
Post, Broadcasting and Telecommunications Market & Industry Report



**Third Quarter
(July-September 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.

Table of contents

Page

Contents

1.0 Introduction.....	5
2.0 Macroeconomic Factors.....	5
2.1 Consumer Price Index (CPI)	6
2.1.1 Core CPI	6
Figure 1: Quarterly Consumer Price Index.....	6
2.2 Exchange Rate.....	7
Figure 2: Exchange Rate of the Shilling against the US\$	7
3.0 Telecommunications.....	7
3.1 National Telephony.....	7
3.2 Mobile Telephony.....	7
3.3 Fixed Telephony	8
Table 1: Mobile & Fixed Telephony	8
3.4 Tele-density	8
3.5 Traffic growth.....	8
3.5.1 On-net & off-net Voice Traffic.....	8
Table 2 On-net and Off-net Traffic data	8
3.5.2 International Voice Traffic.....	9
Table 3. International Traffic data	9
3.5.3 Roaming traffic (Voice).....	9
Table 4. Roaming traffic data	9
3.6 Communications Infrastructure	10
3.6.1 Public Infrastructure Providers (PIP) and Public Service Providers (PSP).....	10
Table 5. Communications Infrastructure data	10
3.7 Mobile & Fixed Internet services	10
Table 6. Internet and Data.....	10
3.8 Tariffs	11
Table 7 Mobile Prepaid Base Tariffs, UGX per sec - Sept 2014	11
Fig. 3 Mobile SMS Rates as at end of , September 2014.....	12
3.9 Telecommunication Revenue	12
Table 8. Telecommunications Revenue Data.....	12
4.0 Broadcasting	12

Table 9. Broadcasting.....	13
4.1 PAY TLEVISIONS	13
Table 10; PAY TVs, MODE OF BROADCASTING & GEOGRAPHICAL COVERAGE	13
5.0 Postal Services.....	14
Table 11. Postal Data.....	14
6.0 Mobile Money Services.....	15
Table 12. Mobile Money Services.....	15
7.0 Consumer Affairs.....	16
Table 13 Second level Consumer Complaints	16
Figure 4. Complaints by Type.....	17
Fig 5: Complains received and resolved by Service Provider.....	18

1.0 Introduction

This report is a summary of the analysis done on the market and industry data extracted from the operational reports of licensees in the communications sector, and covers the period July to September 2014. In this report, data from Q3 (July-September) is compared against that for Q2 (April-June) 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 209.1 in June 2014 to 211.7 in September 2014, leading to a marginal increment of 1.2% compared to an increase of 0.3% 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

2.2 Exchange Rate

During the quarter under review, the Shilling depreciated against the US\$ dollar by 1.8% from UGX2605 per USD at the end of June 2014 to UGX2652 at end of Sept 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. 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: Exchange Rate of the Shilling against the US\$



Source: BOU

3.0 Telecommunications

3.1 National Telephony

In Quarter Three (September), the total mobile and fixed telephony subscriptions increased from 19,506,889 to 19,869,111, yielding an increment of 1.9% compared to the 1.8% growth realised in the previous quarter.

3.2 Mobile Telephony

Both the prepaid and post-paid subscriptions grew by 1.8% and 15.1% respectively compared to the respective growth of 2.1% and 8.7% experienced in the previous quarter

3.3 Fixed Telephony

Fixed subscription grew by 2.1% compared to the 20.7% drop registered in the previous quarter.

Table 1: Mobile & Fixed Telephony

Indicators	Q2 2014	Q3 2014	Change (%)
Mobile Subscriptions (prepaid)	19,155,769	19,499,041	1.8
Mobile Subscriptions (post-paid)	88,590	101,928	15.1
Fixed subscriptions	262,530	268,142	2.1
Teledensity	53.3%	54.3%	1.9
National status	19,506,889	19,869,111	1.8

3.4 Tele-density

Telephone density or teledensity is the number of telephone connections for every hundred individuals living within an area. The sector registered an upward growth of 1% in teledensity in the period being reviewed resulting into a teledensity of 54.3%. The previous quarter however, registered a 0.9% growth in teledensity.

3.5 Traffic growth

3.5.1 On-net & off-net Voice Traffic

During the quarter under review, there was a 32.0% growth in the on-net voice traffic and 2.8% drop in off-net voice traffic. In the previous quarter however, a 20.0% drop and a 0.9% growth were respectively realised in on-net and off-net traffics.

