POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
(POTRAZ)

POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2013

Disclaimer:

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LIST OF ABBREVIATIONS

SIM	Subscriber Identification Module
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
ARPU	Average Revenue Per User
MoU	Minutes of Use

1. MAJOR HIGHLIGHTS

- Total mobile subscribers increased by 1.9% to reach 12,796,118 from 12,553,682 subscribers recorded in the previous quarter.
- The mobile penetration rate increased by 1.8 percentage points to reach 98.4% from 96.6% recorded in the previous quarter.
- Fixed telephone subscribers declined by 0.4% to reach 313,372 subscribers from 314,622 subscribers recorded in the previous period.
- Data and internet subscribers increased by 13.3% to reach 4.9 million from 4.3 million recorded in the previous quarter.
- The internet penetration rate increased by 4.2% to reach 37.5% from 33.3% recorded in the previous quarter.
- Mobile Money Transfer subscription increased by 14.3% to reach 2.5 million up from 2.2 million recorded in the previous quarter.
- Total number of Mobile Base Stations increased from 3,663 to 3,915 due to an addition of 252 base stations during the quarter.
- The total revenue for the postal and telecommunications sector increased by 4.4% to reach $312.6 million from $299.4 million recorded in the previous quarter.

1. CELLULAR MOBILE SERVICES

1.1 SUBSCRIPTIONS

In the second quarter of 2013, the number of mobile subscribers increased by 1.9% to reach 12,796,118 from 12,553,682 recorded during the previous quarter. The quarterly movement in prepaid and postpaid mobile subscription is shown in Table 1 below:

Table 1: Mobile Subscriptions

Subscription type	1st Quarter 2013	2nd Quarter 2013	Quarterly Variation %
Pre-paid Subscription	12,301,563	12,547,926	2.0%
Post-paid Subscription	252,119	248,192	-1.6%
Total Mobile Subscription	12,553,682	12,796,118	1.9%

Source: POTRAZ, Operator Returns

As shown in Table 1, post-paid subscriptions recorded a decline of 1.6 % to reach 248,192 down from 252,119 recorded during the previous quarter. On the other hand pre-paid subscriptions grew by 2 % during the period to reach 12,547,926 up from 12,301,563 recorded during the previous period. The ratio of post-paid to pre-paid subscriptions was 1:51 compared to a post-paid to pre-paid subscription ratio of 1:49 during the previous quarter. NetOne commands the greatest market share of post-paid subscribers with 75.4%; whereas Econet and Telecel have 21.3% and 3.3% market share of post-paid subscribers respectively.

1.2 MOBILE SUBSCRIPTIONS PER OPERATOR

During the period under review, all the three mobile operators recorded positive gains in subscribers. Subscribers per operator for the quarter are shown in the table below:

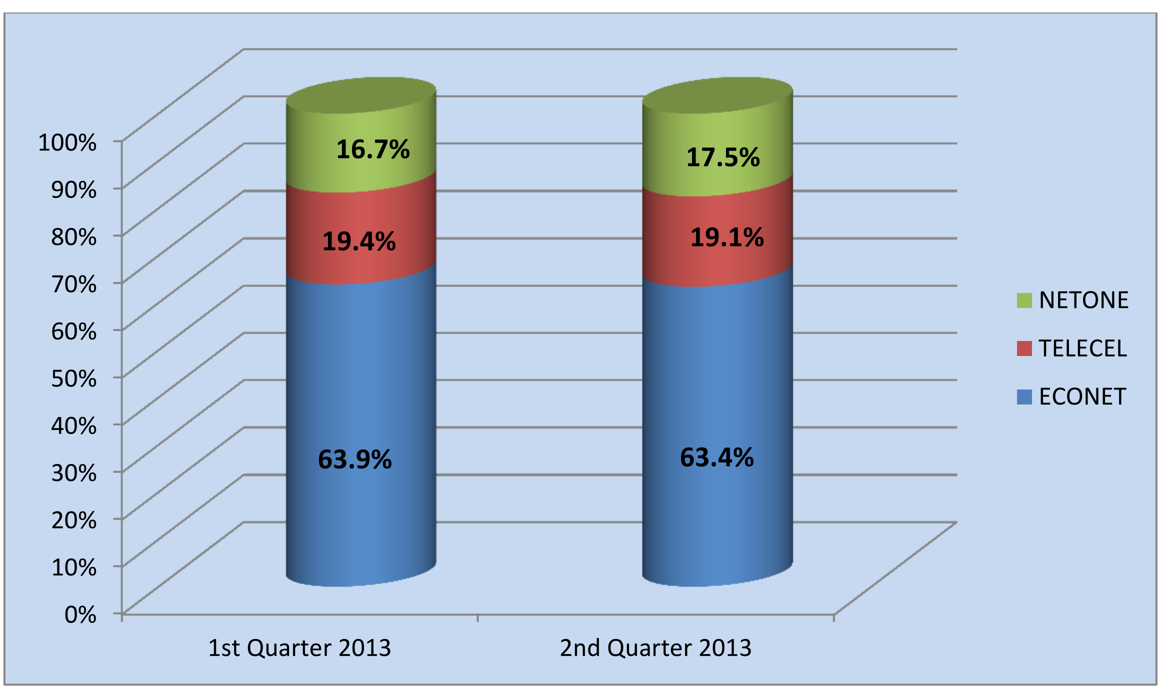
Table 2: Subscriptions per operator

Name of Operator	First Quarter 2013	Second Quarter 2013	Quarterly Variation %
ECONET	8,024,891	8,114,814	1.1%
TELECEL	2,429,906	2,448,687	0.8%
NETONE	2,098,885	2,232,617	6.4%
TOTAL	12,553,682	12,796,118	1.9%

Source: POTRAZ, Operator Returns

Econet gained 89,923 new subscribers, representing a growth of 1.1 per cent. Telecel gained 18,781 subscribers, representing a decline of 6.4 per cent in their subscriber base. NetOne was the biggest gainer with 133,732 new subscribers; representing a growth of 6.4 per cent from 2,098,885 subscribers recorded in the previous quarter. The market share by subscription is shown in Figure 1 below:

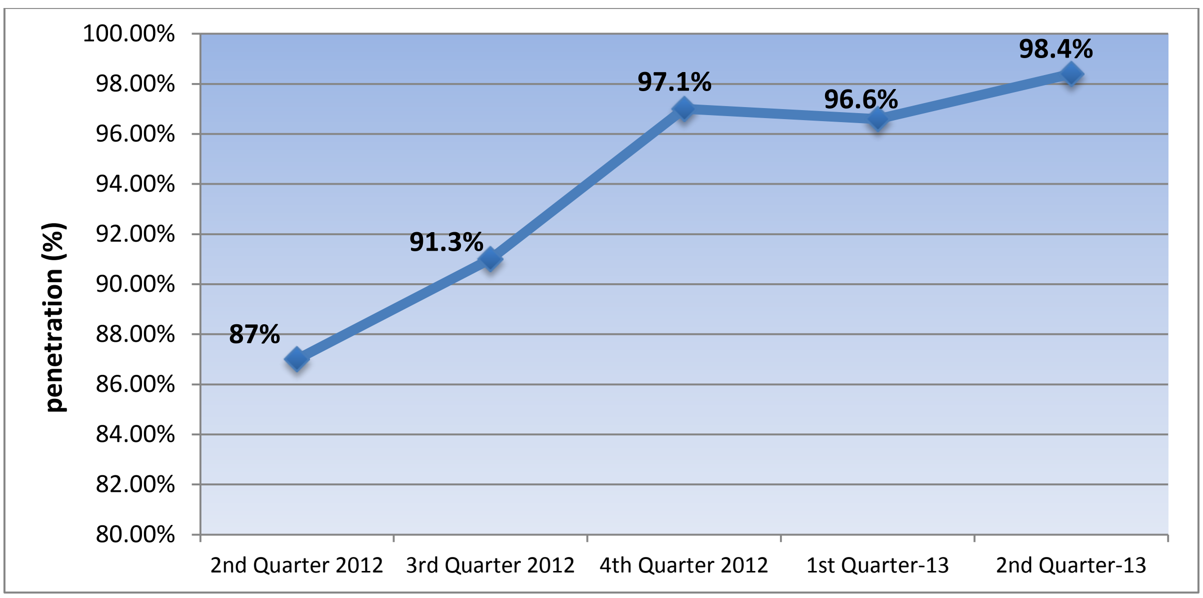
Figure 1: Percentage Subscription Market Share per Operator



Econet` s market share declined marginally by 0.5% to reach 63.4 per cent from 63.9 per cent recorded in the previous quarter. Telecel`s market share declined by 0.3 percentage points to stand at 19.1 per cent at the end of the second quarter of 2013. NetOne`s market share increased by 0.8% to reach 17.5% at the end of the second quarter of 2013.

