QUARTERLY SECTOR STATISTICS REPORT

THIRD QUARTER OF THE FINANCIAL YEAR 2013/14

(JAN-MAR 2014)

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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 three of the Financial Year 2013/14 (Q3 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

As has been the trend, mobile telephony experienced a marginal increase in the number of mobile subscriptions during the quarter to post 31.8 million subscriptions up from 31.3 million recorded during the last quarter. This represented growth of 1.7 per cent during the period. Prepaid subscriptions increased by 1.5 per cent during the quarter to stand at 31.2 million subscriptions up from 30.7 million during the previous quarter. Post-paid subscriptions have continued to record an upward trend with the quarter under review registering growth of 8.4 per cent to reach 607,569 up from 560,503 subscriptions posted during the previous quarter.
Mobile penetration grew by 1.3 percentage points during the quarter to stand at 78.2 per cent.

Mobile money transfer demonstrated an upward trend of 0.9 per cent to record 26.2 million subscriptions from 26.0 million posted in the previous quarter. Similarly, the number of money transfer agents increased by 10.6 per cent to stand at 103,660 agents.

Mobile Number Portability has shown mixed trends over time. During the period under review, the number of in-ports increased by 31.2 per cent to stand at 362 in-ports up from 276 in-ports recorded in the previous quarter.

Despite the growth in mobile subscriptions, there was a recorded decline in local mobile voice traffic of 2.7 per cent to post 7.6 billion minutes down from 7.8 billion minutes recorded during the previous quarter. Moreover subscriber average minutes of use was recorded at 80.3 minutes per month compared to 84.1 minutes registered in the last quarter.

Similarly, SMS traffic declined by 1.0 per cent to reach 6.22 billion down from 6.28 billion messages sent during the preceding quarter. Thus, each subscriber sent out an average of 65.1 messages per month.

The number of fixed lines declined by 0.7 per cent to reach 204,354 lines from 205,856 lines recorded in the previous quarter. Fixed terrestrial lines stood at 56,103 representing a 1.6 per cent decline from last quarter, while fixed wireless subscriptions recorded 0.4 per cent decline to 148,251 down from 148,823 subscriptions during the last quarter.

In the Internet/data market segment, the number of subscriptions grew by 1.3 per cent to reach 13.3 million subscriptions up from 13.1 million during the last quarter. Internet/data market mobile subscriptions rose by 1.3 per cent and continued to be the biggest contributor to the service representing 99 per cent of the subscriptions. DSL and fibre optic subscriptions grew by 4.4 and 2.8 per cent respectively. Consequently, the number of estimated internet users increased by 1.9 per cent to reach 21.6 million compared to 21.2 million estimated during the last quarter. Internet penetration stood 53.3 per cent up from 52.3 per cent during the preceding quarter.

The number of broadband subscriptions increased marginally by 0.9 per cent to reach 1.44 million subscriptions from 1.43 million subscriptions recorded during the previous quarter.

On the other hand, international internet available bandwidth increased to 865,714Mbps up from 862,473.9Mbps recorded in the previous quarter representing 0.4 per cent growth. Used (connectivity) international bandwidth grew substantially by 22.3 per cent to stand at 447,064 Mbps up from 365,413 Mbps recorded in the last quarter. Total used capacity represented 51.6 per cent compared to last quarter’s 42.4 per cent.

The number of domain names grew significantly by 9.1 per cent during the period under review to stand at 33,381 up from 30,585 recorded in the previous quarter.

In the postal and courier sub-sector, the volume of letters sent out locally declined by 2.8 per cent to record 16.8 million letters down from 17.3 million letters sent out during the previous quarter.

1. CELLULAR MOBILE SERVICES

1.1 Subscriptions

During the quarter under review Jan-Mar of the FY 2013/14, the number of mobile subscriptions rose by 1.7 per cent to reach 31.8 million subscriptions up from 31.3 million subscriptions registered during the previous quarter. This trend is similar to those observed over the last two years where quarter-on-quarter growth has remained below 2 per cent. The same period of the previous year had recorded a decline of 2.9 per cent.

The growth of mobile subscriptions is shown in Table 1.

Table 1: Mobile Subscriptions

Subscription type	*Mar-14*	*Dec-13*	*Quarterly Variation (%)*	*Mar-13*	*Dec-12*	*Quarterly Variation (%)*
Prepaid Subscriptions	31,222,434	30,748,514	1.5	29,459,207	30,429,351	-3.2
Post-Paid Subscriptions	607,569	560,503	8.4	390,129	302,403	29.0
Total Mobile Subscriptions	**31,830,003**	**31,309,017**	**1.7**	**29,849,336**	**30,731,754**	**-2.9**

Source: CA, Operators' Returns,

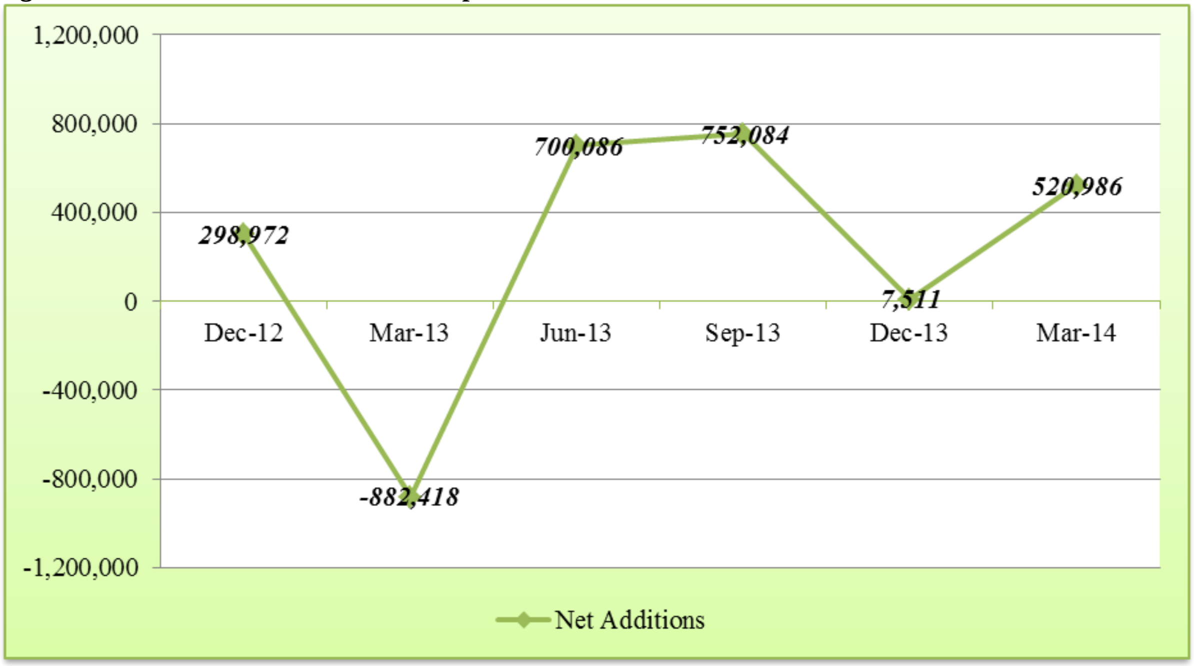
In terms of subscription by type, the number of pre-paid subscriptions grew by 1.5 per cent to post 31.2 million subscriptions up from 30.7 million recorded during the previous quarter. However, in comparison with the same period in the previous year, a 3.2 per cent decline per cent was realized.

Post-paid subscriptions have continued to register an upward trend with the quarter under review recording 8.4 per cent growth to reach 607,569 subscriptions up from 560,503 posted during the previous quarter. In relation to the same period of the previous year, growth of 29.0 per cent was recorded. The ratio of post-paid to prepaid subscriptions stood at 1:51 during the quarter under review compared to 1:55 in the previous quarter.

