FIRST QUARTER SECTOR STATISTICS REPORT FOR THE FINANCIAL YEAR 2015/2016
(JULY-SEPTEMBER 2015)

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

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LIST OF ABBREVIATIONS

ICTs	Information Communication Technologies
EASSy	Eastern Africa Submarine Cable Systems
EVDO	Evolution-Data Optimized
LION2	Lower Indian Ocean Network
GSM	Global Systems for Mobile Communications
Mbps	Megabits per second
MMS	Multimedia Service
MoU	Minutes of Use
MVNO	Mobile Virtual Network Operator
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
FY	Financial Year
OTT	Over-The-Top

I. PRELIMINARY NOTES

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

II. REPORT SUMMARY

The ICT Sector Quarterly Statistics Report for the first quarter of the Financial Year 2015/16 (Q1 FY 2015/16) provides an overview on the performance and development trends in the ICT sector in the following service categories:

- *Mobile Telephony Service*
- *Fixed Telephony Service*
- *Internet/Data Service*
- *Registered Domains and;*
- *Postal and Courier Service*

In mobile telephony, the number of subscriptions grew by 4.7 percent to reach 37.8 million up from 36.1 million registered during the previous quarter. Subsequently the growth in mobile penetration grew by 4.2 percentage points from 83.9 percent during the previous quarter to 88.1 percent during the quarter under review.

Pre-paid subscriptions continued to dominate the mobile telephony sector with the quarter in review recording 36.8 million representing 97.3 percent of the total subscriptions. Post-paid subscriptions on the other hand grew to 989,889 up from 963,684 subscriptions registered during the previous quarter.

Local mobile traffic stood at 10.8 billion minutes up from 9.2 billion minutes posted during the previous quarter, representing growth of 18.2 percent. This was as a result of special offers and promotions carried out by the operators during the quarter under review. On net traffic contributed 88.9 percent of the total traffic to post 9.6 billion up from 7.9 billion minutes posted during the previous quarter. Similarly, each subscriber talked for an average of 95.8 minutes per month during the quarter up from 84.9 minutes recorded during the previous quarter.

The volume of SMS sent during the quarter stood at 7.0 billion up from 6.5 billion recorded during the previous quarter representing growth of 7.7 percent during the quarter. Each subscriber sent an average of 61 messages per month.

Mobile money transfer service continued to record steady growth due to its increasing popularity and convenience in usage. During the quarter under review, the number of mobile money transfer subscriptions rose by 3.0 percent to 28.7 million up from 27.7 million recorded during the previous period. The number of mobile money agents on the other hand grew to 135,724 up from 129,357 agents posted during the previous quarter.

The fixed network service has continued to record a downward trend to post 87,111 lines down from 87,774 lines recorded during the previous period, representing a decline of 0.7 percent during the *period under review. This number comprised of fixed line subscriptions only since Telkom Kenya de-commissioned its CDMA network.*

The Internet/data market has maintained an upward trend with the quarter under review registering 21.6 million up from 19.9 million subscriptions recorded last quarter. Similarly, the estimated number of Internet users stood at 31.9 million up from 29.6 million users estimated during the previous quarter. Subsequently, the population that had access to Internet services reached 74.2 per 100 inhabitants up from 69.0 per 100 inhabitants recorded during the previous quarter.

The number of broadband subscriptions increased by 19.3 percent to reach 6.3 million up from 5.3 million subscriptions recorded during the previous quarter marking a penetration level of 14.7 per cent.

During the quarter under review, international bandwidth available in the country dropped by 7.2 percent to stand at 1.5 million Mbps down from 1.6 million Mbps recorded during the last quarter. Thus bandwidth utilisation represented 51.1 percent of the total capacity up from 47.2 percent recorded during the previous quarter.

By the end of the quarter in review, the number of registered domain names rose to 46,411up from 39,386 domain names registered in the previous quarter representing growth of 17.8 percent.

In the postal and courier sector, the number of letters sent locally declined significantly by 17.2 percent to register 12.9 million down from 15.6 million letters sent during the previous quarter.

International incoming letters increased by 10.8 percent to post 2.4 million letters up from 2.2 million letters received during the previous quarter. Similarly, international outgoing letters increased to 1.37 million up from 1.35 million letters sent during the previous quarter.

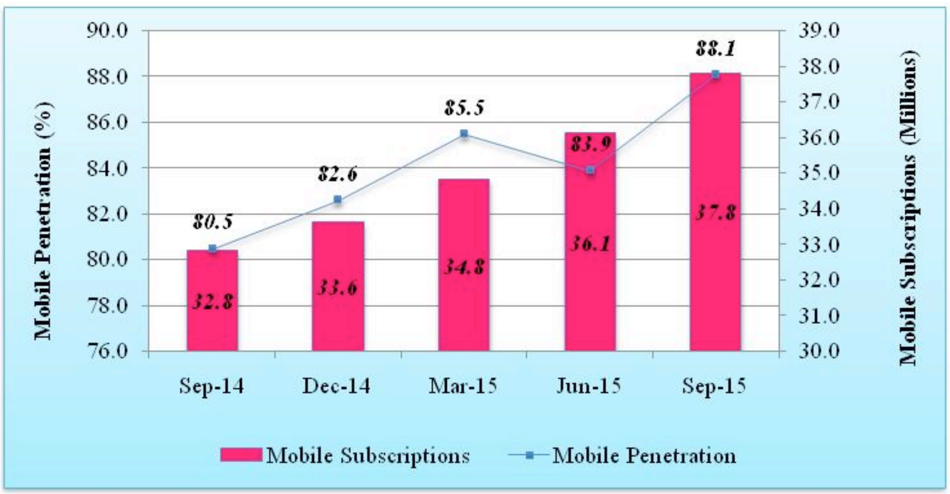
1  CELLULAR MOBILE SERVICES

1.1 Mobile Subscriptions

The mobile market in the country has maintained an upward trend with the quarter under review recording an increase of 4.7 percent in the number of mobile subscriptions to stand at 37.8 million up from 36.1 million subscriptions posted last quarter. Subsequently, mobile penetration grew from 83.9 percent recorded last quarter to 88.1 percent during the period under review.

Figure 1 illustrates the trends in mobile subscriptions and mobile penetration levels.