The mobile penetration increased by 1.8 percentage points from 96.6 % during the previous period to 98.4 % during the period under review. The increase in mobile tele-density was triggered by the 242,436 increase in mobile subscriptions during the period under review. The quarter-on-quarter growth trend in the mobile penetration is shown in Figure 2 below:

Fig 2: Mobile Penetration %



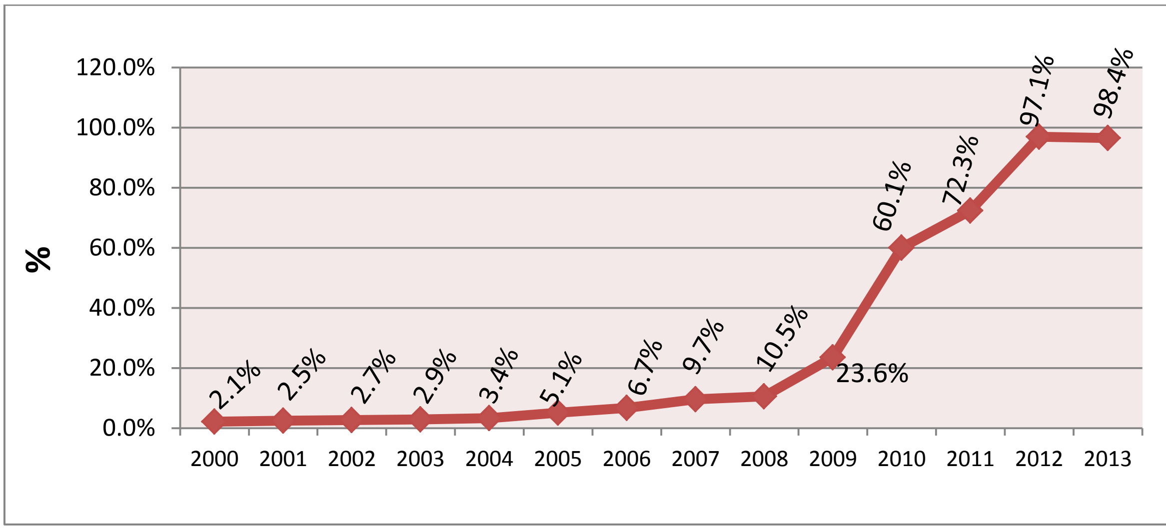
Source: POTRAZ, Operator Returns

The annual growth trend in the mobile penetration from 2000 to date is shown in table 3 and Figure 3 below:

Table 3: Annual Mobile Penetration rates

Year	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Penetration rate (%)	2.1	2.5	2.7	2.9	3.4	5.1	6.7	9.7	10.5	23.6	60.1	72.3	97	98.4

Fig 3: Mobile Penetration Trend Analysis (2000-2013)



Source: POTRAZ, Operator Returns

1.3 MOBILE MONEY TRANSFER

The mobile money transfer service has continued to record considerable growth. During the period under review, the number of mobile money subscriptions increased by 14.3 per cent to reach 2,486,535 up from 2,175,183 subscriptions recorded in the previous quarter. The total deposits grew by 53.3 per cent to $172 million up from $112 million recorded in the previous quarter as shown in table 4 below:

Table 4: Mobile Money Transfer

Mobile Money Transfer	March 2013	June 2013	Quarterly Variation %
Subscriptions	2,175,183	2,486,535	14.3%
Number of Agents	3,014	5,361	77.9%
Total Deposits (US$)	$112,123,088	$171,882,621	53.3%

Source: POTRAZ, Mobile Operator Returns

The number of mobile money transfer agents increased to 5,361 from 3,014 recorded during the previous quarter, representing an increase of 77.9%, signifying increased accessibility of mobile money transfer services.

