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# Post and Telecommunications Market Review Dec 2010

# Introduction

- This review is for the period July to Dec 2010. It takes a look at:
  1. Regional and Global industry trends
  2. General macro economic developments impacting on the market and the industry
  3. Trends in service growth and penetration
  4. Product and pricing trends in the industry
  5. Post and telecommunications price trends and service comparisons
  6. Key regulatory developments

## Telecommunications

- The global telecommunications market place in the first half of 2010/11 has been awash with news of developments in LTE and its associated benefits in the realm of mobile broadband service.
- The early adopters like Verizon Wireless (USA) and CSL of Hong Kong purport that the technology shall among others deliver;
  - Higher mobile data rates
  - Better in building penetration
  - reduced intra cell multi user interference
- In the regional marketplace, the first half of the FY was characterised by;
  - Increased price competition in East African markets
  - proliferation of mobile enabled financial services generally known as mobile money services.

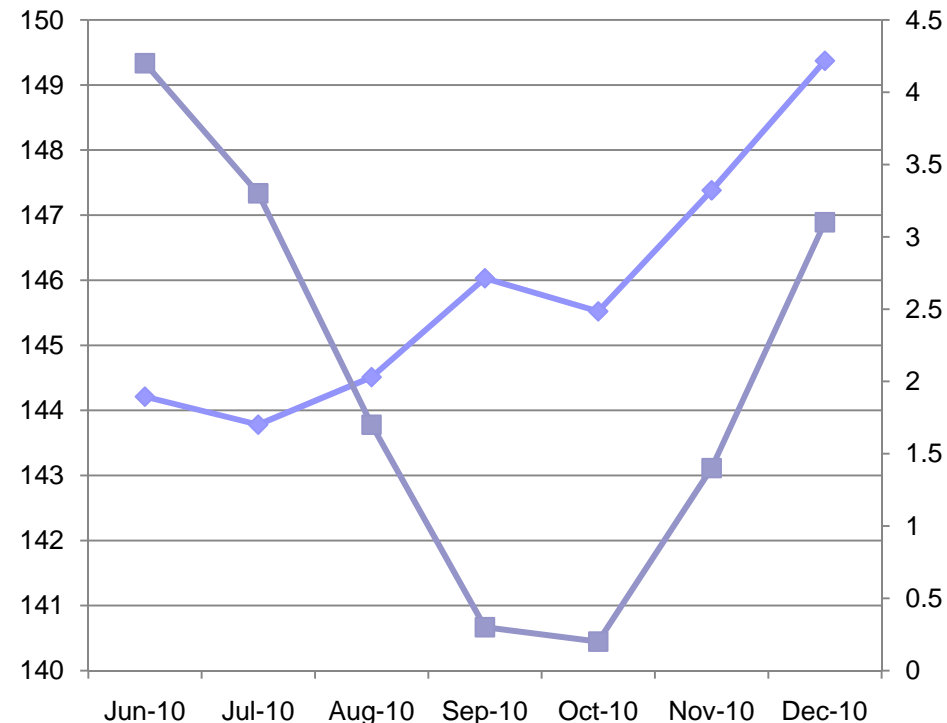
## Post & Courier

- The growth of e – hubs and e – retailers continues to provide a significant avenue for post and courier growth. The world over, post and courier operators formed logistical alliances with e hubs and e retailers like Amazon to effectively tap into this growing market space.
- This is expected to blossom as e retailers continue to differentiate their service on delivery times
- In Uganda, DHL Uganda Ltd, has opened a fully fledged clearing and forwarding unit to harness this new business line.
- Also worth noting is the adoption of money transfer services by many postal establishments. Some of these are through partnerships with mobile operators

# Macro Economic Environment

- On the domestic front, the macro economic indicators of the first quarter of the FY was characterised by falling inflation with a 2 year low of 0.2%.
- However the good performance was eroded in the second quarter of the FY by global increases in oil, decline in investor confidence towards the general elections and rising food prices.
- By the end of December, inflation had risen to 3.1% from the 0.2% recorded in October.
- This has consequential impact on the cost of doing business within the sector.

**All Items Index and Annual % change in CPI**



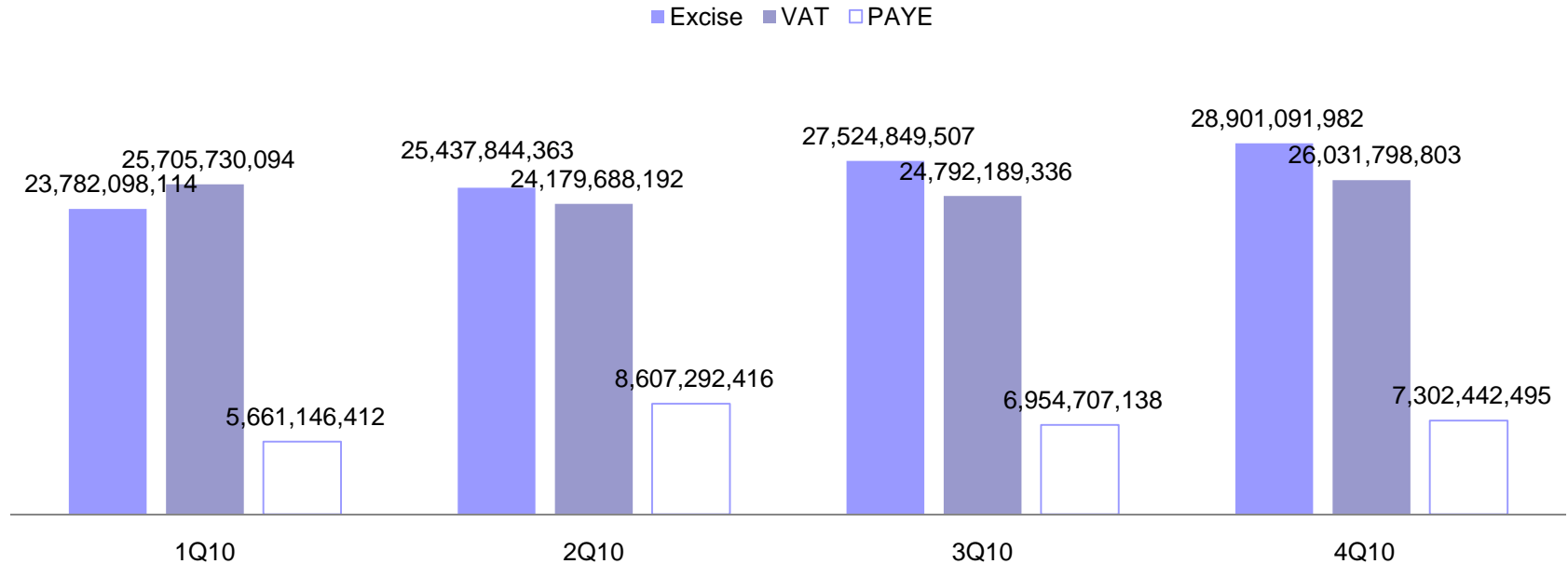
	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
All Items Index	144.21	143.78	144.51	146.03	145.52	147.38	149.37
% Annual Change	4.2	3.3	1.7	0.3	0.2	1.4	3.1

