OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunication Sector Entities

(Quarter 3, 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 second of the OUR's published quarterly reports. Provided, is an all-sector summary of the aggregated telecommunications market information submitted by the regulated entities for the third quarter of 2009. The report relates to the three main service areas - fixed, mobile and internet services as provided by carriers in Jamaica including Cable and Wireless Jamaica (LIME), Oceanic Digital Jamaica (Claro), Digicel Jamaica, Infochannel (Infochan) and Columbus Communications (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.

1.0 Fixed Call Service

The third quarter of 2009 closed with approximately 307,620 fixed line subscriptions, representing respective declines of 1.0% and 7.9% compared to the previous quarter and the corresponding period of 2008. For the review period, residential subscriptions accounted for 71.1% of total fixed line subscriptions.

Fixed line customers spent the majority of time on fixed-to-fixed calls, which accounted for 292.66 million minutes during the review quarter (see figure 3). This represents respective declines of 6.8% and 14.6% compared to 313.96 million in the previous quarter and 342.72 million in the corresponding period of 2008.

Minutes spent on international calls increased by 18.18% relative to the previous quarter, but declined by 5.57% relative to the comparable period of 2008. See summary tables below.

Revenues for fixed call services declined 9.62% for quarter 3-2009 when compared with the similar period of 2008. However, revenues for these services increased by 3.59% over quarter 2- 2009.

Figure 1: Total Subscriptions

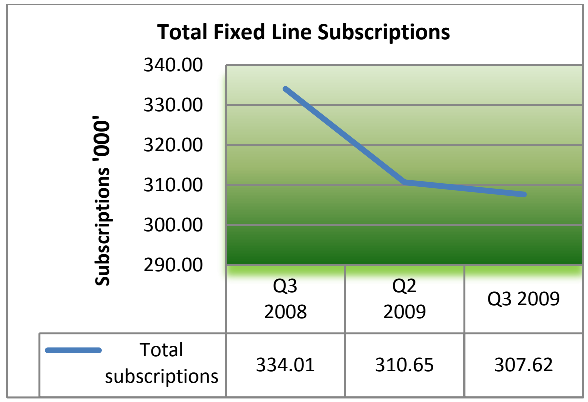


Figure 2: Fixed Line Subscription by Type of Service

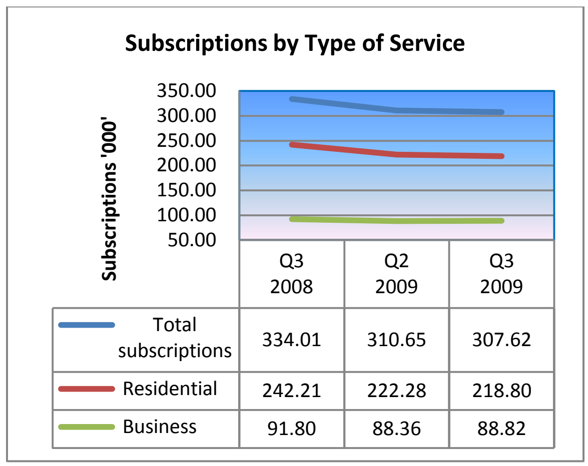
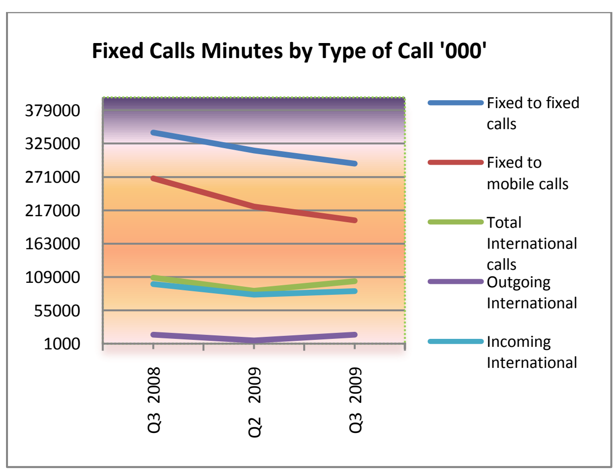


Figure 3: Fixed Call Minutes



Despite the majority of minutes being spent on fixed-to-fixed calls, most revenue was obtained from fixed to mobile calls -$906.78 million, which constituted 29.64% of all fixed service revenues (see figure 4). This is expected since fixed to mobile calls also accounted for significant call minutes and usually attract a higher per minute charge.

Incoming international calls saw the largest quarter on quarter increase despite declining levels since 2008. This added to a modest decline in revenues from outgoing international calls resulted in a net increase in revenues from all international calling activity of 7.77% relative to the previous quarter.

