

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2019

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

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 second quarter of 2019, compared to the first quarter of 2019.

- **A marginal decline of 0.1% in active fixed telephone lines from 273,330 to 273,031;**
- **Marked decline in fixed voice traffic of 5.5% from 120.3 million to 113.7 million minutes;**
- **Significant growth in fixed telephone revenue of 58.1% from \$42.6 million to \$67.3 million**
- **An increase of 45.1% in fixed telephone operating costs from \$41.4 million to \$60 million;**
- **Marginal increase in active mobile subscriptions of 1.8% from 12,134,455 to 12,354,315;**
- **Marginal decline of 1.1% in mobile voice traffic from 1.4 billion to 1.39 billion minutes ;**
- **Substantial decline in mobile internet/data usage of 8.2% from 10,202TB to 9,367TB;**
- **Marked growth in mobile network revenues by 50.1%, from \$249.9 million to \$375 million against a 25.7% growth in operating costs to record \$233.7 million from \$185.9 million;**
- **Marginal decline in active internet subscriptions of 1.1% from 8.4 million to 8.3 million;**
- **Significant growth in IAP revenues of 85.1% from \$74.4 to \$137.7 million, against an 84.6% growth in operating costs from \$60.1 to \$111 million;**
- **Significant growth of 64.5% in postal and courier volumes from \$6.9 million to \$11.3 million against a 4.9% growth in operating costs from \$10.4 million to \$10.9 million.**

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

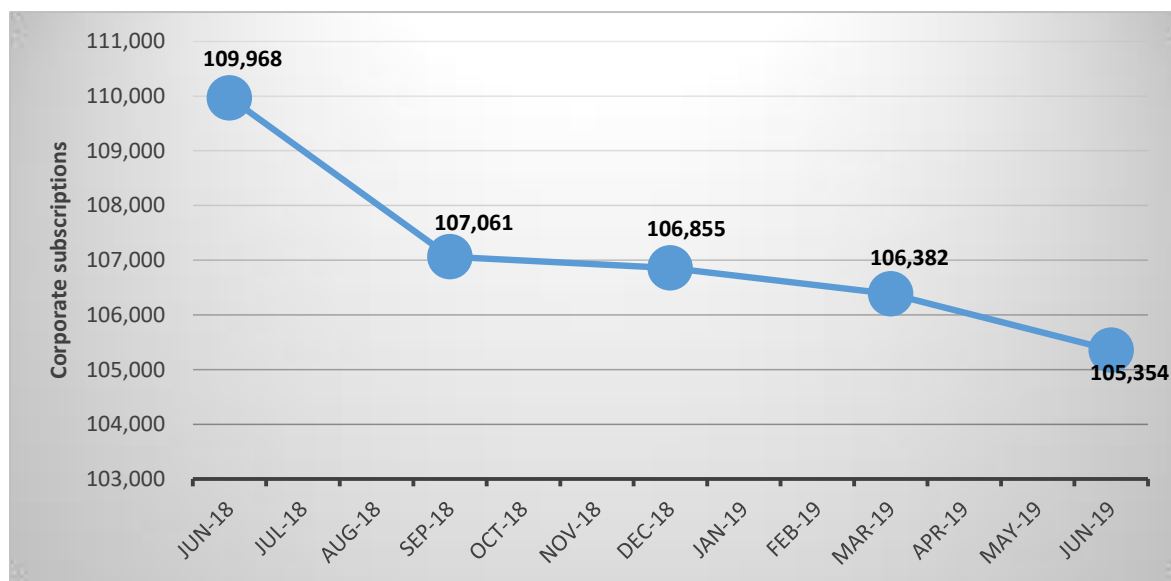
The total number of active fixed telephone lines declined by 0.1% to record 273,031 as at 30 June 2019 from 273,330 recorded as at 31 March 2019 as shown in Table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber Category	1 st Quarter 2019	2 nd Quarter 2019	% Growth
Residential	166,948	167,677	0.4%
Corporate	106,382	105,354	-1%
Total Active	273,330	273,031	-0.1%

The fixed tele-density remained at 1.9%. As shown above, corporate subscriptions declined whereas growth was recorded in residential subscriptions. The trend of declining active corporate fixed telephone subscriptions is shown in Figure 1 below:

Figure 1: Active Corporate Fixed Telephone Subscriptions



The decline in corporate fixed telephone subscriptions is attributable to the increasing adoption of Voice over Internet Protocol (VoIP) by corporates.

2.2 FIXED NETWORK TRAFFIC

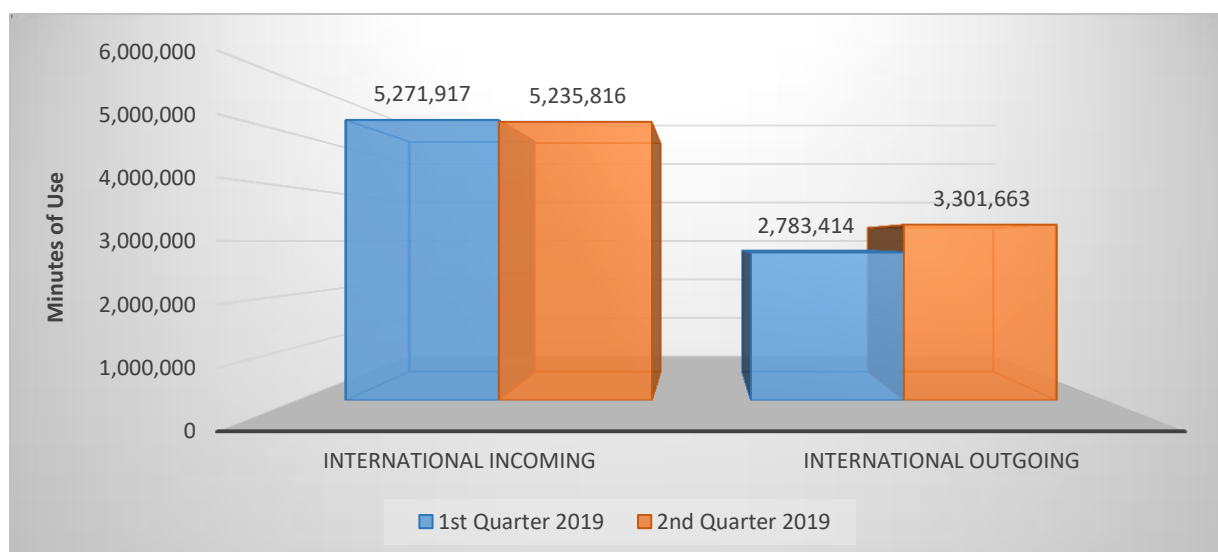
The total number of voice traffic processed by the fixed network declined by 5.5% to record 113.7 million minutes from 120.3 million minutes recorded in the previous quarter as shown in Table 2 below.

