

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2019

Disclaimer:

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LIST OF ACRONYMS

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

1. MAJOR HIGHLIGHTS

The following are the main sector trends for the first quarter of 2019 compared to the fourth quarter of 2018.

- **The total number of active fixed telephone lines increased by 3.1% to reach 273,330 from 268,849;**
- **Marked growth in fixed voice traffic of 6.5% from 113 million to 120.3 million minutes;**
- **Increase in fixed telephone revenue of 12% from \$38 million to \$42.6 million;**
- **Active mobile subscriptions declined by 6% to record 12,134,455 from 12,908,992;**
- **Marked decline of 9.8% in the mobile penetration rate from 93.1% to 83.3%;**
- **Decline of 4% in mobile voice traffic from 1.467 billion to 1.404 billion minutes;**
- **Substantial increase in mobile internet/data usage of 19.2% from 8,559TB to 10,202TB;**
- **Significant decline in mobile telephone revenue of 13% from \$287 million to \$249.9 million;**
- **Mobile network operating costs increased by 6.4% to record \$185.9 million from \$174.8 million;**
- **Active internet subscriptions declined by 3.3% to reach 8.4 million from 8.7 million, which saw the Internet penetration rate dropping by 5% to reach 57.9% from 62.9%;**
- **Internet Access Provider revenues increased by 6.7% to record \$74.4 million from \$69.7 million;**
- **Significant decline of 30.2% in Postal and courier volumes from 2.1 million to 1.5 million items, which saw revenues declining by 22.1% from \$8.8million to \$6.9 million.**

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines grew by 3.1% to record 273,330 from 268,849 recorded as at 31 December 2018. Using a population of 14,572,011 for 2019 as per ZIMSTAT projections, the fixed tele-density remained at 1.9%. The overall growth is attributable to the growth in residential subscriptions as shown in Table 1 below:

Table 1: Fixed telephone subscriptions

Traffic category	4th Quarter 2018	1st Quarter 2019	% Growth
Residential	161,994	166,948	3.1%
Corporate	106,855	106,382	-0.4%
Total Active	268,849	273,330	1.7%

Active corporate fixed telephone lines have been fluctuating as some companies are adopting VoIP telephony.

2.2 FIXED NETWORK TRAFFIC

The total number of voice traffic processed by the fixed network declined by 6.5% as shown in Table 2 below.

Table 2: Fixed Voice Traffic

Traffic category	4th Quarter 2018	1st Quarter 2019	Variance (%)
Net on Net	27,414,939	31,558,039	15.1%
Outgoing to Mobile	70,888,385	72,670,815	2.5%
Incoming from Mobile	5,368,377	5,774,311	7.6%
Incoming from IAPs	1,117,829	1,198,706	7.2%
Outgoing to IAPs	928,636	1,073,287	15.6%
International Incoming	4,925,766	5,271,917	7.0%
International Outgoing	2,330,708	2,783,414	19.4%
Total traffic	112,974,640	120,330,489	6.5%

As shown above, there was an overall growth in fixed voice traffic. International outgoing voice traffic recorded the biggest growth of 19.4%, on the other hand, international incoming voice traffic grew by a smaller margin of 7% implying a decline in net foreign currency earnings.

2.3 FIXED TELEPHONE INVESTMENT

TelOne recorded growth in revenue and capital expenditure as shown in Table 3 below:

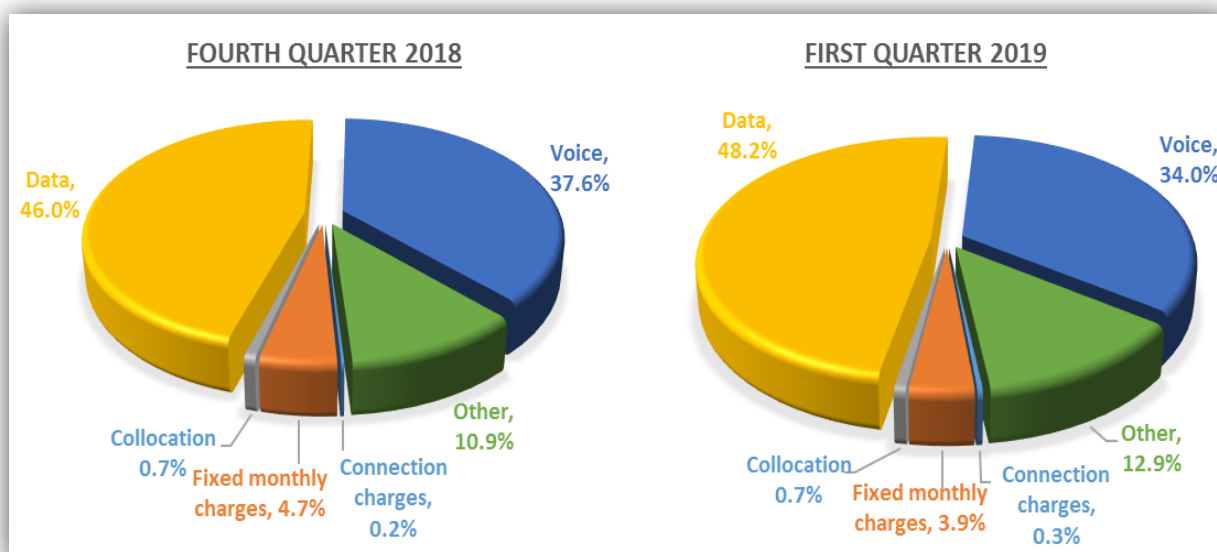
Table 3: Fixed Voice Revenue & Investment

	4 th Quarter 2018	1 st Quarter 2019	Variation
Investment	\$1,645,926	\$3,536,709	114.9%

The investment by the fixed network operator was in national switching.

A comparison of the contribution to revenue by service in 2017 and 2018 is shown in Figure 1 below:

Figure 1: Contribution to revenue by service



As shown above, the contribution of data increased whereas the contribution of voice declined. This phenomenon is consistent with the exponential growth of data and is also expected to be experienced in the mobile subsector in the near future as the industry becomes more data-centric.

