POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
(POTRAZ)

POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

THIRD QUARTER 2013

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. 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.

Table of Contents

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

SMS Short Messaging Service

ARPU Average Revenue Per User

I. MAJOR HIGHLIGHTS

- The mobile penetration rate increased by 5.5 percentage points from 98.4% to 103.5%, reflecting an increase in mobile subscriptions from 12,796,118 recorded in the previous quarter to 13,518,887 as at end of third quarter 2013.
- Fixed telephone subscribers declined by 2% to reach 307,202 subscribers from 314,622 subscribers recorded in the previous period.
- Data and internet subscribers increased by 6.9% to reach 5.2 million from 4.9 million subscribers recorded in the previous quarter.
- The internet penetration rate increased by 2.5% to reach 39.8% from 37.3% recorded in the previous quarter.
- Total number of Mobile Base Stations increased from 3,915 to 4,056 base stations due to an addition of 141 new base stations during the quarter.

2. MOBILE TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The period under review recorded an increase in mobile subscriptions by 5.6% to reach 13,518,887 up from 12,796,118 subscribers recorded in the previous quarter. This represents a net addition of 722,769 new subscribers in the period under review. The summary of mobile subscriptions is shown in table 1 below.

Table 1: Mobile subscriptions

	2nd Quarter 2013	3rd Quarter 2013	Net Addition	Quarterly Change (%)
Number of Subscribers	12,796,118	13,518,887	722,769	5.6%
Prepaid subscribers	12,547,926	13,260,335	712,409	5.7%
Post-paid subscribers	248,192	258,552	10,360	4.2%

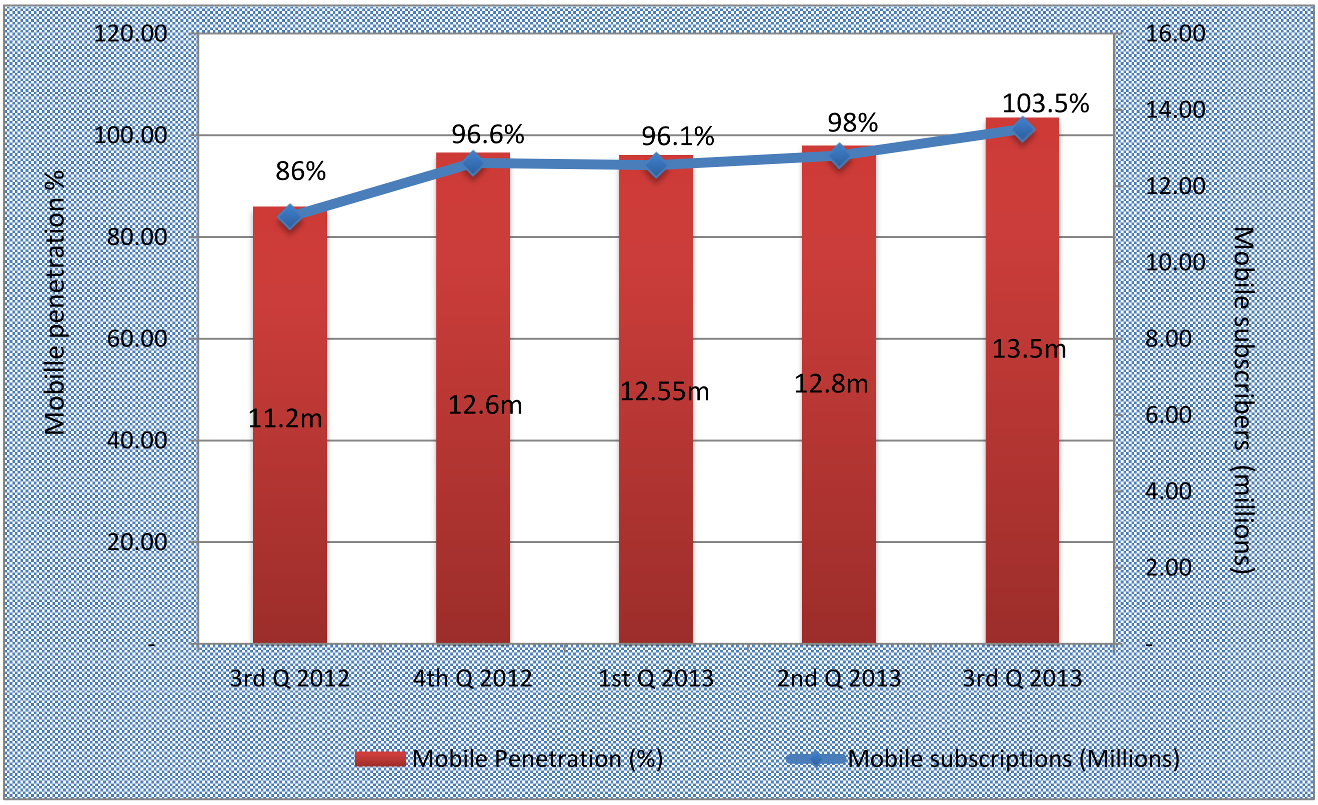
Source: POTRAZ, Operator Returns

The number of prepaid subscriptions grew by 5.7 per cent during the quarter under review compared to 4.2 per cent growth in the number of post-paid subscriptions. The number of prepaid subscriptions still dominates the overall mobile subscriptions representing 98 per cent of the total mobile subscriptions. This is consistent with the trends in developing countries where prepaid service is more preferred due to the ease of subscription and flexibility. The growth in the number of mobile subscriptions is largely attributable to multiple SIM ownership which is being fuelled by increased competition among mobile operators characterised by various promotions being offered in a bid to attract consumers.

