

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2021

Disclaimer:

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LIST OF ACRONYMS

2G	Second Generation
3G	Third Generation
4G	Fourth Generation
5G	Fifth 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 2021 compared to the fourth quarter of 2020:

- Active fixed telephone lines declined by 1% to record 249,486 from 252,067 recorded in the fourth quarter of 2020; the fixed tele-density remained 1.7%.
- Active mobile telephone subscriptions declined by 1.7% to record 13 million in the first quarter of 2021 from 13.2 million recorded in the fourth quarter of 2020; hence, the mobile penetration rate declined by 2.7% to reach 87.8% from 90.5%.
- The total number of active Internet and data subscriptions increased by 1.7% to reach 9,029,644 from 8,875,649 recorded in the fourth quarter of 2020. As a result, the Internet penetration rate increased by 0.2% to reach 61.1% from 60.9% in the previous quarter.
- Fixed telephone voice traffic declined by 13% to record 85.5 million minutes in the first quarter of 2021 from 98.2 million recorded minutes in the fourth quarter of 2020.
- Total mobile voice traffic increased by 3.5% to record 1.56 billion minutes in the first quarter of 2021 from 1.51 billion minutes in the fourth quarter of 2020.
- Mobile Internet and data traffic increased by 29.9% to record 21,865 Terabytes in the first quarter of 2021 from 16,834 Terabytes recorded in the fourth quarter of 2020.
- Used international incoming bandwidth capacity also increased by 9.3% to record 174,645Mbps from 159,665Mbps recorded in the fourth quarter of 2020.
- Total postal and courier volumes improved by 21.8% to record 483,391 items from 396,975 items recorded in the fourth quarter of 2020
- Total mobile operator revenues grew by 12.3% to record ZWL13.8 billion from ZWL12.3 billion recorded in the fourth quarter of 2020. On the other hand, operating costs grew by 32.9% to record ZWL7.6 billion from ZWL5.7 billion recorded in the fourth quarter of 2020.
- Revenue generated by the fixed telephone network grew by 11.6% to record ZWL1.57 billion from ZWL1.4 billion; On the other hand, fixed network operating costs increased by 76.1% to record ZWL1.37 billion from ZWL775.2million recorded in the fourth quarter of 2020.
- IAP revenues grew by 48.9% to record ZWL6.8 billion from ZWL4.6 billion; meanwhile, total operating costs for IAPs grew by 26.6% to record ZWL3.2 billion from ZWL2.5 billion.
- Postal and courier revenues increased by 5.1% to record ZWL158.4 million from ZWL150.7 million recorded in the previous quarter. Operating costs grew by 31.7% to record ZWL187 million from ZWL142 million recorded in fourth quarter of 2020.

1. MOBILE TELEPHONY

1.1 MOBILE SUBSCRIPTIONS

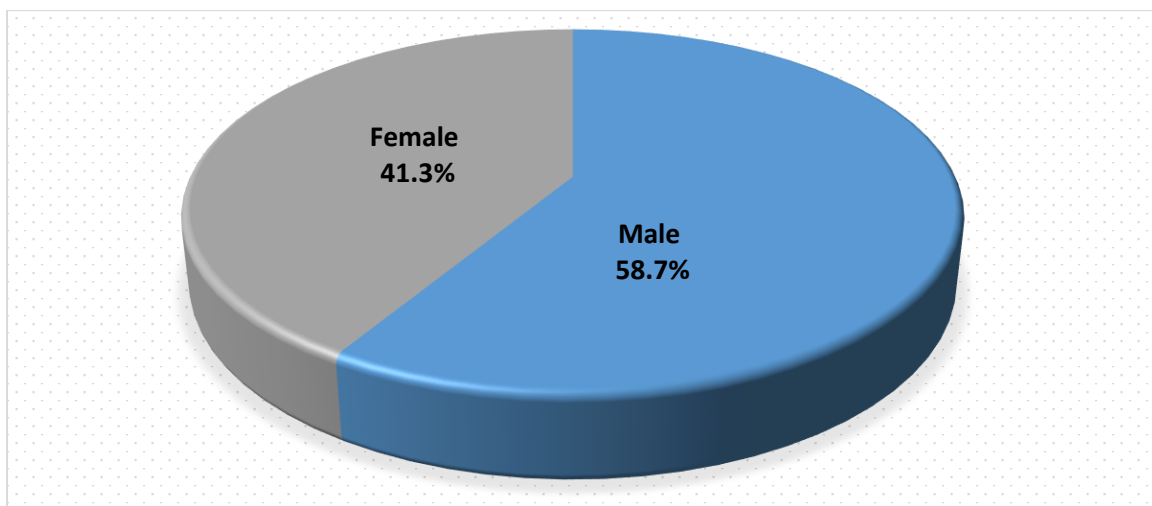
Active mobile telephone subscriptions declined by 1.7% to record 13 million in the first quarter of 2021, from 13.2 million recorded in the final quarter of 2020. All the mobile operators, with the exception of NetOne, recorded a decline in active mobile subscriptions as shown in the table below:

Table 1: Active Mobile Subscriptions

Operator	4 th Quarter 2020	1 st Quarter 2021	Variance (%)
Econet	8,773,300	8,668,095	-1.2%
NetOne	3,691,314	3,721,416	0.8%
Telecel	727,094	581,104	-20.1%
Total	13,191,708	12,970,615	-1.7%

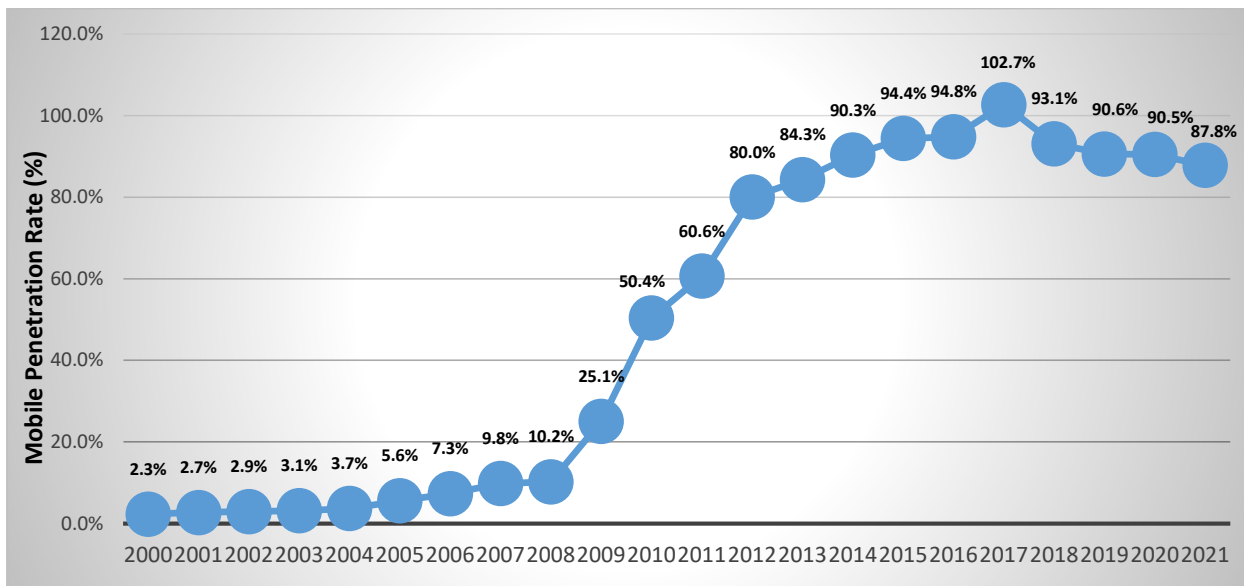
The proportion of female to male active mobile subscribers in the quarter under review as informed by SIM registration databases was as follows:

Figure 1: Active Mobile Subscriptions by Gender



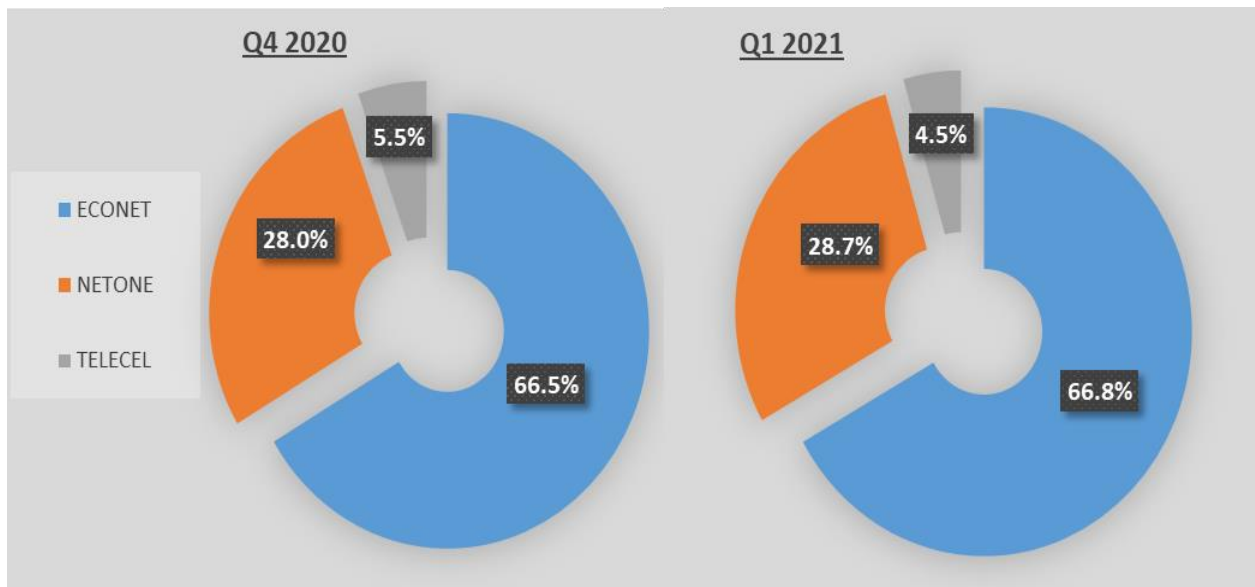
Active mobile subscriptions have been experiencing seasonal fluctuations over the past year due to the impact of Covid-19 on demand and consumer behaviour. The mobile penetration rate declined by 2.7% to reach 87.8% in the first quarter of 2021, from 90.5% recorded in the final quarter of 2020 as shown in Figure 2 below:

Figure 2: Mobile Penetration Rate



A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 3 below:

Figure 3: Market Share of Mobile Subscribers



As shown above, NetOne and Econet gained market share by 0.7% and 0.3% respectively whereas Telecel lost subscriber market share by 1% owing to the huge decline in their active subscriber base.

1.2 MOBILE VOICE TRAFFIC

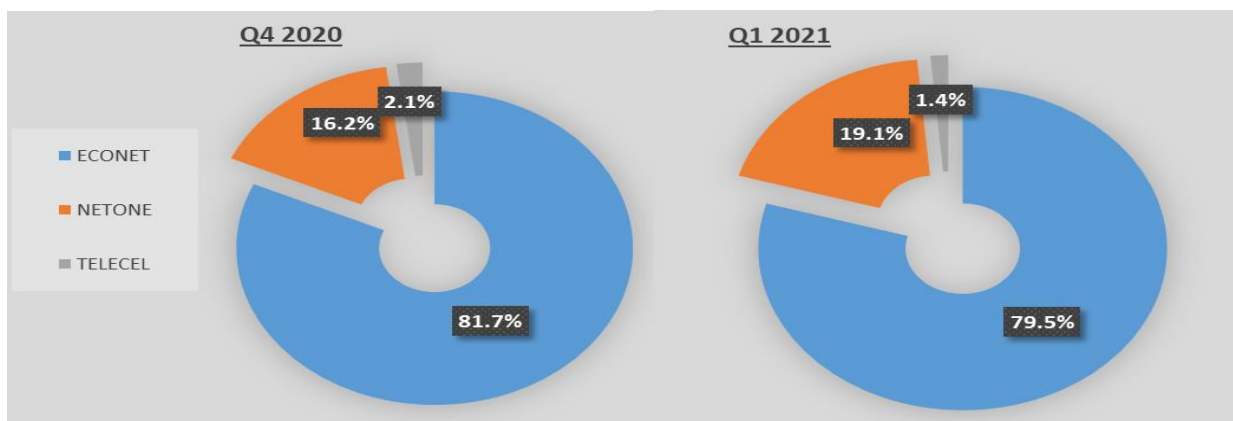
Total mobile voice traffic increased by 3.5% to record 1.56 billion minutes in the first quarter of 2021, from 1.51 billion minutes recorded in the fourth quarter of 2020. A quarterly comparison of mobile voice traffic per category is shown in Table 2 below:

Table 2: Mobile Telephone Traffic

Traffic Category	4th Quarter 2020	1 st Quarter 2021	Variance (%)
Net on Net	1,096,793,811	1,161,831,655	5.9%
Mobile to Fixed	4,290,172	3,920,851	-8.6%
Incoming from Fixed	75,126,709	65,350,528	-13.0%
Mobile to Other Mobile (by termination)	262,408,191	267,905,778	2.1%
Outgoing to IAPs	2,159,062	2,326,936	7.8%
Incoming from IAPs	31,764,197	26,578,501	-16.3%
TOTAL NATIONAL	1,472,542,142	1,527,914,249	3.8%
International Incoming	30,548,389	27,157,480	-11.1%
International Outgoing	5,188,938	5,595,350	7.8%
Inbound Roaming	649,132	525,790	-19.0%
Outbound Roaming	183,257	140,287	-23.4%
Total	1,509,111,858	1,561,333,156	3.5%

