

# The Market & Industry Report

## Second quarter of 2013

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## Introduction

This report is a summary of market and industry data extracted from the operational reports of all licensees in the Communications sector, and covers the period April to June 2013. In this report, data from Q2 is compared against that from Q1 that covers the period January to March 2013. The information derived from the market and industry data covers the following aspects of the Communications sector:

- a) Mobile telephony
- b) Fixed telephony
- c) Internet/data services
- d) Broadcasting and Postal services
- e) Communications Infrastructure
- f) Tax Revenue contributions of the Communications sector
- g) Consumer Affairs

## Summary of key Communications Statistics

In the table below, a number of sector specific indicators computed from operational reports of licensees have been computed and displayed to provide a holistic overview of the communications services industry and its performance.

INDICATORS	Q2 DATA (As of June 2013)	As of March 2013	Change (%)
Mobile Subscriptions (prepaid)	16,486,109	16,748,850	-1.6
Mobile Subscriptions (post paid)	82,677	75,091	10.1
Fixed subscriptions	207,474	301,656	-31.2
Tele- density	47.7%	48.4%	-1.4
Penetration '000 (mobile)	471	475.8	-0.9
Penetration '000 (fixed)	5.9	8.5	-30.6
Estimated Internet subscription (Mobile)	3,458,351	2,702,903	27.9
Estimated Internet subscription (Fixed)	98,500	98,334	0.2
Estimated Internet users	6,800,000	6,500,000	4.6
Internet penetration per 100 population	10.1	7.9	27.5
Bandwidth Growth			

INDICATORS	Q2 DATA (As of June 2013)	As of March 2013	Change (%)
<b>Total Bandwidth (Mbps)</b>	25,679	25,180	2.0
<b>Bandwidth per 1 million inhabitants (mbps)</b>	726	712	2.0
<b>Traffic Data</b>			
<b>On net traffic (voice)</b>	3,740,707,564	3,766,692,456	-0.7
<b>Off net traffic (voice)</b>	455,573,877	431,150,259	5.7
<b>International traffic (voice incoming)</b>	120,651,837	123,565,847	-2.4
<b>International traffic (voice outgoing)</b>	70,620,623	66,105,428	6.8
<b>Roaming Data</b>			
<b>Roaming in foreign networks</b>	12,076,955	22,472,822	-46.3
<b>Roaming by foreign networks</b>	11,665,659	15,975,525	-27.0
<b>Broadcasting and Postal Data</b>			
<b>Operational TV stations (analog)</b>	63	63	0.0
<b>Non Operational TV stations (analog)</b>	10	10	0.0
<b>Operational TV stations (Digital terrestrial stations)</b>	3	3	0.0
<b>Operational TV stations (Digital satellite stations)</b>	2	2	0.0
<b>Operational FM Radio stations</b>	251	251	0.0
<b>Non operational FM Radio stations</b>	35	35	0.0
<b>Courier License operators (Intn'l, Regional, Domestic)</b>	(8,7,13)	(8,7,13)	
<b>Postal Traffic</b>			
<b>Domestic Ordinary Letter Post</b>	325,081	272,317	19.4
<b>Domestic Registered Letter</b>	6,323	2,195	188.1
<b>Domestic EMS</b>	62,392	46,098	35.3

INDICATORS	Q2 DATA (As of June 2013)	As of March 2013	Change (%)
<b>Other service providers</b>			
<b>Public Infrastructure Provider (PIP)</b>	24	24	0.0
<b>Public Service Provider (PSP) Voice and Data</b>	36	36	0.0
<b>Infrastructure Statistics</b>			
<b>Number of Base Transmitter Stations (BTS)</b>	3,596	3,524	2.0
<b>Tax Revenue</b>			
<b>Excise</b>	45,342,707,728	36,145,932,343	25.4
<b>VAT</b>	35,353,657,050	39,518,319,477	-10.5
<b>PAYE</b>	11,953,367,603	11,595,036,119	3.1
<b>Mobile Money Services (Source BOU)</b>	<b>June</b>	<b>march</b>	
<b>Number of Mobile money subscribers</b>	12,117,821	11,126,567	8.9
<b>Number of Transactions (March)</b>	32,558,138	33,587,216	-3.1
<b>Value of Transactions (March)</b>	1,391,658,969,855	1,427,753,102,957	-2.5
<b>Balance on customer accounts (end of march)</b>	124,361,702,422	78,995,962,084	57.4
<b>Number of mobile money agents (countrywide)</b>	47,463	24,908	90.6
<b>Number of Banks (countrywide)</b>	494	491	0.6

### Mobile Telephony

The post paid subscriptions grew by 10% whilst subscriptions for prepaid mobile telephony services dropped by 1.6% going from Q1 to Q2. Probably SIM card registration which ended in August might have caused the drop and the subsequent unsubscribed redundant lines by some operators.