2.2 MOBILE PENETRATION

During the quarter under review, mobile penetration increased by 5.5 percentage points to reach 103.5% from 98% recorded in the previous quarter. The growth in mobile penetration from the third quarter of 2012 to the third quarter of 2013 is as shown in the figure 1 below.

Fig 1: Mobile Penetration



The mobile teledensity implies that at the end of the quarter under review, there were 103 mobile lines out of every 100 people; up from 98 mobile lines out of every 100 people recorded in the second quarter of 2013.

2.3 MOBILE NETWORK COVERAGE

At the end of the quarter under review, the population under mobile coverage stood at 74.9 per cent against a land coverage of 70.1% per cent. This represents 1.8% growth in the population covered by a mobile network and a 1.5% growth in land coverage respectively compared to the previous quarter. The summary of land and population coverage is as shown in the table below:

Table 2: Mobile Coverage

	2nd Quarter 2013	3rd Quarter 2013	Quarterly Change
% Land covered by a network	68.6%	70.1%	1.5%
% of Population covered by a network	73.1%	74.9	1.8%

Source: POTRAZ, Operator Returns

2.4 MOBILE SUBSCRIBER MARKET SHARE

A summary of subscriptions for each of the operators is as shown in table 3 below:

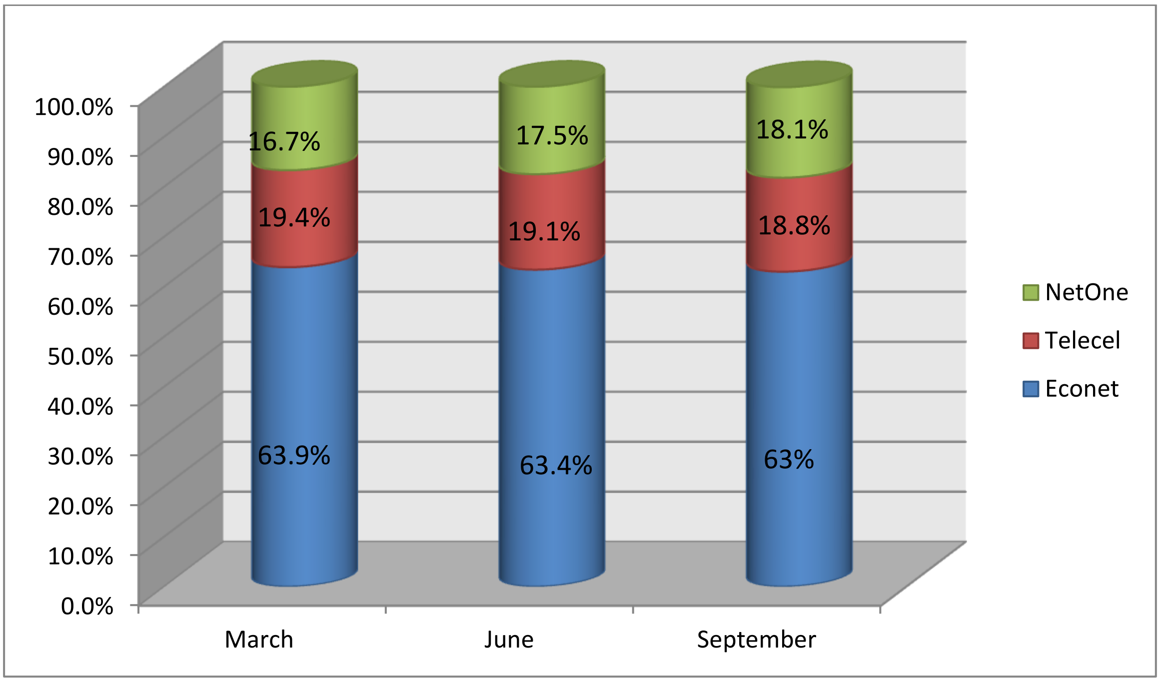
Table 3: Subscriptions per mobile operator

Name of Operator	Second Quarter 2013	Third Quarter 2013	Net Additions	Quarterly Variation %
ECONET	8,114,814	8,522,941	408,127	5%
TELECEL	2,448,687	2,544,339	95,652	3.9%
NETONE	2,232,617	2,451,607	218,990	9.8%
TOTAL	12,796,118	13,518,887	722,769	5.6%

Source: POTRAZ, Operator Returns

The graph below shows the movement in the market shares of the mobile operators from the first quarter of 2013 to the third quarter of 2013.

Fig 2: Market Share of Mobile subscribers



Source: POTRAZ, Operator Returns

With a subscription market share of 63%, Econet Wireless remained on top and registered 408,127 new subscribers in its network between July and September 2013. Telecel with a market share of 18.8% is ranked second and had 95,652 new subscribers followed by NetOne with a market share of 18.1% netting 218,990 new users within the quarter. NetOne has been gaining market share whereas Telecel and Econet`s market shares have been marginally declining since the first quarter.

