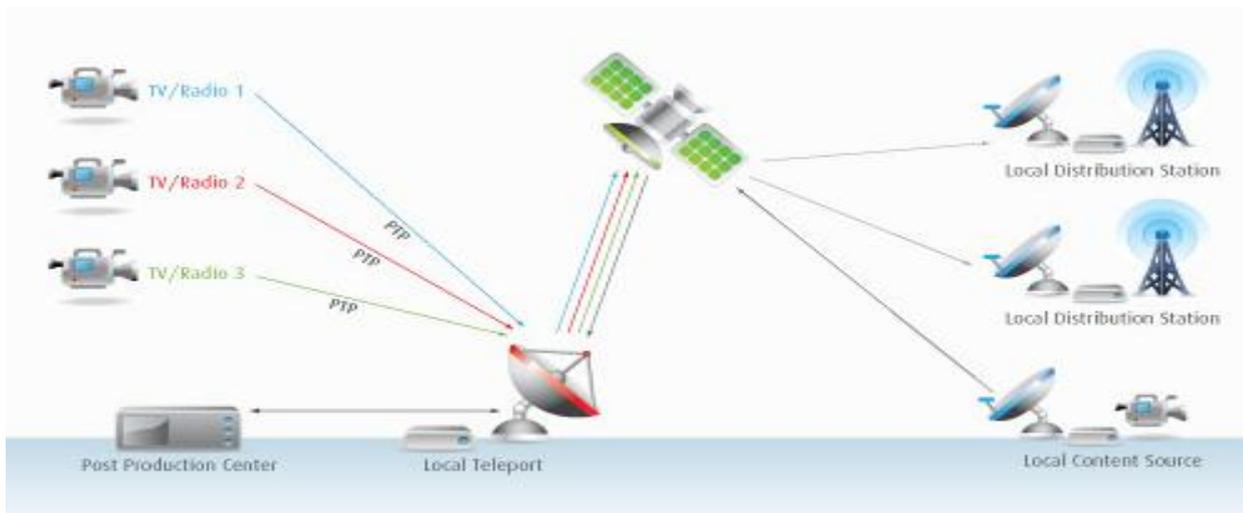


# Post, Broadcasting and Telecommunications Market & Industry Report



## Second Quarter (April-June 2014)

### 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.*

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## **1.0 Introduction**

This report is a summary of the analysis done on the market and industry data extracted from the operational reports of all licensees in the communications sector, and covers the period April to June 2014. In this report, data from Q2 (April-June) is compared against that for Q1 (January-March) as the baseline. The information derived from the market and industry data covers the following 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), while the increase in prices of commodities as well has a direct effect on the operations of these companies, thus a brief into the movement of the exchange rate and the consumer price index.

