

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



ABRIDGED POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

THIRD QUARTER 2015

Disclaimer:

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1. MAJOR HIGHLIGHTS

- The fixed teledensity declined by 0.1% to reach 2.5% from 2.6% recorded in the previous quarter.
- The mobile penetration rate (active) increased by 1.3% to reach 92.8% from 91.5% recorded in the previous quarter.
- The internet penetration rate increased by 2.1% to reach 46.6% from 44.5% recorded in the previous quarter.
- The total value of deposits on mobile money platforms declined by 10.5% to record \$458 million from \$512 million recorded in the previous quarter
- Lit/equipped International internet bandwidth capacity increased by 2.6% to reach 31,310Mbps from 30,520Mbps recorded in the previous quarter.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines declined by 0.2% to reach 332,211 from 332,866 recorded in the previous quarter. Likewise the fixed teledensity declined by 0.1% to record 2.5% from 2.6% recorded in the second quarter of 2015 as shown in Table 1 below:

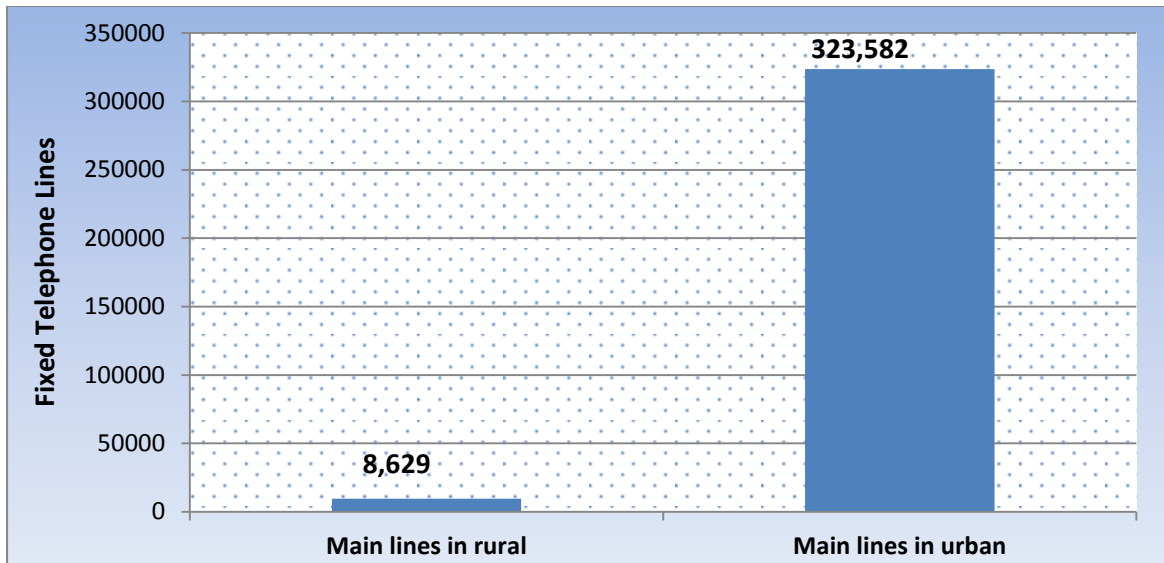
Table 1: Fixed Telephone subscribers

	Second Quarter 2015	Third	Quarterly Variation %
Active Subscriptions	332,866	332,211	-0.2%
Switching capacity	473,700	473,700	-
Fixed Teledensity	2.6%	2.5%	-0.1%

Source: POTRAZ, Operator Returns

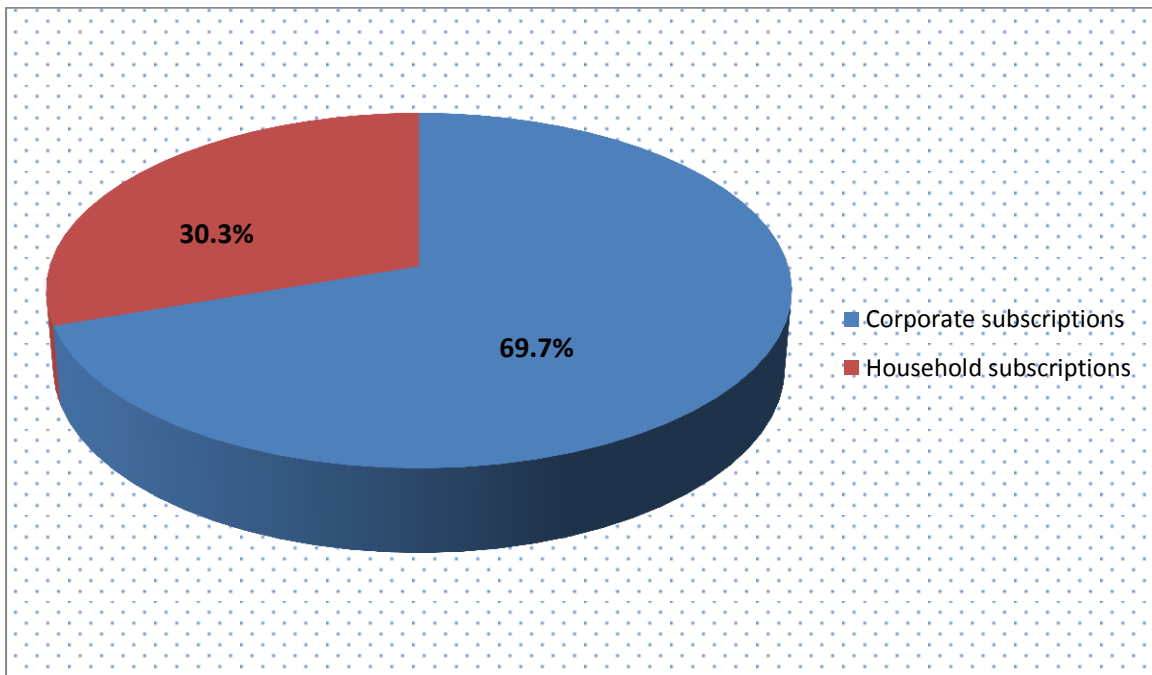
Of the 332,211 fixed telephone subscriptions, only 2.6% were in rural areas. The discrepancy between main lines in urban areas and rural areas is shown in the graph below:

Figure 1: Main Lines in Rural and Urban



Corporate subscriptions were 100,599 and individual/household subscriptions were 231,612; thus corporate subscriptions made up 30.3% of total subscriptions whereas household/individual subscriptions made up 69.7% of total subscriptions as shown in the graph below:

Figure 2: Corporate vs. household/individual fixed telephone subscriptions



2.2 FIXED NETWORK TRAFFIC

The total voice traffic processed on the fixed telephone network increased by 3.8% to record 170,183,284 minutes from 164,025,120 minutes recorded in the previous quarter. A quarterly comparison of all fixed network traffic categories is as illustrated in Table 2 below:

Table 2: Fixed Voice Traffic

Traffic Category	2 nd Quarter 2015	3 rd Quarter 2015	Quarterly Variation %
Net On Net	65,007,509	72,597,693	11.7%
Outgoing to Mobile	70,946,967	69,255,379	-2.3%
Incoming from Mobile	7,255,544	7,312,801	0.8%
Incoming from IAPs	684,517	832,606	21.6%
Outgoing to IAPs	327,407	365,879	11.8%
International Incoming	11,854,199	12,140,667	2.4%
International Outgoing	7,948,977	7,678,259	-3.4%
Total traffic	164,025,120	170,183,284	3.8%

Source: POTRAZ, Operator Returns

The increase in fixed voice traffic was mainly driven by the 11.7% increase in net-on-net traffic. International outgoing traffic and fixed to mobile traffic are the two categories that registered declines. The declines can be attributed to the increased use of Over the Top services, in particular WhatsApp messaging and calling.

2.3 FIXED TELEPHONE REVENUES AND INVESTMENT

Fixed voice service generated a total of \$30,944,387 in the third quarter of 2015. This represents a 1.3% increase in revenue from \$30,533,976 generated in the previous quarter. This increase can be attributed to the increased voice traffic in the period under review. On

the other hand investment declined by 32.9% to record \$4,600,292 from \$6,853,320 invested in the previous quarter. Table 3 below shows a quarterly comparison of fixed voice revenue and investment.

Table 3: Fixed Voice Revenue & Investment

	Second Quarter 2015	Third Quarter 2015	Quarterly Variation %
Revenues	30,533,976	30,944,387	1.3%
Investment	6,853,320	4,600,292	-32.9%

Source: POTRAZ, Operator Returns

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

The total number of active mobile subscriptions increased by 3.7% to reach 12,394,383 subscriptions from 11,949,791 recorded in the previous quarter. As a result the mobile penetration rate increased by 1.3% to reach 92.8% from 91.5% recorded in the previous quarter. Active and total subscriptions per operator are shown in the table below:

Table 4: Active vs. Total Mobile Subscriptions

	Total Subscribers	Active Subscribers	% inactive
Econet	9,184,748	6,679,797	27.3%
Telecel	4,637,744	1,913,593	58.7%
NetOne	5,232,467	3,800,993	27.4%
Total	19,054,959	12,394,383	35%

Source: POTRAZ, Operator Returns

All the mobile operators with the exception of Telecel experienced increases in their active subscriber base as shown in Table 5 below:

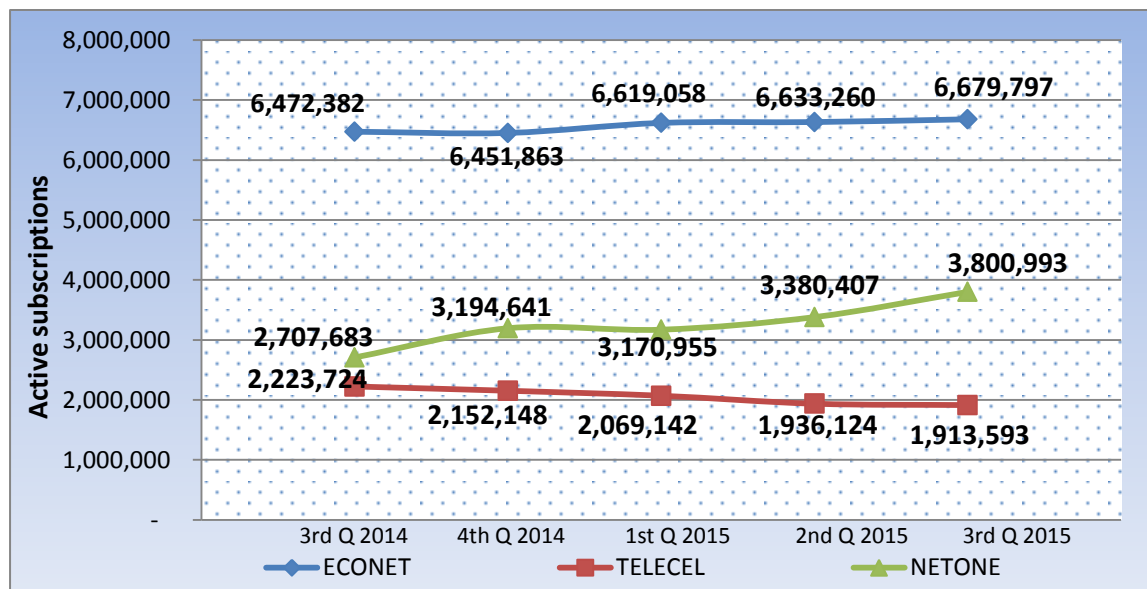
Table 5: Active Mobile subscriptions per Operator

