OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunications Sector Entities

(Quarter 4, 2009)

2009

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 third 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

- *Subscription to fixed line services continues to decline even as mobile subscription climbs. This trend may be a result of mobile substitution as Jamaicans turn to mobile services, which offer similar as well as added services not attainable through fixed lines.*

- *Users of mobile services continue to spend more time on on-net calls than on any other mobile calls. Growth in mobile revenue thus attributable mainly to on-net calls may be facilitated by bundled packages and lower termination rates for these calls.*

- *Internet services also reflected growth, influenced chiefly by growth in broadband subscription. Whilst the economic downturn maintains, the increase in subscription may mirror the increasing need for internet services as a way of life, commerce and as general business activity continue to rely increasingly on internet usage.*

1.0 Fixed Call Service

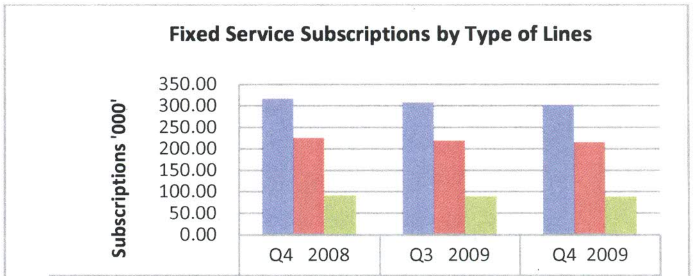
For the fourth quarter of 2009, subscriptions to fixed line services stood at 302,451, reflecting declines of 1.64% and 4.47% over the previous quarter and the corresponding period of 2008 respectively (see figure 1). For the review period, residential lines accounted for the majority of subscriptions totalling 70.97% of total subscriptions.

Fixed line customers continue to spend the majority of time on fixed-to-fixed calls, which amounted to 253.87 million minutes. The minutes used during the review quarter represent declines of 12.6% and 23.23% compared to 290.465 million and 330.673 million in the previous quarter and the comparable period of 2008 respectively (see figure 2).

Whereas minutes spent on international calls increased by 18.18% during the previous quarter-over-quarter review, in the current review period, international call minutes registered overall declines of 3.64% and 6.95% over quarter 3, 2009 and quarter 4, 2008 respectively (figure 2).

Overall, fixed call service revenues declined 5.79% over the previous quarter and marginally - by 0.39% when compared with quarter 4, 2008. Though most minutes were spent on fixed-to-fixed calls, significant revenue ($826.568 million) continues to be obtained chiefly from fixed to mobile calls, representing 27.13% of all fixed service revenues (see figure 3).

Figure 1: Fixed Line Subscription



	Q4 2008	Q3 2009	Q4 2009
Total subscriptions	316.59	307.51	302.45
Residential	225.78	218.80	214.65
Business	90.81	88.71	87.80

Figure 2: Fixed Call Minutes

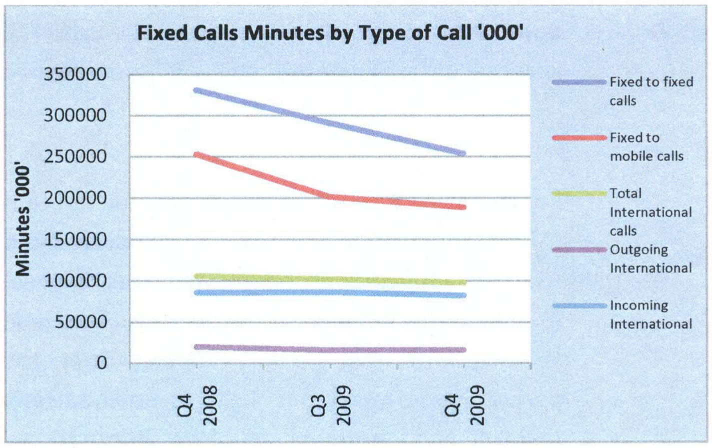
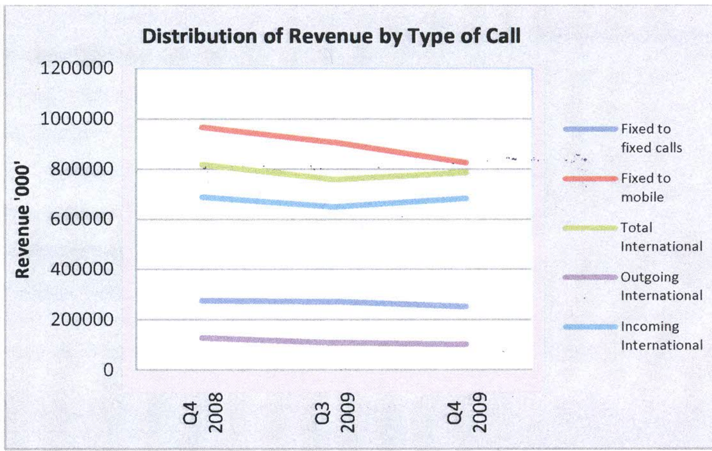


