

Post, Broadcasting and Telecommunications Market and Industry Report

THIRD QUARTER (JULY-SEPTEMBER 2016)

Legal Disclaimer

The information and figures contained herein were obtained from licensees' submissions to the Commission and other sources available to the Commission. It is intended to provide an overview of the industry performance to the stakeholders. UCC does not give any warranty and may not be liable for any loss or damage arising from its use or misuse.

Table of contents

Page

Contents

1.0 Introduction	3
2.0 Macro-economic Factors.....	3
2.1 Consumer Price Index (CPI).....	3
2.1.1 Core CPI.....	4
2.2 Exchange Rate.....	5
4.0 Telecommunications	6
4.1 National Telephony	6
4.2 Mobile Telephony	6
4.3 Fixed Telephony.....	6
4.4 Tele-density	6
4.5 Short Message Services (SMS).....	7
4.6 Traffic Growth	7
4.6.1 On-net & off-net Voice Traffic	7
4.6.2 International Voice Traffic	7
4.6.3 Roaming Traffic (Voice)	8
4.7 Communications Infrastructure.....	8
4.7.1 Public Infrastructure Providers (PIP) and Public Service Providers (PSP)	8
5.0 Mobile and Fixed Internet services	9
5.1 Bandwidth.....	9
6.0 Tariffs.....	10
7.0 Telecommunication Revenue.....	10
8.0 Broadcasting	10
9.0 Pay Television.....	11
10.0 Postal Services	11
11.0 Mobile Money Services.....	13
12.0 Consumer Affairs	13
12.1: Nature of complaints received and resolved	15

1.0 Introduction

This report is a summary of the analysis done on the market and industry data largely extracted from the operational reports of licensees in Uganda's Communications Industry for the period July to September 2016. In this report, data for Q3 (July-September 2016) is compared against that for Q2 (April-June 2016). The information derived from the market and industry data covers the following key aspects of the communications sector:

- a) Macro-economic factors
- b) Mobile Telephony
- c) Fixed Telephony
- d) Tele-density
- e) Traffic Growth
- f) Communications Infrastructure
- g) Internet/data Services
- h) Tariffs
- i) Tax revenue contributions of the communications sector
- j) Mobile money services
- k) Broadcasting and Postal Services
- l) Consumer Affairs

2.0 Macro-economic Factors

Macro-economic factors especially exchange rates and inflation have an impact on the operations of telecommunication, broadcasting and postal operators. A big percentage of the investment and operational expenditures is denominated in foreign currencies (especially the US Dollar), while the increase in prices of commodities as well has a direct effect on the operations of these companies.

2.1 Consumer Price Index (CPI)

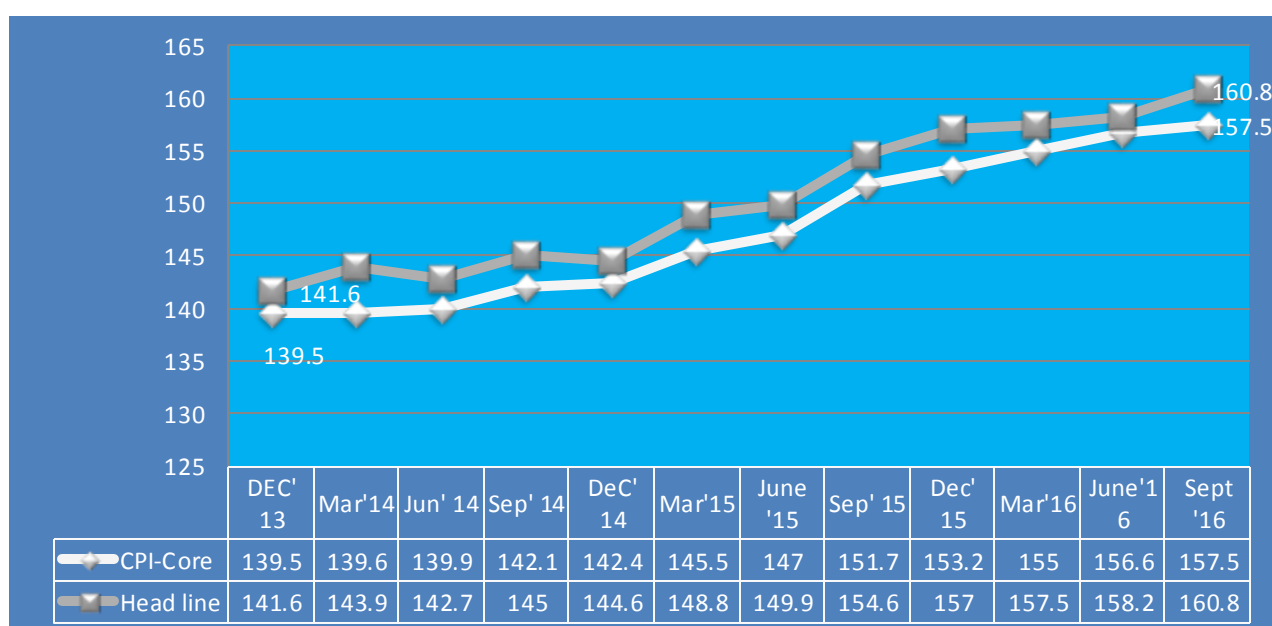
Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. CPI is calculated by taking price changes for each item in the pre-determined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. High prices in these goods and services indirectly affect consumption of communications services.

