

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND 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 second quarter of 2020 compared to the first quarter of 2020:

- The total number of active mobile subscriptions declined by 6.7% to reach 12,798,298 from 13,724,522; hence, the mobile penetration rate declined by 6.4% to reach 87.8% from 94.2%.
- Active fixed telephone lines declined by 0.2% to record 260,542 from 260,959; the fixed tele-density remained at 1.8%.
- Active internet and data subscriptions also declined by 4% to record 8,267,268 from 8,614,009. As a result, the Internet penetration rate declined by 2.4% to reach 56.7% from 59.1%.
- Total fixed voice traffic declined by 27.8% to record 80.9 million minutes in the second quarter of 2020 from 112.1 million minutes.
- Total mobile voice traffic declined by 1.2% to record 1.31 billion minutes from 1.33 billion minutes.
- Total postal and courier volume declined by 79.7% to record 272,881 items from 1,342,957.
- On the other hand, mobile internet and data traffic increased by 56.2% to record 10,407TB from 6,661TB.
- Used International Internet Bandwidth Capacity also increased by 2.8% to record 128,173Mbps from 124,627 Mbps.
- Revenue generated by the mobile telephone networks grew by 45.8% to record ZWL3 billion from ZWL2.1 billion. At the same time, total mobile network operating costs grew by 217.7% to record ZWL16.1 billion from ZWL5.1 billion.
- IAP revenues grew by 52.2% to record ZWL1.15 billion from ZWL754.3 million; meanwhile, total operating costs for IAPs grew by 188.4% to record ZWL11.2 billion from ZWL3.9 billion.
- Total postal & courier revenue declined by 2.1% to record ZWL69.4 million from ZWL70.9 million; Total operating costs grew by 13% to record ZWL58.7 million from ZWL51.9 million.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

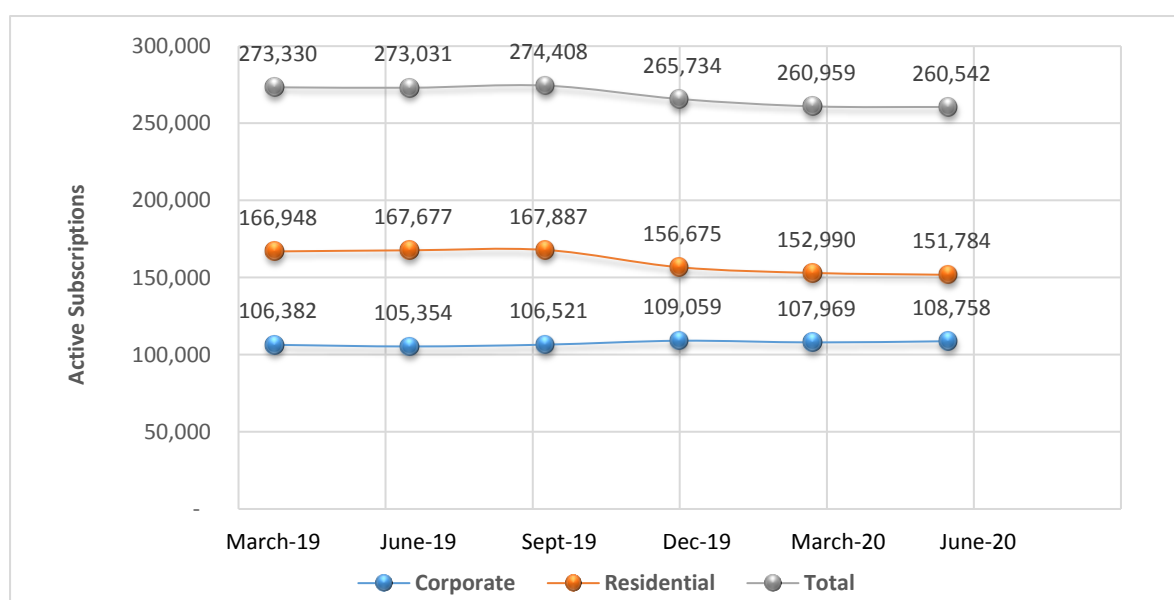
The total number of active fixed telephone lines declined by 0.2% to record 260,542 from 260,959 first quarter of 2020. The decline emanates from a decline in active residential subscriptions as shown in Table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber category	1 st Quarter	2 nd Quarter	% Growth
Residential	152,990	151,784	-0.8%
Corporate	107,969	108,758	0.7%
Total Active	260,959	260,542	-0.2%

The fixed teledensity remained at 1.8%. The growth in active corporate subscriptions in the quarter under review may be attributable to the uptake of ADSL. There has been a consistent decline in total active fixed telephone subscriptions over the past three quarters as shown in Figure 1 below:

Figure 1: Active Fixed Telephone Subscriptions



Fixed telephone subscriptions have been declining over the years as the PSTN continues to face competition from mobile telephony, VoIP amongst other emerging technologies.

1.2 FIXED NETWORK TRAFFIC

A huge decline of 27.8% in total voice traffic was recorded in the second quarter of 2020. All fixed voice traffic categories declined as shown in Table 2 below:

Table 2: Fixed Voice Traffic

Traffic category	1 st Quarter 2020	2 nd Quarter 2020	Variance
Net on Net	18,394,861	9,021,032	-51.0%
Outgoing to Mobile	79,396,079	61,800,126	-22.2%
Incoming from Mobile	5,271,201	4,002,765	-24.1%
Incoming from IAPs	1,277,366	601,404	-52.9%
Outgoing to IAPs	1,138,144	616,004	-45.9%
Total National Voice Traffic	105,477,651	76,041,331	-27.9%
International Incoming	4,022,978	3,258,387	-19.0%
International Outgoing	2,552,673	1,625,394	-36.3%
Total traffic	112,053,302	80,925,112	-27.8%

The bulk of fixed voice traffic is generated by corporates. The huge decline in traffic in the quarter under review is attributable to the downscaling of business operations and the increased number of workforce working from home due to Covid-19 pandemic; this led to a skew towards data based communication.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

Active mobile telephone subscriptions declined by 6.7% to reach 12,798,298 as at 30 June 2020 from 13,724,522 recorded as at 31 March 2020. Hence, the mobile penetration rate declined by 6.4% to reach 87.8% from 94.2% recorded in the previous quarter. The decline in mobile subscriptions was experienced across operators as shown in the table below:

Table 3: Active Mobile Subscriptions

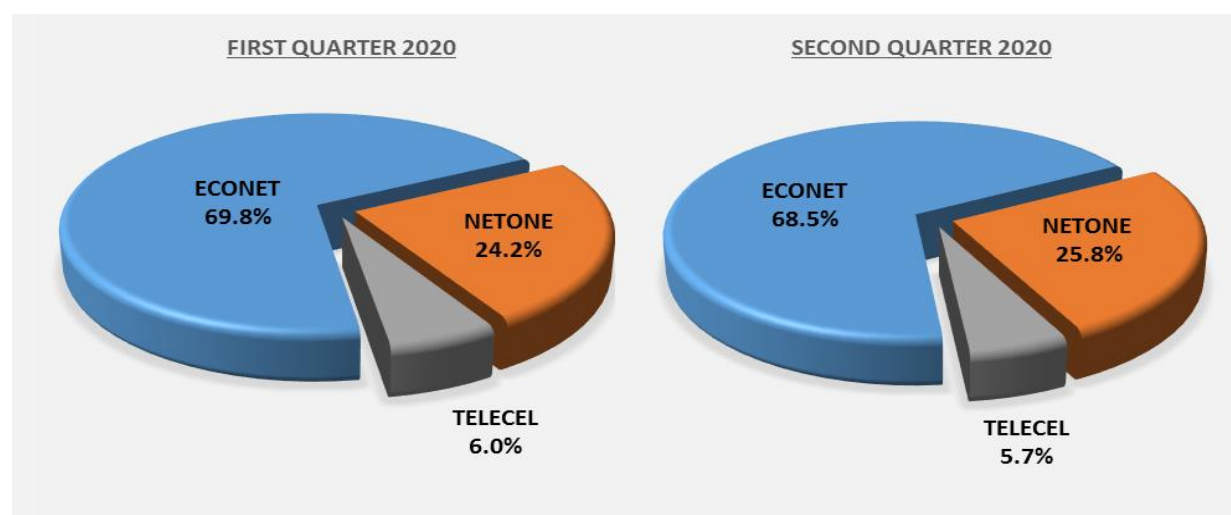
Operator	1 st Quarter	2 nd Quarter	Variance (%)
Econet	9,575,796	8,766,968	-8.4%
NetOne	3,323,248	3,306,173	-0.5%
Telecel	825,478	725,157	-12.2%
Total	13,724,522	12,798,298	-6.7%

The decline in active mobile subscriptions in the quarter under review may be attributable to the depressed demand in the economy, at both household and industry level. Covid-19 had a

direct impact on the operations of both the formal and informal sector, thus negatively affecting real disposable incomes.

Figure 2 below shows a quarterly comparison of the market share of active mobile subscriptions:

Figure 2: Market Share of Mobile Subscribers



As shown above, Econet and Telecel lost market whereas NetOne gained market share as they recorded the lowest subscriber decline rate.

2.2 MOBILE VOICE TRAFFIC

A 1.2% decline in total mobile voice traffic was recorded in the second quarter of 2020. A quarterly comparison of the mobile voice traffic by category is shown in Table 4 below:

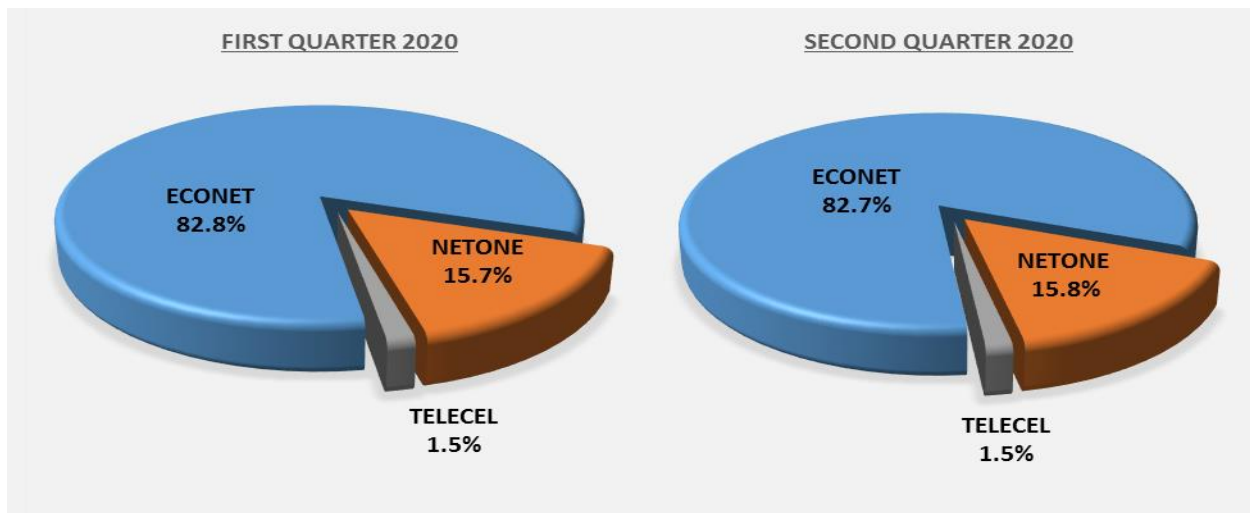
Table 4: Mobile Telephone Traffic

Traffic Category	1 st Quarter 2020	2 nd Quarter 2020	Variance (%)
Net on Net	946,431,291	955,025,983	0.9%
Mobile to Fixed	5,271,201	4,002,765	-24.1%
Incoming from Fixed	79,396,079	61,800,126	-22.2%
Mobile to Other Mobile (by termination)	229,694,957	233,940,231	1.8%
Outgoing to IAPs	2,198,597	3,167,273	44.1%
Incoming from IAPs	26,308,692	24,575,974	-6.6%
TOTAL NATIONAL	1,289,300,817	1,282,512,352	-0.5%
International Incoming	34,214,223	28,102,551	-17.9%

International Outgoing	5,174,691	3,512,052	-32.1%
Inbound Roaming	1,301,816	436,658	-66.5%
Outbound Roaming	271,692	51,187	-81.2%
Total	1,330,263,239	1,314,614,800	-1.2%