Table 2: Fixed Voice Traffic

Traffic category	1 st Quarter 2019	2 nd Quarter 2019	Variance (%)
Net on Net	31,558,039	23,063,723	-26.9%
Outgoing to Mobile	72,670,815	73,610,343	1.3%
Incoming from Mobile	5,774,311	5,833,368	1.0%
Incoming from IAPs	1,198,706	1,306,166	9.0%
Outgoing to IAPs	1,073,287	1,332,521	24.2%
International Incoming	5,271,917	5,235,816	-0.7%
International Outgoing	2,783,414	3,301,663	18.6%
Total traffic	120,330,489	113,683,600	-5.5%

As shown above, the overall decline in fixed voice traffic is attributable to the 26.9% decline in Net-on-Net traffic. The decline is attributable to the increase in fixed voice tariffs in the quarter under review. International incoming traffic declined by 0.7%, whereas international outgoing traffic increased by a more than proportionate 18.6%, resulting in a decline in foreign currency earnings after set-off.

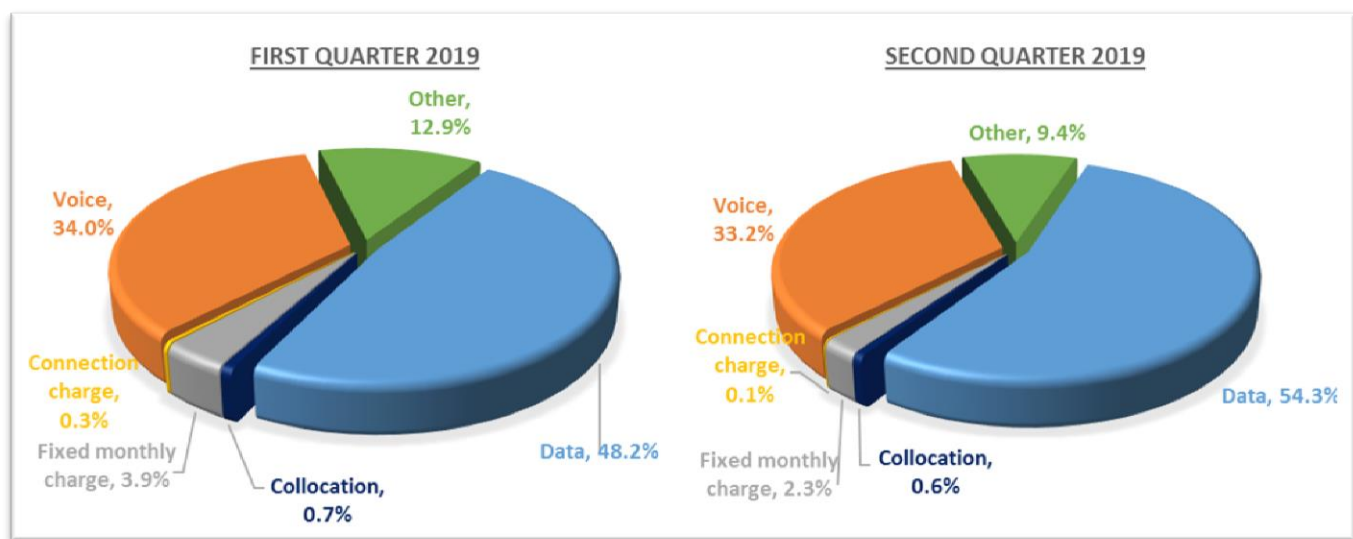
Figure 2: Decline in International Voice Traffic



2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

Fixed telephone revenues grew by 58.1% to record \$67,299,665 from in the quarter under review from \$42.6 million recorded in the previous quarter. The growth in overall fixed telephone revenue can be attributable to the increase in tariffs as well as the transition from the multi-currency era as some foreign currency denominated income is now subjected to conversion at the official exchange rate. A quarterly comparison of the contribution to revenue by service is shown in Figure 3 below:

Figure 3: Contribution to Revenue by Service



As shown above, the contribution of data increased, whereas the contribution of voice declined; the revenue contribution of data has exceeded the revenue contribution of voice service. On the other hand, operating costs grew by 45.1% to record \$60,015,471 from \$41,364,303 recorded in the first quarter of 2019. The significant growth in operating costs is attributable to the inflationary pressures in the economy. The credit crunch also saw capital expenditure declining by 36.8% to record \$2,236,804 from \$3,536,709 recorded in the previous quarter.

3. MOBILE TELEPHONY

3.1 MOBILE SUBSCRIPTIONS

The total number of active mobile subscriptions as at 30 June 2019 was 12,354,315. This represents a 1.8% growth from 12,134,455 recorded as at 31 March 2019. The mobile

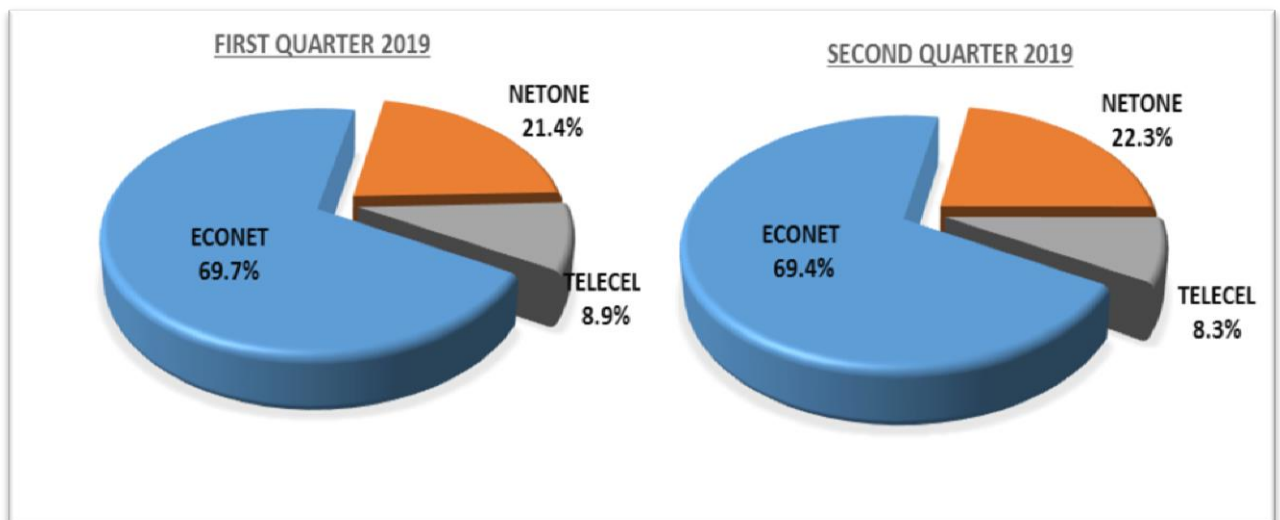
penetration rate increased by 1.5% to reach 84.8% from 83.3% recorded in the previous quarter. Telecel was the only mobile operator to record a decline in active subscriptions as shown in table 3 below:

Table 3: Active Mobile Subscriptions

Operator	1 st Quarter 2019	2 nd Quarter 2019	Variation
Econet	8,460,405	8,574,412	1.3%
NetOne	2,593,444	2,752,458	6.1%
Telecel	1,080,606	1,027,445	-4.9%
Total	12,134,455	12,354,315	1.8%

