

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH 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

MAJOR HIGHLIGHTS

The following are the main sector trends for the fourth quarter of 2019:

- **A 3.2% decline in active fixed telephone lines to reach 265,734 from 274,408 recorded in the third quarter of 2019; The fixed teledensity declined by 0.1% to reach 1.8% from 1.9% recorded in the third quarter of 2019;**
- **Growth of 2.7% in active mobile subscriptions to reach 13.2 million from 12.9 million recorded in the previous quarter; the mobile penetration rate increased by 2.4% to reach 90.6% from 88.2% recorded in the previous quarter;**
- **A 3.1% growth in active internet subscriptions to reach 8.84 million from 8.58 million recorded in the third quarter of 2019; the internet penetration rate increased by 1.7% to reach 60.6% from 58.9% recorded in the third quarter of 2019;**
- **A 5.9% decline in total national voice traffic to record 1.46 billion minutes from 1.56 billion minutes recorded in the third quarter of 2019;**
- **Marked decline of 36.1% in international outgoing mobile voice traffic to record 5.3 million minutes from 8.3 million minutes recorded in the third quarter of 2019;**
- **A Significant 33.1% decline in mobile internet and data usage to record 6,479.5TB from 9,367.3TB recorded in the previous quarter;**
- **Marked growth in revenues as well operating costs across all subsectors**
 - **Mobile network revenues grew by 98.8%, to record \$1.65 billion from \$828.8 million against a 39.7% growth in operating costs to record \$988.2 million from \$707.4 million recorded in the previous quarter;**
 - **IAP revenues grew by 100.7% to record \$504.1 million from \$251.2 million against a 114.3% growth in operating costs to record 416.3 million from \$194.3 million in the third quarter of 2019;**
 - **Fixed telephone revenues grew by 107.1% to record 250 million from 120.7 million against a 151.9% growth in operating costs to record 228.5 million from 90.7 million recorded in the previous quarter;**
 - **Postal and Courier revenues increased by 104.8% to record \$38.2 million from \$18.6 million against a 130.5% growth in operating costs to record \$38.7 million from \$16.8 million;**

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

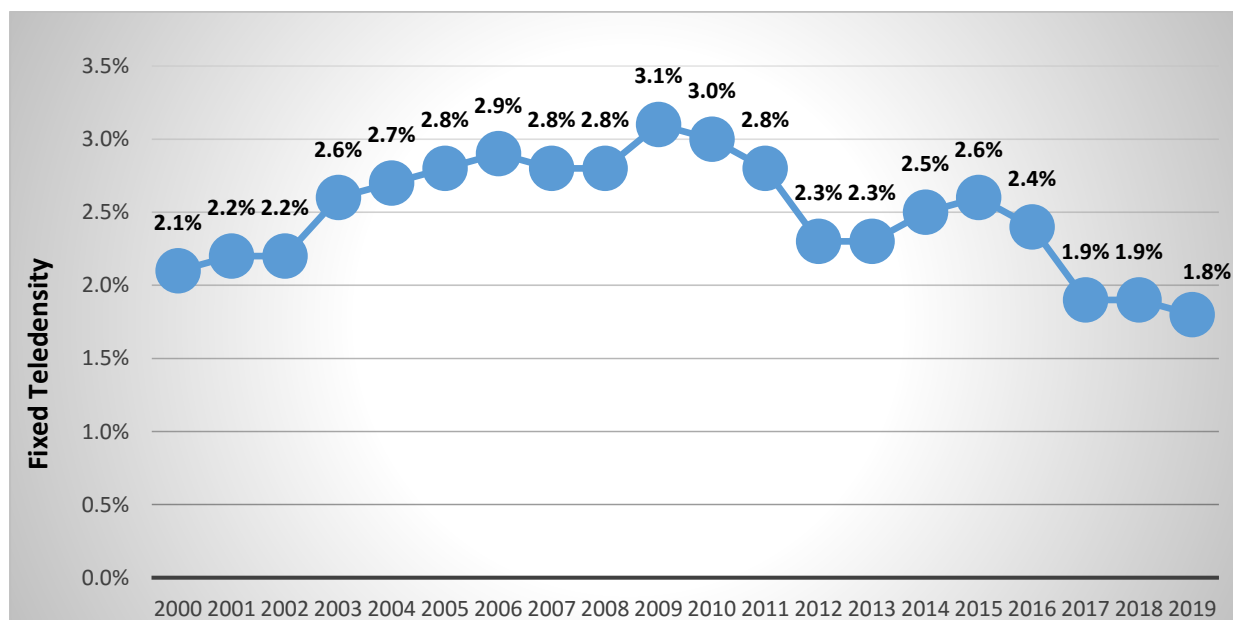
The number of active fixed telephone lines declined by 3.2% to record 265,734 from 274,408 recorded in the third quarter of 2019. The decline emanated from a reduction in household/residential subscriptions as shown in Table 10 below:

Table 1: Fixed Telephone Subscriptions

Subscriber category	3 rd Quarter 2019	4 th Quarter 2019	% Growth
Residential	167,887	156,675	-6.7%
Corporate	106,521	109,059	2.4%
Total Active	274,408	265,734	-3.2%

The fixed tele-density declined by 0.1% to record 1.8% in the quarter under review, from 1.9%, recorded in the third quarter of 2019, as a result of the decline in fixed telephone subscriptions. The decline in the fixed teledensity is shown in Figure 2 below:

Figure 1: Fixed Teledensity



The fixed telephone continues to experience competition from mobile telephony and VoIP hence, the gradual decline in subscriptions over the years, especially at household level.

1.2 FIXED NETWORK TRAFFIC

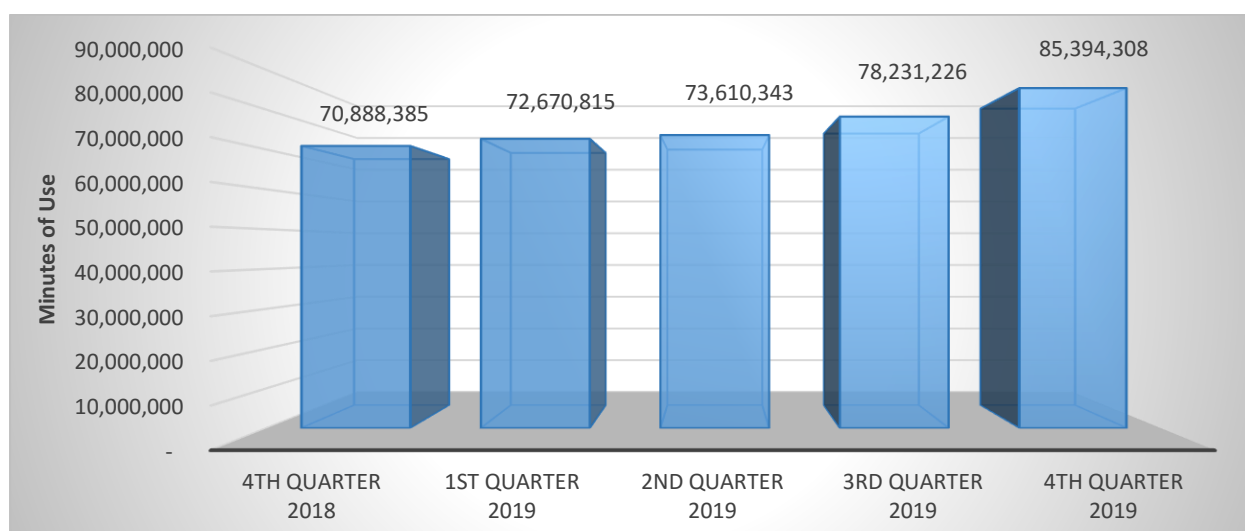
There was an overall growth in fixed voice traffic in the quarter under review as shown in Table 2 below:

Table 2: Fixed Voice Traffic

Traffic category	3 rd Quarter 2019	4 th Quarter 2019	Variance (%)
Net on Net	24,038,557	20,184,802	-16.0%
Outgoing to Mobile	78,231,226	85,394,308	9.2%
Incoming from Mobile	5,779,052	5,194,140	-10.1%
Incoming from IAPs	1,303,612	1,220,459	-6.4%
Outgoing to IAPs	1,229,227	1,202,863	-2.1%
Total National Voice Traffic	110,581,674	113,196,572	2.4%
International Incoming	4,398,276	4,403,508	0.1%
International Outgoing	2,659,855	2,745,569	3.2%
Total traffic	117,639,805	120,345,649	2.3%

As shown above, the growth in traffic processed by the fixed network is mainly attributable to the growth in outgoing traffic to mobile networks. Whilst all other fixed voice traffic categories have been fluctuating over the year, outgoing traffic to mobile networks has been consistently growing as shown below:

Figure 2: Fixed to Mobile Voice Traffic



The growth in international incoming and outgoing voice traffic is consistent with festive season traffic trends as Zimbabwe has a large diaspora population; however the growth is lower than experienced in previous years.

