POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

TELECOMMUNICATIONS SECTOR PERFORMANCE FIRST QUARTER 2013

Disclaimer: *Although every effort has been made to ensure accuracy of the data contained in this report, the Authority is not liable for the inaccuracy of any information, which is contingent to the operators/service providers compliance returns.*

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LIST OF ABBREVIATIONS

SIM	Subscriber Identification Module
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
MoU	Minutes of Use

I. MAJOR HIGHLIGHTS

- Total mobile subscribers declined by 0.5% to reach 12,553,682 from 12,613,935 subscribers recorded in the previous quarter.
- Fixed telephone subscribers grew by 4.3% to reach 314,622 subscribers from 301,650 subscribers recorded in the previous period.
- Mobile teledensity declined by 0.5% to reach 96.5% from 97% recorded in the previous quarter as a result of the decline in subscribers.
- Fixed teledensity increased by 0.1% to reach 2.4%, from the 2.3% recorded in the previous period as a result of the increase in fixed subscribers
- Data and internet subscribers registered an increase of 8.9% to reach 4.3 million from 3.95 million recorded in the previous quarter.
- Mobile Money Transfer subscription increased by 11.7% to reach 2.2 million up from 1.9 million recorded in the previous quarter.
- Total Mobile Switching Capacity increased by 4.5% to reach 15,548,000 subscriber capacity up from 14,878,000 subscriber capacity recorded in the previous period.

II. IN SUMMARY

At the end of Quarter 1 of 2013, a total of 12.6 million subscribers were registered on the mobile network representing a marginal decline of 0.5 percent from the last quarter. Mobile penetration stood at 96.5 percent during the period down from 77.2 percent recorded during the previous period. The number of pre-paid subscribers continued to dominate the total mobile subscriptions accounting for 98 percent. During the quarter under review, there were 12.3 million pre-paid subscribers down from 12.37 million recorded in the previous quarter, representing a 0.6 percent decline. Post-paid subscribers grew by 1.6 percent during the period to reach 252,119 subscribers up from 242,520 subscribers. The fixed line network recorded a marginal growth of 4.3 percent during the period to reach 314,622 lines up from 301,650 recorded in the previous period.

Total local mobile traffic grew by 4 percent during the period to stand at 1.88 billion minutes up from 1.8 billion minutes recorded during the previous period. The total number of SMS was recorded at 502 million up from 475 million recorded during the previous period, representing a 5.6 percentage increase during the quarter.

In the Internet/data market segment, the number of subscriptions1 rose by 8.9 percent during the period to reach 4.3 million from 3.95 million recorded during the previous quarter. Compared to the same period of the previous year, there was an increase of 55.3 percent. Mobile data/internet continued to dominate the internet market contributing 98 percent of the total Internet/data subscriptions. Internet penetration went up by 2.7 percentage points to reach 33.3 percent up from 30.6 percent during the previous period. The total available bandwidth in the country was recorded as 6 200 Mbps during the quarter.

In the postal and courier sector, the number of letters sent locally declined by 0.9 percent to reach 3,286,188 down from 3,315,145 letters sent during the previous period. However, the number of international incoming letters grew by 5 percent during the period to reach 41,635 letters from 39,658 received during the previous period. Similarly international outgoing letters reached 70,993 million from 70,445 during the previous period, representing 0.8 percent increase. The number of postal outlets increased by 3.6 percent during the period to reach 261 outlets down from 252 outlets recorded during the previous quarter.

