

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND 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.

Table of Contents

LIST OF TABLES	2
LIST OF FIGURES	3
1. MAJOR HIGHLIGHTS	4
2. FIXED TELEPHONE SERVICE	4
2.1 SUBSCRIPTIONS	4
2.2 FIXED NETWORK TRAFFIC.....	6
2.3 FIXED TELEPHONE REVENUES & INVESTMENT	8
3. MOBILE TELEPHONY.....	8
3.1 SUBSCRIPTIONS	8
3.1.1 MARKET SHARE OF MOBILE SUBSCRIPTIONS	9
3.2 MOBILE TRAFFIC AND USAGE PATTERNS.....	10
3.2.1 MOBILE VOICE TRAFFIC	10
3.2.2 MOBILE INTERNET & DATA TRAFFIC.....	12
3.3 MOBILE REVENUES.....	13
3.4 MOBILE MONEY TRANSFER	13
3.5 MOBILE TELEPHONY INFRASTRUCTURE.....	16
4. DATA & INTERNET SERVICE	17
4.1 SUBSCRIPTIONS	17
4.2 IAP REVENUES AND INVESTMENT	19
5. POSTAL AND COURIER SERVICES	20
5.1 POSTAL VOLUMES	20
5.2 POSTAL REVENUES, COSTS & INVESTMENT.....	21
5.3 POSTAL OUTLETS	21
6. CONCLUSION.....	22

LIST OF TABLES

Table 1: Fixed Telephone Subscribers.....	4
Table 2: Fixed Voice Traffic.....	6
Table 3: Fixed Telephone Revenues & Investment.....	8
Table 4: Active vs. Total Mobile Subscriptions	9
Table 5: Prepaid and post-paid subscriptions	9
Table 6: Mobile Telephone Traffic.....	10
Table 7: Mobile data usage per operator.....	12
Table 8: Active vs Total mobile money subscriptions.....	14
Table 9: Distribution of mobile money agents	15
Table 10: Mobile money transactions.....	15
Table 11: Mobile Base Stations	16
Table 12: Active Internet Subscriptions	18
Table 13: IAP Revenue & Investment	19
Table 14: IAP Revenue market share	20
Table 15: Postal Volumes	20
Table 16: Postal Revenues and Investments	21

LIST OF FIGURES

Figure 1: Corporate and household subscriptions.....	5
Figure 2: Distribution of fixed lines by location.....	6
Figure 3: Mobile to fixed voice traffic.....	7
Figure 4: Market share of mobile subscriptions	10
Figure 5: Market Share of mobile voice traffic	11
Figure 6: Market Share of data usage	12
Figure 7: Mobile Revenues Market Share	13
Figure 8: Market Share of active mobile money subscriptions	14
Figure 9: Growth in base stations in rural Zimbabwe.....	16
Figure 10: Market Share of base stations.....	17
Figure 11: Growth in data & data internet subscriptions.....	19
Figure 12: Post offices	22

1. MAJOR HIGHLIGHTS

- The fixed teledensity declined by 0.1% to reach 2.5% from 2.6% recorded in the previous quarter
- The mobile penetration rate (active) increased by 0.5% to reach 97% from 96.5% recorded in the previous quarter
- The internet penetration rate increased by 0.3% to reach 50.1% from 49.8% recorded in the previous quarter
- The number of LTE eNodeBs ('base stations') increased from 326 to 513 following 187 new installations
- Total voice traffic declined by 5.2% to record 1,192,571,970 minutes from 1,257,842,811 minutes recorded in the previous quarter
- Telecommunication revenues declined by 11.8% to record \$228,748,120 from \$237,771,722 recorded in the previous quarter

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

Active fixed telephone lines in the country declined by 0.8% to reach 332,580 from 335,172 recorded in the first quarter of 2015. As a result the fixed teledensity declined by 0.1% to reach 2.5% from 2.6% recorded in the previous quarter. The switching capacity remained at 473,700. Fixed telephone subscription statistics are summarised in the table below:

Table 1: Fixed Telephone Subscribers

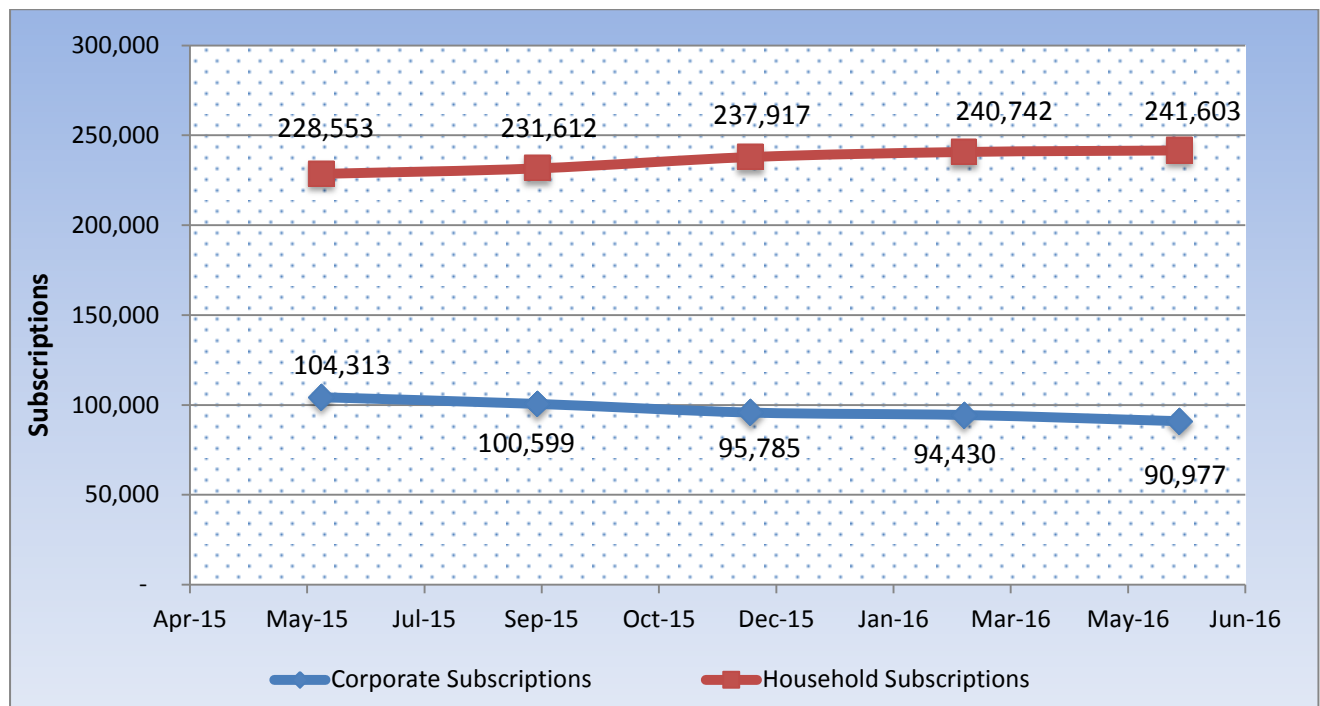
	First Quarter 2016	Second Quarter 2016	Quarterly Variation %
Active Subscriptions	335,172	332,580	-0.8%
Switching capacity	473,700	473,700	-

