

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

THIRD QUARTER 2021

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 third quarter of 2021 compared to the second quarter of 2021:

- Active fixed telephone lines declined by 0.4% to reach 244,316 in the third quarter of 2021 from 245,322 recorded in the second quarter of 2021; the fixed tele-density declined by 0.1% to reach 1.6% from 1.7% recorded in the second quarter of 2021.
- Active mobile telephone subscriptions increased by 3.4% to record 13.9 million in the third quarter of 2021, from 13.5 million recorded in the second quarter of 2021; the mobile penetration rate increased by 2.2% to reach 93.5% from 91.3% recorded in the second quarter of 2021.
- The total number of active Internet and data subscriptions increased by 1.2% to reach 9.3 million in the third quarter of 2021 from 9.2 million recorded in the previous quarter; the Internet penetration rate increased by 0.3% to reach 62.6% from 62.3% recorded in the previous quarter.
- Fixed telephone voice traffic declined by 1.2% to record 87.1 million minutes in the third quarter of 2021, from 88.2 million minutes recorded in the second quarter of 2021.
- Total mobile voice traffic increased by 19.3% to record 2.1 billion in the third quarter of 2021 from 1.8 billion minutes recorded in the second quarter of 2021.
- Mobile Internet and data traffic increased by 10.4% to record 25,882TB in the third quarter of 2021 from 23,436TB in the second quarter of 2021.
- Used international incoming bandwidth capacity also increased by 4.1% to record 188,768Mbps in the third quarter of 2021 from 181,309Mbps recorded in the second quarter of 2021.
- Total postal and courier volumes increased by 25.9% to record 732,303 items in the third quarter of 2021 from 581,450 items recorded in the second quarter of 2021.
- Total mobile operator revenues grew by 15.8% to record ZWL19.5 billion from ZWL16.9 billion recorded in the second quarter of 2021; On the other hand, operating costs grew by 40.9% to record ZWL12.5 billion from ZWL8.8 billion.
- Revenue generated by the fixed telephone network grew by 25.2% to record ZWL2.3 billion in the third quarter of 2021 from ZWL1.8 billion recorded in the second quarter of 2021; operating costs increased by 13.2% to record ZWL2.1 billion from ZWL1.8 billion recorded in the previous quarter.
- IAP revenues grew by 21.7% to record ZWL7.3 billion in the third quarter of 2021 from ZWL6 billion recorded in the second quarter of 2021; meanwhile, total operating costs for IAPs grew by 54.1% to record ZWL5.1 billion from ZWL3.3 billion.
- Total revenue generated by the postal and courier sector increased by 31.7% to record ZWL454.1 million in the third quarter of 2021 from ZWL344.9 million recorded in the second quarter of 2021; operating costs increased by 8.5% to record ZWL366.3 million from ZWL337.8 million recorded in the second quarter of 2021.

1. MOBILE TELEPHONY

1.1 MOBILE SUBSCRIPTIONS

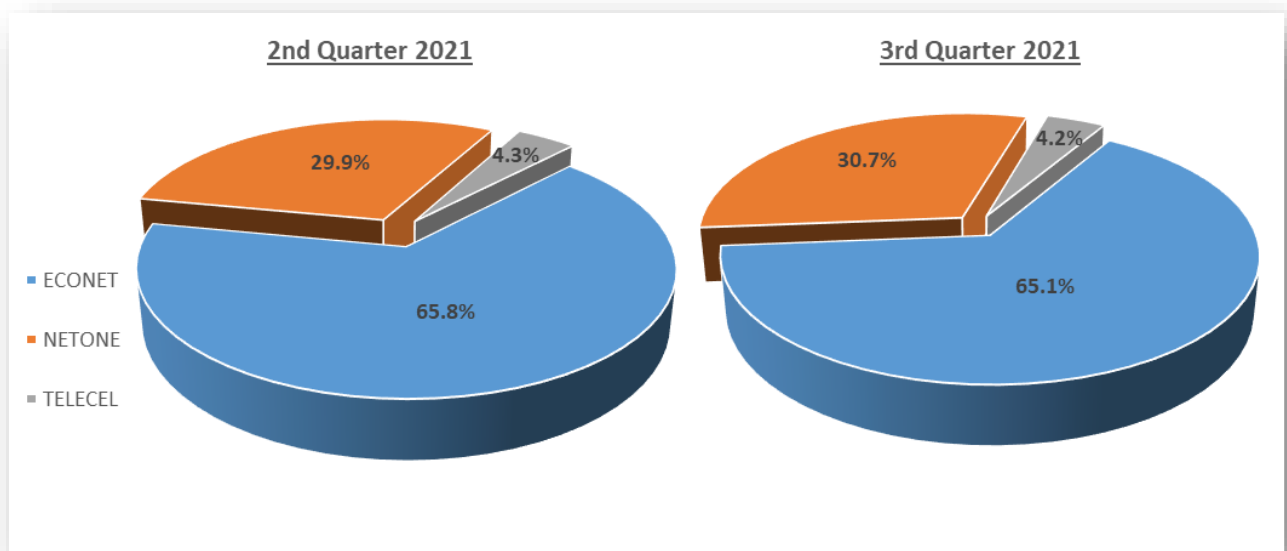
A total of 13,935,233 active subscriptions were recorded as at 31 September 2021; this represents a 3.4% growth from 13,481,527 recorded as at 30 June 2021. As a result, the mobile penetration rate increased by 2.2% to reach 93.5% in the third quarter of 2021 from 91.3% recorded in the second quarter of 2021. The growth in active subscriptions per mobile operator is shown in table 1 below:

Table 1: Active Mobile Subscriptions

Operator	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
Econet	8,872,214	9,073,236	2.3%
NetOne	4,027,009	4,279,427	6.3%
Telecel	582,304	582,570	0.0%
Total	13,481,527	13,935,233	3.4%

All the mobile operators recorded growth in active subscriptions, with NetOne recording the biggest growth of 6.3%. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 1 below:

Figure 1: Market Share of Mobile Subscribers



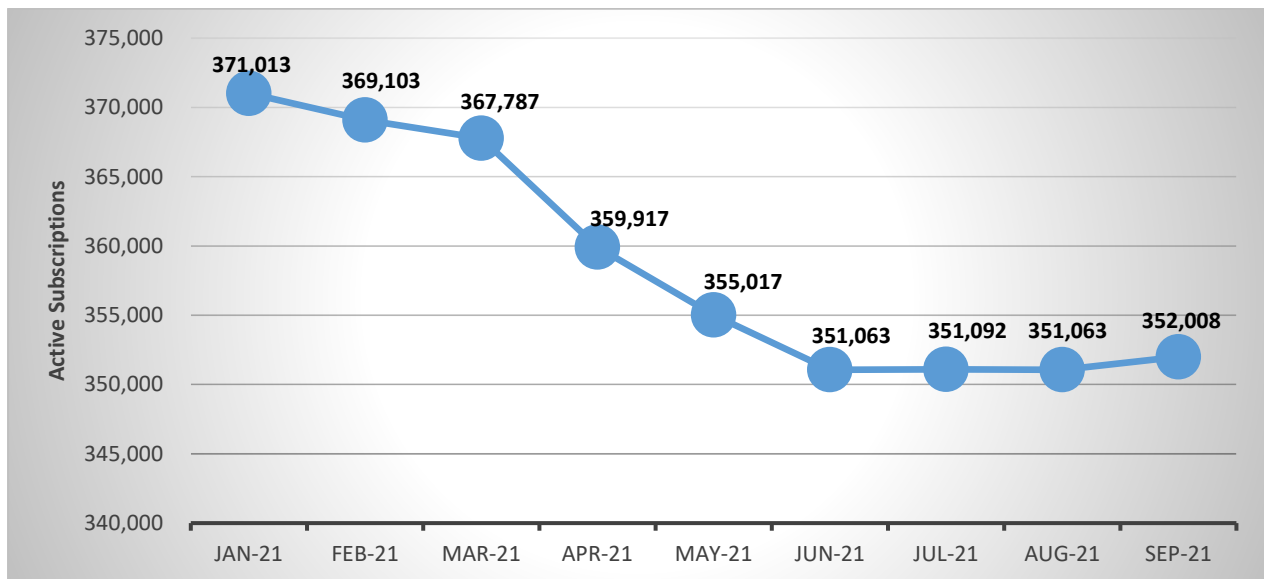
As shown above, Telecel and Econet lost market share by 0.1% and 7%, respectively, whereas NetOne gained market share by 0.8%. The growth in prepaid and post-paid mobile subscriptions in the quarter under review as shown in Table 2 below:

Table 2: Prepaid vs Post-paid Mobile Subscriptions

	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
Prepaid	13,130,464	13,583,225	3.4%
Post-paid	351,063	352,008	0.3%
Total	13,481,527	13,935,233	3.4%

Post-paid subscriptions constituted only 2.5% of total active mobile subscriptions and have been fluctuating over the course of the year as shown below:

Figure 2: Post-paid Mobile Subscriptions Trend



In an inflationary environment, both service providers and consumers prefer pre-paid subscriptions. The pre-paid platform provides consumers control of their expenditure, at the same time allowing them to enjoy lower tariffs from promotions. On the other hand, it also minimises the risk of bad debts to operators.

1.2 MOBILE VOICE TRAFFIC

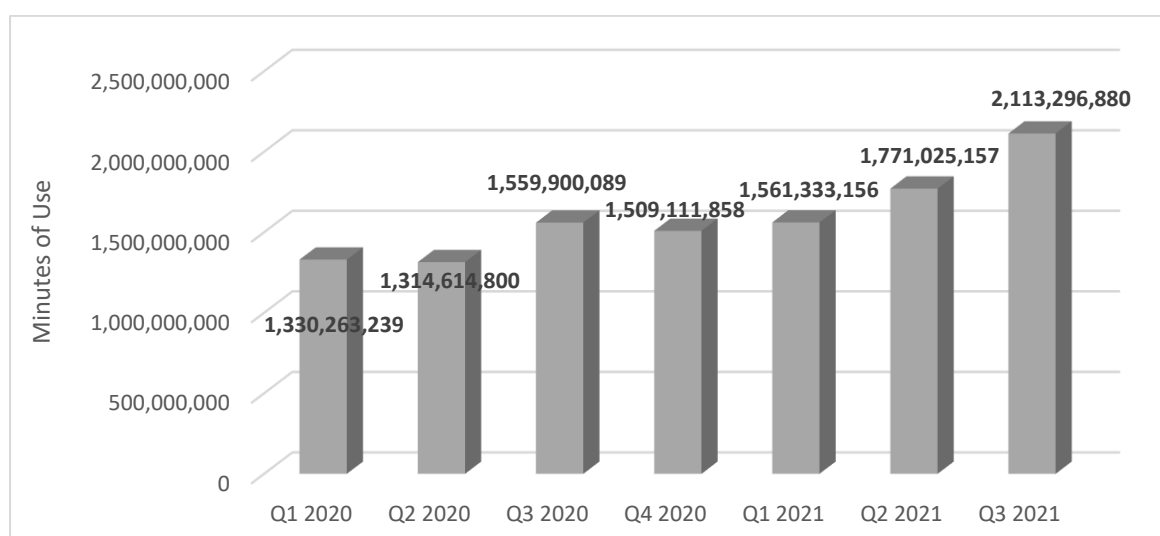
An overall growth of 19.3% in mobile voice traffic was recorded in the third quarter of 2021 to record 2.1 billion minutes from 1.8 billion minutes recorded in the second quarter of 2021 as shown in table 3 below:

