

# **POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)**



*'creating a level playing field'*

## **ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT**

**THIRD QUARTER 2018**

**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. Whilst the Authority has taken effort to ensure accuracy of the data contained in this report, it is not liable for the inaccuracy of any information.*

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## **LIST OF ACRONYMS**

<b>2G</b> .....	Second Generation
<b>3G</b> .....	Third Generation
<b>ACPU</b> .....	Average Cost per User
<b>AMPU</b> .....	Average Margin per User
<b>ARPU</b> .....	Average Revenue per User
<b>ADSL</b> .....	Asymmetric Digital Subscriber Line
<b>GB</b> .....	Gigabyte
<b>LTE</b> .....	Long Term Evolution
<b>MB</b> .....	Megabyte
<b>TB</b> .....	Terabyte
<b>Mbps</b> .....	Megabits per second
<b>VoIP</b> .....	Voice Over Internet Protocol

## 1. MAJOR HIGHLIGHTS

- **5%** increase in active mobile subscriptions from **12,2million** recorded in the second quarter of 2018 to **12,7 million**
- **4%** increase in mobile penetration rate from **88%** in the second quarter of 2018 to **92 %**;
- **5%** increase in mobile voice traffic from 1.2 billion minutes recorded in the second quarter of 2018 to record **1.27 billion** minutes.
- **21%** increase in mobile internet usage from **6,104TB** recorded in the second quarter of 2018 to record **7,395TB**.
- **13 %** increase in mobile telephone revenue from **\$292.9 million** recorded in the second quarter of 2018 to reach **\$331.2 million**
- **7%** growth in active internet subscriptions from **7,197,279** recorded in the second quarter of 2018 to reach **7,690,134**
- **3.5%** increase in the internet penetration rate from **51.9%** recorded in the second quarter of 2018 to **55.4%**
- **6%** increase in used incoming international internet bandwidth capacity from **80,546Mbps** recorded in the second quarter of 2018 to **85,333Mbps**;
- **8.5%** decline in postal and courier revenues from **\$9,033,823** recorded in the second quarter of 2018 to **\$8,268,603**.

## 2. FIXED TELEPHONE SERVICE

### 2.1 SUBSCRIPTIONS

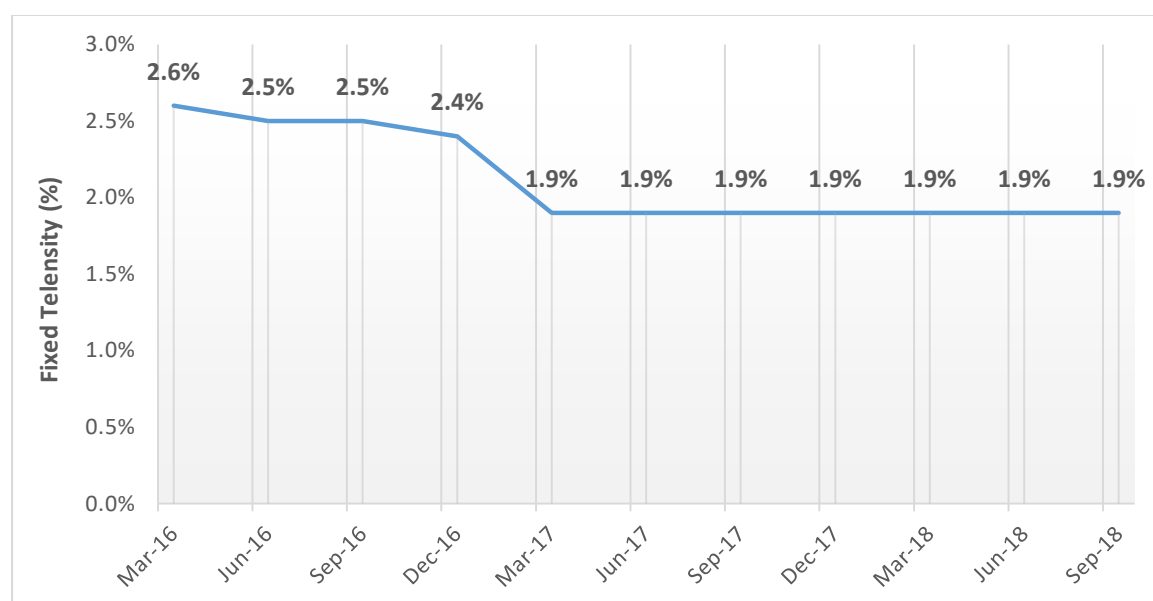
The total number of active fixed telephone lines was 266,219 as at 30 September 2018. This represents a 0.9% growth from 263,962 active fixed telephone lines recorded in the second quarter of 2018. The overall growth is attributable to the increase in residential subscriptions as shown in Table 1 below:

**Table 1: Fixed telephone subscriptions**

Traffic category	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Growth
Residential	153,994	159,158	3.4%
Corporate	109,968	107,061	-2.6%
Total Active	263,962	266,219	0.9%

Corporate fixed telephone subscriptions have been fluctuating as corporates are increasingly adopting VoIP. The fixed tele-density remained at 1.9% as shown below in Figure 1 below:

**Figure 1: Fixed teledensity**



As shown in Figure 1 above, the fixed tele-density has been stagnant at 1.9% since March 2017

## 2.2 FIXED NETWORK TRAFFIC

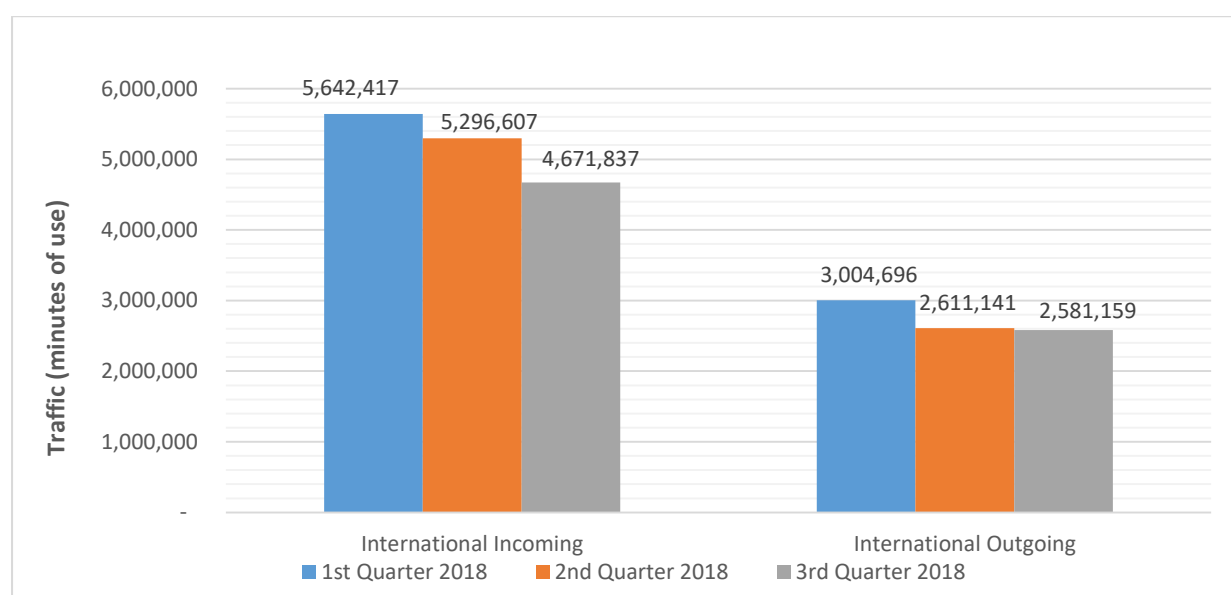
The total number of voice traffic processed by the fixed network increased by 0.4% to record 116.8 million minutes from 116.4 million minutes recorded in the previous quarter. The quarterly growth per voice traffic category is shown in Table 2 below.

