

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2016

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.

1. MAJOR HIGHLIGHTS

- The mobile penetration rate (active) increased by 1.1% to reach 96.5% from 95.4% recorded in the previous quarter.
- The internet penetration rate increased by 1.7% to reach 49.8% from 48.1% recorded in the previous quarter
- The number of LTE eNodeBs (‘base stations’) increased from 312 to 326 following 14 new installations.
- Equipped international incoming internet bandwidth increased by 9.2% to reach 21,700Mbps from 19,864Mbps recorded in the previous quarter. (symmetric with outgoing)
- Total voice traffic declined by 14.2% to record 1,257,842,811 minutes from 1,465,861,821 minutes recorded in the previous quarter
- Telecommunication revenues declined by 11.8% to record \$237,771,722 from \$269,714,207 recorded in the previous quarter

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines as at 31 March 2016 was 335,172. This represents a 0.4% increase from 333,702 active subscriptions recorded in December 2015. The fixed teledensity remained at 2.6% and the switching capacity remained at 473,700 as shown in table 1 below:

Table 1: Fixed Telephone subscribers

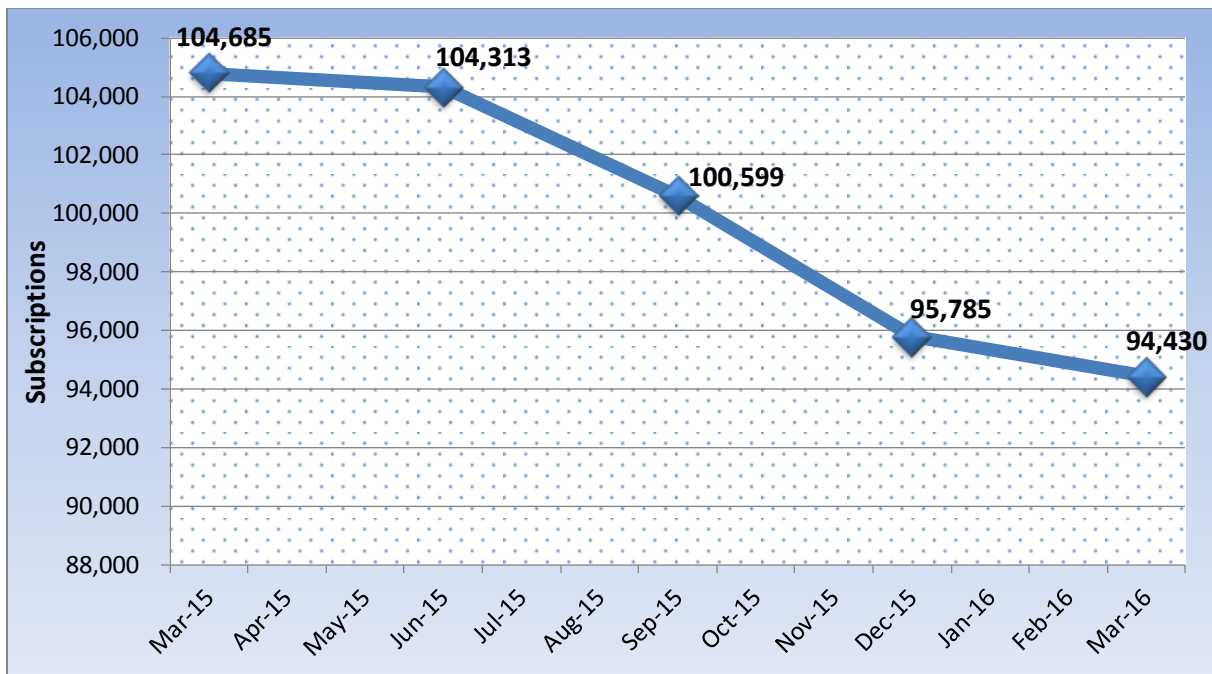
	Fourth Quarter 2015	First Quarter 2016	Quarterly Variation %
Active Subscriptions	333,702	335,172	0.4%
Switching capacity	473,700	473,700	-

Fixed Teledensity	2.6%	2.6%	-
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Source: POTRAZ, Operator Returns

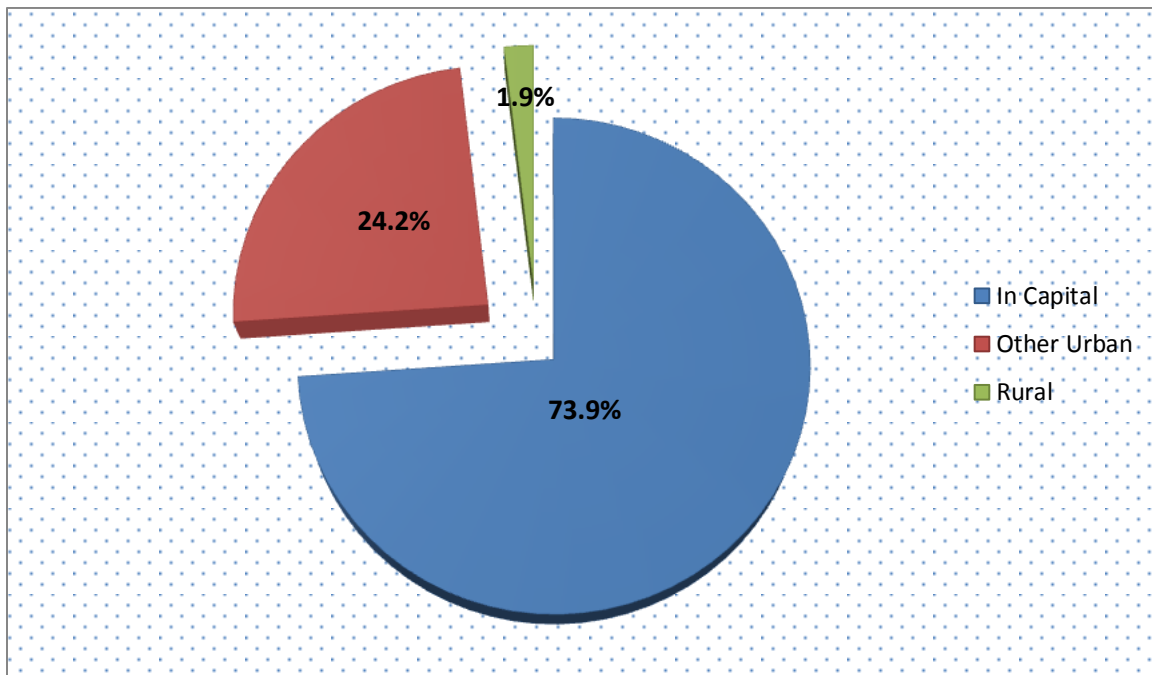
The number of household subscriptions increased by 1.2% to reach 240,742 from 237,917 household subscriptions recorded as at 31 December 2015. On the other hand corporate subscriptions registered a decline of 1.4% to reach 94,430 from 95,785 subscriptions as at 31 December 2015. Corporate fixed telephone subscriptions have been on a declining trend as shown in Figure 1 below:

Figure 1: Corporate Fixed Telephone subscriptions



A total of 247,662 lines were in the capital, Harare. This implies that 73.9% of total fixed telephone lines in the country were in Harare. The distribution of fixed telephone lines by location is shown in figure 2 below:

Figure 2: Distribution of fixed telephone lines



As shown above only 1.9% of fixed telephone lines are in rural areas. Fixed telephone subscriptions in rural areas are mostly for local authorities, schools, hospitals and other organisations domiciled in rural areas.

2.2 FIXED NETWORK TRAFFIC

Traffic on the fixed telephone traffic declined by 5.8% to record 167,980,843 from 178,317,321 minutes recorded in the previous quarter. A quarterly comparison of all fixed network traffic categories is shown in Table 2 below:

Table 2: Fixed Voice Traffic

Traffic Category	4 th Quarter 2015	1 st Quarter 2016	Quarterly Variation %
Net On Net	81,826,742	75,679,964	-7.5%
Outgoing to Mobile	68,366,219	67,831,908	-0.8%
Incoming from	7,269,970	6,836,771	-6.0%

Mobile			
Incoming from IAPs	700,397	953,389	36.1%
Outgoing to IAPs	316,060	418,436	32.4%
International Incoming	13,102,555	9,954,873	-24.0%
International Outgoing	6,735,378	6,305,502	-6.4%
Total traffic	178,317,321	167,980,843	-5.8%

Source: POTRAZ, Operator Returns

All traffic categories, with the exception of incoming traffic from IAPs and outgoing traffic to IAPs, registered declines. As more interconnection agreements between IAPs and TelOne become operational, the flow of traffic between IAPs and TelOne is set to improve. International incoming traffic had the biggest decline of 24% whereas international outgoing traffic also declined by 6.4%.

