

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2020

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

MAJOR HIGHLIGHTS

The following are the main sector trends for the first quarter of 2020 compared to the fourth quarter of 2019:

- The total number of active mobile subscriptions increased by 4% to reach 13,724,522 from 13,195,902; hence, the mobile penetration rate increased by 3.6% to reach 94.2% from 90.6%.
- Active fixed telephone lines declined by 1.8% to record 260,959 from 265,734; the fixed tele-density remained at 1.8%.
- Active internet and data subscriptions also declined by 2.5% to record 8,614,009 from 8,836,299. As a result, the Internet penetration rate declined by 0.7% to reach 59.1% from 60.6%.
- Total fixed voice traffic declined by 6.9% to record 112.1 million minutes from 120.35 million minutes..
- Total mobile voice traffic declined by 4.7% to record 1.33billion minutes from 1.4billion minutes.
- On the other hand, mobile internet and data traffic increased by 2.8% to record 6,661TB from 6,489TB.
- Used International Internet Bandwidth Capacity also increased by 8.2% to record 124,627 Mbps from 115,212 Mbps.
- Total postal and courier volume declined by 1.1% to record 1,342,957 items from 1,357,364.
- Revenue generated by the mobile telephone networks grew by 26.2% to record \$2.1 billion from \$1.65 billion. At the same time, mobile network operating costs grew by 46.1% to record \$1.4 billion from \$988.2 million.
- IAP revenues grew by 49.6% to record \$754.3 million from \$504.1 million; Meanwhile, operating costs for IAPs grew by 80% to record \$749.4 million from \$416.3 million.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

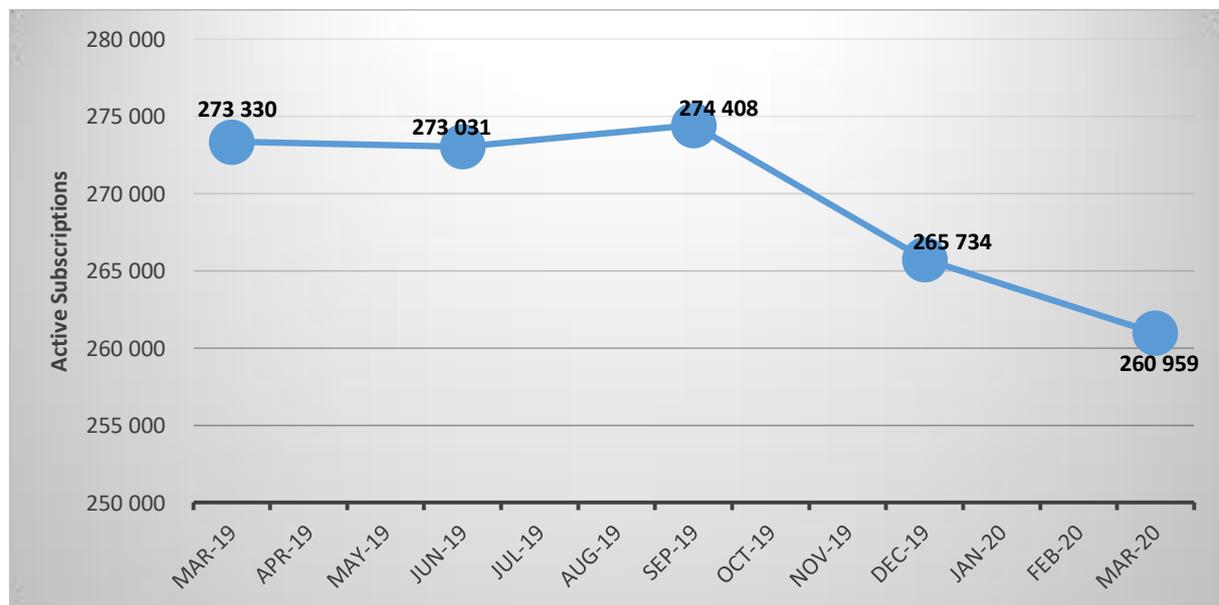
The total number of active fixed telephone lines declined by 1.8% to record 260,959 from 265,734 recorded in the fourth quarter of 2019. The fixed teledensity remained 1.8%. Active household and corporate subscriptions declined in the quarter under review as shown in Table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber category	4 th Quarter 2019	1 st Quarter 2020	% Growth
Residential	156,675	152,990	-2.4%
Corporate	109,059	107,969	-1.0%
Total Active	265,734	260,959	-1.8%

Active fixed telephone subscriptions have been fluctuating over the past year as shown in Figure 1 below:

Figure 1: Active Fixed Telephone Subscriptions



The total number of active subscriptions in rural areas declined by 0.9% to record 11,434 from 11,533 recorded in the previous quarter. Active fixed telephone subscriptions in urban areas also declined by 1.8% to reach 249,525 from 254,201 recorded in the fourth quarter of 2019.

1.2 FIXED NETWORK TRAFFIC

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

Table 2: Fixed Voice Traffic

Traffic category	4 th Quarter 2019	1 st Quarter 2020	Variance
Net on Net	20,184,802	18,394,861	-8.9%
Outgoing to Mobile	85,394,308	79,396,079	-7%
Incoming from Mobile	5,194,140	5,271,201	1.5%
Incoming from IAPs	1,220,459	1,277,366	4.7%
Outgoing to IAPs	1,202,863	1,138,144	-5.4%
Total National Voice Traffic	113,196,572	105,477,651	-6.8%
International Incoming	4,403,508	4,022,978	-8.6%
International Outgoing	2,745,569	2,552,673	-7%
Total traffic	120,345,649	112,053,302	-6.9%

As shown above, incoming traffic from mobile networks and incoming traffic from IAPs were the only traffic categories to record growth. Net-On-Net voice traffic recorded the biggest decline of 8.9%. The overall decline in traffic is attributable to a number of factors such as the decline in active subscriptions, the depressed demand in the economy and the global shift from voice to data.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

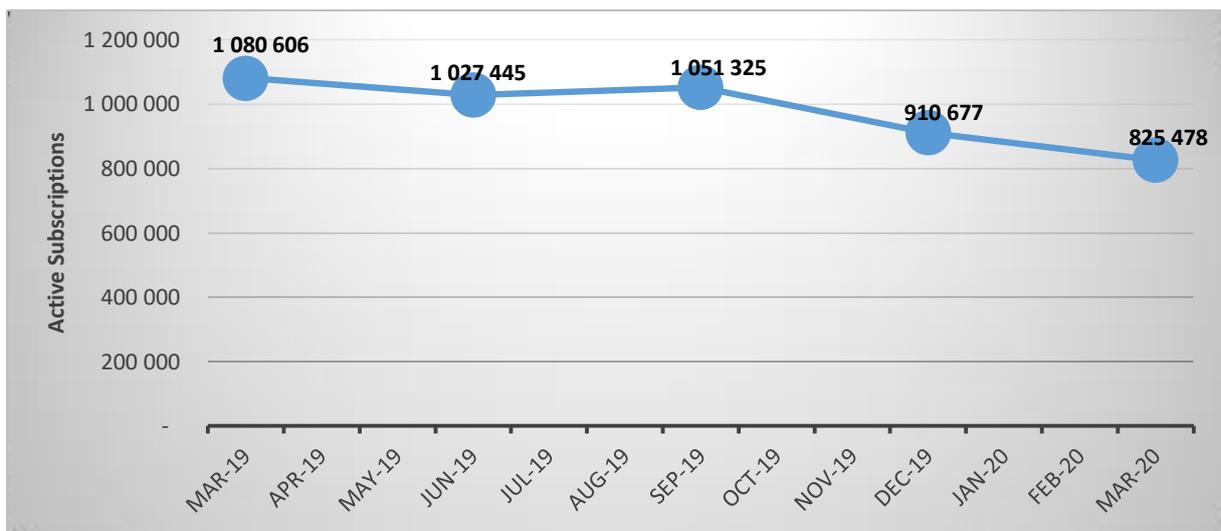
The total number of registered mobile telephone subscriptions as at 31 March 2020 was 24,379,810; of these, 13,724,522 were active. This implies that 43.7% of registered subscribers were inactive. A quarterly comparison of the active mobile subscriptions per operator is shown in table 3 below:

Table 3: Active Mobile Subscriptions

Operator	4 th Quarter 2019	1 st Quarter 2020	Variance (%)
Econet	9,117,826	9,575,796	5.0%
NetOne	3,167,399	3,323,248	4.9%
Telecel	910,677	825,478	-9.4%
Total	13,195,902	13,724,522	4%

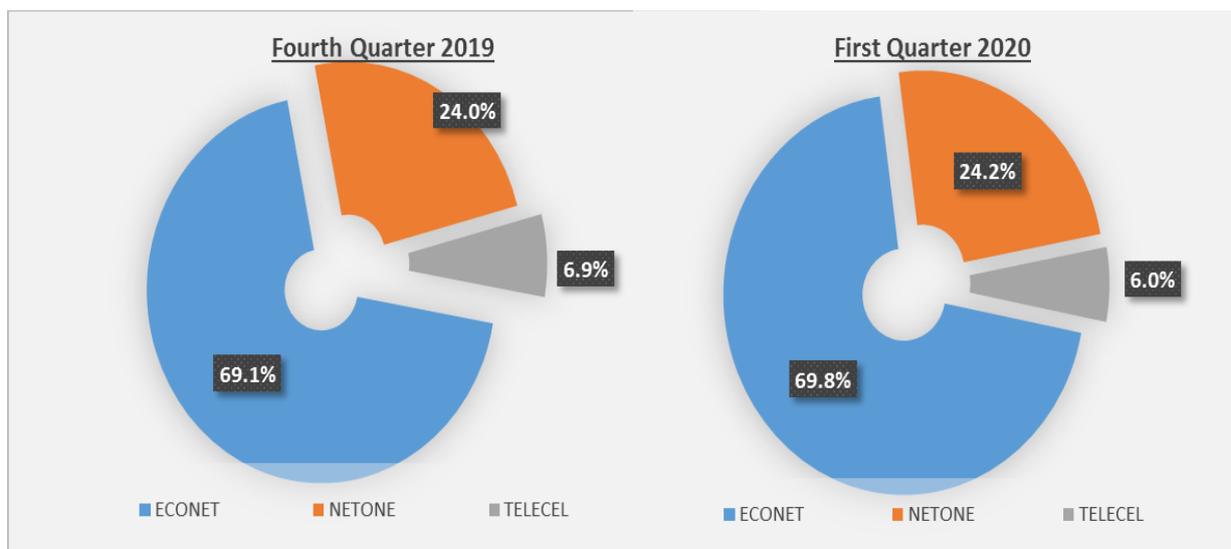
As shown above, Telecel was the only mobile operator to record a decline in active mobile telephone subscriptions in the quarter under review. The decline in Telecel's active subscriptions is attributable to limited base station availability due to power supply challenges, hence subscriber attrition to competitor networks. Telecel's active subscriptions have been fluctuating as shown below:

Figure 2: Telecel Active Subscriptions



The decline in Telecel's active subscriptions resulted in a decline in their market share as shown in Figure 3 below:

Figure 3: Market Share of Mobile Subscribers



2.2 MOBILE VOICE TRAFFIC

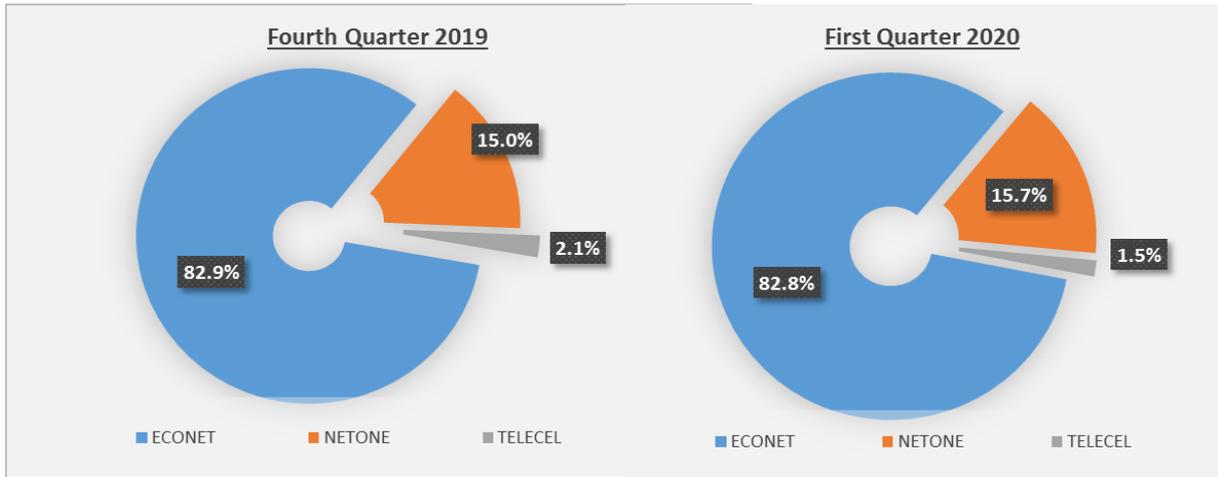
Total mobile voice traffic declined for a consecutive quarter. A quarterly comparison of the mobile voice traffic by category is shown below:

Table 4: Mobile Telephone Traffic

Traffic Category	4 th Q 2019	1 st Q 2020	Variance (%)
Net on Net	996,115,851	946,431,291	-5.0%
Mobile to Fixed	5,136,308	5,271,201	2.6%
Incoming from Fixed	85,727,521	79,396,079	-7.4%
Mobile to Other Mobile (by termination)	236,264,778	229,694,957	-2.8%
Outgoing to IAPs	2,169,810	2,198,597	1.3%
Incoming from IAPs	25,968,887	26,308,692	1.3%
TOTAL NATIONAL	1,351,383,155	1,289,300,817	-4.6%
International Incoming	37,551,057	34,214,223	-8.9%
International Outgoing	5,276,220	5,174,691	-1.9%
Inbound Roaming	1,506,639	130,181	-13.6%
Outbound Roaming	451,559	271,692	-39.8%

