QUARTERLY SECTOR STATISTICS REPORT

SECONDQUARTER OF THE FINANCIAL YEAR 2013/14

(OCT-DEC 2013)

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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
FY	Financial Year

I. PRELIMINARY NOTES

- *This report is 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.*

II. THE QUARTER IN SUMMARY

The ICT Sector Quarterly Statistics Report for quarter two of the Financial Year 2013/14 (Q2 FY 2013/14) provides an overview of the performance and development trends in the ICT sector using data analysis of indicators from the following service categories:

- Mobile telephony
- Fixed telephony
- Internet/Data
- Electronic Transactions
- Broadcasting
- Postal and Courier

Mobile telephony experienced a marginal increase in the number of mobile subscriptions during the quarter to post 31.309 million subscriptions up from 31.301 million recorded last quarter. Prepaid subscriptions declined by 1.2 per cent to stand at 30.7 million down from 30.8 million posted during the previous quarter. On the contrary, post-paid subscriptions have continually demonstrated an upward trend hence recording growth of 22.9 per cent. During the quarter, there were 560,503 post-paid subscriptions up from 455,983 posted in the last quarter. Mobile penetration remained unchanged at 76.9 per cent.

Local mobile voice traffic maintained its upward trajectory during the quarter to stand at 7.8 billion minutes up from 7.4 billion recorded during the previous quarter. This represented a 5.5 per cent growth. This growth could be attributed to the numerous promotions and special offers by mobile operators during the quarter. For instance, during the period one of the mobile operators offered discounted voice bundles to its subscribers. Moreover, the festive season (Christmas and New Year) fell within the quarter under review contributing to increased communication thus growing the local mobile voice traffic volumes.

Similarly, the number of SMS grew significantly to reach 6.2 billion SMS compared to the 5.0 billion posted in the preceding quarter. This tremendous increase could also be attributed to the festive season

The fixed line market has continued on a downward trend recording 205,856 lines down from 209,339 posted in the previous period, representing a 1.7 per cent decline. Fixed terrestrial lines declined during the quarter to stand at 57,033 down from 58,749 recorded in the previous quarter. At the same time, fixed wireless experienced a similar dip during the quarter under review recording a low of 148,823 down from 150,590 lines recorded in the previous quarter.

The Internet/data market segment showed signs of recovery during the quarter under review.. The number of internet/data subscriptions grew by 13.0 per cent to stand at 13.1 million subscribers up from 11.9 million in the previous quarter. Mobile subscriptions have remained the greatest contributor of internet/data subscriptions accounting for 99 per cent of total subscriptions. Optic fibre and Digital Subscriber Line (DSL) subscriptions grew by 9.3 per cent and 4.1 per cent respectively. Consequently, the estimated number of internet users rose by 11 per cent to reach 21.2 million up from 19.1 million estimated during the previous quarter. Thus internet penetration increased to 52.3 per cent by the end of the quarter.

During the period under review, the number of broadband[1] subscriptions increased marginally by 2.6 per cent to reach 1,435,267 subscriptions up from 1,398,395 subscriptions registered in the previous quarter.

International Internet bandwidth available in the country dropped marginally from 862,834.0Mbps in the last quarter to 862,473.9 Mbps in the quarter under review, representing a decline of 0.04 per cent.

On the other hand, the used (connectivity) international bandwidth grew by 1.3 per cent to reach 365,413 Mbps up from 360,900.1 Mbps recorded in the preceding quarter. Thus, the total used bandwidth represented 42.4 per cent of the total available bandwidth capacity.

In the postal and courier sector, the number of letters sent and received both locally and internationally experienced growth during the quarter under review. Local letters sent went up by 3.0 per cent to stand at 17.3 million from 16.8 million registered during the previous quarter. Similarly, international incoming letters grew by 19.3 per cent to stand at 2.7 million up from 2.2 million witnessed in the previous quarter. In addition, international outgoing letters increased by 11.1 per cent to stand at 1.3 million from 1.1 million letters recorded in the previous quarter.

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

1. CELLULAR MOBILE SERVICES

1.1 Subscriptions

The quarter in review (Oct-Dec) of the FY 2013/14, experienced a marginal growth in the number of mobile subscriptions. This was recorded at 0.02 per cent to register 31.309 million subscriptions up from 31.301 million subscriptions recorded during the previous quarter. Compared to the same period in the previous year, a growth of 1.0 per cent was recorded. This growth signifies increased uptake of mobile telephony services in the country.. However, the growth rate in mobile subscriptions has slowed substantially quarter–on-quarter over the last two years with less than 2 per cent average quarterly growth.

The growth of mobile subscriptions is shown in Table 1.

Table 1: Mobile Subscriptions

Subscription type	*Dec-13*	*Sep-13*	*Quarterly Variation (%)*	*Dec-12*	*Sep-12*	*Quarterly Variation (%)*
Prepaid Subscriptions	30,748,514	30,845,523	-1.2	30,429,351	30,135,142	1.0
Post-Paid Subscriptions	560,503	455,983	22.9	302,403	297,640	1.6
Total Mobile Subscriptions	**31,309,017**	**31,301,506**	**0.02**	**30,731,754**	**30,432,782**	**1.0**

Source: CCK, Operators' Returns,

The number of pre-paid subscriptions declined by 1.2 percent to reach 30.7 million down from 30.8 million posted during the previous quarter. However, compared to the same period of the previous year, an increase of 1.0 percent was recorded.

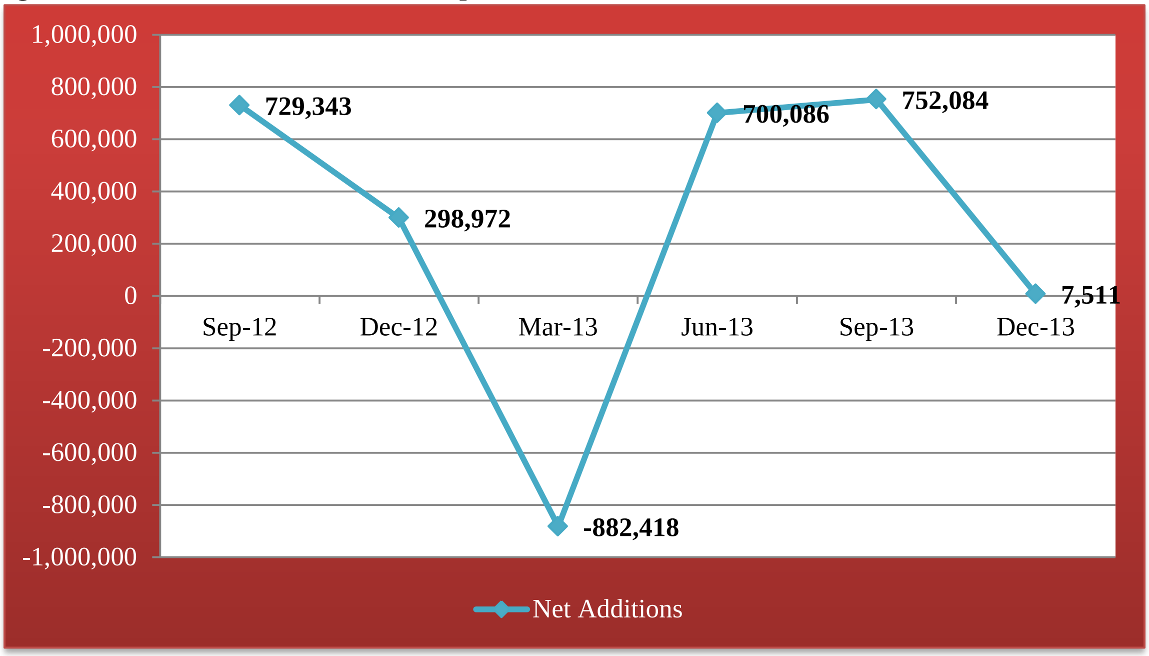
Post-paid subscriptions continued on an upward trajectory with significant growth of 22.9 percent registered during the quarter to realize 560,503 from 455,983 recorded in the previous period. The same period of the previous year had realized growth of 1.6 percent. Despite this growth in post-paid subscriptions, pre-paid subscriptions continued to account for the largest share of the total subscriptions at 98.2 percent during the quarter. Essentially the ratio of post-paid to pre-paid stood at 1:55 during the quarter.

