A Review of The Postal and Telecommunications Sector; June 06- June 07

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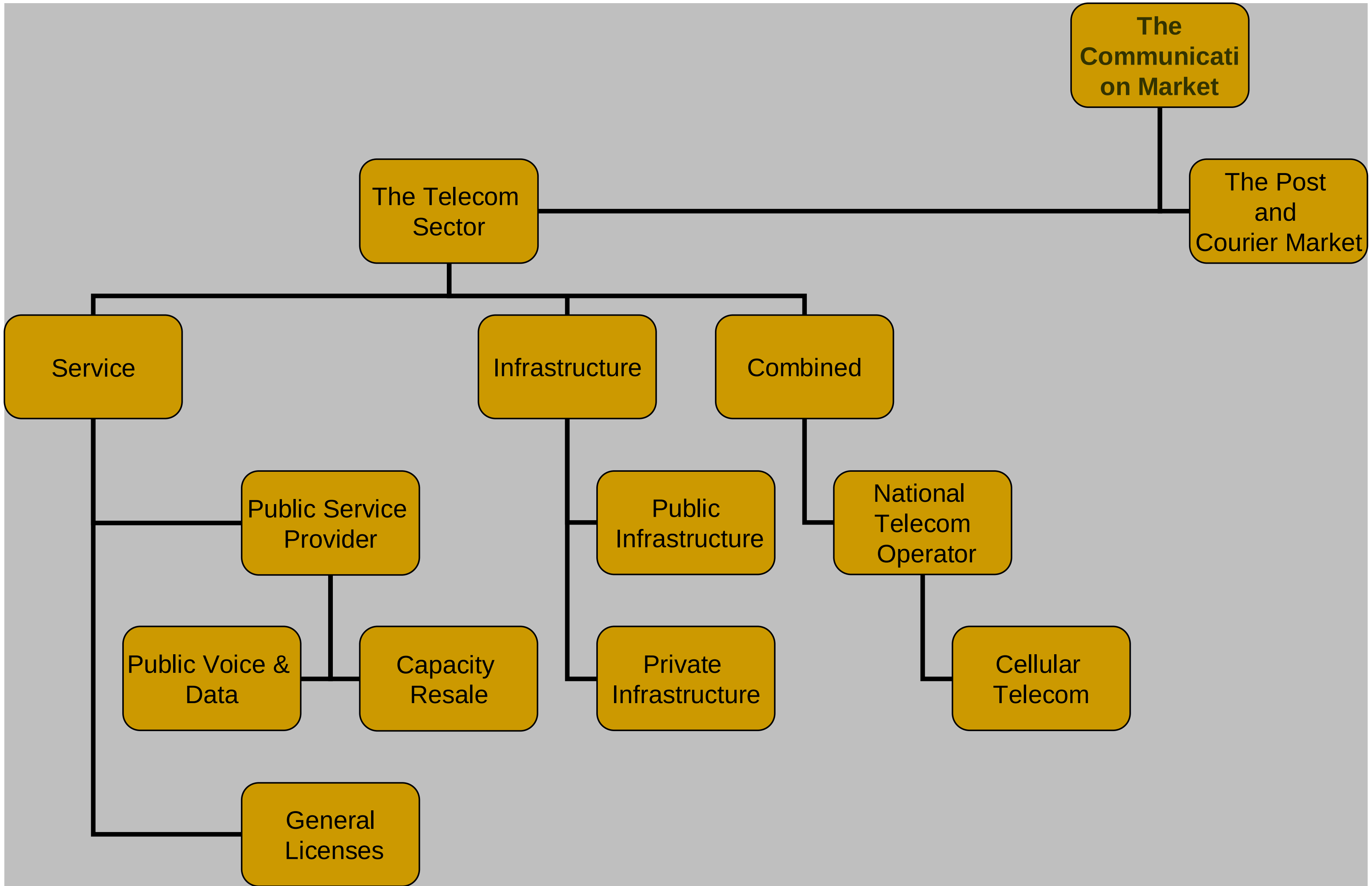
The Market Structure

- It's a year since Uganda redefined its telecommunications policy environment
- Ministerial policy statements on Service provisioning on 11th May 2006
- Ministerial statement on infrastructure provisioning in August 2006.
- The telecommunications sector was thus opened to full competition for both service and infrastructure provisioning.

Market Structure Cont.



Number of Operators Telecom.

National Telecom Operator (NTO)	2
Cellular Telecom Operator (CTO)	1
Public Infrastructure Providers (PIP)	4
Public Service Providers (PSP)- Capacity Resale only	4
PSP- Voice and Data only	10
PSP- Voice and Data plus Capacity resale	2

- All PIP Licensees also hold PSP licenses

The New Telecom Operators .

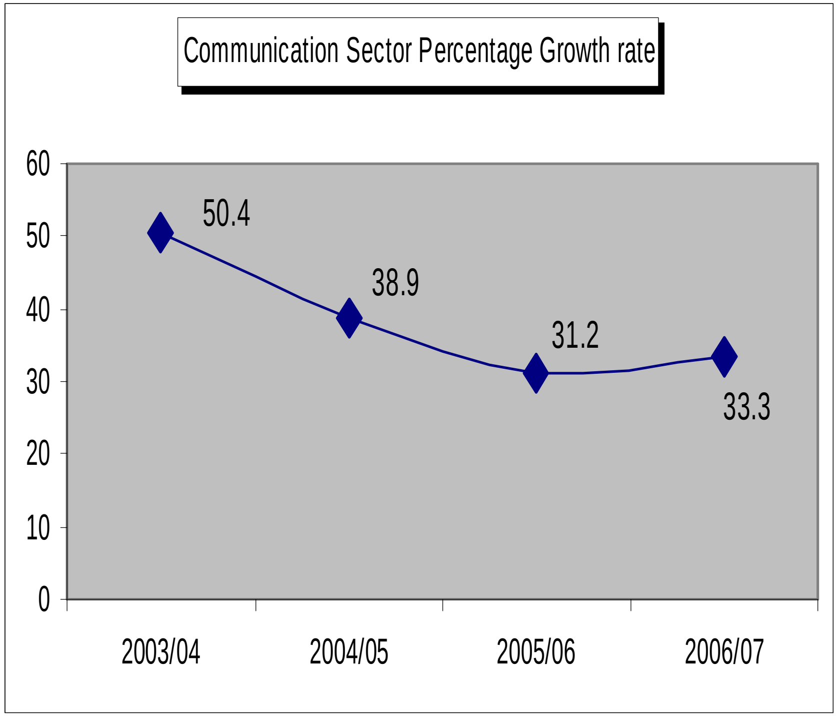
PIP + PSP operators	- WARID Telecom Uganda, - HiTs U Limited, - InfoCom and Africa on Line
PSP (Voice and Data) + Capacity resale	- Satellite Communications network - International Telecom Limited
Capacity Resale Only	- Talk teleKom solutions Limited - Roke Investment International - Mo Telecom International Limited

The New Telecom Operators .