## The Telecommunications Sector at a Glance

	Sept - 09	Dec – 09	Mar - 10	Sept 10	Dec 10
PIP	25	25	26	26	26
PSP Voice and Data	32	36	37	37	37
PSP Capacity Resale	7	8	9	9	9
Fixed Lines	213,600	233,533	244,455	326,588	327,114
Mobile Subscriptions	9,529,293	9,383,734	9,992,705	11,360,008	12,828,264
Tele-density	31.78	31.37	32.21	36.8	41.39

# Telecommunications Tax Contribution

## Telecommunications Tax Revenue, 2010

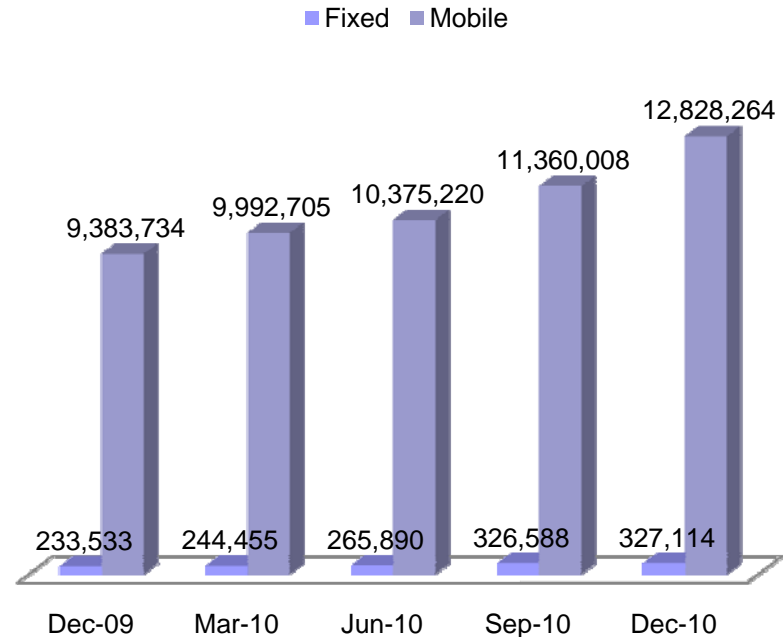


- Shs 121 Billion was realised in telecommunications VAT, Excise and PAYE in the period July – Dec 2010 compared to Shs 113 Billion realised in the period Jan – June 2010.
- The increase in tax collection was largely a result of increased service usage. However, the growth in tax revenue failed to match the commensurate growth in usage and is below the projected URA Revenues for the same period because of the heavy price cuts at the beginning of October.

## Growth in Fixed & Mobile Subscriptions

- More than 1 million new connections were realised in each of the first two quarters of the FY with 1 million and 1.5 new subscriptions in the quarters July – Sept and Oct – Dec respectively.
- This resulted in a telephone penetration of 41 lines per 100
- It is important to note the prevalence of multiple sim card owners. UCC estimates that more than 40% of subscribers have more than 1 sim card.

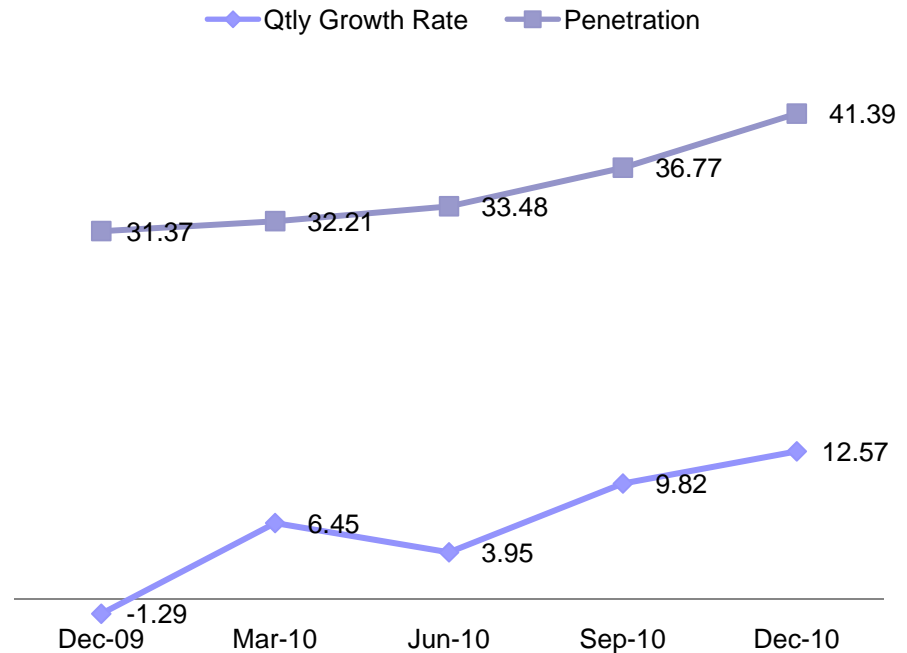
### Fixed and Mobile Subscriptions, Dec 10



