United Arab Emirates

TRA هيئة تنظيم الاتصالات
TELECOMMUNICATIONS REGULATORY AUTHORITY

UAE Telecommunications Sector Developments & Indicators, 2010 – 2013

5th Annual Sector Review

June 2014

Disclaimer

The TRA has compiled this report based on information received from industry, as well as from publicly reported information from other sources.

Whilst this report and the information contained herein is, to the best knowledge of the TRA, free from error, the TRA does not make any representations or warranties, either express or implied, as to the accuracy of the information.

Furthermore, the TRA is not liable for any inaccuracies, errors or omissions in the information contained in this document or any harm that may be incurred in reliance thereon.

If a reader wishes to use any of the information contained in this report as the basis for any decision, whether or not related to investment, the reader is obliged to determine the accuracy of the same.

Furthermore, the information is provided for educational purposes only and is not intended to be a recommendation to take any particular course of action.

Table of Contents

Introduction

This report is the fifth ***TRA Annual Sector Review***. It summaries the state of the fixed, mobile, and data telecommunications markets in the United Arab Emirates (UAE) in terms of subscribers, penetration rates, revenues, and usage (i.e. traffic volumes) for the years 2010 – 2013. The report also outlines UAE Rankings in various international studies.

The data contained in this report is published in aggregate form only and statistics for individual Licensees are not provided. The TRA has taken this step to protect the commercially sensitive information of each Licensee while recognising that for the purpose of transparency, sound regulatory practice, and to aid in the development of competition a publication of this nature is warranted.

The TRA wishes to thank each of Emirates Telecommunications Corporation (Etisalat) and Emirates Integrated Telecommunications Company PJSC (du) for their respective contributions to this report through the regular supply of sector specific information and statistics to the TRA.

Industry Background

The UAE telecommunications sector is currently served by two full-scaled telecommunications operators, Emirates Telecommunications Corporation (Etisalat) and Emirates Integrated Telecommunications Company PJSC (du). Competition in the UAE telecommunications sector was introduced in early 2007 when du, the second Licensee, launched its mobile network services ending nearly 30 years of telecommunications monopoly by Etisalat.

Today, the sector continues to be served by both Etisalat and du across multiple services as illustrated in the table below:

Licensee	Fixed	Mobile	Internet	Leased Lines	Other data services
Etisalat	✓	✓	✓	✓	✓
du	✓	✓	✓	✓	✓

Several other niche licenses were granted by the TRA between the period from 2010 to 2013, namely: Al Yah Satellite Services Company PJSC (2010), Al-Yah Advanced (2010), Star Satellite Communications (2010), Al-Maisan Satellite Communications (2011), Media Zone Intaj FZ LLC(2011) and Thuraya (2013) and new lisenses are also being prepared for other Staellite Service providers. The impact on the above listed services resulting from the granting of these licences (satelite and broadcasting services) on the relevant market(s) is yet to be seen and measured. Therefore, all data provided in this report relates only to Etisalat and du, and the term “Licensee” refers only to either Etisalat or du.

Summary of Main Telecommunications Indicators

The table below sets out a range of major indicators specific to the UAE telecommunications sector for 2013.

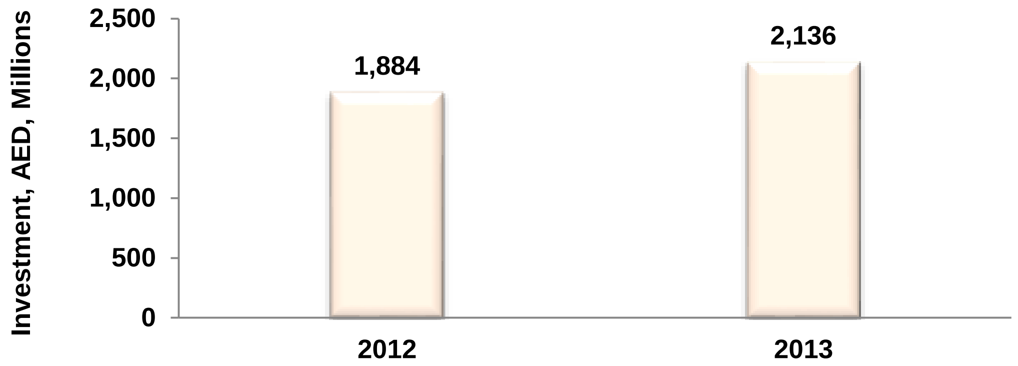
Indicator	Fixed Telephony Services	Mobile Services	Internet Services
Subscribers	2,086,015	16,063,547	1,043,276
Revenues (billions, AED)	2.6	22.3	4.3
Voice Minutes (billions)	3.6	26.1	Not applicable (N/A)
ARPU[1] (monthly, AED)	108	124	357
AMPU[2] (monthly, minutes)	147	146	N/A

Source: 2013 Industry data

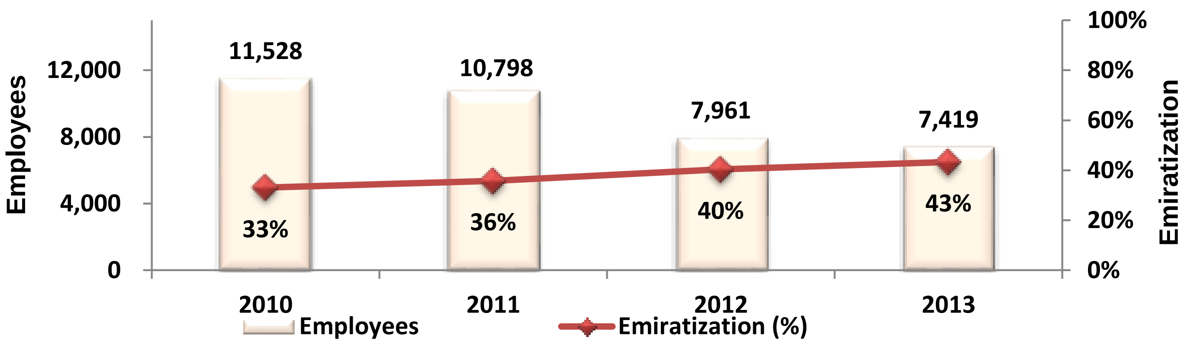
[1] Average Revenue per User (ARPU) : Calculated by dividing the total revenues for a given period by the average number of subscribers during the same period.
[2] Average Minutes per User (AMPU): Calculated by dividing the total minutes for a given period by the average number of subscribers during the same period.

Total Investment and Employment

Total Capital Investment in UAE by Licensees (AED, millions) (3)



Telecommunications Sector Employees (4)



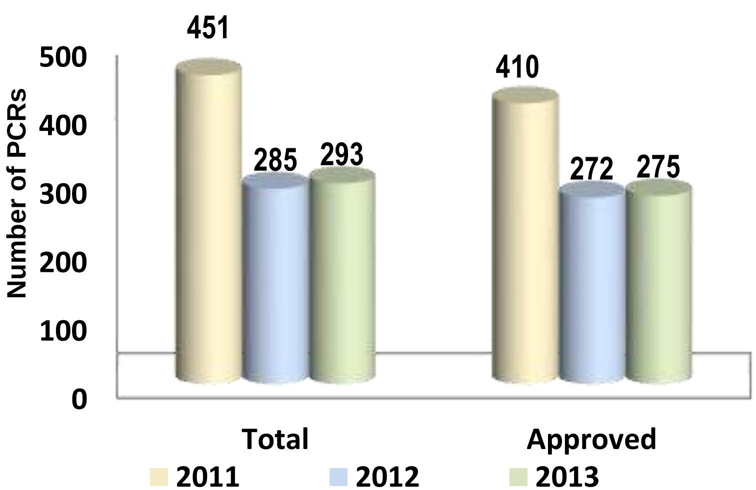
(3) 2010 and 2011 figure not shown due to lack of capex breakdowns for UAE only.
(4) Total telecommunications employees represents employees from the TRA, Etisalat and du

Price Control and Consumer Complaints

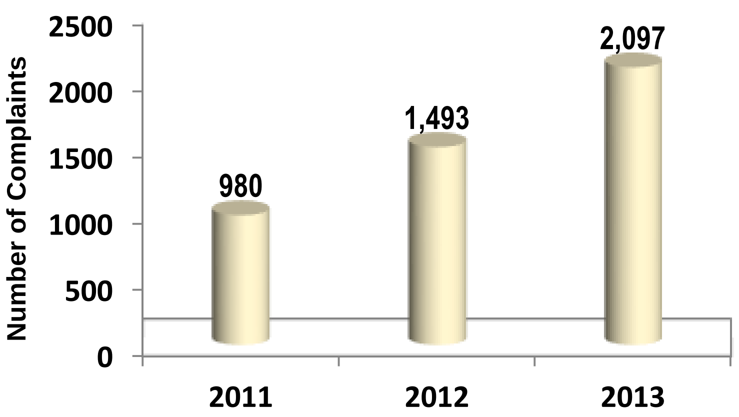
- The TRA is required to assess all requests from UAE Licensees to change retail prices. In 2013, the TRA received 293 price approval requests (PCRs) of which 94% were approved.

- In 2013, the TRA handled 2,097 complaints from business and residential consumers concerning issues with Licensees which is a significant increase from previous years. There are two principal reasons for the increased number of complaints. Firstly, the overall number of consumers is increasing, thus there is a greater potential for complaints to arise. Secondly, there is increased awareness among consumers of the TRA's complaints procedures and the TRA's activities in safeguarding consumer interests.