1.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

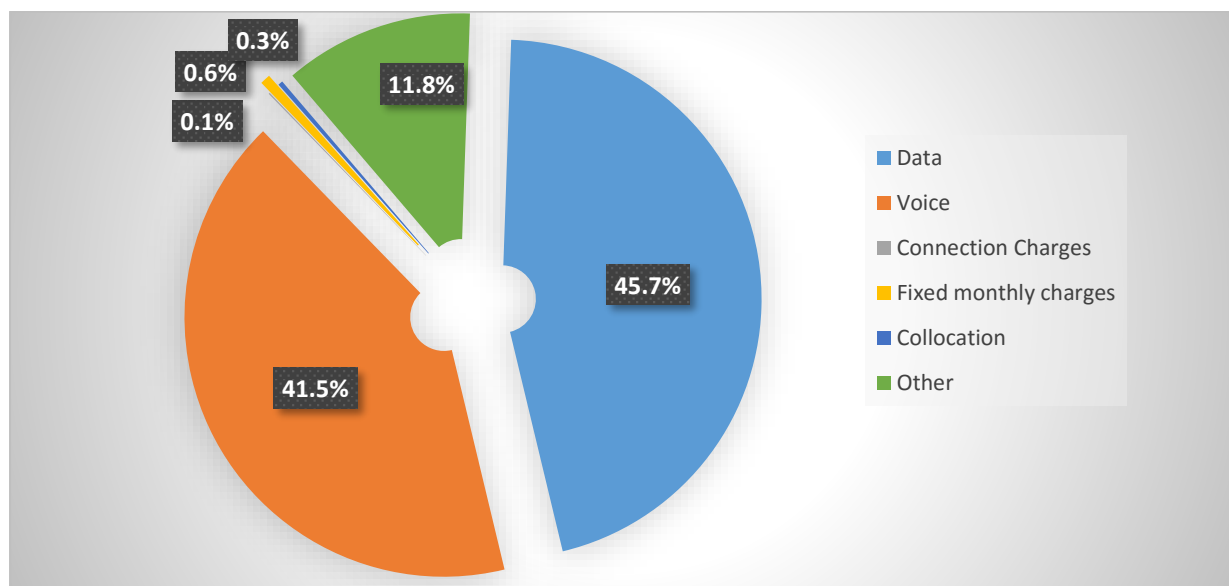
Fixed telephone revenues, operating costs and capital expenditure for the quarter under review is shown in the table below:

Table 3: Fixed Voice Revenue, Investment & Costs

	3 rd Quarter 2019	4 th Quarter 2019	Variance
Revenue	\$120,698,910	\$249,960,046	107.1%
ARPU per month	\$146.62	\$307.20	109.5%
Operating Costs	\$90,701,494	\$228,502,492	151.9%
ACPU per month	\$121.35	\$280.63	131.3%
Investment	\$5,268,965	\$31,134,689	490.9%

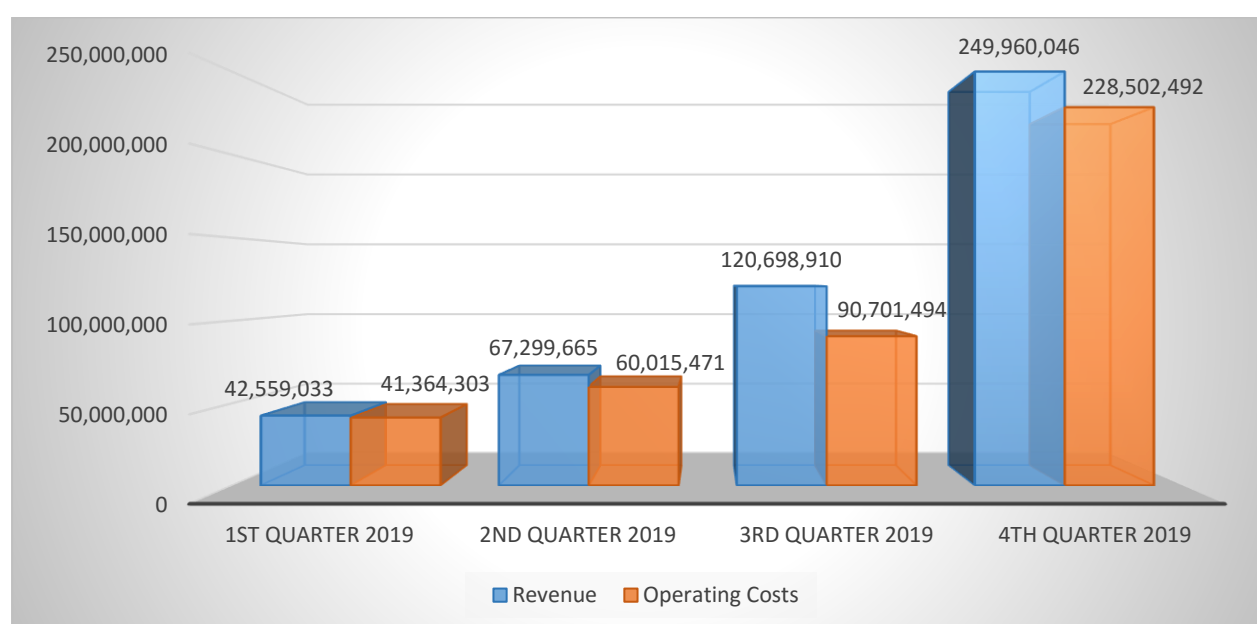
The significant growth in operating costs is attributable to the inflationary pressures in the economy. The bulk of TelOne`s capital expenditure was in upgrading the access network. The contribution to revenue by service is shown below:

Figure 3: Contribution to Revenue by Service



Historically, voice service was the main revenue contributor for the fixed network, but internet and data has now overtaken voice service as shown above. A trend of growing revenues vis-à-vis growing operating costs was evident during the course of the year as shown below:

Figure 4: Fixed Telephone Revenues & Operating Costs



2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

The total number of active mobile subscriptions grew by 2.7% to reach 13,195,902 from 12,853,615 recorded in the third quarter of 2019. The mobile penetration rate increased by 2.4% to reach 90.6% from 88.2% recorded in the previous quarter, in line with the growth in subscriptions. The growth in active subscriptions for each of the mobile operators is shown in the table below:

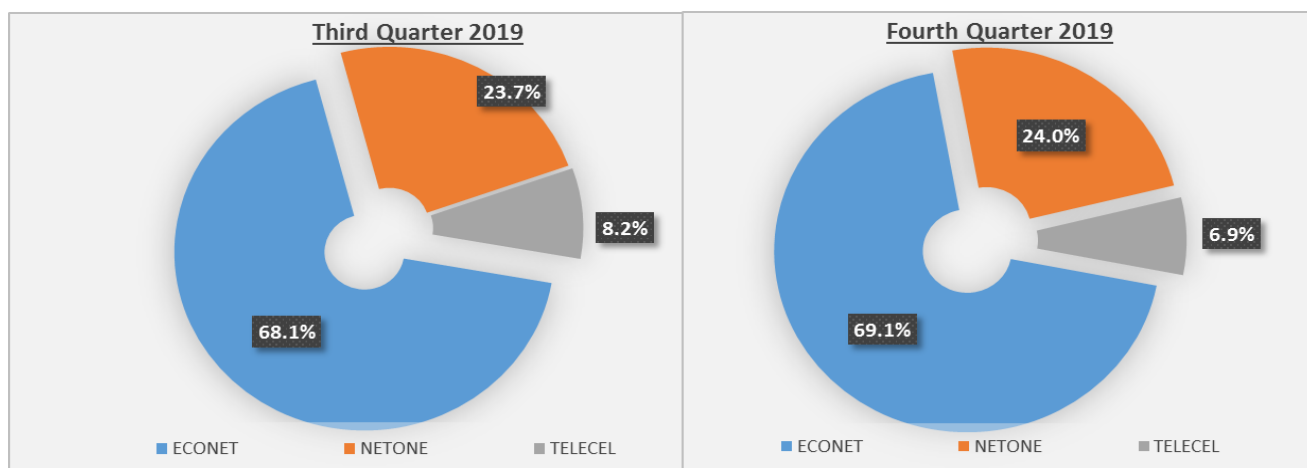
Table 4: Active Mobile Subscriptions

Operator	3 rd Quarter 2019	4 th Quarter 2019	Variation
Econet	8,759,360	9,117,826	4.1%
NetOne	3,042,930	3,167,399	4.1%
Telecel	1,051,325	910,677	-13.4%
Total	12,853,615	13,195,902	2.7%

As shown above, Telecel was the only mobile operator to record a decline in active mobile telephone subscriptions in the quarter under review. The huge decline in Telecel's subscribers

is attributable to limited base station availability due to power supply challenges. This resulted in a decline in Telecel`s market share as shown below:

Figure 5: Market Share of Mobile Subscribers



Telecel lost market share by 1.3%, whereas Econet and NetOne gained market share by 0.3% and 1% as shown above.

