POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH 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

- Total mobile subscribers increased by 0.9% to reach 13,633,167 subscribers from 13,518,887 subscribers recorded in the previous quarter.
- The mobile penetration rate increased by 0.9 percentage points to reach 104.4% from 103.5% recorded in the previous quarter.
- Fixed telephone subscribers declined by 1% to reach 304,162 subscribers from 307,202 subscribers recorded in the previous period.
- Data and internet subscribers increased by 5.2% to reach 5.5 million from 5.2 million subscribers recorded in the previous quarter.
- The internet penetration rate increased by 2.1% to reach 41.9% from 39.8% recorded in the previous quarter.

2. MOBILE TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of mobile subscriptions increased from 13,518,887 recorded at the end of the third quarter of 2013 to reach 13,663,167 subscribers at the end of December 2013. This implies a net addition of 114,280 subscriptions, representing a marginal growth of 0.9%. This also reflects a year-on-year growth of 8.1% from 12,613,935 subscribers recorded in the 4th quarter of 2012. The growth in number of mobile subscriptions is shown in Table 1 below:

Table 1: Mobile subscriptions

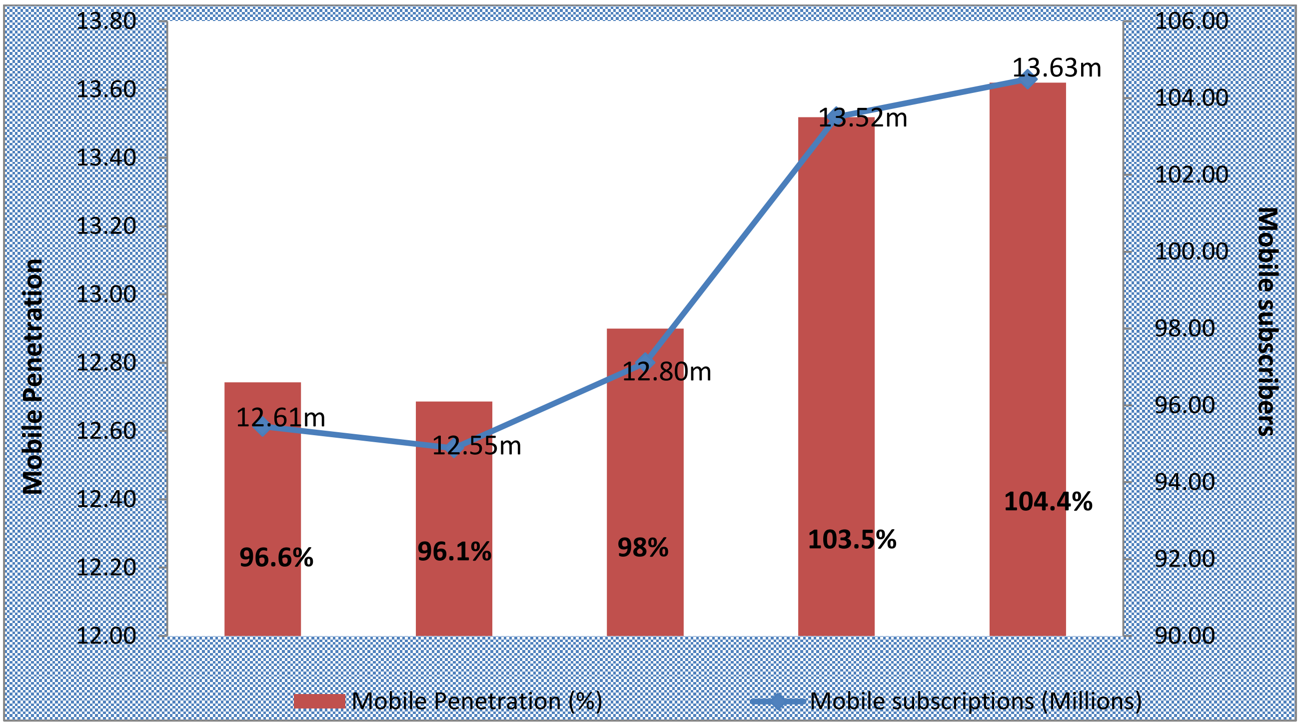
	3rd Quarter 2013	**4th Quarter 2013**	**Net Addition**	**Quarterly Change (%)**
Number of Subscribers	13,518,887	13,633,167	114,280	0.9%
Prepaid subscribers	13,260,335	13,357,462	97,127	0.7%
Post-paid subscribers	258,552	275,795	17,153	6.6%

Source: POTRAZ, Operator Returns

The post-paid market experienced a high growth of 6.6% compared to 0.7% for pre-paid subscriptions. The mobile penetration increased by 0.9 percentage points to reach 104.4%

from 103.5% recorded in the previous quarter. The growth in mobile penetration from December 2012 to December 2013 is as shown in the figure 1 below.

