

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH QUARTER 2015

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1. MAJOR HIGHLIGHTS

- The fixed teledensity increased by 0.1% to reach 2.6% from 2.5% recorded in the previous quarter.
- The internet penetration rate increased by 1.5% to reach 48.1% from 46.6% recorded in the previous quarter.
- The mobile penetration rate (active) increased by 1.3% to reach 95.4% from 92.8% recorded in the previous quarter.
- The number of LTE eNodeBs ('base stations') increased from 146 to 312 following 166 new installations.
- Mobile internet and data utilisation increased by 27.4% to record 1,208,379GB from 944,268GB recorded in the previous quarter.
- Equipped international incoming internet bandwidth increased by 26.9% to reach 19,864Mbps from 15,655Mbps recorded in the previous quarter. (symmetric with outgoing)

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines increased by 0.5% to reach 333,702 from 332,211 recorded in the third quarter of 2015. The fixed teledensity also increased from 2.5% to 2.6% in line with the increase in fixed subscriptions as shown in Table 1 below:

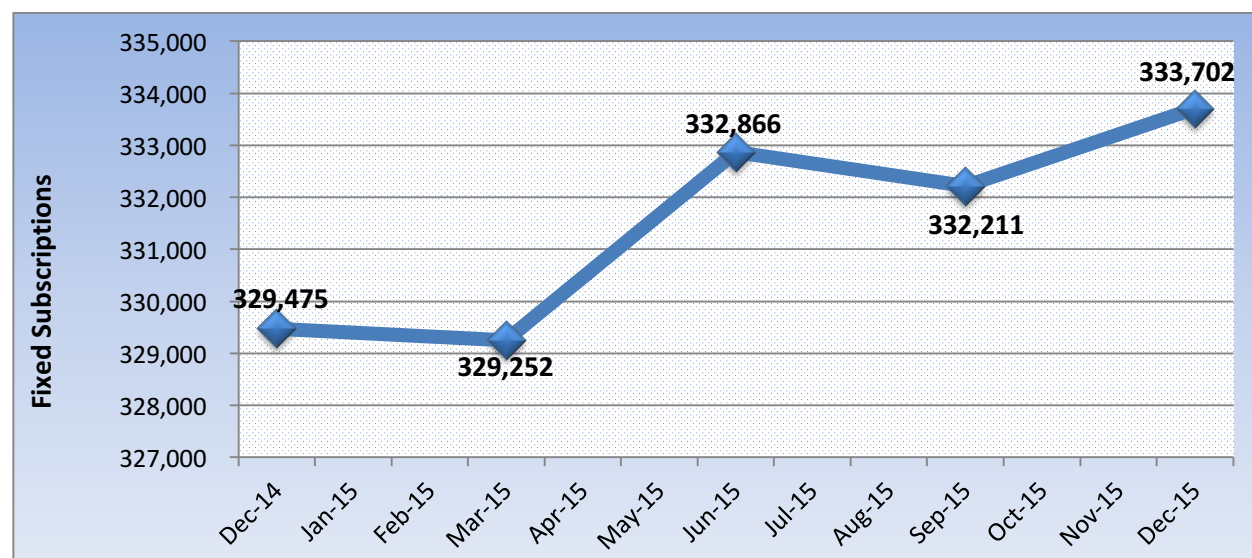
Table 1: Fixed Telephone subscribers

	Third Quarter 2015	Fourth Quarter 2015	Quarterly Variation %
Active Subscriptions	332,211	333,702	0.5%
Switching capacity	473,700	473,700	0.0%
Fixed Teledensity	2.5%	2.6%	0.1%

Source: POTRAZ, Operator Returns

An annual comparison shows a 1.3% increase from 329,475 subscriptions recorded at the end of 2014 to 333,702 subscriptions as at end of 2015. Noteworthy is that fixed telephony subscriptions exhibited fluctuations in 2015 as shown in Figure 1 below:

Figure 1: Fixed network subscriptions



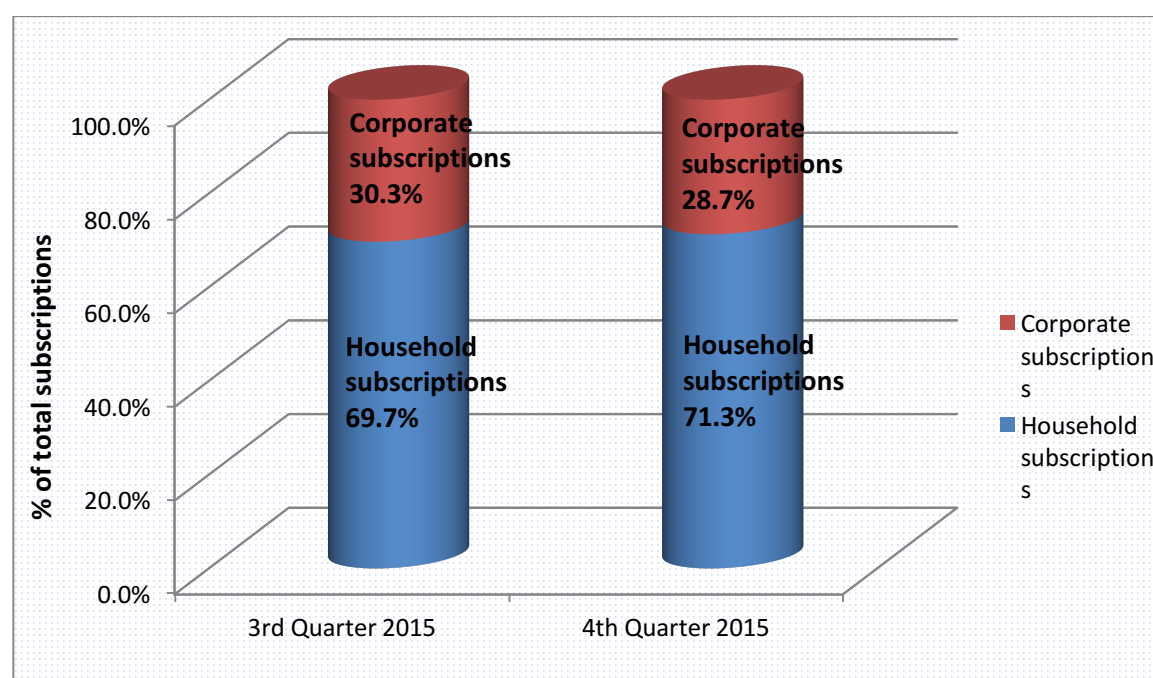
Corporate subscriptions registered a decline whereas household subscriptions increased as shown in the table below:

Table 2: Corporate vs Household subscriptions

	Third Quarter 2015	Fourth Quarter 2015	Quarterly Variation %
Household Subscriptions	231,612	237,917	2.7%
Corporate Subscriptions	100,599	95,785	-4.8%
Total	332,211	333,702	0.5%

Household subscriptions constituted 71.3% of the total fixed subscriptions whereas corporate subscriptions made up 28.7% of total fixed network subscriptions as shown in the graph below:

Figure 2: Corporate vs. household/individual fixed telephone subscriptions



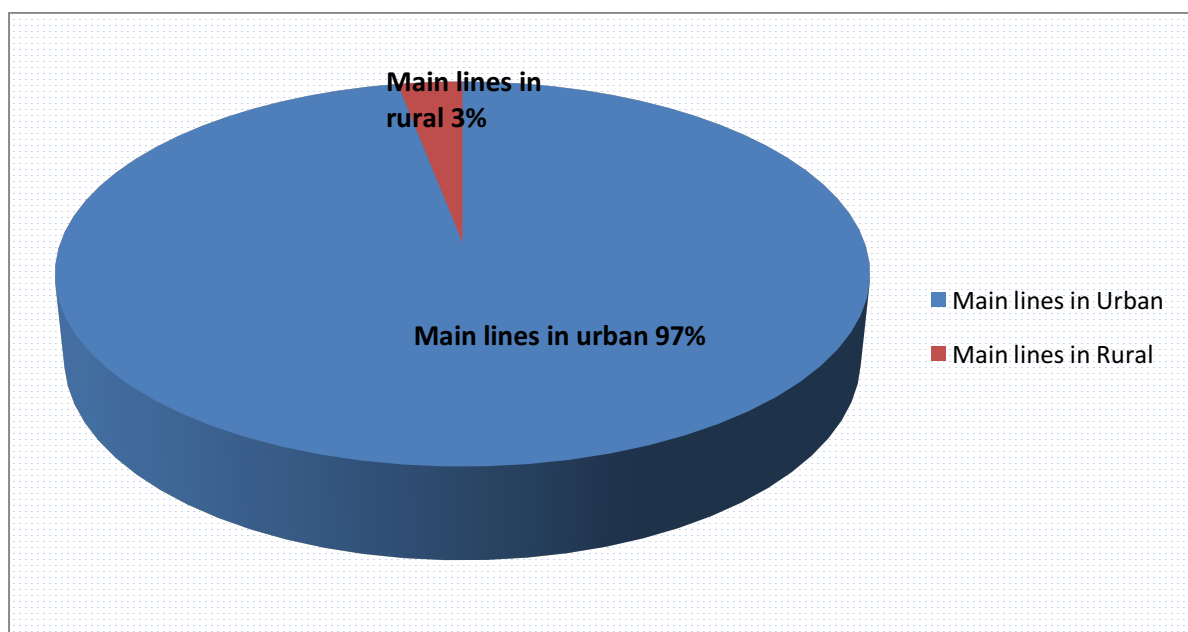
Active rural main lines increased by 4.3% to record 8,998 from 8,629 lines recorded in the previous quarter. On the other hand active urban main lines increased by 0.04% to record 323,704 from 323,582 lines recorded in the previous quarter as shown in table 3 below:

Table 3: Main lines in rural and urban

	Third Quarter 2015	Fourth Quarter 2015	Quarterly Variation %
Rural main lines	8,629	8,998	4.3%
Urban main lines	323,582	324,704	0.3%
Total	332,211	333,702	0.5%

97% of the total fixed lines are in urban areas whereas only 3% are in rural areas. The discrepancy between main lines in urban areas and rural areas is shown in the figure 3 below:

Figure 3: Main Lines in Rural and Urban



2.2 FIXED NETWORK TRAFFIC

A total of 178,317,321 minutes were processed on the fixed network in the quarter under review. This represents a 4.8% increase from 170,183,284 minutes recorded in the previous quarter. A quarterly comparison of all fixed network traffic categories is shown below:

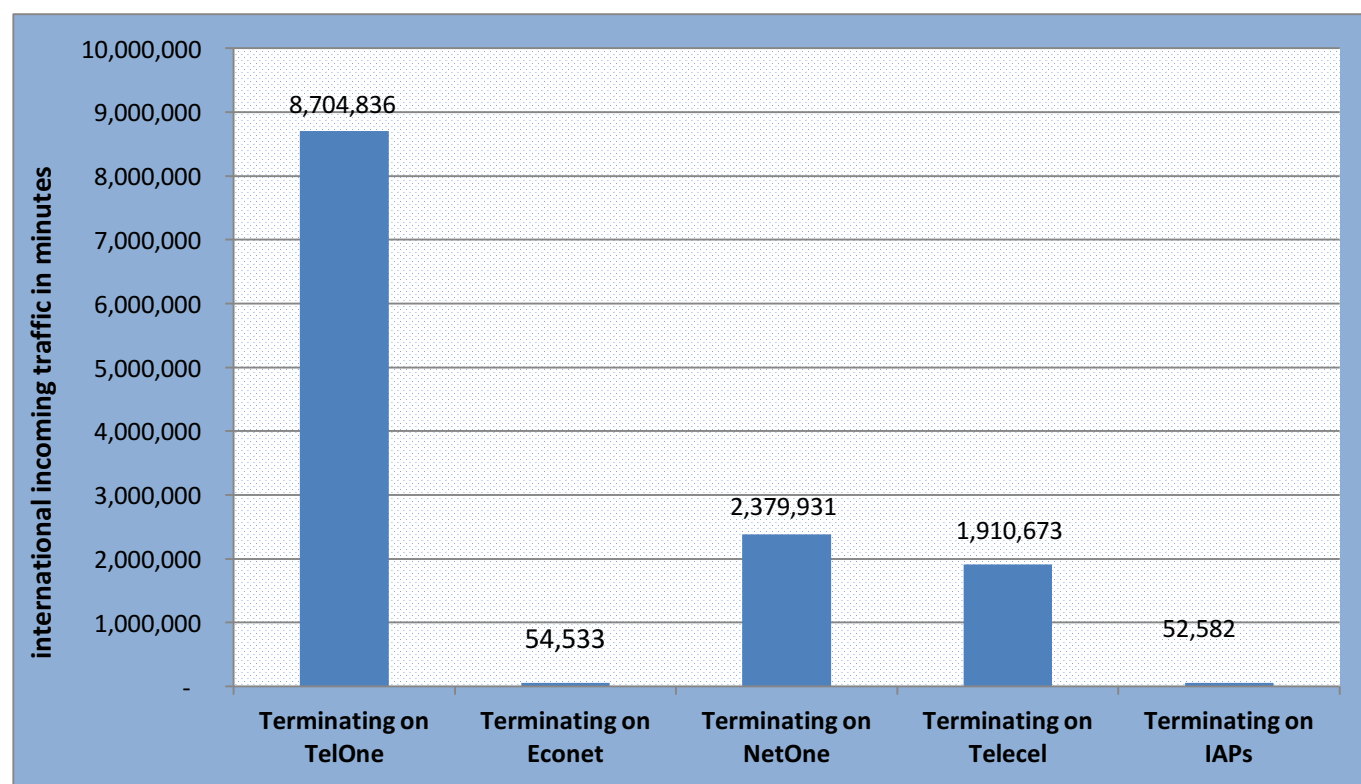
Table 4: Fixed Voice Traffic

Traffic Category	3 rd Quarter 2015	4 th Quarter 2015	Quarterly Variation %
Net On Net	72,597,693	81,826,742	12.7%
Outgoing to Mobile	69,255,379	68,366,219	-1.3%
Incoming from Mobile	7,312,801	7,269,970	-0.6%
Incoming from IAPs	832,606	700,397	-15.9%
Outgoing to IAPs	365,879	316,060	-13.6%
International Incoming	12,140,667	13,102,555	7.9%
International Outgoing	7,678,259	6,735,378	-12.3%
Total traffic	170,183,284	178,317,321	4.8%

Source: POTRAZ, Operator Returns

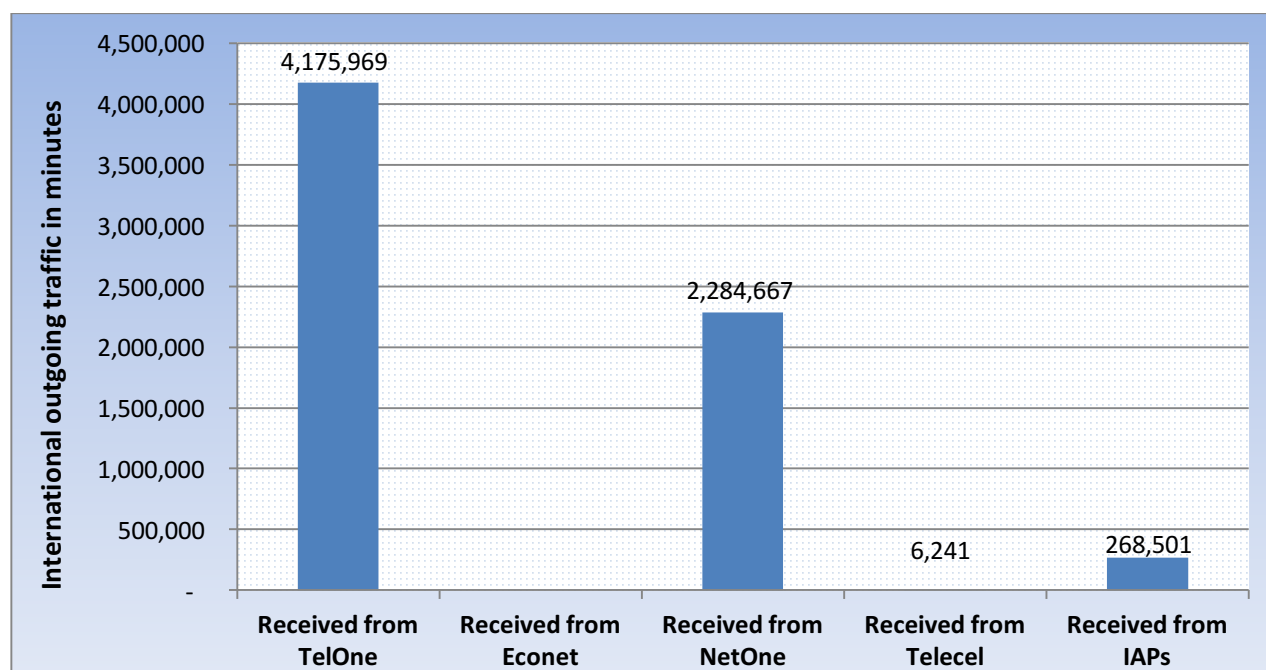
The 4.7% increase in fixed network traffic was driven by the 12.7% increase in net on net traffic. All categories of national interconnect traffic between the fixed network and the mobile and VoIP operators declined. International incoming traffic increased by 7.9% whereas international outgoing traffic declined by 12.3%. The increase in international incoming traffic is expected due to the usual peak in international incoming traffic over festive holidays in December. International traffic that was received and terminated on TelOne's gateway is shown in Figure 4 and Figure 5 below:

Figure 4: International incoming traffic on TelOne's gateway



This shows that 33.6% of the total international incoming traffic received on TelOne's gateway was for termination on other networks.

Figure 5: International outgoing traffic on TelOne's gateway



38% of international outgoing traffic from TelOne's gateway was originating from other networks mainly NetOne, Telecel and Africom; none originated from Econet.

2.3 FIXED TELEPHONE REVENUES AND INVESTMENT

Revenues registered from fixed voice service increased by 14.2% to reach \$35,341,210 from \$30,944,387 recorded in the previous quarter. The increase in revenues can be attributed to the increase in international incoming traffic and net on net traffic. On the other hand investment declined by 61.1% to record \$1,787,880 from \$4,600,292 invested in the previous quarter. The bulk of investment was in the access network. Table 5 below shows a quarterly comparison of fixed voice revenue and investment.

