QUARTERLY SECTOR STATISTICS REPORT

SECOND QUARTER OF THE FINANCIAL YEAR 2014/15

(OCT-DEC 2014)

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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
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. IN SUMMARY

The ICT Sector Statistics Report for the period October to December 2014 (Q2 FY 2014/15) provides analysis of the sector performance and trend developments on the following service categories:

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

During the quarter under review (Q2 FY 2014/15), the mobile telephony sub-sector experienced major changes following the exit of Essar Telecom Limited (yu) from the market and its subsequent acquisition by Safaricom Limited and Airtel Networks Kenya Limited. Despite these changes, mobile subscriptions rose to 33.6 million up from 32.8 million registered during the previous quarter. The number of new subscriptions increased to 863,803 up from 522,435 subscriptions reported in the last quarter.

Pre-paid subscriptions stood at 32.7 million up from 32.0 million subscriptions recorded during the last quarter while Post-paid subscriptions were recorded at 854,283 up from 712,894 subscriptions registered last quarter.

Mobile penetration grew by 2.1 percent to stand at 82.6 percent during the quarter under review up from 80.5 percent reported last quarter.

The number of mobile money transfer subscriptions dropped by 5.3 percent to post 26.0 million subscriptions down from 26.9 million subscriptions posted during the previous quarter. This could be attributed to the market exit by Essar Telecom Limited (yu) which held 2.1 million mobile money transfer subscriptions by end of the previous quarter. The number of money transfer agents increased by 4.6 percent to reach 121,924 up from 114,988 agents posted last quarter. This was as a result of an increase in the number of agents by all mobile money transfer operators.

Mobile number portability experienced a decline of 17.2 percent during the quarter to stand at 781 in-ports down from 943 in-ports reported last quarter. Similarly, when compared to the same period of the previous year, a decline of 28.7 percent was registered.

During the quarter under review, local outgoing mobile voice traffic lost by 8.1 percent to register 7.3 billion minutes down from 8.0 billion minutes recorded during the previous quarter. This was in contrast with the same quarter of the previous year which recorded an increase of 5.5

percent. On the other hand, the total local mobile voice traffic received from other local mobile operators declined by 8.5 percent to register 7.4 billion minutes down from 8.1 billion minutes registered during the previous quarter. During the period under review Finserve a Mobile Virtual Network Operator (MVNO) licensed in 2014 recorded on-net traffic of 1.6 million minutes during the quarter.
International incoming mobile voice traffic recorded an increase of 6.0 percent to reach 148 million minutes up from 140 million minutes reported last quarter. However, international outgoing mobile voice minutes declined by 3.4 percent to stand at 108 million minutes during the period under review. This decline could be attributed to the limited number of promotions on international calls by local operators.

The number of local Short Messaging Service (SMS) registered during the quarter stood at 7.3 billion messages up from 6.9 billion messages sent during the last quarter representing an increase of 5.3 percent, compared to the same period of the previous year growth of 24.3 percent was realised. The growth in local SMS traffic could have been as a result of the high festive season which saw relatives and friends exchange appreciation and well wish messages .

The volume of international incoming messages increased by 5.6 percent to record 42 million messages up from 40 million messages posted during the previous quarter. On the other hand, International outgoing SMS declined by 6.3 percent from 12.00 million messages during the last quarter to 11.2 million messages during the quarter under review.

The total number of fixed lines declined by 6.6 per cent during the quarter under review to post 179, 990 lines compared to the 192, 778 lines reported in the previous quarter. The total local fixed network traffic stood at 25.1 million minutes marking a significant decrease of 22.5 percent when compared to the 32.3 million minutes posted in the last quarter.

The total number of data/internet subscriptions grew remarkably by 10.8 percent to reach 16.4 million from 14.8 million subscriptions reported last quarter. Compared to the same period of the previous year, the number of data subscriptions has grown by 24.8 percent.

The estimated number of internet users during the quarter increased to 26.1 million up from 23.2 million subscriptions reported last quarter. This marked an increase of 4.8 million subscriptions when compared to the same quarter of the previous year. Consequently, the population with access to internet grew significantly to stand at 64.3 per 100 inhabitants up from last quarter's figure of 57.1 per 100 inhabitants. The growth in internet access and usage could be attributed to the numerous data promotions carried out by the various service providers during the quarter. For instance, one of the service providers offered free social media access by post-paid and pre-paid subscribers on their network.

During the period under review, the international internet bandwidth available in the country (Equipped/Lit) experienced slight growth of 2.8 percent to 847,523 Mbps up from 847,515.6 Mbps reported last quarter. The available bandwidth for SEACOM, TEAMS, EASSY and Lion2 remained unchanged from the previous quarter. Satellite capacity on the other hand increased by 2.8 percent to reach 273.0Mpbs up from 265.6 Mbps posted in the previous quarter.

The total international internet bandwidth used during the period under review increased by 4.2 percent to stand at 498,121 Mbps up from 478,074 Mbps reported during the previous quarter. The undersea cable used bandwidth increased by a similar margin to register 498,015 Mbps during the quarter down from 477,854 Mbps recorded last quarter. However the international satellite internet bandwidth used declined significantly by 51.8 per cent to stand at 106.1 Mbps down from last quarter’s 220 Mbps.

In the postal and courier sub-sector, the number of letters sent locally experienced a decline of 5.8 percent to record 13.1 million letters down from 13.9 million letters sent during the previous quarter.

The number of courier items sent locally increased by 2.3 percent to stand at 964,258 up from 942,147 items delivered during the last quarter

International incoming letters declined by 0.7 percent to record 2.46 million down from 2.47 million registered during the previous quarter. The volume of international outgoing letters too experienced a fall during the quarter under review posting 812,923 letters down from 1.2 million letters sent during the last quarter registering a drop of 36.9 percent. Similarly, the same period of the previous year showed a decline of 18.5 percent.