As shown above, roaming traffic recorded a significant decline in the quarter under review. This is typical of the post-festive season as travel by foreign residents into the country as well as foreign travel by domestic residents declines. The decline is also attributable to the increased use of Over-the-Top services which are cheaper than traditional voice, hence less travellers now use roaming services. Telecel recorded a decline in traffic in line with the decline in their active subscriber base. A quarterly comparison of the voice traffic market share is shown below:

Figure 4: Voice Traffic Market Share

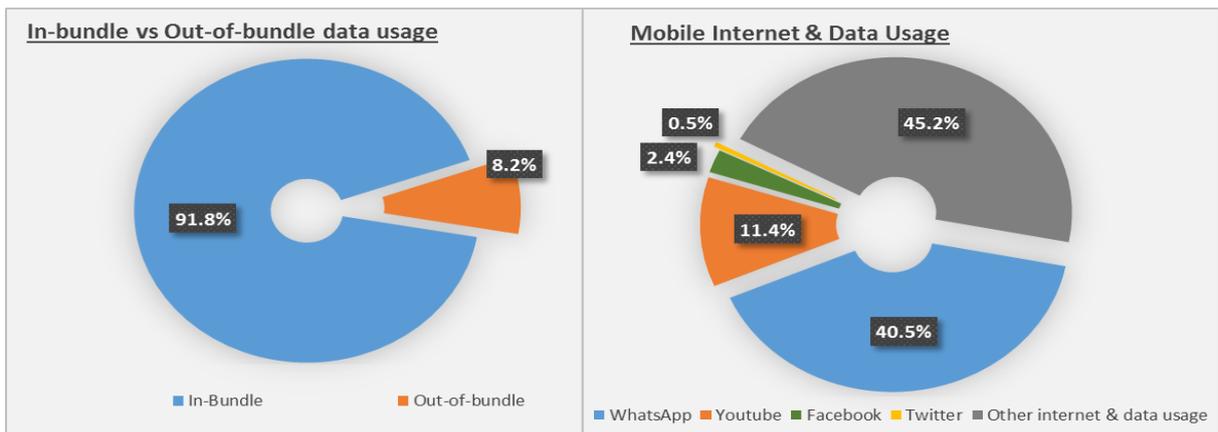


NetOne gained voice traffic market share by 0.7% whereas Ecomet and Telecel lost market share by 0.1% and 0.6% respectively as shown above.

2.3 MOBILE DATA & INTERNET

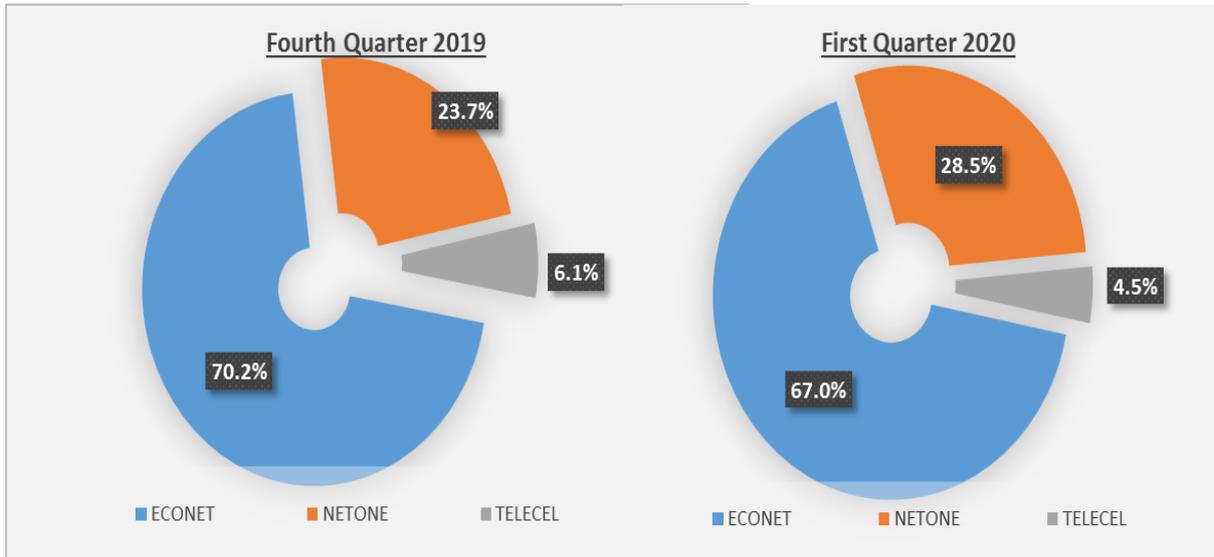
A total of 6,661 Terabytes (TB) of mobile internet and data traffic were consumed in the first quarter of 2020. This represents a 2.8% growth from 6,489 Terabytes (TB) recorded in the fourth quarter of 2019. In-bundle data usage constituted 91.8% of total mobile internet and data usage down from 93.5% recorded in the previous quarter. WhatsApp usage constituted 40.5% of total mobile internet and data usage as shown below:

Figure 5: Mobile Data & Internet usage



The growing use of WhatsApp voice and video calling as substitutes for traditional voice calling by businesses and individuals has driven data usage by the WhatsApp platform. Based on traffic per operator, the market share of mobile internet and data usage was as follows:

Figure 6: Market Share of Internet & Data Traffic

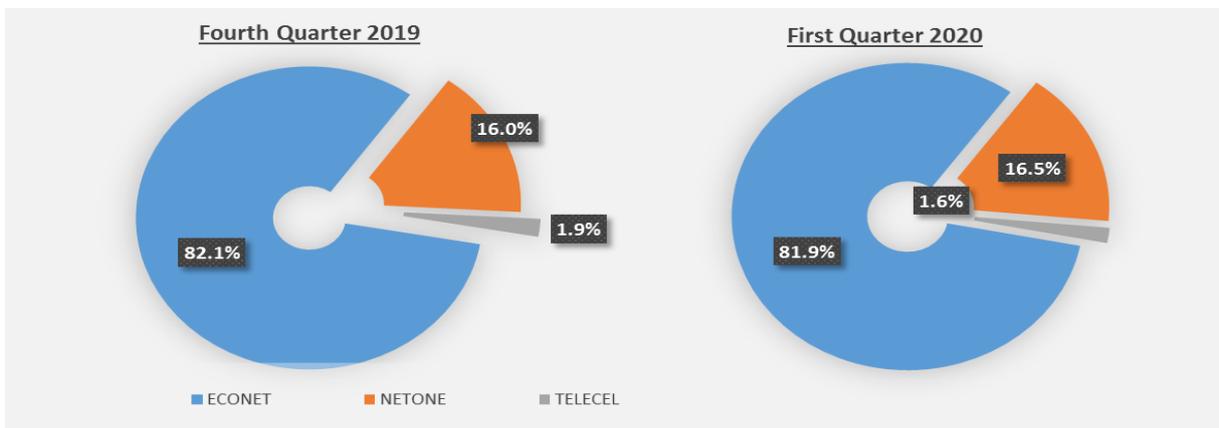


As shown above, NetOne gained 4.8% market share in line with the growth in internet and data usage on their network. On the other hand, Econet and Telecel lost market share by 3.2% and 1.6% respectively.