Likewise, net mobile additions[2]experienced a quarterly increase of 7,511 which is close to 100 percent lower than last quarter's performance and 59.0 percent drop during the same period of the previous year.

The quarter-on-quarter growth in total additions is shown in Figure 1.

[22] Net Mobile additions refer to new subscriptions registered during the period.

Figure 1: Net additions in Mobile subscriptions



Source: CCK, Operators' Returns.

The four mobile operators demonstrated mixed growth in the number of subscriptions with two operators recording growth, while two operators registered a decline during the quarter in review. Safaricom Limited and Telkom Kenya Limited both grew by 2.1 per cent during the quarter. Airtel Networks Limited and Essar Telecom Limited recorded a decrease in their subscriptions of 6.3 per cent and 4.3 per cent respectively.
The growth in subscriptions for each of the operator is show in Table 2.

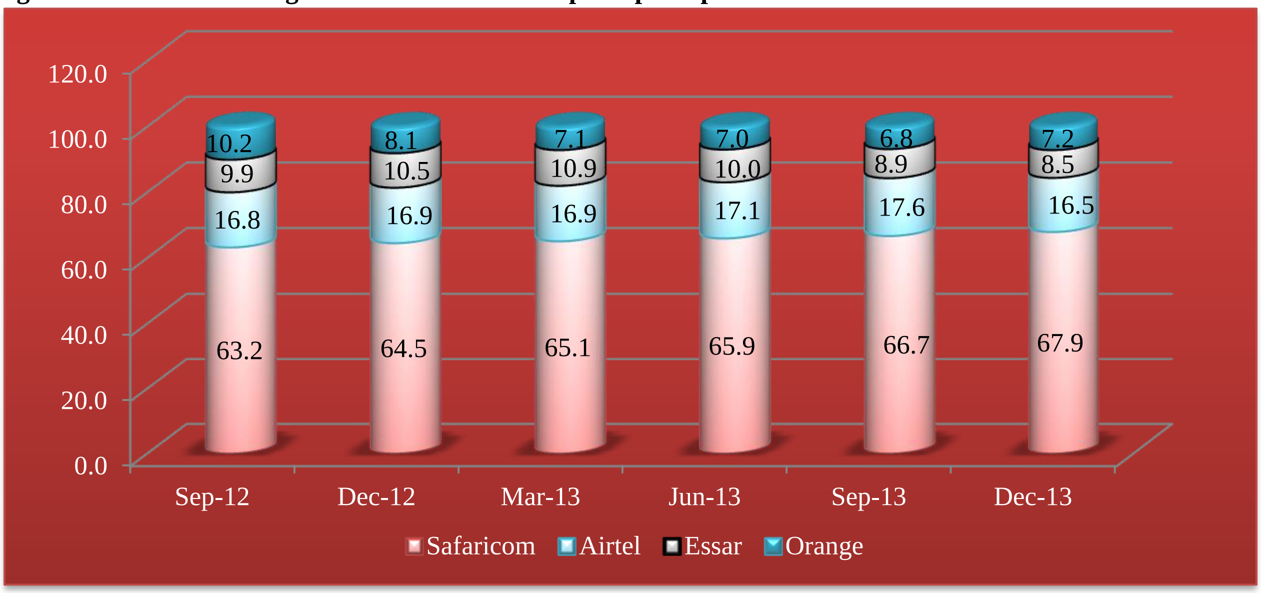
Table 2: Mobile Subscription Per Operator

Name of operator	*Dec-13*			*Sep-13*			*Quarterly variation (%)*
	Pre-paid	*Post-paid*	*Total*	*Pre-paid*	*Post-paid*	*Total*	
Safaricom Limited	20,816,862	431,425	21,248,287	20,488,036	332,582	20,820,618	2.1
Airtel Networks Limited Subscriptions	5,031,914	124,355	5,156,269	5,385,100	118,918	5,504,018	-6.3
Essar Telecom Limited	2,647,790	1,572	2,649,362	2,767,000	1,323	2,768,323	-4.3
Telkom Kenya(Orange)	2,251,948	3,151	2,255,099	2,205,387	3,160	2,208,547	2.1
Total	**30,748,514**	**560,503**	**31,309,017**	**30,845,523**	**455,983**	**31,301,506**	**0.02**

Source: CCK, Operators' Returns

In line with the growth in subscriptions, market shares for each of the operators changed during the period under review. Safaricom Limited recorded the largest share of 67.9 per cent gaining 1.2 percentage points from the previous quarter. Airtel Networks Limited followed with 16.5 per cent market share down from 17.6 per cent recorded in the previous quarter, representing a decline of 1.1 per cent. . Essar Telecom also lost 0.4 per cent during the period to register 8.5 per cent market share up from 8.9during the previous quarter. Telkom Kenya (Orange) gained 0.4 per cent during the period to record 7.2 per cent market shares from 6.8 per cent recorded in the last period. The growth in market shares as measured by subscriptions for each of the operator is illustrated in Figure 2.

Figure 2: Percentage Market Share Subscription per Operator

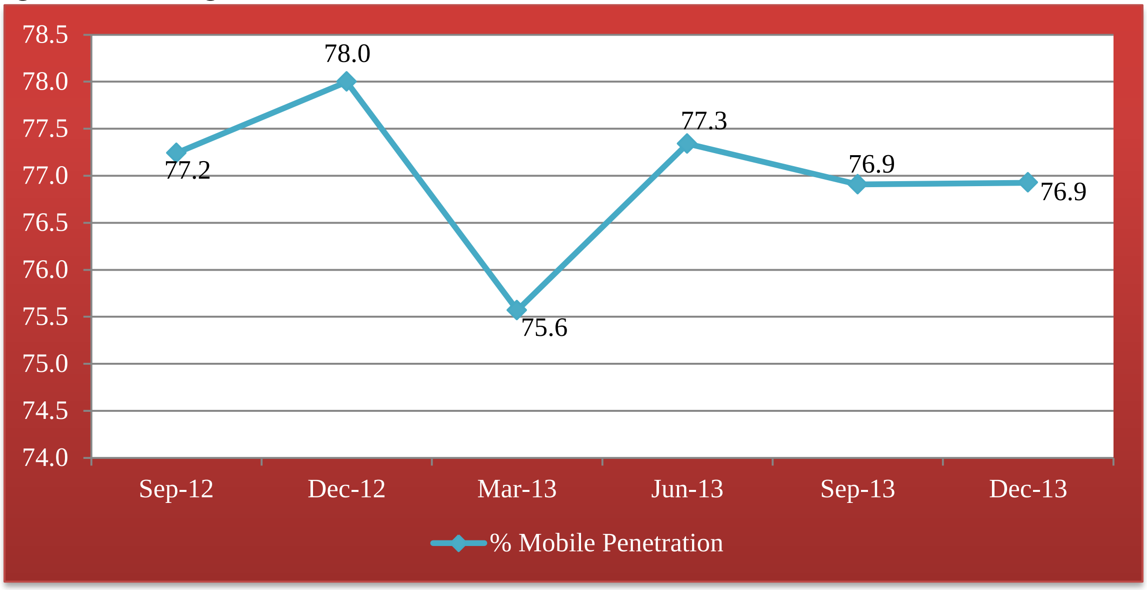


Source: CCK, Operators' Returns.

The mobile penetration[3]rate during the quarter under review remained at 76.9 per cent similar to last quarter's performance. However, as illustrated in Figure 3, a similar period of the previous year had recorded growth of 0.8 percentage points.

[33] The population used of 40.7 million provided in the economic survey was revised in the new FY 2013/14 from 39.5 million in the last FY2012/13.