PCRs (Price Control Requests)

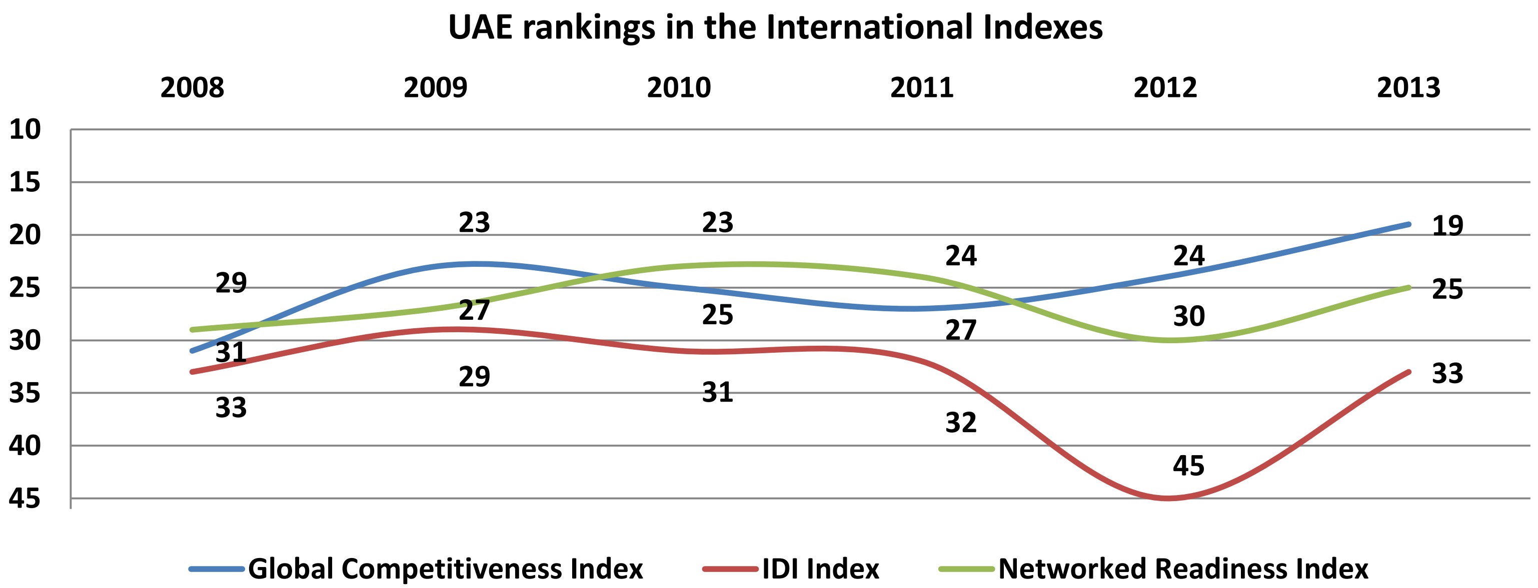


Consumer Complaints



UAE Rankings in Various International Studies (2008-2013)

- The TRA monitors the following three key performance indexes associated with the telecommunications sector:
  - Networked Readiness Index (NRI);
  - ICT Development Index (IDI); and
  - Global Competitiveness Index (GCI).
- During the period from 2008 to 2013, the UAE made significant leaps in the NRI, IDI and GCI indexes. The TRA played a key role in securing this progress through developing and implementing policies to promote competition within the sector and providing an optimal enabling environment for ongoing investment in telecommunications services and infrastructure.



UAE Rankings in the Network Readiness Index (NRI)

UAE's Position	2008	2009	2010	2011	2012	2013
International ranking	29	27	23	24	30	25
Number of secondary indexes for which the UAE ranks first worldwide	0	3	1	2	1	2
UAE's ranking among the GCC countries	1	1	1	1	3	2

Remarks:

- During the years 2008, 2009, 2010, and 2011, the UAE ranked first among the GCC states in the NRI.
- **In 2010,** the UAE ranked first worldwide for the secondary index of mobile phone subscription penetration.
- **In 2011,** the World Economic Forum introduced significant changes to the structure and framework of the NRI. As a result of these changes, the UAE fell by 6 places in the global ranking.
- **In 2012,** the UAE was ranked first worldwide for the mobile phone network coverage.
- **In 2013**, the UAE was ranked first globally for the following secondary indexes:
  - mobile phone network coverage (as % of population);
  - government success in enhancing ICT.

UAE rankings in the ICT Development Index (IDI)

UAE's position	2008	2009	2010	2011	2012	2013
International ranking	33	29	0	32	45	33
Ranking among the GCC countries	1	1	1	1	3	2

Remarks:

- In 2013, the UAE's ranking rose from 45 to 33 globally and from 3 to 2 among the GCC countries.
- Between 2012 and 2013, the UAE achieved the highest increase in rank of all countries internationally.
- Household surveys undertaken by the TRA in the UAE in 2012 confirmed that the majority of residents use mobile phones and that 85% of the population uses the internet regularly.

UAE Rankings in the Global Competiveness Index (GCI)

UAE's position	2008	2009	2010	2011	2012	2013
International ranking	31	23	25	27	24	19
Ranking among GCC countries	3	3	3	3	3	2

Remarks:

- In 2009 and 2013, the UAE ranked second among the GCC countries in the GCI.
- In 2009 and 2010, the UAE ranked first globally in the mobile penetration secondary index.

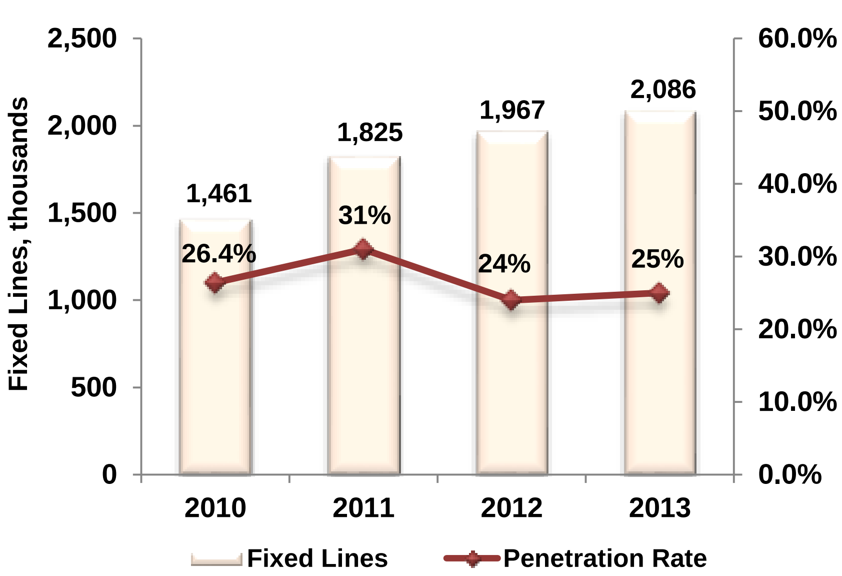
Fixed Telephony – Number of Fixed Lines

- The significant increase in the number of fixed line subscriptions from 2011 was largely due to the inclusion in the figures reported to the TRA of fixed lines bundled with broadband and in some instances with TV. These bundled fixed lines were not reported to the TRA in 2010 and were therefore not counted in earlier statistics.

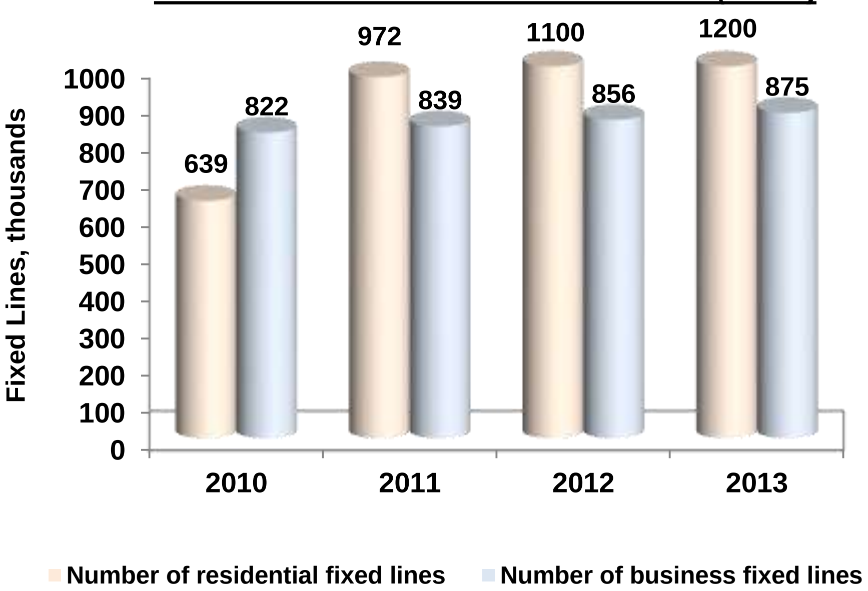
- The number of residential fixed telephone lines increased by 9% between 2012 and 2013 and number of business lines by 2%.

- The fixed line penetration rate as of December 2013 was 25%.

Number of Fixed Lines (5) ('000s)



Business vs Residential Fixed Lines ('000s)



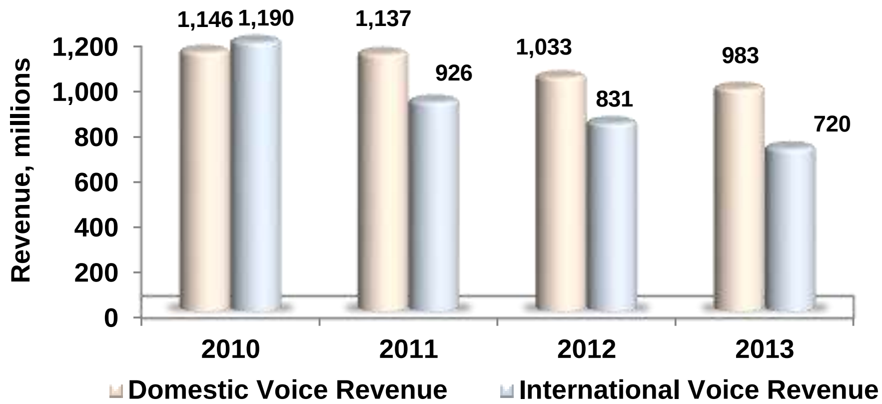
(5) The fall in penetration levels in 2012 was due to the use of a different set of population estimates to what had been previously used by the TRA.