The overall decline in national voice traffic is attributable to the decline in active subscriptions. Inbound and Outbound roaming traffic recorded huge decline rates of 66.5% and 81.2% respectively; this is attributable to reduced intercountry movement due to travel restrictions in light of Covid-19. A quarterly comparison of the voice traffic market share is shown in Figure 3 below:

Figure 3: Voice Traffic Market Share

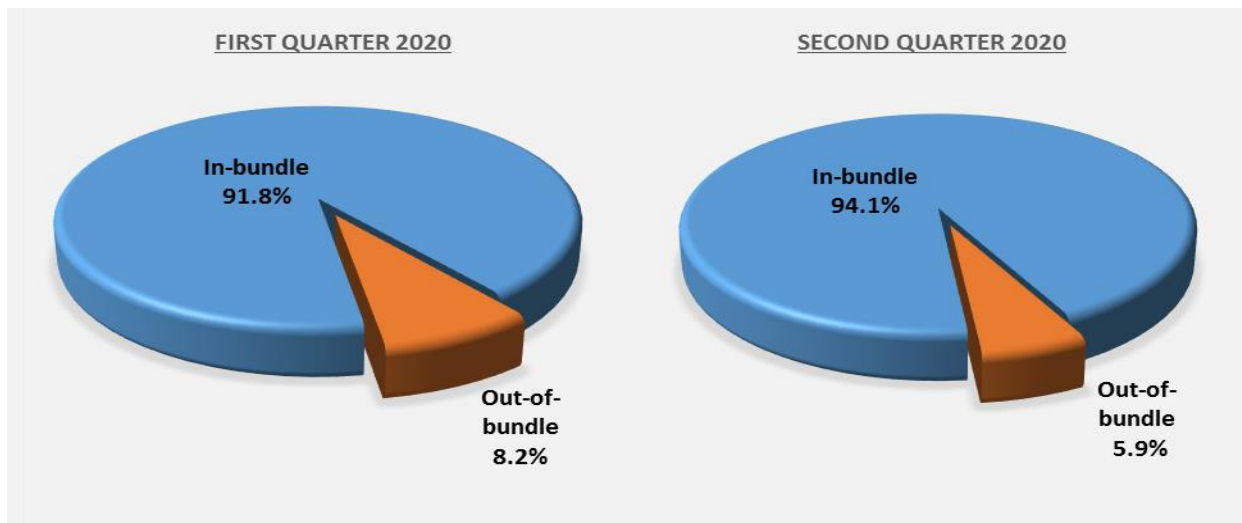


There was no major change in the mobile voice traffic market share as shown above.

2.3 MOBILE DATA & INTERNET

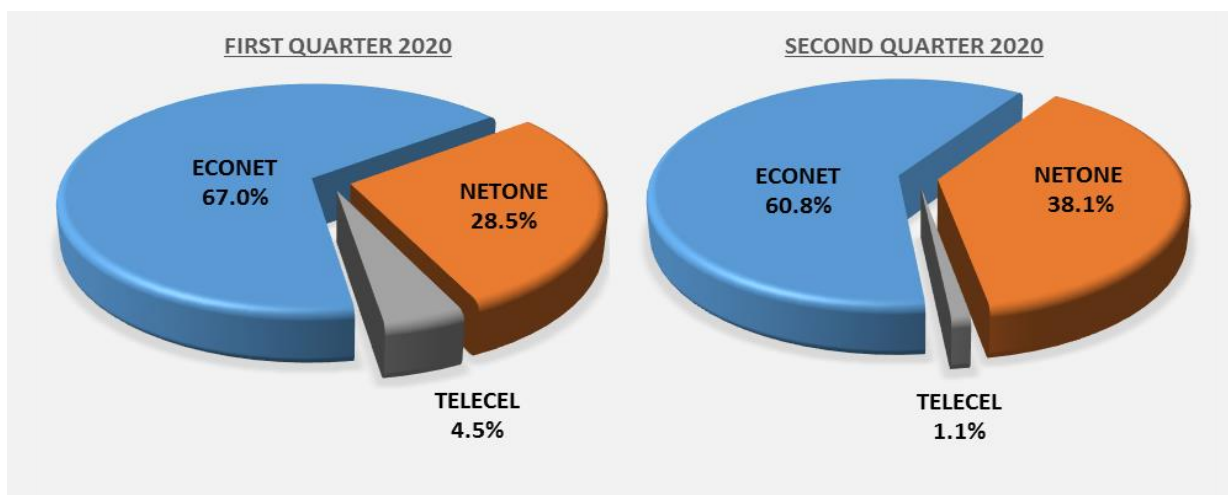
As mobile voice traffic declined, mobile data and internet traffic grew by a record 56.2% to record 10,407 Terabytes (TB) from 6,661 Terabytes (TB) recorded in the first quarter of 2020. The growth in mobile internet and data usage is attributable to increased telecommuting by the work force due to the Covid-19 restrictions. The general populace's interest in global Covid-19 news and updates could also have contributed to the growth in mobile internet and data consumption. In-bundle data usage grew from 91.8% to 94.1% as consumers chose to maximise their utility with the cheaper promotional bundles instead of out-of-bundle data rates.

Figure 4: Mobile Data & Internet usage



A quarterly comparison of the market share of mobile internet and data usage is shown in Figure 5 below:

Figure 5: Market Share of Internet & Data Traffic

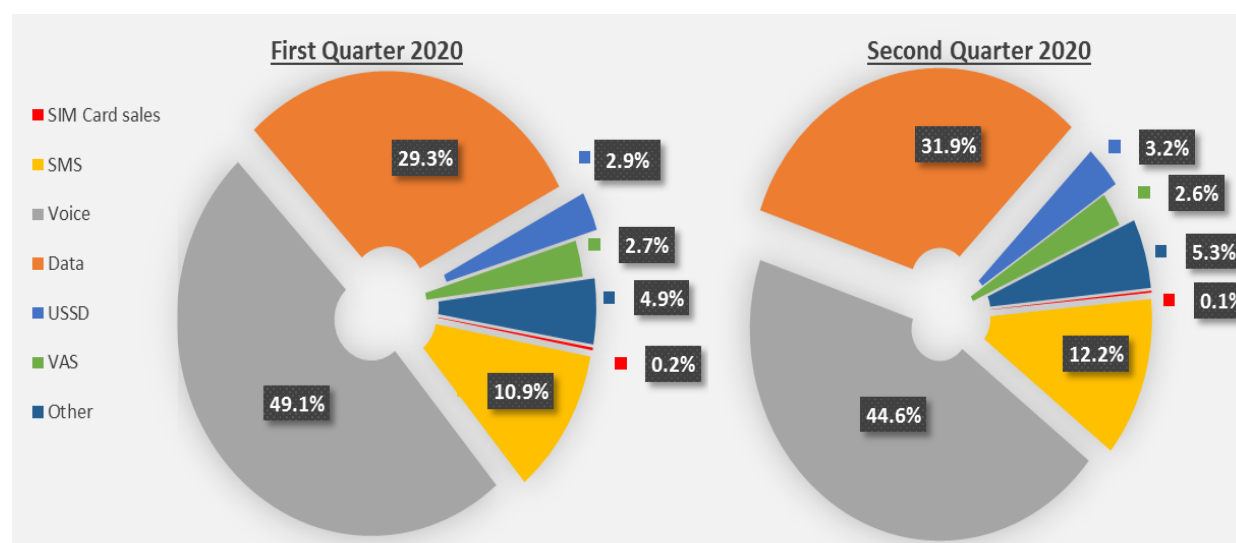


As shown above, NetOne gained 9.6% market share whereas Econet and Telecel lost market share by 6.2% and 3.4% respectively.

2.4 MOBILE REVENUES, COSTS & INVESTMENT

Total mobile network revenue grew by 45.8% to record ZWL3billion from ZWL2.1billion recorded in the previous quarter. The growth in revenue is attributable to the increase in tariffs as well as the growth in internet and data usage. Revenue contribution per service is shown below:

Figure 6: Mobile Network Revenues & Costs



Unlike the fixed network, voice service is still the biggest contributor to the bottom line of mobile operators. However, in the quarter under review, the contribution of voice declined in line with the decline in mobile voice traffic. Operating costs exclusive of foreign currency losses grew by 42% whereas operating costs inclusive of foreign currency losses grew by 217.7% as shown below:

Table 5: Mobile network operating costs

Operator	Operating costs (exclusive of foreign currency losses)			Operating costs (inclusive of foreign currency losses)		
	1 st Quarter	2 nd Quarter	Variance	1 st Quarter	2 nd Quarter	Variance
Total	1,444,026,456	2,050,067,775	42.0%	5,054,761,755	16,060,515,985	217.7%

The increase in operating expenditure is attributable to the inflationary operating environment. The telecommunications sector is also capital intensive and heavily reliant on debt financing, the fluctuations in the exchange rate have resulted in huge exchange losses on debts to be serviced. Capital expenditure by the mobile operators declined by 17.2% to record ZWL74,059,483 in the second quarter of 2020 from ZWL89,455,678 recorded in the first quarter of 2020.

2.5 MOBILE TELEPHONY INFRASTRUCTURE

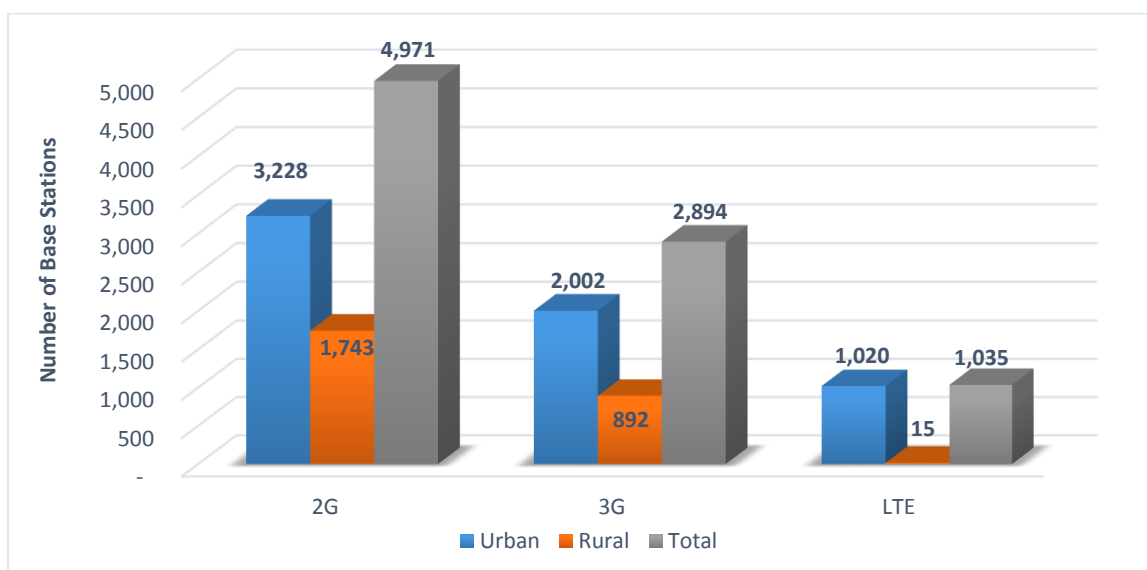
One new 3G base station and three new LTE eNode Bs were commissioned in the quarter under review bringing the total number of base stations in the country to 8,900 up from 8,896 recorded as at 31 March 2020. The base stations per operator are shown in the following table:

Table 6: Mobile Base Stations

Operator	2G			3G			LTE		
	Q1 2020	Q2 2020	Net Addition	Q1 2020	Q2 2020	Net Addition	Q1 2020	Q2 2020	Net Addition
Total	4,971	4,971	-	2,893	2,894	1	1,032	1,035	3