## 2.1 Consumer Price Index (CPI)

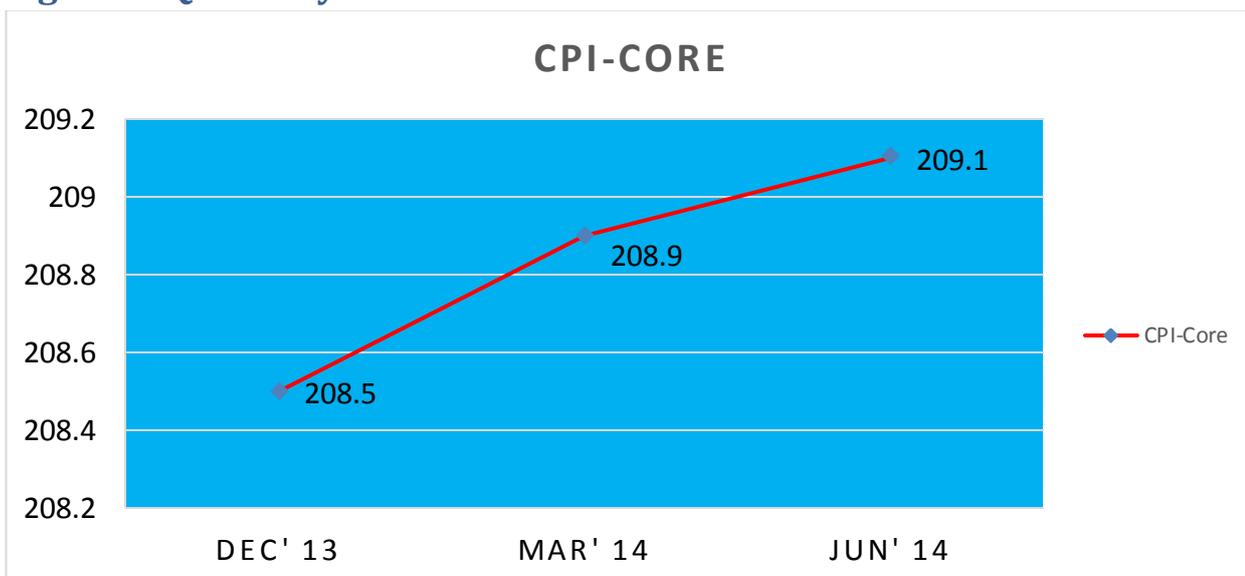
CPI is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according 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. There are many other methods for calculating core inflation, but this is the most popular measurement. This method has become 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 208.9 in March 2014 to 209.1 in April 2014, giving a marginal increment of 0.3% compared to a 0.2% realised in the previous quarter. This means that there is an increased cost of living in this quarter compared to the previous quarters.

**Figure 1: Quarterly Consumer Price Index**



*Source: BOU-monthly release*

## 2.2 Exchange Rate

During the quarter under review, the Shilling depreciated against the US\$ dollar by 2.2% from UGX 2550/USD at the end of March 2014 to UGX2605 by end of June 2014. The trend for the last three quarters shows an upward rise in favour of the dollar as shown in Figure 2. This implies increased cost for goods and services obtained from international markets or foreign countries.

**Figure 2: Exchange Rate of the Shilling against the US\$**



*Source: BOU-end of Quarter rates*

## 3.0 Telecommunications

### 3.1 Total Telephony

In quarter two, the total mobile and fixed telephony subscriptions increased from 19,169,671 to 19,506,889, yielding an increment of 1.8% compared to the 4.5% growth realised in the previous quarter.

### 3.2 Mobile Telephony

Both the prepaid and post-paid subscriptions grew respectively by 2.1% and 8.7% respectively compared to the respective growth of 4.3% and -6.2% experienced in the previous quarter

### 3.3 Fixed Telephony

Fixed subscription drop by 20.7% compared to the 21.4% growth registered in the previous quarter.

**Table 1: Mobile & Fixed Telephony**

Indicators	Q1 2014	Q2 2014	Change (%)
Mobile Subscriptions (prepaid)	18,756,966	19,155,769	2.1
Mobile Subscriptions (post-paid)	81,489	88,590	8.7
Fixed subscriptions	331,216	262,530	-20.7
Teledensity	52.4%	53.3%	0.9
Total	19,169,671	19,506,889	1.8

### 3.4 Tele-density

The sector registered an upward growth of 0.9% in teledensity in the period being reviewed resulting to a teledensity of 53.3%. The growth implies increased coverage of telephony services in the country. In the previous quarter, the sector had realised a 1% growth in teledensity which gave rise to a teledensity of 52.4%.

### 3.5 Traffic growth

#### 3.5.1 On-net & off-net Voice Traffic

During the quarter under review, a 20.0% drop in the on-net voice traffic and a 0.9% growth in off-net voice traffic were realised. In the previous quarter, a 4.2% growth and a 58% drop were respectively realised in on-net and off-net traffics.

**Table 2 On-net and Off-net Traffic data.**

Indicators	Q1 2014	Q2 2014	Change (%)
On net traffic (voice)	3,447,617,407	2,756,430,431	-20.0
Off net traffic (voice)	327,947,368	330,898,779	0.9

### 3.5.2 International Voice Traffic

Both the international incoming voice traffic and the International outgoing voice traffic experienced a drop of 4.7% and 0.9% respectively. Similar trend was observed in the previous quarter in which 18.1% and 9.8% drops were realised in international incoming voice traffic and the International outgoing voice traffic respectively.