Fixed Telephony – Revenues

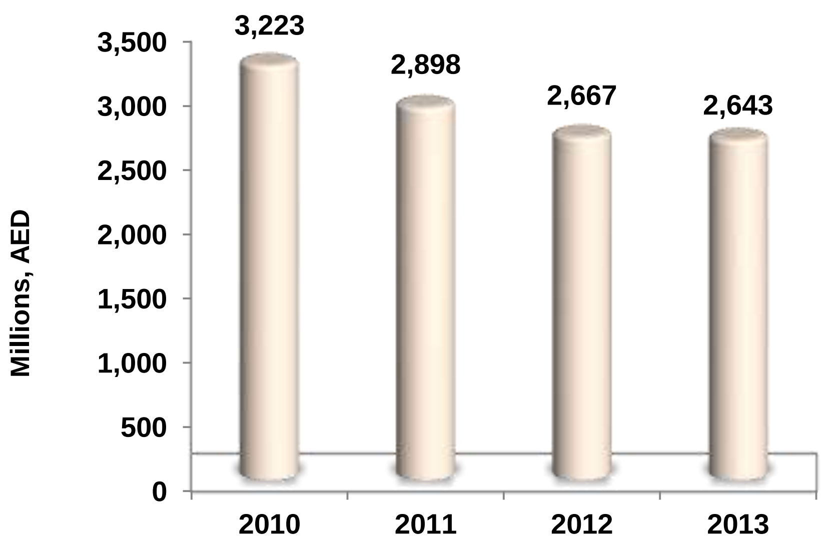
- Fixed telephony revenues declined by 0.8% between 2012 and 2013. However, it is important to note that these revenues do not include any line rental revenues from double play (fixed line services bundled with broadband) or triple play (fixed line services bundled with broadband and TV) subscriptions. Therefore we would expect reported line rental revenues to fall as consumers migrate from single play to double/triple play packages.

- International voice revenues fell by 13% in 2013 while domestic voice revenues fell by 4%.

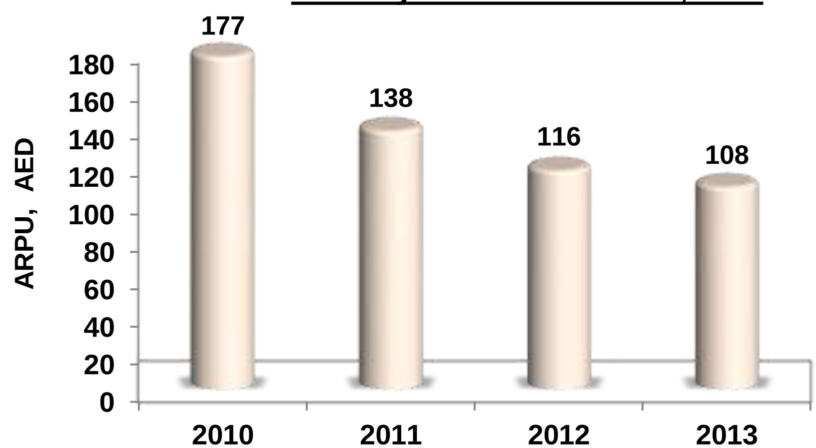
Breakdown of Fixed Telephony Call Revenues (AED, millions)



Total Fixed Telephony Revenues (6)
(AED, millions, excludes Double/Triple Play revenues)



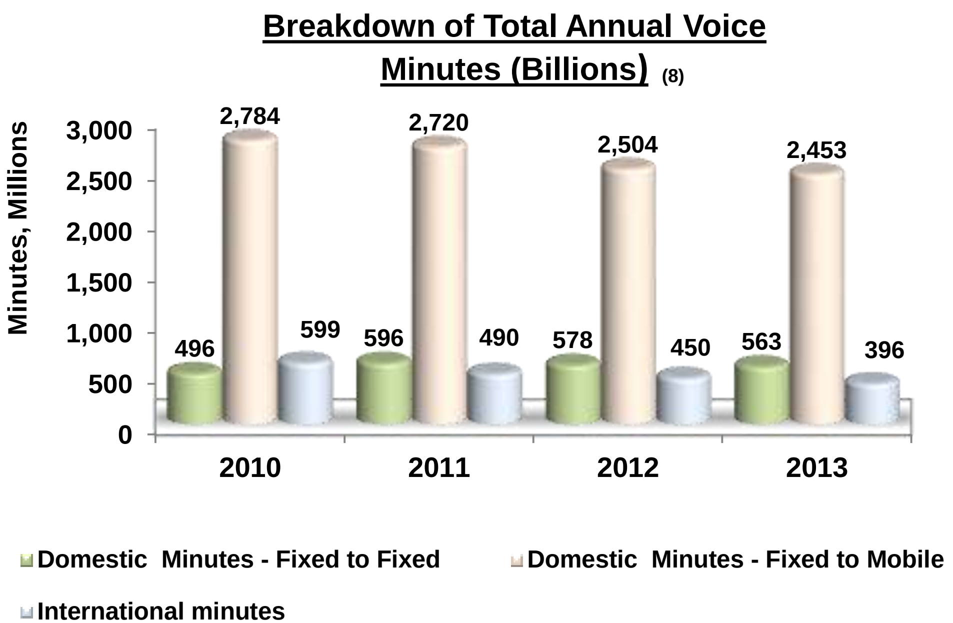
Monthly Fixed Line ARPU, AED

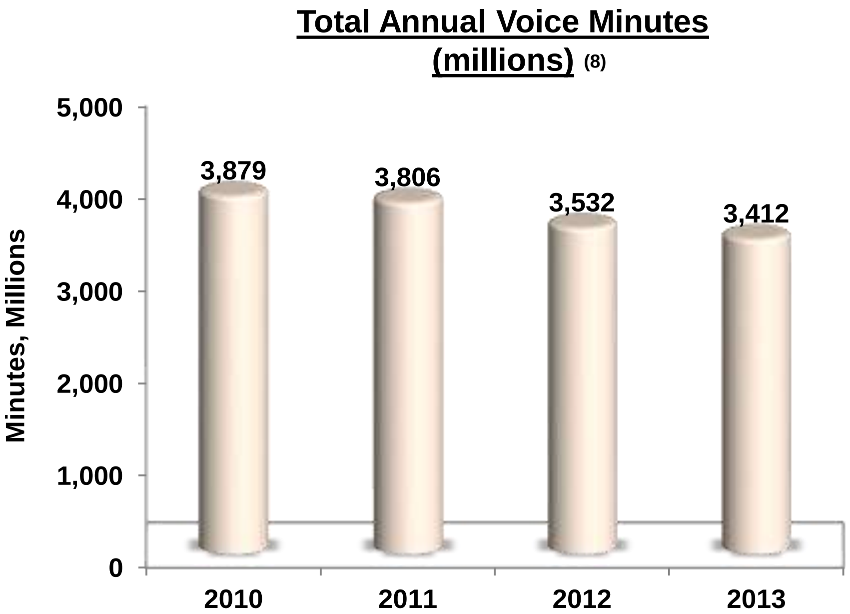


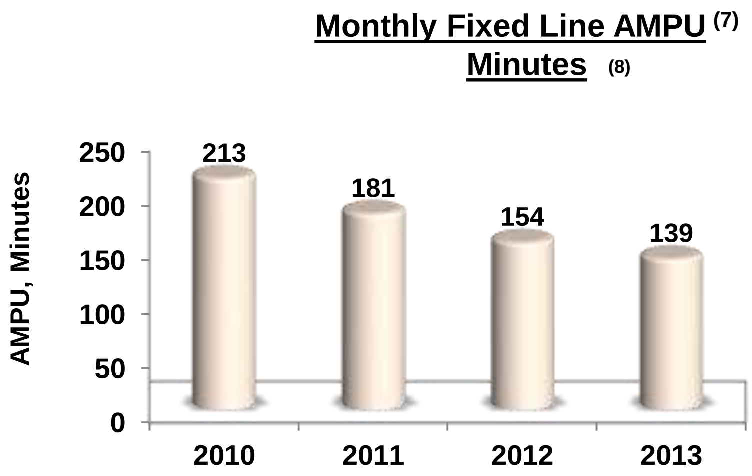
(6) Total fixed revenues include revenues from single play fixed line telephones, calls from Payphones and calls to directory enquiry. It does not include revenue generated from the monthly charges for Double Play and Triple Play subscriptions.

Fixed Telephony – Usage

- Total fixed telephony minutes (excluding local calls) decreased by 3% between 2012 and 2013.
- Calls to mobile phones represents the largest proportion of fixed line call minutes.





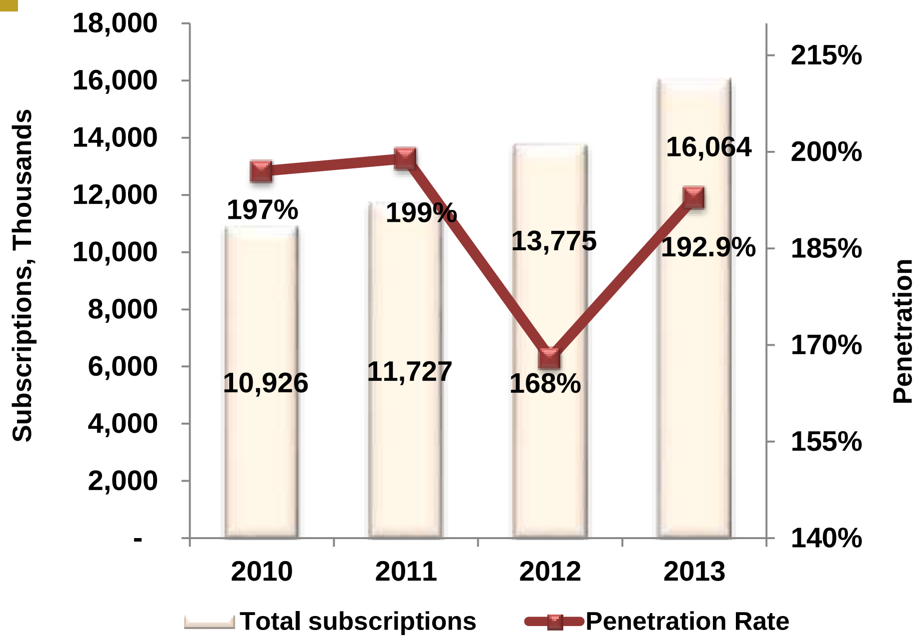


(7) In the 2nd Annual Review, the TRA used subscriptions as at the end of December to calculate average revenues and usage. In this report, the TRA has used average subscriptions over the calendar year.
(8) Local call minutes have been excluded from the calculations due to data discrepancies.

