

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH QUARTER 2017

Disclaimer:

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LIST OF ACRONYMS

ARPU	Average Revenue per User
ACPU	Average Cost per User
AMPU	Average Margin per User
LTE	Long Term Evolution
3G	Third Generation
2G	Second Generation
MB	Megabyte
GB	Gigabyte
Mbps	Megabits per second

1. MAJOR HIGHLIGHTS

- The mobile penetration rate increased by 2.2% to reach 102.7% from 100.5% recorded in the previous quarter following a 2.1% increase in subscriptions.
- The active internet penetration rate increased by 1.3% to reach 50.8% from 49.5% recorded in the previous quarter following a 2.6% increase in active subscriptions.
- National mobile voice traffic increased by 14% to record 1.05 billion minutes from 924.7 million minutes recorded in the previous quarter
- Mobile Internet data usage increased by 21% to record 5.2 million GB from 4.3 million GB recorded in the previous quarter
- There were a total of 50 new LTE installations bringing the total number of LTE eNode Bs to 931 from 881 recorded in the previous quarter
- Revenues by IAPs increased by 7.6% to record \$52.3 million from \$48.3 million recorded in the previous quarter
- Revenues by mobile operators increased by 15.6% to record \$259.7 million from \$224.8 million recorded in the previous quarter.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines as at 31 December 2017 was 264,150. This represents a 1.5% increase from 260,183 active lines recorded in the third quarter of 2017. The fixed Tele-density remained at 1.9%. Active lines in rural areas constituted 3.1% of total active fixed subscriptions whereas 96.9% were in urban areas. A quarterly comparison shows that active lines in rural areas declined by 3% to record 8,036 from 7,756 recorded in the previous quarter. On the other hand, the number of active lines in urban areas increased by 1.5% to reach 256,114 from 252,427 recorded in the previous quarter. The growth of fixed telephone lines by location over the course of the year is shown in Figure 1 below:

Figure 1: Active fixed telephone lines



As shown above, active fixed telephone lines exhibited a fluctuating trend over the course of the year, closing off the year with fewer active subscriptions than December 2016 figures.

2.2 FIXED NETWORK TRAFFIC

Total voice traffic processed by the fixed telephone network declined by 6% to record 124.2 million minutes from 132.1 million minutes recorded in the previous quarter. The quarterly growth per voice traffic category is shown in table 1 below:

Table 1: Fixed Voice Traffic

Traffic Category	3rd Quarter 2017	4 th Quarter 2017	% Growth
Net On Net	47,572,616	38,876,802	-18.3%
Outgoing to Mobile	67,106,839	67,655,247	0.8%
Incoming from Mobile	6,907,243	6,538,261	-5.3%
Incoming from IAPs	1,199,337	1,104,906	-7.9%
Outgoing to IAPs	575,325	698,655	21.4%

International Incoming	6,017,787	6,668,496	10.8%
International Outgoing	2,748,938	2,674,246	-2.7%
Total traffic	132,128,085	124,216,613	-6.0%

As shown above, TelOne`s net-on-net voice traffic experienced the biggest decline of 18.3% whereas outgoing traffic to IAPs experienced the biggest growth of 21.4%. As the uptake of VoIP telephony improves, interconnect traffic between the IAPs and the legacy operators is expected to improve. Fixed voice traffic has shown a declining trend over the course of 2017 as shown in Figure 2 below:

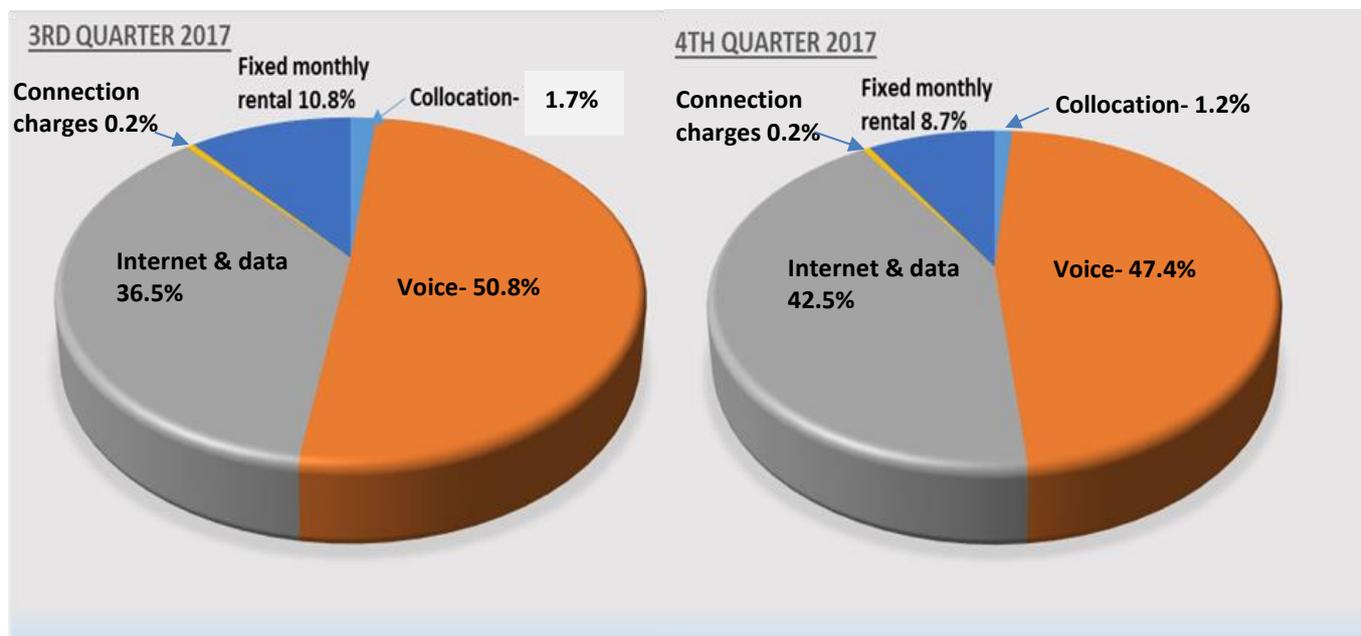
Figure 2: Fixed Voice Traffic



2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

Telecommunications revenue by the fixed telephone network revenue declined by 6.2% to record \$28,460,457 from \$30,356,797 recorded in the third quarter of 2017. The contribution of each service to revenue is shown in Figure 3 below:

Figure 3: Contribution to revenue by service



As shown in Figure 3 above, the contribution of internet and data revenues increased by 6% in line with the growing consumption of internet and data services. The contribution of voice declined by 3.4% in line with the decline in voice traffic.

On the other hand, investment by the fixed network operator increased by 11.5% as TelOne continued to draw down the China Afreximbank facility.

