



QUARTERLY SECTOR STATISTICS REPORT

FOURTH QUARTER OF THE FINANCIAL YEAR 2011/12

(APRIL-JUNE 2012)

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Disclaimer:

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

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List of Abbreviations

ICTs	Information Communication Technologies
Mbps	Megabits per second
MoU	Minutes of Use
SIM	Subscriber Identification Module
SMS	Short Messaging Service
VSAT	Very Small Aperture Terminal
EVDO	Evolution-Data Optimized
GSM	Global Systems for Mobile Communications
MMS	Multimedia Service
FY	Financial Year

I. PRELIMINARY NOTES

- *This report has been prepared 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.*
- *This report is for the last quarter of the Financial year 2011/2012 between 1st April to June 30th 2012*

II. IN SUMMARY

During the fourth quarter of the FY 2011/12, the mobile telephony market segment recorded 29.7 million subscriptions¹ up from 29.2 million subscriptions posted in the previous quarter. This represents an increase of 1.7 percent during the period. The annual subscriptions registered significant growth of 17.5 percent from 25.2 million subscriptions recorded in the FY 2010/11. The increased mobile telephony subscriptions indicate operators' determination in growing their subscriber base and consequently increased access to mobile telephony services in the country. At the end of the quarter under review, mobile telephony penetration was posted at 75.4 percent up from 74.0 percent recorded at the close of the previous quarter.

Prepaid subscriptions continued to dominate the total mobile subscriptions with the quarter under review posting 29.4 million pre-paid subscriptions, representing 99.1 percent of the total mobile subscriptions. Annual post-paid subscriptions grew by 18.3 percent to stand at 273,367 as at 30th June 2012.

Total local mobile traffic declined by 6.9 percent during the quarter to record 6.3 billion minutes down from 6.8 billion minutes recorded in the previous quarter. The decline in mobile traffic could be attributed to decreased promotions and special offers by operators experienced during the period among other factors. However, there was an annual growth in local mobile traffic of 9.1 percent from 24.7 billion minutes recorded in the FY 2010/11 to 26.9 billion minutes recorded in the FY 2011/12. This annual growth could be attributed to the increase in mobile telephony subscriptions. The Minutes of Use (MoU) per subscriber per month declined by 8.4 percent, from 77.7 in the previous quarter to 71.2 recorded during the quarter under review. Similarly, the number of SMS per subscriber per month decreased by 5.1 percent during the period from 11.7 SMS posted in the previous period to 11.1 SMS in the quarter under review.

Fixed line network continued to record a downward trend. The quarter under review registered a 3.5 percent decline in the total fixed line (fixed terrestrial lines and fixed wireless) subscriptions. Total fixed lines were recorded as 262,711 during the quarter down from 272,101 subscriptions recorded in the previous quarter. Annual subscriptions declined by 29.9 percent from 374,942 main fixed lines recorded in FY 2010/11. Fixed terrestrial lines, recorded a decline of 7.5 percent from 80,675 lines recorded in the

¹ Subscription in this report is defined as active subscribers that have generated revenue within three months.

previous quarter to 74,606 lines recorded in the quarter under review. Annual subscriptions for fixed terrestrial lines declined by 60.3 percent. Likewise, fixed wireless subscriptions were recorded as 188,105 during the period down from 191,426 subscriptions recorded in the previous quarter. This represents a quarterly and annual decline of 1.7 percent and 1.8 percent, respectively.

In the Internet/data market segment, the number of subscriptions rose by 19.2 percent, from 6.4 million subscriptions recorded in the previous period to 7.7 million subscriptions during the quarter under review. Annual subscriptions grew by 81.7 percent from 4.2 million recorded during the FY 2011/2012. Mobile data/Internet subscriptions continued to dominate the Internet market contributing 98.9 percent of the total Internet/data subscriptions. The number of estimated Internet users rose by 18.5 to stand at 14.032 million users during the quarter under review. . The annual growth in the estimated number of Internet users was recorded as 11.9 percent from 12.5 million users recorded in the previous year. Broadband² subscriptions increased by 11.5 percent from 651,738 recorded in the previous quarter to 726,802 recorded during the quarter under review. Broadband subscriptions represented 9.4 percent of the total Internet/data subscriptions.