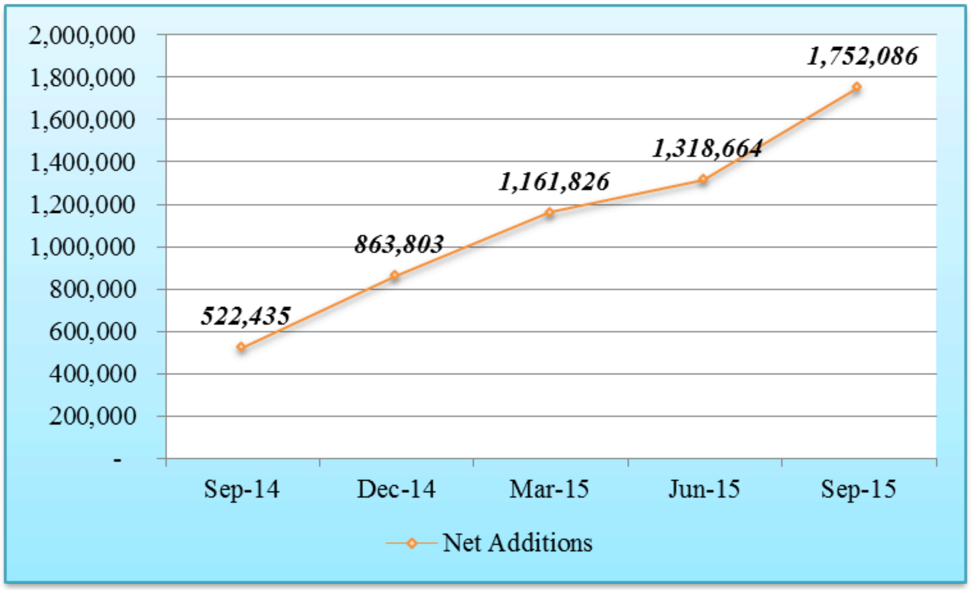
Figure 1: Mobile Subscriptions



Source: CA, Operators' Returns, *Population figure used to compute for penetration is 43.0 million as per the Economic Survey 2015

As illustrated in Figure 2, there were over 1.7 million new mobile subscriptions during the quarter under review marking a 32.9 per cent increase when compared to the previous quarter and a 300-fold increase when compared to the same period of the previous year.

Figure 2: Net additions in Mobile Subscriptions

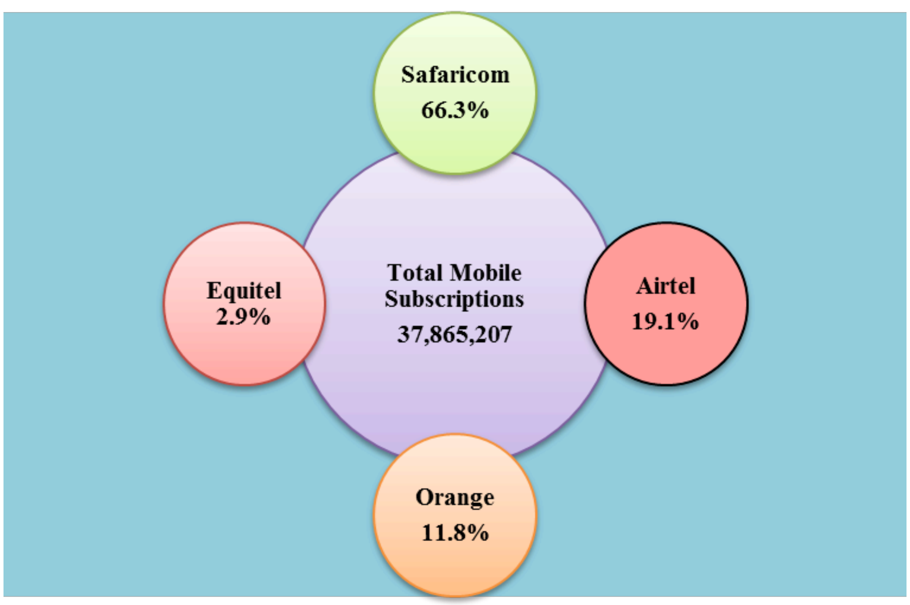


Source: CA, Operators' Returns

Safaricom Limited recorded a market share of 66.3 per cent which is a 1.7 per cent decline from last quarter's 67.0 per cent. Airtel also lost its market share by 0.3 percentage points to stand at 19.1 per cent. Orange Kenya and Equitel (Finserve Africa Limited) on the other hand gained market shares to stand at 11.8 per cent and 2.9 per cent respectively.

The market shares for mobile subscriptions market shares per operator are as shown in Figure 3.

Figure 3: Market Share for Mobile Subscriptions per operator



Source: CA, Operators' Returns

Despite losing its market share, Safaricom Limited gained 3.8 percent in the number of mobile subscriptions to stand at 25.1 million subscriptions during the period under review,. Pre-paid subscriptions grew from 23.3 million posted last quarter to 25.1 million subscriptions during the quarter under review. Similarly, Post-paid subscriptions increased from 805,651 to 833,818 subscriptions during the quarter under review.

Airtel Network Limited also gained subscriptions to stand at 7.2 million up from 6.8 million subscriptions reported in the previous quarter. Pre-paid and post-paid subscriptions stood at 7.1 million and 146,873 subscriptions respectively.

Finserve Africa Limited gained by 24.3 per cent to record 1,085,869 total subscriptions all of which are on pre-paid.

The total number of subscriptions from Orange Kenya increased from 4.0 million reported last quarter to 4.4 million subscriptions during the quarter under review. Its pre-paid subscriptions increased from 4.0 million to 4.4 million subscriptions whereas and post-paid subscriptions dropped from 11,264 to 9,198 subscriptions during the quarter under review.

The number of pre-paid and post-paid subscriptions by operator is as indicated in Table 1.

Table 1: Mobile Subscription per operator

Name of operator	*Sep-15*			*Jun-15*			*Quarterly variation (%)*
	Pre-paid	**Post-paid**	**Total**	**Pre-paid**	**Post-paid**	**Total**	
Safaricom Limited	24,261,908	833,818	25,095,726	23,378,252	805,651	24,183,903	3.8
Airtel Networks Limited Subscriptions	7,067,283	146,873	7,214,156	6,855,695	146,769	7,002,464	3.0
Finserve Africa (Equitel)	1,085,869	-	1,085,869	873,643	-	873,643	24.3
Telkom Kenya(Orange)	4,460,258	9,198	4,469,456	4,041,847	11,264	4,053,111	10.3
Total	**36,875,318**	**989,889**	**37,865,207**	**35,149,437**	**963,684**	**36,113,121**	**4.9**

Source: CA, Operators' Returns

1.2 Mobile Money Transfer

The total number of mobile money transfer subscriptions grew by 3.0 per cent to stand at 28.7 million during the quarter under review up from 27.7 million subscriptions posted in the previous quarter. The net gainers within the quarter were M-Pesa, Equitel Money and Mobikash by 3.7, 24.3 and 2.3 percent respectively. Airtel Money and Orange Money lost by 0.2 percent and 0.6 percent respectively.

The total number of active mobile money transfer agents stood at 135,724 during the quarter up from 129,357 active agents reported during the last quarter**.**

The number of mobile money transfer subscriptions and active agents per operator is as shown in Table 2.