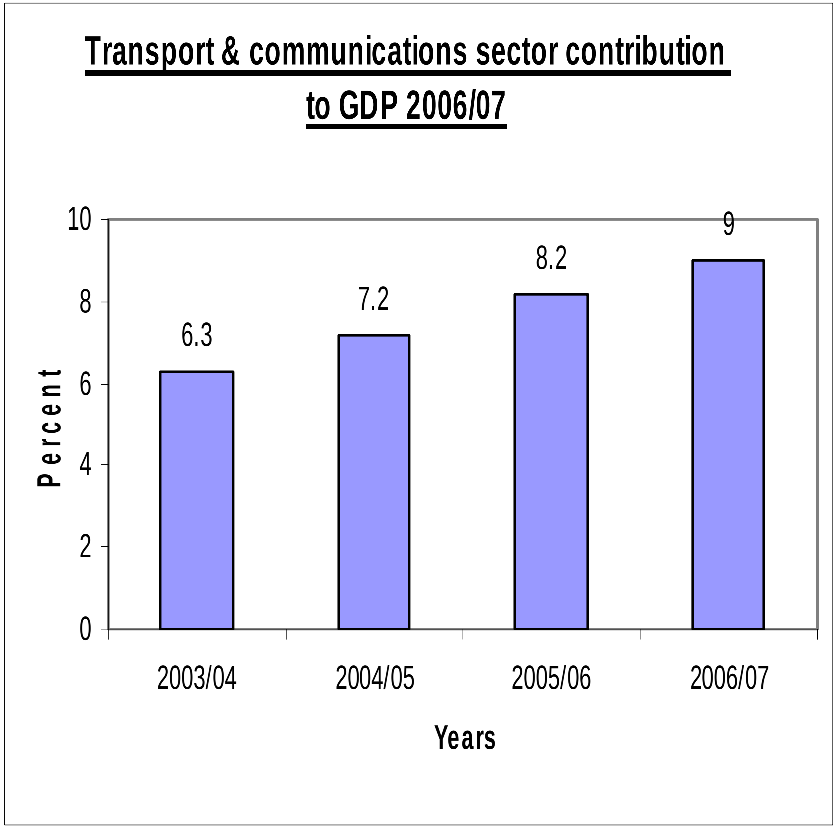
PSP Voice and Data Only	▪ TMP(U)Ltd, ▪ I-Tel Ltd, ▪ Kampala Siti Cable Ltd, ▪ Nomad Com Ltd, ▪ Multi Choice, ▪ Link U Wireless, ▪ Bukasa Telecom, ▪ RCS Ltd, ▪ Kanodiko Systems Ltd, ▪ Anupum global soft Ltd,

The Macro- Economic Performance

- The communications sector grew by 33.3% for FY 2006/07.
- A reverse trend from the previous 3 FYs when the sector had started to slow down.
- The peak had been in 2003/04 when the sector grew more than 50%.
- Competition forces and the surge in investment expenditure has contributed to this growth.
- Increased government usage and investment by the new operators is projected to push the growth further in the FY 2007/08



The Macro- Economic Performance



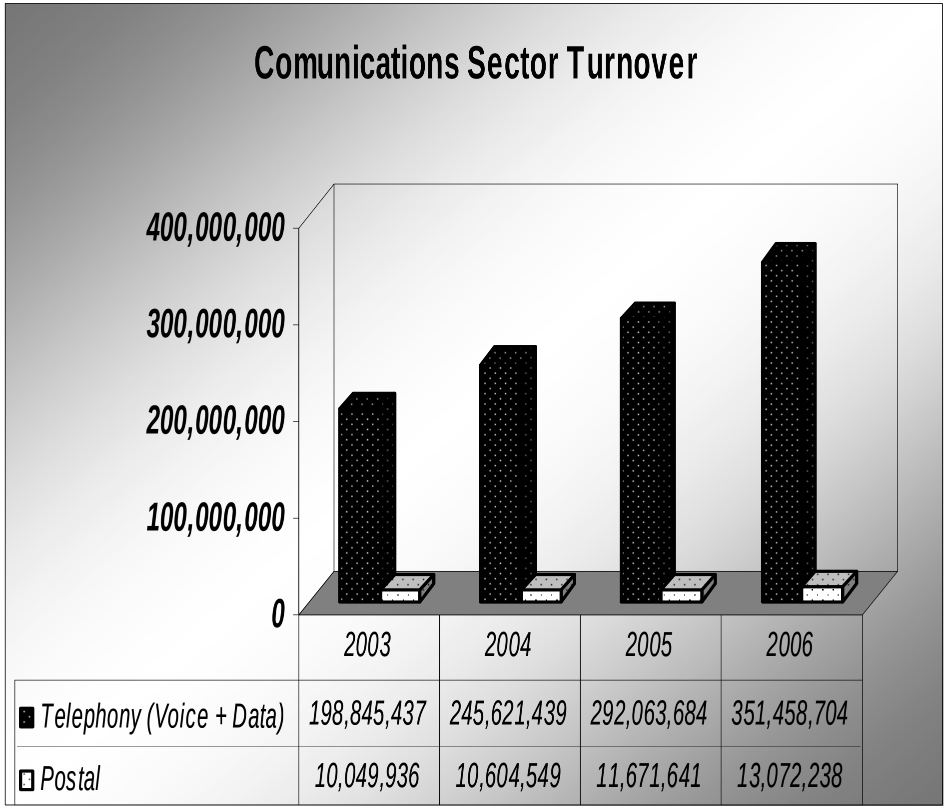
Contribution to GDP

- Communication and transport sector are still computed together in terms of GDP contribution.
- Efforts are ongoing between UCC, UBOS and the Min of Finance to have a communications specific contribution to GDP.
- For the FY 06/07, the combined sector contribution to GDP was 9% up from 8.2% in the previous FY.

Macro Performance Cont.