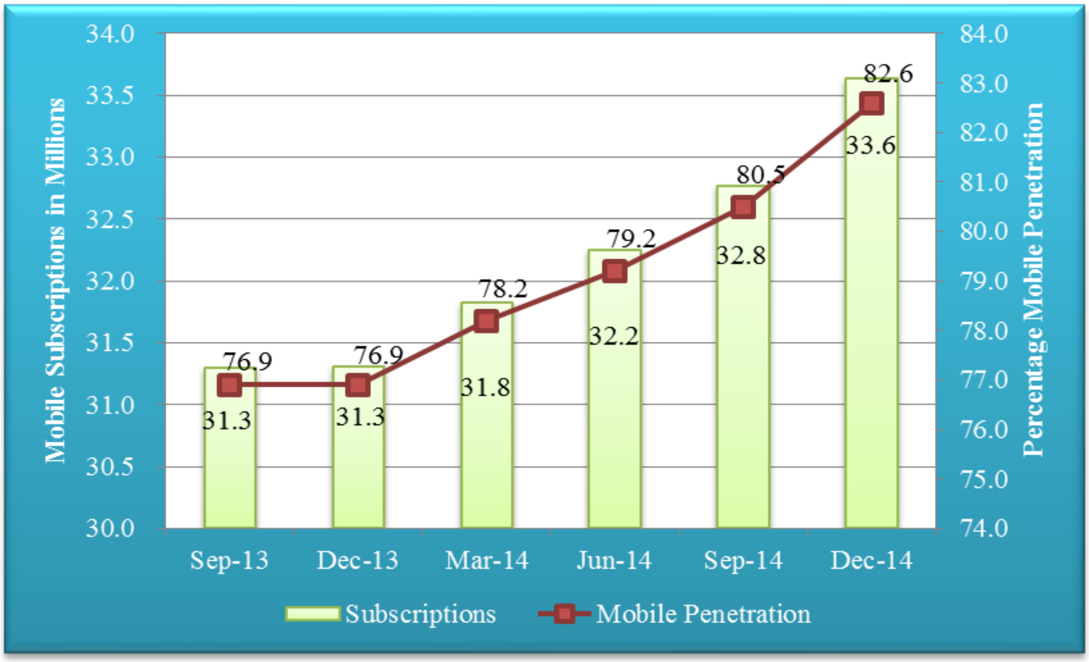
1 CELLULAR MOBILE SERVICES

1.1 Mobile Subscriptions

The quarter under review, Q2 FY 2014/15 experienced major changes in the mobile sub-sector with one of the operators Essar Telecom being acquired by two operators namely, Safaricom Limited and Airtel Networks Kenya Limited. The exit of Essar Telecom did not affect mobile subscriptions as the number rose to 33.6 million up from 32.8 million subscriptions registered during the last quarter. It marked an increase of 2.6 percent during the quarter compared to the same period of the previous year where 0.02 percent was recorded.

Similarly, mobile penetration increased by 2.1 percentage points and stood at 82.6 percent up from 80.5 percent recorded in the previous quarter.
The trend on mobile subscriptions and mobile penetration are as shown in Figure 1.

Figure 1: Mobile Subscriptions

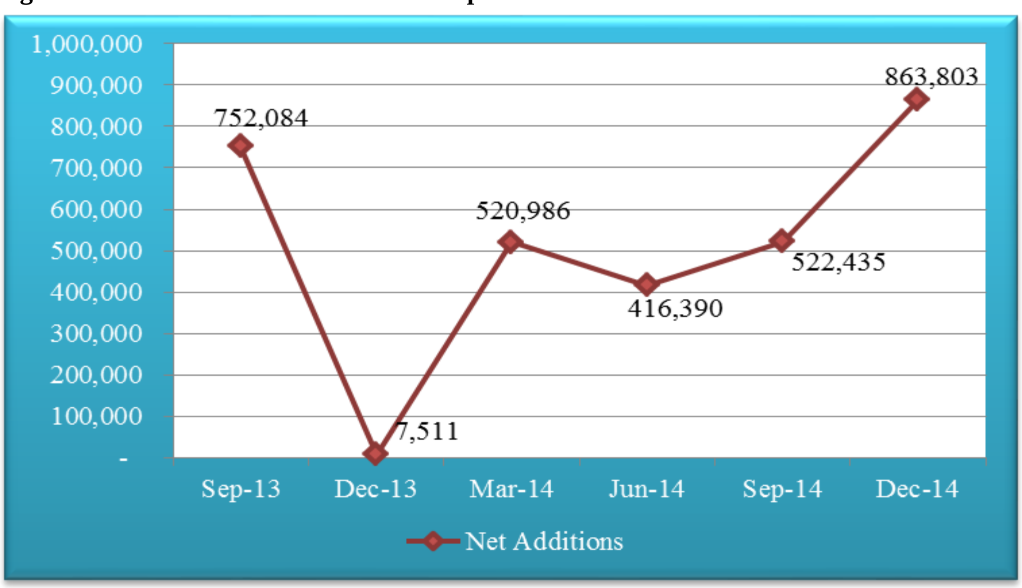


Source: CA, Operators' Returns,

The number of new subscriptions that were registered on all the mobile networks increased to 863,803 up from 522,435 new subscriptions registered during the previous quarter. This represented growth of 65.3 percent during the quarter while the same period of the previous year showed a decline of 99.0 percent.

The growth in net additions (defined as the number of new mobile subscriptions) is illustrated in Figure 2.

Figure 2: Net additions in Mobile Subscriptions



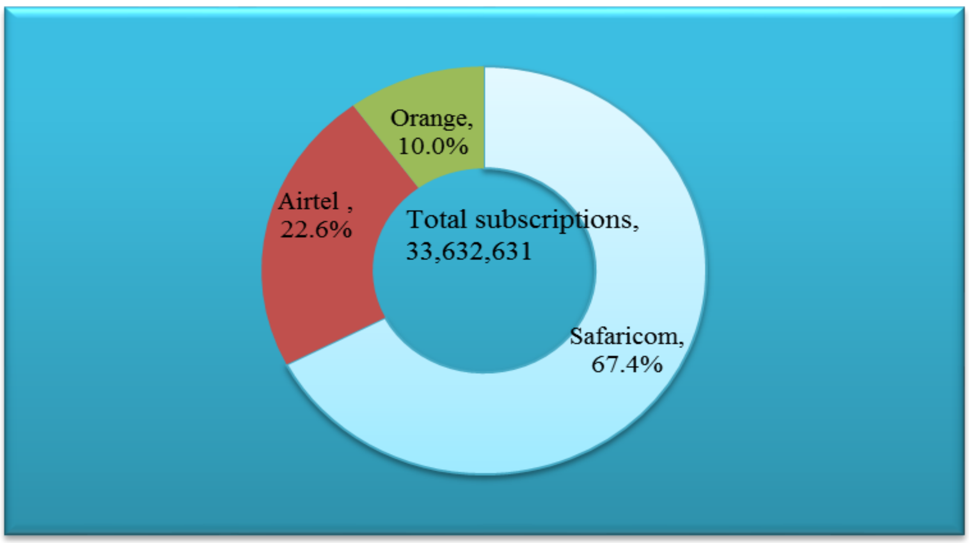
Source: CA, Operators' Returns,

The market share for subscription as apportioned to the three operators experienced some change. The acquisition of Essar subscribers by Airtel Networks Limited led to the latter's increased market share to stand at 22.6 percent up from 16.5 percent posted during the previous quarter.

Safaricom's subscription market share increased by 0.7 percentage points to stand at 67.4 percent during the quarter up from 66.7 percent posted during the last quarter while Telkom Kenya (Orange) gained 0.8 percentage points to reach 10.0 percent market share from last quarter's performance of 9.2 percent.

The total mobile subscriptions and the respective market share per operator are as shown in Figure 3.

Figure 3: Mobile Subscriptions per Operator



Source: CA, Operators' Returns,

The number of post-paid and pre-paid subscriptions for each of the operators experienced substantial change during the quarter under review. Safaricom gained 3.2 percent and 22.0 percent of its pre-paid and post-paid subscribers respectively. Its total subscriptions stood at 22.6 million up from 21.8 million posted during the previous quarter, representing growth of 3.7 percent during the quarter.

The total subscriptions for Airtel Network Limited increased by a substantial margin of 40.9 percent from 5.4 million subscriptions recorded in the previous quarter to 7.6 million subscriptions during the quarter under review. In particular, pre-paid subscribers expanded by 41.6 percent while its post-paid subscribers rose to 12.4 percent.

Telkom Kenya (Orange) total subscriptions gained 11.3 percent to reach 3.3 million from 3.0 million recorded during the last quarter. The pre-paid subscribers increased by 11.3 percent while post-paid subscribers witnessed a decline of 2.2 percent during the period.

As shown in Table 1, the overall number of post-paid subscriptions grew by a larger margin of 19.3 percent compared to pre-paid of 2.3 percent. Prepaid subscriptions stood at 32.7 million up from 32.0 million recorded during the last quarter. Post-paid subscriptions were recorded at 854,283 up from 712,894 subscriptions registered during the last quarter.
The ratio of post-paid to pre-paid subscriptions stood at 1:38.