Fixed Teledensity	2.6%	2.5%	-0.1
-------------------	------	------	------

Source: POTRAZ, Operator Returns

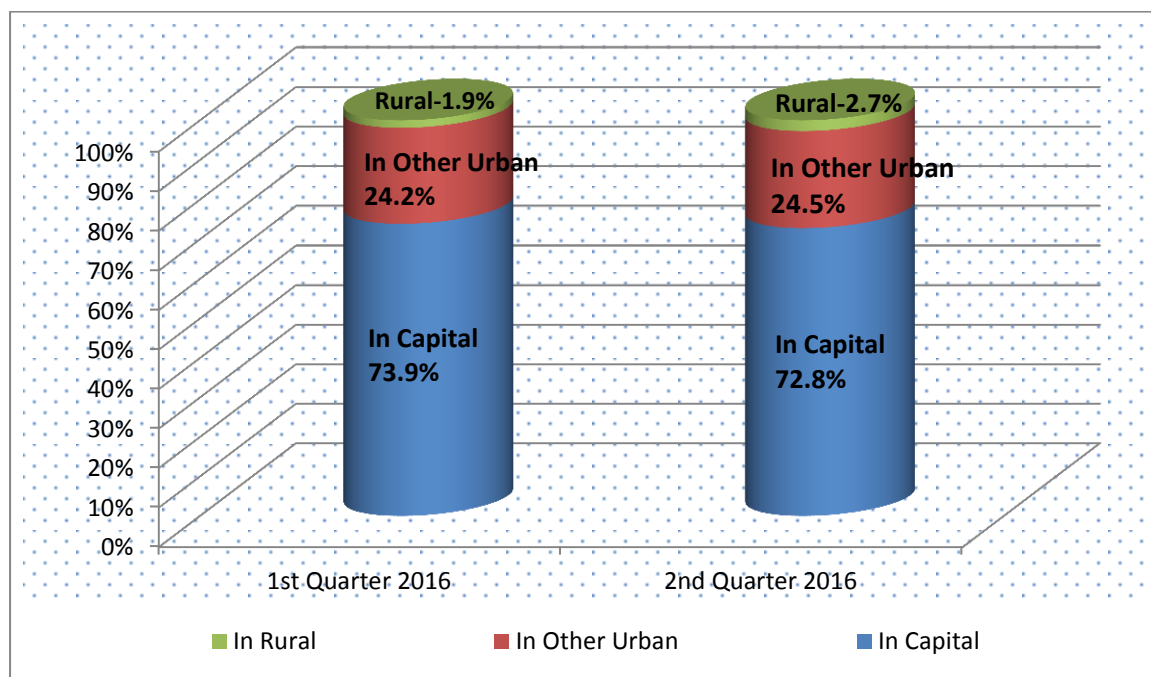
Of the 332,580 active subscriptions, 90,977 were corporate subscriptions whereas 241,603 were household subscriptions. A comparison with the previous quarter shows that household subscriptions increased by 0.4% from 240,742 subscriptions recorded as at 31 March 2016. On the other hand corporate subscriptions declined by 3.7 to record 90,977 from 94,430 subscriptions recorded in the previous quarter. Generally, household subscriptions have been on the increase, fuelled by ADSL, whereas corporate subscriptions have been declining as shown in the graph below:

Figure 1: Corporate and household subscriptions



The majority (72.8%) of fixed telephone lines are in the capital, Harare, as shown in figure 2 below:

Figure 2: Distribution of fixed lines by location



2.2 FIXED NETWORK TRAFFIC

Total fixed telephone voice traffic declined by 11.1% to record 149,408,848 minutes from 167,980,843 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

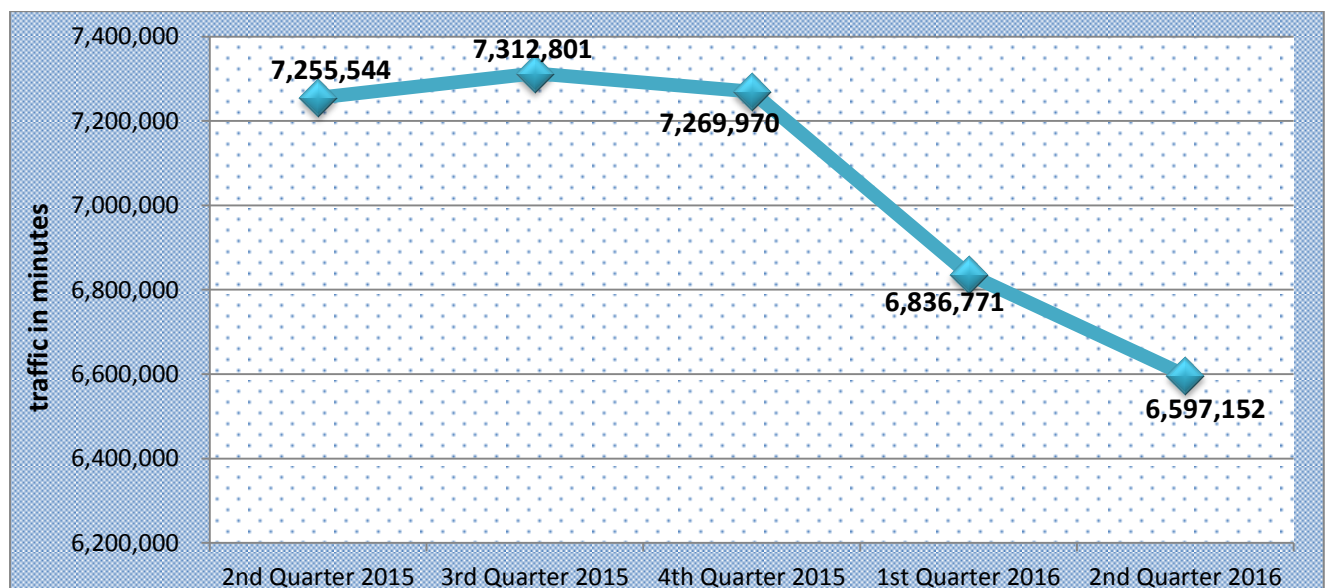
Traffic Category	1 st Quarter 2016	2 nd Quarter 2016	Quarterly Variation %
Net On Net	75,679,964	61,738,593	-18.4%
Outgoing to Mobile	67,831,908	66,085,362	-2.6%
Incoming from Mobile	6,836,771	6,619,372	-3.5%
Incoming from IAPs	953,389	1,048,966	10.0%
Outgoing to IAPs	418,436	423,168	1.1%
International	9,954,873	8,007,711	-19.6%