**Table 2: Fixed Voice Traffic**

Traffic category	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Growth
Net on Net	34,331,568	34,058,473	-0.8%
Outgoing to Mobile	66,054,545	67,277,513	1.9%
Incoming from Mobile	6,091,067	5,970,950	-2%
Incoming from IAPs	1,236,783	1,129,027	-8.7%
Outgoing to IAPs	779,877	831,149	6.6%
International Incoming	5,296,607	4,671,837	-11.8%
International Outgoing	2,611,141	2,581,159	-1.1%
<b>Total traffic</b>	<b>116,401,588</b>	<b>116,820,108</b>	<b>0.4%</b>

As shown above, outgoing traffic to mobile networks and to Internet Access Providers were the only two categories to record growth. International incoming traffic recorded the biggest decline of 11.8%. International outgoing traffic declined by a less than proportional 1.1%. This implies a reduction in foreign currency earnings from international voice service after set-off. International incoming and outgoing traffic have been declining over the course of the year as shown in Figure 2 below:

**Figure 2: Decline in international voice traffic**



## 2.3 FIXED TELEPHONE REVENUES & INVESTMENT

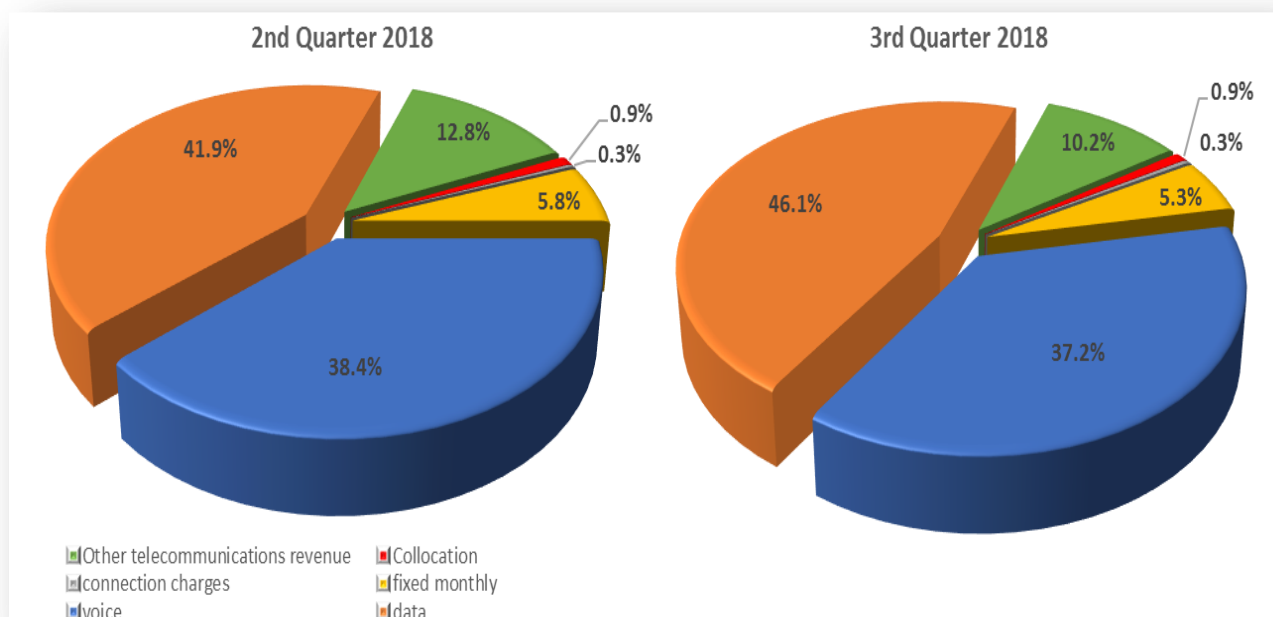
TelOne recorded growth in capital expenditure and revenues vis-à-vis a decline in operating costs as shown in Table 3 below:

**Table 3: Fixed Voice Revenue, Investment & Costs**

	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Variation
<b>Revenue</b>	\$34,474,622	\$34,648,297	0.5%
<b>ARPU per month</b>	\$43.80	\$43.51	-0.7%
<b>Investment</b>	\$4,758,393	\$7,085,136	48.9%

Investment by TelOne increased by 48.9%; the bulk of the capital expenditure was in national transmission. A quarterly comparison of the contribution to revenue by service is shown in Figure 3 below:

**Figure 3: Contribution to revenue by service**



A comparison with the previous quarter shows that the contribution of data increased by 4.2% whereas the contribution of voice declined by 1.2%. TelOne's business is now more data centric as data revenues continue to exceed voice revenue.