Operator	2 nd Quarter 2015	3 rd Quarter 2015	% Change
Econet	6,633,260	6,679,797	0.7%
Telecel	1,936,124	1,913,593	-1.2%
NetOne	3,380,407	3,800,993	12.4%
Total	11,949,791	12,394,383	3.7%

Source: POTRAZ, Operator Returns

The movement in the active mobile subscriptions for each mobile operator over the past year is shown in Figure 3 below:

Fig 3: Active Mobile Subscriptions trend

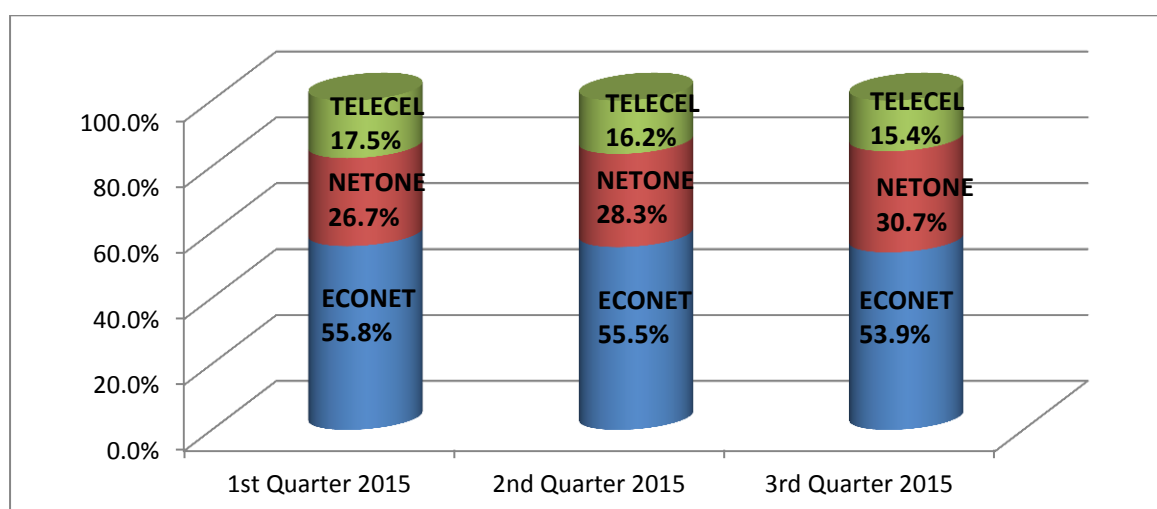


As shown in the graph above Telecel subscriptions have been continuously declining since the third quarter of 2015. On the other hand NetOne and Econet`s subscriptions have been generally on the increase.

3.2 MARKET SHARE OF MOBILE SUBSCRIBERS

The movement in the market share of active subscribers for the mobile network operators this year is shown in Figure 4 below:

Figure 4: Market Share of mobile subscribers



3.3 MOBILE TRAFFIC AND USAGE PATTERNS

3.3.1 TOTAL MOBILE TRAFFIC

A comparison of mobile telephone traffic in the third and second quarters of 2015 is shown in table 6 below:

Table 6: Mobile Telephone Traffic

	2 nd Quarter 2015	3 rd Quarter 2015	Quarterly Change
Net On Net	819,632,661	933,346,574	13.9%
Mobile to Fixed	7,255,544	7,312,801	0.8%
Mobile to Other Mobile (by termination)	254,942,306	243,908,928	-4.3%
Outgoing to VoIP	766,576	919,616	20.0%
Incoming from Fixed	70,946,967	69,255,379	-2.4%
Incoming from VoIP	6,614,167	7,770,147	17.5%
TOTAL NATIONAL	1,160,158,221	1,262,513,445	8.8%
International Incoming	68,066,502	67,879,212	-0.3%
International Outgoing	25,818,037	25,516,913	-1.2%
Inbound Roaming	1,549,461	1,527,614	-1.4%
Outbound Roaming	436,237	513,395	17.7%
Data Utilisation	785,058,782	944,268,192	20.3%

Source: POTRAZ Operator Returns

Mobile data utilisation increased by 20.3% to record 944,268,192MB from 785,058,782MB recorded in the previous quarter. This increase shows growing demand for internet services in the country. The total national voice traffic increased by 8.8% to record 1.3million minutes from 1.2million minutes recorded in the previous quarter. This increase was mainly driven by the increase in net-on-net traffic owing to net-on-net promotions.

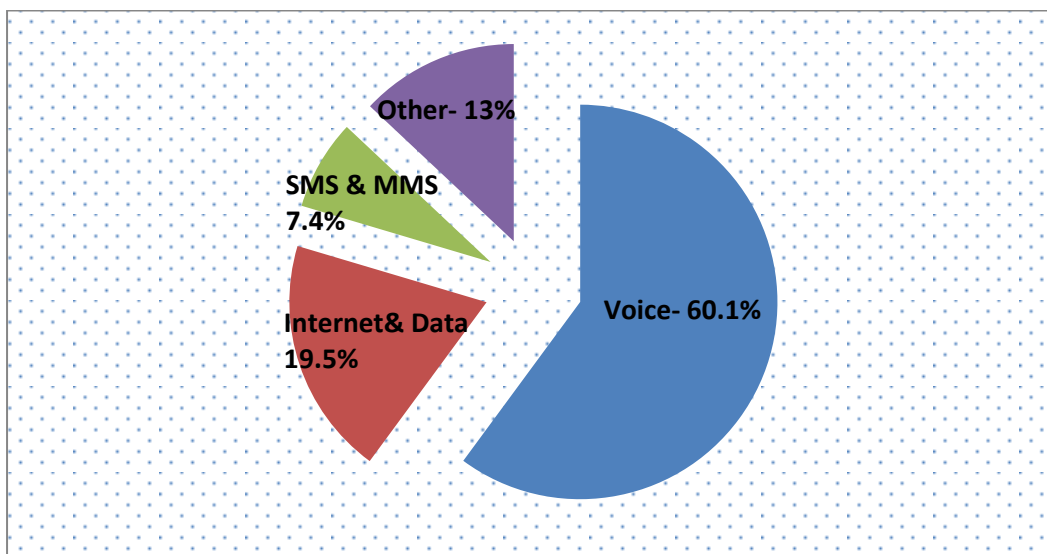
On the other hand international incoming and outgoing traffic declined by 0.3% and 1.2% respectively. The decline in international traffic is attributed to the proliferation of alternatives for communication such as WhatsApp and VoIP solutions such as Skype and Viber.

