POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

ABRIDGED POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2015

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 TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

SIM Subscriber Identification Module
IAP Internet Access Providers
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 total number of fixed telephone subscriptions increased by 1.1% to reach 332,866 from 329,252 subscribers recorded in the previous quarter.
- The mobile penetration rate (active) increased by 0.7% to reach 91.5% from 90.8% recorded in the previous quarter.
- The total number of internet subscriptions increased by 0.6% to record 5,815,518 subscribers from 5,782,491 subscribers recorded in the previous quarter.
- The total value of deposits on mobile money platforms increased by 25.8% to record $512 million from $407 million recorded in the previous quarter
- Lit/equipped International internet bandwidth capacity increased by 13.2% to reach 30,520Mbps from 26,950Mbps recorded in the previous quarter.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The number of active fixed lines in the country increased by 1.1% to reach 332,866 from 329,252 lines recorded in the previous quarter. This increase can be attributed to the increased uptake of TelOne`s ASDL service. Of the 332,866 lines only 24,552 were in rural areas, which represent only about 7% of the total fixed lines in use. A comparison of the first quarter and second quarter of 2015 is shown in Table 1 below:

Table 1: Fixed Telephone subscribers

	First Quarter 2015	**Second Quarter 2015**	**Quarterly Variation %**
Active Subscriptions	329,252	332,866	1.1%
Switching capacity	473,700	473,700	-
Fixed Teledensity	2.5%	2.6%	0.1%

Source: POTRAZ, Operator Returns

The switching capacity remained constant at 473,700. The fixed tele-density increased by 0.1 to reach 2.6% from 2.5% recorded in the previous quarter.

2.2 FIXED NETWORK TRAFFIC

The total voice traffic processed on the fixed telephone network in the second quarter of 2015 was 164,025,120 minutes. This represents a 3.5% decline from 169,948,500 minutes recorded in the previous quarter. A quarterly comparison of fixed network traffic is as illustrated in Table 2 below:

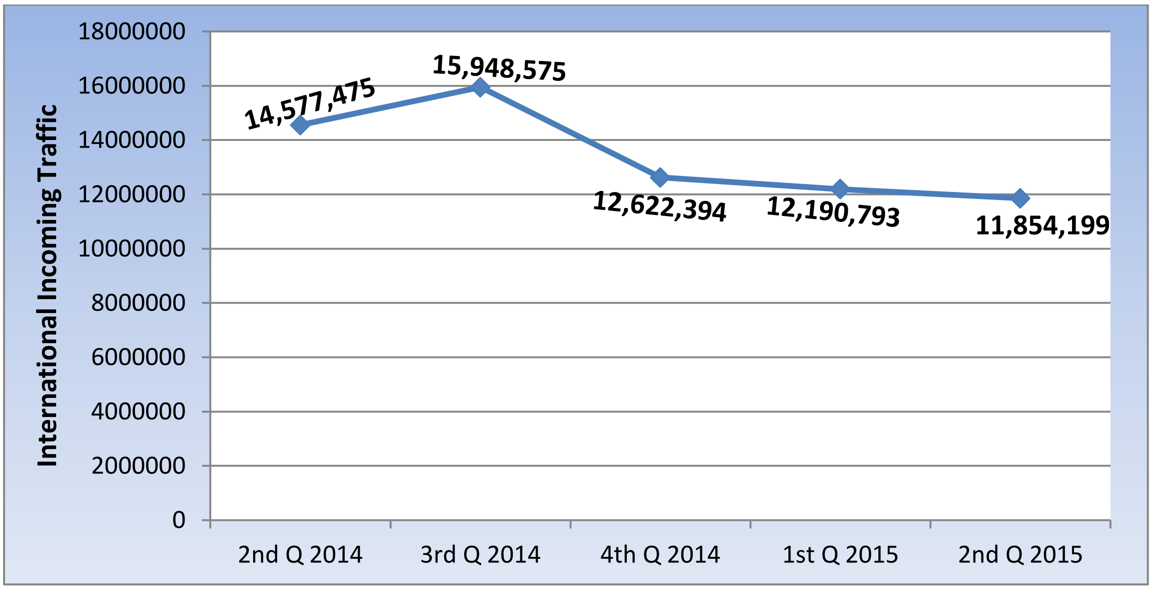
Table 2: Fixed Voice Traffic

Traffic Category	1st Quarter 2015	2nd Quarter 2015	Quarterly Variation %
Net On Net	65,085,462	65,007,509	-0.1%
Outgoing to Mobile	77,067,916	70,946,967	-7.9%
Incoming from Mobile	7,231,119	7,255,544	0.3%
Incoming from IAPs	636,448	684,517	7.6%
Outgoing to IAPs	273,150	327,407	19.9%
International Incoming	12,190,793	11,854,199	-2.8%
International Outgoing	7,463,612	7,948,977	6.5%
Total traffic	169,948,500	164,025,120	-3.5%

Source: POTRAZ, Operator Returns

International traffic on the fixed network has been declining as a result of the proliferation of OTT services. International incoming traffic over the past year is shown in Figure 1 below:

Figure 1: International Incoming Traffic



3. MOBILE TELEPHONE

3.1 SUBSCRIPTIONS

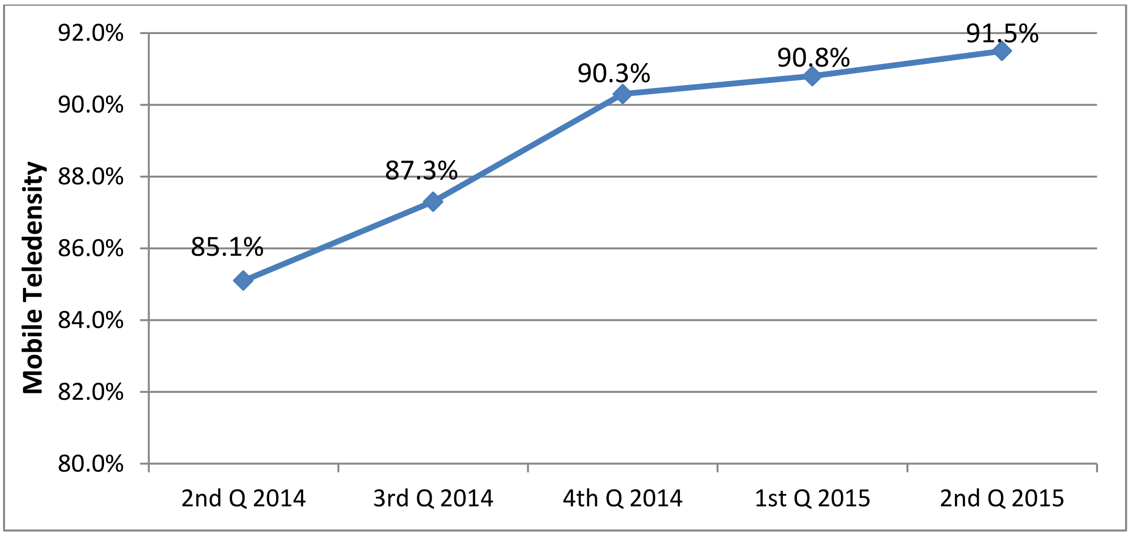
The total number of active mobile subscribers at 30 June was 11,949,791. This represents a 0.8% increase from 11,859,155 subscribers recorded in the previous quarter. Active and total subscriptions per operator are shown in the table below:

Table 3: Active Mobile subscriptions

Operator	Active Subscribers		
	1st Quarter 2015	2nd Quarter 2015	% Change
Econet	6,619,058	6,633,260	0.2%
Telecel	2,069,142	1,936,124	-6.4%
NetOne	3,170,955	3,380,407	6.6%
Total	11,859,155	11,949,791	0.8%

As a result of the increase in active subscribers, the mobile penetration rate increased by 0.7% to reach 91.5% from 90.8% recorded in the previous quarter. The movement in the mobile penetration rate over the past year is shown in the graph below:

