

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2023

Disclaimer:

This report has been prepared based on data provided by service providers. The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers. Whilst the Authority has taken effort to ensure accuracy of the data contained in this report, it is not liable for the inaccuracy of any information.

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LIST OF ACRONYMS

2G	Second Generation
3G	Third Generation
ACPU	Average Cost per User
AMPU	Average Margin per User
ARPU	Average Revenue per User
ADSL	Asymmetric Digital Subscriber Line
GB	Gigabyte
LTE	Long Term Evolution
MB	Megabyte
TB	Terabyte
Mbps	Megabits per second
VoIP	Voice Over Internet Protocol

MAJOR HIGHLIGHTS

The following are the main sector trends for the first quarter of 2023, compared to the fourth quarter of 2022:

- Total active fixed telephone lines increased by 0.3% to reach 292,253 in the first quarter of 2023, from 291,324 recorded in the fourth quarter of 2022; As a result, the fixed teledensity increased by 0.01% to record 1.93%, from 1.92% recorded in the previous quarter.
- The total number of active mobile subscriptions declined by 1.7%, to reach 14,051,251, from 14,300,790 recorded in the fourth quarter of 2022. Hence, the mobile penetration rate declined by 1.6%, to reach 92.6%, from 94.2% recorded in the previous quarter.
- The total number of active Internet and data subscriptions increased by 0.1% to reach 9,920,847, from 9,914,950 recorded in the fourth quarter of 2022. The Internet penetration rate increased by 0.1% to reach 65.4%, from 65.3% recorded in the previous quarter.
- PSTN fixed voice traffic declined by 5% to record 77.4 million minutes in the first quarter of 2023, from 81.5 million minutes recorded in the fourth quarter of 2022.
- Mobile voice traffic declined by 16% to record 2.5 billion minutes in the first quarter of 2023, from 3 billion minutes recorded in the fourth quarter of 2022.
- Mobile Internet and data traffic increased by 12.3% to record 37,690.4 Terabytes in the first quarter of 2023, from 33,576.4 Terabytes recorded in the fourth quarter of 2022.
- Used Incoming International Internet Bandwidth Capacity increased by 8% to record 294,201Mbps, from 272,430Mbps recorded in the fourth quarter of 2022.
- Total postal and courier volumes increased by 0.9% to record 526,305 items in the first quarter of 2023, from 521,764 items in the fourth quarter of 2022.
- Total mobile operator revenues grew by 34.8% to record ZWL161.1 billion, from ZWL119.5 billion recorded in the previous quarter. On the other hand, operating costs grew by 25.7% to record ZWL102.8 billion, from ZWL81.7 billion recorded in the fourth quarter of 2022.
- IAP revenues grew by 46.8% to record ZWL80.7 billion, from ZWL55 billion recorded in the fourth quarter of 2022; meanwhile, operating costs for IAPs grew by 54.4% to record ZWL42.4 billion, from ZWL27.4 billion recorded in the previous quarter.
- Total revenue generated by the postal and courier sector increased by 23.4% to record ZWL5.74, from ZWL4.66 billion recorded in the fourth quarter of 2022; operating costs increased by 28% to record ZWL5.45 billion, from ZWL4.26 billion recorded in the fourth quarter of 2022.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

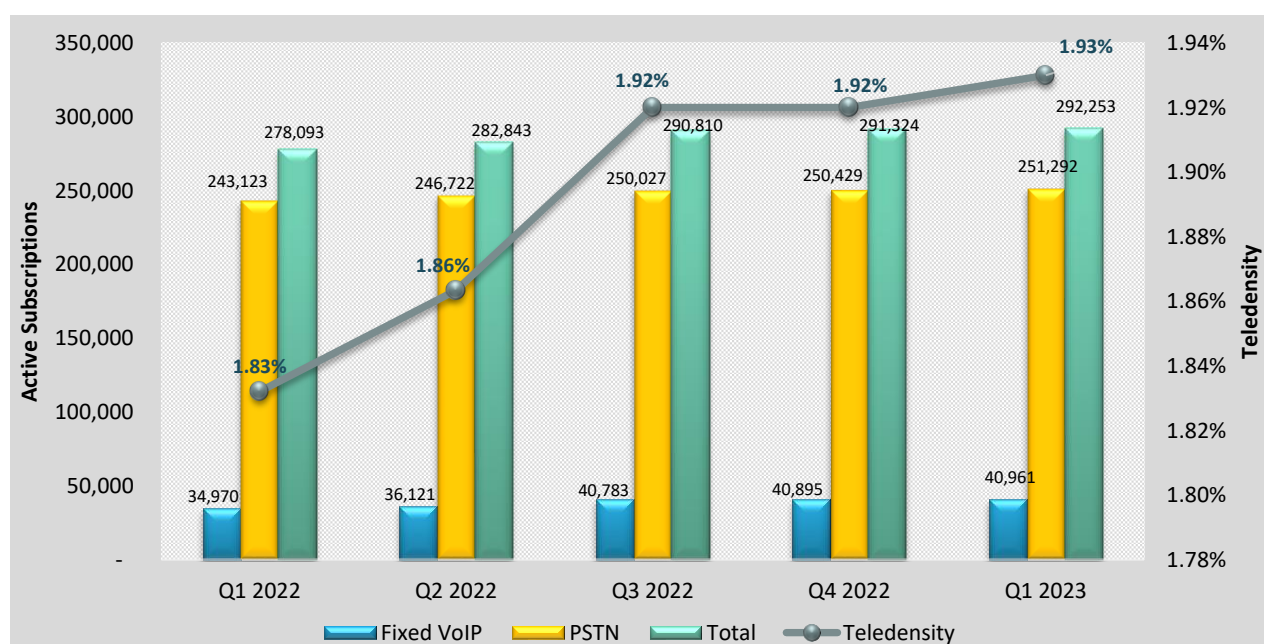
The total number of active fixed telephone subscriptions increased by 0.3% to reach 292,253 as of 31 March 2023, from 291,324 as of 31 December 2022. Hence, the fixed teledensity increased by 0.1% to record 1.93% as of 31 March 2023, from 1.92% recorded as of 31 December 2022. The growth in the traditional PSTN lines and fixed VoIP lines is shown in Table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber Category	Q4 2022	Q1 2023	% Growth
PSTN Lines	250,429	251,292	0.3%
Fixed VoIP	40,895	40,961	0.2%
Total	291,324	292,253	0.3%