Similarly, the number of new subscriptions defined as net mobile additions[1], increased by 520,986 compared to last quarter's performance of 7,511. The quarter-on-quarter growth in total additions is shown in Figure 1.

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

Figure 1: Net additions in Mobile subscriptions



Source: CA, Operators' Returns.

The mobile subscriptions for Safaricom, Airtel and Telkom Kenya (Orange) recorded positive gains while Essar Telkom recorded a drop during the quarter under review. Safaricom and Airtel gained 1.5 and 1.8 per cent subscriptions respectively. Telkom Kenya had the highest gain in subscriptions of 8.8 per cent, whereas Essar Telecom lost 3.5 per cent of its subscriptions.

The growth in subscriptions for each of the operator is show in Table 2.

Table 2: Mobile Subscription per operator

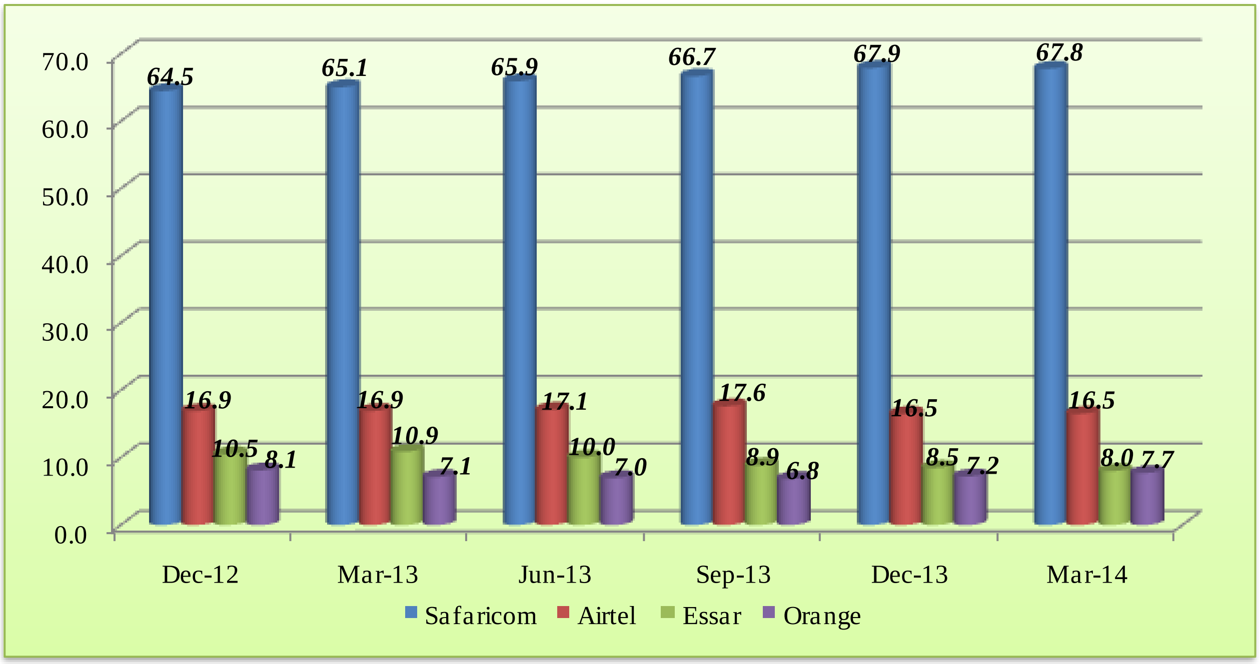
Name of operator	*Mar-14*			*Dec-13*			*Quarterly variation (%)*
	Pre-paid	***Post-paid***	***Total***	Pre-paid	Post-paid	Total	
Safaricom Limited	21,094,414	472,974	21,567,388	20,816,862	431,425	21,248,287	1.5
Airtel Networks Limited Subscriptions	5,121,082	130,005	5,251,087	5,031,914	124,355	5,156,269	1.8
Essar Telecom Limited	2,556,110	1,520	2,557,630	2,647,790	1,572	2,649,362	-3.5
Telkom Kenya(Orange)	2,450,828	3,070	2,453,898	2,251,948	3,151	2,255,099	8.8
Total	**31,222,434**	**607,569**	**31,830,003**	**30,748,514**	**560,503**	**31,309,017**	**1.7**

Source: CA, Operators' Returns

With regard to market shares as measured by subscriptions, Telkom Kenya (Orange) recorded an increase in shares of 0.5 percentage points to stand at 7.7 per cent up from 7.2 per cent shares recorded during the previous quarter. Safaricom Limited and Essar Telecom limited lost 0.1 per cent and 0.5 per cent of market shares to reach 67.8 per cent and 8.0 per cent shares respectively. Airtel Networks Limited shares remained unchanged at 16.5 per cent.

The growth in market sharers as measured by subscriptions for each of the operator is illustrated in Figure 2.

Figure 2: Percentage Market Share Subscription per Operator

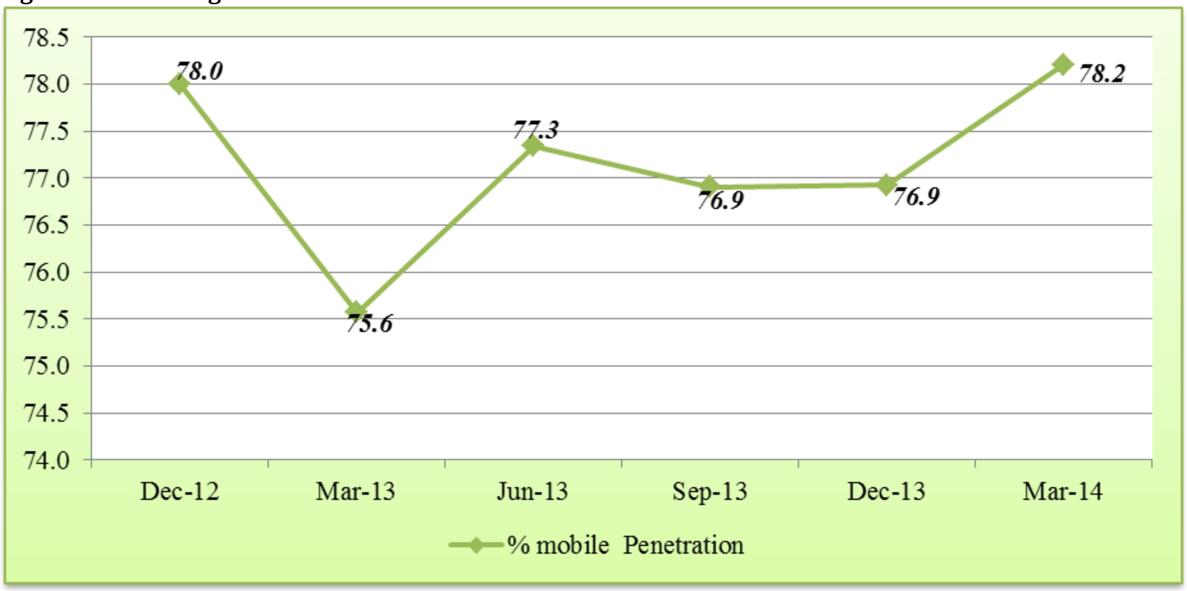


Source: CA, Operators' Returns.

The mobile penetration[2] rate rose to 78.2 per cent during the quarter under review up from 76.9 per cent registered during the last quarter representing a 1.3 percentage points increase. However, as illustrated in Figure 3, the same period of the previous year reported a decline of 2.4 percentage points.

