OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunications Sector Entities

(Quarter 1, 2010)

2010

TELECOMMUNICATIONS MARKET SECTION

Introduction

In accordance with section 4(4) of the Telecommunications Act 2000 and subject to the Determination Notice of October 10, 2008, this report is the fourth of the OUR's published quarterly reports. An all-sector summary of the aggregated telecommunications market information submitted by the regulated entities for the fourth quarter of 2009 is provided. The report covers the three main service areas - fixed, mobile and internet services as provided by carriers in Jamaica including Cable & Wireless Jamaica Ltd (LIME), Oceanic Digital Jamaica Ltd (Claro), Mossel Jamaica Ltd (Digicel Jamaica), Infochannel Ltd (Infochan) and Columbus Communications Jamaica Ltd (Flow).

As reflected in the previous report, the summary includes an assessment of the main service areas, with statistical highlights of service subscription, usage, revenues and revenue performance.

Overview for the Review Period

- *Mobile subscriptions continued to grow, while subscriptions to fixed line services remained in protracted declines.*

- *Users of mobile services continued to spend more time on on-net calls than on any other mobile calls, thus maintaining its dominance as the best performing type of mobile service.*

- *Broadband subscription maintains its positive influence on the growth in internet subscriptions.*

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1.0 Fixed Call Service

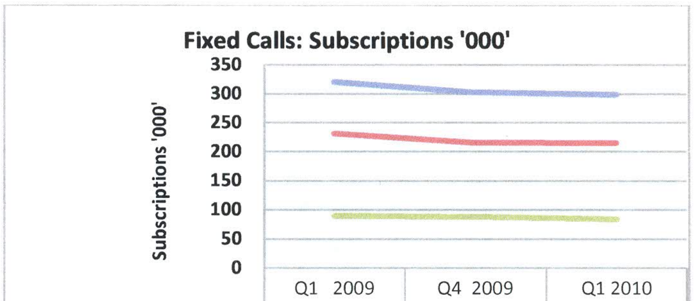
Subscriptions to fixed line services stood at 298,845 at the close of quarter 1, 2010. This represents declines of 1.19% and 6.64% compared to quarter 4, 2009 and the corresponding period of 2009 respectively. Residential subscriptions continued to account for the majority of these subscriptions amounting to 70.97% during the review period (see figure 1).

Subscribers to fixed line services have been spending less time on all types of calls - both quarter over quarter and year over year. The exception is outgoing international calls which increased by 0.69% over with the previous quarter and 121.07% over the previous year.

Figure 2 depicts that customers continued to spend the majority of time on fixed-to-fixed calls totalling 250.48 million minutes, reflecting declines of 1.33% and 20.50% compared to 253.87 million and 315.07 million in the previous quarter and comparable period of the previous year respectively (see figure 2).

Revenues from fixed call services showed protracted overall declines of 11.56% over the previous quarter and by 17.84% over the comparable year (see summary tables below). As is usually the case, despite majority minutes being spent on fixed-to-fixed calls, its contribution to total revenues ($231.52 million) continued to be dominated by fixed to mobile calls, which registered $790.436 million during the review quarter.

Figure 1: Fixed Line Subscription



	Q1 2009	Q4 2009	Q1 2010
Total subscriptions	320.086	302.451	298.845
Residential	230.446	214.652	214.553
Business	89.64	87.799	84.292