The tremendous annual growth in the Internet/data market segment may be attributed to international connectivity bandwidth that increased significantly by 58.0 percent to 264,584 Mbps posted during the quarter under review. The total available bandwidth in the country was recorded as 574,704 Mbps³ during the quarter under review. Thus, the used bandwidth represented 46.0 percent of the total available bandwidth capacity.

In the postal and courier industry that faces stiff competition particularly from the Internet/data market, the total local letters sent declined by 0.6 percent from 16.8 million letters posted in the previous quarter to 16.7 million letters sent during the quarter under review. Similarly, annual number of letters sent declined from 109.1 million recorded in the FY 2010/11 to 73.9 million recorded in the FY 2011/12. This represents a decrease of 32.2 percent in the number of letters sent.

International incoming letters declined by 8.1 percent from 135,212 letters recorded in the previous quarter to 124,209 letters recorded during the quarter under review. Similarly, the annual number of international incoming letters declined by 4.2 percent to record 439,986 letters in the FY 2011/12 from 459,342 letters recorded in the FY 2010/11. The number of international outgoing letters declined from 1.7 million during the previous quarter to 1.5 million during the quarter under review, representing a 12.0 percent decrease.. However, there was positive annual growth of 29.3 percent from 6.4 million letters sent in the FY 2010/11 to 8.3 million letters in the FY 2011/12.

² In Kenya broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.

³ Data provided for EASSY of 4,949,278.8 Mbps in the previous periods was erroneously aggregated to include capacity in other landing stations outside Kenya. The correct figure has now been provided.

1. CELLULAR MOBILE SERVICES

1.1 Subscriptions

The growth of the mobile market has continued to be on an upward trend and the period under review was no exception. As at 30th June 2012, there were 29.70 million mobile telephony subscriptions compared to 29.21 million subscriptions posted as at 31st March 2012. This represented a quarterly and annual growth of 1.7 percent and 17.5 percent, respectively. This is shown in Table 1.

Table 1: Mobile Subscriptions

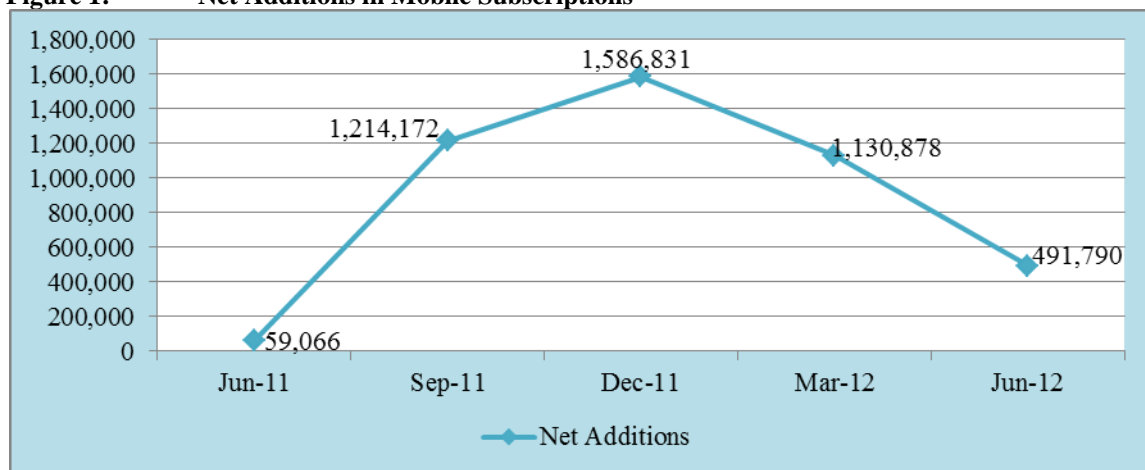
Subscription Type	Apr-12	Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
Prepaid Subscriptions	29,430,072	28,957,455	1.6	29,430,072	25,048,774	17.5
Post-Paid Subscriptions	273,367	254,194	7.5	273,367	230,994	18.3
Total Mobile Subscriptions	29,703,439	29,211,649	1.7	29,703,439	25,279,768	17.5

Source: CCK, Operators' Returns.

