POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
(POTRAZ)

POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

THIRD QUARTER 2014

Disclaimer:

This report has been prepared based on data provided by service providers. The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers. Although every effort has been made to ensure accuracy of the data contained in this report, the Authority is not liable for the inaccuracy of any information.

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SIM Subscriber Identification Module
IAP Internet Access Providers
Mbps Megabits per second
VSAT Very Small Aperture Terminal
GSM Global System for Mobile Communication
xDSL Digital Subscriber Line (x-of any type)
HSDPA High-Speed Downlink Packet Access
SMS Short Messaging Service
ARPU Average Revenue Per User

1. MAJOR HIGHLIGHTS

- The total number of active mobile subscribers increased by 2.6% to reach 11.4 million from 11.1 million subscribers recorded in the previous quarter
- The total number of active fixed telephone subscriptions increased by 4.4% to reach 340,852 subscribers from 326,576 subscribers recorded in the previous quarter
- Internet penetration rate increased by 0.5% to reach 47.5% from 47% recorded in the previous quarter
- The total number of base stations (2G,3G & LTE) increased by an additional 117 base stations to reach 4,603 from 4,486 base stations recorded in the previous quarter
- Available International internet bandwidth capacity increased by 32.4% to reach 21,840Mbps from 16,498Mbps recorded in the previous quarter

2. MOBILE TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The country`s active mobile subscriber base grew by 2.6% to reach 11.4 million from 11.1 million subscribers recorded in the previous quarter. Active subscriptions per operator are shown in Table 1 below:

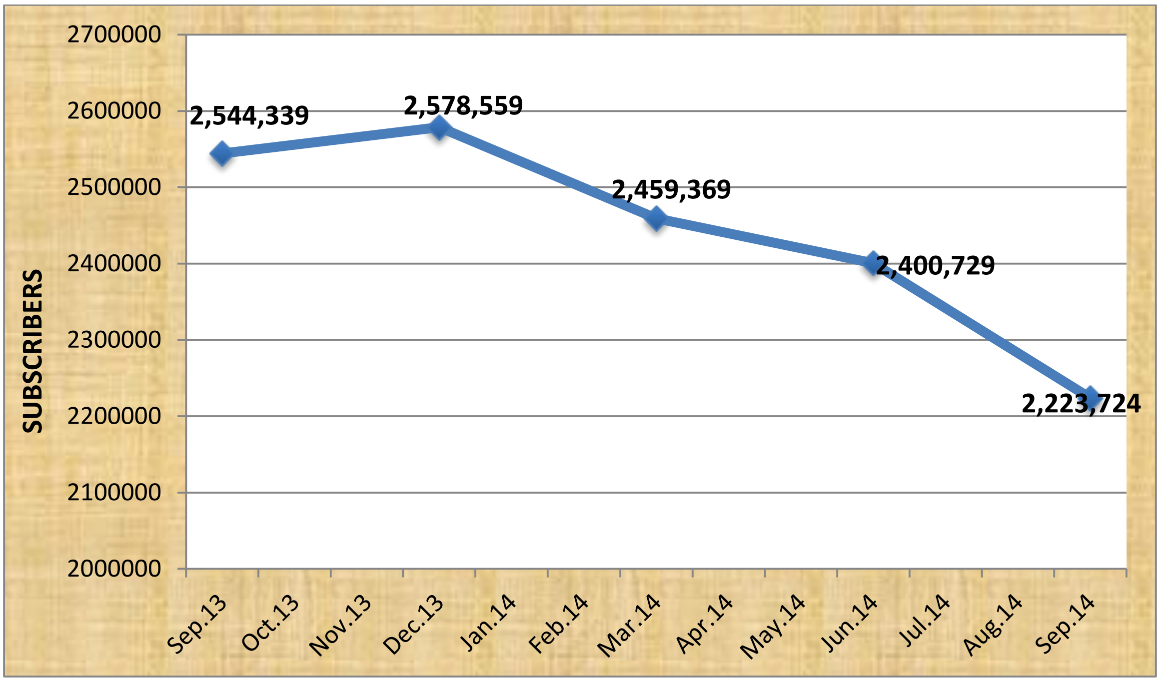
Table 1: Active Mobile subscriptions

	2nd Quarter 2014	3rd Quarter 2014	Net Addition	% Change
Econet	6,339,945	6,472,382	132,437	2.1%
Telecel	2,400,729	2,223,724	-177,005	-7.4%
NetOne	2,379,285	2,707,682	328,397	13.8%
Total	11,119,959	11,403,788	283,829	2.6%