Table 2: Mobile Money Transfer Service

Service Provider	*Sep-15*		*Jun-15*		*Quarterly Variation (%)*
	Agents	*Subscriptions*	*Agents*	*Subscriptions*	*Subscriptions*
Safaricom (M-Pesa)	91,246	22,127,622	87,119	21,338,328	3.7
Airtel (Airtel Money)	9,986	3,114,956	9,857	3,119,812	-0.2
Orange (Orange Money)	16,734	191,300	15,984	192,531	-0.6
Finserve (Equitel Money)	-	1,085,869	-	873,643	24.3
Mobikash	16,162	1,754,117	14,801	1,714,170	2.3
*Tangaza**	1,596	503,556	1,596	503,556	0.0
Total	**135,724**	**28,777,420**	**129,357**	**27,742,040**	**3.0**

Source: CA, Operators' Returns *Provisional data

1.3 Mobile Number Portability

Table 3 shows that the number of mobile in-ports dropped significantly by 48.4 percent to stand at 461 in-ports during the period under review.

Table 3: Mobile Number Portability

Period	*Jul-Sep 15*	*Apr-Jun 15*	*Quarterly Variation (%)*	*Jul-Sep 14*
Number of in-ports	461	894	-48.4	254

Source: CA, Operators' Returns

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

During the period under review, local outgoing mobile voice traffic grew by 18.2 per cent to register 10.8 billion up from 9.2 billion minutes registered during the previous quarter.

On net mobile voice traffic grew significantly by 20.9 per cent to record 9.6 billion up from 7.9 billion minutes reported in the previous quarter. This marked an increase of 39.1 percent when compared to the same period of the previous year.

Similarly, off net local mobile voice traffic grew by 0.5 percent during the quarter under review to post 1.21 billion minutes up from 1.20 billion minutes posted during the previous quarter. Compared to the same quarter of the previous period, off net traffic has grown by 16.5 percent.

Mobile to fixed local traffic declined by 4.7 percent during the quarter under review to post 19.8 million minutes down from 20.8 million minutes posted during the previous period.

The trend in local mobile voice traffic is summarized in Table 4.

Table 4: Local Mobile Voice Traffic in Minutes

Mobile Traffic	*Jul-Sep 15*	*Apr-Jun 15*	*Quarterly Variation (%)*	*Jul-Sep 14*
Own Network –Own Network	9,644,089,586	7,977,003,735	20.9	6,982,752,707
Own Network to Other Mobile Networks	1,212,873,879	1,206,833,769	0.5	1,040,994,283
Mobile Network to Fixed Network	19,847,086	20,818,561	-4.7	25,186,545
Total Traffic Origination (Outgoing)	**10,876,810,551**	**9,204,656,065**	**18.2**	**8,048,933,535**
By Traffic terminating (incoming traffic)				
Own Network –Own Network	9,644,089,586	7,977,003,735	20.9	6,982,752,707
Other Mobile Networks to Own Network	1,128,846,645	1,298,548,500	-13.1	1,101,158,635
Fixed Network to Mobile Network	22,677,742	32,176,009	-64.7	24,075,758
Total traffic termination (Incoming)	**10,784,305,834**	**9,307,728,244**	**15.9**	**8,107,987,100**

Source: CA, Operators' Returns,

The total incoming local mobile voice traffic grew by 15.9 percent during the quarter under review to post 10.7 billion minutes up from 9.3 billion minutes posted last quarter. This marked an increase of 2.5 billion minutes when compared to the traffic recorded during the same quarter of the previous year.

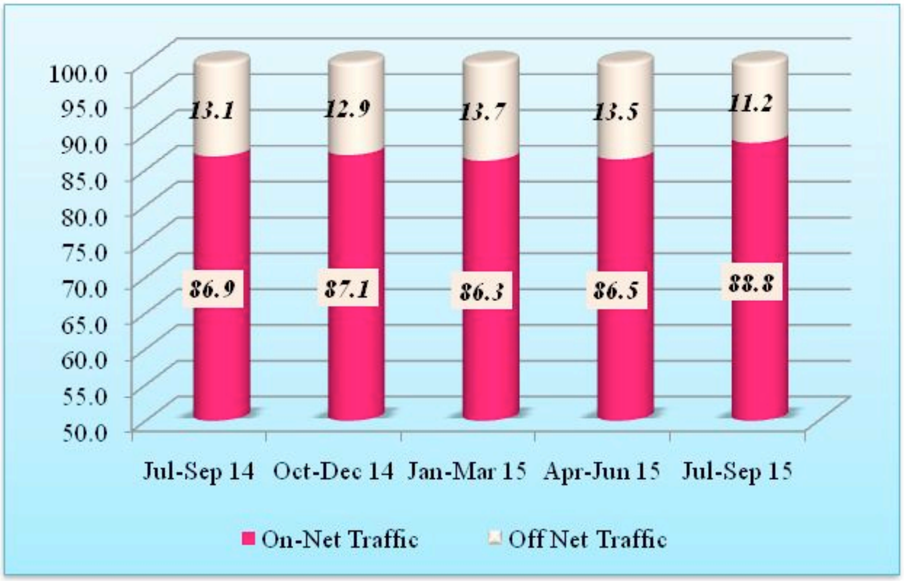
The incoming traffic from other mobile networks declined by 13.1 percent to stand at 1.1 billion down from 1.2 billion minutes posted during the last quarter.

Fixed network to mobile network voice traffic declined significantly by 64.7 percent during the quarter under review to stand at 22.6 million minutes down from 32.1 million minutes recorded in the previous quarter. This decline is as a result of a reduction in the number of fixed network connections following the shutdown of the expansive fixed wireless network by Telkom Kenya Limited earlier in the year.

On-net mobile voice traffic has maintained a significant proportion of the total local mobile voice traffic during the quarter under review. The proportion of on-net traffic gained by 2.3 percentage points to post at 88.8 percent up from 86.5 percent recorded during the previous quarter whereas off-net traffic dropped by the same margin to post a proportion of 11.2 per cent. Compared to the same period of the previous year, an increase of 1.9 percent was realised for both on-net and off-net mobile voice traffic.

The proportion of on-net and off-net traffic to total mobile voice traffic is as shown in Figure 4.

Figure 4: Proportion of On-net and Off-net Voice Traffic



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

During the quarter under review, Safaricom Networks Limited gained 7.1 percent market share for local mobile voice traffic to stand at 75.9 percent up from 68.8 percent market shares posted during the last quarter. Its total traffic volume stood at 8.2 billion during the quarter up from 6.3 billion minutes recorded in the previous quarter.

Airtel Kenya Limited experienced a decline in total local mobile voice traffic to post 1.7 billion minutes down from last quarter's 1.8 billion minutes. Subsequently, its market share dropped by 4.0 percent to stand at 16.2 during the period under review.

