

Post, Broadcasting and Telecommunications Market & Industry Report



Fourth Quarter (October-December 2014)

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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 October to December 2014. In this report, data from Q4 (October-December) is compared against that for Q3 (July-September) 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 211.7 in July 2014 to 214.1 in December 2014, leading to a marginal increment of 2.4% compared to an increase of 1.2% 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

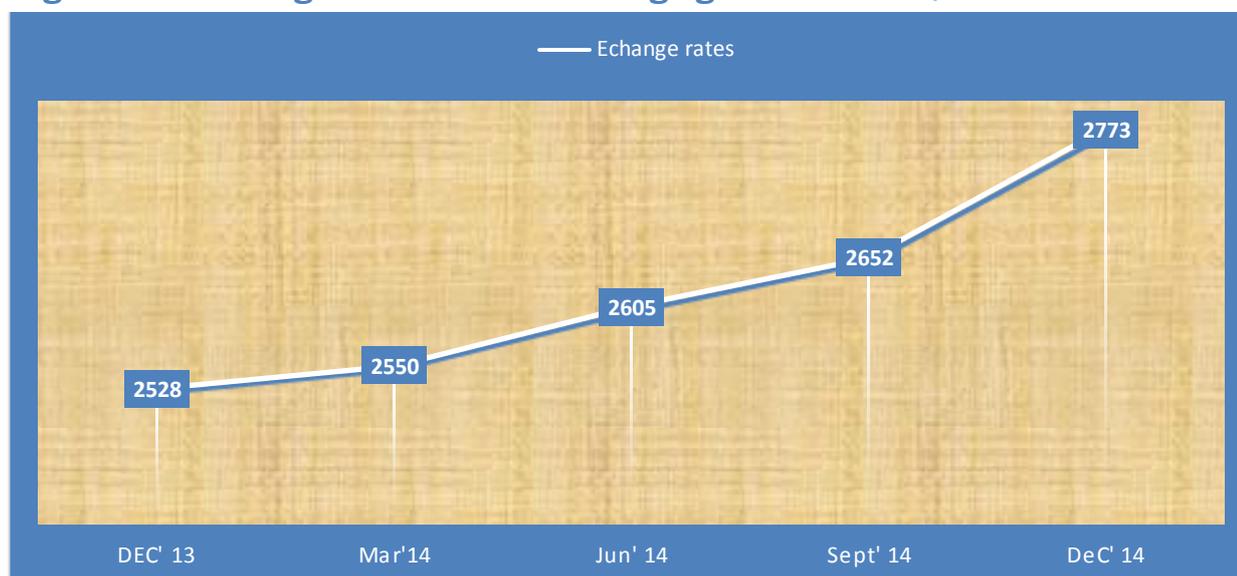


Source: BOU

2.2 Exchange Rate

During the quarter under review, the Shilling continued to depreciate against the US\$ dollar by 4.6% from UGX2652 per USD at the end of September 2014 to UGX 2773 at end of December 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 Latest Developments in the Sector

3.1 Vodafone/Afrimax

In November 2014, Vodafone Group entered into a non-equity Partner Market agreement with Afrimax Group to launch Vodafone Uganda, a virtual operator serving mobile customers in the Ugandan market with high quality voice and data communications.

Vodafone and Afrimax will work together to provide Afrimax customers with an enhanced roaming experience.

Multinational corporate customers of Vodafone Global Enterprise benefit from the addition of Uganda to their existing contracts for international managed services.

3.2 Africell

Africell brought its 2G, 3G and LTE services to Uganda in November 2014 with an official re-branding in February 2015. It (Orange) had about 700,000 active subscribers by the end of 2014.

As of 23rd of December 2014, Orange Uganda now Africell announced that they are now officially Africell. They further went ahead to change the logo on the orange.ug website to the Africell logo.

4.0 Telecommunications

4.1 National Telephony

In Quarter four (December) , the total mobile and fixed telephony subscriptions increased from 19,869,111 to 20,690,383, yielding an increment of 4.1% compared to the 1.9% growth realised in the previous quarter.

4.2 Mobile Telephony

Both the prepaid and post-paid subscriptions grew by 3.9% and 6.2% respectively compared to the respective growth of 1.8% and 15.1% experienced in the previous quarter

4.3 Fixed Telephony

Fixed subscription grew by 21% compared to the 2.1% growth registered in the previous quarter.

