OFFICE OF UTILITIES REGULATION

Published Quarterly Report for Telecommunications Sector Entities

(Quarter 2, 2011)

2011

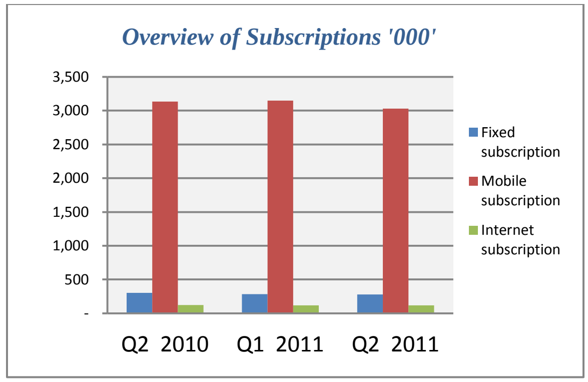
TELECOMMUNICATIONS MARKET SECTION

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 ninth of the OUR's published quarterly reports. An all-sector summary of the aggregated telecommunications market information submitted by the regulated entities for the second 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).

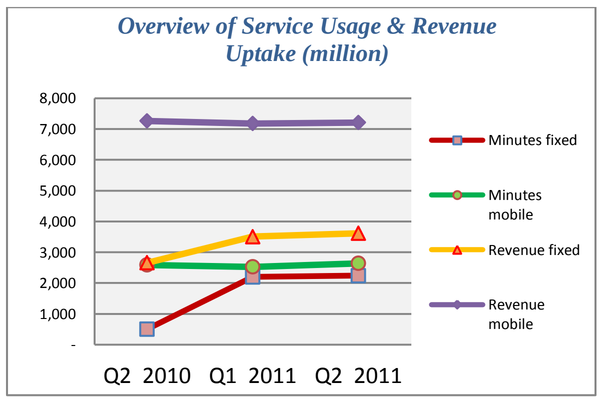
The summary includes an assessment of the main service areas, with statistical highlights of service subscription, usage, revenues and revenue performance.

Overview for the Review Period



- ***Both fixed line and mobile service subscriptions continued to decline.***

- ***Subscription to internet services increased minimally.***



- ***Minutes spent on both fixed line and mobile calls increased during the review quarter.***

- ***Revenue from fixed line services increased. Meanwhile, mobile revenue recovered from its previous quarterly decline.***

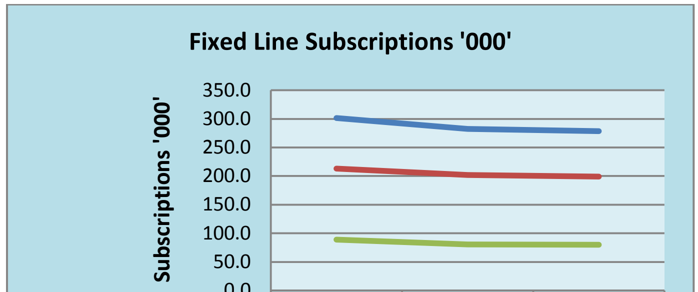
1.0 Fixed Line Service

The second quarter of 2011 reflected fixed line subscriptions of 278,830, down 1.4% from 282,630 in the previous quarter and down 7.6% from the 301,780 recorded in the corresponding year (see figure 1). Over these respective timelines, subscriptions for the review quarter therefore represented a decline of 1.4% and 7.6% respectively. The declines were due mainly to a fall in residential subscriptions of 1.6% relative to the previous quarter and 9.8% in business subscriptions below the previous year's posting.

The usage of fixed lines recorded continued growth, accounting for 2.9% and 495.1% increase over the previous quarter and year respectively. Fixed line calls may be made to other fixed lines, to mobile devices or spent on international calls. In terms of usage patterns, customers continued to spend the majority of minutes on outgoing international calls amounting to 1.3 billion minutes (see figure 2). These calls were increased by 4.8% compared to the previous quarter.