Table 3: Mobile Telephone Traffic

Traffic Category	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
Net on Net	1,297,791,115	1,535,197,527	18.3%
Mobile to Fixed	4,273,887	4,712,315	10.3%
Incoming from Fixed	69,642,202	68,113,011	-2.2%
Mobile to Other Mobile (by termination)	336,715,415	442,889,820	31.5%
Outgoing to IAPs	1,882,696	2,262,813	20.2%
Incoming from IAPs	27,213,466	25,549,834	-6.1%
TOTAL NATIONAL	1,737,484,071	2,078,725,320	19.6%
International Incoming	26,221,498	27,080,048	3.3%
International Outgoing	6,192,581	6,435,191	3.9%
Inbound Roaming	697,970	852,008	22.1%
Outbound Roaming	140,482	204,313	45.4%
Total	1,771,025,157	2,113,296,880	19.3%

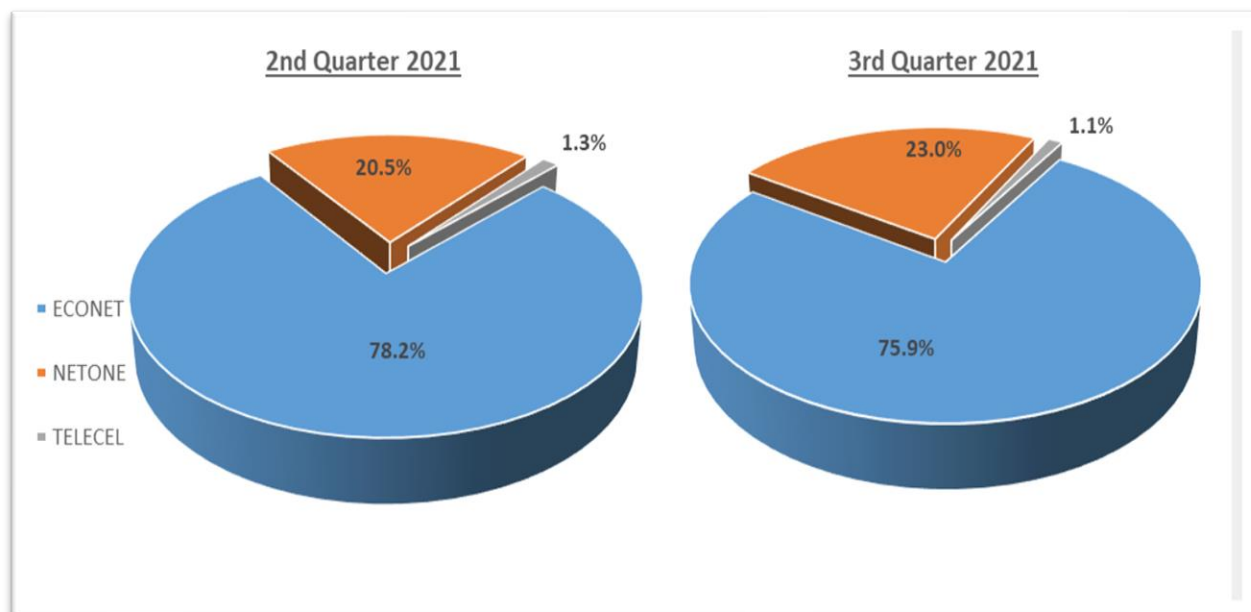
Inbound traffic from the fixed network as well as inbound traffic from Internet Access Providers were the only two categories to record a decline. Roaming traffic is expected to continue improving as cross-border travel improves. Voice traffic for 2021 has been generally higher than 2020 volumes as shown below:

Figure 3: Mobile Voice Traffic



A quarterly comparison of the voice traffic market share, based on the volumes per operator, is shown in Figure 4 below:

Figure 4: Voice Traffic Market Share

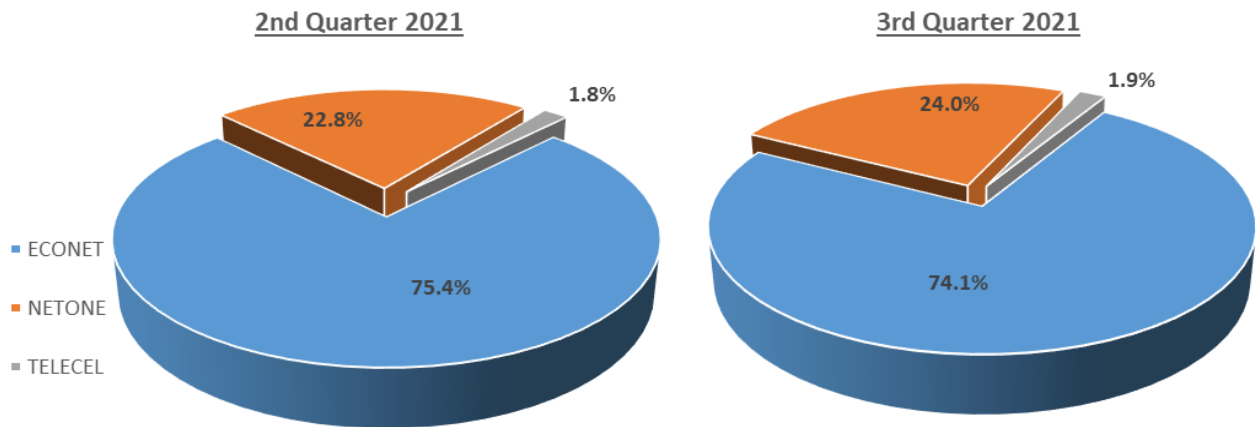


As shown above, Telecel and Econet lost voice traffic market share by 0.2% and 2.3%, respectively, in line with the decline in their subscriber market shares. On the other hand, NetOne gained market share of voice traffic by 2.5%.

