

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2017

Disclaimer:

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1. MAJOR HIGHLIGHTS

- There was not much movement in subscriptions for mobile and internet services whereas active fixed telephone lines declined by 15.7%;
- Total voice traffic declined by 7.1% to record 993,582,256 minutes from 1,069,944,767 minutes recorded in the previous quarter
- Mobile Internet data usage increased by 4.7% to record 2,688,410GB from 2,567,401GB recorded in the previous quarter
- Used international incoming bandwidth increased by 7.5% to record 35,103Mbps from 32,645 Mbps
- A total of 25 new LTE eNode Bs were commissioned bringing the total number of LTE eNode Bs to 783
- Revenues by Internet Access providers went up by 11.4% to record \$45.6 million from \$40.9 million recorded in the previous quarter
- Revenues by mobile operators declined by 9.7% to record \$179.8 million from \$199.2 million recorded in the previous quarter

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone subscriptions as at 31 March 2017, was 257,626. This represents a 15.7% decline from 305,720 active subscriptions recorded as at 31 December 2016. The decline in active fixed telephone subscriptions by category is shown in table 1 below:

Table 1: Active Fixed Telephone Subscriptions

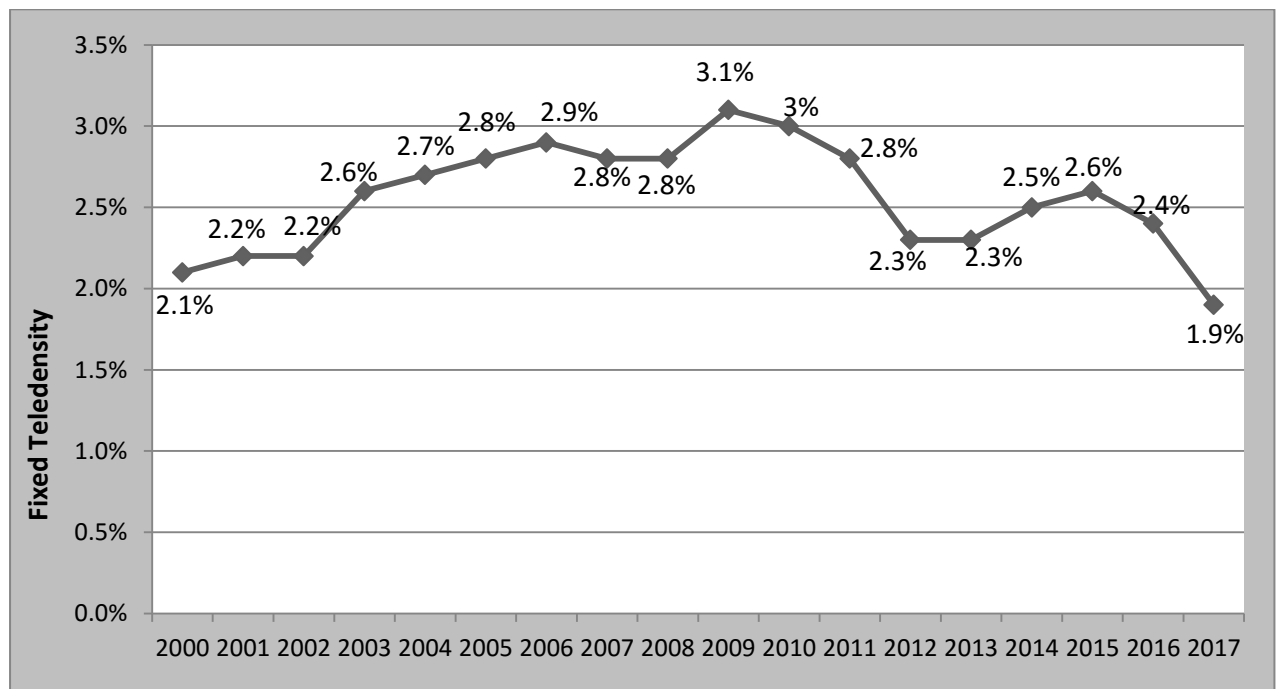
	4th Quarter 2016	1st Quarter 2017	% Growth
Active Subscriptions (90 days)	305,720	257,626	-15.7%
Switching Capacity	473,000	473,000	-
Corporate Subscriptions	68,435	56,678	-17.2%
Household Subscriptions	237,285	200,948	-15.3%
Active lines in rural areas	10,499	8,837	-15.8%
Active lines in the Capital city	220,441	185,774	-15.7%
Active lines in other Urban areas	74,780	63,015	-15.7%

As shown above, all categories of fixed telephone subscriptions registered a decline with corporate subscriptions experiencing the biggest decline of 17.2%.