The international incoming traffic received on TelOne`s gateway for termination on other networks declined by 96.3% to record 2,240,149 from 4,397,719 recorded in the previous quarter. International outgoing traffic on TelOne`s gateway originating from other networks declined by 53.4% to record 1,668,207 from 2,559,409 recorded in the previous quarter. The overall decline in voice traffic is attributed to declining household incomes as well as the proliferation of Over-the-Top services which provide cheaper communication platforms.

2.3 FIXED TELEPHONE REVENUES AND INVESTMENT

TelOne`s fixed voice revenues declined by 13.2% to record \$30,670,623 from \$35,341,210 recorded in the previous quarter. This decline in revenues is attributed to the decline in fixed voice traffic as detailed in 2.2 above. A quarterly comparison of fixed voice revenue, Average Revenue per User (ARPU) and investment is shown in Table 3 below:

Table 3: Fixed Voice Revenue & Investment

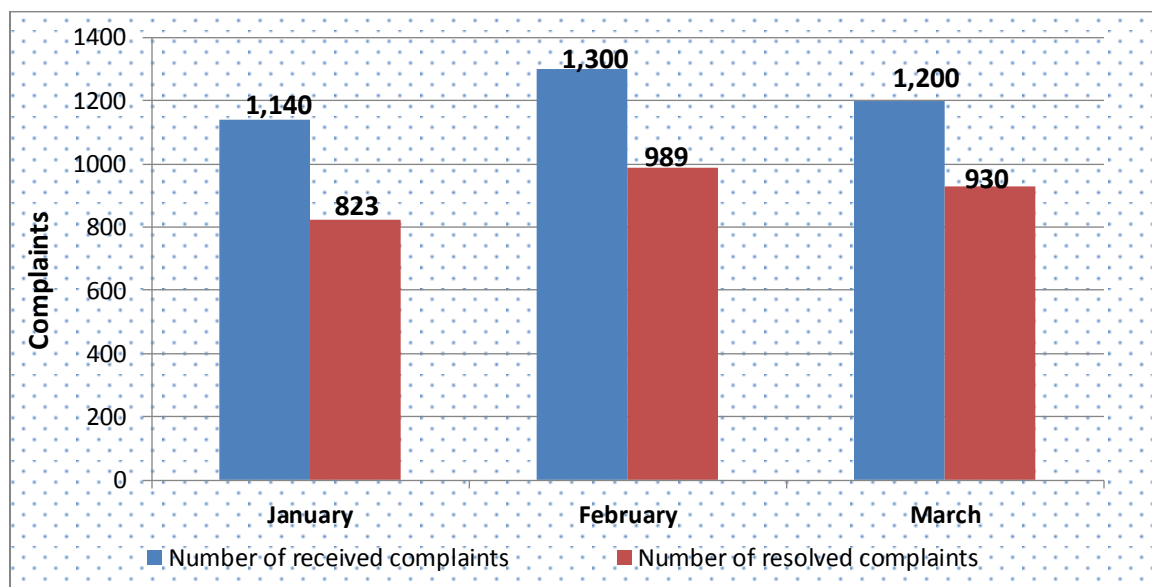
	Fourth Quarter 2015	First Quarter 2016	Quarterly Variation %
Revenues	35,341,210	30,670,623	-13.2%
ARPU per month	\$35.34	\$30.58	-13.5%
Investment	1,787,880	1,611,079	-9.9%

Source: POTRAZ, Operator Returns

2.4 CONSUMER COMPLAINTS

TelOne received a total of 3,640 complaints from consumers in the first quarter of 2016. Billing complaints constituted 55.1% (2,006) of total complaints received by TelOne in the first quarter of 2015. Figure 4 below shows a comparison of received complaints vis-a-vis resolved complaints per month.

Figure 4: TelOne consumer complaints



2,742 out of the 3,640 consumer complaints were resolved by TelOne; this gives a complaints resolution rate of 75.3%.

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

The total number of mobile subscriptions in the country as at 31 March 2016 was 18,992,082. This represents a 2.5% decline from 19,477,307 total subscriptions recorded as at 31 December 2015. The decline is attributed to the removal of unused lines from the networks. Mobile lines that exceed 1 year of no activity are removed from the network by the mobile operators.

Of the 18,992,082 total mobile subscriptions, 12,900,173 were active in the period under review. An active mobile subscription is defined as a mobile line which has been used to make and/or receive a call, send and/or receive a message or used the internet within the past 3 months (90 days). Active and total mobile subscriptions per operator are shown in Table 4 below:

Table 4: Active vs. Total Mobile Subscriptions

	Total Subscribers	Active Subscribers	% inactive
Econet	9,281,936	6,714,939	27.7%
Telecel	4,278,800	1,824,936	57.3%
NetOne	5,431,346	4,360,298	19.7%
Total	18,992,082	12,900,173	32.1%

Source: POTRAZ, Operator Returns

The total number of active subscriptions increased by 1.1% to reach 12,900,173 from 12,757,410 recorded in the previous quarter. As a result of the increase in the active subscriptions, the mobile penetration rate increased from 95.4% to 96.5%. A quarterly comparison of active subscriptions per operator is shown in Table 5 below:

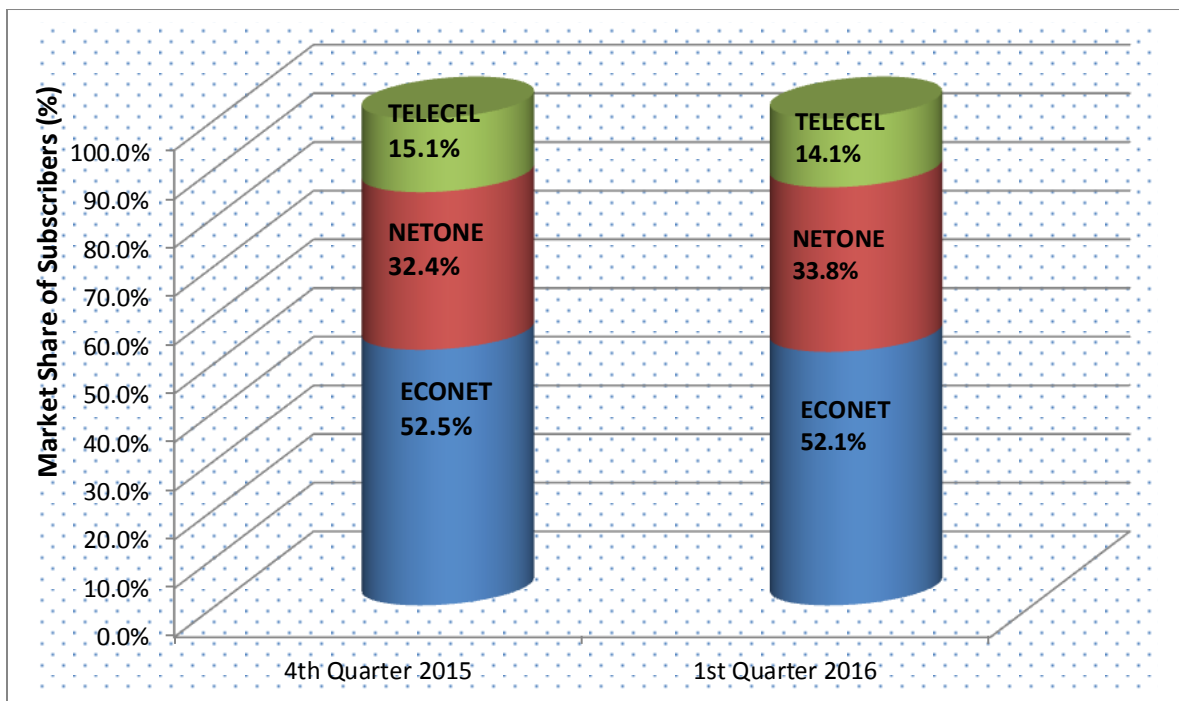
Table 5: Active Mobile subscriptions per Operator