Incoming			
International	6,305,502	5,507,442	-12.7%
Outgoing			
Total traffic	167,980,843	149,408,848	-11.1%

Source: POTRAZ, Operator Returns

International incoming traffic registered the biggest decline of 19.6%. Incoming traffic from IAPs registered the highest increase of 10% owing to the operationalisation of more interconnection agreements between IAPs and TelOne. As interconnect traffic between IAPs and the fixed network has been improving, interconnect traffic between the mobile operators and TelOne has been declining. Mobile to fixed traffic has been on the decline as shown in the graph below:

Figure 3: Mobile to fixed voice traffic



The overall decline in fixed voice traffic is attributed to the liquidity crunch and the current deflationary cycle well as the proliferation of Over-the-Top services which provide cheaper communication platforms.

2.3 FIXED TELEPHONE REVENUES & INVESTMENT

Fixed telephone revenues for the second quarter of 2016 were \$28,309,055. This represents a 7.7% decline from \$30,670,623 recorded in the previous quarter. On the other hand investment increased by 8% to record \$1,740,512 from \$1,611,079 invested in the previous quarter. A quarterly comparison is shown in Table 3 below:

Table 3: Fixed Telephone Revenues & Investment

	First Quarter 2016	Second Quarter 2016	Quarterly Variation %
Revenues	\$30,670,623	\$28,309,055	-7.7%
ARPU per month	\$30.58	\$28.31	-7.2%
Investment	1,611,079	1,740,512	8.0%

Source: POTRAZ, Operator Returns

The Average Revenue per User per month for the second quarter of 2016 declined by 7.2% to reach \$28.31 from \$30.58 recorded in the previous quarter. This is attributed to the decline in revenues. Average costs per user per month declined by 2% to record \$28.35 from \$28.93 recorded in the previous quarter which was a positive development.

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

The total number of mobile subscriptions in the country increased by 6.2% to reach 20,257,180 from 18,992,082 recorded in the previous quarter. The number of active lines in the quarter under review was 13,010,873. This represents a 0.9% increase from 12,900,173 recorded in the previous quarter. The mobile penetration rate also increased from 96.5% to 97%. The quarterly change in mobile subscriptions per operator is shown in Table 4 below:

Table 4: Active vs. Total Mobile Subscriptions

	Active Subscribers			Total Subscribers		
	1 st Q 2016	2 nd Q 2016	% Change	1 st Q 2016	2 nd Q 2016	% Change
Econet	6,714,939	6,714,832	-0.002%	9,281,936	10,022,172	7.4%
Telecel	1,824,936	1,783,682	-2.3%	4,278,800	4,546,400	5.9%
NetOne	4,360,298	4,512,359	3.5%	5,431,346	5,688,608	4.5%
Total	12,900,173	13,010,873	0.9%	18,992,082	20,257,180	6.2%

Source: POTRAZ, Operator Returns

As shown above, NetOne was the only operator to register an increase in active subscriptions. Prepaid subscriptions constituted 98.9% of the total active mobile subscriptions. The quarterly movement in the prepaid and post-paid subscriptions is shown in the table below:

Table 5: Prepaid and post-paid subscriptions

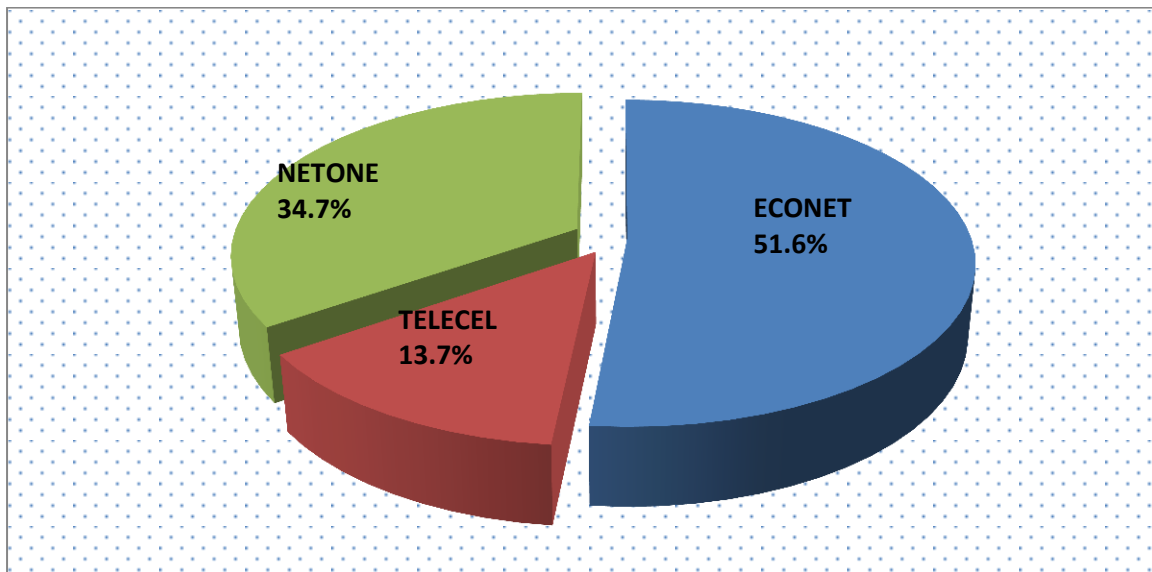
	1 st Quarter 2016	2 nd Quarter 2016	% Change
Post-paid Subscriptions	273,856	139,845	-48.9%
Prepaid Subscriptions	12,626,317	12,871,028	1.9%
Total Active	12,900,173	13,010,873	0.9%

The prepaid platform had been cheaper over the years due to the numerous promotions that were being offered to prepaid customers hence consumers have been migrating from the post-paid to the prepaid platform.