### 3. MOBILE TELEPHONY

#### 3.1 MOBILE SUBSCRIPTIONS

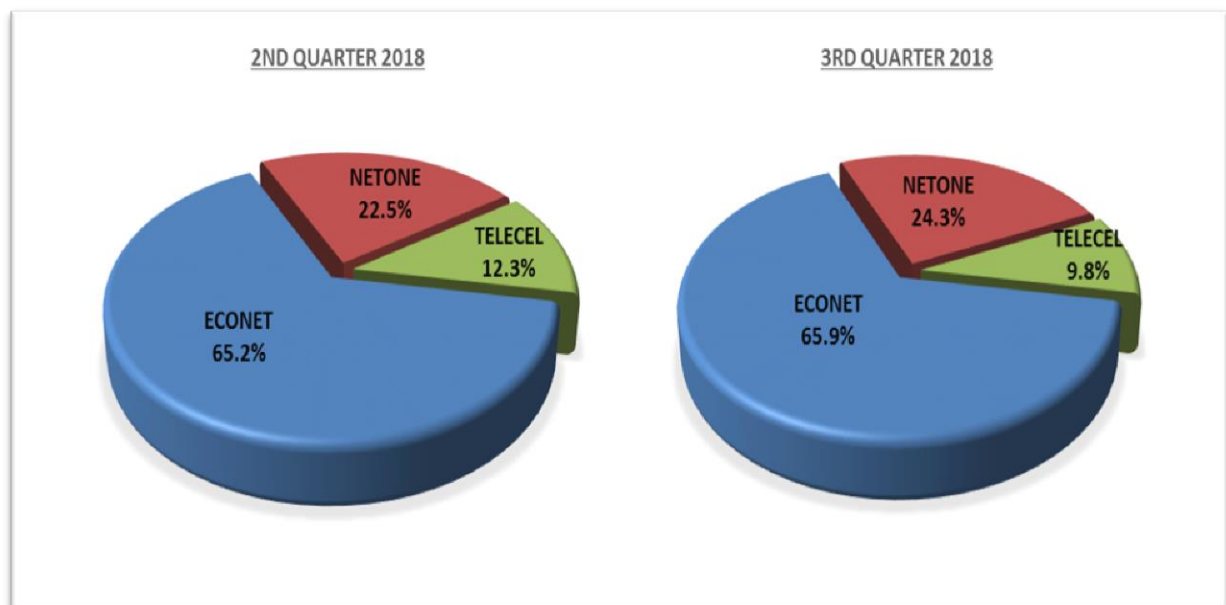
Active mobile subscriptions as at 30 September 2018 were 12,748,551. This represents a 4.9% growth from 12,152,471 recorded in the previous quarter. All the mobile networks recorded growth in active subscriptions as shown in Table 4 below:

**Table 4: Active Mobile Subscriptions**

Operator	2nd Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Change
Econet	7,998,657	8,396,728	5%
NetOne	2,900,433	3,097,077	6.8%
Telecel	1,253,381	1,254,746	0.1%
<b>Total</b>	<b>12,152,471</b>	<b>12,748,551</b>	<b>4.9%</b>

As with the previous quarter, prepaid subscriptions constituted 98% of total subscriptions. The mobile penetration rate increased by 4.2% to reach 91.9% from 87.7% recorded in the second quarter of 2018. Based on the subscriber statistics in Table 4 above, the market share of active mobile subscribers was as follows:

**Figure 4: Market share of mobile subscribers**



As shown above Telecel lost 2.5% market share whereas Econet and NetOne gained market share by 0.7% and 1.8% respectively in line with the growth in their subscriber base.

## 3.2 MOBILE TRAFFIC AND USAGE PATTERNS

### 3.2.1 MOBILE VOICE TRAFFIC

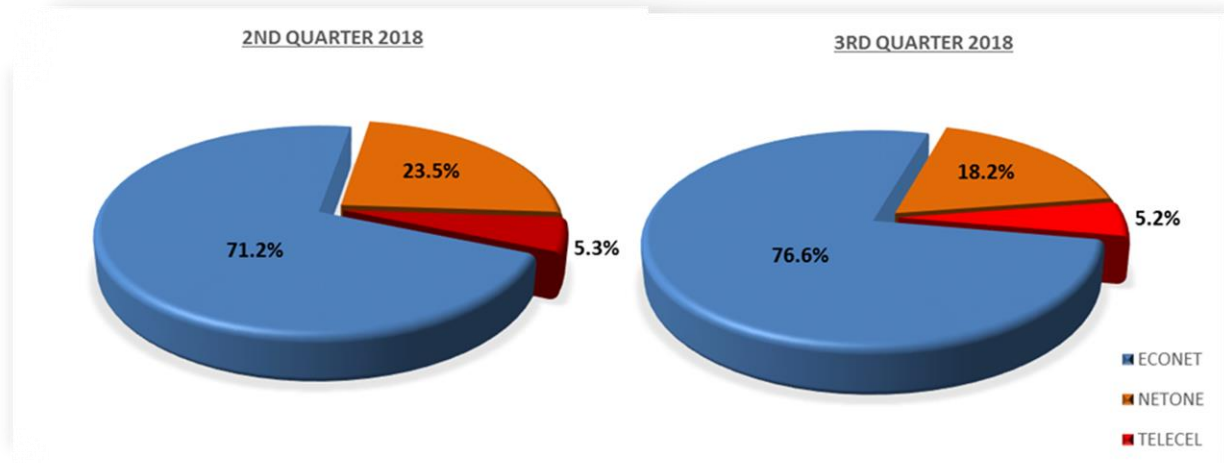
Voice traffic increased by 4.9% to record 1.27 billion minutes from 1.2 billion minutes recorded in the previous quarter as shown in Table 5 below:

**Table 5: Mobile voice traffic in minutes**

<b>Traffic Category</b>	<b>2<sup>nd</sup> Quarter 2018</b>	<b>3<sup>rd</sup> Quarter 2018</b>	<b>Variance (%)</b>
<b>Net on Net</b>	886,669,391	922,820,454	4.1%
<b>Mobile to Fixed</b>	6,091,067	5,970,950	-2%
<b>Incoming from Fixed</b>	66,054,545	67,277,513	1.9%
<b>Mobile to Other Mobile (by termination)</b>	171,735,196	188,735,307	9.9%
<b>Outgoing to IAPs</b>	1,392,824	1,592,455	14.3%
<b>Incoming from IAPs</b>	16,650,398	17,461,807	4.9%
<b>TOTAL NATIONAL</b>	1,148,593,421	1,203,858,486	4.8%
<b>International Incoming</b>	36,660,842	38,583,365	5.2%
<b>International Outgoing</b>	18,437,078	20,168,997	9.4%
<b>Inbound Roaming</b>	1,287,389	1,618,727	25.7%
<b>Outbound Roaming</b>	564,839	834,166	47.7%
<b>Total Traffic</b>	<b>1,205,543,569</b>	<b>1,265,063,741</b>	<b>4.9%</b>

All traffic categories with the exception of outgoing traffic to the fixed network recorded growth. Outbound roaming traffic recorded the highest growth of 47.7% which is attributable to increased cross-border activity by locals. Inbound roaming traffic also grew by a considerable 25.7% as a result of an increase in foreign nationals roaming on local networks during the period under review. A quarterly comparison of the mobile voice traffic market-share is shown in Figure 5 below.