Figure 3: Percentage Mobile Penetration



Source: CCK, Operators' Returns

1.2 Mobile Money Transfer Service

As shown in Table 3, mobile money transfer service has continued to record steady growth during the period under review. This could also be due to integration of other value added services such as provision of mobile banking that that have also provided avenues for mobile payment. During the quarter under review, the number of mobile money transfer subscriptions grew by 3.6 per cent from 25.1 million subscriptions registered in the last quarter to 26.0 million subscribers. In comparison to the same period of the previous year, a growth of 10.8 per cent was recorded.

Table 3: Mobile Money Transfer

Mobile Money Transfer	*Dec-13*	*Sep-13*	*Quarterly Variation (%)*	*Dec-12*	*Sep-12*	*Quarterly Variation (%)*
Subscriptions	26,016,499	25,114,462	3.6	21,408,808	19,318,684	10.8
No. of Agents	93,689	91,750	2.1	62,300	54,409	14.5

Source: CCK, Operators Returns

Similarly, the number of active agents rose to 93,689 from 91,750 agents recorded during the previous quarter, representing a growth of 2.1 per cent. Compared to the same period of the previous year, a growth of 14.5 per cent was observed.

1.3 Mobile Number Portability

The performance of the Mobile Number Portability (MNP) continues to contend with stiff competition from the operators who have devised strategies for customer retention.

In the quarter under review, there were 276 in-ports down from 363 recorded in the previous quarter, representing a 24.0 per cent decline. .The same period of the previous year showed a substantial growth of 72.8 per cent.

The growth in number of in-ports is shown in Table 4.

Table 4: Number of In-ports

Period	***Oct-Dec13***	***Jul-Sep13***	***Quarterly Variation (%)***	***Oct-Dec12***	***Jul-Sep12***	***Quarterly Variation (%)***
Number of In-ports	276	363	-24.0	375	217	72.8

Source: CCK, Operators Returns.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

Growth in mobile voice traffic began to show an upward trend in the last quarter after exhibiting a downward trend in the period December 2012 to June 2013. During the quarter under review, total mobile traffic expanded by 5.5 per cent to register 7.8 billion minutes up from 7.4 billion minutes registered during the previous quarter. This growth could be attributed to various promotions and special offers by the operators during the period. Moreover, there are various voice bundles available that allow customers to make more calls at discounted rates. A similar period of the previous year witnessed growth of 7.3 per cent.

The growth in voice traffic was mainly contributed by on-net traffic that expanded by 5.6 per cent during the quarter to 6.8 billion minutes up from 6.5 billion posted during the previous quarter. This represented a 9.2 per cent growth compared to the same period of the previous year.

Similarly, off-net traffic grew by 5.1 per cent to reach 1.0 billion minutes up from 954 million minutes recorded during the previous year but declined by 2.9 per cent compared to the same period of the previous year.

On the other hand, mobile to fixed network traffic shrunk by a margin of 19.3 per cent to record 11 million minutes down from 14 million minutes recorded during the previous quarter. In the same way, a significant downward trend of 42.5 per cent was recorded when compared to the same period of the previous year. This decline could be attributed to the declining fixed network services in the country.

The growth in mobile traffic is shown in Table 5.

Table 5: Local Mobile Voice Traffic in Minutes

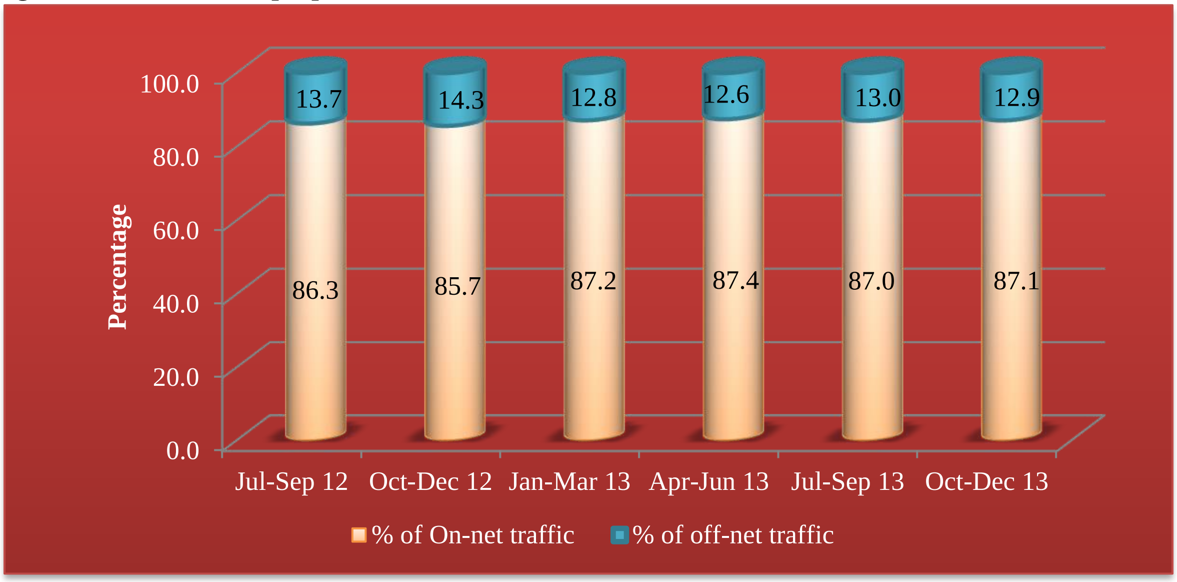
Mobile Traffic	*Oct-Dec -13*	*Jul-Sep -13*	*Quarterly Variation (%)*	*Oct-Dec 12*	*Jul-Sep 12*	*Quarterly Variation (%)*
By traffic Originating(Outgoing traffic						
Own Network –Own Network	6,871,942,391	6,508,960,468	5.6	6,294,040,711	6,043,845,857	9.2
Own Network to Other Mobile Networks	1,003,147,611	954,859,613	5.1	1,033,150,168	947,394,800	-2.9
Mobile Network to Fixed Network	11,637,430	14,421,834	-19.3	20,247,929	14,812,665	-42.5
Total Traffic Origination (Outgoing)	**7,886,727,432**	**7,478,241,915**	**5.5**	**7,347,438,808**	**7,006,053,322**	**7.3**
By traffic termination(Incoming traffic)						
Own Network –Own Network	6,871,942,391	6,508,960,468	5.6	6,294,040,711	6,043,845,857	13.7
Other Mobile Networks to Own Network	1,064,722,858	1,011,989,047	5.2	1,000,397,283	1,075,133,317	6.4
Fixed Network to Mobile Network	25,206,911	28,305,931	-10.9	24,879,357	32,198,748	1.3
Total traffic termination(Incoming)	**7,961,872,160**	**7,549,255,446**	**5.5**	**7,319,317,351**	**7,151,177,922**	**12.6**

Source: CCK, Operators' Returns

Traffic received on mobile networks expanded by 5.5 per cent to reach 7.9 billion minutes up from 7.5 billion minutes posted during the previous quarter. In comparison with the same period of the previous year, an increase of 12.6 per cent was recorded.

Figure 4 shows on-net traffic grew marginally by 0.1 percentage points to post 87.1 per cent of the total traffic up from 87.0 per cent recorded during the previous quarter. The volume of off-net traffic dropped by a similar margin during the quarter to register 12.9 per cent down from 13.0 per cent recorded in the previous quarter. The increase in on-net traffic could be as a result of promotions and special offers during the period as well as availability of on-net bundle services whose discounted rates encourage on-net voice calls. For instance one operator offered its pre-pay subscribers whose average monthly usage is Kshs200 bonus airtime.

Figure 4: Traffic proportion On-net Off-net



Source: CCK, Operators' Returns

1.4.2 Voice Traffic by Operator

The quarter under review saw three operators increase their voice traffic while one operator decreased their traffic volumes. Safaricom recorded the highest traffic of 6.1 billion minutes from 5.9 billion minutes the previous quarter. The operators voice traffic market share reduced marginally by 0.9 per cent to stand at 78.2 per cent down from 79.1 per cent. However, compared to the same period of the previous year, the market share gained 0.8 percentage points.

