



QUARTERLY SECTOR STATISTICS REPORT

SECOND QUARTER OF THE FINANCIAL YEAR 2012/13

(OCT-DEC 2012)

**Direct any questions on this report to:
Director/Competition, Tariffs and Market Analysis**

[Tel:+254-703 042000](tel:+254703042000)

Email: info@cck.go.ke

Website: www.cck.go.ke

Disclaimer:

Although every effort has been made to ensure accuracy of the data contained in this report, the Commission is not liable for the inaccuracy of the information, which is contingent to the operators'/service providers' compliance returns.

TABLE OF CONTENTS

<i>List of Tables</i>	3
<i>List of Figures</i>	4
<i>List of Abbreviations</i>	5
I. PRELIMINARY NOTES	6
II. THE QUARTER IN SUMMARY	6
1 CELLULAR MOBILE SERVICES	8
1.1 Subscriptions	8
1.2 Mobile Money Transfer Service	11
1.3 Mobile Number Portability	11
1.4 Mobile Traffic and Usage Pattern	12
1.4.1 Voice Traffic	12
1.4.2 Voice Traffic by Operator	13
1.4.3 Minutes of Use	14
1.4.4 Roaming Traffic	16
1.4.5 International Mobile Traffic	17
1.5 Mobile Revenue and Investments	17
2 FIXED TELEPHONE SERVICE	18
1.1 Subscriptions	18
1.2 Fixed Network Traffic	18
3 DATA AND INTERNET SERVICE	20
3.1 Internet/Data Service	20
3.2 Broadband Service	22
3.3 International Bandwidth	23
3.4 Revenue and Investment in the Data/Internet Market	24
4 ELECTRONIC TRANSACTIONS	25
5 BROADCASTING	25
6 POSTAL AND COURIER SERVICE	25
6.1 Postal and Courier Traffic	25
6.2 Number of Postal Outlets	26
6.3 Postal and Courier Revenue and Investment	26
7 CONCLUSION	30

List of Tables

Table 1:	Mobile Subscriptions.....	8
Table 2:	Mobile Subscriptions per Operator	9
Table 3:	Mobile Money Transfer.....	11
Table 4:	Number of Inports	12
Table 5:	Local Mobile Voice Traffic in Minutes	12
Table 6:	Voice Traffic by Operator	14
Table 7:	Short Messaging Service	15
Table 8:	Multimedia Messaging Service	16
Table 9:	Roaming Traffic	16
Table 10:	International Mobile Traffic (Minutes)	17
Table 11:	Mobile Revenue and Investment (KES).....	18
Table 12:	Fixed Network Subscriptions	18
Table 13:	Local Fixed Network Traffic in Minutes	19
Table 14:	Internet Subscriptions and Internet Users	20
Table 15:	Mobile Data/Internet Subscriptions by Operator	21
Table 16:	Other Fixed/Wireless Internet Subscriptions by Operator	22
Table 17:	International Internet Available Bandwidth (Mbps)	23
Table 18:	International Internet Connectivity Bandwidth (Mbps)	23
Table 19:	Data/Internet Revenue and Investment	24
Table 20:	Number of Domain Names.....	25
Table 22:	Postal and Courier Traffic	26
Table 23:	Number of Postal Outlets	26
Table 24:	Postal and Courier Revenue and Investments	26

List of Figures

Figure 1: Net Additions in Mobile Subscriptions	9
Figure 2: Percentage Subscription Market Share per Operator	10
Figure 3: Mobile Penetration (%).....	11
Figure 4: Growth in Mobile Traffic in Minutes	13
Figure 5: Minutes of Use per Subscriber per Month.....	14
Figure 6: International fixed line network traffic	19
Figure 7: Estimated Number of Internet Users and Internet Penetration	21
Figure 8: Broadband Subscriptions	23

List of Abbreviations

ICTs	Information Communication Technologies
EASSy	Eastern Africa Submarine Cable System
EVDO	Evolution-Data Optimized
GSM	Global Systems for Mobile Communications
LION2	Lower Indian Ocean Network
Mbps	Megabits per second
MMS	Multimedia Service
MoU	Minutes of Use
SEACOM	Sea Sub-Marine Communications Limited
SIM	Subscriber Identification Module
SMS	Short Messaging Service
TEAMS	The East African Marine System
VSAT	Very Small Aperture Terminal

I. PRELIMINARY NOTES

- *This report is based on data provided by service providers.*
- *The information in this report is subject to alteration in case of any revisions or updates from the service providers.*

II. THE QUARTER IN SUMMARY

At the end of Quarter 2 of the 2012/13 financial year, a total of 30.7 million subscribers were registered on the mobile network representing a marginal growth of 1.0 percent from the last quarter. - Mobile penetration stood at 78.0 percent during the period up from 77.2 percent recorded during the previous period.

The number of pre-paid subscribers continued to dominate the total mobile subscriptions accounting for 99.0 percent. During the quarter under review, there were 30.4 million pre-paid subscribers up from 30.1 million recorded in the previous quarter, representing a 1.0 percent growth. Likewise post-paid subscribers grew by 1.6 percent during the period to reach 302,403.

Total local mobile traffic grew by 4.9 percent during the period to stand at 7.3 billion minutes up from 7.0 billion minutes recorded during the previous period. Compared to the same period of the previous year, an increase of 9.6 percent was recorded. In addition, the Minutes of Use (MoU) per subscriber per month grew by 3.9 percent to reach 79.7 minutes from 76.9 recorded during the previous period. Similarly, the total number of SMS was recorded at 3.6 billion up from 1.0 billion recorded during the previous period, representing a three-fold increase during the quarter. This growth was occasioned by the increase in SMS bundles reported by Safaricom Limited during the period. Each subscriber sent an average of 40.1 SMS per month during the period.

The fixed line network recorded a marginal growth of 1.3 percent during the period to reach 251,576 lines. This growth was brought about by a 4.5 percent increase in the subscriptions of the fixed wireless services from 177,910 to 185,857 during the quarter under review. The fixed terrestrial lines however declined to 65,710 from 70,390 lines recorded during the previous period, representing a 6.6 percent drop.

In the Internet/data market segment, the number of subscriptions¹ rose by 11.5 percent during the period to reach 9.4 million from 8.5 million recorded during the previous quarter. Compared to the same period of the previous year, there was an increase of 75.1 percent. Mobile data/internet continued to dominate the internet market contributing 99.0 percent of the total Internet/data subscriptions. The number of estimated internet users was recorded at 16.2 million up from 14.5 million posted the previous quarter, representing an increase of 11.6 percent during the period. Internet penetration went up by 4.3 percentage points to reach 41.1 percent up from 36.8 percent during the previous period. The number of broadband subscribers declined by 0.3 percent during the period to stand at 1,002,701 down from 1,006,071 posted during the previous period. The

¹The reduction in number of internet subscriptions was a result of revision in data for Kenya Data Networks

decline is attributed to a reduction in the number of fixed terrestrial broadband subscribers.

The tremendous growth in the Internet/data market segment may be attributed to international internet connectivity (used) bandwidth that has continued to spiral upwards. During the quarter under review the international internet used bandwidth stood at 328,641 Mbps up from 278,329 Mbps posted during the previous period, a rise of 18.1 percent. The total available bandwidth in the country was recorded as 906,186 Mbps² during the quarter. Thus, the used bandwidth represented 36.3 percent of the total available bandwidth capacity.