2.4 MOBILE REVENUES, COSTS & INVESTMENT

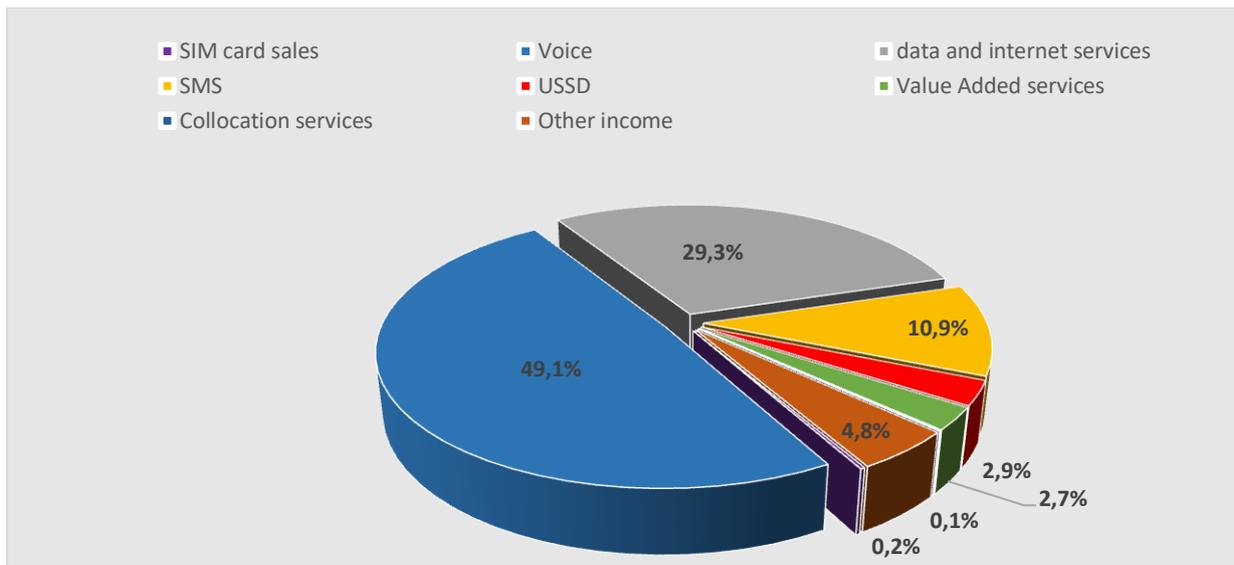
Total mobile network revenue grew by 26.2% to record \$2,078,961,451 from \$1,647,528,039 recorded in the previous quarter. Total operating costs also grew by 46.1% to record \$1,444,026,456 from \$988,187,842 recorded in the fourth quarter of 2019. The phenomenon of consistently rising operating costs is typical of the prevailing inflationary environment. A quarterly comparison of the market share of mobile telephone revenues is shown below:

Figure 7: Market share of Mobile Revenue



Voice service was the core revenue contributor for the mobile networks as shown in Figure 9 below:

Figure 8: Mobile Network Revenues & Costs



Unlike the fixed network, voice service continues to be the biggest contributor to the bottom line of mobile operators.

2.5 MOBILE TELEPHONY INFRASTRUCTURE

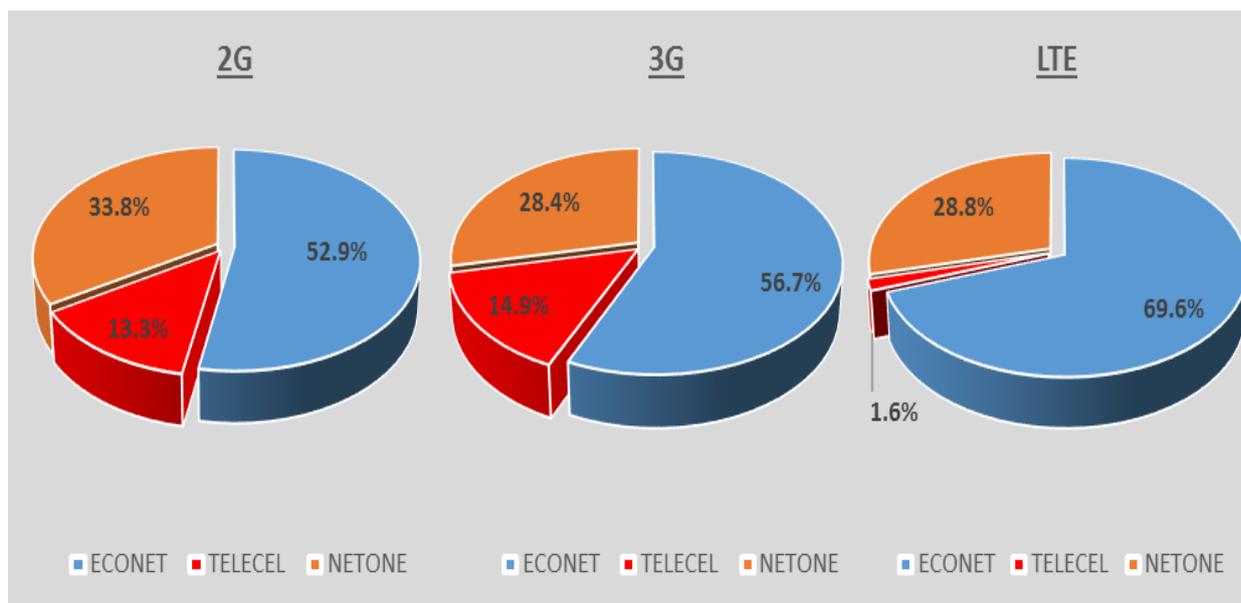
The total number of base stations in the country as at 31 March 2020 was 8,896 up from 8,889 as a result of 1 2G deployment , 7 new 3G deployments and 1 decommissioning as shown in the following table:

Table 5: Mobile Base Stations

	2G			3G			LTE		
	Q4 2019	Q1 2020	Net Addition	Q4 2019	Q1 2020	Net Addition	Q4 2019	Q1 2020	Net Addition
Total	4,970	4,971	1	2,886	2,893	7	1,033	1,032	-1

