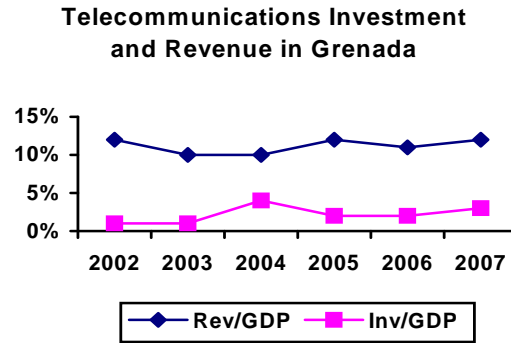


The Status of Telecommunications in Grenada

¹Overview

The telecommunications sector was estimated to have contributed EC \$94.9 million to GDP, representing a sectoral share of 13.1 up from 11.9 percent for the previous review period as the sector continues to impact positively on overall economic growth. Total revenue for the sector was estimated to have increased by 10.5 percent to EC\$173 million or 12 percent of GDP. Revenue from mobile services just



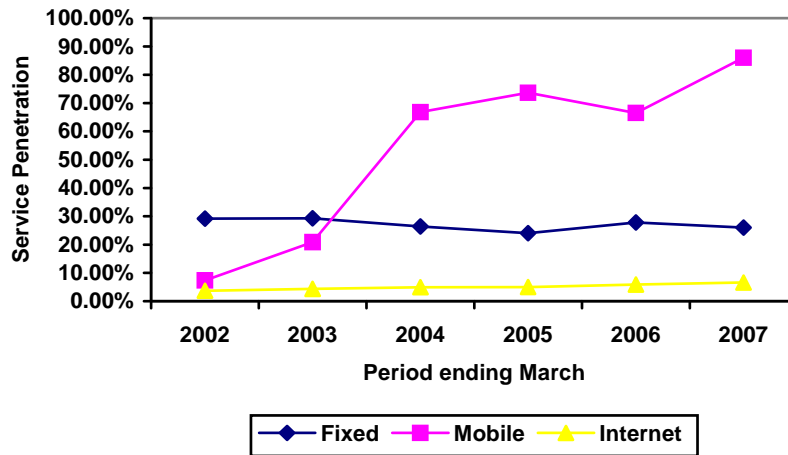
outpaced fixed line revenues and accounted for 47.5 percent of the total revenues at March 2007, compared with 46.9 percent in the previous year. This was closely followed by fixed line revenues, accounting for 46.2 percent down from 47.6 percent. The share of internet service revenues increased from 5.4 percent to 6.3 percent in the review period.

For the review period total investment in the sector was estimated to reach EC\$40.1 million or 3 percent of GDP, representing an increase of 35 percent over the previous year. The resurgence of investment in the sector was mainly a result of expenditure associated with the landing of a new submarine cable system in Grenada. Investment as a percentage of revenues increased to 23 percent up from 19 percent in the previous period. Direct employment recorded by individual licensees grew by 4.4 percent to approximately 216 at March 2007.

Growth in the telecommunications sector was again led by activity in the mobile market. Mobile phone subscription continues to increase as various segments of consumers today consider mobile phone services as a necessary commodity on a daily basis. The number of active mobile subscribers outnumbered the number of fixed lines in service by 3.3 to 1 at the end of March 2007. Mobile penetration increased by approximately 20 percentage points to 86 percent, while activity in the fixed line market remained subdued with penetration decreasing by 1.9 percentage points to 26 percent. Penetration in the internet services market, which remains far below its potential grew marginally (less than one percentage points) to 6.6 percent.

¹ ECTEL: Annual Telecommunications Sector Review 2007

Telecommunications Service Penetration



As in most developing economies, activity in the Grenada’s telecommunications sector has been fuelled by robust competition in the mobile market and efforts at increasing penetration in the internet services market. New entrants and

existing providers are in the process of deploying advanced telecommunication networks and infrastructure to adapt to the new competitive environment and the imminence of convergence. The incumbent operator has indicated that it has commenced the transition from PSTN to the packet switched technology to deal with the inevitable change in the structure of the sector.