The average revenue per unit (ARPU) measures the revenue generated per user for specific product lines. For fixed services, the ARPU was highest for fixed to mobile calls followed by international incoming calls over all review periods.

The ARPU for fixed to mobile calls which stood at $2,832.92 million for the review quarter, increased by 0.55% over the previous quarter but declined by 8.92% relative to the comparable period in 2008 (see figure 5). Total ARPU reflected a year over year decline of 9.36% while posting a quarter over quarter increase of 3.51% (see summary tables below).

Figure 4: Fixed Call Revenue Distribution

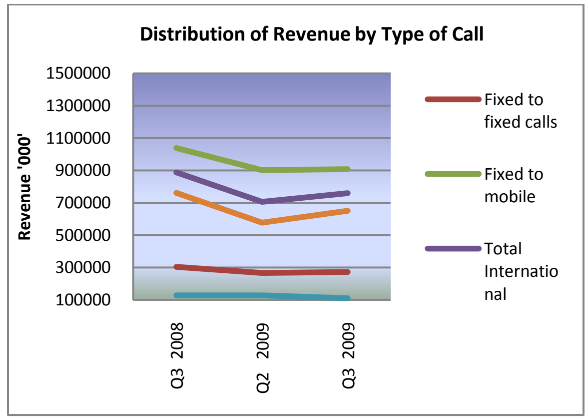
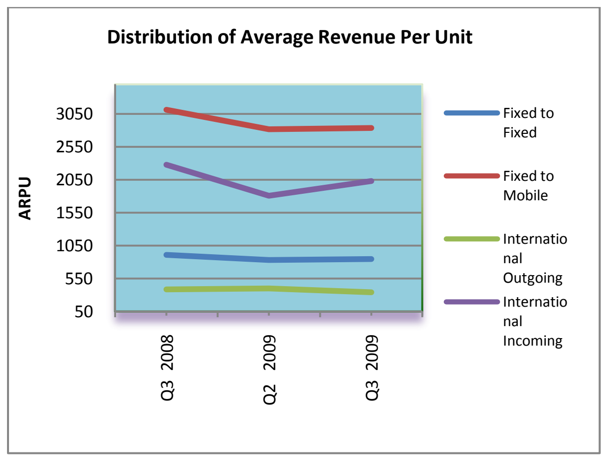


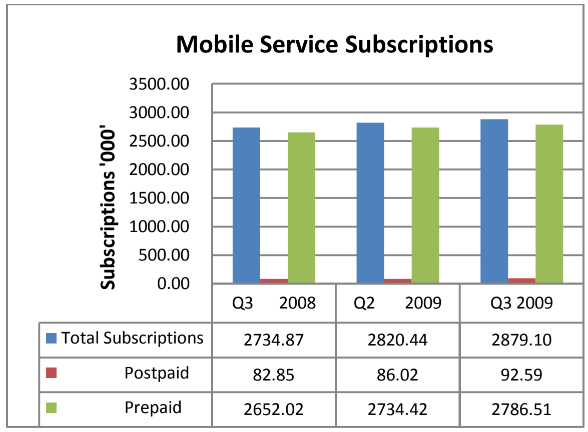
Figure 5: Distribution of Fixed Call APRU



2.0 Mobile Services

For the review period, mobile services provided by Digicel, LIME and Claro together accounted for 2.88 million subscribers, representing respectively a growth of 5.27% over the corresponding period in 2008 and 2.08% over that in quarter 2 of 2009.

Figure 6: Subscriptions by Type of Mobile Service



	Q3 2008	Q2 2009	Q3 2009
Total Subscriptions	2734.87	2820.44	2879.10
Postpaid	82.85	86.02	92.59
Prepaid	2652.02	2734.42	2786.51

Total minutes of mobile services increased during the quarter, attributable to calls to fixed telephones, on-net and off-net calls, and international calls (both incoming and outgoing). Calls to fixed telephones from mobile phones were least popular totalling 76.448 million minutes and representing an increase over the previous quarter.

