**POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE**

**(POTRAZ)**



**POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT**

**FOURTH QUARTER 2014**

 **Disclaimer:**

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# LIST OF ABBREVIATIONS

**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

#

# MAJOR HIGHLIGHTS

* The total number of active mobile subscribers increased by 3.5% to reach 11,798,652 from 11,403,788 recorded in the previous quarter
* The mobile penetration rate (active) increased from 87.3% recorded in the previous quarter to 90.3%
* The total number of active fixed telephone subscriptions declined by 3.3% to reach 329,475 subscribers from 340,852 recorded in the previous quarter
* The number of active internet subscriptions declined by 6.8% to reach 5,779,320 from 6,202,790 recorded in the previous quarter
* Internet penetration rate declined by 2.5% to reach 45% from 47.5% recorded in the previous quarter
* Lit/equipped International internet bandwidth capacity increased from 21,840Mbps recorded in the previous quarter to reach 27,720 Mbps in the period under review

# 2. FIXED TELEPHONE SERVICE

## 2.1 SUBSCRIPTIONS

Total fixed telephone lines in the country as at 31 December 2014 were 329,475. This represents a 3.3% decline from 340,852 subscribers recorded in the third quarter of 2014. The fixed teledensity declined from 2.6% to reach 2.5% as a result of the decline in subscribers. The switching capacity for the fixed telephone network remained unchanged at 473,700 subscribers. A comparison of the third quarter and the fourth quarter of 2014 is shown in Table 1 below:

**Table 1: Fixed Telephone subscribers**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Third Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation %** |
| Active Subscriptions | 340,852 | 329,475 | (3.3%) |
| Switching capacity | 473,700 | 473,700 | - |
| Fixed Teledensity | 2.6% | 2.5% | (0.1%) |

Source: POTRAZ, Operator Returns

A comparison with 2013 figures show an 8.3% increase in fixed telephone subscribers from 304,162 subscribers recorded in December 2014. The quarterly movement in fixed subscribers over the past year is shown in Figure 1 below:

**Figure 1: Fixed Telephone Subscribers**

Source: POTRAZ, Operator Returns

## 2.2 FIXED NETWORK NATIONAL TRAFFIC

The total number of minutes processed on the fixed telephone network was 189,059,292. This represents a 3% decline from 194,989,961 minutes recorded in the previous quarter. An annual comparison shows that total traffic processed on the fixed telephone network increased by 1.2% to reach 774.5 million minutes from 765.6 million minutes recorded in 2013. A quarterly comparison of fixed network traffic is as illustrated in Table 2 below:

**Table 2: Fixed Network Traffic**

|  |  |  |  |
| --- | --- | --- | --- |
| **Traffic Category** | **Third Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation %** |
| **Net On Net** | 83,273,267 | 80,419,022 | -3.4% |
| **Fixed to Mobile** | 79,872,839 | 80,839,610 | 1.2% |
| **Mobile to Fixed** | 7,158,905 | 6,975,325 | -2.6% |
| **Incoming from IAPs** | 561,206 | 593,376 | 5.7% |
| **Outgoing to IAPs** | 234,542 | 269,438 | 14.9% |
| **International Incoming** | 15,948,575 | 12,622,394 | -20.9% |
| **International Outgoing** | 7,940,627 | 7,340,127 | -7.6% |
| **Total traffic** | 194,989,961 | 189,059,292 | -3.0% |

Source: POTRAZ, Operator Returns

As shown in Table 2 above International incoming traffic registered the highest decline of 20.9%. Interconnect traffic from mobile operators declined by 2.6% whereas fixed to mobile traffic increased by 1.2%. Traffic flows between the fixed network and VoIP operators improved in the quarter under review as shown by the 14.9% increase in outgoing traffic to IAPs and the 5.7% increase in traffic from IAPs to the fixed network.