2.2 FIXED TELEDENSITY

The 2017 population figure of 13,727,493 as per projections by the Zimbabwe Statistics Office (ZIMSTAT) was used to calculate the fixed tele-density. The fixed teledensity as at 31 March 2017 was 1.9%. This represents a 0.5% decline from 2.4% recorded as at 31 December 2016. The decline is attributed to the 15.7% decline in active fixed telephone subscriptions relative to the population. The fixed teledensity in the quarter under review was at its lowest since 2000, as shown in Figure 1 below:

Figure 1: Fixed Teledensity



2.2 FIXED NETWORK TRAFFIC

Fixed voice traffic increased by 3.2% to record 160 million minutes from 155.1 million minutes recorded in the previous quarter. This is attributed to the increase in net-on-net traffic as shown in the table below:

Table 2: Fixed Voice Traffic

Traffic Category	4th Quarter 2016	1st Quarter 2017	% Growth
Net On Net	65,327,245	73,342,800	12.3%
Outgoing to Mobile	69,502,424	69,705,754	0.3%
Incoming from Mobile	7,010,925	6,797,734	-3.0%
Incoming from IAPs	1,156,190	1,194,829	3.3%
Outgoing to IAPs	532,134	564,617	6.1%
International Incoming	6,091,190	5,023,996	-17.5%
International Outgoing	5,482,149	3,394,993	-38.1%
Total traffic	155,102,257	160,024,723	3.2%

International outgoing traffic experienced the biggest decline of 38.1% whereas international incoming traffic declined by 17.5%. The decline in international voice traffic is attributed to the proliferation of Over-the-Top (OTT) services which provide cheaper alternatives to international calling.

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

Active mobile subscriptions totalled 12,977,315 in the quarter under review. This represents a 0.8% increase from 12,878,926 recorded in the fourth quarter of 2016. An active mobile line is one which has been used to make or receive a call and/or send or receive a message at least once in the past 90 days. Using the 2017 population figure of 13,727,493 as per projections by ZIMSTAT, the mobile penetration rate was 94.5%. This represents a 0.3% decline from 94.8% recorded in the previous quarter. Active and total subscriptions per operator are given in table 3 below:

Table 3: Active Mobile Subscriptions

	4th Q 2016	1st Q 2017	% Change
Econet	6,360,904	6,390,232	0.5%
Telecel	1,805,612	1,785,321	-1.1%
NetOne	4,712,410	4,801,762	1.9%
Total	12,878,926	12,977,315	0.8%

Source: POTRAZ, Operator Returns

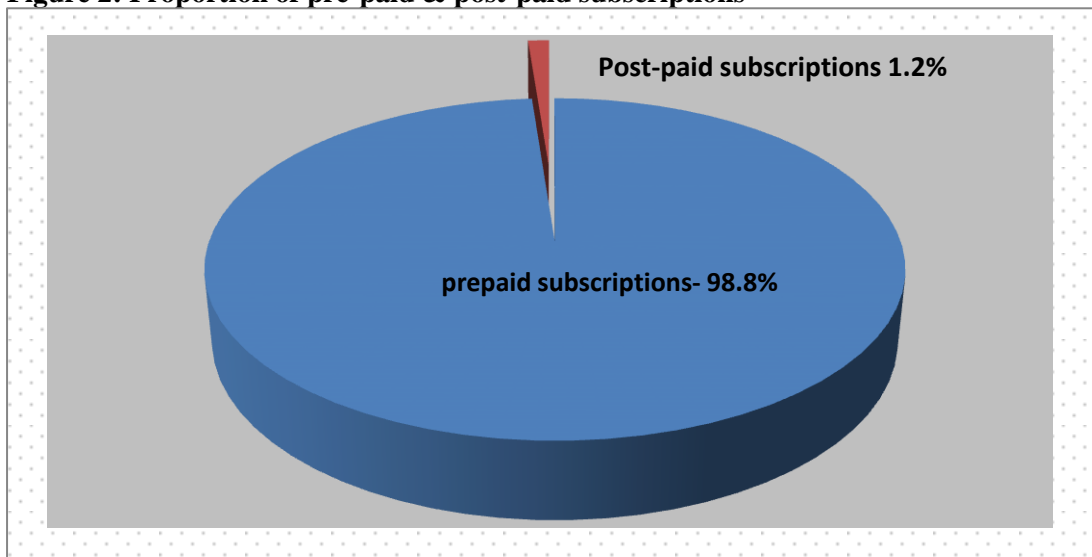
As shown above, Telecel was the only mobile operator to register a decline in active subscriptions. Table 4 below shows the growth in active mobile subscriptions by type of subscription.

