

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2017

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1. MAJOR HIGHLIGHTS

- Active fixed telephone lines increased by 3.7% to reach 267,034 from 257,626 recorded in the first quarter of 2017. The fixed teledensity remained at 1.9%
- The mobile penetration rate increased by 2.5% to reach 97% from 94.5% recorded in the previous quarter because of a 2.6% increase in active mobile subscriptions.
- Total voice traffic increased by 6.3% to record 1,055,844,283 minutes from 993,582,256 minutes recorded in the previous quarter
- Mobile Internet data usage went up by 15.8% to record 3,112,416GB from 2,688,410GB recorded in the previous quarter.
- Investment by mobile operators increased by 382.6% to record \$50.5 million from \$10.5 million invested in the previous quarter.
- Revenues by IAPs declined by 11.5% to record \$40.3 million from \$45.6 million recorded in the previous quarter
- Revenues by mobile operators increased by 3.2% to record \$185.6 million from \$179.8 million recorded in the previous quarter.
- Fixed telephone revenues declined by 2.2% to record \$28.5million from \$29.2million recorded in the previous quarter.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

Active fixed telephone lines increased by 3.7% to reach 267,034 from 257,626 active lines recorded in the previous quarter. TelOne increased its switching capacity by 11.2% to accommodate 525,989 subscribers from 473,000 subscribers. Fixed telephone subscriptions by category are shown in table 1 below:

Table 1: Active Fixed Telephone Subscriptions

	1st Quarter 2017	2nd Quarter 2017	% Growth
Active Subscriptions (90 days)	257,626	267,034	3.7%
Switching Capacity	473,000	525,989	11.2%

Corporate Subscriptions	56,678	74,515	31.5%
Household Subscriptions	200,948	192,519	-4.2%
Active lines in rural	8,837	7,992	-9.6%
Active lines in urban areas	248,789	259,042	4.1%

As shown above, active fixed telephone lines in urban areas registered an increase, whereas active lines in rural areas declined. The fixed teledensity remained at 1.9%.

2.2 FIXED NETWORK TRAFFIC

Fixed voice traffic declined by 16% to record 134.4 million minutes from 160 million. Net-on-Net traffic registered the biggest decline of 22.3% as shown in table 2 below:

Table 2: Fixed Voice Traffic

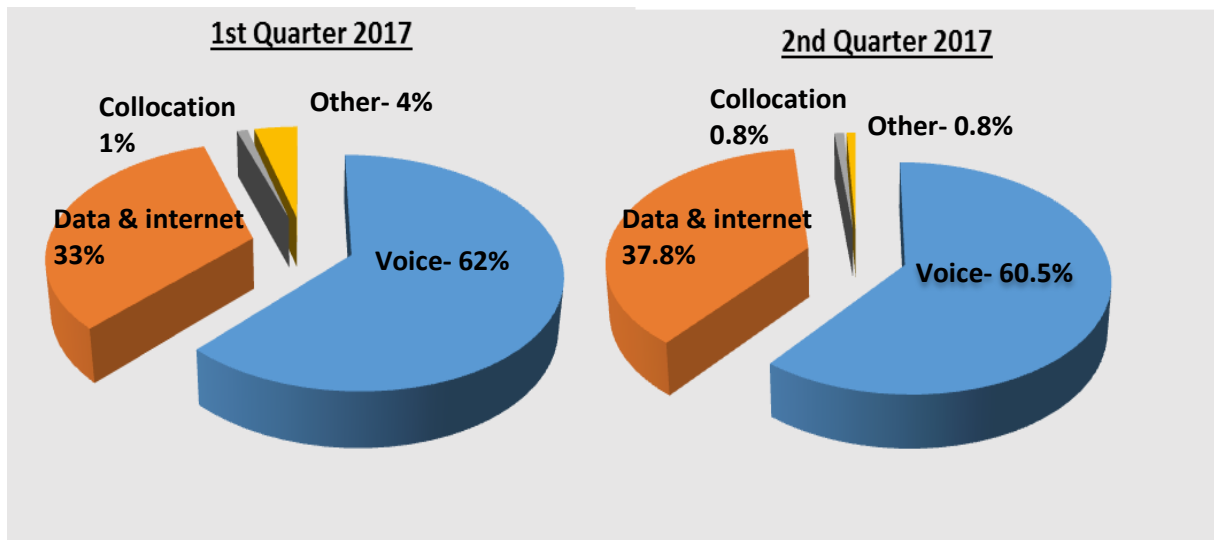
Traffic Category	1st Quarter 2017	2nd Quarter 2017	% Growth
Net On Net	73,342,800	56,983,326	-22.3%
Outgoing to Mobile	69,705,754	60,010,963	-13.9%
Incoming from Mobile	6,797,734	6,557,469	-3.5%
Incoming from IAPs	1,194,829	995,612	-16.7%
Outgoing to IAPs	564,617	590,664	4.6%
International Incoming	5,023,996	5,347,560	6.4%
International Outgoing	3,394,993	3,918,449	15.4%
Total traffic	160,024,723	134,404,043	-16%

International incoming and outgoing traffic registered an increase of 6.4% and 15.4%, respectively in the quarter under review. Of the 5,347,560 minutes of international incoming traffic recorded on TelOne`s international gateway, 4,327,781 minutes was terminated on TelOne`s network whereas the rest was terminated on other networks. 2,627,411 minutes of international outgoing voice traffic processed on TelOne`s gateway originated from TelOne, whereas 1,291,038 was received from other networks.

2.3 FIXED TELEPHONE REVENUES

The total revenue generated by the fixed telephone network declined by 2.2% to record \$28.5 million from \$29.2 million recorded in the previous quarter. The contribution of voice service to total revenue continued to decline, whereas the contribution of data and internet services increased as shown in the following graph:

Figure 1: Fixed Telephone Revenues and Costs



As shown above, the contribution of data and internet services increased by 4.8% because of growing usage. On the other hand, the contribution of voice services declined by 1.5% due to declining voice traffic.

