OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunications Sector Entities

(Quarter 4, 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 seventh 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 2010 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).

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

- ***Subscriptions to fixed line services continued to decline, meanwhile that to mobile services returned to growth relative to the previous quarter.***
- ***Minutes spent on mobile calls continued to increase. This was influenced mainly by off-net calls and SMS traffic.***
- ***Revenues from both fixed and mobile services increased during the review quarter.***
- ***Subscriptions to internet services continued to decline.***

1.0 Fixed Line Service

The fixed line services posted total subscriptions of 282,121 for the review quarter - Q4 2010. This posting was a decline of 1.8% compared to Q3 2010 and 6.4% relative to Q4 2009 (see figure 1). The change to this new level of subscriptions was influenced mainly by residential fixed line users, which accounted for 71.37% of total subscriptions

Fixed line customers spent the majority of time on international calls amounting to 1.2 billion minutes. These minutes represented an increase of 16.01% and 11.25% respectively over the previous quarter and year (figure 2). Fixed to fixed and fixed to mobile calls followed, posting 817.39 million and 192.6 million minutes of usage respectively.

Revenues for all fixed line services increased by 33.79% and 12.01% respectively relative to the previous quarter and year to stand at $3.41 billion by the close of the review quarter. Following from the level of usage of international calls (in minutes), majority contribution to total fixed service revenue emanated from these calls. Although fixed to mobile revenue was outdone by international incoming calls (with $1.42 billion) during the Christmas season, the revenue uptake continued to be high to mobile calls, which accounted for $725.45 million (21.25%) of total revenue.

Figure 1: Fixed Line Subscriptions

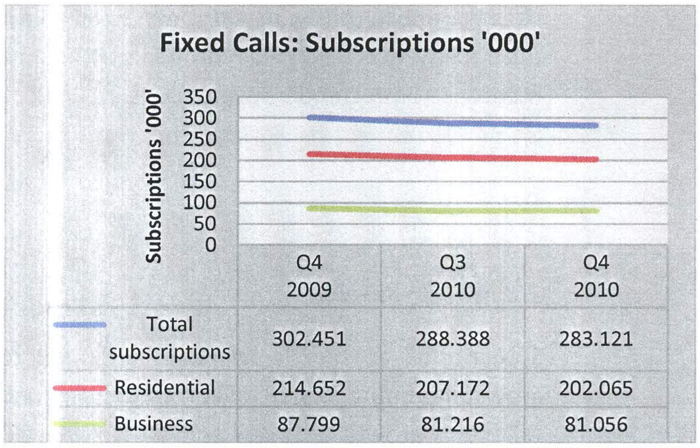


Figure 2: Fixed Call Minutes

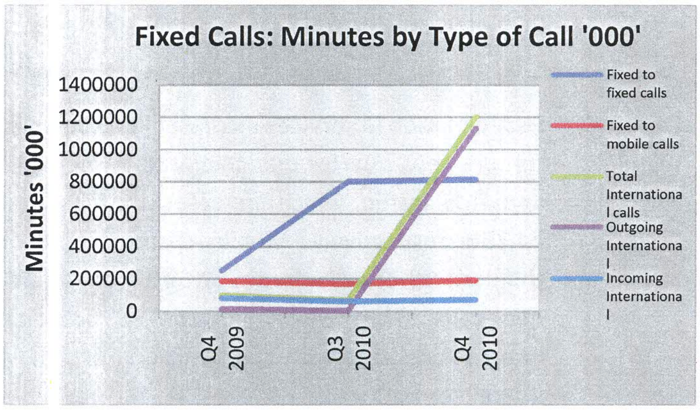
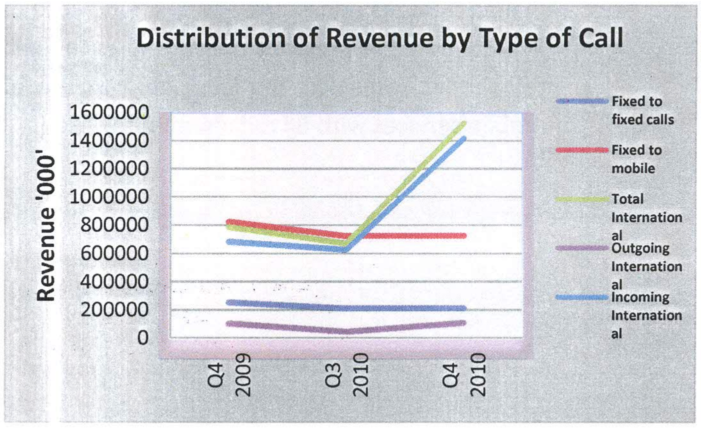
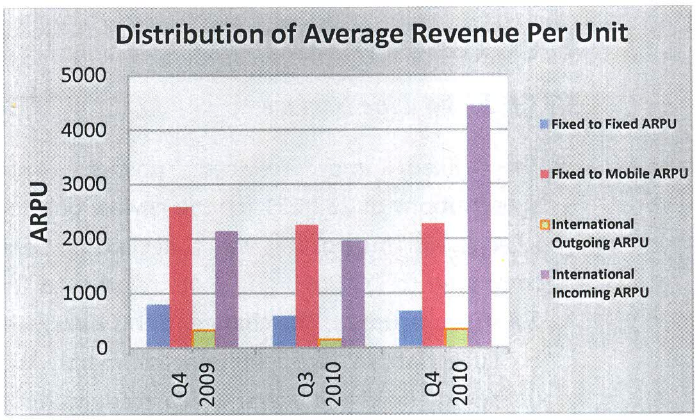