1. CELLULAR MOBILE SERVICES

1.1 SUBSCRIPTIONS

During the period under review, the total number of mobile subscribers declined from 12,613,935 recorded in the previous quarter to reach 12,553,682 subscribers; this represents a decrease of 0.5 percent during the period; and an increase of 24.8 percent compared to the same period of 2012. However, as observed in the previous periods the rate of growth has slowed down as the market turns towards maturity. The growth of mobile subscriptions is shown in Table 1 below:

Table 1: Mobile Subscriptions

Subscription type	Dec 2012	March 2013	Quarterly Variation %
Prepaid Subscription	12,371,415	12,301,563	-0.6%
Postpaid Subscription	242,520	252,119	4%
Total Mobile Subscription	12,613,935	12,553,682	-0.5%

Source: POTRAZ, Operator Returns

The number of pre-paid subscribers declined 0.5 percent during the period while that of post-paid subscribers posted a 4 percent growth during the period. As has been the trend, the number of pre-paid subscribers continued to dominate the mobile telephony sector, accounting for 98 percent of mobile subscriptions. It is also notable that NetOne commands the greatest market share of postpaid subscribers with 74%; whereas Econet and Telecel have 24% and 2% market share of postpaid subscribers respectively.

1.2 MOBILE SUBSCRIPTIONS PER OPERATOR

During the review period, two out of the three mobile operators recorded positive gains in subscriptions. Subscribers per operator are shown in the table below:

Table 2: Subscriptions per operator

Name of Operator	December 2012	March 2013	Quarterly Variation %
ECONET	8,014,055	8,024,891	0.14%

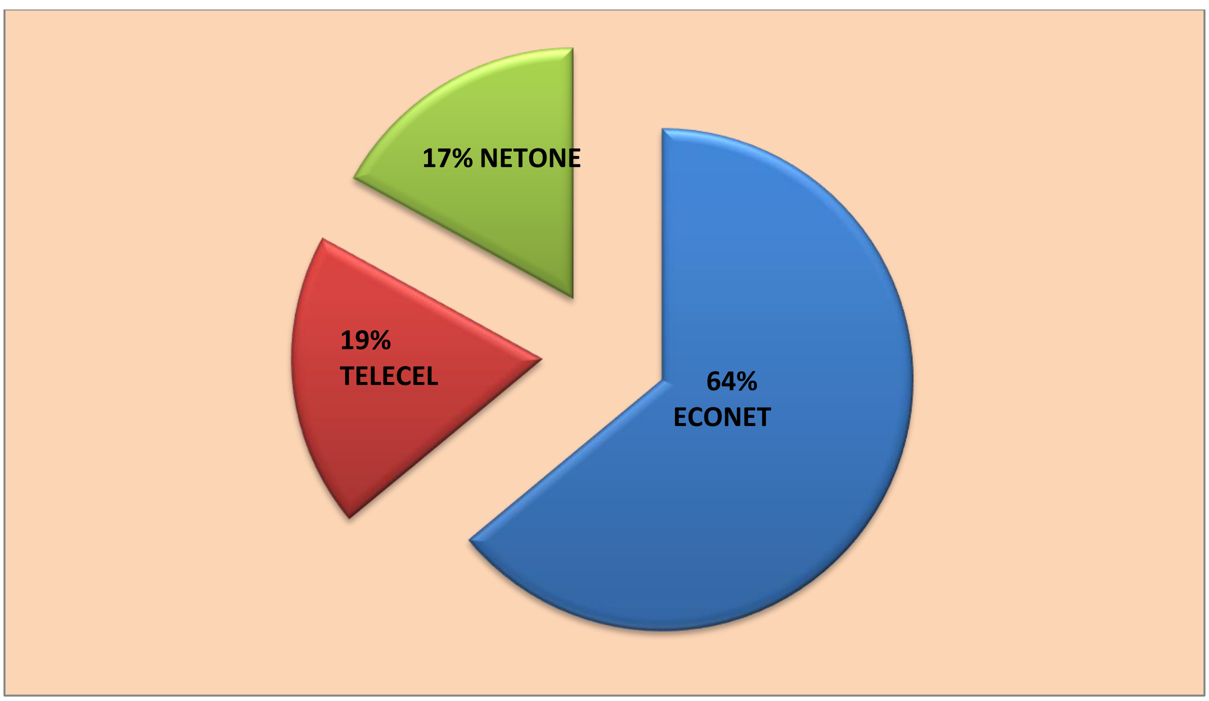
TELECEL	2,582,154	2,429,906	-5.9%
NETONE	2,017,726	2,098,885	4%
TOTAL	12,613,935	12,553,682	-0.5%