3. MOBILE TELEPHONY

3.1 MOBILE SUBSCRIPTIONS

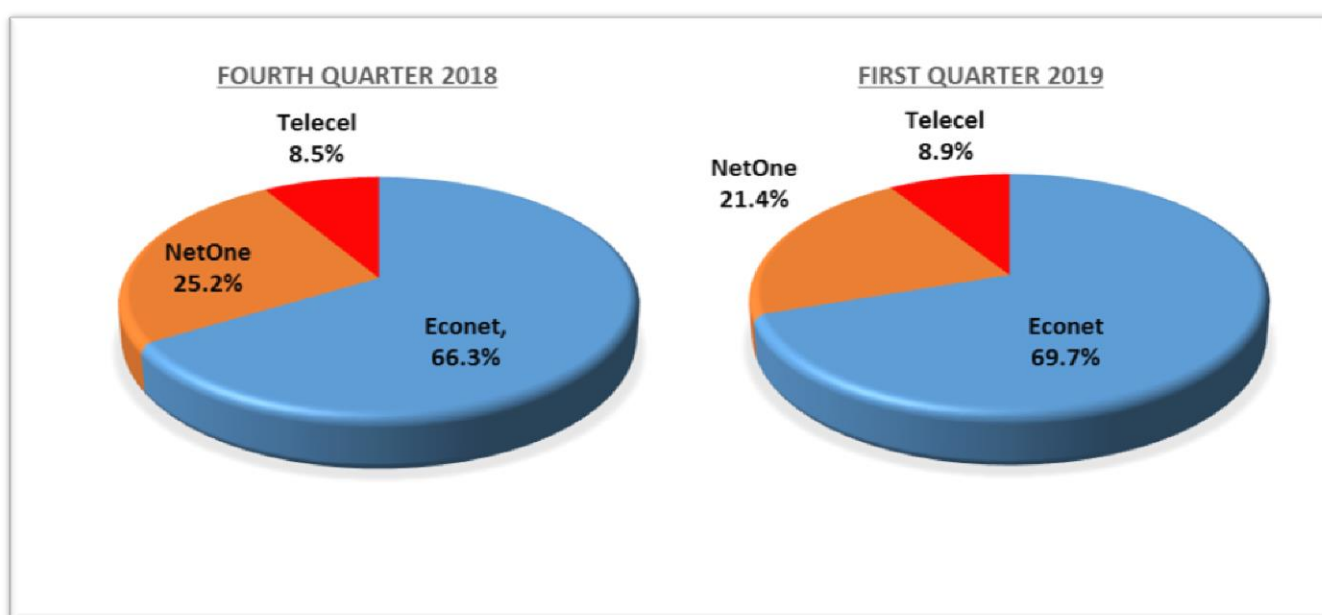
A decline in active mobile subscriptions was recorded in the quarter under review. Active mobile subscriptions declined by 6% to record 12,134,455 from 12,908,992 recorded in the fourth quarter of 2018. Using a population of 14,572,011 for 2019 as per ZIMSTAT projections, the mobile penetration rate declined by 9.8% to reach 83.3% from 93.1% recorded in the previous quarter. All the mobile networks recorded a decline in active subscriptions as shown in Table 4 below:

Table 4: Active Mobile Subscriptions

Operator	4 th Quarter 2018	1 st Quarter 2019	Variation
Econet	8,552,289	8,460,405	-1.1%
NetOne	3,256,592	2,593,444	-20.4%
Telecel	1,100,111	1,080,606	-1.8%
Total	12,908,992	12,134,455	-6.0%

The decline in active mobile subscriptions is reflective of the general depressed demand in the economy. A number of promotions were also modified in the quarter under review; the reduction in benefits could also have led to a decline in multi-SIM usage thus negatively affecting the total active subscriber base. A quarterly comparison of the market share of active mobile subscribers is as follows:

Figure 2: Market share of mobile subscribers



As shown above, Econet and Telecel gained market share by 3.4% and 0.4% respectively. NetOne lost market share by 3.8%.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

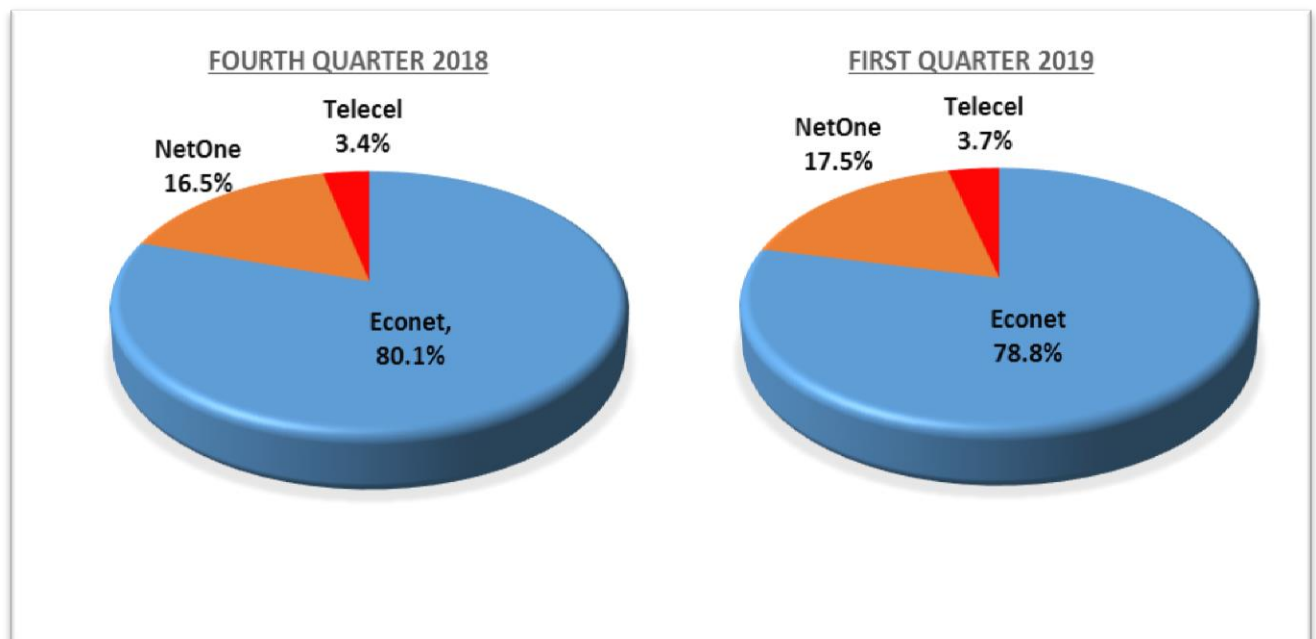
There was an overall decline in mobile voice traffic in the first quarter of 2019 as shown in Table 5 below:

Table 5: Mobile voice traffic in minutes

Traffic Category	4th Q 2018	1st Q 2019	Variance (%)
Net on Net	1,084,517,858	1,034,129,644	-4.6%
Mobile to Fixed	5,368,377	5,713,472	6.4%
Incoming from Fixed	70,888,385	72,615,171	2.4%
Mobile to Other Mobile (by termination)	216,331,688	204,089,222	-5.7%
Outgoing to IAPs	1,500,976	1,733,623	15.5%
Incoming from IAPs	18,658,933	19,213,980	3.0%
TOTAL NATIONAL	1,397,266,217	1,337,495,112	-4.3%
International Incoming	42,002,583	41,598,952	-1.0%
International Outgoing	25,185,190	23,793,447	-5.5%
Inbound Roaming	1,442,511	1,369,880	-5%
Outbound Roaming	842,498	614,783	-27%
Total Voice Traffic	1,466,738,999	1,404,872,174	-4.2%

As shown above, outbound roaming traffic recorded the biggest decline in voice traffic. The decline in outbound roaming traffic is attributable to the rebasing of roaming tariffs in line with the official USD:RTGS exchange rate in the quarter under review. The voice traffic market share was as follows.

Figure 3: Voice Traffic Market Share



As shown above, Econet's voice traffic market share declined by 1.3% whereas NetOne and Telecel gained 1% and 0.3% respectively.

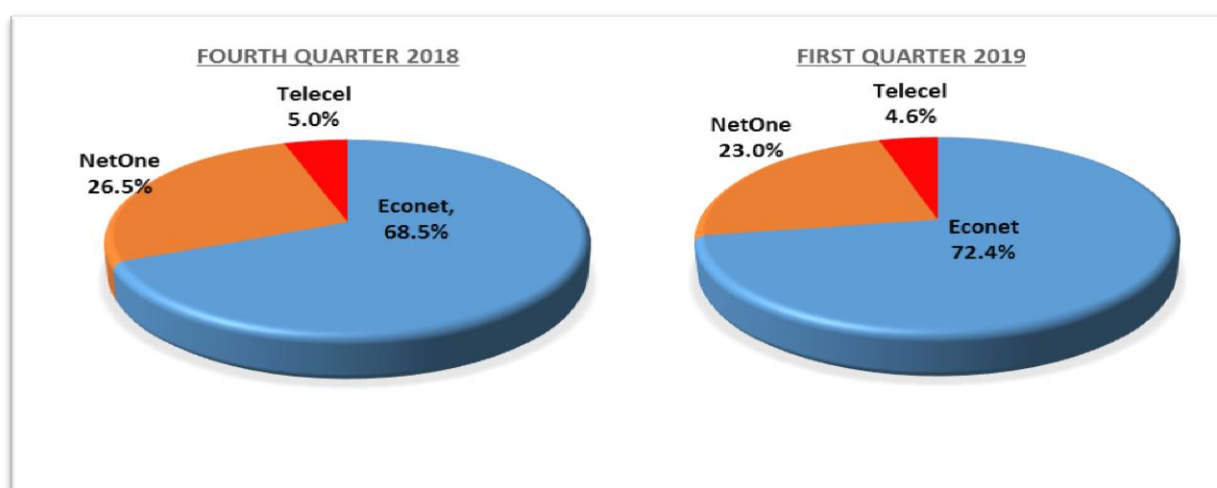
There was an overall growth in mobile data and internet usage across all networks as shown in table 6 below:

Table 6: Mobile data & internet traffic in MB

Traffic Category	4 th Q 2018	1st Q 2019	Variance (%)
Total mobile data & internet traffic	8,559,432,098	10,201,778,409	19.2%

In-bundle mobile internet and data usage constituted 92.7% of total usage. This is attributable to the discounted in-bundle data rates. The quarterly variation in the market share of mobile internet and data usage was as follows:

Figure 4: Market Share of Internet & data traffic



As shown above, Econet gained market share of internet and data in line with the huge growth in traffic. On the other hand, Telecel and NetOne lost market share of internet and data usage.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