The growth in the mobile subscriptions could be attributed to increasing uptake of the mobile telephony service in the country and the competitive tariffs, special offers and promotions that were offered to subscribers by the operators. Prepaid subscriptions continued to dominate the total subscriptions contributing 99.1 percent of the total subscriptions during the quarter. The prepaid subscriptions grew by 1.6 percent compared to 7.5 percent growth in the post-paid subscriptions.

In terms of total net additions⁴ experienced during the period, declining trend in net additions that began in December 2012 continued as shown in Figure 1.

Figure 1: Net Additions in Mobile Subscriptions



Source: CCK, Operators' Returns.

⁴ Net additions refer to new mobile subscriptions acquired during the period.

The 56.5 percent decline in net additions may be attributed to reduced promotional and special offers which are strategies used by the four mobile operators; Safaricom Limited, Airtel Networks Kenya Limited, Essar Telecom Kenya Limited and Telkom Kenya Limited (Orange); to acquire and retain customers. Airtel recorded the largest gains in new subscriptions of 430,726 representing growth of 9.6 percent over the previous quarter followed by Essar that gained 105,389 subscriptions (4.1 percent growth) and Telkom which gained 23,394 subscriptions (0.8 percent growth). Only Safaricom recorded a decline in subscriptions of 67,719 which represented 0.4 percent drop from the previous quarter. The mobile subscription by operator is shown in Table 2.

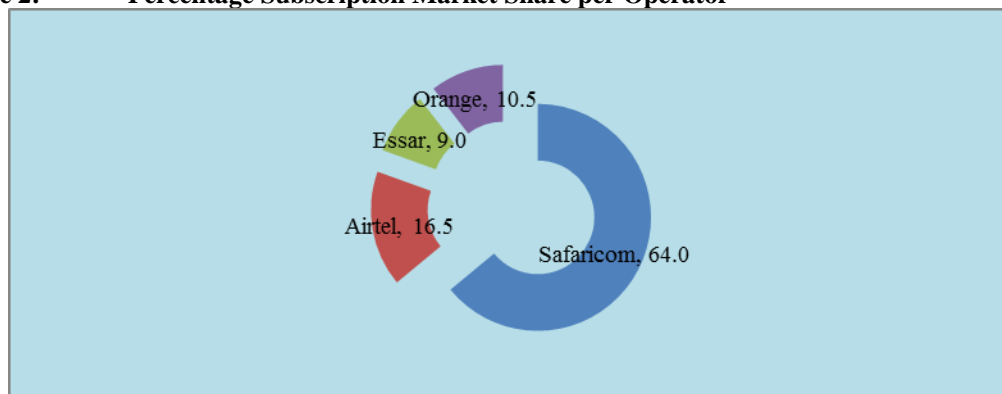
Table 2: Mobile Subscriptions per Operator

Name of operator	Jun-12			Mar-12			Quarterly Variation (%)
	Pre-paid	Post-paid	Total	Pre-paid	Post-Paid	Total	
Safaricom Limited	18,853,071	153,910	19,006,981	18,936,772	137,928	19,074,700	-0.4
Airtel Networks Kenya Limited	4,799,309	114,751	4,914,060	4,371,675	111,659	4,483,334	9.6
Essar Telecom Kenya Limited	2,658,324	1,323	2,659,647	2,553,196	1,062	2,554,258	4.1
Telkom Kenya Limited (Orange)	3,119,368	3,383	3,122,751	3,095,812	3,545	3,099,357	0.8

Source: CCK, Operators' Returns.

The level of concentration of market shares measured by subscription has experienced marginal change over the period. During the period under review, Q4 2011/12, Safaricom Ltd market share by subscription dropped marginally from 65.3 percent recorded the previous to 64.0 percent. Similarly, Telkom's (Orange) recorded a decline of 0.1 percentage points to record 10.5 percent market share at the end of the quarter. The decline in the Safaricom and Telkom's market share was taken up by Airtel and Essar that saw their market shares rise by 1.2 percentage points and 0.3 percentage points to reach 16.5 percent and 9.0 percent, respectively at the end of the quarter. The market share by subscription by operator is shown in Figure 2.