Source: POTRAZ, Operator Returns

Econet gained 10,896 new subscribers, representing a growth of 0.14 percent. NetOne gained 81,159 new subscribers, representing a growth of 4 percent On the other hand Telecel lost 152,248 subscribers, representing a decline 5.9 percent of in their subscriber base. Telecel`s explanation for the decline was that some of their subscribers had become inactive and had to deactivate them from the network according to regulatory requirements.

The market share by subscription is shown in Figure 1 below

Figure 1: Percentage Subscription Market Share per Operator

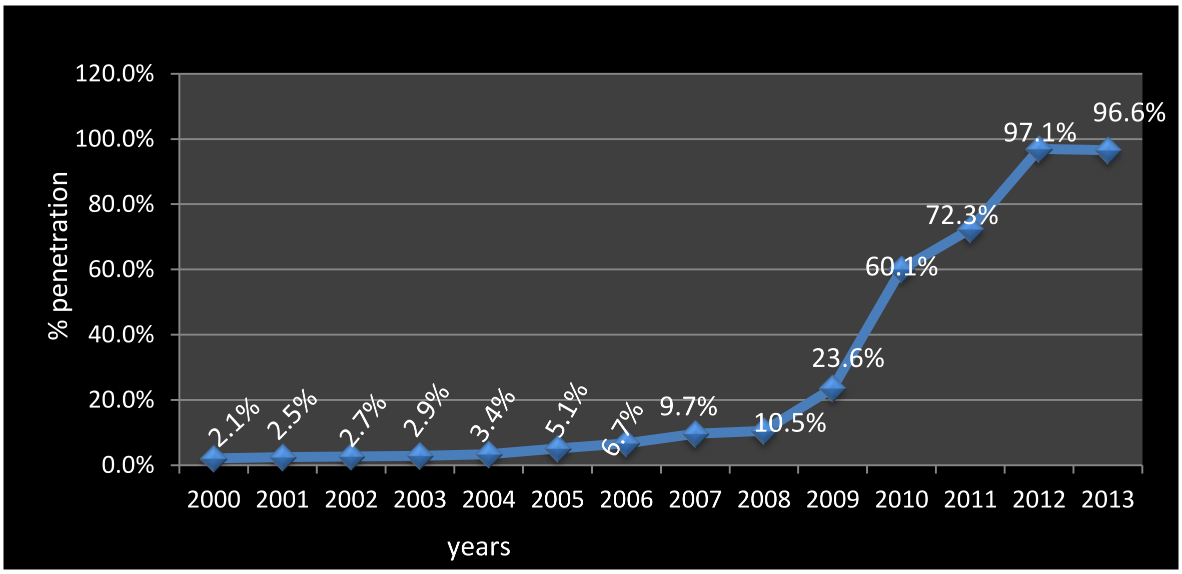


Over the preceding periods, the level of market shares measured by subscription has not experienced major changes. Econet`s market share by subscription increased marginally from 63.5 percent during the previous period to 64 percent during the period under review. Telecel`s market share declined by 1.5 percentage points to stand at 19 percent at the end of the first quarter of 2013. NetOne`s market share increase by 1 percentage points to stand at 17 percent at the end of the first quarter of 2013.

During the period under review mobile penetration declined from 97 percent recorded during the previous quarter to 96.5 percent. This represented a quarterly decline of 0.5 percentage points.

The growth trend in the mobile penetration from 2000 to date is shown in Figure 2 below:

Fig 2: Mobile Penetration Trend Analysis (2000-2013)



Source: POTRAZ, Operator Returns

1.3 MOBILE MONEY TRANSFER SERVICE

As shown in Table 3 below, the mobile money transfer service continued to record tremendous growth during the period. The number of mobile money transfer subscribers grew by 11.7 percent to 2.2 million up from 1.95 million recorded in the previous period. Similarly, the total deposits grew by 28.7 percent to $112 million up from $87 million recorded during the previous period.