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

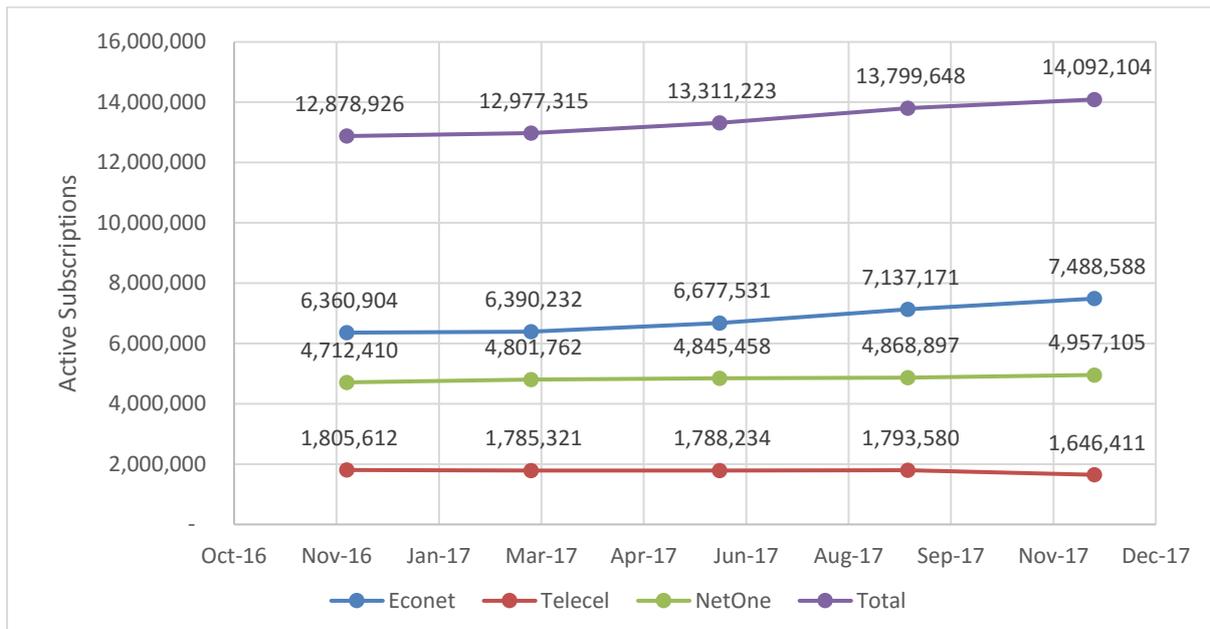
The total number of active mobile subscriptions as at 31 December 2017 was 14,092,104. This represents a 2.1% increase from 13,799,648 recorded in the previous quarter. The mobile penetration rate increased by 2.2% to reach 102.7% from 100.5% recorded in the previous quarter because of the 2.1% growth in active subscriptions. Active mobile subscriptions per operator are shown in the following table:

Table 2: Active Mobile Subscriptions

	3 rd Quarter 2017	4 th Quarter 2017	% Change
Econet	7,137,171	7,488,588	4.9%
Telecel	1,793,580	1,646,411	-8.2%
NetOne	4,868,897	4,957,105	1.8%
Total	13,799,648	14,092,104	2.1%

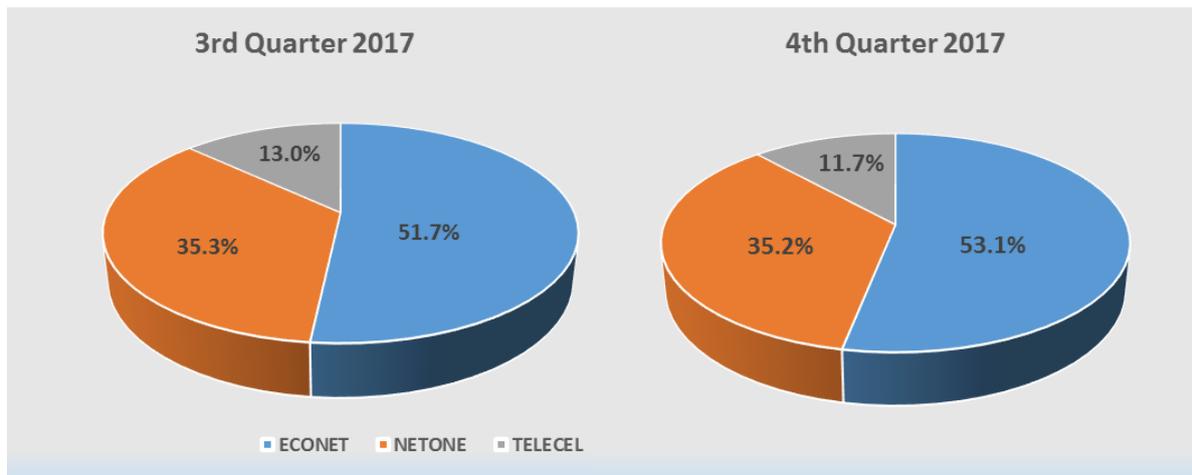
Telecel was the only operator to register a decline in subscriptions whereas Econet registered the highest growth in subscriptions (4.9%). The movement in subscriptions per operator over the course of the year was as follows:

Figure 4: Growth in active mobile subscriptions



As shown above, Econet and NetOne experienced consistent growth in active mobile subscriptions whereas Telecel's experienced fluctuations in the active subscriber base. Based on fourth quarter subscriber statistics, the market share of active mobile subscribers was as follows:

Figure 5: Market share of mobile subscribers



As shown above, Econet ended the year with a market share of 53.1% up from 51.7% recorded in the previous quarter. On the other hand, NetOne and Telecel's market shares declined by 0.1% and 1.3% respectively.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

There was an overall increase in mobile voice traffic in the fourth quarter of 2017 as shown in Table 3 below:

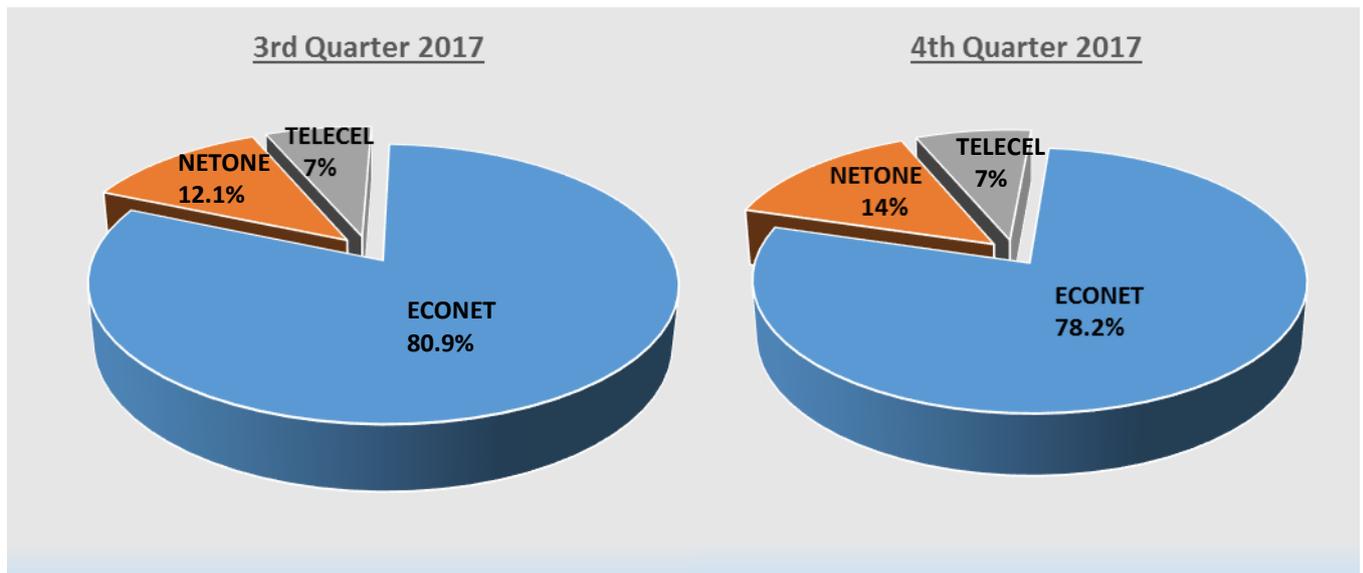
Table 3: Mobile voice traffic

	3 rd Quarter 2017	4 th Quarter 2017	% Variation
Net On Net	623,186,637	750,716,078	20.5%
Mobile to Fixed	6,907,243	6,538,261	-5.3%
Incoming from Fixed	67,106,839	67,655,247	0.8%
Mobile to Other Mobile (by termination)	212,403,693	213,272,318	0.4%
Outgoing to IAPs	1,152,565	1,299,247	12.7%
Incoming from IAPs	13,957,717	14,897,255	6.7%

