



QUARTERLY SECTOR STATISTICS REPORT

4TH QUARTER
APR-JUN 2009/2010

Any queries to this report contact;
Director/Competition Tariffs and Market Analysis
[Tel:+254-20-4242000](tel:+254-20-4242000)
Email: info@cck.go.ke
Website: www.cck.go.ke

Disclaimer:

Although every effort has been made to ensure accuracy of the data contained in the report, the Commission is not liable for the inaccuracy of the information, which is contingent to the operators/service providers compliance returns.

TABLE OF CONTENTS

LIST OF TABLES	2
LIST OF FIGURES	3
1. THE QUARTER IN SUMMARY	4
2. MOBILE TELEPHONE SERVICE.....	5
a) Growth in Subscriptions.....	5
b) Mobile Traffic and usage pattern.....	6
3. FIXED TELEPHONY SERVICE	11
a) Subscriptions.....	11
b) Fixed Network Traffic	12
4. DATA AND INTERNET SERVICE.....	12
a) Subscriptions.....	12
b) Broadband.....	15
c) International connectivity	15
5. POSTAL AND COURIER SERVICE.....	16
a) Postal traffic.....	16
6. CONCLUSION.....	17

LIST OF TABLES

Table 1: Mobile Subscriptions	5
Table 2: Local Mobile voice traffic in minutes.....	8
Table 3: Roaming traffic	10
Table 4: International mobile traffic (minutes)	11
Table 6: Fixed network subscriptions.....	12
Table 7: Fixed network traffic	12
Table 8: Internet subscriptions	13
Table 9: Internet subscriptions by operator	14
Table 10: International leased internet bandwidth (Mbps)	15
Table 11: International available internet bandwidth (Mbps)	16
Table 12: Postal traffic.....	16

LIST OF FIGURES

Figure 1: Mobile Penetration.....	6
Figure 2: Mobile voice traffic in minutes.....	7
Figure 3: Minutes of Use per month.....	9
Figure 4: Number of SMS sent	9
Figure 5: Internet penetration	14

LIST OF ABBREVIATIONS

SMS	Short Messaging Service
MOU	Minutes of Use
ICTs	Information Communication Technologies
Mbps	Megabits per second
SIM.....	Subscriber Identification Module
QoS.....	Quality of service

1. THE QUARTER IN SUMMARY

During the period under review, June -10 the number of mobile subscriptions increased to 20.1 million from 19.9 million at the end of March -10, representing a 1.2 per cent growth.

During the quarter under review, the fixed lines experienced a 4.6 percent decline from 245,791 subscriptions in the pervious quarter Mar-10 to 234,522. Similarly, the fixed wireless subscriptions saw a decline of 30.6 per cent from 325,022 subscriptions in the previous quarter, Mar-10 to 225,592 subscriptions during the quarter in review.

Overall tele-density rose to 53.3 per cent in Jun-10, with mobile penetration accounting for 51.2 per cent.

There was significant increase in Minutes of Use (MoU) per subscriber per month for mobile from 86.4 minutes in the previous quarter to 100.3 minutes in the quarter under review, representing a 16 per cent increase. At the same time the number of SMS per subscriber per month was reported at 12.8 down from 13.4 SMS in the previous quarter.

The total number of internet subscriptions registered a 16.1 per cent growth from 2.7 million in the previous quarter, Mar-10, to 3.1 million in the quarter under review. The number of internet users was estimated at 7.8 million during the quarter under review from 6.8 million users in the previous quarter.

Broadband¹ subscriptions represented 0.6 per cent of the total internet subscriptions during the quarter under review with a total of 18,626 subscriptions up from 6,529 subscriptions in the previous quarter.

The international internet bandwidth increased by 15.2 per cent from 14,749.02 Mbps in the previous quarter to 16,992.68 Mbps in the quarter under review.

During the quarter, the total letters sent using postal services were reported as 29.3 million up from 23 million letters reported in the previous quarter. This represents an increase of 25.7 per cent over the last quarter.