2.1.1 Core CPI

Core CPI is the consumer price index excluding energy and food prices. The Core CPI is widely used because food and energy prices can be very volatile, and this wide amount of movement would unfairly bias the measure of inflation.

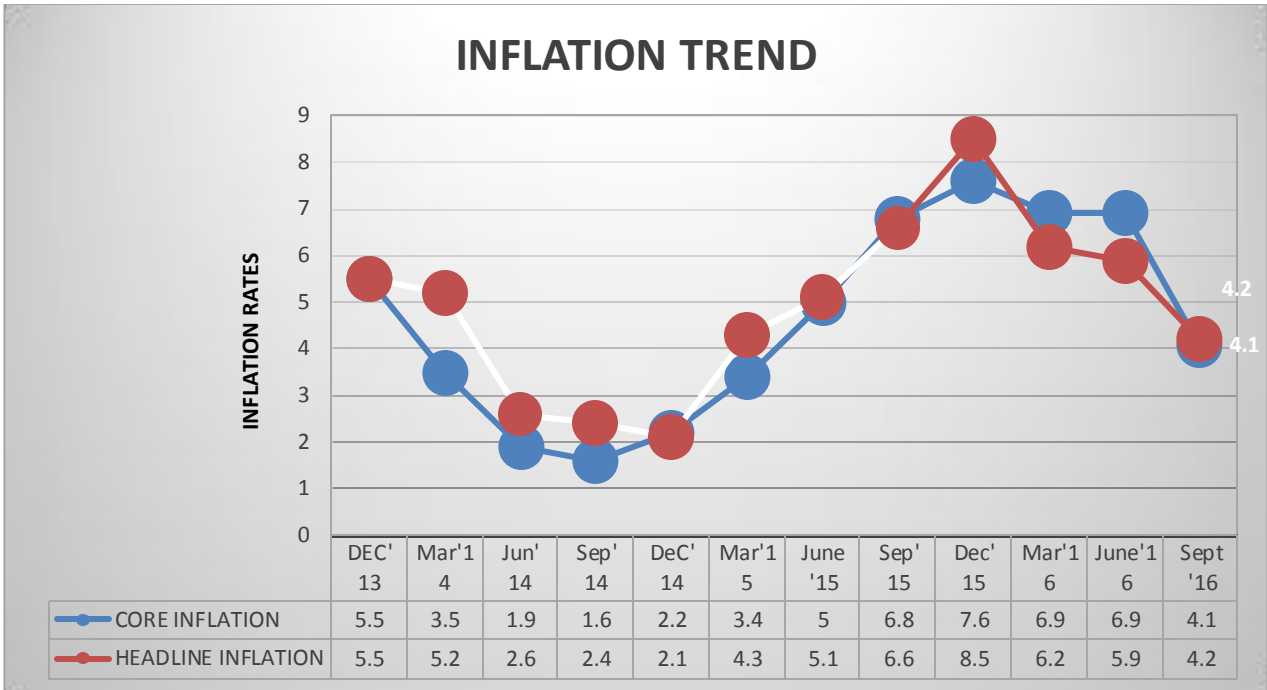
The Consumer Price Index (Core) increased from 156.6 in June 2016 to 157.5 in September 2016, leading to a 0.6% increment compared to an increase of 1% realised in the previous quarter. This shows an upward shift in the cost of living relative to the previous quarter. This had a negative impact, though indirectly, on the consumption of communication services.