**Figure 5: Voice Traffic Market Share**

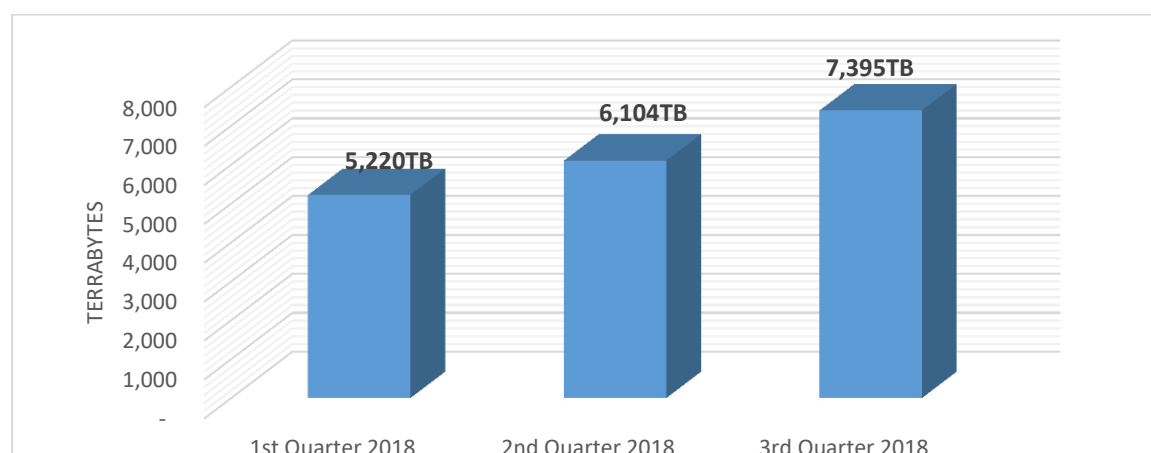


In the quarter under review Econet gained market share by 5.4% as they processed the most amount of traffic on their network. On the other hand NetOne and Telecel lost 5.3% and 0.1% respectively.

### 3.2.2 MOBILE INTERNET & DATA TRAFFIC

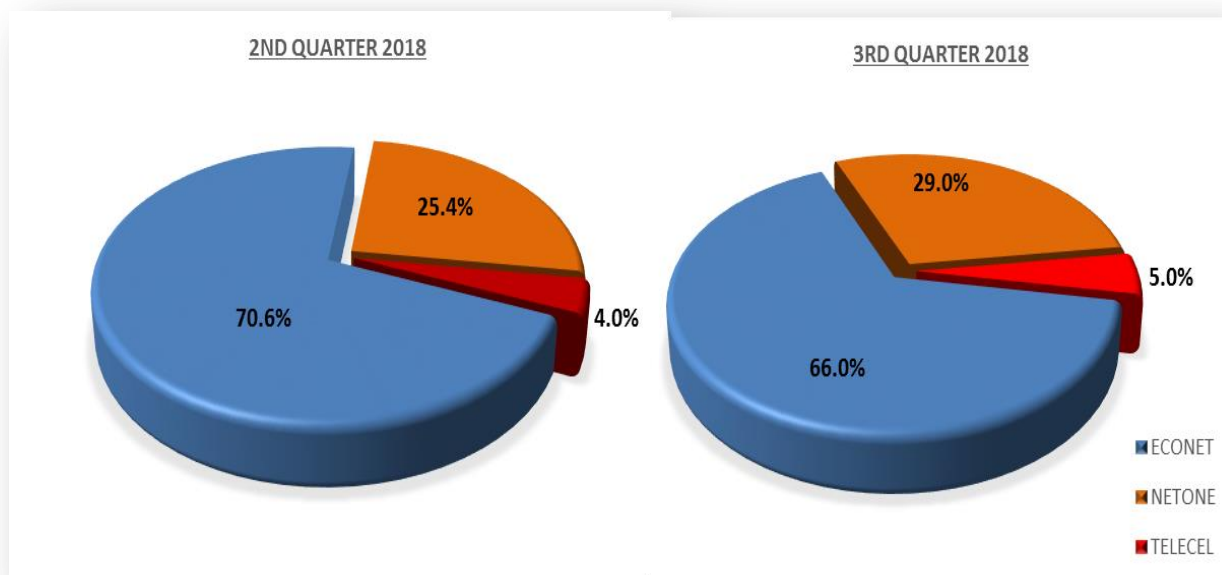
Mobile internet and data utilisation increased by 21.1% to record 7,395TB from 6,104TB from 5,220TB recorded in the second quarter of 2018. All the mobile operators recorded growth in mobile internet and data usage. Social media continued to drive mobile data usage with WhatsApp bundles constituting 32% of total mobile data usage. Mobile internet and data usage has been consistently increasing during the course of the year as shown in Figure 6 below:

**Figure 6: Growth in mobile internet & data**



At 18,719TB, mobile internet and data consumption from January to September 2018 has already exceeded 15,361TB consumed in 2017. The market share of mobile internet and data use was as follows:

**Figure 7: Market Share of Internet & data traffic**



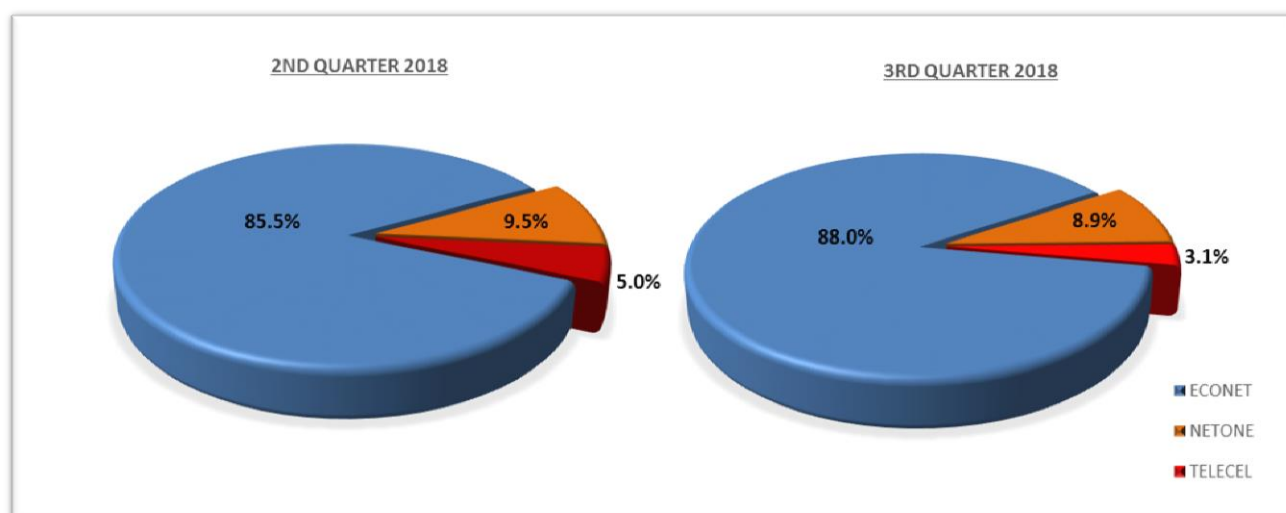
As shown above, Econet lost market share by 4.6% whereas NetOne and Telecel gained market share by 3.6% and 1% respectively.