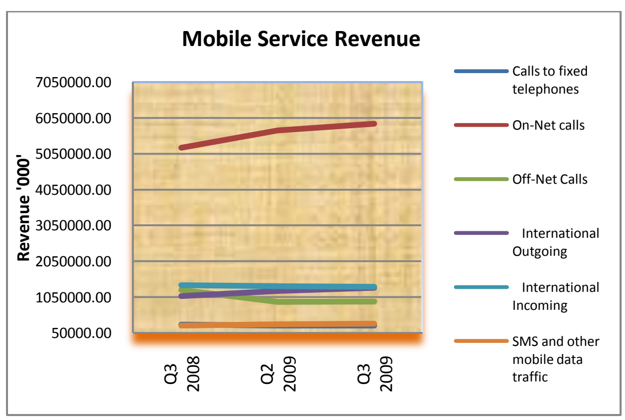
Table 1: Mobile Service Minutes

Mobile Service Minutes '000'	Q3 2008	Q2 2009	Q3 2009
Calls to fixed telephones	82148.68	71449.14	76447.52
On-Net calls	892055.08	1070580.63	1306864.88
Off-Net Calls	236530.00	246151.65	3667839.44
International calls	502816.35	563546.40	596347.63
Outgoing	344895.78	442243.05	477856.66
Incoming	157920.57	121303.35	118490.97
SMS traffic	60109421.78	76198892.36	74485038.03

By comparison, customers spent the majority of call minutes (1,306.86 million) on on-net followed by international calls, which were both outdone by SMS traffic, consistently reflecting high usage patterns over the review periods (see Table 1).

Mobile service revenues continued to increase, attributable mainly to on-net calls, totalling \$5.889 billion, which represented 60.61% of total mobile service revenues generated. On-net calls reflected an increase of 12.91% over the analogous period of 2008 and 3.22% relative to the second quarter of 2009. Given the pattern of revenue flows, on-net calls reflected the best performing mobile service component with increasing and majority ARPU of \$2,162.33 for the review quarter (see figure 8).

Figure 7: Mobile Service Revenue by Type of Call



This compares with an ARPU of $2,094.89 in the previous quarter and $1907.05 in the corresponding period of 2008. International incoming calls was the next best performer but with significantly less revenue generating power, posting an ARPU of $491.18, which compares unfavourably to $496.69 recorded in the previous quarter, and $503.93 in the comparable period of 2008.

3.0 Internet Services

A note of caution: 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.

For the review period, subscriptions stood at 112,250, reflecting respectively, an increase of 4.8% and 16.5% relative to both the previous quarter and quarter 3 of 2008. This increase was attributed mainly to an increase in broadband service subscriptions, which increased by 4.88% and 17.82% relative to the previous quarter and the comparable period of the previous year. See figure 9.

Figure 8: Mobile Service ARPU

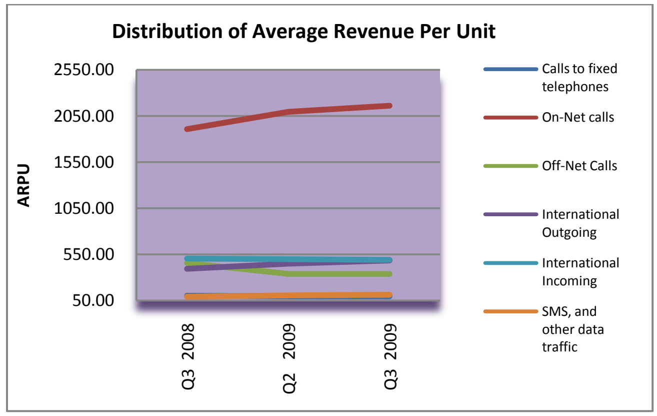
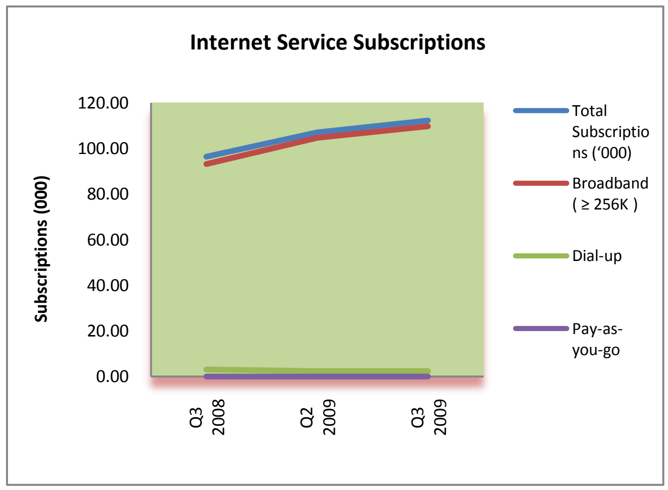