Table 5: Fixed Voice Revenue & Investment

	Second Quarter 2015	Third Quarter 2015	Fourth Quarter 2015	Quarterly Variation %
Revenues	30,533,976	30,944,387	35,341,210	14.2%
Investment	6,853,320	4,600,292	1,787,880	-61.1%

Source: POTRAZ, Operator Returns

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

The total number of mobile subscriptions increased by 2.2% to reach 19,477,307 from 19,054,959 recorded in the previous quarter. Active subscriptions increased by 2.9% to reach 12,757,410 from 12,394,383 recorded in the previous quarter. An active subscriber is defined as a subscriber who has used the network at least once in the last three months for making or receiving a call or carrying out a non-voice activity such as sending or receiving an SMS or accessing the internet. Active and total mobile subscriptions per operator are shown in Table 6 below:

Table 6: Active vs. Total Mobile Subscriptions

	Total Subscribers	Active Subscribers	% inactive
Econet	9,238,191	6,702,691	27.4%
Telecel	4,534,705	1,919,999	57.7%
NetOne	5,704,411	4,134,720	27.5%
Total	19,477,307	12,757,410	34.5%

Source: POTRAZ, Operator Returns

All the mobile operators experienced increases in their active subscriber base as shown in Table 7 below:

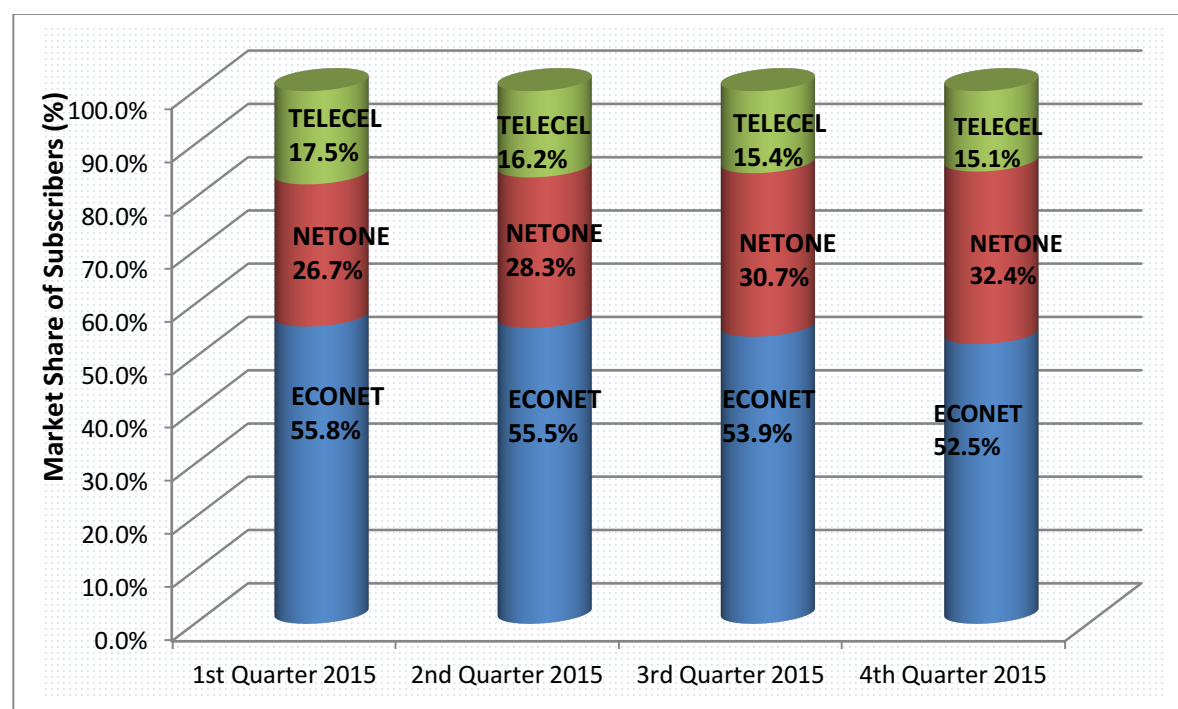
Table 7: Active Mobile subscriptions per Operator

Operator	3 rd Quarter 2015	4 th Quarter 2015	% Change
Econet	6,679,797	6,702,691	0.3%
Telecel	1,913,593	1,919,999	0.3%
NetOne	3,800,993	4,134,720	8.8%
Total	12,394,383	12,757,410	2.9%

Source: POTRAZ, Operator Returns

NetOne registered the highest growth in active subscriptions; as result NetOne gained market share of subscribers whereas Telecel and Econet lost market share. An annual review shows that NetOne has been steadily gaining market share over the past year, whereas Econet and Telecel's market shares have been steadily declining. The movement in the market share of active subscribers for the mobile network operators this year is shown in Figure 7 below:

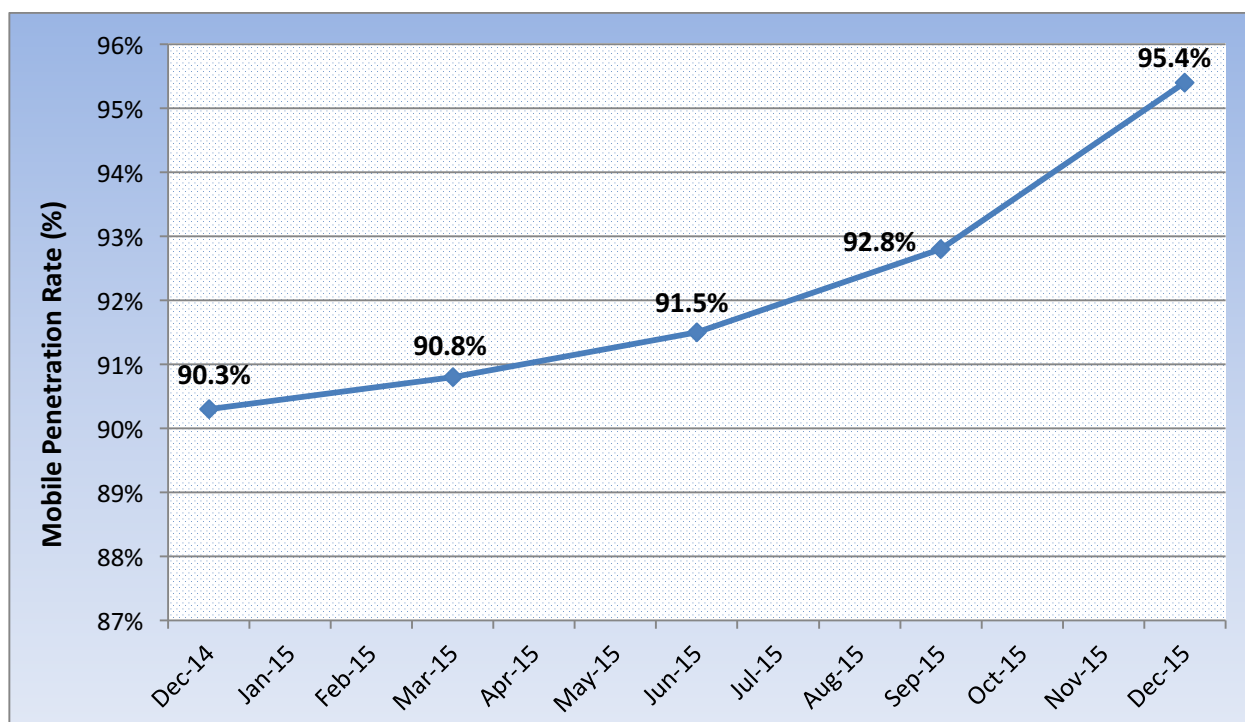
Figure 7: Market Share of mobile subscribers



3.2 MOBILE PENETRATION RATE

The increase in the active mobile subscriptions led to an increase in the mobile penetration rate by 2.6%% to reach 95.4% from 92.8% recorded in the previous quarter. This means that out every 100 people there are 96 active mobile lines. Besides growth in users, the high penetration rate can also be attributed to multiple SIM ownership as people seek to enjoy promotions from all the mobile operators. The movement in the mobile penetration rate over the past year is shown in figure 8 below:

Figure 8: Mobile penetration rate



3.3 MOBILE TRAFFIC AND USAGE PATTERNS

3.3.1 MOBILE VOICE TRAFFIC

The total national voice traffic declined by 5.7% to record 1,189,942,667 minutes from 1,262,513,445 minutes recorded in the previous quarter. A comparison of mobile telephony traffic in the third and fourth quarters of 2015 is shown in table 8 below:

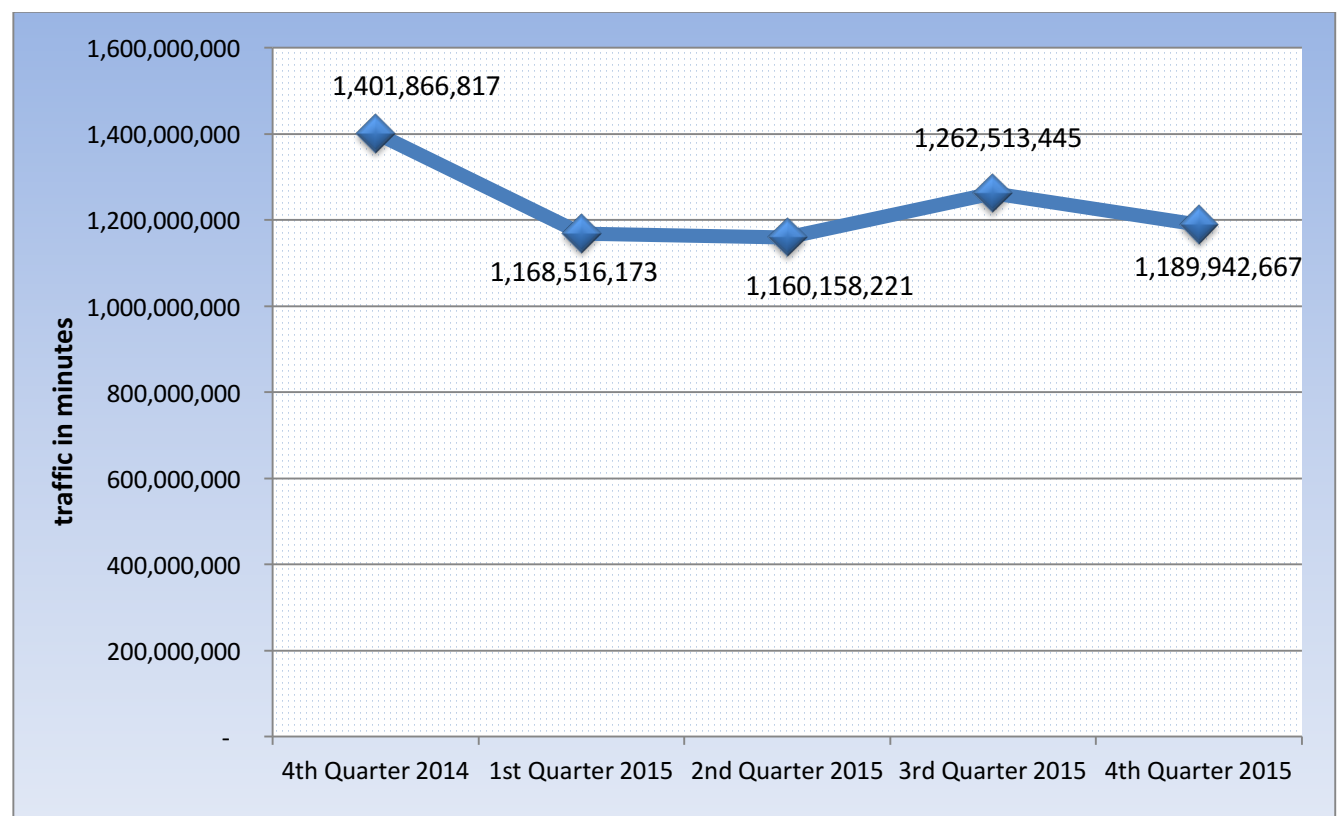
Table 8: Mobile Telephone Traffic

	3 rd Quarter 2015	4 th Quarter 2015	Quarterly Change
Net On Net	933,346,574	877,534,107	-6.0%
Mobile to Fixed	7,312,801	7,269,970	-0.6%
Mobile to Other Mobile	243,908,928	234,977,575	-3.7%
Outgoing to IAPs	919,616	897,397	-2.4%
Incoming from Fixed	69,255,379	68,366,219	-1.3%
Incoming from IAP	7,770,147	8,617,944	10.9%
TOTAL NATIONAL	1,262,513,445	1,189,942,667	-5.7%
International Incoming	67,879,212	69,908,567	3.0%
International Outgoing	25,516,913	25,622,565	0.4%
Inbound Roaming	1,527,614	1,590,044	4.1%
Outbound Roaming	513,395	480,657	-6.4%

Source: POTRAZ Operator Returns

The biggest improvement was registered on IAP to mobile traffic whereas the greatest decline was experienced on outbound roaming traffic. Also notable was the decline in net on net traffic, which declined by 6%. The decline is largely attributable to reductions in net on net traffic experienced by NetOne and Econet. Telecel's net on net traffic registered an increase, a development which is an indication of the latter's recovery from reduced subscriber confidence associated with its licensing issues. The overall decline in net-on-net traffic is largely attributable to the proliferation of Over the Top services. OTTs continue to proliferate despite discounted net on net tariffs in the form of promotions. Figure 9 below shows the trend of national voice traffic over the year.

Figure 9: National Mobile Voice traffic

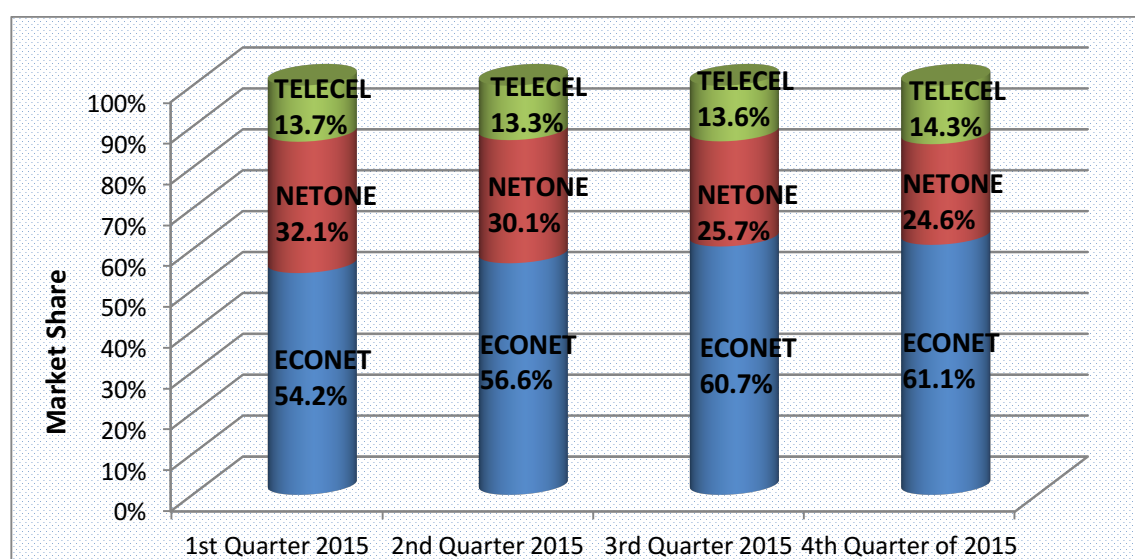


As shown in the graph above national mobile voice traffic exhibited fluctuations in 2015. Traffic per mobile operator is shown in Table 9 below:

Table 9: Voice traffic per operator

TRAFFIC IN MINUTES	ECONET	TELECEL	NETONE
Net On Net	574,125,810	95,189,412	208,218,886
Incoming from Fixed	50,629,224	5,670,553	12,066,442
Incoming from VoIP	7,145,429	659,548	812,967
Incoming from mobile networks	128,149,475	53,706,266	53,121,834
Total National Incoming	185,924,128	60,036,367	66,001,243
Mobile to Fixed	4,912,428	649,002	1,708,540
Outgoing to other Mobile	90,758,057	55,387,830	86,396,743
Outgoing to VoIP	747,185	66,404	83,808
Total National Outgoing	96,417,670	56,103,236	88,189,092
International Incoming	56,860,760	4,544,638	8,503,169
International Outgoing	18,748,154	2,480,273	4,394,138
Inbound Roaming	643,309	499,430	447,305
Outbound Roaming	361,668	998	117,991

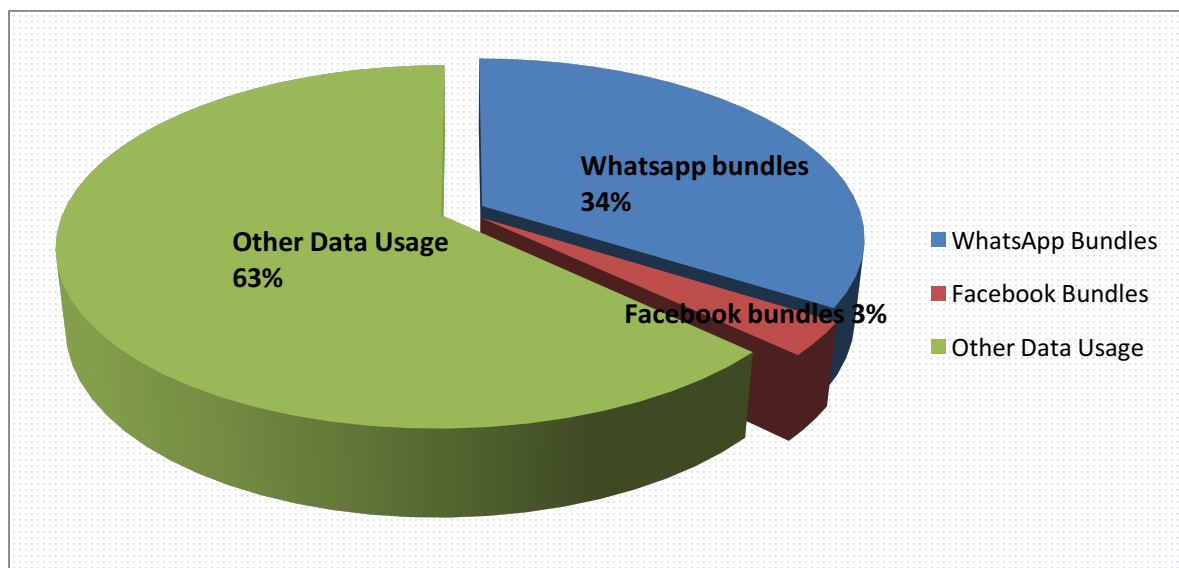
In terms of market share with respect to voice traffic, Econet maintained its lead position commanding 61.1% whereas Telecel and NetOne had 14.3% and 24.6% respectively. An annual evaluation shows that Econet has been continuously gaining voice traffic market share whereas Telecel and NetOne had periodic fluctuations as shown in Figure 10 below:

Figure 10: Mobile Voice Traffic Market Share.

