

Post, Broadcasting and Telecommunications Market and Industry Report



**First Quarter
(January-March 2015)**

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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 the communications sector, and covers the period January to March 2015. In this report, data from Q1 (January-March) is compared against that for Q4 (October-December) as the baseline. The information derived from the market and industry data covers the following key aspects of the communications sector:

- a) Macroeconomic factors
- b) Mobile telephony
- c) Fixed telephony
- d) Teledensity
- 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 Macroeconomic Factors

Macroeconomic 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 are denominated in foreign currency (especially the US Dollar), the increase in prices of commodities as well has a direct effect on the operations of these companies. Thus the need to have a look into these two key macro-economic indicators.

2.1 Consumer Price Index (CPI)

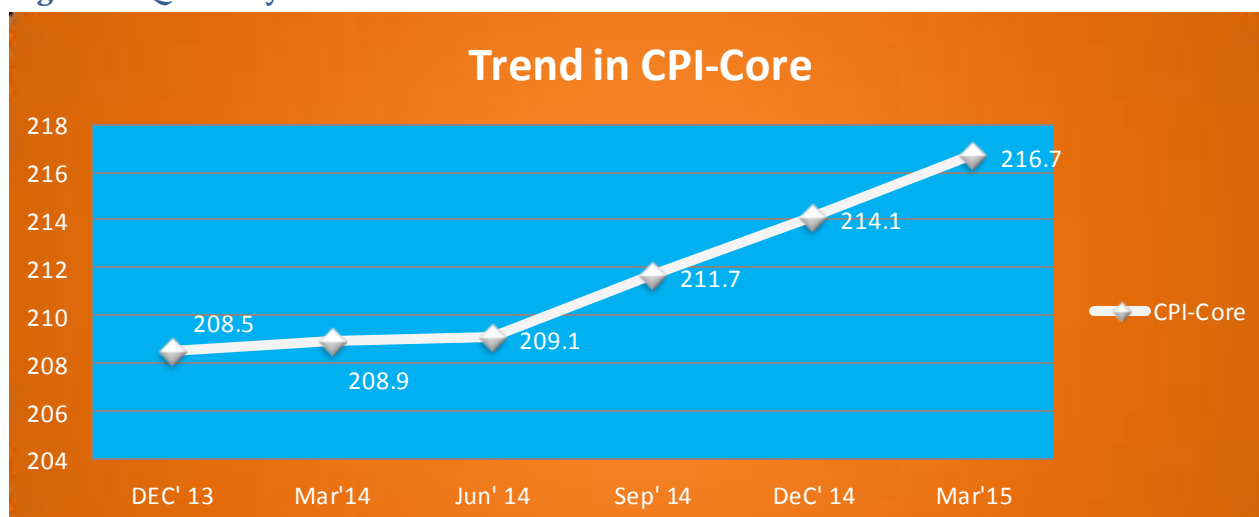
CPI is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

2.1.1 Core CPI

A method for measuring core inflation. It is the consumer price index (CPI) excluding energy and food prices. This method is the most 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 214.1 in December 2014 to 216.7 in March 2015, leading to a marginal increment of 2.6% compared to an increase of 2.4% realised in the previous quarter. This means that there was an increased cost of living in this quarter compared to the previous quarters. This might have had an indirect negative impact on the consumption of communication services.