Figure 2: Percentage Subscription Market Share per Operator

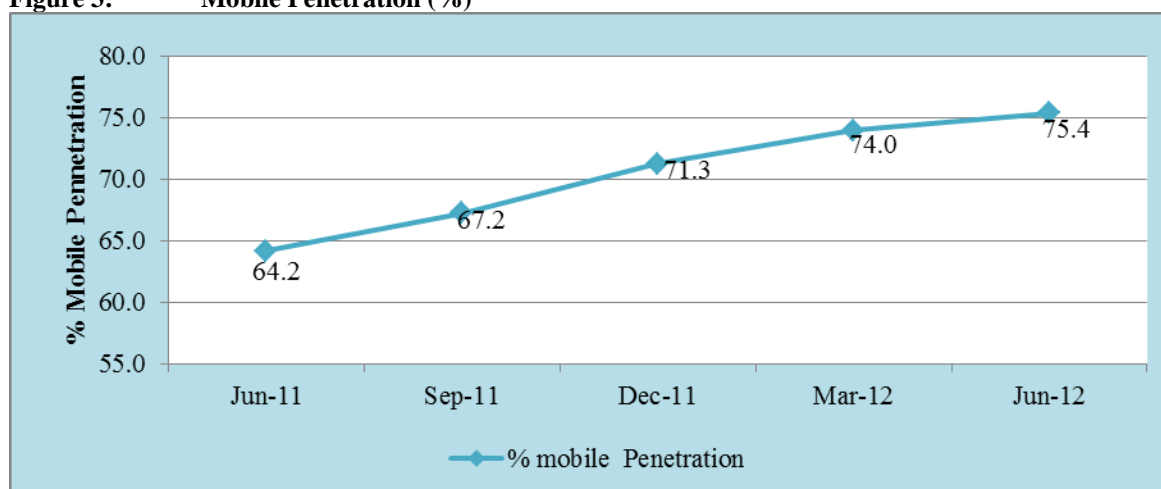


Source: CCK, Operators' Returns.

The gain in the Airtel's and Essar's market share could be attributed to the various innovative and competitive tariffs, special offers and promotions offered by the two operators during the quarter.

The population that has access to mobile telephony continued to grow with the quarter under review recording a mobile telephony penetration of 75.4 per 100 inhabitants⁵ up from 74.0 per 100 inhabitants recorded during the previous quarter. This represents a quarterly mobile penetration increase of 1.4 percent and an annual increase of 11.2 percent. The growth trend in the mobile penetration is shown in Figure 3.

Figure 3: Mobile Penetration (%)



Source: CCK, Operators' Returns.

1.2 Mobile Money Transfer Service

One of the greatest value added service in the mobile industry is the mobile money transfer service. The service continues to deepen financial inclusion particularly for the un-banked population; facilitate ease of doing business through mobile payments and transactions; and enables seamless transfer of money. This is evident with the increasing number of subscriptions as well as growth in total deposits made over the period. The quarter under review experienced 2.73 percent growth in mobile money transfer service subscriptions, from 18.98 million recorded the previous quarter to 19.50 million during the quarter under review. On an annual basis, mobile money transfer subscriptions grew by 12.13 percent from 17.3 million recorded at the end of the FY 2010/11 to 19.50 at the end of the FY2011/12. This is shown in Table 3.

Table 3: Mobile Money Transfer

Mobile Money Transfer	Jun-12	Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
Subscriptions	19,505,702	18,987,531	2.73	19,505,702	17,395,727	12.13
No. of Agents	49,079	45,861	7.02	49,079	42,313	15.99
Total Deposits (KES)	192,732,972,370	185,361,277,029	4.0	672,300,539,552	486,846,424,518	38.1

Source: CCK, Operators Returns.

⁵ Population used 39.5 Million, provisional, as provided in the Economic Survey 2012.

As shown in Table 3, mobile money transfer service also continued to create employment opportunities across the country.. At the end of quarter under review, there were 49,079 active mobile money transfer service agents compared to 45,861 recorded in the previous quarter and 42,313 posted at the end of the previous year. This represents a quarterly and an annual growth of 7.02 percent and 15.99 percent respectively.