TOTAL NATIONAL	924,714,694	1,054,378,407	14.0%
International Incoming	39,139,579	39,708,495	1.5%
International Outgoing	17,799,460	19,542,887	9.8%
Inbound Roaming	1,738,629	1,623,840	-6.6%
Outbound Roaming	762,302	803,117	5.4%

Net-on-Net mobile voice traffic registered the highest growth of 20.5%. This is attributable to the current promotions offering bonus minutes for net-on-net calls. As shown above, there was an overall increase in traffic in the quarter under review. Outgoing traffic to the fixed network and inbound roaming traffic were the only two traffic categories to register declines. A quarterly comparison of the mobile voice traffic market-share is shown in Figure 6 below:

Figure 6: Voice Traffic Market Share

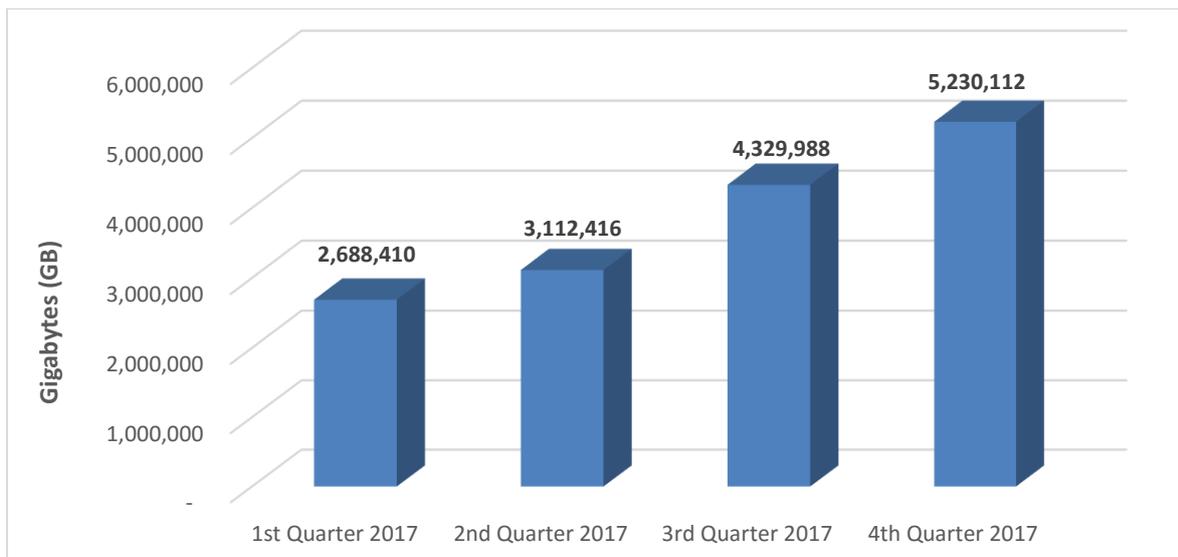


As shown above, Econet lost 2.7% voice market share to record 78.2% from 80.9% recorded in the third quarter of 2017. Telecel's market share remained unchanged at 7%. On the other hand, NetOne's market share increased by 1.9% to record 14% from 12.1% recorded in the previous quarter.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

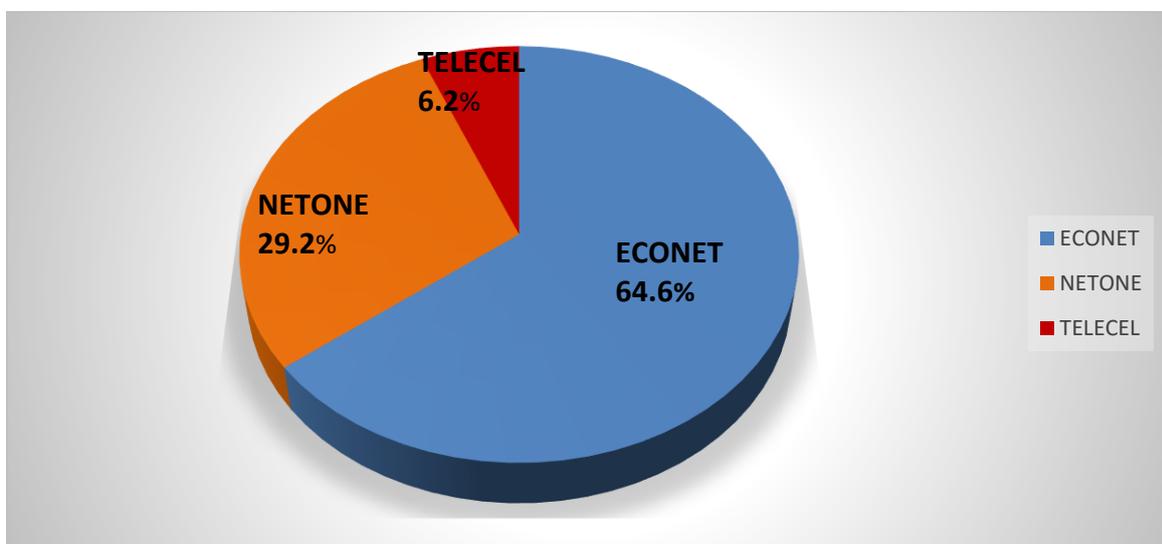
A total of 5,230,112,428MB (5,230,112GB) of mobile internet and data traffic were consumed in the fourth quarter of 2017. This represents a 20.8% growth from 4,329,987,887MB (4,329,988GB) recorded in the third quarter of 2017. Demand for data and internet services has been consistently increasing. The growth in mobile internet and data traffic over the course of 2017 is shown in Figure 7 below:

Figure 7: Growth in mobile internet and data traffic



Based on the internet and data traffic per operator, the market share of mobile internet and data use was as follows:

Figure 8: Market Share of Internet & data traffic



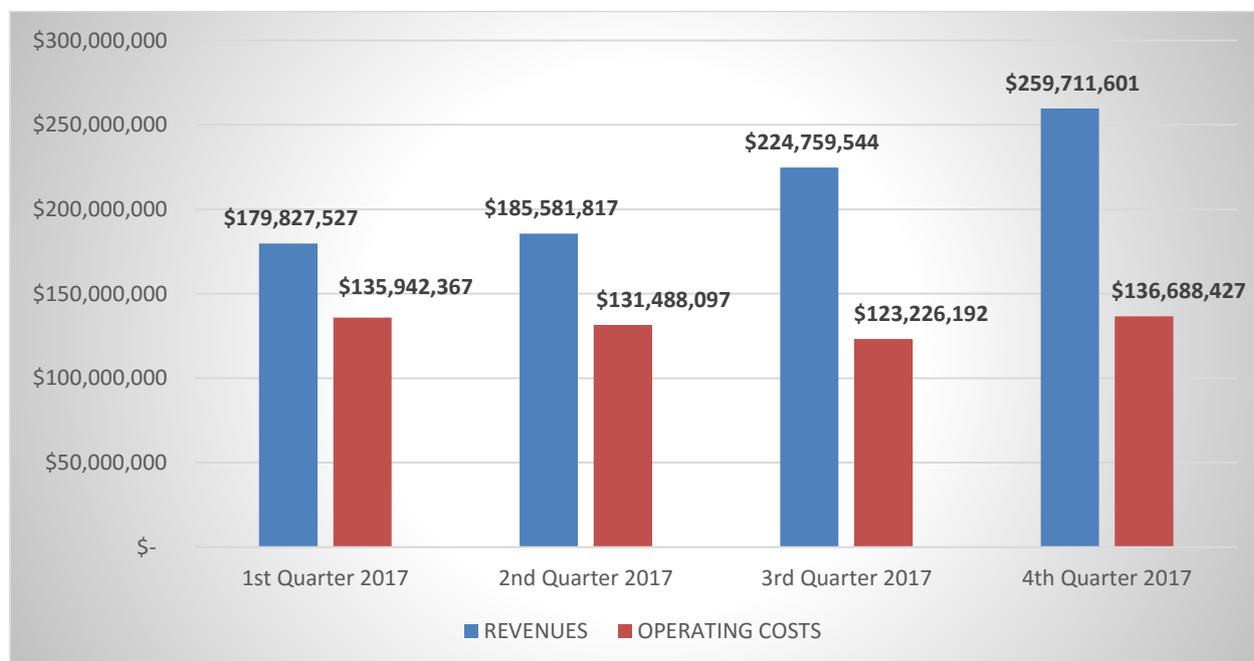
A comparison with the previous quarter shows that NetOne gained 6.5% market share of data usage. This is attributable to the 55.6% growth in NetOne`s internet and data traffic. On the other hand, Econet and Telecel lost 5.5% and 1.1% market share respectively.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

The total revenue generated by the mobile operators increased by 15.6% to record \$259,711,601 from \$224,759,544 recorded in the previous quarter. On the other hand, total operating costs increased by 10.9% to record \$136,688,427 from \$123,226,192 recorded in the previous quarter. Total mobile investment declined by 74.1% to record \$8.2 million from \$31.7 million recorded in the previous quarter.

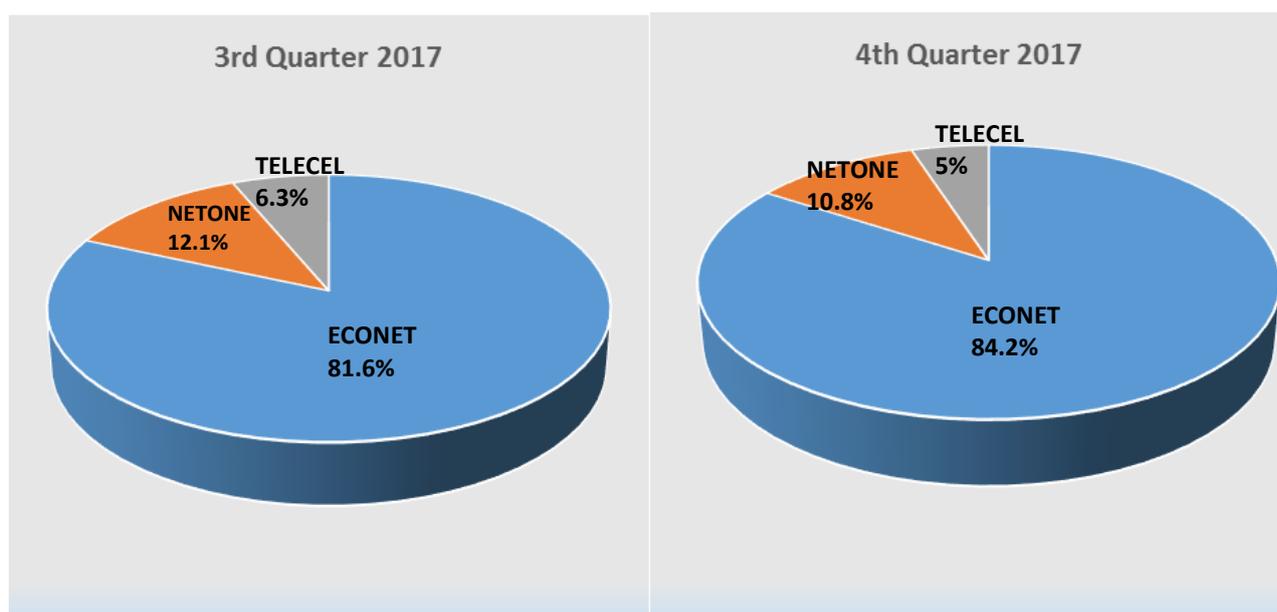
Total mobile revenues were consistently increasing over the course of 2017 whereas operating costs declined in the first three quarters only to increase in the final quarter of the year as shown in Figure 9 below:

Figure 9: Mobile revenues and operating costs



The market share of revenues was as follows:

Figure 10: Market share of mobile revenue



The Average Revenue per User per month increased by 9.5% to record \$4.83 from \$4.41 recorded in the third quarter of 2017. The Average Cost per User per month increased by 4.8% to record \$2.34 from \$2.31 recorded in the previous quarter.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

The growth in the number of base stations per technology is broken down by operator in Table 4 below:

Table 4: Mobile Base Stations

OPERATOR	2G			3G			LTE		
	Q3 2017	Q4 2017	Net Addition	Q3 2017	Q4 2017	Net Addition	Q3 2017	Q4 2017	Net Addition
Econet	2,450	2,463	13	1,498	1,509	11	593	634	41
Telecel	661	661	-	370	392	22	-	9	9
NetOne	1,682	1,680	-2	736	742	6	288	288	-
Total	4,793	4,804	11	2,604	2,643	39	881	931	50

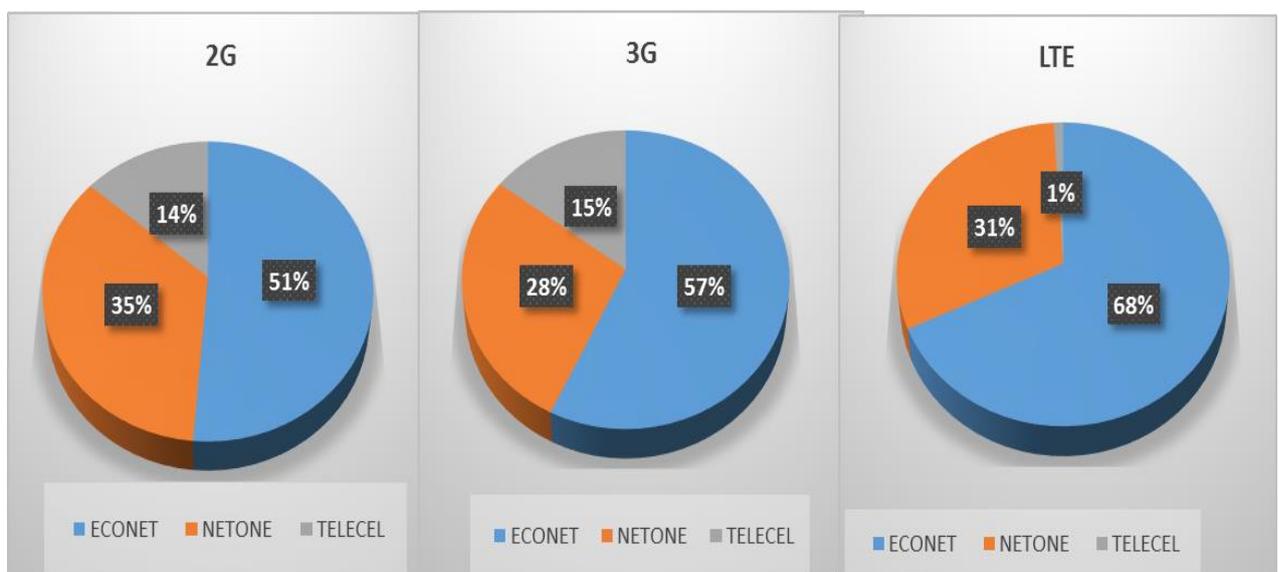
There was an overall growth in base stations across operators as shown above. This brought the total number of base stations to 8,377 up from 8,278 recorded as at 30 September 2017. The growth in 2G and 3G base stations as well as LTE eNode Bs from 2015 to 2017 is shown in Figure 11 below:

Figure 11: Growth in base stations



Based on the base stations per operator information, the market share of mobile base stations was as follows:

Figure 12: Market share of mobile base stations



Econet had the highest market share of 2G base stations, 3G base stations as well as LTE eNode Bs. There was no major change in the market share of base stations, save for the entry of Telecel into the LTE market with a market share of 1%.

3.5 MOBILE MONEY

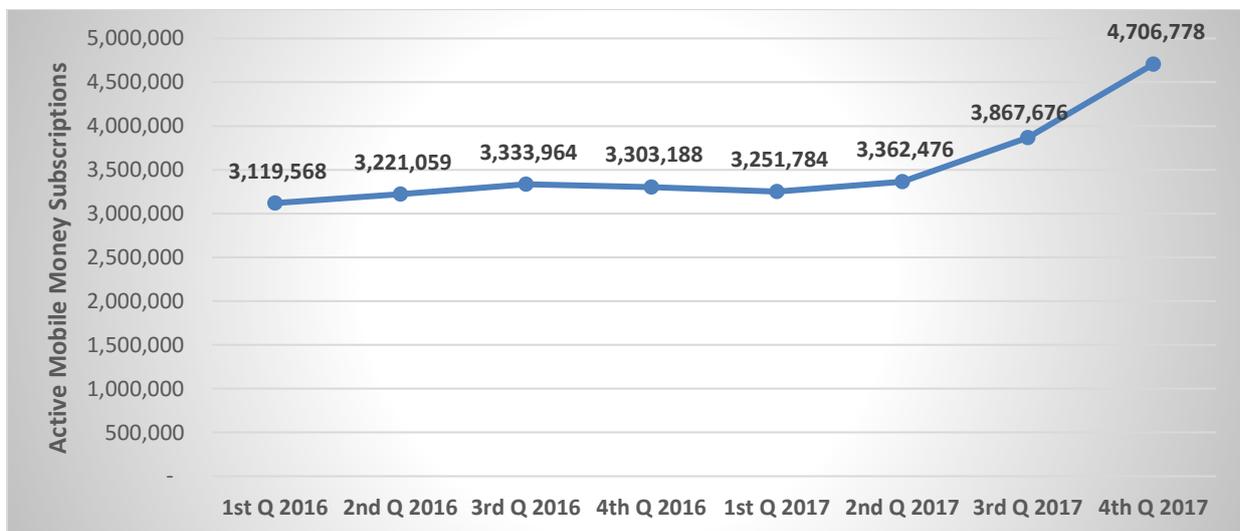
The total number of active mobile money subscriptions as at 31 January 2017 was 4,706,778. This represents a 21.7% increase from 3,867,676 recorded in the previous quarter. All the mobile operators experienced growth in the number of mobile money subscriptions as shown in Table 5 below:

Table 5: Active mobile money subscriptions

OPERATOR	3 RD QUARTER 2017	4 TH QUARTER 2017	% GROWTH
ECONET	3,738,056	4,574,409	22.4%
TELECEL	78,180	79,429	1.6%
NETONE	51,440	52,940	2.9%
TOTAL	3,867,676	4,706,778	21.7%

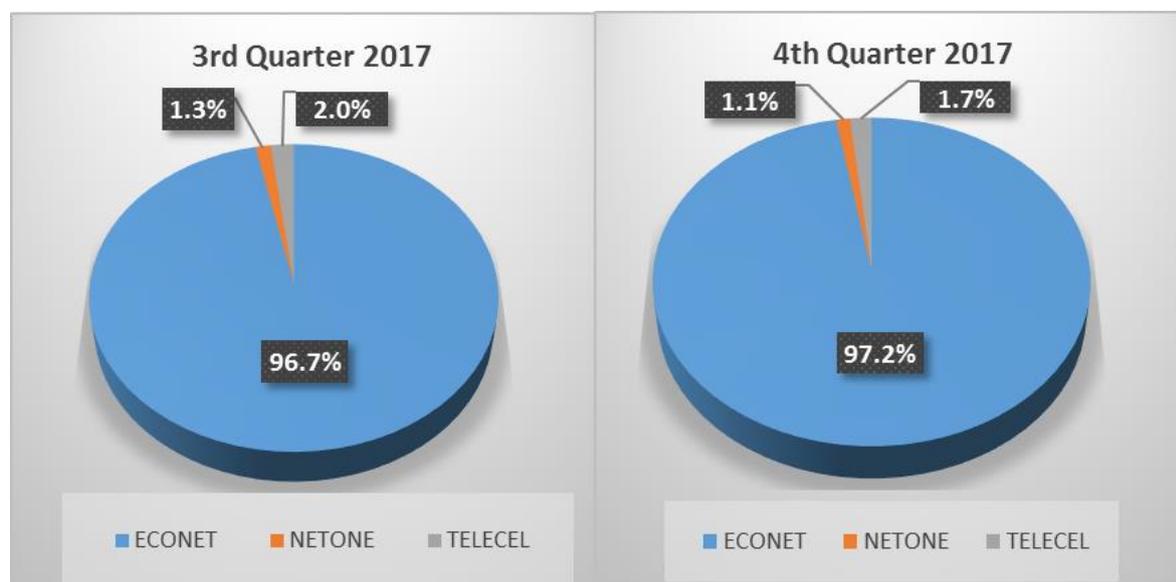
Big leaps in active mobile money subscriptions were experienced in 2017. Mobile money provided an effective alternative to cash for making payments. The growth in mobile money subscriptions from 2016 is shown in Figure 13 below:

Figure 13: Growth of mobile money subscriptions



A quarterly comparison of the market share of active mobile money subscriptions is shown in Figure 14 below:

Figure 14: Market share of active mobile money subscriptions



As shown above, Econet gained 0.5% market share whereas NetOne and Telecel lost market share by 0.2% and 3% respectively.