Airtel Network Limited gained 0.6 percentage share to record 11.3 per cent market share representing traffic volume of 892 million minutes up from 797 million minutes posted during the previous quarter. This growth could have been as a result of introduction of a competitive tariff by the operator that bundled voice, data and SMS for a fixed price. In addition, the off-net traffic by Airtel has remained relatively higher than its on-net traffic which could be as a result of its lower cross network tariffs compared to on-net tariff offers by other operators.

Essar Telecom Limited recorded voice traffic of 619 million minutes down from 621 million minutes during the previous quarter. Its voice traffic market share declined from 8.3 per cent the previous quarter to 7.9 per cent in the quarter under review. In comparison with the same period of the previous year, the shares dropped by 1.0 per cent.

The traffic volume for Telkom (Orange) increased by 0.7 per cent to reach 208 million minutes up from 142 million minutes posted during the previous quarter representing a 2.6 per cent market share. The market share increased by 0.3 per cent compared to the same period the previous year.
The traffic volumes and corresponding market shares for each of the operators is shown in Table 6.

Table 6: Voice Traffic by Operator

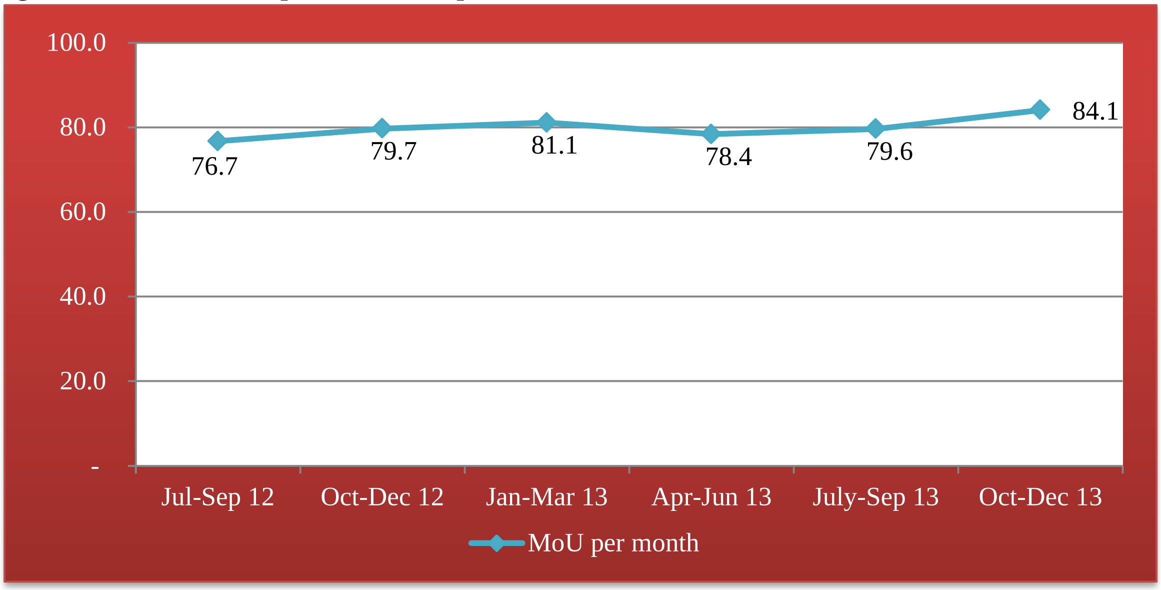
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*
Oct-Dec13	On-net	5,845,925,529	428,267,461	460,810,769	136,938,632
	Off-net	319,831,419	464,187,261	158,772,790	71,993,571
	Total	**6,165,756,948**	**892,454,722**	**619,583,559**	**208,932,203**
	Market Share (%)	78.2	11.3	7.9	2.6
Jul-Sep13	On-net	5,600,950,491	360,181,971	468,830,023	78,997,983
	Off-net	316,548,161	437,383,172	152,280,127	63,069,987
	Total	**5,917,498,652**	**797,565,143**	**621,110,150**	**142,067,970**
	Market Share (%)	79.1	10.7	8.3	1.9
Oct-Dec12	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

As Figure 5 illustrates, the minutes of use per month for each subscriber during the quarter rose to 84.1 minutes up from 79.6 minutes posted in the previous quarter, representing a 5.6 per cent growth. Compared to the same the same period of the previous year, 3.9 per cent growth was registered.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators' Returns

The traffic volumes for SMS continued to grow amid increased popularity in the use of Over-The-Top (OTT) messaging services such as Whatsapp. During the quarter under review, the number of SMS sent expanded to reach 6.2 billion SMS up from 5.0 billion SMS registered during the previous quarter representing 24.3 per cent increase. In comparison with the same period of the previous year, SMS traffic increased significantly.

As Table 7 indicates, the SMS market share for all the operators experienced marginal change during the quarter. Safaricom Limited recorded the highest shares of 95.8 per cent from 95.6 per cent shares posted during the previous quarter representing a 0.2 per cent growth. Airtel Networks Limited followed with 3.2 per cent shares from 3.5 per cent shares dropping by 0.3 percentage shares during the period. Essar Telecom and Telkom (Orange) maintained their share of 0.6 and 0.4 per cent shares respectively.

Table 7: Short Messaging Service per Operator

Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*	*Total SMS*
Oct-Dec13	On-net	5,929,051,461	120,434,392	8,618,571	6,540,240	**6,064,644,664**
	Off-net	87,493,526	82,912,497	26,327,996	20,061,869	**216,795,888**
	Total	6,016,544,987	203,346,889	34,946,567	26,602,109	**6,281,440,552**
	Market Share (%)	95.8	3.2	0.6	0.4	
Jul-Sep13	On-net	4,753,585,609	107,924,707	6,857,223	5,573,985	**4,873,941,524**
	Off-net	75,536,163	67,929,152	22,634,155	13,299,173	**179,398,643**
	Total	4,829,121,772	175,853,859	29,491,378	18,873,158	**5,053,340,167**
	Market Share (%)	95.6	3.5	0.6	0.4	
Oct-Dec12	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**	**3,687,293,351**
	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.

As shown in Table 8, the performance of Multimedia Messaging Service (MMS) made a turnaround to record positive growth during the quarter following periods of downward trends. During the quarter under review MMS traffic increased substantially by 35.2 per cent to reach 3.0 million messages up from 2.2 million messages recorded during the previous quarter. This increase could be attributed to the increased activities during the festive season. In comparison with the same period of the previous year, 2.5 per cent growth was recorded.

Table 8: Multimedia Messaging Service

MMS Traffic	***Oct-Dec 13***	***Jul-Sep 13***	***Quarterly Variation (%)***	***Oct-Dec 12***	***Jul-Sep 12***	***Quarterly Variation (%)***
MMS	3,039,392	2,248,680	35.2	2,657,592	2,593,638	2.5
MMS per Subscriber per Month	0.03	0.02	50.0	0.03	0.03	0.0

Source: CCK, Operators' Returns.

1.4.4 Roaming Traffic

The performance of roaming traffic continued to record gradual growth in the quarter under review registering roaming-out[4] voice traffic of 12.7 million minutes up from 11.9 million minutes recorded during the previous quarter, representing growth of 7.3 per cent.. When compared to the same period of the previous year, an increase of 2.1 per cent was realised. Roaming-in[5] voice traffic declined considerably by 17.0 per cent to record 9.5 million minutes down from 11.4 million minutes posted during the previous quarter. In contrast, the same period of the previous year witnessed growth of 13.2 per cent.

Roaming out SMS grew by 9.2 per cent to represent 11.2 million up from 10.3 million messages posted during the previous quarter. Roaming in SMS experienced significant drop of 38.8 per cent to reach 5.5 million messages down from 9.0 million messages recorded during the previous quarter. However, the same period of the previous year had generated positive gains of 11.9 per cent.

The growth in roaming traffic is indicated in Table 9.