Figure 3: Fixed Call Revenue Distribution



Average revenue per unit (ARPU), which measures the revenue generated per user for a specific product was highest $4,432 for incoming international calls. This represented a notable increase (see figure 4) compared to fixed to mobile calls with ARPU of $2,266.45 for the review quarter remaining generally stable relative to both comparative periods.

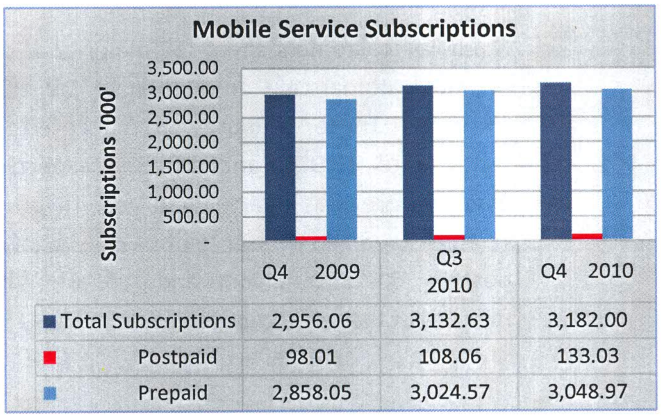
Figure 4: Distribution of Fixed Call ARPU



2.0 Mobile Services

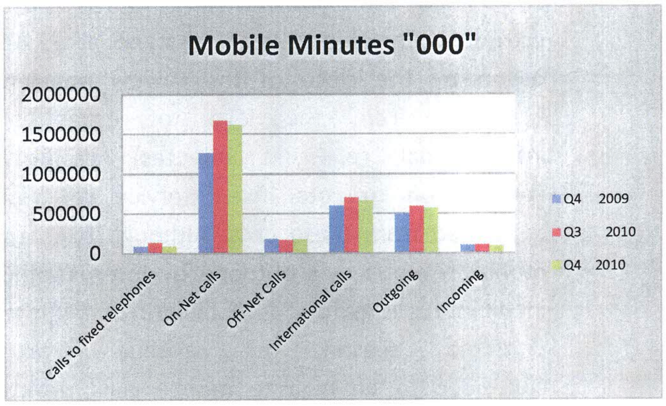
Subscription to mobile services continued to grow, amounting to 3.18 million subscribers and reflecting growth of 1.6% and 7.6% over the previous quarter and year respectively. The increase was attributable mainly to prepaid customers of 3.049 million representing over 95% of total subscriptions.

Figure 5: Mobile Service Subscription



Usage of mobile services increased by 5.3% over the previous quarter due chiefly to on-net calls and SMS traffic, which increased by 4.3% and 74.28% respectively. Mobile customers spent the majority of call minutes (1.62 billion) on on-net calls. This was followed by outgoing international calls with 568.1 million minutes of usage (see figure 6).

Figure 6: Mobile Service Minutes by Type of Call



SMS traffic was also significant posting 889.6 million minutes and representing an increase of 74.28% over the previous quarter. Calls to fixed telephones remained the least popular use of mobile services with 84 million minutes used.