Figure 2: Fixed Call Minutes

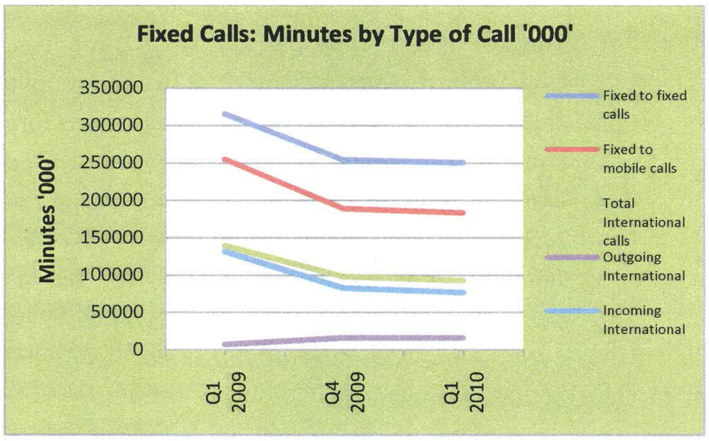


Figure 3: Fixed Call Revenue Distribution

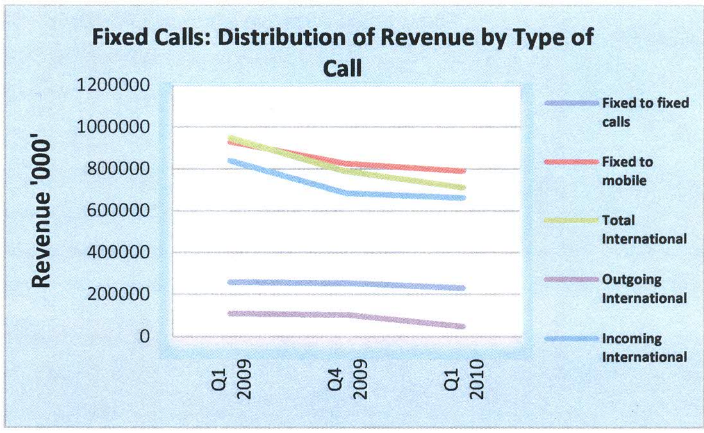
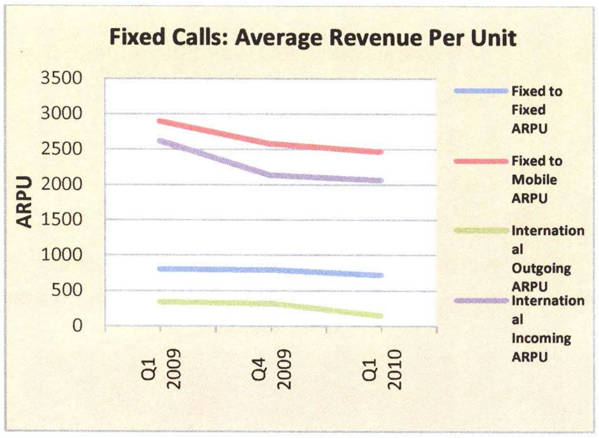


Figure 3 depicts the general expectation for high fixed to mobile revenues, given the context of relatively high usage (in minutes) and the associated high per minute rates.

International incoming calls posted the second highest contribution to fixed service revenues. However, as with each other type, these calls were characterized by declines. With a revenue take-up of $661.34 million, incoming international calls reflected declines of 21.19% and 3.3% respectively over quarter 4 and quarter 1 of 2009.

The average revenue per unit (ARPU) for fixed calls supports the assessment of fixed to mobile calls above. Fixed to mobile calls therefore continue to outperform all other types of fixed line calls with an ARPU of $2,469.45 during the review period. Fixed to mobile calls also reflected declines, contributing to overall declines of total ARPU of 18.85% and 7.22% over the previous quarter and analogous period of 2009 respectively.

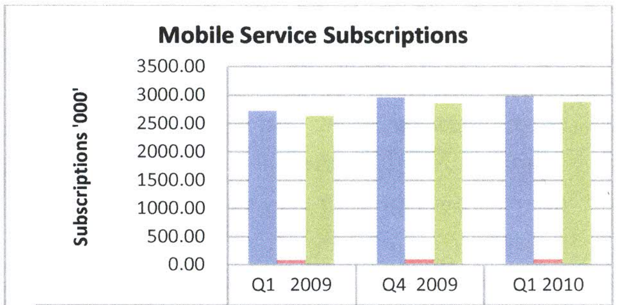
Figure 4: Distribution of Fixed Call APRU



2.0 Mobile Services

Mobile services continued to benefit from increased subscriptions amounting to 2.977 million - a growth of 0.72% over the previous quarter and 9.32% over the comparable period last year. (see figure 5).

Figure 5: Mobile Service Subscription



	Q1 2009	Q4 2009	Q1 2010
Total Subscriptions	2723.45	2956.06	2977.26
Postpaid	85.47	98.01	98.56
Prepaid	2637.98	2858.05	2878.70

Minutes spent on mobile services increased during the review quarter attributable mainly to on net and outgoing international calls. Customers spent the majority of call minutes (1,265.87 million) on on-net followed by outgoing international calls (515.63 million). (see Table 1).

Calls to fixed telephones from mobile phones maintained its stance as the least popular type of mobile usage (as measured in minutes). Despite the unpopularity, minutes spent on these calls continued to grow, totalling 100.592 million and reflecting an increase of 26.37% and 12.91% over quarter 1 and 4 of 2009 respectively.