[4] Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.
[5]Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

Table 9: Roaming Traffic

Roaming Traffic	*Oct-Dec13*	*Jul-Sep13*	*Quarterly Variation (%)*	*Oct-Dec12*	*Jul-Sep12*	*Quarterly Variation (%)*
Roaming Voice Minutes Own Subscribers on Foreign Networks	12,793,890	11,920,804	7.3	11,662,645	11,418,310	2.1
Roaming Voice Minutes Foreign Subscribers on Local Network	9,519,137	11,472,726	-17.0	12,391,655	10,943,964	13.2
Roaming SMS - Own Subscribers on Foreign Networks	11,290,284	10,338,853	9.2	10,227,055	8,642,305	18.3
Roaming SMS - Foreign Subscribers on Local Network	5,563,021	9,097,302	-38.8	14,892,715	13,303,626	11.9

Source: CCK, Operators' Returns

1.4.5 International Mobile Traffic

International incoming voice traffic dropped by a margin of 5.5 per cent to post 146 million minutes up from 154 million minutes recorded during the previous quarter. This decline could have been attributed to availability of alternative OTT voice and/or video services such Whatsapp, Skype, Viber, Ovoo among others. Compared with the same period in the previous year, a growth of 2.7 per cent was recorded.

International incoming SMS increased by 20.7 per cent to reach 32.6 million messages up from 27.0 million SMS posted during the previous quarter. The growth in international incoming SMS could partially be as a result of the decline in international incoming voice traffic. A similar period in the previous year recorded an 8.7 per cent decline.

A similar trend was observed with international outgoing traffic during the quarter where international voice traffic went down as international SMS increased.. International outgoing voice traffic dropped by 1.8 per cent to record 118 million minutes from 121 million minutes in the previous quarter. The same period of the previous year showed a drop of 1.9 per cent.
There was however growth in international outgoing SMS of 7.9 per cent to represent 12.7 million messages up from 11.8 million messages posted during the previous quarter. t The same period of the previous year showed a substantial decline of 32.0 per cent.

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 13*	*Jul-Sep 13*	*Quarterly Variation (%)*	*Oct-Dec 12*	*Jul-Sep 12*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	146,353,778	154,885,621	-5.5	204,955,902	199,661,993	2.7
International Outgoing Mobile Minutes	118,949,784	121,164,636	-1.8	152,774,194	155,745,313	-1.9
International Incoming Mobile SMS	32,629,211	27,029,049	20.7	14,679,764	16,073,120	-8.7
International Outgoing Mobile SMS	12,793,808	11,858,264	7.9	9,063,577	13,324,416	-32.0

Source: CCK, Operators' Returns.

1.5 Mobile Revenue and Investments

Table 11 below shows mobile market revenues and investments as at June 2013. This information will be updated once the operators submit their audited financial accounts after the lapse of their respective financial years.

Table 11: Mobile Revenue and Investment (KES)[6]

*Mobile Revenues and Investments**	*2012***	*2011*	*2010*	*2009*	*2008*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*	*Variation (%) Over 2008*
Mobile Revenue (KES Millions)	133,508	116,640	104,552*	90,394	72,625	11346	11.6	29.0	60.6
Mobile Investments (KES Millions)	33,827	34,590	27,126*	40,260	29,436	9679	27.5	-14.1	17.5

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

2. FIXED TELEPHONE SERVICE

2.1 Subscriptions

The number of fixed lines declined during the quarter reversing signs of growth observed during the previous quarter. The total fixed lines were recorded at 205, 856 down from 209,339 lines

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

posted during the previous quarter representing a 1.7 per cent decline. Compared to the same period of the previous year, an increase of 1.3 per cent was recorded.

As shown in Table 12, fixed terrestrial lines contributed mainly to the decline in fixed lines by dropping 2.9 per cent during the quarter to post 57,033 lines down from 58,749 lines registered during the previous quarter. In relation to the same period of the previous year, a decline of 6.6 per cent was recorded.

Fixed wireless subscriptions declined by 1.2 per cent to stand at 148,823 down from 150,590 recorded in the previous quarter. . An increase of 4.4 per cent was registered during the same period of the previous year.

The growth in fixed network subscriptions is indicated in Table 12

Table 12: Fixed Network Subscriptions

Fixed Network Subscription	*Dec-13*	*Sep-13*	*Quarterly Variation (%)*	*Dec-12*	*Sep-12*	*Quarterly Variation (%)*
Fixed Terrestrial Subscriptions	57,033	58,749	-2.9	65,710	70,390	-6.6
Fixed Wireless Subscriptions	148,823	150,590	-1.2	185,857	177,940	4.4
Total Main Fixed Line Subscriptions	**205,856**	**209,339**	**-1.7**	**251,567**	**248,300**	**1.3**

Source: CCK, Operators Returns.

2.2 Fixed Network Traffic

Despite the decline in fixed line services in the country, the volume of voice traffic in the fixed network increased by 6.8 per cent to post 30.1 million minutes up from 28.1 million minutes recorded in the previous quarter. Compared to the same period of the previous year, an increase of 13.3 per cent was registered.

This growth was mainly contributed by fixed wireless traffic that recorded substantial growth of 31.4 per cent during the period to post 6.1 million minutes up from 4.6 million minutes registered in the last quarter.
There was however a marked decline of 18.5 per cent in fixed to fixed traffic to stand at 486,657 minutes down from 597,384 minutes registered during the previous quarter.

Fixed network to other voice networks increased marginally by 2.4 per cent to post 23.4 million minutes from 22.9 million minutes during the previous quarter. However, there was substantial growth of 32.8 per cent recorded during the same period of the previous year.
The growth in fixed network traffic is as illustrated in Table 13.

Table 13: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*	*Oct-Dec 12**	*July-Sep 12*	*Quarterly Variation (%)*
Intra-network traffic						
Fixed-fixed	486,637	597,384	-18.5	4,400,342	10,428,207**	-14.5**
Fixed Wireless-fixed wireless	6,158,803	4,686,585	31.4	4,512,919	-	-
Inter-network traffic						
Fixed to other Networks(Network voice providers)	23,468,289	22,911,503	2.4	31,191,496	23,487,661	32.8
Total Local Fixed network traffic	**30,113,729**	**28,195,468**	**6.8**	**40,104,757**	**35,405,118**	**13.3**

Source: CCK, Operators' Returns, *Data has been revised, **Traffic includes fixed wireless

In terms of international traffic through the fixed network, international incoming traffic declined considerably by 54.6 per cent to post 1.7 million minutes down from 3.9 million minutes recorded during the previous quarter. The same period of the previous year showed a decline of 10.8 per cent.

Likewise, international outgoing voice traffic declined by 14.6 per cent to reach 3.7 million minutes down from 4.4 million minutes registered during the previous quarter. Compared to the same period of the previous year, a decline of 13.2 per cent was recorded.

Similarly, international outgoing fixed VoIP minutes declined by 14.2 per cent to record 1.8 million minutes from 2.1 million minutes posted during the previous quarter. A 14.7 per cent drop was recorded in in comparison with the same period of the previous year.
The growth in international fixed line traffic is shown in Table 14.

Table 14: Fixed Network International Voice Traffic

Fixed Network Subscription	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*	*Oct-Dec 12*	*Jul-Sep 12*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	1,790,587	3,941,448	-54.6	3,697,579	4,147,178	-10.8
International Outgoing Fixed Network Voice traffic	3,761,709	4,406,763	-14.6	4,129,962	4,760,389	-13.2
International Outgoing Fixed Network VoIP traffic	1,808,646	2,109,159	-14.2	2,046,338	2,400,173	-14.7

Source: CCK, Operators Returns.

3. DATA AND INTERNET SERVICE

3.1 Internet/Data Service

The continued technological advancements have created opportunities that have encouraged progression of data/internet access in the country. As shown in Table 15, the quarter under review witnessed growth in internet/data subscriptions of 13.0 per cent to post 13.1 million subscriptions up from 11.6 million subscriptions registered during the previous quarter. This growth could be largely driven by the numerous promotions and special offers on Internet/data by the mobile operators as a strategy towards growing their market shares. For instance, during the period one of the mobile operators provided free internet/data to both prepaid and post-paid customers between 6 am and 8 am.

Notably, mobile data/internet sector has maintained its largest share of 99 percent of total internet subscriptions which could be as a result of factors such as the development of 3G network, social networking among others. During the quarter under review, there were 13.0 million data/internet subscriptions up from 11.6 million posted during the previous quarter representing 13.0 per cent growth. Compared to the same period of the previous year, an increase of 11.5 percent was recorded.