<u>Sector Revenue</u>

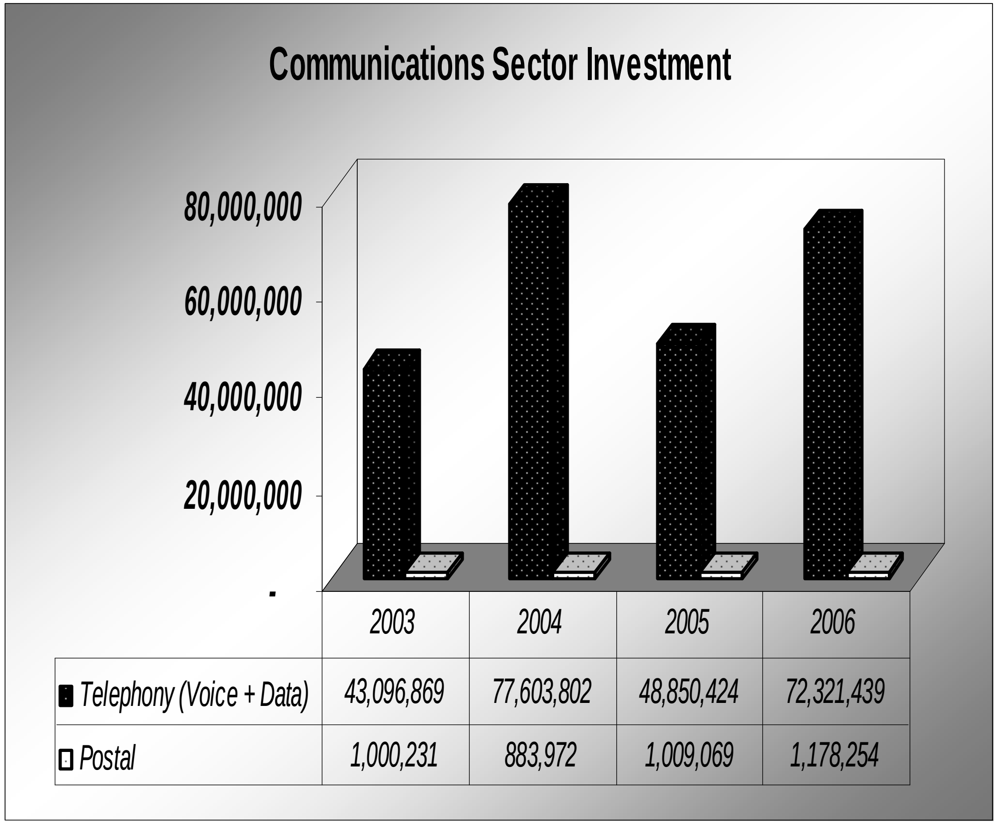
- Revenue is derived from the volume of sales for postal, telecommunication and data services before adjusting for taxes, depreciation, cost of sales, operating and financing costs.
- Data is obtained from audited financial and operational statements of service providers.
- For the FY 2006/07, revenue generated from the sector (Post + telecommunications) was estimated to be USD 360 Million
- This is an increase of 20% from the previous FY.
- Important to note is that Industry profit (After all cost; taxes, dep., opex etc) is about USD 30 million.



Macro Performance Cont.

Sector Investment

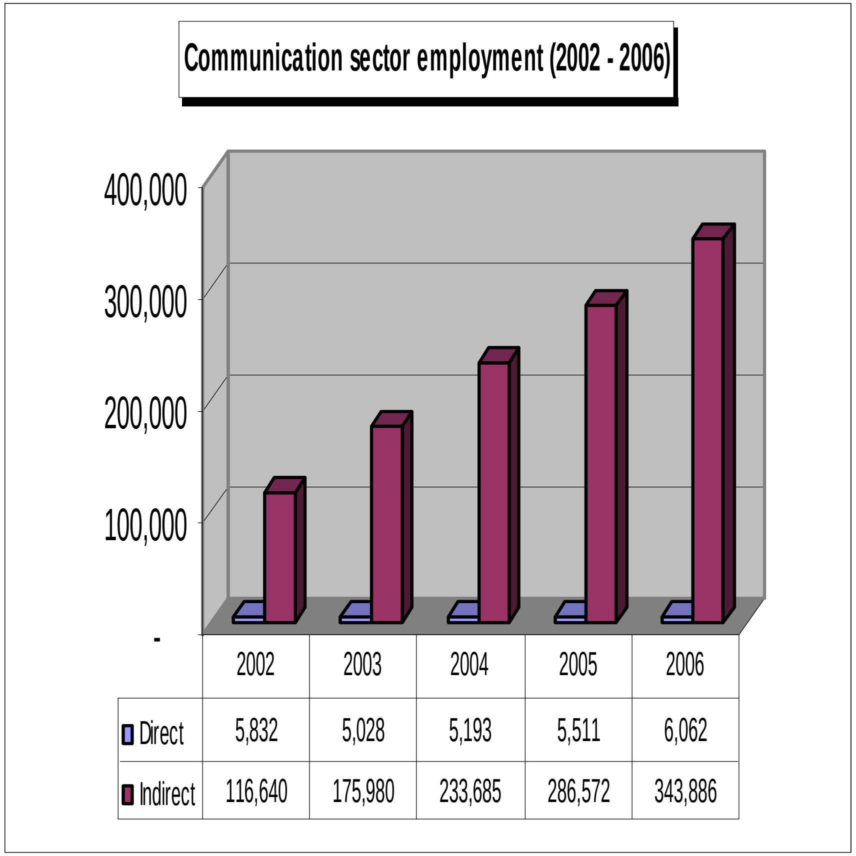
- Annual Investment is estimated at USD 73 M, an increase of 47% from the previous FY.
- This excludes the capital investment by the new licensed service providers which is estimated to be close to USD 70 million in y1
- The increase in investment is a direct response to competition by the existing operators.



Macro Performance Cont.

Employment

- The sector employs more people indirectly as compared to direct or full time employment. These range from payphone and airtime vendors, construction workers, ICT businesses etc.
- Indirect employment for the FY 2007 is estimated close to 350,000 while direct employment is at 6,062
- The level of employment is expected to increase with the newly licensed service providers