As shown above, VoIP and PSTN active subscriptions recorded growth in the quarter under review. Active Fixed Telephone Subscriptions, and subsequently the fixed teledensity, have been gradually increasing, however, in small magnitudes as shown in Figure 1 below:

Figure 1: Active Fixed Telephone Subscriptions

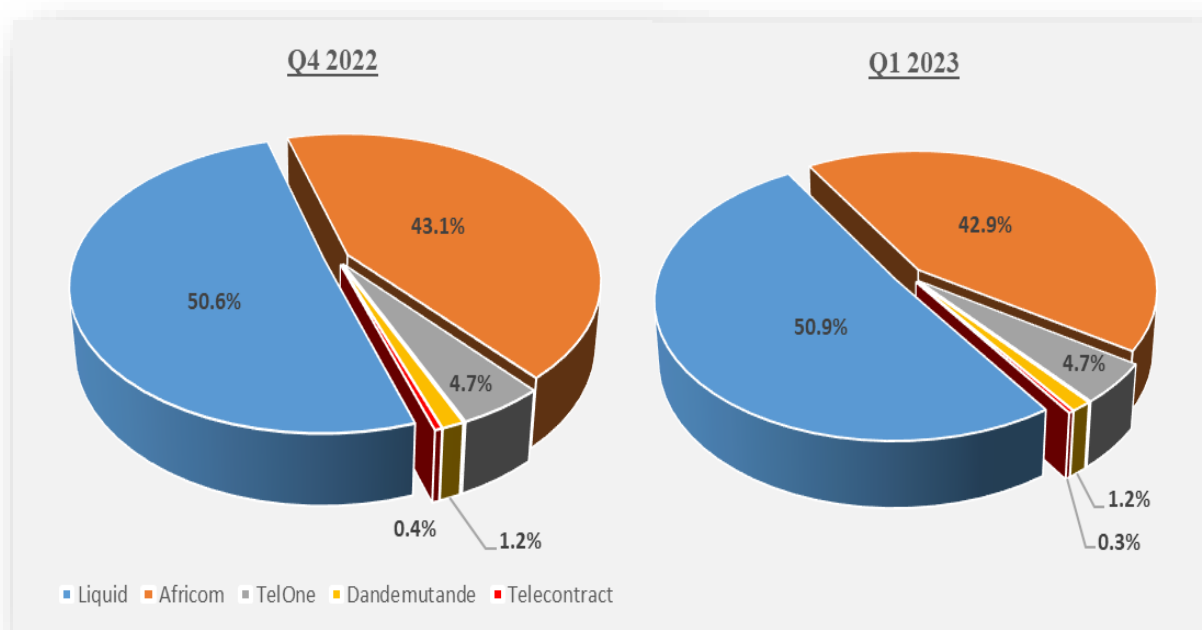


Fixed VoIP uptake, particularly by corporates, is expected to continue growing as it is a low-cost alternative to the traditional telephone system.

1.1.1 FIXED VoIP MARKET SHARE

The market share of fixed VoIP subscriptions in the first quarter of 2023 is shown in Figure 2 below:

Figure 2: Market Share of Fixed VoIP Subscriptions



As shown above, Africom and Telecontract lost market share by 0.2% and 0.1% respectively. On the other hand, Liquid's market share increased by 0.3%. TelOne and Dandemutande's market share remained unchanged.

1.2 FIXED VOICE TRAFFIC

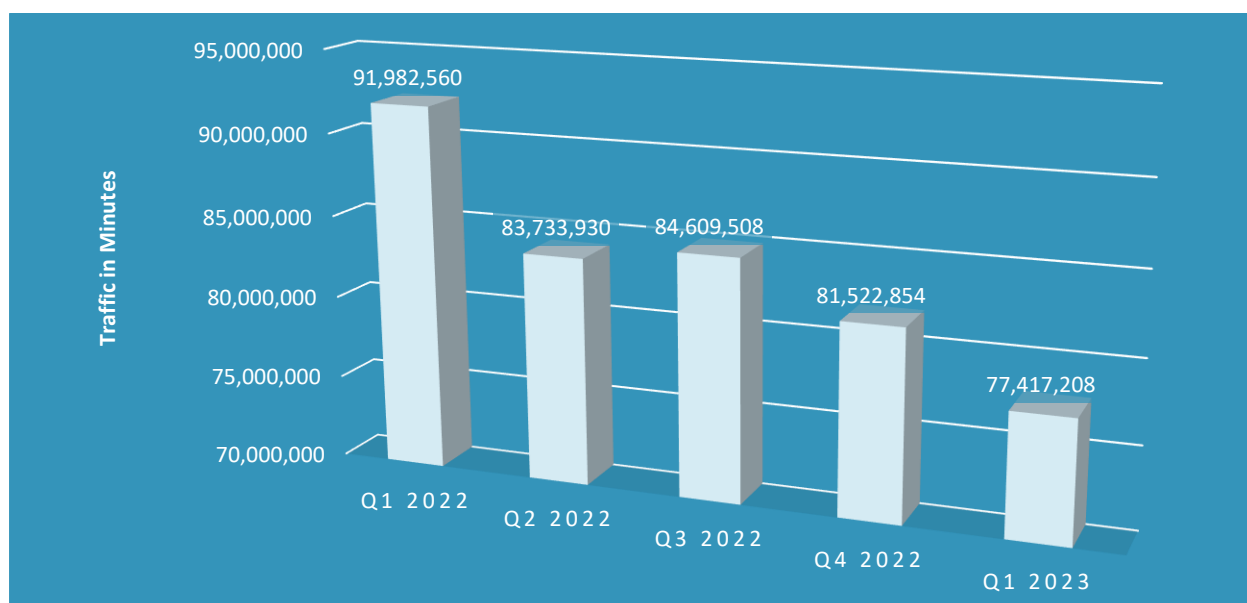
1.2.1 PSTN VOICE TRAFFIC

Total voice traffic by the Public Switched Telephone Network Operator declined by 5% to record 77.4 million minutes in the first quarter of 2023, from 81.5 million minutes recorded in the fourth quarter of 2022. The quarterly variation in fixed voice traffic per category is shown in table 2 below:

Table 2: Fixed Voice Traffic (Minutes of Use)

Traffic category	Q4 2022	Q1 2023	Variance (%)
Net on Net	7,657,199	7,730,660	1.0%
Outgoing to Mobile	64,481,720	62,189,262	-3.6%
Incoming from Mobile	5,748,441	4,754,132	-17.3%
Incoming from IAPs	614,728	657,029	6.9%
Outgoing to IAPs	688,900	698,363	1.4%
Total National Voice Traffic	79,190,988	76,029,446	-4.0%
International Incoming	1,088,332	744,184	-31.6%
International Outgoing	1,243,534	643,578	-48.2%
Total traffic	81,522,854	77,417,208	-5.0%

International voice traffic recorded significant decline in the quarter under review, with international outgoing and international incoming traffic recording a decline of 48.2% and 31.6% respectively. National fixed voice traffic also recorded a significant decline of 4%, emanating from the 3.6% decline in fixed to mobile traffic. The decline in fixed voice traffic is a recurring phenomenon as shown in Figure 3 below:

Figure 3: PSTN Voice Traffic

The decline in fixed voice traffic in the quarter under review may be attributable to the 50% increase in tariffs in February 2023. Substitution of traditional voice with Over-the-Top VoIP also plays a significant factor. The continuous decline can be attributed to deteriorating quality of service that has seen some places going for days without network.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

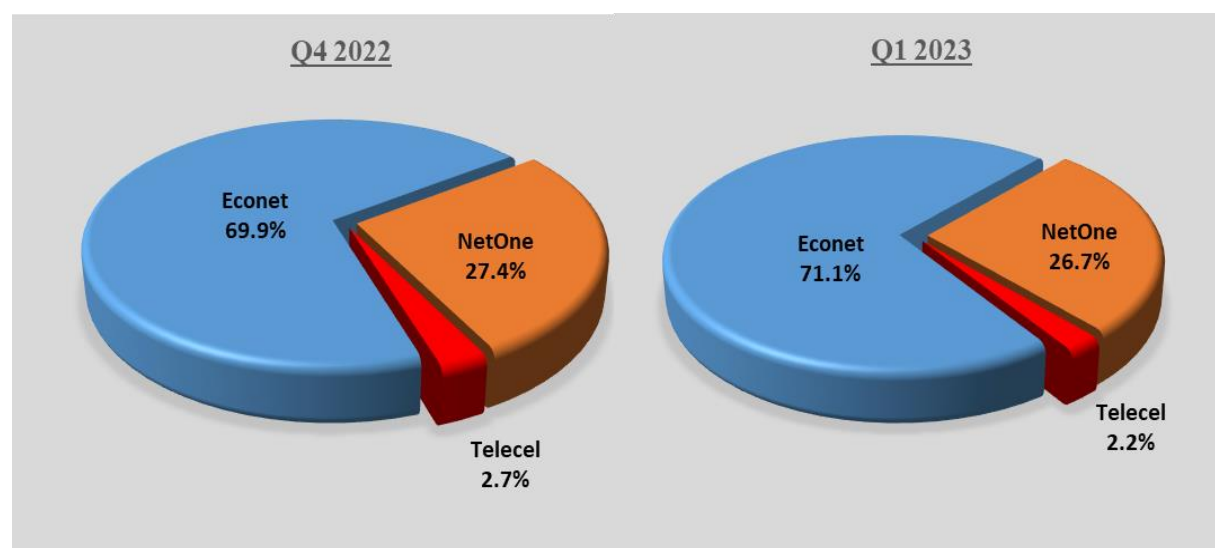
The total number of active mobile telephone subscriptions declined 1.7% to reach 14,051,251 as of 31 March 2023, from 14,300,790, recorded as of 31 December 2022. As a result, the mobile penetration rate declined by 1.6% to reach 92.6% as of 31 March 2023, from 94.2% recorded as of 31 December 2022. The quarterly variation in mobile subscriptions per operator is shown in the table below:

Table 3: Active Mobile Subscriptions

Traffic category	Q4 2022	Q1 2023	Variance (%)
Econet	9,988,105	9,996,255	0.1%
NetOne	3,922,734	3,747,201	-4.5%
Telecel	389,951	307,795	-21.1%
Total	14,300,790	14,051,251	-1.7%

Econet was the only mobile operator to register growth in active subscriptions, however, the growth was a marginal 0.1%. Concerningly, Telecel and NetOne's active subscriptions have been consistently declining over the past five consecutive quarters. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 4 below:

Figure 4: Market Share of Mobile Subscribers



NetOne and Telecel lost subscriber market share by 0.7% and 0.5% respectively, in line with the decline in their active subscriptions. Conversely, Econet gained subscriber market share by 1.2% in the first quarter of 2023.