As shown above, NetOne registered the biggest growth in active subscriptions. The quarterly comparison of the market share of active mobile subscribers is as follows:

Figure 4: Market Share of Mobile Subscribers



As shown above, Econet and Telecel lost market share by 0.3% and 0.6%, respectively, whereas NetOne gained market share by 0.9%.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

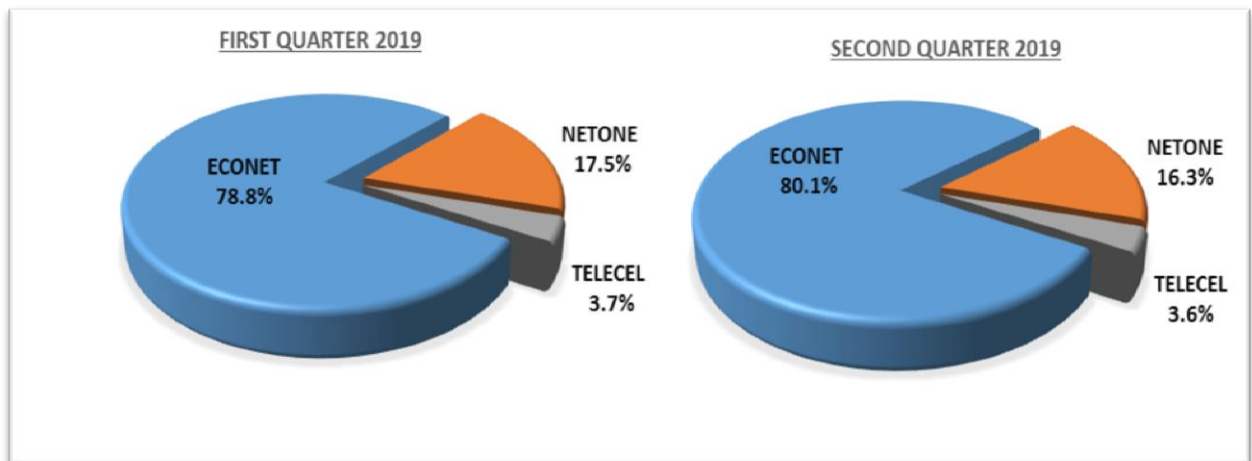
There was an overall decline in mobile voice traffic in the second quarter of 2019. The total mobile voice traffic declined by 1.1% to record 1.39 billion minutes from 1.4 billion minutes recorded in the first quarter of 2019 as shown in Table 4 below:

Table 4: Mobile Voice Traffic in Minutes

Traffic Category	1 st Q 2019	2 nd Q 2019	Variance (%)
Net on Net	1,034,129,644	1,014,705,924	-1.9%
Mobile to Fixed	5,713,472	5,769,314	1.0%
Incoming from Fixed	72,615,171	73,026,232	0.6%
Mobile to Other Mobile (by termination)	204,089,222	220,470,698	8.0%
Outgoing to IAPs	1,733,623	1,849,397	6.7%
Incoming from IAPs	19,213,980	22,085,983	14.9%
TOTAL NATIONAL	1,337,495,112	1,337,907,548	0.0%
International Incoming	41,598,952	36,222,428	-12.9%
International Outgoing	23,793,447	13,622,129	-42.7%
Inbound Roaming	1,369,880	1,663,863	21.5%
Outbound Roaming	614,783	538,334	-12.4%
Total Voice Traffic	1,404,872,174	1,389,954,302	-1.1%

As shown above, international outgoing traffic recorded the biggest decline of 42.7%. This is attributable to the increase in international tariffs in the quarter under review. Incoming VoIP traffic from IAPs recorded the biggest growth of 14.9%. As the adoption of VoIP improves, the flow of traffic between IAPs and mobile operators will also continue to grow. The voice traffic market share was as follows.

Figure 5: Voice Traffic Market Share

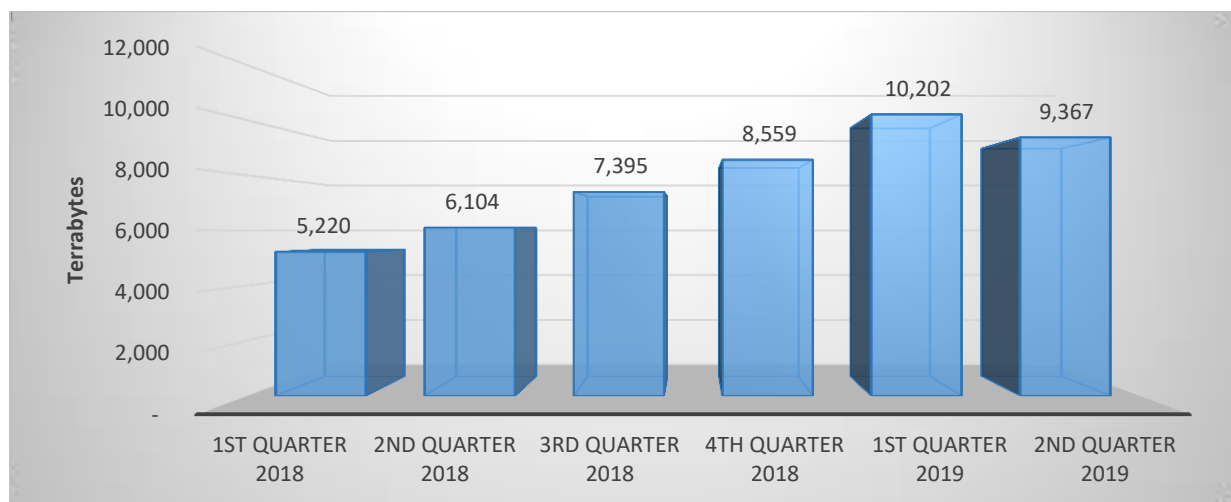


As shown above, Econet`s voice traffic market share increased by 1.3%, whereas NetOne and Telecel lost market share 1.2% and 0.1%, respectively.