Figure 2: Mobile Teledensity



3.2 MARKET SHARE OF MOBILE SUBSCRIBERS

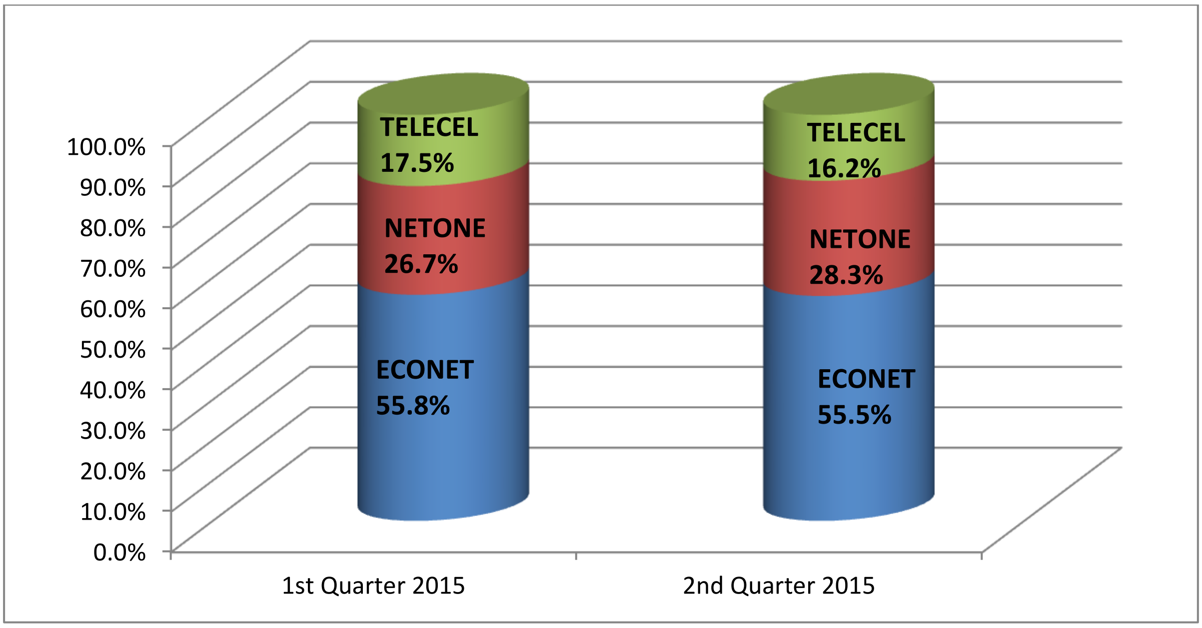
Table 4 below shows the total subscribers in Home Location Register (HLR) as well as active subscribers for each of the three mobile operators:

Table 4: Total subscribers vs. Active subscribers

	Total Subscribers	Active Subscribers	% inactive
Econet	9,186,371	6,633,260	27.8%
Telecel	4,403,984	1,936,124	56%
NetOne	5,229,011	3,380,407	35.4%
Total	18,819,366	11,949,791	36.5%

The movement in the market share of active subscribers for the mobile operators is shown in Figure 4 below:

Figure 3: Market Share of mobile subscribers



Source: POTRAZ Operator Returns

A comparison with the 1st quarter of 2015 NetOne`s market share increased whereas Econet and Telecel experience declines in their market shares.

3.3 MOBILE TRAFFIC AND USAGE PATTERNS

3.3.1 TOTAL MOBILE VOICE TRAFFIC

National traffic generated by the mobile networks in the second quarter of 2015 declined by 0.7% to record 1,160,158,221 minutes from 1,168,516,173 minutes recorded in the previous quarter. A quarterly comparison of mobile telephone traffic is shown in table 5 below:

Table 5: Mobile Telephone Traffic

	1st Quarter 2015	2nd Quarter 2015	Quarterly Change
Net On Net	831,871,075	819,632,661	-1.5%
Mobile to Fixed	7,336,754	7,255,544	-1.1%
Mobile to Other Mobile (by termination)	245,060,807	254,942,306	4.0%
Outgoing to VoIP	714,384	766,576	7.3%