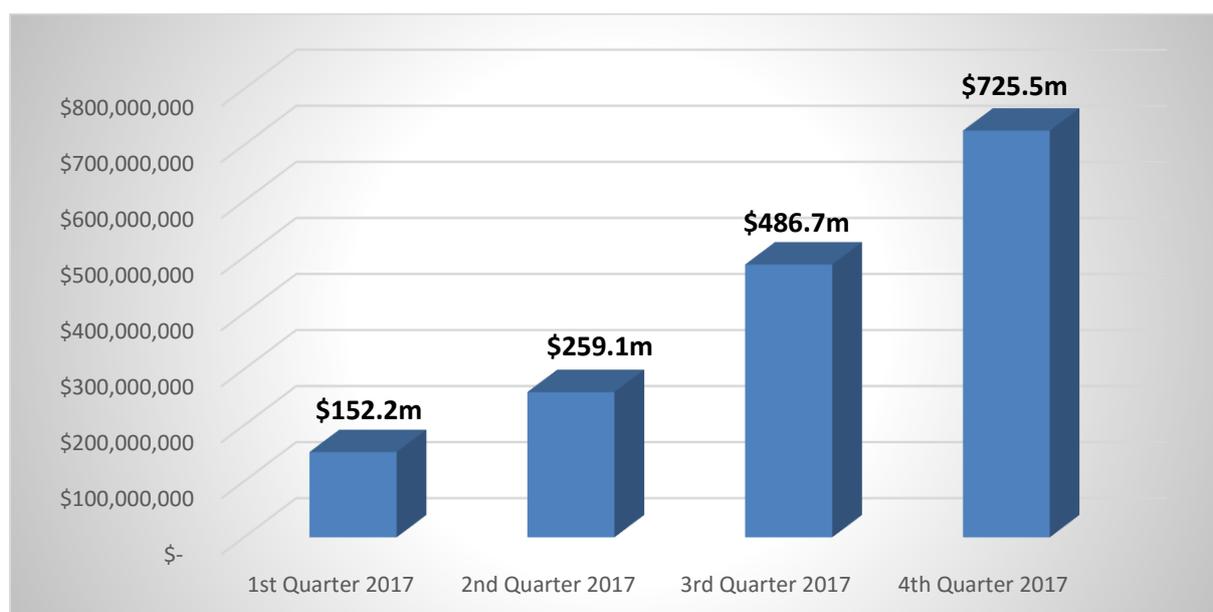
Table 6: Mobile Money agent network

OPERATOR	INDICATOR	3 RD QUARTER 2017	4 TH QUARTER 2017	% GROWTH
ECONET	Active Agent Outlets in Rural Areas	6,412	7,887	23.0%
	Active Agent Outlets in Urban Areas	13,627	16,760	23.0%
	Total Active Mobile Money Agent Outlets	20,039	26,247	31.0%
TELECEL	Active Agent Outlets in Rural Areas	315	312	-1.0%

	Active Agent Outlets in Urban Areas	792	572	-27.8%
	Total Active Mobile Money Agent Outlets	1,107	884	-20.1%
NETONE	Active Agent Outlets in Rural Areas	242	281	16.1%
	Active Agent Outlets in Urban Areas	1,216	1,472	21.1%
	Total Active Mobile Money Agent Outlets	1,458	1,753	20.2%
TOTAL	Active Agent Outlets in Rural Areas	6,969	8,480	21.7%
	Active Agent Outlets in Urban Areas	15,635	18,804	20.3%
	Total Active Mobile Money Agent Outlets	22,604	27,284	20.7%

Telecel was the only operator to register a decline in active agent outlets. The decline in Telecel's active agent outlets is attributable to liquidity constraints as agents require a cash float to effect over-the-counter transactions. The current cash constraints have spurred mobile money bill and merchant payments. In the quarter under review, airtime, bill and merchant payments increased by 49.1% to record \$725,510,160 from \$486,742,318 recorded in the previous quarter. The growth in mobile money airtime, bill and merchant payments over the course of 2017 is shown in Figure 15 below:

Figure 15: Airtime, Bill & Merchant Payments



The introduction of bank to wallet transfers has spurred the use of mobile money for effecting payment transactions.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of active internet subscriptions as at 31 December 2017 was 6,971,617. This represents a 2.6% growth from 6,796,314 active internet subscriptions recorded in the previous quarter. As a result, the internet penetration rate increased by 1.3% to reach 50.8% from 49.5% recorded in the previous quarter. The growth in internet subscriptions per service category is shown in Table 7 below:

Table 7: Active Internet Subscriptions

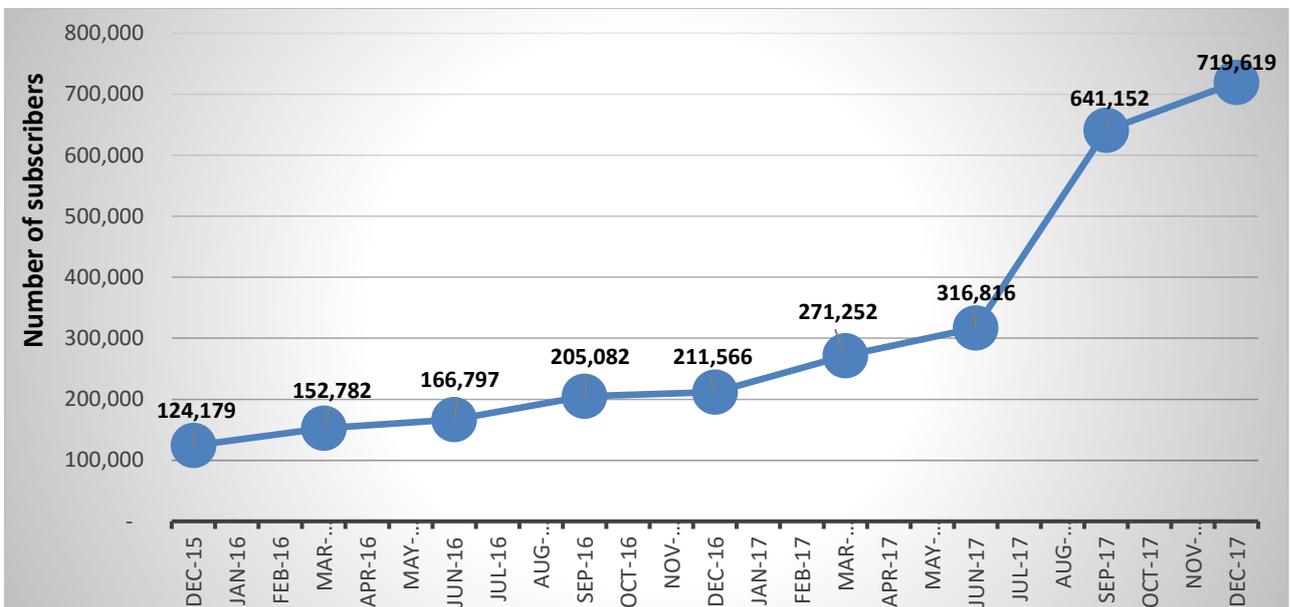
Technology	3 rd Quarter 2017	4 th Quarter 2017	Quarterly Variation
3G/HSDPA/LTE	6,647,883	6,824,307	2.7%
Leased Lines	1,364	1,351	-1.0%
Dial up	-	-	-
DSL	78,936	81,016	2.6%
WiMAX	5,167	4,915	-4.9%
CDMA	33,576	25,095	-25.3%
VSAT	3,363	3,478	3.4%

Active subscriptions	Fibre	26,025	31,455	20.9%
Total		6,796,314	6,971,617	2.6%

Source: POTRAZ, Operator Returns

Fibre recorded the highest growth in subscriptions (20.9%), whereas CDMA recorded the biggest decline of 25.3%. Of the total mobile internet subscriptions, 719,619 accessed and used LTE; this represents 12.2% increase from 641,152 recorded in the third quarter of 2017. The growth in LTE use is shown in Figure 16 below:

Figure 16: Growth in LTE use



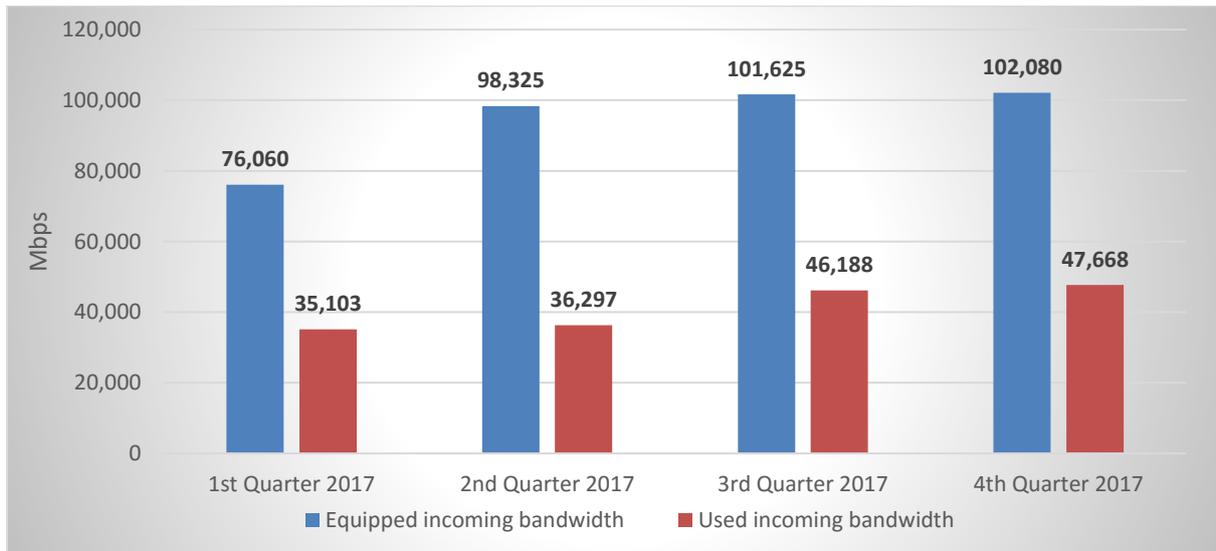
LTE use is expected to continue increasing as LTE coverage widens and the smartphone penetration rate improves.

4.3 INTERNATIONAL INTERNET CONNECTIVITY

The total equipped incoming international internet bandwidth capacity increased by 0.4% to reach 102,080Mbps from 101,625Mbps recorded in the previous quarter. Used incoming international internet bandwidth also increased by 3.2% to record 47,668Mbps from 46,188Mbps recorded in the previous quarter.

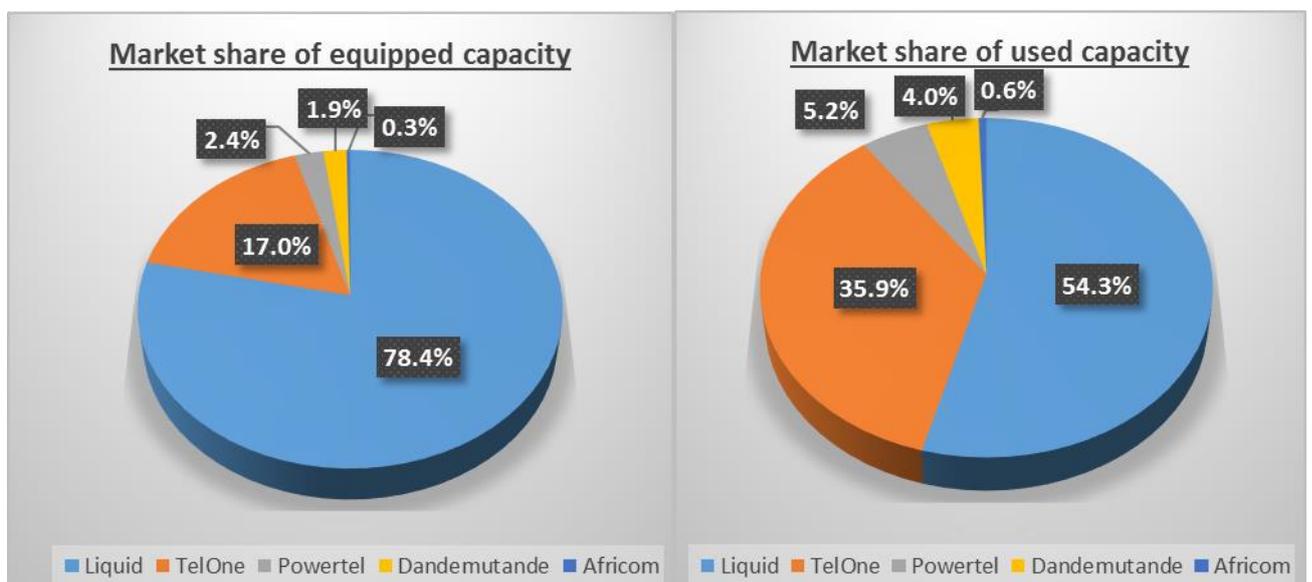
Used international internet bandwidth has been consistently growing due to the growing demand for internet and data services. Operators have to regularly augment their equipped international bandwidth capacity to meet the growing demand. The overall growth in the equipped and used international incoming bandwidth capacity over the course of the year is shown in Figure 17 below:

Figure 17: Growth in Used and Equipped International Incoming Bandwidth Capacity



The market share of equipped and used international bandwidth capacity in the fourth quarter of 2017 was as follows:

Figure 18: Market share of equipped and used bandwidth capacity



A quarterly comparison shows that Powertel and Dandemutande gained market share of equipped international bandwidth capacity by 0.3% and 0.1% respectively. On the other hand, Liquid and TelOne lost 0.3% and 0.1% respectively whilst Africom`s market share remained unchanged. In terms of used capacity, Liquid lost 3% market share whereas TelOne, Africom, Powertel and Dandemutande gained 2.1%, 0.2, 0.5% and 0.2% respectively.

4.3 IAP REVENUES

Total revenue generated by the Internet Access Providers in the fourth quarter of 2017 was \$52,325,731. This represents a 7.6% increase from \$48,641,517 recorded in the previous quarter. The market share of revenues is shown in table 8 below:

Table 8: IAP revenues market share

	Q3 2017 Market Share	Q4 2017 Market Share	% change
Liquid	53.7%	54.2%	0.5%
TelOne	22.8%	23.1%	0.3%
Powertel	13.6%	12.8%	-0.8%
Dandemutande	5.8%	5.8%	-%
Africom	2.8%	2.8%	-%
Telecontract	1.2%	1.1%	-0.1%
Aquiva	0.1%	0.2%	0.1%
Aptics	0%	0%	-%
Total	100%	100%	100%

As shown above, all the IAPs with the exception of Telecontract registered an increase in revenues. IAP revenues are expected to continue increasing on the back of growing internet and data consumption.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