3. MOBILE TELEPHONY

3.1 SUBSCRIPTIONS

A total of 13,311,223 mobile subscriptions were recorded as active in the quarter under review. This represents a 2.6% increase from 12,977,315 recorded in the first quarter of 2017. An active mobile line is one that made or received a call and/or sent or received a message and/or used the internet at least once within a period of 90 days. Due to the increase in active mobile subscribers, the mobile penetration rate increased by 2.5% to reach 97% from 94.5% recorded in the previous quarter. A comparison of active and total subscriptions per operator is shown in table 3 below:

Table 3: Active vs. Total Mobile Subscriptions

	Total Subscriptions			Active Subscriptions		
	1st Q 2017	2 nd Q 2017	% Change	1st Q 2017	2 nd Q 2017	% Change
Econet	10,265,733	10,967,542	6.8%	6,390,232	6,677,531	4.5%
Telecel	4,657,900	4,658,499	0.01%	1,785,321	1,788,234	0.2%
NetOne	5,089,448	5,480,073	7.7%	4,801,762	4,845,458	0.9%
Total	20,013,081	21,106,114	5.5%	12,977,315	13,311,223	2.6%

Source: POTRAZ, Operator Returns

As shown above, all mobile networks registered an increase in active subscriptions with Econet registering the highest increase of 4.5%. Prepaid subscriptions made up 98.7% of total active mobile subscriptions in the country. The growth in active mobile subscriptions by type of subscription is indicated in table 4 below:

Table 4: Prepaid and post-paid subscriptions

	Prepaid Subscribers			Post-paid Subscribers		
	1 st Q 2017	2 nd Q 2017	% Growth	1 st Q 2017	2 nd Q 2017	% Growth
Econet	6,289,980	6,566,505	4.4%	100,252	111,026	10.7%
Telecel	1,766,995	1,767,226	0.01%	18,326	21,088	15.1%
NetOne	4,761,156	4,810,975	1.0%	40,606	34,483	-15.1%
Total	12,818,131	13,144,706	2.5%	159,184	166,597	4.7%

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

Figure 2: Market share of mobile subscribers

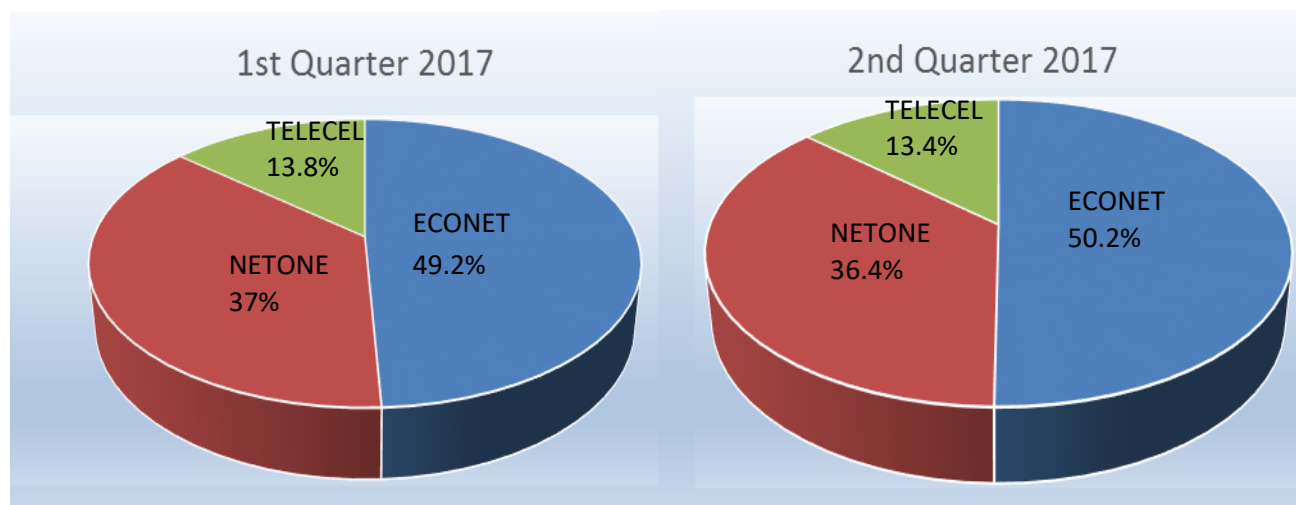


Figure 2 above shows that Econet`s market share increased by 1% whereas Telecel and NetOne`s market shares declined by 0.4% and 0.6%, respectively.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

There was an overall increase in mobile voice traffic in the quarter under review as shown in table 5 below:

Table 5: Mobile telephone traffic

	1st Quarter 2017	2nd Quarter 2017	% Variation
Net On Net	496304258	572,321,954	15.3%
Mobile to Fixed	6,791,381	6,547,593	-3.6%
Incoming from Fixed	67,163,060	64,059,644	-4.6%
Mobile to Other Mobile (by termination)	184,459,063	204,482,631	10.9%
Outgoing to IAPs	1,150,446	1,124,135	-2.3%
Incoming from IAPs	12,801,025	11,058,009	-13.6%

TOTAL NATIONAL	768,669,233	859,593,966	11.8%
International Incoming	42,499,062	38,787,635	-8.7%
International Outgoing	19,987,569	21,167,535	5.9%
Inbound Roaming	2,064,858	1,544,270	-25.2%
Outbound Roaming	336,820	346,834	3.0%

Net on Net traffic registered the highest increase of 15.3%. This is attributed to the promotions running in the market. International incoming traffic declined by 8.7% whereas international outgoing traffic increased by 5.9%. This has a negative impact on the country's foreign currency earnings from international traffic after set-off. Based on the voice traffic per operator illustrated in table 5 above, the market share of mobile voice traffic was as follows:

Figure 3: Voice Traffic Market Share

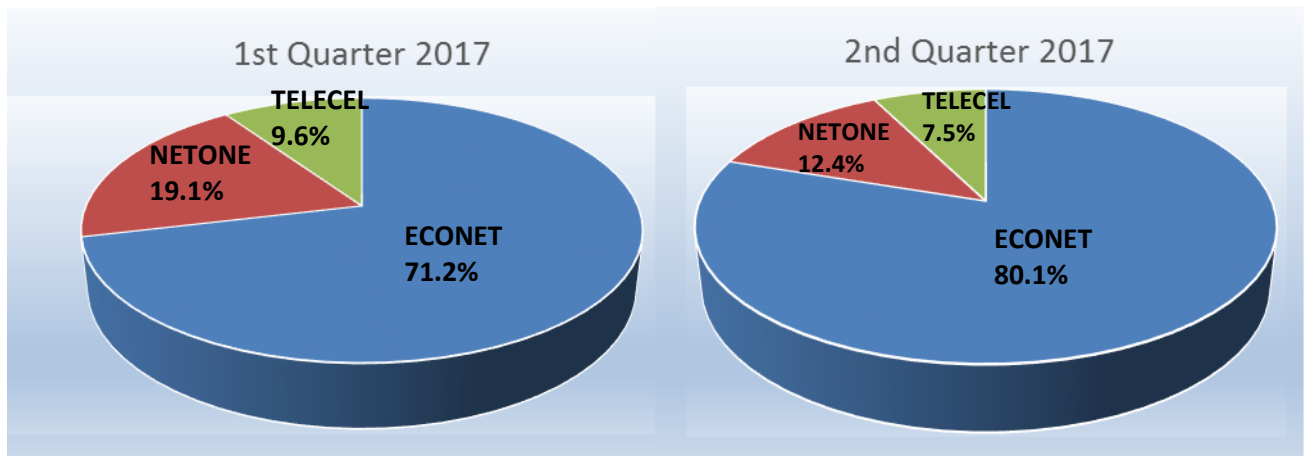


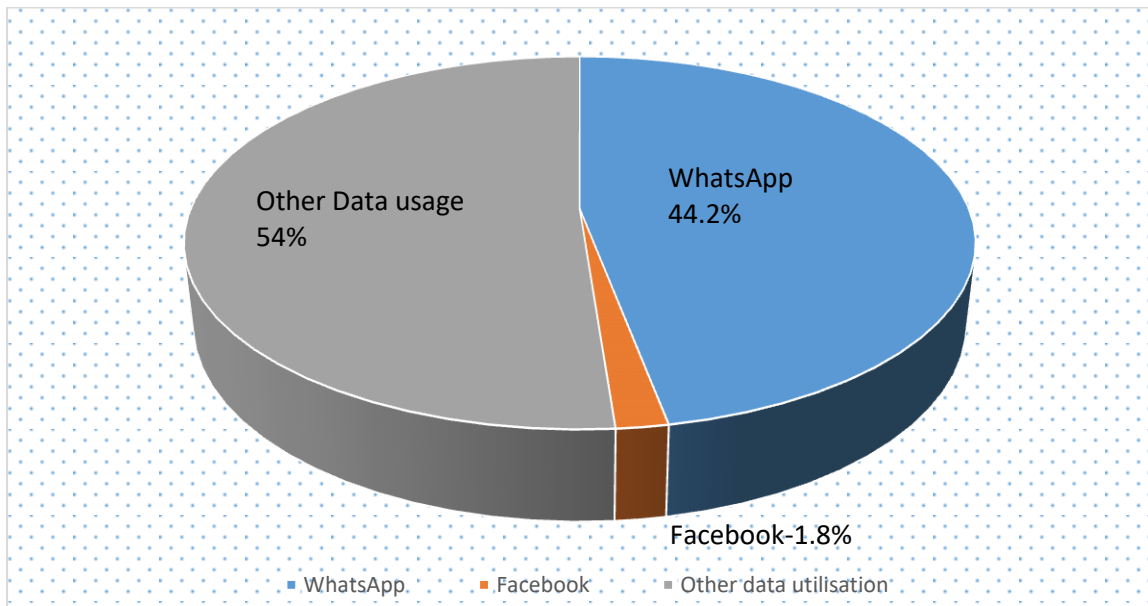
Figure three above shows that Econet gained market share of voice traffic by a record 8.9%, whereas Telecel and NetOne lost market share by 6.7% and 2.1%, respectively.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

A total of 3.1 billion Megabytes of data were consumed in the second quarter of 2017. This represents a 15.8% increase in data consumption from 2.7 billion Megabytes recorded in the

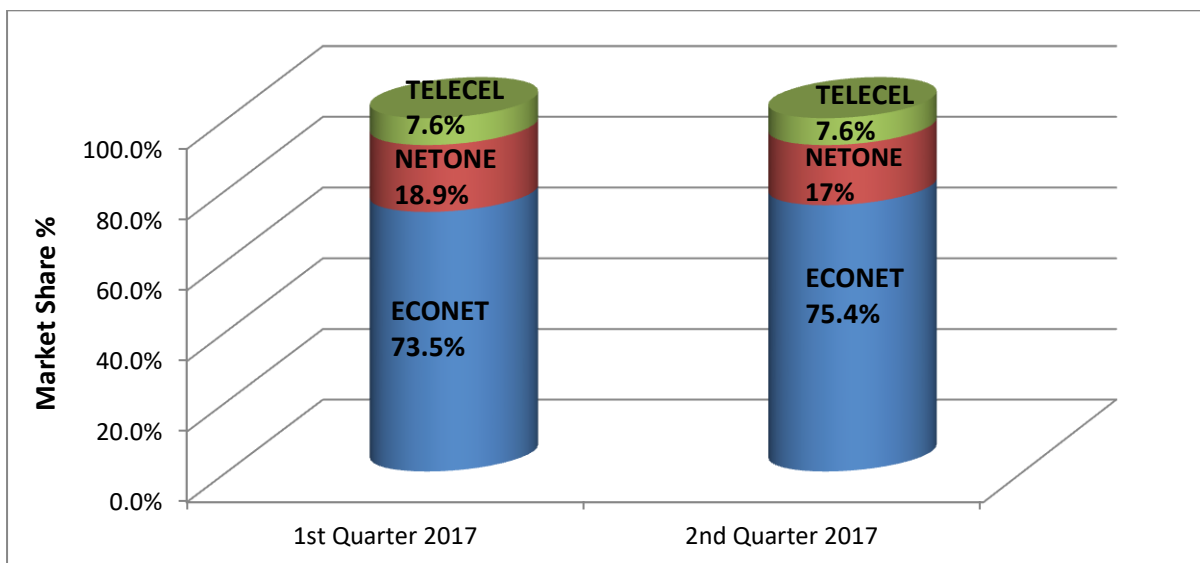
previous quarter. All the mobile operators registered an increase in data usage. The rise in social media has contributed to the increasing data and internet usage. The introduction of social bundles such as WhatsApp and Facebook bundles by operators has driven the popularity and usage of these social networks in the country. WhatsApp and Facebook accounted for 44.2% and 1.8% respectively of total internet and data usage as shown in the graph below:

Figure 4: Internet and data usage



Based on internet and data traffic per operator, the market share of mobile internet and data use was as follows:

Figure 5: Market share of data usage

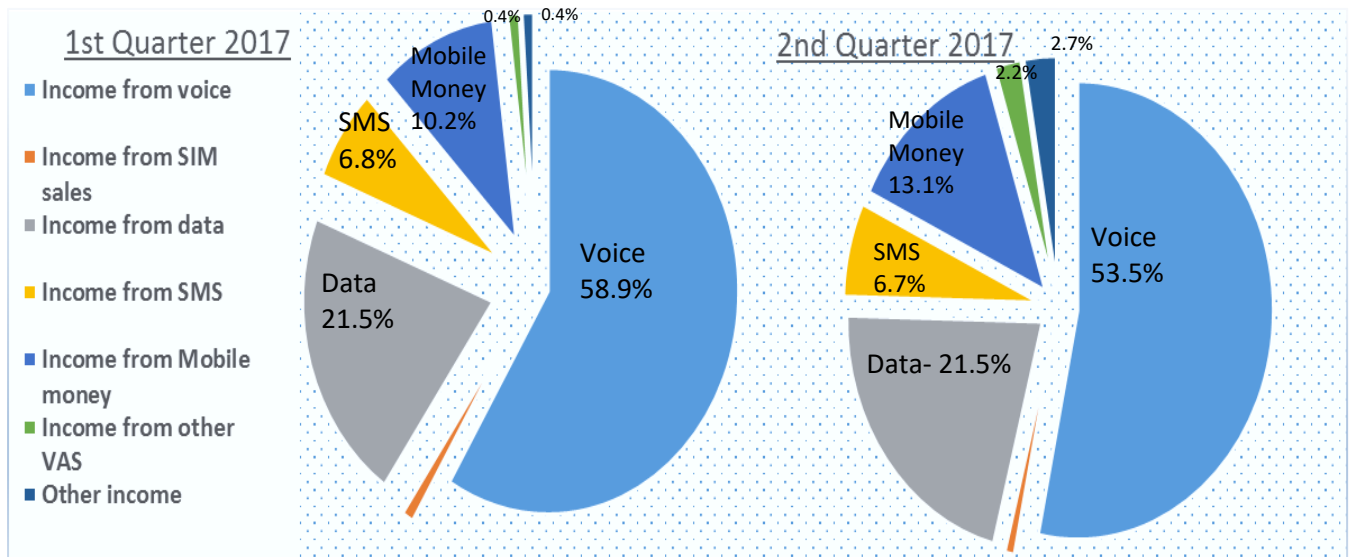


As shown above, Econet gained 2.1% market share whereas NetOne lost 1.9%. Telecel's market share remained unchanged at 7.6%.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

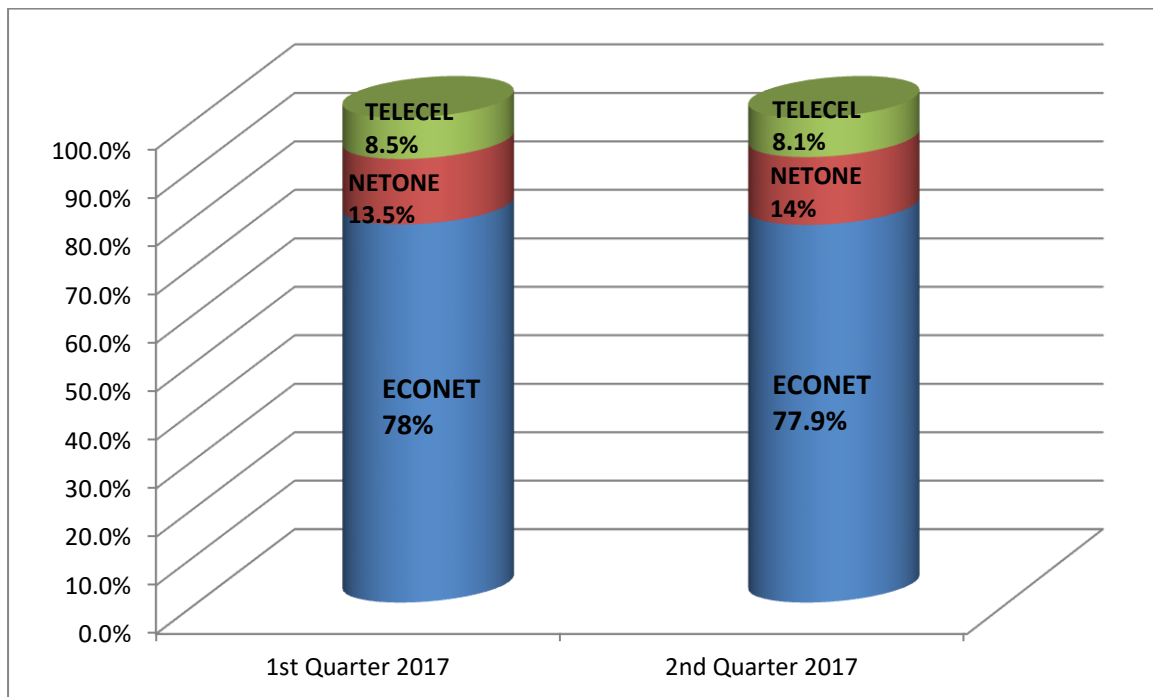
The three mobile operators generated a total of \$185.6million in the second quarter of 2017. This represents a 3.2% increase from \$179.8 million recorded in the previous quarter. The aggregate Average Revenue per user per month remained at \$3.98. Total operating costs declined by 3.3% to \$131.5million from \$135.8million recorded in the previous quarter. The aggregate Average Costs per user per month declined by 2.3% to record \$3 from \$3.07 to \$3 recorded in the previous quarter. The revenue contribution by service was as follows:

Figure 6: Mobile revenue contribution by service



The contribution of voice declined considerably to 53.5% from 58.9% recorded in the previous quarter. Overall, voice revenue did not increase despite the increase in national voice traffic, because the bulk of traffic was promotional Net-on-Net voice. The contribution of internet and data remained at 21.5%. Mobile money services registered the highest increase in contribution to total revenue by 2.9% to record 13.1% from 10.2% recorded in the previous quarter. This is attributed to the increased use of mobile money for payment of transactions given the current cash shortages. The market share of revenues was as follows:

Figure 7: Market share of mobile revenue

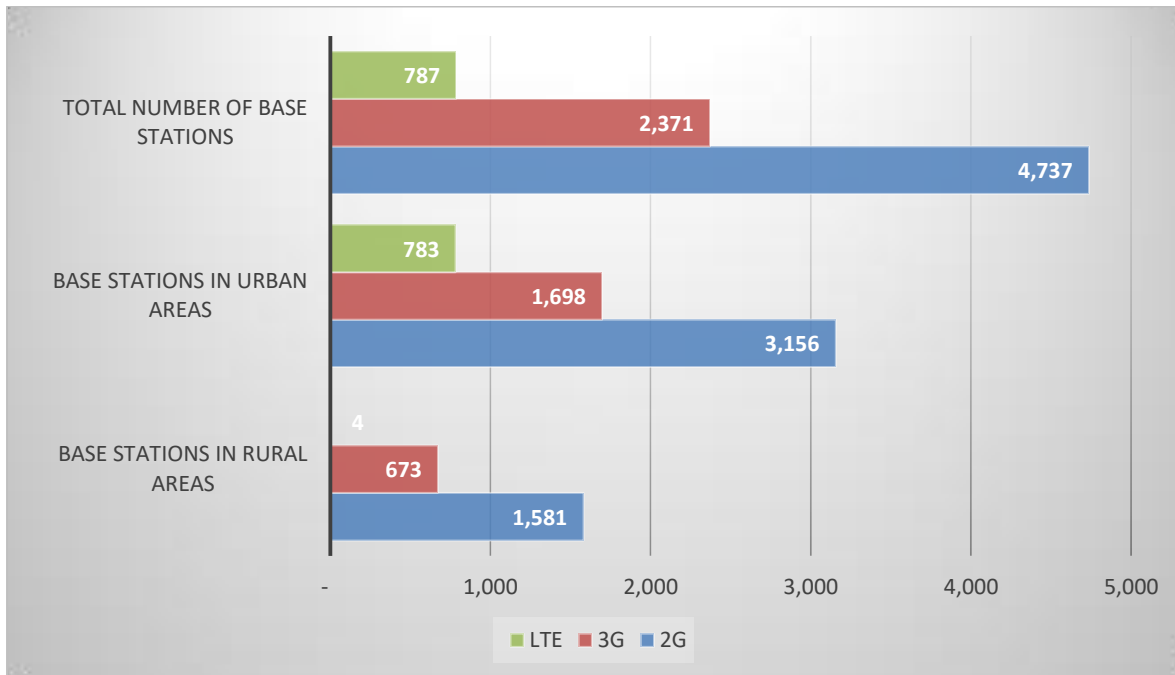


NetOne`s market share increased by 0.5%, whereas the market share of Econet and Telecel declined by 0.1% and 0.4%, respectively as shown above. Investment by the mobile operators increased by 382.6% to record \$50,489,313 compared to \$10,461,052 in the previous quarter. The bulk investment was in national transmission.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

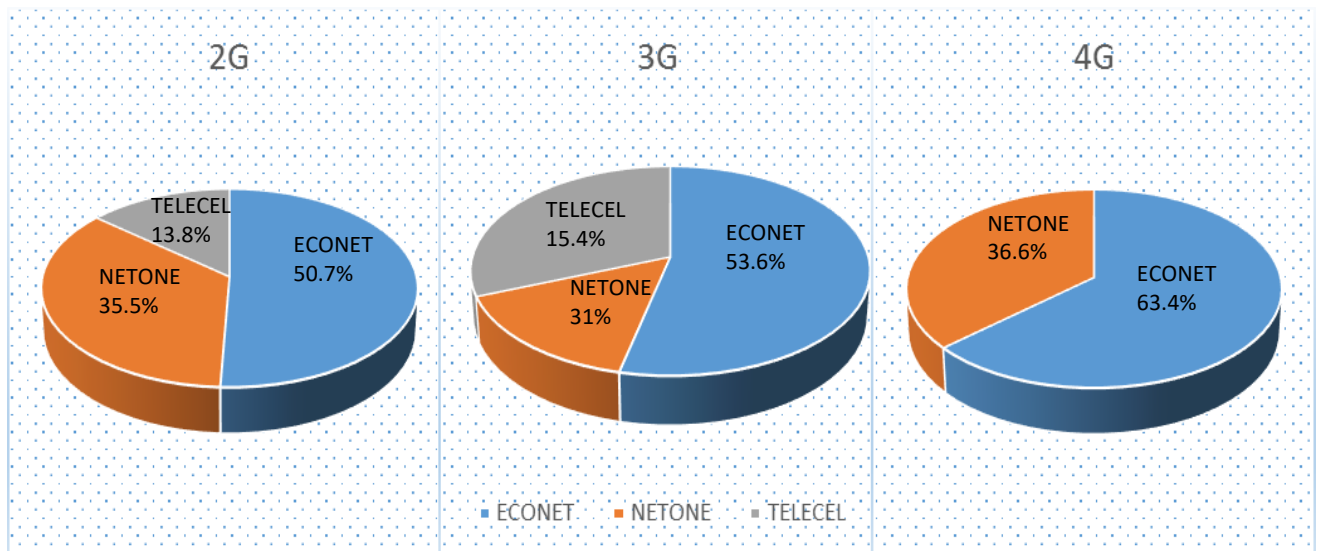
Following the installation of 94 new base stations the total number of mobile base stations in the country as at 30 June 2017 reached 7,902 up from 7,808 recorded as at 31 March 2017. Six new 2G base stations, 84 new 3G base stations and 4 new LTE eNode Bs were commissioned during the quarter under review. Base stations in rural areas made up 28.6% of the total number of base stations in the country; this implies that network rollout by operators is concentrated on the urban areas. The distribution of base stations between rural and urban areas is shown in the graph below:

Figure 8: Base stations in rural and urban areas



Based on the base stations per operator information, the market share of mobile base stations was as follows:

Figure 9: Market share of mobile base stations



A comparison with the previous quarter shows that there was no major change in the market share of base stations in the quarter under review. Econet remained the dominant operator in terms of 2G, 3G as well as LTE network coverage.