Fixed to fixed line calls also contributed significantly to the overall increase in fixed line usage. For the review quarter, fixed to fixed minutes totalled 744.3 million. This compared with 170.3 million and 90.4 million on fixed to mobile and incoming international calls respectively. International calls generated the most revenue during the review quarter. Notwithstanding what the usage (above) would suggest, it was incoming international calls rather than outgoing that contributed most to revenue up-take, with revenue from incoming international calls amounting to $1.6 billion. This was followed by fixed to mobile calls with $610.9 million.

Figure 1: Fixed Line Subscriptions



	Q2 2010	Q1 2011	Q2 2011
Total subscriptions	301.8	282.6	278.8
Residential	213.1	202.2	199.0
Business	88.6	80.5	79.8

Figure 2: Fixed Call Minutes

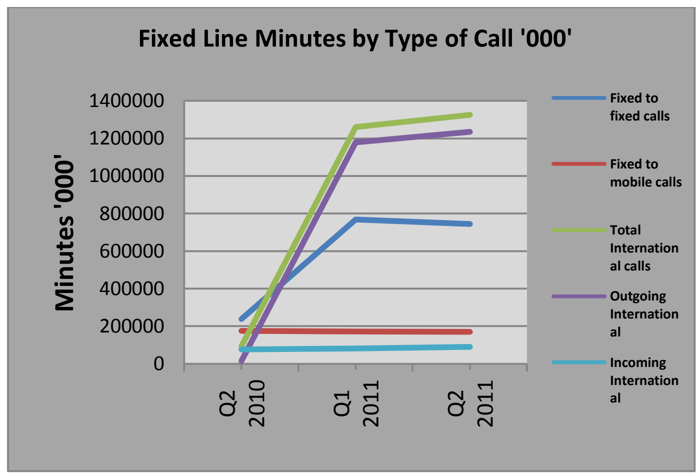
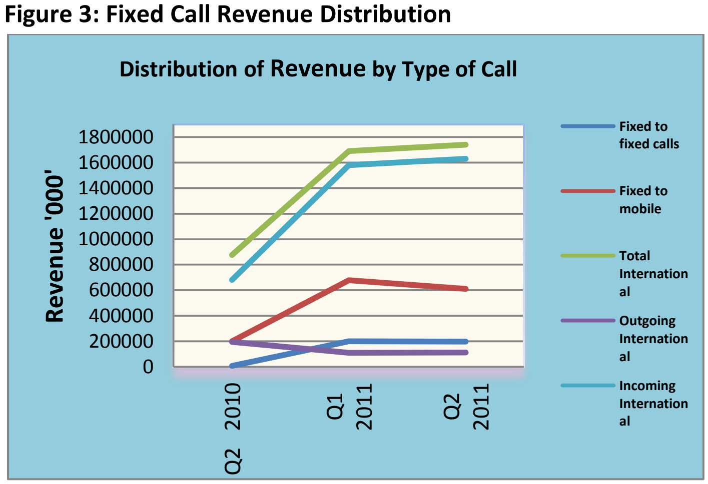
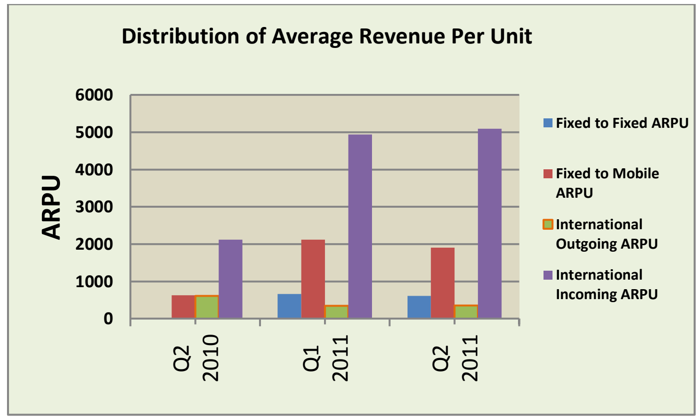


Figure 3: Fixed Call Revenue Distribution



Following from the revenue performance of international incoming calls, the average revenue per unit posted during the review quarter totalled $5,091.7. The second best revenue performer was fixed to mobile calls with ARPU of $1,908.2. Outgoing international calls continued to reflect weak revenue generating power with $350.4 ARPU (see figure 4).