Satellite subscriptions have continued to exhibit a downward trend since the previous quarter. In the quarter under review, 682 satellite subscriptions were recorded down from 749 subscriptions posted during the previous quarter which represented a decline of 8.9 per cent. However, during the same period in the previous year, an increase of 28.8 per cent was observed indicating that operators could have subscribed to satellite services for redundancy.

Table 15: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Dec 13*	*Sep 13*	*Quarterly Variation (%)*	*Dec 12*	*Sep-12*	*Quarterly Variation (%)*
Total Internet Subscriptions	**13,186,968**	**11,671,337**	**13.0**	**9,496,573**	**8,519,148**	**11.5**
Mobile Data/Internet Subscriptions	13,090,348	11,580,065	13.0	9,406,843	8,436,578	11.5
Terrestrial Wireless Data/Internet Subscriptions	16,429	17,169	-4.3	23,814	23,780	0.1
Satellite Data/Internet Subscriptions	682	749	-8.9	684	531	28.8
Fixed DSL Data/Internet Subscriptions	12,014	11,537	4.1	10,807	10,842	-0.3
Fixed Fibre Optic Data/Internet Subscriptions	67,470	61,739	9.3	54,400	47,392	14.8
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.0
Total Internet Users[7]	**21,273,738**	**19,162,055**	**11.0**	**16,236,583**	**14,553,378**	**11.6**

Source: CCK, Operators' Returns

[7]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.

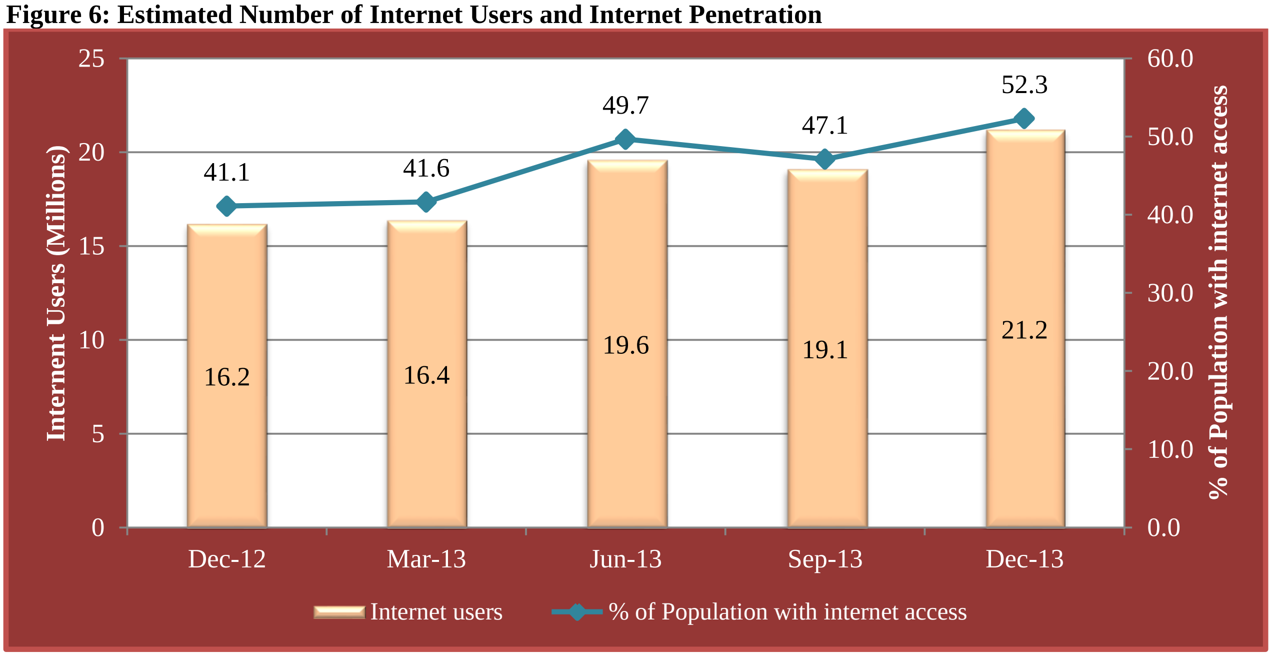
The increased roll-out of fibre is evidenced by steady growth in the number of fixed fibre optic data/internet subscriptions during the quarter to stand at 67,470 subscriptions up from 61,739 subscriptions recorded in the preceding quarter representing growth of 9.3 per cent and 14.8 per cent increase in comparison with the same period of the previous year.

Similar to the growth trend observed in data/internet subscriptions, the number of estimated internet users increased by 11.0 per cent during the quarter under review to record 21.2 million users up from 19.1 million users estimated in the previous quarter. A similar proportion of growth of 11.6 per cent was registered during the same period of the previous year.

Likewise, by the end of the quarter, the population that had access to internet stood at 52.3 per cent up from 47.1 per cent recorded in the preceding quarter representing growth of 5.2 per cent. This growth could have been as a result of increased uptake of ICTs that have catered to both social and economic needs and activities of the users.

The growth in internet access is illustrated in Figure 6.

Figure 6: Estimated Number of Internet Users and Internet Penetration



Source: CCK, Operators' Returns.

With regard to market shares as measured by mobile data/internet subscriptions, Safaricom Limited increased its share by a paltry 0.4 per cent to reach.73.6 per cent up from 73.2 per cent in the previous quarter. Similarly, Airtel Networks gained by 0.6 per cent to stand at 14.9 per cent up from 14.3 per cent during the previous quarter. Telkom Kenya (Orange) and Essar Telecom lost by 0.4 and 0.6 percentage points to stand at 6.9 per cent and 4.6 per cent shares respectively.
The market shares for mobile data/Internet market by operator are shown in Table 16.

Table 16: Mobile data/internet subscription by operator

Name of Operator	*Dec 13*	*% Market share*	*Sep-13*	*% Market Share*
Safaricom Limited	9,637,828	73.6	8,476,480	73.2
Airtel Networks Kenya Limited	1,945,152	14.9	1,659,433	14.3
Telkom Kenya Limited (Orange)	904,739	6.9	844,628	7.3
Essar Telecom Kenya Limited	602,629	4.6	599,524	5.2

Source: CCK, Operators' Returns

The market shares for other fixed/terrestrial wireless data/Internet subscriptions experienced marginal change for each of the top ten operators during the quarter. Wananchi Telecom maintained the top position with 45.8 per cent market share up from 43.0 per cent. Liquid Telkom (formerly Kenya Data Networks Limited) came second with 15.8 per cent share marking a 0.9 per cent decline from the previous quarter. Notably, during the period under review there was mixed trend for operators with some gaining and others losing on their market share.

The market shares for the top10 operators are shown in Table 17.

Table 17: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	***Dec 13***	***Market Share (%)***	***Sep-13***	***Market Share (%)***
Wananchi Telecom Limited	44,254	45.8	39,207	43.0
*Liquid Telecom Limited**	15,290	15.8	15,290	16.8
Access Kenya Limited	11360	11.8	11,502	12.6
Telkom Kenya Limited	11,279	11.7	10,718	11.7
Safaricom Limited	6,999	7.2	7,155	7.8
Iway Africa	2,121	2.2	2,731	3.0
Jamii Telecommunication Limited	2,324	2.4	1,900	2.1
Mobile Telephony Networks Limited	1,363	1.4	1,205	1.3
Call Key Networks Limited	534	0.6	590	0.6
Tangerine Limited	261	0.3	260	0.3
Other fixed/Terrestrial wireless operators	835	0.9	714	0.8