Operator	4 th Quarter 2015	1 st Quarter 2016	% Change
Econet	6,702,691	6,714,939	0.2%
Telecel	1,919,999	1,824,936	-5.0%
NetOne	4,134,720	4,360,298	5.5%
Total	12,757,410	12,900,173	1.1%

Source: POTRAZ, Operator Returns

Telecel was the only operator to experience a decline in active subscriptions as shown above. On the other hand NetOne had the largest growth in active subscriptions (5.5%). This is attributed to the intensity of promotions on the NetOne network hence consumers move to maximise their utility. A quarterly comparison of market share of subscribers for each operator is shown in the graph below:

Figure 5: Market Share of mobile subscribers



There was no significant change in the market share of subscribers of the three mobile operators as shown in Figure 5 above.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

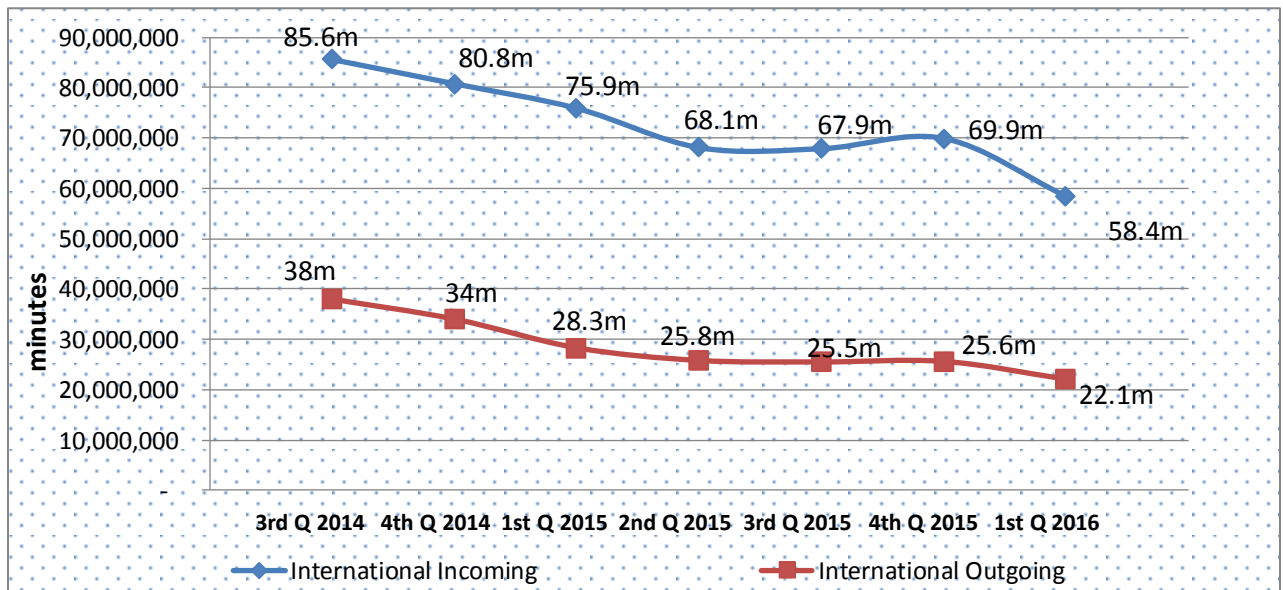
A comparison of mobile voice traffic in the first quarter of 2016 and the fourth quarter of 2015 is shown in table 6 below:

Table 6: Mobile Telephone Traffic

	4 th Quarter 2015	1 st Quarter 2016	Quarterly Change
Net On Net	877,534,107	713,118,050	-18.7%
Mobile to Fixed	7,269,970	6,836,771	-6.0%
Incoming from Fixed	68,366,219	67,821,908	-0.8%
Mobile to Other Mobile (by termination)	234,977,575	205,742,477	-12.4%
Outgoing to IAPs	897,397	1,110,632	23.8%
Incoming from IAP	8,617,944	12,257,937	42.2%
TOTAL NATIONAL	1,189,942,667	1,007,325,863	-15.3%
International Incoming	69,908,567	58,380,871	-16.5%
International Outgoing	25,622,565	22,092,071	-13.8%
Inbound Roaming	1,590,044	1,594,230	0.3%
Outbound Roaming	480,657	468,933	-2.4%

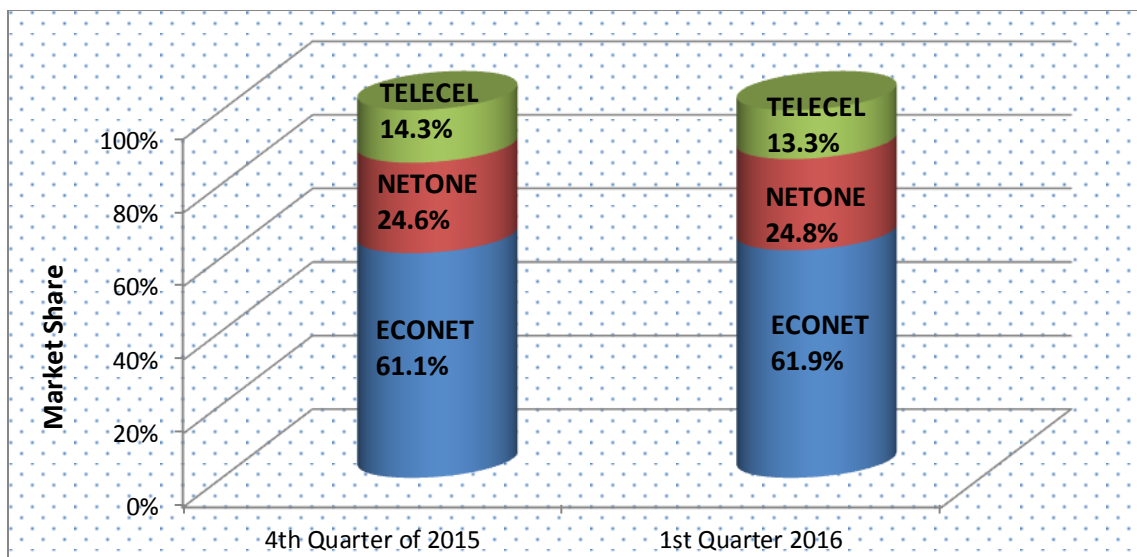
As shown above the only traffic categories to register an increase were incoming and outgoing traffic from IAPs as well as inbound roaming; the rest registered declines. Total national voice traffic declined by 15.3% to record 1 billion minutes from 1.2 billion minutes recorded in the previous quarter. International incoming and outgoing traffic declined by 16.5% and 13.8% respectively as shown above. The overall decline in mobile voice traffic is attributed to the substitution of mobile voice service with cheaper Over-the-Top services. International traffic has been the most affected. Figure 6 below shows the declining trend of international and outgoing traffic on a quarterly basis.

Figure 6: International mobile voice traffic



OTT voice applications such as Viber, Skype and WhatsApp calling have become popular alternatives for international calling as they are significantly cheaper; this has resulted in falling international voice traffic and in turn falling revenue from international voice services. The mobile voice traffic market share per operator is shown in Figure 7 below:

Figure 7: Mobile Voice Traffic Market Share.