# 3. MOBILE TELEPHONE

## 3.1 SUBSCRIPTIONS

The country`s active mobile subscriber base grew by 3.5% to reach 11.8 million from 11.4 million subscribers recorded in the previous quarter. As a result the mobile penetration rate (active) increased from 87.3% recorded in the previous quarter to 90.3%. Active subscriptions per operator are shown in the table below:

**Table 3: Active Mobile subscriptions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **3rd Quarter 2014** | **4th Quarter 2014** | **Net Addition** | **% Change** |
| **Econet** | 6,472,382 | 6,451,863 | -20,519 | -0.3% |
| **Telecel** | 2,223,724 | 2,152,148 | -71,576 | -3.2% |
| **NetOne** | 2,707,682 | 3,194,641 | 486,959 | 18% |
| **Total** | 11,403,788 | 11,798,652 | 394,864 | 3.5% |

Source: POTRAZ, Operator Returns

Econet lost 20,519 subscribers in the quarter under review; Telecel lost 71,576 subscribers whereas NetOne gained 486,959 subscribers in the quarter under review. Whilst this is the only quarter in 2014 in which Econet experienced a decline in active subscribers, Telecel`s subscriber base has been declining consecutively as shown in the graph below:

**Figure 5: Telecel`s Active Subscriptions**

Source: POTRAZ, Operator Returns

## 3.2 MARKET SHARE OF ACTIVE MOBILE SUBSCRIBERS

The total subscribers in the Home Location Register of each operator vis-à-vis the active subscribers are shown in the table below.

**Table 4: Subscribers in HLR versus Active Subscribers**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Subscribers in HLR** | **Total Active Subscribers** | **Inactive Subscribers (%)** |
| **Econet** | 8,879,689 | 6,451,863 | 27.3% |
| **Telecel** | 4,262,551 | 2,152,148 | 49.5% |
| **NetOne** | 4,497,310 | 3,194,641 | 29% |
| **Total** | 17,639,550 | 11,798,652 | 33.1% |

Source: POTRAZ, Operator Returns

The market share of active mobile subscribers in the quarter under review is shown in Figure 6 below:

**Figure 6: Market Share of Active Subscribers**

Source: POTRAZ Operator Returns

A comparison with 3rd quarter statistics shows that Econet`s market share declined from 56.8% to 54.7% and Telecel`s market share declined from 19% to 18.2%. On the other hand NetOne`s market share increased from 23.7% to 27.1%.

## 3.3 MOBILE TRAFFIC AND USAGE PATTERNS

### 2.3.1 TOTAL MOBILE TRAFFIC

Total voice traffic processed by the mobile networks in the fourth quarter of 2014 was 1,727,202,925 minutes. This represents a 4% decline from 1,779,062,306 minutes processed in the previous quarter. An annual comparison shows that total mobile voice traffic declined by 2.1% to record 7.06 billion minutes from 7.21 billion minutes recorded in 2013.

A comparison of mobile telephone traffic generated in the fourth quarter of 2014 with traffic generated in the third quarter of 2014 is shown in table 5 below:

**Table 5: Mobile Telephone Traffic**

Source: POTRAZ Operator Returns

|  |  |  |  |
| --- | --- | --- | --- |
|  | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Change** |
| **Net On Net** | 1,091,120,356 | 1,071,423,815 | -1.8% |
| **Mobile to Fixed** | 7,158,905 | 6,975,325 | -2.6% |
| **Mobile to Other Mobile (by termination)** | 254,764,786 | 236,393,812 | -7.2% |
| **Outgoing to VoIP** | 786,658 | 597,489 | -24.0% |
| **Incoming from Fixed**  | 79,872,839 | 80,839,610 | 1.2% |
| **Incoming from VoIP** | 7,238,577 | 5,636,766 | -22.1% |
| **International Incoming** | 85,557,294 | 80,762,496 | -5.6% |
| **International Outgoing** | 37,983,988 | 34,017,391 | -10.4% |
| **Inbound Roaming** | 1,223,028 | 1,212,610 | -0.9% |
| **Outbound Roaming** | 205,858 | 193,594 | -6.0% |

As shown in the table above, the only traffic category to experience an increase was incoming traffic from the fixed network operator which increased by 1.2%. Telecel experienced the greatest decline in traffic, particularly net-on-net traffic, owing to the decline in subscribers.