2.5 MOBILE TRAFFIC AND USAGE PATTERNS

2.5.1 NATIONAL MOBILE VOICE TRAFFIC

Over the period, mobile traffic continued to grow steadily. This could be attributed to growth in mobile subscriptions as well as increased calling frequencies possibly due to the various attractive tariff promotions by the operators. A summary of the mobile traffic is as shown in table 4 below:

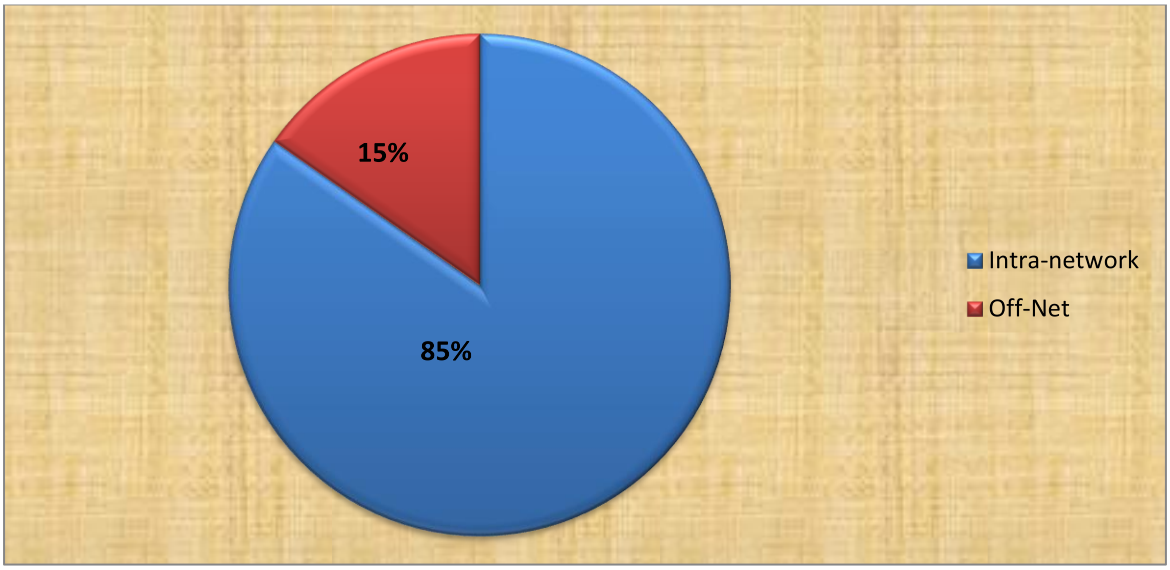
Table 4: National Mobile traffic

	2nd Quarter	3rd Quarter	Quarterly Change
Net On Net	1,025,743,763	1,397,492,893	36.2%
Mobile to Fixed	6,516,265	7,580,143	16.3%
Mobile to Mobile	198,855,906	241,527,259	21.5%
Outgoing to VoIP	473,323	743,235	36.3%
Total Off Net	205,845,494	249,850,637	21.4%
Incoming from Fixed	78,478,960	81,892,685	4.3%
Incoming from VoIP	4,694,654	3,713,572	20.9%

Source: POTRAZ, Operator Returns

As shown in the table above all categories of national traffic registered significant growth. The 36.2% increase in net-on-net mobile traffic is reflective of net-on-net promotions by the mobile operators. The increase in the flow of traffic between VoIP Operators and Mobile Operators can be attributed to new interconnection agreements namely NetOne-Africom and Telecel-Africom. The disparity between the magnitude of Net-On-Net traffic and Off-Net traffic is illustrated in Figure 3 below:

Fig 3: Mobile traffic distribution



As illustrated in the figure 3 above, the share of intra-network traffic contributes immensely to the total mobile traffic in the country. The intra-network traffic accounted for 85% of the total mobile voice traffic during the quarter under review. This is reflective of operators' focus on on-net promotions.

2.5.2 SHORT MESSAGING SERVICE (SMS) TRAFFIC

During the quarter under review the total number of text messages sent locally was reported as 354.6 million by all the operators. This figure is 5.2% lower than the figure reported in the second quarter of 2012. The summary of the number of SMS is as presented in table 5 below:

Table 5: SMS

	2nd Quarter	3rd Quarter	Quarterly Variation
Total SMS	373,021,590	354,583,260	5.2%
SMS per subscriber	29	26	