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

Figure 9: Market Share of Mobile Base Station Infrastructure



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

2.6 MOBILE MONEY

2.6.1 MOBILE MONEY SUBSCRIPTIONS

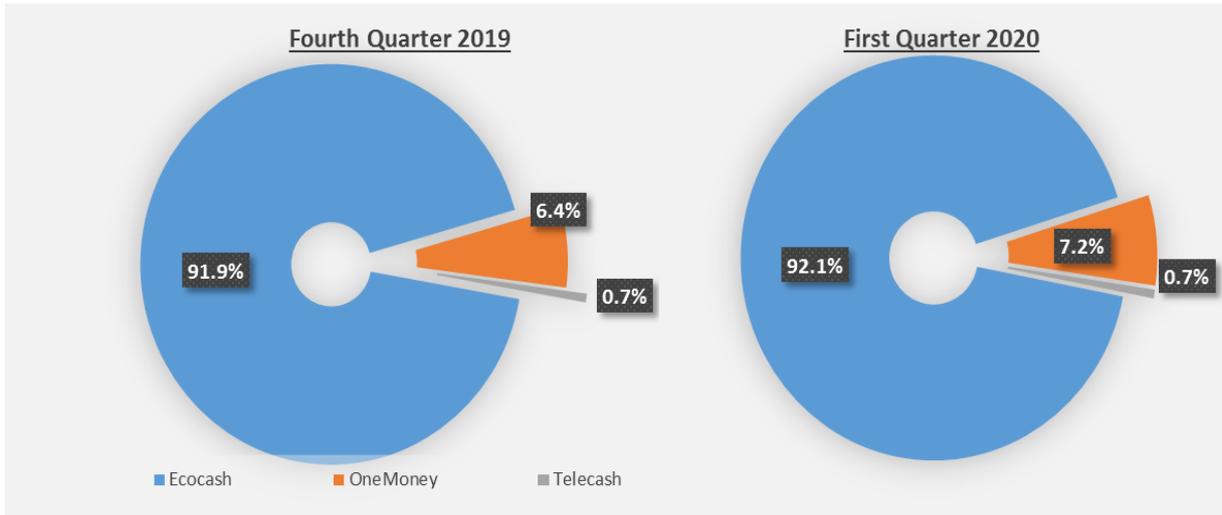
The total number of active mobile money subscriptions grew by 4.6% to reach 7,673,201 from 7,334,639 recorded in the fourth quarter of 2019. Telecash was the only operator to record a decline in active mobile money subscriptions as shown in the table below:

Table 6: Active Mobile Money Subscriptions

OPERATOR	4 th Quarter 2019	1 st Quarter 2020	Variance (%)
ECOCASH	6,812,368	7,065,382	3.7%
TELECASH	53,311	52,564	-1.4%
ONE MONEY	468,960	555,255	18.4%
TOTAL	7,334,639	7,673,201	4.6%

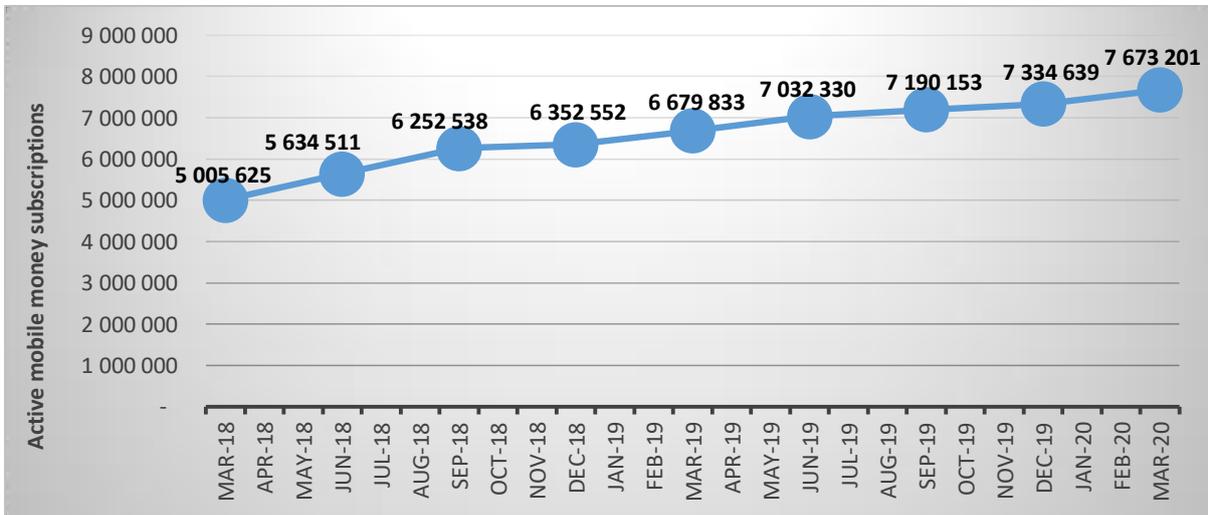
A quarterly comparison of the market share of mobile money subscriptions is shown in Figure 10 below:

Figure 10: Market Share of Active Mobile Money Subscriptions



In general, the adoption of mobile money has been growing steadily since 2018 as shown by the consistent growth in active subscriptions:

Figure 11: Growth in Active Mobile Money Subscriptions



2.6.2 MOBILE MONEY TRANSACTIONS

The growth in the volume and value of mobile money transactions in the first quarter of 2020 is shown in the table below:

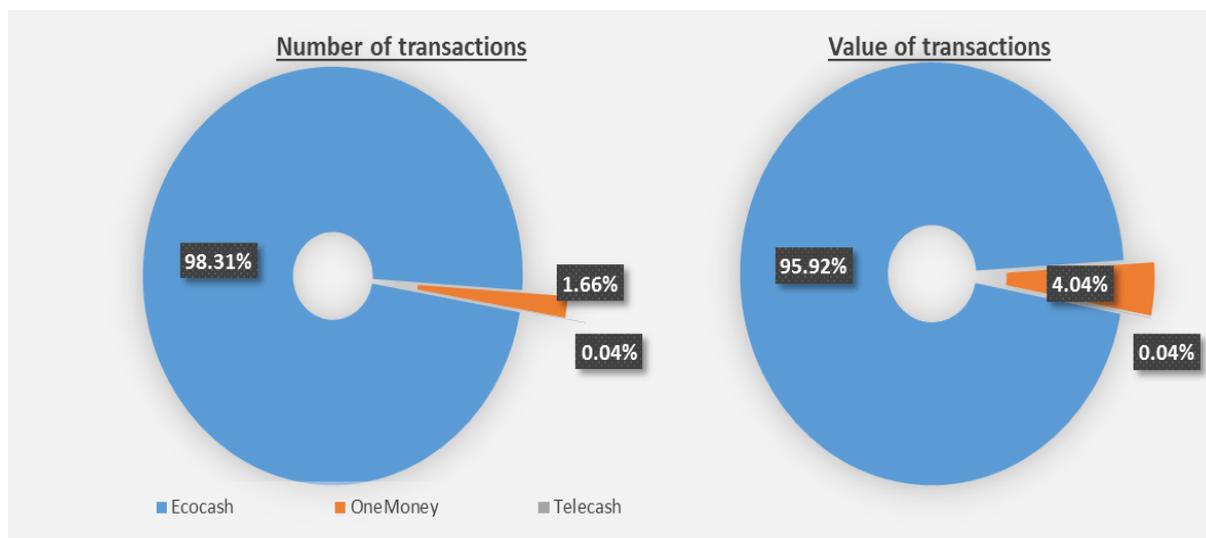
Table 7: Mobile Money Transactions

	4 th Quarter 2019	1 st Quarter 2020	Variance
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Cash In	\$6,191,834,427	\$5,825,242,456	-5.9%
Cash Out	\$1,605,591,004	\$1,380,072,196	-14%
Airtime, Bill & Merchant Payments	\$5,305,306,680	\$12,193,008,455	129.8%
Cross Network	\$262,552	\$619,438	135.9%
Number of transactions	517,507,991	469,709,327	-9.2%