Telkom Kenya Limited (Orange) experienced a decline in local mobile voice traffic to register 824 million minutes down from 992 million minutes registered in the last quarter. Consequently, its market share declined to stand at 7.6 percent during the period under review.

Finserve Africa Limited registered total traffic of 25.2 million minutes during the quarter up from 22.5 million minutes registered during the previous period. Unlike the trends exhibited by other mobile operators where on-net traffic is usually higher than off-net traffic, Finserve Africa recorded on-net traffic of 3.2 million and off-net traffic of 22.0 million minutes. However, the market share remained unchanged at 0.2 percent.

The traffic volumes for each of the mobile operators and the respective market shares are shown in Table 5.

Table 5: Local Mobile Voice Traffic by Operator

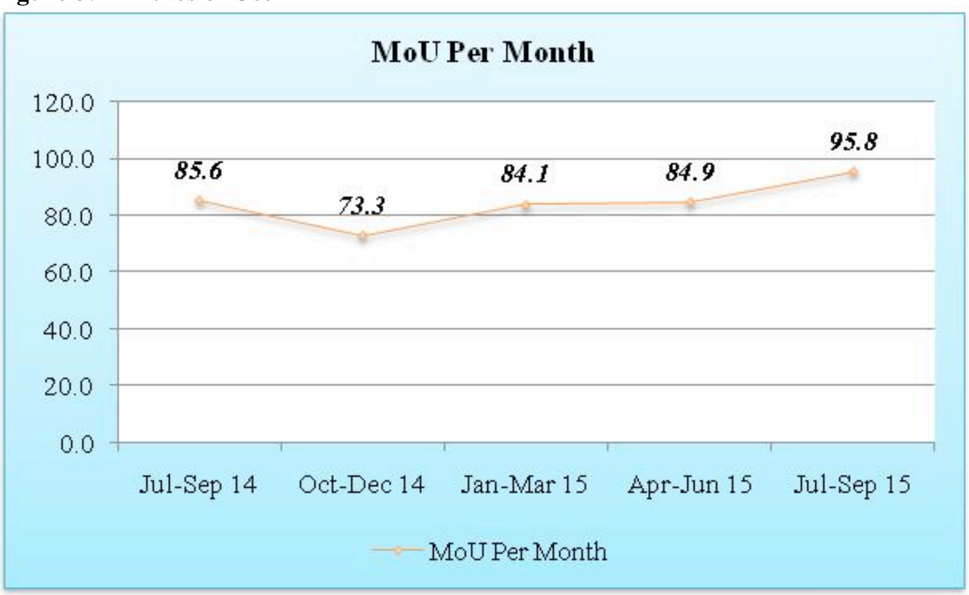
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Yu (Essar Telekom Ltd)*	*Telkom Kenya Limited (Orange)*	*Equitel (Finserve)*
Jul-Sep15	*On-net*	7,924,904,054	1,129,950,000	-	586,007,664	3,227,868
	Off-net	322,808,398	630,047,600	-	238,001,612	22,016,269
	Total	**8,247,712,452**	**1,759,997,600**	**-**	**824,009,276**	**25,244,137**
	Market share (%)	75.9	16.2	0.0	7.6	0.2
Apr-Jun 15	*On-net*	6,025,185,391	1,178,167,960	-	770,810,208	2,840,176
	Off-net	289,155,724	676,085,401	-	221,847,374	19,745,270
	Total	**6,314,341,115**	**1,854,253,361**	**-**	**992,657,582**	**22,585,446**
	Market share (%)	68.8	20.2	-	10.8	0.2
Jul-Sep 14	*On-net*	5,776,207,251	580,613,648	390,110,068	235,821,740	-
	Off-net	305,897,507	499,801,053	139,676,505	120,805,763	-
	Total	**6,082,104,758**	**1,080,414,701**	**529,786,573**	**356,627,503**	**-**
	Market Share (%)	75.6	13.4	6.6	4.4	-

Source: CA, Operators' Returns,

1.4.3 Minutes of Use

As illustrated in Figure 5, the Minutes of Use (MoU) per month per subscriber increased to 95.8 minutes during the quarter under review up from 84.9 minutes registered in the previous quarter. This represented a growth of 10.2 minutes compared to the same period of the previous year.

Figure 5: Minutes of Use



Source: CA, Operators' Returns

1.4.4 Short Messaging Service

The total number of outgoing SMS has maintained an upward trend regardless of the stiff competition from Over-The-Tops (OTTs). During the quarter under review, the volume of local SMS stood at 7.0 billion up from 6.5 billion messages reported during the last quarter.. This could be as a result of the provision of lucrative SMS bundles by the mobile operators.

SMS traffic by Safaricom Limited grew to 6.3 billion up from 5.9 billion messages sent during the previous reporting period. Its SMS market share declined to 89.6 percent down from last quarters 90.3 percent.

Airtel posted 612 million messages up from 527 million messages posted during the previous quarter. Similarly, its SMS market share stood at 8.7 percent up from 8.0 percent registered in the previous period.

Telkom (Orange) experienced an increase in SMS volume during the quarter to post 112.7 million messages up from 104.6 million messages posted during last quarter. Its market share remained unchanged at 1.6 percent. Equitel Limited recorded a significant decline of 24.6 percent in the number of SMS to register 4.6 million down from 6.1 million messages registered during the previous quarter. The market share remained unachnged at 0.1 percent.

Volume of SMS and the corresponding market share per operator is as shown in Table 6.

Table 6: Short Messaging Service per Operator

Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*	*Equitel (Finserve Limited)*	*Total SMS*
Jul-Sep 15	*On-net*	6,189,714,008	375,059,234	-	29,043,390	379,390	**6,594,196,022**
	Off-net	119,432,729	236,967,500	-	83,708,096	4,245,852	**444,354,177**
	Total	**6,309,146,737**	**612,026,734**	**-**	**112,751,486**	**4,625,242**	**7,038,550,199**
	Market Share (%)	89.6	8.7	-	1.6	0.1	
Apr-Jun 15	*On-net*	5,817,363,914	310,341,586	-	27,521,437	735,070	**6,155,962,007**
	Off-net	116,245,827	217,033,444	-	77,163,664	5,356,337	**415,799,272**
	Total	**5,933,609,741**	**527,375,030**	**-**	**104,685,101**	**6,091,407**	**6,571,761,279**
	Market Share (%)	90.3	8.0	-	1.6	0.1	
Jul-Sep 14	*On-net*	6,384,311,129	283,082,911	3,977,005	10,705,526	-	**6,682,076,301**
	Off-net	118,796,898	102,233,967	32,523,531	29,605,763	-	**283,160,159**
	Total	**6,503,108,027**	**385,316,878**	**36,500,536**	**40,311,019**	**-**	**6,965,236,460**
	Market Share (%)	93.4	5.5	0.5	0.6	-	

Source: CA, Operators' Returns,

1.4.5 Roaming Traffic

During the quarter under review, Roaming-out[1] voice traffic was recorded at 41.2 million minutes with roaming traffic within EAC countries contributing 31.7 million minutes while non-EAC countries contributed 9.2 million minutes. In the same way, the total number of roaming-out messages increased to 9.9 million with EAC countries contributing 5.2 million messages. The total roaming out data capacity stood at 3.0 million MB.