2.2 MOBILE VOICE TRAFFIC

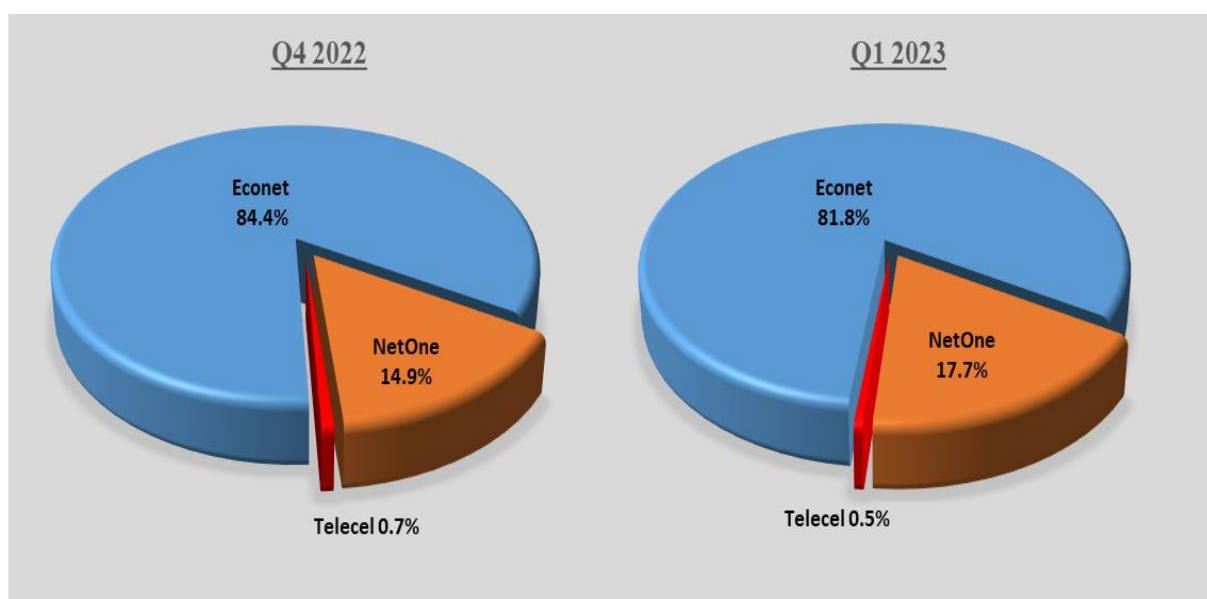
Mobile voice traffic declined by 16% to record 2.5 billion minutes in the first quarter of 2023, from 3 billion minutes recorded in the fourth quarter of 2022. The disaggregation of mobile telephony traffic for the quarter under review is shown in the table below:

Table 4: Mobile Telephone Traffic

Traffic category	Q4 2022 (In Minutes)	Q1 2023 (In Minutes)	Variance (%)
Net on Net	2,303,931,488	1,870,405,840	-18.8%
Mobile to Fixed	4,653,686	4,871,750	4.7%
Incoming from Fixed	64,495,891	62,211,015	-3.5%
Mobile to Other Mobile	570,845,417	525,686,123	-7.9%
Outgoing to IAPs	2,127,552	2,086,177	-1.9%
Incoming from IAPs	25,843,235	27,582,513	6.7%
TOTAL NATIONAL	2,971,897,269	2,492,843,418	-16.1%
International Incoming	24,126,708	21,603,398	-10.5%
International Outgoing	5,948,314	6,179,649	3.9%
Inbound Roaming	813,786	507,056	-37.7%
Outbound Roaming	152,220	140,552	-7.7%
Total	3,002,938,296	2,521,274,073	-16.0%

Net-on-Net traffic has been consistently declining and the trend continued into the first quarter of 2023. As with fixed voice traffic, the decline in mobile voice traffic may be attributable to the 50% increase in tariffs in February 2023. Substitution of traditional voice with Over-the-Top VoIP also plays a significant factor. The continuous decline may also be attributable to the deteriorating quality of service due to the loadshedding resulting in lower call-success ratios. The quarterly variation in the market share of mobile voice traffic is shown below:

Figure 5: Mobile Voice Traffic Market Share



As shown above, Econet and Telecel lost voice market share by 2.6% and 0.2% respectively. On the other hand, NetOne gained voice traffic market share by 2.8%.

2.3 MOBILE INTERNET & DATA

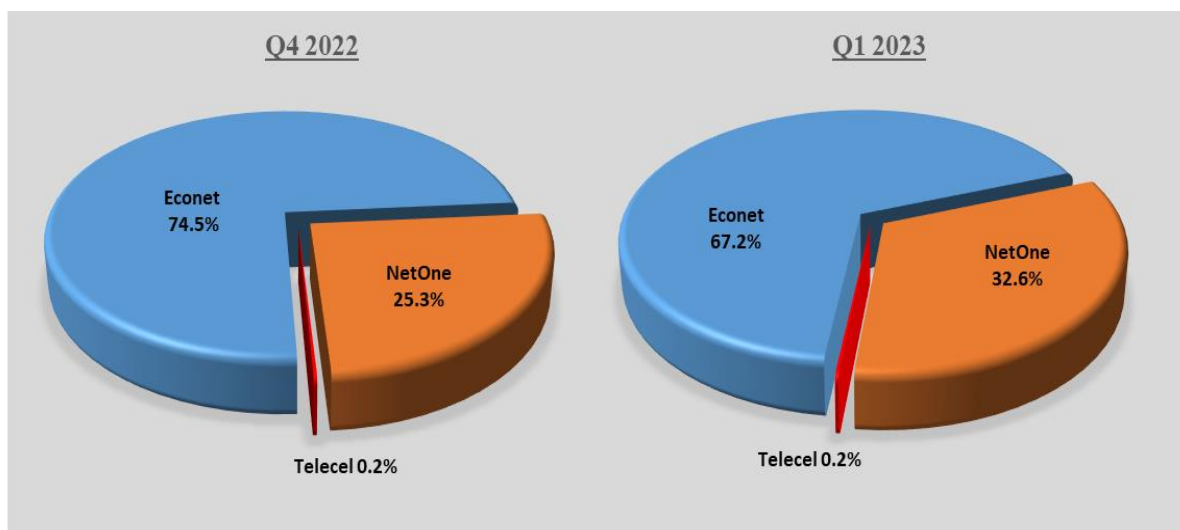
Mobile Internet and data traffic increased by 12.3% to record 37,690.4 Terabytes in the first quarter of 2023, from 33,576.4 Terabytes recorded in the fourth quarter of 2022. A quarterly comparison of mobile Internet and data traffic is shown in Table 5 below:

Table 5: Mobile Internet & Data

	Q4 2022 (MB)	Q1 2023 (MB)	Variance (%)
Total	33,576,444,585	37,690,377,935	12.3%

A quarterly comparison of the mobile Internet and data traffic market share is shown in Figure 6 below.

Figure 6: Market Share of Internet & Data Traffic



Econet`s market share of Internet and data declined by 7.2%, which was gained by NetOne. Telecel`s market share remained unchanged.