[2] Population used was 40.7 million

Figure 3: Percentage Mobile Penetration



Source: CA, Operators' Returns

1.2 Mobile Money Transfer Service

Mobile money transfer service has been experiencing an upward trend. During the quarter under review the number of subscriptions grew by 0.9 per cent to register 26.2 million up from 26.0 million recorded during the last quarter. When compared to the same quarter of the previous year, a 10.1 per cent increase was recorded.

In the same way, the number of agents rose by 10.6 per cent to reach 103,660 agents up from 93,689 agents during the previous quarter. In relation to the same period of the previous year, a 19.1 per cent growth was registered.

The growth in mobile money subscriptions and number of agents is indicated in Table 3.

Table 3: Mobile Money Transfer

Mobile Money Transfer	*Mar-14*	*Dec-13*	*Quarterly Variation (%)*	*Mar-13*	*Dec-12*	*Quarterly Variation (%)*
Subscriptions	26,247,761	26,016,499	0.9	23,269,610	21,140,808	10.1
*No. of Agents**	103,660	93,689	10.6	74,216	62,300	19.1

Source: CA, Operators Returns, * Data for Mobikash used for Oct-Dec 2013

1.3 Mobile Number Portability

Mobile Number Portability (MNP) has recorded mixed growth over the previous periods. During the quarter under review, the number of in-ports increased to 362 up from 276 in-ports registered during the last quarter representing a 31.2 per cent growth during the period. Conversely, relative to the same period of the previous year, a decline of 26.1 per cent was recorded.

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

Table 4: Number of In-ports

Period	*Jan-Mar 14*	*Oct-Dec13*	*Quarterly Variation (%)*	*Jan-Mar 13*	*Oct-Dec12*	*Quarterly Variation (%)*
Number of In-ports	362	276	31.2	277	375	-26.1

Source: CA, Operators Returns.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

In spite of the growth in mobile subscriptions during the quarter, there was a drop of 2.7 per cent in local mobile traffic to post 7.6 billion minutes down from 7.8 billion minutes registered during the previous quarter. This decline could be attributed to the reduced effect of the festive season which ended early January. In relation to the same period of the previous year, a decline of 1.2 per cent was recorded.

On-net traffic declined by a similar margin of 2.6 per cent during the quarter to reach 6.6 billion minutes down from 6.8 billion minutes posted during the last quarter. However, a marginal growth of 0.6 per cent was noted when compared to the same period of the previous year.

Off-net traffic declined by 3.2 per cent during the quarter under review to stand at 971million minutes down from 1.0 billion minutes recorded during the previous quarter. In comparison with the same period of the previous year, an 11.1 per cent decline was recorded.

Mobile to fixed network traffic experienced a decline of 25.0 per cent to post 8.7 million minutes down from 11.6 million minutes recorded in the previous quarter. In the same way, the same period of the previous year showed a reduction of 31.1 per cent. This performance could be attributed to the decline of fixed line services in the country.

The growth in mobile traffic is shown in Table 5.

Table 5: Local Mobile Voice Traffic in Minutes

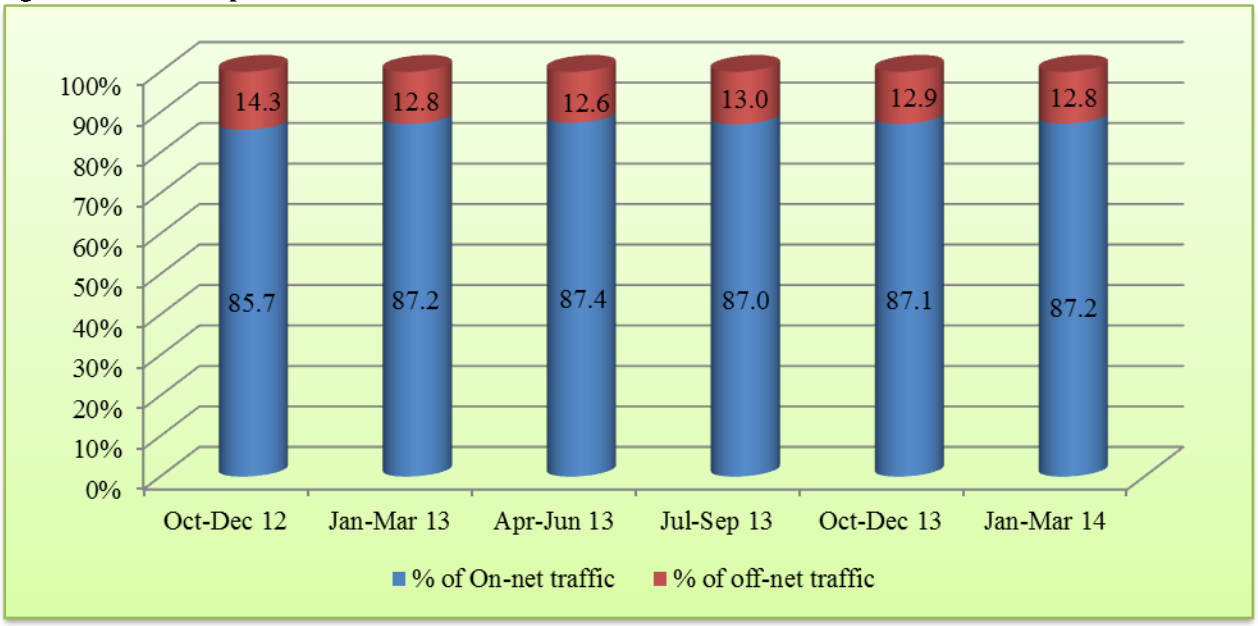
Mobile Traffic	***Jan-Mar 14***	***Oct-Dec -13***	***Quarterly Variation (%)***	***Jan-Mar 13***	***Oct-Dec 12***	***Quarterly Variation (%)***
By traffic Originating(Outgoing traffic						
Own Network –Own Network	6,692,455,072	6,871,942,391	-2.6	6,329,133,013	6,294,040,711	0.6
Own Network to Other Mobile Networks	971,237,869	1,003,147,611	-3.2	918,780,339	1,033,150,168	-11.1
Mobile Network to Fixed Network	8,726,525	11,637,430	-25.0	13,949,032	20,247,929	-31.1
Total Traffic Origination (Outgoing)	**7,672,419,466**	**7,886,727,432**	**-2.7**	**7,261,862,384**	**7,347,438,808**	**-1.2**
By traffic termination(Incoming traffic)						
Own Network –Own Network	6,692,455,072	6,871,942,391	-2.6	6,329,133,013	6,294,040,711	0.6
Other Mobile Networks to Own Network	1,027,901,534	1,064,722,858	-3.5	993,163,433	1,000,397,283	-0.7
Fixed Network to Mobile Network	25,144,925	25,206,911	-0.2	23,082,769	24,879,357	-7.2
Total traffic termination(Incoming)	**7,745,501,531**	**7,961,872,160**	**-2.7**	**7,345,379,215**	**7,319,317,351**	**0.4**

Source: CA, Operators' Returns

Traffic received on mobile networks dropped by 2.7 per cent to register 7.7 billion minutes down from 7.9 billion minutes posted during the previous quarter. In comparison with the same period of the previous year, a marginal growth of 0.4 per cent was realised. Fixed to mobile traffic declined by 0.2 per cent to 25.1 million minutes during the quarter under review down from 25.2 million in the previous period. Compared to a similar period during the previous year this was a 7.2 per cent decline.

As Figure 4 illustrates, on-net traffic has continued to record marginal growth of 0.1 per cent. This has also been the trend in the last two quarters as well. On the other hand, off-net traffic continued to decline by a similar margin of 0.1 percentage points over the same period. During the quarter under review, on-net traffic accounted for 87.2 per cent of the total traffic while off-net traffic contributed 12.8 per cent of the total traffic.