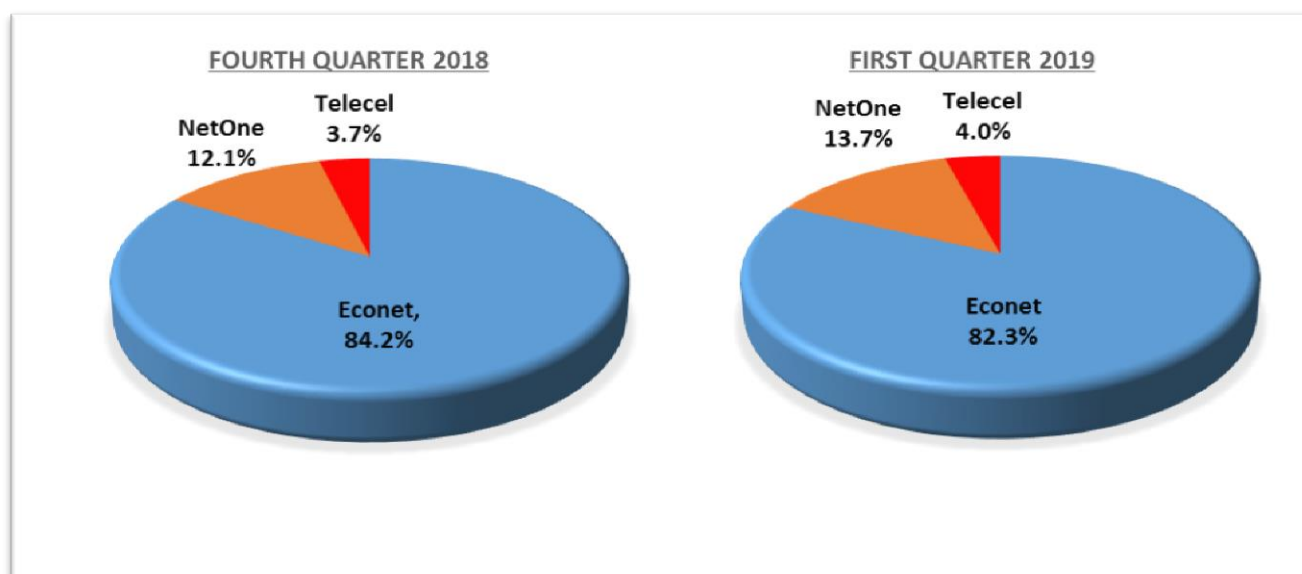
An overall decline in mobile revenues vis-à-vis a growth in operating costs was recorded in the quarter under review as shown in Table 7 below:

Table 7: Mobile operator revenues and costs

Operator	Revenues (\$)			Operating costs (\$)		
	4 th Q 2018	1 st Q 2019	Variance	4 th Q 2018	1 st Q 2019	Variance
Total	287,035,249	249,889,876	-12.9%	174,783,920	185,900,349	6.4%

As shown above, all the mobile operators recorded a decline in revenues with Econet recording the biggest decline of 15%. The decline in mobile revenue is attributable to the decline in voice traffic and revenue thereof, which still accounts for 59.3% of total mobile operator revenues.. A quarterly comparison of the market share of mobile telephone revenues is shown in Figure 5 below:

Figure 5: Market share of mobile revenue



The mobile operators recorded an overall decline in capital expenditure in the quarter under review. Capital expenditure declined by 22.1% to record \$22,978,234 from \$29,501,279.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

A total of 88 new base station were deployed in the quarter under review, bringing the total number of base stations in the country to 8,884 from 8,796 recorded as at 31 December 2018. The growth in the number of base stations per technology is shown in Table 8 below:

Table 8: Mobile Base Stations

Operator	2G			3G			LTE		
	Q4 2018	Q1 2019	Net Addition	Q4 2018	Q1 2019	Net Addition	Q4 2018	Q1 2019	Net Addition
Total	4,934	4,969	35	2,856	2,889	33	1,006	1,026	20

Of the total number of base stations, 2,638 (29.7%) were in rural areas. As the technology advances, the divide between rural and urban areas also grows as shown in Figure 6 below:

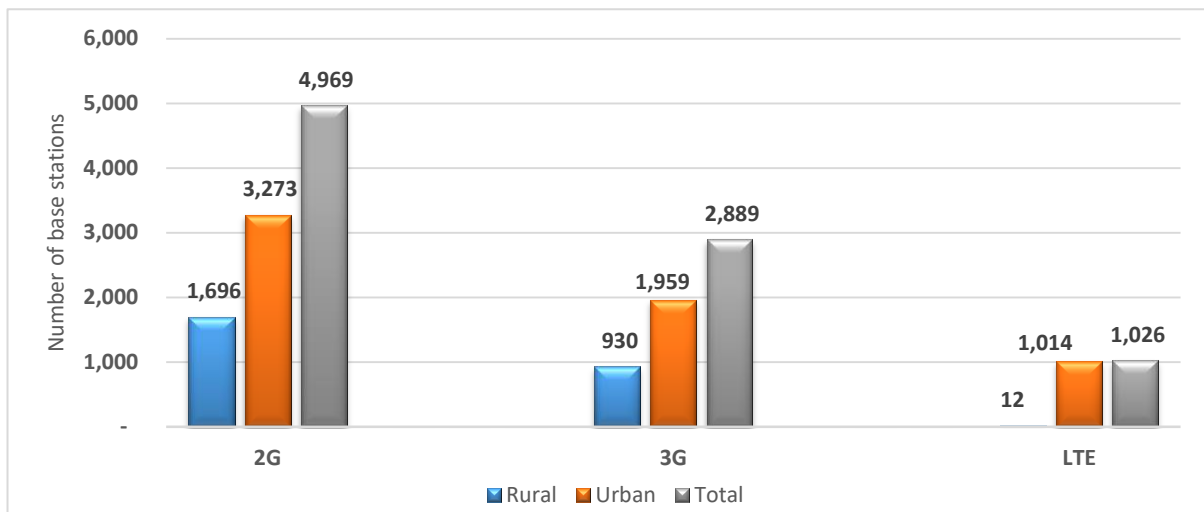
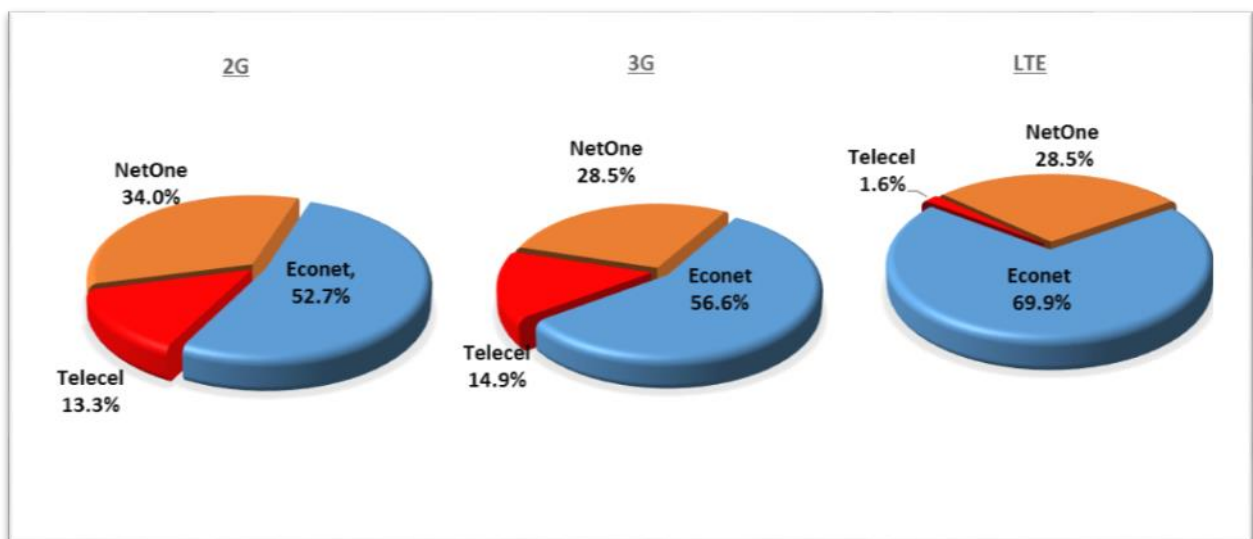