3.3.2 MOBILE INTERNET & DATA TRAFFIC

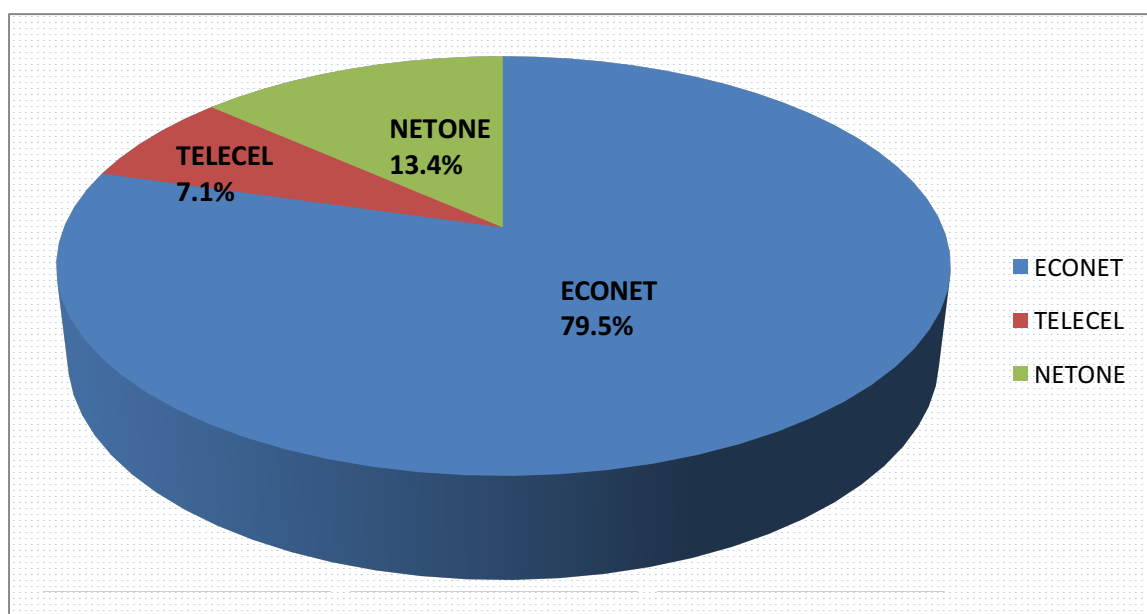
Mobile data utilisation increased by 27.4% to record 1,203,378,839MB from 944,268,192MB recorded in the previous quarter. Since the introduction of WhatsApp and Facebook bundles by the mobile operators a lot of data has been consumed through these OTT packages as bundles as shown in Figure 11 below:

Figure 11: Mobile Internet & data usage



In terms of internet and data utilisation Econet had 79.5% market share whereas Telecel and NetOne had 7.1% and 13.4% respectively as shown in figure 12 below:

Figure 12: Market share of data usage

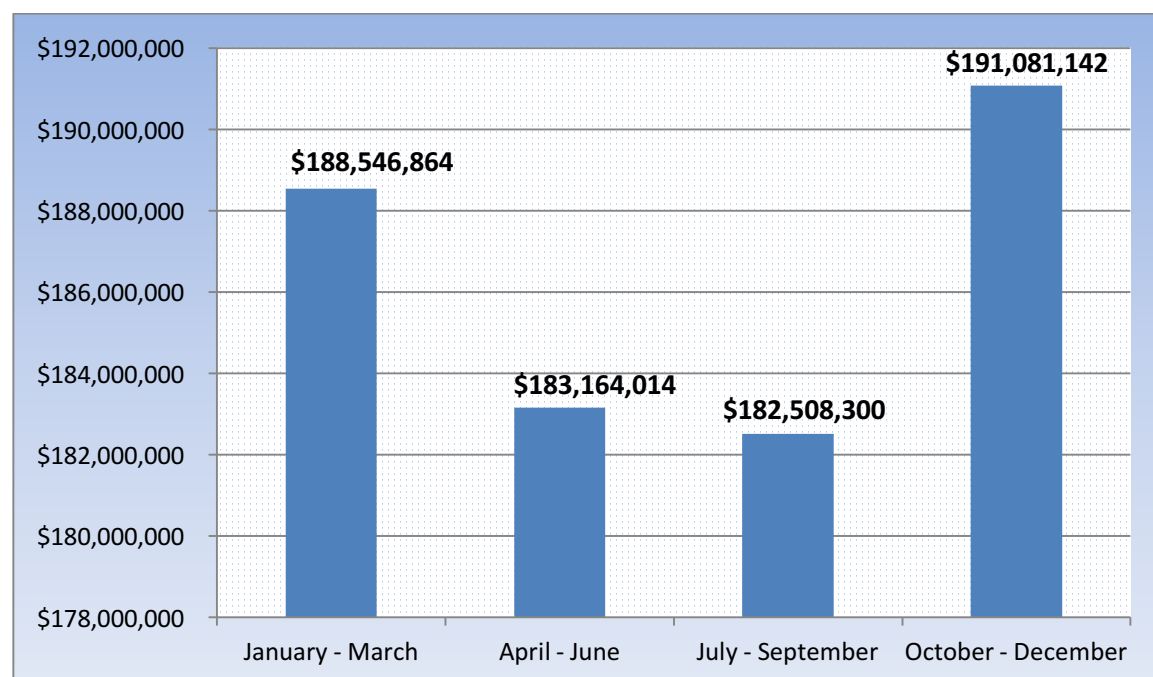


3.4 MOBILE REVENUES

Total revenue increased by 4.7% to record \$191,081,142 from \$183,164,014 recorded in the previous quarter. The increase can be attributed to the increase in mobile data usage as shown in as shown in 3.3.2. All the mobile operators with the exception of Telecel registered a decline in revenues as shown in the table 11 below:

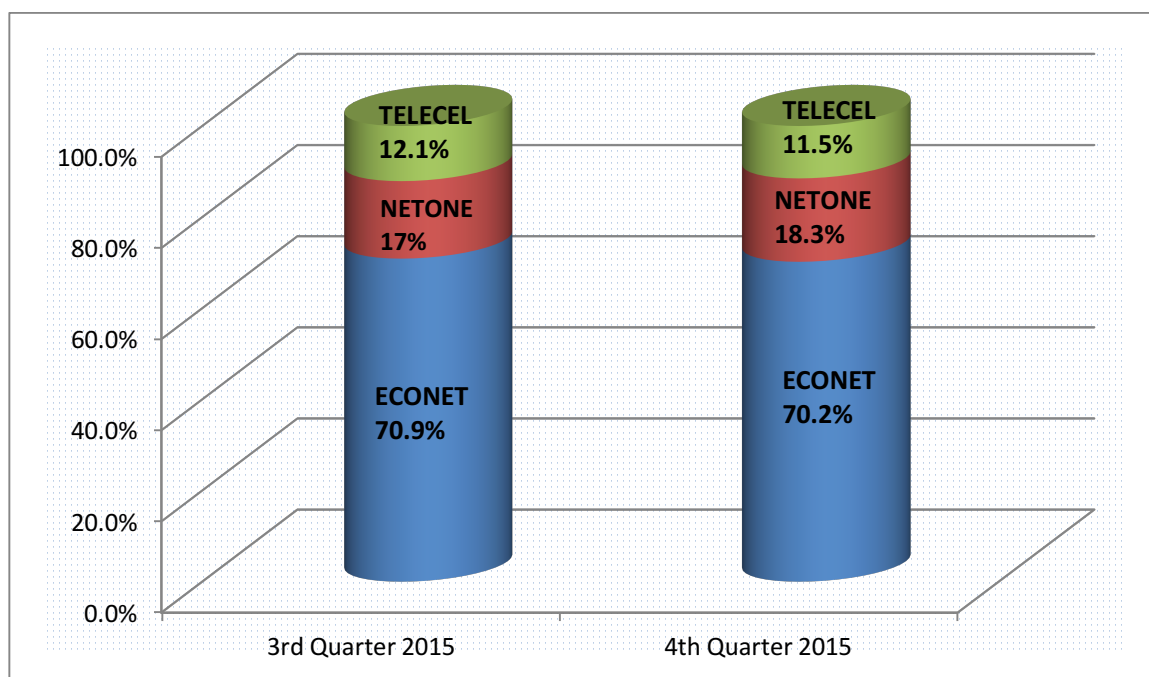
The fourth quarter of 2015 had the highest revenue of all the quarters of 2015 as shown in Figure 13 below:

Figure 13: Mobile telephone revenues



In the quarter under review Econet had 70.2% market share of revenues. NetOne and Telecel had 18.3% and 11.5% respectively. A quarterly comparison shows that Econet and Telecel lost market share by 0.7% and 0.6% respectively whilst NetOne gained market share by 1.3% as shown in Figure 14 below.

Fig 14: Mobile Revenues Market Share



Telecel was the only operator to experience a decline in the Average Revenue per User per month; this is in line with the revenue statistics as Telecel was the only operator to register a decline in revenues. A quarterly comparison of the APRU per month per operator is shown table 12 below:

3.5 MOBILE MONEY TRANSFER

The total value of transactions on mobile money platforms increased by 16.3% to record \$533,067,245 from \$458,412,196 recorded in the previous quarter. The number of mobile money subscribers also increased by 9.9% to reach 7.3 million subscriptions from 6.7 million subscribers recorded in the previous quarter. The number of agents also increased by 11.7% to reach 33,259 from 29,775 agents recorded in the previous quarter as shown in the table below.