Figure 3: Fixed Call Revenue Distribution

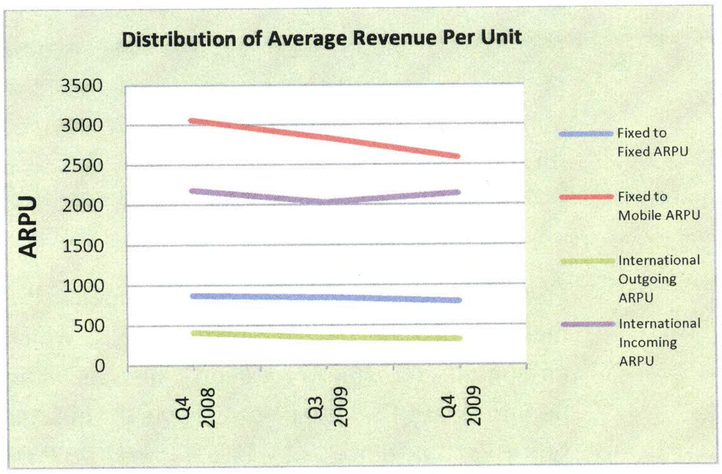


This continues to reflect the general expectation for high fixed to mobile revenues, since these calls accounted for significant usage and is usually accompanied with high per minute rates. Notwithstanding, during the review period, fixed to mobile calls posted declines over both the previous quarter and the analogous period of 2008.

International calls reflected the second largest contribution to fixed service revenues, with an increase over the previous quarter of 3.56%. Incoming international calls continue to dominate outgoing international calls in revenue uptake over the review periods.

For this review period, average revenue per unit (ARPU), measuring the revenue generated per user for specific product lines was highest ($2,582.33) for fixed to mobile calls. This is in keeping with the trend evidenced over the period underlying the last three quarterly reviews and continues to show international incoming calls posting the second highest ARPU quarter over quarter and year over year.

Figure 4: Distribution of Fixed Call APRU

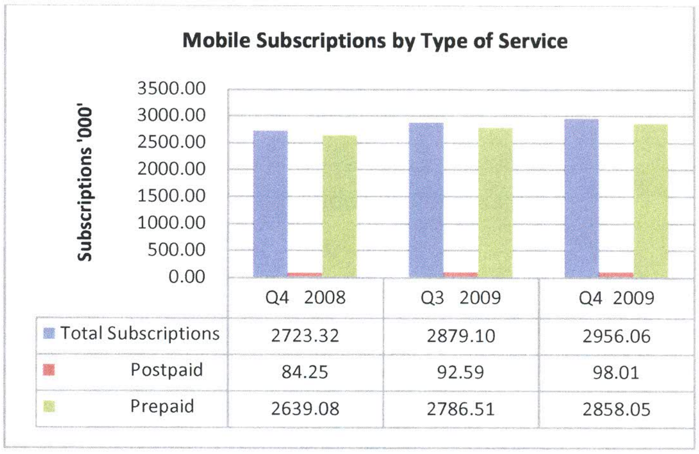


Despite the high posting of ARPU for fixed to mobile calls, as follows from the decline in revenue over the review period (figure 3), the ARPU declined by 8.85% and 1.54% over the previous quarter and comparable period in 2008 respectively (figure 4).