Table 3: Mobile Money Transfer

Mobile Money Transfer	Dec 2012	March 2013	Quarterly Variation %
Subscriptions	1,946,845	2,175,183	11.7%%
Number of Agents	2,301	3,014	31%
Total Deposits (US$)	$87,115,703	$112,123,088	28.7%

Source: POTRAZ, Mobile Operator Returns

In the same way, the number of active agents increased to 3,014 up from 2,301 recorded during the previous quarter, representing an increase of 31 percent. This growth signifies increased accessibility of mobile money transfer service as well as more employment opportunities for the youth.

1.4 MOBILE TRAFFIC AND USAGE PATTERN

1.4.1 NATIONAL VOICE TRAFFIC

A total of 1,485,793,061 minutes were made on the mobile network during the period down from 1,487,564,535 minutes recorded in the previous quarter. This represents a marginal decline of 0.1% percent. As Table 4 shows, on-net traffic declined by 0.8 percent during the period from 1,020,678,194 minutes recorded during the previous period to 1,012,364,078 minutes recorded during the period under review.

Table 4: Local Mobile Voice Traffic in Minutes

Mobile Traffic	Oct – Dec 2012	Jan-March 2013	Quarterly Variation
By Traffic Origination (Outgoing traffic)			
Net on Net	1,020,678,194	1,012,364,078	-0.8%
Mobile to Mobile	194,712,129	195,248,697	0.3%
Mobile net to Fixed	6,208,407	6,421,848	3.4%
Mobile Net to VoIP	277,090	314,829	13.6%
By Traffic Termination (Incoming traffic)			
Mobile to Mobile	194,712,129	195,248,697	0.3%
Fixed to Mobile	68,442,573	76,194,912	11.3%
Incoming VoIP	2,534,013	2,749,145	8.5%

Source: POTRAZ, Operator Returns

Mobile-to-fixed traffic went up by 3.4 percent to record 6.4 million minutes up from 6.2 million minutes posted during the previous quarter. With regard to traffic by termination, the total number of voice minutes amongst the mobile networks increased by 0.3 percent to 195.2 million minutes during the period from 194.7 million minutes recorded during the previous period. The ratio of on-net traffic to total national traffic declined by 0.6 percentage points to record 68 percent while the ratio of off-net traffic increased by 0.6 percentage points to record 32 percent from 31.4 percent the previous quarter.

1.4.2 INTERNATIONAL MOBILE TRAFFIC

International incoming traffic declined marginally by 1 percent during the period to record 84.4 million minutes from 85.3 million minutes recorded during the previous period. International outgoing traffic also declined by 9 percent to 39 million minutes from 43 million minutes recorded during the previous period. The international mobile voice traffic and SMS are shown in the table below:

Table 5: International Mobile Traffic (Minutes)

International Mobile Traffic	Oct-Dec 2012	Jan-Mar 2013	Quarterly Variation (%)
International Incoming Mobile Voice Minutes	85,344,875	84,367,791	-1%
International Outgoing Mobile Voice Minutes	42,935,474	39,054,164	-9%
International incoming SMS	18,456,858	20,445,766	10.8%
International Outgoing SMS	11,058,695	12,710,585	15%

Source: POTRAZ, Operator Returns

On the other hand international incoming mobile SMS increased by 10.8 percent to reach 20.5 million up from 18.5 million recorded during the previous period. There was a significant growth in international outgoing SMS of 15 percent from 11 million SMS posted during the previous period to 12.7 million SMS during the period under review.

1.4.3 MINUTES OF USE (MoU)

During the quarter under review, the number of Minutes of Use (MoU) per subscriber per month reached 39.5 up from 39.2 minutes recorded during the previous period, representing a 0.8 percent growth. The growth was only marginal because the same promotions that were offered in the 4th quarter of 2012 were continued into the first quarter of 2013 hence there was no considerable increase in traffic.