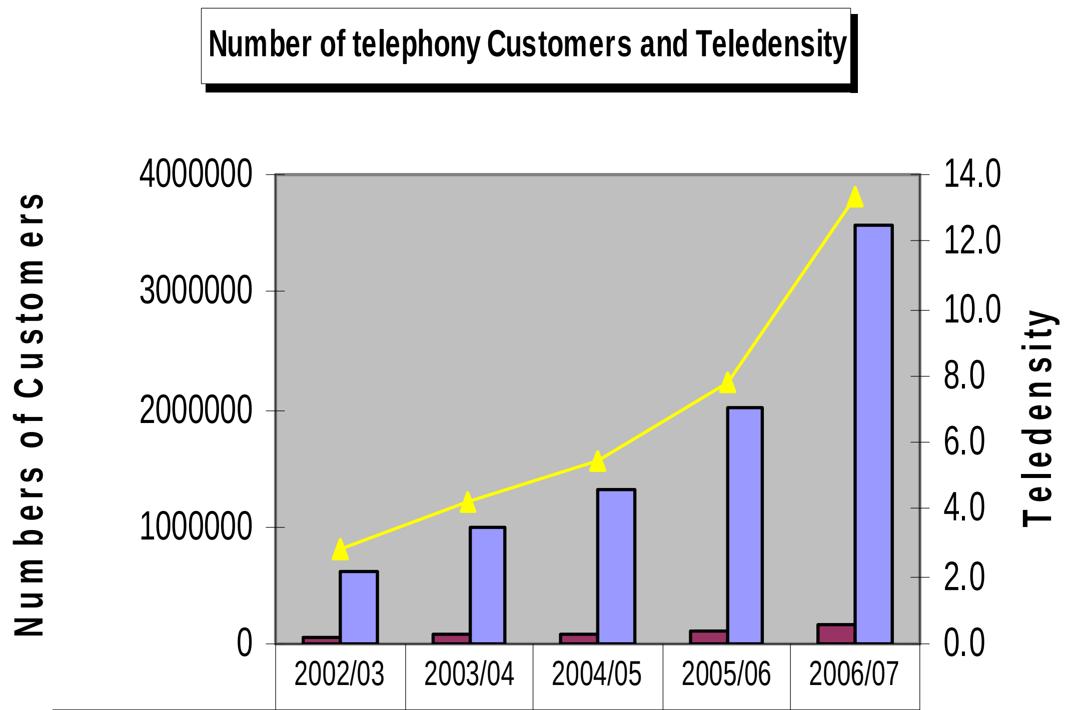


Telephony- Voice Market

<u>Number subscribers</u>

- By June 07, there were close to 3.7 million voice subscribers of which;
  - Mobile customers; 3,575,263
  - Fixed customers: 154,383
- This is a net addition of 1.5 million customers between June 06 and June 07
- It represents an annual growth rate of 68%
- Reduced start-up cost (New handset costs Ugs. 65,000/- sim pack at 3000) and aggressive marketing and promotion post duopoly account for the growth
- The surge in growth could also have lead to a decline in quality of service,
- operators are working to increase their switching capacity which currently stands at 4.2 million subscribers.

Telephony- Voice Market

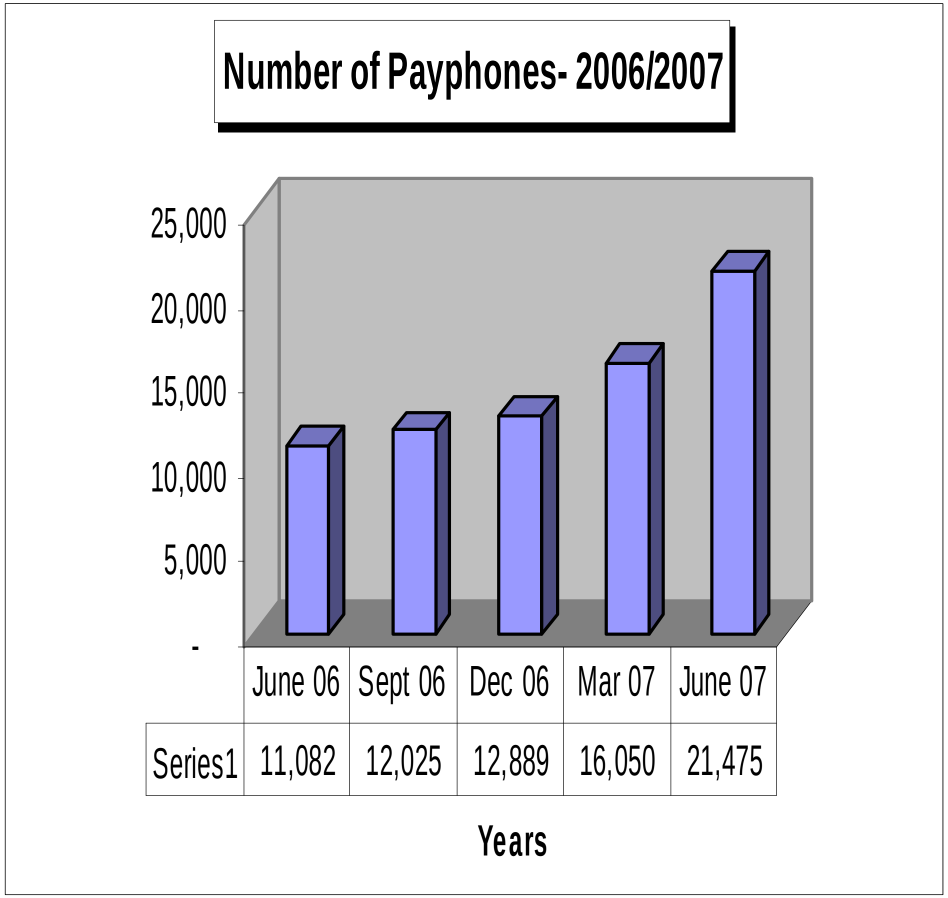


	2002/03	2003/04	2004/05	2005/06	2006/07
Fixed	60995	71272	87513	108140	154383
Mobile	621082	987456	1315300	2008818	3575263
Teledensity	2.8	4.3	5.5	7.8	13.3

- Teledensity (measure of the percentage of population owning a fixed and or a mobile phone) in June 2007 was 13.3 compared to 8 in June 2006.

Telephony- Voice Market

- Whereas only 14% of population own a phone, *more than 40% of the population access* telephony using public pay phones.
- Additional 10,393 payphones were installed during the FY 06/07
- This number represents the phones installed by operators (3) and excludes phone kiosks set up by private businesses.