1.3 MOBILE INTERNET & DATA

Mobile Internet and data traffic increased by 10.4% to record 25,902,392,908MB in the third quarter of 2021 from 23,436,332,679MB recorded in the second quarter of 2021. Out-of-bundle data constituted 5.4% of total mobile Internet and data usage, up from 2.7% recorded in the second quarter of 2021. This may be attributable to the low out-of-bundle internet and data tariffs relative to economic conditions. 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

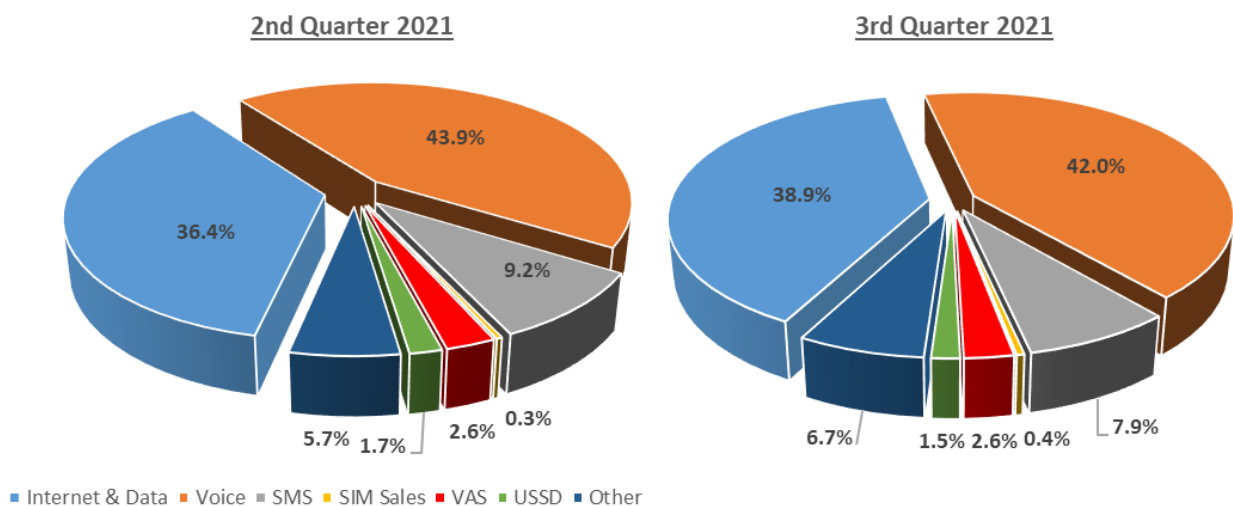


As shown above, NetOne and Telecel gained market share of data by 1.2% and 0.1% respectively, whereas Econet lost market share by 1.3%.

1.4 MOBILE REVENUES, COSTS & INVESTMENT

Mobile operator revenues grew by 15.8% to record ZWL19,537,428,107 from ZWL16,867,934,111 recorded in the second quarter of 2021. The growth in revenue is attributable to the growth in voice traffic as well as Internet and data traffic. The revenue contribution of voice service declined whereas the revenue contribution of Internet & data services increased as shown in Figure 6 below:

Figure 6: Mobile Revenue Contribution per Service



The revenue contribution of Internet & data service has been consistently increasing as demand is consistently rising. An increase in out-of-bundle mobile Internet and data traffic was recorded in the quarter under review and this had a positive impact on revenue. Operating costs grew by 40.9% to record ZWL12.5 billion in the third quarter of 2021 from ZWL8.8 billion recorded in the second quarter of 2021.

Table 4: Mobile Network Operating Costs

Operator	Operating costs (ZWL)		
	2 nd Quarter 2021	3 rd Quarter 2021	Variance
Total	8,873,333,862	12,506,516,547	40.9%

Bandwidth costs, staff costs and depreciation were the main cost drivers for Econet and NetOne in the third quarter of 2021. Overall, operating costs have been increasing in line with inflationary pressures in the economy.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

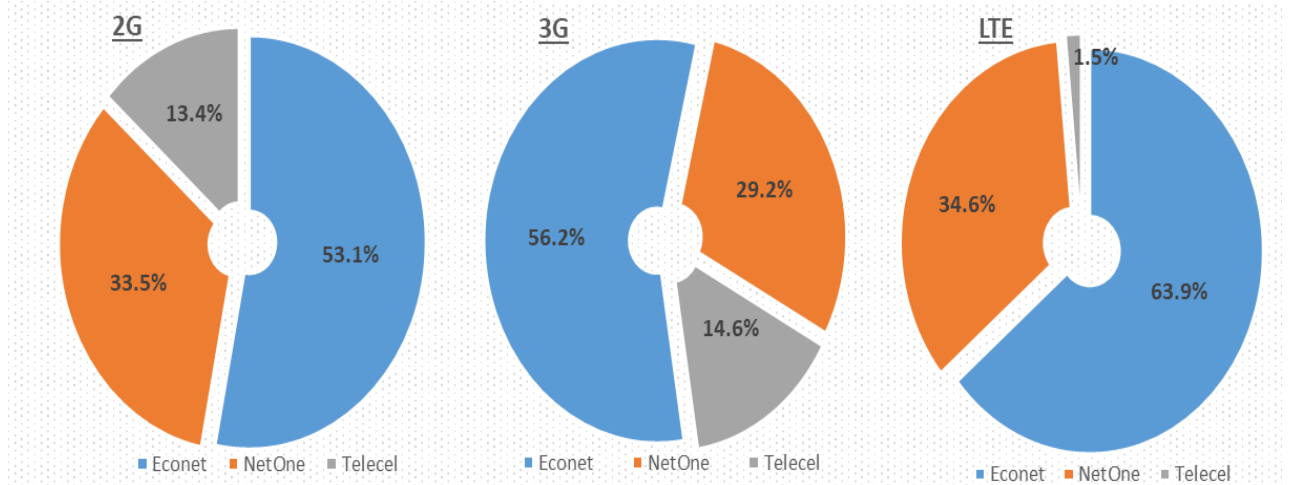
A total of 5 new 2G, 12 new 3G and 37 LTE eNode Bs were deployed in the third quarter of 2021, bringing the total number of base stations to 9,099 from 9,045 recorded in the second quarter of 2021. The growth in base stations per mobile operator is shown in Table 5 below:

Table 5: Mobile Base Stations

Operator	2G			3G			LTE		
	Q2 2021	Q3 2021	Net Addition	Q2 2021	Q3 2021	Net Addition	Q2 2021	Q3 2021	Net Addition
Econet	2,654	2,655	1	1,667	1,667	-	726	726	-
Telecel	671	671	-	434	434	-	17	17	-
NetOne	1,667	1,671	4	853	865	12	356	393	37
Total	4,992	4,997	5	2,954	2,966	12	1,099	1,136	37

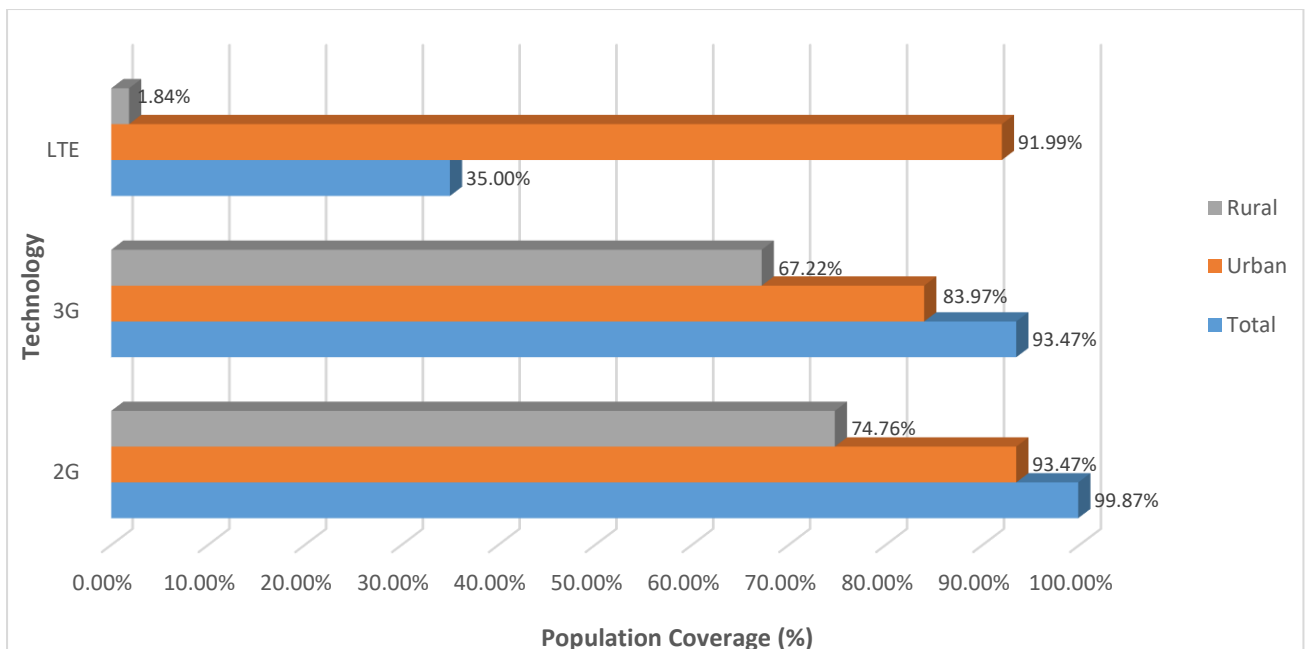
NetOne has partnered with Huawei on a broadband expansion project, hence the high number of deployment in the quarter under review. The market share of mobile base stations was as follows:

Figure 7: Market Share of Mobile Base Station Infrastructure



A quarterly comparison shows that NetOne gained market share of 2G, 3G and LTE by 0.1%, 0.4% and 2.2% respectively in line with the growth in base stations Figure 8 below shows the mobile network population coverage by location (rural/urban):

Figure 8: Mobile Network Population Coverage



As shown above, network coverage is much lower in rural areas especially for LTE (4G); more still needs to be done to provide broadband to rural and other underserved areas.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

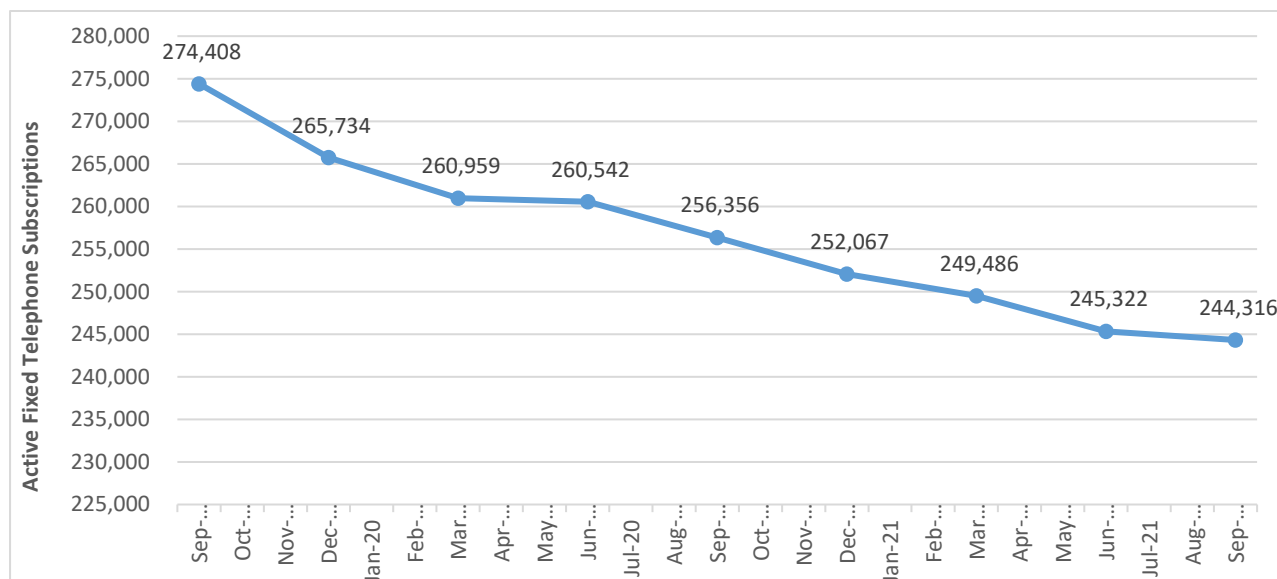
The total number of active fixed telephone lines declined by 0.4% to reach 244,316 as at 30 September 2021 from 245,322 as at 30 June 2021. The fixed tele density remained at declined by 0.1% to reach 0.6% from 1.7% recorded in the previous quarter. Corporate as well as household subscriptions declined as shown in table 6 below:

Table 6: Fixed Telephone Subscriptions

Subscriber category	2 nd Quarter 2021	3 rd Quarter 2021	% Growth
Residential	144,487	144,074	-0.3%
Corporate	100,835	100,242	-0.6%
Total Active	245,322	244,316	-0.4%

Active fixed telephone subscriptions have been consistently declining over the past two years as shown below:

Figure 9: Active Fixed Telephone Subscriptions



The fixed network continues to face competition from emerging technologies such as Voice over Internet Protocol (VoIP) and even mobile telephony, hence the decline in active subscriptions over the years.

2.2 FIXED NETWORK TRAFFIC

Fixed telephone voice traffic declined by 1.2% to record 87.1 million in the third quarter of 2021, from 88.2 million minutes recorded in the second quarter of 2021, in line with the decline in active subscriptions. The growth in fixed voice traffic per category is shown in table 7 below:

Table 7: Fixed Voice Traffic

Traffic category	2 nd Quarter 2021	3 rd Quarter 2021	Variance
Net on Net	8,584,630	8,943,980	4.2%
Outgoing to Mobile	69,642,202	68,113,011	-2.2%
Incoming from Mobile	4,273,887	4,712,315	10.3%
Incoming from IAPs	761,240	646,062	-15.1%
Outgoing to IAPs	768,589	689,234	-10.3%
Total National Voice Traffic	84,030,548	83,104,602	-1.1%
International Incoming	3,096,910	2,675,065	-13.6%
International Outgoing	1,101,327	1,349,441	22.5%
Total traffic	88,228,785	87,129,108	-1.2%

As shown above, international outgoing voice traffic recorded the biggest growth of 22.5%. On the other hand, international incoming voice traffic declined significantly by 13.6%; this implies a decline in net foreign currency earnings from international voice service.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

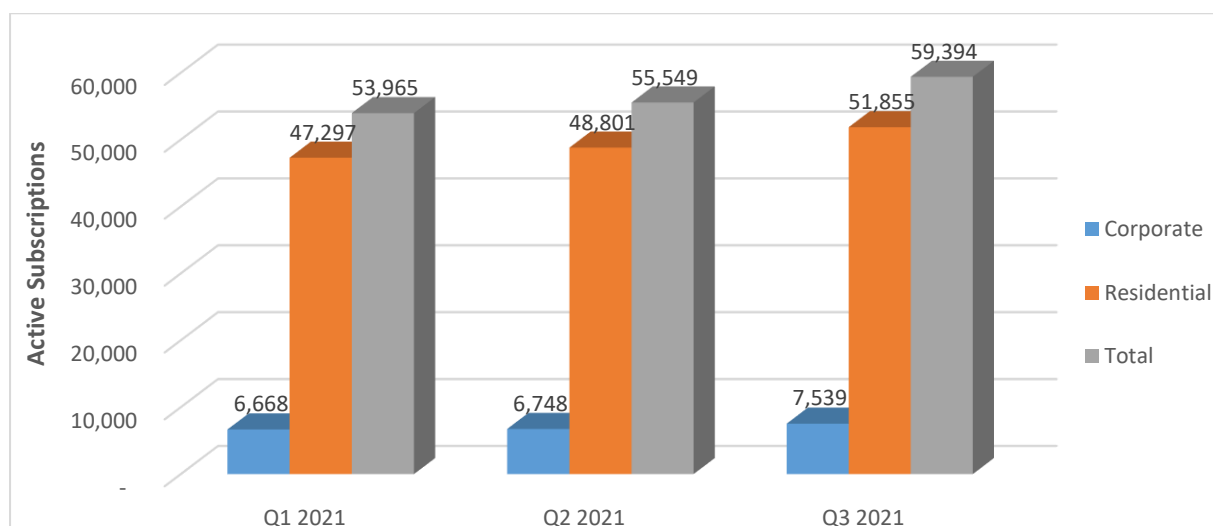
Active Internet and data subscriptions increased by 1.2% to reach 9.3 million in the third quarter of 2021 from 9.2 million recorded in the second quarter of 2021. The growth in active data and Internet subscriptions by technology is shown in table 8 below:

Table 8: Active Internet & Data Subscriptions

Technology	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
3G/HSDPA/LTE	9,020,133	9,122,462	1.1%
Leased Lines	1,194	1,296	8.5%
DSL	110,996	112,383	1.2%
WiMAX	1,552	1,636	5.4%
CDMA	12,366	11,901	-3.8%
VSAT	1,989	2,159	8.5%
Active Fibre Subscriptions	55,549	59,394	6.9%
Total	9,203,779	9,311,231	1.2%

As shown above, CDMA was the only Internet and data category to record a decline in active subscriptions. The growth in mobile and DSL Internet and data subscriptions was minimal in the quarter under review. The growth in Fibre subscriptions by type of subscription over the course of the year is shown in Figure 10 below:

Figure 10: Active Fibre Subscriptions



As shown above, both residential and corporate fibre subscriptions have been consistently increasing.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