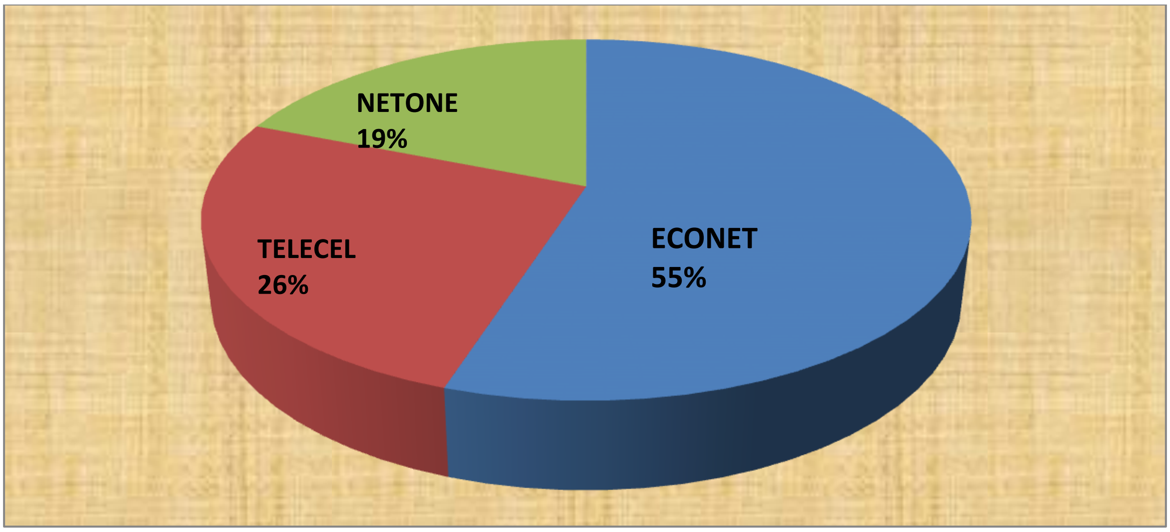
Source: POTRAZ, Operator Returns

The SMS per subscriber in the quarter was 26 messages; this implies an average of 7 SMS per subscriber per month. This is reflective of the proliferation of even cheaper messaging platforms such as Whatsapp and Viber.

2.5.3 MOBILE TRAFFIC MARKET SHARE

Econet had 55% market share of national incoming traffic, Telecel and NetOne had 26% and 19% respectively

Fig 4: Mobile Traffic Market Share



A comparison with the Second Quarter of 2013 shows that Econet and Telecel lost 1% market share each, whereas NetOne gained market share by 2%.

2.5.4 INTERNATIONAL TRAFFIC

During the quarter under review, international incoming mobile voice minutes grew by 3.4% from the previous quarter. In addition, the international outgoing traffic increased by 19.7% from the last quarter. Table 7 below shows the summary of international mobile traffic.

Table 7: International Mobile traffic

	2nd Quarter	3rd Quarter	Quarterly Variation
International Incoming	84,693,387	87,610,602	3.4%
International Outgoing	39,881,254	47,753,414	19.7%

Source: POTRAZ, Operator Returns

2.5.5 ROAMING TRAFFIC

In the quarter being reported, the number of minutes of foreign subscribers roaming on local networks (Inbound Roaming) recorded a 20.3% increase from the previous quarter. At the same time, the number of roaming minutes of home subscribers increased by 5.2% from the previous quarter as shown in the table below:

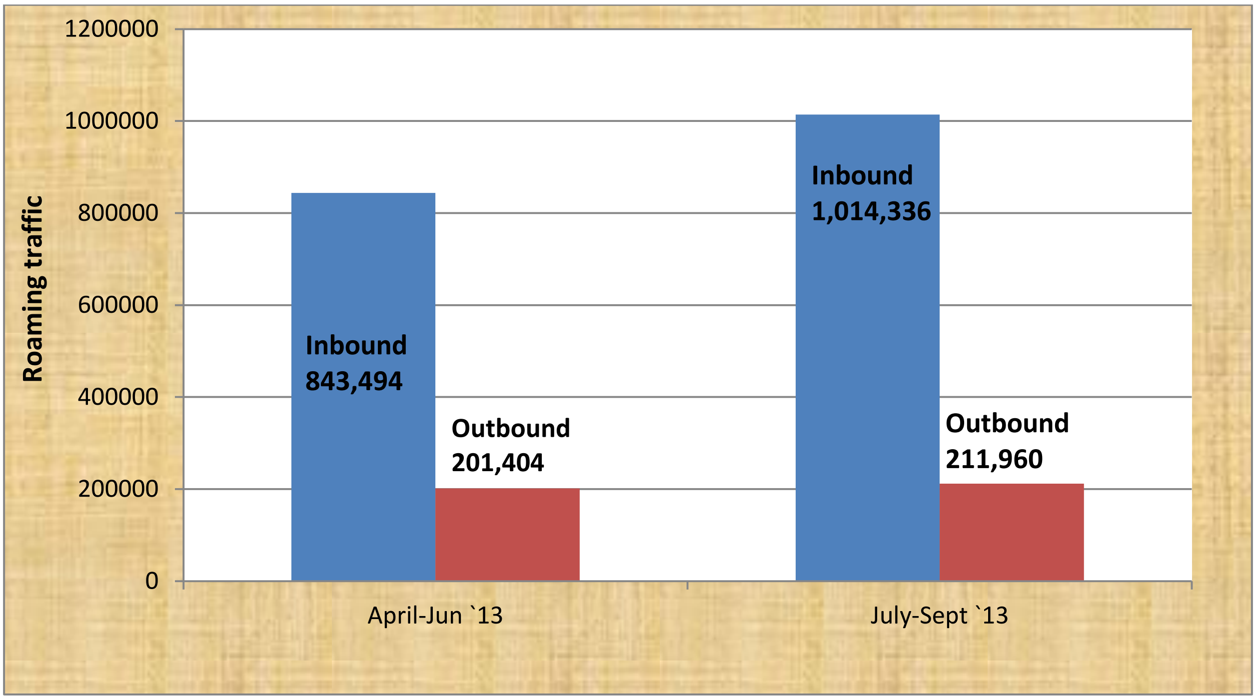
Table 8: Roaming traffic

	2nd Quarter 2013	3rd Quarter 2013	Quarterly Variation
Inbound Roaming	843,494	1,014,336	20.3%
Outbound Roaming	201,404	211,960	5.2%

Source: POTRAZ, Operator Return

Fig 5 below shows the traffic imbalance between inbound and outbound roaming. Outbound roaming traffic is significantly lower and this could be attributed to the fact that Telecel and NetOne offer roaming services exclusively to post-paid subscribers yet post-paid subscribers constitute only 2% of total subscriptions.

