OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunications Sector Entities

(Quarter 1, 2011)

2011

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 eighth of the OUR's published quarterly reports. An all-sector summary of the aggregated telecommunications market information submitted by the regulated entities for the first quarter of 2011 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.

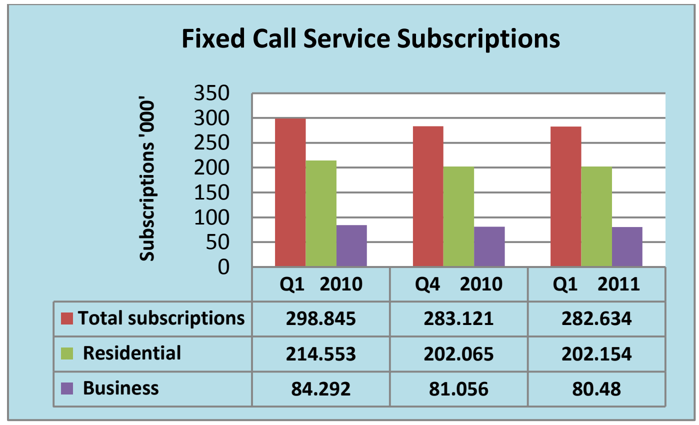
Overview for the Review Period

- ***Both fixed line and mobile service subscriptions declined during the review quarter.***
- ***Minutes spent on fixed line calls declined, while those spent on mobile services continued to increase.***
- ***Revenues from fixed line services increased during the review quarter. Meanwhile, mobile revenues declined.***
- ***Subscriptions to internet services continued to decline.***

1.0 Fixed Line Service

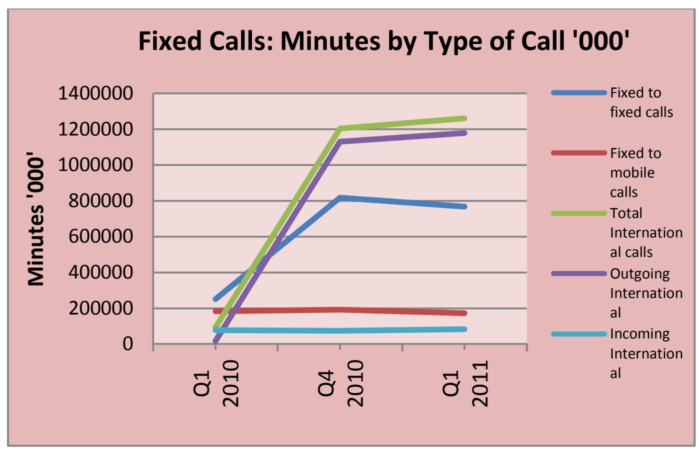
Fixed line subscriptions stood at 282,634 at the close of the Q1 2011 review quarter. These subscriptions represented a decline of 0.17% and 5.42% relative to the previous quarter (Q4 2010) and year (Q1 2011), the decline in quarter over quarter subscription being attributable mainly to business lines. Against these quarterly movements, the year over year decline was influenced mainly by residential lines (see figure 1).

Figure 1: Fixed Line Subscriptions



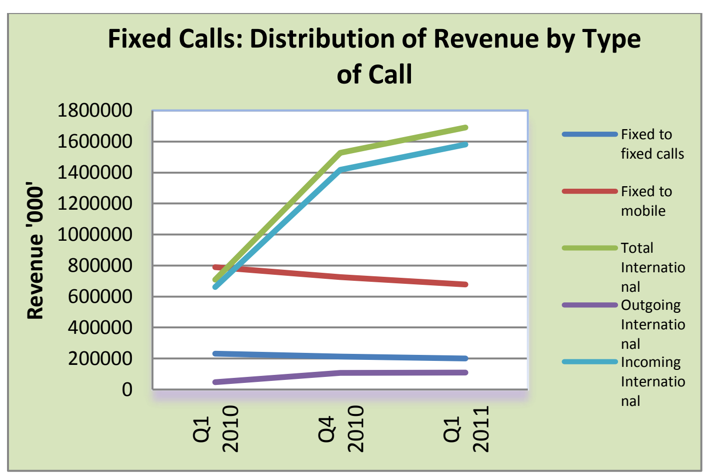
During the review quarter, customers spent most time on international outgoing calls totalling 1.18 billion minutes (see figure 2). This use of fixed lines resulted in an increase of 4.26% over the previous quarter. Customers spent the second highest amount of time on fixed to fixed (national calls) amounting to 768.21 million minutes (see appendix).