The total deposits handled during the period under review grew by 4.0 percent from 185.36 billion recorded during the previous period to 192.73 billion recorded during the period under review. Notably the annual growth in the total deposits grew significantly by 38.1 percent from 486.84 billion deposited in the FY 2010/11 to 672.30 billion deposited during the FY 2011/12. This upward trend signifies that mobile money transfer service has become instrumental in providing the unmet demand for financial services thereby promoting financial inclusion in the country.

1.3 Mobile Number Portability

The uptake of Mobile Number Portability (MNP) service has continued to show mixed signals in the mobile market segment since its inception. During the quarter, there were a total of 678 inports from 6,646 inports recorded during the previous quarter, representing a decline 89.8 percent. The number of inports recorded since the establishment of the MNP service in April 2011 is shown in Table 4.

Table 4: Number of Inports

Period	Apr-Jun-12	Jan-Mar-12	Oct-Dec-11	Jul-Sep-11	Apr-Jun-11
Number of Inports	678	6,646	2,407	1,929	36,224
Variation (%)	-89.8	176.1	24.8	-94.7	-

Source: CCK, Operators Returns.

The low uptake of the MNP service could be attributed to the reduced tariff differentials among operators; long porting duration experienced by the porting customers; club effect in the mobile telephony which is enhanced by the subscription to mobile money transfer service coupled with consumer preferences and choices.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

During the quarter, a total of 6.3 billion minutes of traffic were made on the mobile network from 6.8 billion minutes recorded during the previous quarter. This represents a decline of 6.9 percent. On-net traffic dropped from 5.9 billion minutes posted in the previous quarter to 5.5 billion minutes, representing a decline of 7.6 percent in the quarter. The decrease in the on-net traffic could be attributed to a decline in the on-net traffic by Airtel Networks Kenya Limited and Safaricom Limited that recorded a decline of 37.6 percent and 5.3 percent, respectively given the fact that the two operators hold a joint market share by subscription of 80.5 percent. On the other hand, annual on-net traffic grew by 7.2 percent from 22.3 billion minutes recorded in the FY 2010/11 to 23.9 billion minutes posted in the FY 2011/12.

Off-net traffic recorded a drop of 1.7 percent during the quarter under review from 839 million minutes during the previous quarter to 825 million minutes.. However, annual off-net traffic registered a positive growth of 25.9 percent from 2.3 billion minutes recorded in the FY 2010/11 to 2.9 billion minutes recorded during the FY 2011/12. This is shown in Table 5.

Table 5: Local Mobile Voice Traffic in Minutes

Mobile Traffic	April-Jun-12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
By Traffic Origin (Outgoing Traffic)						
Own Network –Own Network	5,500,563,481	5,955,692,413	-7.6	23,906,924,629	22,304,818,607	7.2
Own Network to Other Mobile Networks	825,098,727	839,323,683	-1.7	2,952,577,094	2,344,553,171	25.9
Mobile Network to Fixed Network	16,605,316	15,552,579	6.8	93,686,864	62,730,887	49.3
Total Traffic Origination (Outgoing)	6,342,267,524	6,810,568,675	-6.9	26,953,188,588	24,712,102,664	9.1
By Traffic Termination (Incoming Traffic)						
Own Network –Own Network	5,500,563,481	5,955,692,413	-7.6	23,906,924,629	22,304,818,607	7.2
Other Mobile Networks to Own Network	755,949,082	842,312,946	-10.3	2,929,834,772	2,395,215,056.8 2	22.3
Fixed Network to Mobile Network	23,074,195	22,370,865	3.1	104,967,748	79,616,952	31.8
Total Traffic Termination (Incoming Traffic)	6,279,586,758	6,820,376,224	-7.9	26,941,727,149	24,779,650,616	8.7

