



SECTOR STATISTICS REPORT
APRIL-JUNE 2008/09

August 2009

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1.0 IN THE QUARTER

The Telecommunication infrastructure received a major boost with the landing and commissioning of the East Africa Submarine Systems (TEAMS) as well as the license award to Kenya Power and lightning Company (KPLC) to roll out telecommunication infrastructure that will see operators buy excess capacity from the firm.

The Commission successfully established policy guidelines on infrastructure sharing in an effort to ease the investment burden of new entrants into the market and avoid duplication of resources. The initiative was embraced by two mobile operators, Zain and Essar Telecom having entered into an agreement to share infrastructure.

The governments move to exempt VAT on all telephones for cellular and wireless networks in this year's budget was a significant development in the telecommunications market. This move is expected to promote affordability subsequently increasing penetration and reducing the cost of customer acquisition.

With the recent developments in the data market arising out of the landing of submarine cables which are expected to bring closer the prospect of cheap and high speed communication in the country, there has been increased emphasis and focus by operators in this sub sector. Consequently the penetration of internet services has increased significantly over the quarter, particularly through mobile/ wireless technologies. As expected, the price of international bandwidth has also begun to drop as demonstrated by the 90% reduction of wholesale capacity by one of the major data operators.

The effects of the impact of convergence of services and the subsequent Unified Licensing Framework (ULF) began to be experienced. The announcement by a data firm to use its telecommunication infrastructure to offer broadcasters video and audio transmission service over an IP network is indicative of this. The strategy which fully harnesses technological convergence is expected to significantly reduce the cost of broadcast transmission.

On the postal and courier sector, the revamped Express Mail Service (EMS) run by Postal Corporation of Kenya (PCK) increased its international destinations to 3,000 in 109 countries in a bid to improve services as well as bring services closer to its customers. In addition, PCK announced plans to introduce Automated Teller Machines (ATMS) and credit cards countrywide in order to improve its financial services and increase its customer base.

As the sector continues to realize key milestones, ITU's ICT development Index (IDI) which assesses information society developments globally indicates that Kenya is still lagging behind in its efforts to bridge the digital divide. Kenya was ranked position 116 out of 154 countries which is the same position it had in 2002 except that the IDI increased marginally from 1.21 points in 2002 to 1.62 points in 2007.

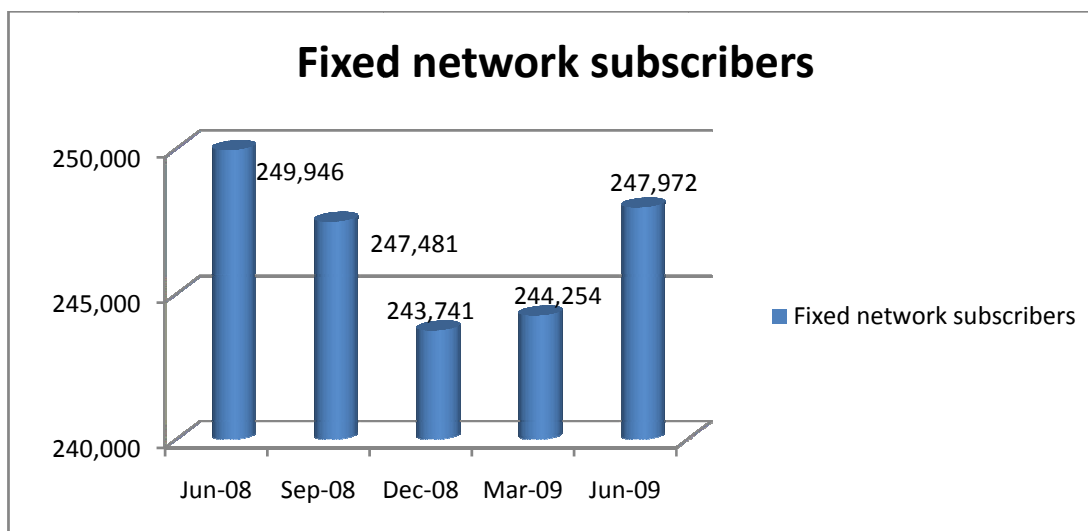
2.0 PERFORMANCE OF THE FIXED NETWORK SERVICES

2.1 Wire line services

During the quarter under review, the fixed line network registered an increase of 3,718 subscribers to reach 247,972 subscribers compared to 244,254 in the quarter ending March 2009. This represents a marginal growth of 1.5%.