Figure 2: Fixed Call Minutes



Total Revenues for fixed line services stood at $3.5 billion at the close of the review quarter. This was an increase of 2.88% and 26.49% respectively compared to the previous quarter and year. Revenues from incoming international calls contributed most significantly to the increase in fixed service revenue of $1.58 billion (see figure 2). Outgoing international calls followed, totalling $109.16 million. Although the second highest revenue generator for fixed services was fixed to mobile calls with $677.15 million, these calls reflected a decline of 6.66% and 14.33% respectively relative to Q4 2010 and Q1 2011.

Figure 3: Fixed Call Revenue Distribution



As the foregoing would suggest, international incoming calls posted average revenue per unit of $4,937.65, which signalled the best performing revenue generator compared to other types of fixed line calls. Fixed to mobile and national calls followed with $2,115.53 and $662.93 respectively (see figure 4).

2.0 Mobile Services

Mobile service subscriptions declined by 1.03% over the previous quarter to stand at 3.149 million at the close of the review quarter. Notwithstanding, this represented an increase of 5.77% compared with the previous year. A drop in pre-paid subscriptions of 1.11% was responsible for the quarter over quarter decline, whilst an increase in post-paid subscriber-ship of 36.02% influenced the year over year growth in mobile service. Prepaid customers continued to dominate the mobile subscriber base.

Mobile customers continued to spend the majority of time on on-net calls totalling 1.6 billion minutes. Outgoing international calls followed with 588.4 million minutes. This amounted to an increase of 3.57% and 14.11% respectively compared to the previous quarter and year (see figure 6). The least usage by mobile customers was on calls to fixed telephones totalling 80.36 million minutes.

SMS and other data traffic exceeded on-net calls to stand at 1.9 billion, representing an increase of 113.13% over the previous quarter.

Figure 4: Distribution of Fixed Call ARPU

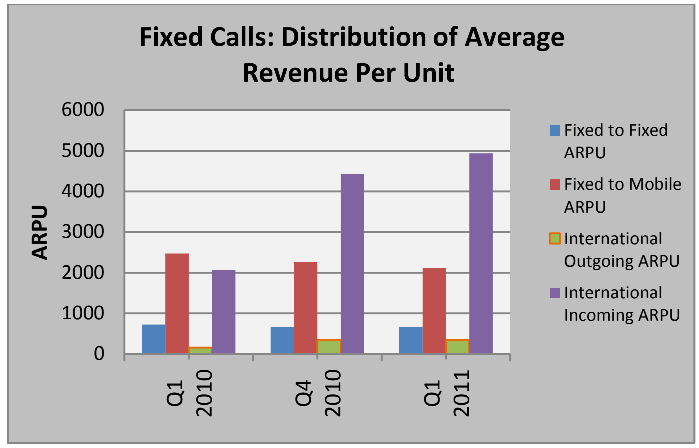
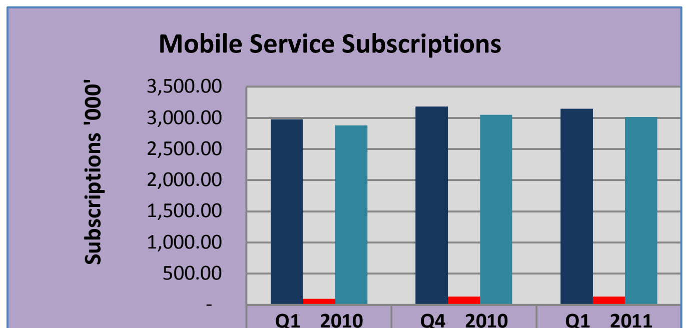
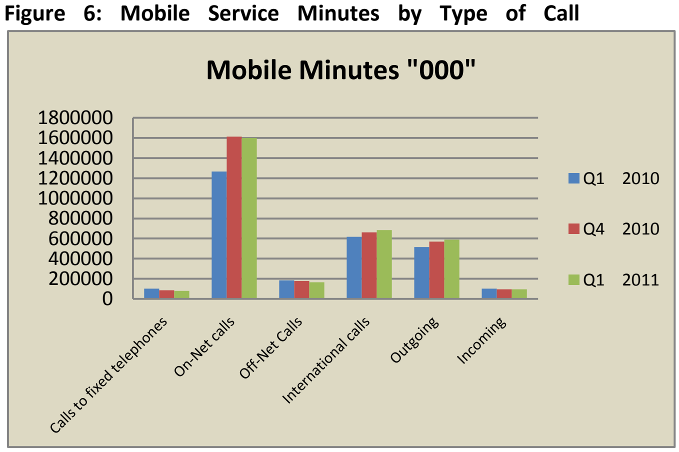