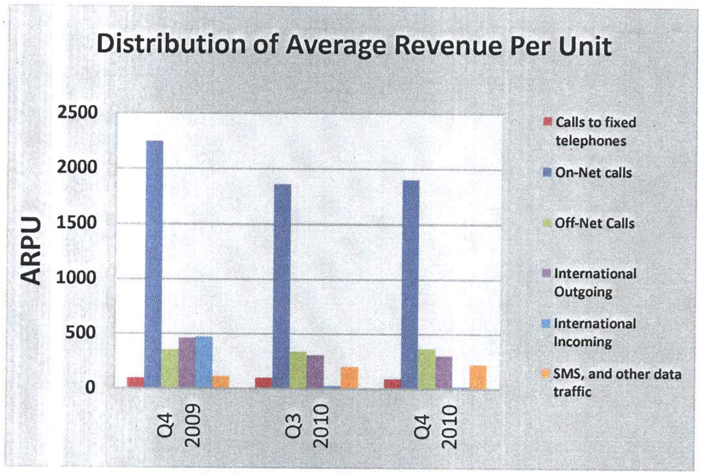
Revenue from mobile services (excluding SMS and other mobile traffic) continued to increase and by the close of the review quarter mobile revenue totalled 7.32 billion. This growth was reflected mainly in off-net calls and SMS traffic, which increased by 8.7% and 10.16% respectively. As the usage of mobile calls would dictate, on-net calls posted majority revenue uptake with 5.19 billion. Off-net calls followed with 1.0 billion (see Table 1).

Based on these revenue flows, on-net calls continued to reflect outstanding mobile revenue performance with ARPU of $1904. This represents growth of 2.2% over the previous quarter but a decline of 15.23% over the corresponding review period of 2009 (see figure 7). As the mobile usage and revenue streams would suggest, off-net calls followed as the second best performer posting ARPU of $368.72 for the review quarter.

Table 1: Mobile Service Revenue by Type of Call

Mobile Revenue '000'	Q4 2009	Q3 2010	Q4 2010
Calls to fixed telephones	265,023.95	278,064.95	248,472.90
On-Net calls	6,117,268.22	5,074,181.70	5,185,458.75
Off-Net Calls	977,430.19	923,696.17	1,004,184.10
International Outgoing	1,265,780.79	839,264.97	823,415.67
International Incoming	1,294,384.96	81,251.57	60,509.57
SMS and other mobile data traffic	311,571.70	553,298.55	609,537.45
Revenue (exl sms)	**9,919,888.11**	**7,196,459.35**	**7,322,040.99**

Figure 7: Mobile Service ARPU

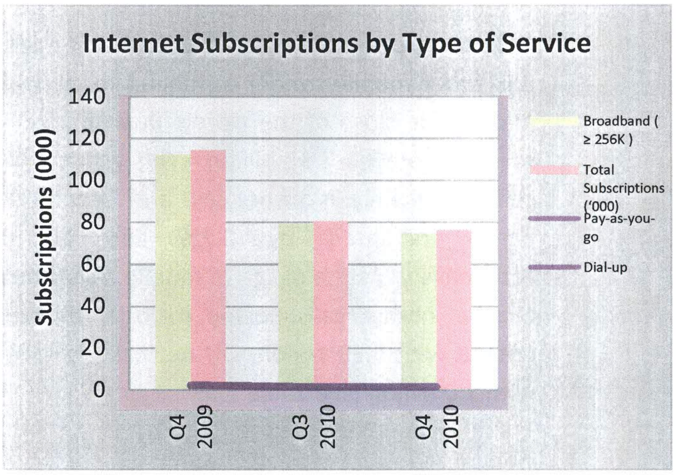


3.0 Internet Services

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

Subscriptions to internet services for the review quarter stood at 76,304 indicating a decline of 5.4% and 33.39% relative to the previous quarter and year. The decline was attributable mainly to the decrease of broadband subscriptions by 5.5% to settle at 74,861 by the close of the review quarter.