3.5 MOBILE MONEY TRANSFERS

3.5.1 SUBSCRIPTIONS

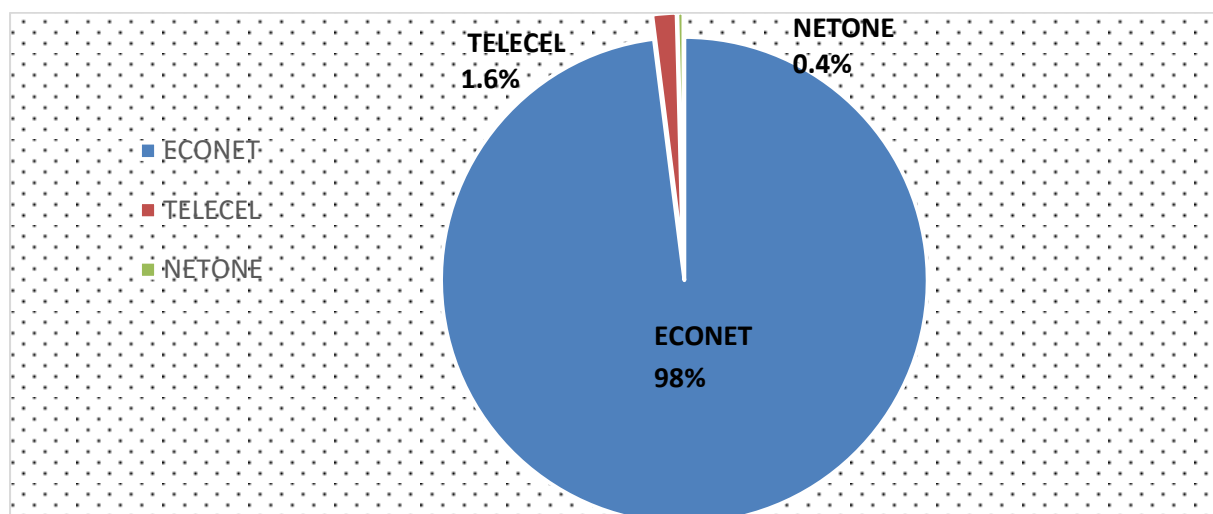
The number of active mobile money subscriptions increased by 3.4% to reach 3,352,476 from 3,251,784 active subscriptions recorded in the previous quarter. An active mobile money subscriber is a subscriber that has used the mobile money service to make transactions that involve the movement of value (such as cash-in, cash-out, bill payments, airtime top-ups, etc.) at least once in the last 90 days. Active money subscriptions per operator are shown in the table below:

Table 6: Active mobile money subscriptions

	1 st Q 2017	2 nd Q 2017	% Change
Econet	3,189,611	3,294,659	3.3%
Telecel	52,076	54,680	5%
NetOne	10,097	13,137	30.1%
Total	3,251,784	3,362,476	3.4%

All the mobile operators experienced an increase in active mobile money subscriptions with the highest increase registered on One Wallet (30.1%). The market share of mobile money subscriptions was as follows:

Figure 10: Market share of mobile money subscriptions



A comparison with the first quarter of 2017 shows that Telecel's market share remained unchanged, NetOne's market share increased by 0.1% whereas Econet's market share declined by 0.1%.

3.5.2 MOBILE MONEY AGENTS

The total number of active mobile money agents increased by 2.8%% to reach 24,575 from 23,898 active agents in the first quarter of 2017. An active mobile money agent is a registered agent that has facilitated at least one transaction in the past 90 days. The quarterly variation in mobile money agents per operator is shown in the table below:

Table 7: Mobile Money Agents

	1st Quarter 2017	2nd Quarter 2017	% Growth
ECONET	22,039	23,050	4.6%
TELECEL	1,614	1,338	-17.1%
NETONE	245	187	-23.7%
TOTAL	23,898	24,575	2.8%

Econet was the only operator to register an increase in active mobile money agents. The decline in active agents by Telecel and NetOne is generally attributed to liquidity constraints, as cash is required to facilitate cash-in and cash-out transactions. Mobile money agents are more concentrated in the urban areas. The distribution of agents by location is shown in table 8 below.

Table 8: Rural v. Urban mobile money agents

	1st Quarter 2017	2nd Quarter 2017	Net Additions	% Growth
RURAL	7,555	7,851	296	3.9%
URBAN	16,343	16,724	381	2.3%
TOTAL	23,898	24,575	677	2.8%

As shown above, there was an increase of 3.9% in the number of agents serving the rural areas.