2.2 MOBILE VOICE TRAFFIC

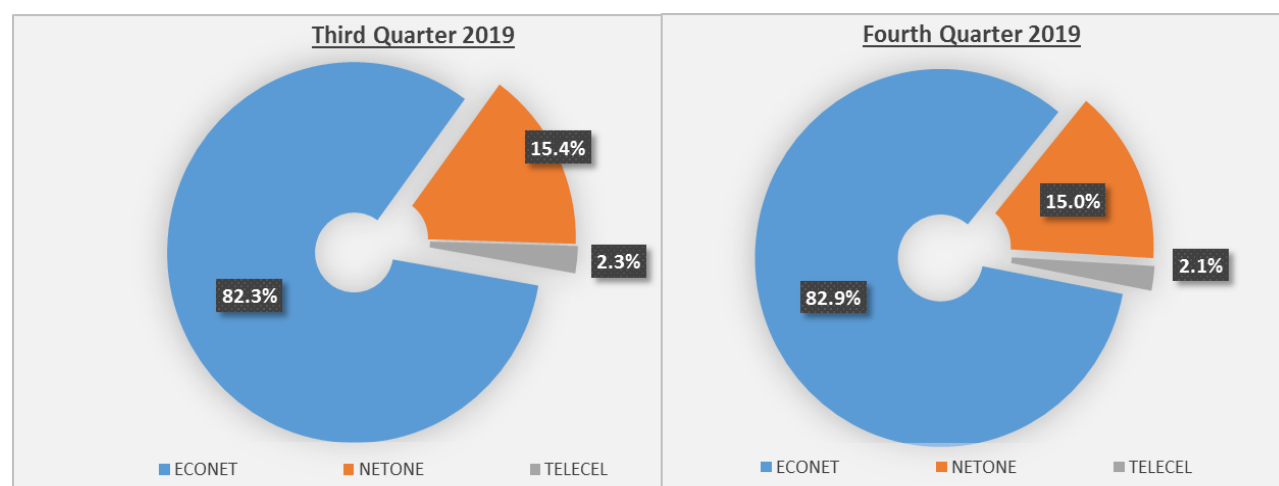
There was an overall decline in mobile voice traffic in the fourth quarter of 2019 as shown in the table below:

Table 5: Mobile Telephone Traffic

Traffic Category	3 rd Q 2019	4 th Q 2019	Variance (%)
Net on Net	1,076,628,401	996,115,851	-7.5%
Mobile to Fixed	5,779,052	5,136,308	-11.1%
Incoming from Fixed	78,231,226	85,727,521	9.6%
Mobile to Other Mobile (by termination)	258,382,428	236,264,778	-8.6%
Outgoing to IAPs	1,871,419	2,169,810	15.9%
Incoming from IAPs	24,359,500	25,968,887	6.6%
TOTAL NATIONAL	1,445,252,026	1,351,383,155	-6.5%
International Incoming	35,970,868	37,551,057	4.4%
International Outgoing	8,262,022	5,276,220	-36.1%
Inbound Roaming	1,478,672	1,506,639	1.9%
Outbound Roaming	529,211	451,559	-14.7%

International outgoing voice traffic has been recording huge declines in the past three consecutive quarters i.e. a 42.7% decline in the second quarter of 2019 ; a 39.3% decline in the third quarter of 2019 and a 36.1% decline in the fourth quarter of 2019. International outgoing voice tariffs have become less affordable, hence the inevitable substitution of international voice calls with cheaper Over-the-Top applications. The voice traffic market share was as follows:

Figure 6: Voice Traffic Market Share



As shown above, Econet gained voice traffic market share by 0.6% whereas NetOne and Telecel lost market share by 0.4% and 9.2% respectively.

2.3 MOBILE DATA & INTERNET

Mobile internet and data usage declined by 33.1% in the quarter under review to record 6,479.5TB from 9,684.5TB recorded in the third quarter under review. All the mobile operators recorded a decline in internet and data usage as shown in the table below:

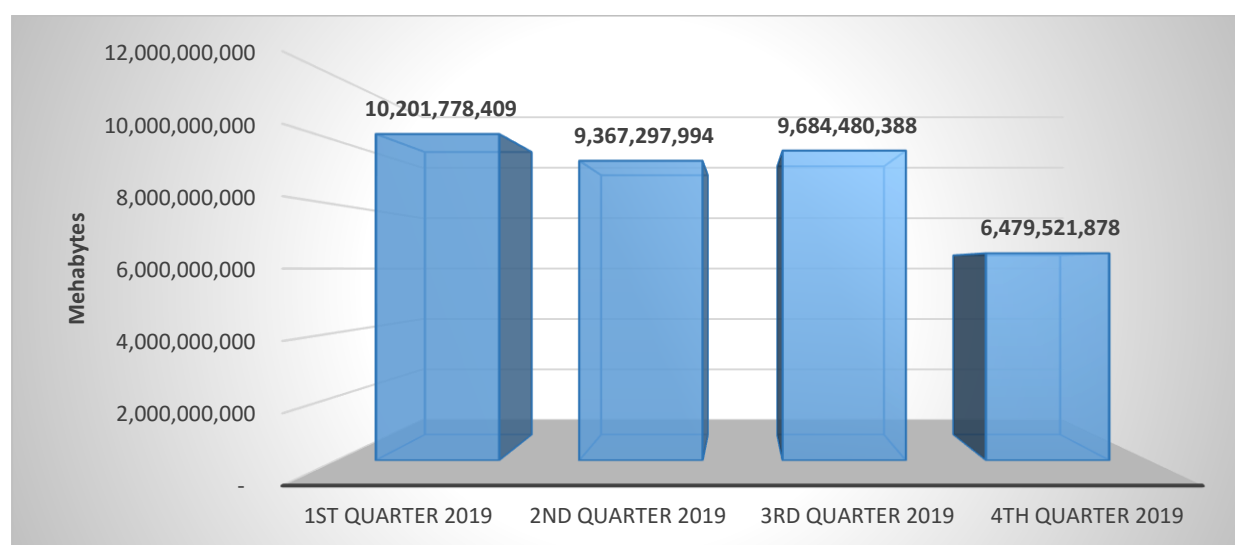
Table 6: Mobile Internet & Data

Operator	3 rd Quarter 2019	4 th Quarter 2019	Variation
Econet	6,736,198,380	4,546,281,803	-32.5%
NetOne	2,545,045,828	1,538,752,832	-39.5%
Telecel	403,236,170	394,487,243	-2.2%
Total	9,684,480,378	6,479,521,878	-33.1%

In-bundle data usage constituted 93.5% of total data usage up from 90.3% recorded in the previous quarter. The decline in mobile internet and data usage is attributable to the increase in out of bundle tariffs; operators also reviewed the in-bundle rates for a number of mobile

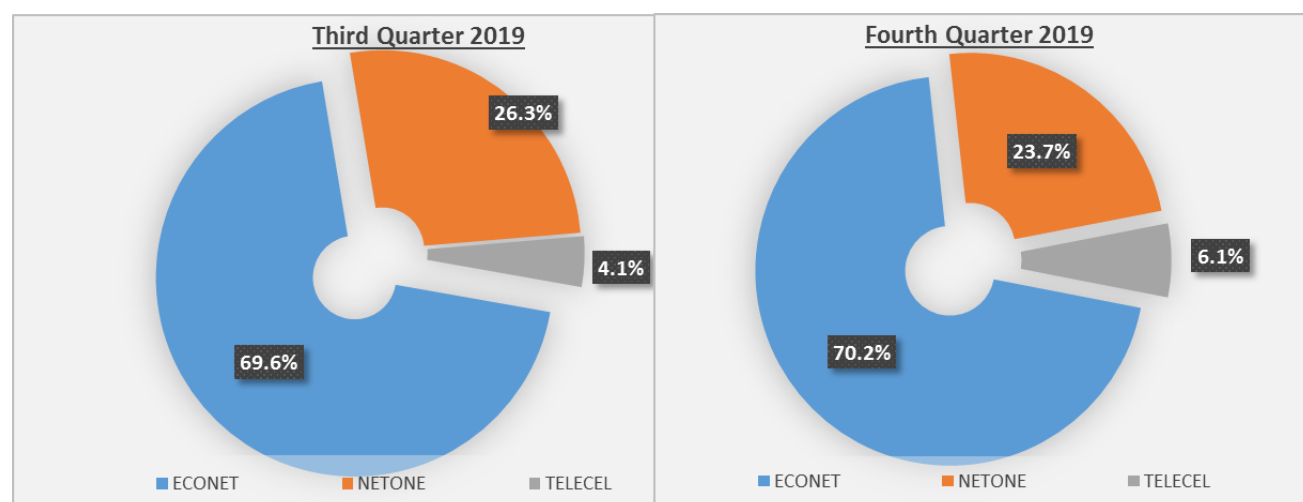
internet and data promotions. The fourth quarter recorded the least internet and data usage for the year as shown below.