¹ In Kenya broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.

2. MOBILE TELEPHONE SERVICE

a) Growth in Subscriptions

As at the end of the quarter, Q4 June-10, there were 20.1 million active mobile subscriptions up from 19.9 million in the previous quarter, Q3 2009/2010, showing a growth of 1.2 per cent. The continued increase in the number of subscriptions can be attributed to the declining cost of mobile services and tariff and promotion competitions among operators.

Safaricom maintained its market leadership with 16.2 million subscriptions maintained its followed by Zain with 1.8 million subscriptions. Essar telecom and Orange had 1.5 million and 0.5 million subscriptions respectively as the end of the quarter under review.

A summary of the growth in subscriptions is as shown in table 1.

Table 1: Mobile Subscriptions

Service provider	Subscriber base				Market share (%) Q4 09/10	Market share (%) Q4 09/10
	Q4 09/10	Q3 09/10	Net additions	Growth rate (%)		
Safaricom	16,240,569	15,793,176	447,393	2.8	80.7	79.4
Zain	1,834,343	1,904,979	-70,636	-3.7	9.1	9.6
Essar Telecom	1,492,098	1,354,318	137,780	10.2	7.4	6.8
Orange	552,294	832,785	-280,491	-33.7	2.7	4.2
Total	20,119,304	19,885,258	234,046	1.2		

Source: CCK, operators returns

In terms of absolute net additions during the quarter, Safaricom registered the highest number followed by Essar Telecom.

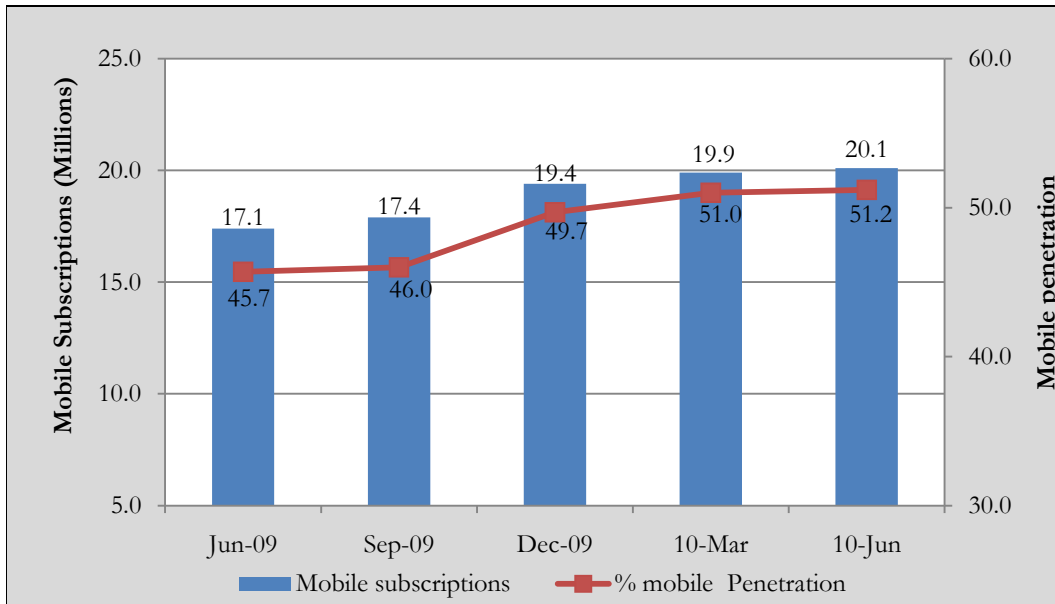
Majority (99 percent) of all subscribers are on pre-paid tariff plan i.e. 19.9 million subscriptions against 180,613 postpaid subscriptions. Increased preference of pre-paid services is mainly due to its flexibility that a subscriber enjoys including low denomination recharge vouchers.