1.4 MOBILE TRAFFIC AND USAGE PATTERN

1.4.1 NATIONAL VOICE TRAFFIC

Similar to the growth trend observed in mobile subscriptions, the total number of minutes of calls made on the mobile network locally increased by 1.1 per cent during the period to stand at 1,313,781,789 minutes from 1,299,863,062 minutes recorded during the previous quarter. The addition in the number of subscribers may to have contributed to the increase in national mobile traffic. The national voice traffic statistics are shown in table 5 below:

Table 5: Local Mobile Voice Traffic in Minutes

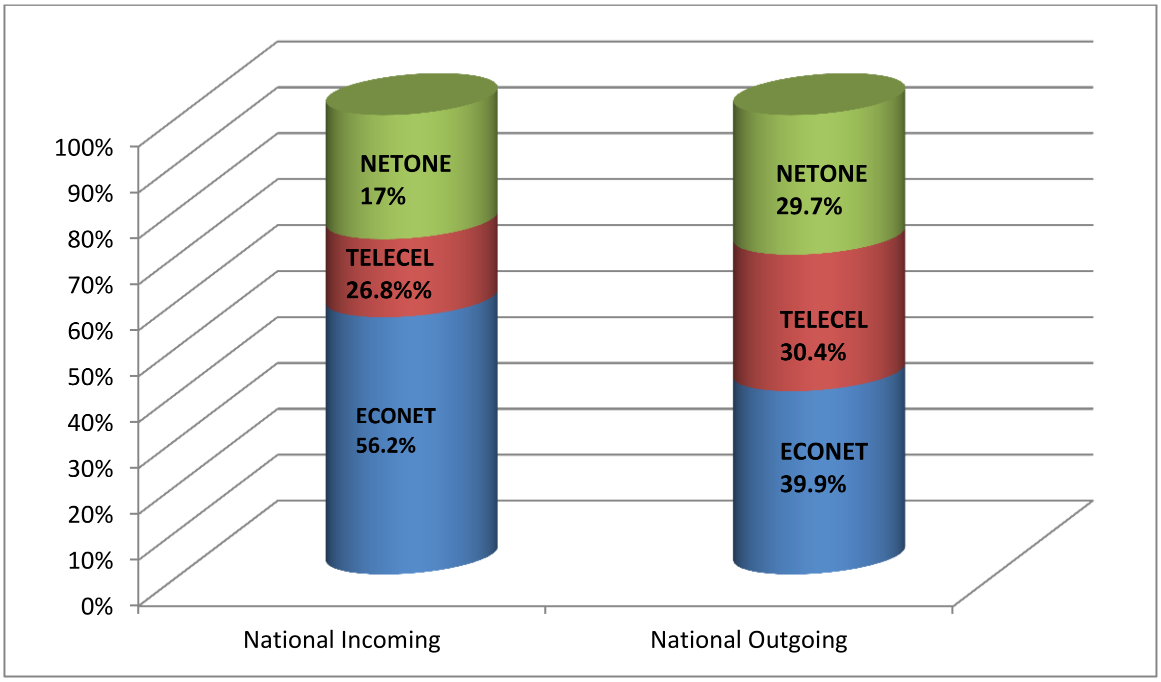
Mobile Traffic	1st Quarter 2013	2nd Quarter 2013	Quarterly Variation
Net On Net	1,012,364,078	1,025,743,763	1.3%
Mobile to Mobile	195,248,697	198,855,906	1.9%
Mobile to Fixed	6,421,848	6,516,265	1.5%
Fixed to Mobile	82,764,465	78,478,960	-5.2%
Mobile to VoIP	314,829	473,323	50.3%
VoIP to Mobile	2,749,145	3,713,572	35.1%
Total Off-Net	202,985,373	205,845,494	1.9%

Source: POTRAZ, Operator Returns

On-net traffic grew by 1.3 per cent to reach 1,025,743,763 minutes up from 1,012,364,078 minutes posted the previous period. In the same vein, total off-net traffic increased by 1.9 percent to stand at 205,845,494 minutes from 202,985,373 minutes recorded during the previous quarter. Mobile-to-fixed traffic went up by 1.5 per cent to record 6.5 million minutes up from 6.4 million minutes posted during the previous quarter. Noteworthy is the increase in the traffic flow between VoIP and mobile operators. Mobile to VoIP traffic increased by 50.3% whereas VoIP to Mobile traffic increased by 35.1%. The increase in traffic between mobile and VoIP can be attributed to the commercialisation of Telecel`s interconnection with Telecontract and Africom during the period..

The ratio of on-net traffic to total national traffic remained at 1:0.3. On-net traffic constituted 78% of national mobile traffic. The market share of national mobile traffic is illustrated in the graph below:

Fig 4: Market Shares for Interconnection traffic



Source: POTRAZ, Operator Returns

Econet dominates the market share for interconnection traffic commanding market shares of 56.2% and 39.9% for incoming and outgoing national traffic respectively.

