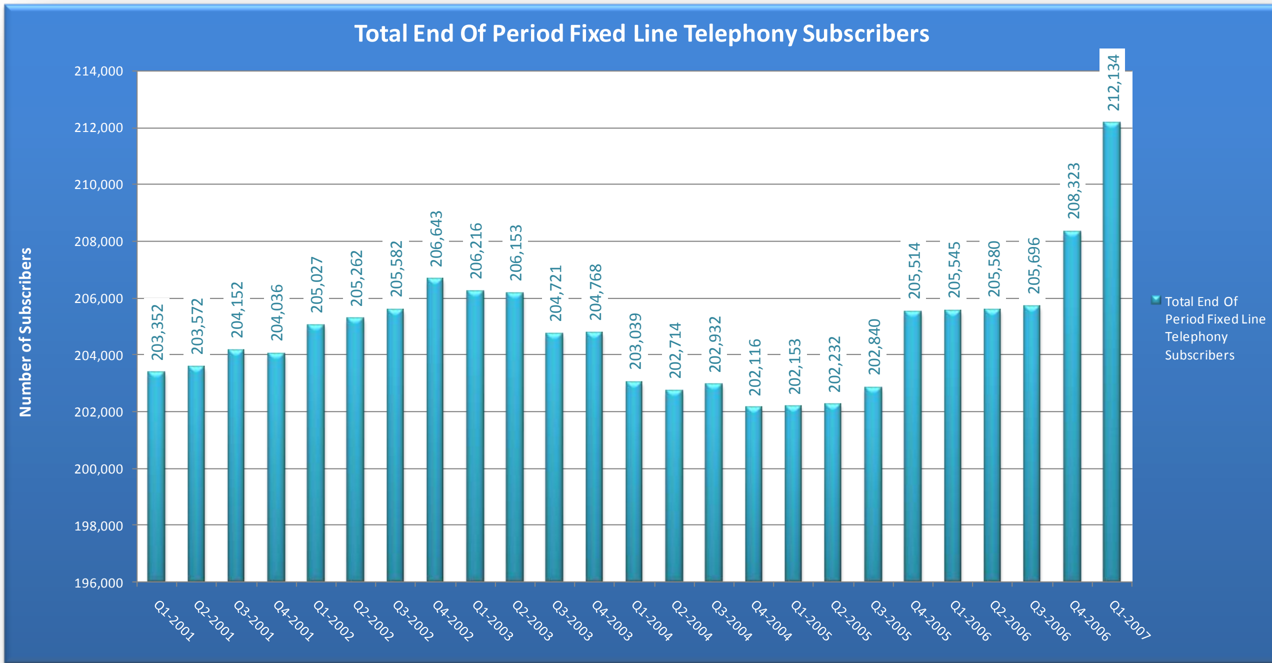

Chart 1. Quarterly Total End-Of-Period Subscribers To Fixed Line Telephony Services.