Source: CCK, Operators' Returns, * Data used for Jul-Sep

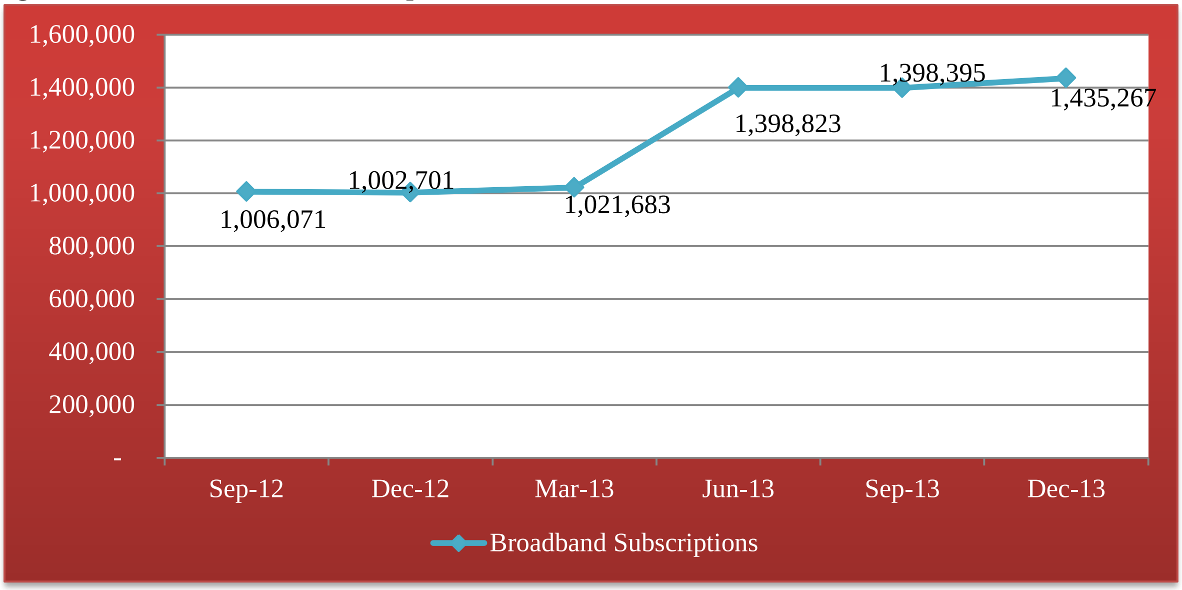
3.2 Broadband Service

Unlike the previous quarter that showed a depressed trend in the number of broadband[8]subscriptions, the quarter in review recorded a 2.6 per cent increase in the number of subscriptions to stand at 1,435,267 subscriptions from 1,398,395 subscriptions posted during the quarter. However, there was a marginal decline of 0.3 per cent during the same period of the previous year.

The growth in broadband subscriptions is shown in Figure 7.

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

Figure 7: Broadband Subscriptions



Source: CCK, Operators' Returns.

3.3 International Bandwidth

The quarter under review experienced marginal decline of 0.04 per cent in the available international internet capacity to stand at 862,473.9 Mbps from 862,834 Mbps, during the quarter. This decrease was mainly contributed by Satellite capacity that dropped significantly by 57.7 percent during the quarter. The decline in satellite capacity shows that operators are likely to be storing the capacity to offer redundancy during down times of fiber cuts. The same period of the previous year showed a significant growth of 57.3 percent.

The trend on international Internet available bandwidth is shown in Table 18.

Table 18: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Dec 13*	*Sep 13*	*Quarterly Variation (%)*	*Dec-12*	*Sep-12*	*Quarterly Variation (%)*
SEACOM-International Internet Capacity (Mbps)	578,400	578,400	0.00	640,000	310,000	106.5
TEAMS - International Internet Capacity (Mbps)	119,970	119,970	0.00	101,990	101,990	0.0
Telkom Kenya Limited (EASSY)	122,880	122,880	0.00	122,880	122,880	0.0
Lion 2	40,960	40,960	0.00	40,960	40,960	0.0
VSAT (Mbps)	263.9	623.5	-57.7	355.8	355.80	0.0
Total International Internet Bandwidth (Mbps)	**862,473.90**	**862,834.00**	**-0.04**	**906,186**	**576,186**	**57.3**

Source: CCK, Operators' Returns

Used (connectivity) bandwidth grew by 1.3 per cent to reach 365,413.9Mbps up from 360,900.1Mbps recorded in the preceding quarter. Thus, the total used bandwidth represented 42.4 per cent of the total available bandwidth capacity. A similar period of the previous year yielded growth of 18.1 per cent.

The trend in international connectivity bandwidth is shown in Table 19.

Table 19: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Dec 13*	*Sep 13*	*Quarterly Variation (%)*	*Dec 12*	*Sep 12*	*Quarterly Variation (%)*
International Undersea Internet Connectivity Bandwidth (Mbps)	365,330	360,680.1	1.3	328,483	278,171	18.1
International Satellite Internet Connectivity Bandwidth	83.43	219.9	-62.1	157.8	157.78	0.0
Total International Internet Connectivity Bandwidth (Mbps)	**365,413**	**360,900.1**	**1.3**	**328,640.8**	**278,329**	18.1

Source: CCK, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

Table 20 below on Data/Internet Revenue and Investment will be updated once the financial data for the year ending December 2013 is available.

Table 20: Data/Internet Revenue and Investment

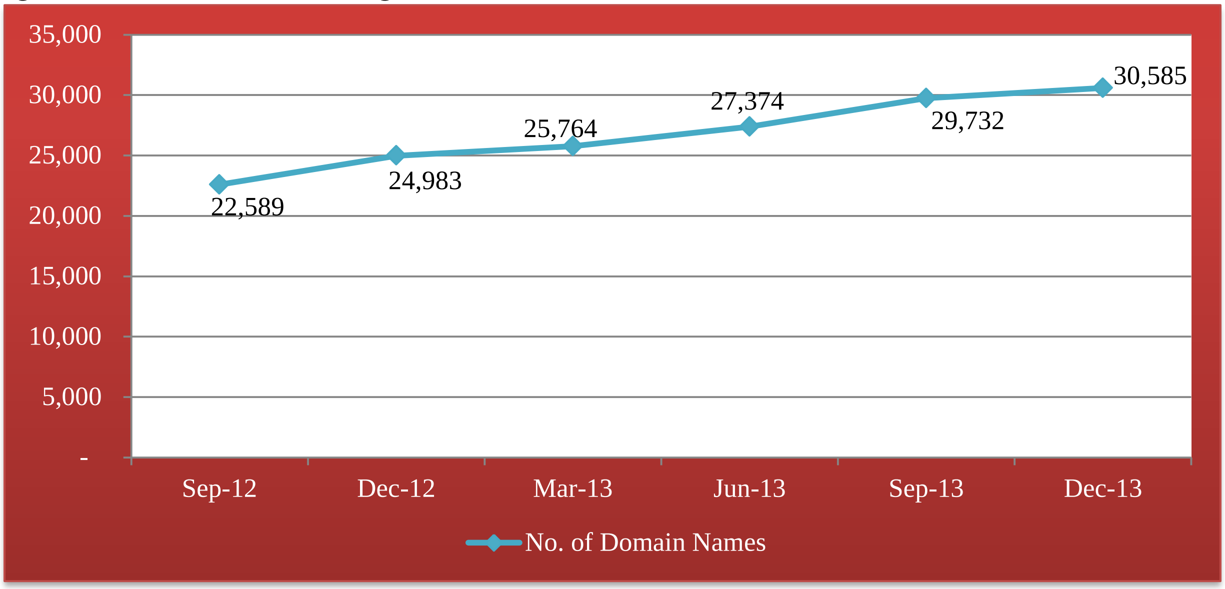
*Data/Internet Revenue and Investments**	*2012*	*2011*	*2010*	*2009*	*2008*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*	*Variation (%) Over 2008*
Data/Internet Revenue (KES Millions)	7,420	5,898	3,640	2,277	7,595	25.8	62.0	59.9	-70.0
Data/Internet Investments (KES Millions)	3,914	3,424	2,760	53,870	1,171	14.3	24.1	-94.88	4500.34

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

4. ELECTRONIC TRANSACTIONS

At the end of the quarter under review, the number of registered domain names stood at 30,585 up from 29,732 representing a 2.9 per cent growth. A similar period of the previous year posted a 10.6 per cent growth.