As at the end of the quarter being reported June-10, the penetration of mobile service was reported at 51.2 per 100 inhabitants which is still below the world average of 67.0 per 100 inhabitants².

The growth in mobile penetration is as summarized in figure 1.

² International telecommunication union, Measuring the information society 2010

Figure 1: Mobile Penetration



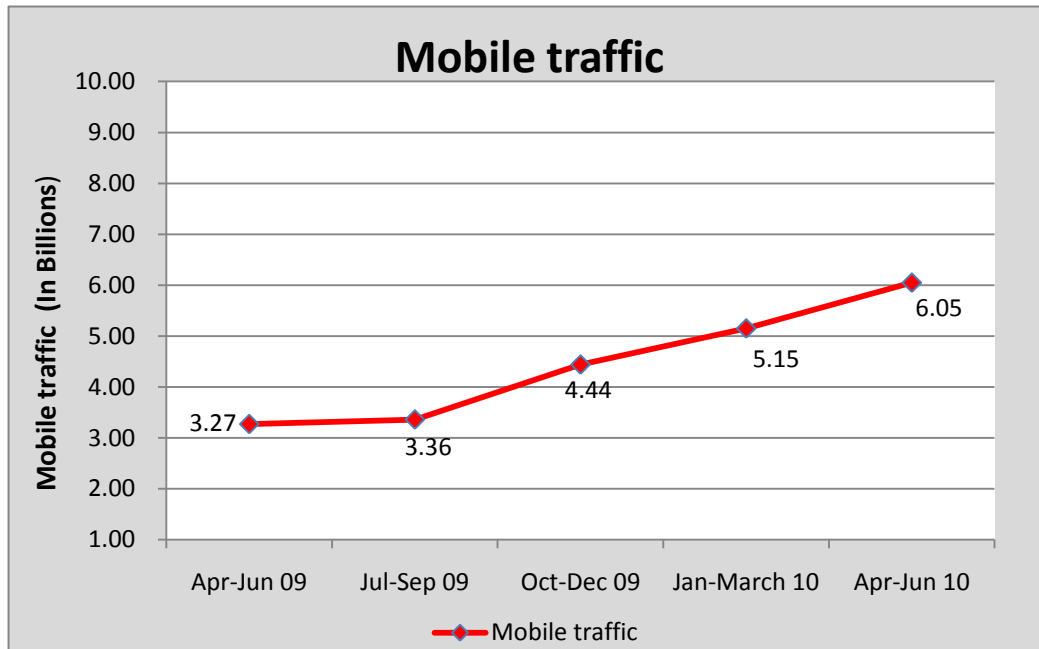
Source: CCK, Operators' returns

b) Mobile Traffic and usage pattern

During the quarter under review, mobile operators recorded **a total of 6.05 billion minutes of local calls**, 17 per cent increase compared to the previous quarter. This growth demonstrates longer call duration by consumers that could be as a result of attractive tariff rates by mobile operators.

The growth in mobile traffic is as illustrated in figure 2.

Figure 2: Mobile voice traffic in minutes



Source: CCK, Operators' returns

As reported in the previous quarter, the on-net traffic continues to dominate the mobile traffic minutes as is observed during the quarter under review. During the period, the total number of on-net traffic was 5.8 billion minutes representing 96 per cent of the total traffic. This was 17 per cent increase compared to the previous quarter and an increase of 85 per cent compared to the same period of the previous year. This is consistent with the general trend in the market.

At the same time, the number of **voice minutes received** on all mobile networks was 6.02 billion minutes, representing 17 per cent increase from the previous quarter and 85.1 per cent increase during the same period of the previous year.

This is as summarized in table 2.