3.1.1 MARKET SHARE OF MOBILE SUBSCRIPTIONS

Based on the active mobile subscriptions per operator the market share of mobile subscriptions was as follows:

Figure 4: Market share of mobile subscriptions



A comparison with the previous quarter statistics shows that NetOne was the only operator to gain market share. NetOne`s market share increased from 33.8% to 34.7% owing to the increase in active subscribers. Econet`s market share declined by 0.5% to reach 51.6% from 52.1% recorded in the previous quarter. Telecel also experienced a decline in market share by 0.4% to reach 13.7% from 14.1% recorded in the previous quarter as a result of the decline in active subscribers.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

The declining trend of voice traffic continued into the second quarter of 2016 as shown in the traffic comparison table below:

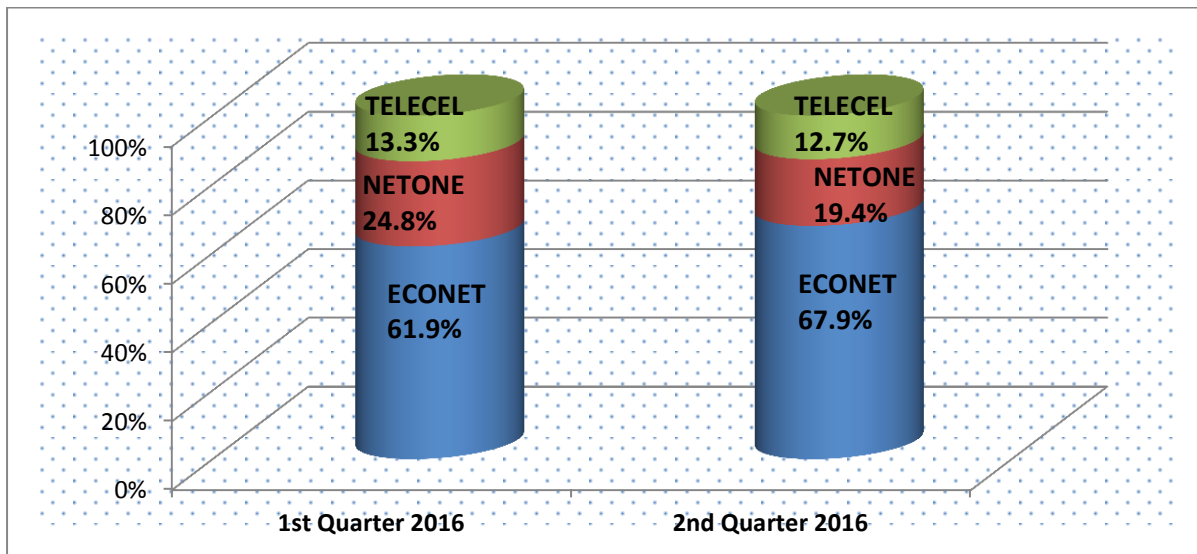
Table 6: Mobile Telephone Traffic

	1st Quarter 2016	2nd Quarter 2016	Quarterly Change
Net On Net	713,118,050	688,564,738	-3.4%
Mobile to Fixed	6,836,771	6,619,372	-3.2%
Incoming from Fixed	67,821,908	66,085,362	-2.6%
Mobile to Other Mobile (by termination)	205,742,477	198,467,134	-3.5%

Outgoing to IAPs	1,110,632	926,706	-16.6%
Incoming from IAP	12,257,937	10,104,744	-17.6%
TOTAL NATIONAL	1,007,325,863	970,768,056	-3.6%
International Incoming	58,380,871	51,392,712	-12.0%
International Outgoing	22,092,071	19,224,083	-13.0%
Inbound Roaming	1,594,230	1,337,680	-16.1%
Outbound Roaming	468,933	460,591	-1.8%

National traffic declined by 3.6% despite the numerous mobile voice promotions that were in the market in the second quarter of 2016. This is partly attributed to the declining consumer demand as the economy experiences the liquidity crunch. The substitution of mobile voice service with Over-the-Top services also greatly contributed to the overall decline in voice traffic. Based on the voice traffic per mobile operator, the mobile voice market share was as follows:

Figure 5: Market Share of mobile voice traffic



NetOne's loss in market share stems from the 60% decline in net-on-net traffic to record to 75,213,472 minutes of net-on-net traffic from 188,584,509 recorded in the previous quarter. This can be attributed to the revisions made to the dollar a day promotion from the unlimited net-on-net talk time to dollar a day bundles with effectively less bonus minutes. Telecel also experienced a decline in traffic in tandem with the decline in subscribers. The net effect was that Econet gained market share over NetOne and Telecel.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

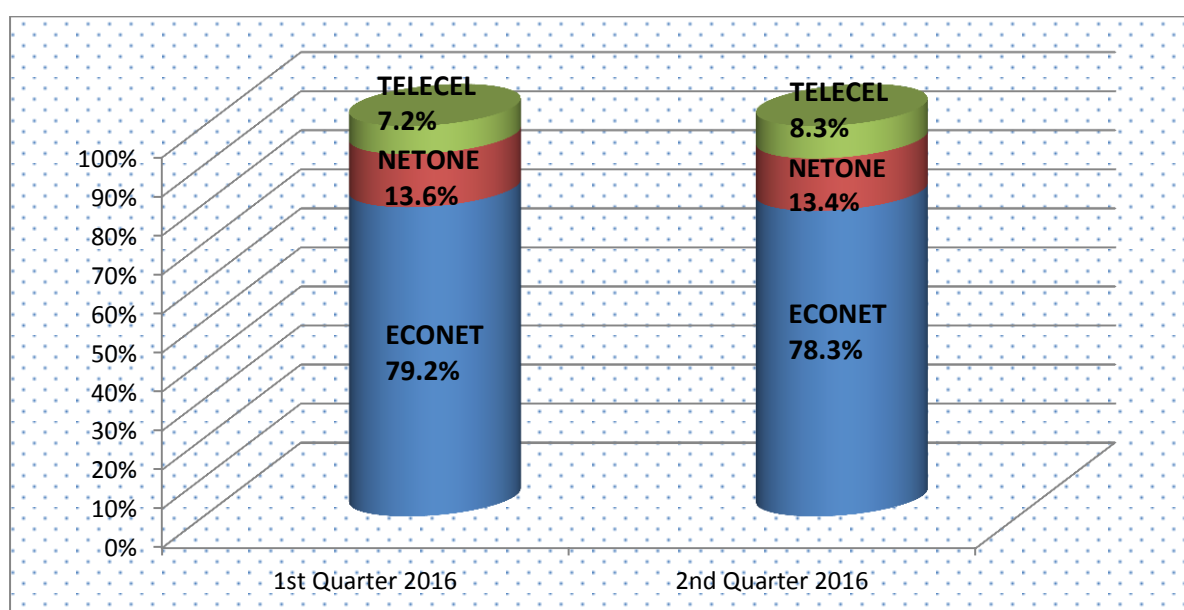
A total of 1.8million Gigabytes of mobile data were consumed in the second quarter of 2016. This is a 23% increase from 1.5million Gigabytes consumed in the previous quarter. All the mobile operators experienced an increased in internet and data utilisation as shown in the table below:

Table 7: Mobile data usage per operator

	1 st Quarter 2016	2 nd Quarter 2016	Quarterly Variation
ECONET	1,195,746,882	1,454,008,244	21.6%
TELECEL	109,220,054	154,753,049	41.7%
NETONE	205,452,656	249,182,965	21.3%
TOTAL	1,510,419,592	1,857,944,258	23.0%