The subscriber base of the fixed wire line services in the last five quarters is depicted in figure 1 below.

Figure 1: Fixed network subscriber growth



The growth of fixed lines since the beginning of the year could be a reflection of the revitalization of Telkom Kenya following its privatization in 2007.

It is positive to note that the growth in fixed lines is not confined to urban areas, but rather it is equally observed in rural areas. This is demonstrated in table 1 below, which shows the rural subscribers increase from 7,328 in March 2009 to 7,439 in June 2009, representing 1.5% growth.

Table 1: Fixed network subscribers

Indicator	June-08	Sept-08	Dec-08	Mar-09	June-09
Subscribers in urban areas	239,948	239,848	237,142	236,926	240,533
Subscribers in rural areas	9,998	7,583	6,599	7,328	7,439
Number of business lines	131,222	131,145	127,747	128,233	130,185
Number of residential lines	118,724	116,286	115,994	116,021	117,787
Number of Wire line subscribers	249,946	247,431	243,741	244,254	247,972

In the customer segments, there is a marginal difference between the numbers of business vis a vis residential lines and the rate of growth is equally the same. During the quarter the

business and residential lines stood at 130,185 and 117,787 respectively compared to 128,233 and 116,021 in March 2009.

2.2 Fixed line network traffic

The fixed network traffic showed some declining trend from April to September 2008; however this position reversed in between December 2008 and March 2009. As of March 2009 the local outgoing traffic increased to 12,960,882 minutes from 10,464,603 minutes in December 2008 representing 24% increase. Conversely, the local incoming traffic increased by 34% to 35,473,647 minutes in March 2009 from 26,441,952 minutes in December 2008. The summary is as shown in table 2 below.

Table 2: Fixed network traffic

Indicator	Q4 07/08 <i>Apr-June</i>	Q1 08/09 <i>July -Sept</i>	Q2 08/09 <i>Sept-Dec</i>	Q3 20/09 <i>Jan-Mar</i>
Local outgoing fixed traffic	10,068,201	9,368,259	10,464,603	12,960,882
Local incoming fixed traffic	36,034,019	35,466,895	26,441,952	35,473,647
Traffic to mobile	7,479,359	8,053,930	9,299,015	9,091,276
International outgoing traffic(Minutes)	3,177,738	3,064,692	3,630,708	3,858,449
International incoming traffic(Minutes)	19,332,883	19,308,201	26,850,251	21,676,904
Incoming VoIP	9,813,082	9,807,034	13,006,421	5,027,198
Outgoing VoIP	4,216,567	3,991,338	4,262,543	5,576,745

Source: CCK Database, Q4 information not provided by the fixed network operator

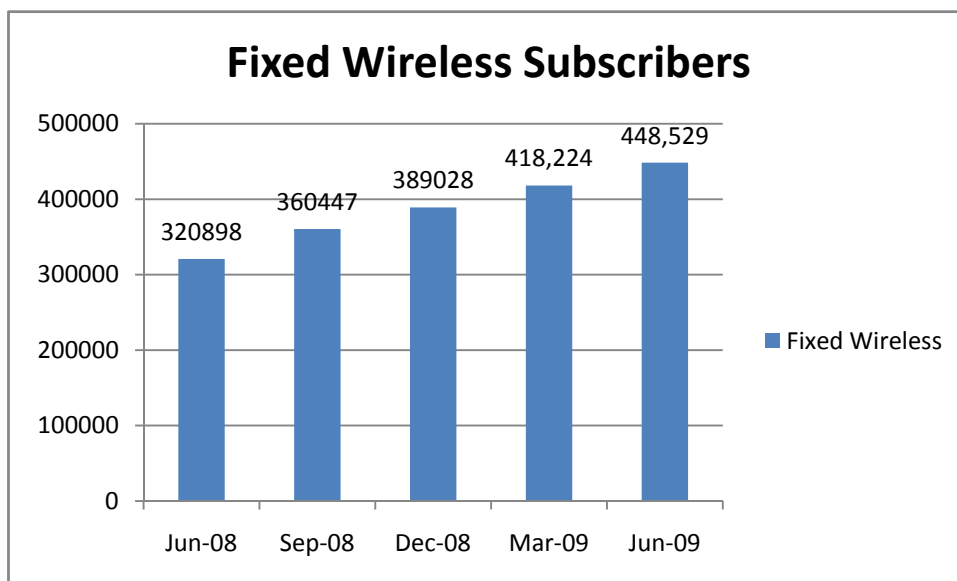
The international outgoing traffic increased by 6% from 3,630,708 minutes in December 2008 to 3,858,449 minutes in March 2009. At the same time the international incoming

traffic declined by 19% from 26,850,251 minutes in December 2008 to 21,676,904 minutes in March 2009.