Telephony- Voice Market

Volume of Traffic

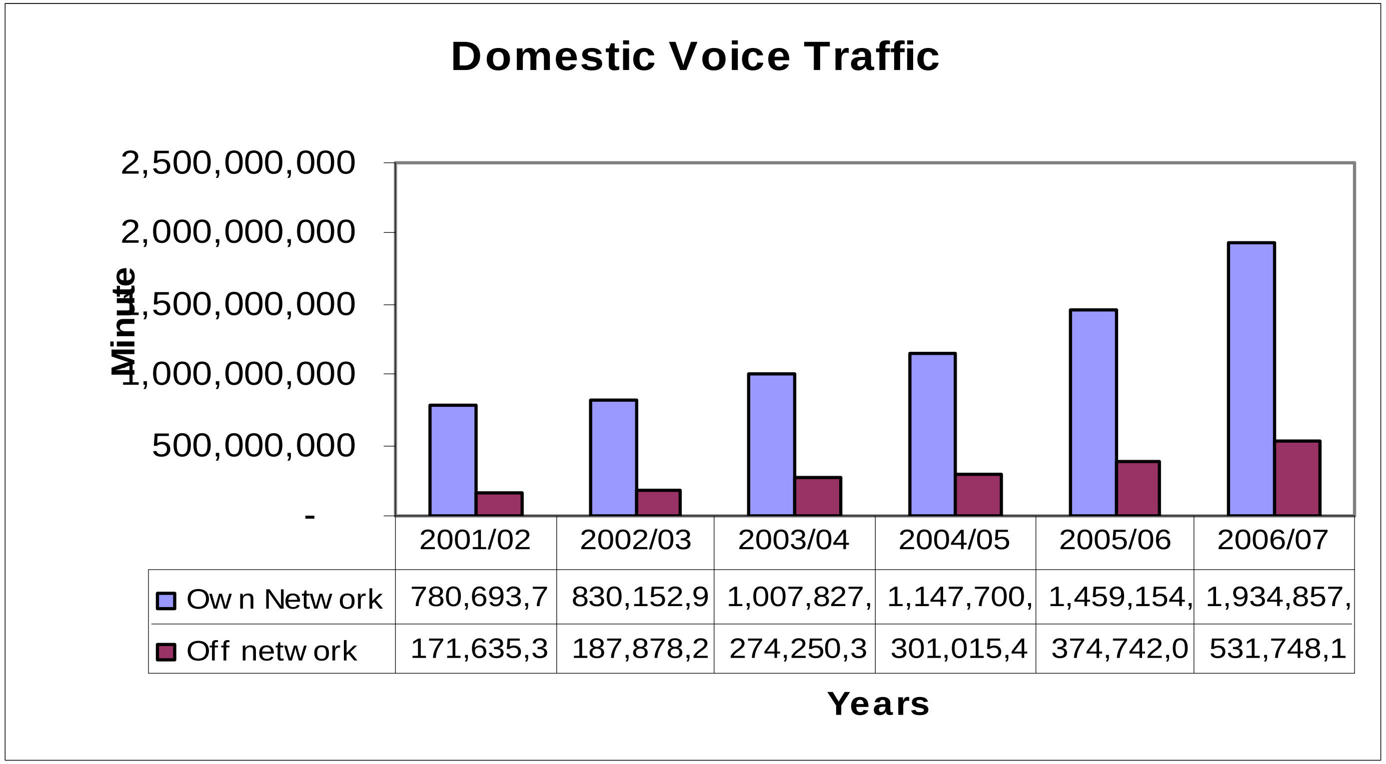
- Voice traffic is measured in terms of minutes. Its broken down into 2 categories;
  - Domestic traffic
    - On net traffic (Generated and terminated within one network)
    - Off net traffic (Generated in one network and terminated to another network)
  - International traffic
    - Incoming international traffic
    - Outgoing international traffic

Telephony- Voice Market

- Total domestic traffic for FY 2006/07 was 2.4 billion minutes
- This is an increased of 37% from the previous year.
  - Own net traffic constituted of 78%
  - However the ratio of own net and off net traffic is declining
- International traffic (incoming and outgoing) increased by 58% close to 370 million minutes
  - International incoming is 4 times more than out going traffic

Telephony- Voice Market

- Growth in traffic is not equally proportion to the growth in number of subscribers
  - Subscriber growth was 68%
  - Domestic Traffic growth was 37%

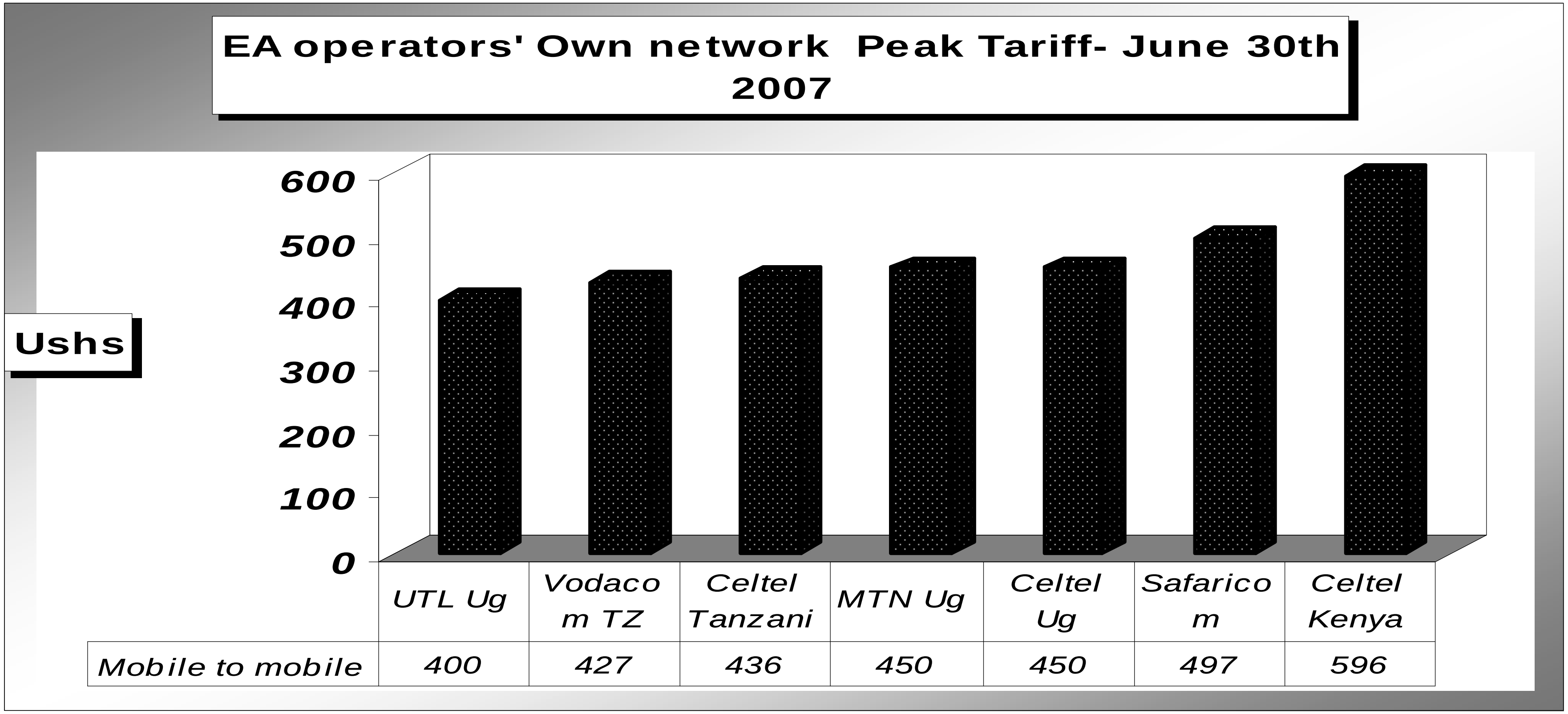


Telephony- Voice Market

<u>Tariffs</u>

- Tariffs in Uganda are influenced by two factors;
  - Government Taxes – Upward pushing
  - Competition- downward push
- Government introduced a 5% excise tax on fixed line services and maintained a 12% tax on mobile services. Fixed line tariffs thus increased by 5% effective July 1st 2006.
- On the other hand, Uganda's market is one of the highly competitive markets in the region. This is evidenced by the increase in innovative services and pricing schemes including
  - Innovative optimizing (peak-off, peak) calling charges
  - Connection charges (sim pack) dropped to as low as 3000/-
  - A removal of subscription charges by all operators
  - Emergence of international voice calling cards