### 3.3 MOBILE REVENUES, COSTS & INVESTMENT

Mobile network operators generated a total of \$331.2 million in the third quarter of 2018. This represents a 13.1% growth in revenue from \$292.9 million recorded in the second quarter of 2018. On the other hand total operating costs increased by 24.7% to record \$166.5 million from \$133.5 million recorded in the previous quarter. At \$868,719,312, mobile revenues for the 9 months of 2018 have already exceeded 2017 annual revenue of \$849,880,488. The Average revenue per User grew by 1% to record \$5.92 from \$5.86 recorded in the second quarter. On the other hand Average Costs per User grew by 11.1% to record \$3.61 from \$3.25 recorded in the previous quarter.

Capital expenditure by the mobile operators increased by 57.6% to record \$9.8 million from \$6.2 million recorded in the previous quarter. Investment was mainly in national transmission. Figure 8 below shows a quarterly comparison of the revenue market share:

**Figure 8: Market share of mobile revenue**



Econet's revenue market share has been consistently growing over the course of the year, whereas the revenue market shares of Telecel and NetOne have been gradually declining. As shown above, Econet gained 2.5% to command 88% of total mobile revenue. On the other hand, NetOne and Telecel lost 0.6% and 1.9% respectively.

### 3.4 MOBILE TELEPHONY INFRASTRUCTURE

The total number of base stations in the country was 8,622 as at 30 September 2018, up from 8,570 recorded in the second quarter following the commissioning of 52 additional base stations. The number of base stations per technology is shown in Table 6 below:

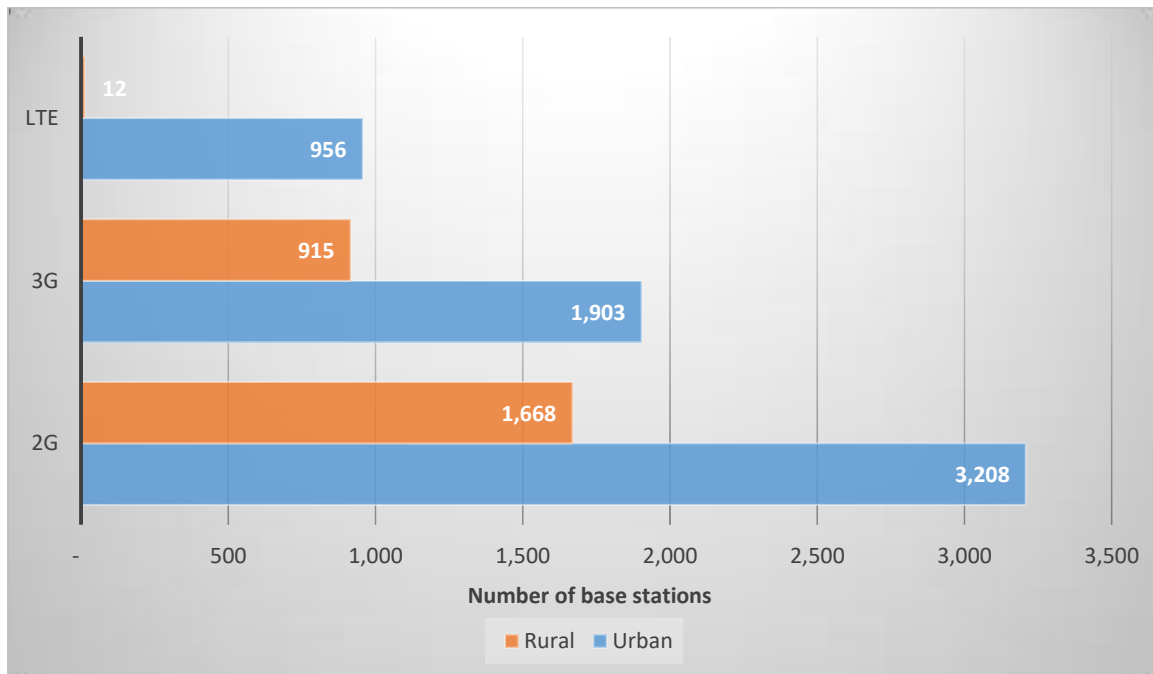
**Table 6: Mobile Base Stations**

Operator	2G			3G			LTE		
	Q2 2018	Q3 2018	Net Addition	Q2 2018	Q3 2018	Net Addition	Q2 2018	Q3 2018	Net Addition
Total	4,838	4,876	38	2,777	2,818	41	955	968	13

Of the total number of base stations, 30.1% were in rural areas. The proportion of rural population covered by a network (at least 2G) was 74.6% vis-à-vis an urban population

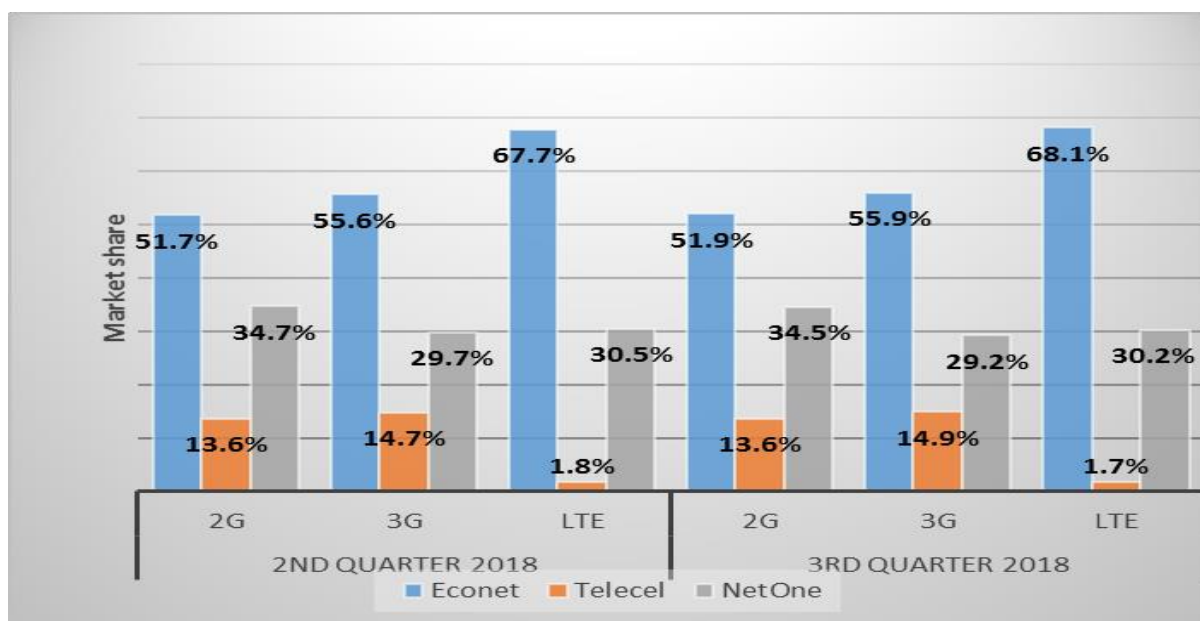
coverage of 99.7%. Rural areas continue to lag behind urban areas in terms of deployment of telecommunication services infrastructure as shown in Figure 9 below:

**Figure 9: Population Coverage**



More network rollout in rural areas is required to ensure total inclusivity. The market share of base stations was as follows:

**Figure 10: Market share of mobile base stations**



There was no significant change in the market share as shown above. Econet had the widest coverage of 2G, 3G as well as LTE.