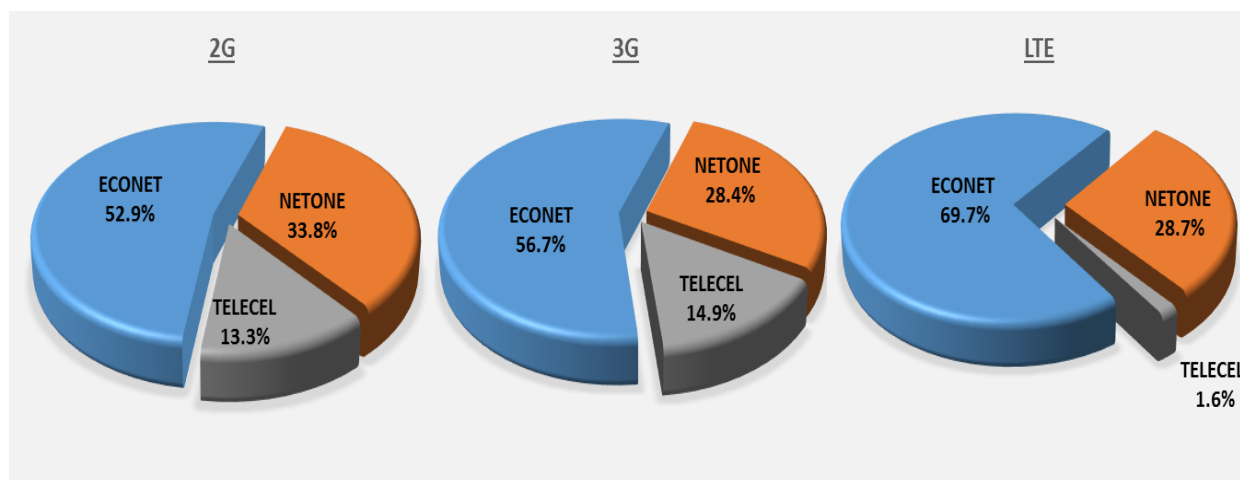
Of the total number of base stations, only 29.8% are in the rural areas. The distribution of base stations between rural and urban areas is shown in Figure 7 below:

Figure 7: Distribution of Base Stations



The depiction above illustrates the digital divide between urban and rural areas especially for broadband i.e. 3G and LTE. The market share of mobile base station infrastructure, based on individual operator data was as follows:

Figure 8: 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.

2.6 MOBILE MONEY

2.6.1 MOBILE MONEY SUBSCRIPTIONS

The total number of active mobile money subscriptions declined by 2.8% to reach 7,457,662 from 7,673,201 recorded in the first quarter of 2020 as shown in table 7 below:

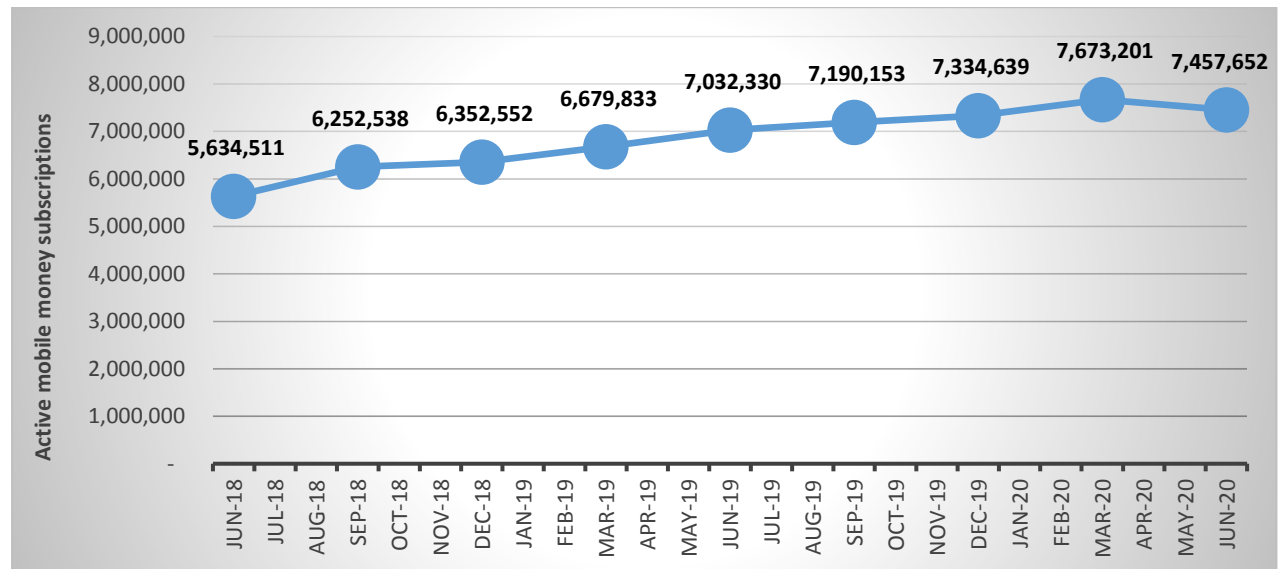
Table 7: Active Mobile Money Subscriptions

OPERATOR	1 st Quarter 2020	2 nd Quarter 2020	Variance (%)
ECOCASH	7,065,382	6,530,000	-7.6%
TELECASH	52,564	34,689	-34.0%
ONE MONEY	555,255	892,963	60.8%
TOTAL	7,673,201	7,457,652	-2.8%

One Money was the only operator to record growth in mobile money subscriptions as shown above. As with all other telecommunications and related services that recorded contraction in active subscriptions, the decline in active mobile money subscriptions is attributable to depressed demand in the economy. The deactivation of some agent lines accused of participating in illicit financial activities in May 2020, also contributed to the overall decline.

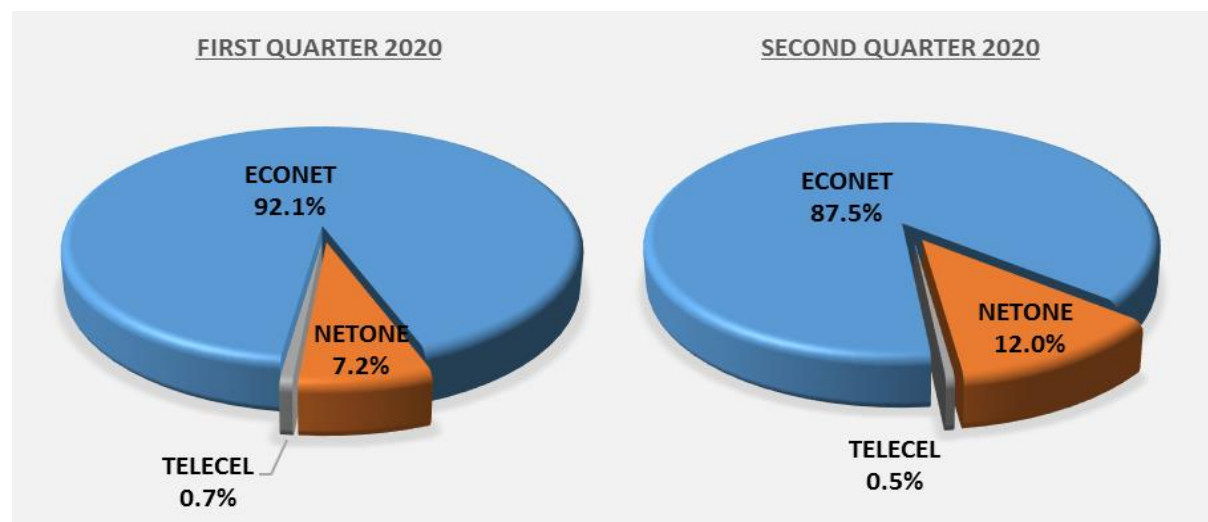
This was the only quarter in two years to record a decline in mobile money subscriptions as shown in Figure 9 below:

Figure 9: Growth in Active Mobile Money Subscriptions



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



As shown above, Econet and Telecel lost market share by 4.6% and 0.2% respectively in line with the decline in their active mobile money subscriptions. On the other hand, NetOne gained market share by 4.8%.

2.6.2 MOBILE MONEY TRANSACTIONS

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

Table 8: Mobile Money Transactions

	1 st Quarter 2020 (ZWL)	2 nd Quarter 2020 (ZWL)	Variance
Cash In	ZWL5,825,242,456	ZWL5,324,061,376	-8.6%
Cash Out	ZWL1,380,072,196	ZWL779,589,008	-43.5%
Airtime, Bill & Merchant Payments	ZWL12,193,008,455	ZWL16,257,790,815	33.3%
Cross Network	ZWL619,438	ZWL1,382,539	123.2%
Number of transactions	469,709,327	410,176,896	-12.7%

There was an overall decline in the number of mobile money transactions in line with the decline in active subscriptions. Cash-in and cash-out transaction also declined and 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 a number of factors such as 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. The national lockdown also necessitated the remote payment of goods and services via electronic channels such as mobile money. The full implementation of mobile money interoperability as mandated by Statutory Instrument 80 of 2020 on Banking Money Transmission, Mobile Banking and Mobile Money Interoperability Regulations will result in increased growth in cross-network transactions. The market share of mobile money transactions is shown in Table 9 below:

Table 9: Market Share of Mobile Money Transactions

Operator	Number of Transactions			Value of Transactions		
	1 st Quarter	2 nd Quarter	Variance	1 st Quarter	2 nd Quarter	Variance
Ecocash	98.31%	97.47%	-0.84%	95.92%	92.17%	-3.75%

OneMoney	1.66%	2.50%	0.84%	4.04%	7.80%	3.76%
Telecash	0.03%	0.03%	-	0.04%	0.03%	-0.01%
Total	100%	100%	-	100%	100%	-

As shown above OneMoney gained market share of volume and value of transactions. This is attributable to the growth in their active mobile money subscriptions.

3. DATA & INTERNET SERVICE

3.1 SUBSCRIPTIONS

The total number of active internet subscriptions declined by 4% to reach 8,267,268 from 8,614,401 recorded in the first quarter of 2020. As a result, the internet penetration rate declined by 2.4% to reach 56.7% from 59.1% recorded in the previous quarter. Table 10 below shows a quarterly comparison of active data and internet subscriptions by technology.

Table 10: Active Internet Subscriptions

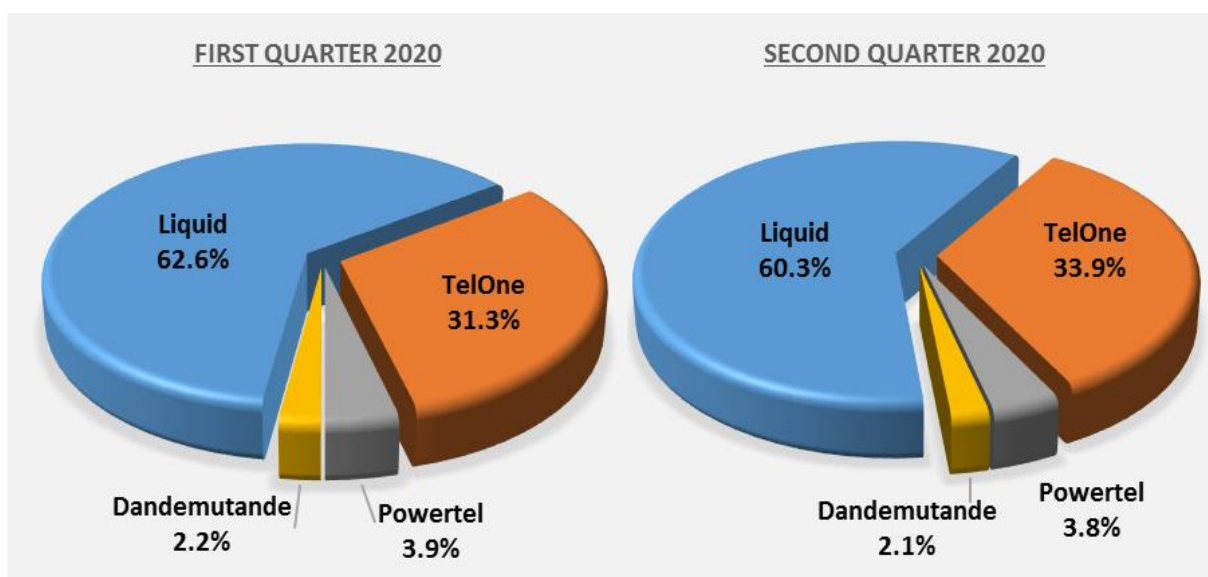
Technology	1st Quarter 2020	2nd Quarter 2020	Variance (%)
3G/HSDPA/LTE	8,434,763	8,081,986	-4.2%
Leased Lines	2,138	2,056	-3.8%
DSL	107,854	110,981	2.9%
WiMAX	1,855	1,927	3.9%
CDMA	21,498	21,080	-1.9%
VSAT	3,442	2,661	-22.7%
Active Fibre subscriptions	42,851	46,577	8.7%
Total	8,614,401	8,267,268	-4.0%