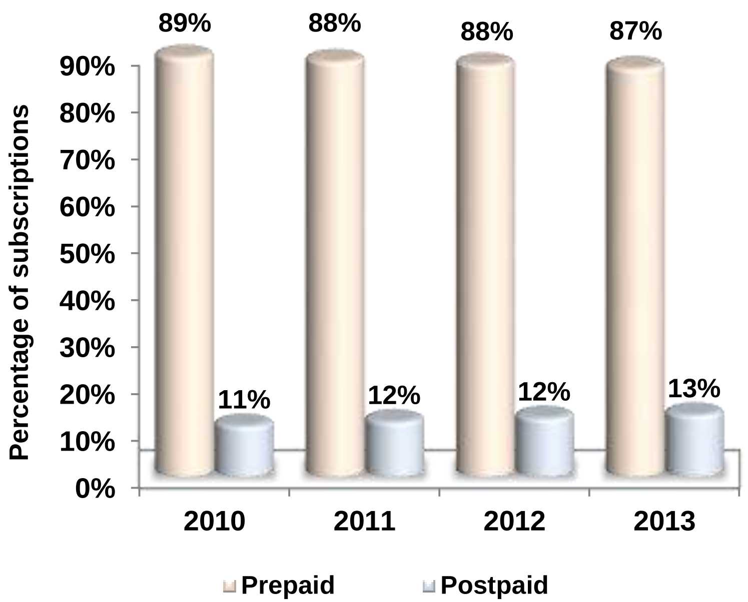
Mobile Services – Active Subscriptions

- The number of active mobile subscriptions increased by 16.6% between 2012 and 2013.
- The mobile penetration rate reached to 192.9 % in 2013.
- In 2013, postpaid subscriptions accounted for 13% of total mobile subscriptions.
- The fall in penetration levels between 2011 and 2012 was due to changes in the population estimates for the UAE.

Active Mobile Subscriptions (9) ('000s)



Breakdown of Prepaid vs. Postpaid Subscriptions (10)



(9) 'Active' is defined as any subscriber who has made or received a voice or video call in the preceding 90 days, or has sent an SMS or MMS during that period.

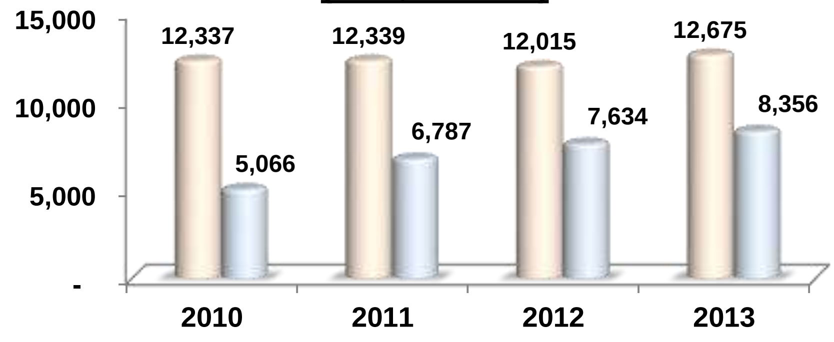
(10) Prepaid figures include subscribers on visitor SIM packages.

Mobile Services – Revenue

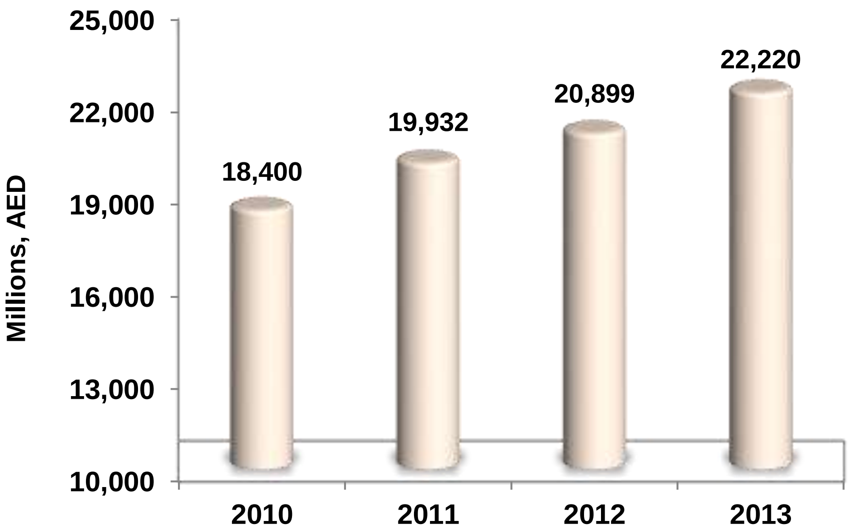
- Revenues generated from mobile services increased by 6.3% in 2013. The majority of this revenue increase came from postpaid services which increased 9% from the previous year.

- The relative difference in the revenues generated from prepaid and postpaid is decreasing overtime.

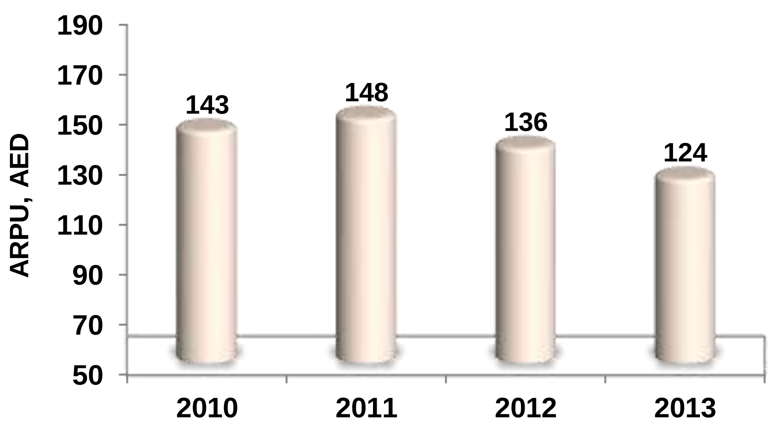
Breakdown of Total Revenue (11) (AED, millions)



Total Mobile Revenues (AED millions)



Mobile Monthly ARPU

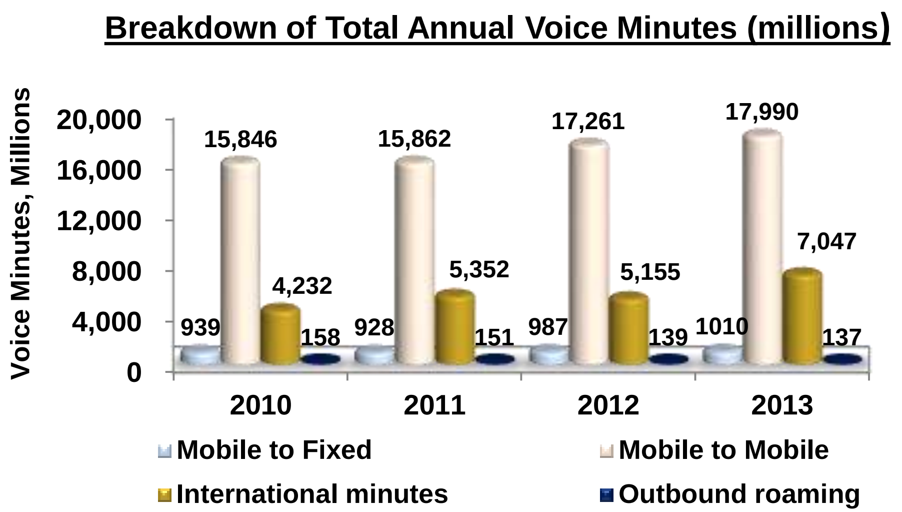


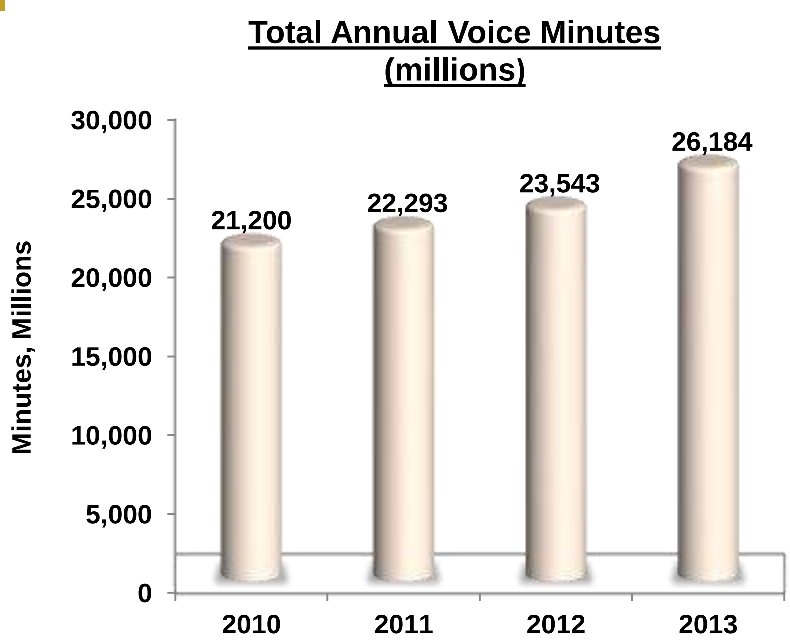
(11) Excluding Blackberry revenue, as that level of the revenue segregation is not available

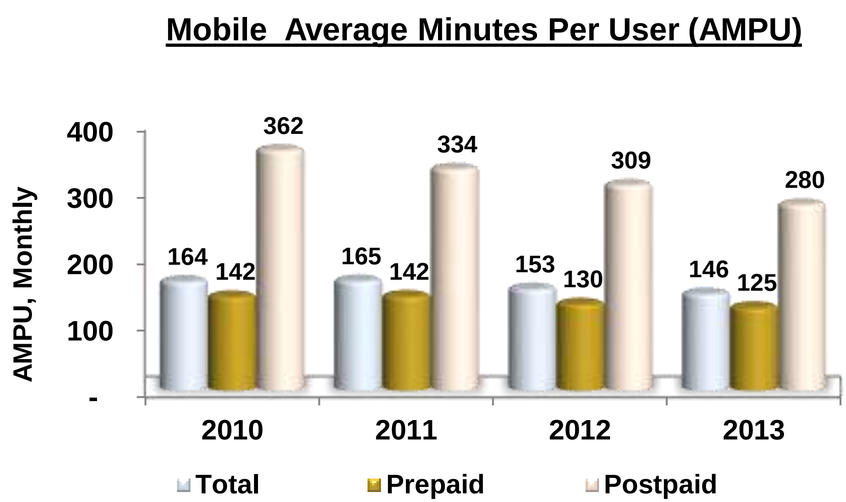
Mobile Services – Usage (Minutes)

- Total annual mobile originated call minutes increased by 11% between 2012 and 2013. Much of this increase can be attributed to the significant growth in international call minutes.