Figure 1: Quarterly Consumer Price Index

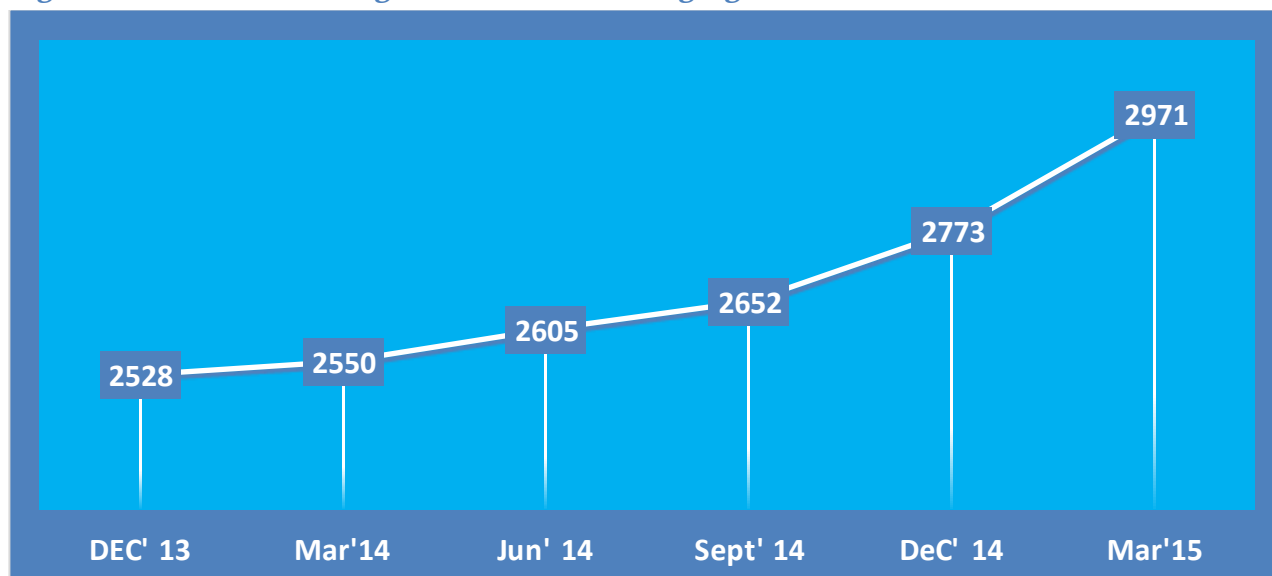


Source: BOU website

2.2 Exchange Rate

In this quarter, the Shilling continued to depreciate against the USD by 7.1% from UGX 2773 per USD at the end of December 2014 to UGX 2971 at end of March 2015. The trend for the last six quarters shows an upward rise in favour of the dollar. This implies increased cost for goods and services obtained from international markets or foreign countries. Similarly, such phenomenon might impact negatively on the consumption of communications services, since this affects certain costs incurred by the communications companies in foreign currency.

Figure 2: Trend in Exchange Rates of the Shilling against the USD



Source: BOU website

3.0 Latest Developments in the Sector

3.1 Afrimax/Vodafone

In February 2015, Afrimax Uganda signed direct interconnect agreement with Africell Uganda Ltd., MTN Uganda Ltd, and Airtel Uganda Ltd.

3.1 Change of name from orange to Africell

3.2 Launch of new services

1. UTL launched 100% airtime bonus on airtime purchased on M-SENTE in February 2015. Terms and conditions applies.
2. Airtel launched a monthly Kyabise pack/bundle comprising of 500mb of data, 500 on-net minutes and 500 on-net SMS at a fee of UGX 20,000.
3. Vodafone launched tariffs-free online calls, and UGX 5 per second for off-net calls. This offer shall last not more than 90 days.

4.0 Telecommunications

4.1 National Telephony

In this Quarter, the total mobile and fixed telephony subscriptions increased from 20,690,383 to 21,806,523 yielding an increment of 1,116,140 subscribers (5.4% increase) compared to the 4.1% increases realised in the previous quarter.

4.2 Mobile Telephony

Both the prepaid and post-paid subscriptions grew by 1,089,423 (5.4%) and 1,996 (1.8%) respectively compared to the respective growth of 3.9% and 6.2% experienced in the previous quarter.

4.3 Fixed Telephony

Fixed subscription grew by 24,721 (7.1%) compared to the 21% growth registered in the previous quarter.