In Q2, there was a 0.7% drop in on-net voice traffic and a 5.7% growth in off-net voice traffic for all telecommunications operators in the aggregate. The sizeable growth of off-net traffic is largely driven by the deliberate marketing strategies of the operators in market to grow on-net traffic with promotions and customer loyalty reward programmes throughout the period under review.

The international incoming voice traffic has dropped by only 2.4% from Q1 to Q2, despite the implementation of an excise duty tariff that raised the cost of these calls by more than 60% from US\$ 0.15 to US\$ 0.24 per minute of incoming international voice traffic. Worth noting is the more than proportional 6.8% growth in outgoing international voice traffic over the same period.

### **Fixed Line Subscriptions**

Fixed line subscriptions between Q1 and Q2 fell by 31.2%, this is a large drop. The growing popularity of Value Added Services (VAS) and Over the Top (OTT) services that are available only to mobile telephony subscribers; the impact of these VAS and OTT services and how they magnify the network related effects and benefits of being a mobile telephony user; all work in combination to discourage the uptake of new fixed line telephony services.

These facts and observations, direct consumer preferences for telecommunications services away from fixed line telephony to mobile telephony platform based services. And herein is a plausible explanation for the more than 30% drop in subscriptions over a single quarter.

### **Internet and Data**

Internet penetration per 100 persons has increased by 27.5% between Q1 and Q2, even though total broadband bandwidth and broadband availability grew by only 2%. It is also apparent that quarter on quarter growth of mobile internet subscription is approximately 28% and is partly explained by the growing popularity and usage of smart phones in Uganda.

## Broadcasting

The majority of indicators of performance in the Broadcasting sector have not varied between Q1 and Q2. Nevertheless it is notable that Uganda has (63) operational TV stations using the analog signal, 251 operational FM stations, two (2) digital terrestrial TV stations, and two (2) operational digital satellite TV stations.

## Postal Services

The number of domestic ordinary letters conveyed by the postal services grew by almost 20% between Q1 and Q2, while domestic registered mail registered a 188% growth over the same period. And over the period of review, expedited mail services grew by 35%. It should be noted that the majority of this growth can be explained by the strategy of postal and courier service providers to work out cooperative agreements with the large number of public transport providers. However, it is in doubt how sustainable these growth trends in postal and courier services is, in a situation where a national addressing and postcode system does not exist, and growing internet usage within the Ugandan population.

## Communications Infrastructure

The number of BTS grew by 2% as a result of 62 sites coming online in Q2, leading to a total of 3,586 sites country wide.

## The Fibre Optic Cable in Uganda

A total of 5,110.85km of fibre optic cables are laid by June 2013. The details connections are as shown in the table below.

### Fibre Infrastructure coverage as of June 2013

Company	Route	Length (km) June 2013
Uganda Telecom	Kampala – Entebbe	42.2
	Kampala – Mukono	20
	Kampala- Masaka	258

	Mbarara- Katuna	220
MTN (U) Limited	Kampala – Busia	206
	Kampala – Mbarara	289.8
	Kampala - Masaka,	258
	Mbarara - Katuna	220
	Masindi- Northern route	165
Warid Telecom	Around Kampala	42
Airtel	Around Kampala	40
Infocom	Kampala – Eastern Uganda	240
	Kampala – Katuna	596
Roke Telekom	Kampala Metropolitan	360
	Masaka- Mutukula	88
Uganda Electricity Transmission Company Limited (UETCL)	Nalubale – Malaba, Masaka - Mbarara Nalubaale -Tororo Tororo –Malaba Bujagali-Kawanda-Mutundwe	480.85
MolCTs -Government of Uganda.  (NBI Phase 1 & 11)	Kampala, Entebbe, Mukono, Jinja, Bombo Luwero, Nakasongola, Masindi, Gulu, Lira, Soroti, Kumi, Mbale, Tororo, Busia, Kyenjojo, Fortportal, Kasese, Bushenyi, Mbarara, Ntugamo, Egelu, Iganga, Bugiri, Tororo, Busia, Malaba.	1,585
Total fibre		5,110.85

The number of public infrastructure providers (PIP) has remained unchanged during this period, and this partly explained by the possibility of the market for commercial infrastructure having attained maturity. The other reason of the lack of a change in the number of PIPs is also explained by the large capital requirements for

entry into this market, and possibly the long periods necessary to break even and earn a positive return on investment.