3.2.2 MOBILE INTERNET & DATA

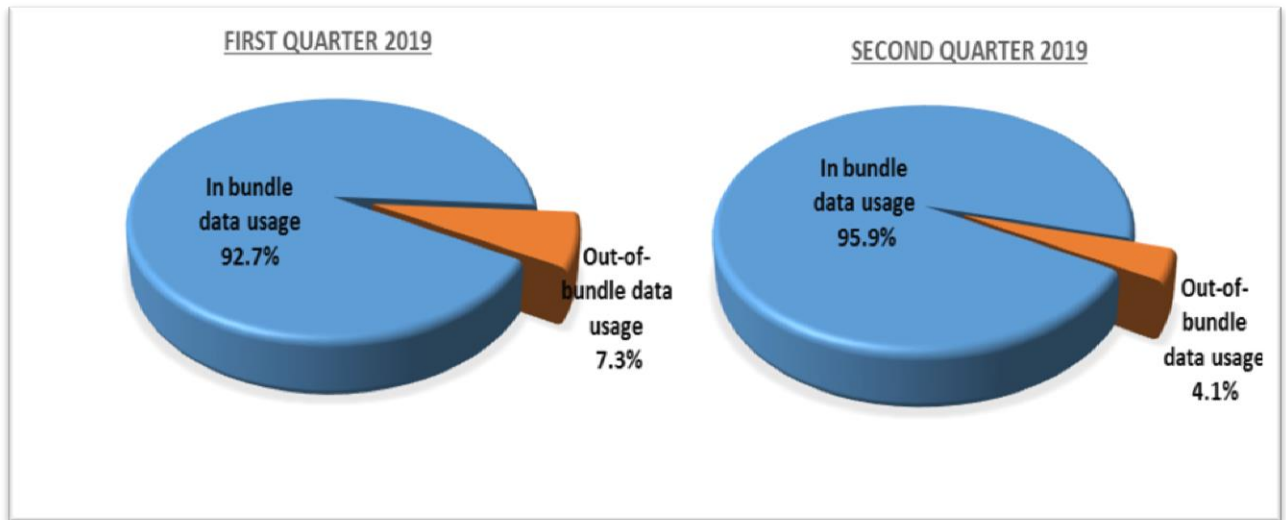
Mobile data and internet usage declined by 8.2% to record 9,367 Terabytes from 10,201 Terabytes recorded in the previous quarter. All the mobile operators recorded a decline in internet and data usage. The decline may be attributable to the review of promotional bundles and packages in the quarter under review. This is the first quarter in one and half years to record a decline in mobile internet and data consumption as shown in Figure 6 below:

Figure 6: Mobile Internet and Data Usage



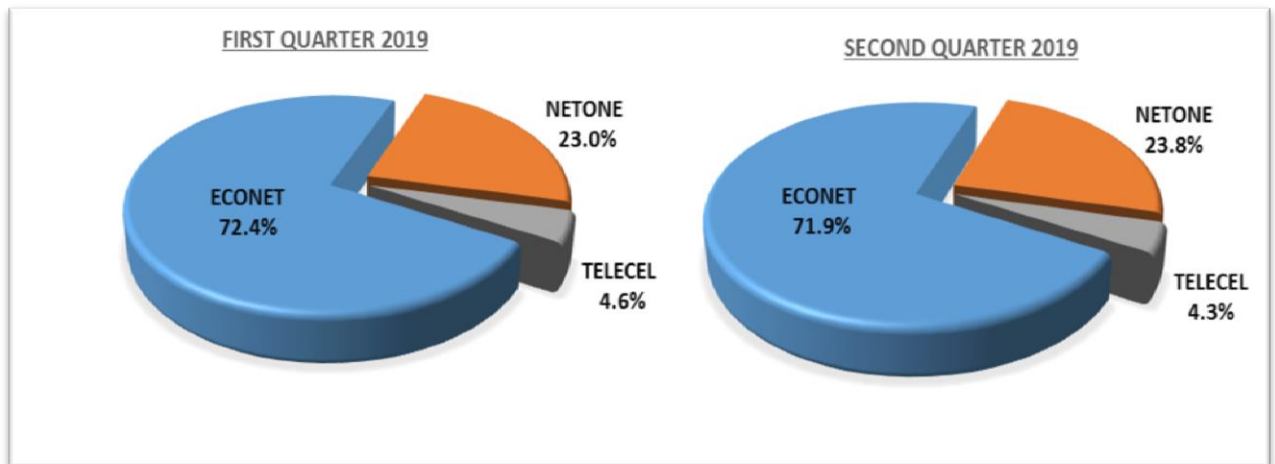
In-bundle mobile internet and data usage constituted 95.9% of total usage, up from 92.7% recorded in the previous quarter as shown in Figure 7 below:

Figure 7: In-Bundle and Out-of-Bundle Data Usage



The phenomenon above 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 8: Market Share of Internet & Data Traffic



As shown above, NetOne gained market share of internet and data usage by 0.8%. On the other hand, Econet and Telecel lost market share of internet and data usage by 0.5% and 0.3%, respectively.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

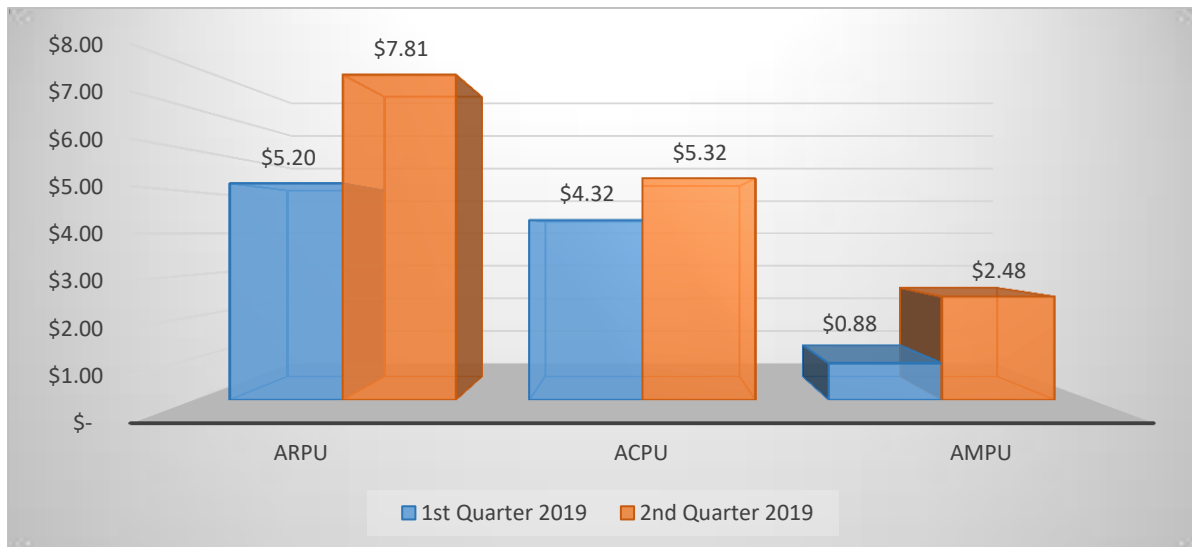
Total revenue for the mobile network operators grew by 50.1%, whereas operating costs grew by 25.7% as shown in Table 5 below:

Table 5: Mobile Operator Revenues and Costs

	Revenues (\$)			Operating costs (\$)		
	1 st Q 2019	2 nd Q 2019	Variance	1 st Q 2019	2 nd Q 2019	Variance
Total	249,889,876	375,028,782	50.1%	185,900,349	233,660,532	25.7%