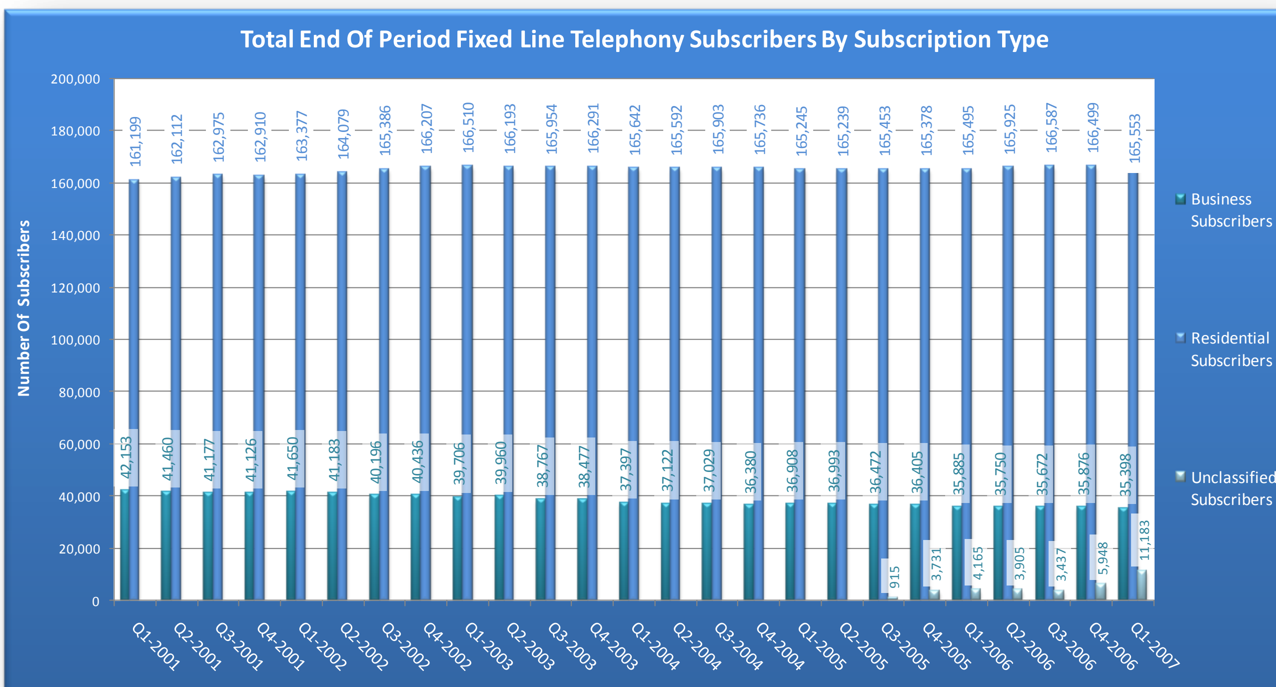

Chart 2. Quarterly End-Of-Period Subscribers To Fixed Line Telephony Services Split By Business, Residential And Unclassified Categories.

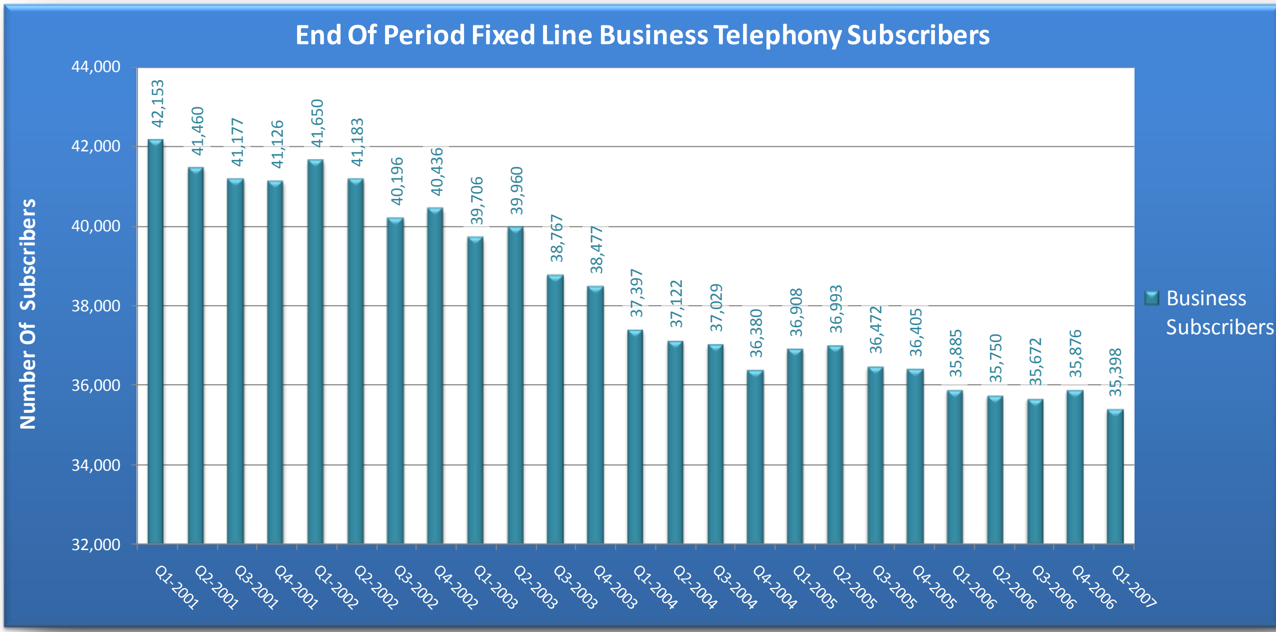

Chart 3. Quarterly Business End-Of-Period Subscribers To Fixed Line Telephony Services.