Telephony- Voice Market

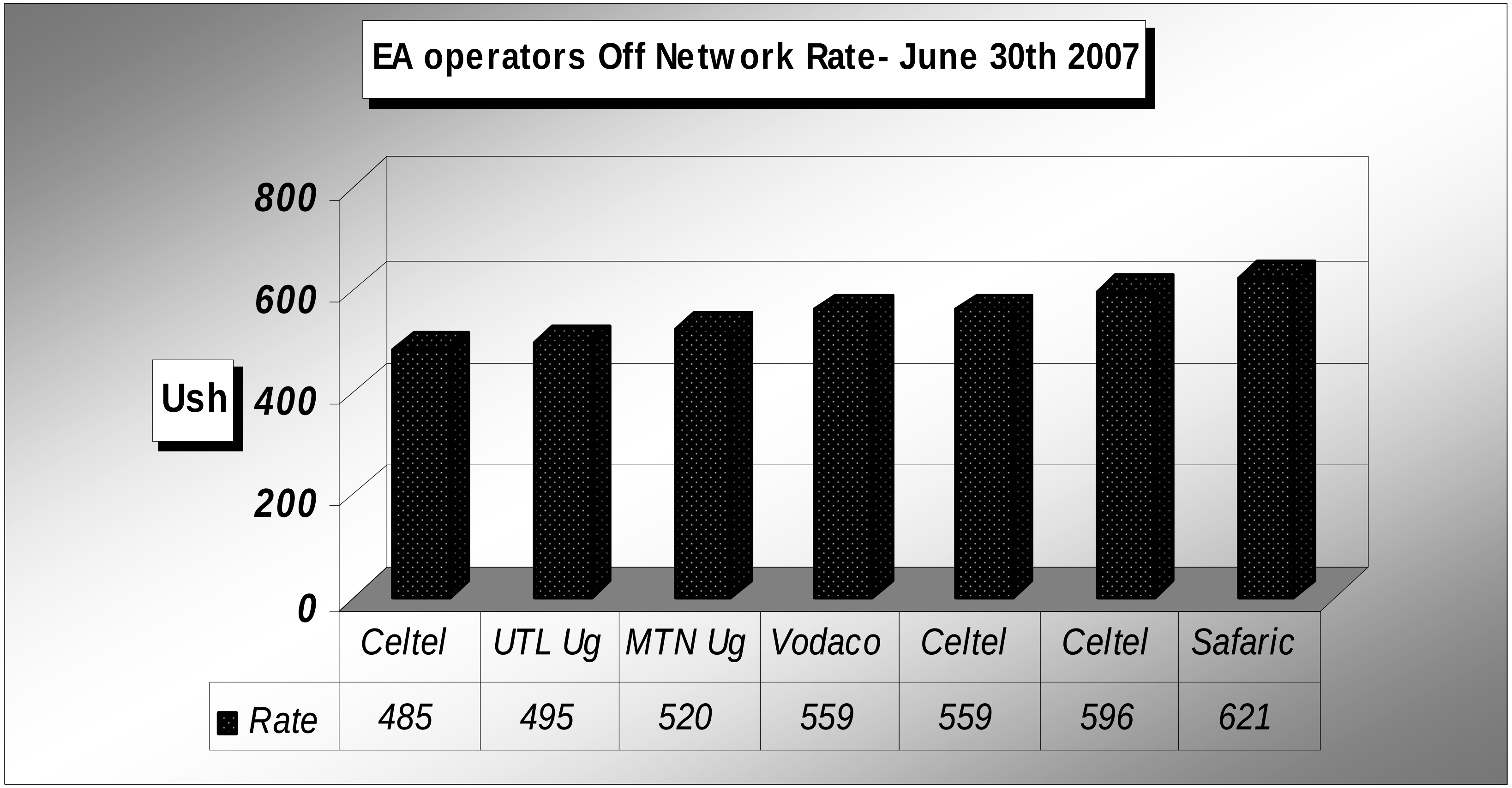


	UTL Ug	Vodacom TZ	Celtel Tanzani	MTN Ug	Celtel Ug	Safaricom	Celtel Kenya
Mobile to mobile	400	427	436	450	450	497	596

- Due to competition Uganda's tariffs remain relatively comparative in the region. Above is a benchmark on mobile tariffs (standard peak time inclusive of taxes converted to Uganda shillings.