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

Indicators	Q2 2014	Q3 2014	Change (%)
------------	---------	---------	------------

Indicators	Q2 2014	Q3 2014	Change (%)
On net traffic (voice)	2,756,430,431	3,637,726,045	32.0
Off net traffic (voice)	330,898,779	321,598,815s	-2.8

3.5.2 International Voice Traffic

Both the international incoming voice traffic and the international outgoing voice traffic experienced a growth of 0.5% and 3.9% respectively. This was an improvement as compared to what was observed in the previous quarter in which a 4.7% and 0.9% drops were realised in international incoming voice traffic and the International outgoing voice traffic respectively.

Table 3. International Traffic data.

Indicators	Q2 2014	Q3 2014	Change (%)
International traffic (voice incoming)	76,384,460	76,789,623	0.5
International traffic (voice outgoing)	60,596,853	62,964,376	3.9

3.5.3 Roaming traffic (Voice)

Roaming traffic had been on the downward trend in the past quarters. This trend has continued in this quarter as well for the case of roaming in foreign networks which has dropped by 44.8%. This shows a worsened situation as compared to the previous quarter in which the drop was 3.6%. However, roaming by foreign networks grew slightly by 0.7% compared to the 13.1% drop experienced in the previous quarter.

Table 4. Roaming traffic data

Indicators	Q2 2014	Q3 2014	Change (%)
Roaming in foreign networks	30,774,552	16,983,609	-44.8
Roaming by foreign networks	5,411,845	5,448,092	0.7

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 3,957 to 3,965 resulting to a 0.2% growth compared to the 7.7% growth realised in the previous quarter.

Table 5. Communications Infrastructure data

Indicators	Q2 2014	Q3 2014	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)	3,957	3,965	0.2

3.7 Mobile & Fixed Internet services

The sector registered 11.3% growth in mobile internet subscription from 4,196,113 subscribers in Q2 2014 to 4,669,492 subscribers in Q3' 2014, and a 3.3% growth in fixed internet subscription from 106,900 subscribers to 110,400 subscribers in the same period. The estimated internet users increased by 7.0% from 8,531,082 in Q2' 2014 to 9,127,488 in Q3 2014. As a result of the usage, the internet penetration increased from 22.3% to 24.9% as shown in Table 6.

Table 6. Internet and Data

Indicators	Q2 2014	Q3 2014	Change (%)
------------	---------	---------	------------

Indicators	Q2 2014	Q3 2014	Change (%)
Estimated Internet Subscription (Mobile)	4,196,113	4,669,492	11.3
Estimated Internet Subscription (Fixed)	106,900	110,400	3.3
Estimated Internet users	8,531,081	9,127,188	7.0
Internet Penetration per 100 population	23.3	24.9	6.9

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 - Sept 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 as at end of , September 2014



3.9 Telecommunication Revenue

In the quarter under review, the revenue collected from Exercise Duty grew from UGX42.9bn up to UGX43.7bn. giving a rise to 6.6% growth. VAT dropped from 38.1bn in the previous quarter to 29.9bn. This resulted into a 21.6% drop compared to the 3.4% drop experienced in the previous quarter. PAYE as well dropped from UGX12.5bn to 10.8bn resulting into a 13.6% drop. The detail statistics is reflected in table 8 below.

Table 8. Telecommunications Revenue Data

Indicators	Q2 2014	Q3 2014	Change (%)
Excise	42,870,080,589	43,668,048,991	6.6
VAT	38,075,253,016	29,854,163,358	-21.6
PAYE	12,490,362,088	10,795,626,605	-13.6

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 10. The total number of Pay TV

subscribers stand at 636,805 of which only 270,735 are active representing only 40% of the total subscribers.

Table 9. Broadcasting

Indicators	Q2 2014	Q3 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
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

4.1 PAY TELEVISIONS

A total of nine (9) Pay Televisions are operational in the market of which five (5) broadcast using Terrestrial, three (3) use satellite whereas only one (1) uses cable for broadcasting. It is also noted that only four Pay TVs broadcast country wide while the rest of them are in Kampala and neighbouring towns as reflected in table 10 below.