Table 2: Local Mobile voice traffic in minutes

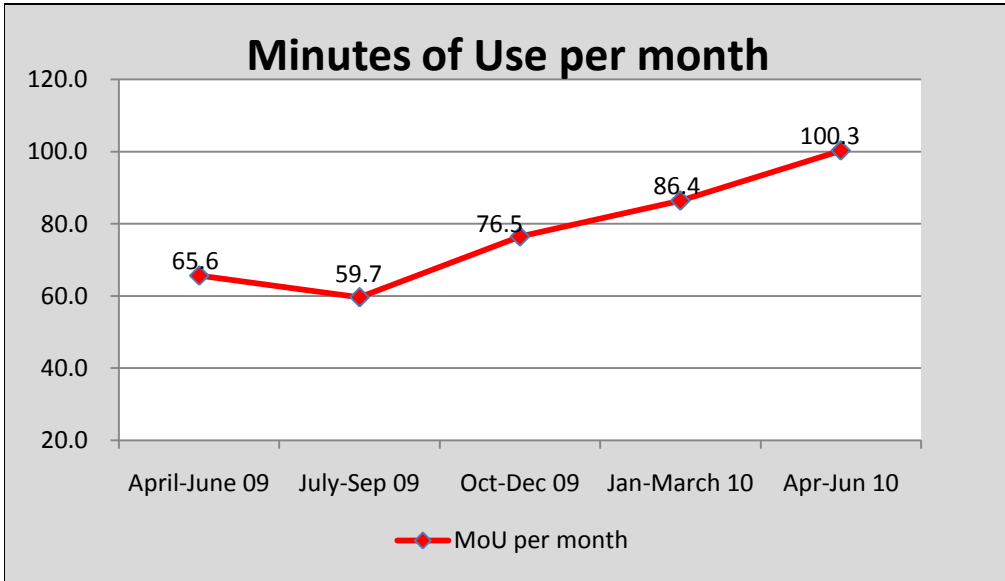
	Q4 09/10	Distribution of traffic type (%)	Q3 09/10	Quarterly variation (%)	Q4 08/09	Quarterly variation (%)
By traffic origin(Outgoing traffic)	6,052,055,448	100	5,154,623,859	17	3,269,308,999	85.1
Own network-Own network	5,826,330,211	96.3	4,976,959,347	17	3,111,294,533	87.3
Own network to other mobile networks	187,312,873	3.1	169,258,557	11	152,982,276	22
Mobile network fixed network	38,412,364	0.6	38,263,103	0.4	39,499,996	-2.8
By traffic termination(Incoming traffic)	6,022,063,555	100	5,158,454,505	17	3,271,897,149	84.1
Own network-own network	5,826,330,211	96.7	4,976,959,347	17	3,111,294,533	87.3
Other mobile networks -own network	189,495,945	3.1	173,678,763	9.1	150,138,013	26
Fixed network-Mobile network	6,237,399	0.1	7,816,395	-20.2	10,464,603	-40.0

Source: CCK, Operators' returns

The number of minutes of traffic from fixed to mobile declined by 20.2 per cent compared to the previous quarter and 40 per cent during the same period of the previous year. The decline reflects the impact of lower mobile tariffs on fixed network traffic.

As illustrated in figure 3, Minutes of Use per subscriber per month recorded 100.3 minutes compared to 86.4 minutes in the previous quarter. This represents a 16 per cent increase