In the postal and courier sector, the number of letters sent locally declined by 2.0 percent to reach 17.3 million down from 17.7 million letters sent during the previous period. Compared to the same period of the previous year, a decline of 11.8 percent was recorded. However, the number of international incoming letters grew by 20.9 percent during the period to reach 191,672 letters from 158,549 received during the previous period. Similarly international outgoing letters reached 1.9 million from 1.6 million during the previous period, representing 18.1 percent increase.

The number of postal outlets shrunk by 4.9 percent during the period to reach 634 outlets down from 667 recorded during the previous quarter.

² Data provided for EASSY of 4,949,278.8 Mbps in the previous periods was erroneously aggregated to include capacity in other landing stations outside Kenya. The correct figure has now been provided.

1 CELLULAR MOBILE SERVICES

1.1 Subscriptions

During the period under review (Quarter 2 of the Financial Year 2012/2013), the total number of mobile subscribers rose to 30.7 million up from 30.4 million recorded in the previous quarter. This represents an increase of 1.0 percent during the period and 13.9 percent compared to the same period of the previous year.

However, as observed during the previous period, the rate of growth has slowed down as the market appears saturated and tending towards maturity.

The growth of mobile subscriptions is shown in Table 1.

Table 1: Mobile Subscriptions

Subscription Type	Dec-12	Sep-12	Quarterly Variation (%)	Dec-11	Quarterly Variation (%)
Prepaid Subscriptions	30,429,351	30,135,142	1.0	26,744,335	13.8
Post-Paid Subscriptions	302,403	297,640	1.6	236,436	27.9
Total Mobile Subscriptions	30,731,754	30,432,782	1.0	26,980,771	13.9

Source: CCK, Operators' Returns

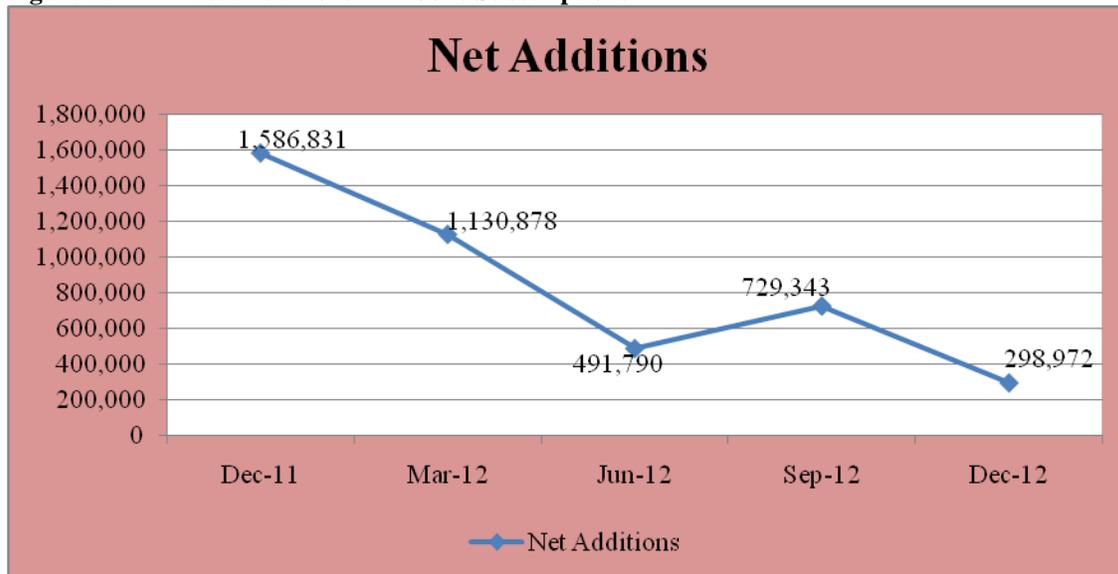
The number of pre-paid subscribers grew by a similar margin to the total number of mobile subscriptions of 1.0 percent during the period while that of post-paid subscribers posted a 1.6 percent growth during the period. Both pre-paid and post-paid subscriptions recorded growth of 13.8 percent and 27.9 percent respectively compared to the same period of the previous year. As has been the trend, the number of pre-paid subscribers continued to dominate the mobile telephony sector, accounting for 99 percent of mobile subscriptions.

Unlike the previous period that recorded growth in the total net additions³, the quarter under review recorded a decline of 59.0 percent to post 298,972 new subscribers down from 729,343 recorded during the previous period. Compared to the same period of the previous period, a decrease of 81.2 percent was recorded.

The growth in total additions is shown in Figure 1.

³ Net additions refer to new mobile subscriptions acquired during the period.

Figure 1: Net Additions in Mobile Subscriptions



Source: CCK, Operators' Returns.

During the review period, three mobile operators recorded positive gains in subscriptions. Safaricom Limited gained 593,036 new subscribers, representing a growth of 3.1 percent. Essar Telecom Limited gained 223,974 new subscribers (7.5%) while Airtel Networks Kenya Limited signed up 91,283 subscribers, representing an increase of 1.8 percent of new subscriptions. On the other hand, Telkom Kenya (Orange) lost 609,321 subscribers, representing a decline of 19.7 percent.

The mobile subscription by operator is shown in Table 2.

Table 2: Mobile Subscriptions per Operator

Name of operator	Dec-12			Sep-12			Quarterly Variation (%)
	Pre-paid	Post-paid	Total	Pre-paid	Post-paid	Total	
Safaricom Limited	19,621,431	192,814	19,814,245	19,045,713	175,496	19,221,209	3.1
Airtel Networks Kenya Limited	5,101,480	103,799	5,205,279	4,997,807	116,189	5,113,996	1.8
Essar Telecom Kenya Limited	3,225,753	1,519	3,227,272	3,001,808	1,490	3,003,298	7.5
Telkom Kenya Limited (Orange)	2,480,687	4,271	2,484,958	3,089,814	4,465	3,094,279	-19.7
Total	30,429,351	302,403	30,731,754	30,135,142	297,640	30,432,782	1.0

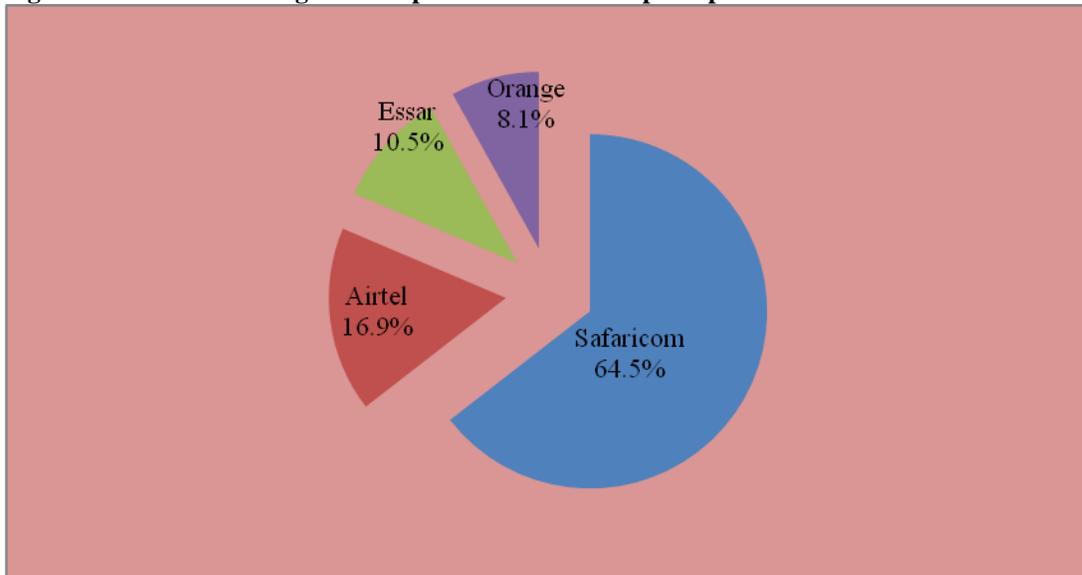
Source: CCK, Operators' Returns

The market share as measured by the number of subscribers witnessed marginal change over the period. Safaricom Limited gained 1.3 percentage points to record a market share of 64.5 percent up from 63.2 percent recorded during the previous period. Essar Telecom Kenya Ltd's market share by subscribers grew to 10.5 per cent, representing an increase