## Growth in Fixed & Mobile Subscriptions

- The growth in subscriptions realised in the period Sept – Dec resulted in 12.5% quarter to quarter growth, the highest quarter on quarter growth recorded in the last two years.
- This growth was attributed among others;
  - major on net tariff drops in October resulting into high incidence of multiple sim ownership
  - the traditional seasonal factors associated with the Christmas season

**Penetration and Quarterly Growth Rates, 2010**

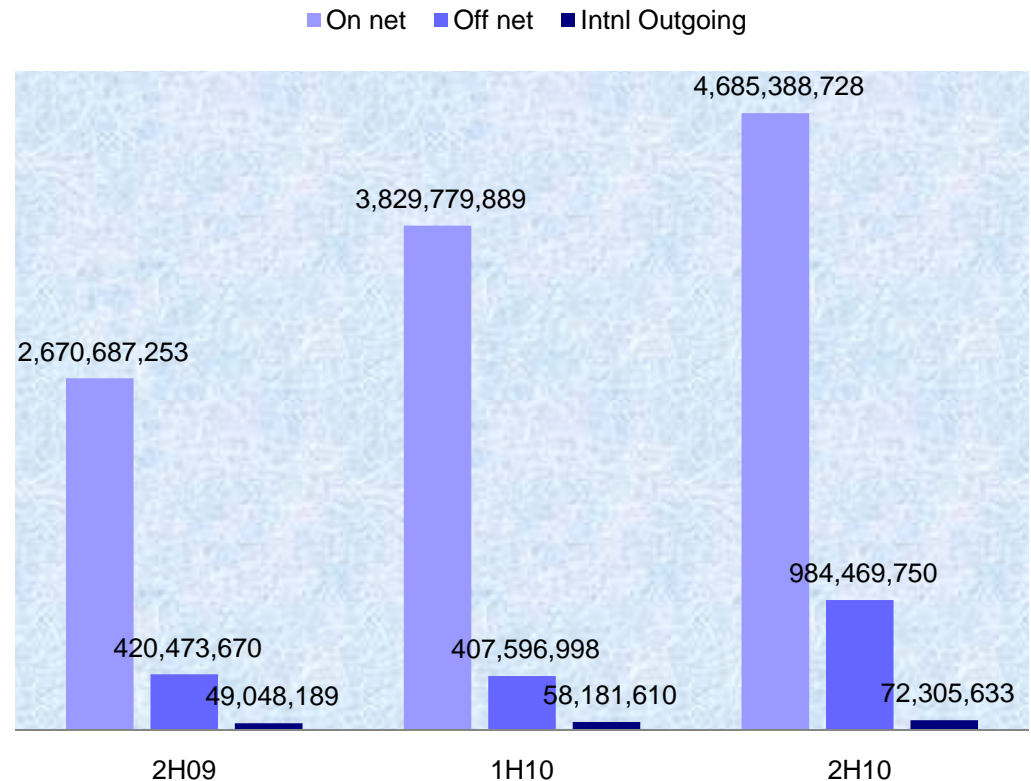


- Launch Besides the growth in subscriptions, the period July – Dec 2010 has seen the launch of new services by the service providers;
  - of water and cable TV payment services on UTL's Msente and MTN's Mobile Money transfer platforms
  - Video calling by Orange Uganda Ltd
  - Launch of call credit schemes by Airtel and Warid

# Half Year Traffic Growth – By Segment

- Overall the market realised 33.7% traffic growth compared to the 36.8% growth realised in the first half of 2010.
- In a reversal of recent traffic trends, off net traffic growth grew by a whopping 141% compared to 22% growth realised in the on net traffic segment the traditional growth leader.
- The anomalous growth in off net traffic is largely credited to the increased on /off net tariff parity realised in the last 3 months of the year (See detailed tariff review in the following slides)