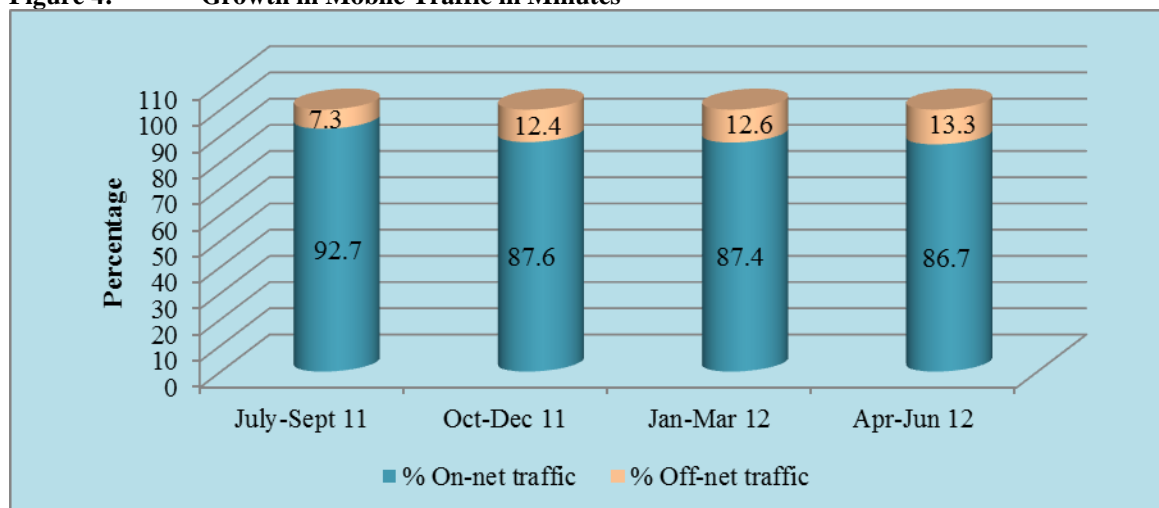
Source: CCK, Operators' Returns.

Mobile to fixed traffic rose by 6.8 percent during the quarter to record 16.6 million minutes. Similarly, annual mobile to fixed traffic grew significantly by 49.3 percent to record 93.6 million minutes in the FY 2011/12 from 62.7 million minutes recorded in the FY 2010/11. This growth could have been as a result of increased uptake of mobile telephony service compared to the uptake of the fixed telephony service which is declining in Kenya coupled with the convergence of the mobile- to- mobile and mobile-to-fixed tariffs.

With regard to traffic by termination, the total number of voice minutes received on all mobile networks decreased by 7.9 percent to record 6.2 billion minutes during the quarter under review. However, the number voice minutes received grew from 24.7 billion minutes received during the FY 2010/11 to 26.9 billion minutes received in the FY 2011/12. This represents an annual growth of 8.7 percent. On the other hand, fixed to mobile network traffic rose from 22.3 million minutes recorded during the previous quarter to 23.0 million minutes during the quarter under review.

The ratio of on-net traffic to the total mobile traffic declined marginally from 87.4 percent in the previous quarter to 86.7 percent. Conversely, the ratio of off-net mobile traffic to total mobile traffic increased by a similar margin of 0.7 percentage points to record 13.3 percent from 12.6 percent recorded during the previous quarter. The share of on-net and off-net mobile traffic to the total mobile traffic is illustrated in Figure 4.

Figure 4: Growth in Mobile Traffic in Minutes



Source: CCK, Operators' Returns.

1.4.2 Voice Traffic by Operator

The level of concentration of market shares by traffic registered marginal change during the period similar to the observations made in market shares by subscriptions. During the quarter, Safaricom posted an increase in the market share by 1.6 percentage points to reach 78.9 percent followed by Essar which gained a 0.4 percentage point in the market share to reach 9.1 percent. Telkom's market shares⁶ by voice traffic remained the same at 0.8 percent while Airtel's market share declined by 2.0 to record 11.2 percent. Voice traffic and resultant market shares by operator are 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)
Apr-Jun 12	On-net	4,758,038,227	279,303,450	445,771,772	17,450,032
	Off-net	245,494,922	430,718,843	129,887,115	35,603,163
	Total	5,003,533,149	710,022,293	575,658,887	53,053,195
	Market Share (%)	78.9	11.2	9.1	0.8
Jan-Mar-12	Market Share (%)	77.3	13.2	8.7	0.8
FY 2011/12	On-net	20,880,997,585	1,351,585,712	1,607,181,667	67,159,665
	Off-net	872,031,629	1,578,469,239	459,484,828	139,302,528
	Total	21,753,029,214	2,930,054,951	2,066,666,495	206,462,193
	Annual Market Share (%)	80.7	10.9	7.7	0.8

Source: CCK, Operators' Returns.