The growth in national traffic emanated from the growth in net-on-net traffic due to promotional offerings. As shown above, international incoming traffic recorded a decline of 11.1% whereas international outgoing traffic increased by 7.8%. This implies a decline in foreign currency earnings from international voice service in the quarter under review. A quarterly comparison of the voice traffic market share is shown in Figure 4 below:

Figure 4: Voice Traffic Market Share

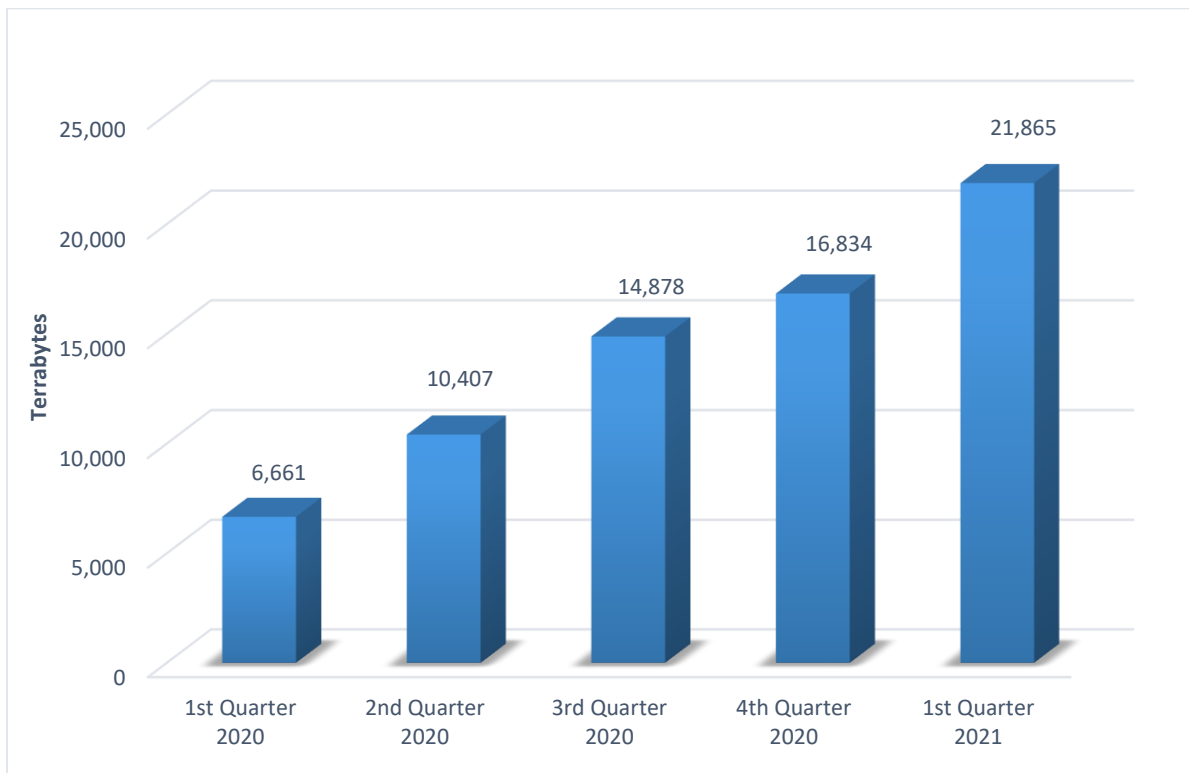


As shown above, Econet and Telecel lost voice traffic market share by 2.2% and 0.7% respectively whereas NetOne gained market share of voice traffic by 2.9% in line with the growth in their voice traffic volumes.

1.3 MOBILE INTERNET & DATA

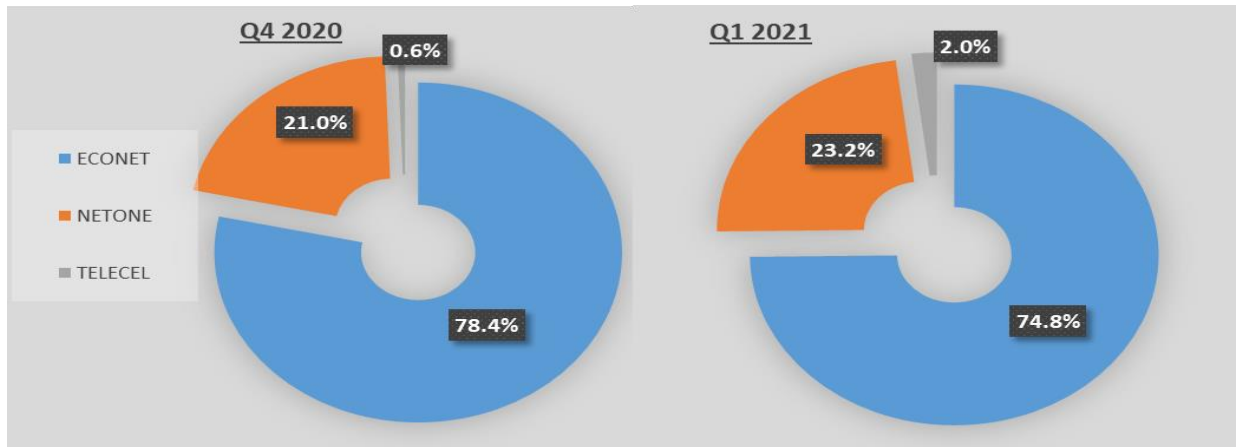
Mobile Internet and data traffic increased by 29.9% to record 21,865 Terabytes in the first quarter of 2021, from 16,834 Terabytes recorded in the fourth quarter of 2020. All the mobile operators recorded growth in mobile Internet and data usage. Mobile Internet and data usage has been consistently rising quarter on quarter as shown in Figure 5 below:

Figure 5: Mobile Data & Internet Usage



In-bundle data constituted 97.2% of total mobile Internet and data usage in the first quarter of 2021 up from 97.1% recorded in the fourth quarter of 2020. Consumers will continue to make use of cheaper promotional data bundles to maximise their utility in light of low disposable incomes. A quarterly comparison of the market share of mobile Internet and data usage is shown in Figure 6 below:

Figure 6: Market Share of Internet & Data Traffic

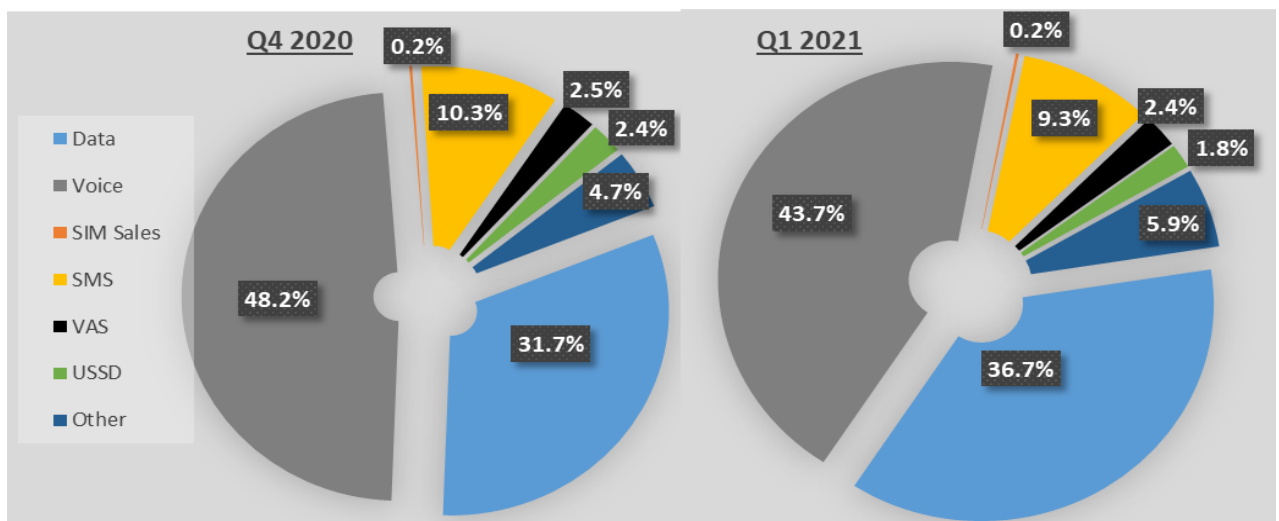


As shown above, Econet lost market share of data by 3.6% as they had the least growth rate. On the other hand NetOne and Telecel gained market share by 2.2% and 1.4% respectively.

1.4 MOBILE REVENUES, COSTS & INVESTMENT

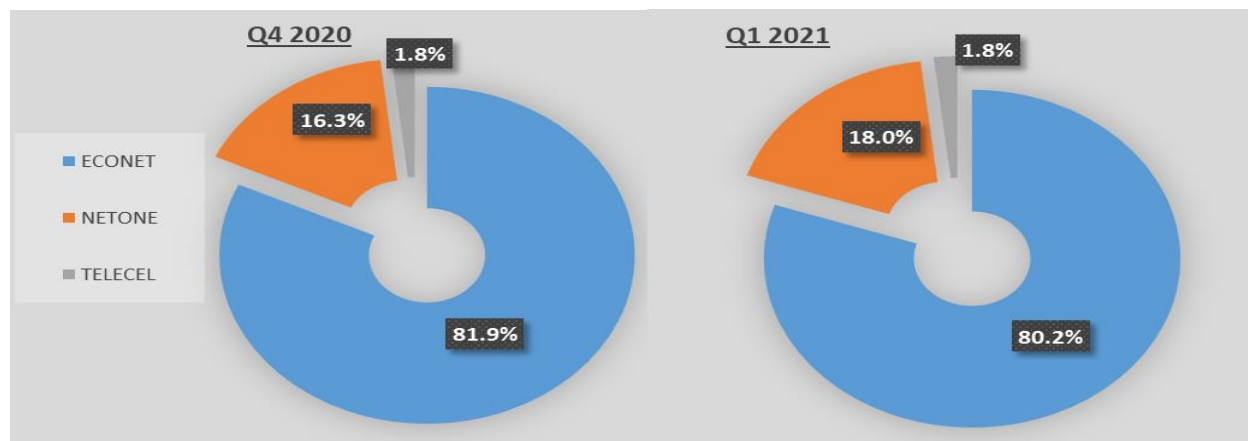
Total mobile operator revenues grew by 12.3% to record ZWL13.8 billion in the first quarter of 2021, from ZWL12.3 billion recorded in the fourth quarter of 2020. All the mobile operators recorded growth in revenues. The growth in revenue is attributable to the growth in voice as well as Internet and data traffic. A quarterly comparison of the revenue contribution per service is shown in Figure 7 below:

Figure 7: Mobile Revenue Contribution per Service



As shown above, the revenue contribution of Internet and data recorded the biggest growth of 5% in the quarter under review. This is attributable to the growth in Internet and data traffic. The contribution of voice and SMS declined by 4.5% and 1% respectively as shown above. The market share of mobile revenue was as follows:

Figure 8: Market Share of Mobile Revenue



Operating costs grew by 34.1% to record ZWL7.6 billion in the first quarter of 2021 from ZWL5.7 billion recorded in the fourth quarter of 2020. Staff costs, depreciation and bandwidth costs continued to constitute the bulk of mobile network operating costs.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

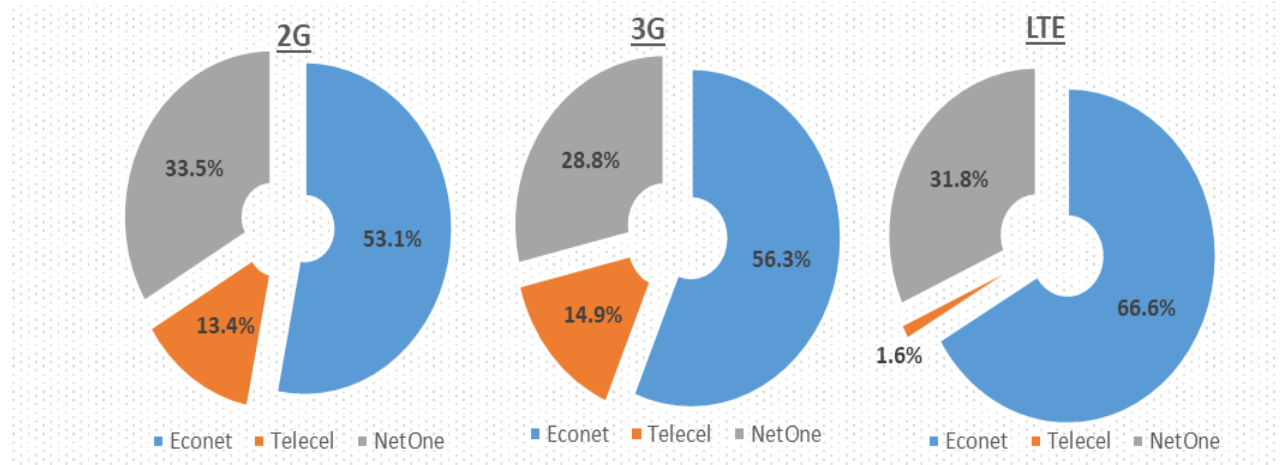
A total of 30 new base stations were deployed in the first quarter of 2021 down from 35 new deployments recorded in the final quarter of 2020. The growth in base stations per technology per operator, in the first quarter of 2021 is shown in Table 3 below:

Table 3: Mobile Base Stations

Operator	2G			3G			LTE		
	Q4 2020	Q1 2021	Net Addition	Q4 2020	Q1 2021	Net Addition	Q4 2020	Q4 2020	Net Addition
Econet	2,627	2,640	13	1,650	1,653	3	726	726	-
Telecel	664	664	-	437	437	-	17	17	-
NetOne	1,663	1,667	4	839	845	6	343	347	4
Total	4,954	4,971	17	2,926	2,935	9	1,086	1,090	4

As shown above, Econet and NetOne deployed 16 and 14 base stations respectively whereas Telecel deployed none. The market share of mobile base stations was as follows:

Figure 9: Market Share of Mobile Base Station Infrastructure



A comparison with the fourth quarter of 2020 shows that there was no significant change in the market share of mobile base stations. Econet continues to be the dominant operator in terms of 2G, 3G as well as LTE coverage. There was a slight improvement in 2G and 3G population coverage due to the new deployments as shown in Table 4 below:

Table 4: Mobile Network Population Coverage

		4 th Quarter 2020	1 st Quarter 2021	Variance
2G	Rural	74.7%	74.71%	0.01%
	Urban	99.85%	99.87%	0.02%
	Total	93.44%	93.45%	0.01%
3G	Rural	67.17%	67.19%	0.02%
	Urban	99.89%	99.90%	0.01%
	Total	83.94%	83.95%	0.01%
4G	Rural	1.83%	1.83%	-
	Urban	91.99%	91.99%	-
	Total	34.98%	34.98%	-

As shown above, the country is yet to attain 100% population coverage for all network technologies i.e. 2G, 3G as well as LTE.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

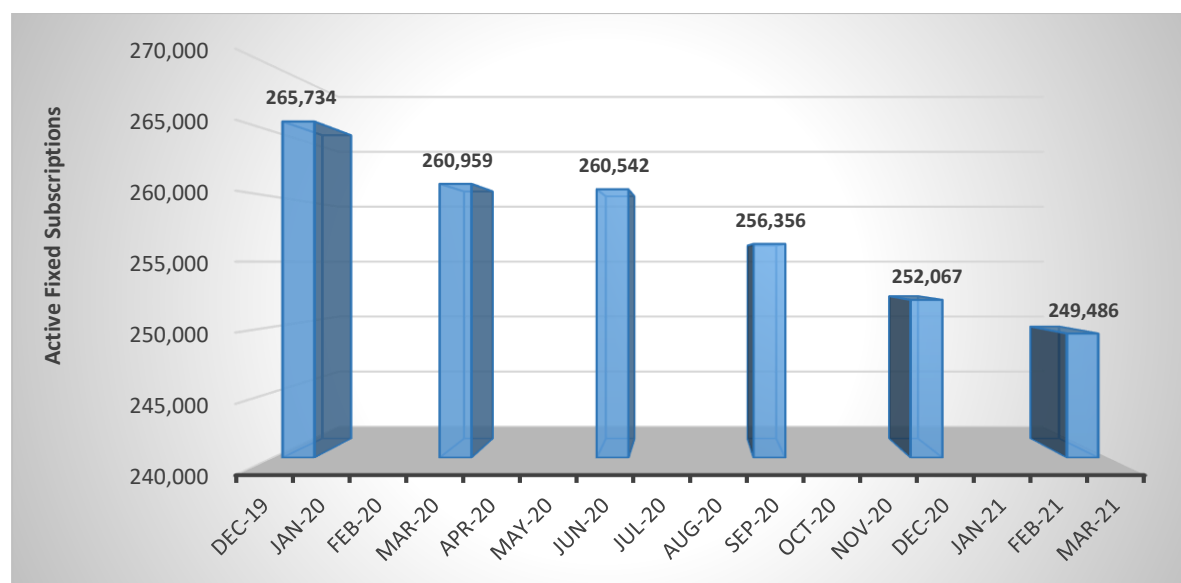
The trend of declining active fixed telephone subscriptions continued into the first quarter of 2021 as shown in Table 5 below:

Table 5: Fixed Telephone Subscriptions

Subscriber category	4 th Quarter 2020	1 st Quarter 2021	% Growth
Residential	145,502	144,110	-1.0%
Corporate	106,565	105,376	-1.1%
Total Active	252,067	249,486	-1.0%

As shown above, there was a decline in both residential and corporate subscriptions. The fixed teledensity remained 1.7%. There has been a consistent decline in total active fixed telephone subscriptions over the past year as shown in Figure 10 below:

Figure 10: Decline in Fixed Telephone Subscriptions



The trend of declining fixed telephone traffic is a common phenomenon in developing countries due to the substitution effect of mobile telephony, Voice over Internet Protocol (VoIP) and other emerging technologies.

2.2 FIXED NETWORK TRAFFIC

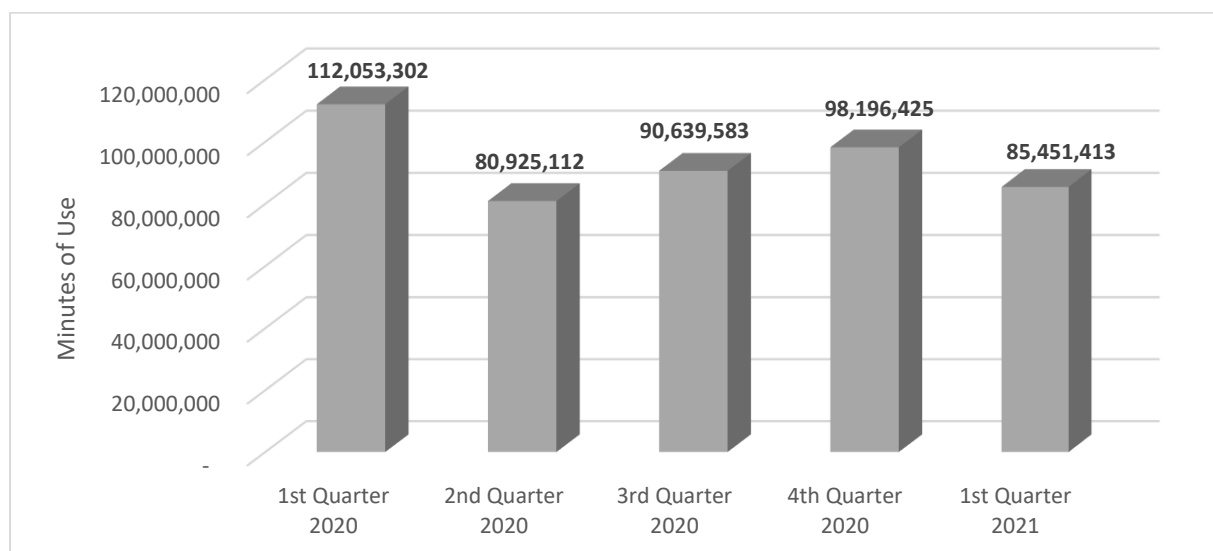
Fixed telephone voice traffic declined by 13% to record 85.5 million minutes in the first quarter of 2021, from 98.2 million recorded minutes in the fourth quarter of 2020 as shown in the following table:

Table 6: Fixed Voice Traffic

Traffic category	4th Quarter 2020	1 st Quarter 2021	Variance
Net on Net	11,627,323	10,553,116	-9.2%
Outgoing to Mobile	75,126,709	65,363,017	-13.0%
Incoming from Mobile	4,290,172	3,973,603	-7.4%
Incoming from IAPs	889,809	615,697	-30.8%
Outgoing to IAPs	825,608	644,214	-22.0%
Total National Voice Traffic	92,759,621	81,149,647	-12.5%
International Incoming	3,763,853	3,068,483	-18.5%
International Outgoing	1,672,951	1,233,283	-26.3%
Total traffic	98,196,425	85,451,413	-13.0%

Traffic volumes declined across all categories as shown above. The slump comes after 2 consecutive quarters of fixed voice traffic growth as shown in Figure 11 below:

Figure 11: Fixed Network Traffic



2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

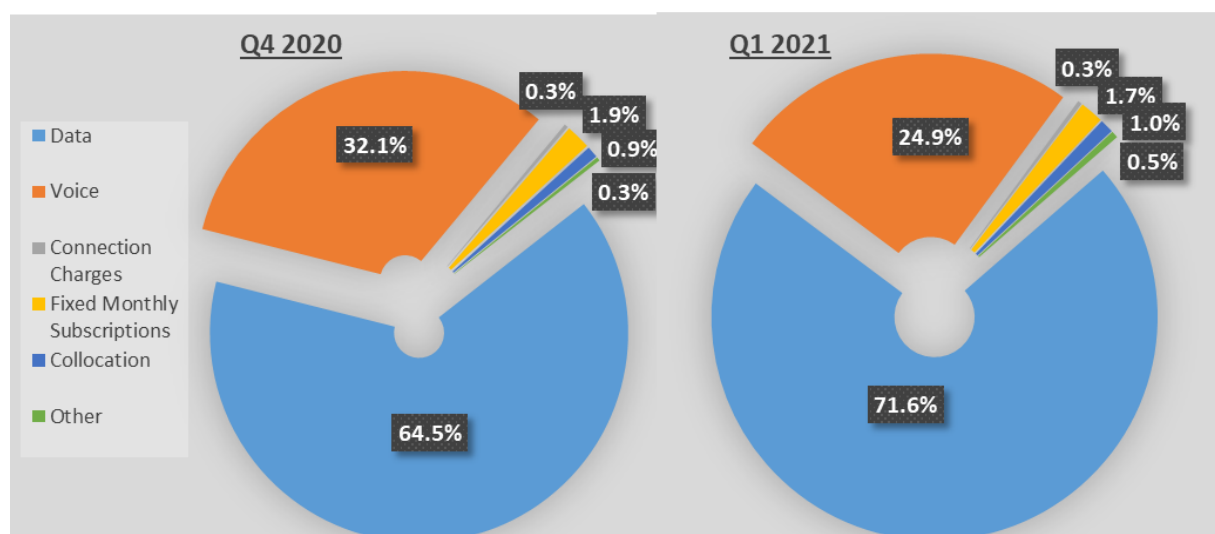
Fixed network revenue, operating costs and capital expenditure for the quarter under review is shown in the table below:

Table 7: Fixed Voice Revenue, Investment & Costs

	4th Quarter 2020; (ZWL)	1st Quarter 2021 (ZWL)	Variance (%)
Revenue	1,402,958,029	1,565,430,696	11.6%
ARPU per month	1,844	2,085	13.1%
Operating Costs	1,365,226,317	1,651,557,614	21.0%
ACPU per month	1,796	2,199	22.4%
Investment	206,950,739	99,759,985	-51.8%

As shown above, operating costs grew by a higher margin than the growth in revenues. The growth in operating costs and revenue is attributable to the inflationary operating environment. The contribution of Internet and data to total fixed telephone revenue increased, whereas the contribution of voice service declined as shown below:

Figure 12: Contribution to Revenue by Service



The decline in the contribution of voice is attributable to the decline in fixed voice traffic. Data has become the main revenue contributor for the fixed network as demand for Internet and data continues to be on an upward trajectory.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

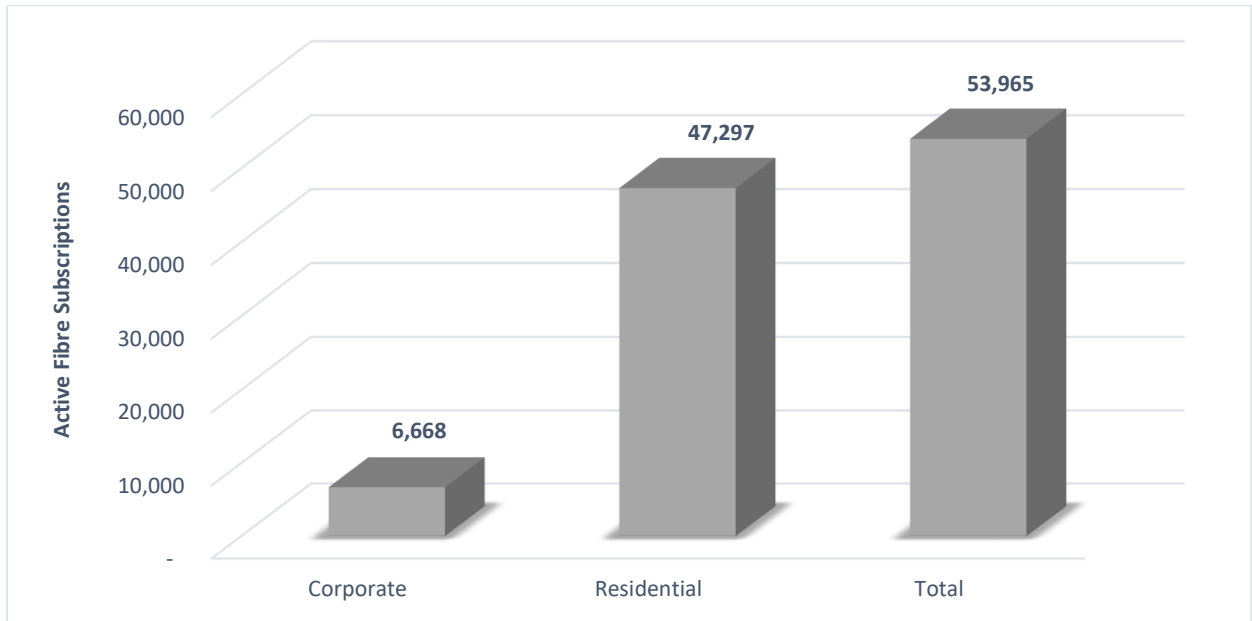
The total number of active Internet and data subscriptions increased by 1.7% to reach 9,029,644 from 8,875,649 recorded in the fourth quarter of 2020. The growth in active data and Internet subscriptions by technology is shown in table 8 below:

Table 8: Active Internet Subscriptions

Technology	4 th Quarter 2020	1 st Quarter 2021	Variance (%)
3G/HSDPA/LTE	8,695,188	8,847,103	1.7%
Leased Lines	1,486	1,135	-23.6%
DSL	112,133	111,057	-1.0%
WiMAX	1,661	1,547	-6.9%
CDMA	14,065	12,824	-8.8%
VSAT	2,427	2,013	-17.1%
Active Fibre Subscriptions	48,689	53,965	10.8%
Total	8,875,649	9,029,644	1.7%

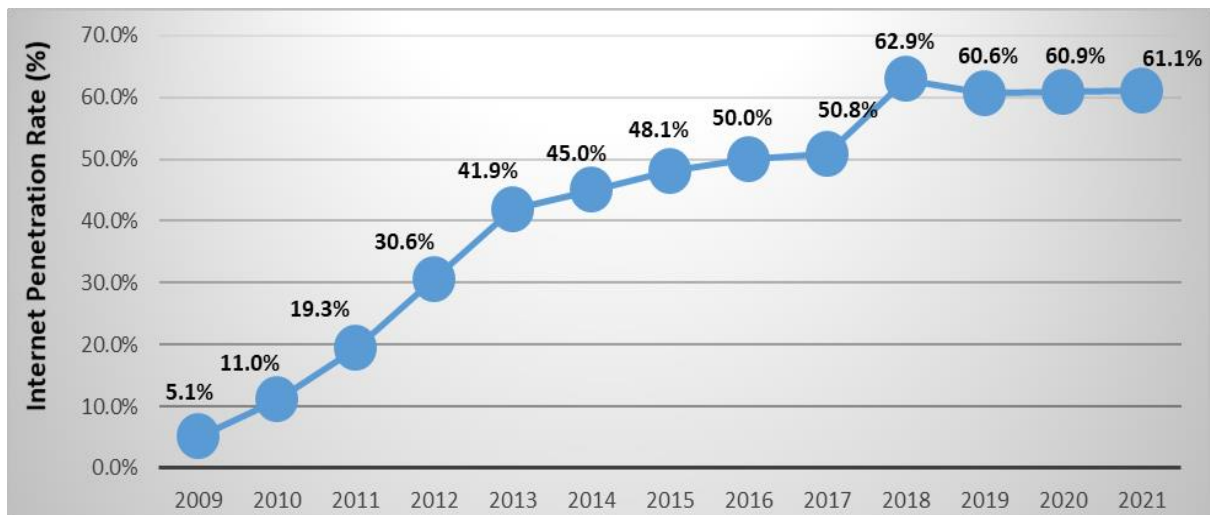
As shown above, fibre and mobile Internet were the only two categories to record growth in active subscriptions. The number of subscribers who used LTE increased by 2.9% to reach 966,320 in the quarter under review from 939,284 recorded in the fourth quarter of 2020. Residential fibre subscriptions constituted 87.6% of total active fibre subscriptions. The breakdown of active fibre subscriptions is shown in Figure 13 below:

Figure 13: Internet Penetration Rate



The Internet penetration rate grew by 0.2% to reach 61.1% from 60.9% recorded in the final quarter of 2020. The growth in the Internet penetration rate over the past years is shown in Figure 14 below:

Figure 14: Internet Penetration Rate



3.2 INTERNATIONAL INTERNET CONNECTIVITY

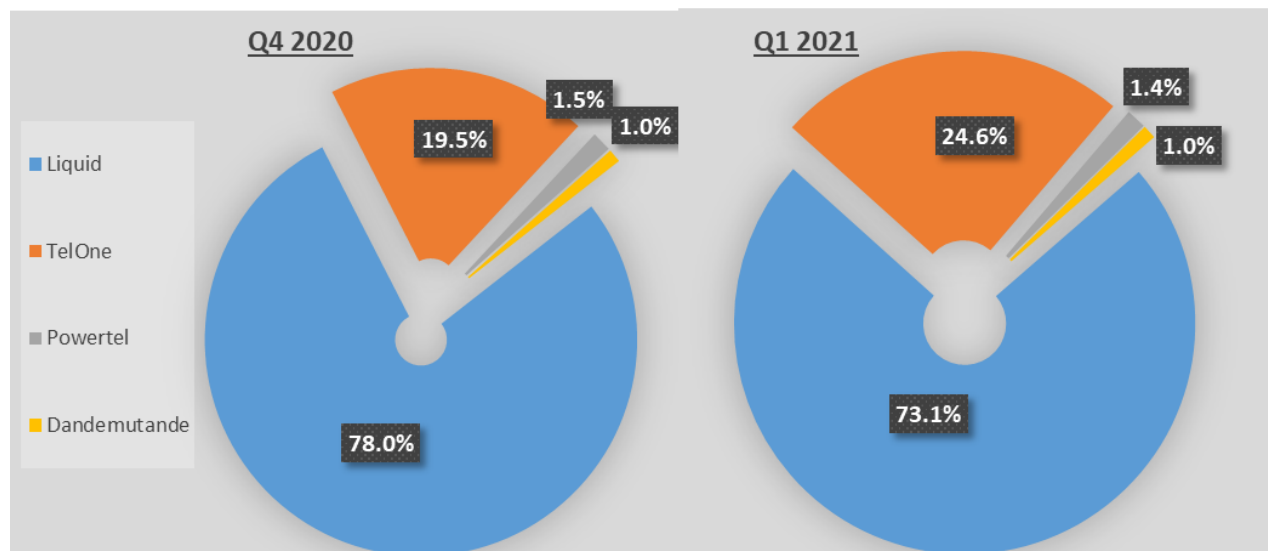
Equipped incoming international Internet capacity increased by 6.7% to reach 335,916Mbps in the first quarter of 2021, from 333,416Mbps recorded in the fourth quarter of 2020 as shown in Table 9 below:

Table 9: Equipped International Internet Bandwidth Capacity (Mbps)

	4 th Quarter 2020	1 st Quarter 2021	Variance (%)
Liquid	260,000	260,000	0.0%
TelOne	65,000	87,500	34.6%
Powertel	5,000	5,000	0.0%
Dandemutande	3,416	3,416	0.0%
Total	333,416	355,916	6.7%

TelOne was the only Internet Access Provider (IAP) to expand their capacity. TelOne gained market share relative to the other Internet Access Providers in line with the expansion in their equipped international Internet bandwidth capacity as shown in Figure 15 below:

Figure 15: Market Share of Equipped International Internet Bandwidth Capacity



Used international incoming bandwidth capacity also increased by 9.3% to record 174,645Mbps from 159,665Mbps recorded in the fourth quarter of 2020. On the other hand, Used international outgoing bandwidth capacity declined by 8.4% to record 46,787Mbps from 51,075Mbps recorded in the fourth quarter of 2020. This implies a decline in local

online content accessed outside our borders in the quarter under review. There is need to grow online local content.