Incoming from Fixed	77,166,305	70,946,967	-8.1%
Incoming from VoIP	6,366,848	6,614,167	3.9%
TOTAL NATIONAL	**1,168,516,173**	**1,160,158,221**	-0.7%
International Incoming	75,871,735	68,066,502	-10.3%
International Outgoing	28,309,297	25,818,037	-8.8%
Inbound Roaming	1,414,447	1,549,461	9.5%
Outbound Roaming	179,207	436,237	143.4%

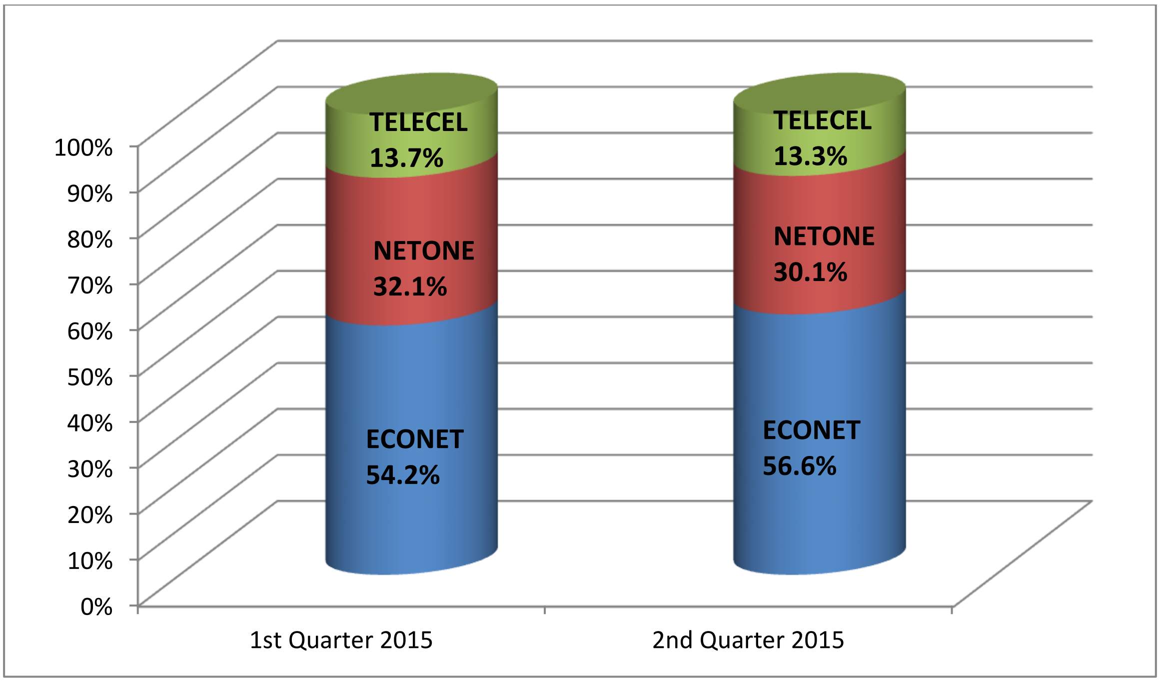
Source: POTRAZ Operator Returns

International incoming traffic recorded the highest decline of 10.3% to record 68 million minutes from 76 million minutes recorded in the previous quarter. The decline in international traffic is attributed to the proliferation of alternatives for communication such as Whatsapp and VoIP solutions such as Skype and Viber.

3.3.2 MARKET SHARE OF MOBILE TRAFFIC

A quarterly comparison of mobile voice traffic market share for the three networks is shown in Figure 4 below:

Figure 4: Mobile Voice Traffic Market Share



Econet`s market share increased by 2.4% to reach 56.6%. On the other hand NetOne and Telecel lost 2% and 0.4% market share respectively.