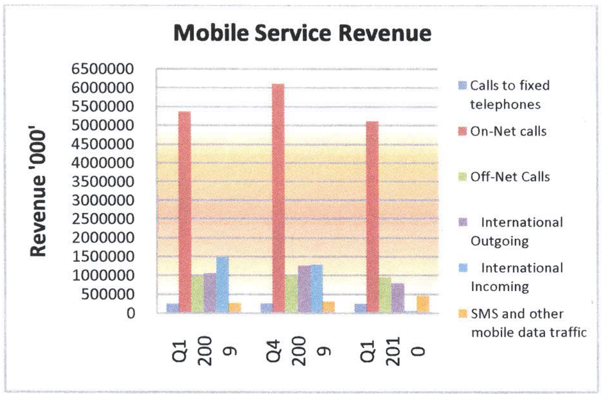
Table 1: Mobile Service Minutes by Type of Call

Mobile Service Minutes '000'	Q1 2009	Q4 2009	Q1 2010
Calls to fixed telephones	79,601.91	89,090.47	100,592.33
On-Net calls	901,397.12	1,262,055.68	1,265,866.24
Off-Net Calls	255,072.88	180,544.32	182,630.41
International calls	528,172.02	597,799.50	616,562.88
Outgoing	398,927.52	497,305.09	515,630.45
Incoming	129,244.49	100,494.41	100,932.43

In terms of revenues, on-net calls continue to dominate mobile revenue contribution with a take up of $5.12 billion during the review quarter. However, whereas these calls posted increases in the previous quarterly assessment, for this review period, on-net calls reflected declines (16.32% and 4.64%) compared to the comparative periods respectively (see figure 6).

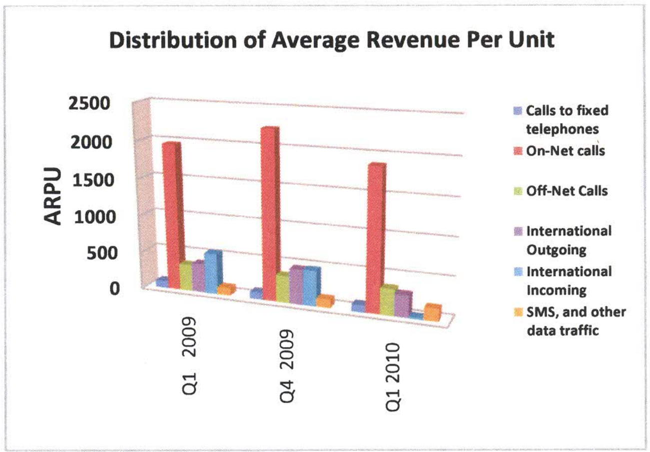
Incoming international calls maintains its stance as the second most significant revenue contributor totalling $62.627 million despite low usage in minutes.

Figure 6: Mobile Service Revenue by Type of Call



Based on the mobile revenue flows and usage patterns for the review quarter, on-net calls continues to be the best performing mobile service component with majority ARPU of $1,879.51 (see figure 7). This represents declines of 16.32% over the previous quarter and 4.64% over the corresponding period of 2008.

Figure 7: Mobile Service ARPU

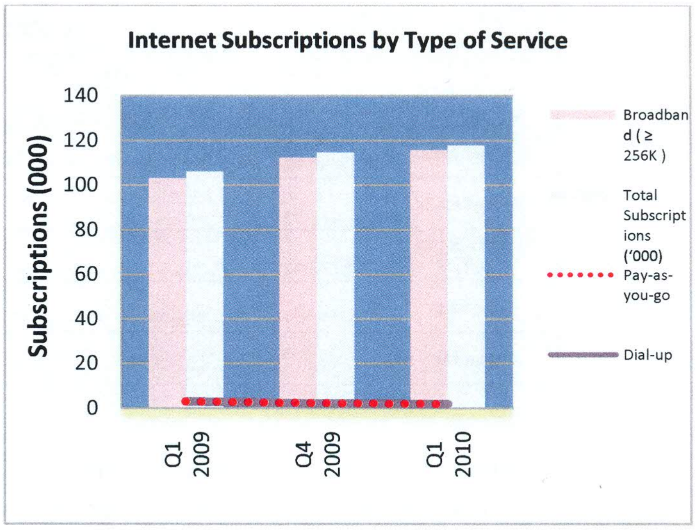


3.0 Internet Services

Notice: *The submission of internet related data lagged behind that for mobile and fixed line services so that information necessary to do a thorough assessment for this section continues to be lacking. The available data only allows for an analysis of internet service subscriptions.*

Available data indicates that subscriptions to internet services for the review quarter grew by 2.74% over the previous quarter to stand at 117,698. This also represents an increase of 10.95% compared with quarter 1 of 2009. The increase continues to be attributed mainly to a growth in broadband subscriptions, which increased by 3.06% and 12.33% relative to quarter 1 and 4 of 2009 respectively (see figure 8).