1.4.2 INTERNATIONAL MOBILE TRAFFIC

During the period under review international incoming voice traffic increased marginally by 0.4% to reach 84.7 million minutes from 84.4 million minutes recorded the previous quarter. Similarly, international outgoing voice traffic increased by 2.1 percent during the period to reach 39.9 million minutes, from 39.1 million minutes recorded in previous quarter. Contrary to observations made for international incoming and outgoing traffic, the number of international incoming Short Messaging Service (SMS) declined by 13.8 percent to reach 17.6 million messages, from 20.4 million SMS recorded during the previous quarter. This indicates that subscribers living abroad preferred voice calls to SMS during the period. Similarly, international outgoing text messages declined by 8 percent to reach 11.7 million SMS from 12.7 million SMS recorded in the previous period. This could also be reflective of the increasing use of alternative messaging methods such as whatsapp. The trend in international mobile voice and SMS traffic movements are shown in Table 6 below:

Table 6: International Mobile Traffic (Minutes)

International Mobile Traffic	1st Quarter 2013	2nd Quarter 2013	Quarterly Variation (%)
International Incoming Minutes	84,367,791	84,693,387	0.4%
International Outgoing minutes	39,054,164	39,881,254	2.1%
International incoming SMS	20,445,766	17,621,808	-13.8%
International Outgoing SMS	12,710,585	11,690,217	-8%

Source: POTRAZ, Operator Returns

1.4.3 ROAMING TRAFFIC

The quarter under review recorded a decline of 15.8 per cent in the number of minutes of roaming-in voice traffic to reach 843,493 minutes from 977,166 minutes recorded during the previous quarter. Roaming-out voice traffic declined by 61.8 per cent from 526,570 minutes recorded during the previous period to 201,404 minutes recorded during the period under review. As shown in Table 7 below, the amount of roaming-in voice traffic was higher than that of roaming-out voice traffic, an indication that foreign subscribers made more calls while roaming on the local networks than home subscribers roaming on foreign networks

Table 7: Roaming Traffic

Roaming Traffic	Jan-Mar 2013	April-June 2013	% Quarterly Variation
Roaming Voice Minutes (Outbound)	526,570	201,404	-61.8%
Roaming Voice Minutes (Inbound)	977,166	843,493	-15.8%

Source: POTRAZ, Operator Returns

1.5 MOBILE REVENUES AND INVESTMENT

Total revenue from mobile voice services increased by 5.5% to reach $241.9 million from $229.4 million recorded in the first quarter of 2013. Total investment in mobile telephony increased by 22.4% to reach $43,294,023 from $35,380,259 recorded in the previous quarter. 81% of the total investment was towards national transmission which led to an increase in total number of base stations from 3,663 to 3,915 during the period.

1.6 AVERAGE REVENUE PER USER

The aggregate Average Revenue per User (ARPU) for the mobile telephone sector in the quarter under review increased by 4.3% to reach $16.33 from $15.65 recorded in the previous quarter. The Average Revenue per User for the Fixed Line network increased by 2.3% to reach $121.05 from $118.29 recorded in the previous period. The ARPU for the fixed line network is significantly higher than the ARPU for the mobile operators; this can be attributed to the fact that much of the fixed line subscribers are Corporates.

2 FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The period under review witnessed a decline in the total number of fixed lines by 0.4 per cent. The total main lines declined from 314,522 in the previous quarter to 313,372 during the period under review. The fixed telephone service has continued to face stiff competition from the mobile sector. The quarterly movement in fixed lines and fixed tele-density is shown in the table below:

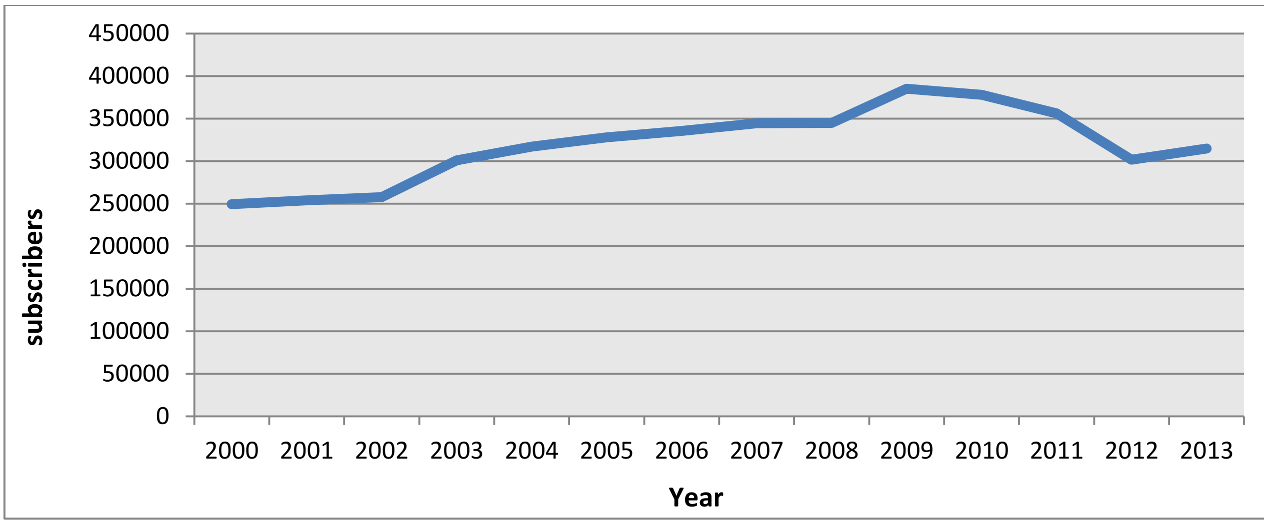
Table 8: Fixed Network Subscriptions

	March 2013	June 2013	Quarterly Variation
Total Fixed Subscribers	314,622	313,372	-0.4%
Fixed Tele-density	2.42%	2.41%	-0.0%

Source: POTRAZ, Operator Returns

TelOne has been experiencing fluctuations in subscribers since 2009. The annual trend of fixed telephone subscription from 2000 to date is shown below:

Fig 5: Fixed Telephone Subscribers trend



2.2 FIXED NETWORK TRAFFIC

Table 9: Fixed Network National Traffic in Minutes

Local Fixed Network Traffic	First Quarter 2013	Second Quarter 2013	Quarterly Variation (%)
Incoming from Mobile	6,421,848	6,516,365	1.5%
Outgoing to Mobile	82,764,465	78,478,960	-5.2%
Total National	83,167,800	91,299,984	9.8%
International Incoming	10,939,201	10,822,994	-1.1%
International Outgoing	9,724,942	9,218,106	-5.2%

Source: POTRAZ, Operator Returns

During the period under review incoming traffic from the mobile network increased by 1.5% to reach 6,421,848 minutes from 6,516,365 minutes recorded in the previous quarter. Fixed to mobile traffic declined by 5.2% to reach 78,478,960 minutes from 82,764,465 minutes recorded in the previous quarter. International incoming traffic declined by 1.1% to reach 10.8 million minutes from 10.9 million minutes recorded in the previous quarter. International outgoing traffic declined by 5.2% to reach 9.2 million minutes from 9.7 million minutes recorded in the previous quarter. The ratio of incoming traffic from mobile to outgoing traffic to mobile was 1:12; this implies that the fixed line operator TelOne is always the net payer of interconnection dues.

3. DATA AND INTERNET SERVICES

3.1 SUBSCRIPTION

By the end of the quarter under review, there were 4,868,623 internet subscribers up from 4,297,083 recorded during the previous quarter. This represented an increase of 13.3 per cent during the period. The increase was mainly driven by mobile data/internet subscriptions that have continued to dominate the internet sub-sector over the period. The mobile data/internet subscriptions grew by 11 per cent to reach 4,775,885 up from 4,250,930 posted during the previous quarter. Data service promotions and special offers by mobile operators during the period could have contributed to the increase in mobile data/internet subscriptions. For instance, during the period, Econet slashed their data bundle tariffs by half. The mobile data/internet subscribers continued to dominate the internet, representing 98 per cent of the total subscriptions. The growth in internet and data subscriptions is shown in Table 10 below:

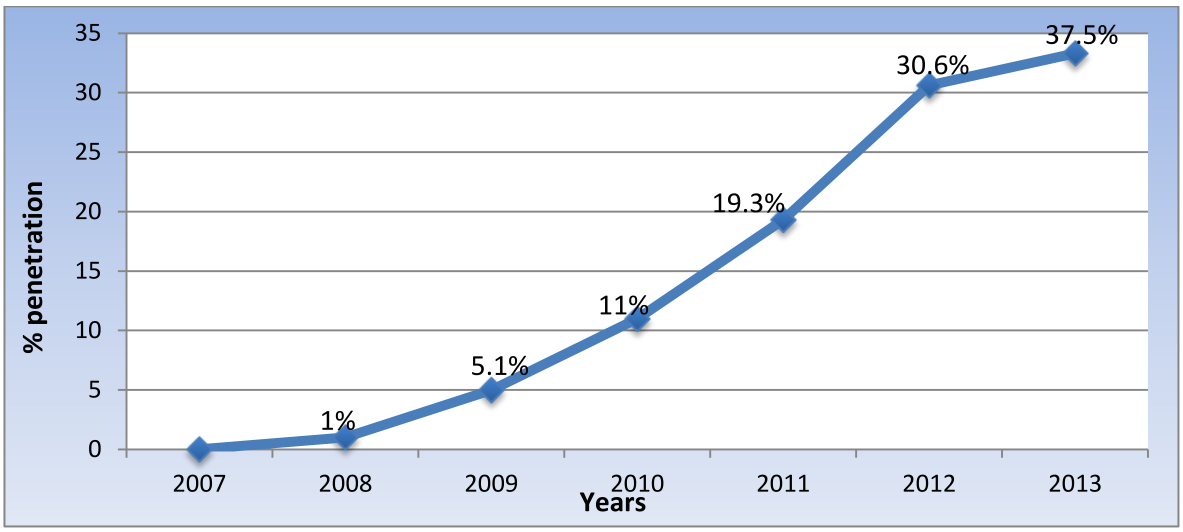
Table 10: Internet subscription by technology

Technology	Subscribers	Market Share
GPRS/EDGE/3G/HSDP	4,775,885	98.1%
Leased Lines	1295	0.03 %
Dial up	9007	0.19%
XDSL	17421	0.35%
Wimax, Wi-Fi	8628	0.18%
CDMA	55255	1.13%
VSAT	171	0.01%
Fibre links	961	0.02%
TOTAL	**4,868,623**	**100%**

Source: POTRAZ, Operator Returns

Internet penetration increased from 33.3% to reach 37.5%**.** The trend for internet penetration over the last six years is illustrated in the following graph:

Figure 6: Internet Penetration 2007-2013



Source: POTRAZ, Operator Returns

3.2 INTERNATIONAL BANDWIDTH

In the quarter under review the total international bandwidth was 7,130Mbps. This was an increase in bandwidth by 930Mbps from 6200Mbps recorded in the previous quarter. The available international internet bandwidth by operator is shown in the table below: Due to increased demand for bandwidth in the country Powertel, Liquid and TelOne upgraded their international bandwidth by 2*STM1 each. An STM1 is equivalent to 155Mbps.

3.3 REVENUE & INVESTMENT IN THE DATA & INTERNET MARKET

In the period under review data and internet operators realized a total of $23,812,833 down from $24,097,538 realized in the previous quarter. This represents a 1.2% decline in revenues. The quarterly movement in data and internet revenues over the year is shown in the graph below:

Figure 7: Data and Internet Revenues

Source: POTRAZ, Operator Returns

Investment in Data and Internet services increased by 1.5% to reach $5,608,920 from $5,525,991 recorded in the previous quarter. Of this Investment 52.5% is attributed to Liquid Telecoms and Powertel contributed 22%. Much of the investment was in Optic Fibre projects.

4. POSTAL AND COURIER SERVICE

4 .1 POSTAL AND COURIER TRAFFIC

4,408,878 letters were sent locally during the quarter under review up from 3,286,188 letters posted in the previous period. This represents an increase of per 34 per cent during the period. On the other hand, the number of international incoming mail declined up by 5.2 per cent to reach 39,470 from 41,635 letters posted during the previous quarter. Similarly, the number of international outgoing letters declined by 2.5 per cent from 70,993 sent during the previous period to 69,218 sent during the period under review.

4.3 POSTAL & COURIER REVENUE AND INVESTMENT

Revenues increased by 2.8% to reach $8,961,866 from $8,716,339 recorded in the previous quarter. On the other hand investment declined by 37.9% to reach $945,324 from $1,521,895 recorded in the previous quarter. Table 11 below shows the quarterly movement in postal and courier revenue and investment.