There was an overall decline in the value of cash-in and cash-out transactions as shown above. This is attributable to the cash shortages in the economy. On the other hand there was considerable growth in the value of cross-network as well as airtime, bill and merchant payments. The growth in the value of bill and merchant payments is attributable to the increase in the scope of services that can be paid through mobile money as well as the general increase in the prices of goods and services. Ecocash continues to dominate the market in terms of the number and value of transactions as shown below:

Figure 12: Market Share of Mobile Money Transactions



A comparison with the previous quarter shows that OneMoney's market share of the value of processed transactions improved from 1.1% to record 4% in the quarter under review. This may be attributable to the increase in subscriptions following the zero-rating of all mobile money transactions in December 2019.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

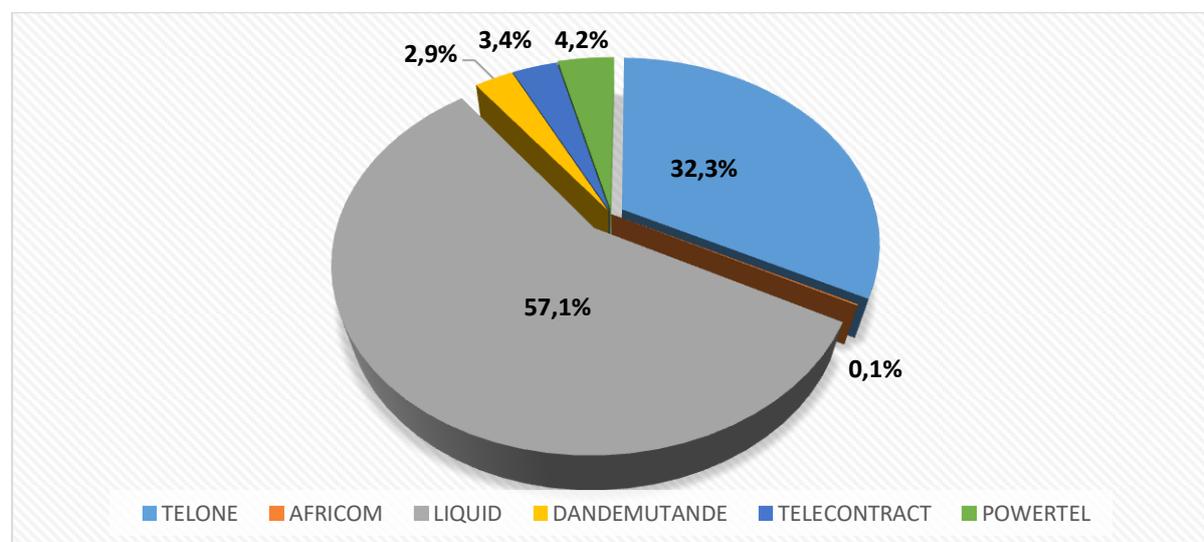
The total number of active internet subscriptions declined by 2.5% to record 8,614,401 from 8,836,299 recorded in the fourth quarter of 2019. As a result, the internet penetration rate declined by 0.7% to reach 59.1% from 60.6% recorded in the previous quarter. The decline stemmed, mainly, from a 2.6% decline in active mobile internet and data subscriptions as shown in the following table:

Table 8: Active Internet Subscriptions

Technology	4 th Quarter 2019	1 st Quarter 2020	Variance (%)
3G/HSDPA/LTE	8,659,875	8,434,763	-2.6%
Leased Lines	2,123	2,138	0.7%
DSL	106,036	107,648	1.5%
WiMAX	2,156	1,855	-14%
CDMA	22,834	21,498	-5.9%
VSAT	3,395	3,256	-4.1%
Active Fibre subscriptions	39,880	42,851	7.4%
Total	8,836,299	8,614,009	-2.5%

As shown above, WiMAX recorded the biggest decline in active subscriptions. WiMAX subscriptions have been consistently declining as subscribers migrate to other technologies such as Fibre and ADSL. Fibre recorded the biggest growth in subscriptions in the quarter under review. The market share of active fibre subscriptions was as follows:

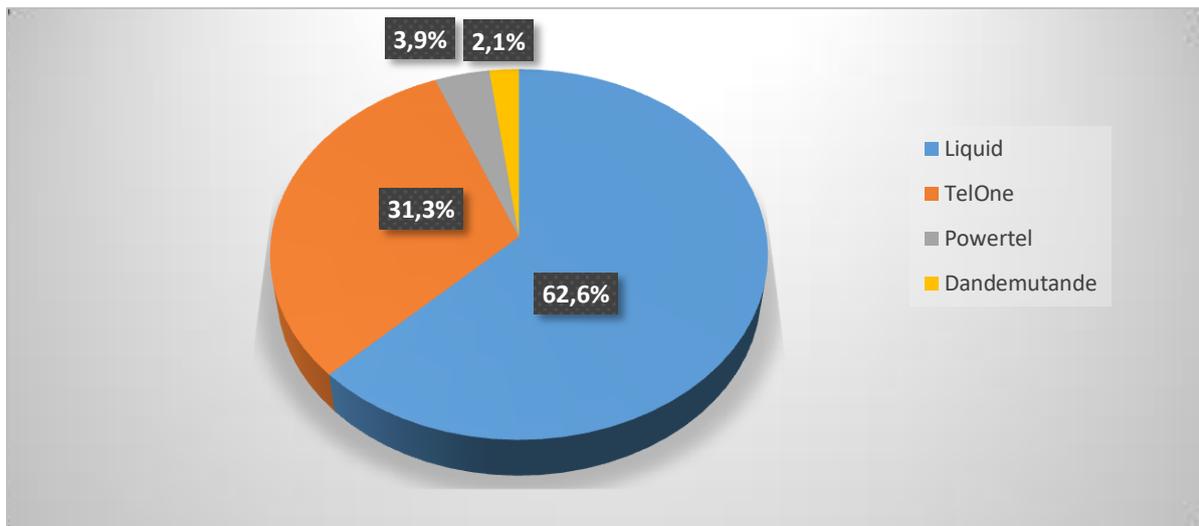
Figure 13: Market Share of Active Fibre Subscriptions