Figure 4: Proportion of voice traffic On-net Off-net



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

The quarter under review witnessed two operators increase their market shares of voice traffic while two operators dropped their shares. Safaricom Ltd maintained the lead with 6.0 billion minutes down from 6.1 billion minutes registered during the previous quarter. Despite this drop, its market share increased by 0.3 percentage points to reach 78.5 per cent down from 78.2 per cent shares during the last quarter. The same period of the previous year revealed an increase of 2.0 percentage points' shares.

Telkom (Orange) traffic volume reached 234 million minutes down from 208 million minutes registered during the previous quarter, representing a market share of 3.1 per cent. This is a gain of 0.5 percentage points during the quarter. In comparison with the same period of the previous year, a decline of 0.1 per cent was recorded.

Airtel Networks Limited lost 0.4 percentage shares to reach 10.9 per cent equivalent to 835 million minutes during the quarter down from 892 million minutes posted during the last quarter. In relation to the same period of the previous year, a decrease of 1.0 percentage points was recorded.

Similarly, Essar Telecom Limited recorded a 0.3 percentage drop to post 7.6 per cent shares corresponding to 583 million minutes during the quarter. When compared to the same period of the previous year, a drop of 1.0 percentage points was realised.

The traffic volumes and corresponding market shares for each of the operators is shown in Table 6.

Table 6: Voice Traffic by Operator

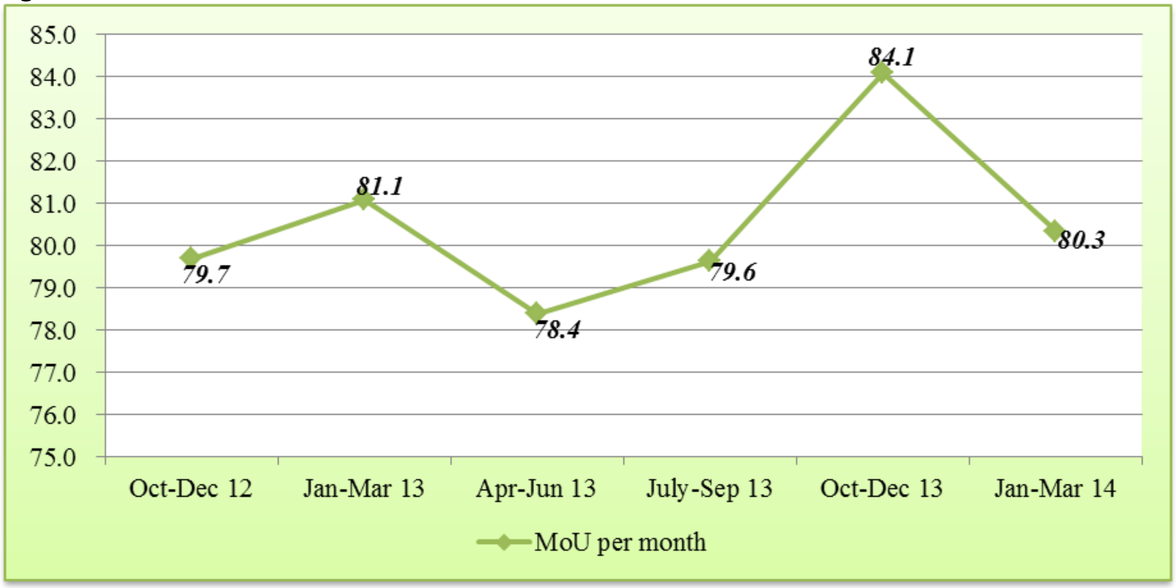
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*
Jan-Mar 14	*On-net*	5,722,273,200	385,601,539	427,371,118	157,209,215
	Off-net	297,507,187	449,421,833	155,847,316	77,188,058
	Total	**6,019,780,387**	**835,023,372**	**583,218,434**	**234,397,273**
	Market share (%)	78.5	10.9	7.6	3.1
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
Jan-Mar13	On-net	5,461,219,864	391,376,604	419,213,311	57,323,234
	Off-net	311,354,447	446,931,170	135,674,958	38,768,796
	Total	**5,772,574,311**	**838,307,774**	**554,888,269**	**96,092,030**
	Market Share (%)	79.5	11.5	7.6	1.3
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

Source: CA, Operators' Returns

1.4.3 Minutes of Use

As illustrated in Figure 5, the monthly minutes of use by each subscriber dropped to 80.3 from 84.1 minutes recorded during the previous quarter representing a decline of 4.5 per cent during the quarter. In comparison with the same period of the previous year, an increase of 1.8 per cent was recorded.

Figure 5: Minutes of Use



Source: CA, Operators' Returns

In the quarter under review, the volume of SMS declined by 1.0 per cent to reach 6.22 billion SMS down from 6.28 billion messages recorded during the previous quarter. Subsequently, each subscriber sent out an average of 65 SMS per month. The previous quarters had recorded an upward trend in SMS volumes despite the popularity in the use of Over-The-Top (OTT) messaging services such as WhatsApp and therefore it might be too early to predict if the decline was contributed by OTT.

Safaricom Limited recorded the largest share of 96.4 per cent resulting from an increase of 0.6 percentage points during the quarter. Airtel Networks Limited shares declined by 0.5 per cent to 2.7 per cent shares from 3.2 per cent recorded during the previous quarter. Similarly, Essar lost 0.2 percentage points to reach 0.4 per cent shares from 0.6 per cent shares during the previous quarter. Telkom Kenya (Orange) shares remained unchanged at 0.4 per cent.

Table 7 indicates the performance of market shares by the operators as measured by SMS.

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*
Jan-Mar 14	*On-net*	5,897,688,335	98,083,657	6,936,589	6,846,847	6,009,555,428
	Off-net	101,457,620	70,451,935	20,664,939	18,106,504	210,680,998
	Total	**5,999,145,955**	**168,535,592**	**27,601,528**	**24,953,351**	**6,220,236,426**
	Market Share (%)	96.4	2.7	0.4	0.4	
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	
Jan-Mar 13	On-net	3,751,690,036	98,716,999	8,112,712	5,460,860	3,863,980,607
	Off-net	120,419,687	61,461,820	24,737,136	12,944,903	219,563,546
	Total	3,872,109,723	160,178,819	32,849,848	18,405,763	4,083,544,153
	Market Share (%)	94.8	3.9	0.8	0.5	
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	

Source: CA, Operators' Returns.

Contrary to the positive performance that the Multimedia Messaging Service (MMS) had recorded during the previous quarter, the quarter under review registered a decline of 17.8 per cent to record 2.4 million messages down from 3.0 million messages recorded during the previous quarter. In comparison with the same period of the previous year, a 2.5 per cent growth was recorded.

In addition each subscriber sent out an average of less than one message per month.as shown in Table 8.

Table 8: Multimedia Messaging Service

MMS Traffic	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*	*Jan-Mar 13*	*Oct-Dec 12*	*Quarterly Variation (%)*
MMS	2,497,654	3,039,392	-17.8	1,917,673	2,657,592	-27.8
MMS per Subscriber per Month	0.03	0.03	0.0	0.02	0.03	-28.6

Source: CA, Operators' Returns.

1.4.4 Roaming Traffic

During the quarter under review, the volume of roaming-out[3] voice traffic declined to 8.5 million minutes from 12.7 million minutes posted during the previous quarter, representing a decrease of

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

33.2 per cent during the period. This decline could be attributed to customers' preference to buy and use foreign SIM cards in order to avoid incurring high roaming charges. However, when compared to the same period of the previous year, an increase of 7.9 per cent was recorded.

Conversely, roaming-in[4] voice traffic increased by 35.5 per cent to reach 12.9 million minutes up from 9.5 million minutes recorded during the previous quarter. In comparison with the same period of the previous year, a decline of 11.3 per cent was observed.