Fig 1: Mobile Penetration



Source: POTRAZ, Operator Returns

2.2 MOBILE SUBSCRIPTIONS BY OPERATOR

Econet and Telecel experienced positive gains of 197,928 and 34,220 new subscriptions respectively. On the other hand NetOne experienced a decline in their subscriber base by 117,868 subscriptions. This is shown in Table 2 below:

Table 2: Subscriptions per mobile operator

Name of Operator	Third Quarter 2013	Fourth Quarter 2013	Net Additions	Quarterly Variation %
ECONET	8,522,941	8,720,869	197,928	2.3%
TELECEL	2,544,339	2,578,559	34,220	1.3%
NETONE	2,451,607	2,333,739	(117,868)	-4.8%

TOTAL	13,518,887	13,633,167	114,280	0.9%

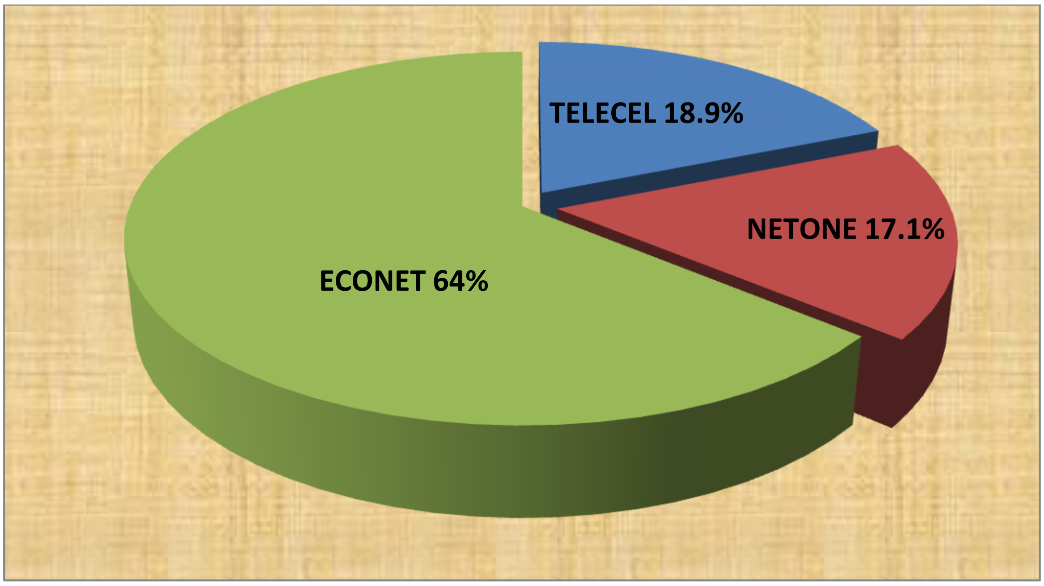
Source: POTRAZ, Operator Returns

Econet experienced the highest growth of 2.3%; Telecel had a growth of 1.3% whereas NetOne experienced a decline of 4.8% in their subscriptions.

2.3 MOBILE SUBSCRIBER MARKET SHARE

There was no major change in the market shares of the mobile operators. The graph below shows the market shares of the three mobile operators as at December 2013.

Fig 2: Market Share of Mobile subscribers



With a market share of 64%, Econet Wireless retained its position as the dominant operator. Telecel`s market share increased from 18.8% to 18.9%. On the other hand NetOne`s market share declined from 18.1% to reach 17.1% owing to the decline in its subscriber base by 117,868 subscriptions.

2.4 MOBILE TRAFFIC AND USAGE PATTERNS

2.4.1 NATIONAL MOBILE VOICE TRAFFIC

The quarter under review reported 1,998,639,222 minutes of local calls made on the mobile network against 1,732,949,787 minutes reported in the previous quarter. This represents an increase of 15.3%. A summary of the national mobile traffic by category is shown in table 3 below:

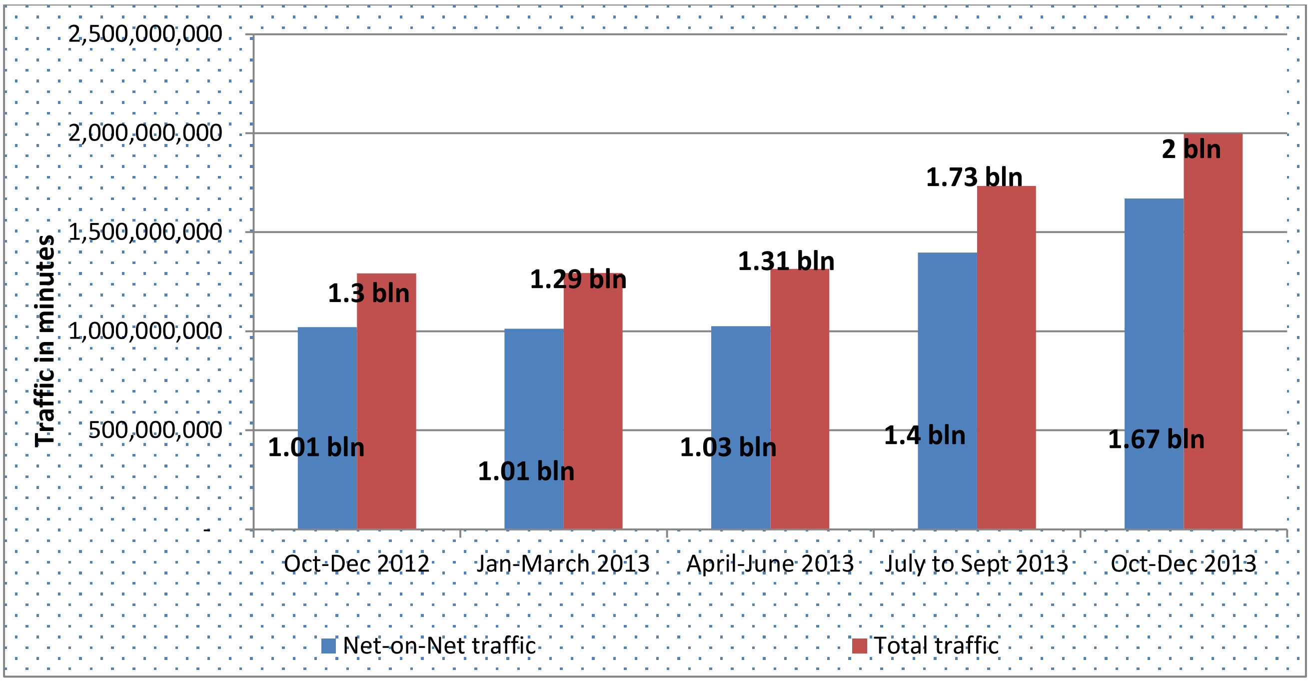
Table 3: National Mobile traffic

	3rd Quarter	**4th Quarter**	**Quarterly Change**
Net On Net	1,397,492,893	1,670,180,000	19.5%
Mobile to Fixed	7,580,143	7,013,873	(7.5%)
Mobile to Other Mobile	241,527,259	231,478,688	(4.2%)
Outgoing to VoIP	743,235	510,828	(31.3%)
Total Off Net	249,850,637	239,003,389	(4.3%)
Incoming from Fixed	81,892,685	86,156,888	5.2%
Incoming from VoIP	3,713,572	3,298,945	(11.1%)

Source: POTRAZ, Operator Returns

The intra-network traffic contributed 83.6% to the total traffic. This is an increase from 80.6% reported in the previous quarter. This increase shows that there has been an increase in on-net activity and a decrease in off-net activity resulting from increased on-net/off-net price differentials. The differential continues to grow as a result of promotions that have significantly lowered on-net calls. The growth in mobile traffic during the year 2013 is as illustrated in Figure 3 below.

Fig 3: Mobile traffic distribution



Source: POTRAZ, Operator Returns

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 80.6% of the total mobile voice traffic during the quarter under review. This is reflective of operators' focus on on-net promotions.

2.4.2 INTERNATIONAL AND ROAMING TRAFFIC

During the quarter under review, international incoming mobile voice minutes grew by 2.1% to reach 89.4 million from 87.6 million minutes recorded in the quarter. International outgoing traffic declined by 17% from 47.8 million minutes recorded in the previous quarter. Table 4 below shows the summary of international and roaming mobile traffic.