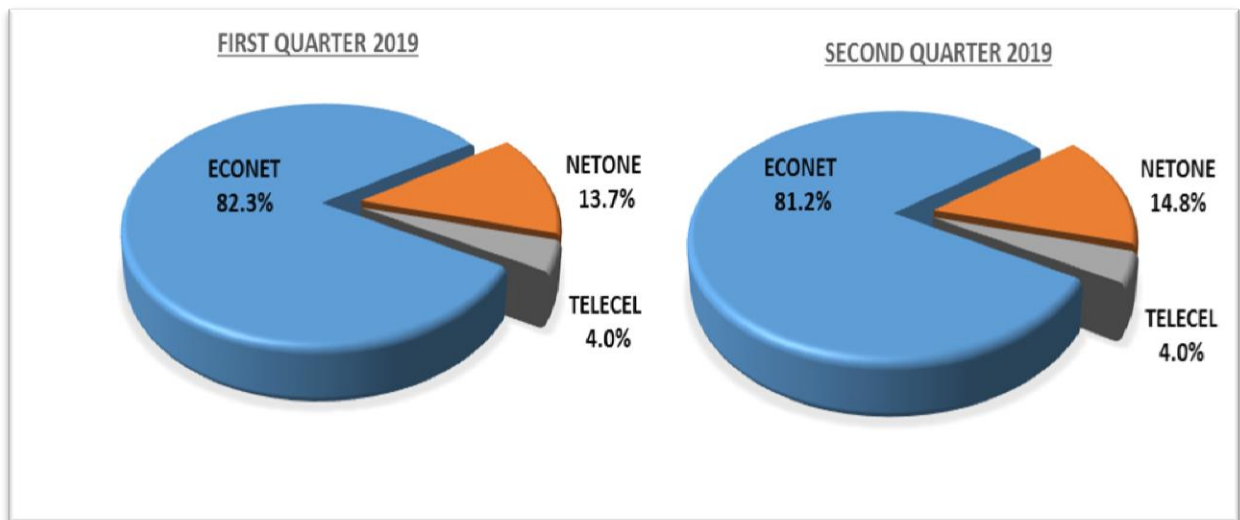
The overall growth in mobile revenue may be attributable to the increase in tariffs in the quarter under review as well as the transition from the multi-currency era, as some foreign currency denominated income is now subjected to conversion at the official exchange rate. Operating costs grew by 25.1%, as a result of the inflationary pressures in the economy; operators have implemented cost containment measures in order to suppress escalating costs. A quarterly comparison of the Average Revenue per User, Average Costs per User and Average Margin per User is shown in Figure 9 below:

Figure 9: Mobile ARPU, ACPU & AMPU



There was an overall growth in the ARPU as shown above. The ACPU also increased by a less than proportionate margin. A quarterly comparison of the market share of mobile telephone revenues is shown in Figure 10 below:

Figure 10: Market Share of Mobile Revenue



As shown above, Econet lost revenue market share by 1.1%; NetOne gained market share by 1.1% whereas Telecel’s market share remained unchanged. The mobile operators recorded an overall decline in capital expenditure of 93.1% to record \$1,581,703 from \$22,978,234 recorded in the first quarter of 2019. Investment is cyclical and the current huge decline in capital expenditure may be attributed to the transition from the multicurrency system as business adopts a ‘wait and see’ approach as well as the credit squeeze.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

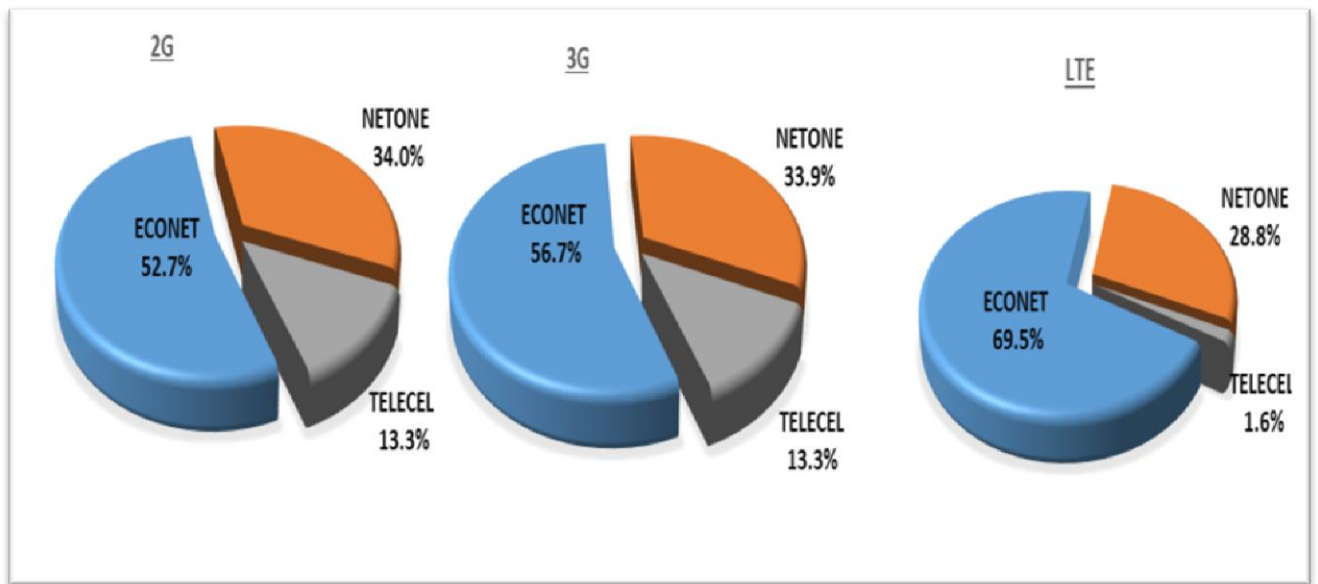
A total of twelve (12) new base station were deployed in the quarter under review, down from eighty-eight (88) new deployments recorded in the previous quarter. The number of base stations per technology is broken down by operator in Table 6 below:

Table 6: Mobile Base Stations

	2G			3G			LTE		
	Q1 2019	Q2 2019	Net Addition	Q1 2019	Q2 2019	Net Addition	Q1 2019	Q2 2019	Net Addition
Total	4,969	4,973	4	2,889	2,890	1	1,026	1,033	7

Of the total number of base stations, 2,671 were in rural areas. Based on mobile base stations per operator, the market share of mobile base station infrastructure was as follows:

Figure 11: Market Share of Mobile Base Station Infrastructure



There was no major change in the market share of base stations from the previous quarter. Econet dominated the market in terms of 2G, 3G and LTE coverage.