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

2 Roaming-in is traffic originated and terminated by foreign subscribers as users of local network.

Roaming-in[2] voice traffic registered a total of 37.6 million minutes during the period under review with EAC countries contributing 22.6 million minutes and non-EAC countries contributing 14.7 million minutes. Similarly, the total number of roaming-out messages was recorded at 7.7 million with EAC countries contributing 2.4 million and countries from other regions 5.0 million messages. The roaming-in data traffic stood at 6.6 million MB.

The increase in roaming traffic could as a result of the visit by the United States of America president who was accompanied by heavy foreign delegation during the period under review.

The data on roaming traffic is indicated in Table 7.

Table 7: Roaming Traffic

Name of Country	*Jul-Sep 15*					
	Roaming Out (Own Subscribers)			*Roaming In (Foreign Subscribers)*		
	Voice	**SMS**	**Data (MB)**	**Voice**	**SMS**	**Data (MB)**
Uganda	22,834,153	2,773,668	578,735	8,821,243	523,193	274,302
Tanzania	5,486,743	1,649,657	812,250	5,474,059	1,676,325	586,822
Rwanda	2,437,670	310,328	161,223	4,373,459	141,781	161,854
Burundi	24,461	31,334	221	33,723	5,542	1
S. Sudan	921,525	456,379	5,364	3,961,825	86,041	233
Sub-Totals	**31,704,552**	**5,221,366**	**1,557,793**	**22,664,309**	**2,432,882**	**1,023,212**
Others	9,277,145	4,849,134	1,471,773	14,784,361	5,035,979	5,870,475
Totals	**41,212,404**	**9,922,165**	**3,034,477**	**37,668,991**	**7,769,351**	**6,639,582**

Source: CA, Operators' Returns.

1.4.6 International Mobile Traffic

International incoming voice traffic grew significantly to stand at 158.7 million down from last quarter's 160.4 million minutes. Traffic within the EAC region grew to 54.2 million minutes up from 47.5 million minutes whereas traffic from non-EAC countries declined from 112.9 minutes recorded last quarter to 104.5 million minutes during the quarter under review.

International outgoing traffic increased by 7.8 percent to register 126.3 million up from 117.1 million minutes registered during the last quarter. Traffic within the EAC region grew significantly by 21.1 percent to post 41.9 million up from 34.6 million minutes posted in the previous quarter while that outside EAC was registered at 84.4 million minutes.

The total international incoming messages stood at 40.5 million during the quarter up from 39.7 messages received in the previous quarter.

The total number of messages sent to other countries was recorded at 9.7 million up from 9.2 million messages sent last quarter. International Voice and SMS traffic is as indicated in Table 8.

Table 8: International mobile traffic

Traffic	*Region*	*Jul-Sep 15*	*Apr-Jun 15*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	*EAC*	54,225,909	47,519,650	14.1
	Others	104,550,002	112,938,085	-7.4
	Total	158,775,911	160,457,735	-1.0
International Outgoing Mobile Minutes	*EAC*	41,927,278	34,626,456	21.1
	Others	84,425,407	82,543,047	2.3
	Total	126,352,685	**117,169,503**	7.8
International Incoming Mobile SMS		40,516,323	39,757,691	1.9
International Outgoing Mobile SMS		9,772,273	9,242,962	5.7

Source: CA, Operators' Returns.

1.5 Mobile Revenue and Investments

The data on mobile revenue and investments will be updated at the end of the 2015/16 financial year. Figures below indicate the status as at 30th June 2015.

Table 9: Mobile Revenue and Investment

*Mobile Revenues and Investments**	*2014***	*2013***	*2012***	*2011*	*2010*	*Variation (%) Over 2013*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*
Mobile Revenue (KES Millions)	172,501	140,233	133,508	116,640	104,552	23.0	5.0	14.5	11.6
Mobile Investments (KES Millions)	32,133	30,387	33,827	34,590	27,126	5.7	-10.2	-2.2	27.5

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

1.6 Employment in the Mobile Service Industry

Data on the number of staff will be updated at the end of the 2015/16 Financial Year. Figures below indicate the status as at 30th June 2015.

Table 10: Staff in Mobile Sector

Staff	Jun - 15	Jun-14	Jun-13	Jun-12	Jun-11	Jun-10	Variation (%) Over 2014	Variation (%) Over 2013	Variation (%) Over 2012	Variation (%) Over 2011	Variation (%) Over 2010
Male Staff	3,549	3,795	3,535	3,489	3,769	3,817	-6.5	7.4	1.3	-7.4	-8.6
Female Staff	2,598	2,644	2,082	2053	2058	2,052	-1.7	27.0	1.4	-0.2	-0.05
Total Staff	**6,147**	**6,439**	**5,617**	**5,542**	**5,827**	**5,869**	**-4.5**	**14.6**	**1.4**	**-4.9**	**-5.6**

Source: CA, Operators Returns, (*) includes Telkom Fixed Network

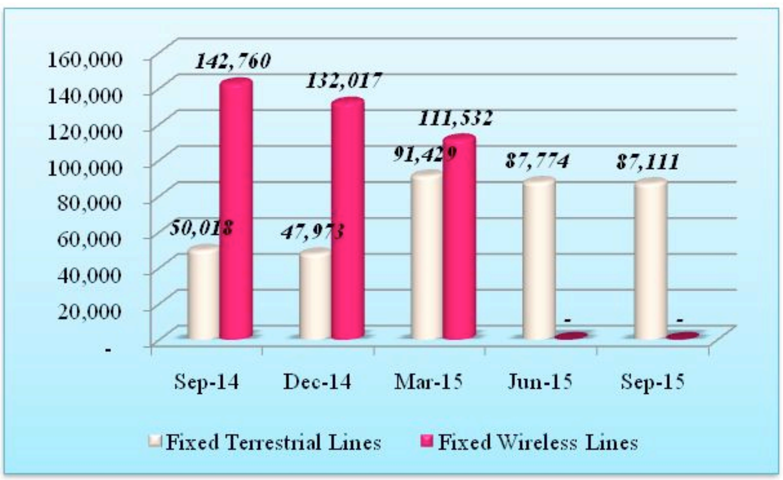
2  FIXED TELEPHONE SERVICE

2.1 Fixed Network Subscriptions

Fixed network maintained a downward trend during the quarter to post 87,111 fixed line subscriptions down from 87,774 subscriptions registered during the previous quarter. The sharp decline was mainly as a result of the de-commissioning of Telkom Kenya’s CDMA network last quarter.