Figure 1: Quarterly -Trend in Consumer Price Index



Source: BOU

Figure 2: Quarterly -Trend in Inflation

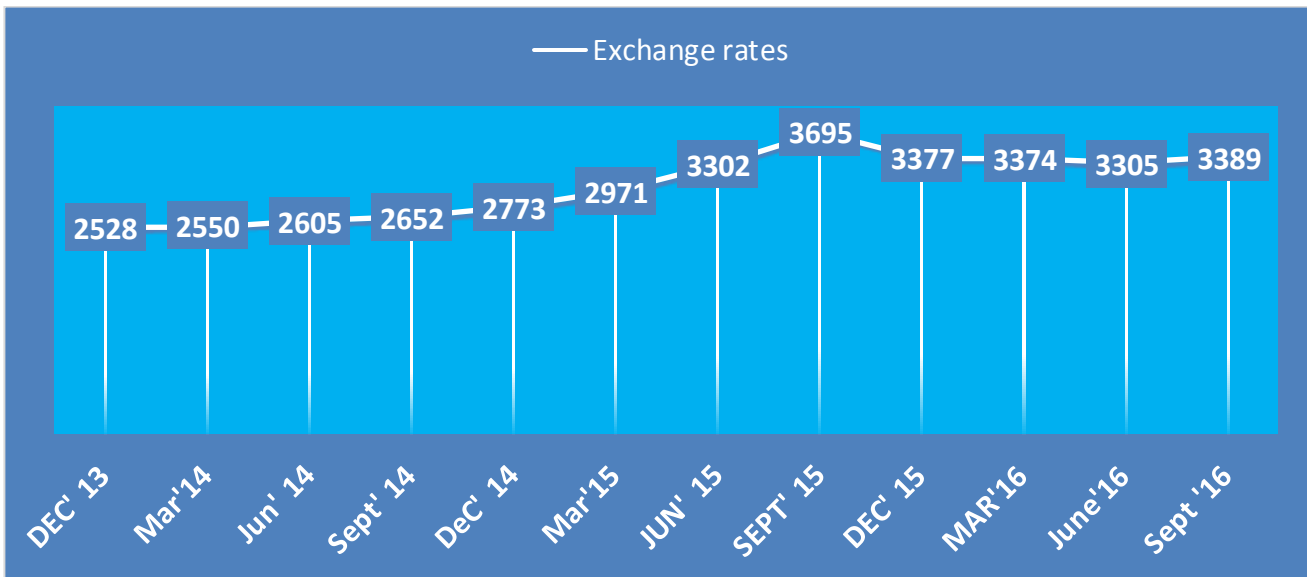


INFLATION TREND (BASE: 2009/10=100), Source: BOU

2.2 Exchange Rate

In this Quarter, the Shilling lost its value against the United States Dollar (USD) by 2.5% down from UGX 3305 per USD at the end of June 2016 to UGX 3389 at end of June 2016. The depreciation of the Shs against the USD inevitably led to an increase in the cost of communication services, given that most of the costs in the industry are foreign currency denominated.

Figure 3: Trend in Exchange Rates of the Shilling against the USD



Source: BOU

4.0 Telecommunications

4.1 National Telephony

In this quarter, the total mobile and fixed telephony subscriptions decreased from 22,375,742 in the previous quarter to 22,362,142, a drop of 13,000 subscribers (0.06%) compared to the 4.1% growth realised in the previous quarter.

4.2 Mobile Telephony

The pre-paid subscription dropped by 33,697 (0.15%) and post-paid subscriptions dropped by 4,750 (4.9%) compared to the (4.4%) and (13.7%) respective growth experienced in the previous quarter.