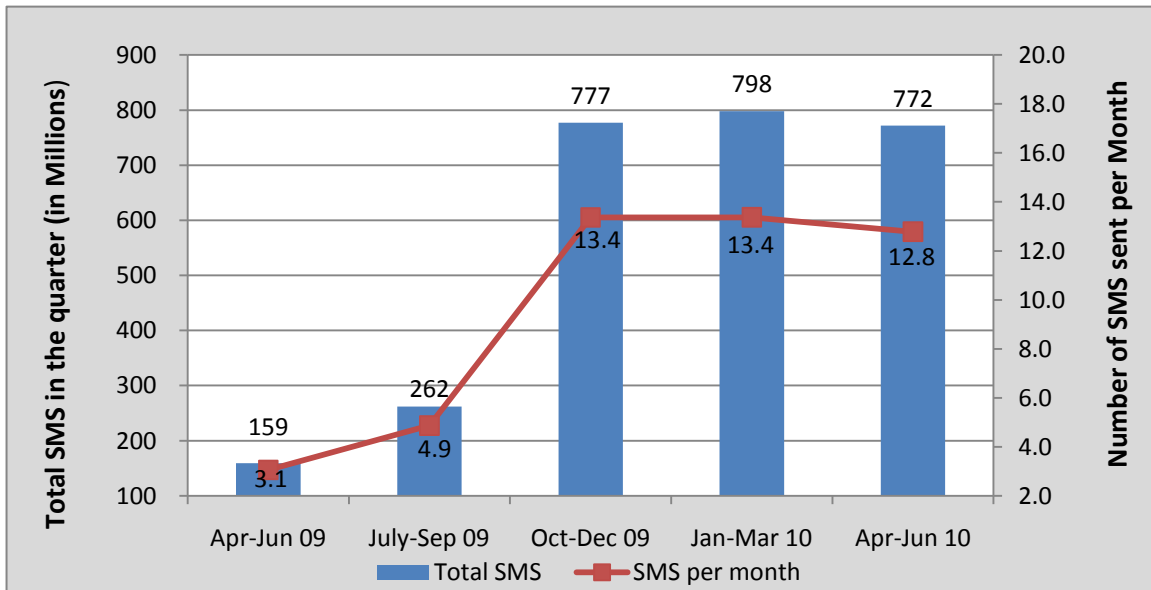
Figure 3: Minutes of Use per month



Source: CCK, Operators' returns

During the quarter under review Q4 09/10, 772 million text messages were reported. This figure is 3.3 per cent lower than the figure reported in the last quarter but more than 4 times higher than the figure reported in the last quarter of the previous year. The number of SMS per subscriber per month however has shown a declining trend in the last three quarters which is an indication that the attractive calling rates offered by the operators have influenced subscribers towards a preference of making phone calls over SMS.

Figure 4: Number of SMS sent



Source: CCK, Operators' returns

In the quarter being reported, Q4 09/10, roaming out³ voice traffic was recorded at 19.8 million minutes up from 17.25 million minutes in the previous quarter. This represents an increase of 14.9 per cent. This upward trend is an indication that availability of this service to prepaid subscribers has allowed more Kenyans to make calls while in foreign territory.

At the same time, the number of minutes of roaming in⁴ declined from 5.48 million minutes in the previous quarter to 4.49 million minutes during the quarter under review. This is a decline of 18 per cent an indication that visitors made fewer calls in the country during the quarter compared to the previous quarter.

The balance of roaming traffic (Roaming in minus Roaming out) was negative (-) 15.33 Million minutes. This traffic imbalance indicates that subscribers of national networks received significantly more calls when abroad than those received by subscribers to foreign networks while in the country. The summary is as shown in table 3.

Table 3: Roaming traffic

Roaming traffic in Minutes	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Quarterly variation % (+/-)
Roaming voice minutes own subscribers on foreign networks	19,820,115	17,254,492	14.9	15,749,694	25.8
Roaming voice minutes foreign subscribers on local network	4,490,350	5,477,090	18.0	2,755,743	62.9
Roaming messages own subscribers on foreign networks	6,668,308.26	3,702,539	80.1	149,637,540	-955.4
Roaming messages foreign subscribers on local network	3,370,260	3,274,358	2.9	7,222,965	-53.3

Source: CCK, Operators' returns

Likewise, a notable jump is seen in the number of roaming out SMS which increased by 80.1 per cent from 3.7 million messages reported in the previous quarter to 6.67 million messages during the quarter under review. The roaming in messages increased by 2.9 per cent to record 3.37 million messages, an indication that the voice calls were replaced by messaging during the period under review.

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

⁴ Roaming in is traffic originated and terminated by foreign subscribers on national networks

The quarter under review reported the international incoming mobile voice minutes as 166.69 million minutes compared to 150.23 million minutes reported in the previous quarter. This represents a growth of 11 per cent during the period.