Table 4: Prepaid and post-paid subscriptions

	Prepaid Subscribers			Post-paid Subscribers		
	4th Q 2016	1st Q 2017	% Growth	4th Q 2016	1st Q 2017	% Growth
Econet	6,259,807	6,289,980	0.5%	101,097	100,252	-0.8%
Telecel	1,789,407	1,766,995	-1.3%	16,205	18,326	13.1%
NetOne	4,674,277	4,761,156	1.9%	38,133	40,606	6.5%
Total	12,723,491	12,818,131	0.7%	155,435	159,184	2.4%

Post-paid subscriptions constituted only 1.2% of total subscriptions and prepaid subscriptions constituted 98.8% as shown in figure 2 below:

Figure 2: Proportion of pre-paid & post-paid subscriptions



Pre-paid subscriptions are predominant in Africa as they allow consumers to buy airtime in small increments as and when needed, thus, giving consumers control over expenditure. Moreover, most promotions are run on the pre-paid platform.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

Total mobile voice traffic declined by 8.9% to record 833,557,542 minutes from 914,842,510 minutes recorded in the fourth quarter of 2016. Mobile voice traffic is broken down by category in table 5 below:

Table 5: Mobile telephone traffic

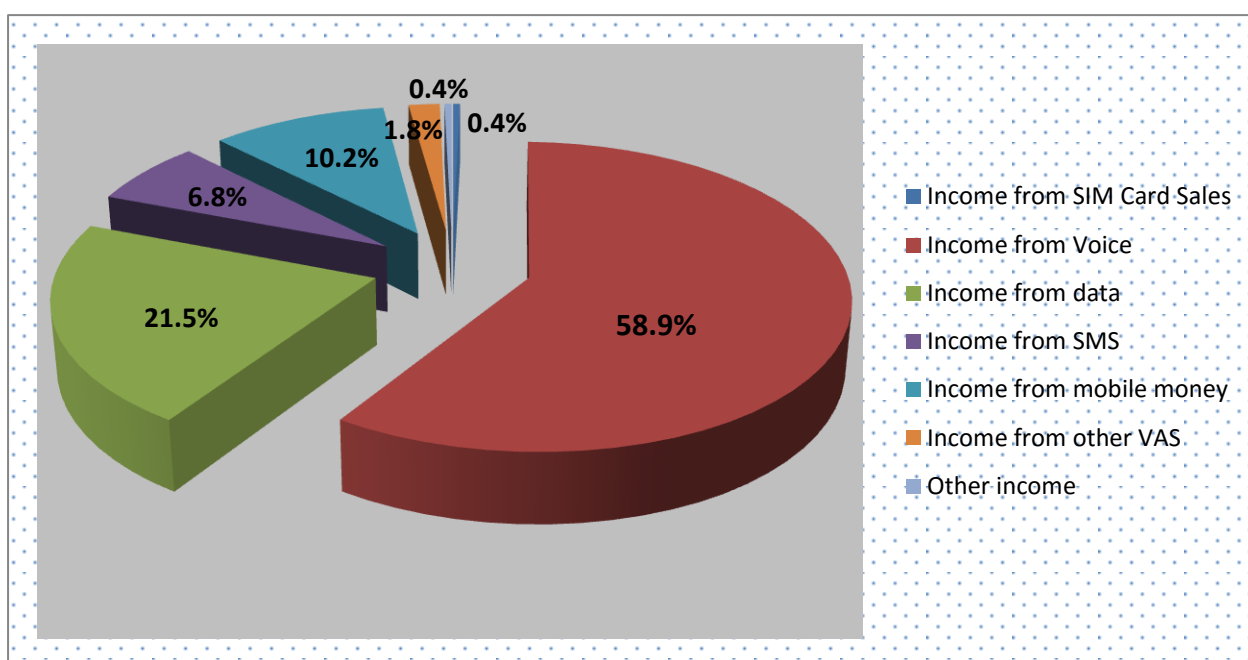
		4th Quarter 2016	1st Quarter 2017	% Variation
Voice (minutes of use)	Net On Net	540,865,954	496,304,258	-8.2%
	Mobile to Fixed	7,033,730	6,791,381	-3.4%
	Incoming from Fixed	69,840,352	67,163,060	-3.8%
	Mobile to Other Mobile (by termination)	212,627,137	184,459,063	-13.2%
	Outgoing to IAPs	1,175,288	1,150,446	-2.1%
	Incoming from IAPs	12,354,665	12,801,025	3.6%
	TOTAL NATIONAL	843,897,116	768,669,233	-8.9%
	International Incoming	48,529,727	42,499,062	-12.4%
	International Outgoing	20,045,326	19,987,569	-0.3%
	Inbound Roaming	1,994,363	2,064,858	3.5%
	Outbound Roaming	375,978	336,820	-10.4%
Internet & Data	Internet and Data utilisation	2,567,401,044	2,688,410,233	4.7%
SMS	Net On Net SMS	1,238,372,951	1,197,142,323	-3.3%
	National off-net SMS	356,000,941	318,356,650	-10.6%
	International incoming SMS	17,629,699	18,116,316	2.8%
	International outgoing SMS	4,454,204	4,033,532	-9.4%

As shown above, most voice traffic categories experienced reduction in volumes with mobile off-net experiencing the biggest decline of 13.2%. There was also a general decline in SMS traffic in the period under review as shown in the table below. The substitution of traditional voice and SMS with Over-the-Top (OTT) services text and voice is attributed to the general decline in voice and SMS traffic. On the other hand mobile internet and data utilisation increased by 4.7% to record 2,688,410GB from 2,567,401GB recorded in the previous quarter.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