Table 1: Mobile & Fixed Telephony

Indicators	Q4 2014	Q1 2015	Change (%)
Mobile Subscriptions (prepaid)	20,257,656	21,347,079	5.4
Mobile Subscriptions (post-paid)	108,285	110,282	1.8
Fixed subscriptions	324,442	349,163	7.6
Tele-density	56.5	62.5	10.6
National status	20,690,383	21,806,523	5.4

4.4 Tele-density

Telephone density or tele-density is the number of telephone connections for every hundred individuals living within an area (in this case Uganda). The sector registered an upward growth of 10.6% in tele-density in the period being reviewed resulting into a tele-density of 62.5%. The previous quarter however, registered a 4.1% growth in tele-density.

4.5 Traffic growth

4.5.1 On-net & off-net Voice Traffic

During this quarter, there was a 12.1% growth in the on-net voice traffic and 1% growth in off-net voice traffic. In the previous quarter however, 8.3% growth and 12.4% drop were respectively realised in on-net and off-net traffic.

Table 2 On-net and Off-net Traffic data

Indicators	Q4 2014	Q1 2015	Change (%)
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Indicators	Q4 2014	Q1 2015	Change (%)
On net traffic (voice)	3,939,017,924	4,416,041,609	12.1
Off net traffic (voice)	281,686,084	284,388,345	1.0

4.5.2 International Voice Traffic

Both the international incoming voice traffic and the international outgoing voice traffic experienced growths of 42.2% and 25.5% respectively. In the previous quarter, 2.3% and 1.9% growth were realised in international incoming voice traffic and the International outgoing voice traffic respectively.

Table 3. International Traffic data

Indicators	Q4 2014	Q1 2015	Change (%)
International traffic (voice incoming to mobile)	78,552,818	111,694,069	42.2
International traffic (voice outgoing)	64,179,271	80,549,658	25.5

4.5.3 Roaming traffic (Voice)

Roaming traffic had been on the downward trend in the past quarters. This trend has changed in this quarter. Roaming in foreign networks has increased by 40.9%. This shows an improved situation as compared to the previous quarter in which the drop was 11.1%. Roaming by foreign networks increased by 88.5% compared to the 6.4% drop experienced in the previous quarter.

Table 4. Roaming traffic data

Indicators	Q4 2014	Q1 2015	Change (%)
Roaming in foreign networks	15,093,107	21,263,486	40.9
Roaming by foreign networks	5,097,836	9,608,884	88.5

4.6 Communications Infrastructure

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

The number of PIPs remained unchanged at 24. The same applies to the number of PSP which is 36. Thus no new entry was made in this market during this quarter.

The number of Base Transmission Stations (BTSs), however, remained static during the quarter compared to the 1.8% growth realised in the previous quarter.

Table 5. Communications Infrastructure data

Indicators	Q4 2014	Q1 2015	Change (%)
Public Infrastructure Provider (PIP)	24	24	0.0
Public Service Provider (PSP) Voice and Data	36	36	0.0
Number of Base Transmitter Stations (BTS)	4,035	4,035	0.0

5.0 Mobile & Fixed Internet services

The sector registered 3.7% growth in mobile internet subscription from 5,694,930 subscribers in Q4 2014 to 5,905,016 subscribers in Q1 2015, and a 4% growth in fixed internet subscription from 113,400 subscribers to 117,900 subscribers in the same period. The estimated internet users increased by 10.3% from 10,812,888 in Q4 2014 to 11,924,927 in Q1 2015. The internet penetration increased from 29.5% to 34.2% posting a (15.9%) growth.

Table 6. Internet and Data

Indicators	Q4 2014	Q1 2015	Change (%)
Estimated Internet Subscription (Mobile)	5,694,930	5,905,016	3.7
Estimated Internet Subscription (Fixed)	113,400	117,900	4.0
Estimated Internet users	10,812,888	11,924,927	10.3
Internet Penetration per 100 population	29.5	34.2	15.9

5.1 Bandwidth

Bandwidth is used as a synonym for data transfer rate, the amount of data that can be carried from one point to another in a given time period (usually a second). The total bandwidth grew from 27,528.47 in the previous quarter to 29,180.18 in Q1 2015 (6% growth), resulting to 8.5% growth in bandwidth per 1m inhabitants. This means increased network capacity to carry larger volume of information from one location to the next. This indirectly leads to improved network performance hence higher speed internet services to internet users.