Figure 7: Mobile Data & Internet usage



Based on traffic per operator, the quarterly variation in the market share of mobile internet and data usage was as follows:

Figure 8: Market Share of Internet & Data Traffic



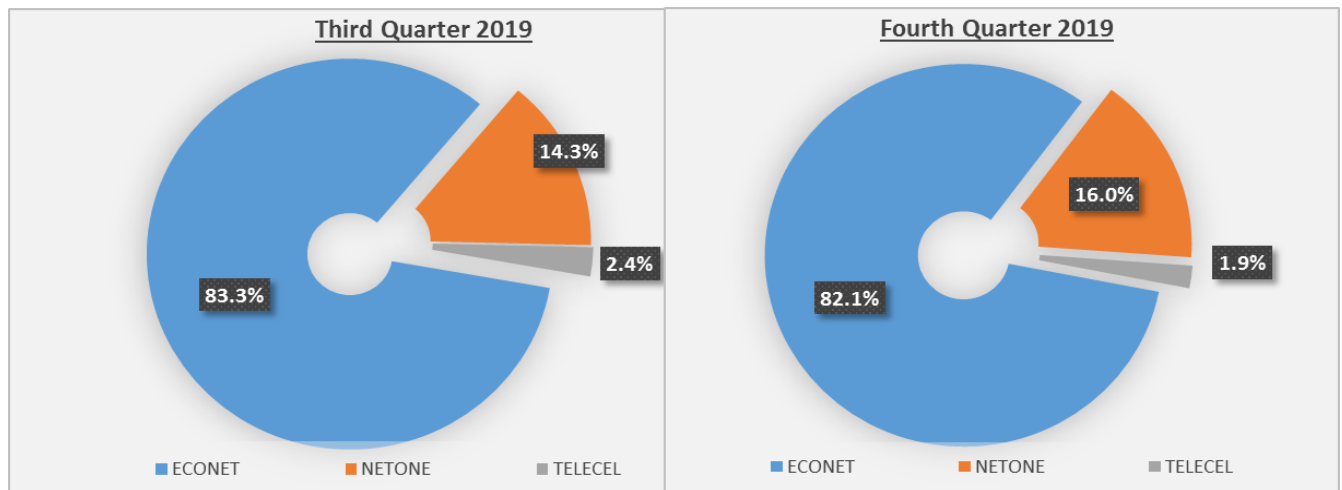
As shown above, NetOne lost 2.6% market share whereas Ecomet and Telecel gained 0.6% and 2% respectively.

2.4 MOBILE REVENUES, COSTS & INVESTMENT

Total mobile network revenue grew by 98.8% to record \$1.65 billion from \$828.8 million recorded in the third quarter of 2019. On the other hand operating costs grew by 39.7% to

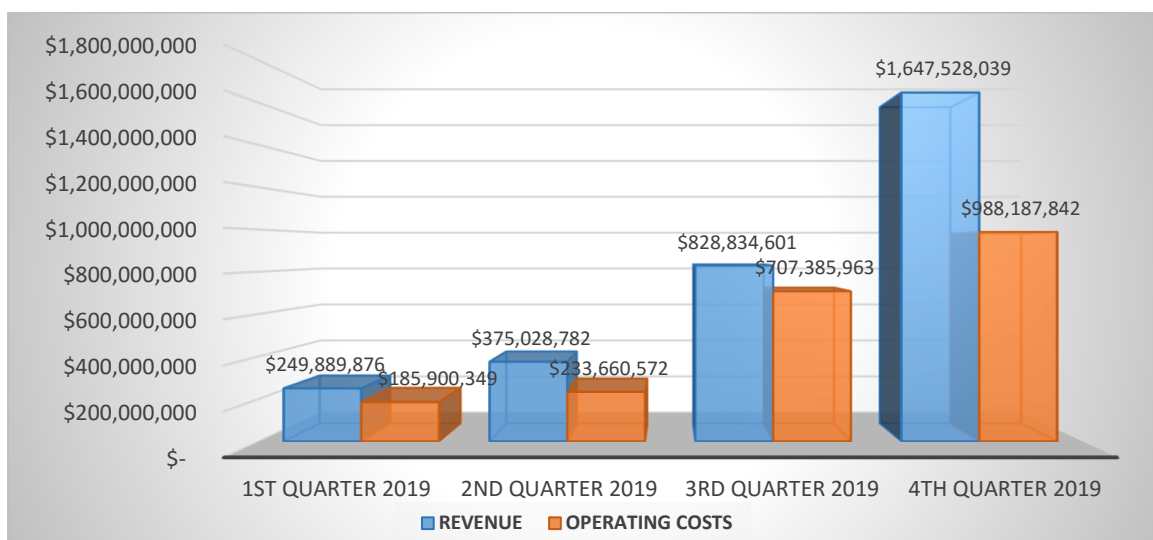
record \$988.2 million from \$707.4 million recorded in the previous quarter. Mobile revenues grew in spite of the decline in mobile voice as well as internet and data traffic as a result of the increase in tariffs. A quarterly comparison of the market share of mobile telephone revenues is shown below:

Figure 9: Market share of Mobile Revenue



A trend of growing revenues vis-à-vis rising operating costs was observed over the course of the year, as shown below:

Figure 10: Mobile Network Revenues & Costs

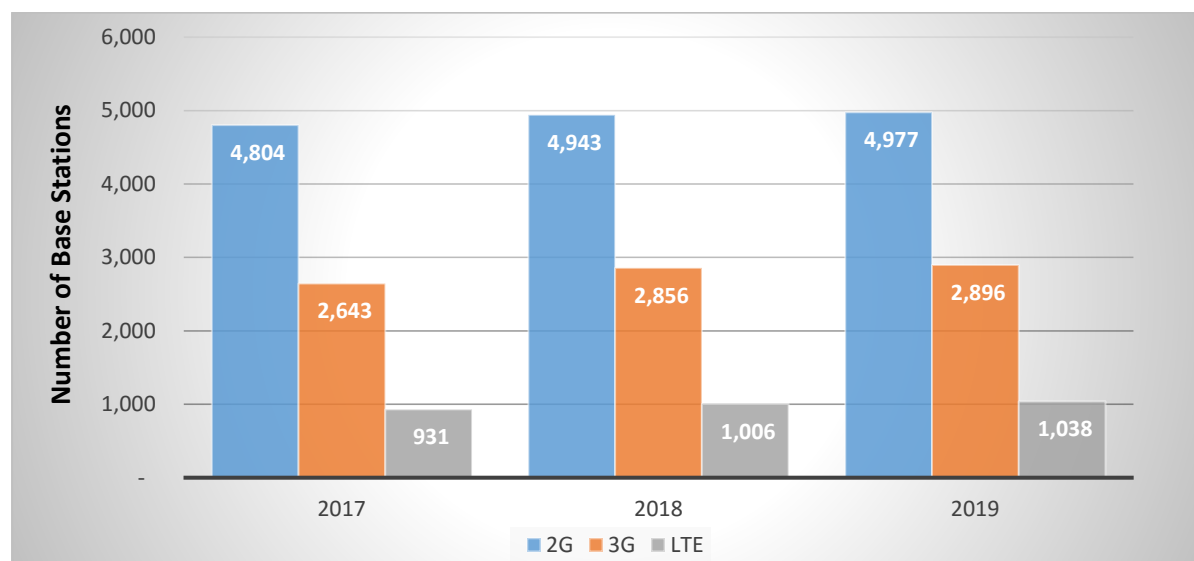


Total investment by the mobile network operators declined 53.3% to record \$14,529,076 from \$31,085,465 recorded in the third quarter of 2019. The capital expenditure was mainly in national switching, hardware and software.