3.2 INTERNATIONAL INTERNET CONNECTIVITY

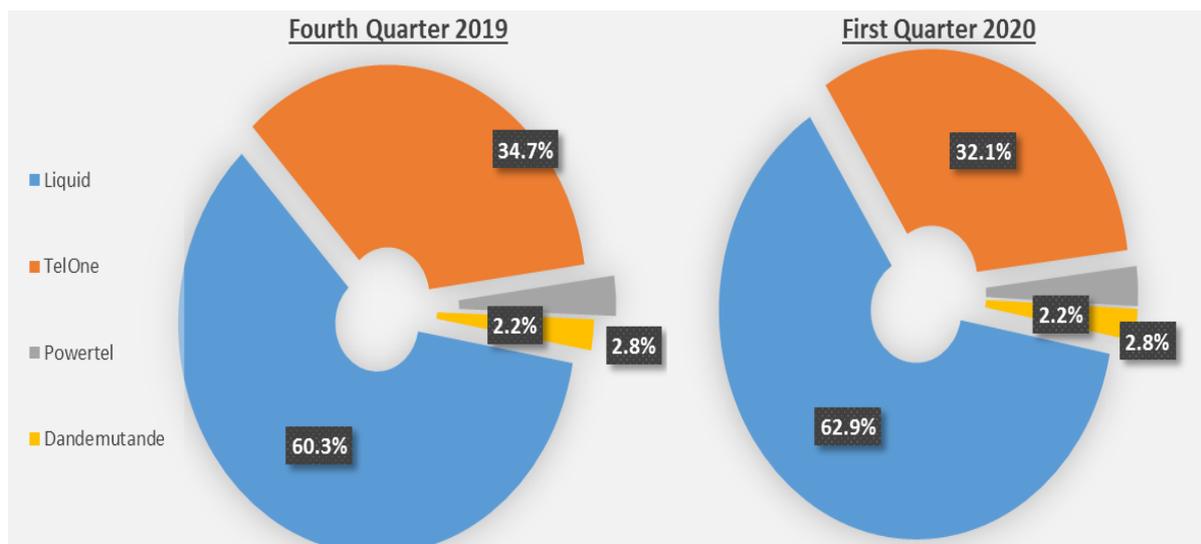
There was no change in the equipped international internet capacity in the quarter under review. The equipped incoming international internet bandwidth capacity remained 127,715Mbps, as no IAP expanded their capacity in the first quarter of 2020. As a result, there was no change in the market share of equipped international internet bandwidth remained as follows:

Figure 14: Market Share of Equipped International Internet Bandwidth Capacity



Used international incoming bandwidth capacity increased by 8.2% to record 124,627Mbps from 115,212Mbps recorded in the fourth quarter of 2019. Used international internet bandwidth capacity is expected to continue increasing due to the growing demand for data and internet services. Figure 15 below shows a quarterly comparison of the market share of used international internet bandwidth capacity.

Figure 15: Market Share of Used International Internet Bandwidth Capacity



As shown above, Liquid gained market share by 2.6%; TelOne lost market share by 2.6%; whereas, the market share of Powertel and Dandemutande remained constant.

3.3 IAP REVENUES & OPERATING COSTS

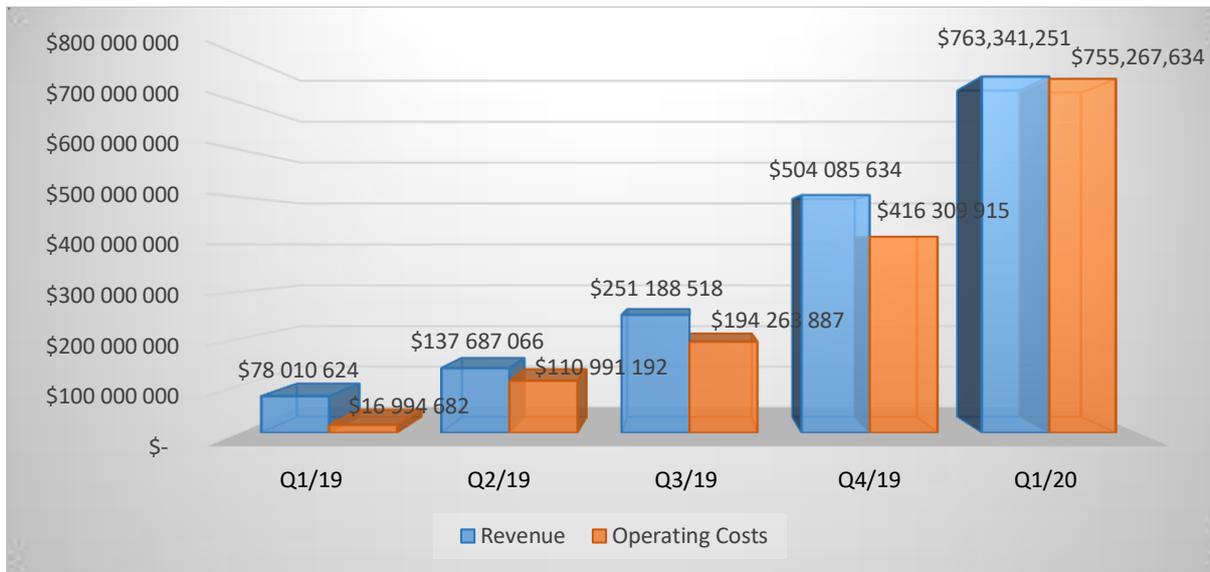
Total revenue by Internet Access Providers (IAPs) grew by 51.4% whereas operating costs grew by 81.4% in the first quarter of 2020 as shown in the following table:

Table 9: IAP Revenues & Operating Costs

	4 th Quarter 2019	1 st Quarter 2020	Variance (%)
Revenue	504,085,634	763,341,251	51.4%
Operating Costs	416,309,915	755,267,634	81.4%

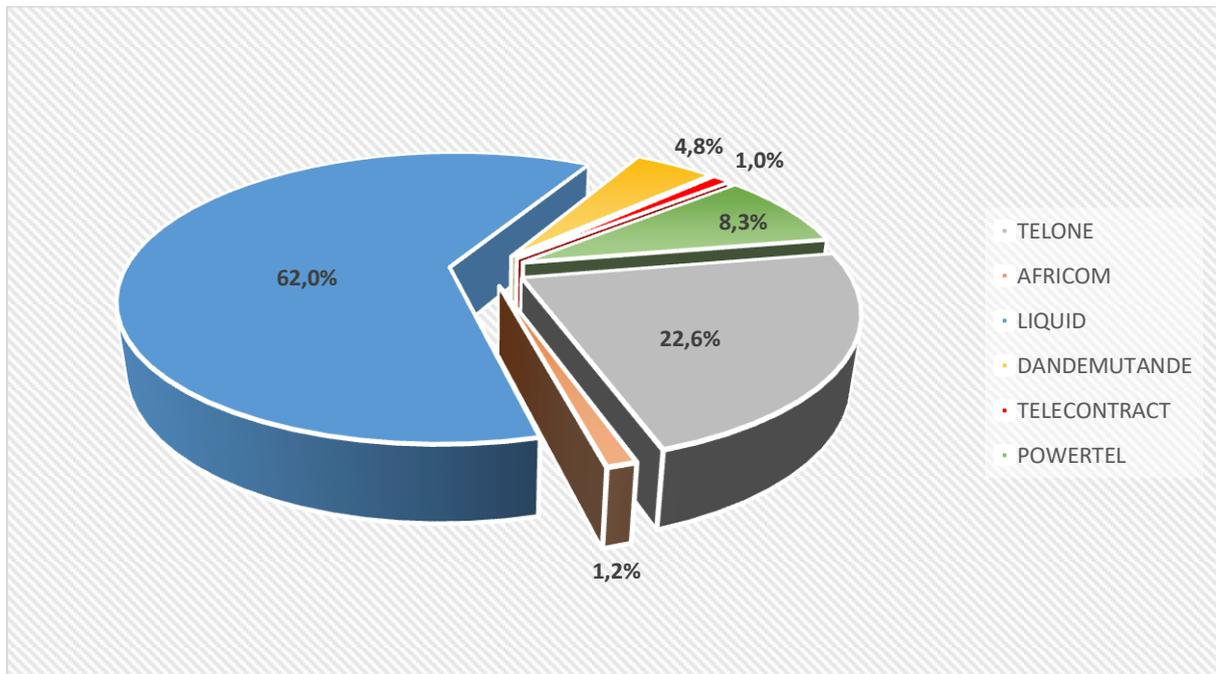
A huge proportion of IAP operating costs consists of bandwidth costs which are paid in foreign currency. IAP operating costs have been consistently growing by margins higher than the growth in revenues over the past year as shown in Figure 16 below:

Figure 16: IAP Revenues & Operating Costs



The trend of growing operating costs has continued into 2020 as shown above and the gap between revenues and costs has become much smaller. The market share of revenue in the first quarter of 2020 is shown in Figure 17 below:

Figure 17: Market Share of IAP Revenue



As shown above, Liquid continued to dominate the Internet Access Provider (IAP) market in terms of revenues, in line with the market share of used bandwidth.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

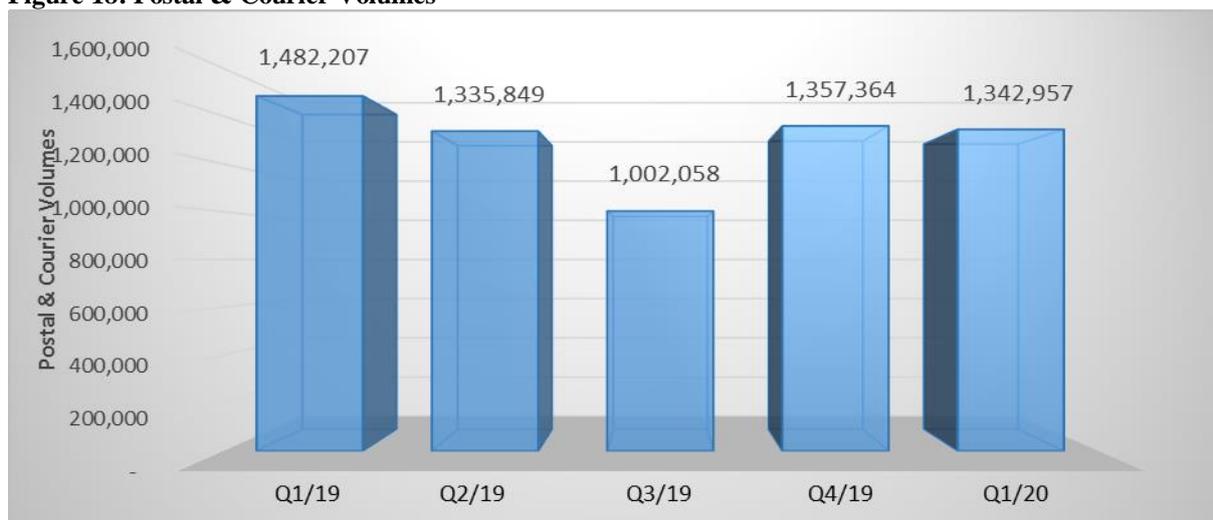
Total postal and courier volumes declined by 1.1 % in the quarter under review. The quarterly variation in the volumes per postal and courier category are shown in Table 10 below:

Table 10: Postal and Courier Volumes

Postal and Courier Service	4 th Quarter 2019	1 st Quarter 2020	% Growth
Domestic postal letters	757,086	751,803	-0.7%
Domestic courier	296,404	301,781	1.8%
International incoming	283,403	269,045	-5.1%
International outgoing courier	20,471	20,328	-0.7%
Total Postal & Courier	1,357,364	1,342,957	-1.1%

Domestic courier was the only service category to record growth as shown in the table above. The decline in international incoming courier post-festive season is a typical phenomenon, hence the decline in the first quarter. Domestic postal volumes have been consistently declining due to e-substitution. The quarterly fluctuations in postal and courier volumes over the past year is shown in Figure 18 below:

Figure 18: Postal & Courier Volumes

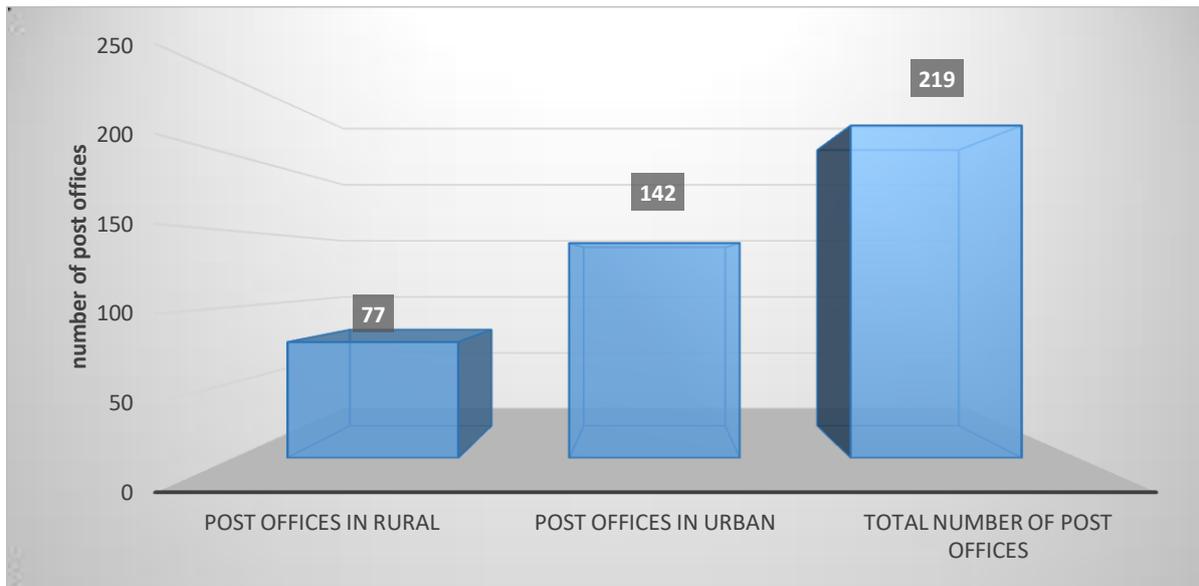


Growth in the international courier business is envisaged as the adoption of e-commerce improves.

4.2 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 19: Post Offices



Of the total number of post offices, 152 had internet connection. More still needs to be done by the designated postal operator to connect all post offices. This will enable expansion in the scope of services offered within post offices.

*NB: Postal and courier revenues and costs will be reported once data is complete.

5. OUTLOOK

The performance of the sector continues to be dependent on the economic environment. The economic environment impacts the sector through service demand and consumption levels, operating costs, investment et.al. Given the current inflationary pressures in the economy, operating cost containment will be even more crucial for operators to maintain profitability as the growth of operating costs poses a threat to operator viability.

Data and internet services will continue to drive industry growth. The shift towards telecommuting and e-learning will drive demand for data and accelerate the voice-data substitution. The social distancing measures introduced to avoid the risk of exposure and spreading COVID-19 will see an increased usage of ICTs as people avoid physical contact and resort to conducting business online. The use of Over-the-Top services, such as WhatsApp, Skype and Viber, is expected to grow in the current economic environment as consumers cut back on communication expenditure. 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.

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 as well as the implementation of interoperability following the enactment of Statutory Instrument 80 of 2020 on Mobile Money Interoperability.