**Figure 7: Mobile Traffic Market Share**

A comparison with previous quarter`s statistics shows that NetOne gained 5.4% market share whereas Telecel and Econet lost 4.2% and 2.2% respectively. NetOne`s gain in local traffic market share can be attributed to the increase in subscribers on its network.

**3.3.3 INTERCONNECT TRAFFIC**

The market shares of local interconnect mobile voice traffic for each operator is shown in Figure 8 below:

**Figure 8: Market Share of Mobile Interconnect traffic (by termination)**

NetOne received the least amount of traffic from the other mobile networks, whereas Econet was a net-receiver of mobile interconnection traffic as shown by its 52.9% market share. A comparison with the 3rd Quarter`s interconnect market share statistics shows that Econet lost market share by 8.4%; NetOne lost market share by 0.3% whereas Telecel gained market share by 8.7%. This implies that NetOne`s increase in subscribers did not improve the amount of interconnect traffic it receives from the other mobile networks. On the other hand the decline in Telecel subscribers did not negatively impact interconnect traffic from the other two operators. Telecel`s net on net traffic was the category that was negatively affected by the decline in subscribers.

The flow of traffic between mobile operators and the fixed network is highly disproportionate. In the quarter under review the mobile operators received 61,175,048 minutes from TelOne whereas TelOne received only 4,602,765 from the mobile operators. Figure 9 shows the market share of mobile and fixed interconnect traffic.

**Figure 9: Mobile & Fixed Interconnect traffic**

TelOne had a market share of 2.9%. In the quarter under review TelOne was the net payer of interconnection dues to all the three mobile operators.

## 3.4 MOBILE REVENUES

The mobile network operators generated a total of $907,380,585 in 2014. This represents 17.9% decline in revenue from $1,104,792,925 recorded in 2013. A comparison of 4th quarter`s revenues with third quarter revenues shows a 11.3% decline from $247.8million generated in the 3rd quarter of 2014 to $219.7 million generated in the 4th quarter of 2014. The trend in mobile revenues over the past eight quarters is shown in figure 10 below:

**Figure 10: Mobile revenues**

Source: POTRAZ, Operator Returns

## 3.6 MOBILE BASE STATIONS

The number of base stations increased by 283 to reach 4,886 from 4,603 recorded in the previous quarter. An annual comparison shows that the total number of base stations increased by 9.7% from 4,452 recorded in 2013 to reach 4,886 base stations at the end of 2014. The quarterly comparison is shown in Table 9 below:

**Table 9: Base Stations**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation** |
| 2G Base Stations | 3,284 | 3,402 | 118 |
| 3G Base Stations | 1,300 | 1,464 | 164 |
| LTE Base Stations | 19 | 20 | 1 |
| Total | 4,603 | 4,886 | 283 |

Source: POTRAZ, Operator Returns

The information above shows that operators are still investing in 2G base stations whereas the number of LTE base stations base stations increased by only one. An annual comparison of base stations in 2013 and 2014 is shown in Figure 12 below:

**Figure 12: Annual Growth in Base Stations**

Base stations are broken down by operator and type in Table 10 below:

**Table 10: Base Stations by Operator**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **OPERATOR** | **2G** | **3G** | **LTE** | **TOTAL** |
| Econet | 2,125 | 874 | 20 | **3,019** |
| Telecel | 658 | 322 | - | **980** |
| NetOne | 619 | 268 | - | **887** |
| Total | **3,402** | **1,464** | **20** | **4,886** |