Table 10; PAY TVs, MODE OF BROADCASTING & GEOGRAPHICAL COVERAGE

No.	Station Name	Mode of Broadcasting	Television Coverage
1.	DSTV	Satellite	Country Wide
2.	DSTV	Terrestrial	Kampala
3.	CITI CABLE	Cable Internet	Kampala & Jinja (2)
4.	AZAM TV	Satellite	Country wide

5.	STARTIMES	Satellite	Country Wide
6.	STARTIMES	Terrestrial	Kampala, Wakiso, Masaka, Mbarara, Jinja, Mukono, Bugiri, Mbale, Tororo, Luwero & Nakasongora (11)
7.	ZUKU TV	Terrestrial	Country Wide
8.	GOTV	Terrestrial	Ten Districts
9.	MOTV	Terrestrial	Kampala, Wakiso, Luwero, Mukono, Mpigi and Mityana (6)

5.0 Postal Services

In the quarter under review, the sub sector continued to experience decline in the service, save for domestic ordinary letter posted. The subsector realised a 8.1% growth in domestic ordinary letter posted compared to the 20.4% drop experienced in the previous quarter, 17.4% drop in domestic registered letters posted compared to the 62.7% growth experienced in the previous quarter, and a 3.8% drop in Domestic Expedited Mail Services (EMS) compared to the 4.3% drop experienced in the previous quarter.

The East African letter post incoming grew from 11,457 in the previous quarter to 13,099 giving rise to a 14% growth. The East African letter post outgoing grew from 3,292 in the previous quarter to 10,192 respectively, giving rise to 209.6%.

Similar trends were noted for the cases of European letter post for both incoming and outgoing. The incoming European letter post grew by 32.6% up from 72,651 to 96,343, while the Outgoing European letter post grew by 64.6% up from 35,782 to 58,896.

The detailed statistics for these services are shown in table 11 below.

Table 11. Postal Data

Indicators	Q2 2014	Q3 2014	Change (%)
------------	---------	---------	------------

Indicators	Q2 2014	Q3 2014	Change (%)
Courier Licence operators (International, Regional, Domestic)	(8,511)	(8,511)	n/a
Domestic Ordinary Letter Posted	185,093	200,147	8.1
Domestic Registered Letter	4,508	3,725	-17.4
Domestic Express Mail Services (DEMS)	39,159	37,675	-3.8
East African letter post (Incoming)	11,457	13,099	14.0
East African letter post (Outgoing)	3,292	10,192	209.6
European letter post (Incoming)	72,651	96,343	32.6
European letter post (Outgoing)	35,780	58,896	64.6

6.0 Mobile Money Services

The number of mobile money subscribers grew by 1.95% up from UGX 17.6m to UGX 17.9m subscribers. The balance on customer accounts grew as well by 36.6% up from UGX 171.1bn to UGX 228.6bn. The number of mobile money agents grew by 5.2% up from 63,983 to 67,319.

The number of transactions dropped from 43m to 31.4m resulting to a 26.9% drop. The value of transaction dropped as well from UGX 2.1tn to UGX 1.7tn, resulting to a 17.4% drop

Table 12. Mobile Money Services

	As of March 2014	As of June 2014	As of Sept 2014	Variations (%)
--	---------------------	--------------------	--------------------	-------------------

Number of Mobile money subscribers	16,020,998	17,644,162	17,988,640	1.95
Number of Transactions	38,167,969	43,046,389	31,447,990	(26.94)
Value of Transactions	2,012,889,622,987	2,058,790,130,373	1,700,471,516,750	(17.40)
Balance on customer accounts	169,471,765,611	171,097,745,271	228,578,087,774	33.60
Number of mobile money agents	58,258	63,983	67,319	5.21

(Source BOU)

7.0 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 was 6.1% drop in the number of complaints resolved by the operators compared to the 11.7% increase realised in the previous quarter, ultimately resulting to 6.1% increase in number of pending complaints.

Table 13 Second level Consumer Complaints

REVIEW OF COMPLAINTS RECEIVED	Q1 2014	Q2 2014	Change (%)
	%	%	%
Complaints received and resolved by respective service provider	88.3	82.2	-6.1
Pending complaints	11.7	17.8	6.1