**Table 3. International Traffic data.**

Indicators	Q1 2014	Q2 2014	Change (%)
International traffic (voice incoming)	80,173,645	76,384,460	-4.7
International traffic (voice outgoing)	61,151,735	60,596,853	-0.9

### 3.5.3 Roaming traffic (Voice)

Roaming traffic had been in the downward trend in the past quarters. This trend has continued in this quarter as well in that roaming in foreign networks dropped by 3.6% and roaming by foreign networks drop by 13.1%. This had been the trend in the previous quarter whereby both roaming in foreign networks and roaming by foreign networks dropped by 9.3% and 22.5% respectively.

**Table 4. Roaming traffic data**

Indicators	Q1 2014	Q2 2014	Change (%)
Roaming in foreign networks	31,938,664		-3.6
Roaming by foreign networks	6,229,640		-13.1

## 3.6 Communications Infrastructure

### 3.6.1 Public Infrastructure Providers (PIP) and Public Service Providers (PSP)

The number of PIPs and PSPs remained unchanged at 24 and 36 respectively during the quarter. The number of Base Transmission Stations (BTSs) however changed from 3,673 to 3,957 resulting to a 7.7% growth.

**Table 5. Communications Infrastructure data**

Indicators	Q1 2014	Q2 2014	Change (%)
Public Infrastructure Provider (PIP)	24	24	0.0
Public Service Provider (PSP) Voice and Data	36	36	0.0
Infrastructure Statistics			
Number of Base Transmitter Stations (BTS)	3,673	3,957	7.7

### 3.7 Mobile & Fixed Internet services

The sector registered a 1.3% growth in mobile internet subscription from 4,140,530 subscribers in Q1' 2014 to 4,196,113 subscribers in Q2' 2014, and a 4.9% growth in fixed internet subscription from 101,900 subscribers to 106,900 subscribers in the same period. The estimated internet users increased by 4.6% from 8,153,348 in Q1' 2013 to 8,531,081 in Q2' 2014. As a result of the usage, the internet penetration increased from 22.2% to 23.3% as shown in table 6.

**Table 6. Internet and Data**

Indicators	Q1 2014	Q2 2014	Change (%)
Estimated Internet subscription	4,140,530	4,196,113	1.3

Indicators	Q1 2014	Q2 2014	Change (%)
(Mobile)			
Estimated Internet subscription (Fixed)	101,900	106,900	4.9
Estimated Internet users	8,153,348	8,531,081	4.6
Internet penetration per 100 population	22.0	23.3	5.0

### 3.8 Tariffs

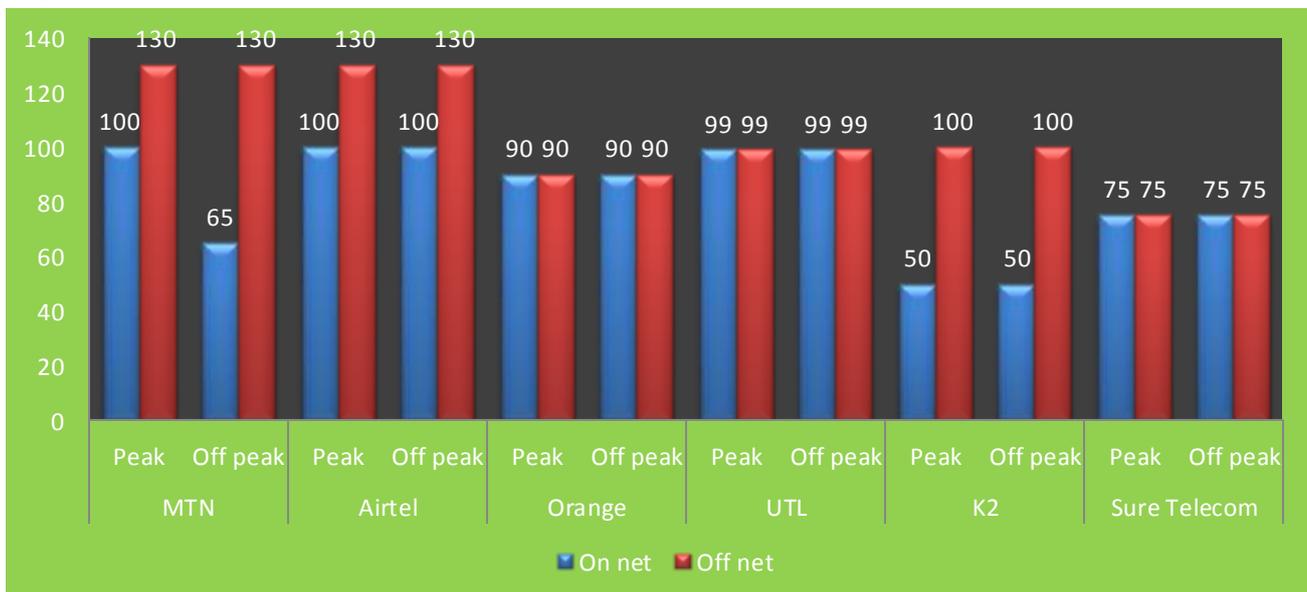
MTN, Airtel and UTL charges the same rate for per second calls for both on and off net calls. Orange and Suretel however, charges different rates as shown in table 7