Table 4: International Mobile traffic

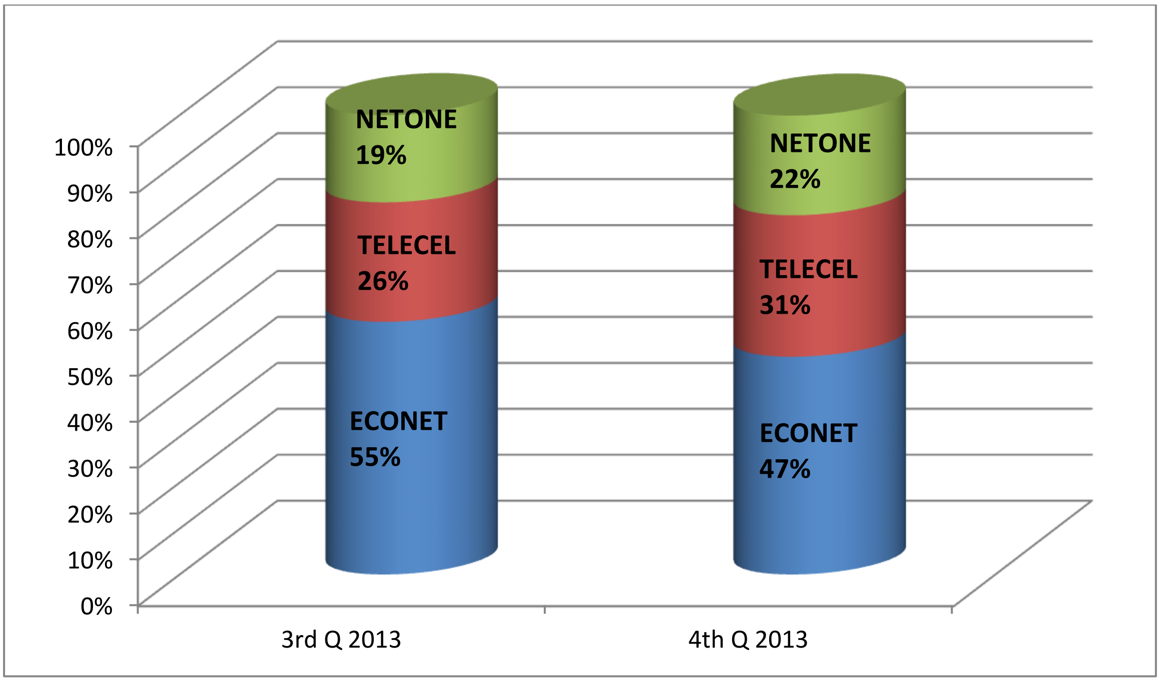
	3rd Quarter	4th Quarter	Quarterly Variation
International Incoming	87,610,602	89,428,125	2.1%
International Outgoing	47,753,414	39,654,046	(17%)
Inbound Roaming	1,014,336	1,404,580	38.5%
Outbound Roaming	211,960	216,886	2.3%

Source: POTRAZ, Operator Returns

The number of inbound roaming voice traffic increased from 1 million minutes to 1.4 million minutes recorded in the previous quarter. This implies a 38.5% increase in inbound roaming traffic. This is attributed to the increase in the number of foreign subscribers roaming on local networks during the festive season. Outbound roaming also increased by 2.3% to reach 211,960 minutes from 201,404 minutes recorded in the previous quarter.

2.4.3 MOBILE TRAFFIC MARKET SHARE

Fig 4: Mobile Traffic Market Share



Econet had 47% market share of national incoming traffic, Telecel and NetOne had 31% and 22% respectively. A comparison with the Third Quarter of 2013 shows that Econet lost 8% market share whereas Telecel and NetOne gained market share by 5% and 3% respectively as shown by figure 4 below:

2.4.4 SHORT MESSAGING SERVICE (SMS) TRAFFIC

During the quarter under review the total number of text messages sent locally was reported as 270.9 million, representing a 23.6% decline in SMS traffic from 354.6 million sms sent in the previous quarter. The summary of the number of SMS is as presented in table 5 below:

Table 5: SMS

	2nd Quarter	3rd Quarter	4th Quarter	Quarterly Variation
Total SMS	373,021,590	354,583,260	270,851,684	23.6%
SMS per subscriber	29	26	20	(6)