Figure 5: Mobile Service Subscription



	Q1 2010	Q4 2010	Q1 2011
Total Subscriptions	2,977.26	3,182.00	3,149.12
Postpaid	98.56	133.03	134.06
Prepaid	2,878.70	3,048.97	3,015.07

Figure 6: Mobile Service Minutes by Type of Call



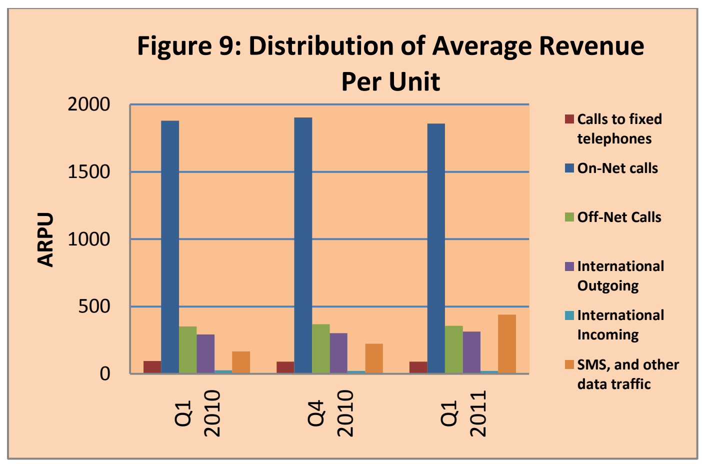
Total revenue from mobile services (excluding SMS and other mobile traffic) declined during the review quarter to stand at $7.18 billion. The decline in revenue was 1.89% and 0.22% respectively relative to Q4 2010 and corresponding period of 2010. This was influenced mainly by off-net and on-net calls which declined by 3.5% and 2.4% respectively compared to the previous quarter. These calls generated revenue of $696.34 million and $5.06 billion during the review quarter. Meanwhile, SMS and other data traffic generated $1.2 billion (see Table 1).

Table 1: Mobile Service Revenue by Type of Call

Mobile Revenue '000'	Q1 2010	Q4 2010	Q1 2011
Calls to fixed telephones	258,023.93	248,472.90	243,336.12
On-Net calls	5,118,742.79	5,185,458.75	5,059,788.13
Off-Net Calls	955,983.89	1,004,184.10	969,344.43
International Outgoing	796,633.36	823,415.67	850,721.06
International Incoming	69,626.57	60,509.57	60,239.72
SMS and other mobile data traffic	451,735.84	609,537.45	1,195,279.30
Revenue (exl sms)	**7,199,010.55**	**7,322,040.99**	**7,183,429.47**

On-net calls continued to be the best mobile revenue performer with ARPU of $1,857.86, reflecting a decline of 2.42% and 1.15% respectively over the previous quarter and year. SMS (and other data traffic) followed with ARPU of $438.88 and off-net calls with $355.93.

Figure 7: Mobile Service ARPU

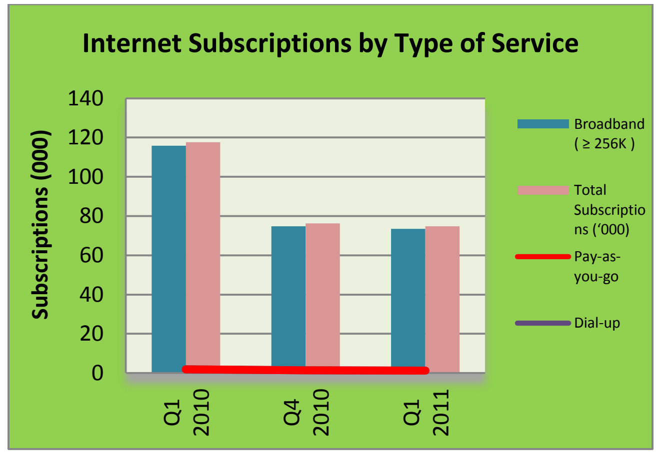


3.0 Internet Services

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.*

Internet subscriptions declined by 1.94% during the review quarter to stand at 74,827 compared to the previous quarter. The decline was due mainly to broadband and dial-up subscriptions, which fell by 1.75% and 10.35% respectively relative to the previous quarter. Broadband subscription totalled 73,553 while dial -up subscriptions amounted to 1,274 at the close of the review quarter.