2.0 Mobile Services

Subscription to mobile services continued to grow, accounting for 2.956 million subscribers, thus reflecting growth of 2.67% and 8.55% over quarter 3 of 2009 and quarter 4 of 2008 respectively (see figure 5).

Figure 5: Mobile Service Subscription



Usage of mobile services increased by 1.26% over the previous quarter, attributable mainly to calls to fixed telephones, outgoing international calls and SMS traffic. Customers spent the majority of call minutes (1,262.056 million) on on-net followed by outgoing international calls (497.31 million); both of which continue to be outdone by SMS traffic, which grew by 140.78% relative to the previous quarter (see Table 1).

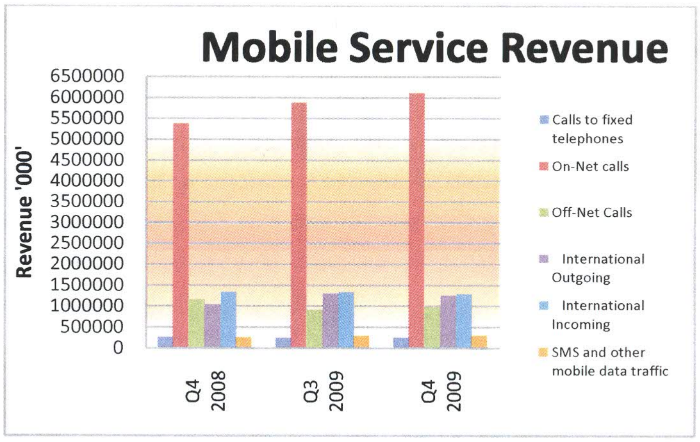
Table 1: Mobile Service Minutes by Type of Call

Mobile Service Minutes '000'	Q4 2008	Q3 2009	Q4 2009
Calls to fixed telephones	80,912.19	76,447.52	89,090.47
On-Net calls	1,002,906.29	1,306,864.88	1,262,055.68
Off-Net Calls	236,421.04	3,667,839.44	180,544.32
International calls	496,009.28	596,347.63	597,799.50
Outgoing	356,580.18	477,856.66	497,305.09
Incoming	139,429.10	118,490.97	100,494.41
SMS traffic	63,064,844.06	74,485,038.03	179,347,162.74

Despite the continuation of increases quarter over quarter, calls to fixed telephones from mobile phones maintained the position as the least popular type of mobile service use. Minutes spent on these calls totalled 89.09 million, followed by incoming international calls totalling 100.49 million minutes.

Revenue from mobile services continued its increase, reflecting strong growth in on-net calls amounting to $6.12 billion (see table 2). These revenues grew by 3.88% relative to the previous quarter and 13.49% over the analogous period of 2008. Other categories remained flat (see figure 6). Although incoming international calls posted the lowest usage (in terms of minutes) for the review quarter, revenues from these calls stood at $1.29 billion and second to on-net calls in terms of revenue contribution.

Figure 6: Mobile Service Revenue by Type of Call



Consequent on these revenue flows, on-net calls reflected the best performing mobile service component with majority ARPU of $2,246.15 for the review quarter (see figure 7). This represents growth of 3.88% over the previous quarter and 1.35% over the corresponding period of 2008 (see figure 7).

Despite declining revenue generation, international incoming calls was the next best performer, posting an ARPU of $475.27, which compares unfavourably with that of $491.18 against the previous quarter and $494.97 against the respective 2008 period.

3.0 Internet Services

Notice: The submission of internet related data lags 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.