2.5 MOBILE TELEPHONY INFRASTRUCTURE

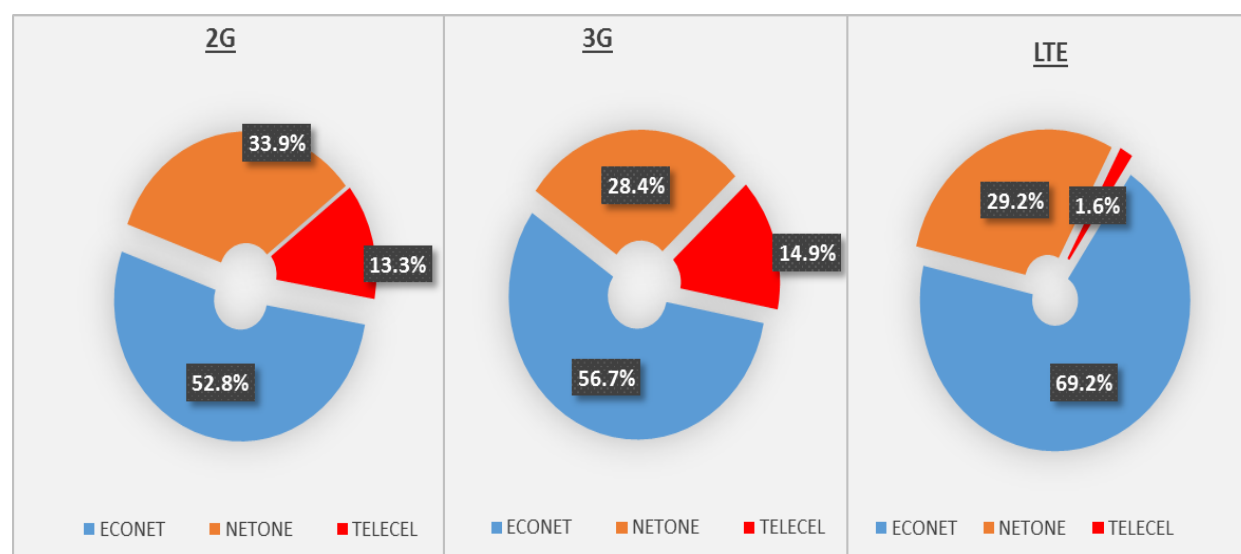
There were a total of 11 new base station deployments in the quarter under review. These comprised six (6) 2G base stations and five (5) 3G base stations. There were fewer deployments in the year 2019 as compared to previous years due to limited capital and other economic challenges, as shown in Figure 11 below:

Figure 11: Mobile Base Stations



The market share of mobile base station infrastructure, based on individual operator data was as follows:

Figure 12: Market Share of Mobile Base Station Infrastructure



2.6 MOBILE MONEY

2.6.1 MOBILE MONEY SUBSCRIPTIONS

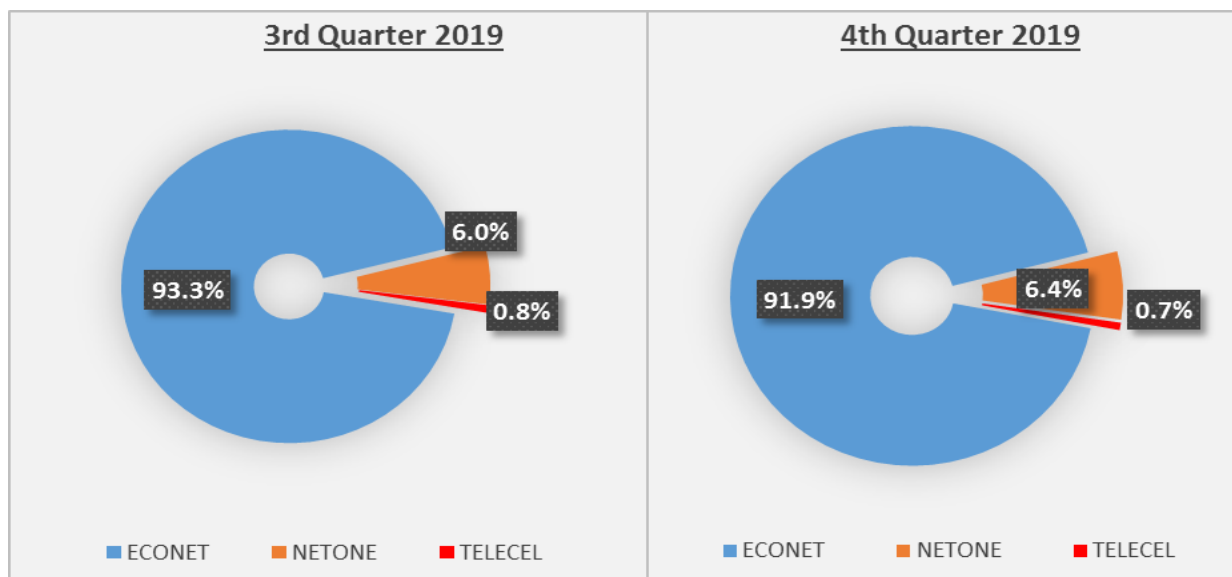
The total number of active mobile money subscriptions grew by 2% to reach 7,334,639 from 7,190,153 recorded in the third quarter of 2019. Telecash was the only operator to record a decline in active mobile money subscriptions as shown in the table below:

Table 7: Active Mobile Money Subscriptions

OPERATOR	3 rd Quarter 2019	4 th Quarter 2019	Variance (%)
ECOCASH	6,707,225	6,812,368	1.6%
TELECASH	54,399	53,311	-2%
ONE MONEY	428,529	468,960	9.4%
TOTAL	7,190,153	7,334,639	2%

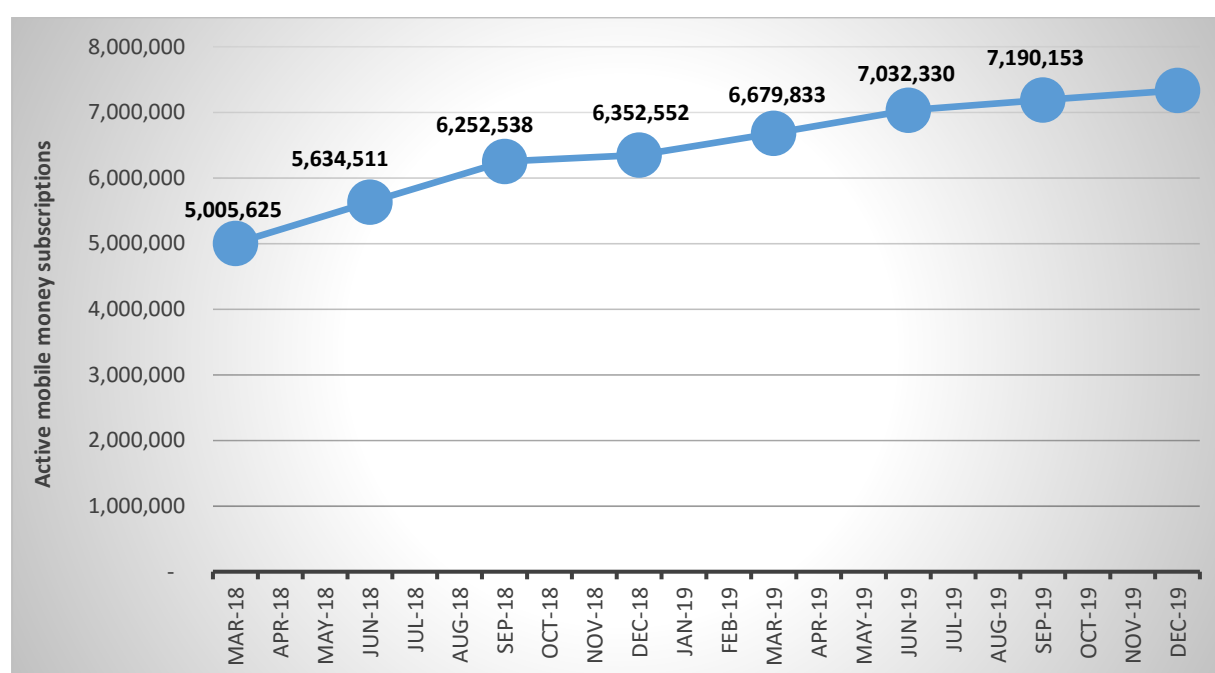
A quarterly comparison of the market share of mobile money subscriptions is shown in Figure 13 below:

Figure 13: Market Share of Active Mobile Money Subscriptions



The adoption of mobile money has been continuously improving as mobile money provides an effective alternative to making payments given the current cash shortages. The growth in active mobile money subscriptions is shown in Figure 14 below:

Figure 14: Growth in Active Mobile Money Subscriptions



2.6.2 MOBILE MONEY TRANSACTIONS

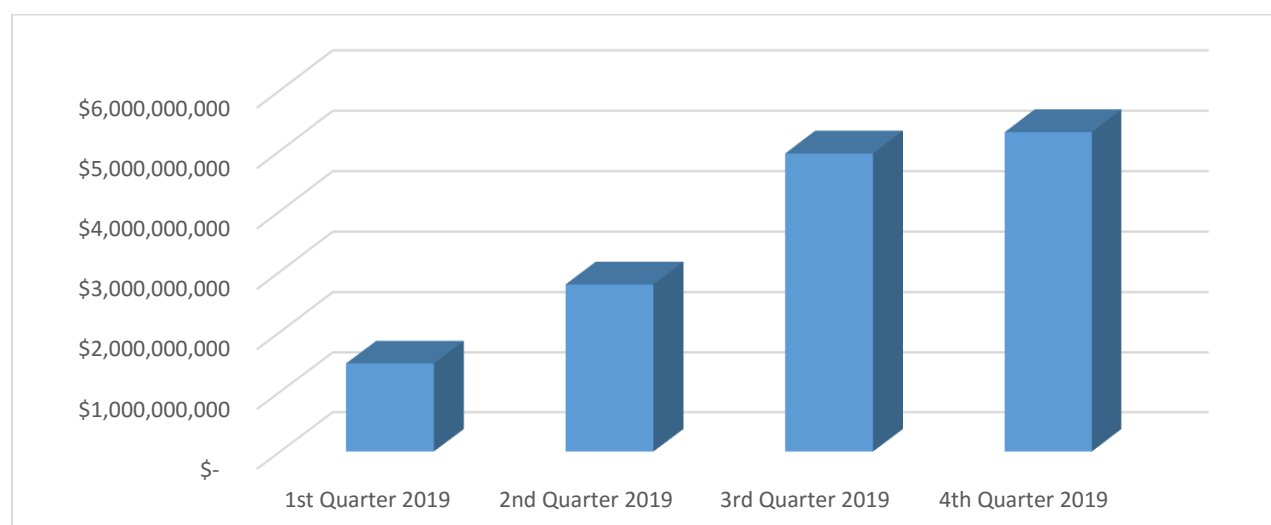
There was growth in the value of Cash-In transactions and a decline in Cash-Out transaction in the fourth quarter of 2019 as shown in the table below:

Table 8: Mobile Money Transactions

	3 rd Quarter 2019	4 th Quarter 2019	Variance
Cash In	\$5,031,386,291	\$6,191,834,427	23.1%
Cash Out	\$1,904,799,408	\$1,605,591,004	-15.7%
Airtime, Bill & Merchant Payments	\$4,952,377,373	\$5,305,306,680	7.1%
Cross Network	\$197,152	\$262,552	33.2%
Number of transactions	575,391,530	517,507,991	-10.1%

Mobile money has become an important channel for effecting Person to Business (P2B) transactions as shown by the growth in the value of airtime, bill & merchant mobile money transactions as shown below:

Figure 15: Airtime, Bill and Merchant Payments



Ecocash processed 98.9% of the total value of transactions; One Money processes 1.1% whereas Telecel's contribution was very negligible.

3. DATA & INTERNET SERVICE

3.1 SUBSCRIPTIONS

The total number of active internet subscriptions increased by 3.1% to record 8,836,299 from 8,577,936 recorded in the previous quarter. As a result, the internet penetration rate increased by 1.7% to reach 60.6% from 58.9% recorded in the third quarter of 2019. The trend in internet subscriptions per service category is shown in the table below:

Table 9: Active Internet Subscriptions

Technology	3 rd Quarter 2019	4 th Quarter 2019	Variance (%)
3G/HSDPA/LTE	8,402,316	8,659,875	3.1%
Leased Lines	2,121	2,123	0.1%
DSL	103,887	106,036	2.1%
WiMAX	2,164	2,156	-0.4%
CDMA	24,640	22,834	-7.3%
VSAT	3,606	3,395	-5.9%
Active Fibre subscriptions	39,202	39,880	1.7%
Total	8,577,936	8,836,299	3.1%

As shown above, mobile internet registered the biggest growth in active subscriptions in the quarter under review. VSAT, WiMAX and CDMA subscriptions have been showing a declining trend over the years as subscribers migrate to other technologies such as Fibre and ADSL.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

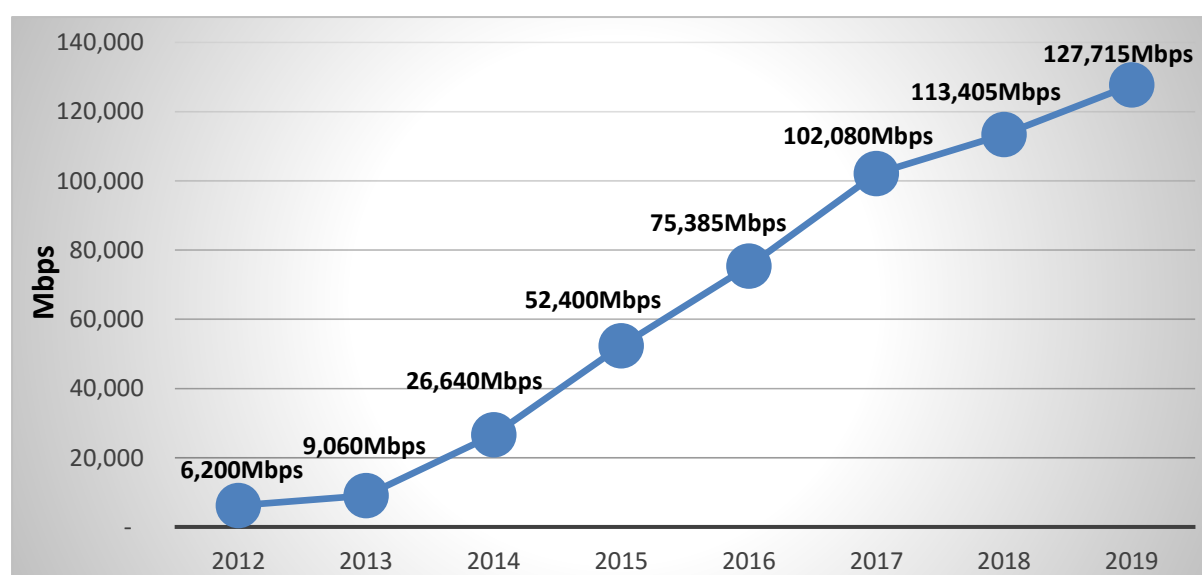
The total equipped incoming international internet bandwidth capacity increased by 2.2% to reach 127,715Mbps from 124,995Mbps recorded in the third quarter of 2019, following the expansion in capacity by TelOne as shown in the table below:

Table 10: Equipped International Internet Bandwidth Capacity

	3 rd Quarter 2019	4 th Quarter 2019	Variance (%)
LIQUID	80,000	80,000	-
TELONE	37,280	40,000	7.3%
POWERTEL	5,000	5,000	-
DANDEMUTANDE	2,715	2,715	-
TOTAL	124,995	127,715	2.2%

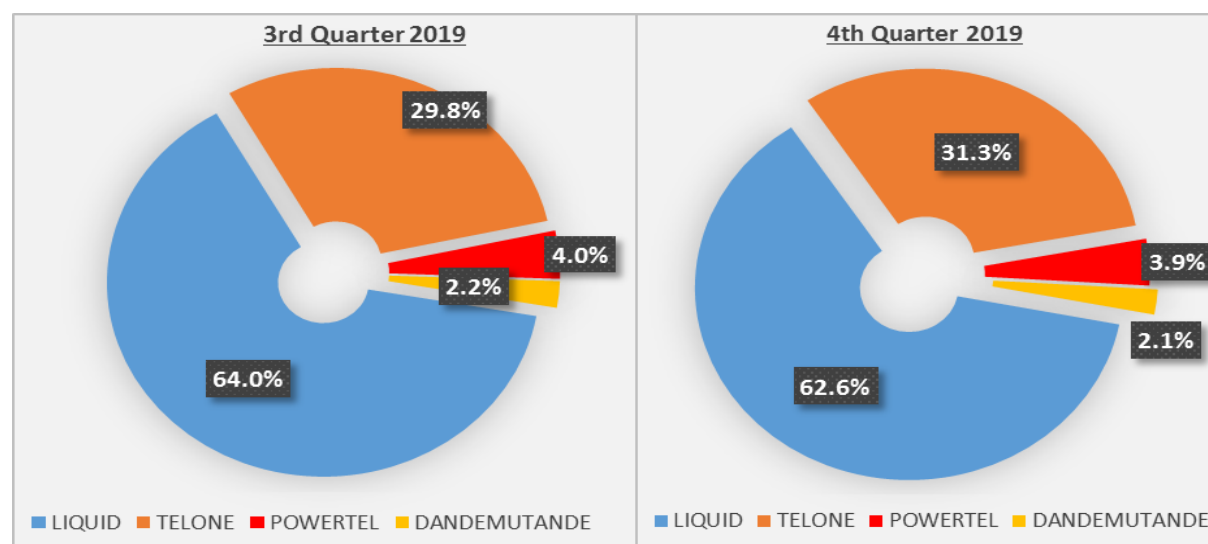
Internet Access Providers have been consistently expanding their equipped capacities over the years to accommodate growth in demand as shown below:

Figure 16: Equipped International Internet Bandwidth Capacity



As a result of the expansion, Liquid's market share of equipped international internet bandwidth capacity increased in relation to the other operators who have international internet connectivity as shown in Figure 17 below:

Figure 17: Market Share of Equipped Internet Bandwidth Capacity



Of the total equipped incoming international internet bandwidth capacity, 116,927Mbps was used up from 107,975Mbps recorded in the third quarter of 2019. On the other hand, used outgoing international internet bandwidth capacity was 39,781Mbps up from 28,875Mbps recorded in the third quarter of 2019. The market share of used international internet bandwidth is shown in the following table:

Table 11: Market Share of Used International Internet Bandwidth Capacity

	Used Incoming Bandwidth	Market Share of Used Incoming Bandwidth	Used outgoing Bandwidth	Market Share of Used Outgoing Bandwidth
Liquid	69,446	59.4%	27,551	69.3%
TelOne	40,000	34.2%	8,200	20.6%
Powertel	5,000	4.3%	3,410	8.6%
Dandemutande	2,496	2.1%	620	1.6%
Total	116,927	100%	39,781	100%

Used outgoing international internet bandwidth capacity is expected to improve as the availability of local content online improves.