Fig 5: Roaming traffic



3. FIXED TELEPHONY SERVICE

3.1 SUBSCRIPTIONS

During the quarter under review, the number of fixed lines declined by 6,170 lines which is a negative growth of 2 per cent compared to the previous quarter.

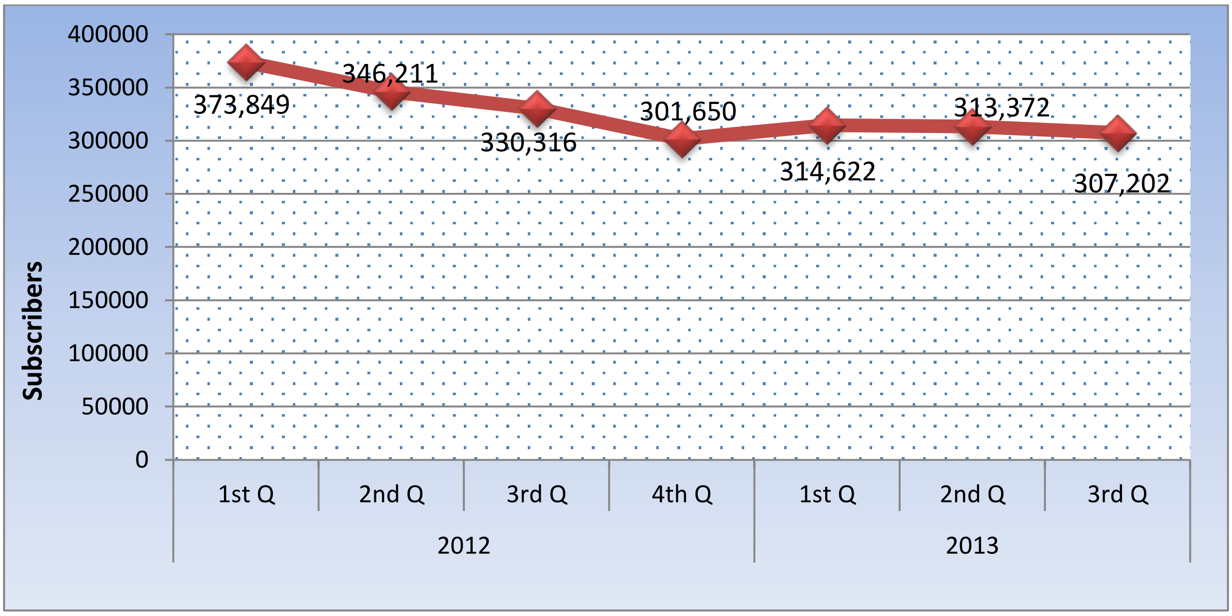
Table 9: Fixed Network Subscriptions

	2nd Quarter 2013	**3rd Quarter 2013**	**Net Additions**	**% Change**
Fixed Telephone Subscriptions	313,372	307,202	(6,170)	(2%)

Source: POTRAZ, Operator Returns

Fixed telephone subscriptions have been declining because of the substitution effect; most residential customers have migrated from landlines to mobile cellular. Quarterly fluctuations in the fixed telephone subscriptions are shown in the graph below:

Fig 6: Fixed Telephone subscription trend



3.2 FIXED NETWORK TRAFFIC

Fixed network traffic for the third quarter of 2013 is summarised in Table 10 below:

Table 10: Fixed Network Traffic

	2nd Quarter 2013	3rd Quarter 2013	Quarterly Variation
Fixed to Mobile	78,478,960	81,892,685	4.3%
Incoming from Mobile	6,516,365	7,580,143	16.3%
Incoming from IAPs	410,467	412,382	0.5%
Outgoing to IAPs	131,735	134,434	2%
International Incoming Voice Traffic	10,822,994	12,885,340	19.1%
International Outgoing Voice Traffic	9,218,106	8,283,061	-10.1%

Source: POTRAZ, Operator Returns

The international incoming traffic increased significantly by 19.1% per cent from 10.8 million minutes recorded in the previous quarter to 12.9 million minutes during the period under review. International outgoing traffic declined by 10.1% to reach 8.3 million minutes from 9.2 million minutes recorded in the previous quarter. Incoming traffic from mobile operators increased by 16.3% whereas outgoing traffic to mobile also increased by 4.3%. The flow of traffic between the fixed line network and Internet Access Providers improved marginally. Incoming traffic from IAPs increased by 0.5% whereas outgoing traffic to IAPs increased by 2%.