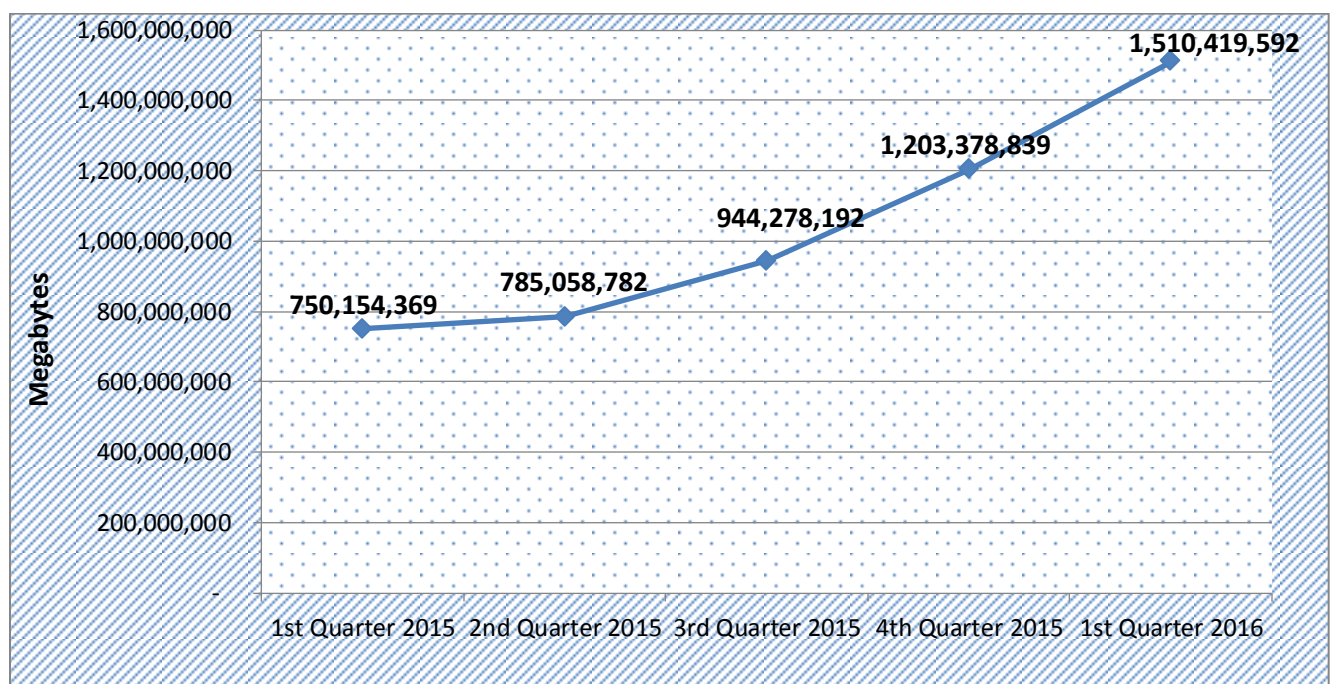


As shown above Econet and NetOne gained market share whereas Telecel's market share of voice traffic declined. This is because Telecel's voice traffic declined by the greatest margin.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

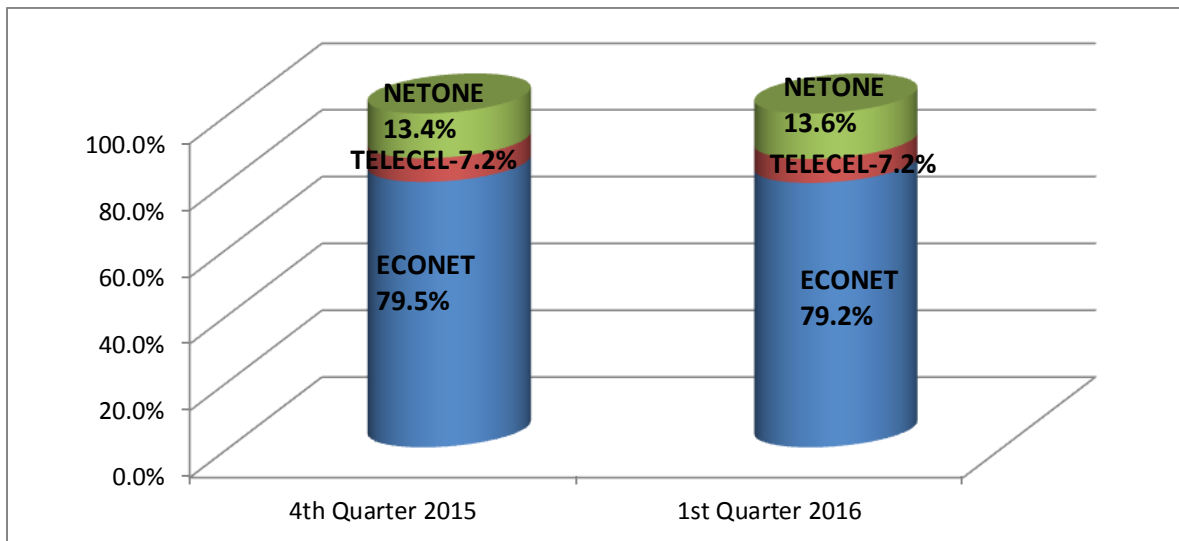
Mobile data utilisation increased by 25.5% to record 1,510,379,839MB from 1,203,378,839MB recorded in the previous quarter. All the mobile operators experienced an increase in the number of megabytes consumed by their subscribers. The demand for internet has been on an upward trajectory and the amount of megabytes consumed is constantly increasing as shown in Figure 8 below:

Figure 8: Internet & data usage in MB



There was no significant change in the market share of mobile data usage. Econet`s market share declined by 0.3%; Telecel`s market share remained constant at 7.2% market share whereas NetOne`s market share increased by 0.2% as shown in figure 8 below:

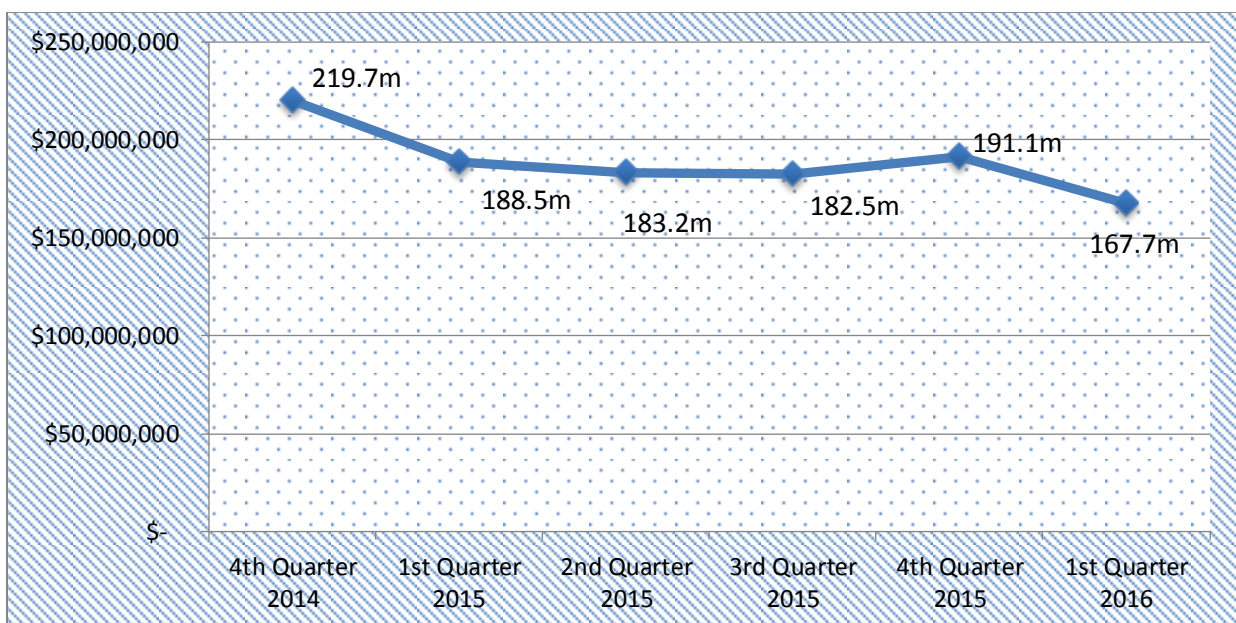
Figure 8: Market share of data usage



3.3 MOBILE REVENUES

The mobile operators generated a total of \$167.7 million in the first quarter of 2016. This was a 12.3% decline in revenues from \$191.1 million recorded in the previous quarter. All the mobile operators registered declines in their revenues. Mobile revenues have been declining due to the substitution of traditional mobile services with Over-the-Top services as well as the general economic environment. The declining trend of mobile revenues from the fourth quarter of 2014 to the first quarter of 2016 is shown in the graph below:

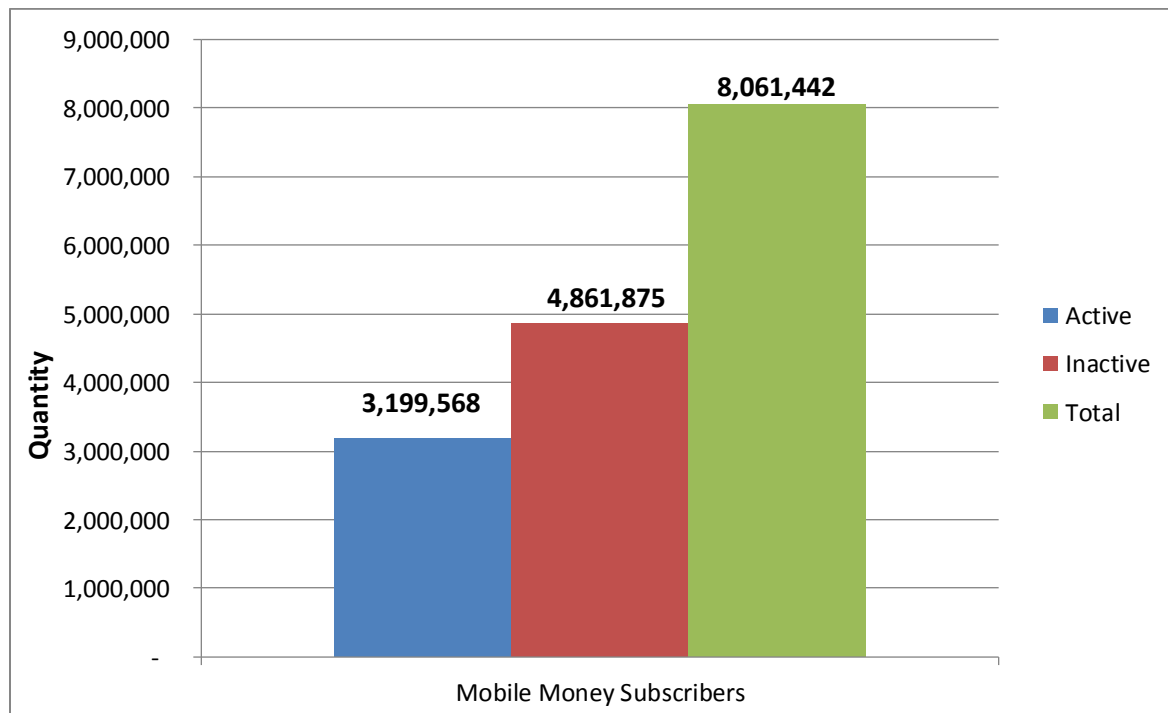
Figure 9: Mobile Revenues



3.4 MOBILE MONEY TRANSFER

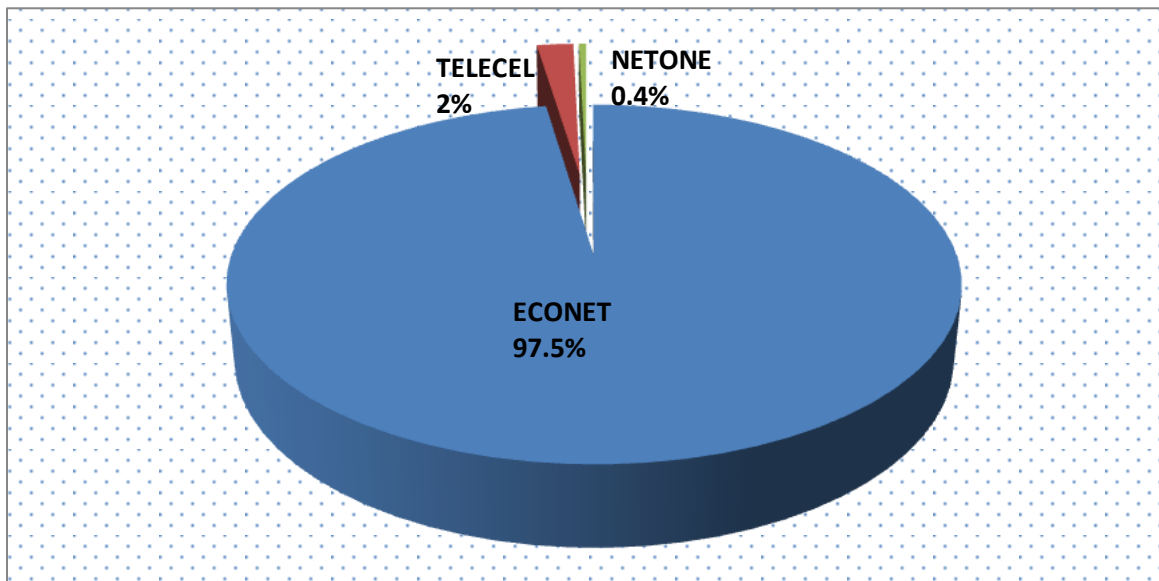
The total number of registered mobile money subscriptions as at 31 March 2016 was 8,061,443. This represents a 9.9% increase from 7,333,388 recorded in the previous quarter. Of the total registered subscriptions 39.7% were active i.e. 3,199,568 subscribers had used mobile money services to send or receive money, purchase airtime or to make payments. This implies that 60.3% subscribers were inactive.

Figure 10: Mobile money subscribers



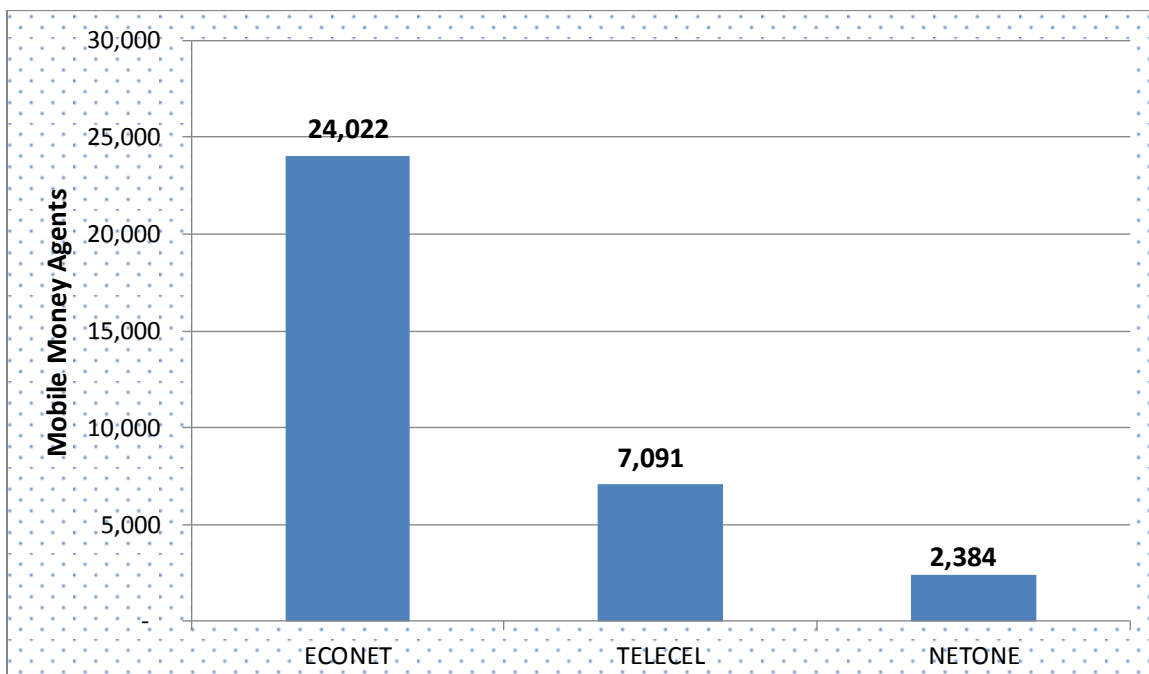
Of the 3,199,568 active mobile money subscriptions Econet had 3,121,683 active subscriptions; Telecel had 64,905 whereas NetOne had 12,980. The market share of active mobile money subscriptions is shown in Figure 11 below:

Figure 11: Market share of active mobile money subscriptions



The total number of mobile money agents increased by 0.7% to reach 33,497 from 33,259 agents recorded in the previous quarter. The distribution of mobile money agents was as follows:

Figure 12: Distribution of mobile money agents



In line with International standards on the collection of mobile money indicators, the indicator 'value of mobile money transactions' was split into three i.e. Cash In, Cash Out and

Cross network transfers. The information on these indicators for the quarter under review was as follows:

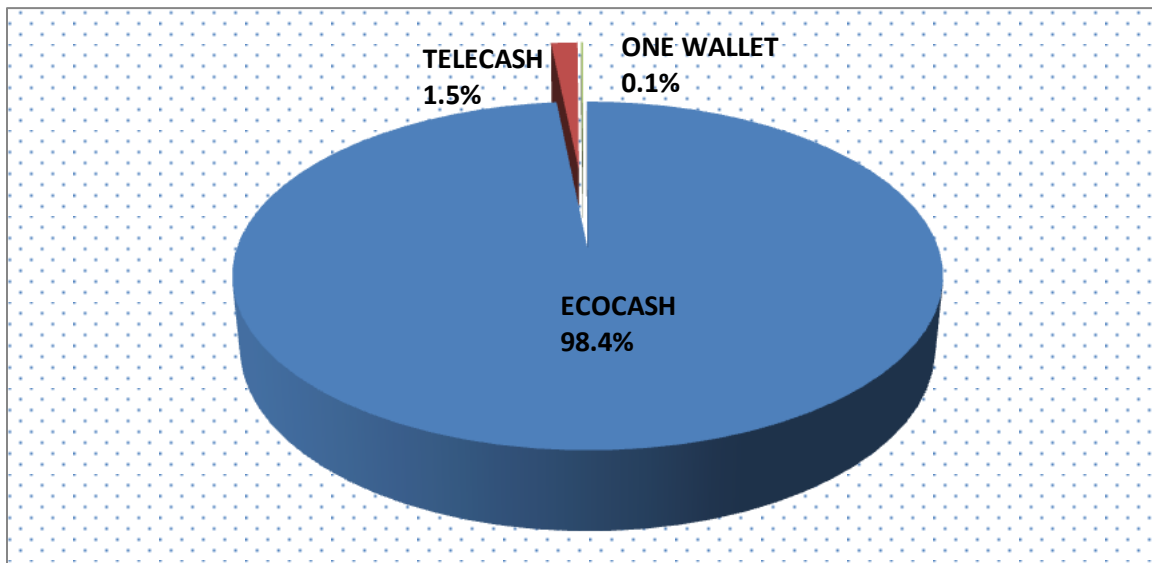
Table 10: Mobile money transactions

	Total Value \$
Cash-In transactions	449,863,254
Cash-Out transactions	407,261,725
Cross-network transfers (by origination)	1,530,939

The difference between the cash in transactions and the summation of cash-out transactions and cross network transfers implies that about \$40 million was used for other transactions such as merchant payments, bill payments and airtime top-up amongst others.

The market share of cash-in transactions was as follows:

Figure 13: Market Share of Cash-In transactions

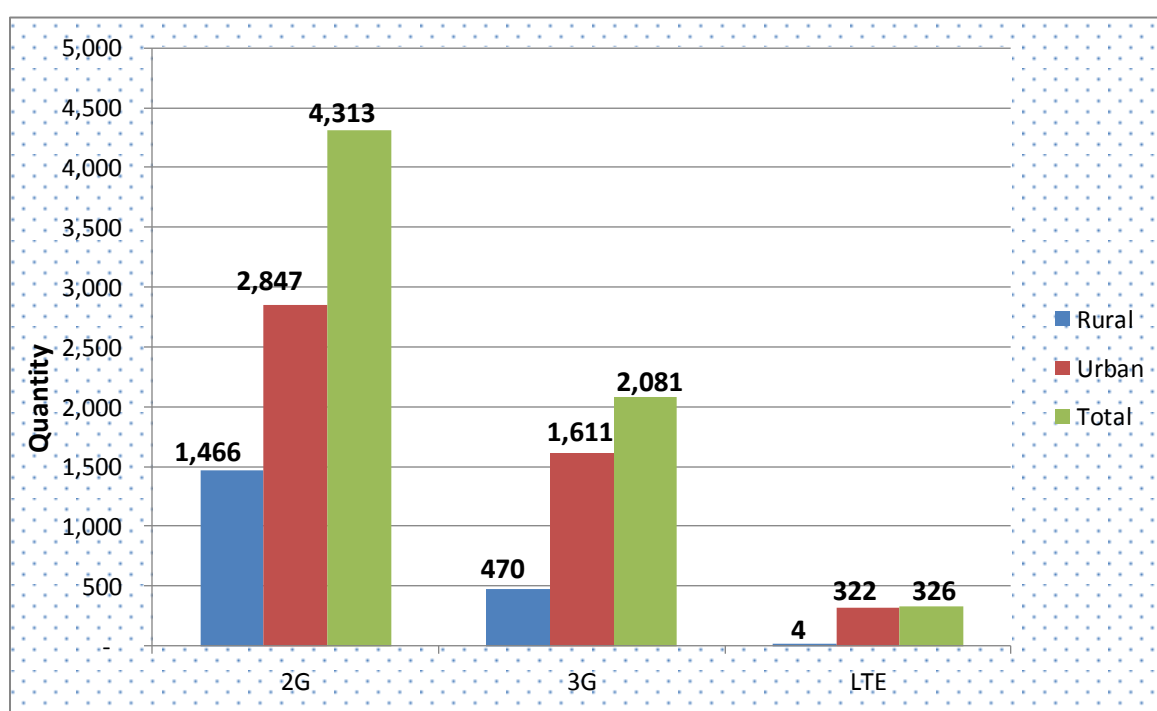


The above information shows that Econet is the dominant operator in the provision of mobile money services.

3.5 MOBILE TELEPHONY INFRASTRUCTURE

The total number of base stations in the country increased by 6.5% to reach 6,720 from 6,311 recorded in the previous quarter. The total number of LTE eNodeBs (eNBs) (base stations') in the country increased from 312 to 326 as NetOne commissioned 14 new LTE eNBs in the quarter under review. The base stations are broken down by location in figure 14 below:

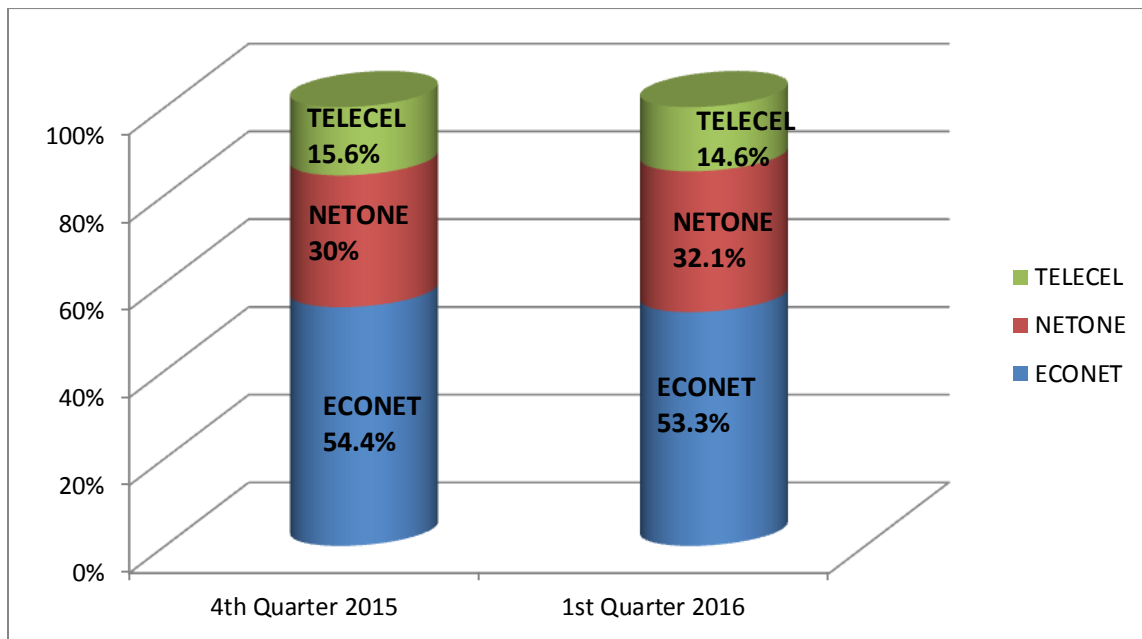
Figure 14: Base stations by location



The total number of base stations in urban areas was 1,940 versus 4,780 base stations in urban areas. A comparison with the fourth quarter shows that base stations in rural areas increased by 11% from 1,748 to reach 1,940 base stations. However the increase was mostly in 2G technology.