of 0.6 percentage points up from 9.9 percent recorded during the previous period. Airtel Networks Limited gained 0.1 percentage points to record 16.9 percent from 16.8 percent in the previous quarter as Telkom Kenya (Orange) lost 2.1 percentage points to record a market share by subscribers of 8.1 percent down from 10.2 percent posted in the previous quarter.

The market share by subscription by operator is shown in Figure 2.

Figure 2: Percentage Subscription Market Share per Operator



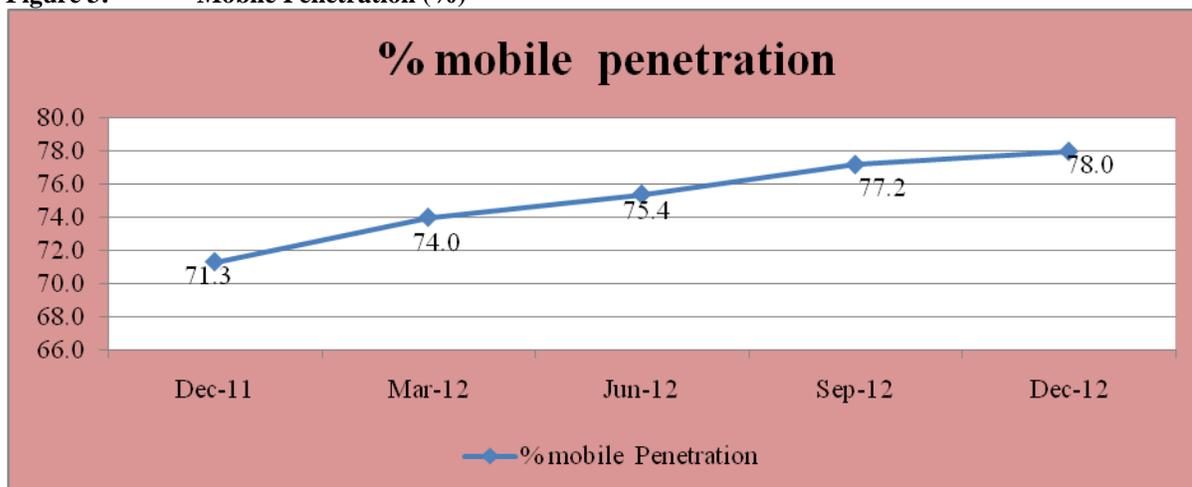
Source: CCK, Operators' Returns

During the period under review, the population that had access to mobile telephony services continued to record positive growth. In this regard, mobile penetration increased to 78.0 per 100 inhabitants⁴ up from 77.2 recorded during the previous quarter. This represented a quarterly increase of 0.8 percentage points, compared to the same period of the previous year that recorded an increase of 6.7 percent. .

The growth trend in the mobile penetration is shown in Figure 3.

⁴ Population used 39.5 Million, provisional, as provided in the Economic Survey 2012.

Figure 3: Mobile Penetration (%)



Source: CCK, Operators' Returns

1.2 Mobile Money Transfer Service

As shown in Table 3, the mobile money transfer service continued to record tremendous growth during the period. The number of mobile money transfer subscribers grew by 9.4 percent to 21.1 million up from 19.3 million recorded in the previous period. Similarly, the total deposits grew by 10.3 percent to 226 billion up from 205 billion recorded during the previous period.

Table 3: Mobile Money Transfer

Mobile Money Transfer	Dec-12*	Sep-12	Quarterly Variation (%)	Q2 FY 2011/12	Quarterly Variation (%)
Subscriptions	21,140,808	19,318,684	9.4	18,981,443	11.4
No. of Agents	62,300	54,409	14.5	47,997	29.8
Total Deposits (KES)	226,762,319,504	205,665,717,834	10.3	176,836,359,552	28.2

Source: CCK, Operators' Returns

In the same way, the number of active agents increased to 62,300 up from 54,409 recorded during the previous quarter, representing an increase of 14.5 percent. This growth signifies increased accessibility of mobile money transfer service as well as more employment opportunities for the youth.

1.3 Mobile Number Portability

The number of ports registered in the Mobile Number Portability (MNP) service increased significantly from 217 in-ports recorded during the previous period to 375 in-ports posted during the period under review. This represents an increase of 72.8 percent but a decline of 84.4 percent compared to the same period of the previous year.

Table 4: Number of In-ports

Period	Oct-Dec 12	Jul-Sep 12	Apr-Jun-12	Jan-Mar-12	Oct-Dec-11
Number of In-ports	375	217	678	6,646	2,407
Variation (%)	72.8	-68.0	-89.8	176.1	24.8

Source: CCK, Operators Returns

Although there was growth during the period, the uptake of the service was still low. This could be attributed to reduced tariff differentials among operators, long porting duration experienced by the porting customers, prevalent use of multiple SIM cards as well as consumer preferences and choice.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

A total of 7.3 billion minutes were made on the mobile network during the period up from 7.0 billion minutes the previous quarter, representing an increase of 4.9 percent.. Compared to the same period of the previous year, an increase of 9.6 percent was recorded. The mobile traffic increase could have been spurred by increased promotions and special offers and the festive season that fell within the quarter. The promotions and offers extended by the operators included 25 percent bonus airtime for recharge above KES 100, special calling rate to subscribers within specified areas and 50 percent free airtime for each recharge done through the money transfer service.

As Table 5 shows, on-net traffic grew by 4.1percent during the period from 6.0 billion minutes recorded during the previous period to 6.2 billion minutes recorded during the period under review.Similarly, off-net traffic increased by 9.1 percent from 947 million minutes recorded during the previous period to 1.0 billion minutes posted during the period under review. A 30.9 percent increase was posted compared to the same period of the previous year.