Source: POTRAZ, Operator Returns

Prepaid subscriptions constituted 97.5% of total active subscriptions. Telecel was the only mobile operator to register a decline in active subscriptions whereas NetOne registered the largest growth in active subscriptions (13.8%). Telecel`s active subscriptions have shown a declining trend as shown in Fig 1 below:

Figure 1: Trend analysis of Telecel`s Active Subscriptions



Source: POTRAZ, Operator Returns

2.2 MARKET SHARE OF ACTIVE MOBILE SUBSCRIBERS

As shown in Table 2 below 36.4% of total subscribers were inactive during the period under review. An active mobile subscriber is defined as a subscriber who has used the network at least once in the last three months for making or receiving a call or carrying out a non-voice activity such as sending or receiving an SMS or accessing the internet.

Table 2: Subscribers in HLR versus Active Subscribers

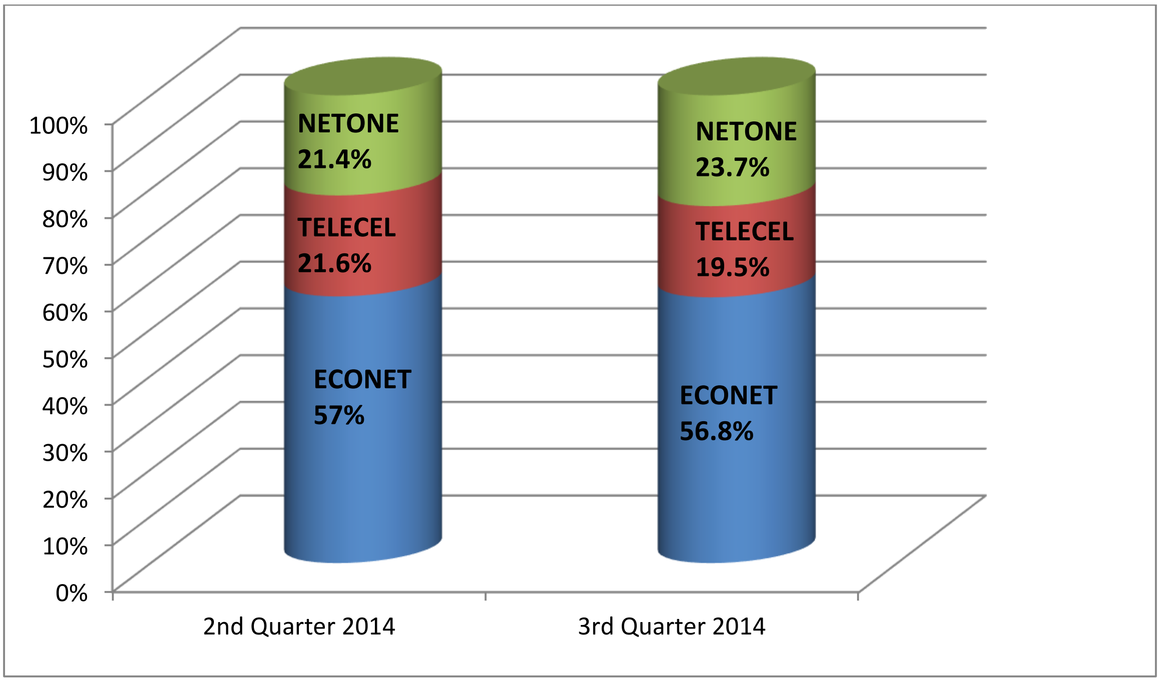
	Total Subscribers in HLR	Total Active Subscribers	Inactive Subscribers (%)
Econet	8,862,146	6,472,382	27%
Telecel	4,757,033	2,223,724	53.3%

NetOne	4,317,471	2,707,682	37.3%
Total	17,936,650	11,403,788	36.4%

Source: POTRAZ, Operator Returns

The market share of active mobile subscribers in the quarter under review is compared to the market share statistics from the second quarter of 2014 in Figure 2 below:

Fig 2: Market Share of Mobile subscribers



Due to the decline in active subscriptions Telecel lost market share by 2.1% to reach 19.5% from 21.6% market share recorded in the second quarter of 2014. As a result Telecel had the least market share in the 3rd quarter of 2014.