Total mobile revenues declined by 9.7% to record \$179,827,527 from \$199,209,707 recorded in the previous quarter. On the other hand, operating costs increased by 5.7% to record \$135,942,367 from \$128,627,068 recorded in the previous quarter. The revenue contribution by service was as follows:

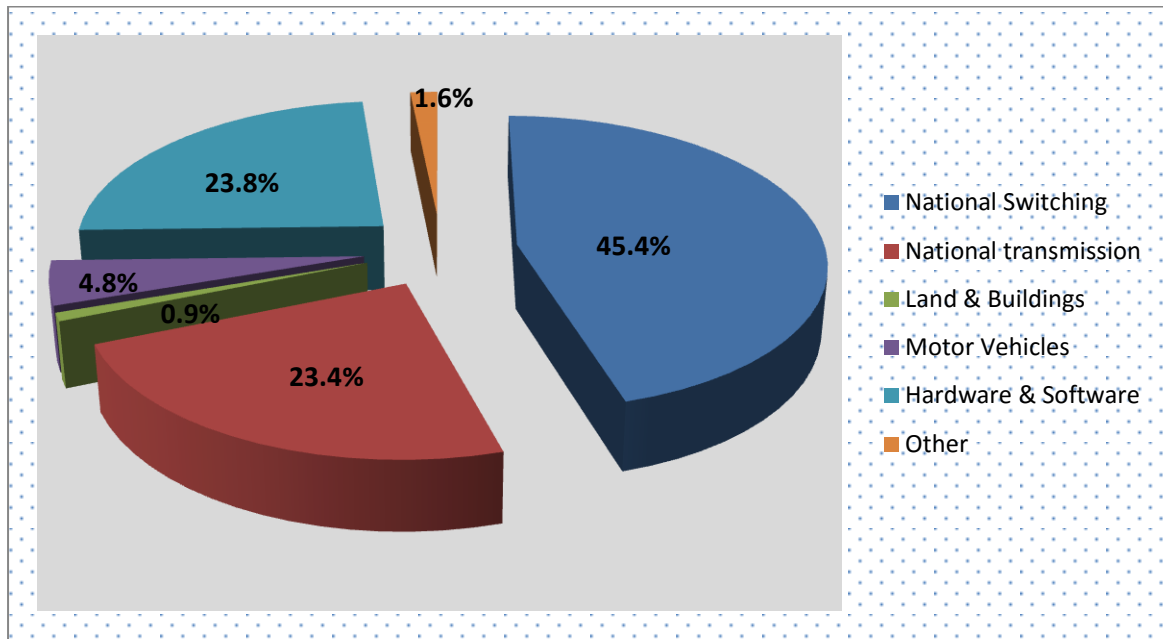
Figure 3: Mobile revenue contribution by service



As shown above, voice service is still the major revenue contributor contributing 58.9%. The revenue contribution of data and internet services is improving after having contributed 21.5% in the quarter under review, up from 20.2% recorded in the previous quarter. The Average Revenue per User per Month for the mobile operators declined by 13.1% to record \$3.98 from \$4.50 recorded in the fourth quarter of 2016. On the other hand, the Average Cost per User per Month increased by 3.7% to record \$3.07 up from \$2.96 recorded in the previous quarter. As a result the Average Margin per User per Month declined by 40.9% to record \$0.91 from \$1.54 recorded in the fourth quarter of 2016.

Investment by the mobile operators declined by 85.4% to record \$10,461,052 from \$71,781,701 recorded in the previous quarter. Much of the investment was in national transmission as shown in the graph below:

Figure 4: Investment by mobile operators



3.4 MOBILE TELEPHONY INFRASTRUCTURE

The total number of mobile base stations in the country as at 31 March 2017, reached 7,808 up from 7,768 recorded as at 31 December 2016, following the installation of 40 new base stations. Mobile base stations are broken down per operator and by technology in the table below:

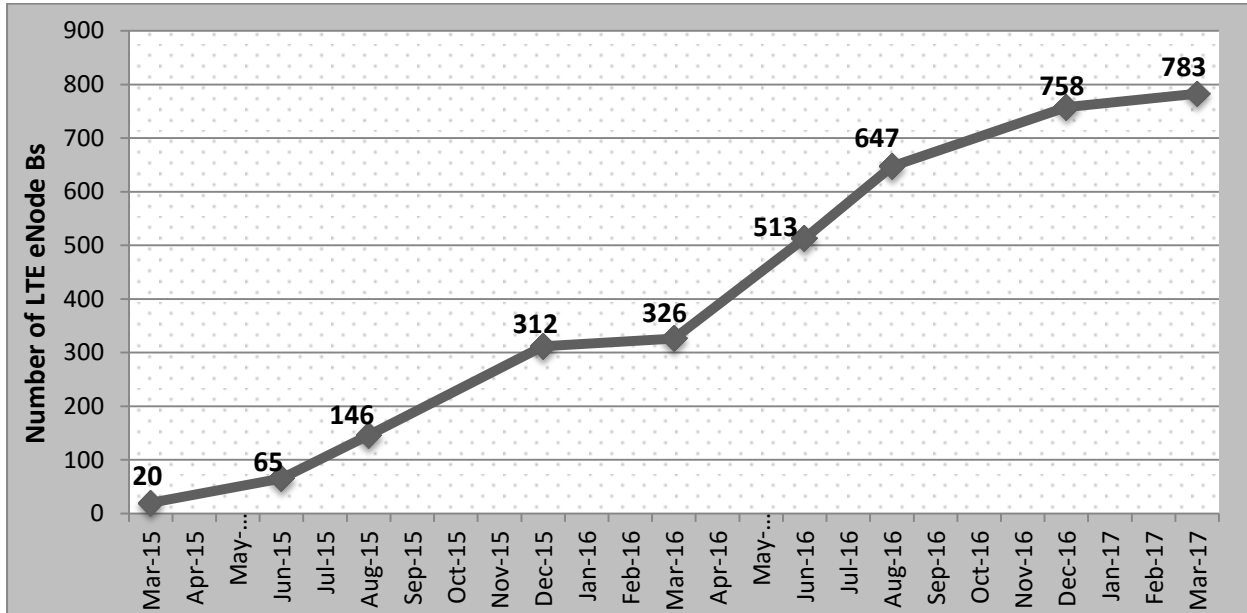
Table 6: Mobile Base Stations

OPERATOR	2G			3G			LTE		
	4 th Q 2016	1 st Q 2017	Net Addition	4 th Q 2016	1 st Q 2017	Net Addition	4 th Q 2016	1 st Q 2017	Net Addition
Econet	2,400	2,401	1	1,183	1,192	9	497	499	2
Telecel	661	661	-	361	364	3	-	-	-
NetOne	1,674	1,676	2	731	731	-	261	284	23
Total	4,735	4,738	3	2,275	2,287	12	758	783	25

As shown above, the largest increase was registered for LTE e-Node Bs where 25 more were commissioned in the quarter under review. The mobile operators have been investing heavily

in LTE; this has seen the number of LTE eNode Bs increasing from just 20 in March 2015, to 783 in March 2017, as shown in Figure 5 below:

Figure 5: Growth in LTE eNode Bs



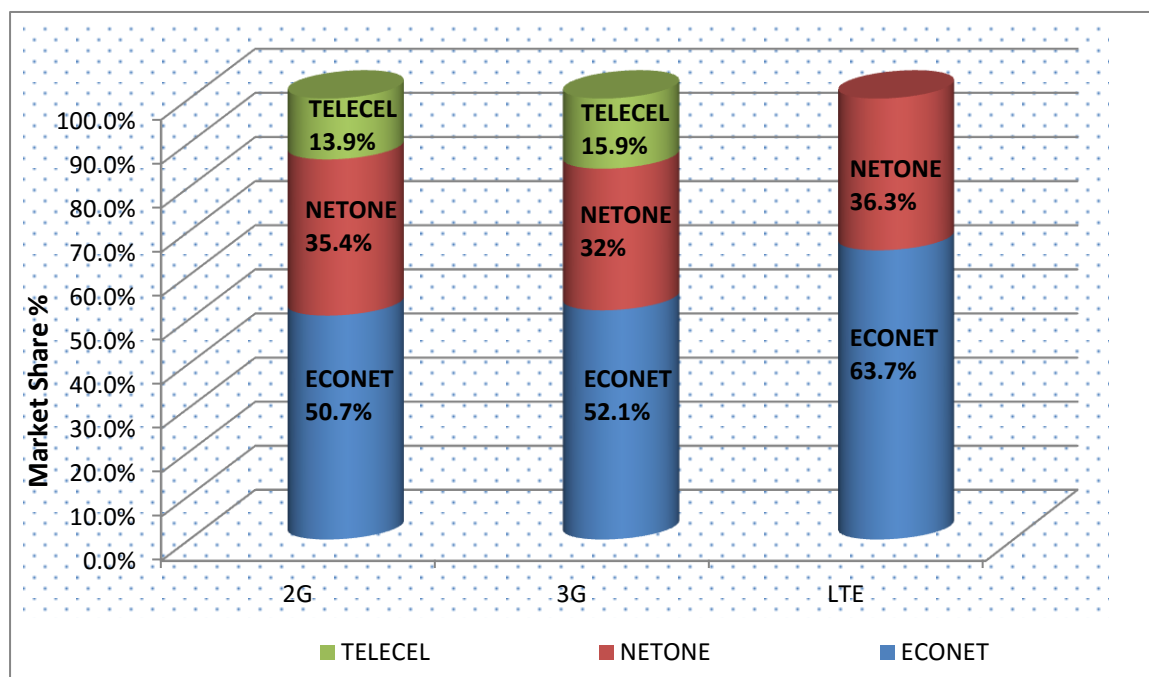
The proportion of base stations in rural areas to the total number of base stations remained at 30.1%. In the quarter under review, 10 new 3G base stations were commissioned in the rural areas, bringing the total number of base stations in rural to 2,352 from 2,342 recorded in the previous quarter. The growth in base stations in rural areas is broken down by technology in the following table:

Table 7: Base stations in rural areas

	4 th Quarter 2016	1 st Quarter 2017	Net Addition
2G	1,690	1,690	-
3G	648	658	10
LTE	4	4	-
TOTAL	2,342	2,352	10

There was no major change in the market share of base stations in the quarter under review. The market share of mobile base stations was as follows:

Figure 6: Market share of mobile base stations



3.5 MOBILE MONEY TRANSFER

3.5.1 SUBSCRIPTIONS

A total of 3,251,784 mobile money subscribers were active in the first quarter of 2017. This represents a 1.6% decline from 3,303,188 recorded in the fourth quarter of 2016. An active mobile money subscriber is defined as a customer account that has used the mobile money service to make transactions that involve the movement of value (such as cash-in, cash-out, bill payments, airtime top-ups, etc.) at least once in the last 90 days. Active money subscriptions per operator are shown in the table below:

Table 8: Active mobile money subscriptions

	Active Subscribers		
	4 th Q 2016	1 st Q 2017	% Change
Econet	3,245,405	3,189,611	-1.7%
Telecel	49,549	52,076	5.1%
NetOne	8,234	10,097	22.6%
Total	3,303,188	3,251,784	-1.6%

As shown above, Econet was the only operator to register a decline in active mobile money subscriptions.

3.5.2 MOBILE MONEY AGENTS

An active mobile money agent is a registered agent that has facilitated at least one transaction in the past 90 days. The quarterly variation in mobile money agents per operator is shown in the table below:

Table 9: Mobile Money Agents

	4th Quarter 2016	1st Quarter 2017	% Growth
ECONET	22,188	22,039	-0.7%
TELECEL	1,548	1,614	4.3%
NETONE	276	245	-11.2%
TOTAL	24,012	23,898	-0.5%

Telecel was the only operator to register an increase in active mobile money agents. The overall decline in active agents is attributed to liquidity constraints as cash is required to facilitate cash-in and cash-out transactions. Active agents are broken down by location in table 10 below:

Table 10: Rural v. Urban mobile money agents

	ECONET	TELECEL	NETONE	TOTAL
RURAL	7,089	387	79	7,555
URBAN	14,950	1,227	166	16,343
TOTAL	22,039	1,614	245	23,898

As shown above, 68.4% of active agents were in urban areas. Agents are more concentrated in urban areas because there is more economic activity.

3.5.2 MOBILE MONEY TRANSACTIONS

There was a general decline in cash-in, cash-out and cross network mobile money transactions in the first quarter of 2017, as shown in the table below:

Table 11: Mobile money transactions

	4th Quarter 2016	1st Quarter 2017	% Change
Cash-In transactions	\$286,690,912	\$258,627,189	-9.8%
Cash-Out transactions	\$279,060,873	\$256,703,173	-8.0%
Cross-Network transfers (by origination)	\$1,861,278.19	634,143.34	-65.9%

Merchant payments totalled \$152,150,723. The decline in cash-in, cash-out and cross network transfers is attributed to the current cash crisis in the economy.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

There was a marginal increase in active internet subscribers in the first quarter of 2017. The total number of active internet subscriptions increased by 0.01% to reach 6,722,677 from 6,721,947 in the previous quarter. A quarterly comparison of the active internet subscriptions by type of technology is shown in table 12 below:

Table 12: Active Internet Subscriptions

Technology	4th Quarter 2016	1st Quarter 2016	Quarterly Variation
2G/3G/HSDPA/LTE	6,591,109	6,591,183	0.0%
Leased Lines	1,048	1,177	12.3%
Dial up	16	-	-
ADSL	68,370	73,717	7.8%
WiMAX	7,196	5,467	-24.0%
CDMA	32,019	27,611	-13.8%
VSAT	2,491	2,628	5.5%
Active Fibre subscriptions	19,698	20,894	6.1%
Total	6,721,947	6,722,677	0.01%

Source: POTRAZ, Operator Returns

Using the 2017 population figure of 13,727,493 as per projections by the ZIMSTAT, the internet penetration rate was 49%. This represents a 1% decline from 50.1% recorded in the previous quarter. As shown in table 12 above, mobile internet subscriptions constituted 98% of total internet subscriptions. Of the total mobile internet and data subscriptions, 271,252 accessed and used LTE in the quarter under review. This represents a 28.2% increase from 211,566 subscribers recorded in the previous quarter. Subscribers who used LTE in the quarter under review, are broken down per operator in table 13 below:

Table 13: LTE access and use

	4th Quarter 2016	1st Quarter 2016	% Growth
Econet	210,256	269,087	28.0%
NetOne	1,310	2,165	65.3%
Total	211,566	271,252	28.2%

As shown above, NetOne experienced the biggest growth of 65.3%. LTE use is expected to increase as coverage and the smartphone penetration increases.