6.0 Short Message Services (SMS)

The sector registered a drop in SMS services. The out-going on-net SMS dropped from 1,985,341,326 SMS to 1,351,575,350 SMS, reflecting a 31.9% drop in the service. Similarly, outgoing off-net SMS dropped from 26,817,791 SMS to 25,213,970 SMS, reflecting a 6% drop in the service. The international out-going SMS as well dropped from 5,593,860 SMS to 4,488,831 SMS reflecting a 19.8% drop in the service.

Table 7. Mobile data SMS

Mobile Data (SMS)	As of Dec 2014	As of March 2015	% change
Out-going On net SMS	1,985,341,326	1,351,575,350	-31.9
Out-going SMS Off net	26,817,791	25,213,970	-6.0
International Out-going SMS	5,593,860	4,488,831	-19.8

7.0 Tariffs

All the operators are operating at different tariff plans, as such 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.

8.0 Telecommunication Revenue

The revenue collected from Exercise Duty grew from UGX 45.8bn to UGX 64.2bn, reflecting a 40.3% quarter on quarter rise. VAT payments dropped from UGX 49.8bn in the previous quarter to UGX 34.5bn in this quarter. This is a 30.8% drop compared to the 66.9% growth experienced in the previous quarter. PAYE increased from UGX 8.8bn to 10.3bn reflecting a 17.2% growth.

Table 8. Telecommunications Tax Revenue Data

Indicators	Q4 2014	Q1 2015	Change (%)
Excise	45,784,041,093	64,245,846,496	40.3
VAT	49,819,660,849	34,460,440,620	-30.8
PAYE	8,791,160,555	10,305,298,067	17.2

9.0 Broadcasting

In this sub sector, no notable change was registered on the number of analogue TV stations, the number of operational FM stations, the number of digital terrestrial TV stations, and the number of digital satellite TV stations as shown in Table 9. The total number of Pay TV subscribers stood at 636,805 of whom 270,735 or 42.5% are active.

Table 9. Broadcasting

Indicators	Q4 2014	Q1 2015	Change (%)
Operational TV stations (analogue)	67	67	0
Non Operational TV stations (analogue)	4	4	0
Operational TV stations (Digital terrestrial stations)	3	3	0
Operational TV stations (Digital satellite stations)	2	2	0
Total Number of pay TV subscribers	-	636,805	-
Number of active Pay TV subscribers	-	270,735	-
Operational FM Radio stations	253	253	0
Non-operational FM Radio stations	40	40	0

9.1 Pay Television

Eight (8) Pay Televisions are operational in the market, four (4) of which broadcast using Terrestrial, three (3) use satellite and one (1) broadcasts over cable. Four Pay TVs broadcast country wide. Table 10 below lists the Pay TV companies and their areas of coverage.

Table 10; Pay TVs, Mode of broadcasting & Geographical coverage

No.	Station Name	Mode of Broadcasting	Television Coverage
1.	DSTV	Satellite	Countrywide
2.	DSTV	Terrestrial	Kampala
3.	CITI CABLE	Cable Internet	Kampala and Jinja (2)
4.	AZAM TV	Satellite	Countrywide
5.	STARTIMES	Satellite	Countrywide
6.	STARTIMES	Terrestrial	Bugiri, Jinja, Kampala, Luwero, Masaka, Mbale, Mbarara, Mukono, Nakasongola, Tororo and Wakiso (11)
7.	ZUKU TV	Terrestrial	Countrywide
8.	GOTV	Terrestrial	Ten districts

10.0 Postal Services

This sub-sector realised a 5.7% growth in domestic ordinary letter posted compared to the 12.7% drop experienced in the previous quarter, 54.6% drop in domestic registered letters posted compared to the 79.1% growth experienced in the previous quarter, and a 9.2% growth in Domestic Expedited Mail Services (EMS) compared to the 12.4% drop experienced in the previous quarter.