2.3 MOBILE TRAFFIC AND USAGE PATTERNS

A comparison of mobile telephone traffic generated in the third quarter of 2014 with traffic generated in the second quarter of 2014 is shown in table 3 below:

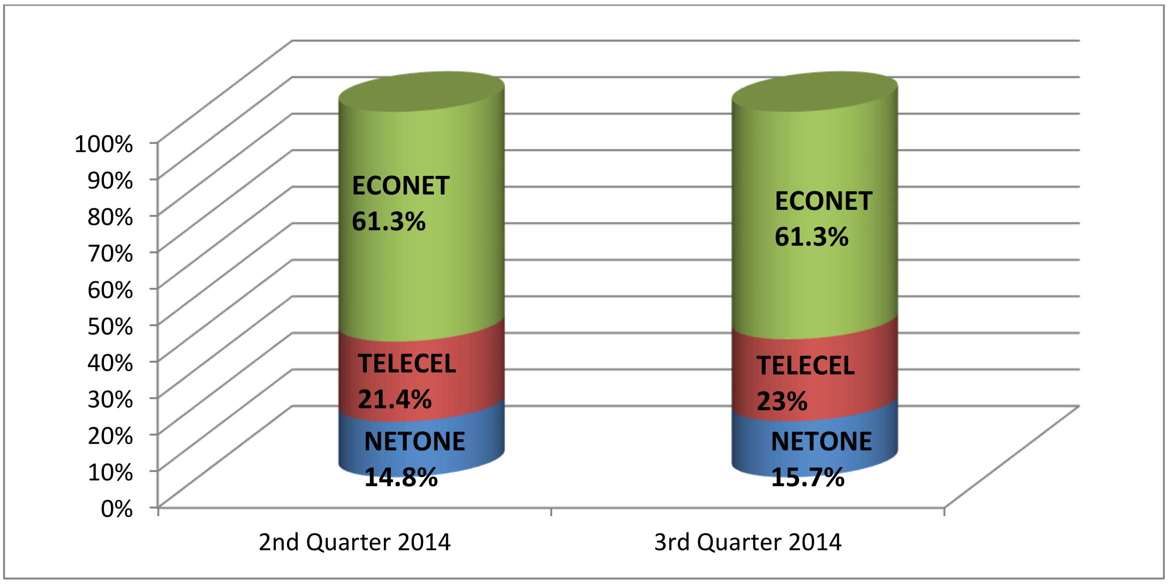
Table 3: Mobile Telephone Traffic

	2nd Quarter 2014	3rd Quarter 2014	Quarterly Change
Net On Net	1,196,187,053	1,091,120,356	-8.8%
Mobile to Fixed	7,034,021	7,158,905	1.8%
Mobile to Other Mobile	205,949,852	254,764,786	23.7%
Outgoing to VoIP	524,374	786,658	50.0%
Incoming from Fixed	80,437,985	79,872,839	-0.7%
Incoming from VoIP	4,755,529	7,238,577	52.2%
International Incoming	79,228,346	85,557,294	8.0%
International Outgoing	36,655,549	37,983,988	3.6%
Inbound Roaming	915,638	1,223,028	33.6%
Outbound Roaming	227,212	205,858	-9.4%
SMS Net On Net	979,274,164	977,681,607	-0.2%
SMS Cross Network	133,873,028	120,692,252	-9.8%