During the quarter 501,890,670 SMS were sent up from 475,152,365 SMS sent during the previous period. This 5.6 percentage increase may have been fuelled by high service use during the festive season. There were 413,074,601 on-net SMS recorded during the period up from 401,854,021 million SMS during the previous period, representing a 3 percentage increase.

1.4.4 ROAMING TRAFFIC

The total number of outbound roaming voice traffic rose to 526,570 during the quarter under review, up from 243,178 minutes posted the previous quarter, representing a growth of 116.5 percent as shown in Table 6 below:

Table 6: Roaming Traffic

Roaming Traffic	Oct-Dec 2012	Jan-Mar 2013	% Quarterly Variation
Roaming Voice Minutes Own Subscribers on Foreign Networks (Outbound)	243,178	526,570	116.5%
Roaming Voice Minutes Foreign Subscribers on Local Network (Inbound)	848,411	977,166	15.2%

Source: POTRAZ, Operator Returns

Inbound roaming voice traffic increased to 977,166 minutes during the period up from 848,411 minutes recorded during the previous period. This represented a growth of 15.2 percent during the period under review.

1.5 MOBILE REVENUES AND INVESTMENT

Total revenue from mobile voice service declined by 0.1% to reach $229.4 million from $229.5 million recorded in the fourth quarter of 2012. Total investment in mobile telephony was $35,380,259; this was a 16% decline from $42 million recorded the previous quarter. Of the total investment 85% was from Econet`s investment in national switching which saw its switching capacity increasing from 6,910,000 in the previous quarter to 7,964,856 in the period under review.

2 FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTION

The total number of fixed lines subscribers grew by 4.3 percent during the review period to 314,622 lines up from 301,650 lines recorded during the previous period. The growth in fixed lines and fixed teledensity is shown in the table below:

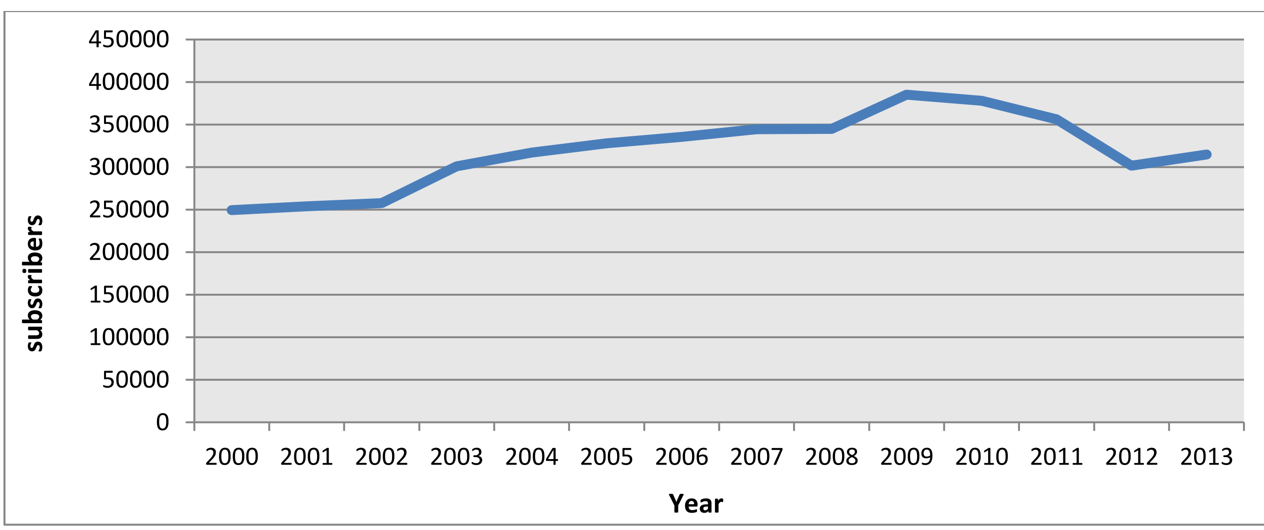
Table 8: Fixed Network Subscriptions

	December 2012	March 2013	Quarterly Variation
Total Fixed Subscribers	301,650	314,622	4.3%
Fixed Teledensity	2.3%	2.4%	0.1%