3.5 MOBILE MONEY TRANSFER

Mobile money transfer service has been on an upward trajectory since inception. In the quarter under review the number of mobile money subscribers increased by 7.7% to reach 6.2 million from 5.8millon subscribers recorded in the 1st quarter of 2015. The number of agents as well as total deposits increased by 9.6% and 25.8% respectively as shown in table 6 below:

Table 6: Mobile Money Transfer

Mobile Money Transfer	1st Quarter 2015	2nd Quarter 2015	Quarterly Change
Number of Subscribers	5,783,319	6,230,738	7.7%
Number of Agents	25,427	27,862	9.6%
Total Deposits	$406,988,613	$512,036,783	25.8%

Source: POTRAZ, Operator Returns

The growth of mobile money subscribers over the past year is shown in Figure 5 below:

Fig 5: Growth of mobile money subscribers

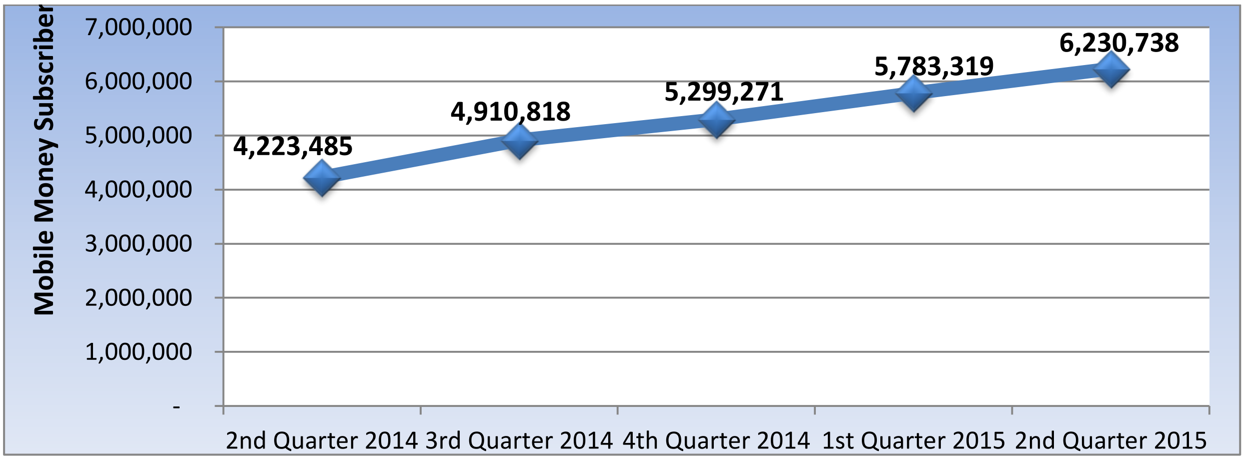
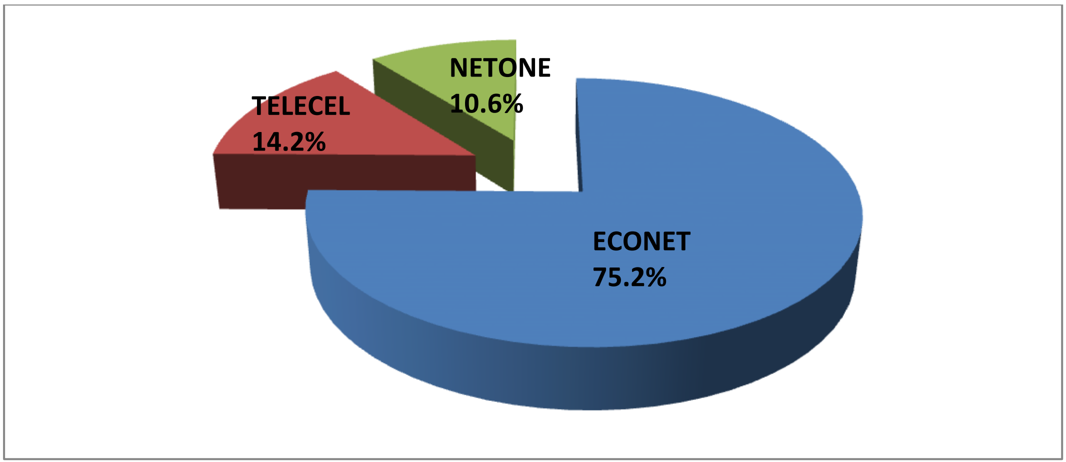