As shown above, Telecel had the largest growth in internet and data usage. As a result Telecel`s market share of internet increased from 7.2% to 8.6% whereas Econet and NetOne`s market share declined as shown in figure 6 below:

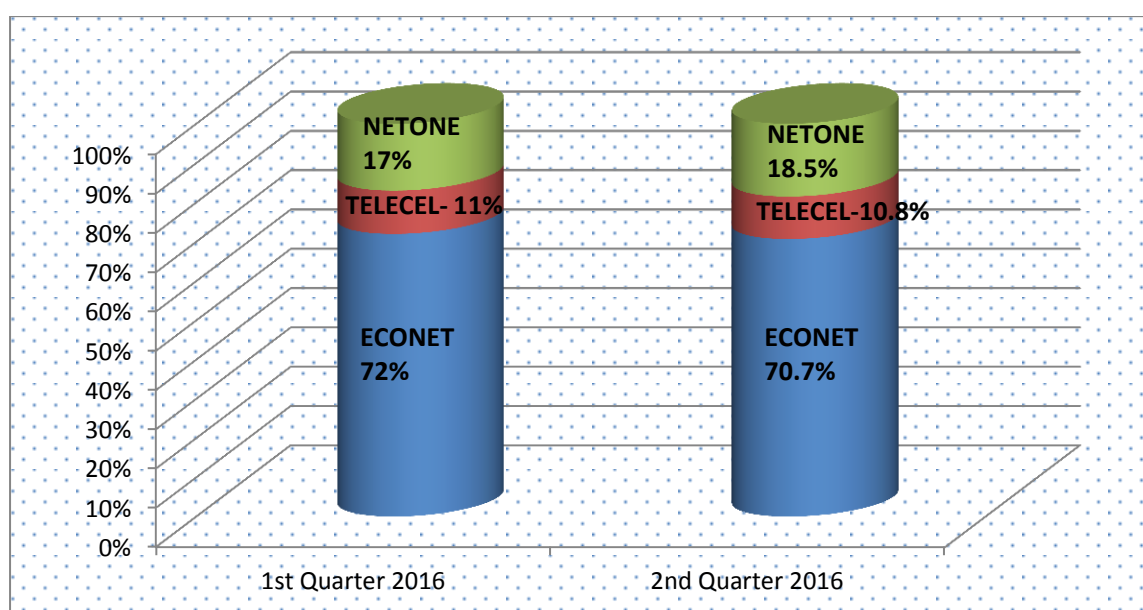
Figure 6: Market Share of data usage



3.3 MOBILE REVENUES

Total mobile revenues declined by 3.7% to record \$161.5 million from \$167.7 million recorded in the previous quarter. This decline in revenues was fuelled by the decline in voice traffic as shown in 3.2 above. NetOne was the only operator to register an increase in revenues (4.7%). As a result NetOne gained market share of revenues whereas Econet and Telecel lost revenue market share as shown in figure 7 below:

Figure 7: Mobile Revenues Market Share



3.4 MOBILE MONEY TRANSFER

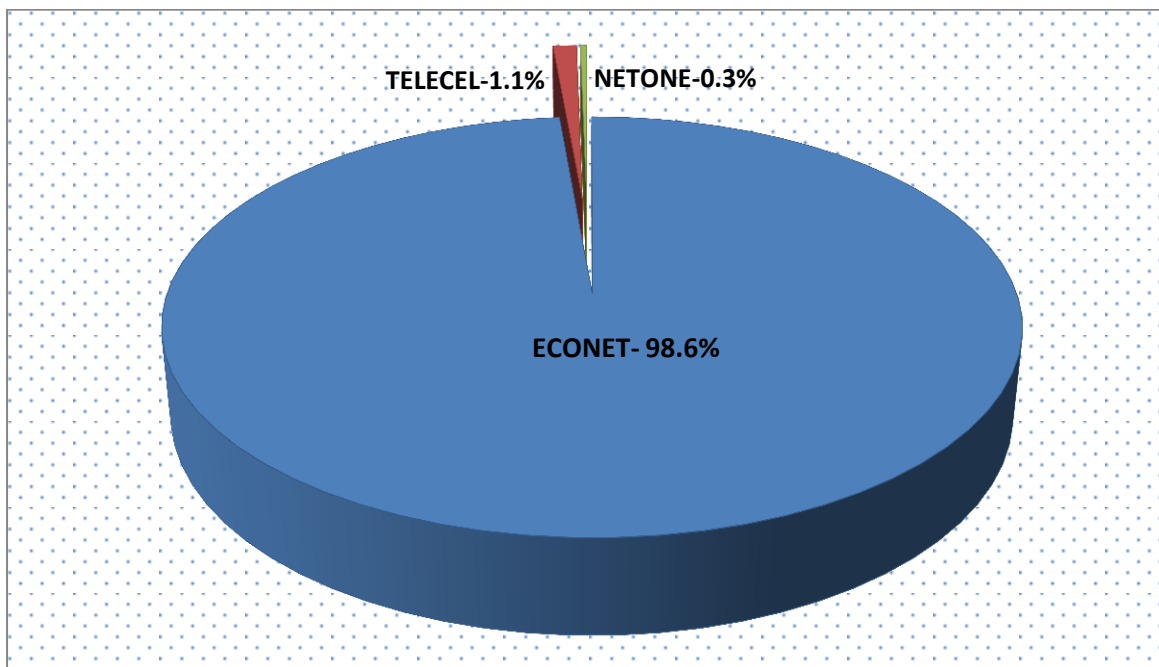
The total number of active mobile money subscriptions increased by 0.7% to reach 3,221,059 from 3,199,568 recorded in the previous quarter. An active mobile money subscription is one that has used mobile money services to send or receive money, purchase airtime or to make payments in the last 90 days. Active and total mobile money subscriptions per operator are shown in Table 8 below:

Table 8: Active vs Total mobile money subscriptions

	Active Subscribers			Total Subscribers		
	1 st Q 2016	2 nd Q 2016	% Change	1 st Q 2016	2 nd Q 2016	% Change
Econet	3,121,683	3,176,090	1.7%	5,972,946	6,412,191	7.4%
Telecel	64,905	34,112	-47.4%	1,123,015	1,204,571	7.3%
NetOne	12,980	10,857	-16.4%	965,482	968,747	0.3%
Total	3,199,568	3,221,059	0.7%	8,061,443	8,585,509	6.5%

Although there was an overall increase in active subscriptions, NetOne and Telecel registered declines. Based on the active subscriptions the market share of mobile money subscriptions in the second quarter of 2016 was as follows:

Figure 8: Market Share of active mobile money subscriptions



A comparison with the previous quarter shows that Econet gained market share by 1.1% whereas NetOne and Telecel lost market share by 0.1% and 0.9% respectively owing to the

decline in their active subscriptions. The distribution of mobile money agents in the second of 2016 is shown in table 9 below:

Table 9: Distribution of mobile money agents

	1st Quarter 2016	2nd Quarter 2016	Net Addition
ECONET	24,022	25,145	1,123
NETONE	2,384	3,034	650
TELECEL	7,091	7,460	369
TOTAL	33,497	35,639	2,142

All the mobile operators grew their agent network in the quarter under review with Econet registering the highest number of new agents. Growth in the number of mobile money agents implies improvement in access to mobile money services by the populace.