Notably there was no significant change in market shares on voice traffic in the quarter and during the financial year. However, wide disparity in traffic volumes particularly on

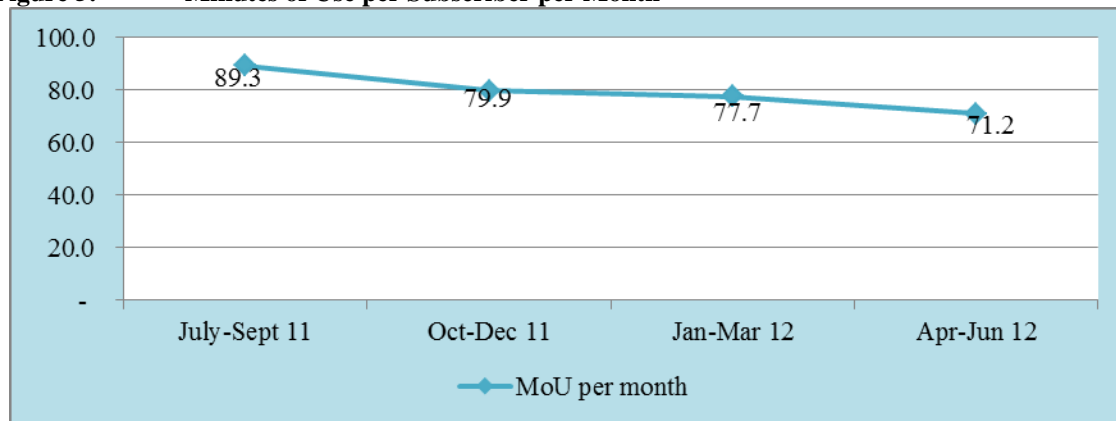
⁶ Note that there is a big difference in Telkom Kenya Limited's (Orange) market share by subscription (10.5 per cent) and market share by voice traffic (0.8 per cent). This could be explained by the error in the Compliance Returns submitted to the Commission.

on-net traffic among the operators is still distinct. The on-net traffic has been largely contributed by Safaricom given its largest market share by subscription of 64.0 percent. Moreover, Safaricom continues to have the largest market share by voice traffic since a large percentage of off-net traffic from other networks terminates to Safaricom network. This also implies Safaricom’s market share by revenue exceeds its market shares by subscription and traffic because its voice tariffs particularly off-net tariffs are higher than the industry average.

1.4.3 Minutes of Use

As Figure 5 illustrates, the last four quarters have experienced a declining trend of the Minutes of Use (MoU) made by each subscriber per month. The MoU per subscriber per month during the quarter was recorded as 71.2 down from 77.7 recorded the previous quarter. This represents an 8.4 percent reduction that could be attributed to the decline in mobile traffic recorded at 6.9 percent during the period among other factors. Compared to the same period of the previous year, there was a decline of 20.3 percent in the MoU.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators’ Returns.

During the quarter, a total of 986 million Short Messaging Service (SMS) were sent compared to 1.0 billion SMS sent the previous quarter. This represents a decline of 3.6 percent. On the other hand, the number of SMS sent annually grew from 2.6 billion SMS in the FY 2010/11 to 4.2 billion SMS sent during the FY 2011/12. This represents a significant annual growth of 62.8 percent.

On-net SMS grew by 3.9 percent during the quarter to record 830 million SMS from 799 million SMS posted the previous quarter. The total number of on-net SMS during the FY 2011/12 were recorded as 3.6 billion from 2.3 billion SMS recorded in the FY 2010/11, representing an annual growth of 60.4 percent. Off-net SMS sent registered a decline of 30.4 percent during the quarter to record 155.7 million SMS. Annual growth in the SMS sent, however, increased significantly by 80.2 percent from 318.9 million SMS sent in the FY 2010/11 to 574.5 million SMS sent during the FY 2011/12.