2.3 Fixed Wireless services

The fixed wireless subscribers grew over the quarter from 418,224 in the quarter ending March 2009 to 448,529 in June 2009 representing a 7.2% growth as illustrated in chart 1 below.

Chart 1: Growth of fixed wireless subscribers



3.0 MOBILE NETWORK SERVICES

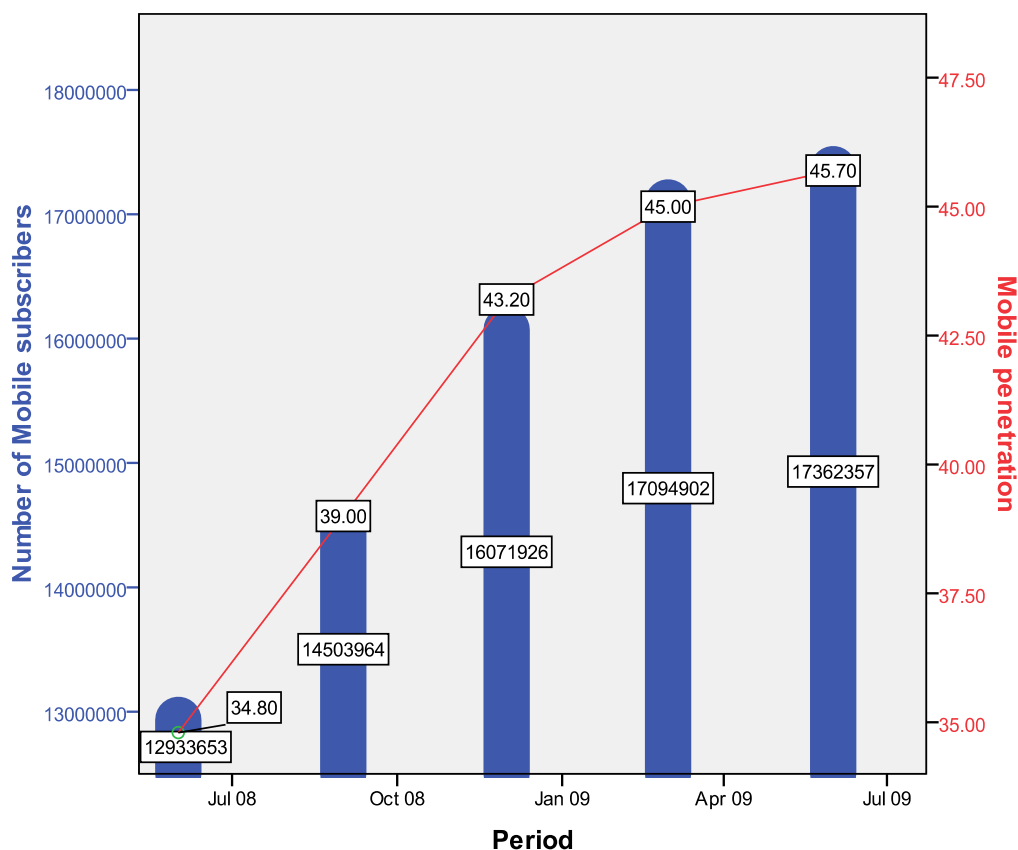
3.1 Mobile subscriber growth

The mobile services continued to be the most popular means of communication in the country. The four licensed mobile operators had a combined subscriber base of 17.4M at the quarter ending June 2009 against 17.1M subscribers in the quarter ending March 2009, representing 1.8% growth.

As shown in chart 2 below, mobile penetration was 45.9% in the quarter ending June 2009 compared to 45% in the quarter ending March 2009

The availability of low denomination calling cards at Kshs 10 has made mobile services affordable to most consumers in low income bracket and could therefore contribute to accessibility by some low end users.

Chart 2: Mobile subscriber growth



3.2 Mobile Traffic

As shown in table 3 below, during the quarter under review there was a positive trend in local mobile traffic between January 2009 and June 2009 at 2,495,273,847 and 2,405,096,864 respectively. However, there was a 43% decline totaling, 4,184,714 minutes in mobile to fixed network traffic between quarter ending March 2009 and the quarter under review.