### **Tax Revenue from Telecommunication services**

Exercise duty collections grew by 25.4% especially on account of the increased capital expenditure by operators to enhance, optimize and improve their communication networks. There has also been a 3.1% increase in payroll taxes, specifically PAYE; which is perhaps explained by a stagnation of wages and employment in the telecommunications sector. However the 10.5% drop in VAT collections is highly correlated with the slowing aggregate demand and growth at a macro level in the economy.

### **Consumer Affairs**

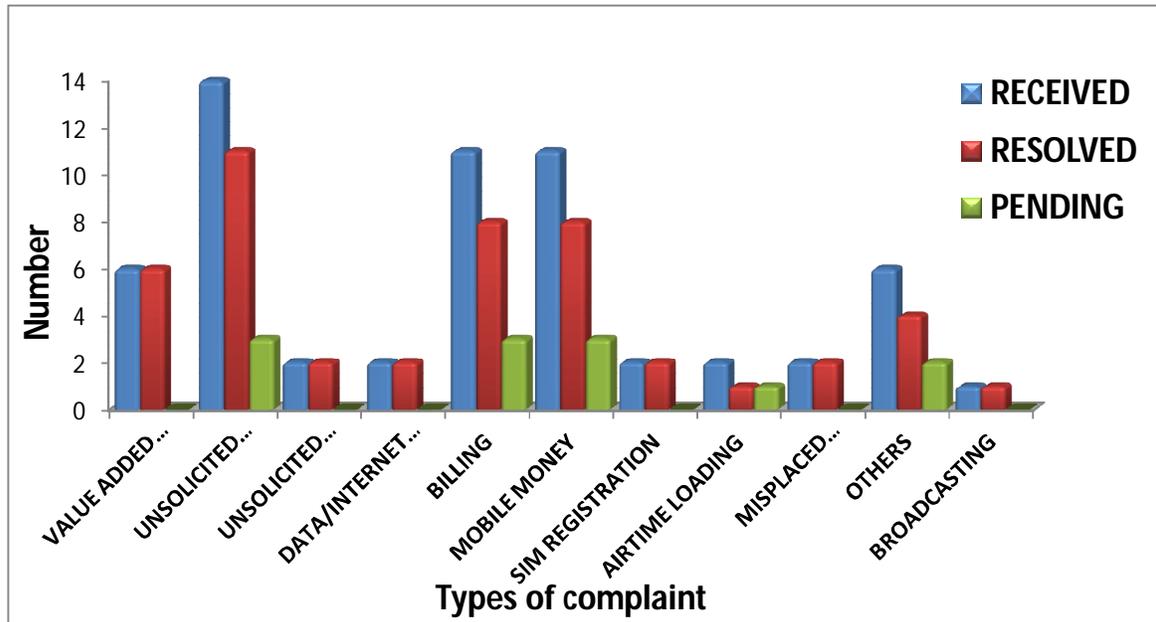
Consumers of communication services when dissatisfied with a service are required to first lodge complaints with their respective service providers. Where a consumer remains dissatisfied, they can then lodge complaints with UCC, at which point it becomes a second level complaint. The statistics used in this report represent second level complaints to UCC. However, the figures may include some first level complaints from consumers who claim inability to access their service providers.

<b>REVIEW OF COMPLAINTS RECEIVED</b>	<b>Q2</b>	<b>Q1</b>	<b>Change</b>
	%	%	%
<b>Complains received and resolved by respective service provider</b>	72.9	71.1	1.8
<b>Pending complains</b>	23.7	26.5	-2.8
<b>Complains outside UCC mandates</b>	3.4	2.4	1.0

The above table shows that there is improvement in complaint resolution by operators, even though it is small improvement. (1.8%); and the number of pending complains has also reduced. These improvements are indicative of an improvement of the customer care being offered by operators to the consumers of their services between Q1 and Q2.

However, the slight increase in complaints presented to UCC that are outside its mandate suggests that customers need and clear sensitization on this matter. This increase is directly proportional to the number of mobile money related complaints that are directly under the Central bank as the regulator or providers of financial payment and receipt systems.

### Type of complaints received, resolved and pending for April-June, 2013



For the period under review, the largest number of complaints had to do with the receipt of unsolicited text messages. But this is not a new phenomenon, rather it is a reflection of a growing trend from the preceding quarters, and one that so far has very low resolution rates.