Figure 6: Market Share of Mobile Money Subscribers



4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of internet subscriptions increased by 0.6% to record 5,815,518 subscribers from 5,782,491 subscribers recorded in the previous quarter. Internet subscriptions in the second quarter of 2015 are broken down by technology as follows:

Table 7: Active Internet Subscriptions

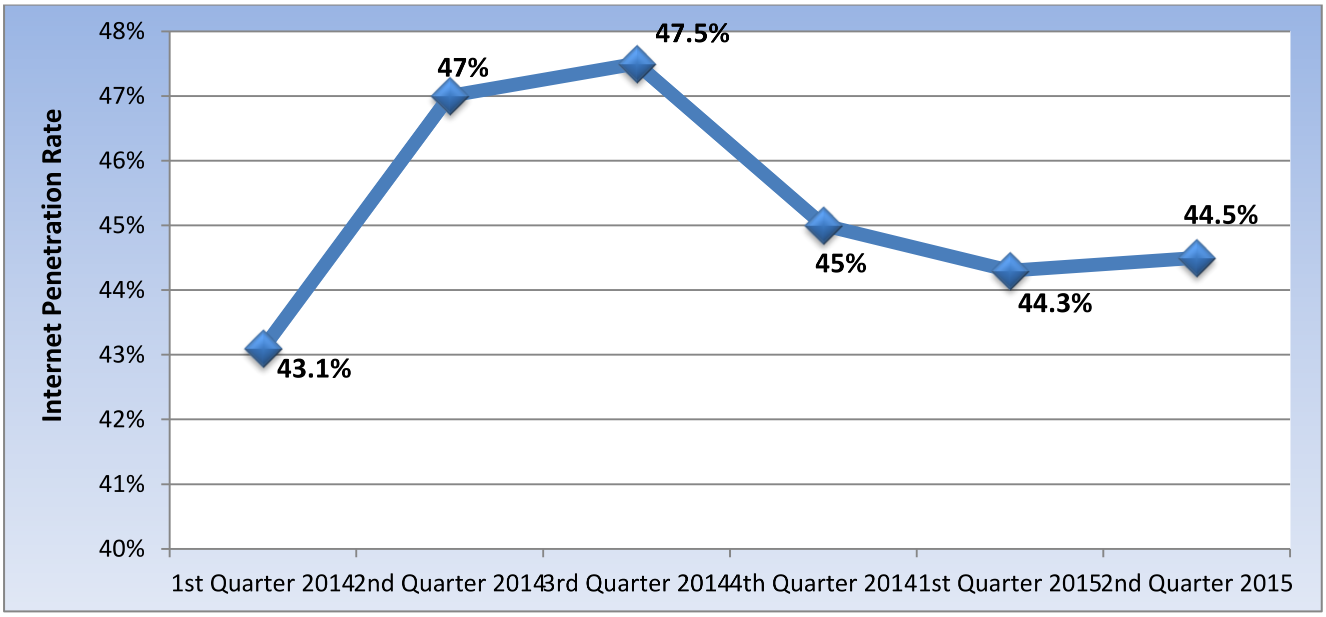
Technology	1st Quarter 2015	2nd Quarter 2015	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,621,887	5,648,922	0.5%
LTE	384	474	23.4%
Leased Lines	1,661	1,518	-8.6%
Dial up	8,792	7,524	-14.4%
xDSL	50,616	57,201	13.0%
Wimax	9,715	9,820	1.1%
CDMA	85,297	84,828	-0.5%
VSAT	558	749	34.2%
Fibre links	3,582	4,482	25.1%

TOTAL	5,782,491	5,815,518	0.6%

Source: POTRAZ, Operator Returns

As a result of the increase in subscribers, the internet penetration rate increased from 44.3% recorded in the previous quarter to reach 44.5%. The quarterly movement in the internet penetration rate from 2014 is shown in the graph below:

Fig 7: Internet Penetration Rate



Source: POTRAZ, Operator Returns

4.3 INTERNATIONAL INTERNET CONNECTIVITY

In the quarter under review total lit/equipped international internet bandwidth capacity was 30,520Mbps. This represents a 13.2% increase from 26,950 Mbps recorded in the previous quarter. The increase is attributed to TelOne`s commissioning of 12 more STM1s. The lit/equipped bandwidth capacity as well as is broken down by operator as follows:

Table 8: International Internet Bandwidth Capacity

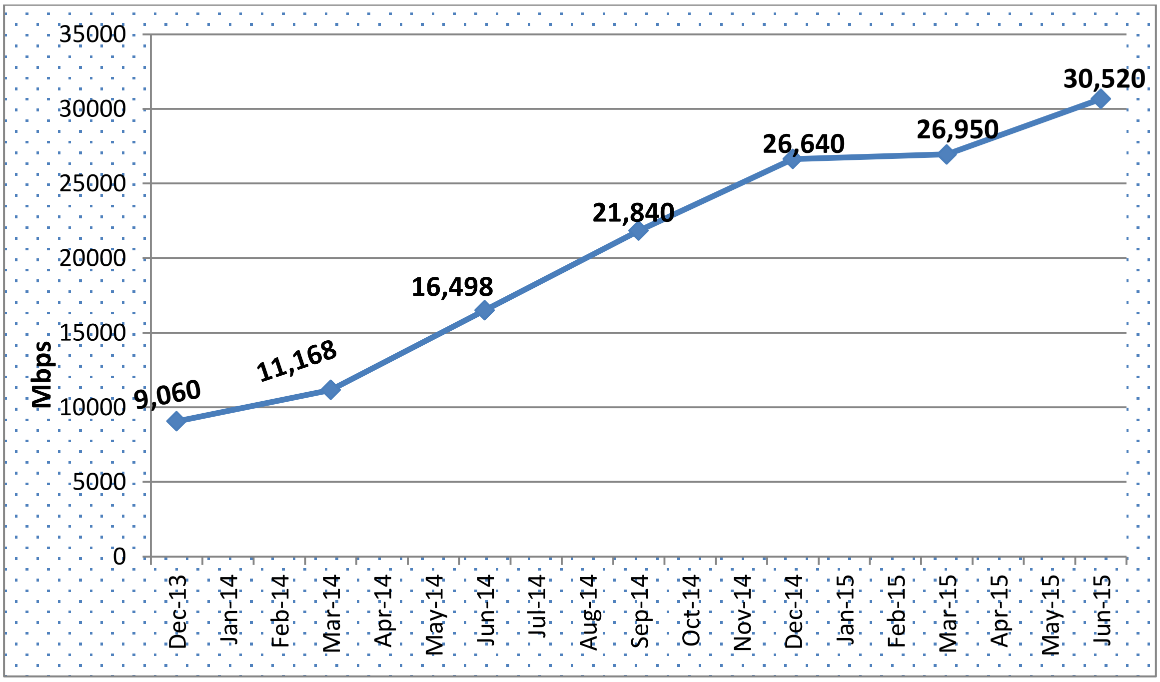
OPERATOR	Incoming International			Outgoing International		
	1st Q 2015	2nd Q 2015	Quarterly	1st Q 2015	2nd Q 2015	Quarterly

			Variation			Variation
Liquid	4,800	4,800	-	4,800	4,800	-
Tel One	6,045	7,905	30.8%	6,045	7,905	30.8%
Powertel	1,860	1,860	-	1,860	1860	-
Dandemutande	460	460	-	460	460	-
Africom	310	235	(24.2%)	310	235	(24.2%)
TOTAL	**13,475**	**15,260**	**13.2%**	**13,475**	**15,260**	**13.2%**

Source: POTRAZ, Operator Returns.

Equipped international internet bandwidth capacity has been on an upward trajectory as demand for internet keeps on increasing. The growth in the equipped international internet bandwidth capacity from 2013 is shown in the graph below:

Figure 8: Growth in international internet bandwidth capacity



In the period under review used international internet bandwidth was at 16,777Mbps i.e. 12,464Mbps incoming and 4,313Mbps outgoing. This represents a 0.6% decline from 16,881Mbps recorded in the previous quarter. This was a result of the decline in Africom`s used internet bandwidth capacity.