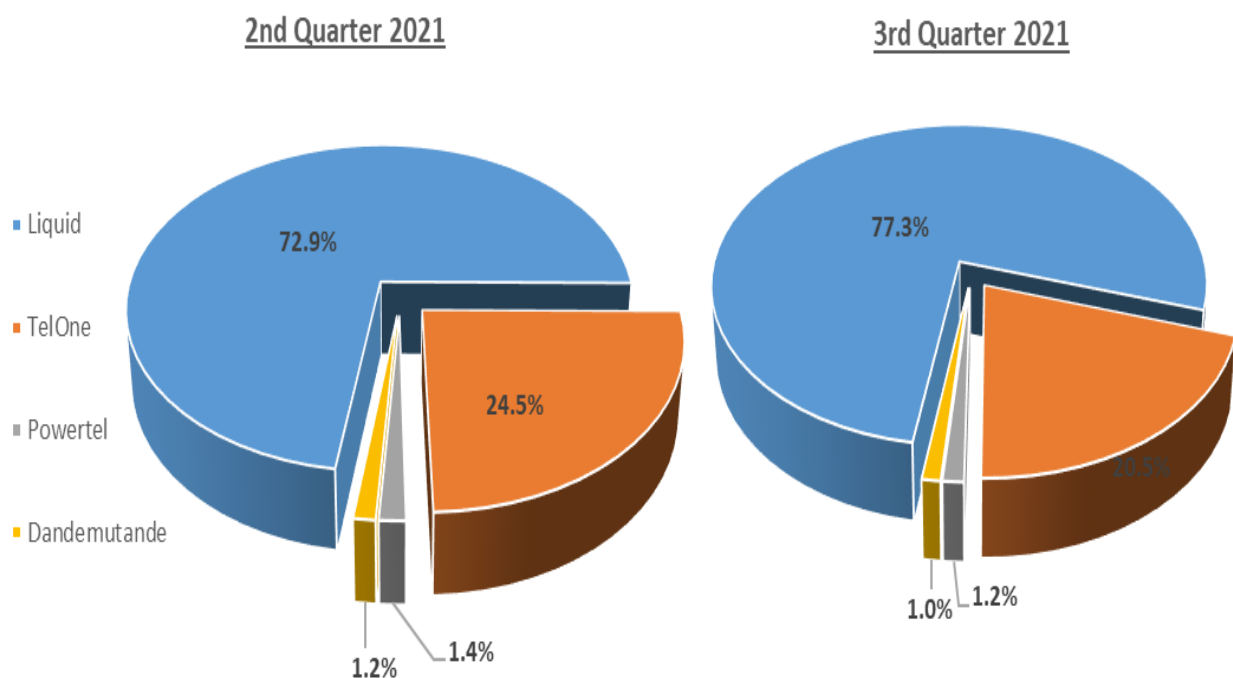
Dandemutande and Liquid expanded their equipped international internet bandwidth capacities as shown in table 9 below:

Table 9: Equipped International Internet Bandwidth Capacity (Mbps)

	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
Liquid	260,000	330,000	26.9%
TelOne	87,500	87,500	0.0%
Powertel	5,000	5,000	0.0%
Dandemutande	4,161	4,416	6.1%
Total	356,661	426,916	19.7%

The change in the market share of equipped international Internet bandwidth capacity, owing to the expansion by Dandemutande and Liquid is shown in figure 11 below:

Figure 11: Market Share of Equipped International Internet Bandwidth Capacity



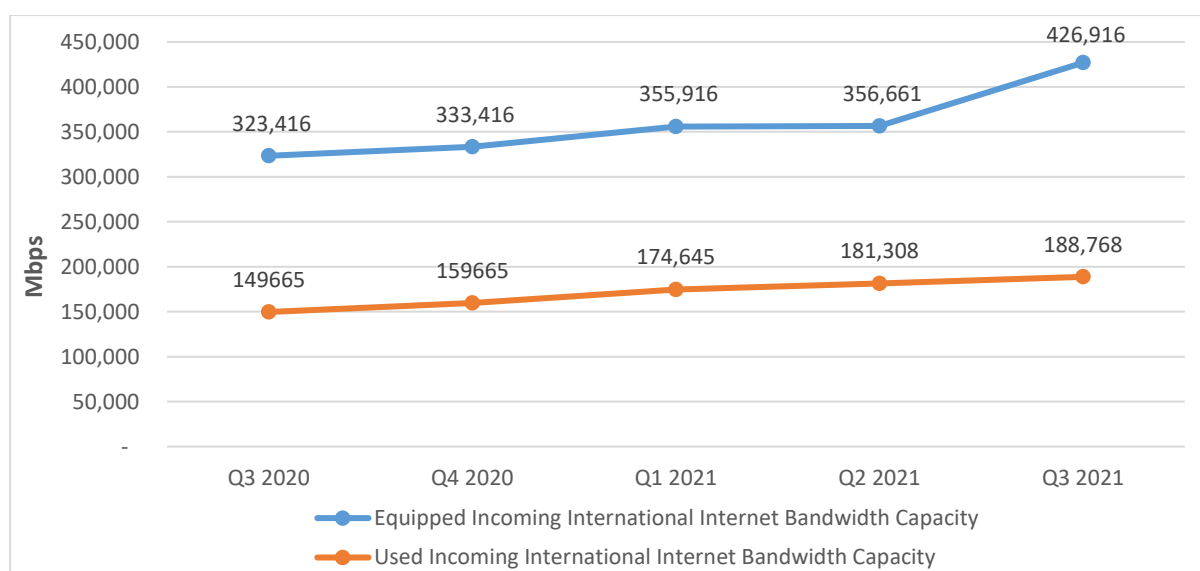
As shown above, Liquid gained market share by 0.4%, whereas all the other Internet Access Providers lost market share of equipped international internet bandwidth capacity. There was an increase in used international incoming bandwidth capacity as shown in table 10 below:

Table 10: Used International Internet Bandwidth Capacity

	2 nd Quarter 2021	3 rd Quarter 2021	Variance (%)
Incoming	181,308	188,768	4.1%
Outgoing	49,753	58,902	18.4%

Used international internet bandwidth will continue to grow as the uptake of internet and data increases. The growth in outgoing international internet bandwidth capacity implies an increase in local online content accessed outside our borders in the quarter under review. The growth in equipped and used incoming international Internet bandwidth capacity over the past year is shown in Figure 12 below:

Figure 12: International Internet Bandwidth Capacity



IAPs have been continuously increasing their capacities in anticipation of increased future demand as the uptake of Internet of Things improves.