Additionally, the international outgoing mobile traffic increased marginally by 1.7 percent over the last quarter. The marginal growth in international outgoing traffic may be an indication of a shift towards increased internet usage in the country. Table 4 below shows the summary of international mobile traffic.

Table 4: International mobile traffic (minutes)

International traffic in Minutes	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Quarterly variation % (+/-)
International incoming mobile voice minutes	166,690,149	150,231,486	11.0	115,647,334	44.1
International outgoing mobile voice minutes	58,838,493	57,875,513	1.7	48,082,431	22.4

Source: CCK, Operators' returns

3. FIXED TELEPHONY SERVICE

a) Subscriptions

During the quarter under review, the number of fixed lines was reported as 234,522 which is a decline of 11,269 lines representing a 4.6 per cent decline compared to the previous quarter.

At the same time the number of fixed wireless subscriptions was reported at 225,592 down from 325,022 subscriptions reported the previous period, representing a 30.6 per cent decline. The decline in the fixed network subscriptions could be an indication of increased availability of mobile phones which is more convenient and affordable; the fixed network is losing out progressively.

Table 6 shows the summary of the fixed line subscriptions.

Table 6: Fixed network subscriptions

	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Quarterly variation % (+/-)
Number of main fixed lines	234,522	245,791	-4.6	247,972	-5.4
Fixed wireless subscriptions	225,592	325,022	-30.6	419,047	-46.2

Source: CCK, Operators' returns

b) Fixed Network Traffic

The period under review experienced a decline in the fixed network traffic, a trend that is consistent with the decline in fixed line and fixed wireless subscriptions. As shown in table 7 a quarterly decline of 16.6 per cent was reported.

Table 7: Fixed network traffic

	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Quarterly variation % (+/-)
Fixed to mobile	6,521,416	7,816,395	-16.6	9,091,276	-28.3
International incoming voice minutes	12,329,115	13,696,768	-10.0	21,676,904	-43.1
International outgoing voice minutes	2,863,871	3,417,916	-16.2	3,858,449	-25.8

Source: CCK, Operators' returns,

The international incoming traffic decreased by 10 per cent from 13.70 million minutes in the previous quarter to 12.33 million minutes in the quarter under review.

At the same time, the international outgoing traffic declined by 16.2 per cent. This decline could be due to the intense competition from the mobile services.

4. DATA AND INTERNET SERVICE

a) Subscriptions

As at the end of June-2010, there were 3.1 million internet subscriptions in the country from 2.7 million subscriptions reported in the previous quarter representing 16.1 per cent increase. This is a low increase compared to 69.8 per cent increase recorded during the same period of

the previous year indicating that the initial rapid uptake is beginning to have a more graduated trend.

The increase in the number of internet subscriptions continues to be dominated by mobile data/internet subscriptions through GPRS/EDGE and 3G, accounting for 99 per cent of the total subscriptions. A summary of internet subscriptions is as shown in table 8.

Table 8: Internet subscriptions

	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Annual variation % (+/-)
Total internet subscriptions	3,096,952	2,667,916	16.1	1,824,203	69.8
Terrestrial mobile/data subscriptions	3,059,906	2,651,651	15.4	1,562,065	95.9
Terrestrial wireless data/internet subscriptions	22,134	6,050	265.9	8,602	157.3
Satellite data/internet subscriptions	953	1380	-30.9	26	3565.4
Fixed DSL data/Internet subscriptions	9,631	8,800	9.4	7,822	23.1
Fixed fiber optic data/internet subscriptions	4,303	4035	6.6	851	405.6
Fixed cable modem data/internet subscriptions	25	-	100	21	19.0
Estimated Internet users ⁵	7,832,352	6,785,302	15.4	3,648,406	1146.8

Source: CCK, Operators' returns, (-) data not available

As shown in table 8 above, at the end of the quarter under review there were an estimated 7.8 million internet users in the country up from 6.78 million internet users in the previous quarter and 3.6 million users in the same period of the previous year. The increase in the number of internet users could be attributed to increased access of internet services through the mobile phones as the data becomes the next mobile competition frontier.