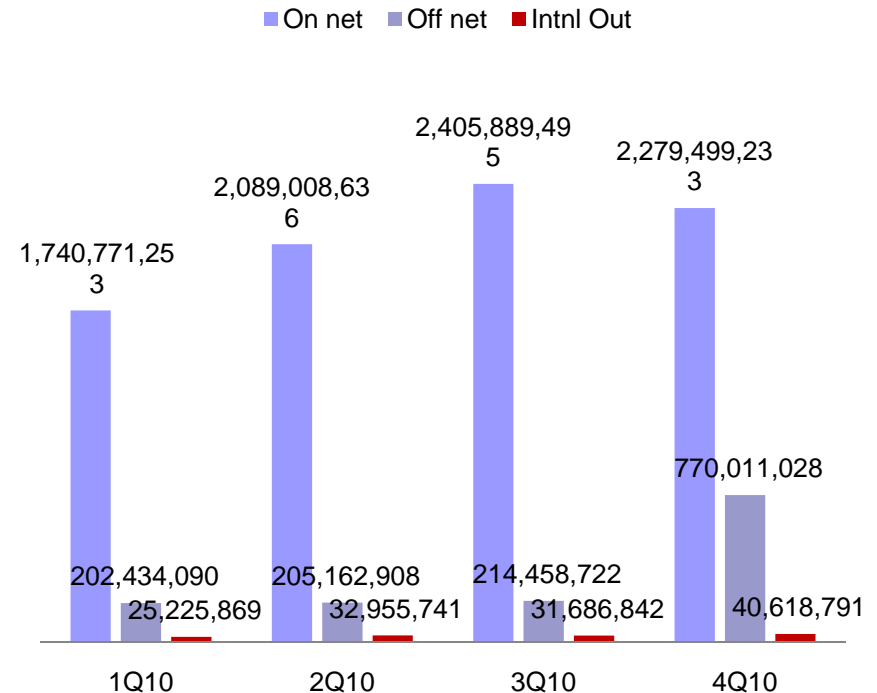
## Half Year Traffic Comparison



# Quarterly Traffic Growth

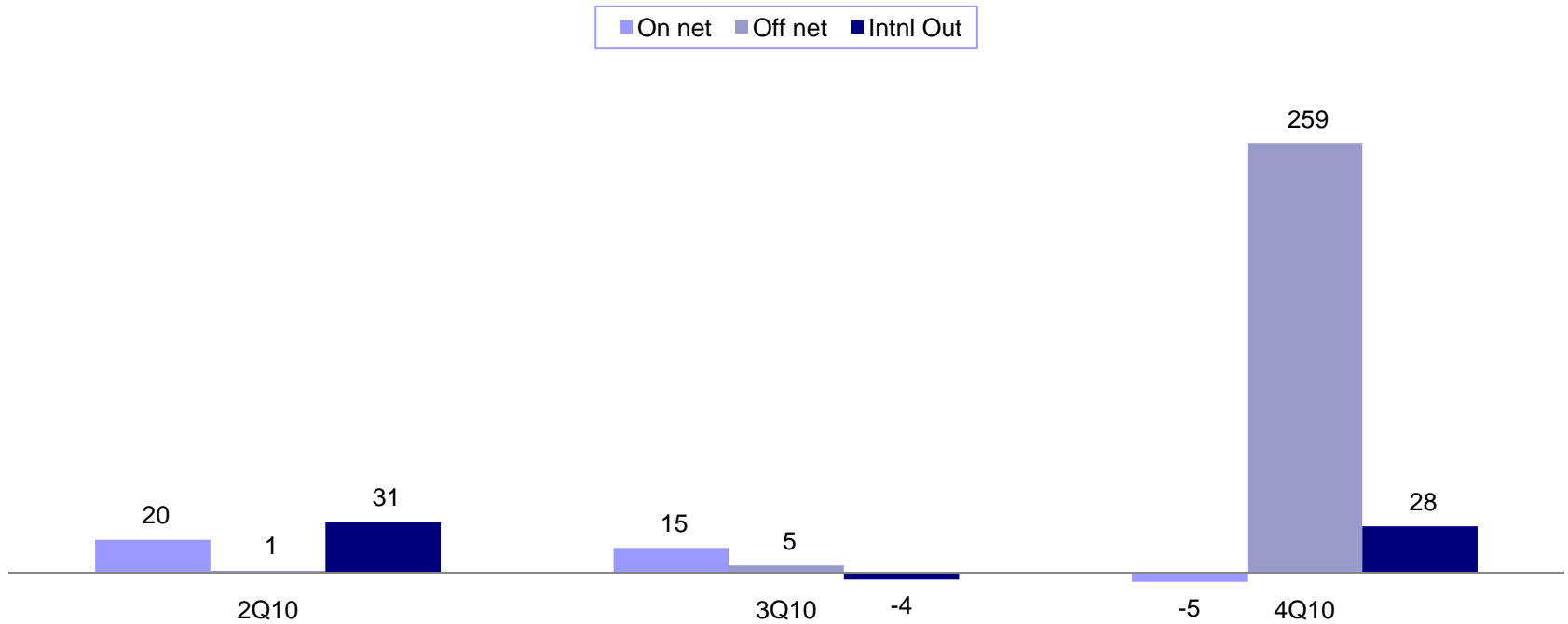
- On the other hand the slowdown in growth of on net traffic realised in the 2<sup>nd</sup> Quarter of the FY (Oct - Dec) may be on account of the slow down in the excitement created by the unlimited on net call bundles like Orange's Gyekiri, UTL's Ndobbo and Warid's paka tariff offerings.
- The growth in international traffic like the off net segment is the result of price cuts in the segment that were the result of lowering bandwidth and international termination rates resulting from the application of VoIP termination solutions

