

# POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



## POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

**FIRST 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.*

## Table of Contents

1. MAJOR HIGHLIGHTS.....	3
2. MOBILE TELEPHONE SERVICE .....	3
2.1 SUBSCRIPTIONS.....	3
2.2 MOBILE SUBSCRIPTIONS BY OPERATOR.....	4
2.3 MOBILE SUBSCRIBER MARKET SHARE.....	5
2.4 MOBILE TRAFFIC AND USAGE PATTERNS.....	5
3. FIXED TELEPHONY SERVICE .....	7
3.1 SUBSCRIPTIONS.....	7
3.2 FIXED NETWORK NATIONAL TRAFFIC.....	8
3.3 INTERNATIONAL TRAFFIC .....	9
4. DATA AND INTERNET SERVICE .....	9
4.1 SUBSCRIPTIONS.....	9
4.2 VoIP TRAFFIC.....	11
4.3 INTERNATIONAL INTERNET CONNECTIVITY.....	11
5. POSTAL AND COURIER SERVICES .....	12
5.1 POSTAL AND COURIER TRAFFIC.....	12
6. REVENUES & INVESTMENT .....	13
7. CONCLUSION.....	13

## I. MAJOR HIGHLIGHTS

- Total mobile subscribers increased by 1.9% to reach 13,892,109 subscribers from 13,633,167 subscribers recorded in the previous quarter.
- The mobile penetration rate increased by 2 percentage points to reach 106.4% from 104.4% recorded in the previous quarter.
- Fixed telephone subscribers increased by 7.2% to reach 326,183 subscribers from 307,202 subscribers recorded in the previous period.
- Data and internet subscribers increased by 2.9% to reach 5,633,242 from 5,471,710 subscribers recorded in the previous quarter.
- The internet penetration rate increased by 1.4% to reach 43.1% from 41.9% recorded in the previous quarter.

## 2. MOBILE TELEPHONE SERVICE

### 2.1 SUBSCRIPTIONS

In the quarter under review there was a 1.9% growth in mobile subscriptions to reach 13,892,109 subscribers from 13,633,167 subscribers recorded in the fourth quarter of 2013. The quarter on quarter growth rate in mobile subscriptions has slowed substantially since the first quarter of 2013. The growth of mobile subscriptions during the first quarter of 2014 is shown in Table 1 below:

**Table 1: Mobile subscriptions**

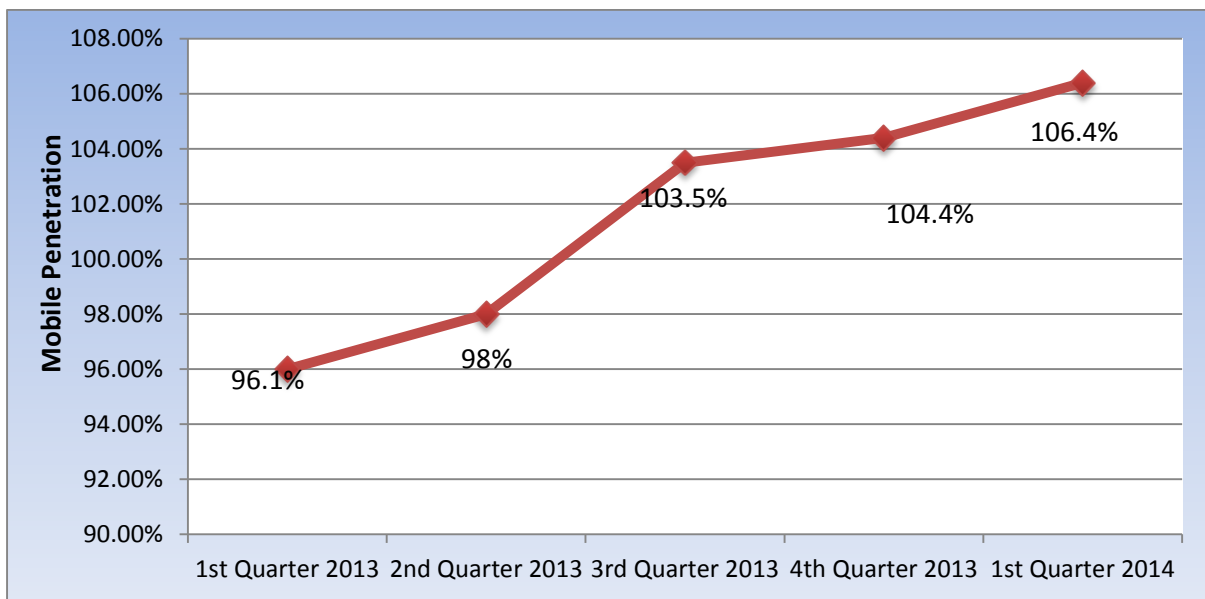
	<b>4<sup>th</sup> Quarter 2013</b>	<b>1<sup>st</sup> Quarter 2014</b>	<b>Net Addition</b>	<b>Quarterly Change (%)</b>
<b>Number of Subscribers</b>	13,633,167	13,892,109	258,942	1.9%
<b>Prepaid subscribers</b>	13,357,462	13,609,161	251,699	1.9%
<b>Post-paid subscribers</b>	275,795	282,948	7,153	2.6%