3.4 MOBILE REVENUES

The total revenue generated by the three mobile operators in the third quarter of 2015 was \$182,508,300. This represents a 0.4% decline from \$183,164,014 recorded in the previous quarter. The increase in national voice traffic did not translate to an increase in revenues. This is because the traffic increase was driven by net-on-net calls which were being offered at discounted promotional rates.

Mobile operators are still heavily dependent on voice service for their revenue. Voice service made up 60.1% of total mobile operator revenues in the quarter under review. Figure 5 below shows the distribution of mobile operator revenues by service.

Fig 5: Distribution of Mobile Revenues by Service



Other revenue refers to SIM Card sales, device sales, mobile money charges etc. The market share of revenues is shown in Figure 9 below:

3.5 MOBILE MONEY TRANSFER

The number of mobile money subscribers increased by 7.1% to reach 6.7 million from 6.2million subscribers recorded in the 2nd quarter of 2015. The number of agents also increased by 6.9% to reach 29,775 from 27,862 recorded in the previous quarter. However total deposits on mobile money platforms declined by 10.5% to record \$458 million from \$512 million recorded in the previous quarter as shown in the table below:

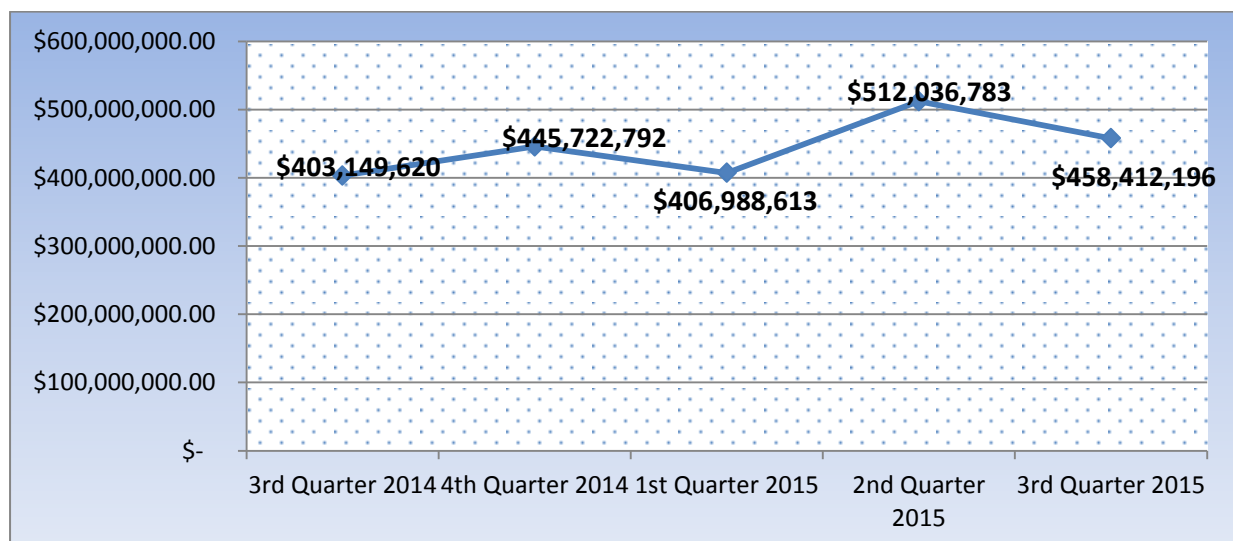
Table 7: Mobile Money Transfer

Mobile Money Transfer	2 nd Quarter 2015	3 rd Quarter 2015	Quarterly Change
Number of Subscribers	6,230,738	6,670,956	7.1%
Number of Agents	27,862	29,775	6.9%
Total Deposits	\$512,036,783	\$458,412,196	-10.5%