Table 5: Local Mobile Voice Traffic in Minutes

Mobile Traffic	Oct-Dec 12*	Jul-Sep 12	Quarterly Variation (%)	Oct-Dec 11	Quarterly Variation (%)
By traffic Origination(Outgoing traffic)					
Own Network –Own Network	6,294,040,711	6,043,845,857	4.1	5,870,570,860	7.2
Own Network to Other Mobile Networks	1,033,150,168	947,394,800	9.1	789,197,560	30.9
Mobile Network to Fixed Network	20,247,929	14,044,125	44.2	42,171,413	-52.0
Total Traffic Origination (Outgoing)	7,347,438,808	7,005,284,782	4.9	6,701,939,833	9.6
By Traffic Termination (Incoming traffic)					
Own Network –Own Network	6,294,040,711	6,043,845,857	4.1	5,870,570,860	7.2
Other Mobile Networks to Own Network	1,075,133,317	1,000,397,283	7.5	839,328,628	28.1

Fixed Network to Mobile Network	30,623,414	24,879,357	23.1	32,281,989.00	-5.1
Total Traffic Termination (Incoming Traffic)	7,399,797,442	7,069,122,497	4.7	6,742,181,477	9.8

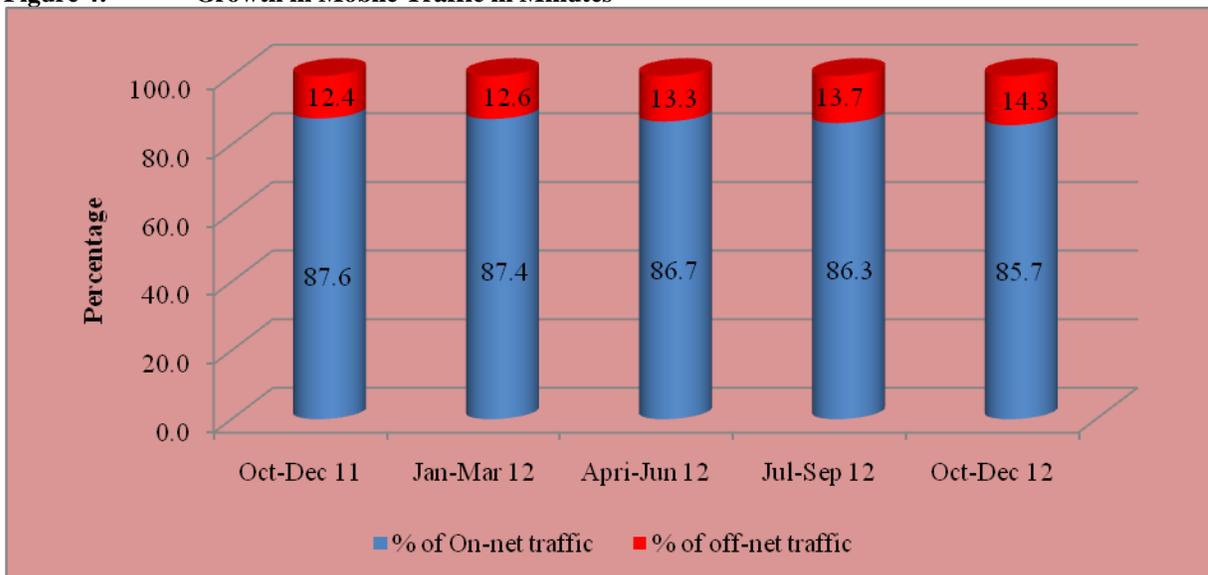
Source: CCK, Operators' Returns

Mobile-to-fixed traffic went up by 44.2 percent to record 20.2 million minutes up from 14.0 million minutes posted during the previous quarter. However, a 52.0 percent drop was recorded compared to the same period of the previous year.

With regard to traffic by termination, the total number of voice minutes received on all mobile networks increased by 4.7 percent to 7.3 billion minutes during the period from 7.0 billion minutes recorded during the previous period. Similarly, a 9.8 percent growth was recorded compared to the same period of the previous year.

As illustrated in Figure 4, the ratio of on-net traffic to total traffic declined by 0.6 percentage points to record 85.7 percent while the ratio of off-net traffic increased by 0.6 percentage points to record 14.3 percent from 13.7 percent the previous quarter.

Figure 4: Growth in Mobile Traffic in Minutes



Source: CCK, Operators' Returns

1.4.2 Voice Traffic by Operator

As witnessed during the last quarter, the market shares by traffic recorded marginal change during the period with Safaricom Limited posting 77.5 percent up from 76.7 percent recorded during the previous period. This represented an increase in market shares of 0.8 percentage points. Telkom's (Orange) market share by traffic went up to 1.4 per cent up from 1.1 per cent recorded during the previous quarter; represent a gain of 0.3 percentage points. However, Essar Telecom Limited lost 1.0 percentage points to record 8.6 percent market share by traffic down from 9.6 percent recorded during the previous

period. Airtel Networks Kenya Limited remained unchanged with 12.5 percent market share.

Voice traffic and resultant market share by operator are shown in Table 6.

Table 6: Voice Traffic by Operator

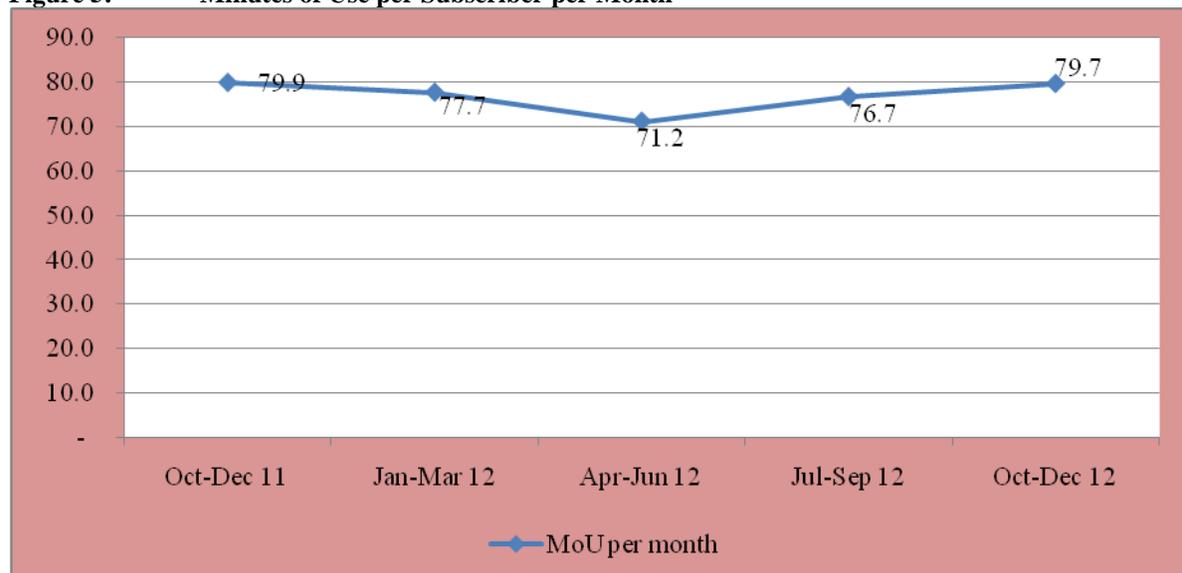
Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)
Oct-Dec 12	On-net	5,376,302,861	391,376,604	474,309,791	52,051,455
	Off-net	320,199,542	527,185,652	157,656,337	48,356,566
	Total	5,696,502,403	918,562,256	631,966,128	100,408,021
	Market Share (%)	77.5	12.5	8.6	1.4
Jul-Sep 12	On-net	5,092,967,502	385,690,177	519,000,275	46,187,903
	Off-net	281,943,508	492,476,715	155,886,263.2	31,132,439
	Total	5,374,911,010	878,166,892	674,886,538	77,320,342
	Market Share (%)	76.7	12.5	9.6	1.1

Source: CCK, Operators' Returns

1.4.3 Minutes of Use

During the quarter under review, the number of Minutes of Use (MoU) per subscriber per month reached 79.7 up from 76.7 minutes recorded during the previous period, representing a 3.9 percent growth. This growth could be attributed to promotions and special offers by the operators during the period and the resultant increase in voice traffic among subscribers. However, compared to the same period of the previous year, a decline of 0.3 percent was recorded.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators' Returns

During the quarter, 3.6 billion SMS were sent up from 1.0 billion SMS sent during the previous period. This three-fold increase may have been fuelled by high service use during the festive season.