Figure 8: **Domain Name registration**



Source: CCK, Kenya Network Information Centre (KeNIC)

5. BROADCASTING

The emergence of new technologies and media of communication has resulted in changes on how information is produced, accessed and shared. There have been a lot of changes in television broadcast over the past years following the introduction of pay TV services and online broadcast.

With regard to listenership and viewership, the radio has continued to be more popular compared to TV. During the quarter under review, TV broadcast experienced a significant decline of 30.2 per cent in the average weekly viewership to stand at 360,000 down from 516,111 recorded in the previous quarter. On the contrary, the average weekly radio audience increased by 8.3 per cent to record 3,725,441 persons up from last quarter's 3,440,357 as shown in Table 21.

Table 21: Average Broadcast Audience

Broadcast Category	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
TV Average Weekly Viewership	360,000	516,111	-30.2
Radio average Weekly Audience	3,725,441	3,440,357	8.3

Source: CCK, Operators' Returns

As demonstrated in Table 22, majority of broadcasters have continued to promote local content with dramas, news, discussions and documentaries taking center stage. On the other hand music and movies produced internationally are more popular amongst the broadcasters.

Table 22: Percentage Program Content (Both TV and Radio)

Program Content	*Internally (Local) Produced (%)*	*Third Party Produced (%)*	*Foreign (%)*
Music	11.2	25.4	63.4
Drama/Plays	68.2	22.8	9.0
Movies	11.3	25.7	63.0
News	86.5	7.9	5.6
Documentaries	78.2	7.4	14.4
Discussions	96.1	3.2	0.7

Source: CCK, Operators' Returns

6. POSTAL AND COURIER SERVICE

6.1 Postal and Courier Traffic

The postal and courier sector in the country has shown mixed trends over the past few years. During the period under review, the number of letters posted locally increased by2.8 per cent to record 17,324,016 letters up from 16,859,790 letters recorded in the preceding quarter. This growth could be attributed to the Christmas and New Year seasons during which people tend to send out seasonal greeting cards and success cards during the national exams. However the same period of the previous year recorded a drop of 2.1 per cent.

In addition, the number of courier items sent during the quarter increased significantly by 18.4 per cent to stand at 478,434 items from 404,090 items sent during the last quarter. However, in comparison with the same period of the previous year, a decline of 54.0 per cent was registered.

International incoming letters increased by 10.1 per cent during the quarter to record 2.5 million letters up from 2.2 million letters registered during the previous quarter. The same period of the previous year recorded growth of 21.1 per cent.

There was however recorded decline in international outgoing letters of 18.5 per cent during the quarter to record 978,525 letters received down from 1.1 million letters received during the previous quarter. Conversely, there was recorded growth of 18.1 per cent during the same period of the previous year.

The postal and courier traffic is shown in Table 23.

Table 23: Postal and Courier Traffic

Post and Courier Traffic	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*	*Oct-Dec 12*	*Jul-Se 12*	*Quarterly Variation (%)*
Number of Letters Posted Locally	17,324,016	16,859,790	2.8	17,404,960	17,783,894	-2.1
Total Courier Items Sent Locally	478,434	404,090	18.4	176,492	383,912	-54.0
International Incoming Letters	2,522,641	2,291,770	10.1	3,244,487	2,678,886	21.1
International Outgoing Letters	978,525	1,199,982	-18.5	1,990,994	1,685,670	18.1

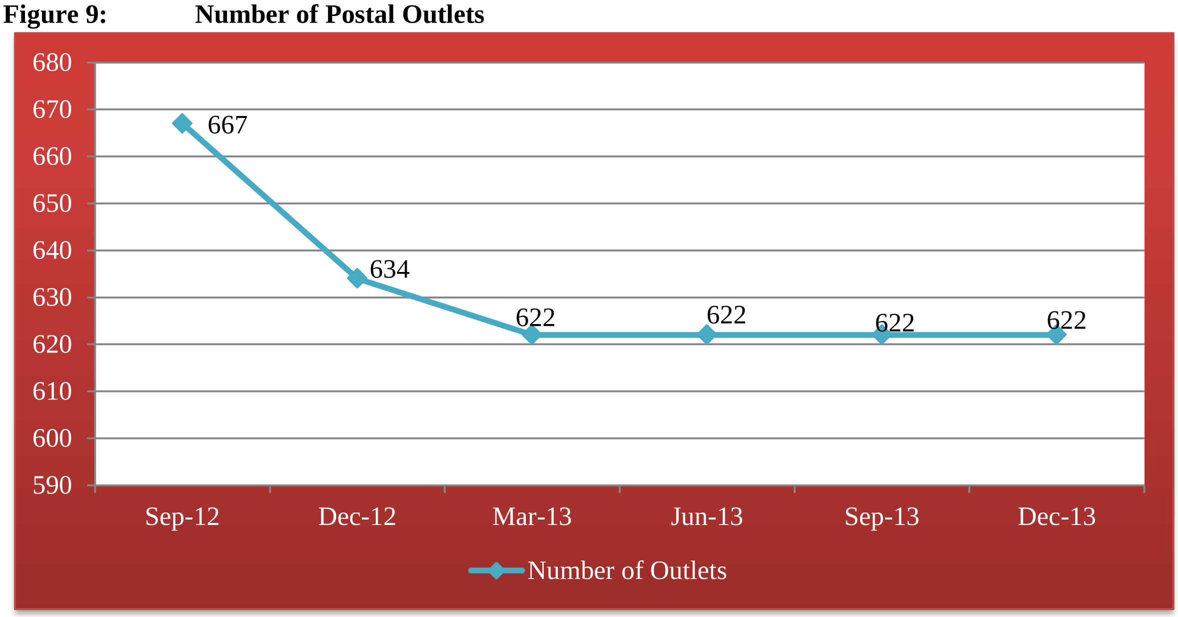
Source: CCK, Operators' Returns.

6.2 Number of Postal Outlets

For the past four quarters, growth in the number of postal outlets has remained stagnant at 622 and the quarter under review was no exception. However, a decline of 4.9 per cent was recorded when compared to the same period of the previous year.

The number of Postal Outlets over the period is illustrated in Figure 9.

Figure 9: Number of Postal Outlets



Source: CCK, Operators' Returns.

6.3 Postal and Courier Revenue and Investment

Table 24 on Postal and Courier Revenue and Investment will be updated once licensees submit their audited financial accounts for the year ending December 2013.

Table 24: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	*2012**	*2011*	*2010*	*2009*	*2008*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*	*Variation (%) Over 2008*
Revenue (KES Millions)	4,950	6,094	5,815	4,255	13,907	-18.8	4.8	43.2	-56.2
Investments (KES Millions)	51	222	335	558	798	-77.0	-33.7	-60.2	-72.2

Source: CCK, Operators' Returns, * Incomplete data from the operators

7. CONCLUSION

During the quarter mobile subscriptions grew marginally, a typical growth trend observed over the previous periods. This growth trend is likely to continue in the coming periods with operators concentrating more on offering their customers a variety of services. Despite the slow growth in mobile subscriptions, mobile traffic has continued to record an upward trend over the period. This has been contributed mainly by competitive tariffs offered through promotions and special.

The number or fixed lines on the other hand continued to shrink which limits its accessibility and usage thus rendering it uncompetitive.

Data/Internet market recorded a turnaround with growth in subscriptions unlike the previous quarter that posted a decrease in subscriptions. This sector is mainly driven by mobile data/internet sector that contributes the largest share of the data/internet.

Bandwidth capacity decreased marginally during the quarter to register 862,473.9 Mbps from 862,834 Mbps during the last quarter. The utilised capacity however has continued to record gradual growth with the quarter under review registering a 1.3 per cent increase to stand at 365,413 Mbps. This represents 42.4 per cent of the total utilised capacity from last quarter's performance of 41.8 per cent thus increasing by 0.6 percentage points.

The postal and courier sector reversed its growth trend within the quarter under review registering increased traffic in both local and international incoming mails. There was however decline in international outgoing mails. This growth signifies that there is still demand for this service. Instilling customer confidence and offering outstanding customer service will make this sector more vibrant and competitive.

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