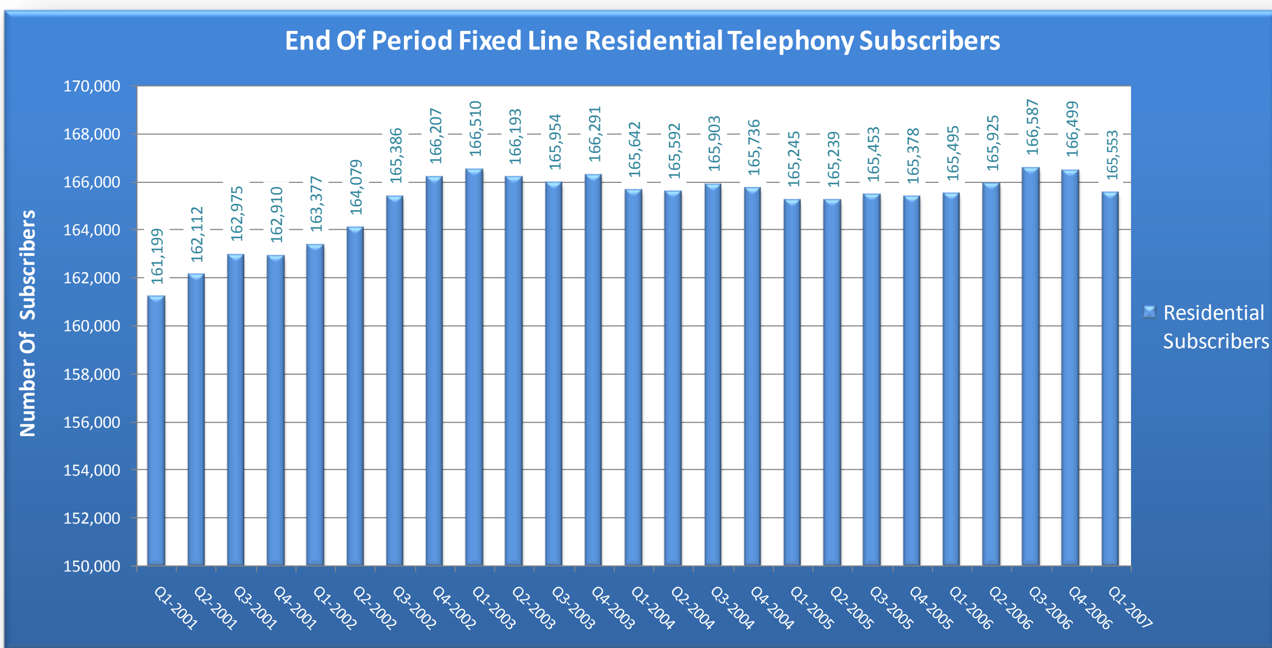

Chart 4. Quarterly Residential End-Of-Period Subscribers To Fixed Line Telephony Services.