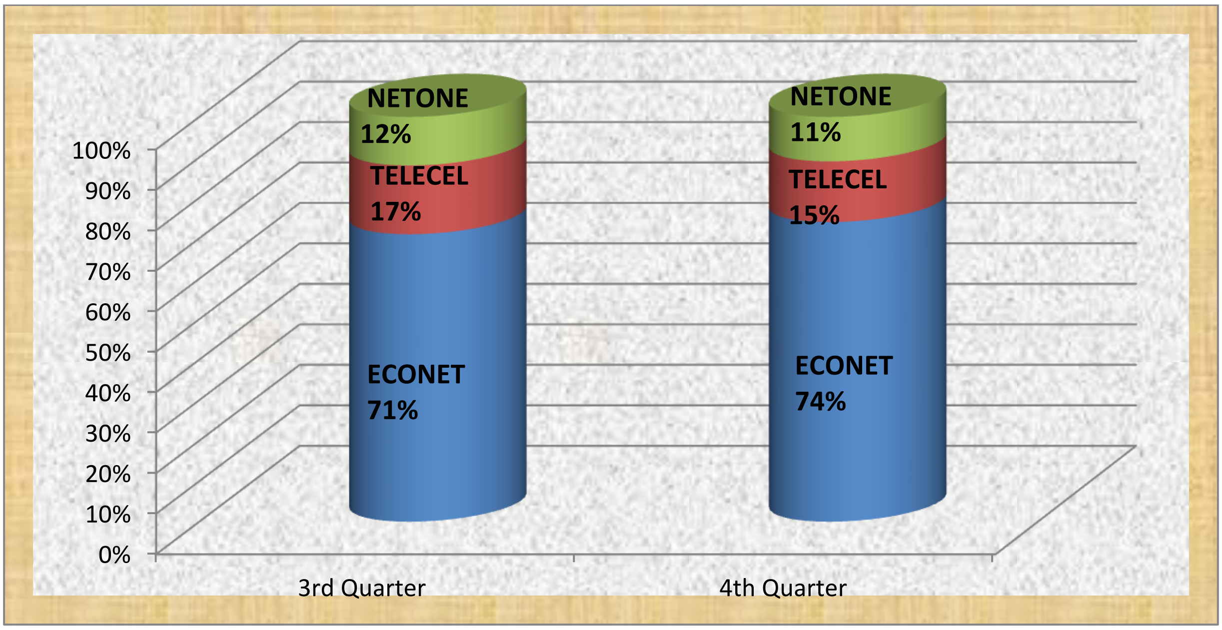
Source: POTRAZ, Operator Returns

The SMS per subscriber in the quarter was 20 messages; this implies an average of 7 SMS per subscriber per month, down from 9 SMS per month recorded in the previous quarter. This is reflective of the proliferation of even cheaper messaging platforms such as Whatsapp and Viber.

2.5 MOBILE REVENUES AND INVESTMENT

The revenue generated by mobile operators in the quarter under review improved by 3% to reach $250 million from $243 million recorded in the previous quarter. A comparison of the change in the market share of mobile revenues for each operator is shows that Econet`s market share of revenues increased by 3 percentage points whereas Telecel and NetOne`s market share of revenues declined by 2% and 1% respectively. This is shown in Fig 5 below:

Fig 5: Mobile Revenues Market Share



In the 4th Quarter of 2013 the Average Revenue per User (ARPU) per month for the mobile telephone sector increased by 2% to reach $6.11 from $5.99 recorded in the previous quarter.

2.8 MOBILE MONEY TRANSFER

At the end of the quarter under review there were 3,083,125 registered mobile money transfer subscriptions in the country up from 2,785,930 subscriptions in the last previous period. This represents an increase of 10.7%. A summary of mobile money transfer is as shown in table 6 below:

Table 6: Mobile Money Transfer

Mobile Money Transfer	3rd Quarter	4th Quarter	Quarterly Change
Number of Subscribers	2,785,930	3,083,125	10.7%
Number of Agents	7,475	9,169	1,694
Total Deposits	220,368,938	293,539,219	33.2%

Source: POTRAZ, Operator Returns

The total amount of deposits made through the mobile phone improved by 33.2% to reach $293,539,219 from $220,368,938 reported in the previous period. The number of mobile money agents increased by 1,694 to reach 9,169 agents.

2.9 EMPLOYMENT IN THE MOBILE SECTOR

At the end of December 2013, there was a total of 2,069 staff employed in the mobile sector of which 33% are women. A comparison of staff employed in the sector in 2012 and 2013 is shown in Table 7.

Table 7: Staff in the mobile Sector

Staff	2012	2013	Net Additions
Male	1,236	1,388	152
Female	598	681	83
Total	1,834	2,069	235