Source: POTRAZ, Operator Returns

The trend in fixed telephone subscriptions from 2000 to 2013 is shown in Fig 7 below:

Fig 7: Fixed Telephone Subscribers trend



2.2 FIXED NETWORK TRAFFIC

Table 9: Fixed Network Traffic in Minutes

Local Fixed Network Traffic	Oct-Dec 2012	Jan-Mar 2013	Quarterly Variation (%)
Incoming from Mobile	6,726,282	6,972,888	3.7%

Outgoing to Mobile	80,130,879	76,194,912	-4.9%
Incoming International	16,432,303	10,939,201	-33.4%
Outgoing International	9,710,790	9,724,942	0.15%
Total	113,000,254	103,831,943	-8.1%

Source: POTRAZ, Operator Returns

As shown in Table 9, the total number of minutes recorded in the fixed line network declined by 8.1 percent during the period to reach 104 million minutes from 113 million minutes recorded during the previous quarter. This growth was driven by the decline in international incoming traffic which declined by 33.4 percent during the period.

3. DATA AND INTERNET SERVICES

3.1 SUBSCRIPTION

There were 4.3 million internet subscribers at the end of the quarter under review up from 3.95 million recorded during the previous period. This represents an increase of 8.9 percent during the period and 55.3 percent increase relative to the same period in the previous year. The mobile data/internet subscribers continued to dominate the internet, representing 99 percent of the total subscriptions. In addition, the quarter recorded 4,250,930 mobile/data subscribers up from 3,860,141 recorded during the previous period, representing a growth of 10.1 percent. This growth indicates operators' aggressiveness to grow their respective market share through promotions and special offers during the period.

The number of VSAT subscribers declined by percent from 460 subscribers to 279 subscribers during the previous period. During the period Liquid telecoms lost 87 VSAT subscribers; VSAT is more expensive than fibre. A breakdown of internet subscription by technology is shown in Table 10 below:

Table 10: Internet subscription by technology

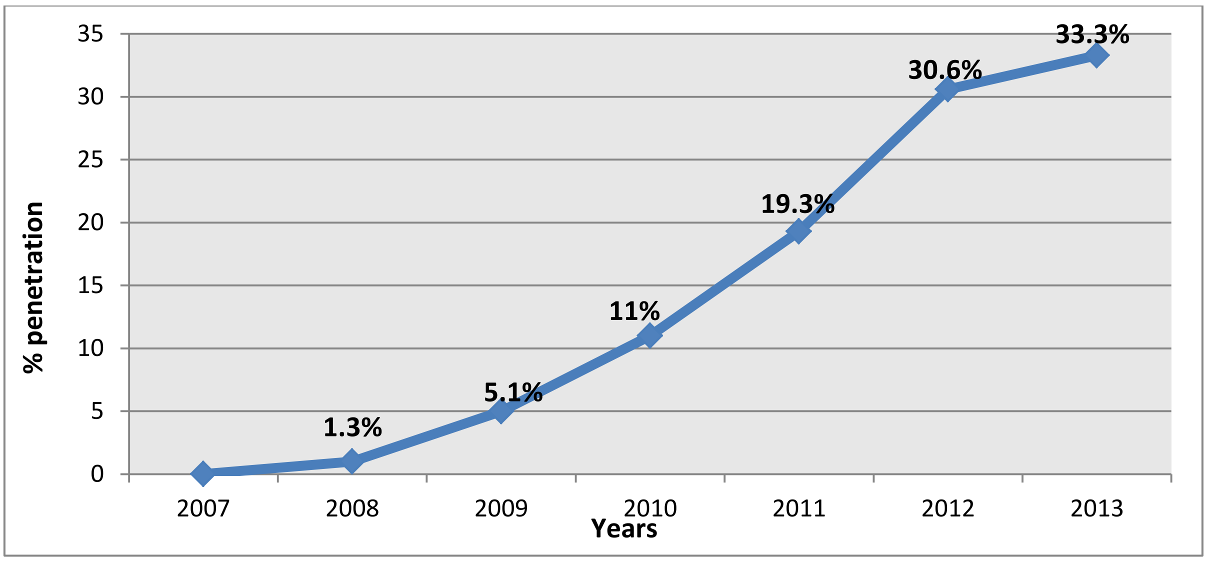
Technology	Subscriptions 1st Quarter 2013	Market Share
GPRS/EDGE/3G/HSDP	4,250,930	98.93%
Leased Lines	161	0…. %
Dial up	8,934	0.21%
XDSL	14,910	0.35%
Wimax, Wi-Fi	7,930	0.18%
CDMA	12,959	0.30%