4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

At the end of the quarter under review there were 5.2 million internet subscribers in the country up from 4.9 million subscribers recorded in the previous quarter. This represents a 6.9% increase compared to the second quarter of 2013. The increase in the number of internet subscribers is attributable to the provision of internet services through mobile networks. Mobile networks contributed 97.7% of the total internet subscriptions during the period under review. A summary of internet subscriptions is shown in the table below:

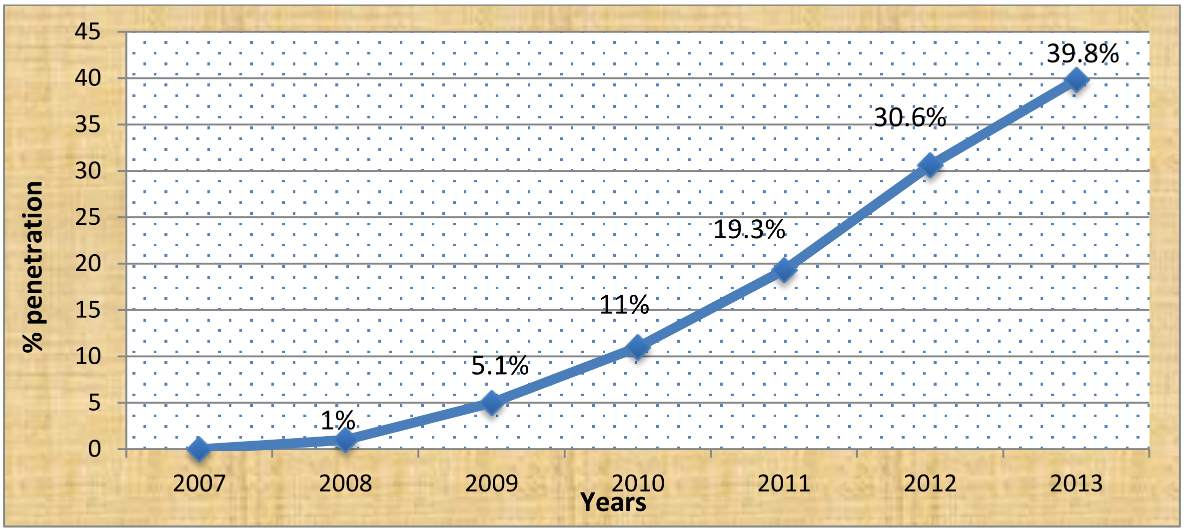
Table 11: Internet Subscriptions

Technology	2nd Quarter 2013	3rd Quarter 2013	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	4,775,885	5,083,138	6.4%
Leased Lines	1295	1,359	4.9%
Dial up	9007	8,902	-1.2%
XDSL	17421	20,236	16.2%
Wimax, Wi-Fi	8,628	9,632	11.7%
CDMA	55255	78,091	41.3%
VSAT	271	334	23.3%
Fibre links	961	1,301	35.4%
TOTAL	**4,868,623**	**5,202,993**	**6.9%**

Source: POTRAZ, Operator Returns

Internet penetration increased from 37.3% to 39.8% in the quarter under review**.** The trend for internet penetration over the last six years is illustrated in the following graph:

Figure 7: Internet Penetration 2007-2013



4.2 INTERNATIONAL INTERNET CONNECTIVITY

During the quarter under review, the total international internet bandwidth was recorded at 8,060 Mbps. This is an increase of 13% from 7130 Mbps recorded in the previous quarter. Whilst the international bandwidth of Powertel and Liquid Telecoms remained unchanged, TelOne increased its capacity by 620 Mbps and Africom had 310 Mbps through TDM, Mozambique.

5. POSTAL AND COURIER SERVICE

During the period under review the number of letters sent using postal services were recorded at 3.6 million down from 4.3 million letters posted the previous period. This represented a decline of 15.4%. This decline could be as a result of a shift towards electronic communication and commerce. The summary of postal traffic is as shown in table 12 below>

Table 12: Postal Business Volumes by Product

Product	2nd Quarter 2013	3rd Quarter 2013	Quarterly Variation (%)
Letters	4,303,878	3,643,283	-15.4%

Money Orders Issued	14,775	9,942	-32.7%
Parcels	34,905	37,110	6.3%
Boxes	45,332	53,840	18.8%

Source: POTRAZ, Operator Returns

Issued Money orders declined by 32.7% to reach 9,942 from 14,775 money orders recorded in the previous quarter; whereas parcels and boxes increased by 6.3% and 18.8% respectively.

NB: Courier Statistics will be updated as soon as we get statistics from all courier operators