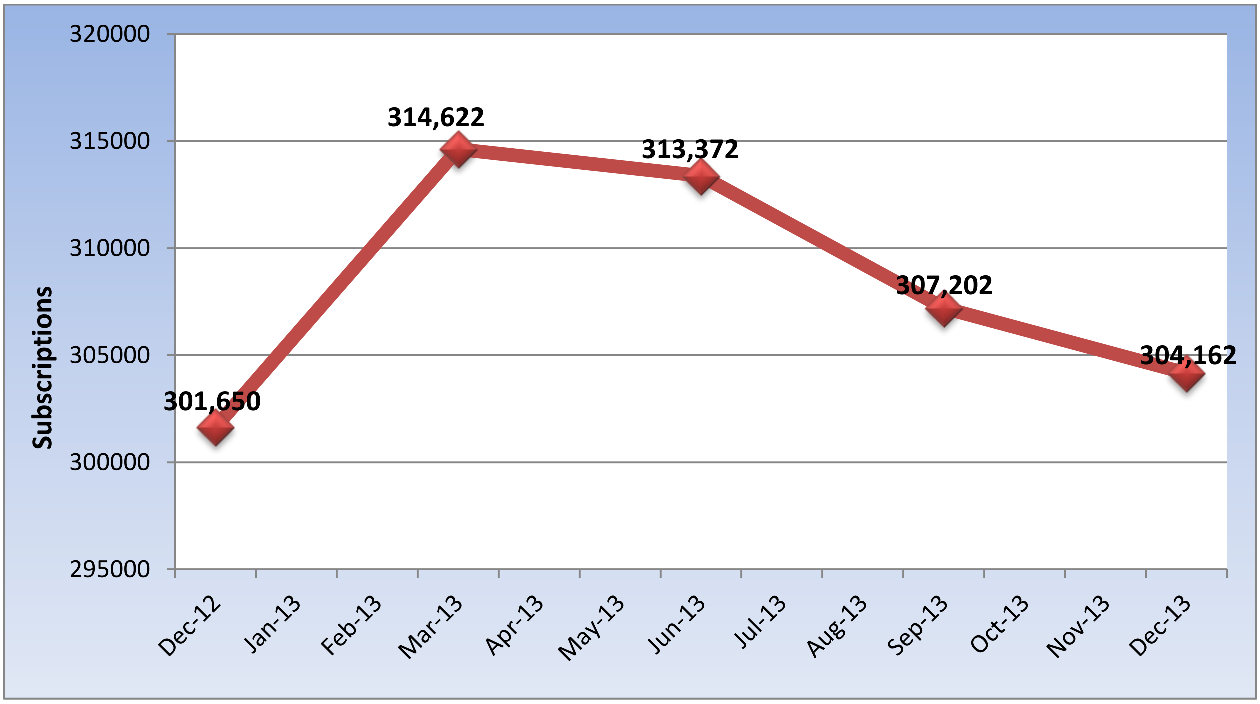
Source: POTRAZ, Operator Returns

3. FIXED TELEPHONY SERVICE

3.1 SUBSCRIPTIONS

At the end of the period under review, there was a 1% decline in fixed line subscriptions to record 304,162 active main fixed lines from 307,202 active main fixed lines reported in the previous quarter. The trend of fixed network subscriptions throughout the year is shown in Figure 7 below.

Fig 7: Fixed Telephone subscription trend



Source: POTRAZ, Operator Returns

Out of the 304,162 active lines, 170,525 were individual/household subscriptions whereas 112,700 were corporate subscriptions. The decline is a reflection of the continuous trend of fixed-to-mobile substitution.

3.2 FIXED NETWORK TRAFFIC

There was a 2.6% increase in the total cross network traffic processed on the fixed line network from 111.2 million minutes recorded in the previous quarter to 114.1 million minutes in the quarter under review. Although the fixed line subscriptions have continued to record a downward trend, the fixed to mobile traffic continues to show a positive trend. Fixed network traffic for the third quarter of 2013 is summarised in Table 10 below:

Table 9: Fixed Network Traffic

	3rd Quarter 2013	**4th Quarter 2013**	**Quarterly Variation**
Fixed to Mobile	81,892,685	86,156,888	5.2%
Incoming from Mobile	7,580,143	7,013,873	(7.5%)
Incoming from IAPs	412,382	474,649	15.1%
Outgoing to IAPs	134,434	155,866	15.9%
International Incoming Voice Traffic	12,885,340	11,596,758	(10%)
International Outgoing Voice Traffic	8,283,061	8,734,234	5.4%

Source: POTRAZ, Operator Returns

The quarter under review recorded 11.6 million minutes of international incoming fixed line voice traffic against 12.9 million minutes recorded in the previous quarter. This is a decline of 10% from the previous quarter. The international outgoing fixed line voice traffic grew by 5.4% from 8.3 million minutes in the previous quarter to 8.7 million minutes during the quarter under review. There was an improvement in the flow of traffic between the fixed line network and Internet Access Providers as the fixed line network interconnected with more IAPs.

3.3 FIXED TELEPHONE REVENUES AND INVESTMENT

Fixed telephone revenues increased by 5.4% to reach $37,847,547 from $35,914,556 realized in the previous quarter. On the other hand fixed telephone investment declined by 38.6% to reach $747,141 from $1,215,817 invested in the previous quarter. The aggregate Average Revenue per User (ARPU) per month for the fixed telephone increased by 6.4% to reach $41.48 from $38.97 recorded in the previous quarter. 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 over 40% of the fixed line subscriptions are corporates; revenue from corporate subscriptions is higher than revenue from individual subscriptions.

4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

By the end of the quarter under review, Q4 2013, there were 5.5 million internet subscriptions representing a 5.2% growth from 5.2 million subscriptions recorded in the previous quarter. An annual review shows an increase of 38.8% from 3.9 million subscriptions to 5.5 million subscriptions. The mobile data/internet subscriptions through GPRS/EDGE and 3G continue to be the most popular mode of accessing internet accounting for 97.7% of the total internet subscriptions. A summary of internet subscriptions is as shown in Table 10 below.