4.3 Fixed Telephony

Fixed subscription grew from 340,851 to 365,698 (7.3%) compared to the 14.6% growth registered in the previous quarter.

Table 1: Mobile and Fixed Telephony

Indicators	Q2 2016	Q3 2016	Change (%)
Mobile Subscriptions (pre-paid)	21,938,324	21,904,627	-0.15
Mobile Subscriptions (post-paid)	96,567	91,817	-4.9
Fixed subscriptions	340,851	365,698	7.3
National status	22,375,742	22,362,142	-0.06
Tele-density	61.2	61.1	-0.01
Population (Projection-UBOS-Annual)	36,593,000	36,593,000	

4.4 Tele-density

Tele-density is the number of telephone connections for every hundred individuals living within an area (in this case Uganda). The sector registered a drop of 0.01% in tele-density in the period being reviewed. The previous quarter however, had registered a 2.2% growth in tele-density.

4.5 Short Message Services (SMS)

The sector registered negative development in SMS services. The out-going on-net SMS, the International outgoing SMS and the international incoming SMS dropped by 0.3, 3.6, 5.4 and 21.4 % respectively.

4.6 Traffic Growth

4.6.1 On-net & off-net Voice Traffic

During this quarter, On-net traffic grew by 10.9% and Off-net traffic dropped by 0.4%. This same trend was observed in the previous quarter whereby the On-net traffic grew by 2.1% and the Off-net traffic dropped by 9.9%.

Table 2 On-net and Off-net Traffic data (Minutes)

Indicators	Q2 2016	Q3 2016	Change (%)
On net traffic (voice)	5,505,808,311	6,108,135,320	10.9
Off net traffic (voice)	270,136,206	269,133,418	-0.4

4.6.2 International Voice Traffic

The international incoming voice traffic grew by 3.3% while the international outgoing voice traffic dropped by 3.8%. This same pattern was observed in the previous quarter.

Table 3. International Traffic (Minutes)

Indicators	Q2 2016	Q3 2016	Change (%)
International traffic (voice incoming to mobile)	102,048,443	105,369,830	3.3
International traffic (voice outgoing)	59,620,514	57,367,245	-3.8

4.6.3 Roaming Traffic (Voice)

Roaming traffic in foreign networks increased by 2.8% compared to the 5.6% increase registered in the previous quarter. Roaming by foreign networks as well increased by 36.6% compared to the 57.6% dropped experienced in the previous quarter.

Table 4. Roaming Traffic (Minutes)

Indicators	Q2 2016	Q3 2016	Change (%)
Roaming in foreign networks	12,887,038	13,252,340	2.8
Roaming by foreign networks	10,577,640	14,450,181	36.6

4.7 Communications Infrastructure

4.7.1 Public Infrastructure Providers (PIP) and Public Service Providers (PSP)

The number of PIPs remained unchanged at 21. The number of PSPs as well remained unchanged at 26. However, there were two new service providers (Lycamobile Network Services and Gilat Telecom)) while there were also to service providers whose licenses were revoked by the Commission namely (Floris Telecom and One solutions).

The number of Base Transceiver Stations (BTSs) increased during the quarter by 1.6% from 4,089 to 4153. In the previous quarter, a growth of 0.7% had been registered.

Table 5. Communications Infrastructure Data

Indicators	Q2 2016	Q3 2016	Change (%)
Public Infrastructure Provider (PIP)	21	21	0.0
Public Service Provider (PSP) Voice and Data and Capacity Resale.	26	26	0.0
Number of Base Transceiver Stations (BTS)	4,089	4,153	1.6

5.0 Mobile and Fixed Internet services

The sector registered 8.6% growth in mobile internet subscription (684,695 new subscribers) and a 3.3% growth in fixed internet subscription (4,650 new subscribers) in the same period. The estimated internet users increased by 7.9% from 15,531,954 to 16,765,686 in this quarter. The internet penetration increased from 42.5% to 45.8%.