Table 1: Mobile Subscription per operator

Name of operator	*Dec-14*			*Sep-14*			*Quarterly variation (%)*
	Pre-paid	*Post-paid*	*Total*	*Pre-paid*	*Post-paid*	*Total*	
Safaricom Limited	21,956,374	702,198	22,658,572	21,274,104	575,727	21,849,831	3.7
Airtel Networks Limited Subscriptions	7,461,612	149,020	7,610,632	5,269,858	132,557	5,402,415	40.9
Essar Telecom Limited (YU)	-	-	-	2,492,218	1,475	2,493,693	-
Telkom Kenya(Orange)	3,360,362	3,065	3,363,427	3,019,754	3,135	3,022,889	11.3
Total	**32,778,348**	**854,283**	**33,632,631**	**32,055,934**	**712,894**	**32,768,828**	**2.6**

Source: CA, Operators' Returns

1.2 Mobile Money Transfer

During the quarter under review, the number of mobile money transfer subscriptions stood at 26.0 million down from 27.4 million recorded during the last quarter, representing a decline of 5.3 percent. This could be attributed to the exit from the market by Essar Telecom Limited (yu) which held 2.1 million mobile money transfer subscriptions representing 7.8 percent market share by end of the previous quarter. Finserve, a Mobile Virtual Network Operator licensed in 2014 joined the market and recorded 394,606 subscriptions during the quarter under review.

As indicated in Table 2, number of agents increased by 4.6 percent to reach 121,924 up from 114,988 agents recorded during the last quarter.

Table 2: Mobile Money Transfer Service

Service Provider	*Oct-14*		*Sep-14*		*Quarterly Variation (%)*	
	Agents	*Subscriptions*	*Agents*	*Subscriptions*	*Agents*	*Subscriptions*
Safaricom	83,690	20,150,836	80,330	19,945,702	4.2	1.0
Airtel	10,990	3,236,016	12,438	3,278,339	-11.6	-1.3
Orange	13,767	190,129	12,137	188,498	13.4	0.9
Essar	-	-	284	2,147,352	-	-
Finserve	-	394,606	-	-	-	-
Mobikash	11,881	1,547,502	9,799	1,411,888	21.2	9.6
Tangaza	1,596	503,556	1,596	503,556	0.0	0.0
Total	**121,924**	**26,022,645**	**114,988**	**27,475,335**	**4.6**	**-5.3**

Source: CA, Operators' Returns

1.3 Mobile Number Portability

As indicated in Table 3, the number of in-ports declined by 17.2 percent to stand at 781 down from 943 in-ports recorded during the last quarter. When compared to the same period of the previous year, a decline of 28.7 percent was registered.

Table 3: Mobile Number Portability

Period	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
Number of in-ports	781	*943*	-17.2	276	387	-28.7

Source: CA, Operators' Returns,

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

During the quarter under review, the number of voice minutes originated on the mobile networks registered a drop from 8.0 billion minutes recorded in the previous quarter to 7.4 billion minutes during the quarter under review. When compared to the same period of the previous year, growth of 5.5 percent was observed.

The decline in total traffic was partially contributed by on-net traffic that dropped by 7.6 percent down from 6.9 billion minutes recorded in the last quarter to 6.4 billion minutes posted during the quarter under review.

Similarly traffic to other mobile networks decreased by 10 percent to stand at 936 million during the quarter under review down from 1.0 billion minutes registered during the last quarter. When compared with the same period of the previous year, an increase of 5.1 percent was recorded.

Mobile to fixed traffic declined by a sizeable margin of 35.8 percent during the quarter to record 16.1 million minutes down from 25.1 million minutes posted during the previous quarter. Similarly, the same period of the previous year returned a decline of 19.3 percent.

The growth in local voice traffic is shown in Table 4.

Table 4: Local Mobile Voice Traffic in Minutes

Mobile Traffic	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
By Traffic originating (outgoing traffic)						
Own Network –Own Network	6,449,281,515	6,982,752,707	-7.6	6,871,942,391	6,508,960,468	5.6
Own Network to Other Mobile Networks	936,937,933	1,040,994,283	-10.0	1,003,147,611	954,859,613	5.1
Mobile Network to Fixed Network	16,160,611	25,186,545	-35.8	11,637,430	14,421,834	-19.3
Total Traffic Origination (Outgoing)	**7,402,380,059**	**8,048,933,535**	**-8.0**	**7,886,727,432**	**7,478,241,915**	**5.5**
By Traffic terminating (incoming traffic)						
Own Network –Own Network	6,449,281,515	6,982,752,707	-7.6	6,871,942,391	6,508,960,468	5.6
Other Mobile Networks to Own Network	929,669,094	1,101,158,635	-15.6	1,064,722,858	1,011,989,047	5.2
Fixed Network to Mobile Network	31,913,719	24,075,758	32.6	25,206,911	28,305,931	-10.9
Total traffic termination(Incoming)	**7,418,610,171**	**8,107,987,100**	**-8.6**	**7,961,872,160**	**7,549,255,446**	**5.5**

Source: CA, Operators' Returns

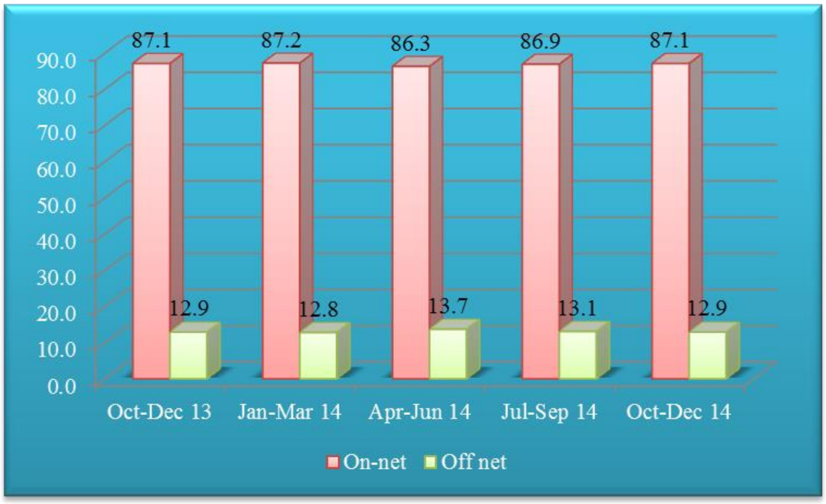
The total traffic terminated on local mobile networks experienced a decline of 8.5 percent to register 7.4 billion minutes during the quarter down from 8.1 billion minutes recorded during the last quarter. Conversely, there was an increase of 5.5 percent when related to the same period of the previous year. The decline in local mobile voice traffic during the quarter could have been as a result of the market exit by Essar Telecoms Limited which had reported traffic volume of 529.7 million minutes during the previous quarter.

Despite the overall decline in mobile traffic, there was recorded growth in fixed to mobile traffic which grew by 34.1 percent during the quarter to reach 32 million minutes up from 24 million minutes recorded during the previous quarter. However a decline of 10.9 percent was observed when compared to the same period of the previous year.

The proportion of on-net and off-net traffic has remained within similar margin of growth over the period. During the quarter under review, the proportion of on-net traffic was recorded at 87.1 percent from the last quarter of 86.9 percent representing growth of 0.2 percentage points during the quarter. On the contrary, the share of off-net traffic to the total traffic declined by 0.2 percentage points to stand at 12.9 percent down from 13.1 percent posted during the last quarter. Generally, the ration of on-net to off-net traffic during the quarter under review was similar to that reported in the same quarter of the previous year.