This is a consecutive quarter-on-quarter decline in active data and internet subscriptions, following a 2.5% decline recorded in the first quarter. The decline emanates mainly from the 4.2% decline in active mobile data and internet subscribers. The decline could be attributable to increased cost of data and internet services to consumers. Fibre recorded the biggest growth in active subscriptions. E-learning and telecommuting require huge volumes of data, hence they drive demand mainly for fixed broadband as the price per unit of data is cheaper as compared to mobile broadband.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

There was a 12.5% growth in the equipped international internet capacity to reach 132,715Mbps from 127,715Mbps recorded in the first quarter of 2020, following the expansion by TelOne. The quarterly variation in the market share of equipped international internet bandwidth capacity is shown below:

Figure 11: Market Share of Equipped International Internet Bandwidth Capacity



Used international incoming bandwidth capacity increased by 2.8% to record 128,173Mbps from 124,627Mbps recorded in the first quarter of 2020. Used international outgoing bandwidth capacity also increased by 3.5% to reach 38,428Mbps from 37,121Mbps recorded in the previous quarter. Used international internet bandwidth capacity is expected to continue increasing due to the growing demand for data and internet services and the growing availability of local online content.

3.3 IAP REVENUES & OPERATING COSTS

Internet Access Providers recorded growth in both revenues and operating costs as shown in Table 11 below:

Table 11: IAP Revenues & Operating Costs

	1st Quarter 2020	2 nd Quarter 2020	Variance (%)
Revenue	754,285,836	1,148,278,826	52.2%
Operating Costs	749,371,650	916,842,188	22.3%

Operating Costs incl. of foreign currency losses	3,872,652,244	11,167,521,626	188.4%
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A huge proportion of IAP operating costs consists of bandwidth costs which are paid in foreign currency. The IAP business is also capital intensive and heavily reliant on debt financing, the fluctuations in the exchange rate have resulted in huge exchange losses on debts to be serviced.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

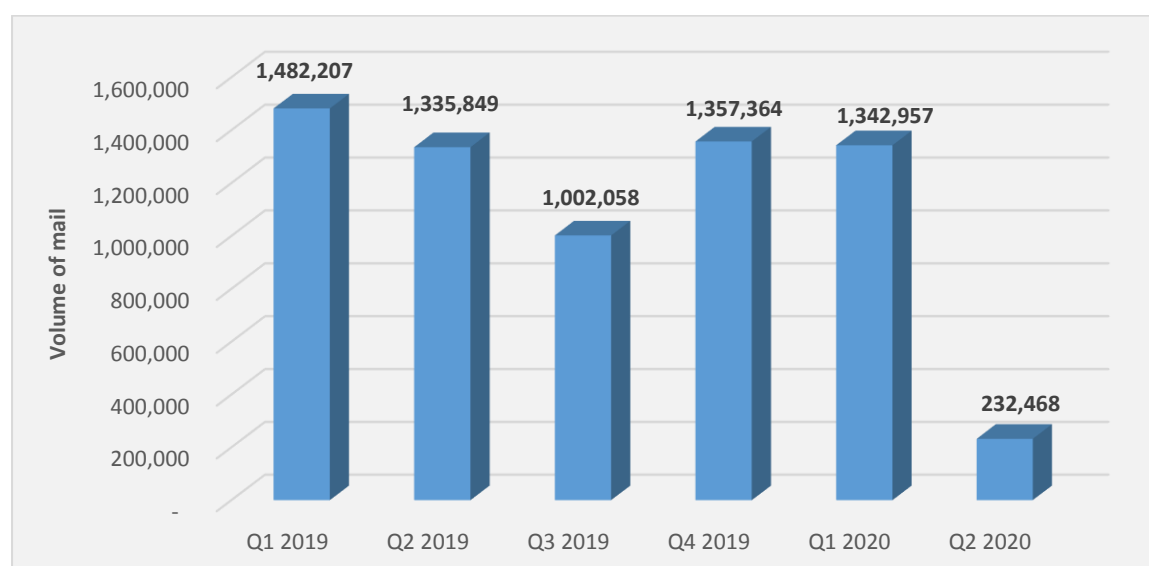
The covid-19 pandemic hit the postal and courier sector the hardest as evidenced by the huge drop in volumes across all service categories as shown in Table 12 below:

Table 12: Postal and Courier Volumes

Postal and Courier Service	1st Quarter 2020	2nd Quarter 2020	% Growth
Domestic postal letters	751,803	126,244	-83.2%
Domestic courier	301,781	53,548	-82.3%
International incoming	269,045	50,472	-81.2%
International outgoing courier	20,328	2,204	-89.2%
Total Postal & Courier	1,342,957	232,468	-82.7%

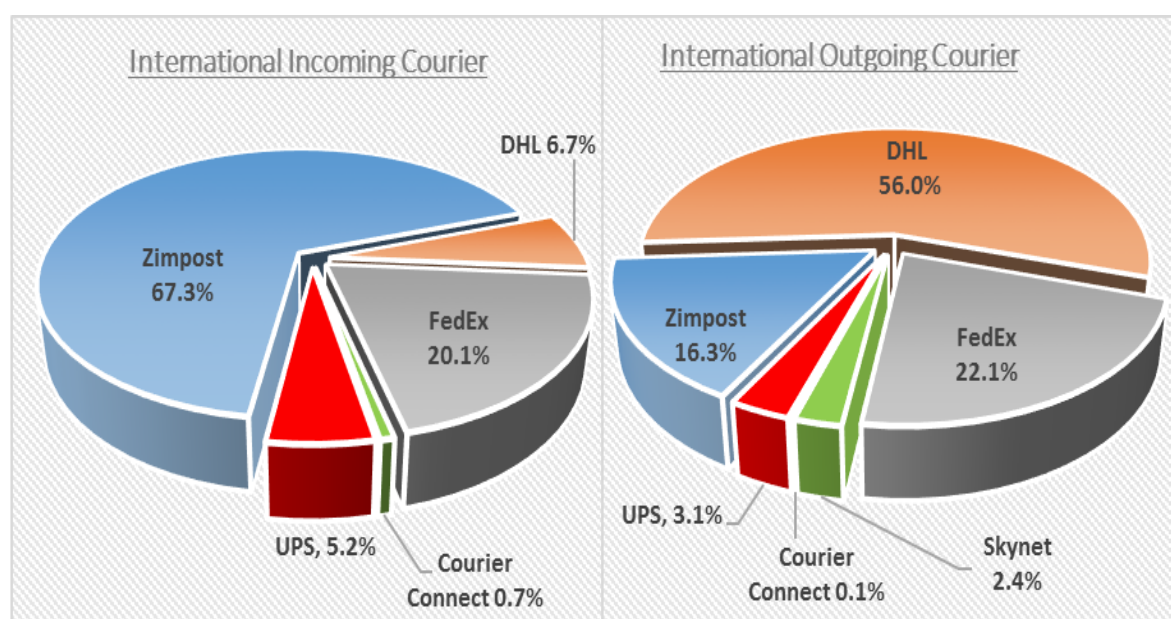
This is the lowest postal and courier volume the sector has experienced in a long time, after averaging above a million in the previous quarters as shown in Figure 12 below:

Figure 12: Postal & Courier Volumes



International courier volumes, which are a major source of income for postal and courier operators, declined significantly as people and businesses resorted to sending documents electronically. There were also challenges in channelling items to and from several destinations because of lockdown policies in different countries. The market share of international courier was as follows:

Figure 13: Market Share of International Courier

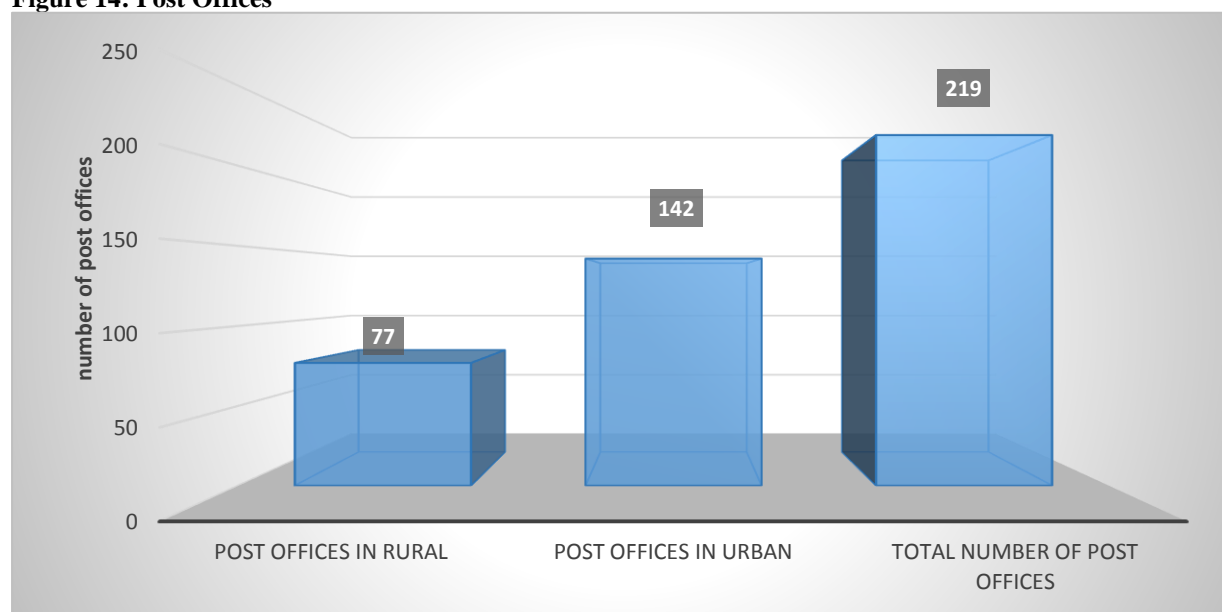


According to the Universal Postal Union, cross-border exchanges worldwide have dropped by 21% since the outbreak of the crisis for all international mail classes (letters, parcels and express mail), hence the decline in Zimbabwe is no exception.

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 14: Post Offices



The number of post offices with internet connection remained 152. 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.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

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

Table 13: Postal & Courier Revenues, Costs & Investment

	1 st Quarter 2020 (ZWL)	2 nd Quarter 2020 (ZWL)	Variance (%)
REVENUES	70,928,095	69,422,653	-2.1%
OPERATING COSTS	51,937,736	58,672,170	13.0%
INVESTMENT	1,642,855	1,230,125	-25.1%

As with other subsectors, the postal and courier operators have not been spared by inflationary pressures characterised by rising operating costs. This was the only sub sector to record a decline in revenues. This is attributable to the huge decline in service volumes.

5. OUTLOOK

The COVID-19 pandemic has demonstrated the critical importance that telecommunications infrastructure plays in keeping businesses, governments, and societies connected and running. The sector has been critical in keeping the economy running under lockdown restrictions by providing business-critical connectivity and resilience, facilitating work-from-home arrangements, e-banking, e-commerce, as well as keeping individuals and societies connected and informed, with access to essential services during mandated social isolation. As a result many telecom players providing broadband have benefitted from a surge in the traffic of data as shown in this report.

Given the dip in active subscriptions recorded in the second quarter 2020, subscriber retention will be crucial for operators going forward. A number of promotions, especially on declining voice service, are likely to be offered to retain customers, drive usage and improve the Average Revenue per User.

The Covid-19 pandemic hit the postal and courier sector the hardest as evidenced by the huge drop in volumes across all service categories. The pandemic exacerbated the substitution of paper communication by electronic methods (e-substitution). International courier volumes, which are a major source of income for postal and courier operators, declined significantly as people and businesses resorted to sending documents electronically. There were also challenges in channelling items to and from several destinations because of lockdown policies in different countries. As such, a declining trend in postal and courier volumes is expected to continue for as long as the COVID-19 pandemic remains a scourge. The situation will only improve when restrictions are eased globally and industry fully reopens.

Mobile money services are expected to continue playing a key role of bridging the financial divide by providing convenient, safe, secure and cheap financial services in areas where many Zimbabweans have no access to formal banking systems. All things being equal, volumes of mobile money payments are expected to improve due to the significant increase in the number of financial services offered on mobile money platforms. The full implementation of mobile money interoperability as mandated by Statutory Instrument 80 of 2020 on Banking Money Transmission, Mobile Banking and Mobile Money Interoperability Regulations will result in increased growth in cross-network transactions.

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. Operating cost containment remains crucial for operators to be profitable against slackening demand.