There were 3.4 billion on-net SMS recorded during the period up from 906 million SMS during the previous period, representing a three-fold increase. Off-net SMS traffic grew by 21.3 percent during the period to record 218 million SMS from 179 million recorded during the previous period. The growth in SMS traffic could be attributed to the reduced prices as the Communications Commission of Kenya (CCK) continued to implement the SMS termination rates glide path. Currently, the off-net termination rate is KES 0.10 per SMS. In addition, with significant reduction in voice tariffs and the attendant revenues, operators are now focusing on non-traditional revenue sources, including data.

As shown in Table 7, the market shares by SMS exhibited a wide disparity among the operators over the period. This is particularly so for on-net and off-net where the difference is significantly distinct. During the quarter in review, Safaricom Limited recorded the highest market share by SMS traffic at 93.7 percent up from 80.3 percent during the previous quarter, representing growth of 13.4 percentage points. Airtel Networks Limited's market share by SMS declined to 4.5 percent from 14.8 percent recorded during the previous period representing a decline of 10.3 percentage points. Essar Telecom Limited's market share by SMS declined by 2.1 percentage points to reach 1.2 percent from 3.3 percent recorded in the previous quarter. Telkom Kenya (Orange) had 0.6 percent market share by SMS during the period from 1.6 percent posted during the previous period. The significant growth in market share by Safaricom Limited could have partially offset the decline in market shares by the other operators during the period.

Table 7: Short Messaging Service

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)	Total SMS
Oct-Dec 12	On-net	3,362,382,350	92,940,200	14,181,871	5,476,700	3,474,981,121
	Off-net	98,746,630	71,615,403	29,898,319	18,085,900	218,346,252
	Total	3,461,128,980	164,555,603	44,080,190	17,528,578	3,693,327,373
	Market Share (%)	93.7	4.5	1.2	0.6	
Jul-Sep 12	On-net	800,374,308	90,875,738	9,656,255	5,198,721	906,105,022
	Off-net	71,841,705	70,077,000	25,746,989 .2	12,329,857	179,995,551
	Total	872,216,013	160,952,738	35,403,244	17,528,578	1,086,100,573
	Market Share (%)	80.3	14.8	3.3	1.6	

Source: CCK, Operators' Returns

The number of Multi-Media Messages (MMS) sent during the quarter under review increased marginally by 2.5 percent to record 2,657,592 messages up from 2,593,638 recorded during the previous quarter. A 54.2 percent growth was recorded compared to the same period of the previous year.

Table 8: Multimedia Messaging Service

MMS Traffic	Oct-Dec 12	Jul-Sep 12	Quarterly Variation (%)	Oct-Dec 11	Quarterly Variation (%)
MMS	2,657,592	2,593,638	2.5	1,723,544	54.2
MMS per Subscriber per Month	0.03	0.02	50.0	0.02	50.2

Source: CCK, Operators' Returns

During the review period, the use of MMS service experienced slow growth, as the number of MMS sent by each subscriber per month remained below 1%. . The low uptake of this service could be attributed to customers' preference to similar services offered by the social media.

1.4.4 Roaming Traffic

The total number of roaming out⁵ voice traffic rose to 11.6 million during the quarter under review, up from 11.4 million minutes posted the previous quarter, representing a growth of 2.1 percent. However, a decline of 60.6 percent was recorded compared to the same period the previous year.

Similarly, the number of roaming in⁶ voice traffic increased to 12.3million minutes during the period up from 10.9 million minutes recorded during the previous period. This represented a growth of 13.2 percent during the review period. Compared to the same period of the previous year, 107.0 percent growth was recorded as shown in Table 9.

Table 9: Roaming Traffic

Roaming Traffic	Oct-Dec 12	Jul-Sep 12	Quarterly Variation (%)	Oct-Dec 11	Quarterly Variation (%)
Roaming Voice Minutes Own Subscribers on Foreign Networks	11,662,645	11,418,310	2.1	29,609,552	-60.6
Roaming Voice Minutes Foreign Subscribers on Local Network	12,391,655	10,943,964	13.2	5,986,703	107.0
Roaming SMS - Own Subscribers on Foreign Networks	10,227,055	8,642,305	18.3	6,625,691	54.4
Roaming SMS - Foreign Subscribers on Local Network	14,892,715	13,303,626	11.9	7,726,050	92.8

Source: CCK, Operators' Returns

In addition, the number of roaming out SMS increased by 18.3 percent during the period to reach 10.2 million SMS up from 8.6 million SMS in the previous period. Notably, the growth in the number of roaming out SMS was higher than that of voice, an indication

⁵ Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.

⁶Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

that out roamers preferred the SMS service to voice calls, achieving a 54.4 percent increase compared to the same period of the previous year.

Similarly, roaming in messages grew by 11.9 percent to reach 14.8 million up from 13.3 million messages recorded during the previous period. A significant growth trend was observed in the same period the previous year during which a 92.8 percent growth was recorded.

1.4.5 International Mobile Traffic

On its part, international incoming traffic grew marginally by 2.7 percent during the period to record 204 million minutes from 199 million minutes recorded during the previous period. Compared to the same period of the previous year, an increase of 33.4 percent was recorded.

On the other hand, international outgoing traffic dropped by 1.9 percent to 152 million minutes from 155 million minutes recorded during the previous period. This decline could have been partially offset by the growth in international incoming traffic during the period. However compared to the same period of the previous year, a 3.1 percent growth was recorded.

The number of international incoming mobile SMS similarly declined by 8.7 percent to reach 14.6 million down from 16.0 million recorded during the previous period. During the same period of the previous year, traffic dropped by 40.2 percent. There was however significant growth in international outgoing SMS of 51.6 percent from 5.9 million SMS posted during the previous period to 9.0 million SMS during the period under review. The international mobile voice traffic and SMS are shown in Table 10.

Table 10: International Mobile Traffic (Minutes)

International Mobile Traffic and SMS	Oct-Dec 12	Jul-Sep 12	Quarterly Variation (%)	Oct-Dec 11	Quarterly Variation (%)
International Incoming Mobile Voice Minutes	204,955,902	199,661,993	2.7	153,664,018	33.4
International Outgoing Mobile Minutes	152,774,194	155,745,313	-1.9	148,164,029	3.1
International Incoming Mobile SMS	14,679,764	16,073,120	-8.7	24,545,535	-40.2
International Outgoing Mobile SMS	9,063,577	5,977,012	51.6	3,594,638	152.1

Source: CCK, Operators' Returns

1.5 Mobile Revenue and Investments

Annual revenues and investments for the mobile industry have consistently grown over the last five years as indicated in Table 11. Revenue and investment data for year 2012 will be updated once mobile operators file their audited accounts at the end of their respective financial years.