3.3 IAP REVENUES, COSTS & INVESTMENT

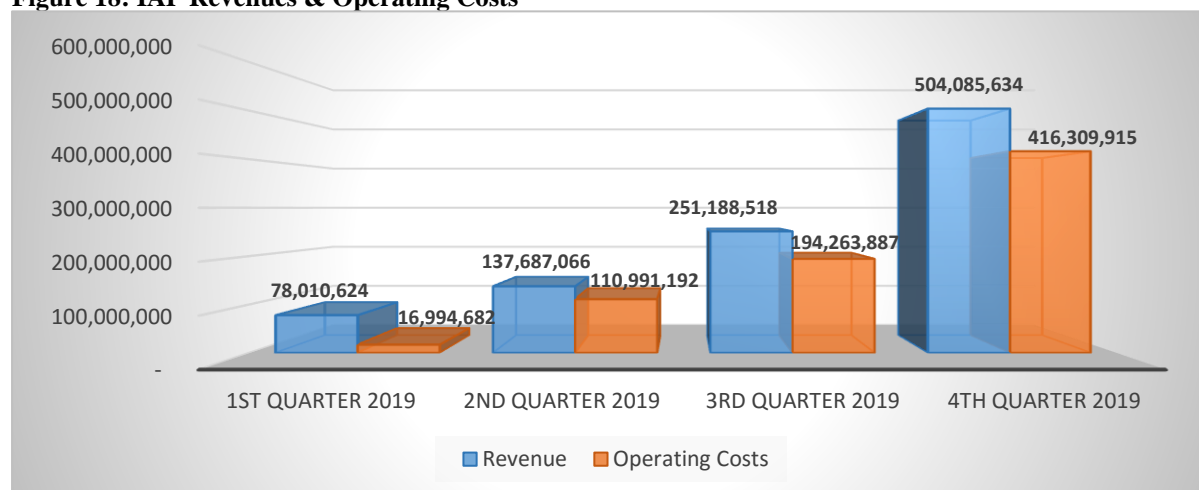
Total revenue and operating costs by Internet Access Providers for the quarter under review are shown in the table below:

Table 12: IAP Revenues, Costs & Investment

	3 rd Quarter 2019	4 th Quarter 2019	Variation (%)
Revenue	251,188,518	504,085,634	100.7%
Operating Costs	194,263,887	416,309,915	114.3%

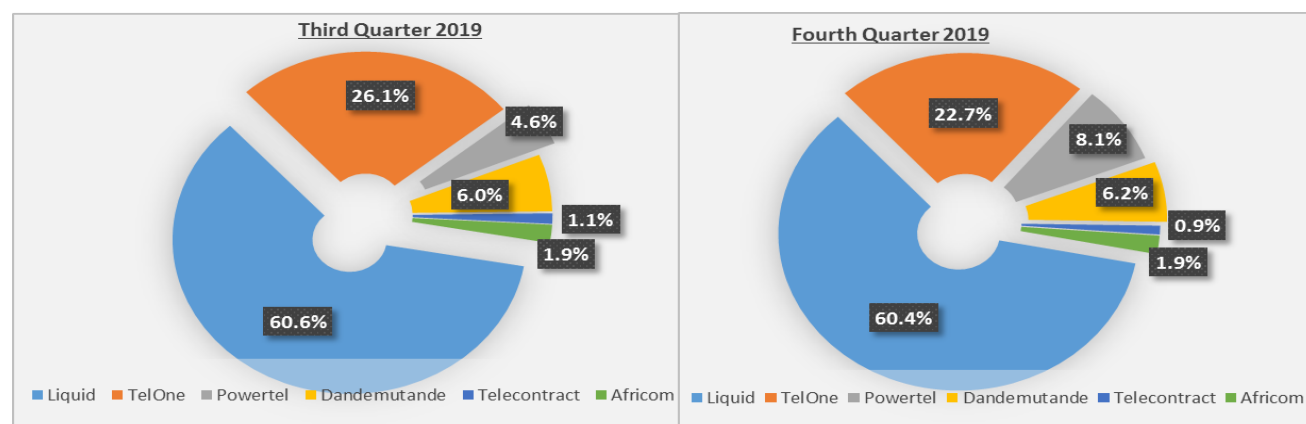
As shown above, whilst revenues grew by 100.7%, operating costs also grew significantly by 114.3%. A huge proportion of IAP operating costs consists of bandwidth costs which are paid in foreign currency. A trend of growing IAP revenues vis-à-vis rising operating costs was observed over the course of the year as shown below:

Figure 18: IAP Revenues & Operating Costs



The quarterly variation in the market share of IAP revenues is shown in Figure 19 below:

Figure 19: Market Share of IAP Revenue



As shown above, Liquid, TelOne and Telecontract lost market share by 0.2%, 3.4% and 0.2% respectively. On the other hand, Powertel and Dandemutande gained market share by 3.5% and 0.2% respectively. Africom's market share remained unchanged at 1.9%.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

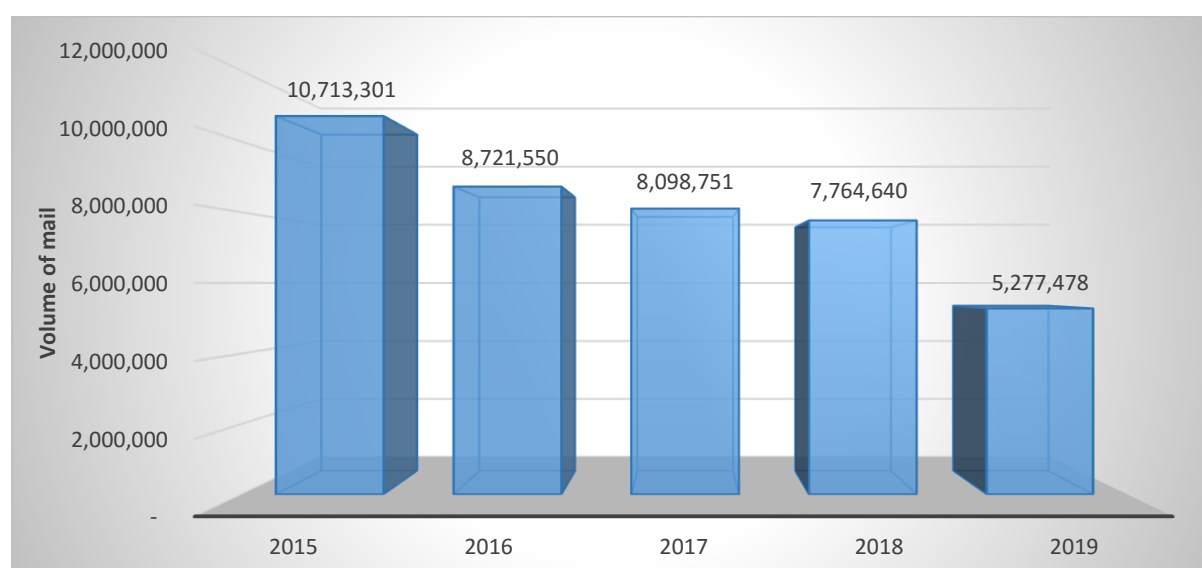
Total postal and courier volumes grew by 23.2% to record 1.36 million from 1.1 million items recorded in the third quarter of 2019. The quarterly variation in the volumes per postal and courier category are shown in Table 13 below:

Table 13: Postal and Courier Volumes

Postal and Courier Service	3 rd Quarter 2019	4 th Quarter 2019	% Growth
Domestic postal letters	607,273	757,086	24.7%
Domestic courier	199,031	296,404	48.9%
International incoming	269,781	283,403	5%
International outgoing courier	25,973	20,471	-21.2%
Total Postal & Courier	1,102,058	1,357,364	23.2%

The overall growth in postal and courier volumes in the fourth quarter of 2019 is attributable to the festive season. Postal and courier volumes have been consistently declining over the past five years as shown in Figure 20 below:

Figure 20: Postal & Courier Volumes



The decline in postal and courier volumes, in particular domestic, is attributable to e-substitution. The future of the postal and courier sector in Zimbabwe is dependent on the growth in e-commerce.