2.4 MOBILE REVENUES, COSTS & INVESTMENT

The growth in mobile revenues, operating costs and capital expenditure in the first quarter of 2022 is shown in Table 6 below:

Table 6: Mobile Operator Revenues, Costs and Investments

	Q4 2022 (ZWL)	Q1 2023 (ZWL)	Variance (%)
Revenue	119,488,976,228	161,071,914,936	34.8%
Operating Costs	81,732,749,336	102,768,465,340	25.7%
Capital Expenditure	12,765,070,695	14,219,224,107	11.4%

As shown in the tabular exposition above, aggregate operating costs continued to grow by a margin that surpasses growth in aggregate revenue. This indicates that mobile operator operating costs are fast closing in on revenue, which indicates diminishing operator profits. National switching continued to influence capital expenditure as evidenced by 11.4% growth across mobile operators in the first quarter of 2023.

2.5 MOBILE TELEPHONY INFRASTRUCTURE

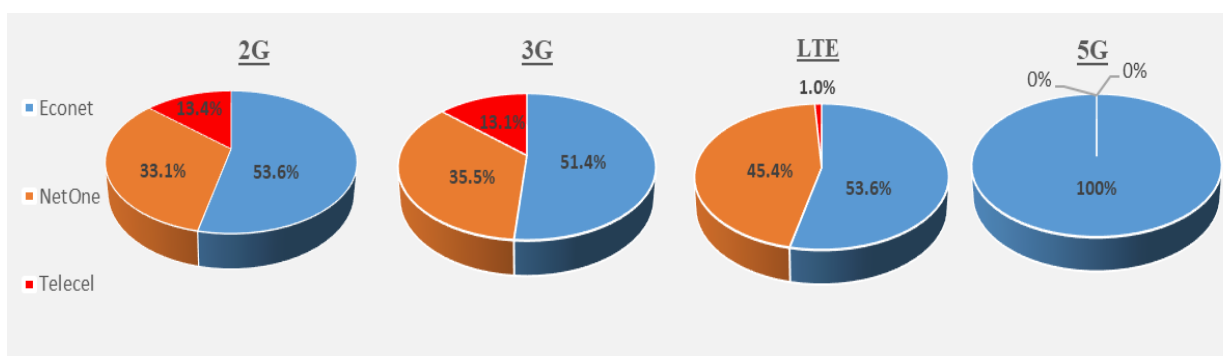
A total of 86 new base stations were deployed in the first quarter of 2023, as compared to 175 base stations deployed in the fourth quarter of 2022. The deployments are disaggregated by technology as shown in Table 7 below:

Table 7: Mobile Base Stations

	2G			3G			LTE			5G		
	Q4	Q1	Net	Q4	Q1	Net	Q4	Q1	Net	Q4	Q1	Net
	2022	2023	Addition	2022	2023	Addition	2022	2023	Addition	2022	2023	Addition
Total	5,019	5,021	2	3,271	3,309	38	1,673	1,719	46	22	22	-

LTE has the highest number of deployments, followed by 3G. This shows that the investment thrust of mobile network operators is in broadband networks. The market shares of mobile base stations across all technologies for the fourth quarter are shown in Figure 7 below:

Figure 7: Market Share of Mobile Base Station Infrastructure



Currently, Econet is the only mobile network operator with 5G infrastructure, hence the 100% market share. Telecel is lagging in the deployment of Next Generation Networks, with only 1% market share of LTE deployments.

3. DATA & INTERNET SERVICES

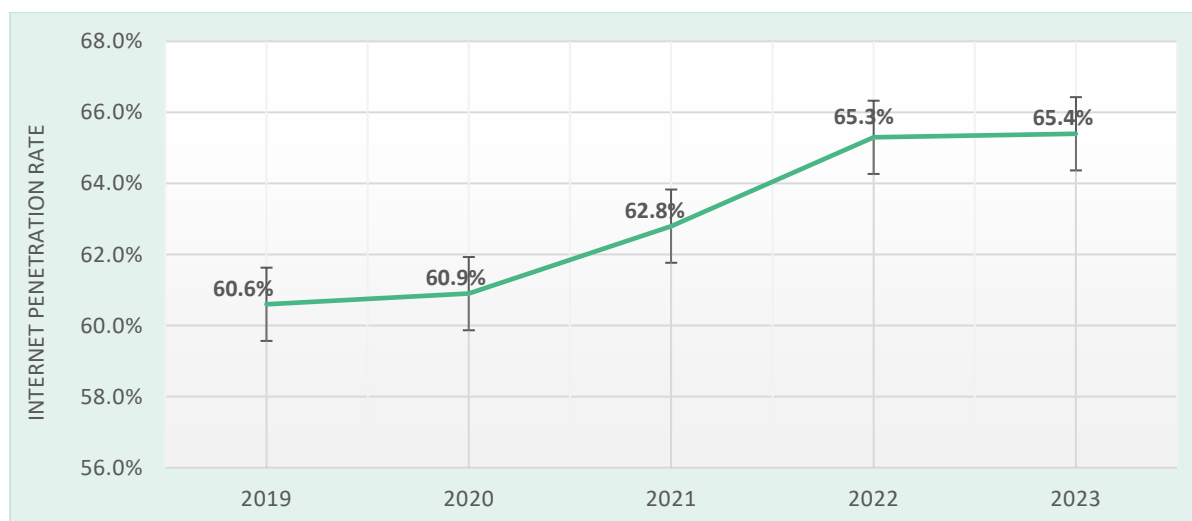
3.1 SUBSCRIPTIONS

The total number of active Internet subscriptions increased by 0.1% to reach 9,920,847 as of 31 March 2023, from 9,914,950 recorded as of 31 December 2022. The growth in active data and Internet subscriptions by technology is shown in Table 8 below:

Table 8: Active Internet & Data Subscriptions

Technology	Q4 2022	Q1 2023	Variance (%)
3G/HSDPA/LTE	9,720,328	9,726,839	0.1%
Leased Lines	2,667	2,702	1.3%
DSL	104,888	104,982	0.1%
WiMAX	7,821	7,796	-0.3%
CDMA	5767	4,727	-18.0%
VSAT	5,518	6,064	9.9%
Active Fibre Subscriptions	67,961	67,737	-0.3%
Total	9,914,950	9,920,847	0.1%

As shown above, the overall growth in total active Internet and data subscriptions was marginal, as compared to previous quarters. VSAT continued to record the biggest growth in subscriptions. This may be attributable to new deployments under the Community Networks Project funded by the Universal Services Fund. The 0.1% growth in active Internet subscriptions resulted in the Internet penetration rate increasing by 0.1%, to reach 65.4% as of 31 March 2023, from 65.3% as of 31 December 2022 as shown below:

Figure 8: Internet Penetration Rate

The Internet penetration is expected to continue increasing, however at lower margins than experienced in earlier years when deployment and adoption of Internet and data was still nascent.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

3.2.1 EQUIPPED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

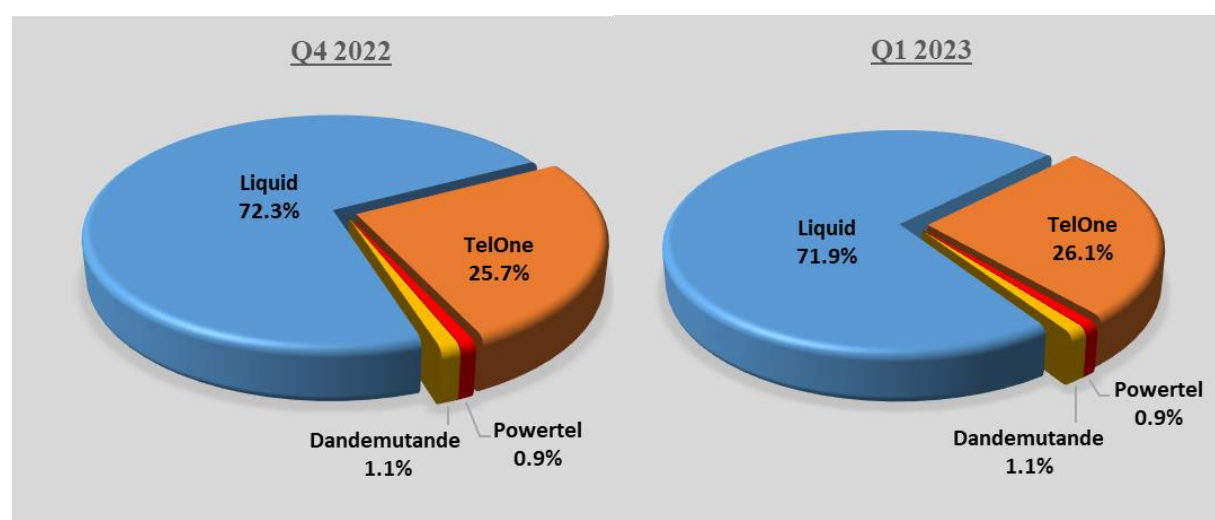
The equipped international Internet bandwidth capacity was 556,200Mbps as of 31 March 2023. This represents a 0.5% increase from 553,700Mbps recorded as of 31 December 2022. Equipped capacity per provider is shown in Table 9 below:

Table 9: Equipped International Incoming Internet Bandwidth Capacity (Mbps)

	Q4 2022	Q1 2023	Variance (%)
Liquid	400,000	400,000	0.0%
TelOne	142,500	145,000	1.8%
Powertel	5,000	5,000	0.0%
Dandemutande	6,200	6,200	0.0%
Total	553,700	556,200	0.5%

TelOne was the only Internet Access Provider to increase their equipped international Internet bandwidth capacity in the quarter under review. A quarterly comparison of the market share of equipped international Internet bandwidth capacity is shown in Figure 9 below:

Figure 9: Market Share of Equipped International Internet Bandwidth Capacity



There has not been any major change in the market share of equipped capacity over the years, with Liquid continuing to lead the market. In the quarter under review Liquid lost 0.4% in

market share, which was gained by TelOne, in line with their expansion. On the other hand, the market shares of Dandemutande and Powertel remained unchanged.

3.2.2 USED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

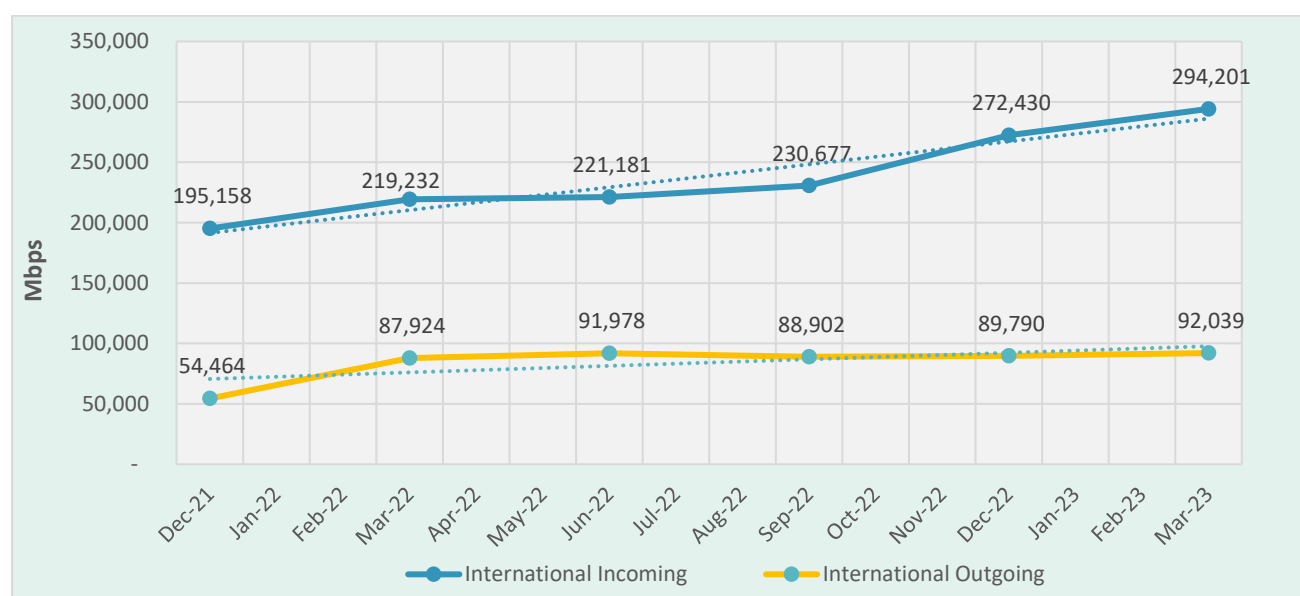
Used international incoming bandwidth capacity also increased in the first quarter of 2023 as shown in Table 10 below:

Table 10: Used International Internet Bandwidth Capacity (Mbps)

	Q4 2022	Q1 2023	Variance (%)
Incoming	272,430	294,201	8%
Outgoing	89,790	92,039	2.5%

Used incoming international bandwidth capacity continued to increase by a greater margin than used outgoing international Internet bandwidth capacity. This signifies increased consumption of foreign content online, as compared to local content. The growth in used international bandwidth capacity is shown in Figure 10 below:

Figure 10: Growth in Used International Internet Bandwidth Capacity



The growth in used international incoming bandwidth capacity has always been higher than the growth in used international outgoing bandwidth capacity, as shown above. There is need to promote the development of local online content, to help boost adoption and use of the Internet.