The trend in fixed network subscriptions is illustrated in Figure 6.

Figure 6: Fixed Network Subscriptions



Source: CA, Operators Returns.

2.2 Fixed Network Traffic

During the period under review, the volume of fixed network traffic declined drastically to register 542,722 minutes down from 18.7 million minutes registered during the previous quarter. This sharp decline in fixed network traffic is as a result of the decommissioning of Telkom Kenya’s fixed wireless network early last quarter. Nonetheless, on-net traffic on the fixed line service grew by 67.1 percent when compared to the previous period.

Table 11 illustrates the trend in fixed network traffic.

Table 11: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	Jul-Sep 15	Apr-Jun 15	Quarterly Variation (%)	Jul-Sep 14
Intra-network traffic				
Fixed-fixed	542,722	324,869	67.1	404,726
Fixed Wireless-fixed wireless	0	588,128	0	5,501,122
Inter-network traffic				
Inter-Fixed Networks	0	17,789,118	0	26,483,787
Total Local Fixed network traffic	**542,722**	**18,702,115**	**-3,345**	**32,389,635**

Source: CA, Operators' Returns

International incoming fixed line traffic grew by 0.92 per cent during the quarter to post 2.32 million from 2.30 million minutes posted last quarter.

Similarly, international outgoing fixed line traffic decreased by 14.5 percent to post 2.2 million during the quarter down from 2.6 million minutes reported during the previous quarter.

The trend in international fixed network traffic is illustrated in Table 12.

Table 12: International Fixed Voice Traffic

International Fixed Network traffic	Jul-Sep 15	Apr-Jun 15	Quarterly Variation (%)	Jul-Sep14
International Incoming Fixed Network Voice traffic	2,321,498	2,300,271	0.92	3,148,409
International Outgoing Fixed Network Voice traffic	2,263,843	2,647,893	-14.5	3,888,936

Source: CA, Operators Returns.

3  DATA/INTERNET SERVICES

3.1 Data/Internet Service

The data/internet market in the country has maintained an upward trend following increased demand for Internet services and reduced cost of Internet enabled devices. The quarter under review registered a growth of 8.5 percent in internet/data subscriptions to stand at 21.6 million up from 19.9 million subscriptions recorded in the previous quarter. Subsequently, the number of estimated internet/data users grew by 7.8 percent to stand at 31.9 million users.

Mobile data/internet subscriptions contributed 99 per cent of the total Internet subscriptions with the quarter under review registering 21.5 million subscriptions.

During the quarter under review, terrestrial wireless data/internet subscriptions declined by 25.3 percent to post 13,221 subscriptions down from 17,721 subscriptions posted last quarter. This remarkable decline could be as a result of the the ongoing migration of wireless customers to fiber network by some operators.

Similarly, Satellite subscriptions increased by 13.4 percent to stand at 720 up from 635 recorded in the last quarter.

The number of fixed DSL data/internet subscriptions declined by 3.7 per cent to stand at 2,500 down from 2,597 subscriptions reported in the previous quarter.

The growth in fibre optic subscriptions has remained steady over time with the quarter under review registering 100,192 subscriptions up from 93,598 subscriptions recorded during the previous quarter representing an increase of 7.0 percent during the period under review.

The trend in data/internet subscriptions is as indicated in Table 13.

Table 13: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Sep-15*	*Jun-15*	*Quarterly Variation (%)*	*Sep-14*
Total Internet Subscriptions	**21,628,271**	**19,924,285**	**8.5**	**14,845,967**
Mobile Data Subscriptions	21,511,638	19,809,709	8.6	14,745,836
Terrestrial Wireless Data Subscriptions	13,221	17,721	-25.3	16,999
Satellite Data Subscriptions	720	635	13.4	598
Fixed DSL Data Subscriptions	2,500	2,597	-3.7	12,394

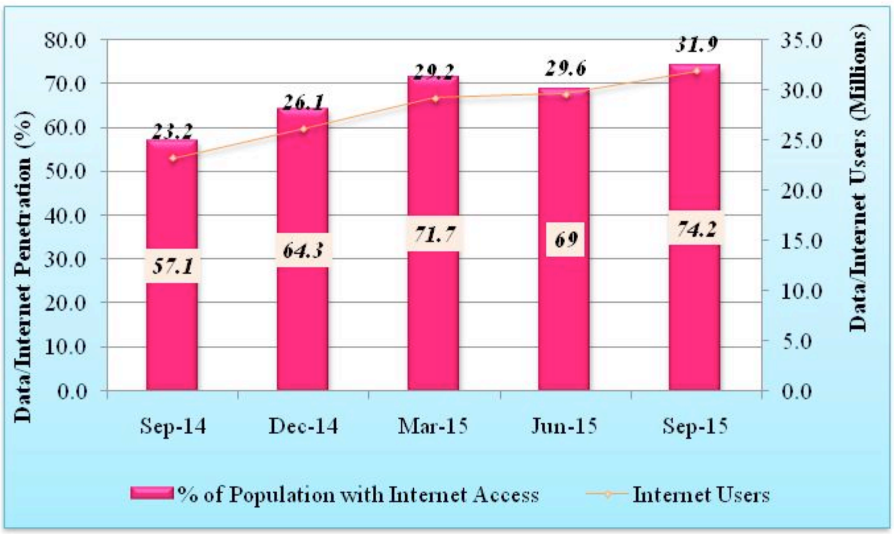
Fixed Fibre Optic Data Subscriptions	100,192	93,598	7.0	70,115
Fixed Cable Modem Subscriptions	25	25	0.0	25
Estimated Internet Users[3]	**31,985,048**	**29,672,419**	**7.8**	**23,229,026**

Source: CA, Operators' Returns

During the quarter under review internet/data penetration was recorded at 74.2 per cent up from 69.0 per cent recorded during the previous quarter.

The trends on internet/data usage and penetration are as demonstrated in Figure 7.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CA, Operators' Returns.

Safaricom Kenya Limited recorded the largest market share of 64.1 percent for mobile data/internet subscriptions to stand at 13.8 million subscriptions during the period under review.

Airtel Networks Limited registered 3.7 million subscriptions and a market share of 17.5 per cent.

Orange recorded 2.8 million subscriptions and acquired a market share of 13.4 per cent, while Finserve Africa Limited recorded 1.0 million subscriptions equivalent of 5.0 percent market shares.