The proportion of on-net and off-net traffic to total traffic volume is illustrated in Figure 4.

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



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

There was substantial change in traffic patterns for each of the operators particularly for Safaricom, Orange and Airtel Networks Limited. Safaricom's traffic increased to 6.2 billion minutes up from 6.0 billion minutes recorded during the last quarter. Similarly, the share in voice traffic shifted to 84.0 percent from 75.6 percent registered during the last quarter. Notably, the off-net traffic shot from 305 million during the last quarter to 331 million during the quarter under review marking growth of 8.5 percent.

On the contrary, Airtel's traffic declined substantially to 722 million minutes corresponding to 9.8 percent share down from 1.0 billion minutes recorded during the previous quarter. Its market share in voice traffic declined to 9.8 percent down from 13.4 per cent reported during the previous period.

Telkom Kenya Limited (Orange) gained in total mobile voice traffic to post 458 million minutes during the quarter up from 356 million minutes posted during the previous quarter. The market share for Telkom (Orange) has demonstrated improvement over the last three quarters with the quarter under review recording 6.2 percent market share from 4.4 percent recorded during the last quarter.

During the period under review Finserve, a Mobile Virtual Network Operator (MVNO) licensed in 2014 recorded on-net traffic of 1.6 million minutes during the quarter.

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

Table 5: Voice Traffic by Operator

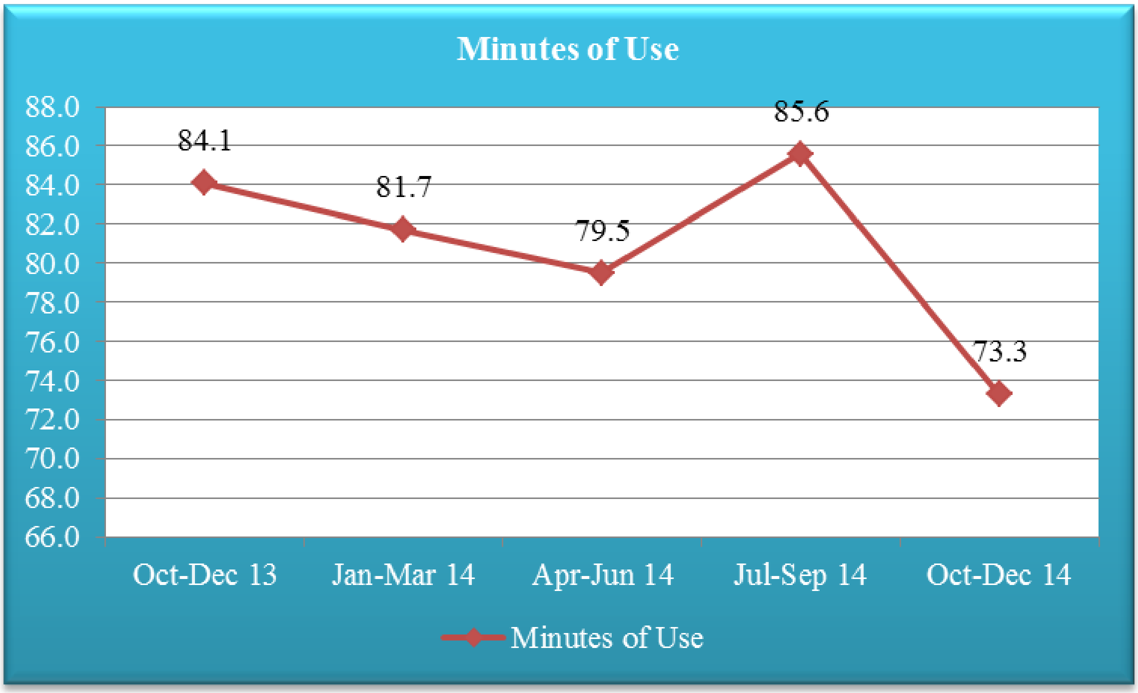
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*	*Finserve*
Oct-Dec 14	*On-net*	5,888,419,067	247,984,220	-	311,251,028	1,627,200
	Off-net	331,650,754	474,096,290	-	147,351,500	-
	Total	**6,220,069,821**	**722,080,510**		**458,602,528**	**1,627,200**
	Market share (%)	84.0	9.8		6.2	0.0
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	
Oct-Dec 13	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-Sep-13	*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	

Source: CA, Operators' Returns

1.4.3 Minutes of Use

Figure 5 illustrates that the Minutes of Use (MoU) per month for each subscriber declined to 73.3 minutes during the quarter down from 85.6 minutes recorded during the previous quarter. This represented a decline of 16.8 percent during the period while the same period of the previous year showed an increase of 5.6 percent.

Figure 5: Minutes of Use



Source: CA, Operators' Returns

1.4.4 Short Messaging Service

The number of Short Messaging Service (SMS) sent during the quarter increased by 9.1 percent to register 7.3 billion messages up from 6.9 billion messages sent during the last quarter. The growth in SMS traffic could have been as a result of the high festive season which saw relatives and friends exchange appreciation and well wish messages.

With regard to market share for each of the operators, the number of SMS sent from Safaricom network increased to 7.0 billion up from 6.5 billion messages sent during the previous quarter. The SMS market share remained the highest at 96.4 percent during the quarter compared to last quarter's share of 95.8 percent, representing growth of 0.6 percentage points during the quarter.

Airtel's SMS traffic volume declined by a sizeable margin from 385 million messages sent during the last quarter to 188 million messages during the quarter under review. The SMS share also reduced to 2.6 percent down from 5.5 percent share posted during the last quarter.

Similar to the gain experienced in voice traffic during the quarter for Telkom (Orange), the volume of SMS sent grew exponentially during the quarter to register 72 million messages up from 40 million messages posted during the last quarter. This is close to 2-fold increase during the period. This exponential growth in the number of messages sent from the Orange network was mailnly contributed by on-net SMS and could be attributed to the promotion carried out by the operator which allowed users to earn bonus recharge of one Kenya Shilling for every SMS sent. The bonus recharge was only applicable to on-net SMS and voice services. The share rose to 0.9 percent up from 0.6 percent shares recorded during the previous quarter..

The SMS traffic and the corresponding shares 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)*	*Total SMS*
Oct-Dec 14	On-net	6,893,573,832	111,087,663	-	17,478,150	**7,022,139,645**
	Off-net	140,089,889	77,525,260	-	54,765,018	**272,380,167**
	Total	**7,033,663,721**	**188,612,923**	**-**	**72,243,168**	**7,294,519,812**
	Market Share (%)	96.4	2.6		0.9	
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	
Oct-Dec 13	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-Sep 13	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	

Source: CA, Operators' Returns

1.4.5 Multimedia Messaging Service

Unlike the previous periods that had shown a declining trend for Multi-Media Messages (MMS), the quarter in review demonstrated growth of 44.9 per cent to post 3.9 million messages up from 2.6 million messages posted during the previous quarter.

The number of multi-media messages sent by each subscriber stood at 0.04 up from 0.03 messages recorded during the last quarter. This represented growth of 33.3 percent during the period and 50.0 percent increase when compared to the same period of the previous year.

The performance of MMS is indicated in Table 7.