Table 1: Mobile & Fixed Telephony

Indicators	Q3 2014	Q4 2014	Change (%)
Mobile Subscriptions (prepaid)	19,499,041	20,257,656	3.9
Mobile Subscriptions (post-paid)	101,928	108,285	6.2

Fixed subscriptions	268,142	324,442	21
Teledensity	54.3%	56.5	4.1
National status	19,869,111	20,690,383	4.1

4.4 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 4.1% in teledensity in the period being reviewed resulting into a teledensity of 56.5%. The previous quarter however, registered a 1% growth in teledensity.

4.5 Traffic growth

4.5.1 On-net & off-net Voice Traffic

During the quarter under review, there was an 8.3% growth in the on-net voice traffic and 12.4% drop in off-net voice traffic. In the previous quarter however, a 32% growth and a 2.8% drop were respectively realised in on-net and off-net traffic. This variation is not fixed to one network.

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

Indicators	Q3 2014	Q4 2014	Change (%)
On net traffic (voice)	3,637,726,045	3,939,017,924	8.3
Off net traffic (voice)	321,598,815s	281,686,084	-12.4

4.5.2 International Voice Traffic

Both the international incoming voice traffic and the international outgoing voice traffic experienced a growth of 2.3% and 1.9% respectively. In the previous quarter, 0.5% and 3.9% growth were realised in international incoming voice traffic and the International outgoing voice traffic respectively.

Table 3. International Traffic data.

Indicators	Q3 2014	Q4 2014	Change (%)
International traffic (voice incoming)	76,789,623	78,552,818	2.3
International traffic (voice outgoing)	62,964,376	64,179,271	1.9

4.5.3 Roaming traffic (Voice)

Roaming traffic had been on the downward trend in the past quarters. This trend has continued in this quarter as well. Roaming in foreign networks has dropped by 11.1%. This shows an improved situation as compared to the previous quarter in which the drop was 44.8%. Roaming by foreign networks dropped by 6.4% compared to the 0.7% drop experienced in the previous quarter.

Table 4. Roaming traffic data

Indicators	Q3 2014	Q4 2014	Change (%)
Roaming in foreign networks	16,983,609	15,093,107	-11.1
Roaming by foreign networks	5,448,092	5,097,836	-6.4

4.6 Communications Infrastructure

4.6.1 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 increased from 3,965 to 4,035 resulting into a 1.8% growth compared to the 0.2% growth realised in the previous quarter.

Table 5. Communications Infrastructure data

Indicators	Q3 2014	Q4 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)	3,965	4,035	1.8

4.7 Mobile & Fixed Internet services

The sector registered 22% growth in mobile internet subscription from 4,669,492 subscribers in Q3 2014 to 5,694,930 subscribers in Q4 2014, and a 2.7% growth in fixed internet subscription from 110,400 subscribers to 123,400 subscribers in the same period. The estimated internet users increased by 18.5% from 9,127,188 in Q3 2014 to 10,812,888 in Q4 2014. As a result of the usage, the internet penetration increased from 24.9% to 29.5% as shown in Table 6.

Table 6. Internet and Data

Indicators	Q3 2014	Q4 2014	Change (%)
Estimated Internet Subscription (Mobile)	4,669,492	5,694,930	22.0
Estimated Internet Subscription (Fixed)	110,400	113,400	2.7
Estimated Internet users	9,127,188	10,812,888	18.5
Internet Penetration per 100 population	24.9	29.5	18.5