VSAT	279	0.01%
Fibre links	980	0.02%
TOTAL	**4,297,083**	**100%**

Source: POTRAZ, Operator Returns

Internet penetration increased from 30.6% to 33.3%**.** The trend of internet penetration over the last six years is illustrated in the graph below:

Figure 9: Internet Penetration 2007-2013



As shown in Figure 9 above, Internet penetration has been on a growth trajectory over the past years and the trend is expected to continue.

3.2 INTERNATIONAL BANDWIDTH

By the end of the quarter under review, the total amount of bandwidth available in the country was 6200Mbps. Compared to the previous period there was no change in available international bandwidth.

4. POSTAL AND COURIER SERVICE

4 .1 POSTAL AND COURIER TRAFFIC

A total of 3,286,188 letters were sent locally during the quarter under review down from 3,315,145 letters posted in the previous period. This represents a decline of 0.9 percent during the period. Similarly, the number of courier items sent locally during the period declined by 3.4 percent to 53,781 down from 55,654 items the previous period.

On the other hand, the number of international incoming mail went up by 5 percent to reach 41,635 from 39,658 letters posted during the previous quarter. Similarly, the number of international outgoing letters increased by 0.8 percent from 70,445 sent during the previous period to 70,993 sent during the period under review.

Table 13: Postal and Courier Traffic

	4th Quarter 2012	**1st Quarter 2013**	**Quarterly Variation**
Number of letters sent locally	3,315,145	3,286,188	-0.9%
Total Courier items sent locally	55,654	53,781	-3.4%
International Incoming mail	39,658	41,635	5%
International Outgoing mail	70,445	70,993	0.8%

Source: POTRAZ, Operator Returns

4.2 NUMBER OF POSTAL OUTLETS

The number of postal outlets went up by 9 more outlets during the period under review to reach 261 outlets up from 252 recorded in the previous period. The number of postal outlets over the period is shown in Table 14 below:

Table 14: Number of Postal Outlets

	Fourth Quarter 2012	**First Quarter 2013**	**Additions**
Number of Postal Outlets	252	261	9

Source: POTRAZ, Operator Returns

4.3 POSTAL & COURIER REVENUE AND INVESTMENT

A comparison with the fourth quarter of 2012`s revenue and investment figures for the postal and courier sector shows that revenues increased by 0.1% and investment also increased by 8.5%.