Table 11: Mobile Revenue and Investment (KES)⁷

Mobile Revenues and Investments	2011**	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Mobile Revenue (KES Millions)	116,640*	104,552*	90,394*	72,625	57,998	11.6	29.0	60.6	101.1
Mobile Investments (KES Millions)	34,590*	27,126*	40,260*	29,436	21,221	27.5	-14.1	17.5	63.0

Source: CCK, Operators Returns, (*) includes Telkom Fixed Network Revenue and Investment. ** (provisional)

2 FIXED TELEPHONE SERVICE

2.1 Subscriptions

The total number of fixed lines subscribers grew marginally by 1.3 percent during the review period to 251,567 lines up from 248,300 recorded during the previous period. This increase was boosted by a 4.5% growth in the number of fixed wireless subscribers during the period to reach 185,857. However, the fixed terrestrial subscribers continued to drop recording a decline of 6.6 percent from 70,390 lines recorded during the previous period to 65,710 lines during the period under review. The increase in fixed wireless subscriptions could have partially offset the decline in fixed terrestrial subscriptions.

The growth of fixed line is shown in Table 12.

Table 12: Fixed Network Subscriptions

Fixed Network Subscription	Dec-12	Sep-12	Quarterly Variation (%)	Dec-11	Annual Variation (%)
Fixed Terrestrial Subscriptions	65,710	70,390	-6.6	90,814	-27.6
Fixed Wireless Subscriptions	185,857	177,910	4.5	192,732	-3.6
Total Main Fixed Line Subscriptions	251,567	248,300	1.3	283,546	-11.2

Source: CCK, Operators' Returns

2.2 Fixed Network Traffic

As shown in Table 13, the total number of minutes recorded in the fixed line network grew by 20.3 percent during the period to reach 53 million minutes up from 44 million minutes recorded during the previous quarter. This growth was driven by intra-network traffic that grew by 45.2 percent during the period also as a result of increased fixed

⁷ The information on mobile revenue and investment will be updated every end of financial year to reflect the current status of the market.

wireless subscriptions during the period. The total fixed line traffic recorded 4.2 percent growth compared to the same period of the previous year.

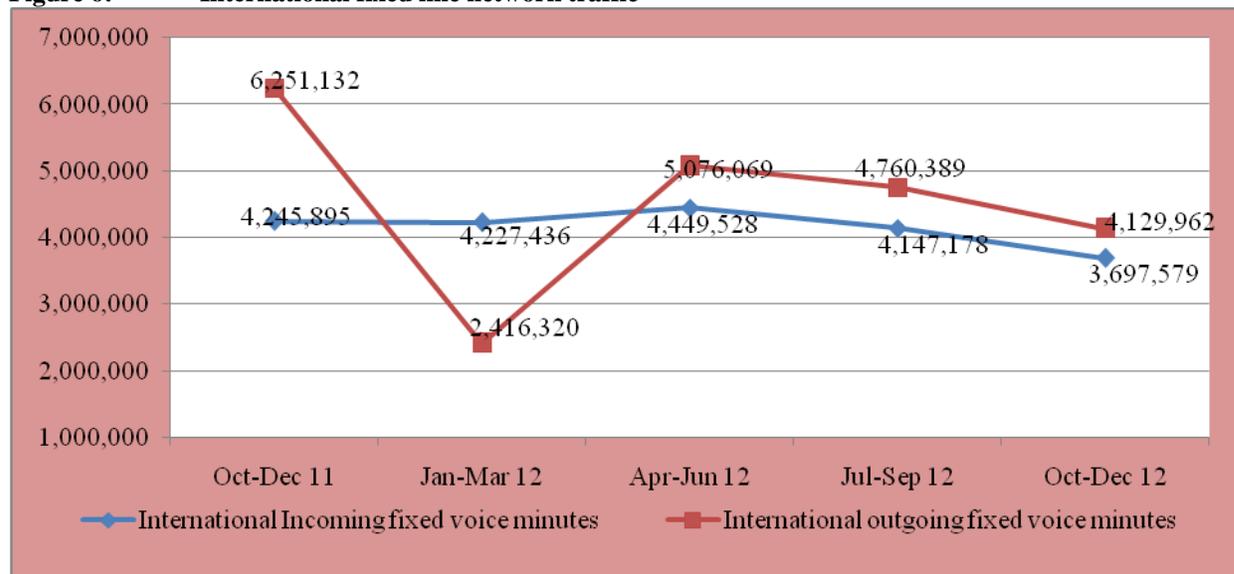
Table 13: Local Fixed Network Traffic in Minutes

Local Fixed Network Traffic	Jul-Dec 12	Jul-Sep-12	Quarterly Variation (%)	Jul-Sep 11	Quarterly variation (%)
Intra-Network Traffic(Fixed-Fixed)	28,083,525	19,341,468	45.2	18,799,971	49.4
Fixed to Other Network (Mobile and LLOs)	25,238,552	24,976,911	1.0	32,380,687	-22.1
Total Local Fixed Network Traffic	53,322,077	44,318,379	20.3	51,180,658	4.2

Source: CCK, Operators' Returns

As Figure 6 illustrates, international voice traffic declined during the period under review. International incoming voice traffic decreased by 10.8 percent while international outgoing traffic declined by 13.2 percent during the period.

Figure 6: International fixed line network traffic



Source: CCK, Operators' Returns

3 DATA AND INTERNET SERVICE

3.1 Internet/Data Service

There were 9.49 million internet subscribers at the end of the quarter under review up from 8.51 million recorded during the previous period. This represents an increase of 11.5 percent during the period and 75.1 percent increase relative to the same period in the previous year.

The mobile data/internet subscribers continued to dominate the internet, representing 99 percent of the total subscriptions. In addition, the quarter recorded 9.40 million mobile/data subscribers up from 8.43 million recorded during the previous period, representing a growth of 11.5 percent. This growth indicates operators' aggressiveness to grow their respective market share through promotions and special offers during the period. For instance one operator offered reduced bundle rate for data by 50 percent from KES8 charged previously to KES4. This move could have influenced the increase in the number of mobile data/internet subscribers.

Similarly, the number of satellite subscribers grew by 28.8 percent from 531 to 684 the previous period. The growth could be attributed to operators' willingness to offer an always on service particularly during down times of other networks such as fibre. Compared to the same period of the previous year, there was a recorded decline of 15.7 percent.

In addition, the number of fibre subscribers grew by 14.8 percent to 54,400 during the period up from 47,392 the previous period. Compared to the same period of the previous year, an increase of 142 percent was recorded, indicating an increased roll-out of fibre network in the country.

The growth in internet subscriptions is shown in Table 14.

Table 14: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	Dec-12	Sep-12	Quarterly Variation (%)	Dec-11	Annual Variation (%)
Total Internet Subscriptions	9,496,573	8,519,148*	11.5	5,423,428	75.1
Mobile Data/Internet Subscriptions	9,406,843	8,436,578	11.5	5,376,050	75.0
Terrestrial Wireless Data/Internet Subscriptions	23,814	23,780	0.1	13,059	82.4
Satellite Data/Internet Subscriptions	684	531	28.8	811	-15.7
Fixed DSL Data/Internet Subscriptions	10,807	10,842	-0.3	11,016	-1.9
Fixed Fibre Optic Data/Internet Subscriptions	54,400	47,392	14.8	22,467	142.1
Fixed Cable Modem Subscriptions	25	25	0.0	25	0.0
Total Internet Users⁸	16,236,583	14,553,378	11.6	8,936,165	81.7

