

Tariffs tumble in search for subscribers

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Calling charges of telecom phone companies in Uganda are falling as operators battle to win more subscribers.

The much-anticipated entry of Warid Telecom in February this year brought the number of telecommunication operators in Uganda to four, spurring cutthroat price competition.

Tariffs on per minute or per second calls made between networks are as low as UGX124 and UGX4, respectively, from as high as UGX450 and UGX10, two years ago.

For three weeks, Uganda's subscribers have awoken to press and billboard announcements of new low prices – usually presents reserved for holiday seasons like Christmas.

MTN and Uganda Telecom have been on a price-cutting spree – initiatives they have said offer their customers fair deals they promised, but the frequent cuts came only in the wake of low prices pioneered by new entrants Warid this year.

This week Uganda Telecom (UT) announced yet another cut, hardly two weeks after one in response to Warid Telecom, which broke into the market with the lowest rates charged on calls made within its network. A call from Warid to Warid is still UGX299 during peak and UGX249 for off-peak calls - much lower than an average of the other networks' UGX340.

The majority of the old players' customers stayed loyal, arguing that most of the people they had to call were on other networks. At the time of their launch, a call from Warid to other networks was billed at UGX449 (peak) and UGX349 (off peak), higher than its competitors.

Warid's country manager, Zul Javaid, said the company's charges were high due to high interconnection charges that the old players were levying on them. "However, we have positioned our network as the company that wants customers to join and bring their family members with them".

Through discussions with the Uganda Communications Commission, the operators came to better terms with the new entrant and Warid slashed its tariffs to UGX299 (peak) and UGX249 (off peak), for calls made to other networks in a bid to get a portion of the market's 4.6 million subscribers.

The new rates have exerted pressure on UT, which trails MTN and Celtel Uganda in customer numbers. The Libyan owned company this week cut its rates on the Extra profile to UGX290 from UGX320 on February 27 and introduced a flat rate package that allows its subscribers to make 50 free minutes of calls, UT to UT, and 25 sms for UGX2,000.

MTN, which leads the telecom market in earnings, capital and subscriber base (over 2.5 million) has not yet reacted but is expected to. Similarly, Celtel Uganda is watching from the sidelines but market analysts say it won't be long before it woofs.

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