Table 13: Mobile Money Transfer

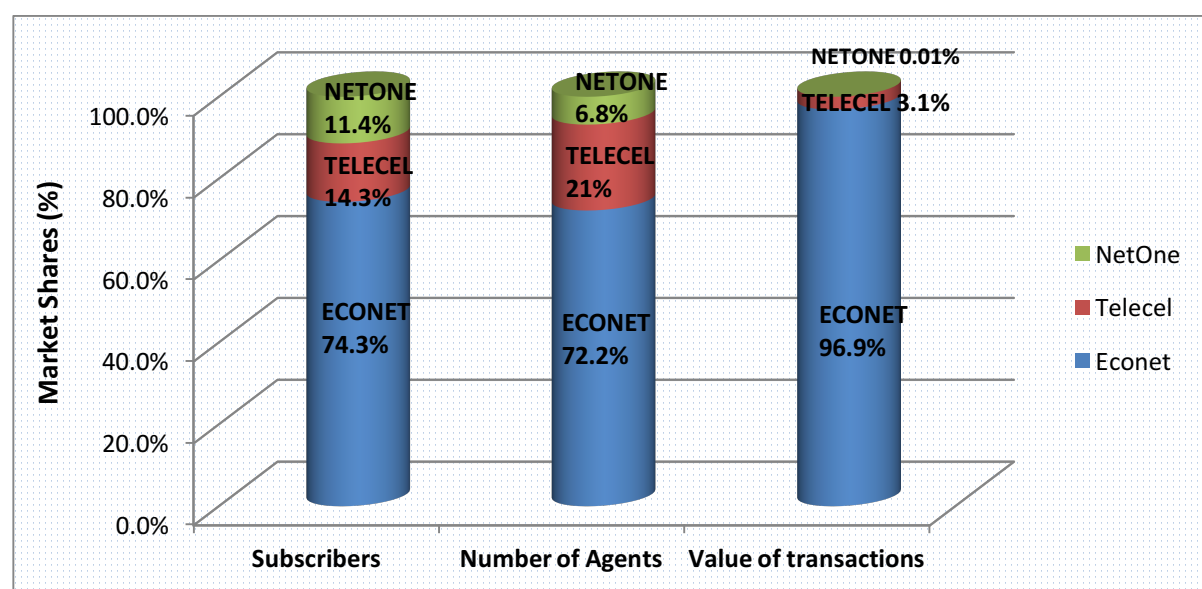
Mobile Money Transfer		3 rd Quarter 2015	4 th Quarter 2015	Quarterly Change
Number of Subscribers		6,670,956	7,333,388	9.9%
Number of Agents		29,775	33,259	11.7%
Total Value of transactions		\$458,412,196	\$533,067,245	16.3%

Source: POTRAZ, Operator Returns

Cross network transfers were implemented in the fourth quarter of 2015; mobile money subscribers are now able to send money across all the three networks. A total of \$2,256,390 was transferred across the three mobile networks representing 0.4% of total transactions. Mobile money indicators per operator are shown in Table 14 below:

The market share of mobile money subscriptions, agents and value of transactions are shown in Figure 15 below:

Figure 15: Market Share of subscriptions, agents and value of transactions



There was not much variance in the mobile money market share statistics from the previous quarter; Econet remained the dominant operator in three aspects i.e. subscriptions, agent network as well as value of transactions as shown above.

3.6 MOBILE TELEPHONY INFRASTRUCTURE

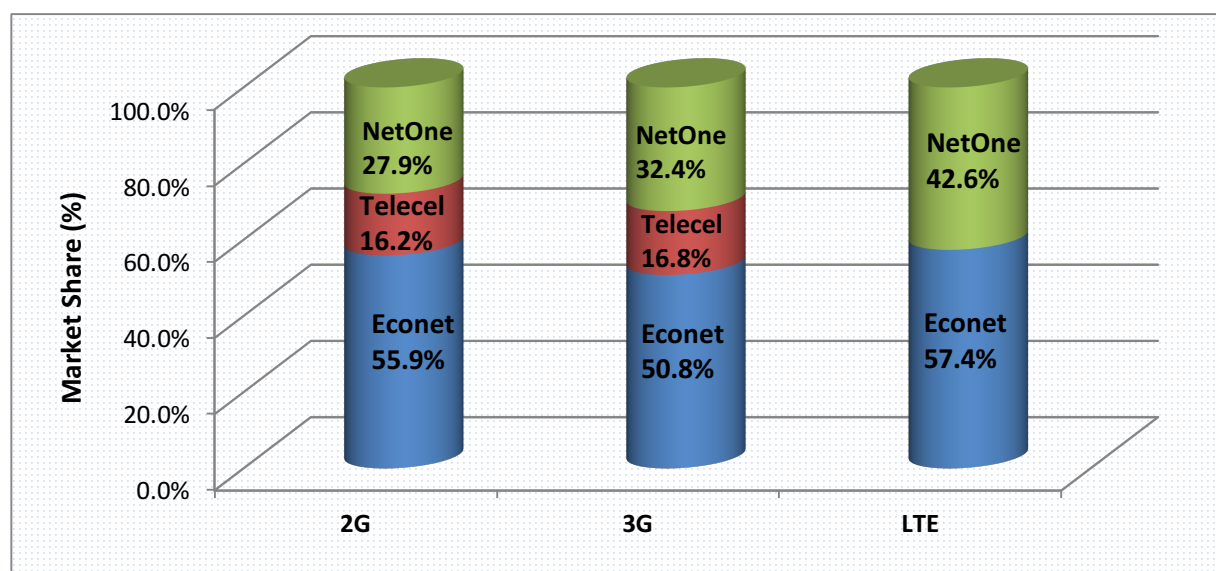
All the mobile operators, except Telecel, increased their base stations. The growth in the number of base stations per operator is shown in Table 15 below:

Table 15: Mobile Base Stations

OPERATOR	2G			3G			LTE		
	3 rd Q 2015	4 th Q 2015	Net Addition	3 rd Q 2015	4 th Q 2015	Net Addition	3 rd Q 2015	4 th Q 2015	Net Addition
Econet	2,280	2,280	-	934	975	41	33	179	146
Telecel	661	661	-	322	322	-	-	-	-
NetOne	982	1,138	156	475	623	148	113	133	20
Total	3,923	4,079	156	1,731	1,920	189	146	312	166

Source: POTRAZ, Operator Returns

The total number of LTE eNodeBs (eNBs) (base stations') in the country increased from 146 to 312; Econet commissioned 146 LTE eNBs in the quarter under review whereas NetOne added 20 more. As a result NetOne was overtaken by Econet in terms of LTE network roll out. The market share of base stations for each of the three mobile operators is shown in Figure 16 below:

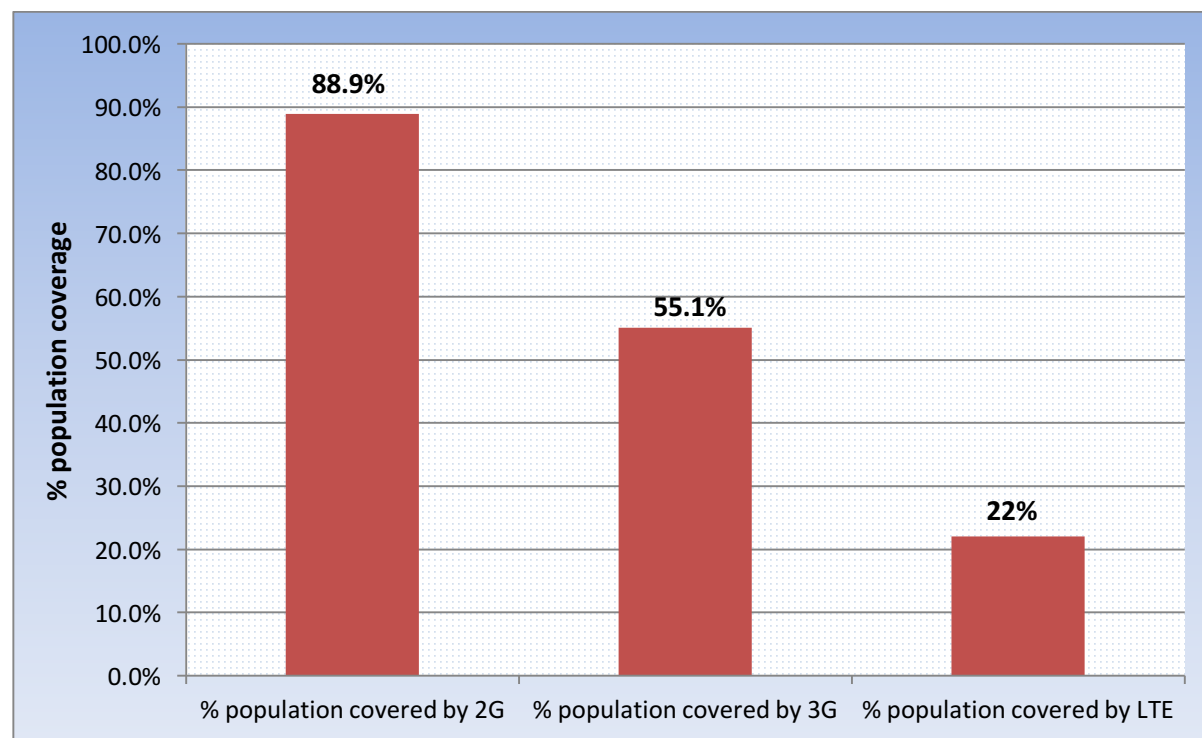
Figure 16: Market Share of Base Stations

A comparison with the previous quarter shows that NetOne gained market share of 2G and 3G Base stations but lost market share for LTE eNBs to Econet. Telecel had not commenced LTE rollout by close of the period under review.