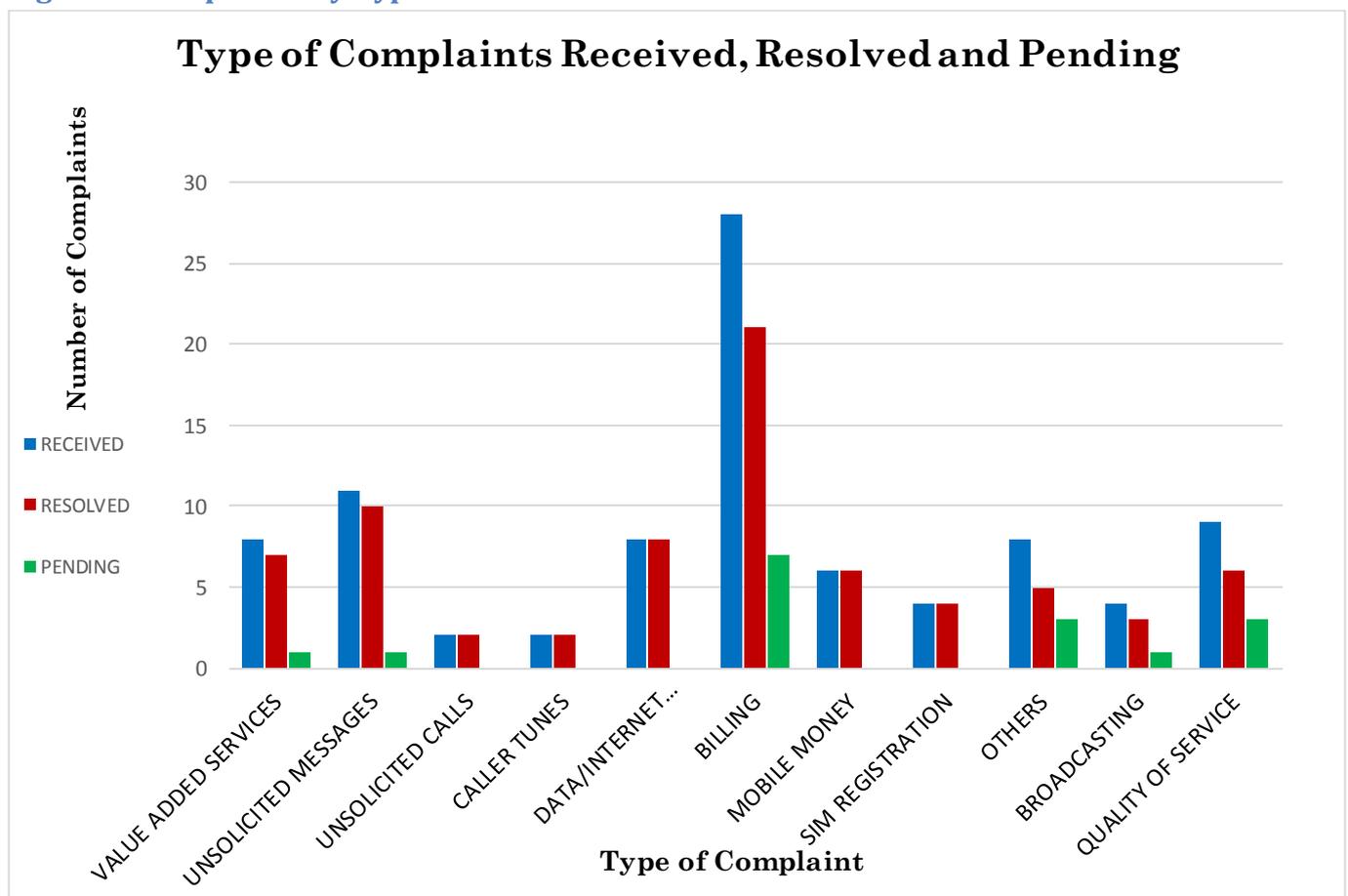
As show in Figure 4, the highest number of complaints registered in this quarter was on billing issues and followed by unsolicited messages. This was the same reflection

realised in the previous quarter. Quality of service comes third in the ranking of the complaints received.

Out of the complains received:-

- 58% of the complaints were received through phone calls. This is a lower figure compared to 74.% received in the previous quarter.
- 33% of the complaints were received through e-mail. This is a higher figure compared to 16.9% received in the previous quarter.
- 1% of the complaints were received through Facebook. This is a lower figure compared to 3.9% received in the previous quarter
- 7% of the complaints were received through walk - in. This is a higher figure compared to 2.60% received in the previous quarter.
- 1% of the complaints were received through post/courier. This is a lower figure compared to 2.60% received in the previous quarter.

Figure 4. Complaints by Type



As shown in figure 5, it has been noted that AIRTEL had the highest number of complaints received followed by MTN.

Fig 5: Complains received and resolved by Service Provider