The majority (98 percent) of mobile subscribers are on pre-paid tariff plan i.e. 13.6 million subscriptions against 282,948 post-paid subscriptions. Increased preference of pre-paid

services is mainly due to its flexibility and the fact that it allows the subscriber to enjoy promotions which are not usually offered on the post-paid platform.

As at the end of the quarter being reported, the penetration of mobile services was reported at 106.4% which is above the world average of 67 mobile lines per 100 inhabitants. This was a 2% increase from 104.4% recorded in the last quarter. The growth in mobile penetration is as summarized in figure 1 below:

**Figure 1: Mobile Penetration**



Source: POTRAZ, Operator Returns

## 2.2 MOBILE SUBSCRIPTIONS BY OPERATOR

Two of the three mobile operators recorded a growth in mobile subscribers, whereas one mobile operator registered a decline during the quarter under review. The growth in subscriptions for each of the operators is show in Table 2 below:

**Table 2: Subscriptions per mobile operator**

Name of Operator	Fourth Quarter 2013	First Quarter 2014	Net Additions	Quarterly Variation %
ECONET	8,720,869	9,075,925	355,056	4.1%
TELECEL	2,578,559	2,459,369	(119,190)	(4.6%)
NETONE	2,333,739	2,356,815	23,076	1%

TOTAL	13,633,167	13,892,109	258,942	1.9%
-------	------------	------------	---------	------

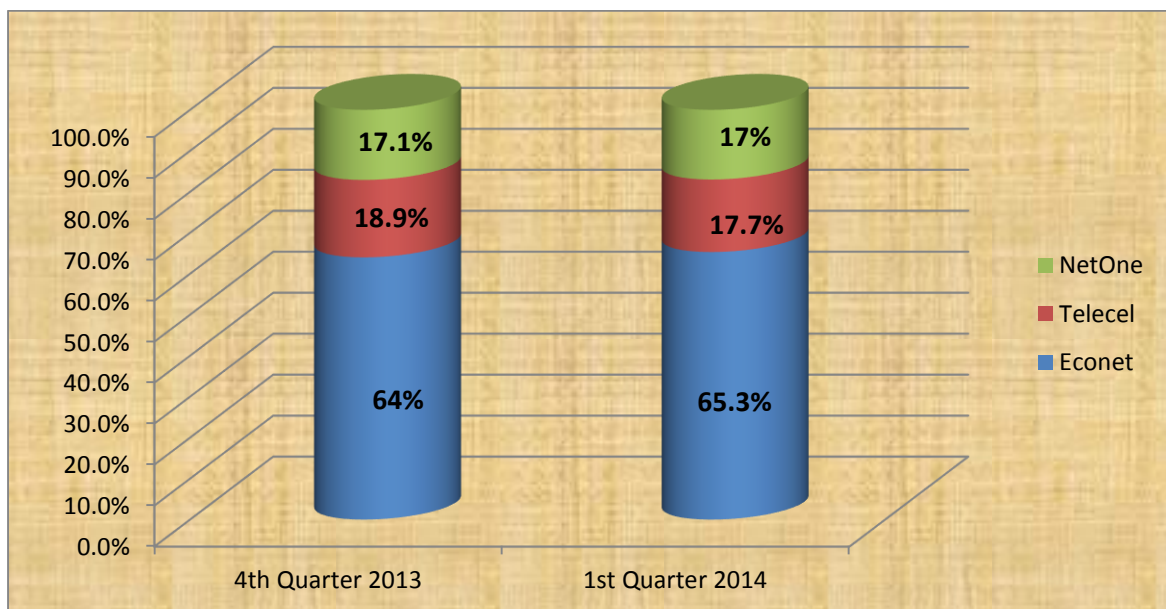
Source: POTRAZ, Operator Returns

Econet experienced a growth of 4.1% and NetOne experienced a marginal growth 1% in their subscriptions. On the other hand Telecel registered a significant decline of 4.6% in their subscriber base owing to the deactivation of subscriber lines which had become inactive on their network.

### 2.3 MOBILE SUBSCRIBER MARKET SHARE

Econet recorded the largest subscriber market share of 65.3% gaining 1.3% market share from the previous quarter. Telecel lost 1.2% market share down to 17.7% from 18.9% recorded in the previous quarter. This was due to the 119,190 reduction in Telecel’s subscriber base. On the other hand NetOne lost 0.1% in its subscriber base. The quarterly change in market shares as measured by subscriptions for each of the operator is illustrated in Figure 2 below:

**Fig 2: Market Share of Mobile subscribers**



### 2.4 MOBILE TRAFFIC AND USAGE PATTERNS

During the quarter under review, total mobile traffic declined by 20.7% to record 1.9 billion minutes up from 2.4 billion minutes registered during the previous quarter. The intra-network traffic contributed 73.9% to the total traffic. Despite the promotions on on-net calls the net-on-net traffic declined considerably by 16.9% from 1.7 billion minutes to reach 1.4 billion minutes recorded in the previous quarter. A comparison of traffic between the first quarter of 2014 and the fourth quarter of 2013 is shown in table 3 below:

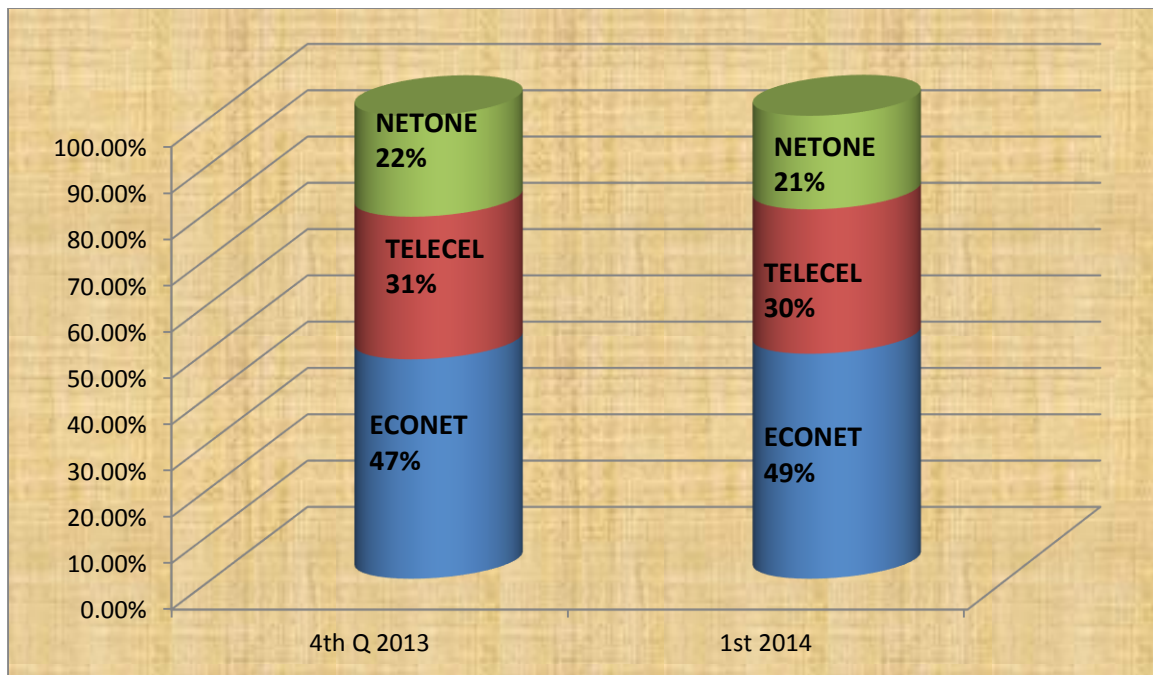
**Table 3: Mobile traffic**

	<b>4th Quarter 2014</b>	<b>1st Quarter 2014</b>	<b>Quarterly Change</b>
<b>Net On Net</b>	1,670,180,000	1,388,756,528	-16.9%
<b>Mobile to Fixed</b>	7,013,873	8,017,566	14.3%
<b>Mobile to Other Mobile</b>	231,478,688	277,694,977	20%
<b>Outgoing to VoIP</b>	510,828	518,943	1.6%
<b>Total Off Net</b>	239,003,389	286,231,486	19.8%
<b>Incoming from Fixed</b>	86,156,888	79,174,074	-8.1%
<b>Incoming from VoIP</b>	3,298,945	3,978,593	20.6%
<b>International Incoming</b>	89,428,125	77,846,607	-13%
<b>International Outgoing</b>	39,654,046	37,485,644	-5.8%
<b>Inbound Roaming</b>	1,404,580	1,233,781	-12.2%
<b>Outbound Roaming</b>	216,886	208,837	-3.7%

Source: POTRAZ, Operator Returns

The decline in international and roaming traffic is evidence of the increased use of alternative communication platforms such as Whatsapp, Viber and Skype. The increase in the flow of traffic between VoIP operators and the mobile operators is commendable and could be as a result of the operationalisation of more interconnection agreements between Internet Access Providers and mobile operators. The quarterly change in the traffic market share of mobile operator is shown in Figure 3 below:

**Fig 3: Mobile Traffic Market Share**



As shown in figure 3 above, there was no significant change in the traffic market shares of the mobile operators.

### 3. FIXED TELEPHONY SERVICE

#### 3.1 SUBSCRIPTIONS

The total fixed lines were recorded at 326,183 up from 304,162 lines posted during the previous quarter. This represents a 7.2% increase in the fixed line subscriber base. This is the first time in a year that there has been a growth in fixed line subscribers. The growth in fixed network subscriptions is indicated in Table 5 below:

**Table 5: Fixed Telephone subscribers**

	Fourth Quarter 2013	First Quarter 2014	Net Additions	Quarterly Variation %
TelOne	304,162	326,183	22,021	7.2%
Fixed Teledensity	2.3%	2,5%		0.2%

Source: POTRAZ, Operator Returns

### 3.2 FIXED NETWORK NATIONAL TRAFFIC

There was a decline of 8.1% in fixed to mobile traffic to reach 79,174,074 minutes from 86,156,888 minutes registered during the previous quarter. Traffic from the fixed network to the VoIP operators increased by 73.6% to reach 270,508 minutes from 155,866 minutes recorded in the previous quarter. The increase in traffic flow between the fixed network and Internet Access Providers can be attributed the increase in the number of IAPs that TelOne has interconnected with. The growth in fixed network traffic is as illustrated in Table 6 below:

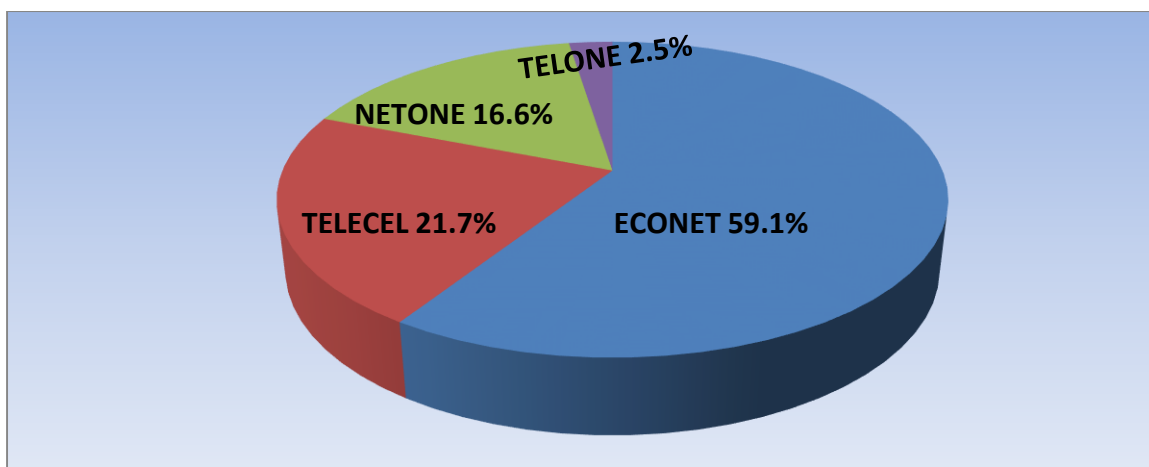
**Table 6: Fixed Network Traffic**

Traffic Category	Fourth Quarter 2013	First Quarter 2014	Quarterly Variation %
Fixed to Mobile	86,156,888	79,174,074	-8.1%
Mobile to Fixed	7,013,873	8,017,566	14.3%
Incoming from IAPs	474,649	493,369	3.9%
Outgoing to IAPs	155,866	270,508	73.6%

Source: POTRAZ, Operator Returns

The distribution of national interconnection traffic amongst the three mobile operators and the fixed operator is shown below:

**Fig 4: Distribution of Interconnect traffic**





As shown above interconnect traffic is heavily skewed towards Econet with 59.1% whereas TelOne has only 2.5%. This implies that the fixed line network sends more traffic to the mobile networks than it receives from them hence becoming a net payer of interconnection dues.

### 3.3 INTERNATIONAL TRAFFIC

International incoming traffic through the fixed network increased considerably by 17.7% cent to post 13.7 million minutes up from 11.6 million minutes recorded during the previous quarter. On the other hand, international outgoing voice traffic declined by 5.4% to reach 8.3 million minutes down from 8.7 million minutes registered during the previous quarter. The growth in international fixed line traffic is shown in Table 7 below:

**Table 7: Fixed Network International Traffic**

	<b>Fourth Quarter 2013</b>	<b>First Quarter 2014</b>	<b>Quarterly Variation %</b>
International Incoming	11,596,758	13,654,150	17.7%
International Outgoing	8,734,234	8,263,245	(5.4%)

Source: POTRAZ, Operator Returns

## 4. DATA AND INTERNET SERVICE

### 4.1 SUBSCRIPTIONS

As shown in Table 15 below, the quarter under review witnessed growth in internet/data subscriptions of 2.9% to post 5,633,242 subscribers from 5,472,710 subscribers registered during the previous quarter. Notably, mobile data/internet sector has maintained its largest share of 98 percent of total internet subscriptions. Table 8 below summarises the internet and data subscriptions by technology.