Figure 8: Internet Subscriptions



4.0 Summary Tables

Fixed Call Service	Q1 2010	Q4 2010	Q1 2011	% Change Q1'11/ Q4'10	% Change Q1'11/ Q1'10
Total subscriptions ('000)	298.85	283.12	282.63	-0.17%	-5.42%
National calls ('000 minutes)	250,482.81	817,390.26	768,121.56	-6.03%	206.66%
Fixed to mobile calls ('000 minutes)	183,697.30	192,617.28	171,953.37	-10.73%	-6.39%
Total International calls	92,904.10	1,204,788.69	1,261,333.01	4.69%	1257.67%
Outgoing International ('000 minutes)	16,020.10	1,130,974.34	1,179,181.87	4.26%	7260.64%
Incoming International ('000 minutes)	76,884.00	73,814.35	82,151.14	11.29%	6.85%
Total revenue (J$' million)	2,776.11	3,413.10	3,511.38	2.88%	26.49%

Mobile Service	Q1 2010	Q4 2010	Q1 2011	% Change Q1'11/ Q4'10	% Change Q1'11/ Q1'10
Total subscriptions ('000)	2,977.26	3,182.00	3,149.12	-1.03%	5.77%
On-Net calls ('000 minutes)	1,265,866.24	1,615,119.14	1,600,422.07	-0.91%	26.43%
Off-Net Calls ('000 minutes)	182,630.41	178,010.39	164,075.09	-7.83%	-10.16%
Total International calls	616,562.88	662,571.94	683,752.76	3.20%	10.90%
Outgoing International ('000 minutes)	515,630.45	568,105.34	588,400.16	3.57%	14.11%
Incoming International ('000 minutes)	100,932.43	94,466.60	95,352.60	0.94%	-5.53%
SMS and other mobile data traffic ('000)	147,931.67	889,639.69	1,896,082.96	113.13%	1181.73%
Total revenue (J$' million)	7,199.01	7,322.04	7,183.43	-1.89%	-0.22%

Internet Service	Q1 2010	Q4 2010	Q1 2011	% Change Q1'11/ Q4'10	% Change Q1'11/ Q1'10
Total Subscriptions ('000)	117.70	76.30	74.83	-1.94%	-36.42%
Broadband (≥ 256K)	115.76	74.86	73.55	-1.75%	-36.46%
Dial-up	1.93	1.42	1.27	-10.34%	-34.13%
Total Revenue (J$'million)	655.58	641.97	1604.17	149.88%	144.69%

	Q1 2010	Q4 2010	Q1 2011	% Change Q1'11/ Q4'10	% Change Q1'11/ Q1'10
Fixed call services					
Subscriptions for fixed telephony ('000)	298.85	283.12	282.63	-0.17%	-5.42%
Households	214.55	202.07	202.15	0.04%	-5.78%
Business	84.29	81.06	80.48	-0.71%	-4.52%
Revenues from fixed call service ('000)	2,776,111.41	3,413,104.03	3,511,377.83	2.88%	26.49%
Average Revenue per user (ARPU)	5,409.88	7,698.69	8,057.14	4.66%	48.93%
Mobile call services					
Mobile subscriptions ('000)	2,977.26	3,182.00	3,149.12	-1.03%	5.77%
Revenues from mobile subscriptions					
All Calls ('000)	7,199,010.55	7,322,040.99	7,183,429.47	-1.89%	-0.22%
ARPU	2,643.34	2,688.52	2,637.62	-1.89%	-0.22%
Number of SMS sent (millions)	147.93	889.64	1,896.08	113.13%	1181.73%
Revenues from SMS ('000)	451,735.84	609,537.45	1,195,279.30	96.10%	164.60%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	-	-	-	-	-
Leased Lines	-	-	-	-	-
International leased lines	-	-	-	-	-

Internet services					
Internet-access customers ('000)	117.70	76.30	74.83	-1.94%	-36.42%
Dial-up connection	1.93	1.42	1.27	-10.34%	-34.13%
Fixed connection	115.76	74.86	73.55	-1.75%	-36.46%
Revenues from internet access	655.58	641.97	1,604.17	149.88%	144.69%

Industry Penetration and Concentration

Year	**2010**
Population	2,705,800
Mobile	3,149,124
Fixed	282,634
Broadband	73,553
Penetration	
Mobile	116.38%
Fixed	10.45%
Broadband	2.72%

Table 2: Fixed Line HHI Based on Subscription

	Q1 2010	Q4 2010	Q1 2011
Fixed Subscriber HHI	8,762.64	8,682.98	8,680.88

Table 3: Mobile HHI Based on Subscription

	Q1 2010	Q4 2010	Q1 2011
Mobile Subscriber HHI	5,041.62	4,896.61	4,963.37

Table 4: Broadband HHI Based on Subscription

	Q1 2010	Q4 2010	Q1 2011
Broadband Subscriber HHI	5,843.22	5,552.78	5,584.69

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