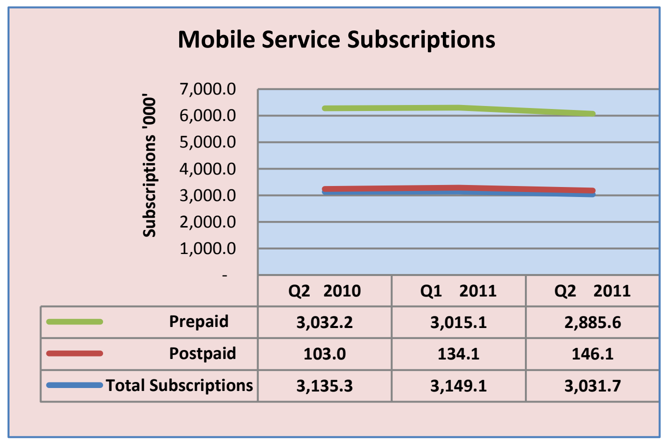
Figure 4: Distribution of Fixed Call ARPU



2.0 Mobile Services

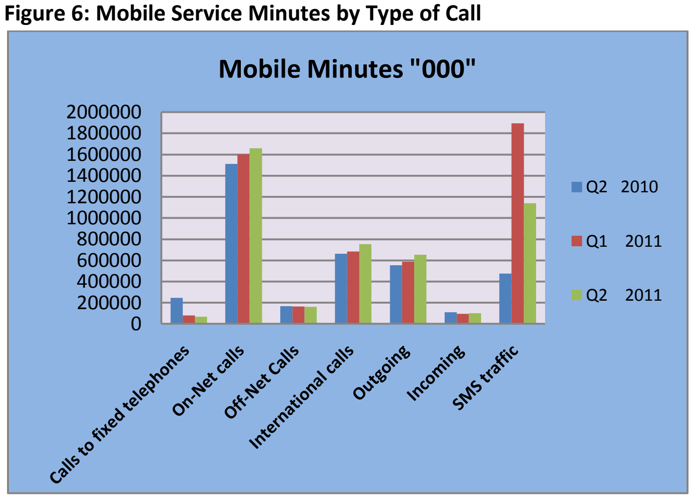
At the close of the review quarter, mobile service subscriptions stood at approximately 3.0 million, representing a decline of 3.7% and 3.3% respectively over the previous quarter and year. This decline was attributed to prepaid subscriptions, which fell by over 4% quarter over quarter and year over year. On the other hand, post-paid subscriptions grew over the assessment periods to stand at 146,142 by the second quarter of 2011.

Figure 5: Mobile Service Subscription



Among the types of mobile call services, on-net calls continued to reflect the highest usage in terms of mobile minutes. These calls posted 1.7 billion minutes of usage being 3.7% and 9.8% higher relative to the comparative periods. Outgoing international calls followed with 652.1 million minutes, representing an increase of 10.8% and 17.6% respectively above the previous quarter and year.

Figure 6: Mobile Service Minutes by Type of Call



Mobile SMS and other data traffic stood at 1.1 billion at the close of the review quarter.

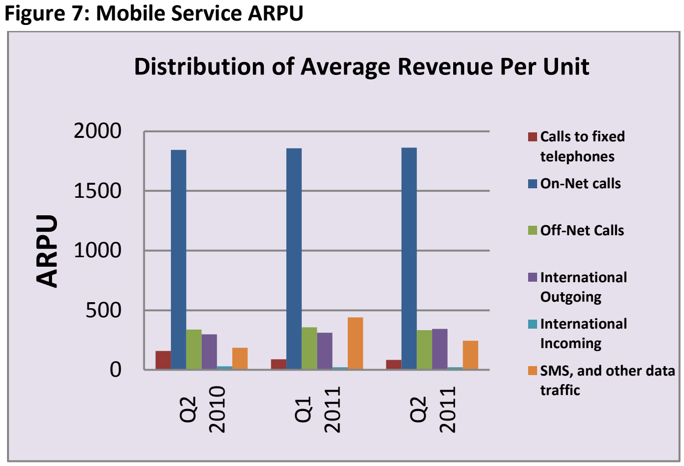
Mobile service revenue (excluding SMS and other mobile traffic) increased by 0.4% (over the previous quarter) to total $7.2 billion at the close of the review quarter. This increase was due mainly to the growth in revenue uptake on outgoing international calls, which increased by 10.3% compared to the previous quarter and 15.3% relative to the previous year. As table 1 reflects, SMS and other data traffic accounted for $666.5 million in mobile revenue.