²Market Players

During the review period a total of six new individual licences were granted, comprising two fixed public, three internet networks and services and one submarine cable licences. This brings to sixteen the number of individual licences issued in Grenada since 2001. Forty four class licences have also been issued. Currently there are no registered Customer Premises Equipment providers. The number of active service providers in Grenada remained unchanged from the previous period with the incumbent Cable & Wireless as the sole provider of fixed and internet service and Cable & Wireless and Digicel as the providers of mobile services. Of the six new licensees, the Submarine Cable and one Internet Networks and Services licensees commenced initial investments.

The new submarine cable linking Grenada to other Caribbean states and the Internet backbone will comprise a minimum of four fibre pairs, which will allow for international connectivity of up to 30 Gbps per fibre pair. The increased capacity should result in a reduction in the price of IP bandwidth and international connectivity and a potential for an increased number of resellers of telecommunications services. The expansion of the delivery of broadband

² ECTEL: Annual Telecommunications Sector Review 2007

services and capacity to local and international operators at more affordable rates will facilitate the modernization of private and public services. Businesses and residential consumers engaging in research, training, socio-cultural and other activities will benefit directly from this expansion in the telecommunications sector.

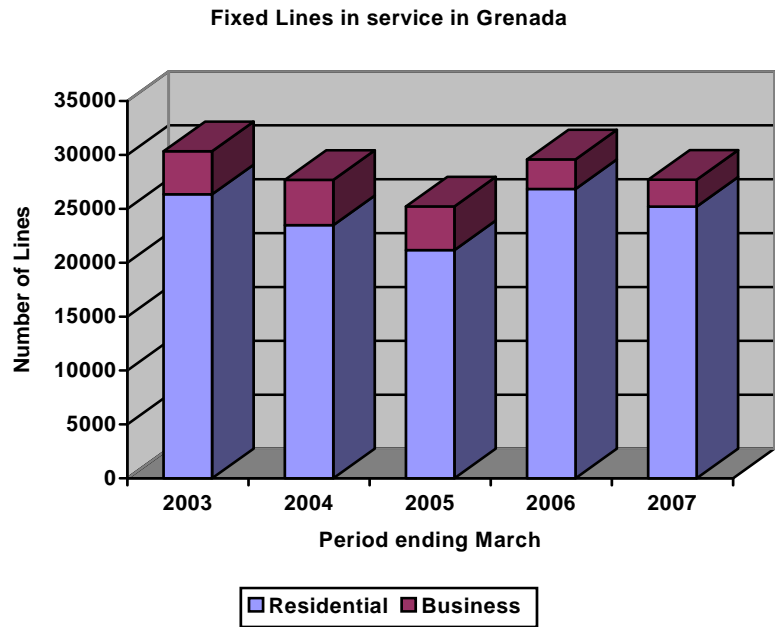
Voice Communications

The structure of the voice telecommunications sub-sector is evolving as growth in the fixed line market continues to be constrained by consumers' increased preferences for mobile phones as a substitute commodity for domestic voice telecommunications and to a lesser extent the emergence of VOIP for international voice communications.

³Fixed Line

In the review period, the number of fixed lines in service decreased by 6.4 percent to 27,701, following an increase of 17.3 percent in the previous year. This led to a decrease in penetration of 1.9 percentage points to 26 percent. Despite a decrease in penetration, fixed line services revenue grew by 7.1 percent to EC\$79.9 million however, its share of total telecommunications revenue fell from 47.6 percent in 2006 to 46.2 percent in 2007.

Two Fixed Public Telecommunications licences were issued to new entrants, however the incumbent Cable & Wireless is still the sole provider of fixed line services. The incumbent was in the process of upgrading its network from a PSTN to an IP-based network to allow for improved quality of service and increased flexibility to enable the provision of voice and data services.



³ ECTEL: Annual Telecommunications Sector Review 2007

Prices of domestic fixed line calls, which are currently regulated under the Price Cap Plan, remained unchanged from the previous period with peak local fixed to fixed calling at \$0.07 and off-peak rates at \$0.04. Peak rate for fixed to mobile calling was \$0.71 and off-peak rate at \$0.69.