Source: POTRAZ Operator Returns

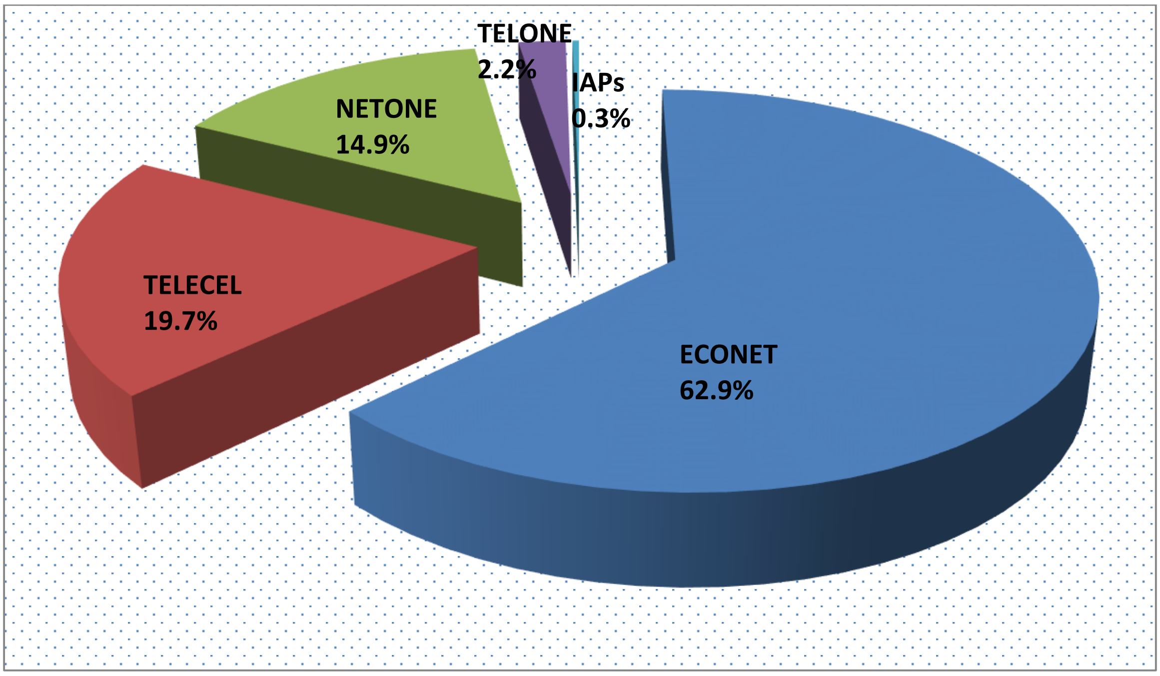
Short Message Sending (SMS) registered a decline in the quarter under review. Cross network traffic declined by 9.8% whereas net on net SMS declined by 0.2%. The decline may be attributed to the increased use of messaging platforms such as Whatsapp. Net on net traffic declined by 8.8% despite the numerous on-net promotions on the market. Outbound roaming traffic also declined by 9.8%. The market share for mobile traffic is shown in Figure 3 below:

Figure 3: Market Share for Mobile Interconnect traffic (by termination)



A comparison with the interconnection traffic for the mobile operators in the previous quarter shows that Econet gained market share by 3.2%. On the other hand Telecel and NetOne lost market share by 1.8% and 1.4% respectively. The market share of national voice traffic is illustrated in Figure 4 below:

Figure 4: Market Share of National Interconnect traffic (by termination)



Econet had the largest market share of national interconnect traffic with 62.9%. Econet was the net receiver of interconnect traffic in the period under review. VoIP networks (IAPs) had the least market share of interconnect traffic with 0.3%; this implies that traffic flow from mobile networks to the IAPs is very low.

2.7 MOBILE MONEY TRANSFER

The total number of mobile money transfer subscriptions grew by 16.3% to reach 4.9 million from 4.2 million subscribers recorded in the previous quarter. The total value of transfers and transaction on mobile money services increased by 35.8% to record $403,149,620 from $296,812,799 recorded in the previous quarter. The number of agents increased by a record 4,181 as mobile operators sought to increase their distribution networks for the mobile money services.