Based on available data, subscriptions to internet services for the review quarter stood at 114,561 - an increase of 2.06% and 9.92% over quarter 3, 2009 and quarter 4, 2008 respectively. The increase continues to be attributed mainly to an increase in broadband service subscriptions to 112,323, representing a growth of 2.31% and 14.93% relative to the previous period and the comparable period of the previous year (see figure 8).

Table 2: Mobile Service Revenue

Mobile Revenue '000'	Q4 2008	Q3 2009	Q4 2009
Calls to fixed telephones	270,475.25	254,375.51	265,023.95
On-Net calls	5,390,079.70	5,888,991.17	6,117,268.22
Off-Net Calls	1,162,708.35	922,397.57	977,430.19
International Outgoing	1,055,737.45	1,312,493.34	1,265,780.79
International Incoming	1,347,968.15	1,337,699.89	1,294,384.96
SMS and other mobile data traffic	261,116.94	302,011.19	311,571.70
Revenue (J$'million) excluding SMS	9,226.97	9,715.96	9,919.89

Figure 7: Mobile Service ARPU

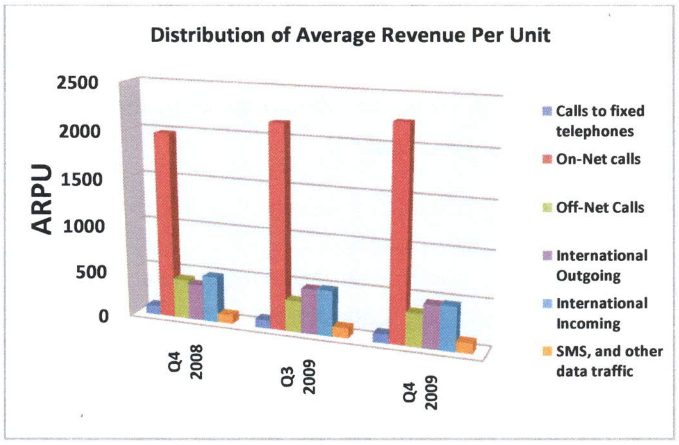
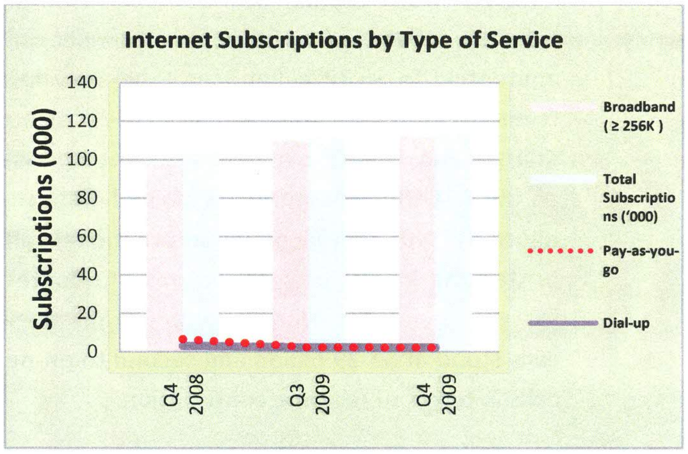


Figure 8: Internet Subscriptions



4.0 Summary Tables

Fixed Call Service	Q4 2008	Q3 2009	Q4 2009	% Change Q4'09/ Q3'09	% Change Q4'09/ Q4'08
Total subscriptions ('000)	316.59	307.51	302.45	-1.64%	-4.47%
National calls ('000 minutes)	330673.38	290464.58	253869.85	-12.60%	-23.23%
Fixed to mobile calls ('000 minutes)	252511.77	200900.13	188511.63	-6.17%	-25.35%
Total International calls	105714.88	102077.17	98363.26	-3.64%	-6.95%
Outgoing International ('000 minutes)	19742.88	15775.97	15910.73	0.85%	-19.41%
Incoming International ('000 minutes)	85972.00	86301.20	82452.53	-4.46%	-4.09%
Total revenue (J$' million)	3234.24	3059.08	3047.04	-0.39%	-5.79%