Roaming out SMS declined by 36.4 per cent during the quarter to post 7.1 million messages down from 11.2 million messages recorded during the previous quarter. When compared to the same period of the previous year, this was a 20.4 per cent decline.
On the other hand, roaming in SMS experienced an increase of 35.1 per cent to reach 7.5 million messages from 5.5 million messages recorded during the previous quarter. However, when compared to the same period of the previous year, a decrease of 13.6 per cent was observed.

The growth in roaming traffic is indicated in Table 9.

Table 9: Roaming Traffic

Roaming Traffic	*Jan-Mar 14*	*Oct-Dec13*	*Quarterly Variation (%)*	*Jan-Mar 13*	*Oct-Dec12*	*Quarterly Variation (%)*
Roaming Voice Minutes Own Subscribers on Foreign Networks	8,544,577	12,793,890	-33.2	12,578,193	11,662,645	7.9
Roaming Voice Minutes Foreign Subscribers on Local Network	12,902,333	9,519,137	35.5	10,985,934	12,391,655	-11.3
Roaming SMS - Own Subscribers on Foreign Networks	7,176,943	11,290,284	-36.4	8,135,934	10,227,055	-20.4
Roaming SMS - Foreign Subscribers on Local Network	7,517,145	5,563,021	35.1	12,865,136	14,892,715	-13.6

Source: CA, Operators' Returns

1.1.1 International Mobile Traffic

International incoming voice traffic continued to drop with the quarter under review declining by 1.6 per cent to stand at 144 million minutes from 146 million posted during the previous quarter. Availability of other alternative OTT voice and/or video services such Skype, Viber, Ovoo could be the reason behind this decline. In relation to the same quarter of the previous year, a decline of 0.5 per cent was registered.

[4]Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

International outgoing voice traffic declined by 4.3 per cent to reach 113.8 million minutes down from 118.9 million minutes during the last quarter. In addition, the same period of the previous year showed a decline of 16.9 per cent.

There was an increase in international incoming SMS of 6.8 per cent to post 34.8 million SMS from 32.6 million SMS recorded during the previous quarter. In comparison with the same quarter of the previous year, growth of 39.9 per cent was recorded.
There was also decline in international outgoing SMS of 7.4 per cent to stand at 11.8 million SMS down from 12.7 million posted during the previous quarter. However, in comparison with the same period of the previous year, a considerable growth of 39.3 per cent was observed.

The decline in International outgoing voice and SMS traffic could be attributed to the increased use of internet applications such as Whatsapp and Skype which allow reliable exchange of multimedia messages and video calls respectively at a fair cost.

The international mobile voice traffic and SMS are shown in Table 10.

Table 10: International Mobile Traffic (Minutes)

International Mobile Traffic and SMS	*Jan-Mar 14*	Oct-Dec 13	*Quarterly Variation (%)*	*Jan-Mar 13*	Oct-Dec 12	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	144,083,652	146,353,778	-1.6	203,956,727	204,955,902	-0.5
International Outgoing Mobile Minutes	113,879,049	118,949,784	-4.3	126,954,749	152,774,194	-16.9
International Incoming Mobile SMS	34,838,753	32,629,211	6.8	20,541,319	14,679,764	39.9
International Outgoing Mobile SMS	11,847,376	12,793,808	-7.4	12,624,007	9,063,577	39.3

Source: CA, Operators' Returns.

1.2 Mobile Revenue and Investments

Table 11 below shows mobile market revenues and investments as at June 2013. This information will be updated upon receipt of operators latest audited financial accounts at the end of their respective financial years.

Table 11: Mobile Revenue and Investment (KES)[5]

*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	11,346	11.6	29.0	60.6
Mobile Investments (KES Millions)	33,827	34,590	27,126*	40,260	29,436	9,679	27.5	-14.1	17.5

Source: CA, Operators' Returns.

2. FIXED TELEPHONE SERVICE

2.1 Subscriptions

During the quarter under review, the fixed line network continued to decline as witnessed over the previous periods. The number of fixed lines declined by 1,502 to stand at 204,354 lines from 205,856 registered during the last quarter. This decline was lower compared to that of 30,280 experienced in the same period of the preceding year.

The number of fixed terrestrial lines stood at 56,103 representing a 1.6 per cent decline from last quarter and 8.9 per cent decline when compared to the same period of the previous year. Further, fixed wireless subscriptions declined by 0.4 per cent to post 148,251 down from 148,823 subscriptions. Compared to the same quarter of the previous year a decline of 13.1 per cent was recorded.

Table 12 demonstrates the trend in fixed network subscriptions

Table 12: Fixed Network Subscriptions

Fixed Network Subscription	*Mar-14*	*Dec-13*	*Quarterly Variation (%)*	*Mar-13*	*Dec-12*	*Quarterly Variation (%)*
Fixed Terrestrial Subscriptions	56,103	57,033	-1.6	59,851	65,710	-8.9
Fixed Wireless Subscriptions	148,251	148,823	-0.4	161,436	185,857	-13.1
Total Main Fixed Network Subscriptions	**204,354**	**205,856**	**-0.7**	**221,287**	**251,567**	**-12.0**

Source: CA, Operators Returns.

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

2.2 Fixed Network Traffic

Despite the decreased number of fixed lines during the quarter, local fixed network traffic grew by 1.8 per cent to record 30.6 million minutes up from 30.1 million minutes during the previous quarter.

In reference to Table 13, fixed wireless recorded 6.0 million minutes which was a decrease of 2.5 per cent from last quarter's 6.1 million. In contrast, fixed to fixed traffic recorded growth of 1.8 per cent to stand at 495,290 minutes up from 486,637 minutes.

Fixed network to other voice networks seems to have been the key contributor to local fixed network traffic growth posting 24.1 million minutes up from 23.4 million recorded during the previous quarter representing 3.0 per cent increase.

Table 13 illustrates the trend in fixed network traffic

Table 13: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	***Jan-Mar 14***	***Oct-Dec 13***	***Quarterly Variation (%)***	***Jan-Mar 13***	***Oct-Dec 12***	***Quarterly Variation (%)***
	Intra-network traffic					
Fixed-fixed	495,290	486,637	1.8	606,833	2,219,016	-72.7
Fixed Wireless-fixed wireless	6,004,504	6,158,803	-2.5	4,138,513	25,864,509	-84.0
	Inter-network traffic					
Fixed to other Networks(Network voice providers)	24,170,238	23,468,289	3.0	23,083,110	25,238,552	-8.5
Total Local Fixed network traffic	**30,670,032**	**30,113,729**	**1.8**	**27,828,456**	**53,322,077**	**-47.8**

Source: CA, Operators' Returns,

International incoming fixed traffic has exhibited mixed trends over time with the period under review recording a significant growth of 80 per cent to post 3.2 million minutes in contrast to the previous quarter which marked a 54.6 per cent decline to stand at 1.7 million minutes. The same quarter of the previous year had recorded a decline of 15.4 per cent.

International outgoing fixed traffic grew by 4.3 per cent to reach 3.9 million up from the 3.7 million minutes recorded in the last quarter. This was a significant growth when compared to 19.7 per cent decline which was recorded in the same period of the preceding year. Moreover, international outgoing fixed VoIP traffic increased by 21.3 per cent to post 2.1 million minutes compared to last quarter's 1.8 million minutes. This growth is more remarkable compared to 2.0 percentage growth posted during 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	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*	*Jan-Mar 13*	*Oct-Dec 12*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	3,222,199	1,790,587	80.0	3,126,825	3,697,579	-15.4
International Outgoing Fixed Network Voice traffic	3,923,754	3,761,709	4.3	3,314,630	4,129,962	-19.7
International Outgoing Fixed Network VoIP traffic	2,193,476	1,808,646	21.3	2,084,075	2,042,300	2.0

Source: CA, Operators Returns.