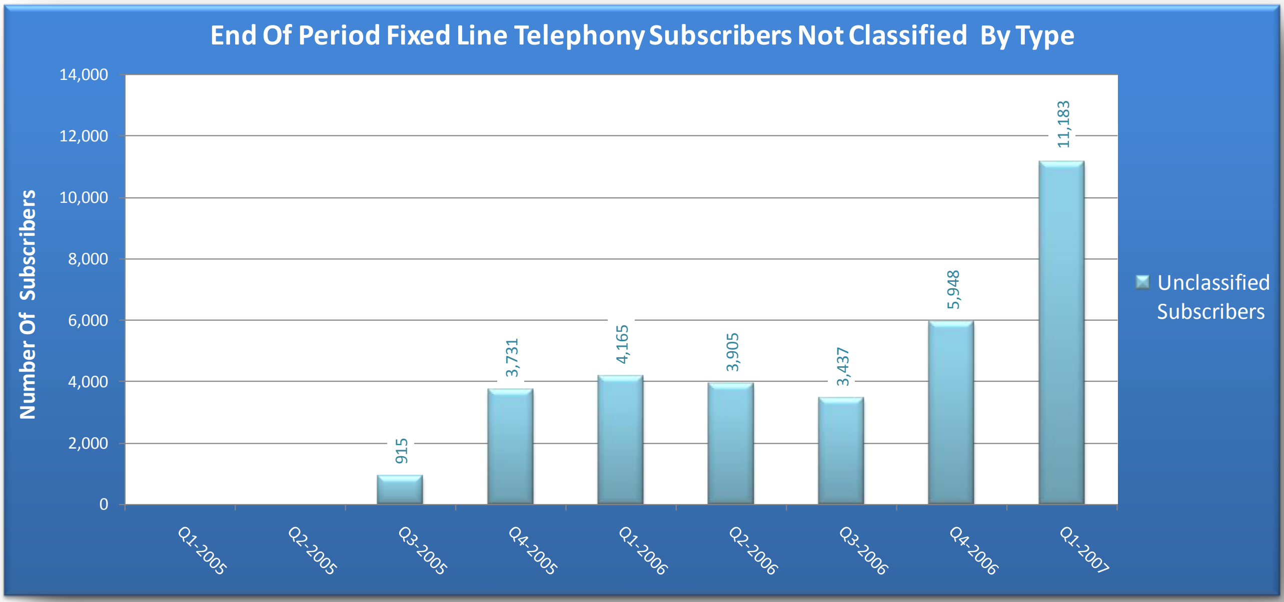

Chart 5. Fixed Line Business-Residential Subscribers As At The End Of The ECMR Period.

As at the end of March 2007, 16.7% of fixed line subscribers were classified as business lines, 78% were residential, and the remaining 5.3% was unclassified. This is shown below in chart 6.

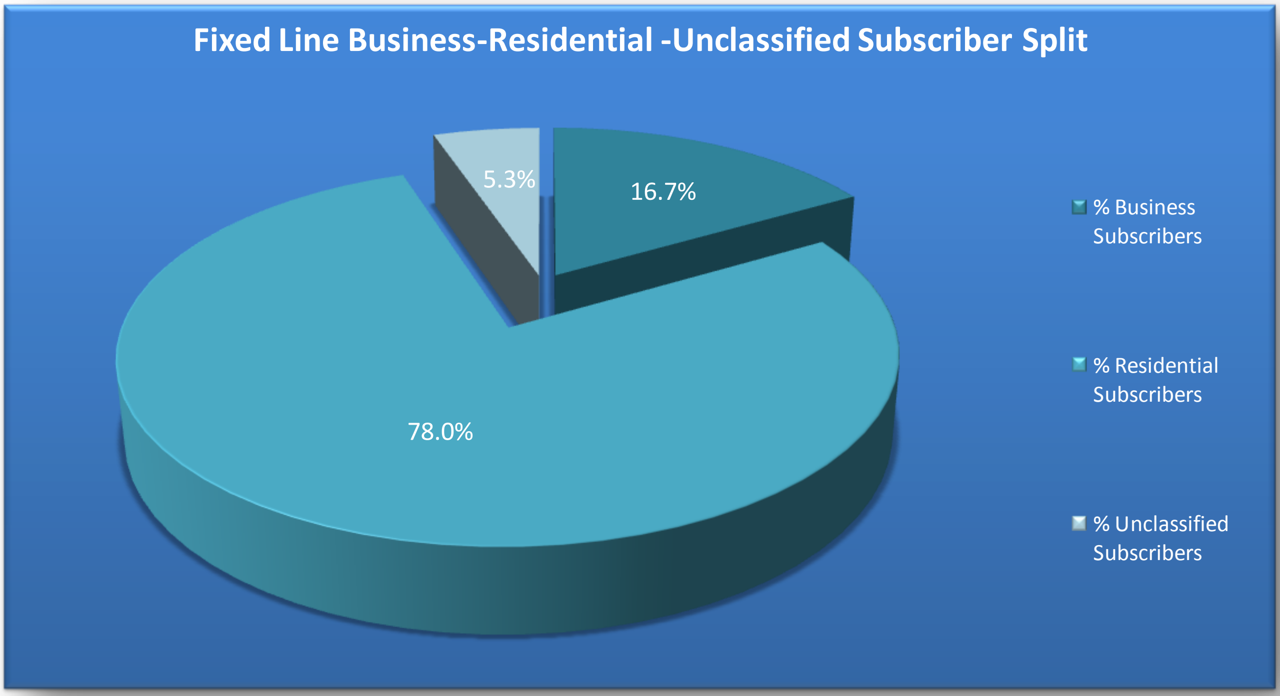

Chart 6. Fixed Line Business-Residential Subscribers As At The End Of The ECMR Period.