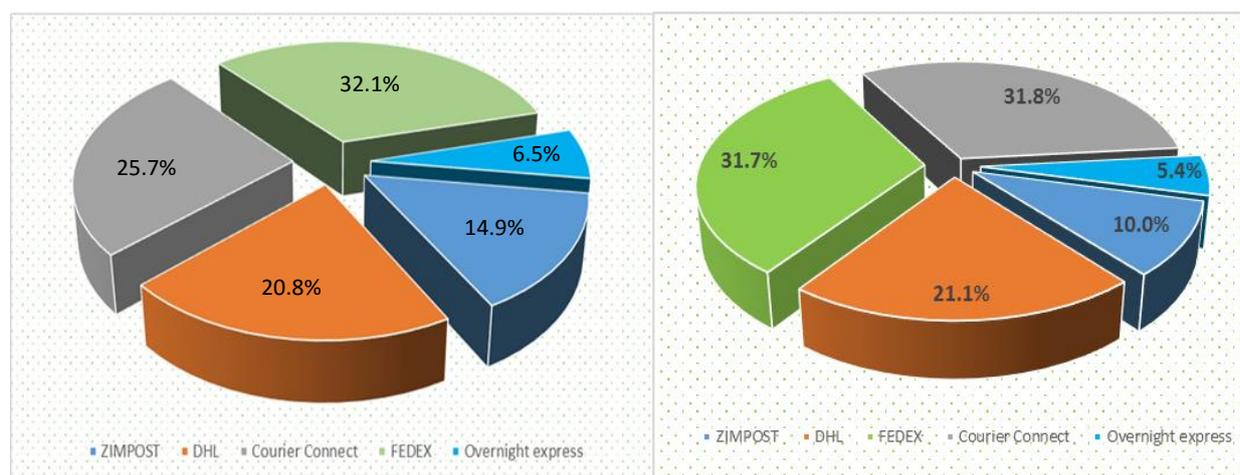
An overall decline of 9.3% in total postal and courier volumes was recorded in the fourth quarter of 2017. Table 9 below shows a quarterly comparison of the postal and courier volumes by category.

Table 9: Postal and courier volumes

	3 rd Quarter	4 th Quarter	% Growth
Domestic postal	1,488,897	1,264,901	-15.0%
domestic courier	138,355	139,440	0.8%
International incoming postal & courier	353,409	347,441	-1.7%
International outgoing postal & courier	70,884	108,965	53.7%
Total postal & courier	2,051,545	1,860,747	-9.3%

As shown above, domestic courier and international incoming postal and courier were the two categories to register growth. The domestic postal volumes above comprised of domestic letters processed by Zimpost. Domestic postal volumes are expected to continue declining with the introduction of electronic utility bills. The market share of domestic courier services was as follows:

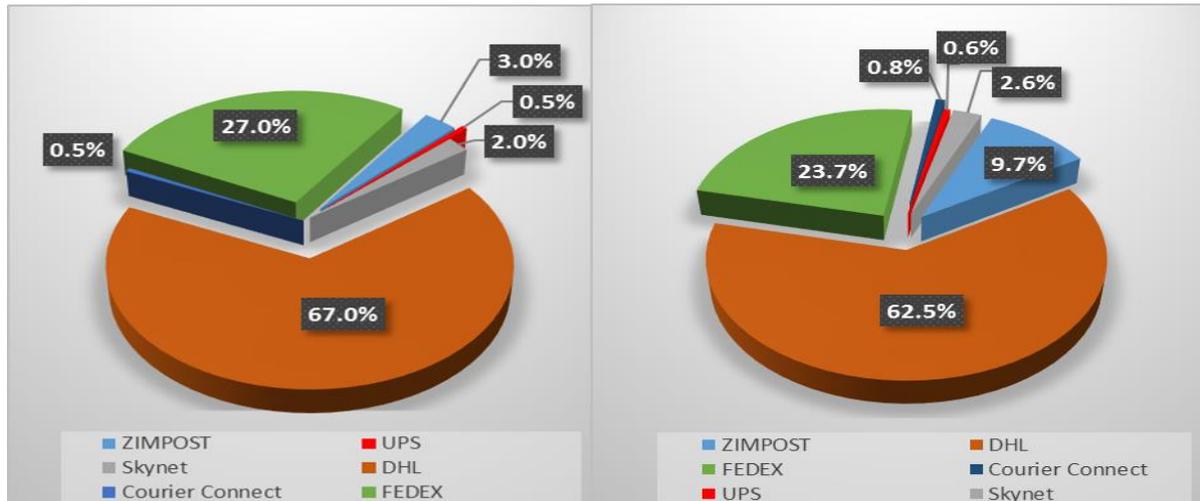
Figure 19: Market share of domestic courier



As shown above, Courier Connect had the largest market share of domestic courier in the quarter under review. Courier Connect and DHL experienced growth of 6.1% and 0.3% respectively in their market share of domestic courier. On the other hand, FedEx, ZIMPOST and Overnight express lost 0.3%, 4.9% and 1.1% respectively.

DHL maintained their position as the dominant operator in terms of international outgoing courier. However DHL's market share declined by 4.5%. FedEx also lost market share of international outgoing traffic by 4.3%. On the other hand, Courier Connect, Skynet, UPS and ZIMPOST gained market share by 0.3%, 0.6%, 0.1% and 6.7% respectively as shown in Figure 20 below.

Figure 20: Market share of international outgoing courier



5.2 POSTAL & COURIER REVENUES & INVESTMENT

The postal and courier sector recorded a decline in total revenues and investment in the quarter under review as shown in Table 16 below:

Table 10: Postal & Courier Revenues & Investment

	3 rd Quarter 2017	4 th Quarter 2017	% Growth
REVENUES	\$13,760,736	\$12,773,055	-7.2%
INVESTMENT	\$133,422	\$95,675	-28.3%

The decline in revenues is attributable to the decline in postal and courier volumes.

5.3 ZIPCASH

The total value of Zipcash transactions declined by 83.4% to record \$11,532 from \$69,529 recorded in the previous quarter. The value of Zipcash transactions has been consistently declining as shown in Figure 21 below:

Figure 21: Zipcash transactions



The decline in the value of Zipcash transactions over the course of 2017 can be attributed to the current liquidity challenges.

6. OUTLOOK

Industry growth continues to be driven by internet and data. Usage traffic for internet and data services is expected to continue rising. This will be largely spurred by innovation related to non- traditional business models. Growth in the use of Internet of Things (IOTs) applications will take centre stage, driven by consumer appetite for digital solutions that are convenient and affordable. Such solutions will revolve around mobile payments such as payment of utility bills, parking fees and the increased use of plastic money as well as mobile banking. Other government driven initiatives such as e-government, tele-medicine and e-learning as well as the roll out of Community Information Centres through the Universal Service fund, will also help boost demand and usage of data and internet services. The rapid deployment of Next

Generation Networks (NGN) such as 4G/LTE and Fibre to the Home (FTTH) will also improve service accessibility and availability. Hence the three prime drivers of internet use, i.e. availability, affordability and scalability, also need to be supported coupled with the development of relevant content and applications so as to catalyse the uptake and usage of internet.

Penetration rates for all subscription-based services are expected to grow marginally. The mobile penetration rate has surpassed the 100% mark; there are now more mobile lines than there are people. The internet penetration rate has surpassed the 50% mark and is expected to continue growing on the back of 3G and 4G as well as fixed internet technologies such as Fibre and ADSL. The fixed teledensity has remained stagnant at 1.9%; marginal growth in the fixed telephone subscriber base is expected.

The year 2017 witnessed growth in telecommunications revenues, largely driven by the mobile telephone market. Revenues have been spurred by data as well as mobile money. Mobile money services have emerged to be a key revenue contributor in the current economic environment. The introduction of bank to wallet transfers has spurred the use of mobile money for transactional purposes in the midst of cash shortages. This trend of growing mobile money use is expected to continue in the current environment.

The postal and courier sector continues to record depressed service volumes and revenues. The impact of e-substitution on the postal and courier business is expected to continue as the data revolution gathers momentum. E-commerce needs to be supported, as it is a key driver of international courier volumes and revenues.