Figure 9: Internet Subscriptions



4.0 Summary Tables

Fixed Call Service	Q3 2008	Q2 2009	Q3 2009	% change Q3'09/ Q2'09	% Change Q3'09/ Q3'08
Total subscriptions ('000)	334.01	310.65	307.62	-0.97%	-7.90%
Fixed-to-Fixed calls ('000 minutes)	342720.35	313959.31	292660.84	-6.78%	-14.61%
Fixed to mobile calls ('000 minutes)	268471.40	223017.61	200900.13	-9.92%	-25.17%
Total International calls	108097.20	86374.88	102077.17	18.18%	-5.57%
Outgoing International ('000 minutes)	15636.20	6130.88	15775.97	157.32%	0.89%
Incoming International ('000 minutes)	97463.00	80244.00	86301.20	7.55%	-11.45%
Total revenue (J$' million)	3384.80	2953.19	3059.08	3.59%	-9.62%

Mobile Service	Q3 2008	Q2 2009	Q3 2009	% change Q3'09/ Q2'09	% Change Q3'09/ Q3'08
Total subscriptions ('000)	2734.867	2820.442	2879.102	2.08%	5.27%
On-Net calls ('000 minutes)	892055.0813	1070580.627	1306864.885	22.07%	46.50%
Off-Net Calls ('000 minutes)	236530.0008	246151.6508	3667839.445	1390.07%	1450.69%
International calls	502816.3499	563546.4	596347.6318	5.82%	18.60%
Outgoing International ('000 minutes)	344895.7794	442243.0487	477856.6569	8.05%	38.55%
Incoming International ('000 minutes)	157920.5705	121303.3513	118490.9749	-2.32%	-24.97%
SMS and other mobile data traffic ('000)	60109421.78	76198892.36	74485038.03	-2.25%	23.92%
Total revenue (J$' million)	9188.64	9447.12	9715.96	2.85%	5.74%

Internet Service	Q3 2008	Q2 2009	Q3 2009	% change Q3'09/ Q2'09	% Change Q3'09/ Q3'08
Total Subscriptions (‘000)	96.35	107.10	112.25	4.80%	16.50%
Broadband (≥ 256K)	93.18	104.68	109.79	4.88%	17.82%
Dial-up	3.17	2.43	2.44	0.33%	-23.19%
Pay-as-you-go	0.00	0.00	0.02	-	-
Total Revenue (J$’million)	63.80	602.73	697.34	15.70%	993.02%

All Service Revenues	Q3 2008	Q2 2009	Q3 2009	% change Q3'09/ Q2'09	% Change Q3'09/ Q3'08
Fixed call services					
Subscription for fixed telephony ('000)	334.01	310.65	307.62	-0.97%	-7.90%
Households	242.21	222.28	218.80	-1.57%	-9.67%
Business	91.80	88.36	88.82	0.52%	-3.24%
Revenues from fixed call service ('000)	3384802.26	2953187.03	3059084.83	3.59%	-9.62%
Average Revenue per user (ARPU)	6676.44	5845.92	6051.27	3.51%	-9.36%
Mobile call services					
Mobile subscriptions ('000)	2734.867	2820.442	2879.102	2.08%	5.27%
Revenues from mobile subscriptions ('000)					
All Calls	9438291.47	9734994.77	10017968.66	2.91%	6.14%
ARPU	3359.81	3468.81	3567.52	2.85%	6.18%
Number of SMS sent (millions)	60109.42	76198.89	74485.04	-2.25%	23.92%
Revenues from SMS ('000)	249655.97	287874.52	302011.18	4.91%	20.97%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	109524.00	131296.00	57517.00	-56.19%	-47.48%
Leased Lines	86605.00	110114.00	36199.00	-67.13%	-58.20%
International leased lines	22919.00	21182.00	21318.00	0.64%	-6.99%
Internet services					
Internet-access customers ('000)	96.35	107.10	112.25	4.80%	16.50%
Dial-up connection	3.17	2.43	2.44	0.33%	-23.19%
Fixed connection	93.18	104.68	109.79	4.88%	17.82%
Revenues from internet access					
ARPU	662.1609034	5627.542881	6212.572753	10.40%	838.23%

Industry Penetration and Concentration

Year	**2009**
Population	2,697,500
Mobile	2,909,915
Fixed	302,451
Broadband	112,323

Penetration

Mobile	107.87%
Fixed	11.21%
Broadband	4.16%

Table 2: Fixed Line HHI* Based on Subscription

	Q3 2008	Q2 2009	Q3 2009
Fixed Subscriber HHI	7900.09	8844.95	9081.45

Table 3: Mobile HHI Based on Subscription

	Q3 2008	Q2 2009	Q3 2009
Mobile Subscriber HHI	5435.55	5347.82	5234.37

Table 4: Broadband HHI Based on Subscription

	Q3 2008	Q2 2009	Q3 2009
Broadband Subscriber HHI	7114.31	6109.88	5884.81

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