3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in IAP revenue, operating costs, and capital expenditure in the first quarter of 2023 is shown in table 11 below:

Table 11: IAP Revenues, Operating Costs (ZWL)

	Q4 2022	Q1 2023	Variance (%)
Revenue	54,984,037,231	80,691,196,167	46.8%
Operating Costs	27,432,288,214	42,367,723,845	54.4%
Capital Expenditure	3,240,268,420	3,951,158,125	21.9%

The growth in IAP operating costs was higher than the growth in revenues, signifying reduced viability in the quarter under review. Bandwidth costs, depreciation, administration, and staff costs continued to constitute the bulk of IAP operating expenses.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

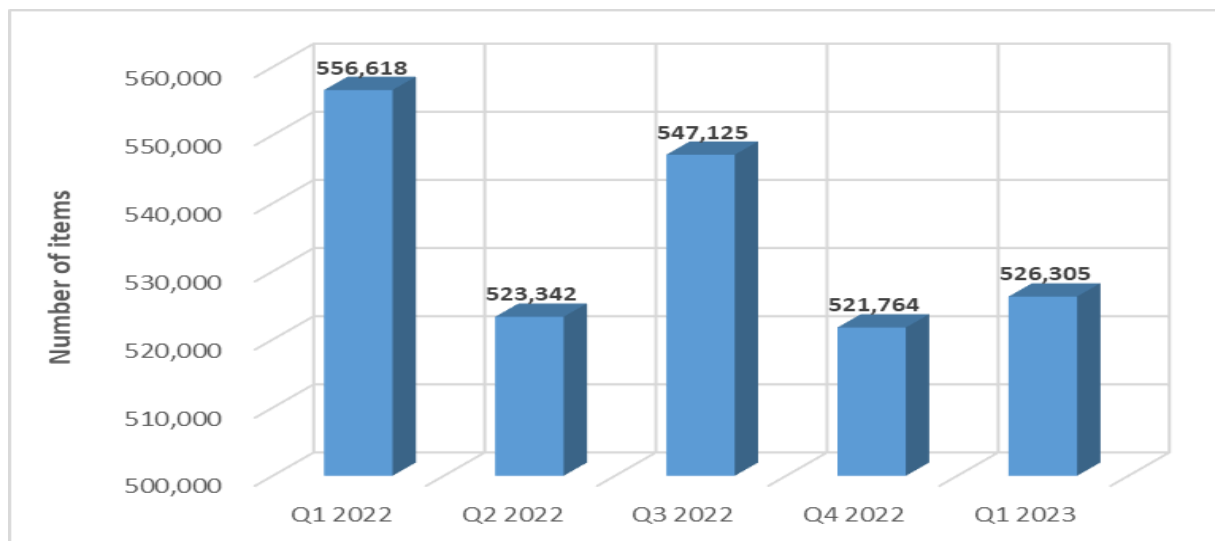
An overall 0.9% increase in postal and courier volumes was recorded in the first quarter of 2023, as shown in Table 12 below:

Table 12: Postal and Courier Volumes

	Q4 2022	Q1 2023	% Growth
Domestic postal letters	239,125	240,194	0.4%
Domestic courier	125,948	129,751	3.0%
International incoming courier	133,929	132,905	-0.8%
International outgoing courier	22,762	23,455	3.0%
Total Postal & Courier	521,764	526,305	0.9%

The growth, however small, is positive as postal and courier volumes recorded a significant decrease in the fourth quarter of 2022, compared to the third quarter of 2022 as shown below:

Figure 11: Postal & Courier Volumes

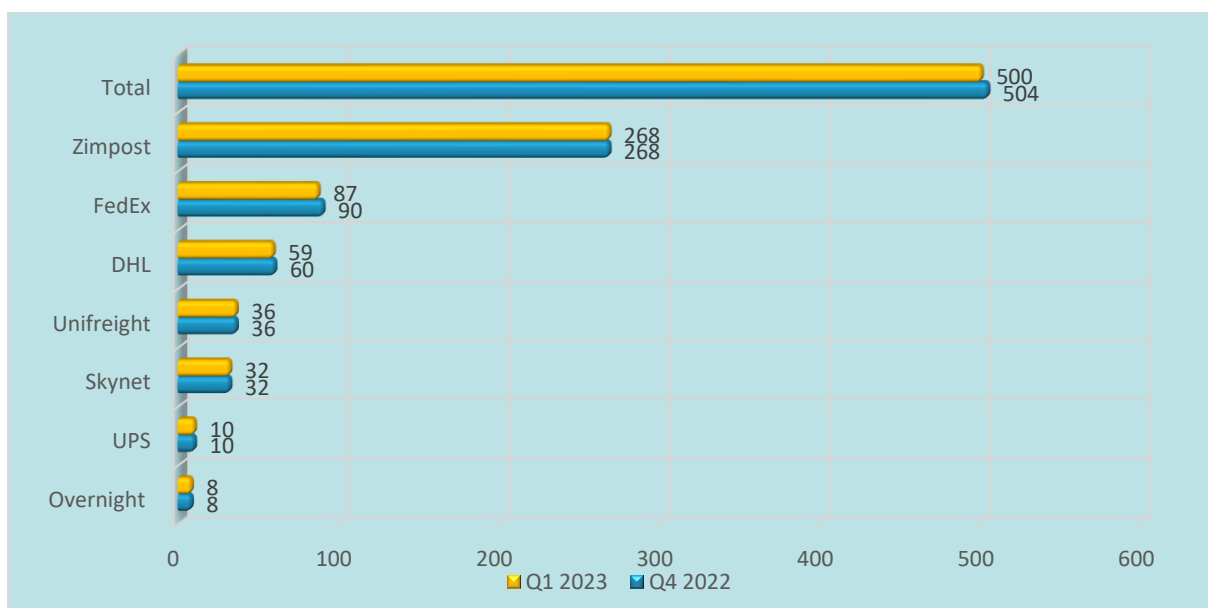


Digital transformation is impacting postal and courier demand and supply. Hence, Postal and courier operators must improve the delivery experience, while pivoting to new more efficient business models.