Table 7: Multimedia Messaging Service

Period	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
Number of MMS	3,906,043	2,695,520	44.9	3,039,392	2,248,680	35.2
MMS per subscriber per month	0.04	0.03	33.3	0.03	0.02	50.0

Source: CA, Operators' Returns

1.4.6 Roaming Traffic

Contrary to the decline in Roaming-out[1] voice traffic reported during the previous quarter, the quarter under review experienced growth of 5.7 percent to reach 10.1 million minutes up from 9.6 million minutes posted during the last quarter. Similarly, when compared to the same period of the previous year, growth of 7.3 percent was realised.

Roaming- in[2] voice traffic declined by 17.8 percent to stand at 11.0 million minutes down from 13.4 million minutes recorded during the previous quarter. In the same period of the previous year, a 17 per cent decline was recorded.

Roaming out messages too declined to 9.9 million down from 10.9 million messages registered during the last quarter representing a drop of 9.5 percent during the quarter. However, the same period of the previous year yielded growth of 9.2 percent.

There was substantial reduction in roaming-in messages during the quarter under review to 2.5 million messages from 5.7 million messages during the last quarter. Similarly, the same period of the previous year registered a 38.0 percent decline.

The growth in roaming traffic is indicated in Table 8.

Table 8: Roaming Traffic

Roaming Traffic	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
Roaming Voice Minutes Own Subscribers on Foreign Networks	10,156,955	9,611,418	5.7	12,793,890	11,920,804	7.3
Roaming Voice Minutes Foreign Subscribers on Local Network	11,014,260	13,400,315	-17.8	9,519,137	11,472,726	-17.0
Roaming SMS - Own Subscribers on Foreign Networks	9,906,454	10,948,026	-9.5	11,290,284	10,338,853	9.2
Roaming SMS - Foreign Subscribers on Local Network	2,520,462	5,710,316	-55.9	5,563,021	9,097,302	-38.0

Source: CA, Operators' Returns.

[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.

1.4.7 International Mobile Traffic

The total international mobile voice traffic received in the country during the period under review increased by 6.0 percent to stand at 148 million minutes up from 140 million minutes reported in the previous quarter. The incoming traffic from the East African region grew by 8.2 percent to stand at 20.7 million minutes while that from other countries grew by 5.6 percent to stand at 127 million minutes during the period under review.

The total international outgoing traffic declined by 3.4 percent during the quarter to register 108 million minutes down from 112 million minutes posted during the previous quarter. However, traffic leaving the country to East African countries grew by 24.4 percent to stand at 17.8 million minutes whereas that to other countries declined by 7.4 percent to register 90.7 million minutes during the quarter under review.

During the period under review, the volume of SMS received from other countries increased by 4.0 percent to stand at 44 million messages up from 42 million messages reported in the previous quarter. International outgoing SMS on the other hand declined by6.3 percent from 12 million messages sent during the last quarter to 11.24 million messages during the quarter under review.

The international mobile traffic is indicated in Table 9.

Table 9: International Mobile Traffic

International Mobile Traffic and SMS	*Region*	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	*EAC*	20,711,140.25	19,139,384	8.2
	Others	127,975,458.75	121,134,744	5.6
	Total	148,686,599	**140,274,128.00**	6.0
International Outgoing Mobile Minutes	*EAC*	17,813,849.50	14,321,266	24.4
	Others	90,783,946.50	98,061,869	-7.4
	Total	108,597,796	**112,383,135.00**	-3.4
International Incoming Mobile SMS		**44,190,839**	**42,484,232**	4.0
International Outgoing Mobile SMS		**11,247,845**	**12,009,411**	**-6.3**

Source: CA, Operators' Returns.

1.5 Mobile Revenue and Investments

The revenues and investments for the mobile sector will be updated upon the lapse of the operators' financial year.

Table 10: Mobile Revenue and Investment

*Mobile Revenues and Investments**	*2013***	*2012***	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*
Mobile Revenue (KES Millions)	140,233	133,508	116,640	104,552	90,394	5.0	14.5	11.6	15.7

Mobile Investments (KES Millions)**	30,387	33,827	34,590	27,126	40,260	-10.2	-2.2	27.5	-32.6

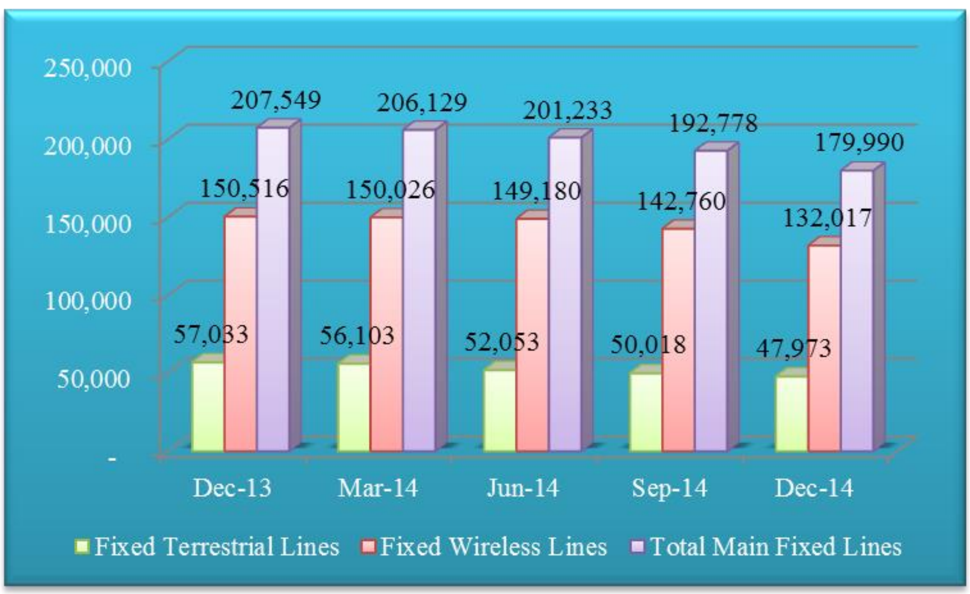
Source: CA, Operators Returns, (*) includes Telkom Fixed Network Revenue and Investment. ** (provisional)

2 FIXED TELEPHONE SERVICE

2.1 Subscriptions

The fixed line network has maintained a downward trend with the quarter under review reporting a total of 179, 990 lines down from 192,778 lines recorded in the previous quarter marking a decline of 6.6 per cent. As illustrated in Figure 6 below, the number of fixed wired lines dropped further by 4.3 per cent to stand at 47,973 down from 50,018 lines posted last quarter. Fixed wireless subscriptions exhibited a similar trend to post 132,017 subscriptions down from 142,760 subscriptions posted during the previous quarter.

Figure 6: Fixed Network Subscriptions



Source: CA, Operators Returns.

2.2 Fixed Network Traffic

The volume of fixed network traffic declined during the quarter under review, a trend that has been observed for some time now. The total local fixed network traffic stood at 25.1 million minutes marking a significant decrease of 22.5 percent when compared to the 32.3 million minutes posted last quarter. However, this trend was contrary to that reported during the same quarter of the previous year which recorded an increase in traffic of 6.8 percent.

Fixed to fixed network traffic declined by 13.1 percent to record 351,838 minutes down from 404,726 minutes recorded last quarter. Similarly, fixed wireless to fixed wireless traffic dropped significantly by 18.9 percent to stand at 4.4 million minutes down from 5.5 million minutes reported in the previous quarter.

Fixed traffic to other networks dropped significantly by 23.4 percent to reach 25.1 million minutes down from 26.4 million minutes posted last quarter. However, this trend was contrary to that observed during the same period of the previous year which experienced an increase of 6.8 per cent.