The increase in the number of LTE eNBs led to an increase in the population coverage of LTE from 11% recorded in the previous quarter to reach 22%. The population coverage of

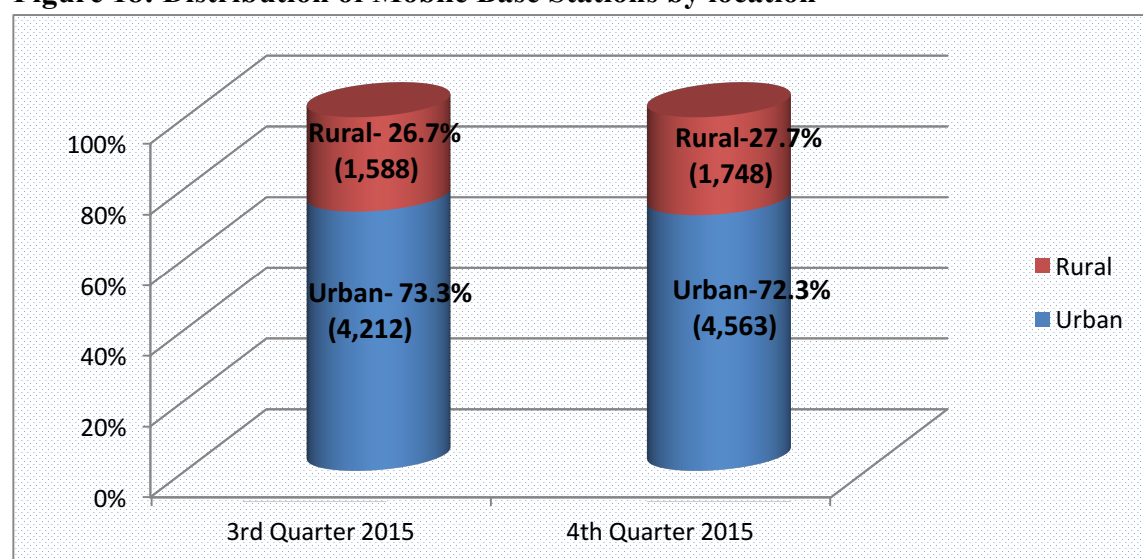
3G also increased from 54% to reach 55.1% and the population coverage of 2G increased from 88% to 88.9%. Figure 17 below shows the population coverage by technology:

Figure 17: % population coverage by network



In the quarter under review only 27.7% of the total base stations were in rural areas. However this was an improvement from 26.7% recorded in the previous quarter. The improvement was a result of 160 new base stations which were put up in rural areas. The distribution of base stations between rural areas and urban areas is shown in Figure 18 below:

Figure 18: Distribution of Mobile Base Stations by location



4. DATA AND INTERNET SERVICES

4.1 SUBSCRIPTIONS

Active internet subscriptions increased by 8% to reach 6,575,591 from 6,086,827 subscriptions recorded in the previous quarter. Internet subscriptions are broken down by technology as follows:

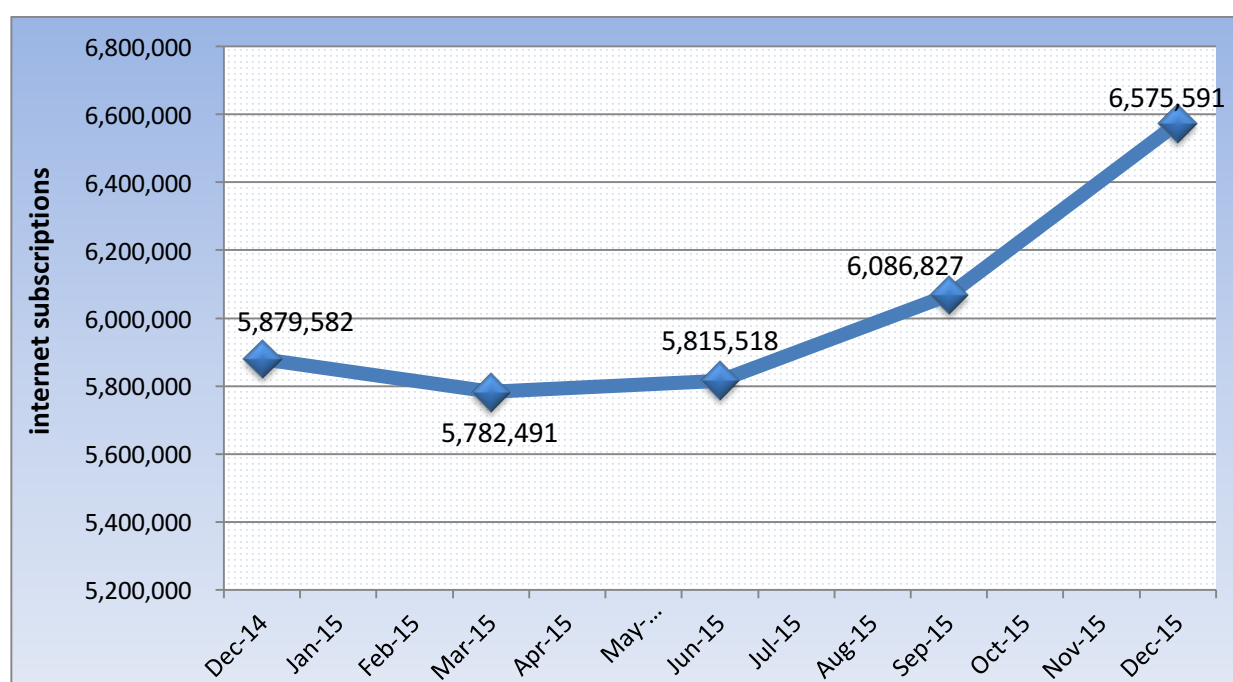
Table 16: Active Internet Subscriptions

Technology	3rd Quarter 2015	4th Quarter 2015	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,889,267	6,284,944	6.7%
LTE	26,185	124,179	374.2%
Leased Lines	1,504	1,393	-7.4%
Dial up	7,296	6,872	-5.8%
ADSL	61,891	64,961	5.0%
WiMAX	10,026	9,285	-7.4%
CDMA	82,959	68,683	-17.2%
VSAT	824	1,425	72.9%
Active Fibre links	6,875	13,849	101.4%
TOTAL	6,086,827	6,575,591	8.0%

Source: POTRAZ, Operator Returns

Mobile internet made up 95.6% of total internet subscriptions. LTE registered the highest increase in subscriptions. This is attributed to the increase in LTE access as Econet and NetOne are rolling out LTE base stations. Leased lines, dial up, WiMAX and CDMA technologies registered declines in subscriptions as corporates and some households are changing to other technologies like fibre and ADSL. The internet penetration rate increased by 1.5% to reach 48.1% from 46.6% recorded in the previous quarter. Figure 19 below shows the quarterly movement in internet subscriptions in 2015.

Fig 19: Internet Subscriptions



Source: POTRAZ, Operator Returns

4.2 INTERNATIONAL INTERNET CONNECTIVITY

Equipped international incoming internet bandwidth increased by 26.9% to reach 19,864Mbps from 15,655Mbps recorded in the previous quarter. Equipped international outgoing internet bandwidth also increased by 26.9% to reach 19,864Mbps from 15,655Mbps recorded in the previous quarter. This is attributed to the commissioning of more STMs by Liquid and TelOne as demand for internet increased. The changes in the equipped internet bandwidth per operator are as shown in Table 17 below:

Table 17: Equipped International Internet Bandwidth

OPERATOR	Incoming International			Outgoing International		
	3 rd Q 2015	4 th Q 2015	%change	3 rd Q 2015	4 th Q 2015	% change
Liquid	5,580	7,464	33.8%	5,580	7,464	33.8%
Tel One	7,595	9,920	30.6%	7,595	9,920	30.6%
Powertel	1,860	1,860	0.0%	1,860	1,860	0.0%
Dandemutande	310	310	0.0%	310	310	0.0%
Africom	310	310	0.0%	310	310	0.0%
TOTAL	15,655	19,864	26.9%	15,655	19,864	26.9%

Source: POTRAZ, Operator Returns.

Powertel, Dandemutande and Africom did not increase their equipped international internet bandwidth capacities.

On the other hand used incoming international bandwidth increased by 23.3% to record 15,785Mbps from 12,798Mbps recorded in the third quarter of 2015. Used outgoing international bandwidth also increased by 35.2% to record 4,710Mbps from 3,484Mbps recorded in the third quarter of 2015. Used incoming international internet bandwidth is significantly lower than used outgoing international internet bandwidth because there is very little local internet. Used international internet bandwidth per operator is shown in table 18 below:

Table 18: Used international internet bandwidth

OPERATOR	Incoming International			Outgoing International		
	3 rd Q 2015	4 th Q 2015	Quarterly Variation	3 rd Q 2015	4 th Q 2015	Quarterly Variation
Liquid	4,820	5,210	8.1%	1,628	2,530	55.4%
Tel One	5,578	8,095	45.1%	1,355	1,430	5.5%
Powertel	1,860	1,860	-	320	320	-
Dandemutande	310	310	-	120	120	-
Africom	230	310	34.8%	60	310	417%
TOTAL	12,798	15,785	23.3%	3,483	4,710	35.2%

Source: Operator Returns

There was no change in the national backbone fibre length. National backbone fibre length remained at 6,964km.

4.3 IAP REVENUES AND INVESTMENT

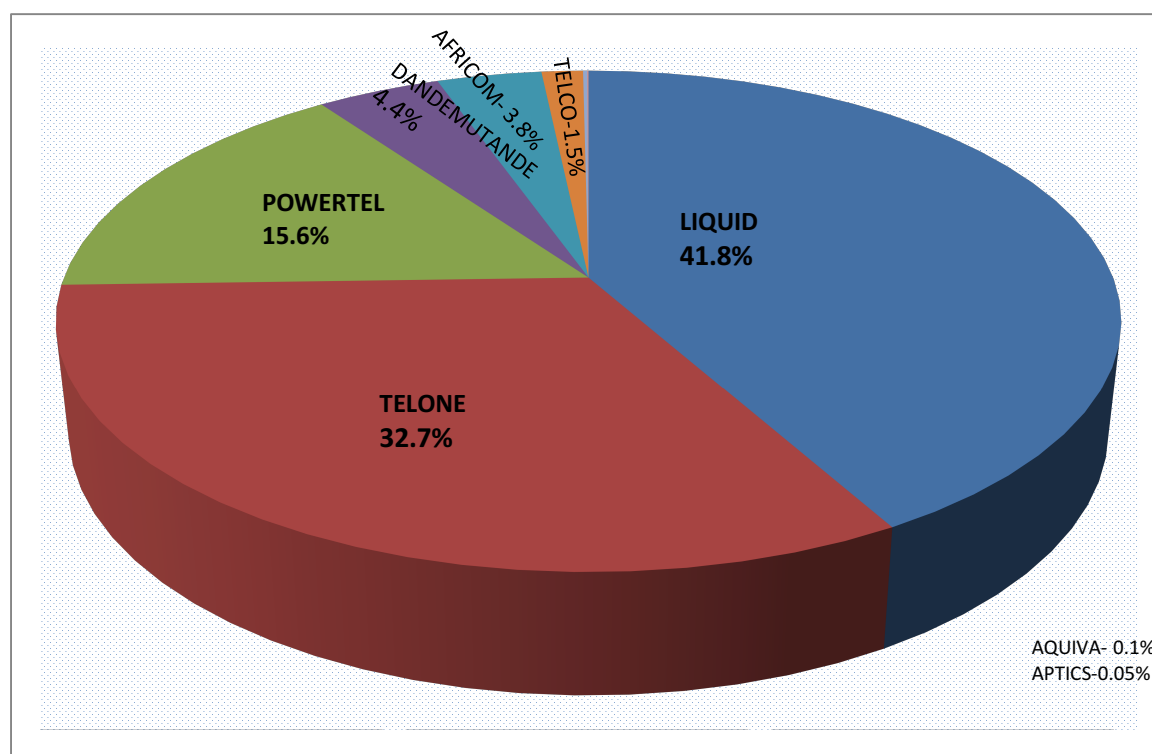
Internet Access Providers generated a total of \$43,291,855. This represents a 15.5% increase from \$37,470,938 recorded in the previous quarter. The increase in revenues is attributed to the increase in internet and data usage. Investment by IAPs also increased by a record 142.6% to record \$28.5 million from \$11.7 million recorded in the previous quarter as shown in the table below:

Table 19: IAP Revenues & Investment

	3 rd Quarter 2015	4 th Quarter 2015	Quarterly Variation
Revenue	\$37,470,938	\$43,291,855	15.5%
Investment	\$11,740,470	\$28,481,862	142.6%

Source: POTRAZ, Operator Returns

The investment was mainly in the fibre network national rings. The increase in IAP revenues is attributed to the increased uptake and usage of internet services in Zimbabwe. The market share of IAP revenues is shown in the graph below:

Figure 20: Market Share of IAP Revenues

A comparison with the third quarter of 2015 shows that in all, Liquid lost 11.6% market share to reach 41.8% from 53.4% recorded in the previous quarter. This was attributed to the 9.3% decline in revenue from \$20 million recorded in the previous quarter to \$18.2 million in the quarter under review. TelOne's market share increased by 15% as a result of the 114.3% increase in revenues to record \$14,182,799 from \$6,617,360 recorded in the previous quarter. The rest of the other Internet Access Providers experienced declines in their market shares.

5. POSTAL AND COURIER SERVICES

5.1 POSTAL AND COURIER TRAFFIC

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

Table 20: Postal and Courier Traffic

	3 rd Quarter 2015	4 th Quarter 2015	Quarterly Variation
Number of local postal and courier	2,144,802	2,079,455	-3%
International incoming postal and courier items	455,902	471,206	3.4%
International outgoing postal and courier items	279,381	258,830	-7.4%

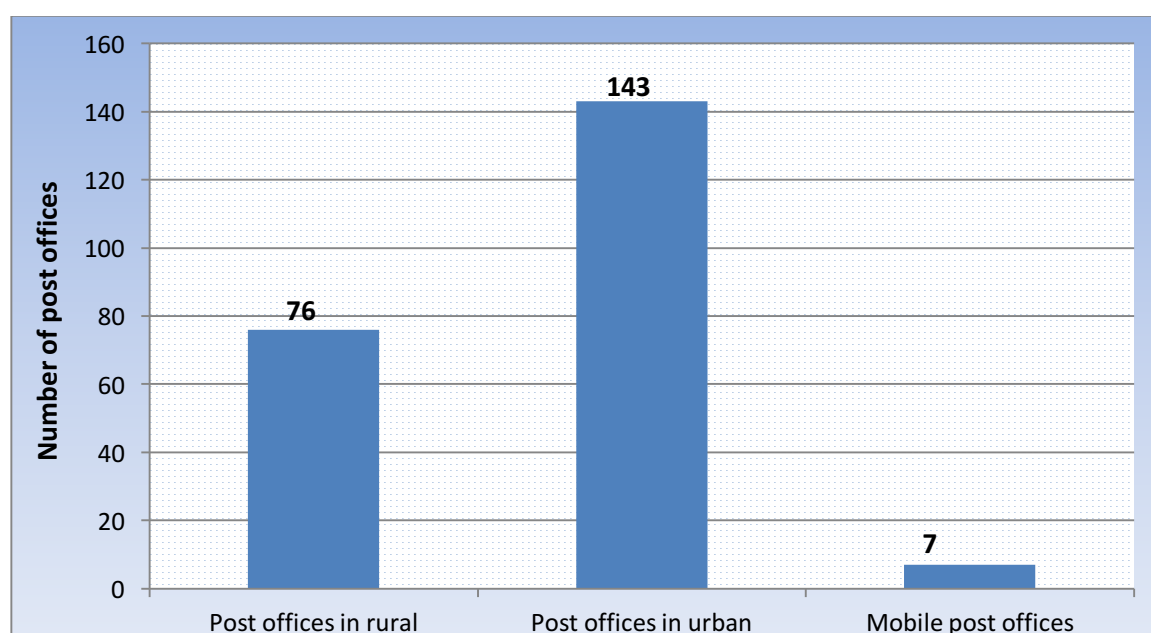
Source: POTRAZ, Operator Returns

International incoming postal and courier increased by 3.4% to record 471,206 items in the quarter under review from 455,902 recorded in the previous quarter. This increase can be attributed to the festive season as is the trend. On the other hand local postal and courier as well as international outgoing postal and courier registered declines.

5.2 POST OFFICES

The number of post offices was 226 in the quarter under review. There was no change from the previous quarter. 70 out of the 226 post offices had internet connection. The post offices are broken down according to location as follows:

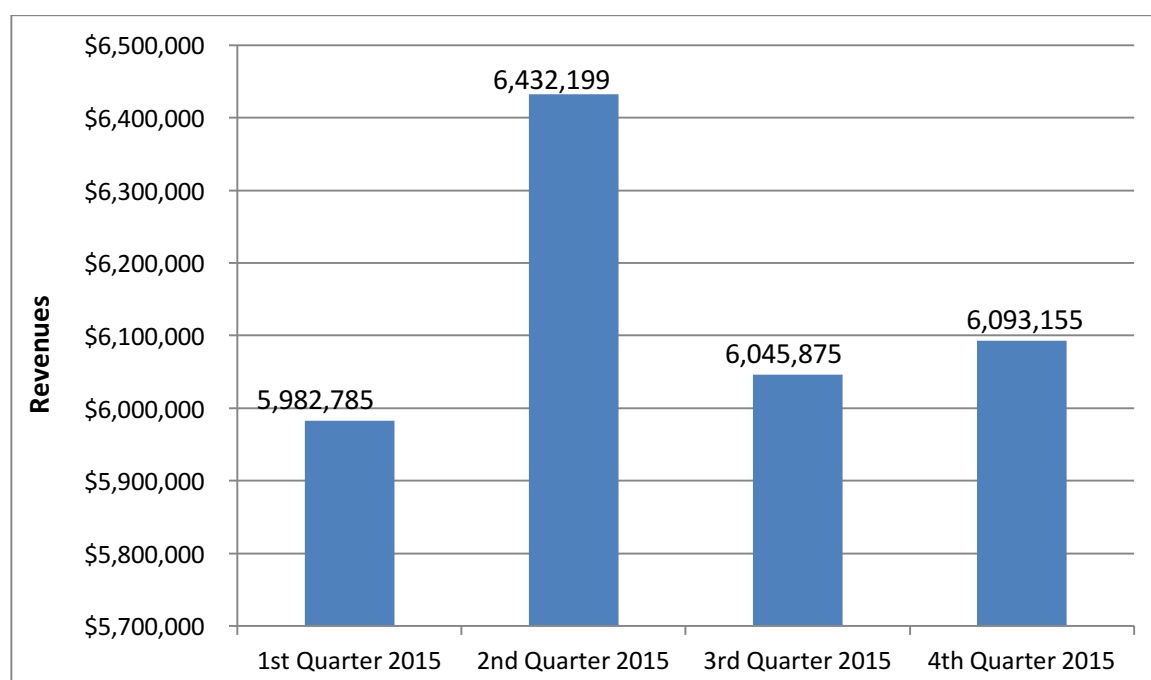
Figure 21: Post offices by location



5.3 POSTAL & COURIER REVENUES

Revenues generated by the licensed postal and courier operators declined by 1.8% to record \$5,982,785 from \$6,093,155 recorded in the previous quarter. 2015 Postal and Courier revenues are shown quarterly in Figure 22 below:

Figure 22: Postal and Courier Revenues



Source: POTRAZ, Operator Returns

6. CONCLUSION

As shown in this report, the public switched telephone network registered an increase in subscriptions which led to an increase in the fixed teledensity from 2.5% to 2.6%. The increase in fixed telephony subscriptions was driven by ADSL. Fixed voice traffic also increased and this led to a subsequent increase in fixed voice revenues.

All the mobile operators experienced growth in their subscriptions; as a result the mobile penetration rate increased from 92.8% to reach 95.4%. However mobile voice traffic declined and this can be attributed to the proliferation of over the top services. Revenues generated by the mobile operators registered an increase; the increase in revenues was driven by increased

internet and data usage. Mobile data utilisation increased by 27.4% to record 1,203,378,839MB from 944,268,192MB recorded in the previous quarter; 37% of data usage was through WhatsApp and Facebook bundles.

Demand for internet services continues to grow as evidenced by the increasing number of subscriptions. To meet this increasing demand Internet Access Providers such, as Liquid and TelOne, had to commission more STM1s to increase their capacities. Lit/equipped international internet bandwidth increased by 26.9% to reach 39,728Mbps from 31,310Mbps recorded in the previous quarter. As fixed, mobile, data and internet services continue to grow, growth of the postal and courier sector has not been positive.