2.3 Fixed Line Telephony Traffic

Chart 7, below, depicts fixed line traffic minutes originating and terminating on fixed line networks. The downward trajectory of fixed line -originating and -terminating traffic observed in previous ECMRs is still evident, though the momentum of this trajectory seems to have abated for the period under review. Concomitantly, fixed line-originating traffic terminating on mobiles, when deseasonalised, exhibits an upward trend. This is shown in chart 8 on page 7. It may therefore be said that, at least in part, the decline in fixed line-originating-and-terminating minutes is ascribable to fixed-to-mobile substitution. This hypothesis is further buttressed by the fact (documented in section 3.3 on page 20 of this document) that the trend for mobile-to-mobile traffic also points upwards. Other PSTN substitutes that are coming in vogue especially with the advents of broadband Internet and IP telephony, such as free-to-use Voice Over Internet Protocol (VOIP) telephony applications and IP telephony systems set up over dedicated lines, might be another factor accounting for the downturn in fixed telephony minutes, though the latter cannot be easily quantified on account of their elusiveness to measure.

Moreover, mobile-originating traffic terminating on fixed lines has also been observed to be set on a mildly downward trend. This, juxtaposed to the trends highlighted in section 3, underscores a preference for calling mobiles from mobiles, possibly due to differences in pricing structures for voice (more on this in section 4.2 on page 31), promotional offers by Mobile Network Operators (MNOs), and also to the increased popularity of texting, the price for which, as alluded to in the previous ECMR, is among the lowest in the whole of Europe.

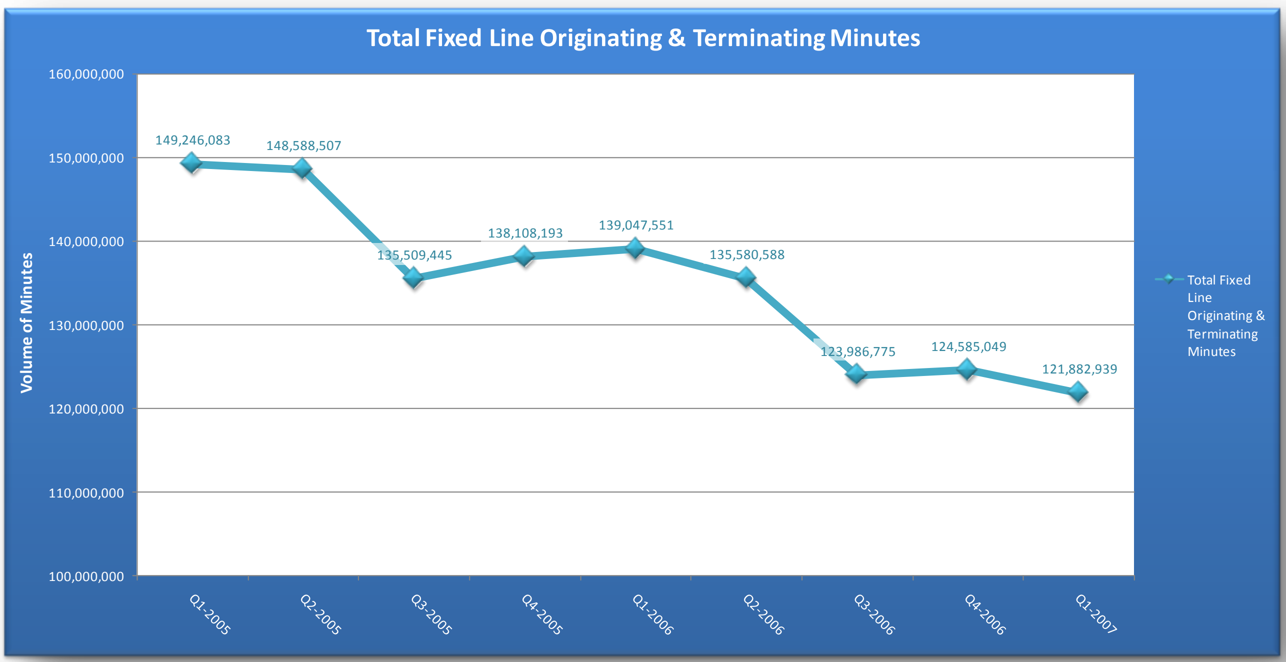

Chart 7. Fixed Line To Fixed Line Traffic Volume In Minutes (Includes Minutes By Both Business And Residential Subscribers). The data set provided is provisional and is subject to minor changes.

Quantitatively, the decrease in fixed line to fixed line minutes between this ECMR period and the last amounted to 13,099,375 minutes, a decrease tantamount to 5%, whereas the drop in fixed line to fixed line traffic between this ECMR period and the comparable period in 2005/2006 amounted to 30,687,756 minutes and represented 11.1% of fixed line to fixed line traffic.