3. DATA AND INTERNET SERVICE

3.1 Internet/Data Service

The quarter under review witnessed growth in data/internet subscriptions by 1.3 per cent to reach 13.3 million subscriptions from 13.1 million subscriptions for the previous quarter. The continued growth in data/internet market is largely driven by growth in mobile based internet penetration as a result of increased operators focus on growing revenue from the data market. In addition, consistent promotions and special offers have attracted subscribers of mobile services to acquire data bundle offers and other incentives to drive the use of data/internet services. In relation to the same period of the previous year, an increase of 1.9 per cent was recorded.

As has been the trend, mobile data/internet sector maintained its largest share of 99 per cent of total internet subscriptions which indicates that the continued expansion of 3G services as well as popularity in the use of social networking sites may be playing a major role in the growth of mobile data/internet service. During the quarter under review, the number of mobile data/internet subscriptions rose to 13.2 million up from 13.0 million posted during the previous quarter representing growth of 1.3 per cent. In comparison with the same period of the previous year, growth of 1.9 per cent was noted.

On the other hand, the mixed growth in satellite subscriptions continued to be exhibited during the quarter to reach 700 subscriptions up from 682 subscriptions during the previous quarter. Compared to the same period of the previous year, an increase of 6.3 per cent was recorded.

The growth in data/internet subscriptions is indicated in Table 15.

Table 15: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Mar 14*	*Dec 13*	*Quarterly Variation (%)*	*Mar-13*	*Dec 12*	*Quarterly Variation (%)*
Total Internet Subscriptions	**13,356,415**	**13,186,968**	**1.3**	**9,680,011**	**9,496,573**	**1.9**
Mobile Data/Internet Subscriptions	13,257,309	13,090,348	1.3	9,589,851	9,406,843	1.9
Terrestrial Wireless Data/Internet Subscriptions	16,540	16,429	0.7	24,011	23,814	0.8
Satellite Data/Internet Subscriptions	700	682	2.6	727	684	6.3
Fixed DSL Data/Internet Subscriptions	12,547	12,014	4.4	10,390	10,807	-3.9
Fixed Fibre Optic Data/Internet Subscriptions	69,377	67,470	2.8	55,007	54,400	1.1
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.0
Total Internet Users[6]	**21,679,309**	**21,273,738**	**1.9**	**16,444,861**	**16,236,583**	**1.3**

Source: CA, Operators' Returns

Fibre subscriptions have been steadily growing with the quarter under review recording a rise of 2.8 per cent to reach 69,377 subscriptions from 67,470 registered during the last quarter.

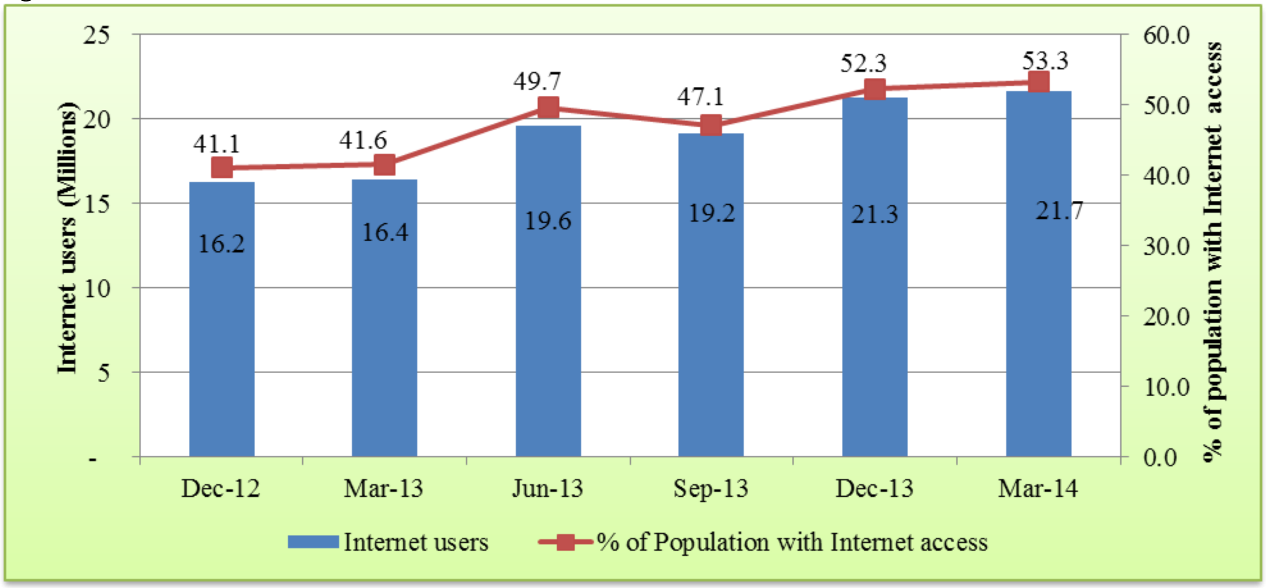
The number of estimated internet users grew by 1.9 per cent representing 21.6million users up from 21.2million recorded in the previous quarter. When compared to the same period of the previous year, a 1.3 per cent increase was realised.

At the same time, the quarter under review had 53.3 per cent of the population that had access to internet services. This is an increase of 1.0 percentage points from the previous quarter and 0.5 percentage points increase when related to the same period of the previous year.

The growth in internet access is illustrated in Figure 6.

[6]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.

Figure 6: Estimated Number of Internet Users and Internet Penetration



Source: CA, Operators' Returns.

The market share for each of the mobile operators as measured by data/internet subscriptions changed during the quarter under review. Safaricom Limited lost 1.5 percentage shares to record 72.1 per cent shares down from 73.6 per cent registered during the previous quarter. In the same way, Airtel Networks lost 1.2 percentage points to record 13.7 per cent from 14.9 per cent shares during the last quarter. There was however gain in shares by Telkom Kenya (Orange) of 3.4 percentage to record 10.3 per cent up from 6.9 per cent shares during the last quarter. Essar Telecom shares declined by 0.5 per cent to stand at 3.9 per cent from 4.6 per cent shares recorded in the previous quarter.

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	***Mar 14***	***% Market share***	***Dec 13***	***% Market Share***
Safaricom Limited	9,561,810	72.1	9,637,828	73.6
Airtel Networks Kenya Limited	1,821,938	13.7	1,945,152	14.9
Telkom Kenya Limited (Orange)	1,361,249	10.3	904,739	6.9
Essar Telecom Kenya Limited	512,312	3.9	602,629	4.6

Source: CA, Operators' Returns

In terms of market shares for other fixed/terrestrial wireless data/Internet subscriptions, Wananchi Telecom maintained its largest share at 44.7 per cent up from 43.0 per cent from the last quarter representing an increase of 1.7 percentage points during the quarter. It was followed by Liquid Telecom (formerly Kenya Data Networks Limited) with 17.8 per cent shares from 16.8 per cent during the previous quarter increasing by 1.0 percentage shares during the quarter. Access Kenya Limited lost 1.1 percentage points to record 11.5 per cent shares from 12.6 per cent shares posted during the previous quarter.