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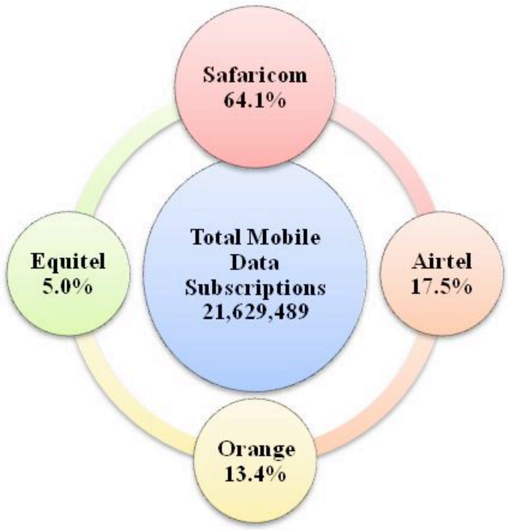
[3] Internet users is estimated by multiplying by 1 the number of mobile data/Internet subscriptions, by 10 terrestrial wireless subscriptions and by 100 fixed DSL, fibre optic and satellite subscriptions. There is no scientific method of estimating Internet users; for the purpose of this report the methodology adopted is borrowed from the Internet Market Study 2006. The multiplier of 2 for mobile data/Internet users has been adjusted to1 as per the ITU recommendations.

The market shares for mobile data/Internet market by operator are shown in Figure 8.

Figure 8: Mobile data/Internet Subscriptions



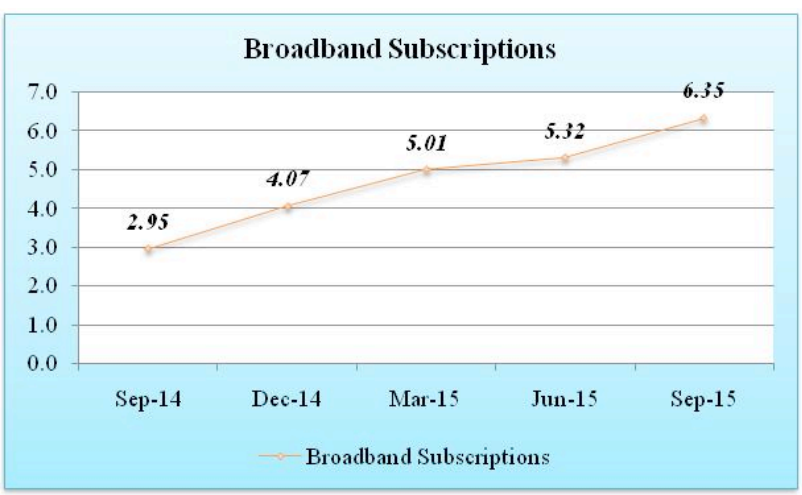
Source: CA, Operators' Returns

3.2 Broadband Services

3.2.1 Data / internet broadband subscriptions

Figure 9 indicates that the number of broadband subscriptions grew by 19.3 percent during the quarter to reach 6.35 million up from 5.32 million subscriptions reported during the previous quarter marking a penetration level of 14.7 percent. Mobile broadband subscriptions form 99 percent of the total broadband subscriptions.

Figure 9: Broadband Subscriptions



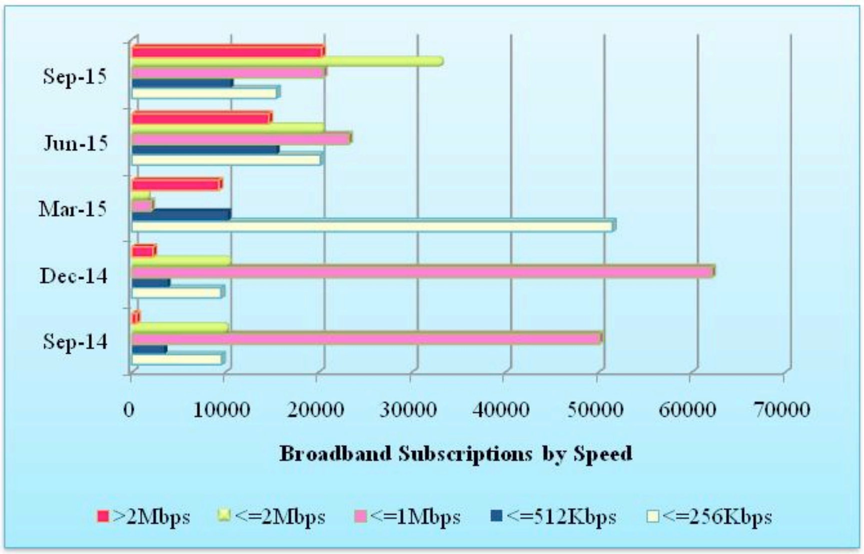
Source: CA, Operators' Returns

3.2.2 Broadband subscriptions by Speed

As illustrated in Figure 10, broadband speeds less than or equal to 2Mbps recorded the highest numbers of subscriptions while those less than or equal to 256 Kbps recorded the least number of subscriptions.

The number of broadband subscriptions by speeds is illustrated in Figure 10.

Figure 10: Broadband Subscriptions By Speed



Source: CA, Operators' Returns.

3.3 International Bandwidth

The total international bandwidth available in the country (Lit/equip capacity) dropped by 7.2 percent to reach 1,548,621 Mbps down from 1,668,561 Mbps recorded in the previous quarter.

Satellite capacity increased by 25.3 percent to reach 348.2 Mbps up from 278 Mbps recorded during the previous quarter.

The trend on international available bandwidth is as shown in Table 14.

Table 14: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Sep-15*	*Jun-15*	*Quarterly Variation (%)*	*Sep-14*
SEACOM	770,000	770,000	0	565,440
TEAMS	700,000	820,000	-14.60	119,970
Telkom Kenya Limited (EASSY)	39,063	39,063	0.00	120,880
Lion 2	39,210	39,220	-0.03	40,960
Satellite Internet Bandwidth	348.2	278.0	25.3	265.6
Total International Internet Bandwidth (Mbps)	**1,548,621**	**1,668,561**	**-7.2**	**847,515.6**

Source: CA, Operators' Returns

The total used international Internet bandwidth grew by 0.5 per cent to reach 792,610.9 Mbps during the quarter under review. The undersea cable used bandwidth grew by 0.5percent to reach 792,300 Mbps up from 788,300 Mbps recorded last quarter.

Satellite used bandwidth grew significantly by 68.3 per cent to stand at 310.9 Mbps up from 184.78 Mbps recorded during the previous period.

The trend in international used bandwidth is shown in Table 15.

Table 15: International Internet Used Bandwidth (Mbps)

International Leased (Used) Bandwidth	*Sep-15*	*Jun-15*	*Quarterly Variation (%)*	*Sep-14*
International Undersea Internet Connectivity Bandwidth (Mbps)	792,300.00	788,300.00	0.5	477,854.00
International Satellite Internet Connectivity Bandwidth	310.90	184.78	68.3	220.00
Total International Internet Connectivity Bandwidth (Mbps)	**792,610.90**	**788,484.78**	**0.5**	**478,074.00**

Source: CA, Operators' Returns;

3.4 Registered Domain Names

The number of .KE domain names as at September 2015 was recorded at 47,704 as shown in Table 16.