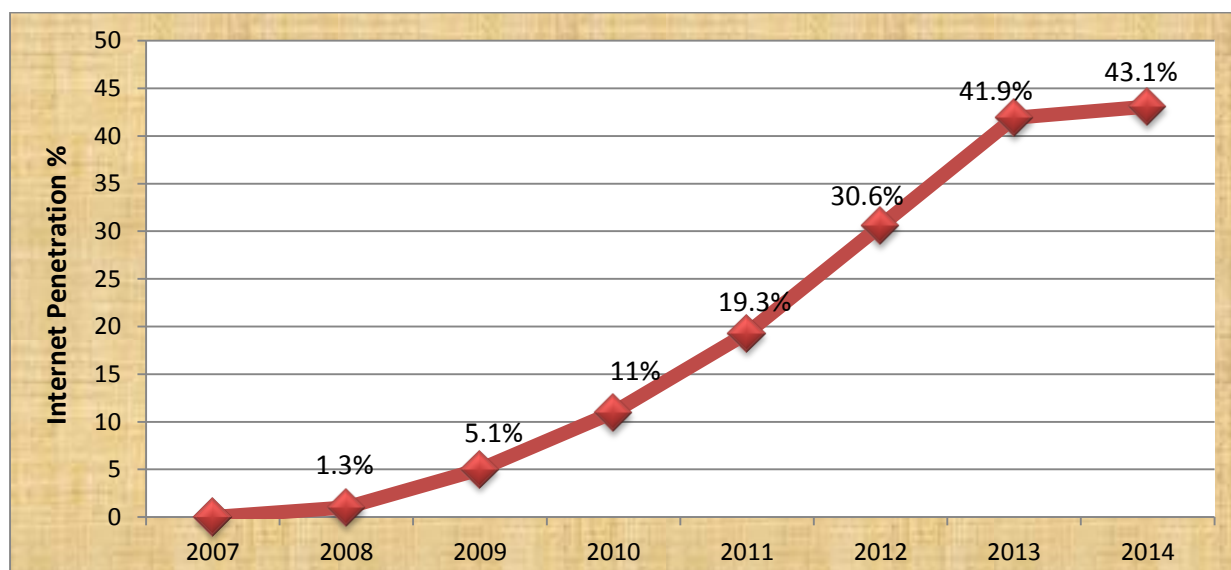
**Table 8: Internet Subscriptions**

Technology	4 <sup>th</sup> Quarter 2013	1 <sup>st</sup> Quarter 2014	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,348,433	5,495,671	2.8%
LTE	128	171	33.6%
Leased Lines	1,424	1,398	-1.8%
Dial up	8962	8,901	-0.7%
XDSL	24,724	36,583	48.0%
Wimax, Wi-Fi	9,858	10,842	10.0%
CDMA	77,539	77,932	0.5%
VSAT	331	342	3.3%
Fibre links	1,311	1,402	6.9%
<b>TOTAL</b>	<b>5,472,710</b>	<b>5,633,242</b>	<b>2.9%</b>

Source: POTRAZ, Operator Returns

Dial Up and Leased lines were the only internet categories that registered a decline in subscriptions whereas xDSL had the largest growth. By the end of the quarter, the internet penetration rate increased by 1.4 percentage points to reach 43.1% from 41.9% recorded in the preceding quarter.

**Fig 5: Internet Penetration Rate**



There has been exponential increase in the uptake of internet from just 1.3% in 2008 to the current internet penetration rate of 43.1%. This increase has been driven mainly by mobile internet.

## 4.2 VoIP TRAFFIC

The remarkable increase in the flow of traffic between VoIP operators and the legacy operators is summarised in Table 9 below:

**Table 9: VoIP traffic**

	<b>Fourth Quarter 2013</b>	<b>First Quarter 2014</b>	<b>Quarterly Variation %</b>
VoIP to Mobile	3,298,945	3,978,593	20.6%
Incoming from Mobile	510,828	518,943	1.6%
VoIP to Fixed	474,649	493,369	3.9%
Incoming from Fixed	155,866	220,508	41.5%