Figure 6: Mobile base stations by location

The market share of mobile base station infrastructure was as follows:

Figure 7: Market share of mobile base station infrastructure



As shown in Figure 7 above, Econet dominates the market in terms of 2G, 3G and LTE coverage.

3.5 MOBILE MONEY

3.5.1 MOBILE MONEY SUBSCRIPTIONS

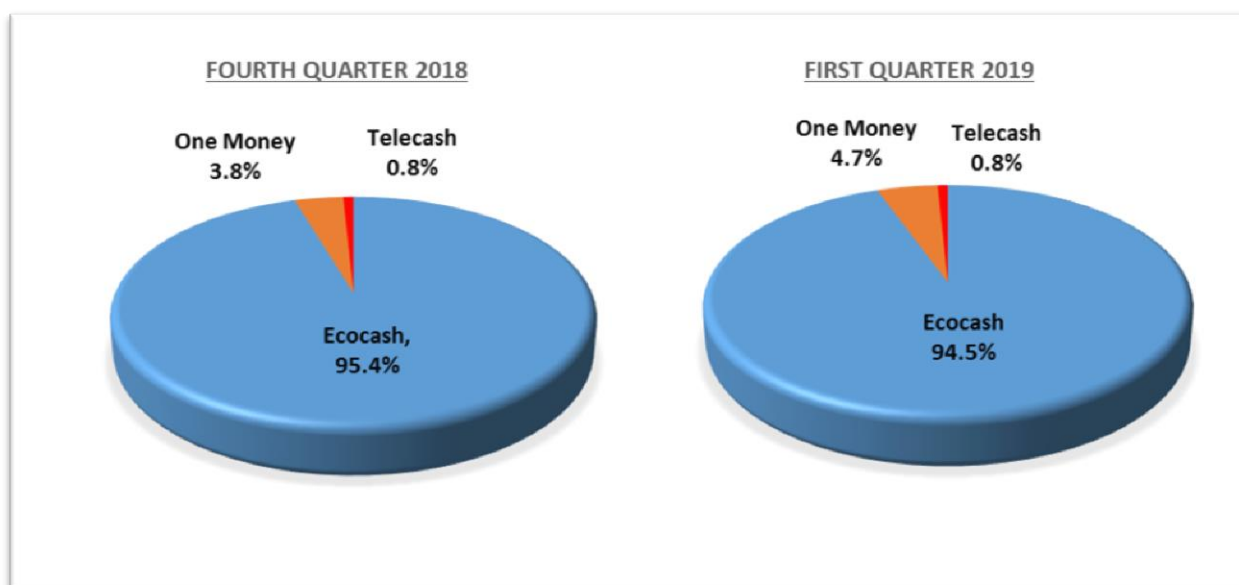
There was an overall growth in active mobile money subscriptions across all operators as shown in Table 9 below:

Table 9: Active mobile money subscriptions

OPERATOR	4 th Quarter 2018	1 st Quarter 2019	% Growth
ECOCASH	6,057,594	6,313,721	4.2%
TELECASH	53,392	53,889	0.9%
ONE MONEY	241,566	312,223	29.2%
TOTAL	6,352,552	6,679,833	5.2%

One Wallet recorded the biggest growth in active subscriptions. The market share of mobile money subscriptions is shown in Figure 8 below:

Figure 8: Market share of active mobile money subscriptions



As shown above One Money gained 0.9%; Telecash's market share remained unchanged at 0.8% whereas Ecocash lost 0.9%

3.5.2 MOBILE MONEY TRANSACTIONS

A quarterly comparison of the value and volumes of mobile money transactions is shown in Table 10 below:

Table 10: Mobile Money Transactions

	4th Quarter 2018	1st Quarter 2019	Variance
Cash In	\$1,051,832,591	\$1,172,846,324	11.5%
Cash Out	\$837,760,820	\$795,458,073	-5.0%
Airtime, Bill & Merchant Payments	\$1,425,618,090	\$1,473,764,112	3.4%
Cross Network	\$98,092	\$89,817	-8.4%
Number of transactions	456,781,697	391,903,588	-14.2%

As shown above, there was growth in Cash-In transactions as well as airtime, bill and merchant payments in the quarter under review. On the other hand, there was a decline in the value of cash-out, cross network transactions as well as the total number of transactions. Cross-network transactions have been consistently declining and this is attributable to the lack of comprehensive wallet to wallet interoperability amongst the three mobile money providers. Ecocash processed 99.4% of the total value of transactions whereas Telecash and OneMoney processed 0.1% and 0.5% respectively.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