Table 16: Number of Domain names

		Sep-15		*Jun-15*	
Sub-Domain	**Use**	**No. of Domains**	**Percentage (%)**	**No. of Domains**	**Percentage (%)**
CO.KE	Companies	42,927	92.49	36,409	92.44
GO.KE	Government Entities	329	0.71	308	0.78
OR.KE	Non Profit Making Organizations	1,462	3.15	1,284	3.26
AC.KE	Institutions of Higher Education	843	1.82	812	2.06
SC.KE	Lower and Middle Level Institutions	281	0.61	101	0.26
NE.KE	Personal Websites and E-mail	112	0.24	74	0.19
ME.KE	Personal Websites and E-mail	299	0.64	257	0.65
MOBI.KE	Mobile Content	49	0.11	43	0.11
INFO.KE	Information	109	0.23	98	0.25

Source: Kenya Network Information Centre (KeNIC) - www.kenic.or.ke

Total	**46,411**	**100**	**39,386**	**100**

3.5 Revenue and Investment in the Data/Internet Market

Data on revenues and investments will be updated at the end of the 2015/16 financial year. Figures below indicate the status as at 30th June 2015.

Table 17: Data/Internet Revenue and Investment

Data/Internet Revenue and Investments	***2014****	***2013***	***2012***	***2011***	***2010***	***Variation (%) Over 2013***	***Variation (%) Over 2012***	***Variation (%) Over 2011***	***Variation (%) Over 2010***
Data/Internet Revenue (KES Millions)	10,158	21,941	25,627	13,710	8,659	-53.7	-14.4	86.9	58.3
Data/Internet Investments (KES Millions)	3,440	3,537	6,115	5,079	3,520	-2.7	-42.2	20.4	44.3

***Source:** CA, Operators' Returns. * Note that revenue and investments in data market excludes data revenues from the mobile sector*

4  POSTAL AND COURIER SERVICES

4.1 Postal and Courier Traffic

During the quarter under review, the number of letters posted locally dropped by 17.2 per cent to stand at 12.9 million letters down from 15.7 million letters registered the previous quarter.

There was a decrease of 2.8 percent in the number of courier items sent to register at 305,248 down from 314, 272 items recorded in the previous quarter.

During the quarter under review, the volume of letters received from other countries increased by 10.8 percent to stand at 2.4 million up from 2.2 million letters recorded during the previous period.

The number of letters leaving the country stood at 1.37 million up from 1.35 million letters recorded during the previous quarter.

Table 18: Postal and Courier Traffic

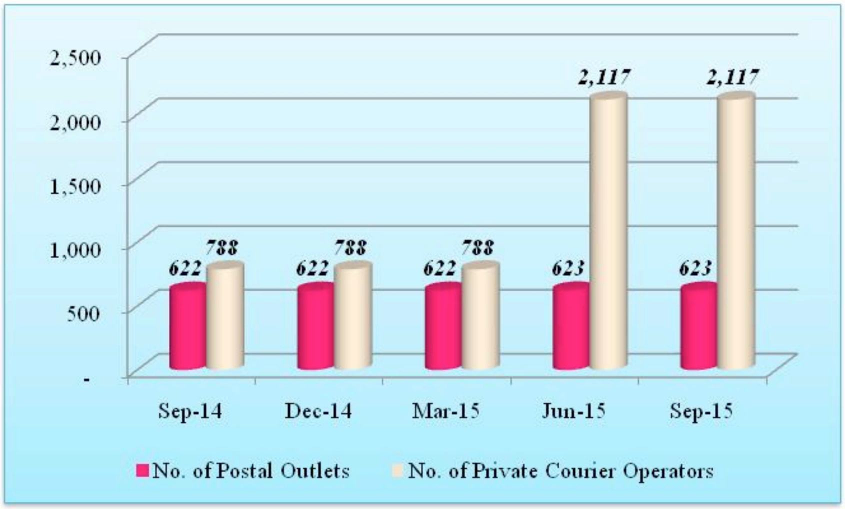
Post and Courier Traffic	*Jul-Sep 15*	*Apr-Jun 15*	*Quarterly Variation (%)*	*Jul-Sep 14*
Number of Letters (Up to 350 gms) Posted Locally	12,988,125	15,685,924	-17.20	13,929,454
Total Courier Items Sent Locally	305,248	314,272	-2.87	942,147
International Incoming Letters (Up to 350 gms)	2,444,108	2,205,297	10.83	2,479,037
International Outgoing Letters (Up to 350 gms)	1,377,627	1,350,999	1.97	1,289,222

Source: CA, Operators' Returns,

4.2 Number of Postal and Courier Outlets

During the quarter under review, the number of postal outlets and private courier outlets remained unchanged from the previous quarter. On the other hand, when compared to the same period of the previous year the number of private courier outlets has tripled during the period under review.
The number of postal and private courier outlets is as illustrated in Figure 11.

Figure 11: Number of Postal Outlets



Source: CA, Operators' Returns,

4.3 Postal and Courier Revenue and Investments

The data on revenue and investments in the postal and courier sub-sector will be updated at the end of the 2015/16 financial year. Figures below indicate the status as at 30th June 2015.

Table 19: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	*2014*	*2013*	*2012*	*2011*	*2010*	*Variation (%) Over 2013*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*
Revenue (KES Millions)	8,530	7,086	7,467	11,793	10,694	20.4	-5.1	-36.7	11.0
Investments (KES Millions)	397	519	390	504	672	-23.5	33.1	-22.6	-25.0

Source: CA, Operators' Returns,

5 CONCLUSION

The quarter under review experienced mixed trends. The mobile telephony service experienced an upward trend in terms of subscriptions as well as local voice and SMS traffic. The increase in subscriptions and subsequent increase in mobile voice and SMS traffic was mainly driven by the operators' need to continue growing their market shares thereby promoting products geared towards luring and retaining subscribers to their networks. This trend is likely to continue in the coming periods as operators seek to leverage on the festive season.

Fixed network on the other hand maintained a downward trend in terms of subscriptions and local voice traffic. This trend could be as a result of the decommissioning of Fixed wireless network by Telkom Kenya, increased competition from the mobile sector, vandalism of copper networks and high infrastructure costs associated with the service.

The data/internet market in the country experienced significant growth in terms of subscriptions and user numbers during the period under review. All sub-categories of data/internet service demonstrated growth apart from the terrestrial wireless service which recorded a drop in the number of subscriptions during the quarter. This was as a result of the on-going migration of wireless subscribers to fiber network by some of the major data/internet providers.

The postal and courier sub-sector continues to contend with stiff competition from the telecommunication sub-sector that has continually launched new products and services thus hiving market share from the former, thus shrinking its growth prospects. Emergence of new markets such as e-Commerce will present a prime opportunity for the market to make a turnaround and begin to record growth as it provides physical delivery services for online transactions.

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