6. SECTOR REVENUES AND INVESTMENT

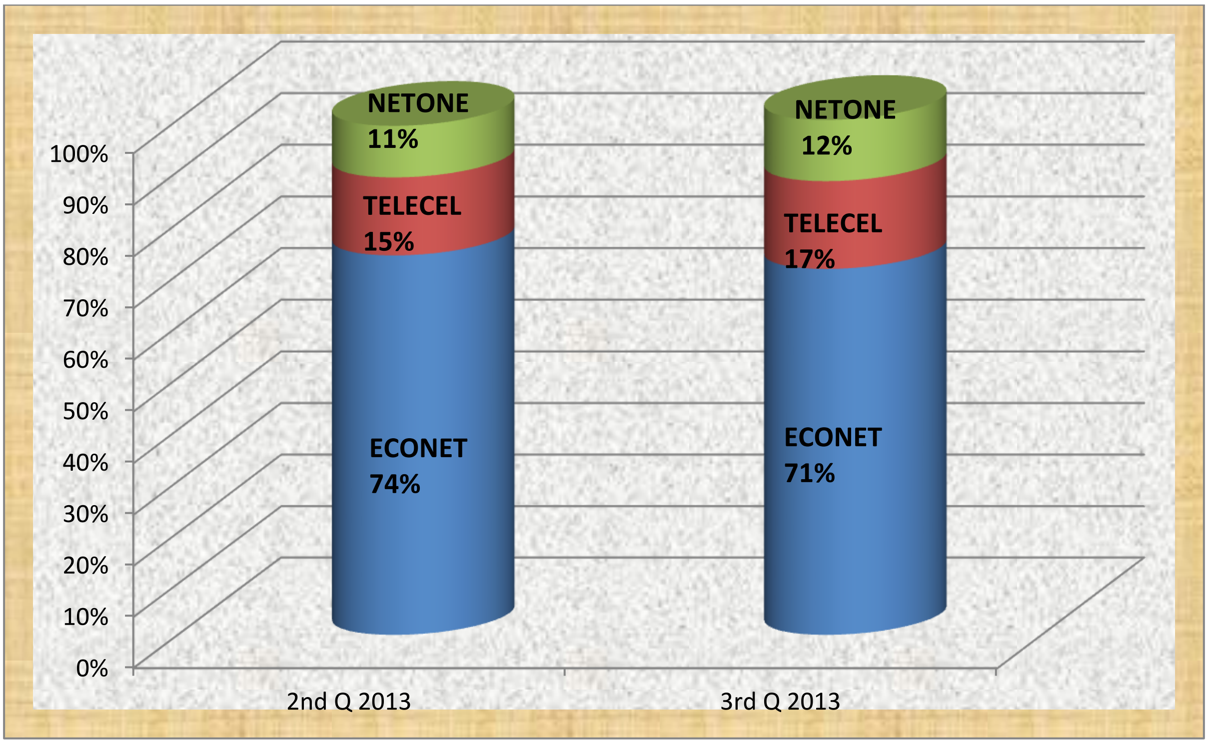
6.1 MOBILE REVENUES AND INVESTMENT

The total revenue from telecommunications activities generated by the mobile operators in the third quarter of 2013 was $242,793,359. This represents a marginal increase of 0.4% from the revenues generated in the previous quarter. Total investment in mobile telecommunications in the 3rd Quarter of 2013 was $86,627,108. This represents a 100.1% increase from $43,294,023 recorded in the second quarter of 2013. The bulk of the investment was in national access and transmission in the form of base stations whereby 141 new base stations were installed in the quarter under review.

6.2 MARKET SHARE OF MOBILE REVENUES

As shown in Figure 8 below Econet`s market share of revenues declined by 3 percentage points to reach 71% from 74% recorded in the 2nd Quarter of 2013. This is attributed to the 3.3% decline in its revenues and the subsequent increase in the revenues of the other operators.

Fig 8: Mobile Revenues Market Share

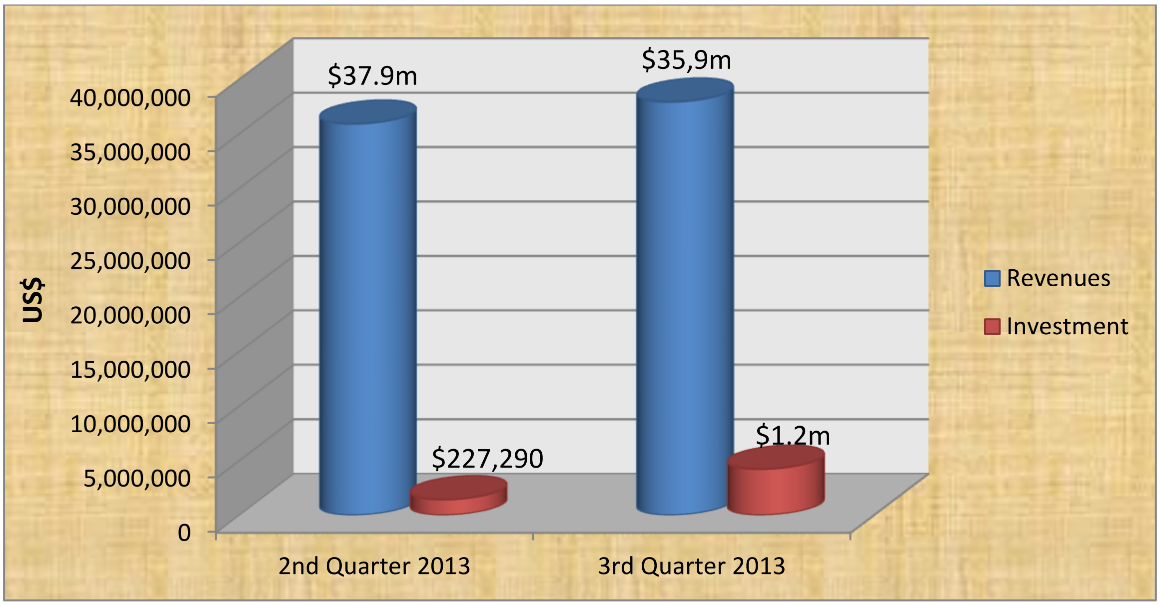


Telecel gained 2% market share to reach 17% from 15% recorded in the previous quarter. NetOne also gained 1% market share to reach 12% from 11% recorded in the second quarter of 2013.