Of the three mobile operators, Econet had the widest network coverage. The market share of base stations per operator is shown in Figure 15 below:

Figure 15: Market Share of Base Stations



As shown above Econet maintained its top position but lost market share by 1.1%. Telecel also lost market share by 1% whereas NetOne gained market share by 2.1%. NetOne was the only operator to gain market share of base stations as they commissioned the highest number of base stations, mostly 2G.

4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

The number of active internet subscriptions as at 31 March 2016 was 6,703,518. This represents a 1.9% increase from 6,575,591 recorded in the previous quarter. As a result the mobile penetration rate increased by 1.7% to reach 49.8% from 48.1% recorded in the previous quarter. Internet subscriptions are broken down by technology as follows:

Table 12: Active Internet Subscriptions

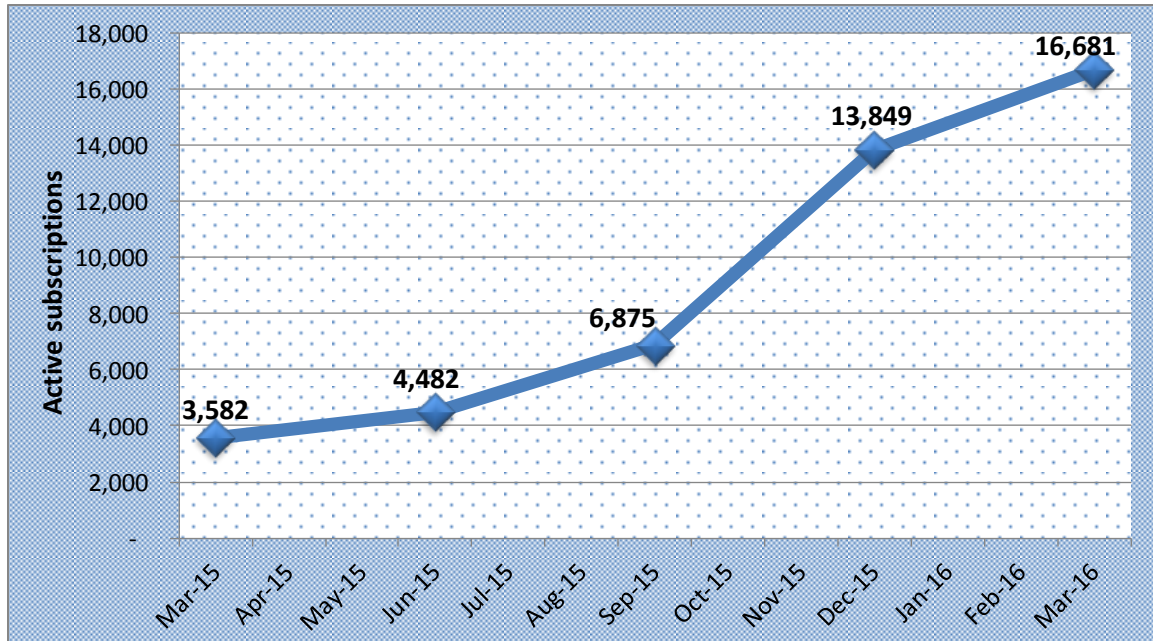
Technology	4 th Quarter 2015	1 st Quarter 2016	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	6,284,944	6,392,871	1.7%
LTE	124,179	152,782	23.0%

Leased Lines	1,393	1,031	-26.0%
Dial up	6,872	44	-99.4%
ADSL	64,961	69,253	6.6%
WiMAX	9,285	8,876	-4.4%
CDMA	68,683	59,921	-12.8%
VSAT	1,425	2,059	44.5%
Active Fibre links	13,849	16,681	20.4%
TOTAL	6,575,591	6,703,518	1.9%

Source: POTRAZ, Operator Returns

VSAT subscriptions registered the highest increase of 44.5%. This could be attributed to the reduction of VSAT annual landing rights fees by the Authority. Dial Up registered the highest decline. TelOne is phasing out Dial-Up hence the huge decline in dial-up subscriptions. LTE and fibre subscriptions increased by 23% and 20.4% respectively. Fibre subscriptions have been on an upward trend the past year as shown in the graph below:

Fig 16: Internet Subscriptions



4.2 INTERNATIONAL INTERNET CONNECTIVITY

Equipped international incoming internet bandwidth increased by 9.2% to reach 21,700Mbps from 19,864Mbps recorded in the previous quarter. Equipped international outgoing internet bandwidth was symmetrical to equipped international incoming internet bandwidth. The changes in the equipped internet bandwidth per operator are as shown in Table 13 below:

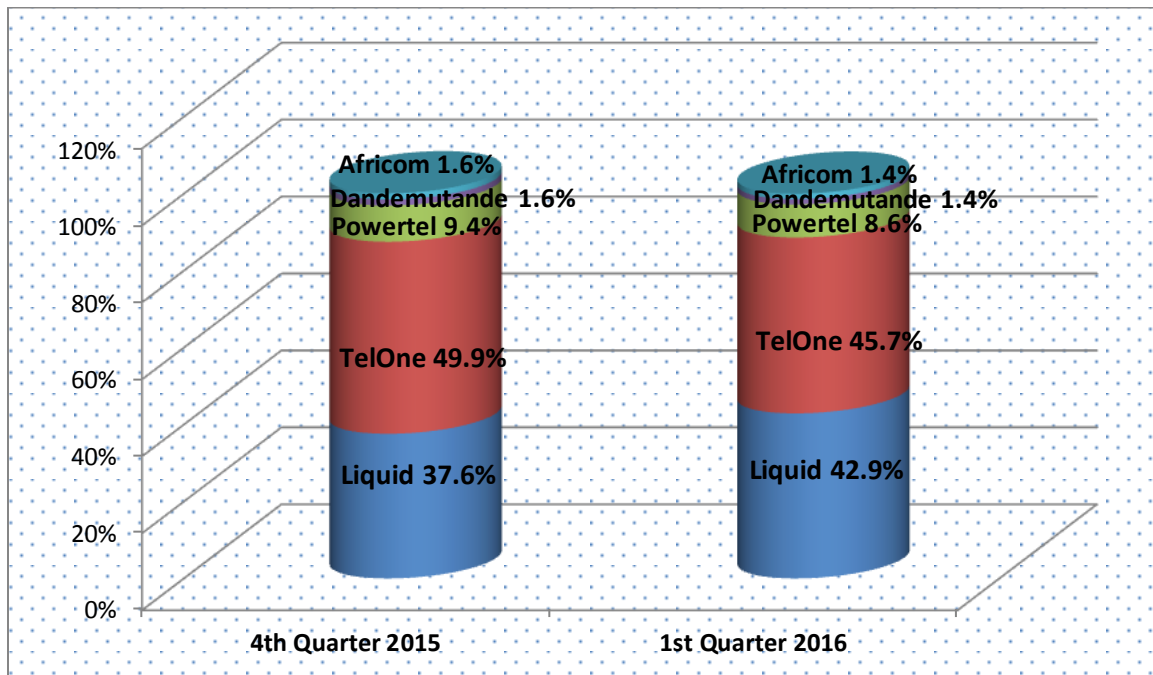
Table 13: Equipped International Internet Bandwidth

OPERATOR	Incoming International			Outgoing International		
	4 th Q 2015	1 st Q 2016	Quarterly Variation	4 th Q 2015	1 st Q 2016	Quarterly Variation
Liquid	7,464	9,300	24.6%	7,464	9,300	24.6%
Tel One	9,920	9,920	-	9,920	9,920	-
Powertel	1,860	1,860	-	1,860	1,860	-
Dandemutande	310	310	-	310	310	-
Africom	310	310	-	310	310	-
TOTAL	19,864	21,700	9.2%	19,864	21,700	9.2%

Source: POTRAZ, Operator Returns.

Liquid was the only operator that increased their equipped international bandwidth capacity as shown above. As a result Liquid's market share of equipped bandwidth capacity increased from 37.6% to 42.9% as shown in the graph below:

Figure 17: Market Share of Equipped international bandwidth



On the other hand, used incoming international bandwidth increased by 13.6% to record 17,932 Mbps from 15,785Mbps recorded in the fourth quarter of 2015. Used outgoing international bandwidth also increased by 4.8% to record 4,936 Mbps from 4,710Mbps recorded in the previous quarter.