3.5 MOBILE MONEY

3.5.1 MOBILE MONEY SUBSCRIPTIONS

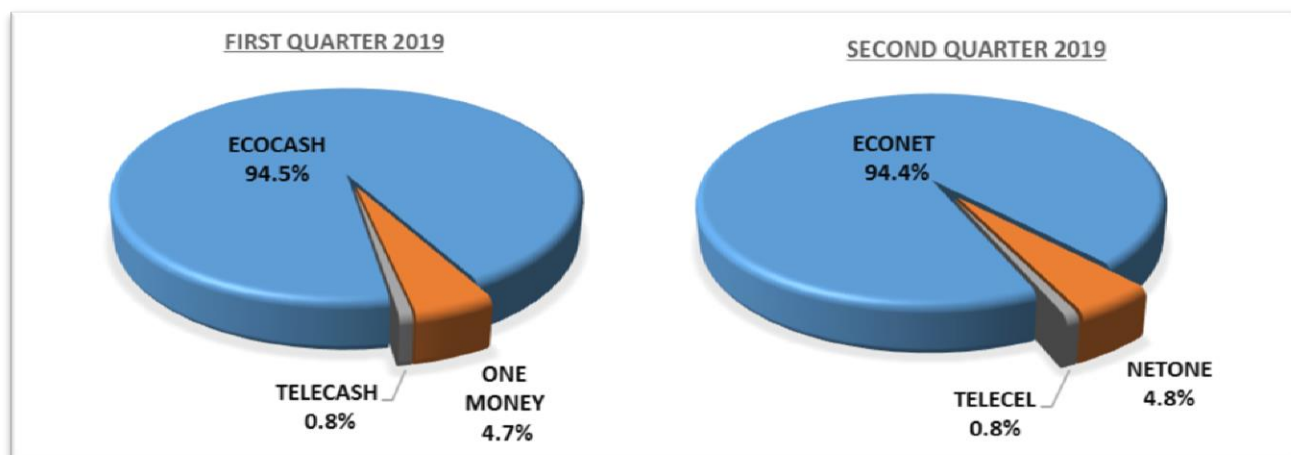
There was an overall growth in active mobile money subscriptions across all operators as shown in Table 7 below:

Table 7: Active Mobile Money Subscriptions

OPERATOR	1 st Quarter 2019	2 nd Quarter 2019	% Growth
ECOCASH	6,313,721	6,643,008	5.2%
TELECASH	53,889	54,190	0.6%
ONE MONEY	312,223	335,132	7.3%
TOTAL	6,679,833	7,032,330	5.3%

The market share of mobile money subscriptions based on Table 7 above is shown in Figure 12 below:

Figure 12: Market Share of Active Mobile Money Subscriptions



As shown above, there was no major change in the market share of active mobile money subscriptions. One Money gained 0.1%, whereas Ecocash lost 0.1%; Telecash`s market share remained unchanged at 0.8%.

3.5.2 MOBILE MONEY TRANSACTIONS

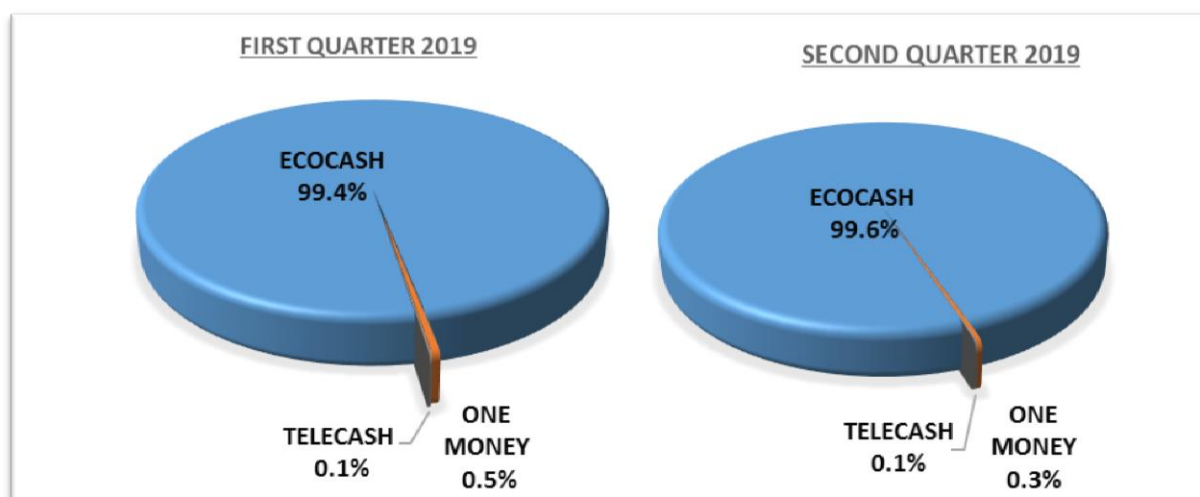
A quarterly comparison of the value and volumes of mobile money transactions is shown in Table 8 below:

Table 8: Mobile Money Transactions

	1 st Quarter 2019	2 nd Quarter 2019	Variance
Cash In	\$1,172,846,324	\$2,440,827,098	108.1%
Cash Out	\$795,458,073	\$1,296,642,708	63.0%
Airtime, Bill & Merchant Payments	\$1,473,764,112	\$2,485,967,757	68.7%
Cross Network	\$89,817	\$123,575	37.6%
Number of transactions	391,903,588	477,420,480	21.8%

As shown above, there was a significant growth in the volume and value of mobile money transactions in the quarter under review. The growth in the value of transactions can be attributed to a number of factors such as the general increase in the cost of goods and services as well as the growth in the number of uses and users. Ecocash processed 99.6% of the total value of transactions up from 99.4% recorded in the previous quarter, as shown in Figure 13 below:

Figure 13: Market Share of Mobile Money Transactions



As shown above Ecocash continues to dominate the mobile money market.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

The total number of active internet subscriptions declined by 1.1% to record 8,342,051 from 8,431,581 recorded in the previous quarter. The internet penetration rate declined by 0.7% to record 57.2% from 57.9% recorded in the previous quarter. The trend in internet subscriptions per service category is shown in Table 9 below:

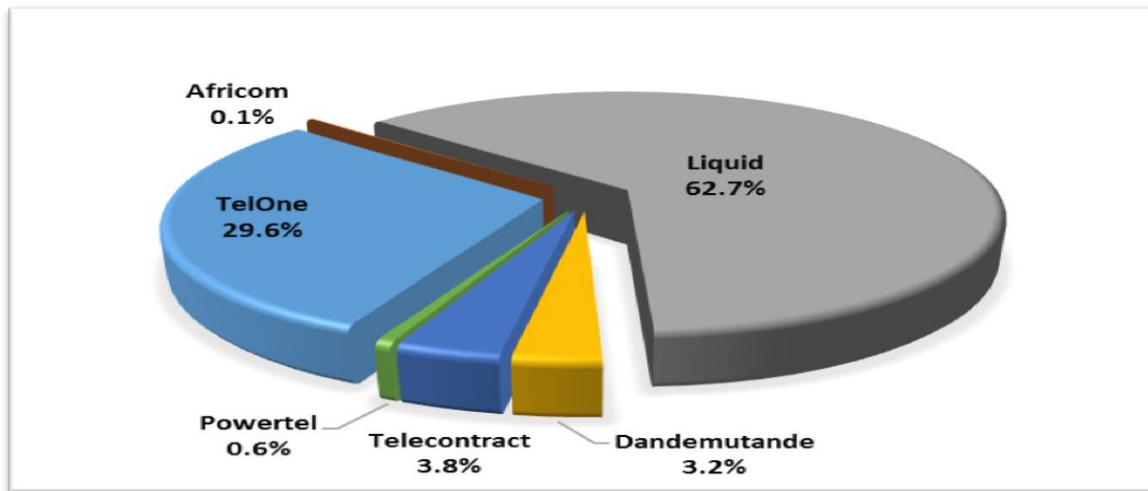
Table 9: Active Internet Subscriptions

Technology	1 st Quarter 2019	2 nd Quarter 2019	Variation (%)
3G/HSDPA/LTE	8,255,972	8,165,771	-1.1%
Leased Lines	2,045	2,120	3.7%
DSL	99,216	101,909	2.7%
WiMAX	3,366	2,947	-12.4%
CDMA	27,699	25,658	-7.4%
VSAT	3,890	3,783	-2.8%
Active Fibre subscriptions	39,393	39,863	1.2%
Total	8,431,581	8,342,051	-1.1%