Conversely, the total number of local Short Messaging Service (SMS) increased to 851,150,662 from 807,651,194 in the quarter ending March 2009, representing a 5% growth within the quarter.

Table 3 Mobile Traffic

Indicator	Q4 07/08 <i>Apr-June</i>	Q1 08/09 <i>July -Sept</i>	Q2 08/09 <i>Sept-Dec</i>	Q3 08/09 <i>Jan-Mar</i>	Q4 08/09 <i>Apr-June</i>
Mobile to fixed traffic (Minutes)	5,799,400	8,716,732	9,782,664*	9,806,824*	5,622,110*
Total local mobile traffic (Minutes)	680,792,168	6,316,043,666	2,607,417,218*	2,405,096,864*	2,495,273,847*
Local SMS sent	670,192,766	699,136,122	361,862,632*	807,651,194*	860,219,666*
International Incoming Voice Minutes	77,232,903	97,018,882	99,596,864*	107,746,854	116,250,617
International outgoing Voice Minutes	32,310,252	25,917,552	42,871,613*	50,934,618	42,268,915
Incoming VoIP Minutes	7,716,723	289,134	6,979,693*	9,526,885	14,230,231
Outgoing VoIP Minutes	978,288	10,201,275	696,274*	547,195	1,312,327
Total Roaming traffic Voice(Min)	1,6121,485	10,172,264	44,473,805	20,138,508	18,582,176
Total number of Roaming SMS	39,052,242	37,420,779	55,674,755	23,333,890	156,966,2253

Source: CCK Database, (*) Telkom Orange onnet traffic not available

The international incoming traffic increased by 7.9%, from 107,746,854 in the quarter ending March 2009 to 116,250,617 during the quarter under review. The international outgoing traffic however declined by 17%, from 50,934,618 in the quarter ending March 2009 to 42,268,915 in June 2009.

On the other hand, incoming and VoIP minutes increased by 49% and to 14,230,231 minutes from 9,526,885 in the quarter ending March 2009 while outgoing VoIP minutes

increased by close to 1.4 times from 547,195 in the quarter ending March 2009 to 1,312,327 during the quarter under review.

3.3 Mobile usage pattern

The total Minutes of Use (MoU) per subscriber per month increased from 46.9 in the quarter ending March 2009 to 47.9 minutes in the quarter under review. This is as shown in table 4 below.

Table 4: Mobile usage pattern

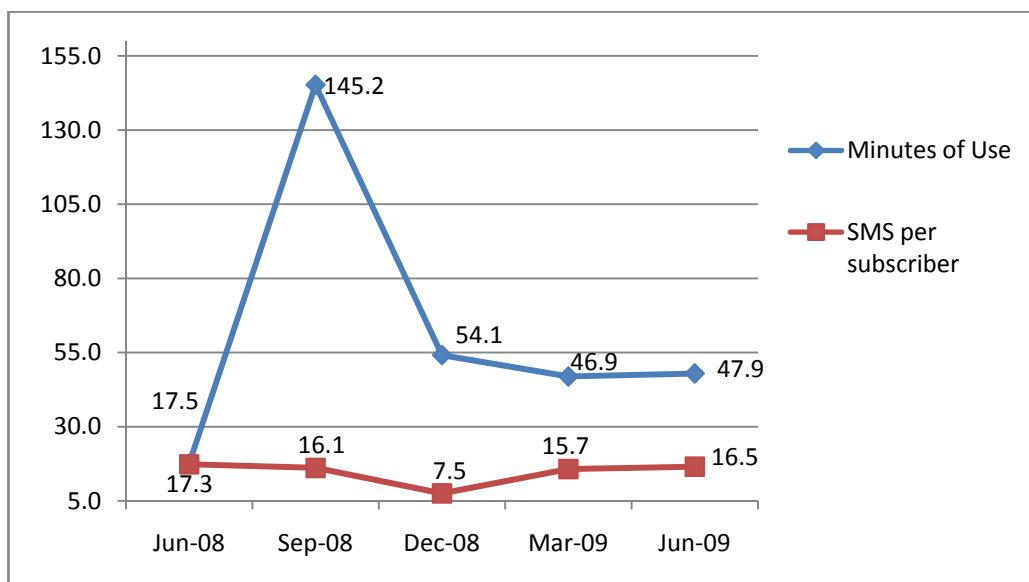
Indicator	Q4 07/08 <i>Apr-June</i>	Q1 08/09 <i>July -Sept</i>	Q2 08/09 <i>Sept-Dec</i>	Q3 20/09 <i>Jan-Mar</i>	Q4 08/209 <i>Apr-June</i>
Minutes of Use(MoU) per month	17.5	145.2	53.0	46.9	47.9
SMS per subscriber per month	17.3	16.1	7.4	15.7	16.3

Source: CCK Database

On the other hand the number of SMS per subscriber per month increased from 47 in March 2009 to 49 in June 2009. This represents a 3.8% increase as shown in figure 3 below.