## 4. DATA & INTERNET SERVICE

### 4.1 SUBSCRIPTIONS

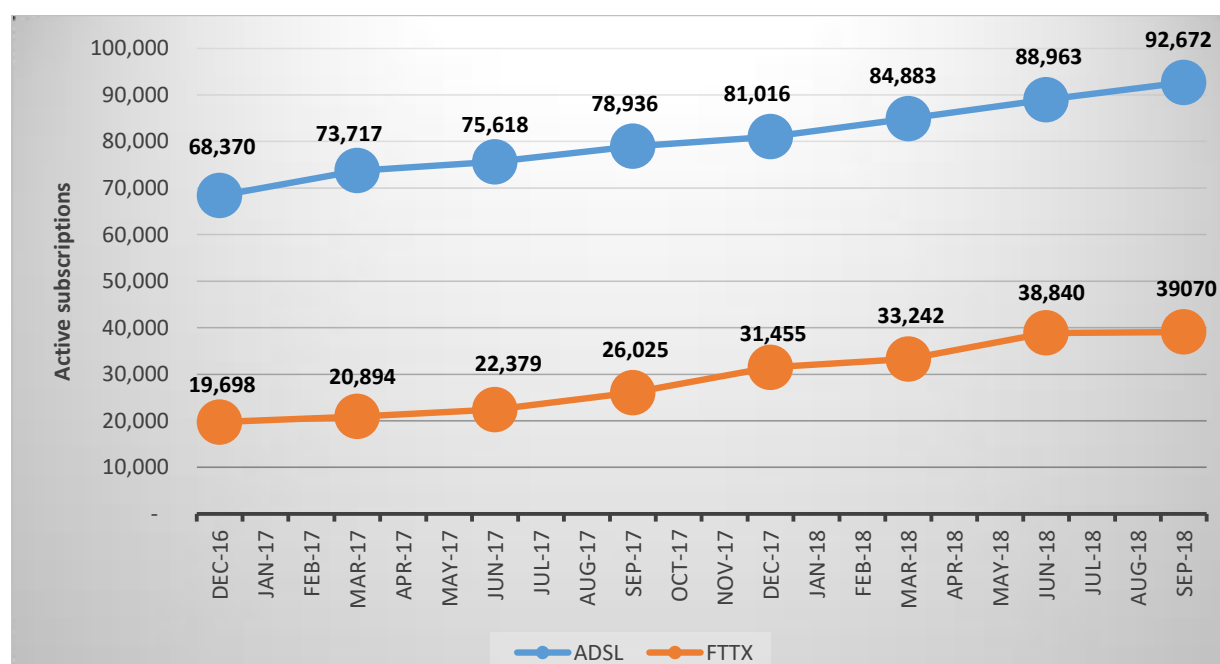
The total number of active internet subscriptions as at 30 September 2018 was 7,690,134. This represents a 6.8% growth from 7,197,279 recorded in the second quarter of 2018. The growth in internet subscriptions per service category is shown in Table 7 below:

**Table 7: Active Internet Subscriptions**

Technology	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	Variation (%)
3G/HSDPA/LTE	7,029,055	7,519,693	7.0%
Leased Lines	2,409	2,310	-4.1%
DSL	88,963	92,672	4.2%
WiMAX	5,240	3,876	-26.0%
CDMA	29,365	28,992	-1.3%
VSAT	3,407	3,521	3.3%
Active Fibre subscriptions	38,840	39,070	0.6%
<b>Total</b>	<b>7,197,279</b>	<b>7,690,134</b>	<b>6.8%</b>

The internet penetration rate increased by 3.5% to reach 55.4% from 51.9%. WiMAX has been gradually declining as the uptake of ADSL and Fibre improves. The growth in Fibre and ADSL is shown in Figure 11 below:

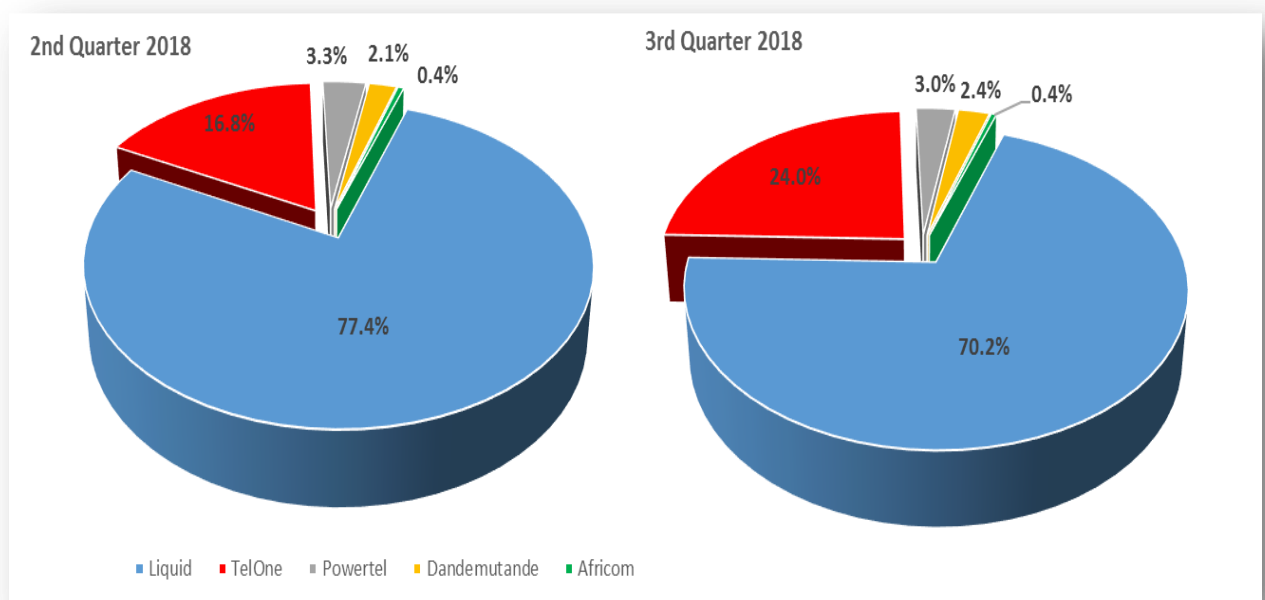
**Figure 11: Growth in fibre subscriptions**