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

Table 17: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	*Mar 14*	*Market Share (%)*	*Dec 13*	*Market Share (%)*
Wananchi Telecom Limited	44,254	44.7	44,254	43.0
Liquid Telecom Limited	17,600	17.8	16,400	16.8
*Access Kenya Limited**	11,360	11.5	11,360	12.6
Telkom Kenya Limited	11,524	11.6	11,279	11.7
Safaricom Limited	7,020	7.1	6,999	7.8
Iway Africa	1,923	1.9	2,121	3.0
Jamii Telecommunication Limited	2,574	2.6	2,324	2.1
Mobile Telephony Networks Limited	1,372	1.4	1,363	1.3
Call Key Networks Limited	547	0.6	534	0.6
Tangerine Limited	280	0.3	261	0.3
Other fixed/Terrestrial wireless operators	652	0.7	835	0.8

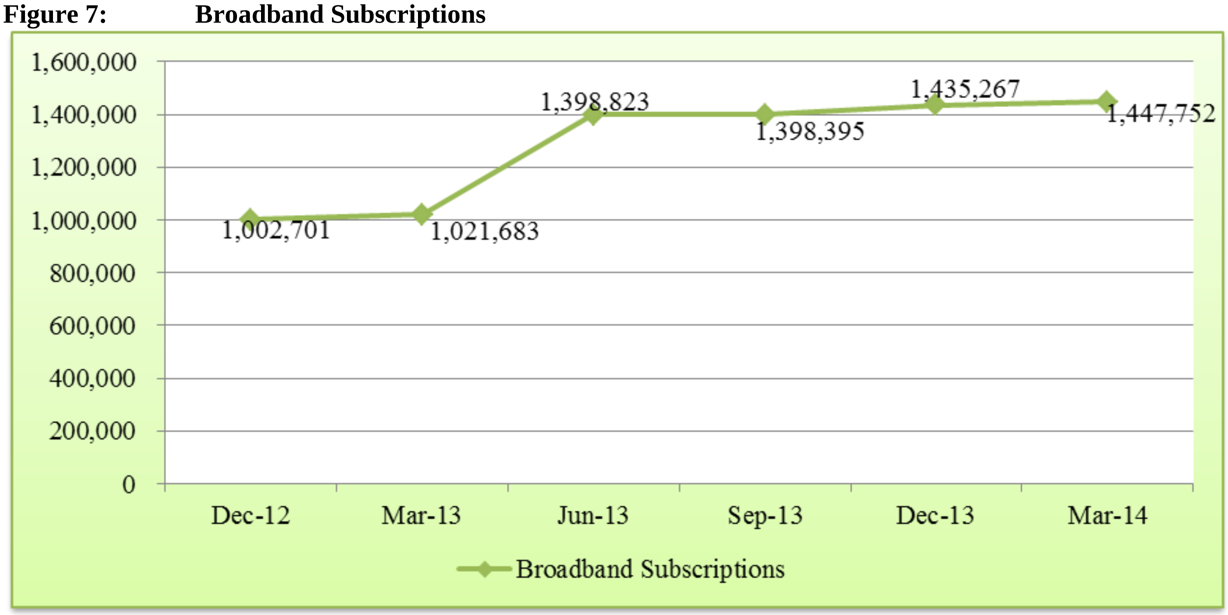
Source: CA, Operators' Returns, * Data used for Oct-Dec 2013

3.2 Broadband Service

Over the last three quarters, the number of broadband subscriptions has been growing with the quarter under review registering 0.9 per cent growth to reach 1.44 million subscriptions from 1.43 million subscriptions recorded during the previous quarter. In comparison with the same period of the previous year, an increase of 1.9 per cent was registered.

The growth in broadband subscriptions is shown in Figure 7.

Figure 7: Broadband Subscriptions



Source: CA, Operators' Returns.

3.3 International Bandwidth

The quarter under review experienced marginal change in the growth of 0.4 per cent of available international internet capacity in the country to reach 865,714Mbps from 862,473.9Mbps during the previous quarter. Compared to the same period of the previous quarter an increase of 1.7 per cent was registered.
Satellite capacity dropped by 15.3 per cent during the quarter to stand at 223.6Mbps down from 263.9Mbps posted in the last quarter. In relation to the same quarter of the previous year, a substantial decline of 63.8 per cent was noted.

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

Table 18: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Mar 14*	*Dec 13*	*Quarterly Variation (%)*	*Mar 13*	*Dec-12*	*Quarterly Variation (%)*
SEACOM-International Internet Capacity (Mbps)	583,680	578,400	0.9	655,360	640,000	2.4
TEAMS - International Internet Capacity (Mbps)	119,970	119,970	0.0	101,990	101,990	0.0
Telkom Kenya Limited (EASSY)	120,880	122,880	-1.6	122,880	122,880	0.0
Lion 2	40,960	40,960	0.0	40,960	40,960	0.0
VSAT (Mbps)	223.6	263.9	-15.3	128.8	355.8	-63.8
Total International Internet Bandwidth (Mbps)	**865,714**	**862,473.90**	**0.4**	**921,319**	**906,186**	**1.7**

Source: CA, Operators' Returns

The total used (connectivity) bandwidth grew by 22.3 per cent to reach 447,061 Mbps during the quarter up from 365,413Mbps recorded in the preceding quarter. Thus, the total used bandwidth represented 51.6 per cent from last quarter's 42.4 per cent of the total available bandwidth capacity. Accordingly, the used capacity increased by 9.2 percentage points which was mainly contributed by satellite used bandwidth which grew by more than two-folds. This growth could be attributed to the additional capacity acquired by one of the satellite providers to meet increasing demand from new clients as well as satisfy existing clients who extended their platforms.

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

Table 19: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Mar 14*	*Dec 13*	*Quarterly Variation (%)*	*Mar 13*	*Dec 12*	*Quarterly Variation (%)*
International Undersea Internet Connectivity Bandwidth (Mbps)	446,865	365,330	22.3	307,210	328,483	-6.5
International Satellite Internet Connectivity Bandwidth	195.63	83.43	134.5	97.28	157.8	-38.4
Total International Internet Connectivity Bandwidth (Mbps)	**447,061**	**365,413**	22.3	**307,307.3**	**328,640.8**	-6.5

Source: CA, 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

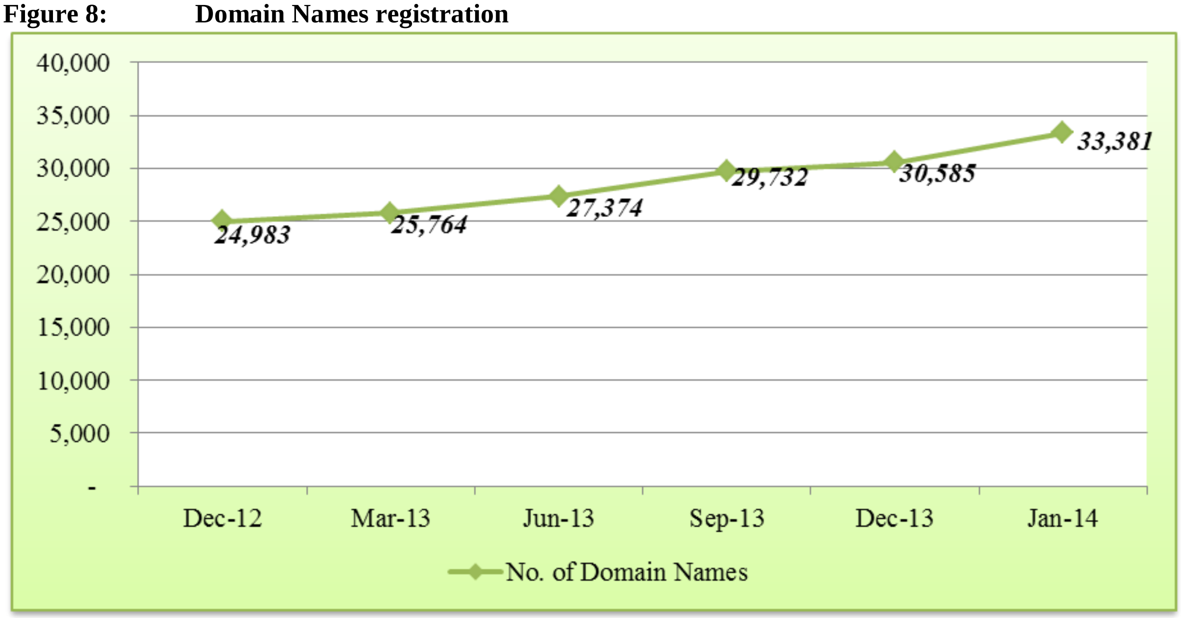
*Data/Internet Revenue and Investments**	*2012*	*2011*	*2010*	*2009*	*2008*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*	*Variation (%) Over 2008*
Data/Internet Revenue (KES Millions)	7,420	5,898	3,640	2,277	7,595	25.8	62.0	59.9	-70.0
Data/Internet Investments (KES Millions)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

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

4. ELECTRONIC TRANSACTIONS

As illustrated in Figure 8, the number of domain names rose to 33,381 up from 30,585 domain names posted during the previous quarter representing growth of 9.1 per cent during the quarter. In relation to the same period of the previous year, an increase of 3.1 per cent was registered.