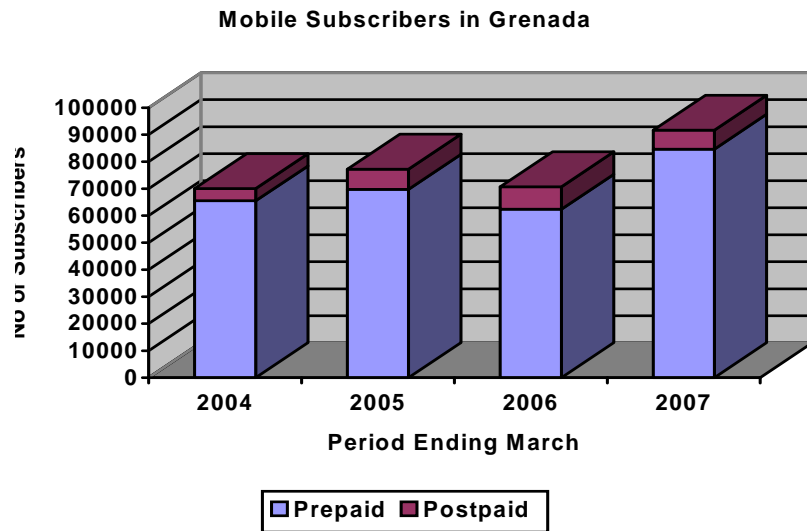
Despite the reduction in the number of fixed lines in service, fixed line calls continued to dominate local outgoing traffic. Total domestic traffic from fixed voice communications increased by 13.7 percent to 308 million minutes, on account of a 15 percent increase in fixed to fixed traffic. Moreover, the share of domestic fixed line traffic was 80 percent of total domestic traffic up from 78 percent in at March 2006.

⁴Mobile

Activity in the mobile telecommunications sub-sector continued to dominate overall sector developments as providers focused on expanding market shares and penetration. Total active mobile subscribers increased by 29.7 percent to 91,677 representing an increase in penetration of 19.5 percentage points to 86 percent at the end of March 2007. Among the active subscribers, growth in prepaid subscription remained prominent, accounting for 92 percent or 84,640 mobile subscribers.

In keeping with the growth in subscription and penetration, mobile revenues increased by 11.8 percent to EC\$82.2 million. During the review period the structure of the mobile telecommunications sub-sector remained largely unchanged with two competitors in the market.

Investment in mobile telecommunications was mainly to increase capacity to meet the growing demand. Providers focused on expansion in the number of customer care service centres, technical/administrative expenses and the routine maintenance of the existing infrastructure.



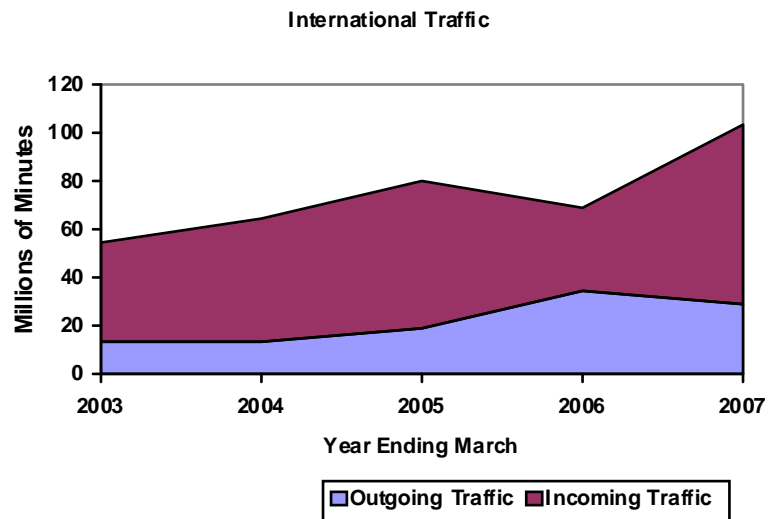
⁴ ECTEL: Annual Telecommunications Sector Review 2007

Rates for on-net calls remained at least 39 cents lower than off-net rates, the latter ranging from 79 to 85 cents a minute. There were reductions of over 40 percent in some on-net rates and mobile to fixed rates. On-net rates ranged from 38 to 40 cents and mobile to fixed rates ranged from 40 to 85 cents.