4.2 INTERNATIONAL INTERNET CONNECTIVITY

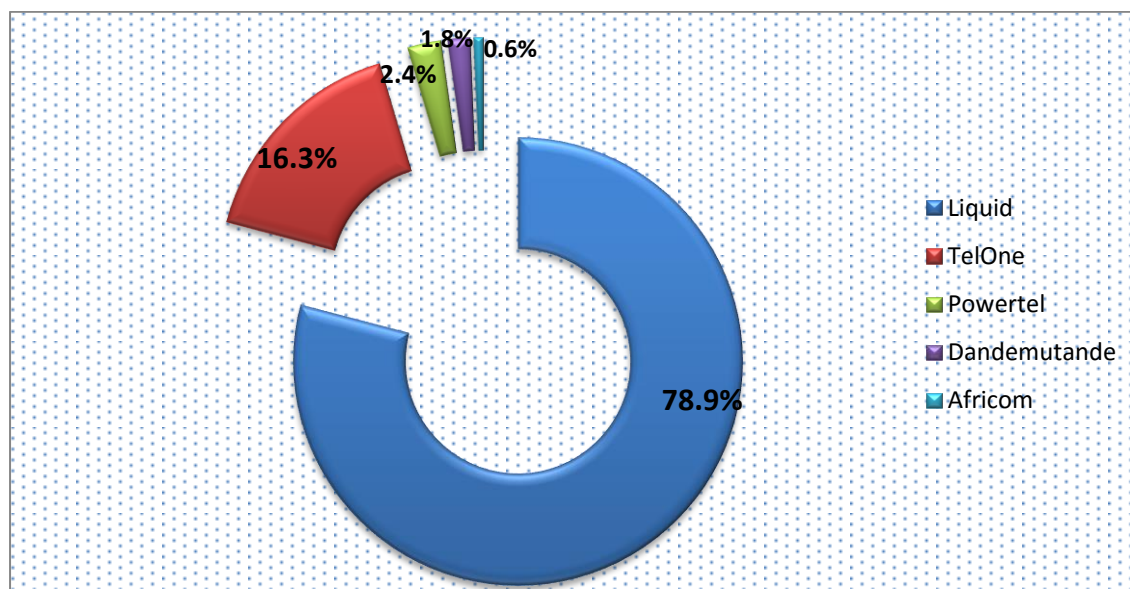
The total incoming equipped international internet bandwidth capacity increased by 0.1% to reach 76,060Mbps from 75,975Mbps recorded in the previous quarter. Equipped international incoming internet bandwidth for each of the Internet Access Providers (IAPs) with international internet connectivity is shown in table 14 below:

Table 14: Equipped international internet bandwidth

	4th Quarter 2016	1st Quarter 2017	% Variation
Liquid	60,000	60,000	-
TelOne	12,400	12,400	-
Powertel	1,860	1,860	-
Dandemutande	1,250	1,335	6.8%
Africom	465	465	-
Total	75,975	76,060	0.1%

As shown in table 20, Dandemutande was the only IAP to increase its equipped bandwidth capacity. Based on the equipped international internet bandwidth per operator given in table 14 above, the market share was as follows:

Figure 7: Market share of equipped bandwidth capacity



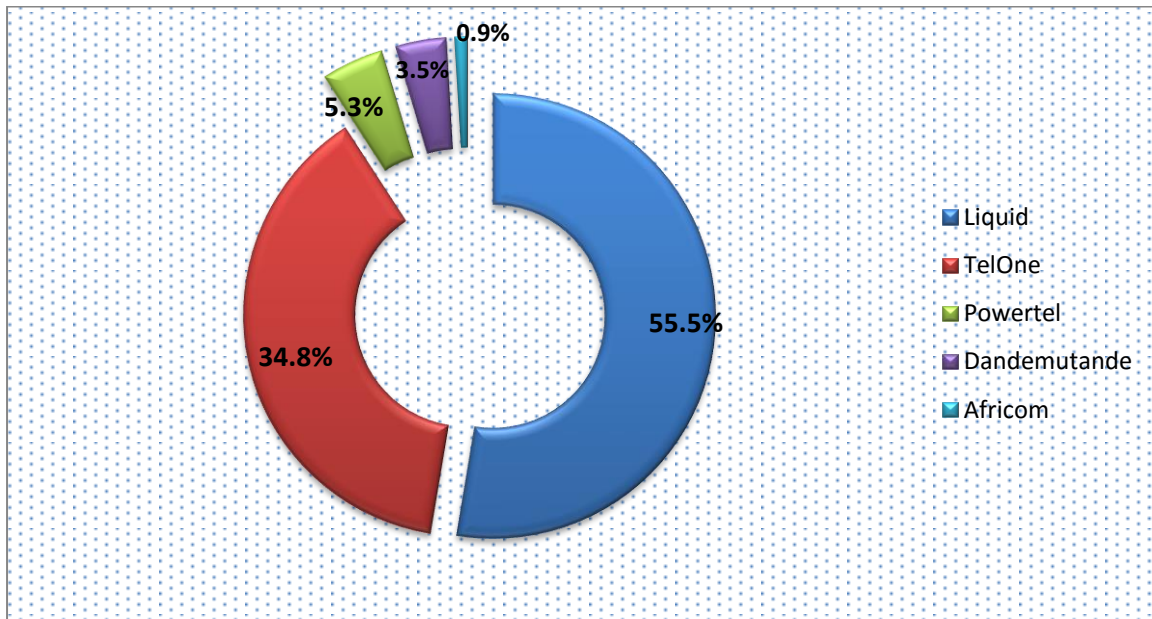
A comparison with the previous quarter shows that there was no major change in the market share of equipped bandwidth capacity, save for the 0.2% gain by Dandemutande. The growth in the used international internet bandwidth capacity per IAP is shown in the table below:

Table 15: Used international internet bandwidth

OPERATOR	Used International Incoming Bandwidth Capacity		
	4 th Q 2016	1 st Q 2017	Quarterly Variation
Liquid	17,095	19,478	13.9%
Tel One	12,210	12,210	-
Powertel	1,860	1,860	-
Dandemutande	1,160	1,235	6.5%
Africom	320	320	-
TOTAL	32,645	35,103	7.5%

As shown above, Liquid and Dandemutande were the two IAPs to register an increase in used international incoming bandwidth capacity. Based on the used bandwidth per operator as shown in table 15 above, the market share was as follows:

Figure 8: Market share of used international incoming internet bandwidth



There was no major change in the market share of used international internet bandwidth above.

4.3 IAP REVENUES AND INVESTMENT

In the quarter under review, IAPs generated a total of \$45,553,463 in revenues and invested \$5,889,182. Table 16 below shows a quarterly comparison of IAP revenue and investment.

Table 16: IAP Revenues per operator

	4 th Quarter 2016	1 st Quarter 2017	% Growth
Revenues	\$40,874,590	\$45,553,463	11.4%
Investment	\$10,847,271	\$5,889,182	-45.7%

IAP revenues are expected to continue increasing in line with the growing demand for data and internet services in the country.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

A quarterly comparison of the postal and courier volumes by the designated postal operator is shown in the table below:

Table 17: Postal and courier volumes

		4th Quarter 2016	1st Quarter 2017	% Growth
Domestic Postal	Ordinary Letters	1,645,555	1,564,586	-4.9%
	Parcels	864	997	15.4%
	Registered items	260,030	21,060	-91.9%
	Total	1,672,499	1,586,593	-5.1%
International Incoming	Letters	315,836	309,933	-1.9%
	Small Packets	13,928	14,776	6.1%
	Parcels	3,428	3,169	-7.6%
	Registered items	12,574	13,922	10.7%
	Total	345,766	341,800	-1.1%
International Outgoing	Letters	112,525	48,980	-56.5%
	Parcels	708	674	-4.8%
	Registered items	1,322	1,174	-11.2%
	Total	114,555	50,828	-55.6%

As shown above, all categories of postal and courier traffic declined in the quarter under review. The decline is typical after the peak festive period. International outgoing courier volumes experienced the biggest decline of 55.1%. The substitution of postal and courier services with electronic communication is also attributed to the decline in postal and courier volumes.

5.2 POSTAL & COURIER OUTLETS

The total number of post offices in the country as at 31 March 2017, was 239. The post offices are broken down by location as follows:

Table 18: Postal and courier outlets

	POSTAL & COURIER OUTLETS
Post offices in rural areas	169
Post offices in urban areas	70
Total Post Offices	239
Number of private bags	727
Number of private boxes	12,392

142 out of the 226 post offices had internet connection. Private bags remained 727 and rented private boxes were 12,392.

6. OUTLOOK

Mobile and internet subscriptions are expected to continue to grow marginally. Mobile internet will continue to dominate internet use in the country as 3G is more readily available and accessible as compared to the fixed internet technologies. LTE use is expected to continue growing as LTE coverage and the penetration of LTE capable handsets improves. Household and corporate fibre subscriptions are also expected to grow as operators continue to rollout fibre. The uptake will also be driven by the improved affordability stemming from competition.

Internet and data services will continue to drive industry growth in terms of usage volumes whilst voice and SMS traffic will most likely continue to decline. Growth in the use of Internet of Things (IOTs) applications as well as growing consumer appetite for digital solutions will spur internet and data usage volumes. Non- traditional business solutions such as internet banking and e-payments are also boosting demand and usage of data and internet services in the country. Investment in the growing internet and data market is expected to increase.

The revenue contribution of internet and data is expected to increase as a result of the growing demand for internet services. OTTs will continue to present opportunities and challenges for operators. The anticipated overall impact on revenue performance is expected to continue unless operators come up with innovative ideas to deal with the impact of OTTs on their revenues. The revenue performance of the postal and courier sector will be dependent on their ability to utilise technology to innovate and come up with new solutions for the market.