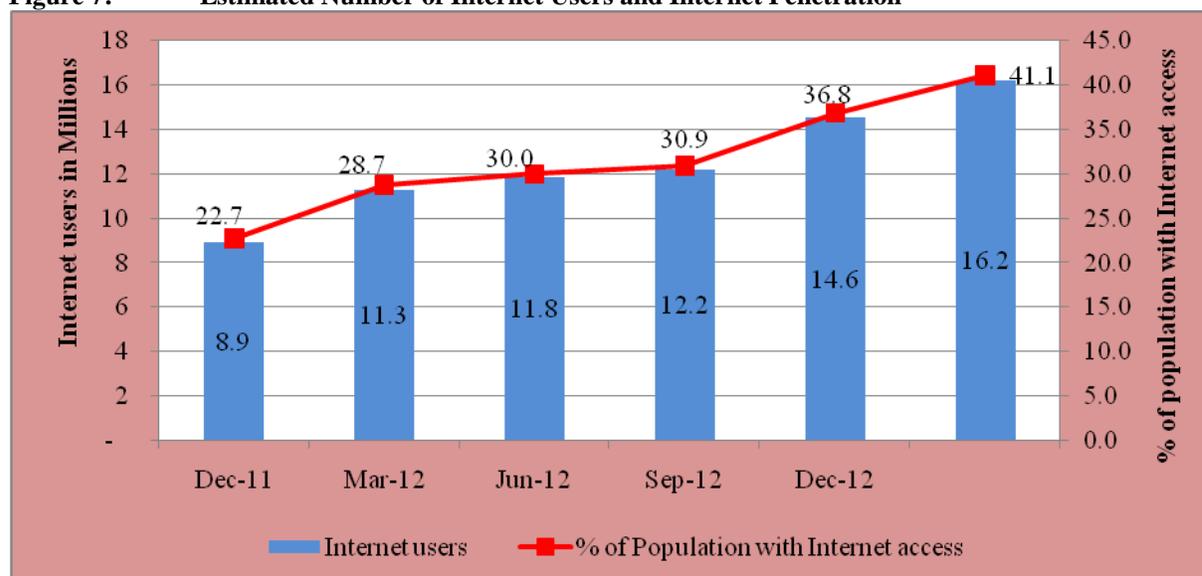
Source: CCK, Operators' Returns, *Revision in data from Kenya Data Networks

⁸ Internet users are estimated by multiplying by 1 the number of mobile data/internet subscribers, by 10 terrestrial wireless subscribers and by 100 fixed DSL, fibre optic and satellite subscribers. There is no scientific method of estimating internet users; for the purpose of this report the methodology adopted is borrowed from the Internet Market Study 2006. The multiplier of 2 for mobile data/internet users has been adjusted to 1 as per the ITU recommendations.

At the end of the quarter under review, the estimated number of Internet users rose by 11.6 percent to reach 16.2million from 14.5million users in the previous quarter. This increase is attributed to growing demand for Internet and data services, including use of social media especially among the youth. Competitive tariffs by the mobile operators could also have contributed to the growth in the number of Internet users.

As Figure 7 illustrates, the quarter under review recorded growth of 4.3 percentage points of the people with access to the internet to reach 41.1 percent up from 36.8 percent in the previous period. An increase of 18.4 percentage points was recorded compared to the same period of the previous year.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CCK, Operators' Returns

The level of concentration as measured by market share by subscription in the mobile data/Internet market segment changed for the four mobile operators during the period. Safaricom Limited increased its market share by subscription to 72.6 percent during the quarter, representing a growth of 6.4 percentage points. Airtel Networks Kenya Limited's market share by subscription dropped to 11.7 percent from 15.1 percent, posting a decline of 3.4 percentage points during the period. Telkom Kenya's (Orange) market share by subscription was at 9.1 percent while that of Essar Telecom Limited dropped from 7.4 percent recorded during the previous period to 6.7 percent share during the period under review. The mobile data/Internet subscriptions by operator are shown in Table 15.

Table 15: Mobile Data/Internet Subscriptions by Operator

Name of Operator	Dec-12	Market Share (%)	Sep-12	Market Share (%)
Safaricom Limited	6,830,796	72.6	5,586,050	66.2
Airtel Networks Kenya Limited	1,095,945	11.7	1,278,013	15.1
Telkom Kenya Limited (Orange)	853,962	9.1	948,847	11.2
Essar Telecom Kenya Limited	626,140	6.7	623,668	7.4

Source: CCK, Operators' Returns

With regard to market share by other fixed/terrestrial wireless data/Internet subscriptions, Wananchi Telecom Limited recorded the highest at 31.8 percent down from 36.1 percent in the previous period. Kenya Data Networks followed with 28.9 percent. Access Kenya Limited had a market share of 12.9 percent down from 14.6 percent in the previous period. The market shares per operator are shown in Table 16.

Table 16: Other Fixed/Wireless Internet Subscriptions by Operator

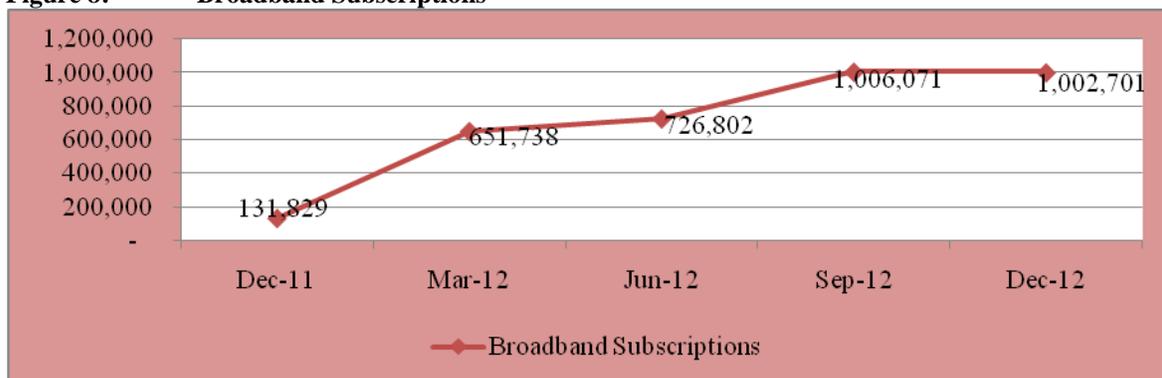
Name of Operator	Dec-12	Market Share (%)	Sep-12	Market Share (%)
Wananchi Telecom Limited	28,579	31.8	28,770	36.1
Kenya Data Networks Limited	25,930	28.9	17,805	22.3
Access Kenya Limited	11,600	12.9	11,600	14.6
Telkom Kenya Limited	10,012	11.2	9,670	12.1
Safaricom Limited	7,874	8.8	6,718	8.4
Jamii Telecommunication Limited	1,779	2.0	1,470	1.8
Swift Global	1050	1.2	1050	1.3
Call Key Networks Limited	584	0.7	390	0.5
Tangerine Limited	350	0.3	350	0.4
Pwani Telecomms	271	0.3	-	-
Other fixed/Terrestrial wireless operators	1,701	1.9	1,867	2.3

Source: CCK, Operators' Returns

3.2 Broadband Service

As Figure 8 illustrates, the total number of broadband⁹ subscribers was 1,002,701 down from 1,006,071 recorded during the previous period, representing a decline of 0.3 percent during the period under review. The marginal decline was contributed by a corresponding decline in fixed terrestrial broadband subscriptions during the period. However, compared to the same period of the previous year, more than seven-fold increase was recorded. Figure 8 shows the growth of broadband subscriptions over the period.

⁹ In this report, Broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.

Figure 8: Broadband Subscriptions

Source: CCK, Operators' Returns.