Mobile traffic accounted for 20 percent of total local traffic, and increased by 5.5 percent to 79 million minutes in 2006/07. Mobile to mobile on-net calls accounted for more than 60 percent of total local mobile traffic, driven largely by discounts during short term promotions.

⁵International Voice

The ratio of incoming traffic to outgoing traffic increased from 1.03 to 1 in 2006 to 2.35 to 1 in 2007 as total outgoing traffic fell 15.3 percent to 29 million minutes. An estimated 73 percent of outgoing international traffic originated from a mobile phone.



The incoming calls to the fixed lines increased almost three-fold with 77 percent of incoming traffic terminating on a fixed line up from 42 percent last period.

International rates are unregulated and remained unchanged for the review period. The rate for calls to fixed lines in the ECTEL Member State was 50 cents from a fixed line and ranges from 50 to 85 cents from a mobile phone. Calls to the United States and United Kingdom ranged from 90 to 95 cents.

International voice service has been under pressure from external VOIP providers. In response, the incumbent Cable & Wireless introduced a VOIP service in 2005. The number of subscribers to this service has increased almost two-fold from the previous year.

⁵ ECTEL: Annual Telecommunications Sector Review 2007

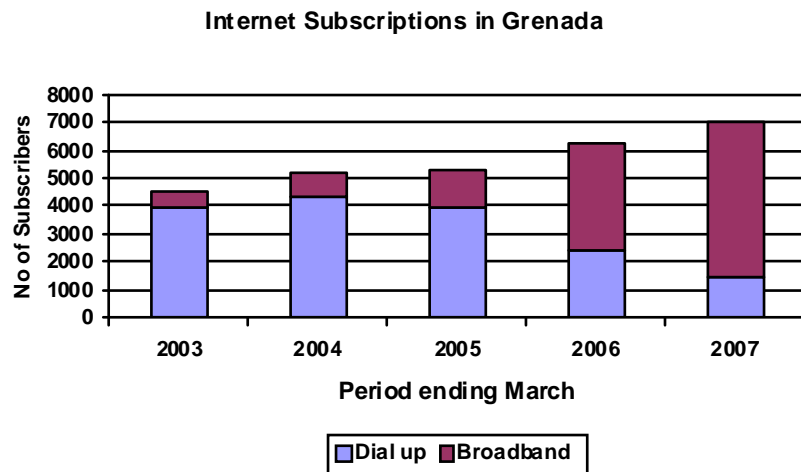
⁶Internet

Activity in the internet sub-sector was led by the promotion of broadband as the primary form of access to internet. Total internet subscribers increased by 12.1 percent to approximately 7,038, with broadband accounting for a share of 79 percent of total subscribers compared

with 61.8 percent in the previous year. Despite an increase in the demand for broadband, internet penetration remained low as the service remains unaffordable to some segments of the population. Overall penetration edged upwards by 0.7 percentage points to 6.6 percent. To stimulate the growth in demand for broadband service, customers were offered higher speeds at more affordable rates than in previous years.

During the review period three additional internet services licences were granted. However, the incumbent remained the sole provider of internet services. The investments by one additional submarine cable licensee is expected to contribute to increased capacity and competition in the internet market as the new entrants may have more options to choose among the various infrastructure providers to begin offering their services. Cable & Wireless has reduced the number of dial-up packages offered to new customers in an effort to encourage almost complete migration to broadband access.

The monthly rate for broadband ADSL access with download speeds of 256 kbps was reduced by 33.6 percent from \$149 to \$99 monthly and the rate for broadband ADSL access with download speeds of 512 kbps was reduced by 25 percent from EC\$199 to EC\$149. Dial-up rates remained unchanged at \$60 and \$129 for the 20 hr and unlimited packages respectively.



⁶ ECTEL: Annual Telecommunications Sector Review 2007