Figure 8: Internet Subscriptions



4.0 Summary Tables

Fixed Call Service	**Q1 2009**	**Q4 2009**	**Q1 2010**	**% Change Q1'10/ Q4'09**	**% Change Q1'10/ Q1'09**
Total subscriptions ('000)	320.09	302.45	298.85	-1.19%	-6.64%
National calls ('000 minutes)	315,066.96	253,869.85	250,482.81	-1.33%	-20.50%
Fixed to mobile calls ('000 minutes)	254,180.95	188,511.63	183,697.30	-2.55%	-27.73%
Total International calls	139,155.94	98,363.26	92,904.10	-5.55%	-33.24%
Outgoing International ('000 minutes)	7,246.65	15,910.73	16,020.10	0.69%	121.07%
Incoming International ('000 minutes)	131,909.29	82,452.53	76,884.00	-6.75%	-41.71%
Total revenue (J$' million)	3,279.90	3,047.04	2,694.69	-11.56%	-17.84%

Mobile Service	**Q1 2009**	**Q4 2009**	**Q1 2010**	**% Change Q1'10/ Q4'09**	**% Change Q1'10/ Q1'09**
Total subscriptions ('000)	2,723.45	2,956.06	2,977.26	0.72%	9.32%
On-Net calls ('000 minutes)	901,397.12	1,262,055.68	1,265,866.24	0.30%	40.43%
Off-Net Calls ('000 minutes)	255,072.88	180,544.32	182,630.41	1.16%	-28.40%
International calls	528,172.02	597,799.50	616,562.88	3.14%	16.74%
Outgoing International ('000 minutes)	398,927.52	497,305.09	515,630.45	3.68%	29.25%
Incoming International ('000 minutes)	129,244.49	100,494.41	100,932.43	0.44%	-21.91%
SMS and other mobile data traffic ('000)	71,333,154.34	179,347,162.74	147,931.67	-99.92%	-99.79%
Total revenue (J$' million)	9,139.35	9,919.89	7,199.01	-27.43%	-21.23%

Internet Service	**Q1 2009**	**Q4 2009**	**Q1 2010**	**% Change Q1'10/ Q4'09**	**% Change Q1'10/ Q1'09**
Total Subscriptions ('000)	106.081	114.561	117.698	2.74%	10.95%
Broadband ($\geq$ 256K)	103.054	112.323	115.764	3.06%	12.33%
Dial-up	2.998	2.216	1.934	-12.73%	-35.49%
Pay-as-you-go	0.029	0.022	0	-100.00%	-100.00%
Total Revenue (J$'million)	80.61	630.25	655.58	4.02%	713.25%

	Q1 2009	Q4 2009	Q1 2010	% Change Q1'10/ Q4'09	% Change Q1'10/ Q1'09
Fixed call services					
Subcription for fixed telephony ('000)	320.09	302.45	298.85	-1.19%	-6.64%
Households	230.45	214.65	214.55	-0.05%	-6.90%
Business	89.64	87.80	84.29	-3.99%	-5.97%
Revenues from fixed call service ('000)	3,279,895.73	3,047,040.74	2,694,686.41	-11.56%	-17.84%
Average Revenue per user (ARPU)	6,666.09	5,830.84	5,409.88	-7.22%	-18.84%
Mobile call services					
Mobile subscriptions ('000)	2,723.45	2,956.06	2,977.26	0.72%	9.32%
Revenues from mobile subscriptions ('000)					
All Calls	9,139.35	9,919.89	7,199.01	-27.43%	-21.23%
ARPU	3,355.80	3,642.40	2,643.34	-27.43%	-21.23%
Number of SMS sent (millions)	71,333.15	179,347.16	147.93	-99.92%	-99.79%
Revenues from SMS ('000)	275,692.15	311,571.70	451,735.84	44.99%	63.86%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	70,577.01	85,103.00	81,425.00	-4.32%	15.37%
Leased Lines	48,066.16	54,623.00	55,254.00	1.16%	14.95%
International leased lines	22,510.85	30,480.00	26,171.00	-14.14%	16.26%
Internet services					
Internet-access customers ('000)	106.08	114.56	117.70	2.74%	10.95%
Dial-up connection	3.00	2.22	1.93	-12.73%	-35.49%
Fixed connection	103.05	112.32	115.76	3.06%	12.33%

Industry Penetration and Concentration

Year	**2010**
Population	2698800*
Mobile	2,977,264
Fixed	298,845
Broadband	115,764

Penetration

Mobile	110.32%
Fixed	11.07%
Broadband	4.29%

	Table 2: Fixed Line HHI** Based on Subscription		
	Q1 2009	Q4 2009	Q1 2010
Fixed Subscriber HHI	8877.07	8660.03	8762.64

	Table 3: Mobile HHI Based on Subscription		
	Q1 2009	Q4 2009	Q1 2010
Mobile Subscriber HHI	5500.73	5160.84	5041.62

	Table 4: Broadband HHI Based on Subscription		
	Q1 2009	Q4 2009	Q1 2010
Broadband Subscriber HHI	6136.44	5763.72	5843.22

* Est 2009

**Herfindahl-Hirschman Index = Size of firms relative to size of industry