3.3 IAP REVENUES & OPERATING COSTS

Internet Access Providers recorded a 48.9% growth in revenues vis-à-vis a 26.6% growth in operating costs. Capital expenditure declined considerably in the quarter under review as shown in Table 10 below:

Table 10: IAP Revenues & Operating Costs (ZWL)

	4 th Quarter 2020	1 st Quarter 2021	Variance (%)
Revenue	4,553,042,985	6,780,189,789	48.9%
Operating Costs	2,525,290,742	3,198,113,147	26.6%
Capital Expenditure	291,280,715	45,271,387	-84.5%

IAP revenues rose on the back of increased demand for Internet and data.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

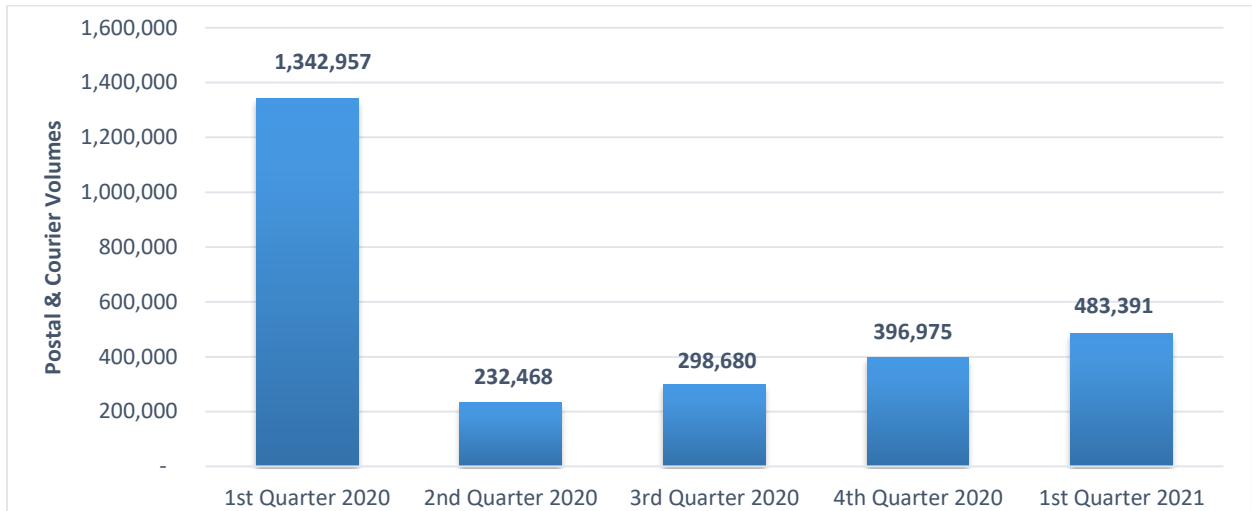
Total postal and courier volumes improved by 21.8% to record 483,391 items in the first quarter of 2021, from 396,975 items recorded in the fourth quarter of 2020. There was a significant improvement in volumes across all categories as shown in Table 11 below:

Table 11: Postal and Courier Volumes

Postal and Courier Service	4 th Quarter 2020	1 st Quarter 2021	% Growth
Domestic postal letters	185,702	238,038	28.2%
Domestic courier	91,028	123,791	36.0%
International incoming courier	92,754	96,671	4.2%
International outgoing courier	19,491	24,891	27.7%
Total Postal & Courier	396,975	483,391	21.8%

Domestic courier volumes recorded the biggest growth. There has been a gradual improvement in mail volumes from the third quarter of 2020 as shown in Figure 16 below:

Figure 16: Postal & Courier Volumes



Postal and courier volumes are expected to pick up as the ease of channelling courier items to and from several destinations improves post-lockdown. The application of COVID-19 restrictions affected the channelling of mail and caused a huge dip in mail volumes globally. 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.

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 12: Postal & Courier Revenues, Costs & Investment

	4 th Quarter 2020	1 st Quarter 2021	Variance
REVENUES	150,671,821	158,417,487	5.1%
OPERATING COSTS	142,006,785	187,008,605	31.7%
INVESTMENT	4,972,160	5,640,142	13.4%

Although postal and courier revenues increased in the quarter under review, the growth in operating costs far exceeded revenue growth. As with other subsectors, the postal and courier operators have not been spared by inflationary pressures characterised by rising operating costs. Administration costs, line haul costs, transit charges formed the bulk of postal, and courier operating costs.

5. OUTLOOK

The COVID-19 pandemic has brought to the fore the importance of ICTs in all aspects of life as they have kept societies and economies functional and to some extent sustainable. This has, however, resulted in an unparalleled surge in the use of the Internet in providing e-services, among which e-learning, e-shopping, e-worshiping and e-health would quickly come to mind. Indeed, the pandemic has shone a light on the urgent need for accelerating digital transformation. The necessity for greater investment in digital technologies, skills, resilience and innovation can never be overemphasised. Never before in our lifetime have circumstances changed so fast, and has there been a greater need to adapt. This calls 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 embracing emerging technologies that are crucial to the digital economy.

The shift to the auction based foreign currency market system seemingly eased inflationary pressures, but did not eliminate them completely as prices for goods and services, including fuel and energy, continued to be adjusted in line with the dynamics of the new exchange rate regime. Notwithstanding the above, foreign currency shortages continued to bedevil the economy at large, with implications on network expansion, upgrade and maintenance, taking a toll on quality of service as demand for data surged for operators. Foreign currency constraints also affected universal service projects targeted for rural and underserved areas.

The COVID-19 will not go away so soon but its spread will decrease owing to ongoing vaccinations across the globe and at national level. The anticipated increase in economic activity, will bring about a further surge in demand for communication services, in particular data and courier volumes as consumers adapt to the new normal. Hence, the need to scale up digitalisation.