Over the previous ECMR period, a decrease of 979,584 minutes, equivalent to 4.2%, was registered insofar as fixed line minutes terminating on mobile lines are concerned. On the other hand, an increase of 0.4%, translating into 98,718 minutes, was recorded in fixed line minutes terminating on mobile lines over the comparable 2005/2006 period.

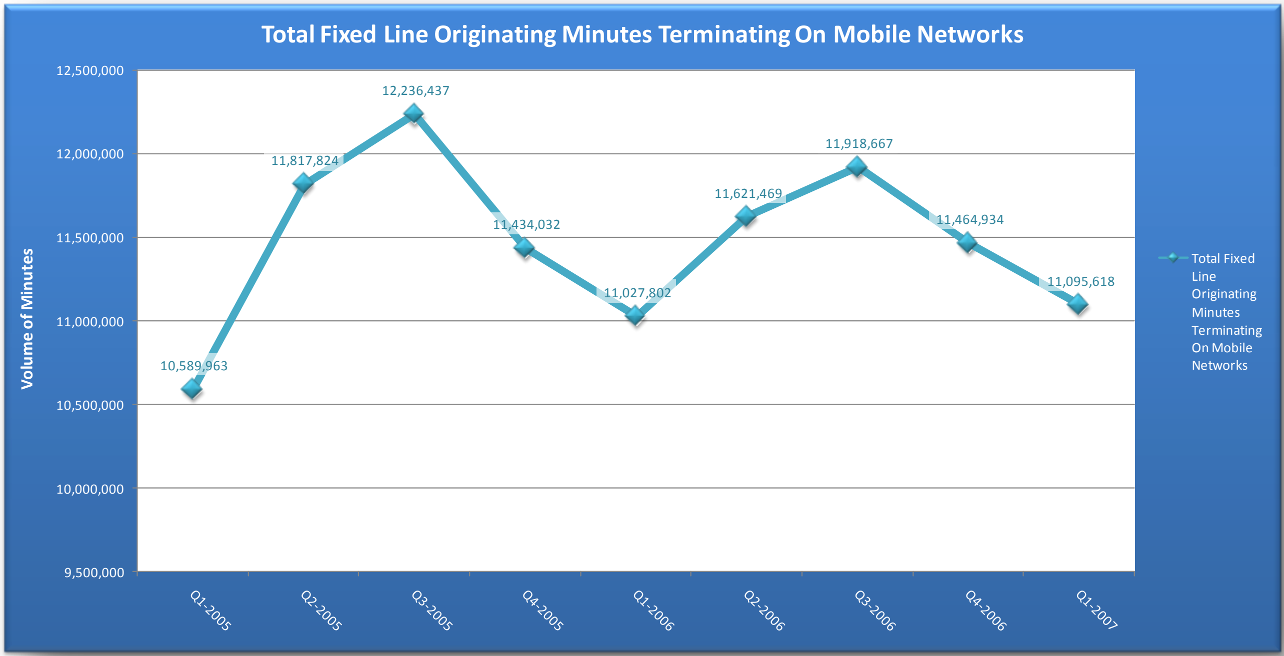

Chart 8. Fixed Line To Mobile Line Traffic Volume In Minutes (Includes Both Business And Residential Minutes). The data set provided is provisional and is subject to minor changes.

2.4 Fixed Line Number Portability

Fixed line number portability is the facility to retain a fixed line telephone number when porting from one fixed line operator to another. Although the MCA had published the number portability decision in April of 2006, fixed line telephony subscribers in Malta could port their fixed line numbers as from February 2007 due to this feature becoming available on Melita Cable Plc.'s Hello fixed line service.

Fixed line number portability has several beneficial effects on the market. *Inter alia*, it minimises the cost to the subscriber of switching between fixed line operators, thereby eliminating a natural deterrent to subscriber movement by making such movement easier. From a supply-side perspective, number portability also goads operators to keep up more closely with competitors' offers and tariffs since this increases consumers' freedom to move between operators[6] and therefore potentially to react to better competitor tariffs or offers by going over to the completion. Consequently, in the absence of collusive practices, this fosters a welfare-augmenting competition for subscribers.

As of the end of the period under review, 137 number portings[7] had been registered.

[6] This is the case because following the availability of number portability, subscribers do not have to go through the hassle of informing other subscribers that they have changed their fixed line number

[7] The nature of the reporting being used to generate this figure is fickle and any re-portings done in subsequent periods will yield a change in the figures quoted. The MCA will be trying to publish the figure for number portings including re-portings in future ECMRs after a time-series of reasonable length is constructed.