3.3 International Bandwidth

By the end of the quarter under review, the total amount of bandwidth available in the country was 906,186Mbps up from 576,186 Mbps posted in the previous period. This represents a three-fold increase compared to the same period the previous year. The growth of international internet capacity may have been driven by the growing demand for data services in the country. The information on available international internet bandwidth is shown in Table 17.

Table 17: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	Dec-12	Sep-12	Quarterly Variation (%)	Sep-11	Annual Variation (%)
SEACOM-International Internet Capacity (Mbps)	640,000	310,000	106.5	210,000	204.8
TEAMS - International Internet Capacity (Mbps)*	101,990	101,990	0.0	101,990	0.0
Telkom Kenya Limited (EASSY) ^{10*}	122,880	122,880	0.0	122,880	0.0
Lion 2*	40,960	40,960	0.0	-	-
VSAT	355.8	355.8	0.0	649.78	-45.2
Total International Internet Bandwidth (Mbps)	906,186	576,186	57.3	435,520	108.1

Source: CCK, Operators' Returns; (*) Provisional

The continued growth in the number of internet subscribers has positively impacted on the demand for internet bandwidth and consequently the growth of bandwidth usage in the country. During the quarter under review, the total used bandwidth in the country stood at 328,641 Mbps up from 278,329 Mbps recorded during the previous quarter. As shown in Table 18, this growth is particularly driven by capacity from fibre optic undersea cables.

Table 18: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	Dec-12	Sep-12	Quarterly Variation	Dec-11	Annual Variation
--------------------------------	--------	--------	---------------------	--------	------------------

¹⁰ Data provided for EASSY of 4,949,278.8 Mbps in the previous period was erroneously aggregated to include capacity in other landing stations outside Kenya. The correct figure is now provided.

				(%)		(%)
International Undersea Internet Connectivity Bandwidth (Mbps)		328,483	278,171	18.1	52,830	521.8
International Satellite Internet Connectivity Bandwidth		157.78	157.78	0.0	108.28	32.6
Total International Internet Connectivity Bandwidth (Mbps)		328,641	278,329	18.1	52,938	520.8

Source: CCK, Operators' Returns

3.4 Revenue and Investment in the Data/Internet Market

Revenue and investment data for year 2012 will be updated once data/internet operators file their audited accounts at the end of their respective financial years. However, where updates will be received before the end of the financial year, the data will be revised accordingly. Table 19 shows data on revenue and investments from 2007 to 2011.

Table 19: Data/Internet Revenue and Investment

Data/Internet Revenue and Investments*	2011**	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Data/Internet Revenue (KES Millions)	98,415	148,033	145,800	7,595	7,370	-33.5	-32.5	1195.8	1235.4
Data/Internet Investments (KES Millions)	26,456	29,361	53,870	1,171	833	-9.9	-50.9	2159.3	3076.0

Source: CCK, Operators' Returns. * Note that revenue in data market is not inclusive of data revenues from mobile sector. ** Provisional.

4 ELECTRONIC TRANSACTIONS

During the quarter under review, there were 24,983 active registered domain names up from 22,589 domain names registered during the previous period, representing an increase of 9.6 percent during the period. Compared to the same period of the previous year, an increase of 76.8 percent was recorded. The growth in the number of domain names is shown in Table 20.

Table 20: Number of Domain Names

Period	Dec12	Sep 12	Jun 12	Mar 12	Dec 11
Number of Domain Names registered	24,983	22,589	20,085	17,173	14,131
Variation (%)	9.6	12.5	17.0	21.5	9.9

Source: Kenya Network Information Centre (KeNIC)

5 BROADCASTING

At the end of June 2012, there were 99 radio and 16 television stations licensed to offer broadcasting services.

6 POSTAL AND COURIER SERVICE

6.1 Postal and Courier Traffic

A total of 17.3 million letters were sent during the quarter under review down from 17.7 million letters posted in the previous period. This represents a decline of 2.0 percent during the period and 11.8 percent drop compared to the same period the previous year.

Similarly, the number of courier items sent during the period declined by 1.4 percent to 175,982 down from 178,443 items the previous period. The number dropped to 178,443 items from 398,724 sent during the previous period, representing a 55.2 percent decline. Likewise, compared to the same period in the previous year, a decline of 54.3 percent was recorded.

On the other hand, the number of international incoming letters went up by 20.9 percent to reach 191,672 from 158,549 letters posted during the previous quarter. Compared to the same period of the previous year, an increase of 13.9 percent was recorded.

Similarly, the number of international outgoing letters increased by 18.1 percent from 1.6 million sent during the previous period to 1.9 million sent during the period under review. There was, however, decline in international outgoing traffic of 11.3 percent during the same period of the previous year.

The postal and courier traffic is shown in Table 21.

Table 21: Postal and Courier Traffic

Post and Courier Traffic	Oct-Dec 12	Jul-Sep 12	Quarterly Variation (%)	Oct-Dec 11	Quarterly Variation (%)
Number of Letters Posted Locally	17,386,730	17,733,334	-2.0	19,718,326	-11.8
Total Courier Items Sent Locally	175,982	178,443	-1.4	385,414	-54.3
International Incoming Letters	191,672	158,549	20.9	80,217	13.9
International Outgoing Letters	1,990,920	1,685,620	18.1	2,244,615	-11.3

Source: CCK, Operators' Returns

6.2 Number of Postal Outlets

The number of postal outlets went down by 4.9 percent during the period under review to reach 634 outlets up from 667 recorded in the previous period. Compared to the same period of the previous year, a decline of 8.1 percent was recorded. The number of postal outlets over the period is shown in Table 21.

Table 22: Number of Postal Outlets

Period	Dec12	Sep 12	Jun 12	Mar 12	Dec 11
Postal Outlets	634	667	667	690	690
Variation (%)	-4.9	0.0	-3.3	0	0

Source: CCK, Operators' Returns

6.3 Postal and Courier Revenue and Investment

Revenue and investment data for year 2012 will be updated once postal and courier operators file their audited accounts at the end of their respective financial years. However, where updates will be received before the end of the financial year, the data will be revised accordingly. Table 23 shows data on revenue and investments from 2007 to 2011.

Table 23: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	2011	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Revenue (KES Millions)	6,094	5,815	4,255	13,907	13,719	4.8	43.2	-56.2	-55.6
Investments (KES Millions)	222	335	558	798	521	-33.7	-60.2	-72.2	-57.4

Source: CCK, Operators' Returns

7 CONCLUSION

There has been remarkable growth in the ICT sector during the period driven largely by mobile voice and data services as demonstrated by the growing number of subscribers and mobile phone traffic. This growth is expected to be sustained but at a much lower pace. Mobile money transfer services continue to drive the usage of ICTs as seen by the high volume of financial transactions.

The data/internet market grew both in subscriptions and the number of internet users with the mobile data/internet segment posting the largest share. This is the sub-sector that provides the greatest opportunity to service providers considering the relatively low subscriber levels which promises a much more substantial growth rate compared to voice.

The total bandwidth available in the country stood at 906,186 Mbps with utilisation of 36.3 percent during the period. The creation of county governments and expected economic growth at the devolved levels should increase the use of ICTs and subsequent utilisation of available capacity.

The postal market is on a downward trend as evidenced by the decline in postal traffic of local letters sent and reduced number of postal outlets reported during the period. Deliberate measures such as national addressing system to facilitate delivery of letters to the doorsteps, diversification into financial services and wireless internet services across postal outlets among others could reverse this trend and revitalise the sector as happened in most developed countries.

Published: April, 2013

Author: CCK