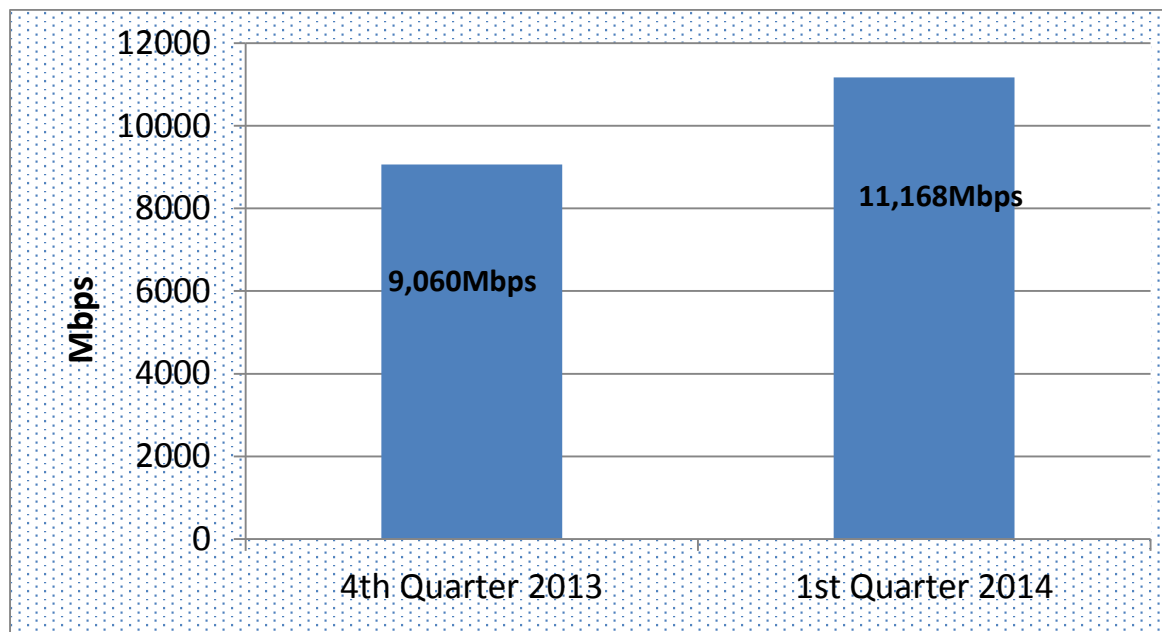
Source: POTRAZ, Operator Returns

Although Internet Access Providers that provide VoIP have been interconnecting with the mobile networks as well as the fixed network, there is no operational interconnection amongst the Internet Access Providers themselves.

## 4.3 INTERNATIONAL INTERNET CONNECTIVITY

During the quarter under review, the total available international internet bandwidth was recorded at 11,168Mbs. This is an increase of 23.3% from 9,060 Mbps recorded in the previous quarter.

**Figure 6: International Internet Bandwidth**



The increase in available international bandwidth is attributed to additional capacity by all the four Internet Access Providers Powertel, Liquid, TelOne and Africom.

## **5. POSTAL AND COURIER SERVICES**

### **5.1 POSTAL AND COURIER TRAFFIC**

During the period under review, the number of letters posted locally declined by 8.4% per cent to record 3,164,862 letters down from 3,456,835 letters recorded in the preceding quarter. In addition, the number of courier items sent during the quarter decreased by 0.9% to reach 354,825 from 357,893 items sent during the last quarter. The postal and courier traffic is summarised in the table below:

**Table 10: Postal and Courier Traffic**

	<b>4<sup>th</sup> Quarter 2013</b>	<b>1<sup>st</sup> Quarter 2014</b>	<b>Quarterly Variation</b>
<b>Number of letters posted locally</b>	3,456,835	3,164,862	-8.4%
<b>Number of courier items sent locally</b>	357,893	354,825	-0.9%

<b>International incoming courier</b>	856,238	858,834	0.3%
<b>International outgoing courier</b>	582,746	556,936	-4.4%

Source: POTRAZ, Operator Returns