Table 6. Internet and Data

Indicators	Q2 2016	Q3 2016	Change (%)
Estimated Internet Subscription (Mobile)	7,909,972	8,594,668	8.6
Estimated Internet Subscription (Fixed)	139,000	143,650	3.3
Estimated Internet users	15,531,954	16,765,686	7.9
Internet Penetration per 100 population	42.5	45.8	3

5.1 Bandwidth

Bandwidth - the data transfer rate - is the amount of data that can be carried from one point to another in a given time period (usually per second). The total bandwidth (Mbps) grew by 8%. This means increased network capacity to carry larger volume of information per second from one location to the next. This indirectly leads to improved network performance hence higher speed internet services to internet users. The bandwidth per one million inhabitants also grew by 8% in this quarter.

Table 7. Bandwidth

Indicators	Q2 2016	Q3 2016	Change (%)
Total Bandwidth (mbps)	41,695.3	45,030.9	8
Bandwidth per million inhabitants	1,139.4	1,230.6	8

Table 8. Mobile data SMS

Mobile Data (SMS)	Q2 2016	Q3 2016	% change
Out-going On net SMS	1,014,588,923	1,011,595,362	-0.3

Out-going SMS Off net	25,906,032	24,981,585	-3.6
International Out-going SMS	5,047,125	4,773,821	-5.4
International Incoming SMS	22,401,643	17,598,379	-21.4

6.0 Tariffs

All the operators are operating different tariff plans, and the comparative rates are available on www.price-check.co.ug and www.kompare.ug which are online resources for evaluation and comparison of different tariff plans. The two price comparator service providers have UCC approval to offer the service.

7.0 Telecommunication Revenue

The revenue collected from Exercise Duty increased from UGX 57.9bn to UGX 71.8bn, reflecting a 24% increase. VAT payments dropped from UGX 52.1bn in the previous quarter to UGX 43bn in this quarter, a 17.5% drop, while PAYE increased from UGX 8.8bn to UGX 11.1bn, reflecting a 27.1% growth.

Table 9. Telecommunications Tax Revenue

Indicators	Q2 2016	Q3 2016	Change (%)
Excise (UGX)	57,901,880,286	71,797,963,036	24
VAT (UGX)	52,110,067,762	42,968,460,464	-17.5
PAYE(UGX)	8,757,680,857	11,126,939,301	27.1

8.0 Broadcasting

In this sub sector, the number of operational Free-to-Air (FTA) TV stations is 28, while the number of digital terrestrial TV stations and the number of digital satellite TV stations remained unchanged at two (2) and four (4) respectively. The number of operational FM stations remained unchanged too at 292 as shown in Table 10.

Table 10. Broadcasting Indicators

Indicators	Q2 2016	Q3 2016	Change (%)
------------	---------	---------	------------

Indicators	Q2 2016	Q3 2016	Change (%)
Operational Free to Air TV service providers	28	28	0
Operational TV stations (Digital terrestrial stations)	2	2	0
Operational TV stations (Digital satellite stations)	4	4	0
Operational FM Radio stations	292	292	0

9.0 Pay Television

Seven (7) Pay Televisions are operational in the market, two (2) of which broadcast using terrestrial, four (4) use satellite and one (1) broadcasts over cable. Four Pay TVs broadcast country wide. Table 11 below lists the Pay TV companies and their areas of coverage.

Table 11. Pay TVs, Mode of broadcasting and Geographical coverage

No.	Station Name	Mode of Broadcasting	Transmitter locations giving 60km radius of Coverage from each location
1.	CITI CABLE	Cable Internet	Kampala and Jinja (2)
2.	GOtv	Terrestrial	Kampala, Jinja, Iganga, Mbarara, Kasese Masaka, Mbale, Lira, Gulu, Arua,
3.	STARTIMES	Terrestrial	Bugiri, Jinja, Kampala, Luwero, Masaka, Mbale, Mbarara, Mukono, Nakasongola, Tororo and Wakiso (11)
4.	DStv	Satellite	Countrywide
5.	AZAM TV	Satellite	Countrywide
6.	STARTIMES	Satellite	Countrywide
7.	ZUKU TV	Satellite	Countrywide

10.0 Postal Services

The East African letter post incoming grew from 4,988 in the previous quarter to 6,077 in the current quarter resulting into 21.8% growth in the service. The East African letter post outgoing increased from 706 in the previous quarter to 746 in the current quarter, resulting into a 5.7% growth in the service. The incoming European letter post dropped by 66.4% from 43,705 to 14,672, while, the Outgoing European letter post also dropped by 2.3% from 20,938 to 20,452.