As illustrated in figure 3 below the use of voice call as a means of communication has continued to be preferred by the subscribers as opposed to the use of SMS.

Figure 3: Growth in mobile and SMS usage pattern



3.4 Mobile Coverage

By end of the period under review the mobile coverage had reached 84% from 83% reported in the quarter ending March 2009 whilst the land coverage was 33% compared to 32% in the previous quarter. This is as shown in table 5 below.

Table 5: Mobile Coverage (Cumulative)

Indicator	June-08	Sept-08	Dec-08	March-09	June-09
Population coverage	81%	83%	83%	83%	84%
Land coverage	30.8%	31%	32%	32%	33%

Source: CCK Database.

4.0 PERFORMANCE OF INTERNET SERVICES

4.1 Subscriber base

At the end of the period under review, there were 1.82 million internet subscribers compared to 1.52 million internet subscribers at the end of March 2009 registering a growth of 20%. At the same time the period under review reported 1.80 million mobile data/internet subscribers. The summary of internet subscribers is as shown in table 6 below.

Table 6: Growth of internet subscribers including broadband

Indicator	June-08	Sep-08	Dec-08	March-09	June-09
Number of leased line customers	1,558	1,695	1,809	2,002	2,789
Number of dial up customers	8,897	7,696	7,846*	6,902	7,231
Mobile data/internet subscribers	388,199	392,964	392,964	1,674,948	1,801,876
Total wireless subscribers including mobile data/internet	394,950	398,140	398,190	1,704,948	1,814,183
Total internet subscribers	405,444	407,531	407,845	1,713,852	1,824,203
Internet users(cumulative) ¹	2,900,205	3,043,442	3,359,552	3,409,896	3,648,406

Source: CCK Database,

Internet access via leased lines increased by 39%, there were 2,789 subscribers by the end of June 2009 compared to 2,002 subscribers in March 2009. Mobile data/internet

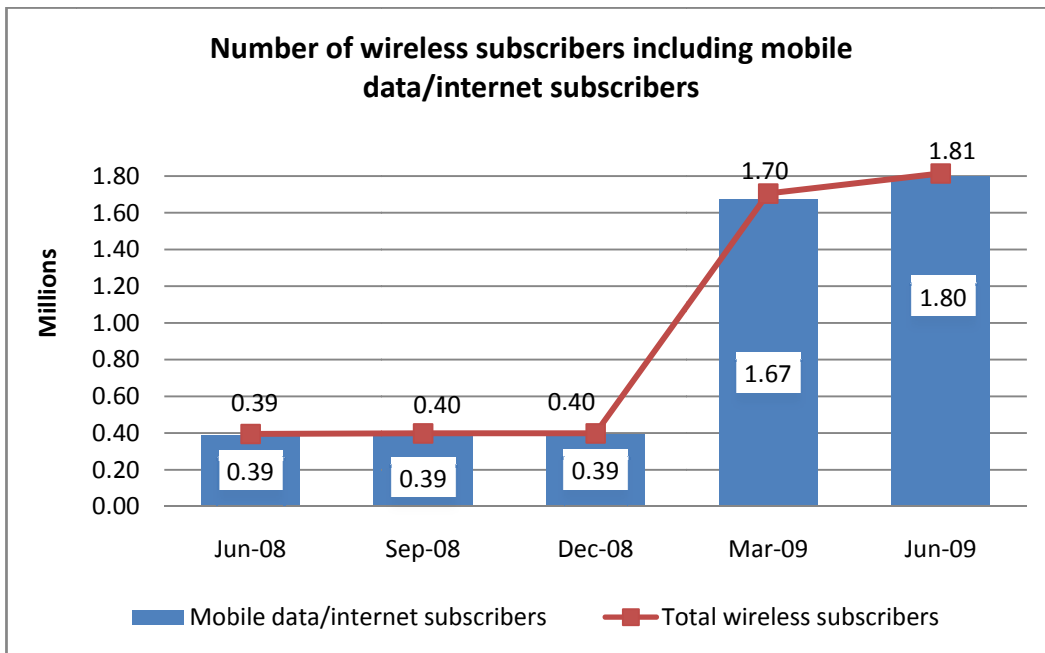
¹ Internet users are estimated by multiplying by 2 the number of internet subscribers as provided by International telecommunication union.