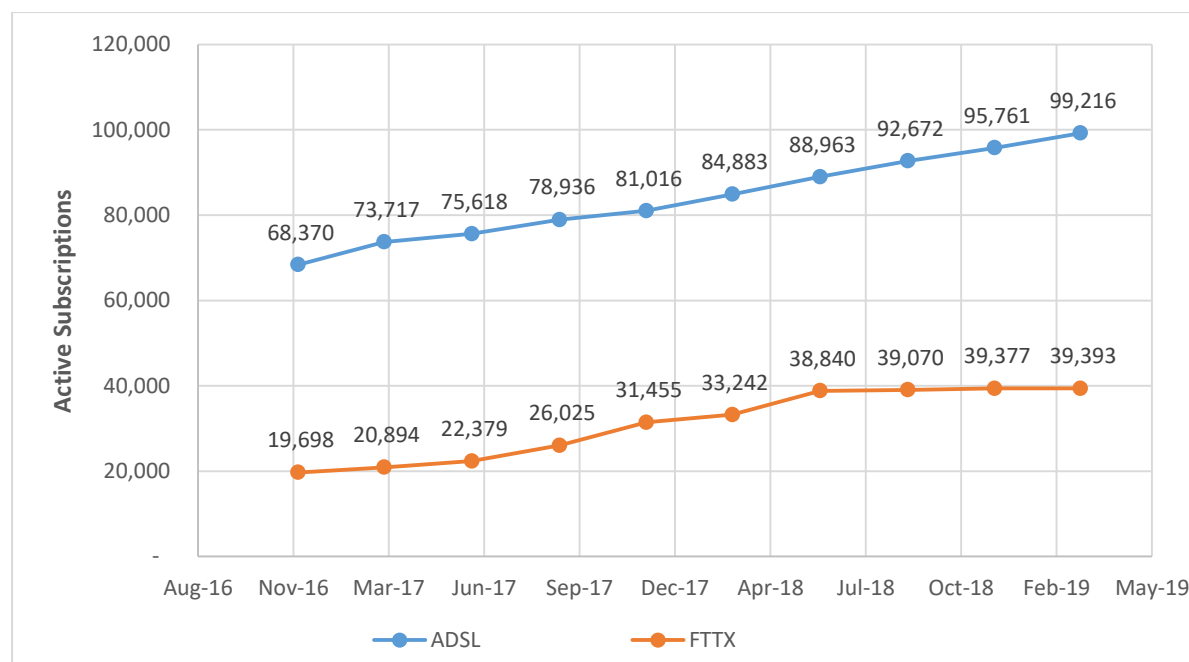
The total number of active internet subscriptions declined by 3.3% to record 8,431,581 from 8,723,242 recorded as at 31 December 2018. Using a population of 14,572,011 for 2019 as per ZIMSTAT projections, the internet penetration rate declined by 5% to record 57.9% from 62.9% recorded as at 31 December 2018. The trend in internet subscriptions per service category is shown in Table 11 below:

Table 11: Active Internet Subscriptions

Technology	4th Quarter 2018	1 st Quarter 2019	Variation (%)
3G/HSDPA/LTE	8,550,186	8,255,972	-3.4%
Leased Lines	2,026	2,045	0.9%
DSL	95,761	99,216	3.6%
WiMAX	3,414	3,366	-1.4%
CDMA	28,489	27,699	-2.8%
VSAT	3,989	3,890	-2.5%
Active Fibre subscriptions	39,377	39,393	0.04%
Total	8,723,242	8,431,581	-3.3%

The decline in active data and internet subscriptions is reflective of the general depressed demand in the economy. Fibre subscriptions recorded marginal growth. This could be attributable to the review of fixed internet and data tariffs in the quarter under review. In previous quarters Fibre recorded huge strides in terms of uptake as shown in Figure 9 below:

Figure 9: Growth in fibre subscriptions

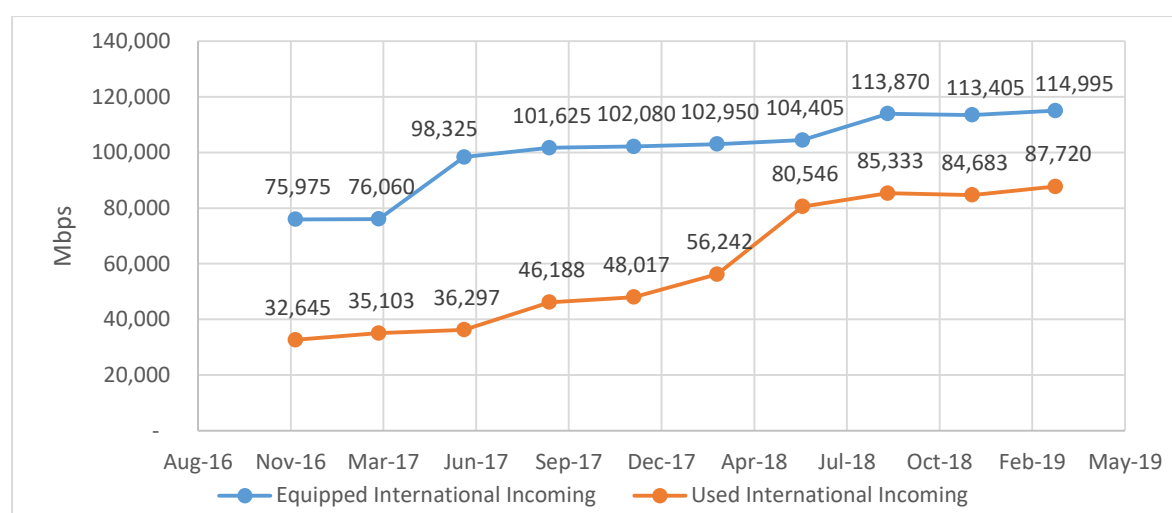


As shown above, the uptake of ADSL has been consistently on the rise whereas the uptake of Fibre has slowed down.