The value of cash-in transactions in the quarter under review increased by 2.4% to record \$460.2million from \$449.9million recorded in the previous quarter. Cash-Out transactions also increased by 9.9% to record \$447.7million from \$407.3million recorded in the previous quarter. However the value of cross-network transfers declined as shown in the table below:

Table 10: Mobile money transactions

	1st Quarter 2016	2nd Quarter 2016	% Change
Cash-In transactions	449,863,254	460,240,971	2.3%
Cash-Out transactions	407,261,725	447,733,077	9.9%
Cross-network transfers (by origination)	1,530,939	1,273,289	-16.8%

Econet was the only mobile operator to register an increase in cash-in transactions. The decline in the value of transactions on Telecash and One-Wallet is attributable to the decline in their active mobile money subscriptions as shown in table 8. 99% of Cash-In transactions were made on Ecocash whereas Telecel and NetOne had 0.94% and 0.06 respectively.

3.5 MOBILE TELEPHONY INFRASTRUCTURE

The total number of base stations as at 30 June 2016 was 7,356. This represents a 9.5% increase from 6,720 recorded in the previous quarter. This is attributed to the installation of more base stations by Econet and Telecel. The growth in the number of base stations per operator is shown in the table below:

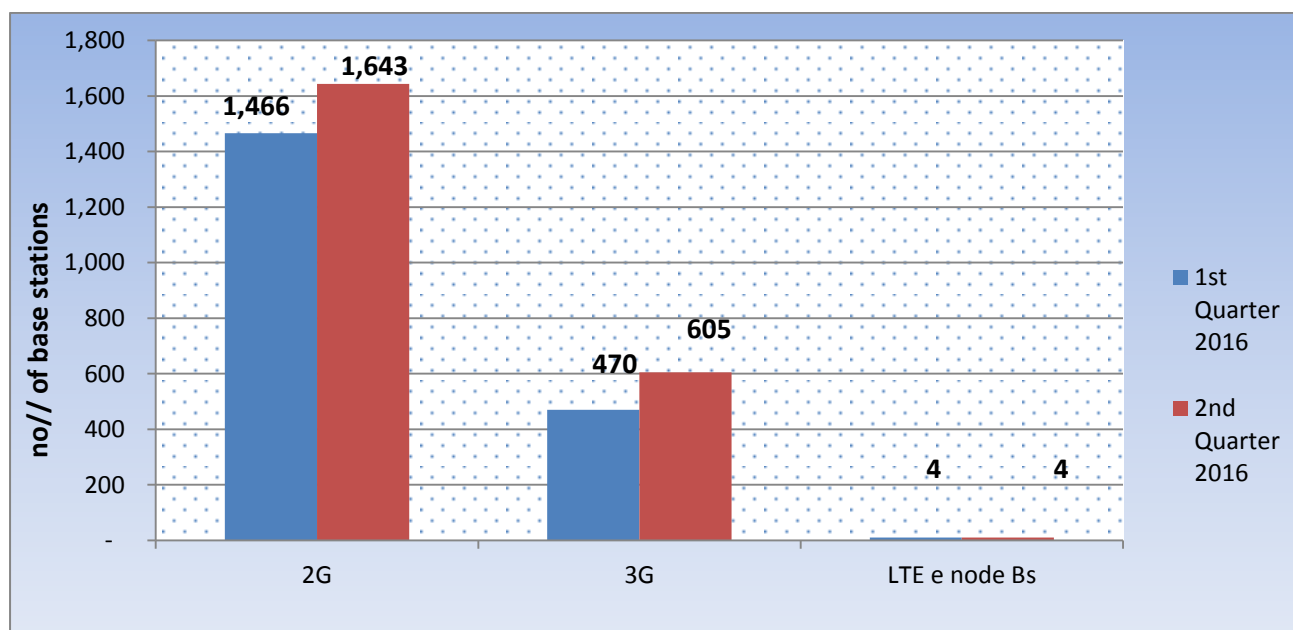
Table 11: Mobile Base Stations

OPERATOR	2G			3G			LTE		
	1 st Q 2016	2 nd Q 2016	Net Addition	1 st Q 2016	2 nd Q 2016	Net Addition	1 st Q 2016	2 nd Q 2016	Net Addition
Econet	2,347	2,399	52	1,055	1,179	124	179	363	184
Telecel	661	661	-	322	322	-	-	-	-
NetOne	1305	1,551	246	704	731	27	147	150	3
Total	4,313	4,611	298	2,081	2,232	151	326	513	187