## Quarterly Traffic Growth - 2010



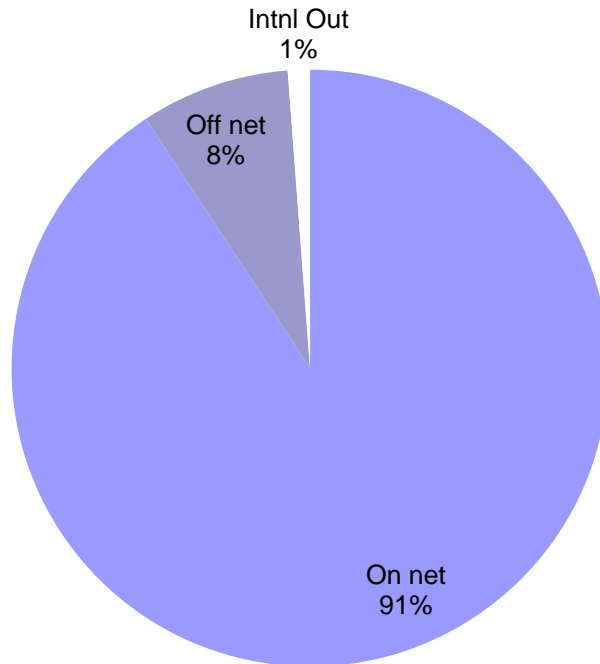
# Quarterly Traffic Growth Trends

## Quarterly Traffic Growth in % Rates by Segment

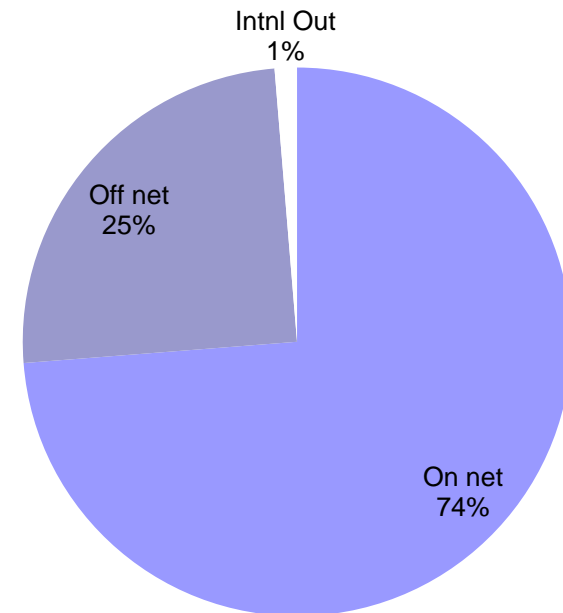


# Quarterly Traffic Distribution 2010

### Quarterly Traffic Distribution, 3Q10



### Quarterly Traffic Distribution 4Q10



# Tariff Movements

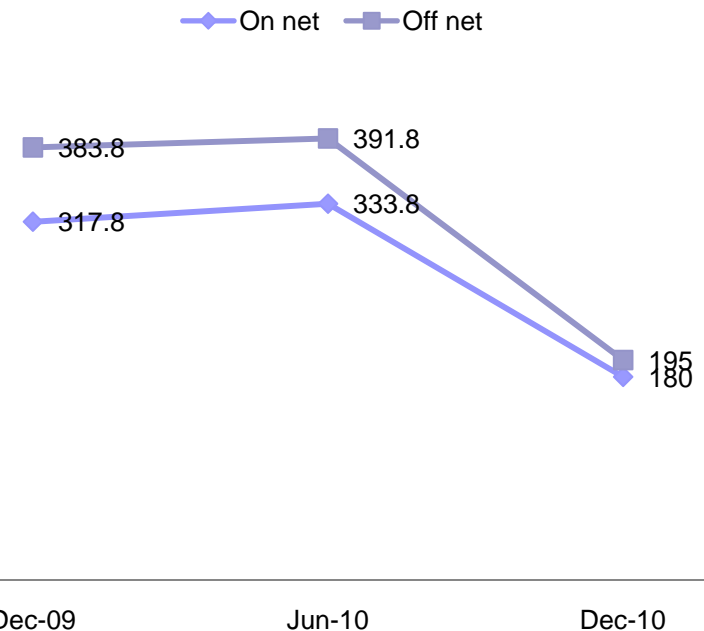
- During the first half of the FY was the lessening of the price disparity across on net and cross net mobile rates.
- By the end of December, all operators save for MTN had uniform on and off net rates of shs180.
- The tariff conversion translated into an off net tariff drop of 37% in the 6 months ended Dec consequently resulting in the unprecedented 140% growth in off net traffic during the period.

	Profile	Destination	Dec 09	June 10	Dec 10
UTL	UT Std	On net	310	310	180
		Off net	440	440	180
Warid	Per Minute	On net	329	329	180
		Off net	329	329	180
Zain	Zain 39	On net	340	400	180
		Off net	340	400	180
MTN	PayGo Std	On net	340	340	180
		Off net	500	500	240
Orange	Per Minute	On net	270	290	180
		Off net	310	290	180

## Tariff Movements Contd

- Also worth highlighting is the entry of tariff bundles offering unlimited on net call volumes at variable rental fees
- Other key permanent tariff developments during the half year included;
  - Revision of international call rates by Orange and Airtel
  - Revision of one network roaming rates by Airtel
  - Introduction of MTN's usage increment based pricing
- Promotional offerings have also taken on more importance with operators offering a variety of short term offerings targeted a host of market segments. Some of these are highlighted in the following slide

### Average Domestic Tariff Movements



## Select Promotional Offerings

### Warid

- Kawa promotion, offering 30 on net minutes for Shs 500, Sept 10
- Kawa re launched with 1/= for every 4 seconds, Nov 10
- Select call rate promotion to China, India, & Bangladesh, Nov 10
- Double the Fun re launch Dec 2010

### Zain

- Kiro More All night, unlimited late night on net calls for Shs 500, Dec 10
- 50% recharge Bonus
- China Rate revision, Dec 10
- Revision of Roaming rates

### MTN

- Non Stop kb promotion, Dec 10
- 50% easy Load Bonus
- MTN Friends, 2/= per second on 5 Favourite Numbers

## Tariff Trends - Implications

- While the proliferation of flat fee unlimited call offerings by the various providers has significantly resulted into growth in usage, on the down side however, the current pricing behaviour has provided fertile ground for the illegal VoIP International termination resulting in significant revenue losses by some carriers.
- Further, new licensees have argued that the pricing trends witnessed towards the end of the period under review has created an artificial barrier to entry with the incumbents or deeper pocketed early entrants deliberately undercutting potential competition with their below cost offerings.
- In response to the above, some operators are considering usage caps on some of their “Unlimited ” Offers to curtail the revenue loss to illegal carriers.
- On the other hand the Commission is engaging the industry for a long term solutions to the two emerging issues at hand



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# Internet and Data Services

# Service Providers

Technology Platform	Service Providers
3G, GPRS and CDMA	<ul style="list-style-type: none"> <li>• UTL, MTN, Airtel, Warid, Orange Uganda Ltd and I tel Uganda Ltd</li> </ul>
Fibre and DSL	<ul style="list-style-type: none"> <li>• UTL</li> <li>• MTN</li> <li>• Kampala Siti Cable</li> <li>• Infocom</li> </ul>
ISDN and Leased Lines	<ul style="list-style-type: none"> <li>• UTL</li> <li>• MTN</li> </ul>
VSAT	<ul style="list-style-type: none"> <li>• Afsat Communications U Ltd</li> <li>• Africa Online Uganda Ltd</li> <li>• UTL</li> <li>• MTN</li> <li>• Infocom Uganda Ltd</li> <li>• Maisha Networks Uganda</li> <li>• Spidd Africa Ltd</li> </ul>
Other Wireless (including Wimax)	<ul style="list-style-type: none"> <li>• Foris Telecom (In)</li> <li>• Tangerine Uganda Ltd</li> <li>• Datanet</li> <li>• One Solution Ltd</li> <li>• Augere</li> <li>• Infocom</li> <li>• TMP (Broadband Company)</li> <li>• All Telcos</li> </ul>

### ISPs

- New entrants in the ISP market included;
  - The bandwidth and Cloud service group and UETCL offering wholesale bandwidth to PSPs
  - One ... Solution Ltd offering retail fixed Wimax in the Kampala Metro
  - Augere Uganda Ltd, Wimax provider