**Table 7 Mobile Prepaid Base Tariffs, UGX per sec - June 2014**

	MTN	Airtel	UTL	Orange	Sure telecom	k2
On net	5	5	5	4	4	3
Off net	5	5	5	7	5	4

The SMS rates vary from one company to the other. Whereas MTN, Airtel and k2 Telecom have different on-net and off-net rates for peaks and off peaks times, Orange, UTL and Sure telecom offers same rates for on and off nets, peak and off peak.

**Fig. 3 Mobile SMS rates, June 2014**



### 3.9 Telecommunication Revenue

In the quarter under review, both Excise and VAT dropped by 8.3% and 3.4% respectively compared to the respective 15% and 29.2% growth recorded in the previous quarter. PAYE however, recorded a sharp growth of 35.6% compared to the 2.1% drop registered in the previous quarter.

**Table 8. Telecommunications Revenue Data**

Indicators	Q1 2014	Q2 2014	Change (%)
Excise	46,751,391,675	42,870,080,589	-8.3
VAT	39,433,985,413	38,075,253,016	-3.4
PAYE	9,208,685,611	12,490,362,088	35.6

### 4.0 Broadcasting

In this sub sector, no variation was noted 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.

**Table 9. Broadcasting**

Indicators	Q1 2014	Q2 2014	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
Operational FM Radio stations	253	253	0
Non operational FM Radio stations	40	40	0

### 5.0 Postal service

In the quarter under review, the sub sector continued to experience decline in the service. A 20.4% drop in domestic ordinary letter posted was experienced compared to the 3.5%

drop experienced in the previous quarter 62.7% growth in domestic registered letters posted compared to the 58.6% drop experienced in the previous quarter, and a 4.3% drop in Domestic EMS compared to the 0.4% increase experienced in the previous quarter. The details are shown in table 10 below.

**Table 10. Postal Data**

Indicators	Q1 2014	Q2 2014	Change (%)
<b>Courier License operators (International, Regional, Domestic)</b>	(8,511)	(8,511)	n/a
<b>Domestic Ordinary Letter Posted</b>	232,512	185,093	-20.4
<b>Domestic Registered Letter</b>	2,770	4,508	62.7
<b>Domestic Express Mail Services (DEMS)</b>	40,901	39,159	-4.3

## 6.0 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 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.

Table 12 shows that there had been 11.7% increase in the number of complaints resolved by the operators compared to the 1.2% decrease realised in the previous quarter, ultimately resulting to 11.7% decrease in number of pending complaints.