Table 11 illustrates the trend in fixed network traffic.

Table 11: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
	Intra-network traffic					
Fixed-fixed	351,838	404,726	-13.1	486,637	597,384	-18.5
Fixed Wireless-fixed wireless	4,460,479	5,501,122	-18.9	6,158,803	4,686,585	31.4
Inter-network traffic						
Fixed to other Networks(Network voice providers)	20,299,589	26,483,787	-23.4	23,468,289	22,911,503	2.4
Total Local Fixed network traffic	**25,111,906**	**32,389,635**	**-22.5**	**30,113,729**	**28,195,468**	**6.8**

Source: CA, Operators' Returns

Fixed network traffic received from other countries declined tremendously by 20.1 percent to stand at 2.5 million minutes down from last quarter's 3.1 million minutes. Similarly, international outgoing fixed traffic dropped by 6.1 percent to post 3.6 million minutes down from 3.8 million minutes posted last quarter. International outgoing VoIP traffic recorded a growth of 0.3 per cent during the quarter under review to record 1,787,010 minutes up from 1,780,950 minutes reported in the previous quarter.

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

Table 12: International Fixed Voice Traffic

Fixed Network Subscription	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	2,516,815	3,148,409	-20.1	1,790,587	3,941,448	-54.6
International Outgoing Fixed Network Voice traffic	3,653,701	3,888,936	-6.1	3,761,709	4,406,763	-14.6
International Outgoing Fixed Network VoIP traffic	1,787,010	1,780,950	0.3	1,808,646	2,109,159	-14.2

Source: CA, Operators Returns.

3 DATA/INTERNET SERVICES

3.1 Data/Internet Service

The data market in the country has grown significantly over time. During the period under review, the total number of data/internet subscriptions grew remarkably by 10.8 percent to reach 16.4 million from 14.8 million subscriptions reported last quarter. Compared to the same period of the previous year, the number of data subscriptions has grown by 24.8 percent. This could be attributed to the massive investments by mobile operators and Internet Service Providers into base stations and the last mile fibre optic transmission links to support the increasing bandwidth demand in the country.

Terrestrial wireless data subscriptions increased to 17,537 subscriptions, up from 16,999 subscriptions recorded in the previous quarter, marking a growth of 3.2 percent. This is an improvement to what was posted in the same period of the previous year which saw a 4.3 percent decline. Similarly, Satellite data subscriptions increased by 19.1 percent during the quarter to stand at 712 subscriptions down from 598 subscriptions.

The growth in fibre optic network in the country has been vibrant over the recent years. During the quarter under review, the number of fixed fibre optic data subscriptions grew by 15.9 percent to stand at 81,243 subscriptions up from 70,115 subscriptions reported last quarter.

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

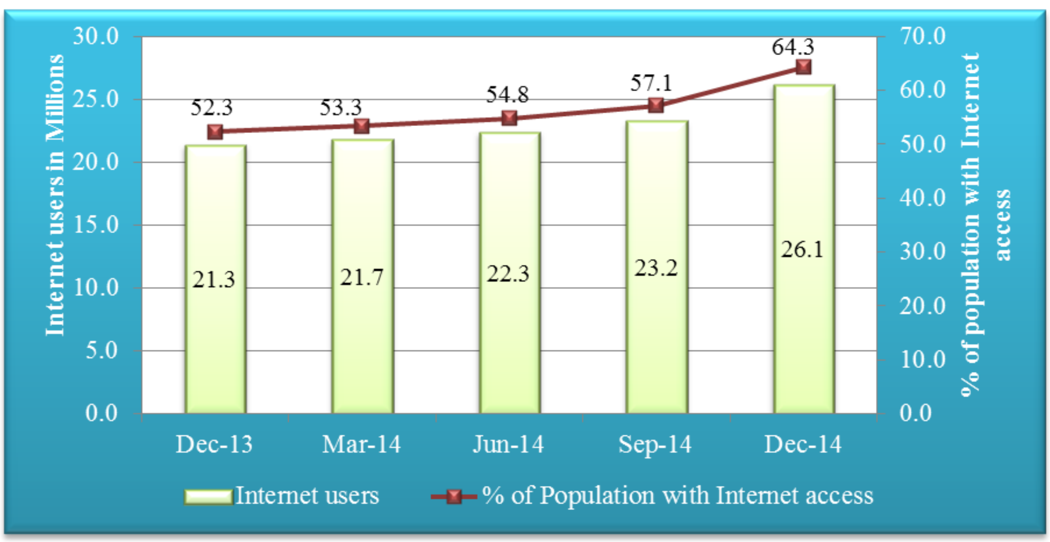
Table 13: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Dec14*	*Sep 14*	*Quarterly Variation (%)*	*Dec 13*	*Sep-13*	*Quarterly Variation (%)*
Total Internet Subscriptions	**16,453,019**	**14,845,967**	**10.8**	**13,186,968**	**11,671,337**	**12.99**
Mobile Data Subscriptions	16,338,990	14,745,836	10.8	13,090,348	11,580,065	13.04
Terrestrial Wireless Data Subscriptions	17,537	16,999	3.2	16,429	17,169	-4.31
Satellite Data Subscriptions	712	598	19.1	682	749	-8.95
Fixed DSL Data Subscriptions	14,512	12,394	17.1	12,014	11,537	4.13
Fixed Fibre Optic Data Subscriptions	81,243	70,115	15.9	67,470	61,739	9.28
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.00
***Total Internet Users*[3]**	**26,163,560**	**23,229,026**	**12.6**	**21,273,738**	**19,162,055**	**11.02**

Source: CA, Operators' Returns

As illustrated in Figure 7 below, the estimated number of internet users[4] during the quarter increased to 26.1 million up from 23.2 million subscriptions reported last quarter. This marked an increase of 4.8 million subscriptions, compared to the same quarter of the previous year. Consequently, the population with access to internet grew significantly to stand at 64.3 per 100 inhabitants up from last quarter's figure of 57.1 per 100 inhabitants.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CA, Operators' Returns.

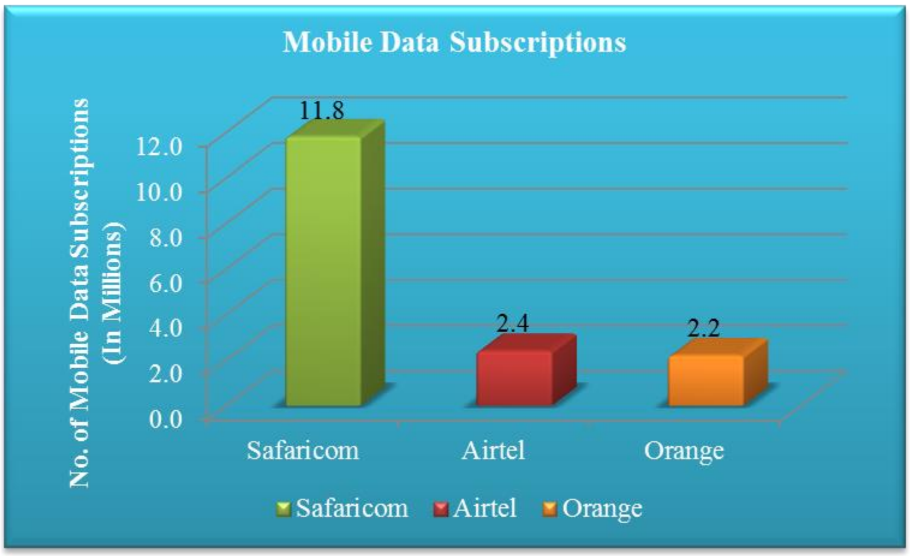
As indicated in Figure 8 below, during the quarter under review, Safaricom Kenya Limited recorded the highest number of mobile data subscriptions which stood at 11.8 million. On the

[4] Total no. of Internet users = Σ (1MD+10TW+100FFOS) where MD is the number of mobile data/internet subscriptions; TW is the terrestrial wireless subscriptions; and FFOS by 100 is fixed DSL, Fibre optic and satellite subscriptions. There is no scientific method of estimating internet users; for the purpose of this report the methodology is adopted from the recommendation from ITU

other hand Airtel Networks Limited and Orange Kenya posted 2.4 million and 2.2 million subscriptions respectively. Notably, Essar Limited exited the market during the period under review and this could be the reason for the significant increase in mobile data subscriptions for Safaricom, Airtel and Orange.