4.8 Tariffs

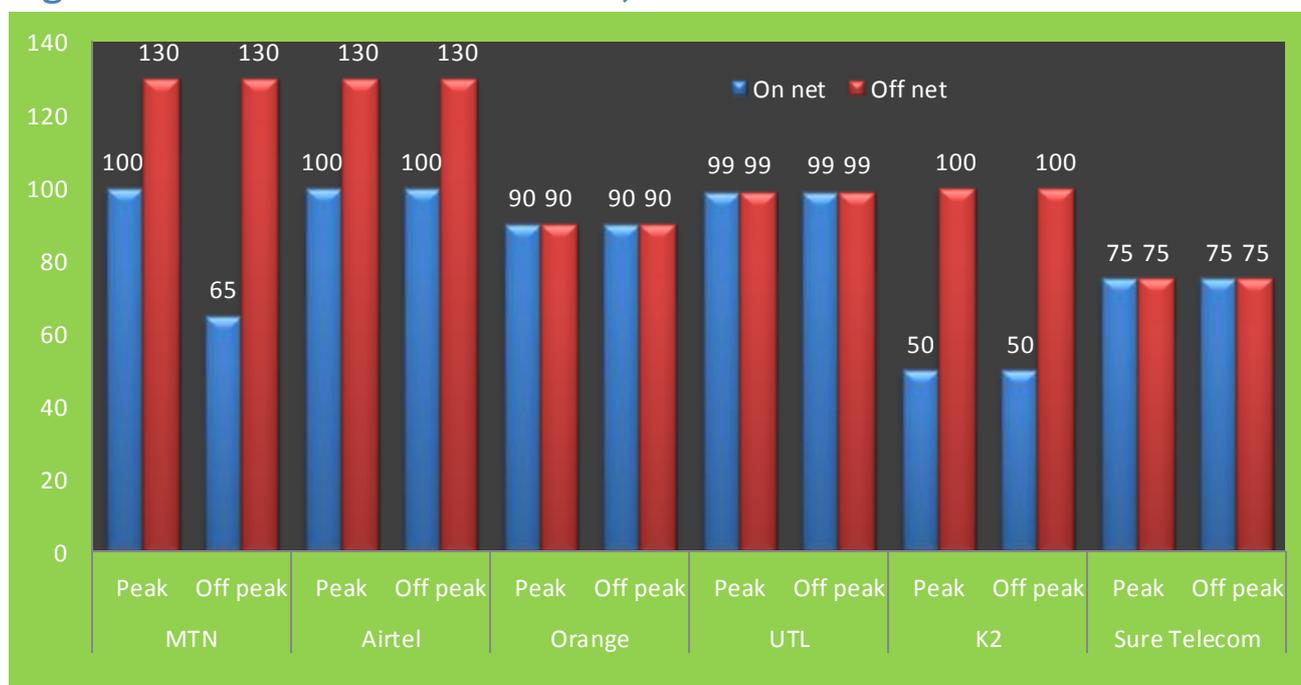
For both on and off net calls, MTN, Airtel, UTL and Vodafone charge the same rate of Shs 5.5 for per second calls. Orange, K2 and Smart however, charges different rates as shown in table 7.

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

Category	MTN	Airtel	UTL	Orange	Smart	K2	Vodafone
On net	5.5	5.5	5	4	4	3	5.5
Off net	5.5	5.5	5	7	5	4	5.5

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 Smart offers same rates for on and off nets, peak and off peak.

Fig. 3 Mobile SMS Rates as at end of, December 2014



4.9 Telecommunication Revenue

In the quarter under review, the revenue collected from Exercise Duty grew from UGX43.7bn to UGX45.8bn., giving a rise to 4.9% growth. VAT grew from UGX29.9bn in the previous quarter to UGX49.8bn. This resulted into a 66.9% growth compared to the 21.6% drop experienced in the previous quarter. PAYE dropped from UGX10.8bn to 8.8bn resulting into a 18.6% drop. The detail statistics is reflected in table 8 below.

Table 8. Telecommunications Tax Revenue Data

Indicators	Q3 2014	Q4 2014	Change (%)
Excise	43,668,048,991	45,784,041,093	4.9
VAT	29,854,163,358	49,819,660,849	66.9
PAYE	10,795,626,605	8,791,160,555	-18.6

5.0 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. 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	Q3 2014	Q4 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

5.1 Pay Television

A total of nine (8) Pay Televisions are operational in the market of which five (4) 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

6.0 Postal Services

In the quarter under review, the sub sector continued to experience decline in the service, save for domestic registered letter posted. The subsector realised a 12.7% drop in domestic ordinary letter posted compared to the 8.1% growth experienced in the previous quarter, 79.1% growth in domestic registered letters posted compared to the 17.4% drop experienced in the previous quarter, and a 12.4% drop in Domestic Expedited Mail Services (EMS) compared to the 3.8% drop experienced in the previous quarter.

The East African letter post incoming dropped from 13,099 in the previous quarter to 10,032 resulting into a 23.4% drop in the service. The East African letter post outgoing as well dropped from 10,192 in the previous quarter to 1,935, resulting into a 81% drop in the service.

Similar trends were noted for the cases of European letter post for both incoming and outgoing. The incoming European letter post dropped by 28.1%

from 96,343 to 69,312, while the Outgoing European letter post dropped by 49.1% down from 58,896 to 29,998.