Figure 8: Domain Names registration



Source: CA, Kenya Network Information Centre (KeNIC)

5. BROADCASTING

As illustrated in Table 21, listenership and viewership of both radio and Television has been on an upward trend. In the period under review, TV broadcast grew significantly by 81.8 per cent to stand at an average weekly viewership of 654,500. Similarly, Radio listenership increased by 19.9 per cent to record 4.4 million average weekly audiences.

The growth in Television viewership could be attributed to the increased number of premier league games especially the English Premier League which were aired live during the period under review. Moreover, the increase in radio listenership could have been driven by the numerous Radio competition shows run during the quarter such as The Competition and Search for Kenya's Next Big Radio Host.

Table 21: Average Broadcast Audience

Broadcast Category	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
TV Average Weekly Viewership	654,500	360,000	81.8
Radio average Weekly Audience	4,465,500	3,725,441	19.9

Source: CA, Operators' Returns

As illustrated in Table 22, local content remains dominant for drama, news, discussions and documentaries. However, foreign music and movies still hold the highest percentage in terms of programming for both radio and television.

Table 22: Percentage program content (Both TV and Radio)

Program Content	*Internally (Local) Produced (%)*	*Third Party Produced (%)*	*Foreign (%)*
Music	15.1	19.2	65.7
Drama/Plays	70.1	13.1	16.8
Movies	7.4	23.6	69.0
News	83.9	8.4	7.7
Documentaries	56.7	15.4	27.9
Discussions	94.8	2.1	3.1

Source: CA, Operators' Returns

6. POSTAL AND COURIER SERVICE

6.1 Postal and Courier Traffic

The postal and courier sub-sector experienced a downward trend during the period under review unlike in the preceding quarter which recorded a significant growth. In the quarter, the number of letters posted locally decreased by 2.8 per cent to stand at 16,846,228 letters down from 17,324,016 letters recorded during the last quarter. This decline could have been as a result of conclusion of the festive season during which the postal and courier traffic grew significantly. Likewise, the number of courier items sent during the quarter stood at 477,526 items down from 478,434 items sent in the last quarter representing a decline of 0.2 per cent. In comparison to the same period of the preceding year, a 15.0 per cent growth was witnessed.
International incoming letters decreased by 2.4 per cent during the quarter under review to post 2.4 million letters down from 2.5 million. During the same period in the previous year, a significant dip of 15.7 per cent was recorded.
International outgoing letters exhibited the highest decline of 16.9 per cent to post 812,923 letters during the quarter.

The postal and courier traffic is shown in Table 23.

Table 23: Postal and Courier Traffic

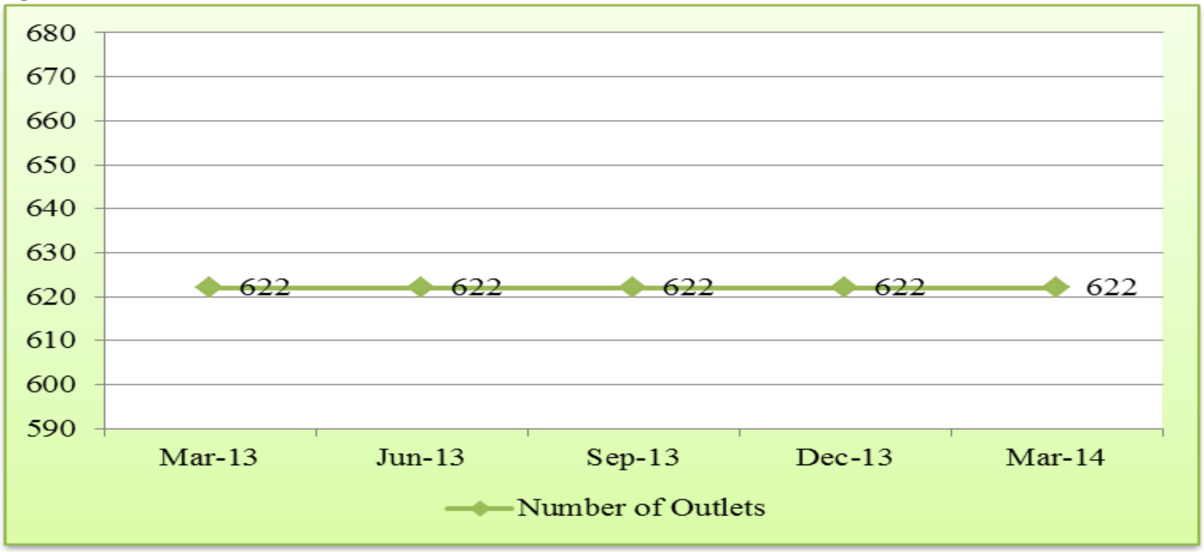
Post and Courier Traffic	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*	*Jan-Mar 13*	*Oct-Dec 12*	*Quarterly Variation (%)*
Number of Letters Posted Locally	16,846,228	17,324,016	-2.8	16,235,185	17,386,730	-6.6
Total Courier Items Sent Locally	477,526	478,434	-0.2	202,439	175,982	15.0
International Incoming Letters	2,461,791	2,522,641	-2.4	2,734,701	3,243,523	-15.7
International Outgoing Letters	812,923	978,525	-16.9	1,329,454	1,990,920	-33.2

Source: CA, Operators' Returns.

6.2 Number of Postal Outlets

The number of postal outlets has remained at 622 similar to the same quarter of the previous year. The number of Postal Outlets over the period is illustrated in Figure 9.

Figure 9: Number of Postal Outlets



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

7. CONCLUSION

The cellular phone industry in the country has continued to transform the lives of Kenyans, with increased penetration of on mobile subscriptions, mobile data services on 3G platform as well as mobile banking and payment. Mobile subscriptions grew marginally while voice traffic declined during the quarter. The fixed telephony sector continued to experience a downward trend in the face of mobile technology.

The Data/Internet market experienced growth of 1.3 per cent in the number of subscriptions during the quarter with mobile data/internet contributing the greatest number of subscriptions as has been the trend over the years. It is expected that the data/internet market will maintain an upward trend in the coming periods considering the increasing integration of ICTs within various sectors of the economy.

The available International Internet Bandwidth grew marginally by 0.4 per cent in the quarter to stand at 865,714 Mbps up from 862,473.9 Mbps recorded in the preceding quarter. Similarly, the utilized capacity stood at 447,061 Mbps during the quarter marking a significant increase of 22.3 per cent in comparison to the last quarter and consistent with the increased uptake of internet/data services. This represented 51.6 per cent of the total International Internet capacity.

Unlike the previous quarter during which the postal and courier sub-sector experienced a remarkable growth attributed to the festive season, the period under review experienced a downward trend for both local and international postal and courier traffic. The decrease was significantly higher for International outgoing letters that also exhibited a decrease in the last quarter.

Published: July 2014
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