4.2 POSTAL DENSITY

The total number of operational postal and courier outlets by the licensed operators as of 31 March 2023 was 500, down from 504 operational outlets as of 31 December 2022. The distribution of postal and courier outlets is shown in Figure 12 below:

Figure 12: Distribution of Postal & Courier Outlets



The decline emanated from DHL and FedEx, who reduced their footprint by 1 and 3 outlets, respectively. As a result, the postal and courier density increased by 0.8% to reach 30,358, from 30,117 per postal establishment as of 31 December 2022. This implies reduced access as the proportion of people per postal/courier outlet has increased.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

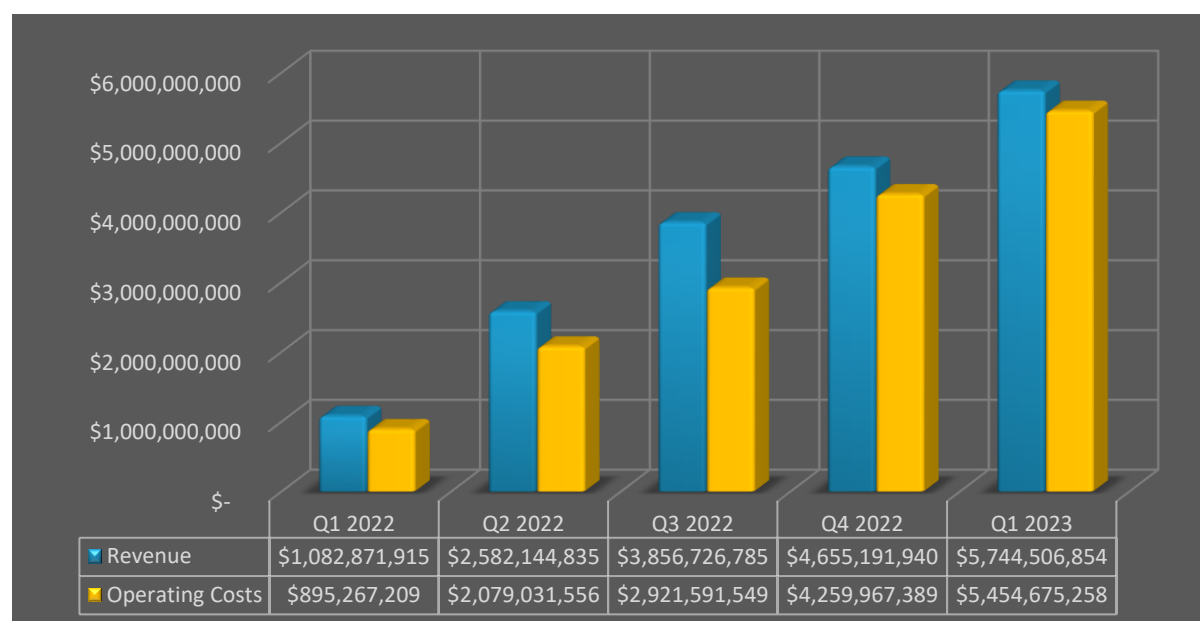
Total revenue, operating costs and capital expenditure by the postal and courier sector is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Capital Expenditure

	Q4 2022	Q1 2023	% Growth
Revenues	4,655,191,940	5,744,506,854	23.4%
Operating Costs	4,259,967,389	5,454,675,258	28.0%
Capital Expenditure	115,471,525	133,485,083	15.6%

As with other subsectors, the growth in operating costs was higher than the growth in revenue. Postal and courier operators have not been immune to the trend of rising operating costs as shown below:

Figure 13: Postal & Courier Revenues & Operating Costs (ZWL)



The spike in operating costs and revenues is attributable to the inflationary operating environment.

5. OUTLOOK

The economic environment directly affects the performance of the postal and telecommunication sector. The inflationary environment, unavailability of credit, reduced consumer spending, inadequate foreign currency amongst other challenges continued to beset the sector. The situation has been aggravated by prolonged load-shedding, impacting overall quality of service, and raising the cost-of-service provision. Inadequate foreign currency has affected network expansion and maintenance efforts. Unlike other services that may have alternative local supply, the provision of telecommunication relies heavily on imports mainly equipment, software as well as bandwidth. The Sector should be prioritized in terms of government expenditure, resource mobilisation, foreign currency allocation amongst other issues, to fully realise its role as a key economic enabler.

Never-the-less, there is still great scope for the sector and opportunities are awash. We envisage an emerging set of opportunities presented by the converged licensing framework as evidenced by an increase in applications for Mobile Virtual Network licences, which will boost competition in the sector. With ever-expanding options for high-quality communication and Internet services from LTE, Fibre, satellite amongst others, consumers will enjoy more enhanced service flexibility in purchasing and consuming services in the near future. Digital transformation also presents significant opportunity for postal and courier operators in terms of improving service delivery, while pivoting to new more efficient business models.

While the widespread adoption of broadband offers several benefits, it also creates new security concerns and challenges. Data privacy and security are a top priority in the year ahead. According to the POTRAZ 2022 Consumer Satisfaction Survey, consumers are wary about the unauthorized use of sensitive data, and hence expect increased control over their personal data. This calls for more regulatory measures to be put in place and the establishment of the Data Protection Authority will go a long way in creating a conducive environment for digital safety and confidence. To this end, the Authority will be seized with implementing the Cyber and

Data Protection Act, which was promulgated in 2021, as it takes on its new role as the Data Protection Authority.