The incoming letter post from rest of Africa dropped by 32.1% from 4,789 to 3,247, while the Outgoing letter post to rest of Africa grew by 106.5% from 566 to 1,169.

The incoming letter post from America dropped by 92% from 25,333 to 2,027. The Outgoing letter post to America increased by 22.8% from 5,772 to 7,088.

The incoming letter from Rest of the World dropped by 72.5% from 23,619 to 6,495, whereas the outgoing letter post to rest of the world grew by 206.2% from 986 to 3,019.

Table 12. Postal Data

Indicators	Q2 2016	Q3 2016	Change (%)
Courier Licence operators (International, Regional, Domestic)	(8,511)	(8,511)	N/A
East African Letter Post (Incoming)	15,574	7,460	-52.1
East African Letter Post (Outgoing)	6,003	2,383	-60.3
Rest of Africa (Incoming)	11,827	7,772	-34.3
Rest of Africa (Outgoing)	715	3,069	329.2
European Letter Post (Incoming)	124,163	48,956	-60.6
European Letter Post (Outgoing)	32,888	34,268	4.2
American (Incoming)	43,892	17,611	-59.9
American (Outgoing)	12,407	10,405	16.1
Rest of the world (Incoming)	84,022	28,392	-66.2

Indicators	Q2 2016	Q3 2016	Change (%)
Rest of the world (Outgoing)	6,938	7,734	11.5

11.0 Mobile Money Services

The number of mobile money subscribers grew by 5% up from 19.6million to 20.6m subscribers. The number of transactions grew from UGX 227 million to UGX 259million, a growth of14.2%. The value of transaction grew from UGX 10.2 trillion to UGX 11.5 trillion, resulting into a 12.7% growth.

The balance on customer accounts grew by 2.1% from UGX 313.6 billion to UGX 320 billion. The number of mobile money agents grew by 6.4% from 119,581 to 127,292 in the current quarter.

Table 13. Mobile Money Services

	Q2 2016	Q3 2016	Variations (%)
Number of Mobile money subscribers	19,633,770	20,622,252	5
Number of Transactions	226,958,287	259,093,469	14.2
Value of Transactions	10,185,275,762,815	11,482,377,286,897	12.7
Balance on customer accounts	313,610,323,243	320,048,394,265	2.1
Number of mobile money agents	119,581	127,292	6.4

Source: Bank of Uganda

12.0 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 data 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.

A total of 38 complaints were received from the consumers of which 32 were resolved and closed, 6 were pending, awaiting response from service provider.

Out of all the complaints received:

- 48.7% of the complaints were received through walk-in clients,
- 30.8% of the complaints were received through e-mail,
- 17.9 % of the complaints were received through phone calls,
- 2.6 % of the complaints were received through letters.

TABLE 14. Complaint types received, resolved and pending for the period under review

COMPLAINT TYPE	RECEIVED	RESOLVED	PENDING
UNSOLICITED MESSAGES	9	9	0
DATA/INTERNET RELATED	3	3	0
BILLING	9	7	2
MOBILE MONEY	3	3	0
SIM REGISTRATION	2	2	0
OTHERS	3	2	0
SIM FRAUD	2	2	1
BROADCASTING	4	2	2
QUALITY OF SERVICE ISSUES	3	2	1
TOTAL	38	32	6

Others” include complaints on issues such as Fraud, Counterfeit phones and Privacy and Data protection issues

“Value Added Services” include ME2U, Voice mail, Pakalast, Cash back, Magic voice

Table 15 shows that there was a 7% increase in the percentage of secondary complaints resolved by the operators compared to the 3% decrease realised in the previous quarter.

Table 15. Second Level Consumer Complaints

REVIEW OF COMPLAINTS RECEIVED	Q2 2016	Q4 2016	Change (%)
Percent of Complaints resolved	77	84	7
Percent of Pending complaints	23	16	0

12.1: Nature of complaints received and resolved

As shown in Figure 4, the highest number of complaints registered in this quarter were on billing and unsolicited messages, this same trend was observed in the previous quarter.

Figure 4: Nature of complaints received resolved and pending