Table 1: Mobile Service Revenue by Type of Call

Mobile Revenue '000'	Q2 2010	Q1 2011	Q2 2011
Calls to fixed telephones	432,725.3	243,336.1	230,156.7
On-Net calls	5,017,385.5	5,059,788.1	5,074,034.0
Off-Net Calls	920,149.1	969,344.4	908,561.6
International Outgoing	813,876.9	850,721.1	938,014.2
International Incoming	79,519.2	60,239.7	60,746.9
SMS and other mobile data traffic	501,513.6	1,195,279.3	666,540.0
Revenue (exl sms)	**7,263,656.0**	**7,183,429.5**	**7,211,513.4**

As a measure of revenue performance, average revenue per unit was highest for on-net calls, which continued to outperform other mobile service categories by posting $1,863.1 during the review quarter. Outgoing international calls and off-net calls were next with ARPU of $344.4 and $333.6 respectively.

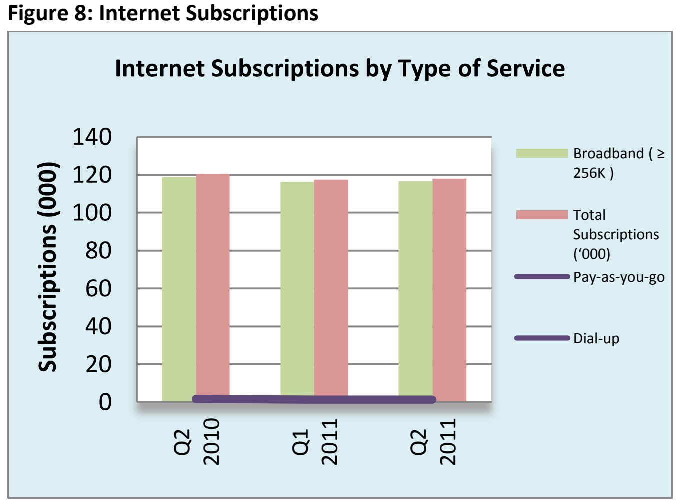
Figure 7: Mobile Service ARPU



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.*

Figure 8: Internet Subscriptions



Internet subscriptions stood at 117,895, an increase of 0.3% relative to the previous quarter and a decline by 2.2% over the comparative year. The quarter over quarter increase was attributed to a rise in broadband and dial-up subscriptions of 0.9% and 0.3% respectively.

4.0 Summary Tables

Fixed Call Service	Q2 2010	Q1 2011	Q2 2011	% Change Q2'11/ Q1'11	% Change Q2'11/ Q2'10
Total subscriptions ('000)	301.8	282.6	278.8	-1.3%	-7.6%
National calls ('000 minutes)	237,859.7	768,121.6	744,304.3	-3.1%	212.9%
Fixed to mobile calls ('000 minutes)	175,717.5	171,953.4	170,305.1	-1.0%	-3.1%
Total International calls	92,803.8	1,261,333.0	1,325,548.5	5.1%	1328.3%
Outgoing International ('000 minutes)	15,919.8	1,179,181.9	1,235,201.3	4.8%	7658.9%
Incoming International ('000 minutes)	76,884.0	82,151.1	90,347.2	10.0%	17.5%
Total revenue (J$' million)	2,662.0	3,511.4	3,619.3	3.1%	36.0%