subscribers increased by 100,000 from the previous quarter to the current quarter. The total wireless subscribers including mobile data/internet subscribers was 1.81 million compared to 1.70 million in the quarter ending March 2009.

Mobile data/internet made the highest contribution to internet penetration a factor attributed to the aggressive roll out of data services by mobile operators. The growth trend of wireless subscribers is illustrated in chart 3 below.

Cumulatively, the total number of internet users was 3.6 million during the quarter under review compared to 3.4 million in the quarter ending March 2009, representing a 7% increase.

Chart 3: Mobile data/internet subscribers



4.2 International connectivity

As shown in table 7 below, there was increased demand for international bandwidth during the quarter to 2.7 Mbps from 2.6Mbps in the quarter ending March 2009, representing a 7.3% increase.

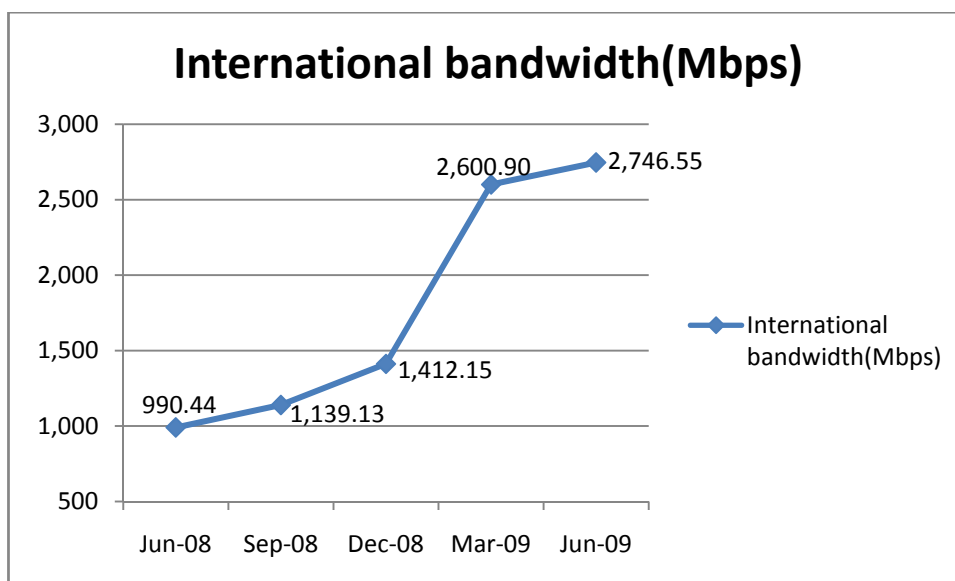
Table 7: International Gateway Bandwidth (Cumulative)

Indicator	Jun-08	Sept-08	Dec-08	Mar-09	Jun-09
International Gateway Downlink Bandwidth(Mbps)	595.84	823.69	828.31	1,886.4	1,985.75
International Gateway Uplink Bandwidth(Mbps)	313.6	315.44	592.84	714.50	760.80
Total International Gateway Bandwidth(Mbps)	909.44	1,139.13	1,421.15	2,600.90	2,746.55

Source: CCK Database

The cumulative international internet bandwidth over the last five quarters is illustrated in chart 4 below.

Chart 4: Growth in international bandwidth (Cumulative)



5.0 CONCLUSION

The telecommunication landscape in Kenya has continued to be shaped by technological developments arising out of convergence and the new market structure. The subsequent shifts in consumer needs and expectations has compelled aggressive network roll out and infrastructure upgrades using technologies that support high capacity services.

Increased competition among the operators has also contributed to the high level of product and service innovations as a means of customer acquisition and customer retention. This is as witnessed in the increase in subscriber base by the fixed network operator.

The number of internet users has increased marginally over the period. This however is not in tandem with other telecommunication services especially the mobile market that has continued to grow rapidly. The slow growth can be attributed to the infrastructure bottlenecks and the high cost of services.