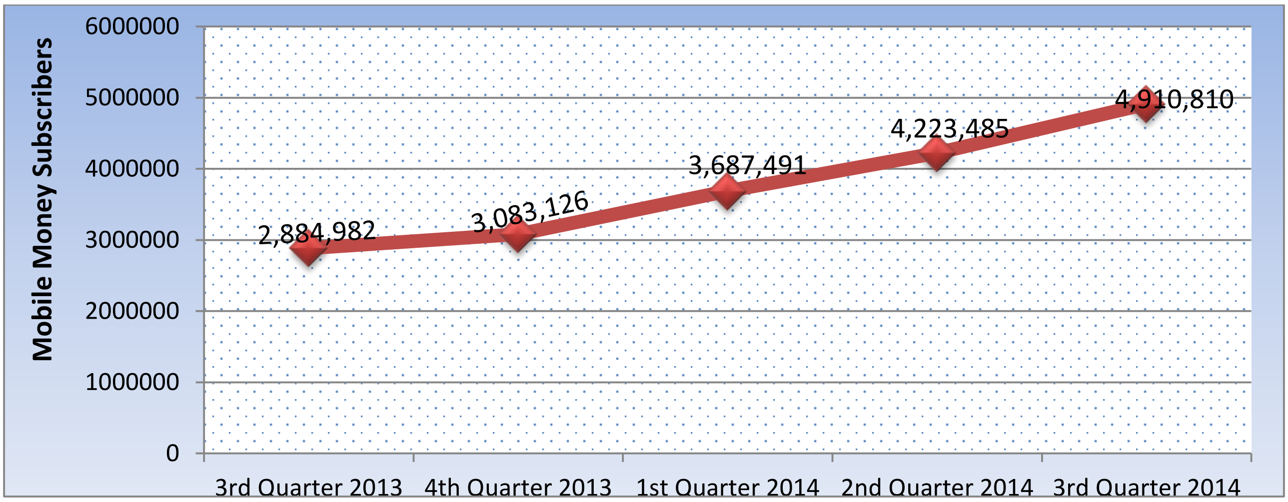
Table 4: Mobile Money Transfer

Mobile Money Transfer	2nd Quarter 2014	3rd Quarter 2014	Quarterly Change
Number of Subscribers	4,223,485	4,910,810	16.3%
Number of Agents	15,388	20,569	4,181
Total Deposits	$296,812,799	$403,149,620	35.8%

Source: POTRAZ, Operator Returns

The growth of mobile money subscribers over the past year is shown in Figure 5 below:

Figure 5: Growth of Mobile Money Subscribers



2.8 BASE STATIONS AND SWITCHING CAPACITY

As shown in Table 5 below there was an increase in the number of mobile base stations in the quarter under review. There were 75 additional 2G base stations; hence the number of 2G base stations increased from 3,209 to 3,284 in the quarter under review. 3G base stations also increased from 1,260 to 1,300. The number of LTE base stations increased by only 2 base stations to reach 19 LTE base stations from 17 LTE base stations recorded in the previous quarter. All the 19 LTE base stations belong to Econet.

Table 5: Base Stations

	2nd Quarter 2014	3rd Quarter 2014	Quarterly Variation
2G Base Stations	3,209	3,284	75

3G Base Stations	1,260	1,300	40
LTE Base Stations	17	19	2
Total	4,486	4,603	117

Source: POTRAZ, Operator Returns

The base stations broken down by operator and the switching capacity by operator are shown in Table 6 below:

Table 6: Base Stations and Switching Capacity by Operator

OPERATOR	2G	3G	LTE	TOTAL BASE STATIONS	SWITCHING CAPACITY (subscribers)
Telecel	646	315	-	961	5,000,000
NetOne	513	144	-	657	6,068,000
Econet	2,125	841	19	2,985	9,280,000
Total	3,284	1,300	19	4,603	20,348,000

Source: POTRAZ, Operator Returns

3. FIXED TELEPHONY SERVICE

3.1 SUBSCRIPTIONS

Total active fixed lines increased by 4.4% to reach 340,852 from 326,576 recorded in the second quarter of 2014. This increase was driven by ADSL. The fixed teledensity was 2.6% up from 2.5% recorded in June 2014.