6.3 FIXED TELEPHONE REVENUES AND INVESTMENT

Fixed telephone revenues declined by 5.3% to reach $35,914,556 in the period under review from $37,932,658 recorded in the previous quarter. On the other hand fixed telephone investment increased from $227,290 to reach $1,215,817. The quarterly movement in the fixed line revenues and investment quarterly is illustrated in the graph below:

Fig 9: Fixed Telephone Revenues and Investment



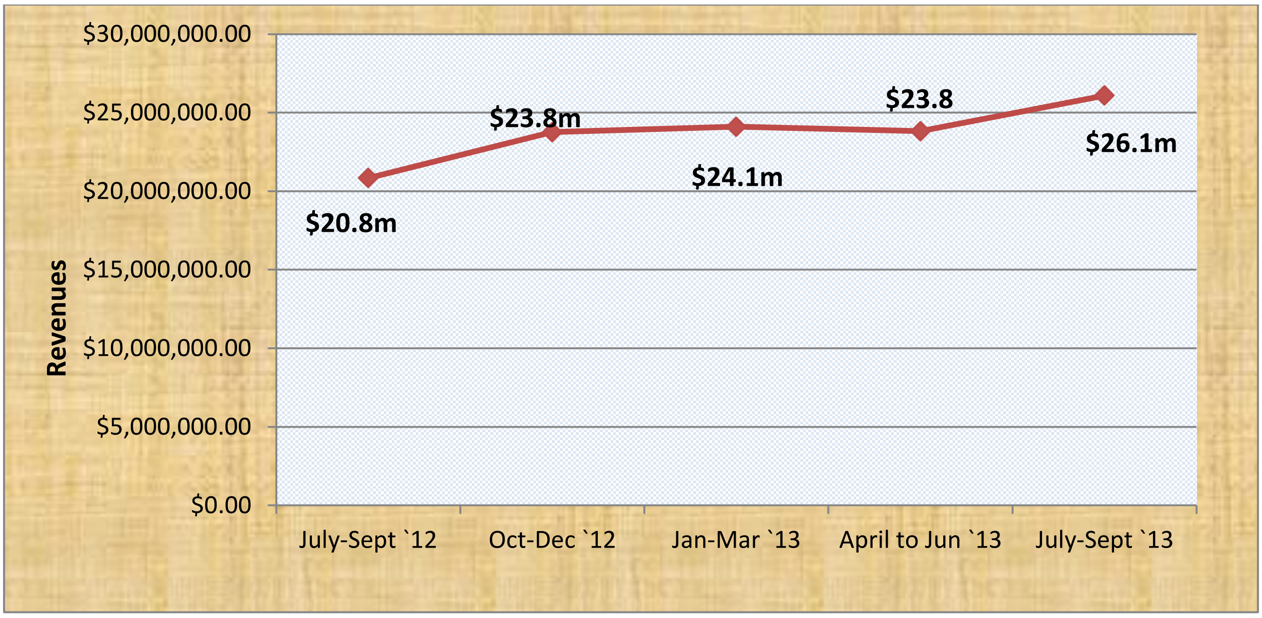
6.4 AVERAGE REVENUE PER USER

The aggregate Average Revenue per User (ARPU) for the mobile telephone sector for the three months increased by 1.5% to reach $16.08 from $16.33 recorded in the previous quarter. The Average Revenue per User for the Fixed Line network increased by 2% to reach $123.50 from $121.05 $118.29 recorded in the previous period. The ARPU for the fixed line network is significantly higher than the ARPU for the mobile operators; this can be attributed to the fact that much of the fixed line subscribers are Corporates.

6.6 INTERNET ACCESS PROVIDERS REVENUES AND INVESTMENT

In the third quarter of 2013, Internet Access Providers generated a total of $26,088,266 in revenues. This represents a 9.6% increase in revenues from $23,812,833 recorded in the second quarter of 2013. The quarterly movement in data and internet revenues over the year is shown in the graph below:

Figure 10: Data and Internet Revenues



Source: POTRAZ, Operator Returns

Investment in Data and Internet services increased by a massive 104.9% to reach $11,491,331 from $5,608,920 recorded in the previous quarter. This increase is mainly attributed to TelOne`s $5,069,085 investment in optic fibre expansion projects in September 2013.

7. CONCLUSION

The telecommunication sector has continued to experience an upward trend. The sector is largely driven by the mobile telephony, which continues to dominate the sector. This is evidenced by the continuous growth of mobile subscribers and the increasing traffic volumes for both national and international calls. This growth is likely to continue and will be characterised by stiff competition and product diversification aimed at sustaining or increasing revenues and market share.

The data/internet market continued to record an upward trend with majority of subscriptions contributed by the mobile data/internet segment. In the quarter under review the mobile penetration rate increased from 37.3% recorded in the previous quarter to 39.8%. Operators continue to investment heavily in data and internet services mainly through optic fibre expansion projects. This is evidenced by the increase in international bandwidth from 7,130Mbps to 8,060Mbps in the quarter under review

Fixed telephone subscriptions have continued to decline as the fixed network operator continues to face competition from the mobile service providers. Postal services have been adversely affected by telecommunication services especially on the mail volumes. The challenge for the sector is to modernize operations and to diversify products and service offers.