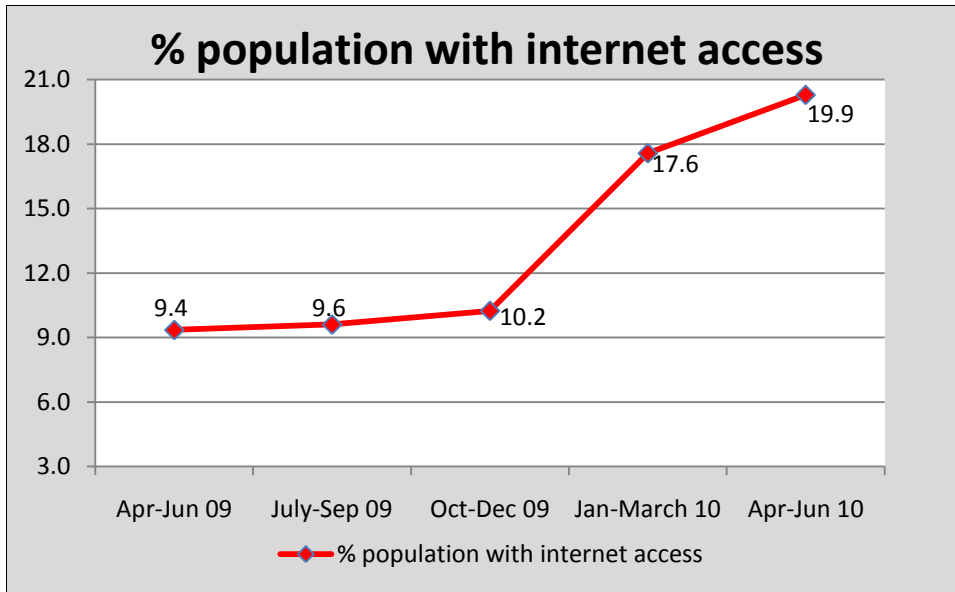
The percentage of population that has internet access reached 19.9 per cent, a 2.3 percent growth compared to the previous quarter. According to the population census 2009, the age bracket of 15-64 years represent 53.6 per cent of the population, an indication that there is

⁵ Internet users is estimated by multiplying by 2 the number of mobile data/internet subscriptions, by 10 terrestrial wireless subscriptions, and by 100 fixed DSL, Fiber 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 of CCK.

still a huge market potential that is yet to be covered and opportunities for provision to this service are yet to be fully exploited.

Figure 5 shows the growth of internet penetration in the country.

Figure 5: Internet penetration



Source: CCK, Operators' returns

As illustrated in Table 9, the mobile operators control more than 98 percent of the Internet market share.

Table 9: Internet subscriptions by operator

S/No.	Name of Operator	Subscriptions	Market share (%)
1.	Safaricom Ltd	2,959,906	95.6
2.	Celtel Kenya Ltd	100,000	3.2
3.	Wananchi Telkom Ltd	14,474	0.47
4.	Communication solutions(AccessKenya) Ltd	7,041	0.23
5.	Africa online	4,767	0.15
6.	Kenya data networks	1,911	0.062
7.	Swift Global	1,133	0.037
8.	Callkey Networks Ltd	813	0.026
9.	Instaconnect Ltd	257	0.0083
10.	Pwani Telecoms Ltd	250	0.0081
11.	Others	6,397	0.21

Source: CCK, Operators' returns

b) Broadband

The period under review, Q4 09/10, Broadband⁶ subscriptions reported a 185.3 percent increase to 18,626 up from 6,529 reported in the previous quarter. The number of broadband subscriptions is probably much higher than the figure reported as data on mobile broadband subscriptions has not been captured.

c) International connectivity

As presented in table 10, during the period under review, the total international internet connectivity bandwidth increased by 38.2 per cent to 20,000 Mbps from 14,749.02 Mbps in the previous quarter.