4.2 INTERNATIONAL INTERNET CONNECTIVITY

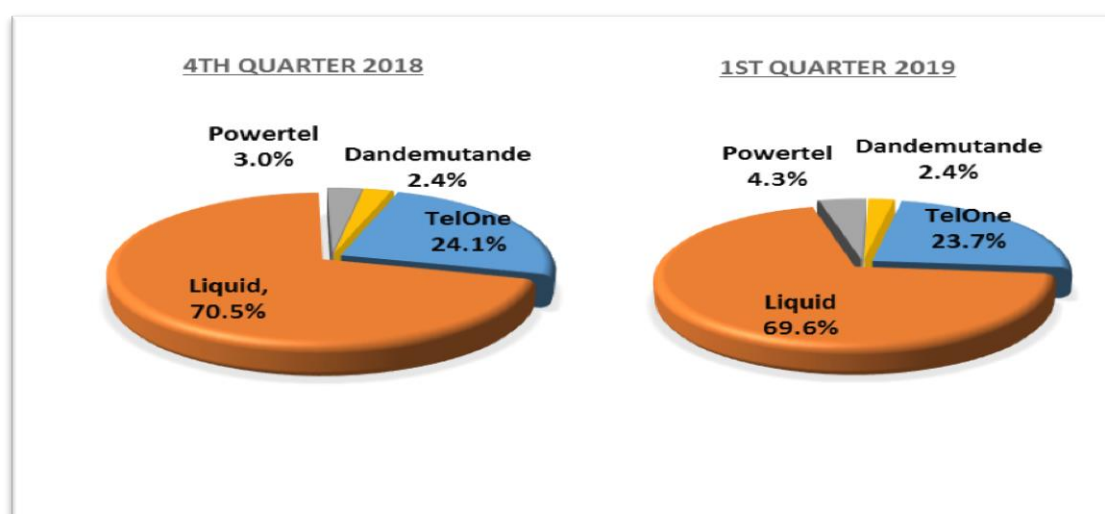
The total equipped incoming international internet bandwidth capacity increased by 1.4% to record 114,995Mbps from 113,405Mbps recorded in the fourth quarter of 2018. Used incoming international internet bandwidth capacity also increased by 3.6% to reach 87,720 from 84,683Mbps recorded in the fourth quarter of 2018. The growth in equipped and used international internet bandwidth over the years is shown in Figure 10 below:

Figure 10: International Internet Bandwidth Capacity



The quarterly variation in the market share of equipped capacity is shown in Figure 11 below:

Figure 11: Market share of equipped international bandwidth capacity



There were no significant change in the market share of used international internet bandwidth capacity as shown in Figure 12 below:

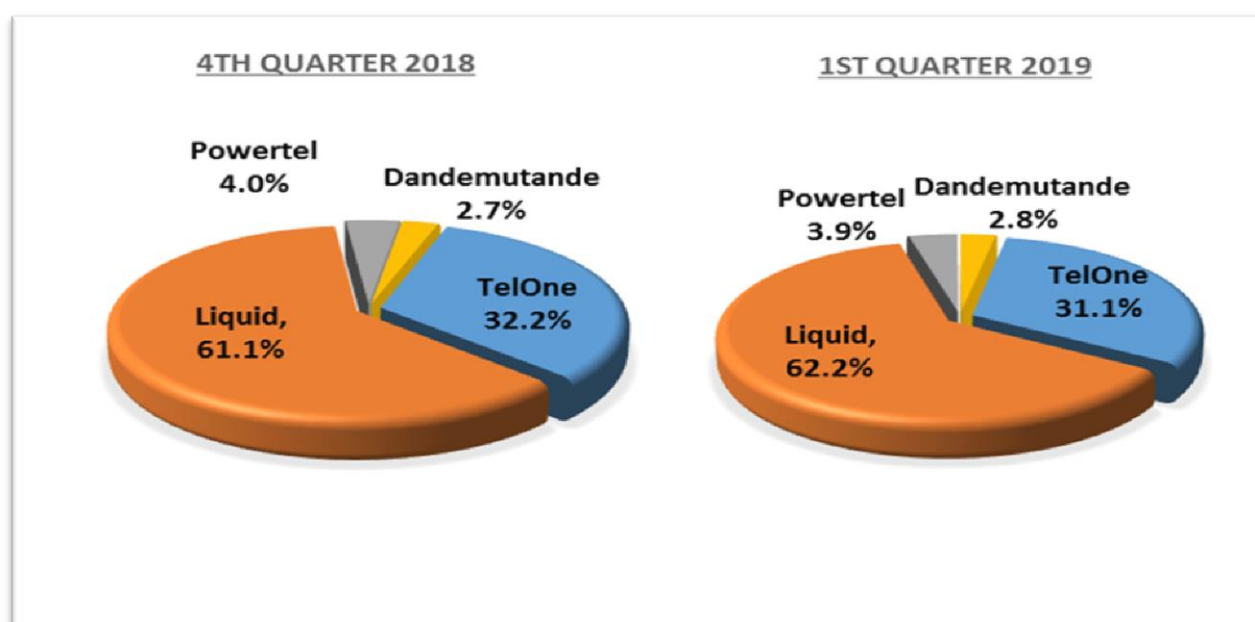


Figure 12: Market Share of Used International Incoming Bandwidth Capacity

4.3 INTERNET ACCESS PROVIDER REVENUES, COSTS & INVESTMENT

Internet Access Provider revenues, operating costs and investment for the quarter under review are shown in Table 12 below:

Table 12: IAP revenues, costs & investment

	4 th Quarter 2018	1 st Quarter 2019	Variation (%)
Revenues	69,671,412	74,365,764	6.7%
Investment	20,835,029	16,994,682	-18.4%
Operating Costs	45,123,822	60,132,023	33.3%

As shown above, revenues increased by 6.7% in line with the growth in used bandwidth. The quarterly variation in the market share of IAP revenues is shown in Table 13 below:

Table 13: Market Share of IAP Revenues

	4th Quarter 2018	1st Quarter 2019	Variation (%)
Liquid	58.5%	55.3%	-3.2%
TelOne	25.1%	27.6%	2.5%
Powertel	9%	8.4%	-0.6%
Dandemutande	4.1%	5.5%	1.4%
Africom	2.3%	2.1%	-0.2%
Telecontract	1%	1.1%	0.1%

The market share of revenues above is in line with the market share of used bandwidth. Operating costs increased by a record 33.3%; the growth is attributable to the growth in bandwidth, maintenance and administration expenses which are largely attributable to inflationary pressures currently ravaging the economy.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

There was an overall decline in postal and courier volumes in the quarter under review. The volumes per category are shown in Table 14 below:

Table 14: Postal and courier volumes

Postal and Courier Service	4th Quarter 2018	1st Quarter 2019	% Growth
Domestic postal letters	1,445,128	1,058,245	-26.8%
Domestic courier	131,575	119,725	-9.0%
International incoming	371,717	222,687	-40.1%
International outgoing courier	176,446	81,550	-53.8%
Total Postal & Courier	2,124,866	1,482,207	-30.2%

The huge decline in international incoming and outgoing traffic signifies a decline in e-commerce. Domestic postal letters also recorded a significant decline of 26.8% as individuals

and corporates are resorting to alternative channels for the transmission of information. Some local authorities have moved to sending bills electronically instead of sending by mail.

5.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

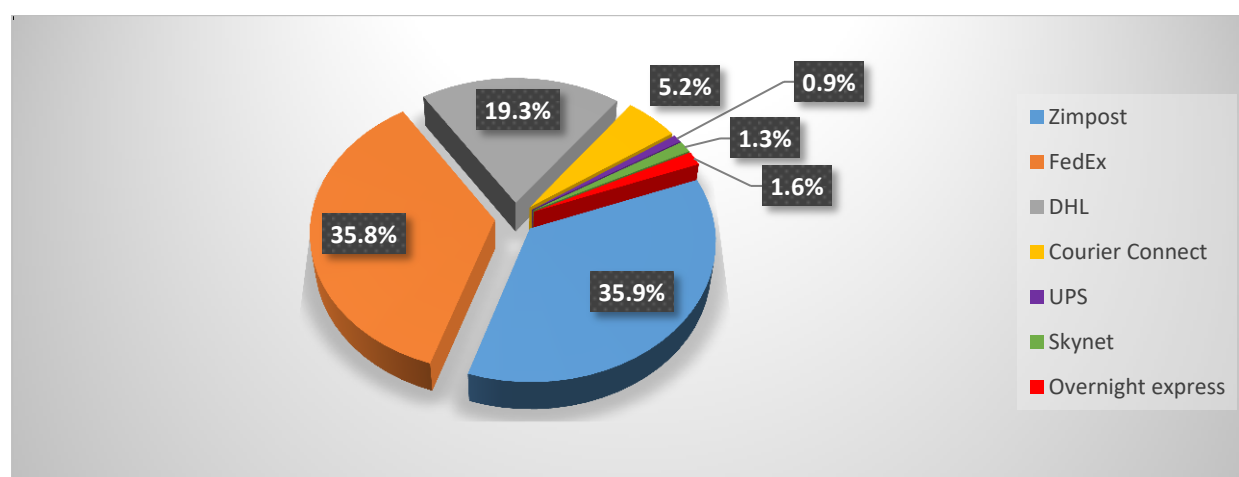
Total revenue, operating costs and investment by postal and courier operators is shown in Table 15 below:

Table 15: Postal & Courier Revenues, Costs & Investment

	4 th Quarter 2018	1 st Quarter 2019	% Growth
REVENUES	\$8,839,285	6,885,453	-22.1%
OPERATING COSTS	\$9,969,349	10,371,193	4.0%
INVESTMENT	\$677,139	701,856	3.7%

The decline in revenue is attributable to the decline in postal and courier traffic as shown in Table 15 above. As with other subsectors, the total operating costs by postal and courier operators increased by 4%. Operating costs for the postal and courier sector surpassed revenues implying non-profitability. The market share of revenue of postal and courier revenues is shown in Figure 13 below:

Figure 13: Market Share of Postal & Courier Revenue



A comparison with the previous quarter shows that Zimpost and DHL lost revenue market share by 6.2% and 3.5% respectively. FedEx gained revenue market share by 6.5% whereas

Courier Connect, Overnight Express and Skynet also gained market share by 2%, 0.9% and 0.3% respectively.

6. OUTLOOK

The performance of the industry will be dependent on the general economic environment. Telecommunications operators are also expected to focus more heavily on customer retention and churn in the face of dwindling revenues from traditional services and rising operating costs. Cutting costs will remain crucial for many operators to maintain viability in the current inflationary operating environment.

Data and internet services are taking over as the main driver for the sector growth. 4G/LTE deployment, Fibre to the Home (FTTH) deployment, ADSL and other forms of broadband access technologies will take centre stage as operators try to keep up with increased demand. Whilst broadband availability is improving, 3G, 4G as well as fixed broadband connectivity are yet to be ubiquitous. Although penetration rates for various services experienced a big decline in the first quarter of 2019, they are expected to stabilise and grow marginally during the course of the year.

Mobile money services are expected to continue playing a key role of bridging the financial divide by providing safe, secure and cheap financial services in areas where many Zimbabweans have no access to formal banking systems. Volumes of mobile money payments are expected to maintain an upward trend due to the significant increase in the number of financial services offered on mobile money platforms.

The postal and courier sector continued to record depressed service volumes and revenues; the decline in postal volumes is expected to continue. The principal cause of the decline in letter volumes has been the substitution of paper communication by electronic methods (e-substitution). International courier traffic recorded the biggest decline in the quarter under review signifying a decline in e-commerce. The growth of e-commerce will largely be determined by the accessibility of foreign currency.