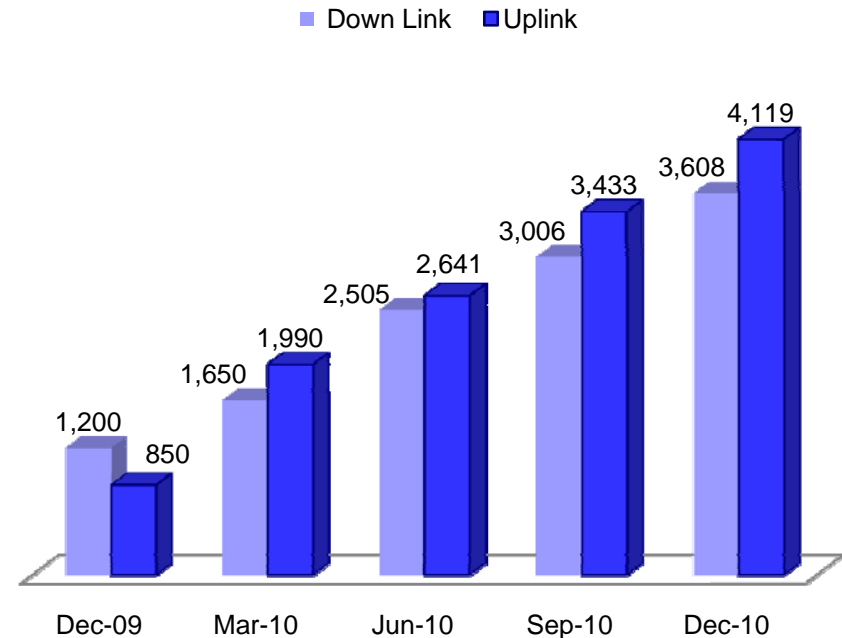
### Voice Carriers

- Roke Investments Ltd
- Fastcom Ltd

# Bandwidth Capacity Growth

- 50% growth was realised in bandwidth during the 6 months ended Dec 2011.
- By the end of the year, total international bandwidth in the country stood at 7725 mbps (see chart to the right)
- Like in the preceding half year, sea cables at the East African coast largely account for this growth in bandwidth.

**International Bandwidth  
mbps, Dec 2010**



## Eassy & Seacom cables

- Following launch of commercial services by the EASSY cable system at the beginning of August, the Management Committee at the end of Dec committed to undertake system upgrades to double the capacity of the cable system. Upgrades were scheduled to begin in the first half of 2011.
- Seacom's strategic focus during the period under review was interconnection of the system with more African countries. As a result, Botswana, Lesotho, Namibia, Swaziland and Zimbabwe were to be connected to the cable system in first quarter of 2011

## Africa Coast to Europe (ACE) Cable

- Baharicom Development Company and France Telecom in partnership with NEPAD signed off a construction and management agreement at the start of the period under review.
- The 17,000 km long fib optic cable will initially stretch from Paris to South Africa connecting 23 countries either directly or indirectly through terrestrial links.
- The cable planned to be operational in the first half of 2012 will operate as a carriers' carrier providing voice and data services to telcos and ISPs

## Internet Subscriptions and Users

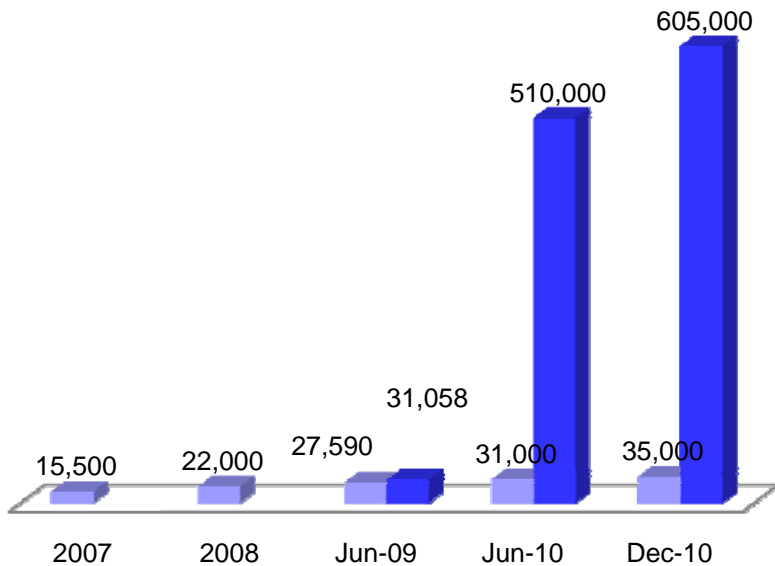
- The entry roll out wireless broadband networks by new entrants, network extensions by the incumbents, falling bandwidth and hardware prices have further fuelled the uptake of wireless broadband services outpacing the fixed (wired) subscription growth.
- By the end of Dec, fixed internet subscriptions had risen to an estimated 35,000 connections from 31,000 subscriptions at the beginning of the review period.
- Wireless Subscriptions on the other had rose by 95,000 to 600,000 mobile accounts at the end of the 2010
- The growth in internet subscriptions resulted in an estimated 4 million internet users (at least once a month) translating into a penetration of 12 persons per 100.