Figure 8: Internet Subscriptions



4.0 Summary Tables

Fixed Call Service	Q4 2009	Q3 2010	Q4 2010	% Change Q4'10/ Q3'10	% Change Q4'10/ Q4'09
Total subscriptions ('000)	302.45	288.39	283.12	-1.83%	-6.39%
National calls ('000 minutes)	253,869.85	802,983.20	817,390.26	1.79%	221.97%
Fixed to mobile calls ('000 minutes)	188,511.63	171,572.87	192,617.28	12.27%	2.18%
Total International calls	98,363.26	70,818.38	1,204,788.69	1601.24%	1124.84%
Outgoing International ('000 minutes)	15,910.73	4,703.38	1,130,974.34	23945.99%	7008.25%
Incoming International ('000 minutes)	82,452.53	66,115.00	73,814.35	11.65%	-10.48%
Total revenue (J$' million)	3,047.04	2,551.05	3,413.10	33.79%	12.01%

Mobile Service	Q4 2009	Q3 2010	Q4 2010	% Change Q4'10/ Q3'10	% Change Q4'10/ Q4'09
Total subscriptions ('000)	2,956.06	3,132.63	3,182.00	1.58%	7.64%
On-Net calls ('000 minutes)	1,262,055.68	1,670,204.01	1,615,119.14	-3.30%	27.98%
Off-Net Calls ('000 minutes)	180,544.32	170,660.06	178,010.39	4.31%	-1.40%
Total International calls	597,799.50	700,133.29	662,571.94	-5.36%	10.84%
Outgoing International ('000 minutes)	497,305.09	591,555.63	568,105.34	-3.96%	14.24%
Incoming International ('000 minutes)	100,494.41	108,577.66	94,466.60	-13.00%	-6.00%
SMS and other mobile data traffic ('000)	179,347,162.74	510,454.76	889,639.69	74.28%	-99.50%
Total revenue (J$' million)	9,919.89	7,196.46	7,322.04	1.75%	-26.19%

Internet Service	Q4 2009	Q3 2010	Q4 2010	% Change	% Change

				Q4'10/ Q3'10	Q4'10/ Q4'09
Total Subscriptions ('000)	114.56	80.62	76.30	-5.35%	-33.39%
Broadband ($\geq$ 256K)	112.32	79.19	74.86	-5.47%	-33.35%
Dial-up	2.22	1.43	1.42	-0.49%	-35.88%
Total Revenue (J$'million)	630.25	701.12	641.97	-8.44%	1.86%

	Q4 2009	Q3 2010	Q4 2010	% Change Q4'10/ Q3'10	% Change Q4'10/ Q4'09
Fixed call services					
Subscription for fixed telephony ('000)	302.45	288.39	283.12	-1.83%	-6.39%
Households	214.65	207.17	202.07	-2.47%	-5.86%
Business	87.80	81.22	81.06	-0.20%	-7.68%
Revenues from fixed call service ('000)	3,047,040.74	2,551,050.17	3,413,104.03	33.79%	12.01%
Average Revenue per user (ARPU)	5,830.84	4,925.99	7,698.69	56.29%	32.03%
Mobile call services					
Mobile subscriptions ('000)	2,956.06	3,132.63	3,182.00	1.58%	7.64%
Revenues from mobile subscriptions					
All Calls ('000)	9,919,888.11	7,196,459.35	7,322,040.99	1.75%	-26.19%
ARPU	3,642.40	2,642.41	2,688.52	1.75%	-26.19%
Number of SMS sent (millions)	179,347.16	510.45	889.64	74.28%	-99.50%
Revenues from SMS ('000)	311,571.70	553,298.55	609,537.45	10.16%	95.63%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	85,103.00	63,497.00	-	-100.00%	-100.00%
Leased Lines	54,623.00	39,076.00	-	-100.00%	-100.00%
International leased lines	30,480.00	24,421.00	-	-100.00%	-100.00%
Internet services					

Internet-access customers ('000)	114.56	80.62	76.30	-5.35%	-33.39%
Dial-up connection	2.22	1.43	1.42	-0.49%	-35.88%
Fixed connection	112.32	79.19	74.86	-5.47%	-33.35%
Revenues from internet access	630.25	701.12	641.97	-8.44%	1.86%

Industry Penetration and Concentration

Year	**2010**
Population	2700400*
Mobile	3,181,995
Fixed	283,121
Broadband	74,861

Penetration	
Mobile	117.83%
Fixed	10.48%
Broadband	2.77%

Table 2: Fixed Line HHI Based on Subscription

	Q4 2009	**Q3 2010**	**Q4 2010**
Fixed Subscriber HHI	8,660.03	8,742.24	8,682.98

Table 3: Mobile HHI Based on Subscription

	Q4 2009	**Q3 2010**	**Q4 2010**
Mobile Subscriber HHI	5,160.84	4,830.86	4,896.61

Table 4: Broadband HHI Based on Subscription

	Q4 2009	**Q3 2010**	**Q4 2010**
Broadband Subscriber HHI	5,763.72	5,699.93	5,552.78

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