The decline in active data and internet subscriptions is reflective of the general depressed demand in the economy. Mobile operators also reviewed their promotional bundles in the

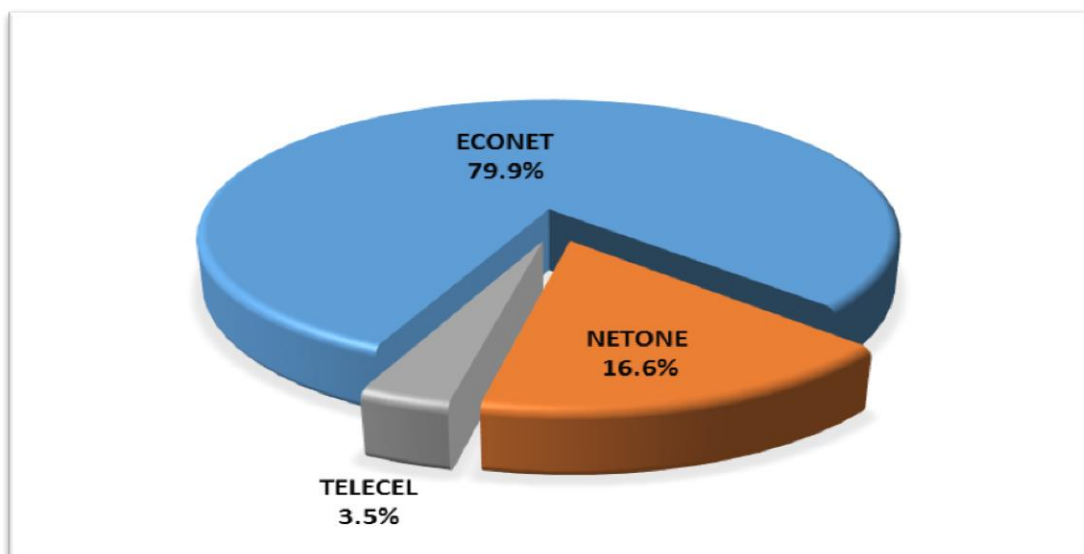
quarter under review; Internet Access Providers also increased fixed internet and data tariffs in the quarter under review. The rate of growth in active fibre subscriptions has declined as compared to previous years where fibre was the fastest growing fixed internet category. The market share of active fibre subscriptions was as follows:

Figure 14: Market share of active fibre subscriptions



As shown above, Liquid Telecom dominated the market in terms of active fibre internet and data subscriptions. Econet also dominated the mobile internet and data market, as shown in Figure 15 below:

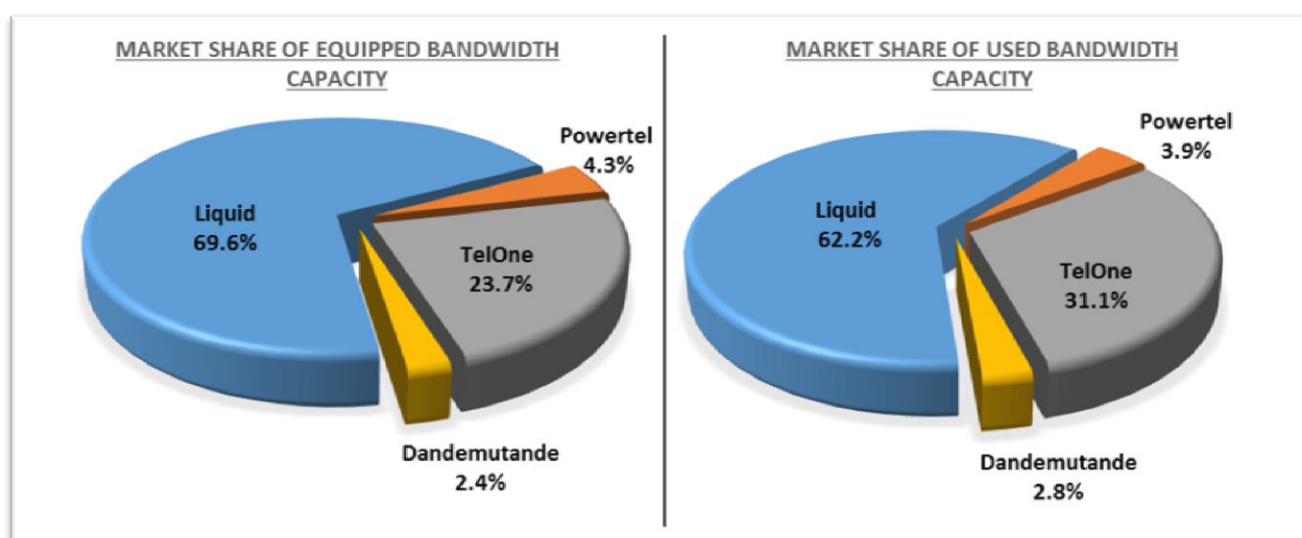
Figure 15: Market Share of Mobile Internet and Data Subscriptions



4.2 INTERNATIONAL INTERNET CONNECTIVITY

There was no change in the total equipped incoming international internet bandwidth capacity from 114,995Mbps recorded in the first quarter of 2019. There was also no change in the used incoming international internet bandwidth capacity from 87,720Mbps recorded in the previous quarter. As a result, there was no change in the market share of equipped and used international internet bandwidth capacity, as shown in Figure 16 below:

Figure 16: Market Share of Equipped & Used International Internet Bandwidth Capacity



Internet Access Providers did not increase their equipped bandwidth capacities due to depressed demand.

4.3 IAP REVENUES, COSTS & INVESTMENT

IAP revenues, operating costs and investment for the quarter under review are shown in Table 10 below:

Table 10: IAP Revenues, Costs & Investment

	1 st Quarter 2019	2 nd Quarter 2019	Variation (%)
Revenue	74,365,764	137,687,066	85.1%
Investment	16,994,682	9,437,004	-44.5%
Operating Costs	60,132,023	110,991,192	84.6%

As shown above, whilst revenues grew by 85.1%, operating costs also grew significantly by 84.6%. A huge proportion of IAP operating costs consists of bandwidth costs, which are paid in foreign currency. The quarterly variation in the market share of IAP revenues is shown in Table 11 below:

Table 11: Market Share of IAP Revenues

	1st Quarter 2019	2nd Quarter 2019	Variation (%)
Liquid	55.3%	59.8%	4.5%
TelOne	27.6%	26.5%	-1.1%
Powertel	8.4%	6.2%	-2.2%
Dandemutande	5.5%	4.5%	-1.0%
Africom	2.1%	1.9%	-0.2%
Telecontract	1.1%	1.1%	0.0%

As shown above, Liquid Telecom recorded growth in their revenue market share whilst the rest of the IAPs recorded a decline.