4.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

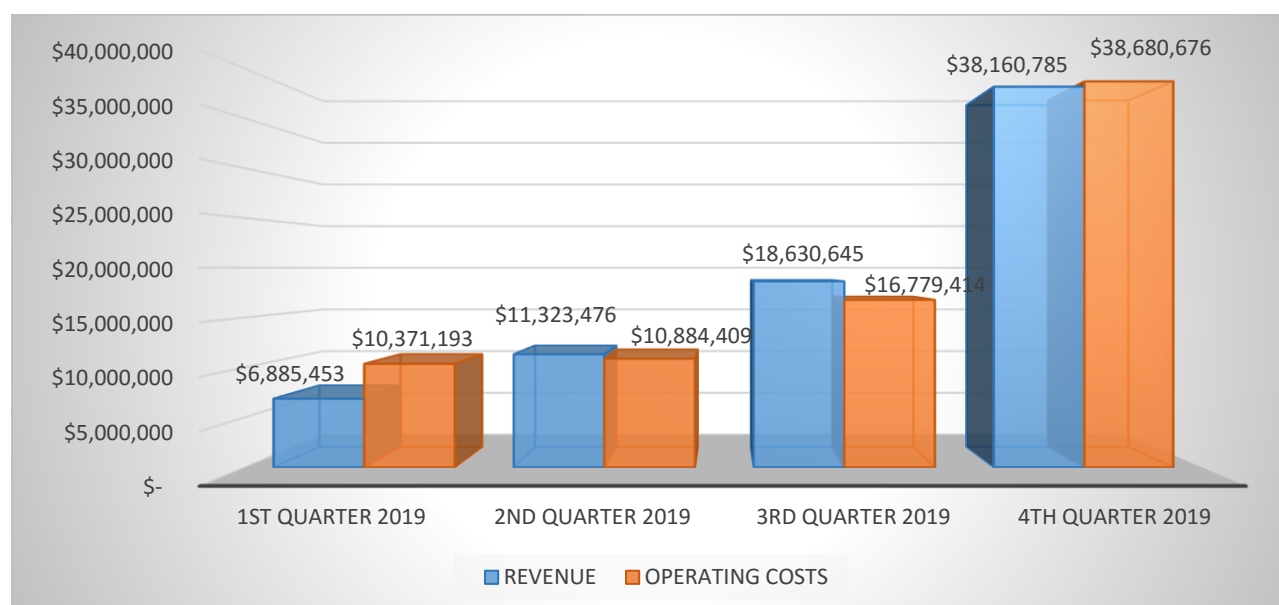
Total revenue, operating costs and investment by postal and courier operators is shown in the following table:

Table 14: Postal & Courier Revenues, Costs & Investment

	3 rd Quarter 2019	4 th Quarter 2019	Variance (%)
REVENUES	18,630,645	38,160,785	104.8%
OPERATING COSTS	16,779,414	38,680,676	130.5%
INVESTMENT	525,551	1,551,330	195.2%

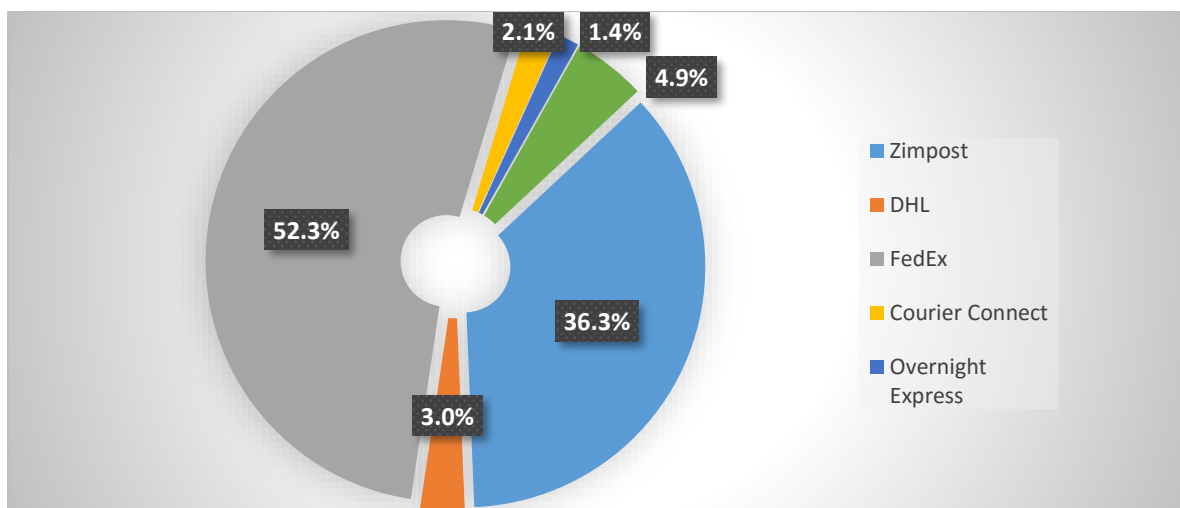
Operating costs for the postal and courier sector exceeded revenues in the quarter under review. As with other subsectors, the postal and courier operators have not been spared by inflationary pressures characterised by rising operating costs as shown in

Figure 21: Postal and Courier Revenues & Operating Costs



FedEx continued to lead the market in terms of operating revenues as shown in Figure 22 below:

Figure 22: Market Share of Postal & Courier Revenue

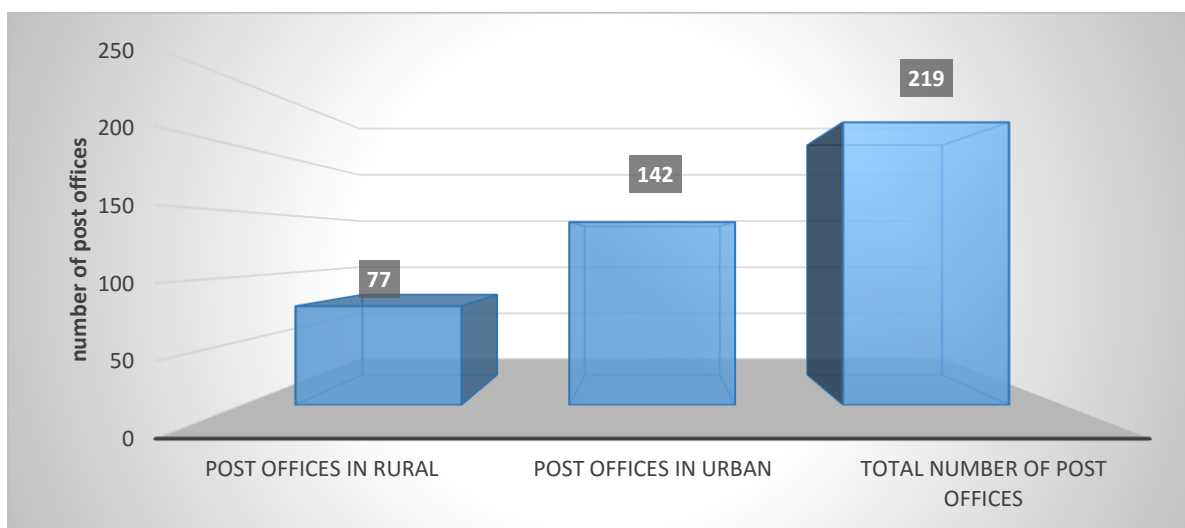


This is attributable to the growth in their international incoming courier volumes, whose income is in foreign currency. They are also the sole courier provider for VISA applications for the United Kingdom and Canada, hence they get considerable international courier business from these.

4.3 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 high. The post offices are broken down as follows:

Figure 23: Post Offices



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

5. OUTLOOK

The performance of the sector in 2020 will be dependent on the general economic environment; the economic environment impacts the sector through service demand and consumption levels, operating costs, investment et.al. The growth of operating costs poses a threat to operator viability and puts pressure on prices. This may in turn impact demand for telecommunication services as consumers reduce usage. 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.

Data and internet services will continue to drive industry growth, however demand levels for fixed broadband at household level may be negatively impacted by rising prices. The use of Over-the-Top services, such as WhatsApp, Skype and Viber, is expected to grow as consumers cut back on communication expenditure. In the face of depressed demand, operators will continue to focus on new revenue growth strategies and alternative business models. These new business models, mainly around Internet of Things (IOTs), have taken centre stage in many countries and Zimbabwe is following suite.

The three prime drivers of internet use, i.e. availability, affordability and scalability, need to be supported to advance the internet revolution in the country. E-commerce needs to be supported as it is a pillar for postal reform. 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.