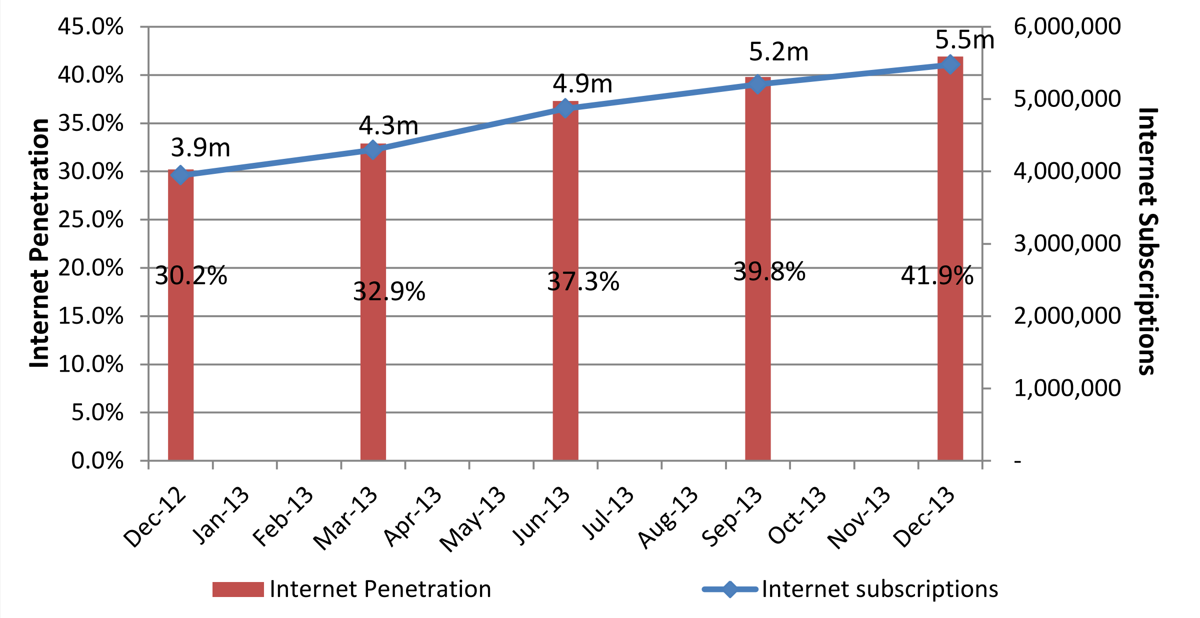
Table 10: Internet Subscriptions

Technology	3rd Quarter 2013	4th Quarter 2013	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,083,138	5,348,433	6.4%
LTE		128	-
Leased Lines	1,359	1,424	4.8%
Dial up	8,902	8962	0.7%
XDSL	20,236	24,724	22.2%
Wimax, Wi-Fi	9,632	9,858	2.4%
CDMA	78,091	77,539	(0.7%)
VSAT	334	331	(0.9%)
Fibre links	1,301	1,311	0.8%
TOTAL	**5,202,993**	**5,474,710**	**5.2%**

Source: POTRAZ, Operator Returns

Internet penetration increased from 39.8% to 41.9% in the quarter under review**.** The trend for internet penetration over the last six years is illustrated in the following graph:

Fig 10: Internet penetration



Mobile operators continue to dominate the internet market with more than 98 percent of Internet usage being through 2G and 3G. An annual review shows an increase in the penetration by 11.7 percentage points to reach 41.9% from 30.2% recorded at the end of December 2012.