- The average minutes of usage of a postpaid subscriber is more than double that of a prepaid subscribers.





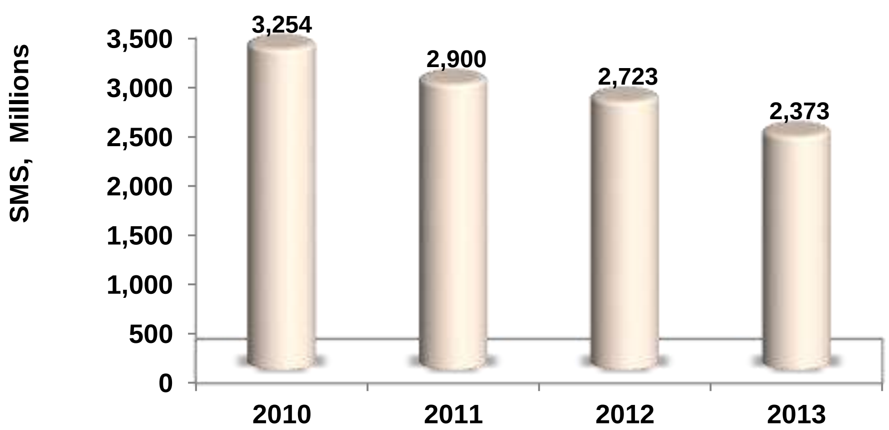


Mobile Services – Usage (SMS & MMS)

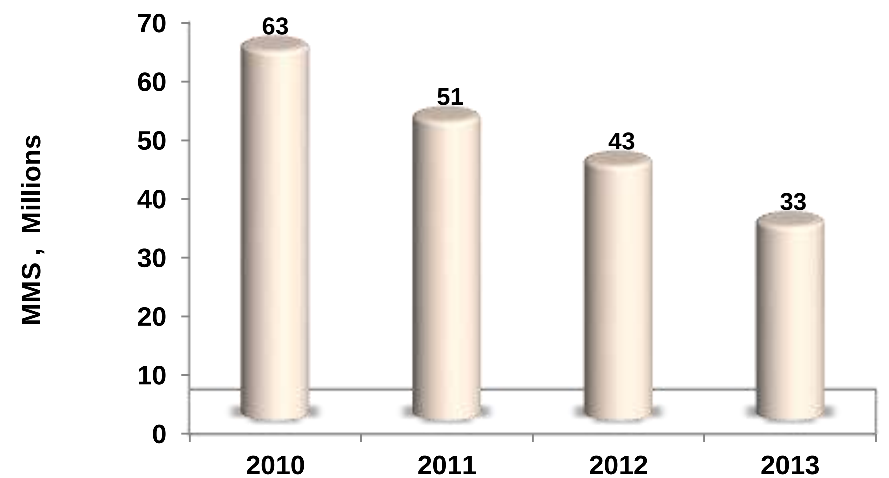
- The total number of SMS and MMS messages sent during 2013 decreased by 13% and 23% respectively when compared to 2012.

	% Growth 2010-2011	% Growth 2011-2012	% Growth 2012-2013
SMS	-11%	-6%	-13%
MMS	-19%	-15%	-23

Total Number of SMS (12)

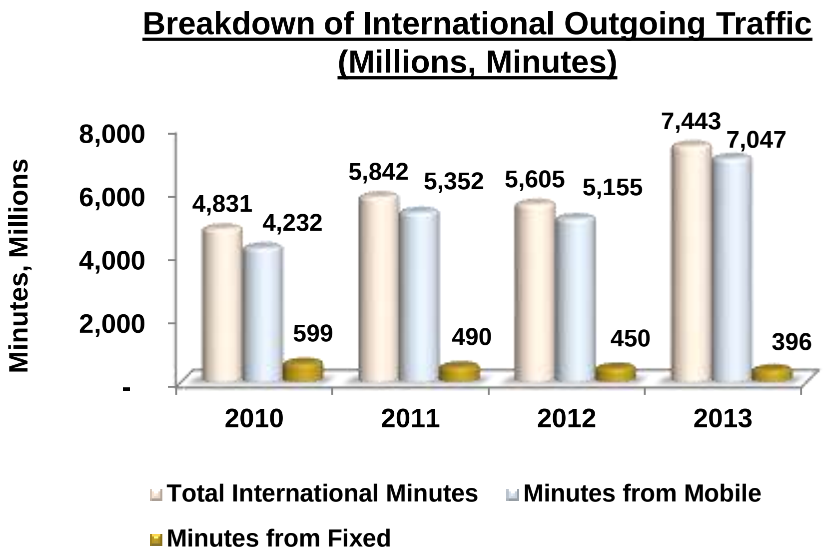


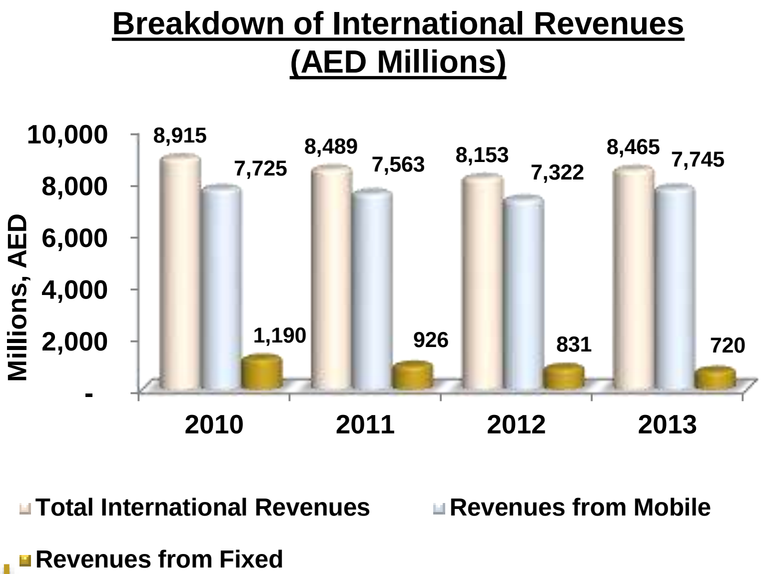
Total Number of MMS



(12) SMS includes domestic SMS, international SMS and SMSs sent by outbound roamers.

International Voice Services from Fixed and Mobile



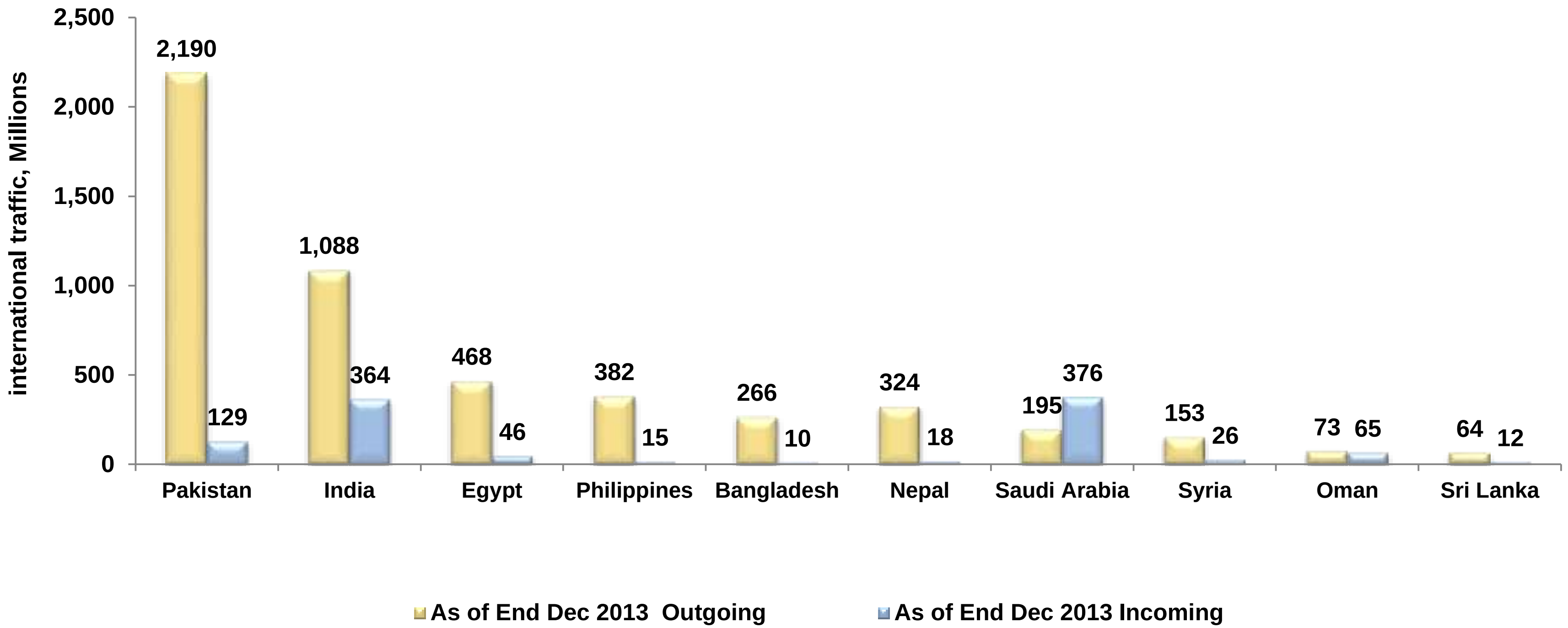


International outgoing Minutes	% growth 2010- 2011	% growth 2011- 2012	% growth 2012- 2013
From Fixed	-18%	-8%	-12%
From Mobile	26%	-3.6%	36.7%