5. TELECOMMUNICATIONS REVENUES AND INVESTMENT

The revenue generated by the three mobile operators in the second quarter of 2015 was $183,164,014. This represents a 2.9% decline from $188,546,864 recorded in the previous quarter. The continued decline in total mobile revenues can be attributed to consumer substitution of voice service with Over the Top (OTT) services such as Whatsapp, Viber and Skype.

Revenue from fixed telephone voice service declined by 14.6% to record $30,533,976 in the second quarter of 2015 from $35,633,976 recorded in the previous quarter. Total Investment was $6,853,320 representing a 119.3% increase from $3,124,692 invested in the previous quarter. A quarterly comparison on fixed voice revenue and investment is shown in Table 9 below:

Table 9: Fixed Voice Revenue & Investment

	First Quarter 2015	Second Quarter 2015	Quarterly Variation %
Revenues	35,737,488	30,533,976	-14.6%
Investment	3,124,692	6,853,320	119.3%

Source: POTRAZ, Operator Returns

Internet access providers (IAPs) generated a total of $33.9 million in the second quarter of 2015. This represents 0.8% increase $33.7 million recorded in the previous quarter as shown in Table 10 below:

Table 10: IAP Revenues & Investment

	1st Quarter 2015	2nd Quarter 2014	Quarterly Variation
Revenue	33,667,536	$33,938,217	0.8%
Investment	8,234,772	$15,310,970	85.9%

Source: POTRAZ, Operator Returns

Investment by IAPs also increased by 85.9% to record $15.3 million from $8.2 million recorded in the previous quarter.

6. POSTAL AND COURIER SERVICES

6.1 POSTAL AND COURIER TRAFFIC

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

Table 11: Postal and Courier Traffic

	1st Quarter 2015	2nd Quarter 2015	Quarterly Variation
Number of postal and courier items sent locally	2,245,932	2,147,295	-4.4%
International incoming postal and courier items	522,857	485,026	-7.2%
International outgoing postal and courier items	275,842	276,179	0.1%

Source: POTRAZ, Operator Returns

International outgoing postal and courier was the only category to record growth in the quarter under review. Postal and courier services continue to face competition from telecommunication services which provide faster means of communication.

6.2 ELECTRONIC TRANSACTIONS AT POSTAL OUTLETS

The value of electronic transactions processed at postal outlets through Zipcash as well as other mobile money platforms was $733,208. This represents a 6.4% increase from $689,056 recorded in the previous quarter. This is shown in Table 12 below:

Table 12: Electronic transactions at postal outlets

	1st Quarter 2015	2nd Quarter 2015	Quarterly Variation
Value of Transactions Processed	$689,056	$733,208	6.4%
Number of outlets offering electronic money transactions	217	217	-

7. CONCLUSION

As reported in this sector performance report, mobile, fixed and internet services experienced growth in their subscriptions. Fixed telephone subscriptions increased by 1.1% to reach 332,866 from 329,252 subscribers recorded in the previous quarter. Active mobile subscribers increased by 0.8% to reach 11,949,791 from 11,859,155 subscribers recorded in the previous quarter. The total number of internet subscriptions increased by 0.6% to record 5,815,518 subscribers from 5,782,491 subscribers recorded in the previous quarter. On the other hand postal and courier services registered a decline in volumes.

Whilst fixed and mobile operators experienced an increase in their subscribers, this did not translate to an increase in voice traffic. National traffic generated by the mobile networks in the second quarter of 2015 declined by 0.7% to record 1,160,279,796 minutes from 1,168,516,173 minutes recorded in the previous quarter. The total voice traffic processed on the fixed telephone network also declined by 3.5% to record 164,049,398 minutes from 169,948,500 minutes recorded in the previous quarter. This is attributed to the proliferation of alternative Over the Top communication platforms such as Whatsapp and Viber. The decline in traffic also led to the 2.9% and 14.6% decline in revenues by the mobile operators and the fixed network respectively.

International internet bandwidth capacity has been on an upward trajectory as demand for internet keeps on increasing. Equipped international internet bandwidth capacity increased to 30710Mbps from 26,950 Mbps recorded in the previous quarter. Revenues by IAPs also increased by 1.1% to record $34 million from $33.7 million recorded in the previous quarter.