Mobile Service	Q2 2010	Q1 2011	Q2 2011	% Change Q2'11/ Q1'11	% Change Q2'11/ Q2'10
Total subscriptions ('000)	3,135.3	3,149.1	3,031.7	-3.7%	-3.3%
On-Net calls ('000 minutes)	1,511,360.2	1,600,422.1	1,659,750.6	3.7%	9.8%
Off-Net Calls ('000 minutes)	168,814.2	164,075.1	160,746.4	-2.0%	-4.8%
Total International calls	663,400.3	683,752.8	753,477.8	10.2%	13.6%
Outgoing International ('000 minutes)	554,699.5	588,400.2	652,127.8	10.8%	17.6%
Incoming International ('000 minutes)	108,700.8	95,352.6	101,350.0	6.3%	-6.8%
SMS and other mobile data traffic ('000)	475,014.0	1,896,083.0	1,140,529.9	-39.8%	140.1%
Total revenue (J$' million)	9,001.9	9,275.5	8,793.5	-5.2%	-2.3%

Internet Service	Q2 2010	Q1 2011	Q2 2011	% Change Q2'11/ Q1'11	% Change Q2'11/ Q2'10
Total Subscriptions (‘000)	120.5	117.5	117.9	0.3%	-2.1%
Broadband (≥ 256K)	118.9	116.3	116.6	0.3%	-1.9%
Dial-up	1.6	1.3	1.3	0.9%	-18.8%
Total Revenue (J$’ million)	704.2	1,709.9	1,675.7	-2.0%	138.0%

	Q2 2010	Q1 2011	Q2 2011	% Change Q2'11/ Q1'11	% Change Q2'11/ Q2'10
Fixed call services					
Subscription for fixed telephony ('000)	301.8	282.6	278.8	-1.3%	-7.6%
Households	213.1	202.2	199.0	-1.5%	-6.6%
Business	88.6	80.5	79.8	-0.8%	-10.0%
Revenues from fixed call service ('000)	2,661,989.2	3,511,377.8	3,619,298.6	3.1%	36.0%
Average Revenue per user (ARPU)	3,373.3	8,057.1	7,961.9	-1.2%	136.0%
Mobile call services					
Mobile subscriptions ('000)	3,135.3	3,149.1	3,031.7	-3.7%	-3.3%
Revenues from mobile subscriptions					
All Calls ('000)	7,263,656.0	7,183,429.5	7,211,513.4	0.4%	-0.7%
ARPU	2,667.1	2,637.6	2,647.9	0.4%	-0.7%
Number of SMS sent (millions)	475.0	1,896.1	1,140.5	-39.8%	140.1%
Revenues from SMS ('000)	501,513.6	1,195,279.3	666,540.0	-44.2%	32.9%
Data communications services					
Revenues from data communications					
Services to end-user ('000)	84,715.0	-	70,100.0	-	-17.3%
Leased Lines	56,066.0	-	52,286.0	-	-6.7%
International leased lines	28,649.0	-	17,814.0	-	-37.8%
Internet services					
Internet-access customers ('000)	120.5	117.5	117.9	0.3%	-2.1%
Dial-up connection	1.6	1.3	1.3	0.9%	-18.8%
Fixed connection	118.9	116.3	116.6	0.3%	-1.9%

Revenues from internet access	704.2	1,709.9	1,675.7	-2.0%	138.0%

Industry Penetration and Concentration

Year	**2011***
Population	2,706,500
Mobile	3,031,747
Fixed	278,829
Broadband	116,587
Penetration	
Mobile	112.0%
Fixed	10.3%
Broadband	4.3%

Table 2: Fixed Line HHI Based on Subscription

	Q2 2010	Q1 2011	Q2 2011
Fixed Subscriber HHI	8,758.6	8,680.9	8,664.3

Table 3: Mobile HHI Based on Subscription

	Q2 2010	Q1 2011	Q2 2011
Mobile Subscriber HHI	4,831.4	4,963.4	5,104.0

Table 4: Broadband HHI Based on Subscription

	Q2 2010	Q1 2011	Q2 2011
Broadband Subscriber HHI	5,773.5	5,351.9	5,242.7

*June

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