**Table 12 Second level consumer complaints**

REVIEW OF COMPLAINTS RECEIVED	Q1 2014	Q2 2014	Change (%)
	%	%	%

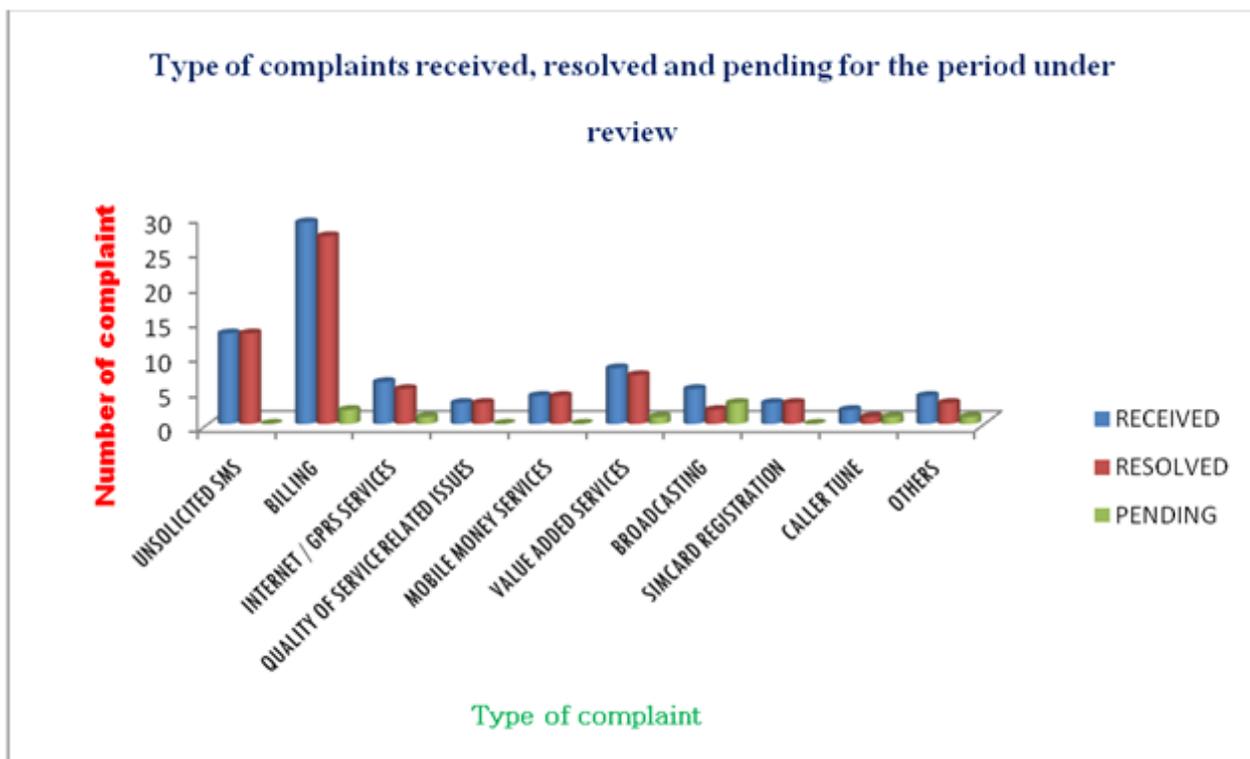
<b>Complaints received and resolved by respective service provider</b>	76.6	88.3	11.7
<b>Pending complaints</b>	23.4	11.7	11.7

As show in Figure 4, the highest number of complaints registered in this quarter was on billing issues and followed by unsolicited messages. This was the same reflection realised in the previous quarter. Value added issues comes third in the ranking of the complaints received.

Out of the complains received,

- 74.00% of the complaints were received through phone calls,
- 16.90% of the complaints were received through e-mail,
- 3.90% of the complaints were received through facebook.
- 2.60% of the complaints were received through walk - in,
- 2.60% of the complaints were received through post/courier.

**Figure 4. Complaints by Type**



In figure 5, it has been noted that MTN and AIRTEL had more complaints received however; they do put the necessary effort to resolve them. The Commission also received other complaints from other service providers as shown.

**Fig 5: Complains received and resolved by service provider**

Monthly breakdown of complaints received per service provider Apr-Jun, 2014