Table 15: Postal and Courier Revenues and Investment

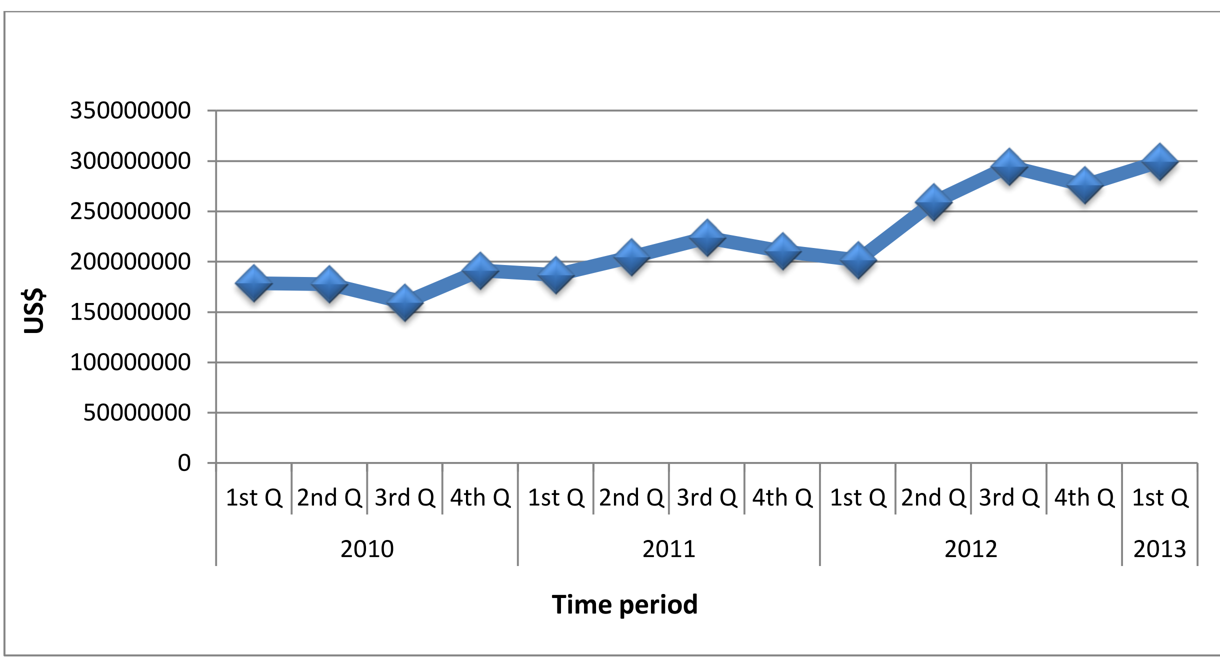
	Fourth Quarter 2012	First Quarter 2013	Quarterly Variation
Revenues	8,709,432	8,716,339	0.1%
Investment	1,401,996	1,521,895	8.5%

Source: POTRAZ, Operator Returns

5. TOTAL SECTOR REVENUE

The telecommunications sector as a whole realised revenues of $299,387,007 in the first quarter of 2013; this was a 12.8% increase in revenues from $265,356,452 recorded in the 4th Quarter of 2012. The increase is attributed to the increase in fixed, data and internet revenues. The periodical fluctuations in telecommunications revenues are illustrated in the graph below:

Figure 12: Total Sector Revenues.



Of the total revenue mobile and fixed voice service contributed 77% and 12% respectively. Data and internet services contributed 8 % whereas postal and courier services contributed 3%.

6. CONCLUSION

There has been remarkable growth in the Telecommunications sector during the period driven largely by mobile voice and data services. Mobile money transfer services continue to drive the usage of ICTs as seen by the high volume of financial transactions. The data/internet market grew both in subscriptions with the mobile data/internet segment posting the largest share. This is the sub-sector that provides the greatest opportunity to service providers considering the relatively low subscriber levels which promises a much more substantial growth rate compared to voice.

The total bandwidth available in the country stood at 6200 Mbps. The expected economic growth at should increase the use of ICTs and subsequent utilisation of available capacity. The postal market is on a downward trend as evidenced by the decline in postal traffic of local letters sent and reduced number of postal outlets reported during the period. Measures and strategies such as the diversification into financial services and wireless internet services across postal outlets among others could reverse this trend and revitalise the sector as happened in most developed countries.