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

Figure 8: Mobile data/internet subscription by operator



Source: CA, Operators' Returns

The market share as measured by other fixed/wireless data/internet subscriptions for the top ten operator's experienced mixed trends during the period under review. Wananchi Telecom maintained the highest market share with the quarter under review registering 48.8 percent up from the 44.2 percent posted in the previous quarter. Liquid Telecom Limited was second with a market share of 15.7 per cent although the number of subscriptions remained unchanged. Telkom Kenya Limited lost by 1.4 per cent to post a market share of 10.5 per cent down from 11.9 per cent posted last quarter although the number of subscriptions grew by 0.9 per cent.

The market share for other operators whose other fixed/wireless data/internet subscriptions are not listed in Table 14 below declined by 0.1 per cent to stand at 0.4 per cent representing 346 subscriptions.

Table 14 below shows the market shares of the top ten operators with respect to other fixed/wireless internet subscriptions.

Table 14: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	*Dec 14*	*Market Share (%)*	*Sep 14*	*Market Share (%)*
Wananchi Telecom Limited	55,936	48.8	44,254	44.2
*Liquid Telecom Limited***	18,050	15.7	18,050	18.0
Telkom Kenya Limited	12,002	10.5	11,894	11.9
*Access Kenya Limited**	11,502	10.0	11,502	11.5
Safaricom Limited	8,244	7.2	7,499	7.5
Jamii Telecommunication Limited	2,574	2.2	2,574	2.6
Iway Africa	3,271	2.9	1,351	1.3
Mobile Telephony Networks Limited	1,327	1.2	1,327	1.3
*Internet solution**	742	0.6	742	0.7
Call Key Networks Limited	543	0.5	547	0.5
Tangerine Limited	202	0.2	-	-
Other fixed/Terrestrial wireless operators	346	0.3	391	0.4

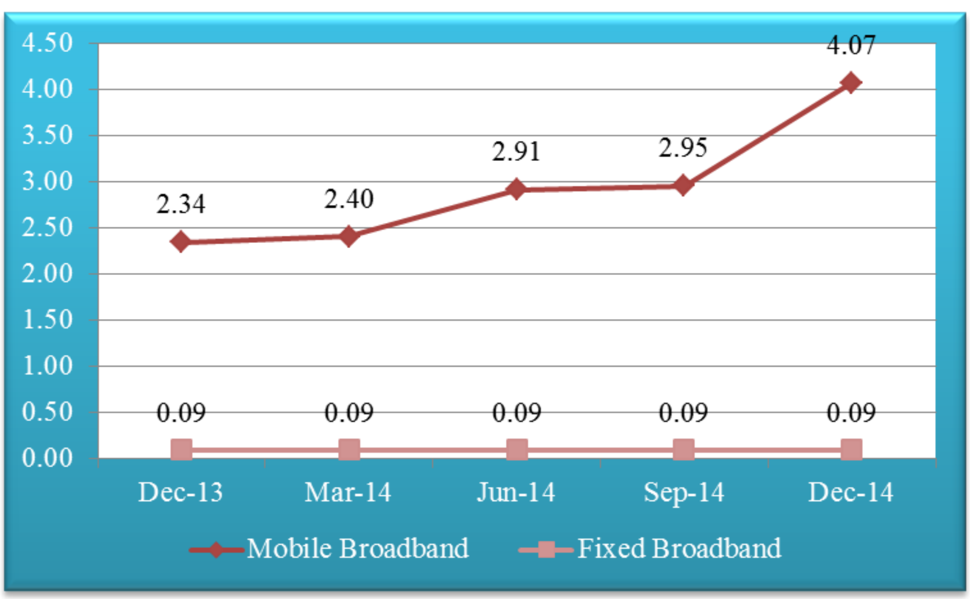
Source: CA, Operators' Returns, * Data used for Jan-Mar 14, **Data used for Jul-Sep14

3.2 Broadband Services

3.2.1 Data / internet broadband subscriptions

As illustrated in Figure 9, during the quarter under review, mobile broadband subscriptions recorded a significant growth of 37.9 percent to stand at 4.07 million up from 2.95 million subscriptions reported last quarter. Fixed/wireless broadband subscriptions on the other hand were estimated at 0.09 million. Terrestrial wireless, Fixed DSL and Satellite broadband subscriptions decreased accordingly whereas fibre optic broadband subscriptions increased during the quarter.

Figure 9: Broadband Subscriptions

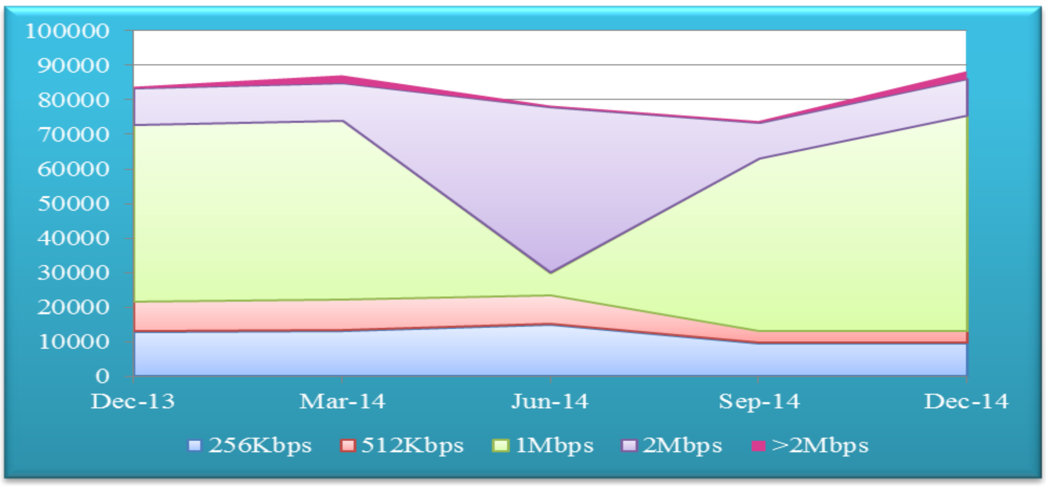


Source: CA, Operators' Returns

3.2.2 Broadband Ssubscriptions by Speed

Figure 10 illustrates broadband subscriptions as categorized by advertised speeds. The 1Mbps remained the most popular among broadband users while the lower bands of 256Kbps and 512Kbps have not exhibited significant growth over time. The 2Mbps band which experienced a deep decline in June 2014 has demonstrated an upward trend during the period under review.