4.3 IAP REVENUES AND INVESTMENT

Revenues generated by Internet Access Providers declined by 8.9% to record \$39,422,419 from \$43,291,855 generated in the previous quarter. IAPs also invested 76.8% less than what they invested in the fourth quarter of 2015 as shown in the table below:

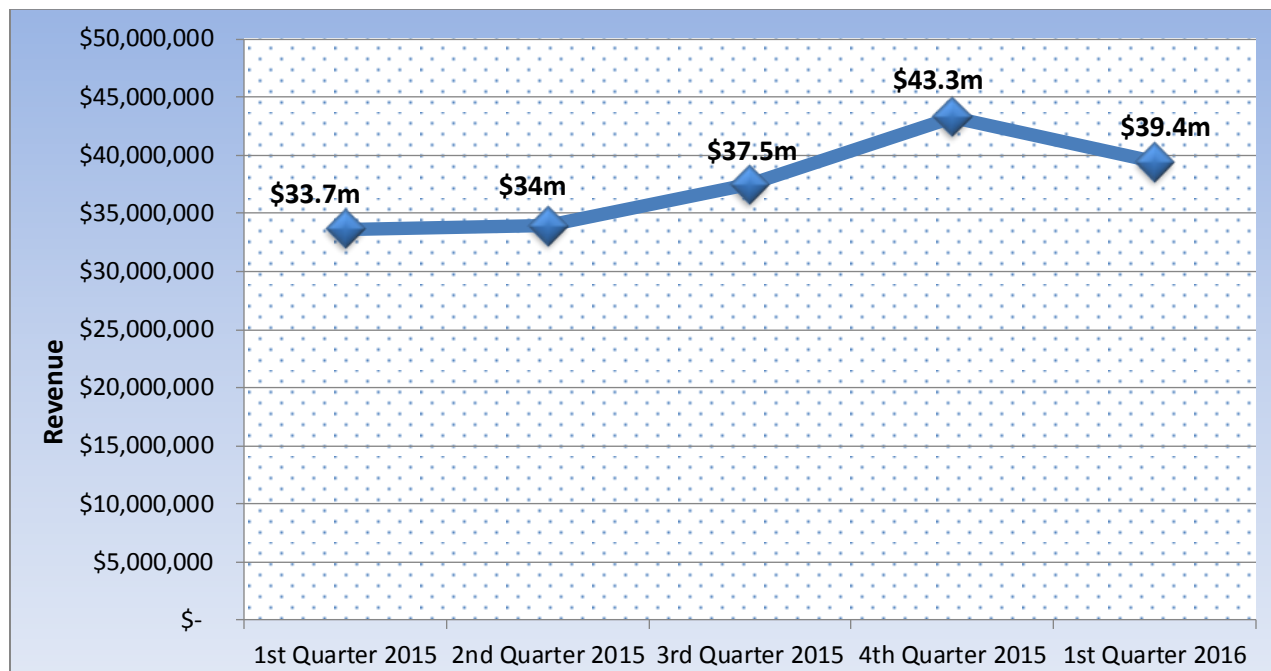
Table 14: IAP Revenues & Investment

	4 th Quarter 2015	1 st quarter 2016	Quarterly Variation
Revenue	\$43,291,855	\$39,422,419	-8.9%
Investment	\$28,481,862	\$6,617,431	-76.8%

Source: POTRAZ, Operator Returns

IAP revenues had always been on an upward trajectory as shown in Figure 18 below. The decline may be attributed to the general decline in consumer spending in the economy.

Figure 18: IAP revenues



5. POSTAL AND COURIER SERVICES

5.1 POSTAL AND COURIER TRAFFIC

The postal and courier traffic recorded in the fourth quarter of 2015 is summarised in the table below:

Table 15: Postal and Courier Traffic

	4 th Quarter 2015	1 st Quarter 2016	Quarterly Variation
Number of postal and courier items sent locally	2,079,455	1,836,686	-11.7%
International incoming postal and courier items	471,206	465,932	-1.1%
International outgoing postal and courier items	258,830	249,013	-3.8%

Source: POTRAZ, Operator Returns

The designated postal operator, Zimpost, had a total of 1,521,649 domestic postal items summarised as follows:

Table 16: Postal volumes

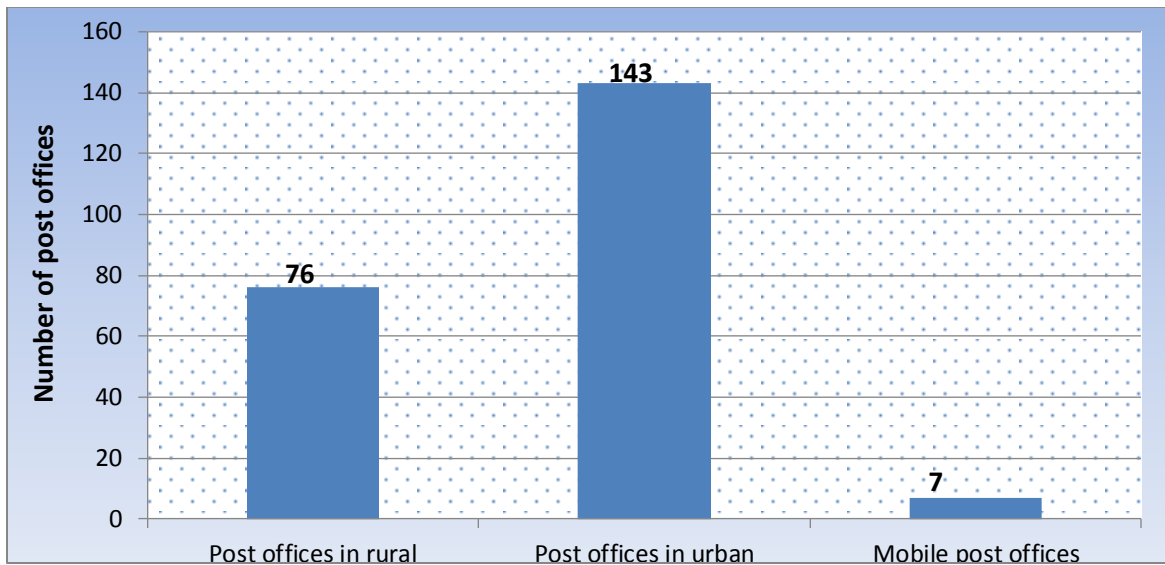
Category	Quantity
Domestic letters	1,498,899
Registers	21,601
Parcels	1,149
Total	1,521,649

Traffic volumes for postal and courier services have been declining as more and more people use of telecommunication services such as email to send documents locally and internationally. International incoming postal and courier declined by 11.7% to record 465,932 from 471,206 recorded in the previous quarter. International outgoing postal and courier also declined by 3.8% to record 249,013 from 258,830 recorded in the previous quarter.

5.2 POSTAL DENSITY

The postal density remained at 60,139.72, as the number of post offices remained at 226. This implies that there is 1 post office for every 60,140 people. The post offices are broken down according to location as follows:

Figure 19: Post offices



5.3 POSTAL & COURIER REVENUES

A total of \$5,955,158 was generated by the postal and courier operators in the first quarter of 2016. This represents a 2.3% decline in revenues from \$6,093,155 generated in the previous quarter as shown in the table below:

Table 17: Postal and Courier Revenues and Investment

	4 th Quarter 2015	1 st Quarter 2016	% Change
Revenues	\$6,093,155	\$5,955,158	2.3%
Investment	\$287,955	\$175,149	-39.2%

The decline in postal and courier revenues is attributed to the decline in postal and courier volumes. Investment by postal and courier operators was only \$175,149. This represents a 39.2% decline from \$287,955 invested in the previous quarter.

6. CONCLUSION

The first quarter of 2016 was characterised by the continued growth of fixed telephone subscriptions, mobile subscriptions as well as internet and data subscriptions. Despite the increase in subscriptions, mobile and fixed voice traffic declined in the quarter under review. This decline in traffic is attributed to the proliferation of Over-the-Top services which provide alternative communication platforms as well as the subdued economy.

The postal and telecommunications sector has not been spared by the general diminishing consumer spending power in the economy; revenues declined across all sub-sectors i.e. fixed telephony, mobile telephony as well as data and internet services. Investment in the sector also declined due to the credit crunch as well as liquidity challenges in the economy.

The postal and courier sub-sector continues to face stiff competition from telecommunication services. Growth in e-commerce in the country will present a prime opportunity for the market to make a turnaround as courier services provide the physical delivery services for online purchases.