Source: POTRAZ, Operator Returns

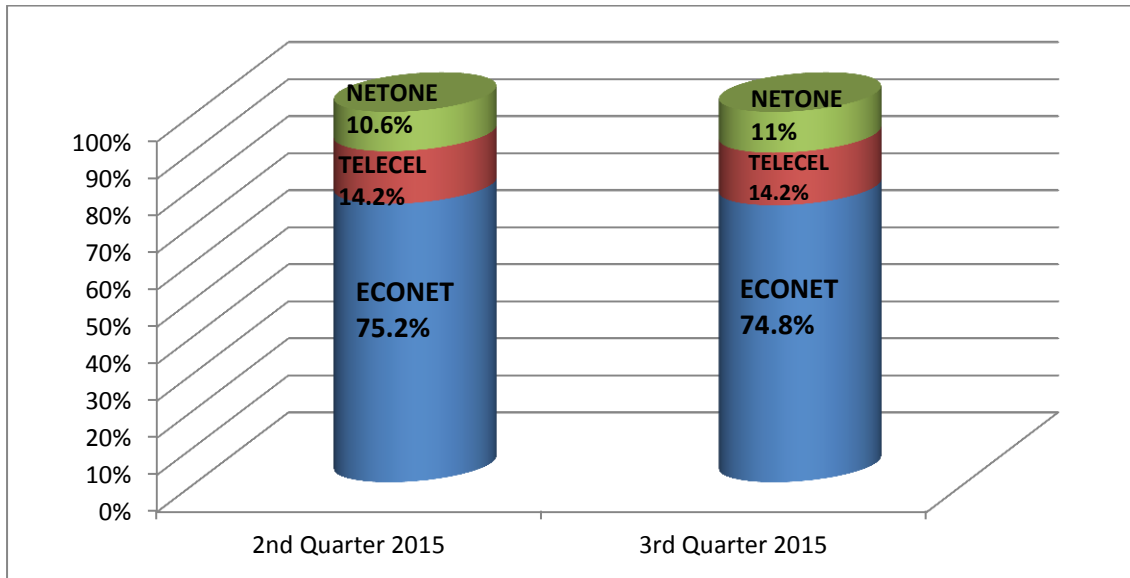
Although mobile money subscribers have been increasing, mobile money deposits have been experiencing periodic fluctuations as shown in Figure 6 below:

Figure 6: Mobile Money Deposits



The changes in the mobile money subscriber market shares of the operators over the two quarters are shown in Figure 7 below:

Figure 7: Market Share of Mobile Money Subscribers



3.6 MOBILE TELEPHONE INFRASTRUCTURE

With the exception of Telecel, mobile operators increased the number of their base stations. The growth in the number of base stations per operator is shown in Table 8 below:

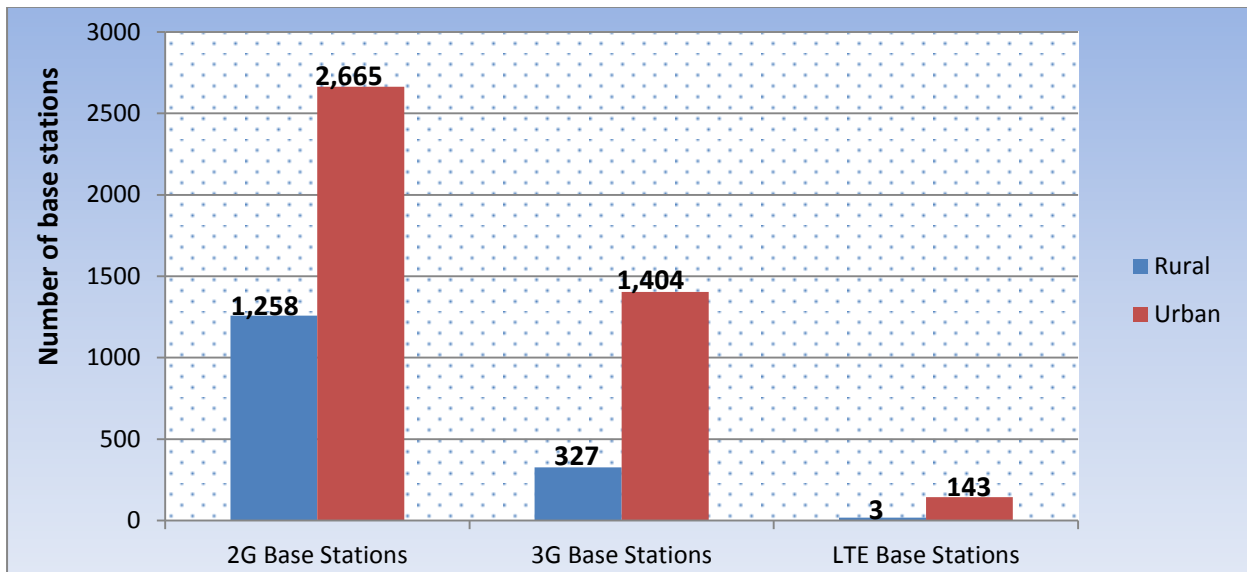
Table 8: Mobile Base Stations

	2 nd Q 2015	3 rd Q 2015	Net Addition
2G	3,682	3,923	241
3G	1,599	1,731	132
LTE	65	146	81
Total	5,346	5,800	454

Source: POTRAZ, Operator Returns

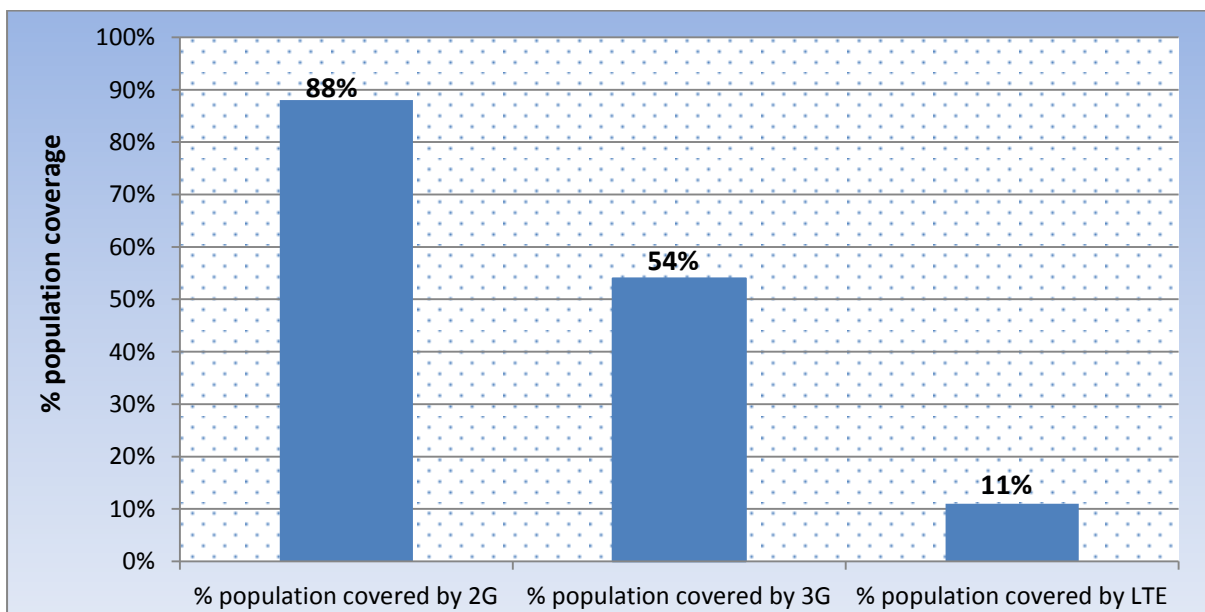
The digital divide is manifested in the significantly fewer base stations in rural areas than the urban areas. The distribution of base stations between rural areas and urban areas is shown in Figure 8 below:

Figure 8: Distribution of Mobile Base Stations by location



The % of population covered by mobile networks has been increasing given the increase in the number of base stations over the past number of years. The population coverage by network technology as at 30 September 2015 is shown in the graph below:

Figure 9: % population coverage by network



4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of internet subscriptions increased by 4.7% to record 6,086,827 from 5,815,518 subscribers. Likewise the internet penetration rate increased by 2.1% to record 46.6% from 44.5% recorded in the previous quarter. Internet subscriptions are broken down by technology as follows:

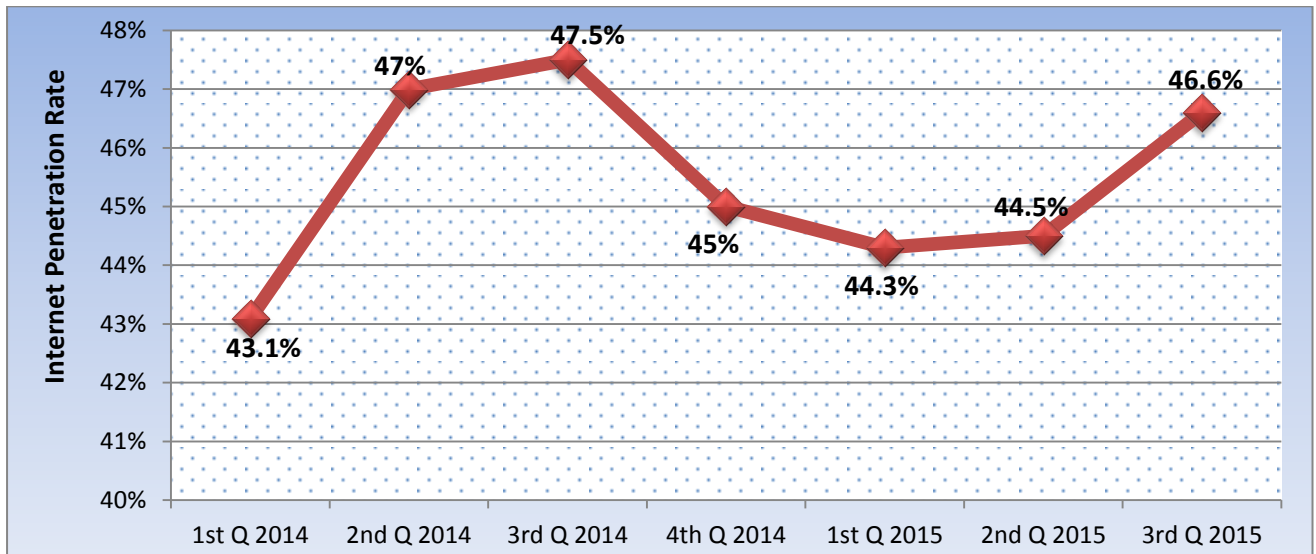
Table 9: Active Internet Subscriptions

Technology	2nd Quarter 2015	3rd Quarter 2015	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,648,922	5,889,267	4.3%
LTE	474	26,185	5424.3%
Leased Lines	1,518	1,504	-0.9%
Dial up	7,524	7,296	-3.0%
xDSL	57,201	61,891	8.2%
Wimax	9,820	10,026	2.1%
CDMA	84,828	82,959	-2.2%
VSAT	749	824	10.0%
Active Fibre links	4,482	6,875	53.4%
TOTAL	5,815,518	6,086,827	4.7%

Source: POTRAZ, Operator Returns

The most notable development was the increase in LTE subscriptions. The quarterly movement in the internet penetration rate from 2014 is shown in the graph below:

Fig 10: Internet Penetration Rate



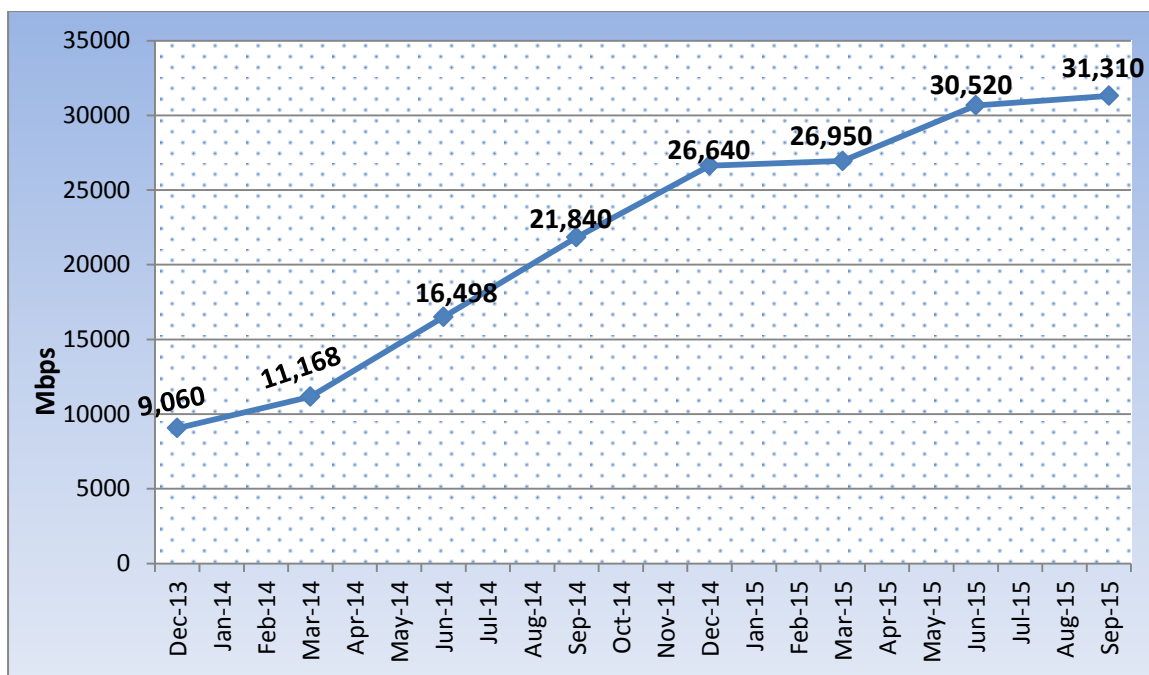
Source: POTRAZ, Operator Returns

4.2 INTERNATIONAL INTERNET CONNECTIVITY

Lit/equipped international internet bandwidth increased by 2.6% to reach 31,310Mbps from 30,520Mbps recorded in the previous quarter. The increase is attributed to the commissioning of more STM1s by Liquid and TelOne. The changes in the equipped international internet bandwidth for all the operators with international internet connectivity are shown in the table below:

The growth in the equipped international internet bandwidth capacity from 2013 is shown in the graph below:

Figure 11: Growth in international internet bandwidth capacity



Used international incoming internet bandwidth increased by 2.6% to reach 12,798Mbps from 12,464 Mbps recorded in the second quarter of 2015. On the other hand used international outgoing international internet bandwidth declined by 19.2% to reach 3,483Mbps from 4,313Mbps recorded in the previous quarter. Used international outgoing bandwidth is much lower than incoming due to the limited local internet content in Zimbabwe.

4.3 IAP REVENUES AND INVESTMENT

The total revenue generated by Internet Access Providers (IAPs) in the third quarter of 2015 was \$37,470,938. This represents a 10.4% increase in revenue from \$33,938,217 recorded in the previous quarter. On the other hand investment by IAPs declined by 23.3% to record \$11.7 million from \$15.3million recorded in the previous quarter as shown in the table below:

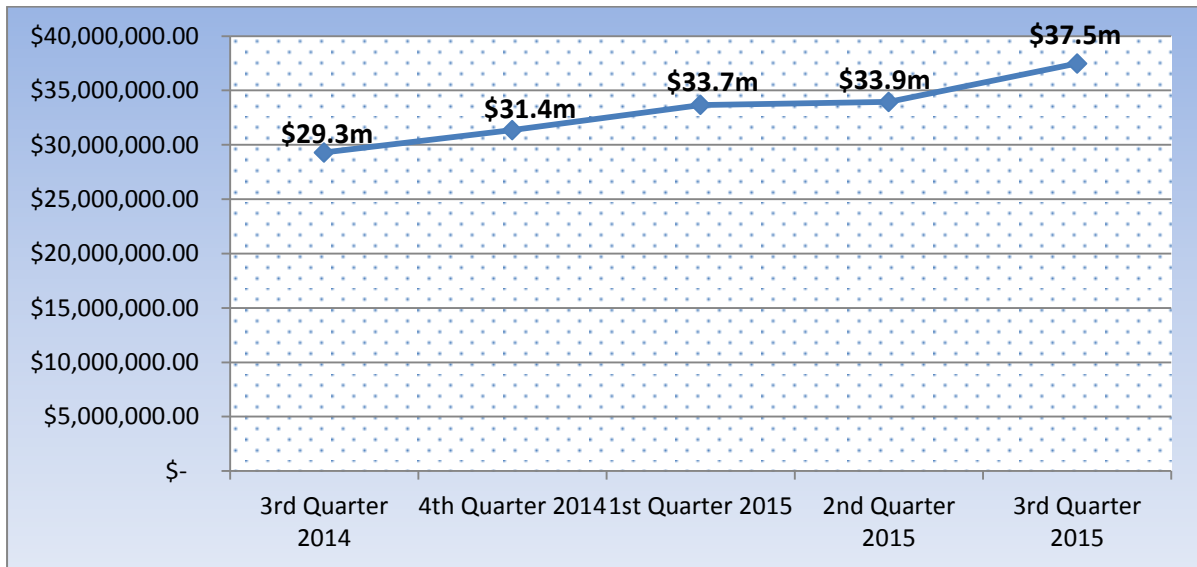
Table 10: IAP Revenues & Investment

	2 nd Quarter 2015	3 rd Quarter 2015	Quarterly Variation
Revenue	\$33,938,217	37,470,938	10.4%
Investment	\$15,310,970	11,740,470	-23.3%