3.5.2 MOBILE MONEY TRANSACTIONS

There was an increase in cash-in, cash-out as well as airtime and merchant payments on the mobile money platforms of the three mobile network operators as shown in table 9 below:

Table 9: Mobile money transactions

	1 st Quarter 2017	2 nd Quarter 2017	% Change
Cash-In transactions	\$258,627,189	\$290,786,238	12.4%
Cash-Out transactions	\$256,703,173	\$285,517,047	11.2%
Cross-network transfers (by origination)	634,143.34	\$270,249	-57.4%
Airtime and merchant payments	\$152,150,723	\$259,066,362	70.3%

Airtime and merchant payments using the platforms of the three mobile networks registered the highest increase of 70.3%. Mobile money has become a popular and convenient method of paying for goods and services amidst cash shortages. The introduction of bank to mobile wallet transfers has also contributed to the growth in mobile money transactions.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of internet subscriptions as at 30 June 2017, was 6,668,155. This represents a 0.8% decline from 6,722,677 recorded in the previous quarter. Some categories of internet registered growth, whereas others registered a decline in subscriptions as shown in table 10 below:

Table 10: Active Internet Subscriptions

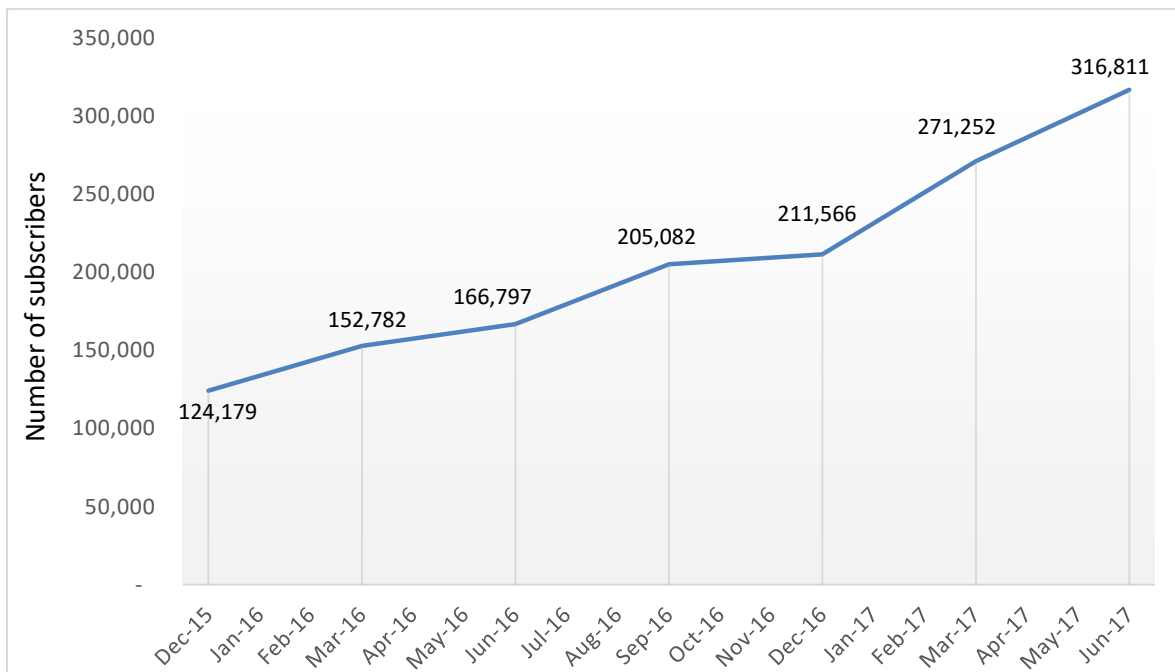
Technology	1 st Quarter 2017	2 nd Quarter 2017	Quarterly Variation
2G/3G/HSDPA/LTE	6,591,183	6,527,176	-1.0%
Leased Lines	1,177	1,386	17.8%
Dial up	-	-	
DSL	73,717	75,618	2.6%
WiMAX	5,467	5,213	-4.6%

CDMA	27,611	33,251	20.4%
VSAT	2,628	3,132	19.2%
Active Fibre subscriptions	20,894	22,379	7.1%
Total	6,722,677	6,668,155	-0.8%

Source: POTRAZ, Operator Returns

The internet penetration rate declined by 0.4% to reach 48.6% from 49% recorded in the previous quarter because of the 0.8% decline in internet subscriptions. A total of 316,816 subscribers accessed and used LTE in the quarter under review; this represents a 16.8% increase from 271,252 subscribers recorded in the previous quarter. The LTE users comprised of 309,215 Econet subscribers and 7,616 NetOne subscribers. LTE use has been increasing as shown in figure 11 below:

Figure 11: Growth in LTE Use



The use of LTE is expected to continue increasing as LTE coverage and penetration of smartphones improve.

4.3 INTERNATIONAL INTERNET CONNECTIVITY

The total incoming equipped international internet bandwidth capacity increased by 29.3% to reach 98,000Mbps from 76,060Mbps recorded in the previous quarter. The increase is attributable to the commissioning of more STM1s by Liquid and TelOne. Equipped international incoming internet bandwidth for each of the Internet Access Providers with international internet connectivity is shown in table 11 below:

Table 11: Equipped international internet bandwidth

	1 st Quarter 2017	2 nd Quarter 2017	% Variation
Liquid	60,000	80,000	33.3%
TelOne	12,400	14,880	20.0%
Powertel	1,860	1,860	0.0%
Dandemutande	1,335	1,335	0.0%
Africom	465	250	-46.2%
Total	76,060	98,325	29.3%