Source: POTRAZ, Operator Returns

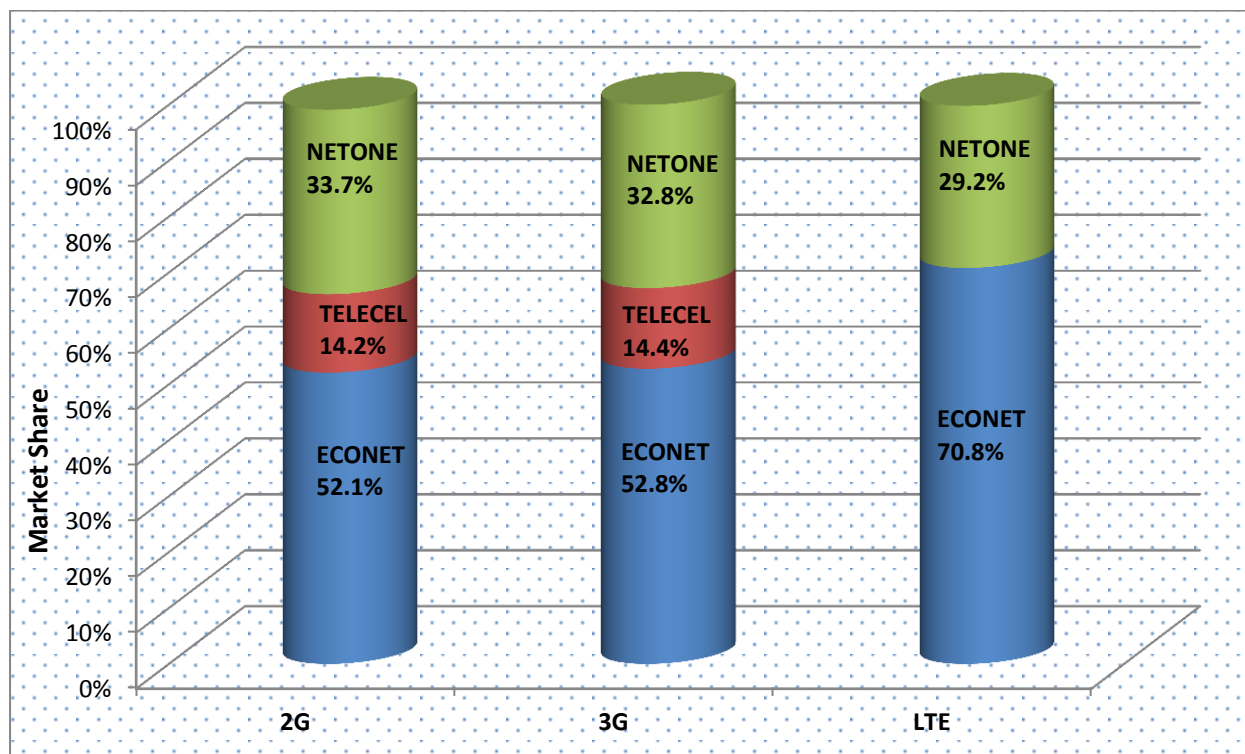
Of the total 7,356 base stations, 2,252 were in rural areas, representing 30.6% of total base stations. This represents a % improvement from 1,940 base stations recorded in the first quarter of 2016. The growth in the number of rural base stations is shown in the graph below:

Figure 9: Growth in base stations in rural Zimbabwe



Based on the number of base stations per operator shown in table 11 above, the market share of base stations was as follows:

Figure 10: Market Share of base stations



The market shares above show that Econet has the widest 2G, 3G as well as LTE coverage in the country.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of internet subscriptions increased by 0.5% to reach 6,738,286 from 6,703,518 recorded in the previous quarter. A quarterly comparison of internet subscriptions is shown in table 12 below:

Table 12: Active Internet Subscriptions

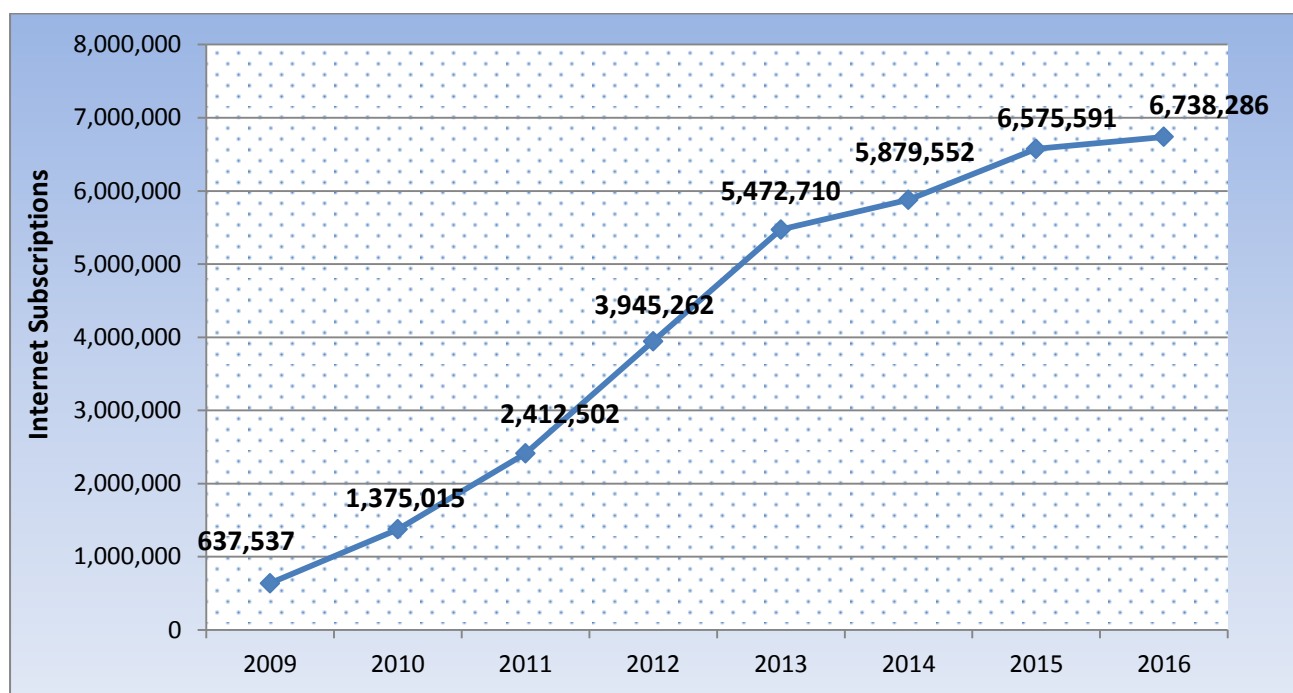
Technology	1st Quarter 2016	2nd Quarter 2016	Quarterly Variation
2G/3G/HSDPA/LTE	6,545,653	6,586,650	0.6%
Leased Lines	1,031	993	-3.7%
Dial up	44	35	-20.5%
ADSL	69,253	71,116	2.7%
WiMAX	8,876	8,355	-5.9%
CDMA	59,921	50,733	-15.3%
VSAT	2,059	2,094	1.7%
Active Fibre subscriptions	16,681	18,310	9.8%
Total	6,703,518	6,738,286	0.5%
Internet Penetration rate	49.8%	50.1%	0.3%

Source: POTRAZ, Operator Returns

Of the total mobile internet subscriptions, 166,797 accessed internet via LTE; 166,090 from Econet and 707 from NetOne. Leased lines, Dial Up, WiMAX and CDMA were the categories to register declines as the uptake of fibre and ADSL increases. Please note that the fibre subscriptions shown above are the actual active subscriptions, not connected households or corporates, i.e. those that have actually used fibre internet in the last 90 days. The same applies to the rest of the indicators on subscriptions.