The East African letter post incoming grew from 10,032 in the previous quarter to 11,494 in the current quarter resulting into a 14.6% growth in the service. The East African letter post outgoing as well grew from 1,935 in the previous quarter to 2,095 in the current quarter, resulting into an 8.3% growth in the service.

Similar trends were noted for the case of European letter post incoming. The incoming European letter post grew by 20.2% from 69,312 to 83,304, while the Outgoing European letter post dropped by 3.8% down from 29,998 to 28,861.

Table 11. Postal Data

Indicators	Q4 2014	Q1 2015	Change (%)
Courier Licence operators (International, Regional,	(8,5,11)	(8,5,11)	N/A

Indicators	Q4 2014	Q1 2015	Change (%)
Domestic)			
Domestic Ordinary Letter Posted	174,792	184,755	5.7
Domestic Registered Letter	6,670	3,030	-54.6
Domestic Express Mail Services (DEMS)	32,987	36,020	9.2
East African letter post (Incoming)	10,032	11,494	14.6
East African letter post (Outgoing)	1,935	2,095	8.3
European letter post (Incoming)	69,312	83,304	20.2
European letter post (Outgoing)	29,998	28,861	-3.8

11.0 Mobile Money Services

The number of mobile money subscribers grew by 2.5% up from 18.53m to 19.00m subscribers. The number of transactions grew from 137m to 143m resulting to a 3.9% growth. The value of transaction increase from UGX 6.3tn to UGX 6.8tn, resulting to a 7.9% growth.

The balance on customer accounts grew as well by 1% up from UGX 238.3bn to UGX 240.7bn. The number of mobile money agents grew by 11.1% up from 78,593 to 87,332 in the current quarter.

Table 12. Mobile Money Services

	Q4 2014	Q1 2015	Variations (%)
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Number of Mobile money subscribers	18,528,542	18,995,390	2.5
Number of Transactions	137,987,030	143,398,030	3.9
Value of Transactions	2,315,584,758,218	6,804,681,009,129	7.9
Balance on customer accounts	238,313,178,031	240,688,502,635	1.0
Number of mobile money agents	78,593	87,332	11.1

(Source BOU)

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 65 complaints were received from the consumers of which 53 complaints were resolved and closed, 12 were pending, awaiting response from Service provider.

Out of all the complaints received:

- 63.0 % of them were through Phone Calls
- 20% received through Email
- 6.2% from Post/Courier
- 1.6 %were Walk-In complaints
- 9.2 % from Social Media (Face book)

TABLE 13. Complaint types received, resolved and pending for the period under review

COMPLAINT TYPE	RECEIVED	RESOLVED	PENDING
UNSOLICITED MESSAGES/CALLS	22	19	3
CALLER RING BACK TUNES	1	1	0
DATA/INTERNET RELATED	7	5	2
BILLING	9	9	0
MOBILE MONEY	8	7	1
SIM REGISTRATION	1	1	0
BROADCASTING	7	4	3
QUALITY OF SERVICE	4	4	0

OTHERS	6	3	3
TOTAL	65	53	12

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

Table 14 shows that there was a 1.9% decrease in the number of complaints resolved by the operators compared to the 1% increase realised in the previous quarter, ultimately resulting to 1.9% increase in number of pending complaints.

Table 14 Second Level Consumer Complaints

REVIEW OF COMPLAINTS RECEIVED	Q4 2014	Q1 2015	Change (%)
	%	%	%
Complaints received and resolved	83.2	81.6	-1.9
Pending complaints	16.8	18.4	1.9

As show in Figure 4, the highest number of complaints registered in this quarter was on unsolicited messages/calls, followed by billing complaints, mobile money issues, broadcasting and Data/internet related issues.

Figure 4: Nature of complaints received and resolved