Mobile Service	Q4 2008	Q3 2009	Q4 2009	% Change Q4'09/ Q3'09	% Change Q4'09/ Q4'08
Total subscriptions ('000)	2723.32	2879.10	2956.06	2.67%	8.55%
On-Net calls ('000 minutes)	1002906.29	1306864.88	1262055.68	-3.43%	25.84%
Off-Net Calls ('000 minutes)	236421.04	3667839.44	180544.32	-95.08%	-23.63%
International calls	496009.28	596347.63	597799.50	0.24%	20.52%
Outgoing International ('000 minutes)	356580.18	477856.66	497305.09	4.07%	39.47%
Incoming International ('000 minutes)	139429.10	118490.97	100494.41	-15.19%	-27.92%
SMS and other mobile data traffic ('000)	63064844.06	74485038.03	179347162.74	140.78%	184.39%
Total revenue (J$' million)	9226.97	9715.96	9919.89	2.10%	7.51%

Internet Service	Q4 2008	Q3 2009	Q4 2009	% Change Q4'09/ Q3'09	% Change Q4'09/ Q4'08
Total Subscriptions ('000)	104.22	112.25	114.56	2.06%	9.92%
Broadband ($\geq$ 256K)	97.73	109.79	112.32	2.31%	14.93%
Dial-up	3.08	2.44	2.22	-8.99%	-28.05%
Pay-as-you-go	3.41	0.02	0.02	0.00%	-99.35%
Total Revenue (J$'million)	69.39	697.34	630.25	-9.62%	808.25%

All Services	Q4 2008	Q3 2009	Q4 2009	% change Q4'09/ Q3'09	% Change Q4'09/ Q4'08
Fixed call services					
Subscription for fixed telephony ('000)	316.59	307.51	302.45	-1.64%	-4.47%
Households	225.78	218.80	214.65	-1.89%	-4.93%
Business	90.81	88.71	87.80	-1.03%	-3.32%
Revenues from fixed call service ('000)	3234240.00	3059084.83	3047040.74	-0.39%	-5.79%
Average Revenue per user (ARPU)	6505.00	6051.27	5830.84	-3.64%	-10.36%
Mobile call services					
Mobile subscriptions ('000)	2723.32	2879.10	2956.06	2.67%	8.55%
Revenues from mobile subscriptions ('000)					
All Calls	9226.97	9715.96	9919.89	2.10%	7.51%
ARPU	3388.13	3567.52	3642.40	2.10%	7.50%
Number of SMS sent (millions)	63064.84	74485.04	179347.16	140.78%	184.39%
Revenues from SMS ('000)	261116.94	302011.18	311571.70	3.17%	19.32%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	58184.00	57517.00	85103.00	47.96%	46.27%
Leased Lines	44661.00	36199.00	54623.00	50.90%	22.31%
International leased lines	13523.00	21318.00	30480.00	42.98%	125.39%
Internet services					
Internet-access customers ('000)	104.22	112.25	114.56	2.06%	9.92%
Dial-up connection	3.08	2.44	2.22	-8.99%	-28.05%
Fixed connection	97.73	109.79	112.32	2.31%	14.93%

Industry Penetration and Concentration

Year	**2009**
Population	2,698,800
Mobile	2,956,061
Fixed	302,451
Broadband	112,323

Penetration

Mobile	109.53%
Fixed	11.21%
Broadband	4.16%

Table 2: Fixed Line HHI Based on Subscription

	Q4 2008	Q3 2009	Q4 2009
Fixed Subscriber HHI	9294.38	8707.26	8660.03

Table 3: Mobile HHI Based on Subscription

	Q4 2008	Q3 2009	Q4 2009
Mobile Subscriber HHI	5462.41	5454.37	5440.43

Table 4: Broadband HHI Based on Subscription

	Q4 2008	Q3 2009	Q4 2009
Broadband Subscriber HHI	6632.35	5884.81	5763.72

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