Source: POTRAZ, Operator Returns

## 2.8 MOBILE MONEY TRANSFER

The total number of mobile money transfer subscriptions grew by 7.3% to reach 5.3 million from 4.9 million subscribers recorded in the previous quarter. The total value of transfers and transaction on mobile money services increased by 10.6% to record $445.7 million from $403.1 million recorded in the previous quarter. The number of agents also increased 13.7% to reach 23,379 from 20,569 agents recorded in the previous quarter as shown in table 11 below:

**Table 11: Mobile Money Transfer**

|  |  |  |  |
| --- | --- | --- | --- |
| **Mobile Money Transfer** | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Change** |
| Number of Subscribers | 4,910,810 | 5,299,271 | 7.9% |
| Number of Agents | 20,569 | 23,379 | 13.7% |
| Total Deposits | $403,149,620 | $445,722,792 | 10.6% |

Source: POTRAZ, Operator Returns

An annual comparison of total value of transactions shows that deposits increased by 80.8% to record $1,442,258,588 in 2014 from $797,913,866 recorded in 2013. The total number of agents increased by 14,210 new agents to reach 23,379 from 9,169 agents recorded in 2013. Mobile money subscribers also increased by 71.9% to reach 5,299,271 from 3,083,126 subscribers recorded at the end of 2013. Figure 14 below shows the growth in mobile money subscriptions over the past year.

**Figure 14: Growth of Mobile Money Subscribers**

The market share of mobile money subscribers per operator is shown in Figure 15 below:

**Fig 15: Market Share of Mobile Money Subscribers**

Market share statistics in terms of value of total deposits show that Econet had 98% market share whereas Telecel and NetOne had 1.9% and 0.1% respectively. Econet also had the largest network of agents with 17,181 agents. Telecel and NetOne had 4,586 and 1,612 agents respectively.

# 4. DATA AND INTERNET SERVICE

## 4.1 SUBSCRIPTIONS

As shown in Table 12 below, the number of active internet subscriptions declined by 5.2% to reach 5.9 million subscribers from 6.2 million subscribers recorded in the previous quarter. An annual comparison shows that internet subscriptions grew by 7.4% to reach 5,879,552 subscriptions from 5,472,710 recorded at the end of 2013. Internet subscriptions are broken down by technology as follows:

**Table 12: Active Internet Subscriptions**

|  |  |  |  |
| --- | --- | --- | --- |
| **Technology** | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation** |
| **GPRS/EDGE/2G/3G/HSDP** | 6,053,677 | 5,727,318 | -5.4% |
| **LTE** | 601 | 315 | -47.6% |
| **Leased Lines** | 1,683 | 1,690 | 0.4% |
| **Dial up** | 8,935 | 8,926 | -0.1% |
| **XDSL** | 38,640 | 42,754 | 10.6% |
| **Wimax** | 10,862 | 9,664 | -11.0% |
| **CDMA** | 86,366 | 85,608 | -0.9% |
| **VSAT** | 285 | 519 | 82.1% |
| **Fibre links** | 1,741 | 2,758 | 58.4% |
| **TOTAL** | 6,202,790 | 5,879,552 | -5.2% |

Source: POTRAZ, Operator Returns

The decline in internet subscribers is mostly attributed to the decline in Telecel and Econet`s active mobile internet subscriptions. An active internet subscriber is one who has used the network to access the network within the past 90days. As a result of the decline in subscribers, the internet penetration rate declined by 2.5% to reach 45% from 47.5% recorded at the end of September 2014. This is the first time that the internet penetration rate has declined in the past year as shown in Figure 15 below:

**Fig 15: Internet Penetration Rate**

Source: POTRAZ, Operator Returns

## 4.3 INTERNATIONAL INTERNET CONNECTIVITY

In the quarter under review, the lit/equipped international internet bandwidth capacity was 27,720 Mbps up from 21,840Mbps recorded in the third quarter of 2014. This increase is attributed to TelOne`s increase in bandwidth capacity whereas the capacity of Liquid, Powertel and Africom remained unchanged. The lit/equipped bandwidth capacity is broken down by operator as follows:

**Table 13: 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** |   6,045 |    6,045 |
| **Africom** |      850 |      850 |
| **Dandemutande** |  460 |  460 |
| **TOTAL** | **13,860** | **13,860** |

Source: POTRAZ, Operator Returns

The increase in international internet bandwidth capacity in the quarter under review is attributed to the commissioning of new STM1s by TelOne as well as Dandemutande partnership with Powertel on overhead fibre links which means Dandemutande now had direct access to international internet bandwidth. The growth in international internet bandwidth capacity over the past year is shown in Fig 16 below:

**Fig 16: International Internet Bandwidth Capacity**

 Source: POTRAZ, Operator Returns

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

**Table 14: Used Internet Bandwidth Capacity**

|  |  |  |
| --- | --- | --- |
| **OPERATOR** | **Incoming International Bandwidth (Mbps)** | **Outgoing International Bandwidth (Mbps)** |
| **Liquid** |    3,422 |    1,870 |
| **Tel One** |    3,470 |    650 |
| **Powertel** |   1,705 |     320 |
| **Dandemutande** |  460 |  95 |
| **TOTAL** |  **8,597** | **2,840** |

Source: POTRAZ, Operator Returns

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

**4.4 IAP REVENUES AND INVESTMENT**

Total revenues generated by Internet Access Providers (IAPs) increased by 7% to record $31.3 million from 29.3 million generated in the previous quarter. On the other hand investment declined by 4.5% to record $10.8 million from $11.3 million recorded in the previous quarter. Table 15 shows the revenue and investment figures for the period under review.

**Table 15: IAP Revenues & Investment**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation** |
| Revenue | $29,296,382 | $31,352,959 | 7% |
| Investment | $11,295,863 | $10,792,851 | -4.5% |

Source: POTRAZ, Operator Returns

An annual comparison of IAP revenues shows that revenue generated in 2014 increased by 15.4% to record $117,197,187 from $101,593,511 recorded in 2013. Annual investment also increased by 36.3% to record $38,862,807 from $28,522,157 recorded in 2013. The bulk of the investment was in optic fibre.

# 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 16: Postal and Courier Traffic**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **3rd Quarter 2014** | **4th Quarter 2014** | **Quarterly Variation** |
| **Number of postal and courier items sent locally** | 2,887,971 | 2,793,761 | (3.3%) |
| **International incoming postal and courier items** | 598,345 | 525,183 | (12.2%) |
| **International outgoing postal and courier items** | 399,264 | 295,803 | (25.9%) |

Source: POTRAZ, Operator Returns

As shown in the table above all postal and courier categories recorded a decline. An annual comparison shows that postal and courier items sent locally declined by 20% to record 12,324,956 items from 14,795,184 items in 2013.

**7. CONCLUSION**

This quarterly postal and telecommunications sector analysis has shown growth in some services whereas some services registered a decline in the period under review. There was growth in the total number of active mobile telephone networks in the quarter under review. However whilst Econet and NetOne experienced an increase in their subscriber bases, Telecel registered a decline. The public switched telephone network also experienced a decline in the period under review.

The mobile money transfer services of all the three mobile networks experienced remarkable growth. This is evidenced by the increase in mobile money subscribers and the increase in the total value of transactions. The total number of agents also increased as the service providers expanded their agent networks so as to reach more people around the country.

Mobile internet subscribers experienced a decline in the quarter under review as some subscribers became inactive. This had a huge impact on the internet penetration rate since mobile internet constitutes the bulk of internet subscriptions. Of particular note is the decline in LTE subscribers. LTE coverage has not significantly improved since its introduction. With only 20 LTE base stations this means that only a few areas are covered.

The postal market is on a downward trend as evidenced by the decline in postal and courier volumes. The rise of the internet has taken a heavy toll on postal and courier services as it provides an alternative to the sending of documentation both locally and internationally. On the other hand the internet also poses an opportunity for the postal and courier operators to diversify into e-commerce services.