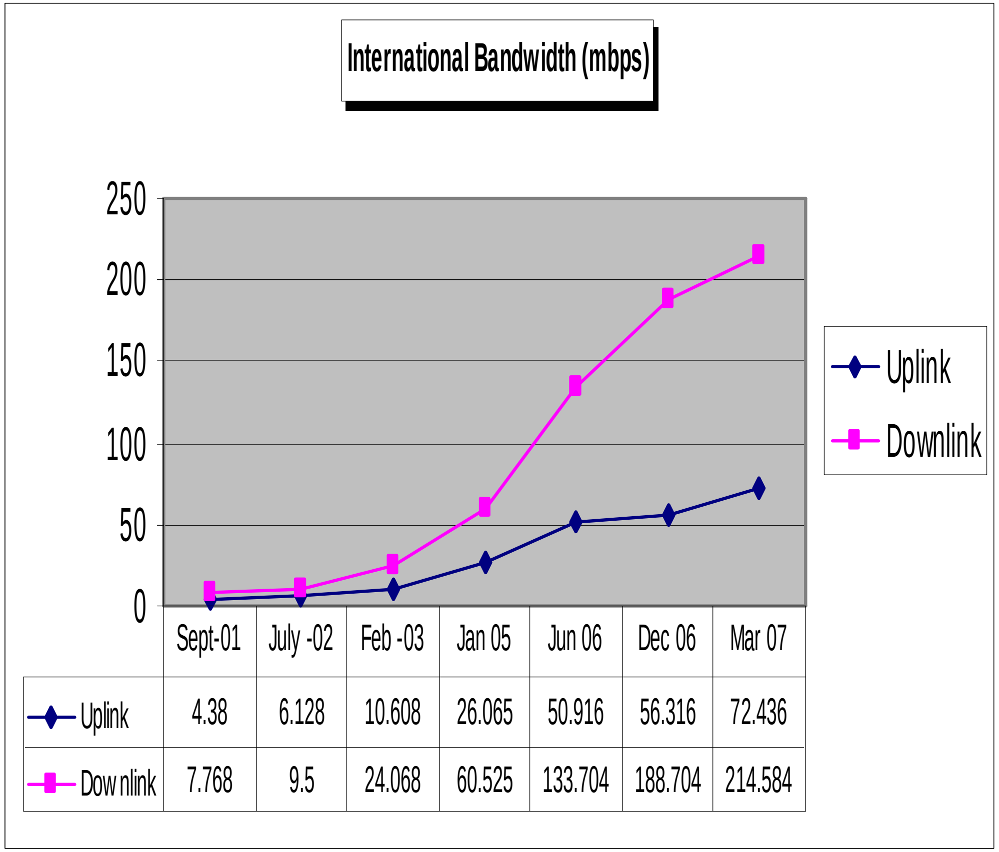
Telephony- Voice Market

- Off Network- mobile to mobile peak rate



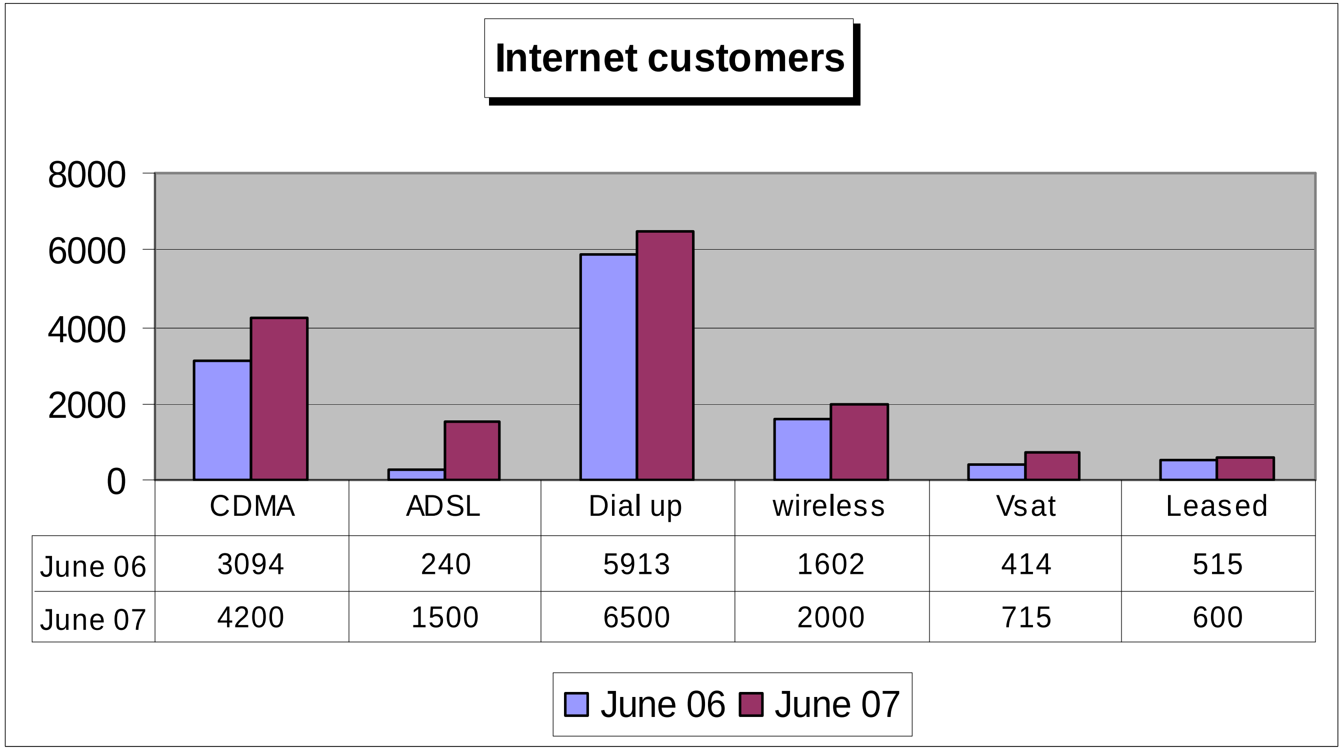
Telephony- “capacity”

- Like the voice market, the data market has experienced a surge in capacity growth.
- International bandwidth increased by 50% during the FY.
  - Uplink: 72.43 Mbps
  - Down link: 214.58 Mbps
- Increase in private demand and government usage,
- Innovative technologies such as Wireless broadband account for the surge
- We have close to 900 Kms of fiber optic (private and public own)



Data Market

- Internet subscribers grew by 30% during the financial year from 11,000 to 15,500 subscribers. This number is very low relative to other countries.
- 40% of data access is through dial-up.



	CDMA	ADSL	Dial up	wireless	Vsat	Leased
June 06	3094	240	5913	1602	414	515
June 07	4200	1500	6500	2000	715	600

Data Market

Internet Pricing

- New internet pricing schemes have emerged in the market such as capacity based pricing among others
- Although internet prices have dropped, prices are still relatively high compared to regional and international markets. Average monthly fees for 64Kbps

	Connection	Monthly fees (USD)
Dialup	Nil	$ 30
IP Access (64 k)	$ 250	$ 1500
Leased Line (64 k)	$ 300	$ 600
VSAT (64 k)	$ 1750	$ 1075

Post and Court Market

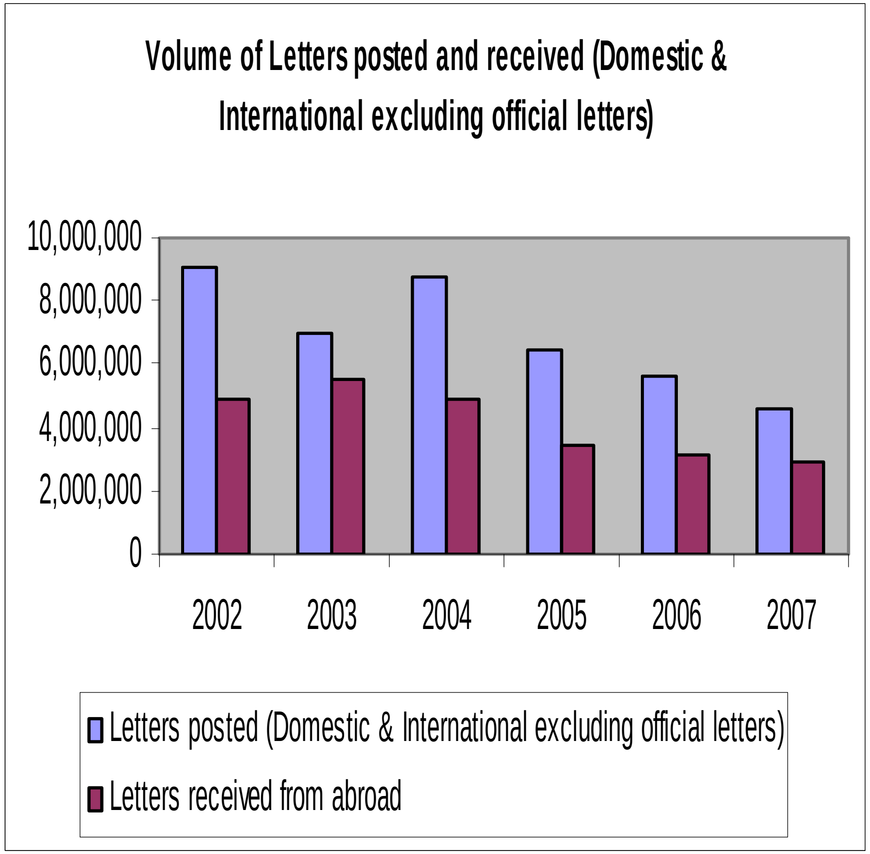
- Number of operators Postal

Major Postal Operator	1
International Couriers	5
Regional Courier operators	6
Domestic Courier service Providers	5