Source: POTRAZ, Operator Returns

The increase in IAP revenues is attributed to the increased uptake and usage of internet services in Zimbabwe. The movement in IAP revenues over the year is shown in Figure 12 below:

Figure 12: IAP revenues



Source: POTRAZ, Operator Returns

5. POSTAL AND COURIER SERVICES

5.1 POSTAL AND COURIER TRAFFIC

The postal and courier traffic recorded in the third quarter of 2015 is summarised in the table below:

Table 11: Postal and Courier Traffic

	2 nd Quarter 2015	3 rd Quarter 2015	Quarterly Variation
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Number of postal and courier items sent locally	2,147,295	2,144,802	-0.1%
International incoming postal and courier items	485,026	455,902	-6.0%
International outgoing postal and courier items	276,179	279,381	1.2%

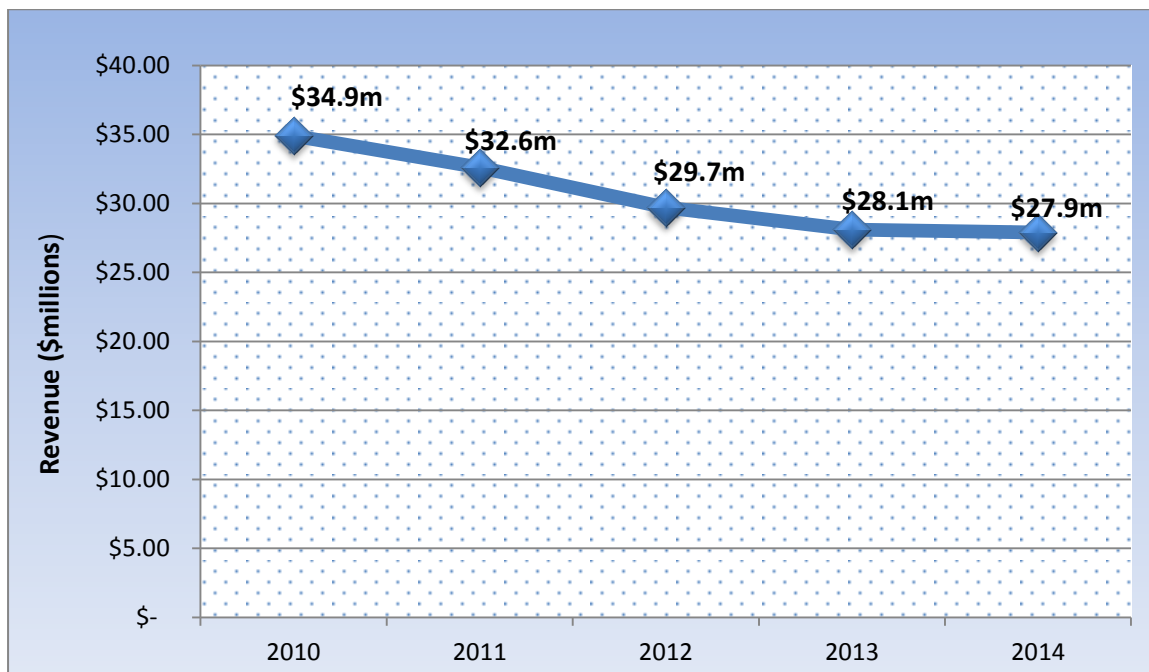
Source: POTRAZ, Operator Returns

International outgoing postal and courier was the only category to record growth in the quarter under review. Postal and courier services continue to face competition from voice, instant messaging and internet services that provide faster means of communication.

5.2 POSTAL & COURIER REVENUES

Revenues generated by the licensed postal and courier operators declined by 6% to record \$6,045,875 from \$6,432,199 recorded in the previous quarter. The decline in the revenues of postal and courier operators is attributed to the decline in postal and courier volumes. The declining trend in postal and courier revenues from 2010 is shown in the graph below:

Figure 13: Postal & Courier Revenues



5.3 ELECTRONIC TRANSACTIONS AT POSTAL OUTLETS

The total value of electronic transactions processed at postal outlets was increased by 0.05% to record \$733,535 from \$733,208 recorded in the previous quarter. Table 12 below shows the quarterly growth in transactions and number of outlets offering e-money transactions.

Table 12: Electronic transactions at postal outlets

	2nd Quarter 2015	3rd Quarter 2015	Quarterly Variation
Value of Transactions Processed	\$733,208	\$733,535	0.05%
Number of outlets offering electronic money transactions	217	226	9 additional

The number of outlets offering electronic money transactions increased from 217 to 226 due to the addition of 9 more outlets.

6. CONCLUSION

As shown in this report, mobile as well as data and internet services experienced growth in their active subscriptions. On the other hand the fixed telephone experienced a decline in subscriptions. The fixed teledensity declined by 0.1% to reach 2.5% from 2.6% recorded in the previous quarter. On the other hand the mobile penetration rate (active) increased by 1.3% to reach 92.8% from 91.5% recorded in the previous quarter. The internet penetration rate also increased by 2.1% to reach 46.6% from 44.5% recorded in the previous quarter.

National mobile voice traffic generated an increase which was fuelled by net-on-net traffic owing to promotions. However international incoming and international outgoing traffic declined during the period. The fixed network also experienced a decline in international outgoing traffic. This is attributed to the proliferation of alternative Over the Top communication platforms such as Whatsapp and Viber.

As demand for data and internet increased operators had to commission more STM1s to increase their capacities. Equipped international internet bandwidth increased by 2.6% to reach 31,310Mbps from 30,520Mbps. Usage of mobile data and internet increased as

evidenced by the 20.3% increase in mobile data utilisation to record 944,268,192MB from 785,058,782MB recorded in the previous quarter. As revenues from voice and sms services continue to decline, it is apparent that the future of telecommunications is data.