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

Table 11. Postal Data

Indicators	Q3 2014	Q4 2014	Change (%)
Courier Licence operators (International, Regional, Domestic)	(8,5,11)	(8,5,11)	n/a
Domestic Ordinary Letter Posted	200,147	174,792	-12.7
Domestic Registered Letter	3,725	6,670	79.1
Domestic Express Mail Services (DEMS)	37,675	32,987	-12.4
East African letter post (Incoming)	13,099	10,032	-23.4
East African letter post (Outgoing)	10,192	1,935	-81.0
European letter post (Incoming)	96,343	69,312	-28.1
European letter post (Outgoing)	58,896	29,998	-49.1

7.0 Mobile Money Services

The number of mobile money subscribers grew by 3% up from 17.99m to 18.53m subscribers. The balance on customer accounts grew as well by 4.3%

up from UGX 228.6bn to UGX 238.3bn. The number of mobile money agents grew by 16.8% up from 67,319 to 78,593.

The number of transactions grew from 31.4m to 49.4m resulting to a 57.1% growth. The value of transaction increase from UGX 1.7tn to UGX 2.3tn, resulting to a 36.2% growth.

Table 12. Mobile Money Services

	As of September 2014	As of December 2014	Variations (%)
Number of Mobile money subscribers	17,988,640	18,528,542	3.0
Number of Transactions	31,447,990	49,417,873	57.1
Value of Transactions	1,700,471,516,750	2,315,584,758,218	36.2
Balance on customer accounts	228,578,087,774	238,313,178,031	4.3
Number of mobile money agents	67,319	78,593	16.8

(Source BOU)

8.0 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 13 shows that there was a 1% increase in the number of complaints resolved by the operators compared to the 6.1% drop realised in the previous quarter, ultimately resulting to 1% decrease in number of pending complaints.

Table 13 Second Level Consumer Complaints

REVIEW OF COMPLAINTS RECEIVED	Q3 2014	Q4 2014	Change (%)
	%	%	%
Complaints received and resolved by respective service provider	82.2	83.2	1
Pending complaints	17.8	16.8	-1

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

Out of the complaints received:-

- 88% of the complaints were received through phone calls. This is a higher figure compared to 58.% received in the previous quarter.
- 6.93% of the complaints were received through e-mail. This is a lower figure compared to 33% received in the previous quarter.
- 0.99% of the complaints were received through Facebook. This is approximately the same figure with the 1% received in the previous quarter
- 2.97% of the complaints were received through walk – in. This is a lower figure compared to 7% received in the previous quarter.
- 0.99% of the complaints were received through twitter. This scenario never surfaced in the previous quarter.