International incoming courier was the only category that registered an upward trend. International incoming courier increased by 0.3% to reach 858,834 items from 856,238 items sent in the previous quarter. On the other hand international outgoing courier declined by 4.4% during the quarter to record 556,936 from 582,746n letters registered during the previous quarter. The number of postal outlets remained stagnant at 262 outlets.

## **6. REVENUES & INVESTMENT**

The total revenue from telecommunications activities generated by the mobile operators in the first quarter of 2014 was \$213,103,525. This represents a 15% decline in revenues from \$249,990,295 recorded in the previous quarter. Total investment was \$27,908,609. This represents a 53% decline in investment from \$59,097,088 recorded in the previous quarter.

The total revenue generated by Internet Access Providers declined by 3.1% to reach \$27,594,874 from \$26,752,159 recorded in the previous quarter. Investment by IAPs was \$10,781,259. This implies a 33.4% increase in quarterly investment from \$8,083,671 recorded in the previous quarter.

## **7. CONCLUSION**

The telecommunication sector has shown a positive trend over the period. The robust growth reported in the data/internet market is an indication that this is the next frontier for service diversification by the operators as the voice market nears saturation. This is likely to intensify competition and foster service innovation in the telecommunications sector. Operators continue to investment heavily in data and internet services mainly through optic fibre expansion projects. This is evidenced by the increase in available international bandwidth as a result of national backbone optic fibre expansion. Postal and courier mail volumes declined; the challenge for the sector is to modernize operations and to diversify products and service offers.