3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT

Total revenue by Internet Access Providers recorded a 10.2% growth, operating costs grew by 4%, whilst capital expenditure also increased by 3.1% as shown in table 11 below:

Table 11: IAP Revenues, Operating Costs (ZWL)

	2nd Quarter 2021	3rd Quarter 2021	Variance (%)
Revenue	5,970,777,750	7,266,119,186	21.7%
Operating Costs	3,325,428,267	5,126,047,336	54.1%
Capital Expenditure	277,282,169	174,379,432	-37.1%

IAP revenues have been consistently growing, however, an even bigger growth in operating costs was recorded as shown above. International bandwidth costs constituted the bulk of operating costs.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

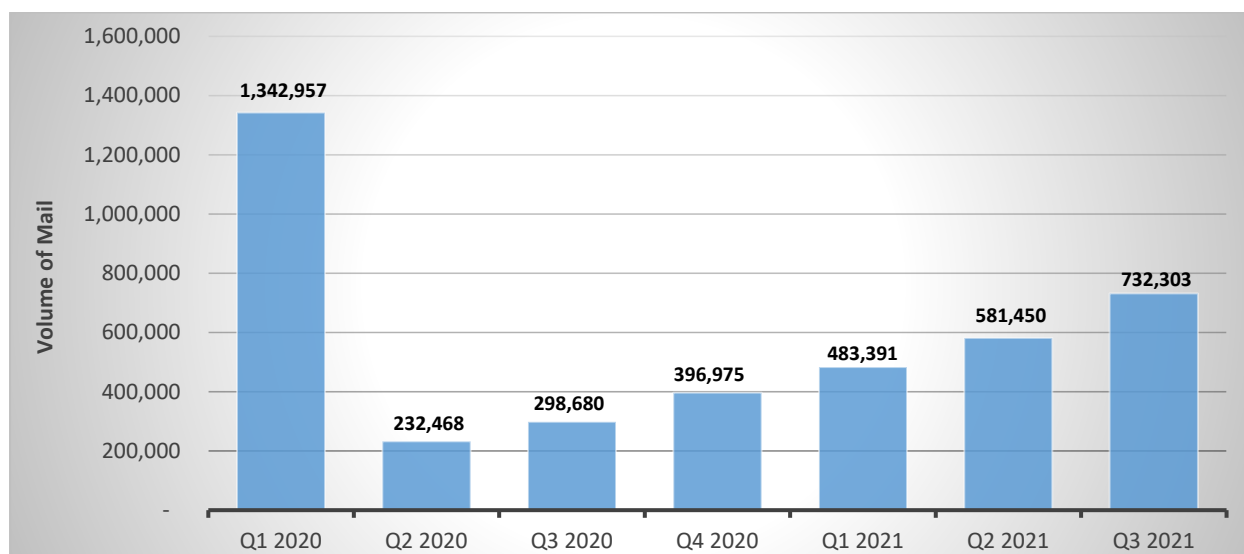
Total postal and courier volumes increased by 25.9% to record 732,303 items in the third quarter of 2021, from 581,450 items in the second quarter of 2021. The growth in total volumes emanates from a surge in international incoming courier as shown in table 12 below:

Table 12: Postal and Courier Volumes

	2nd Quarter 2021	3rd Quarter 2021	% Growth
Domestic postal letters	274,634	372,919	35.8%
Domestic courier	103,372	123,695	19.7%
International incoming courier	182,663	191,942	5.1%
International outgoing courier	20,781	38,747	86.5%
Total Postal & Courier	581,450	732,303	25.9%

After suffering setbacks from the global COVID-19 pandemic, postal and courier volumes have been steadily rising as shown in figure 13 below:

Figure 13: Postal & Courier Volumes



Despite the growth recorded in the quarter under review, postal and courier volumes are still way below the quarterly average of over 1 million prior to the COVID-19 era. Channelling of mail was affected by the application of COVID-19 restrictions globally.

4.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

Total revenue generated by the postal and courier sector increased by 31.7% to record ZWL454.1 million in the third quarter of 2021, from ZWL344.9 million in the second quarter of 2021. Operating costs also grew by 8.5% whereas capital expenditure declined by 9.3% as shown in table 13 below:

Table 13: Postal & Courier Revenues, Costs & Investment

	2nd Quarter 2021	3rd Quarter 2021	Variance (%)
REVENUES	344,856,896	454,097,831	31.7%
OPERATING COSTS	337,765,699	366,338,565	8.5%
INVESTMENT	6,914,374	6,268,461	-9.3%

The growth in revenue is attributable to the increase in postal and volumes, whereas the growth in operating costs is attributable to the inflationary economic environment. Administration costs, line haul costs and transit charges formed the bulk of postal and courier operating costs.

5. OUTLOOK

The ICT sector has transformed and evolved due to the COVID-19 pandemic; the outbreak resulted in increased demand and acquisition of ICT services by consumers. The sector is expected to continue evolving rapidly with increased innovation and enhanced connectivity in the country. Going digital is now more important than ever with the COVID-19 pandemic continuing to transform how we live, work and interact with one another. As the pandemic continues to disrupt normality, the importance of a robust and inclusive digital economy, together with reliable broadband services is imperative.

The pandemic has exposed access gaps in the country, demonstrating an urgent need to bridge the digital divide. This can be achieved through government intervention and innovative public-private partnerships aimed at improving the digital landscape by assuring access, equity and affordability of telecommunication services to all. Particular attention needs to be paid to rural areas as broadband coverage of technologies, such as LTE, is still sparse.

The postal and telecommunications sector remains intrinsic to the country's economic growth; it has also become an essential enabler for other sectors. The sector is expected to continue enabling other sectors as envisioned in Government's National Development Strategy 1 (NDS1) in particular e-commerce, which is seemingly on the rise as evidenced by improving courier volumes. There is need for concerted efforts in the consolidation of strategies that deliberately focus on ICT development, executing smart policies and effective processes that embolden investments in ICTs and digital skills, and the development of relevant and attractive applications to enhance the economy's absorptive capacity of ICTs for the attainment of a digitally enabled economy.