Figure 4: Nature of complaints

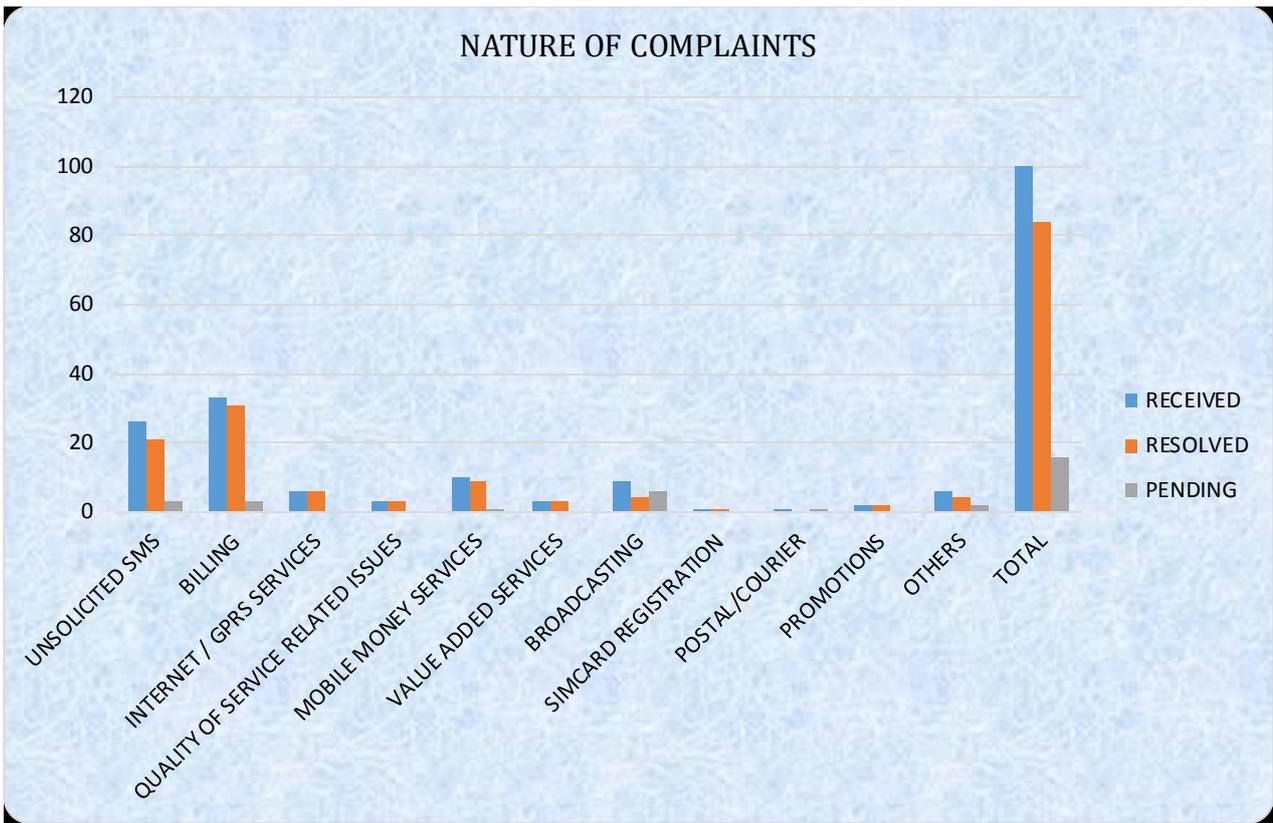
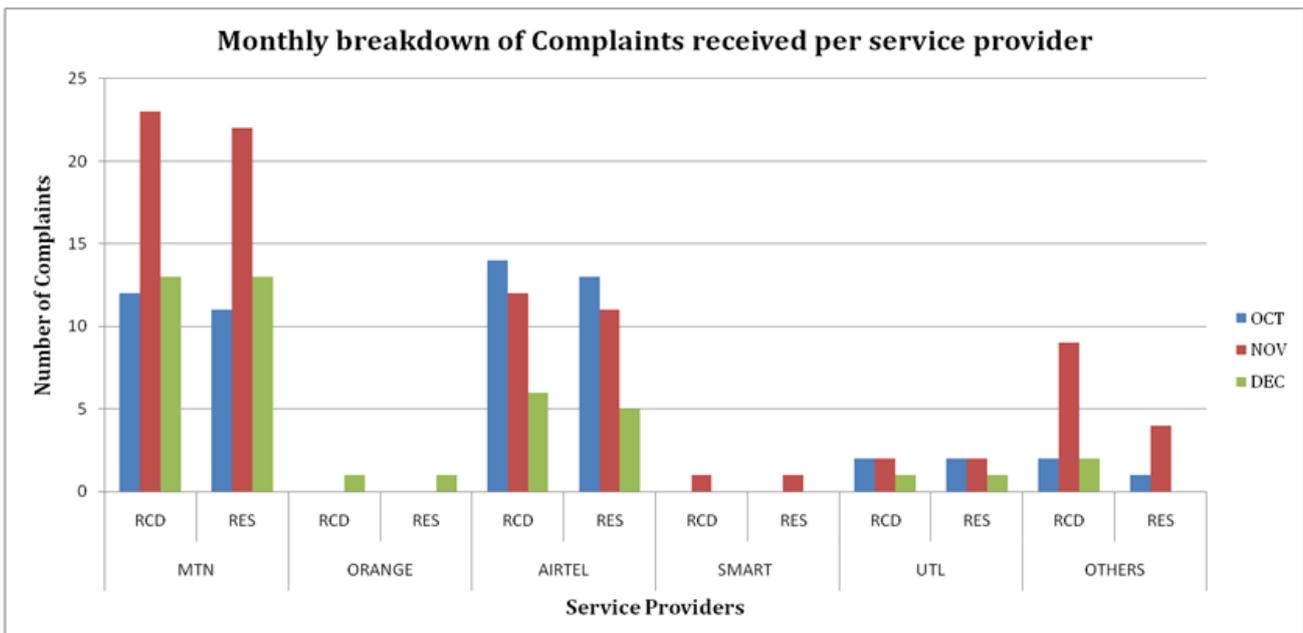


Figure 4. Complaints by Type

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

Fig 5: Complains received and resolved by Service Provider



RCD – Received Complaints**RES – Resolved Complaints**

Note:In the quarter under review, the highest number of complaints were registered in the month of November, particularly against MTN. The complaints are of various nature as indicated in figure 4 above.