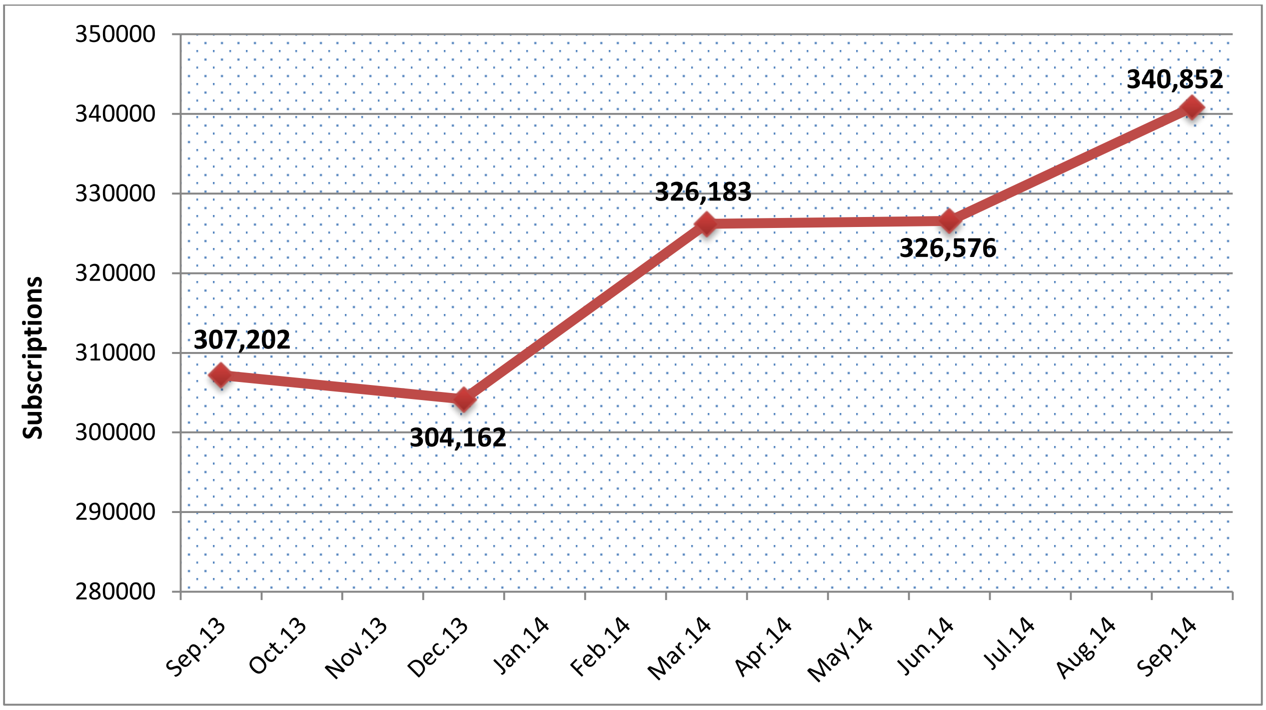
Table 7: Fixed Telephone subscribers

	Second Quarter 2014	Third Quarter 2014	Quarterly Variation %
Active Subscriptions	326,576	340,852	4.4%
Fixed Teledensity	2.5%	2.6|%	0.1%

Source: POTRAZ, Operator Returns

Fixed telephone subscriptions have been on an upward trend since December 2013. The growth has been driven by ADSL. The growth in fixed telephone subscriptions over the past year is shown in Figure 6 below:

Figure 6: Fixed Telephone Subscriptions



Source: POTRAZ, Operator Returns

3.2 FIXED NETWORK NATIONAL TRAFFIC

A comparison of fixed network traffic generated in the third and second quarters of 2014 is as shown in Table 8 below:

Table 8: Fixed Network Traffic

Traffic Category	Second Quarter 2014	Third Quarter 2014	Quarterly Variation %
Net On Net	83,901,101	83,273,267	-0.7%
Fixed to Mobile	80,432,985	79,872,839	-0.7%
Mobile to Fixed	7,034,021	7,158,905	1.8%
Incoming from IAPs	516,688	561,206	8.6%
Outgoing to IAPs	166,329	234,542	41.0%

Source: POTRAZ, Operator Returns

Net on Net traffic declined by 0.7% to record 83.3 million minutes from 83.9 million minutes recorded in the previous quarter. Net on Net traffic for the fixed network was expected to grow given the increase in subscribers during the third quarter of 2014. Outgoing traffic to the mobile networks declined by 0.7% whereas incoming traffic from the mobile operators increased by 1.8%. There was a remarkable increase in the flow of traffic between the fixed network and VoIP operators. Outgoing traffic to VoIP operators increased by 41% to record 234,542 minutes from 166,329 minutes recorded in the previous quarter. On the other hand voice traffic from the VoIP networks to the fixed network increased by 8.6%. The growth in international fixed line traffic is shown in Table 9 below:

Table 9: International Incoming traffic

	Second Quarter 2014	**Third Quarter 2014**	**Quarterly Variation %**
International incoming terminated on TelOne	11,187,395	11,051,740	-1.2%
International Incoming terminated on other networks	3,370,080	4,896,835	45.3%
Total International Incoming	**14,557,475**	**15,948,575**	**9.6%**
International Outgoing traffic from TelOne	5,839,117	5,588,288	-4.3%
International Outgoing from other networks via TelOne	1,931,838	2,352,339	21.8%
Total International Outgoing	**7,770,955**	**7,940,627**	**2.2%**

Source: POTRAZ, Operator Returns

The total international outgoing traffic increased by 2.2% to record 7.9 million minutes from 7.8 million minutes recorded during the previous quarter. On the other hand international incoming traffic increased by 9.6% to record 15.9 million minutes from 14.6 million minutes recorded in the previous quarter.

4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

The growth in data and internet subscriptions in the second quarter of 2014 is shown in Table 10 below:

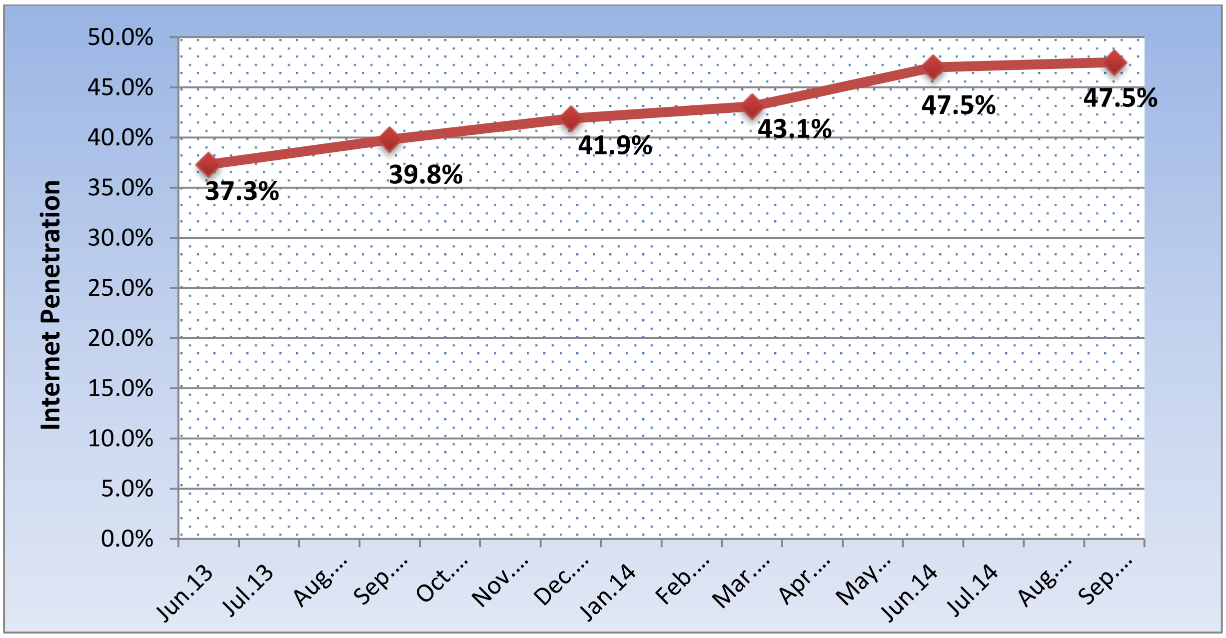
Table 10: Internet Subscriptions

Technology	2nd Quarter 2014	3rd Quarter 2014	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,998,784	6,053,677	0.9%
LTE	334	601	79.9%
Leased Lines	1,637	1,683	2.8%
Dial up	8,935	8,935	-
XDSL	36,630	38,640	5.5%
Wimax	8,930	10,862	21.6%
CDMA	85,904	86,366	0.5%
VSAT	288	285	-1.0%
Fibre links	1,722	1,741	1.1%
TOTAL	6,143,164	6,202,790	1.0%

Source: POTRAZ, Operator Returns

Internet subscribers increased by 1% to reach 6,202,790 from 6,143,164 recorded in the previous quarter. As a result the internet penetration rate increased by 0.5% to reach 47.5% from 47% recorded in the second quarter of 2014.