The internet penetration rate increased from 49.8% to 50.1%. This implies that out of every 100 people there are 50 internet subscriptions. Although data and internet subscriptions have been increasing, the rate of growth has been lower post-2013 than in the pre-2013 period. The growth in data and internet subscriptions over the years is shown in the graph below:

Figure 11: Growth in data & data internet subscriptions



4.2 IAP REVENUES AND INVESTMENT

A quarterly comparison of Internet Access Provider revenues and investment is shown in the table below:

Table 13: IAP Revenue & Investment

	1 st Quarter 2016	2 nd Quarter 2016	Quarterly Variation
Revenue	\$39,422,419	\$38,901,403	-1.3%
Investment	\$6,617,431	\$15,048,533	127.4%

Source: POTRAZ, Operator Returns

Half of the Internet Access Providers experienced a decline in revenues; hence the decline in total IAP revenues. The market share of IAP is shown in table 14 below:

Table 14: IAP Revenue market share

Internet Access Provider	Market Share of Revenues
Liquid	53.7%
TelOne	20.8%
Powertel	17.3%
Dandemutande	5.0%
Africom	1.4%
Telecontract	1.6%
Aquiva	0.2%
Aptics	0.01%
Total	100%

5. POSTAL AND COURIER SERVICES

5.1 POSTAL VOLUMES

The postal volumes recorded in the second quarter of 2016 are compares with first quarter 2016 volumes in table 15 below:

Table 15: Postal Volumes

Category		1st Quarter 2016	2nd Quarter 2016	% Change
Domestic Postal	Ordinary Letters	1,498,899	1,541,170	2.8%
	Parcels	1,149	1,039	-9.6%
	Registers	21,601	27,100	25.5%
Total Domestic postal		1,521,649	1,569,309	3.1%
International Incoming postal services	Letters/Documents	359,783	399,611	11.1%
	Small Packets	15,975	15,173	-5.0%
	Parcels	3,670	3,593	-2.1%
	Registers	13,883	13,446	-3.1%
Total International incoming postal		393,311	431,823	9.8%
International Outgoing	Letters	47,891	30,533	-36.2%
	Parcels	953	727	-23.7%

	Registers	1,925	1,448	-24.8%
Total International outgoing postal		50,769	32,708	-35.6%

Source: POTRAZ, Operator Returns

The total number of postal items sent locally increased by 3.1% to record 1,569,309 items from 1,521,649 recorded in the previous quarter. International incoming postal items also increased by 9.8% to record 431,823 items from 393,311 recorded in the previous quarter. As e-commerce booms international packages conveyed by postal operators are expected to increase. However for Zimbabwe this increase may only apply to international incoming and not international outgoing since there are fewer foreigners purchasing local products than locals purchasing foreign goods. In the quarter under review International outgoing postal items declined by 35.6% to record 32,708 from 50,769 recorded in the previous quarter.

5.2 POSTAL REVENUES, COSTS & INVESTMENT

Revenues for the designated postal operator, Zimpost, increased by 9.2% to record \$4.7 million from \$4.3 million recorded in the previous quarter. This increase can be attributed to the increase in domestic and international incoming postal volumes.

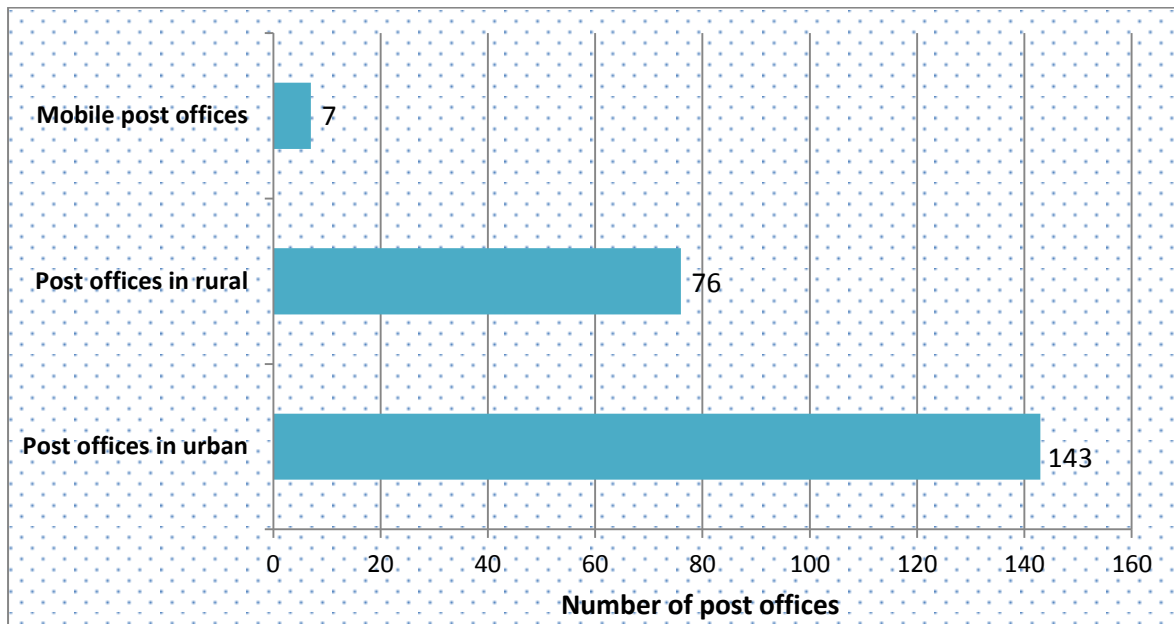
Table 16: Postal Revenues and Investments

	1st Quarter 2016	2nd Quarter 2016	% Change
Revenues	\$4,300,353	\$4,694,365	9.2%
Investment	-	\$13,016	-

5.3 POSTAL OUTLETS

The number of postal outlets remained at 226 broken down as follows:

Figure 12: Post offices



6. CONCLUSION

The growth in subscriptions for telecommunications services slowed down in the quarter under review. Internet subscriptions grew by just 0.5% to reach 6,738,286 from 6,703,518 recorded in the previous quarter; mobile subscriptions grew marginally by 0.9% to reach 13 million from 12.9 million recorded in the previous quarter. Fixed telephone subscribers actually declined by 0.8% to reach 332,580 from 335,172 recorded in the previous quarter.

The trend of declining voice traffic and rising internet and data traffic continued into the second quarter of 2016. The declining trend of voice traffic is largely attributable to the substitution effect of Over-the-Top services, coupled with the liquidity crunch in the economy. The growth in internet and data usage, especially mobile data, has been the internet promotions that were in the market as well as growing interest and use of social media.

Revenues declined across all the telecommunications markets. The decline in mobile revenues is attributed to the decline in voice revenues as a result of the decline in voice traffic. Although mobile data revenues have been increasing, they have not been able to offset the huge decline in voice revenue which makes up 70% of mobile operator revenues. The

fixed operator experienced a decline in revenues as well, stemming from a reduced subscriber base and declining voice traffic. IAP revenues also registered a marginal decline as half of the IAPs registered a decline in revenues.

The postal sector experienced growth in domestic and international incoming postal volumes whereas a decline was experienced for international outgoing. As e-commerce booms international packages conveyed by postal operators are expected to increase. However for Zimbabwe this increase may only apply to international incoming and not international outgoing as there are fewer foreigners purchasing local products than locals purchasing foreign goods.

.