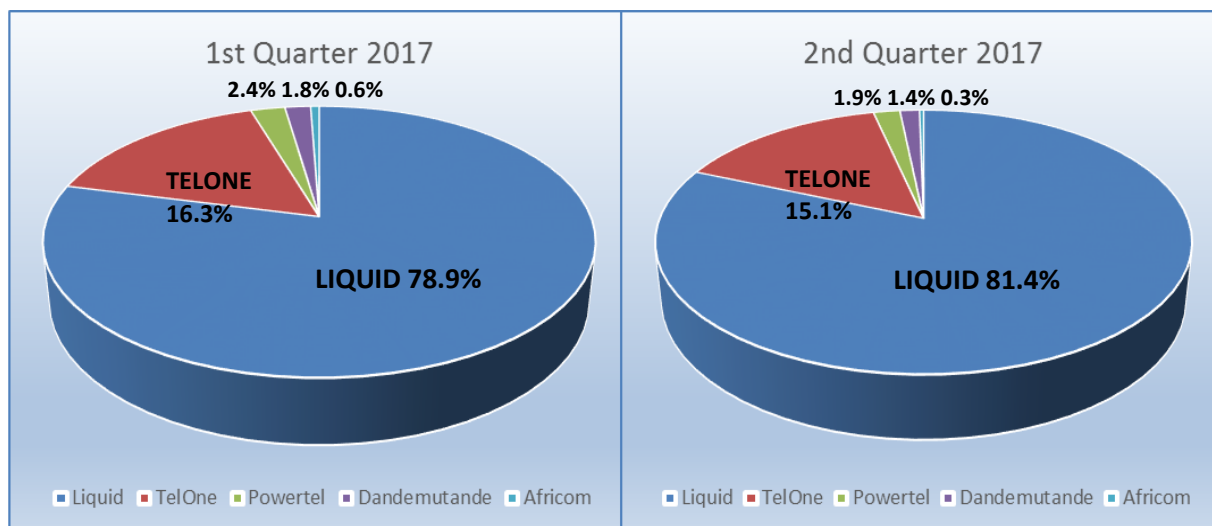
As shown above Africom`s equipped international incoming bandwidth declined by 46.2%. Mobitel, Mozambique disconnected Africom as a result of Africom`s failure to pay bandwidth costs because of the current foreign currency shortages. 36.9% of the equipped international incoming bandwidth capacity was utilized. Used international internet bandwidth capacity per operator is shown in table 12 below:

Table 12: Used international internet bandwidth

OPERATOR	Incoming International			Outgoing International		
	1 st Q 2017	2nd Q 2017	Quarterly Variation	1 st Q 2017	2 nd Q 2017	Quarterly Variation
Liquid	19,478	16,460	-15.5%	3,300	3,538	7.2%
Tel One	12,210	16,392	34.3%	4,330	4,975	14.9%
Powertel	1,860	1,860	-	320	320	-
Dandemutande	1,235	1,335	8.1%	358	419	17%
Africom	320	250	-21.9%	65	80	23.1%
TOTAL	35,103	36,297	3.4%	8,373	9,332	11.5%

Based on individual operator data, the market share of equipped international internet bandwidth was as follows:

Figure 12: Market share of equipped international internet bandwidth



A comparison with the 1st quarter's figures shows that Liquid gained 2.5% market share of equipped capacity whereas TelOne, Powertel, Dandemutande and Africom lost 1.2%, 0.5%, 0.4% and 0.3%, respectively.

4.3 IAP REVENUES AND INVESTMENT

A quarterly comparison of revenues and investment by Internet Access Providers is shown in table 13 below:

Table 13: IAP Revenues per operator

	1 st Quarter 2017	2 nd Quarter 2017	% Growth
Revenues	\$45,553,463	\$40,312,820	-11.5%
Investment	\$5,889,182	\$9,816,562	66.7%

As shown above, total revenue generated by IAPs declined by 11.5% to record \$40.3 million from \$45.6million, recorded in the previous quarter. The market share of revenues was as follows:

Table 14: IAP revenues market share

	Market Share of Revenues 2nd Quarter 2017
Liquid	47.7%
TelOne	24.6%
Powertel	15.8%
Dandemutande	6.8%
Africom	3.5%
Telecontract	1.5%
Aquiva	0.1%
Aptics	0.0%
Total	100%

As shown above, Liquid had the highest market share of IAP revenues, whereas Aptics had the least market share.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

A quarterly comparison of the postal and courier volumes by the designated postal operator is shown in the table below:

Table 15: Postal and courier volumes

		1st Quarter 2017	2nd Quarter 2017	% Growth
Domestic Postal	Ordinary Letters	1,564,586	1,476,650	-5.6%
	Parcels	997	1,022	2.5%
	Registers	21,060	28,245	34.1%
	Total	1,586,593	1,505,917	-5.1%
International Incoming	Letters	309,933	363,989	17.4%
	Small Packets	14,776	12,526	-15.2%
	Parcels	3,169	3,038	-4.1%
	Registers	13,922	15,023	7.9%

	Total	341,800	394,576	15.4%
International Outgoing	Letters	48,980	43,992	-10.2%
	Parcels	674	613	-9.1%
	Registers	1,174	827	-29.6%
	Total	50,828	45,432	-10.6%

As shown above, some postal and courier categories experienced growth whereas other categories registered declines in the quarter under review. International incoming letters and registers experienced growth whereas incoming parcels and small packets declined. On the other hand, all categories of international outgoing traffic registered a decline in volumes. Generally, postal and courier services have been negatively affected by e-substitution, which is the substitution of traditional postal and courier services with electronic communication.

5.4 POSTAL & COURIER OUTLETS

The total number of post offices remained at 239, 143 of which had internet connectivity up from 142 recorded in the previous quarter. The post offices are broken down by location as follows:

Table 16: Postal and courier outlets

	POSTAL & COURIER
Post offices in rural	169
Post offices in urban	70
Total Post Offices	239
Number of private bags	727
Number of rented private boxes	12,392

With 239 post offices, Zimbabwe's postal density is 57,437. This means that there is one post office per 57,437 people.

6. OUTLOOK

The data revolution is showing signs of intensification as evidenced by the significant increase in mobile internet usage of 16%. Mobile internet will continue to dominate internet use in the country as compared to the fixed internet technologies, due to the convenience of mobile internet. Fibre, as well as LTE access, will continue to grow as coverage improves due to continued investment in fibre and LTE infrastructure. The improved affordability of data because of promotions, use of plastic money and e banking as well as the increasing smartphone penetration, will also bolster the data revolution.

Operators will continue to stimulate voice traffic through promotions as voice continues to face competition from Over-the-Top services. The revenue contribution of data and internet revenue to fixed and mobile revenues will grow as demand for data and internet services continues to rise. The revenue performance of operators will be dependent on their ability to stimulate data consumption through the development of applications that are relevant for day-to-day use. Revenue from SMS is set to improve due to the growing use of mobile and internet banking through the sending of notifications by SMS. Periodic fluctuations in terms of volume and revenues in the postal and courier sector are set to continue due to e-substitution.

The trend of marginal subscriber growth and periodic fluctuations in individual operator subscriptions will continue due to increased competition. Competition for subscribers is expected to get stiffer across markets. Competition will be mainly on prices and new products and service. This will be of benefit to the consumer.