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 12 below:

Table 12: Postal and courier volumes

Postal and Courier Service	1st Quarter 2019	2nd Quarter 2019	% Growth
Domestic postal letters	1,058,245	790,016	-25.3%
Domestic courier	119,725	101,296	-15.4%
International incoming	222,687	392,190	76.1%
International outgoing courier	81,550	52,347	-35.8%
Total Postal & Courier	1,482,207	1,335,849	-9.9%

As shown above, international incoming traffic was the only traffic category to register growth in volume. Domestic postal letter volumes have been exhibiting a declining trend

over the past year. Some local authorities have moved to sending bills electronically instead of sending by mail.

5.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

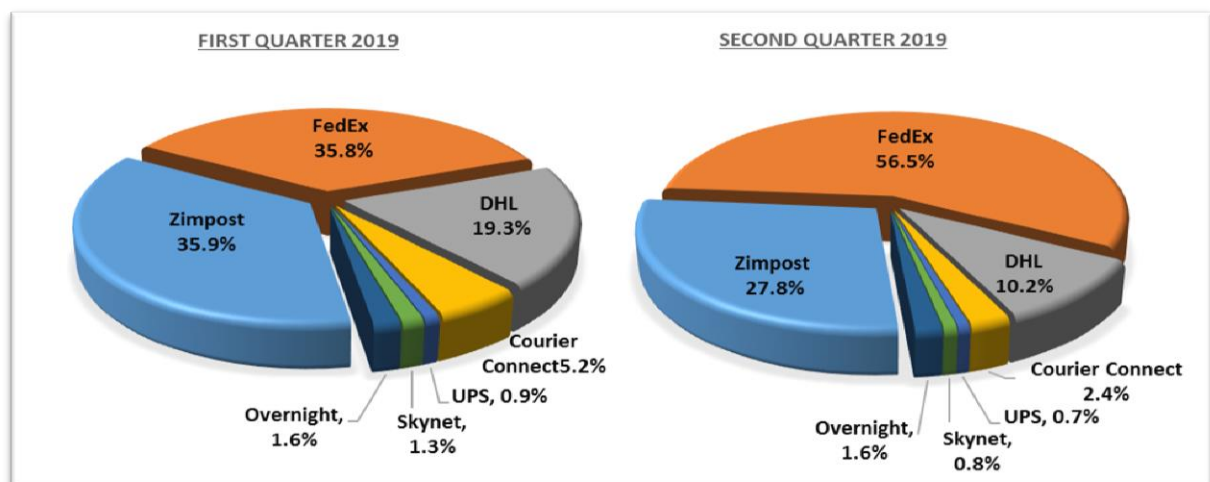
Total revenue, operating costs and investment by Postal and Courier operators is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Investment

	1 st Quarter 2019	2 nd Quarter 2019	% Growth
REVENUES	6,885,453	11,323,476	64.5%
OPERATING COSTS	10,371,193	10,884,409	4.9%
INVESTMENT	701,856	704,574	0.4%

The growth in overall revenue stemmed from the growth in income from international incoming courier service. Courier operators also reviewed their tariffs for domestic and international courier in the quarter under review. As with other subsectors, the total operating costs by postal and courier operators also increased, however, less proportionately. The market share of revenue of postal and courier revenues is shown in Figure 17 below:

Figure 17: Market Share of Postal & Courier Revenue

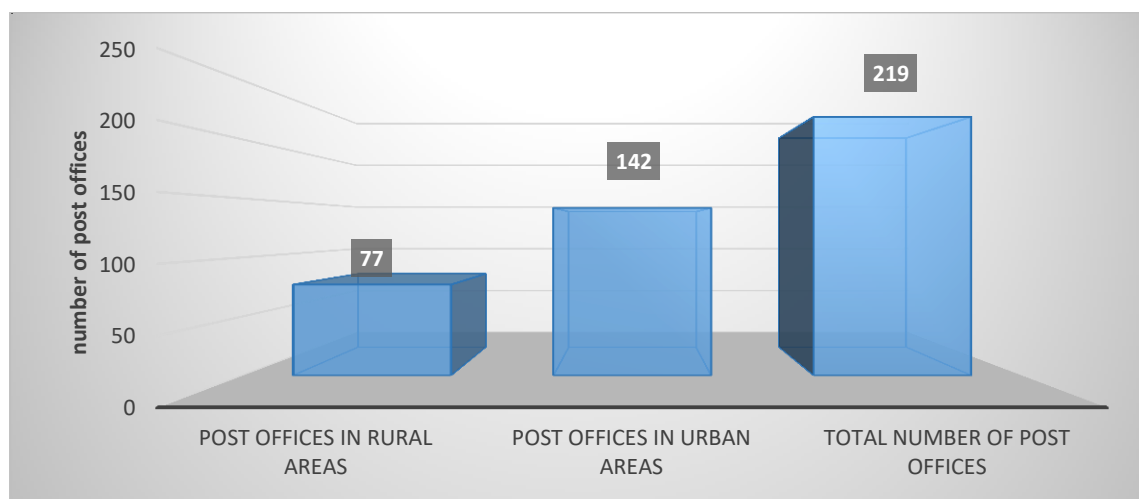


As shown above, FedEx recorded the significant growth in their revenue market share. This is attributable to the growth in their international incoming courier volumes whose income is in foreign currency.

5.3 POSTAL DENSITY

The number of postal outlets remained at 219; hence the postal density was 66,539. This implies that there is 1 post office per 66,539 people, which is relatively unfavourable. The post offices are broken down as follows:

Figure 18: Post offices



Of the total number of post offices, 152 had internet connection.

6. OUTLOOK

The performance of the industry will be dependent on the general economic environment in the country. Cutting costs will remain crucial for many operators to maintain viability in the current inflationary environment. The current power supply challenges have negatively affected the sector in terms of service provision, lost potential revenue and increased costs brought about by the use of alternative power sources like generators, in an environment of rising fuel costs. Operators will also focus on revenue growth strategies and alternative business models in the face of depressed demand.

The quarter under review recorded a decline in penetration rates and usage volumes for voice as well as data. Demand levels for telecommunication services will be dependent on factors such as prices and incomes. Investment by the operators in the sector also declined significantly but is expected to pick up during the course of the year as businesses adapt to the new economic reforms. The investment will be mainly in internet and data infrastructure deployment as broadband is taking over as the main growth driver for the sector.

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 services sector continued to record depressed service volumes; 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). E-commerce needs to be supported as it is a pillar for postal reform.