- 7 Licenses for courier services were revoked for non compliance

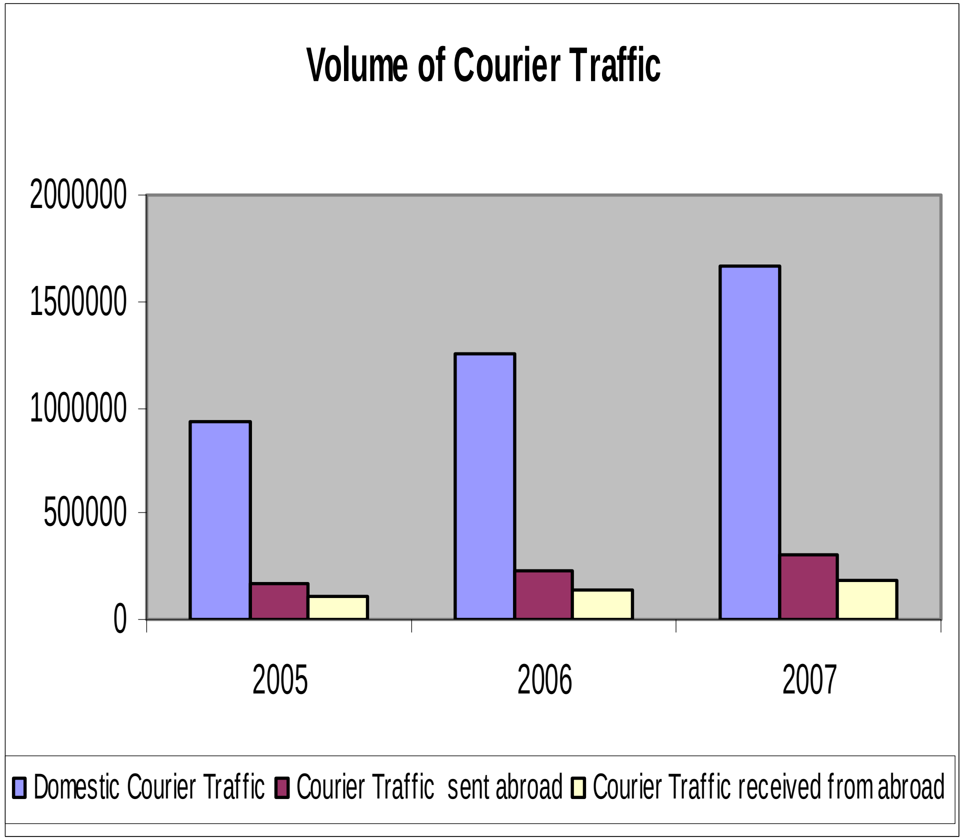
Post and Courier Market

- Volume of traffic is measured by the number of letters, parcels and registered items.
- There has been a gradual decline in volume of letter posted and received domestically and abroad
- For FY 06/07 the average decline was by 12%
- Competition from new services such as internet and mobile messaging accounts for such declines



Post and Courier Market

- Parcels and registered mail have however continued to register increased growth
- For the FY 2006/07, volume of parcels, domestic and international grew by 33%
- Increased activity in the international market accounts for the growth



Key Regulatory Intervention

Universal Access;

- Subsidy financing was provided to the establishment of;
  - 771 Community Information Centres (CICs) under the World Bank project
  - 23 ICT training centers and are currently operating satisfactorily.
  - 28 Internet Cafés in the various districts and are currently operating satisfactorily.
  - 9 Multi purpose Community based MCTs and are currently operating satisfactorily
  - Websites and informational portals are to be developed for the new 24 districts. The procurement processes is underway.
- 52 district information portals were handed over to be managed by the respective district administrations.

Regulatory Intervention

Spectrum Management

- Radio spectrum policy guidelines were developed and adopted.
- The Commission opened up the 1.7 GHz, 1.9/2.1 GHz, 2.010 – 2.025 GHz and 3.3 GHz
- Adjustment of the 900 MHz and1800 MHz GSM bands to accommodate more players
- Acquisition of another Signalling area/Network Code (SANC) for Uganda from the ITU
- Masaka and Njeru Remote fixed Spectrum monitoring stations were commissioned and are currently operational

Regulatory Intervention

Licensing and Monitoring

- Focus has been towards institutionalizing and making the new licensing regime operational;
  - A number of ISPs were required to migrate and the process is underway
  - 4 ISPs licenses were revoked in the process.
  - A new guideline for quality of service and standards was developed
- The national numbering plan was modified; Lengthened to 9-Digits and the creation of the shortened numbers instituted.
- A review of the numbering plan to accommodate new operators is underway
- An Interconnection and retail cost study is underway. This will lead to the implementation of among other things regulatory accounting and costing

Regulatory Intervention

Postal Regulation

- A baseline study on Postal Services in Uganda was undertaken. Findings shall be used for strategic intervention under the RCDF program
- UCC is working with a range of stakeholders to develop a post code for Uganda

Challenges

- Ensuring and maintaining an efficient and competitive market
- Ensuring affordable and universally available services which should translate into productivity and economic growth of the country
- Absence of a national competition law required for the holistic regulatory and competition guidance at a multi-sectoral level.
- A still largely illiterate and low empowered consumer force in Uganda
- Limited and inadequate human resource capacity for ICT usage, application and software development

Planned activities

- Through PPPs provide strategic intervention in the extension of ICT services in educational institutions, Government health units and agricultural extension units
- Enable the provision of public Data Access Points of speed not less than 256kb/s within each sub county (LC111) of the Administrative districts of Uganda (2004)
- Facilitate and support the development of a National Post code for Uganda under PPP
- Redefine the communication regulations to suit the current market and initiate legislative amendments to the Communications Act

Planned activities

- Implement a regulatory accounting regime aimed at enabling fair competition in the market
- Initiate plans of migration to digital broadcasting
- Have a consumer and market focused regulatory regime