International Revenues	% growth 2010- 2011	% growth 2011- 2012	% growth 2012- 2013
From Fixed	-22%	-10%	-13%
From Mobile	-2%	-3%	3.8%

International Voice Services - 2013

International Call Minutes (Fixed + Mobile) by Destination (top 10 countries) (13)



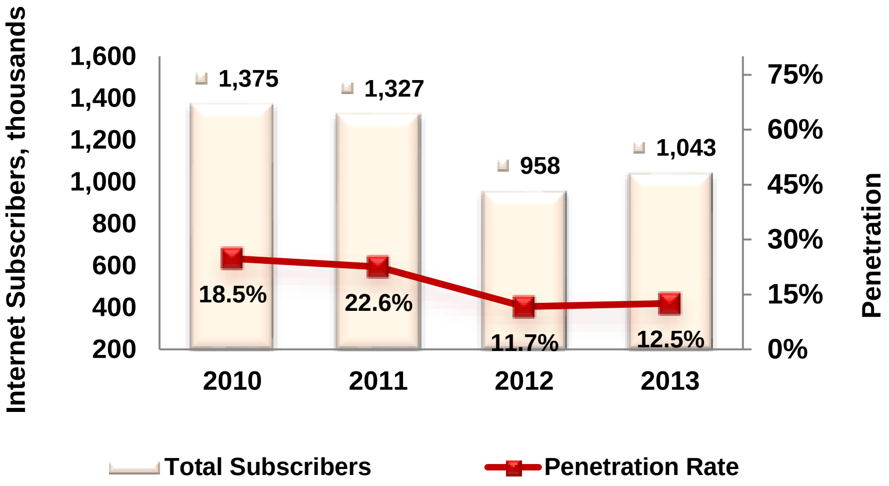
- Calls to Pakistan, India, Egypt and the Philippines represented 55% of total outgoing international traffic in 2013.
- Calls from Saudi Arabia and India represented 70% of the top 10 countries in incoming traffic in 2013.

(13) Top 10 countries refer to most popular destinations of outgoing calls.

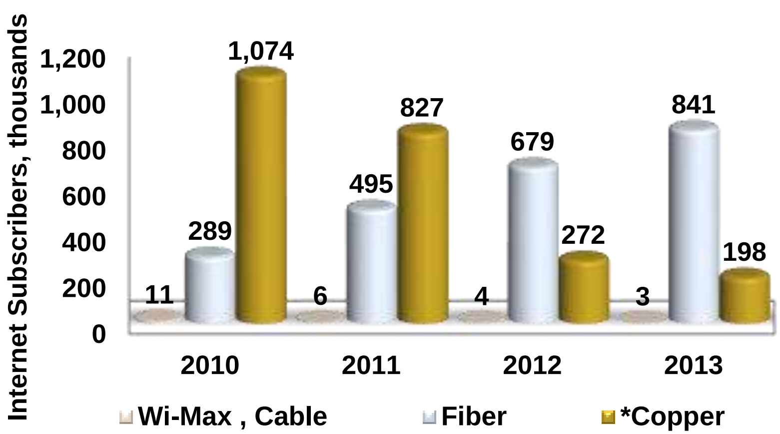
Internet - All Subscribers

- As of December 2013, there were 1,043,000 Internet subscribers in the UAE.
- The percentage of internet subscriptions using fiber technology increased by 24% between 2012 and 2013.
- As at 2013, 81% of internet subscribers were connected using fiber technologies.

Total Internet Subscribers in (thousands) (14)



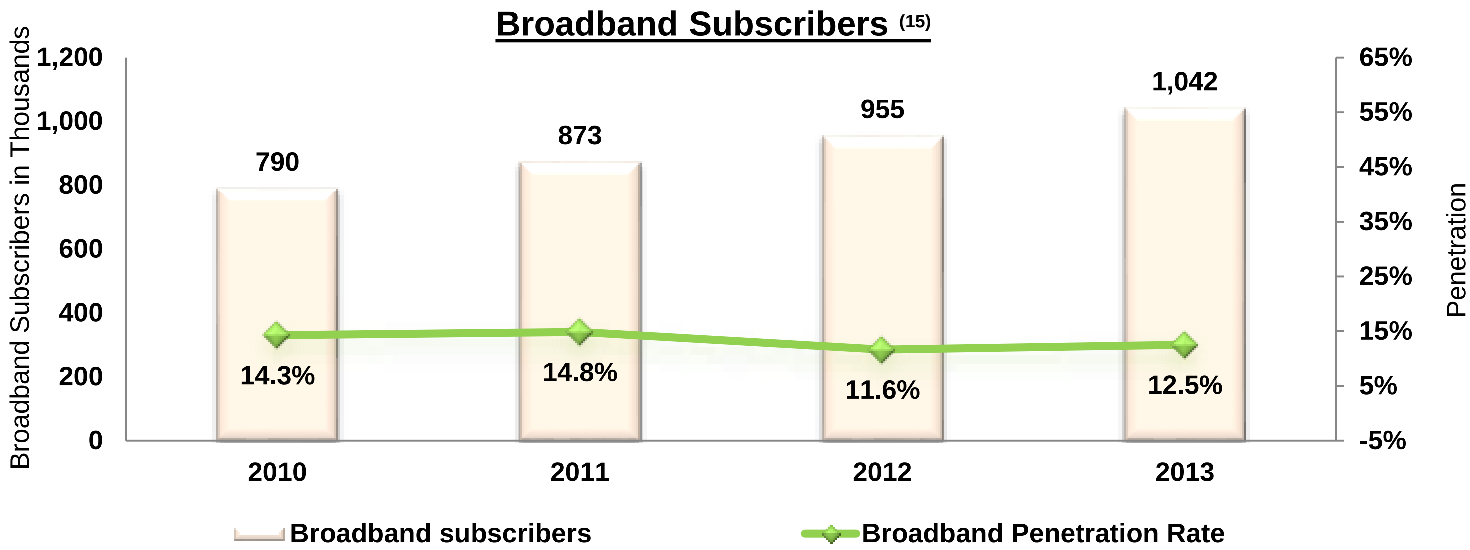
Internet Subscription by Technology (thousands)

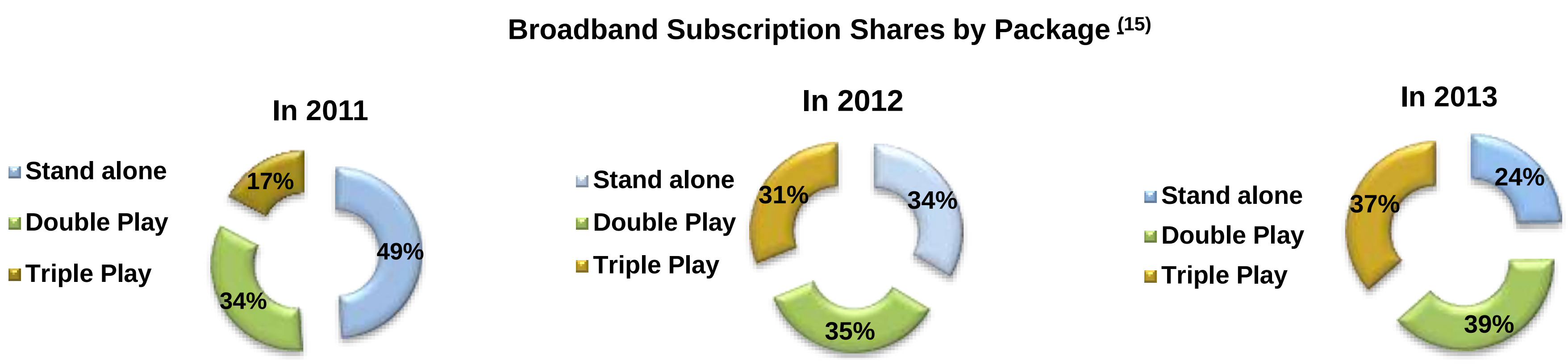


(14) The large decline in the number of internet subscribers in 2012 was due to changes in the methodology for recording dial-up subscribers. As from 2012, the TRA began reporting only the number of 'active' dial-up accounts rather than the total number of dial-up accounts. 'Active' accounts refer to those that have been used in the previous 90 days.

Internet - Broadband Subscribers

- The total number of broadband subscribers increased by 9.1% between 2012 and 2013.
- The penetration level of broadband was 12.5% as at December 2013.