# Internet Subscriptions & Usage

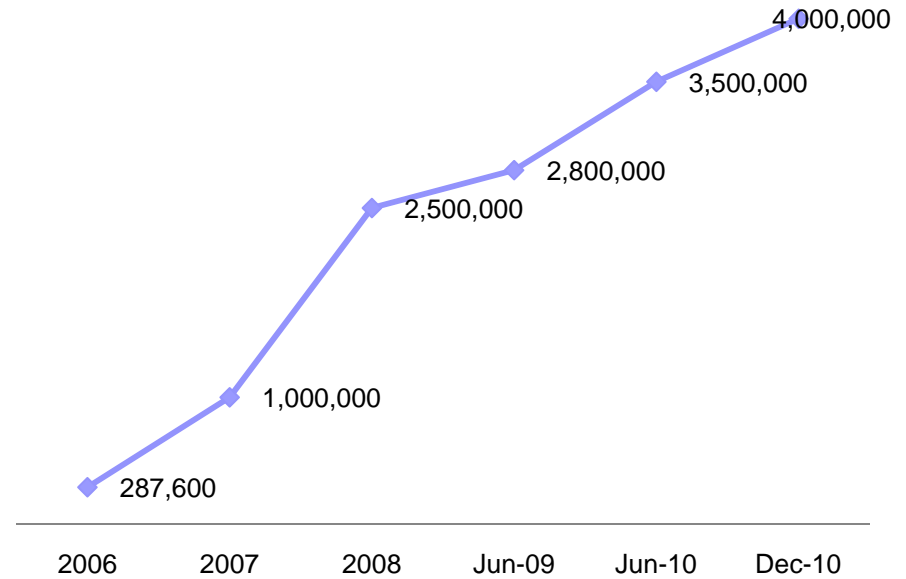
## Internet Subscriptions, Dec 10

■ Fixed Internet Subscriptions ■ Mobile Internet Subscriptions



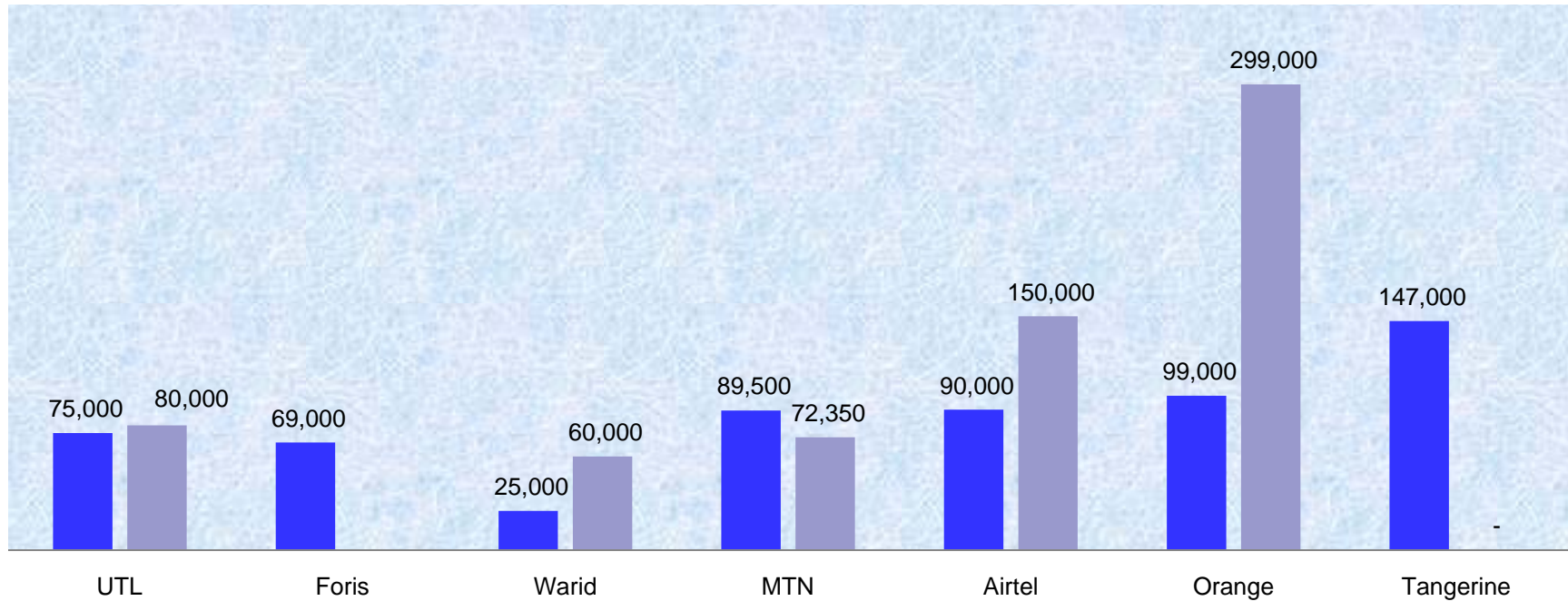
## Estimated Internet Users, Dec 10

◆ Estimated Internet Users

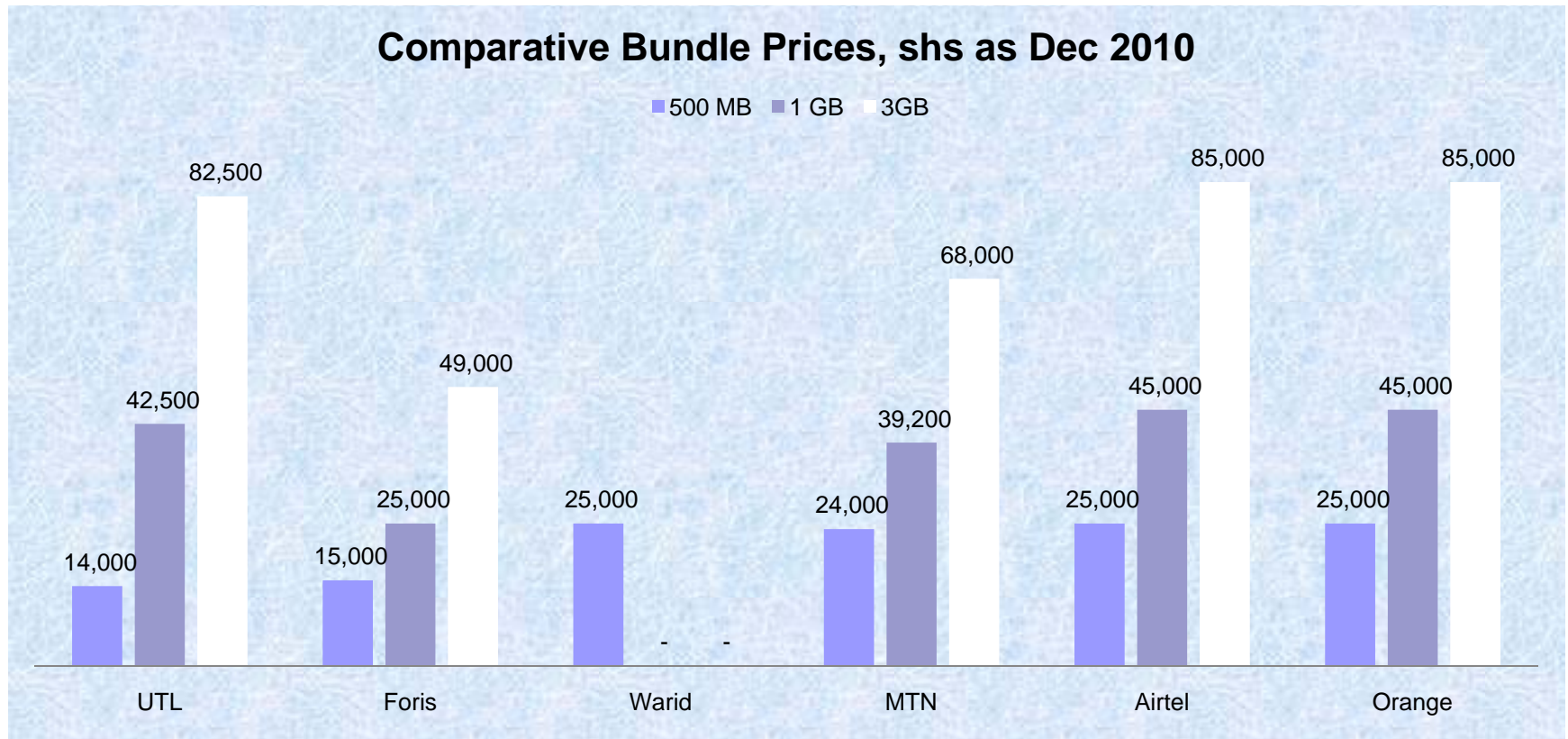


## Modems and Monthly Usage Fees as at Dec 30<sup>th</sup> 2010

■ Modem   ■ Unltd Monthly fees



# Comparative Internet Bundle Prices





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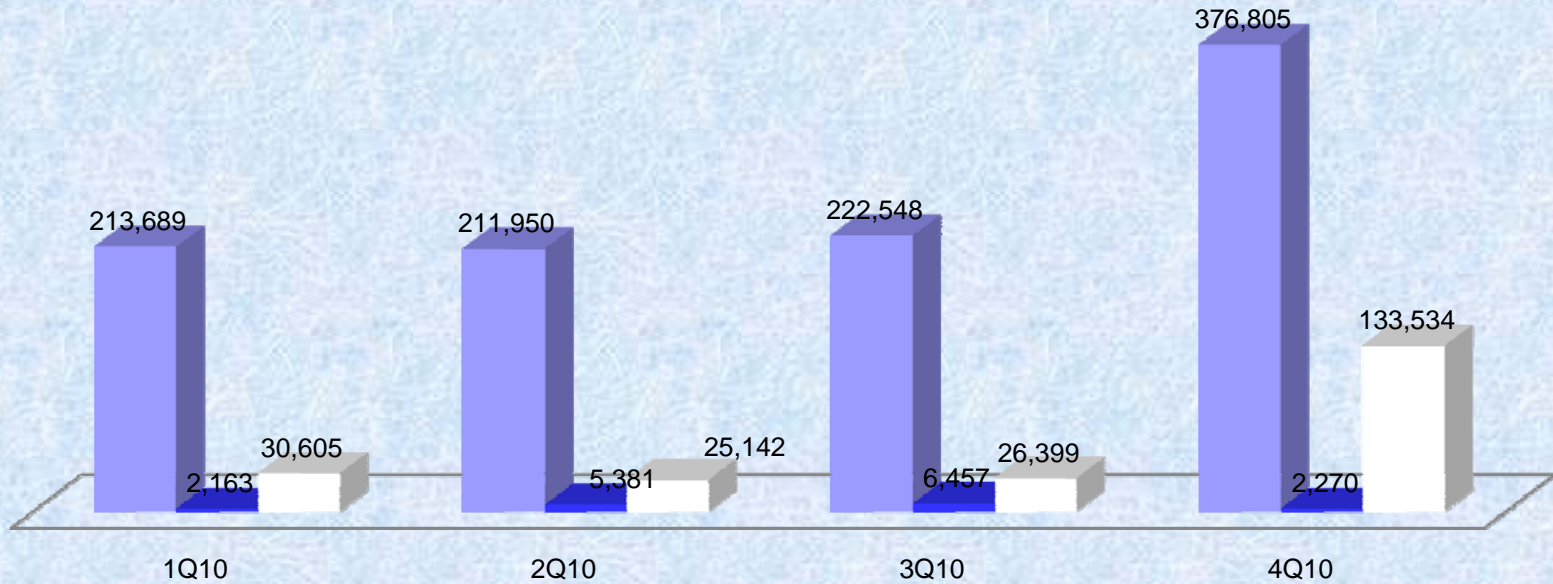
# Post and Courier services

# Post and Courier Service Providers

	June 07	June 08	June 09	June 10	Dec 10
Major Postal	1	1	1	1	1
International Courier	5	6	6	7	7
Regional Courier	6	6	8	8	9
Domestic Courier	6	8	8	14	14

## Domestic Letter Post Volumes, 4Q10

■ Domestic Ordinary Letter Post   
 ■ Domestic Registered Letter Post   
 ■ Domestic EMS



## Courier Rates for Select Destinations 500gm, Dec10

	License	Kampala	Mbarara	Nairobi	UK	India	USA
Globex Express Courier	Intl	3,500	15,000	34,500	60,000	68,000	90,000
DHL	Intl	6,500	19,500	56,640	85,320	N/A	N/A
EMS/UPL	Intl	3,000	5,000	35,000	43,846	50,000	50,000
Nation Carrier	Regional	3,900	9,100	30,000	N/A	N/A	N/A
Yellow Pages	Domestic	3,600	9,200	N/A	N/A	N/A	N/A
Skynet U Ltd	Intl	5,850	33,150	33,000	105,000	66,500	88,000
FedEx	Regional	6500	15,600	365,00	82,336	171,534	113,212
TNT	Intl	N/A	N/A	43,561	74,323	84,017	95,867
Daks Courier	Intl	4,000	12,000	46,689	N/A	115,301	94,563