Figure 10: Broadband Subscriptions by Speed



Source: CA, Operators' Returns.

3.3 International Bandwidth

During the period under review, the international internet bandwidth available in the country (Equiped/Lit) experienced slight growth of 2.8 percent to reach 847,523 Mbps up from 847,515.6 Mbps reported last quarter. The available bandwidth for SEACOM, TEAMS, EASSY and Lion2 remained unchanged from the previous quarter. Satellite capacity on the other hand increased by 2.8 percent to reach 273.0Mpbs up from 265.6 Mbps posted in the previous quarter.

The trend on international Internet available bandwidth is as shown in Table 15.

Table 15: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Dec 14*	*Sep 14*	*Quarterly Variation (%)*	*Dec 13*	*Sep 13*	*Quarterly Variation (%)*
SEACOM	565,440	565,440	0.0	578,400	578,400	0.0
TEAMS	119,970	119,970	0.0	119,970	119,970	0.0
Telkom Kenya Limited (EASSY)	120,880	120,880	0.0	122,880	122,880	0.0
Lion 2	40,960	40,960	0.0	40,960	40,960	0.0
VSAT	273.0	265.6	2.8	263.9	623.52	-57.7
Total International Internet Bandwidth (Mbps)	**847,523**	**847,515.60**	**2.8**	**862,473.9**	**862,834**	**-0.04**

Source: CA, Operators' Returns

The total international internet bandwidth used during the period under review increased by 4.2 per cent to stand at 498,121 Mbps up from 478,074 Mbps reported during the previous quarter.

The undersea cable used bandwidth increased by a similar margin to register 498,015 Mbps during the quarter down from 477,854 Mbps recorded last quarter. However the international satellite internet bandwidth used declined significantly by 51.8 per cent to stand at 106.1 Mbps down from last quarter's 220 Mbps.

The trend in international connectivity bandwidth is shown in Table 16.

Table 16: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Dec 14*	*Sep 14*	*Quarterly Variation (%)*	*Dec 13*	*Sep 13*	*Quarterly Variation (%)*
International Undersea Internet Connectivity Bandwidth (Mbps)	498,015	477,854	4.2	365,330	360,680.1	1.3
International Satellite Internet Connectivity Bandwidth	106.1	220	-51.8	83.43	219.95	-62.1
Total International Internet Connectivity Bandwidth (Mbps)	**498,121**	**478,074**	4.2	**365,413**	**360,900.1**	1.3

Source: CA, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

The revenues and investments for the data/internet sector will be updated upon the lapse of the operators' financial year.

Table 17: Data/Internet Revenue and Investment

*Data/Internet Revenue and Investments**	*2013*	*2012*	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*
Data/Internet Revenue (KES Millions)	21,941	25,627	13,710	8,659	7,937	-14.4	86.9	58.3	9.1
Data/Internet Investments (KES Millions)	3,537	6,115	5,079	3,520	2,721	-42.2	20.4	44.3	

Source: CA, Operators' Returns. * Note that revenue in data market includes data revenues from mobile sector.

4 ELECTRONIC TRANSACTIONS

The number of domain names for .KE as at June 2014 were recorded at 32,508 as shown in Table 18.

Table 18: Number of Domain names

Subdomain	*Use*	*No. of Domains*	*Percentage (%)*
CO.KE	Companies	29,374	90.36%
GO.KE	Government Entities	301	0.93%
OR.KE	Non Profit Making Organizations	1,193	3.67%
AC.KE	Institutions of Higher Education	773	2.38%
SC.KE	Lower and Middle Level Institutions	119	0.37%
NE.KE	Personal Websites and E-mail	65	0.20%
ME.KE	Personal Websites and E-mail	546	1.68%
MOBI.KE	Mobile Content	43	0.13%
INFO.KE	Information	94	0.29%
Total		**32,508**	**100%**
Source: KENIC - www.kenic.or.ke			

Source: CA, Kenya Network Information Centre (KeNIC) *June 2014 Provisional

5 POSTAL AND COURIER SERVICE

5.1 Postal and Courier Traffic

The number of letters sent locally experienced a decline of 5.8 percent to record 13.1 million minutes down from 13.9 million letters sent during the previous quarter. However when related to the same period of the previous year, an increase of 2.8 percent was observed.

The number of courier items sent locally increased by 2.3 percent to stand at 964,258 up from 942,147 items delivered during the last quarter. This growth was minimal compared to that reported during the same period of the previous year which recorded significant growth of 18.4 percent.

International incoming letters declined during the quarter under review to reach 2.46 million letters down from 2.47 million letters registered during the previous quarter, representing a drop of 0.7 percent. When compared to the same period of the previous year, a growth of 10.1 percent was observed.

As shown in Table 20**,** the volume of international outgoing letters too experienced a fall during the quarter under review posting 812,923 letters down from 1.2 million letters sent during the last quarter, registering a drop of 36.9 percent. Similarly, the same period of the previous year showed a decline of 18.5 percent.

Table 19: Postal and Courier Traffic

Post and Courier Traffic	*Oct-Dec 14*	*Jul-Sep 14*	*Quarterly Variation (%)*	*Oct-Dec 13*	*Jul-Sep 13*	*Quarterly Variation (%)*
Number of Letters (Up to 350 gms) Posted Locally	13,118,616	13,929,454	-5.8	17,324,016	16,859,790	2.8
Total Courier Items Sent Locally	964,258	942,147	2.3	478,434	404,090	18.4
International Incoming Letters (Up to 350 gms)	2,461,845	2,479,037	-0.7	2,522,641	2,291,770	10.1
International Outgoing Letters (Up to 350 gms)	812,923	1,289,222	-36.9	978,525	1,199,982	-18.5

Source: CA, Operators' Returns.

5.2 Number of Postal and Courier Outlets

For the last five quarters, the growth in the number of postal outlets has stagnated at 622. In addition, as illustrated in Figure 11, the number of courier outlets remained unchanged at 788 during the quarter. Thus the total number of postal and courier outlet by the end of the quarter under review was recorded at 1,410.

Figure 11: Number of Postal Outlets

Source: CA, Operators' Returns.

5.3 Postal and Courier Revenue and Investments

The revenues and investments for the postal and courier sector will be updated upon the lapse of the operators' financial year.

Table 20: Postal and Courier Revenue and Investments

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

Source: CA, Operators' Returns,

6 CONCLUSION

The quarter under review was marked by two significant changes which involved mobile market entry by Finserve, a licensed Mobile Virtual Network Operator (MVNO) and market exit by one of the major mobile operators Essar Telecom Kenya Limited (yu).

The country's Mobile and Data/Internet sub-sectors experienced strong growth during the quarter under review. Fixed network and Postal and Courier on the other hand maintained a downward trend during the quarter.

The number of mobile subscriptions increased during the quarter consequently increasing the level of mobile penetration. However, the sub-sector lost in terms of mobile voice minutes perhaps due to the exit from market by Essar Telcom. Contrastingly, SMS traffic maintained an upward trend during the quarter.

The evolution of advanced services such as e-government, e-commerce, e-learning and IPTV/Triple Play has resulted to increased demand for data/internet services. As a result, data/internet service providers have deployed WiMax technology, rolled out fibre to the homes and offices and 3G mobile services to meet the increasing market demand. This has resulted into increased data/internet and broadband subscriptions.

Lastly, the postal and courier subsector which seemed to have had recovered from its declining trend as witnessed during the last quarter registered a decline in both local and international traffic during the quarter under review.

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