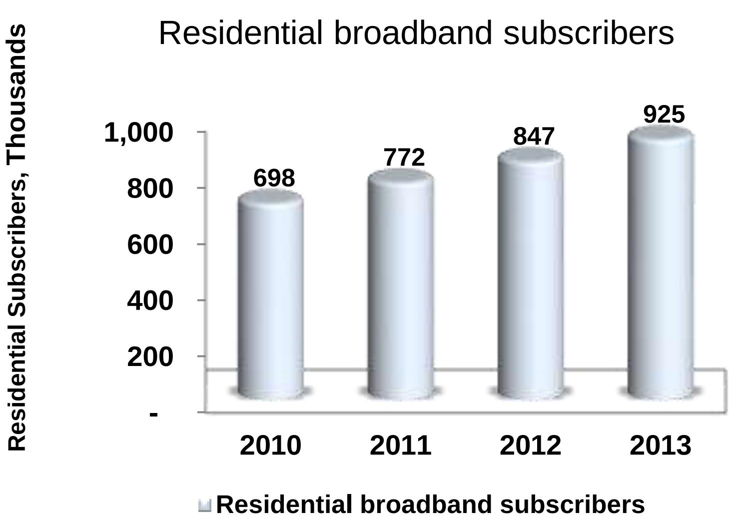




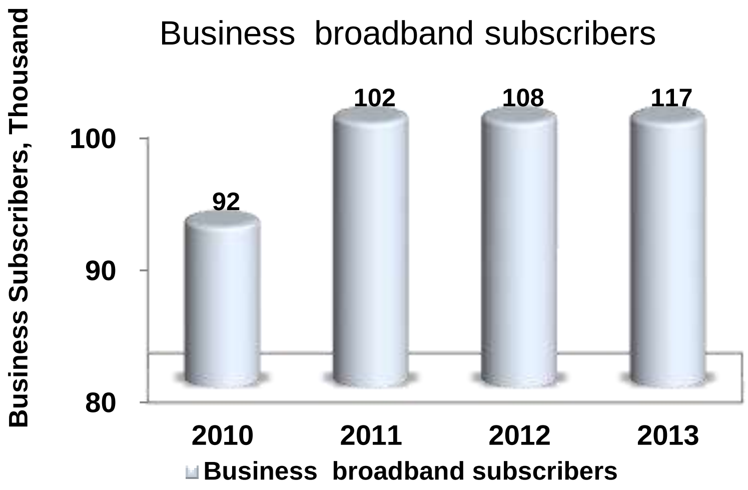
(15) Stand alone includes copper, WiMax and Fibre connections. Double Play subscriptions refer to bundled landline and broadband packages while Triple Play subscriptions refer to bundled landline, broadband and TV packages. The TRA began the collection of these statistics in 2011.

Residential and Business Internet Subscribers

Residential Internet Subscribers, ('000s)

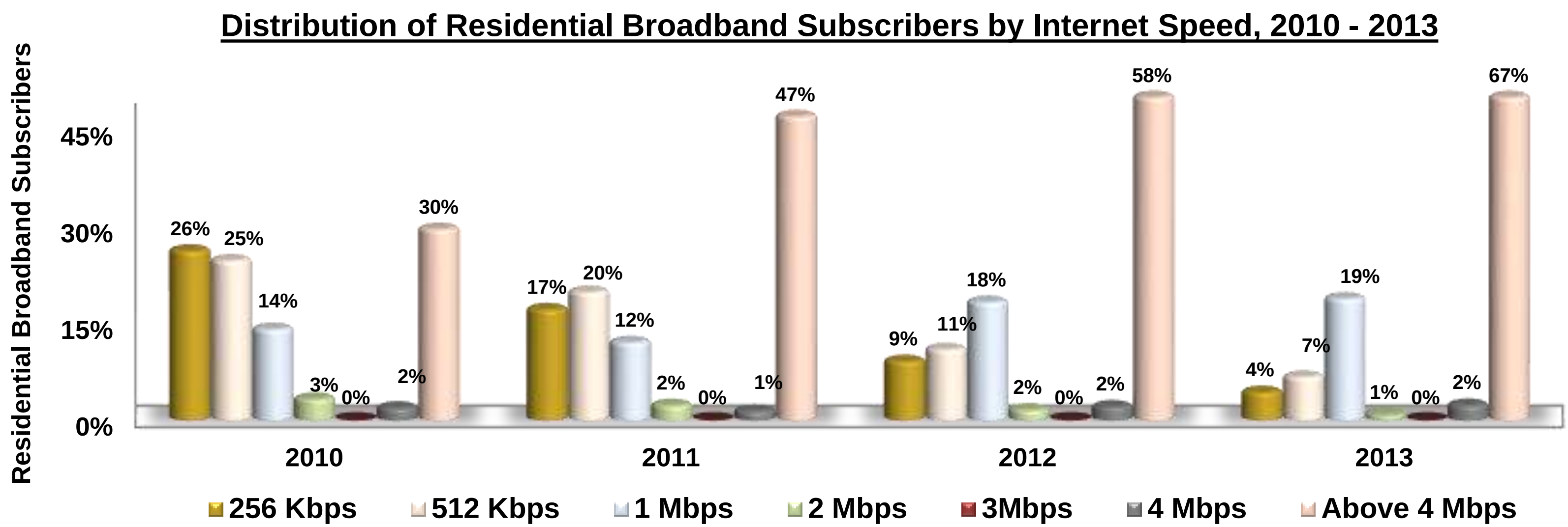


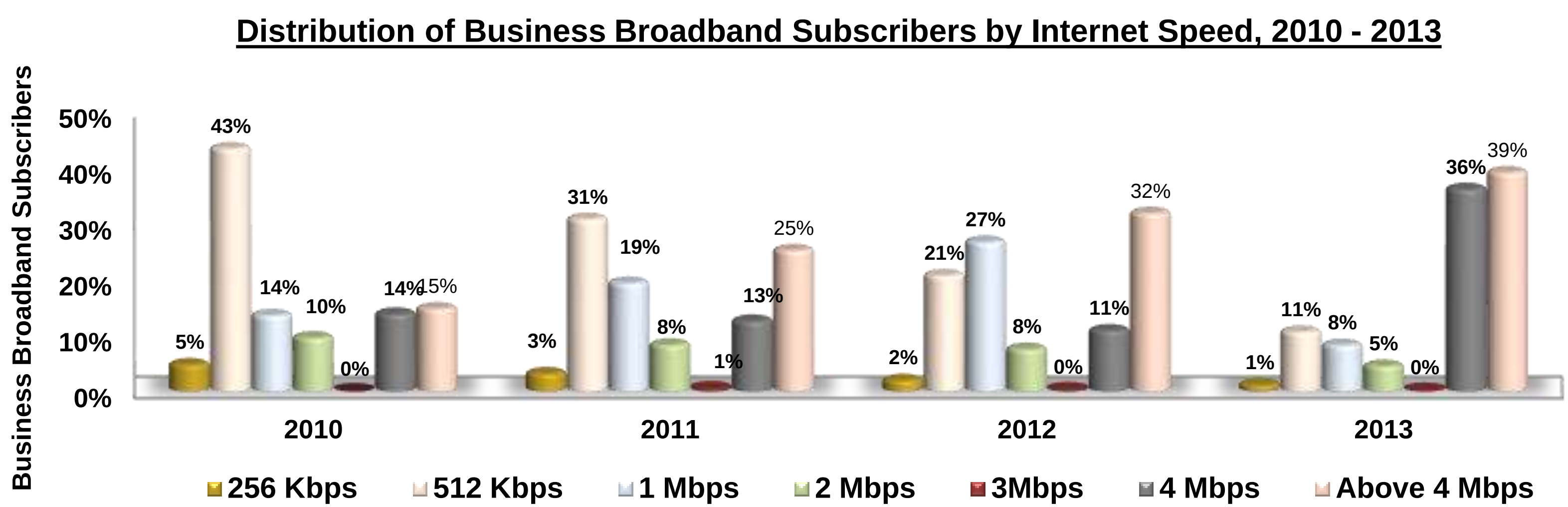
Business Internet Subscribers, ('000s)



Service	Subscriber growth 2010 - 2011	Subscriber growth 2011 - 2012	Subscriber growth 2012- 2013
Residential broadband	11%	10%	9.2%
Business broadband	11%	6%	8.3%

The Distribution of Residential and Business Broadband Subscribers

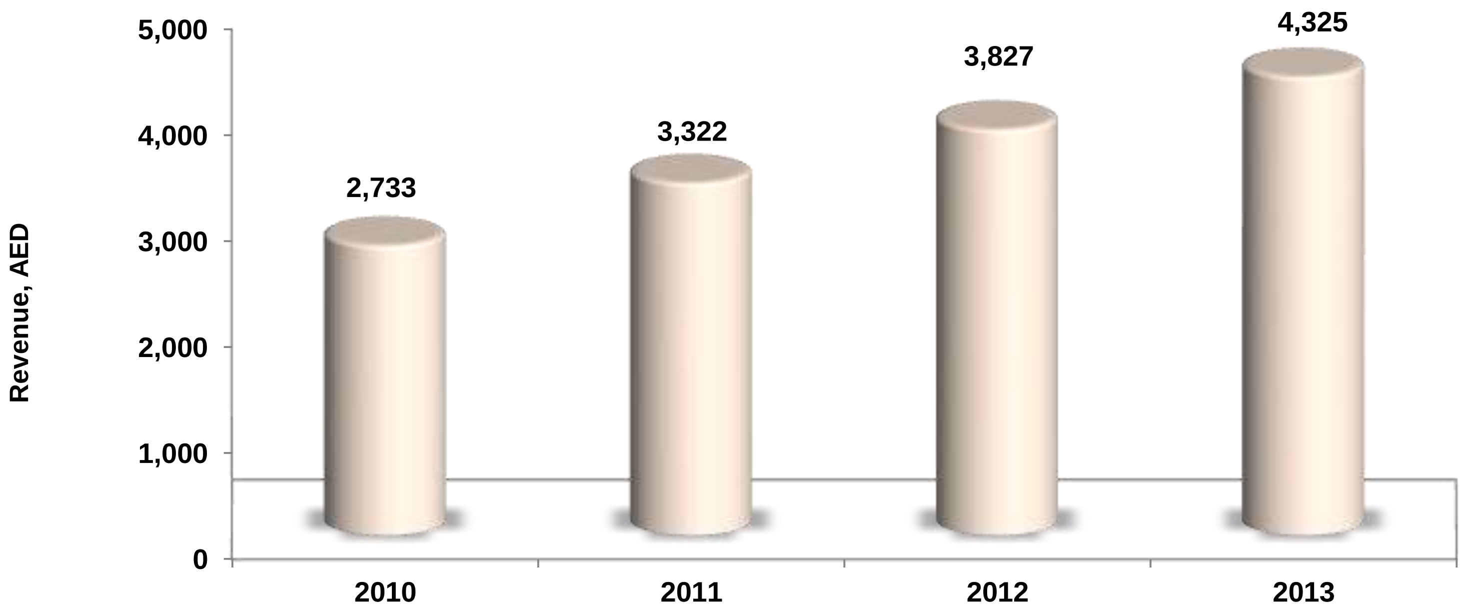




Internet Services – Revenue

- Internet revenues have steadily increased over the period from 2010 to 2013.