### 4.3 INTERNATIONAL INTERNET CONNECTIVITY

The total equipped incoming international internet bandwidth capacity increased by 9.1% to reach 113,870Mbps from 104,405Mbps recorded in the previous quarter. Used incoming international internet bandwidth capacity also grew by 5.9% to reach 85,333Mbps from 80,546Mbps recorded in the second quarter. Due to the growing demand in internet and data, operators have to regularly increase their bandwidth capacities. The quarterly variation in the market share of equipped capacity is shown in Figure 12 below:

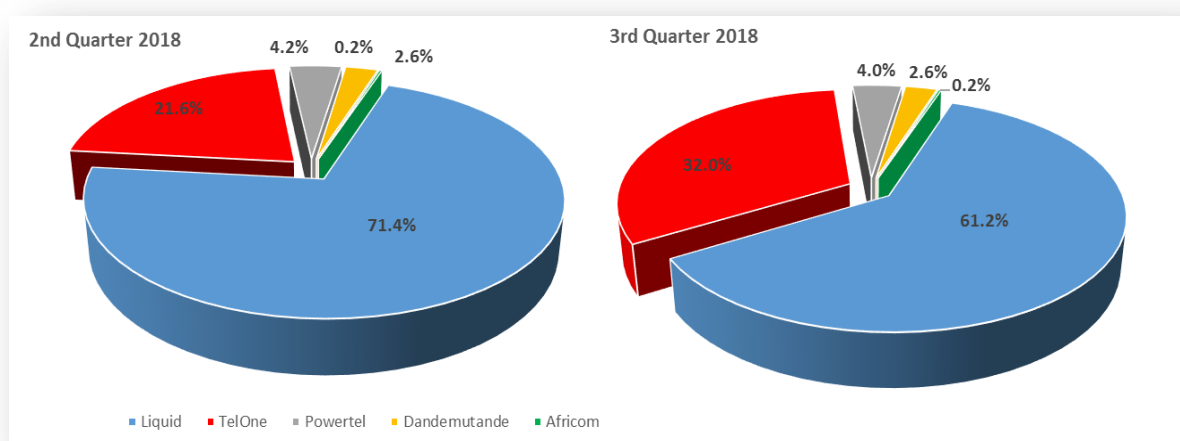
**Figure 12: Market share of equipped international bandwidth capacity**



As shown above, Liquid and Powertel lost market share by 7.2% and 0.3% respectively whereas TelOne and Dandemutande gained market share by 7.2% and 0.3% respectively. Africom's market share remained unchanged at 0.4%. There were also considerable changes to the market share of used international internet bandwidth capacity is shown in Figure 13 below:



**Figure 13: Market Share of Used International Incoming Bandwidth Capacity**



### 4.3 IAP REVENUES & INVESTMENT

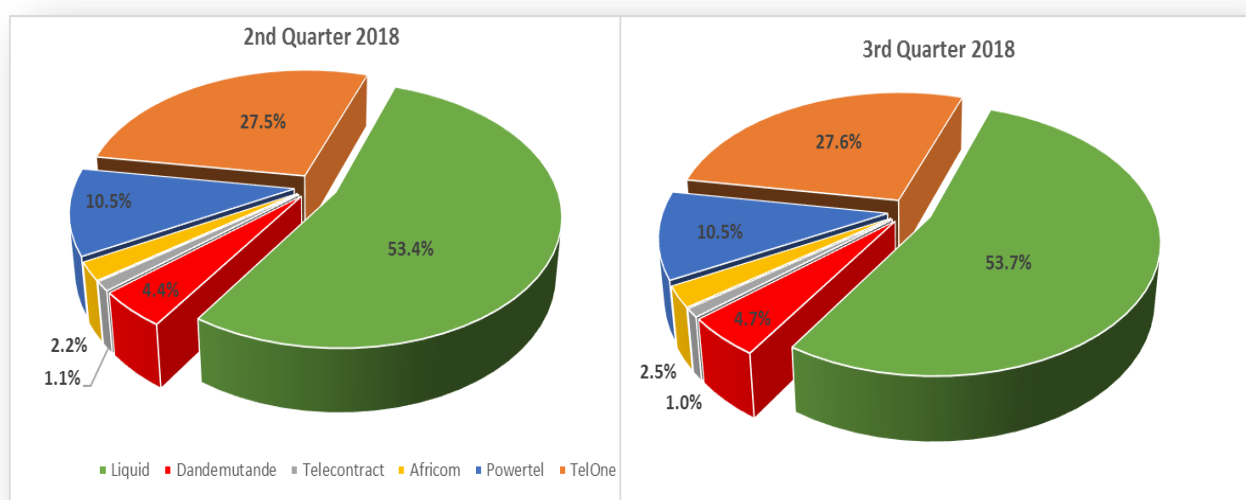
There was an overall decline in revenue and investment and growth in the operating costs of Internet Access Providers as shown in Table 8 below:

**Table 8: IAP revenues market share**

	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	Variation (%)
<b>Revenue</b>	62,410,120	61,566,500	-1.4%
<b>Investment</b>	20,395,011	14,398,684	-29.4%
<b>Operating Costs</b>	35,685,973	39,417,447	10.5%

Liquid and Telecontract recorded marginal declines in revenues. The quarterly variation in the market share of IAP revenues is shown in Figure 14 below:

**Figure 14: Market share of IAP revenue**



## 5. POSTAL & COURIER

### 5.1 POSTAL & COURIER VOLUMES

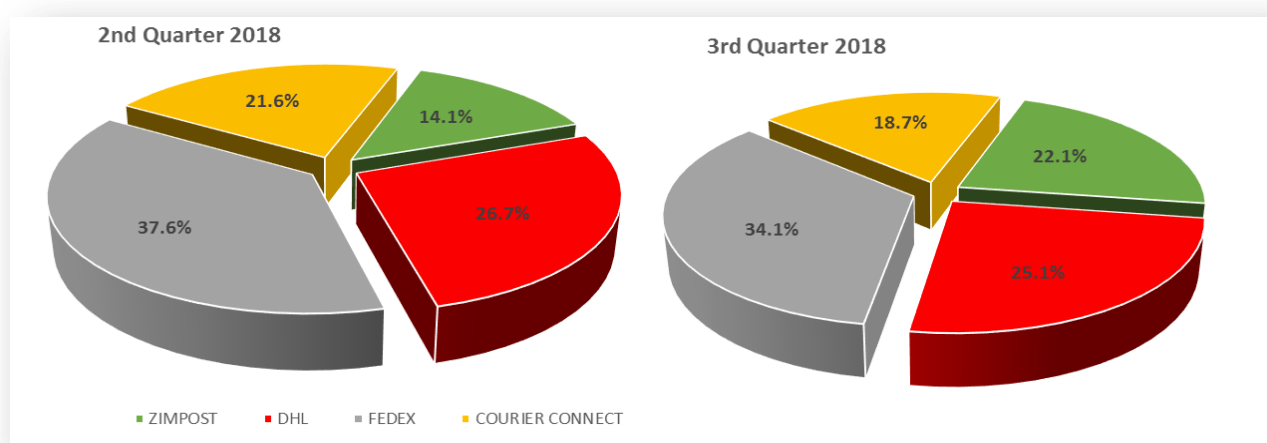
Postal and courier volumes increased by 0.1% to record 1,905,511 from 1,903,128 recorded in the second quarter of 2018. The growth in volumes per category is shown in Table 9 below:

**Table 9: Postal and courier volumes**

Postal and Courier Service	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Growth
Domestic postal letters	1,271,498	1,439,054	13.2%
Domestic courier	129,414	137,813	6.5%
International incoming	445,140	258,160	-42%
International outgoing courier	57,076	70,484	23.5%
<b>Total Postal &amp; Courier</b>	<b>1,903,128</b>	<b>1,905,511</b>	<b>0.1%</b>

There was sharp decline in international mail and courier volumes in the quarter under review. Purchases from e-commerce sites constitute the bulk of international incoming courier in Zimbabwe. The sharp decline in international courier volumes is attributable to foreign currency challenges in the economy. A quarterly comparison of the market share of domestic courier services is shown below:

**Figure 15: Market share of domestic courier**



As shown above, ZIMPOST gained market share by 8% whereas FedEx, DHL and Courier Connect lost market share by 3.5%, 1.6% and 2.9% respectively. A quarterly comparison of

the market share of international incoming and international outgoing courier is shown in the table below:

**Table 10: Market share of International Outgoing Postal & Courier**

Operator	International incoming courier			International outgoing courier		
	Q2 2018	Q3 2018	% change	Q2 2018	Q3 2018	% change
<b>ZIMPOST</b>	98%	95.8%	-2.2%	64.7%	62.7%	-2.0%
<b>DHL</b>	0.4%	0.7%	0.3%	24.9%	20.2%	-4.7%
<b>FedEx</b>	0.7%	2.0%	1.3%	8.8%	15.9%	7.1%
<b>Skynet</b>	0.1%	0.1%	0.0%	0.9%	0.7%	-0.2%
<b>Courier Connect</b>	0.1%	0.2%	0.1%	0.5%	0.4%	-0.1%
<b>UPS</b>	0.7%	1.2%	0.5%	0.3%	0.1%	-0.2%

## 5.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

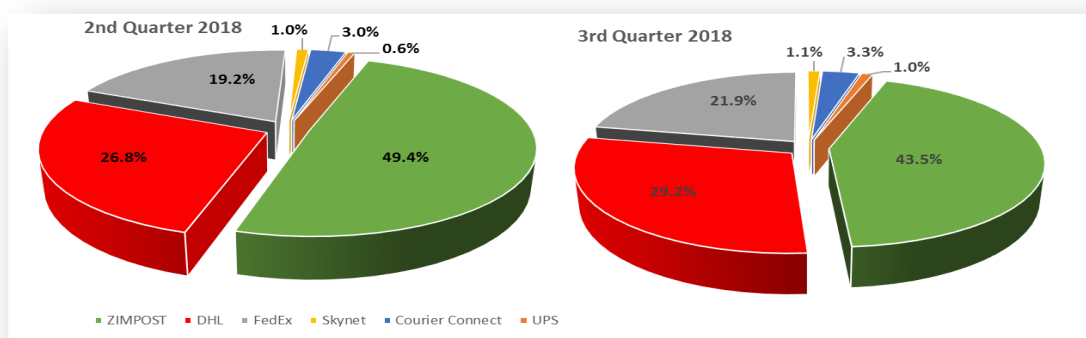
The postal and courier sector recorded an overall decline in performance characterised by a decline in revenue, growth in operating costs as well as a decline in capital expenditure as shown in Table 11 below:

**Table 11: Postal & Courier Revenues, Costs & Investment**

	2 <sup>nd</sup> Quarter 2018	3 <sup>rd</sup> Quarter 2018	% Growth
<b>REVENUES</b>	\$9,033,823	\$8,268,603	-8.5%
<b>OPERATING COSTS</b>	\$9,618,882	\$9,852,167	2.4%
<b>INVESTMENT</b>	\$305,254	\$107,142	-64.9%

ZIMPOST lost revenue market share by 5.5% as a result of the 19.4% decline in their revenues to record \$3,597,440 from \$ 4,461,223 recorded in the previous quarter. On the other hand the other revenue market shares of the operators increased as shown in Figure 16 below:

**Figure 16: Market Share of Postal & Courier Revenue**



## 6. OUTLOOK

The trend of marginal subscriber growth is expected to continue as a result of competition. Competition for subscribers is expected to continue across markets. Competition will be mainly on prices and new products and services as operators focus on customer retention and preventing subscriber churn; this will be of benefit to the consumer. Mobile internet will continue to dominate internet use in the country as compared to the fixed internet technologies. Fibre as well as LTE access and use is expected to continue growing as coverage improves due to continued investment in fibre and LTE infrastructure. Annual data usage for 2018 is expected to exceed 2017 usage level. The revenue contribution of data and internet revenue to fixed and mobile revenues is expected to grow and the revenue performance of operators will be dependent on their ability to stimulate data consumption.

Given the inflationary pressures in the economy, operating cost containment will be crucial for operators to maintain profitability. In the quarter under review, total operating costs for the sector grew by 15.3% to record \$250,871,813 from \$217,589,577 recorded in the previous quarter. The growth in operating costs poses a threat to operator viability and puts pressure on prices. If the situation persists, tariff increases will become inevitable as tariffs for the sector are cost-oriented.

With the current foreign currency shortages in the economy, coordinated effort to combat illegal refiling of traffic becomes even more pertinent to safeguard foreign currency earnings from the international voice services. Increased use of Over-the-Top services is inevitable as consumers implement personal financial austerity measures in the current economic environment. Never-the-less, this will drive data usage for the sector.

Fluctuations in postal and courier service volumes and revenues are expected to continue due to the impact of e-substitution as the data revolution gathers momentum. Electronic commerce needs to be supported, as it is a key driver of international courier volumes and revenues. Postal and courier operators also need to innovate and introduce new sustainable business models to catch up with the ever-evolving technological landscape.