Table 10: International internet connectivity bandwidth (Mbps)

	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Annual variation % (+/-)
International undersea internet connectivity bandwidth(Mbps)	20,000.00	14,324.02	39.6	0	100
International Satellite internet connectivity bandwidth(Mbps)	384.12	425	-9.6	1,677.15	-77.1
Total international internet connectivity bandwidth(Mbps)	20,384.12	14,749.02	38.2	1,677.15	1144.0

Source: CCK, Operators' returns

The notable increase in international internet connectivity bandwidth is largely due to the operationalisation of two submarine cables which account for 98 per cent of the total international internet bandwidth.

At the same time during the quarter under review, the total international internet bandwidth available in the country was reported at 79,360Mbps by Seacom, one of the undersea cable providers. This figure could be higher if the capacity of the other operational undersea cable providers was reported.

⁶ In this report Broadband is defined as speeds greater than or equal to 256Kbps in one or both directions

Table 11: International available internet bandwidth (Mbps)

Provider	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Annual variation % (+/-)
Seacom-International internet capacity(Mbps)	79,360	79,360	0	0	100
Teams- International internet capacity(Mbps)	-	-	-	-	-
Total international internet bandwidth(Mbps)	79,360	79,360	0	0	100

Source: CCK, Operators' returns

5. POSTAL AND COURIER SERVICE

a) Postal traffic

In the quarter being reviewed, Q4, 09/10, the total letters sent using postal services were reported as 29.3 million up from 23 million letters reported in the previous quarter. This represents an increase of 25.7 per cent over the last quarter as illustrated in Table 12. Comparing the same quarter of the previous year, a total of 17.2 million letters were sent representing a 70.3 per cent increase.

At the same time, the total courier items sent using postal services declined from 190,482 in the previous period to 180,307 during the quarter under review, representing a 5.3 per cent decline.

Table 12: Postal traffic

	Q4 09/10	Q3 09/10	Quarterly variation % (+/-)	Q4 08/09	Quarterly variation % (+/-)
Number of letters posted	29,310,657	23,315,224	25.7	17,209,247	70.3
Total courier items sent	180,307	190,482	-5.3	208,011	-13.3
International incoming letters	273,009	80,949	237.3	133,026	105.2
International outgoing letters	1,431,366	1,395,238	2.6	1,965,642	-27.2

Source: CCK, Operators' returns

The international incoming letters experienced a significant increase of 237.3 per cent during the period under review from the previous quarter. The increase could be attributed to

increase in operation of international humanitarian activities/Aid, eg e-commerce that could have had a multiplier effect, with items targeting developing countries.

An increase of 2.6 is also recorded in the international outgoing traffic during the period This increase is could be as a result of growth of incoming letters to blend with the feed back concept in communication.

6. CONCLUSION

The telecommunication sector continues to experience phenomenal growth with upward trends in mobile and internet subscriptions except for the fixed line services which is on a declining path.

Mobile operators continued to implement innovative strategies that have resulted in increased subscription levels and growth in voice traffic. The growth in mobile data/internet subscriptions is indicative of diversification of service offerings by mobile operators following intense competition in the voice market.

The growth in internet subscriptions that has resulted in increased number of internet users from 9.4 per cent in June -09 to the current 19.9 per cent is also an indication of enhanced internet connectivity which may be attributed to the reduction in the cost of international connectivity coupled with aggressive roll out of data services to the mass market.

The impact of the submarine cables continues to be felt as demonstrated by the persistent decline in international satellite bandwidth.

Lastly, postal and courier services have been adversely affected by telecommunication services especially on the mail volumes. The challenge for the sector is to modernize operations and to diversify products and service offers in order to safeguard revenue flows.

Published: 31.08.10

Author: CCK