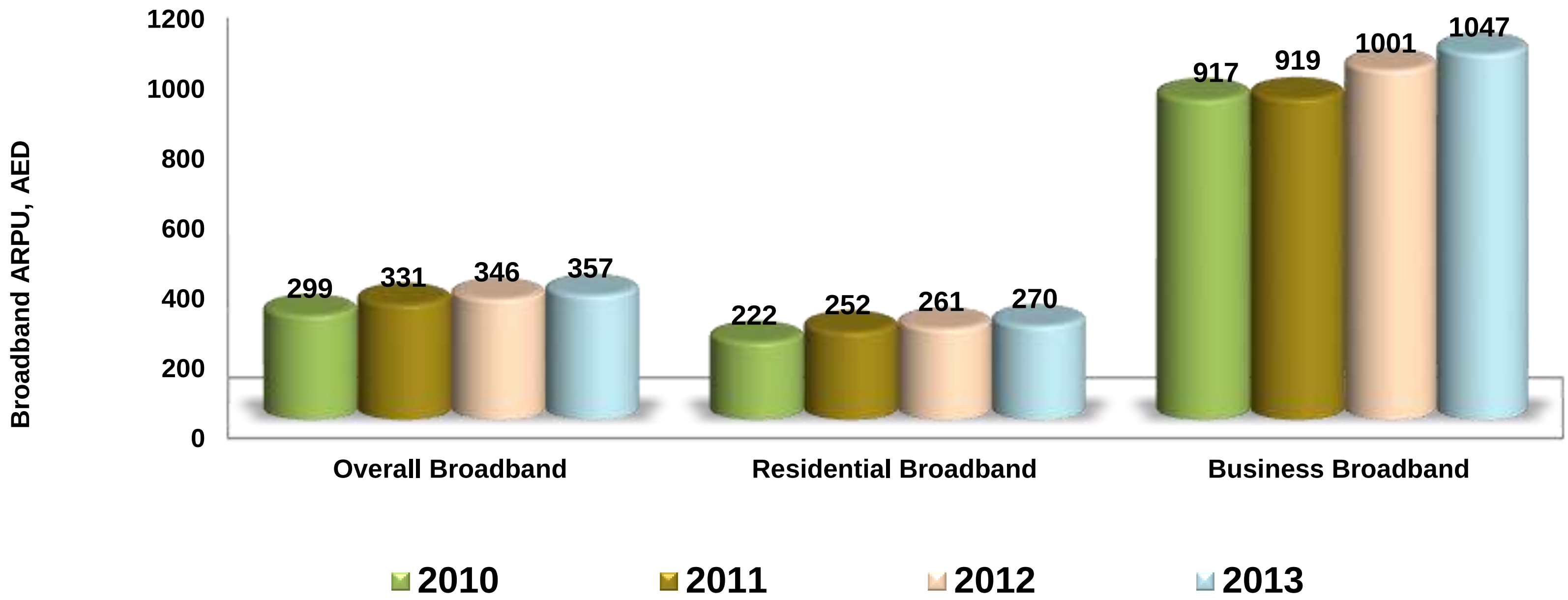
Total Internet Revenues (AED, millions)



Internet Services – ARPU Broadband

- Internet ARPUs have increased over time. This may be due largely to subscribers moving to higher speed broadband packages.
- Business broadband monthly ARPU is significantly higher than that of residential subscriptions.

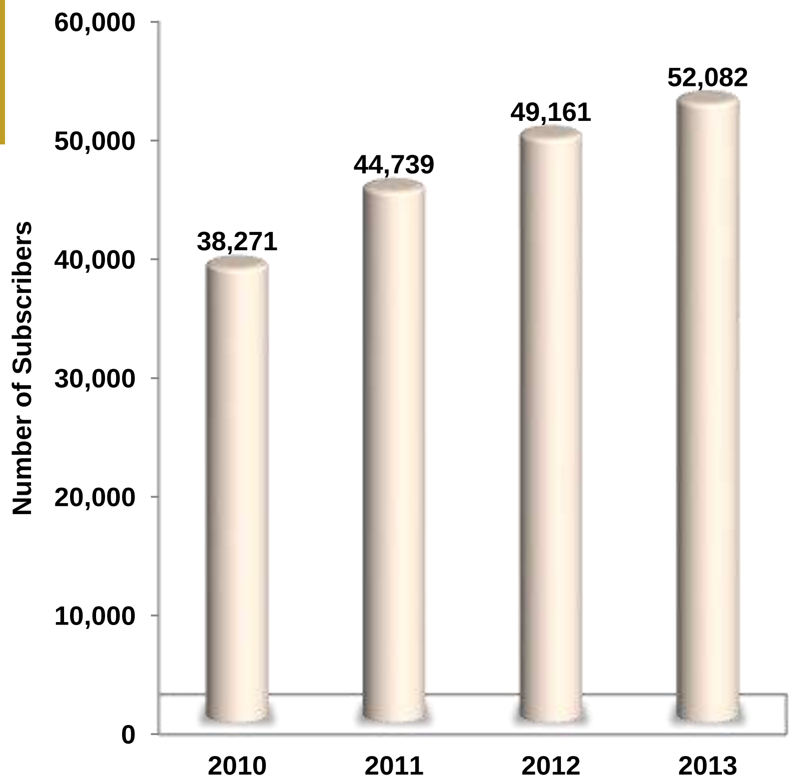
Broadband Monthly ARPU, AED



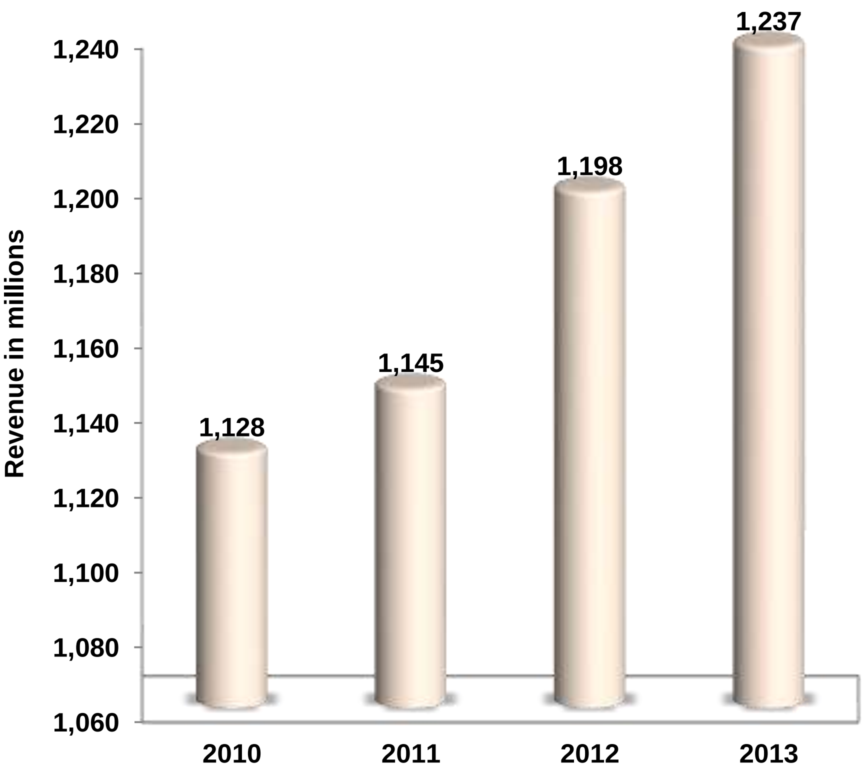
Data Services – Leased Lines

- The number of leased line subscribers reached 52,082 in 2013.
- Leased line revenues increased by 3% between 2012 and 2013.

Total Leased Line Subscribers



Total Revenue (AED millions)



Annex 1

Abbreviations & Acronyms

UAE	United Arab Emirates
TRA	Telecommunications Regulatory Authority
ITU	International Telecommunication Union
AED	United Arab Emirates Dirham
ARPU	Average Revenue Per User
AMPU	Average Minutes Per User
SMS	Short Message Service
MMS	Multimedia Message Service
FTTH	Fibre To The Home
ISDN	Integrated Services Digital Network
ADSL	Asymmetric Digital Subscriber Line
Kbps	Kilobits Per Second
Mbps	Megabits Per Second
PCR	Price Control Request
NRI	Networked Readiness Index
IDI	ICT Development Index
GCI	Global Competitiveness Index

Annex 2

Usage Indicators

Fixed Line Indicators for the year 2013	
Average duration of domestic calls from fixed lines(16)	1.91 min
Average revenue of national calls from fixed lines(16)	AED 0.32 /min
Average international calls duration from fixed lines	4.66 min
Average revenue from International call from fixed lines	AED 1.82/min
Average number of international call minutes per fixed line	16.15 min/month

Mobile Indicators for the year 2013	
Average duration of mobile domestic voice calls	1.64 min
Average international call duration	3.81 min
Average revenue from International calls	AED 1.10/min
Average international minutes per subscriber	39.22 min/month
Average national SMSs per subscriber	9.89 SMS/month
Average international SMSs per subscriber	3.04 SMS/month

(16)Local call minutes have been excluded from the calculations due to data discrepancies.

Annex 3

Sources and Acknowledgments

International Telecommunication Union (ITU)	www.itu.int/
Industry statistics 2010 – 2013	Provided to the TRA by du and Etisalat on a monthly basis.