Table 11: Postal and Courier Revenues and Investment

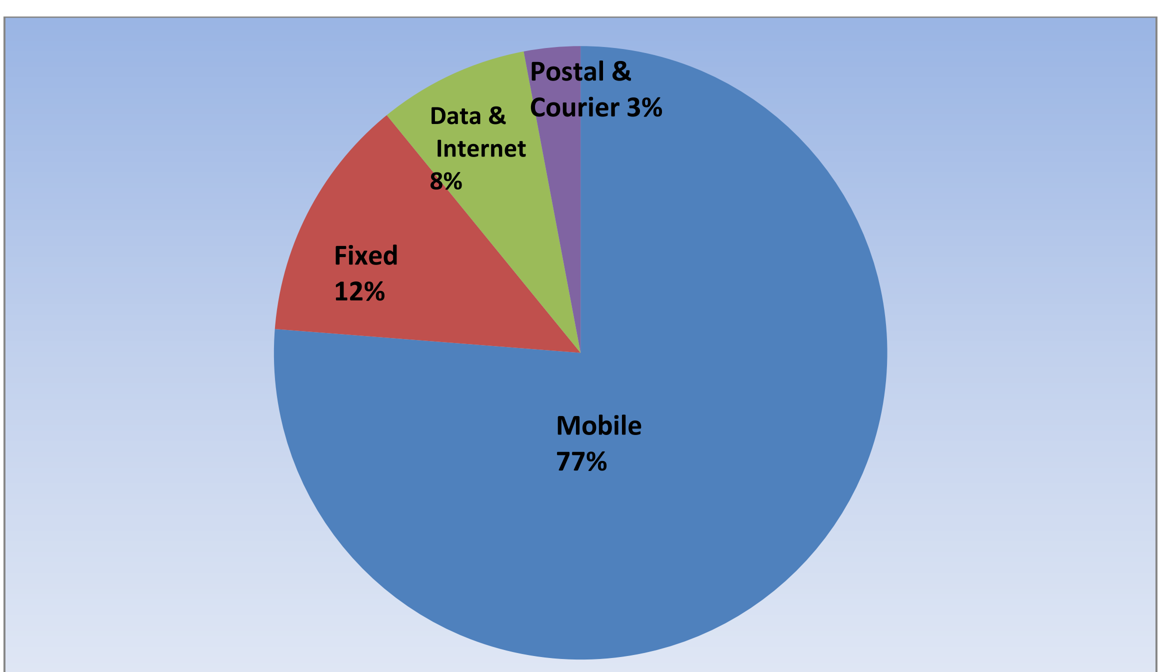
	1st Quarter 2013	2nd Quarter 2013	Quarterly Variation
Revenues	8,716,339	8,961,866	2.8%
Investment	1,521,895	945,324	37.9%

Source: POTRAZ, Operator Returns

5. TOTAL SECTOR REVENUE AND INVESTMENT

Revenues in the postal and telecommunications sector increased by 4.4% to reach $312,622,300 from $299,387,007 recorded in the first quarter of 2013. This implies that revenues for the half year of 2013 ending 30 June 2013 were $612,009,307. Total sector investment increased by 0.9% to reach $50,075,557 from $49,635,354 recorded in the previous quarter. The contribution to sector revenue and investment by service is shown below:

Figure 8: Contribution to Sector Revenue



Of the total revenue mobile and fixed voice service contributed 77% and 12% respectively. Data and internet services contributed 8 % whereas postal and courier services contributed 3% of the total sector revenue.

6. CONCLUSION

The Telecommunications sector has undergone major phases in its growth and technological advancements over the period. With the sector continually innovating new services and products, there is no doubt that it will continue to expand. This is particularly important for the mobile industry that has recorded tremendous growth, innovation and investment over the period. The industry recorded growth in subscriptions and traffic during the quarter. This trend is likely to continue in the coming periods particularly with increased competition in the industry which has made operators to innovate and formulate new strategies in order to garner subscriptions consequently increasing their market shares.

The mobile money transfer service also recorded positive growth during the quarter under review. This service is expected to continue recording positive growth in the coming periods. In the Internet/data market, mobile data/Internet market continued to dominate the sector with majority of subscriptions being through the mobile phones. The population that had access to Internet was recorded as 37.5 per cent during the period from 33.3 per cent in the previous period. The ease of access of this service through the mobile phones coupled with the popularity of social media among the young generation has and will continue to contribute immensely to the growth of Internet market in the country.

The fixed line network market segment recorded negative growth in subscribers over the period. Fixed -mobile substitution has had a major impact in the decline of fixed telephony service over the years. In the postal and courier sector, an upward trend in the quantities of letters sent locally was recorded during the period; whereas a downward trend was experienced in international courier.