Fig 7: Internet Penetration Rate



4.3 INTERNATIONAL INTERNET CONNECTIVITY

4.3.1 NATIONAL FIBRE BACKBONE LENGTH

There was no change in the national backbone optic fibre length 6,911km recorded in the second quarter of 2014. The fibre length is broken down by operator as follows:

Table 11: Existing optic fibre length (national backbone)

OPERATOR	Second Quarter 2014
Powertel	950km
Liquid	2,900km
TelOne	2,541km
Africom	520km
Total	6,911km

Source: POTRAZ, Operator Returns

4.3.2 LIT/ EQUIPPED INTERNET BANDWIDTH

In the quarter under review, the lit international internet bandwidth capacity was 21,840Mbps i.e. 10,920Mbps Incoming and 10,920Mbps outgoing. This is an increase of 32.4% from 16,498Mbps recorded in the previous quarter. The international bandwidth by operator is shown in the table below:

Table 12: Lit/Equipped Internet Bandwidth Capacity

OPERATOR	Incoming International Bandwidth (Mbps)	Outgoing International Bandwidth (Mbps)
Powertel	1,705	1,705
Liquid	4,800	4,800
Tel One	3,565	3,565
Africom	850	850
TOTAL	**10,920**	**10,920**

Source: POTRAZ, Operator Returns

4.3.2 USED INTERNET BANDWIDTH CAPACITY

Incoming and Outgoing used international bandwidth capacity by operator is shown in Table 13 below:

Table 13: Used Internet Bandwidth Capacity

OPERATOR	Incoming International Bandwidth (Mbps)	Outgoing International Bandwidth (Mbps)
Liquid	3,496	1,715
Tel One	3,054	532
Powertel	1,680	950
TOTAL	**8,230**	**3,197**

Source: POTRAZ, Operator Returns

NB: Table will be updated with Africom`s data on used bandwidth.

5. POSTAL AND COURIER SERVICES

5.1 POSTAL AND COURIER TRAFFIC

The postal and courier sector recorded a downward trend in the period under review. The postal and courier traffic is summarised in the table below:

Table 14: Postal and Courier Traffic

	2nd Quarter 2014	3rd Quarter 2014	Quarterly Variation
Number of postal items sent locally	3,562,879	2,643,188	-25.8%
Number of courier items sent locally	286,584	244,783	-14.6%
International incoming postal and courier items	693,451	598,345	-13.7%
International outgoing postal and courier items	406,893	399,264	-1.9%

Source: POTRAZ, Operator Returns

As shown in the table above all postal and courier categories recorded a decline. The number of items sent locally declined by 25.8% to record 2.6 million items from 3.6 million items recorded in the previous quarter. Local courier items also declined by 14.6% to record 224,783 items from 286,584 items recorded in the previous quarter. International incoming courier and international outgoing postal and courier declined by 13.7% and 1.9% respectively.

6. REVENUES AND INVESTMENT

The mobile network operators generated a total of $247,762,909. This represents a 9% increase in revenue from $227,256,713 recorded in the previous quarter. Total investment increased by 10% to reach $46,949,601 from $30,711,033 recorded in the second quarter of 2014.

7. CONCLUSION

The Telecommunications sector has undergone major phases in its growth and technological advancements over the period. With the sector continually innovating new services and products, there is no doubt that it will continue to expand. In the Internet/data market, mobile data/Internet market continued to dominate the sector with majority of subscriptions being through the mobile phones. The ease of access of mobile internet coupled with the popularity of social media has and will continue to contribute immensely to the growth of Internet usage in the country. The mobile money transfer service also recorded positive growth during the quarter under review. This service is expected to continue recording positive growth in the coming periods. The fixed line network market segment recorded marginal growth in subscribers over the period. In the postal and courier sector, a downward trend was recorded during the period; the postal and courier market continues to be affected by the substitution effect emanating from the increased use of mobile internet and data services for billing and paying for goods and services. The slowing down of the economy due to company closures and the liquidity crunch are also attributable to the downward trajectory of the postal and courier services sector.