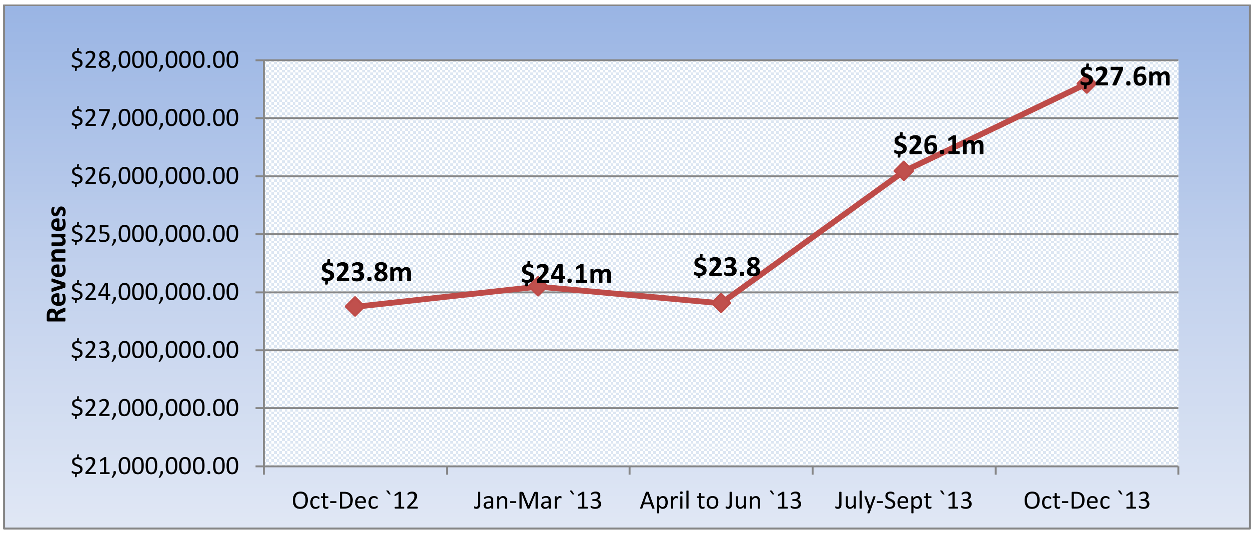
4.2 INTERNATIONAL INTERNET CONNECTIVITY

During the quarter under review, the total available international internet bandwidth was recorded at 9,060 Mbps. This is an increase of 12.4% from 8,060 Mbps recorded in the previous quarter. The increase in available international bandwidth is attributed to additional capacity by Powertel, TelOne and Africom. Powertel increased their capacity by 610Mbps incoming; TelOne increased its capacity by 310 Mbps and Africom had 70 Mbps. Liquid Telecom`s capacity remained unchanged.

4.3 REVENUE AND INVESTMENT IN DATA/INTERNET

The revenues in the data market have been on an upward trend. In the third quarter of 2013, Internet Access Providers generated a total of $27,594,874 up from $26,088,266 recorded in the previous quarter; representing a 5.8% increase in revenues. The quarterly movement in data and internet revenues over the year is shown in the graph below:

Figure 11: Data and Internet Revenues



Source: POTRAZ, Operator Returns

The total revenue for the year 2013 increased by 4.3% to reach $101.6 million from $97.4 million recorded in 2012. Investment in data and Internet services for the quarter was $5,896,015; this was a 48.7% decline from $11,491,331 recorded in the previous quarter. Annual investment increased by 25.9% to reach $28.5 million from $22.7 million.

4.4 EMPLOYMENT IN THE DATA/INTERNET MARKET

At the end of December 2013, the total number of staff employed by Internet Access Providers was 2,069. This was an increase of 3% increase from 643 employees recorded in 2013. The ratio of male to female employees is 1:3. A summary of the employment figures is shown in the table below:

Table 13: IAP employment statistics

Staff	3rd Quarter 2013	4th Quarter 2014	Net Additions
Male	472	483	11
Female	171	179	8
Total	643	662	19

Source: POTRAZ, Operator Returns

5. POSTAL AND COURIER SERVICE

5.1 BUSINESS VOLUMES

During the period under review the total number of letters sent was recorded at 3.5 million down from 3.6 million letters posted the previous period. This represented a decline of 5.1%. 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 14 below:

Table 14: Postal Business Volumes by Product

Product	3rd Quarter 2013	4th Quarter 2014	Quarterly Variation (%)
Letters	3,643,283	3,456,835	-5.1%
Money Orders Issued	9,942	10,572	6.3%
Parcels	37,110	38,264	3.1%
Boxes	53,840	52,751	-2%

Source: POTRAZ, Operator Returns

Issued Money orders increased by 6.3% to reach 10.572 from 9,942 money orders recorded in the previous quarter; parcels increased by 3.1% whereas boxes declined by 2%.

5.2 EMPLOYMENT IN POSTAL/COURIER SERVICES

At the end of December 2013, there was a total of 1,442 staff employed in the by postal and courier operators; 38% are women. A comparison of employment statistics for 2012 and 2013 is shown in Table 15 below.

Table 15: Postal and Courier employment statistics

Staff	2012	2013	Net Additions
Male	1,048	1,045	(3)
Female	398	397	(1)
Total	1,446	1,442	(4)

Source: POTRAZ, Operator Returns

6. CONCLUSION

The telecommunication sector has shown a positive trend over the period except for fixed line services that have been on a downward trend. The robust growth reported in the data/internet market and 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 from 8,060 to 9,060Mbps in the quarter under review. Postal and courier mail volumes declined; the challenge for the sector is to modernize operations and to diversify products and service offers.