The average number of SMS sent by each subscriber per month was recorded as 11.1 which were 0.6 messages less than that recorded in the previous quarter. Comparing the

last two financial years, there was a 39.5 percent increase in SMS sent by each subscriber. . SMS traffic is shown in Table 7.

Table 7: Short Messaging Service

SMS Traffic	Apr-Jun 12	Jan-Mar 12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
On-net SMS	830,290,629	799,102,623	3.9	3,690,510,963	2,300,894,214	60.4
Off-net SMS	155,778,137	223,715,651	-30.4	574,572,427	318,927,460	80.2
Total SMS Sent	986,068,766	1,022,818,274	-3.6	4,265,083,390	2,619,821,674	62.8
SMS per Subscriber per Month	11.1	11.7	-5.1	12.0	8.6	39.5

Source: CCK, Operators' Returns.

There was 32.7 percent increase in the number of Multi-Media Messages (MMS) that were sent during the quarter, from 1,517,733 sent during the previous quarter to 2,013,684. In addition the total MMS sent during the FY 2011/12 registered a 41.6 percent growth, from 4,905,808 messages sent in FY 2010/11 to 6,945,045 messages sent in the FY 2011/12. Table 8 gives a summary of the number of MMS sent.

Table 8: Multimedia Messaging Service

MMS Traffic	Apr-Jun 12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
MMS	2,013,684	1,517,733	32.7	6,945,045	4,905,808	41.6
MMS per Subscriber per Month	0.02	0.02	0.0	0.02	0.02	0.0

Source: CCK, Operators' Returns.

Even though there has been gradual growth recorded in the number of MMS sent, the number of MMS sent are still very low compared to the SMS. In particular, each user sent an average of 0.02 MMS per month during the period and this has been a similar trend observed in the previous periods. The low usage of MMS service over the period could be attributed to the low uptake of this service and a pointer of customers' preference to other services such as SMS and social media.

1.4.4 Roaming Traffic

The quarter in review recorded a total of 6.2 million roaming out⁷ voice traffic compared to 7.6 million minutes posted in the previous quarter, representing a decline of 18.7 percent. This indicates that there were few local subscribers roaming on foreign networks during the quarter. Annual roaming out voice traffic declined by 31.2 percent to reach 80.5 million minutes at the end of the FY 2011/12. Roaming in⁸ voice traffic declined by 9.9 percent from 9.0 million minutes recorded in the previous quarter to 8.1 million minutes during the quarter under review. However, there was 31.6 percent annual growth in the roaming in voice traffic as shown in Table 9.

⁷ Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.

⁸ Roaming in is traffic originated and terminated by foreign subscribers on national networks.

Table 9: Roaming Traffic

Roaming Traffic	Apr-Jun 12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
Roaming Voice Minutes Own on Foreign Networks	6,237,281	7,673,888	-18.7	80,594,722	117,171,946	-31.2
Roaming Voice Minutes Foreign Subscribers on Local Network	8,179,292	9,077,653	-9.9	31,521,720	23,961,536	31.6
Roaming SMS - Own Subscribers on Foreign Networks	7,128,611	6,973,170	2.2	26,724,330	27,570,283	-3.1
Roaming SMS - Foreign Subscribers on Local Network	5,715,262	9,596,732	-40.4	29,378,384	21,257,257	38.2

Source: CCK, Operators' Returns.

Unlike the decline in roaming out voice traffic experienced during the quarter, the number of roaming out messages increased marginally by 2.2 percent to record 7.1 million messages. However, the annual roaming out messages declined by 3.1 percent to record 26.7 million messages in the FY 2011/12.

Roaming in messages declined from 9.5 million messages recorded during the previous quarter to 5.7 million messages during the quarter. This represents 40.4 percent decline. However, on annual basis, the number of roaming in messages rose from 21.2 million in the FY 2010/11 to 29.3 million in the FY 2011/12, representing an annual growth of 38.2 percent.

1.4.5 International Mobile Traffic

International incoming traffic grew by 25.4 during the quarter to reach 209 million minutes. In the FY 2011/12, the annual traffic grew by 12.1 percent to reach 678 million minutes from 605 million minutes posted in the FY 2010/11. International outgoing traffic on the other hand decreased by 1.4 percent during the quarter to record 151 million minutes. Annual international outgoing traffic registered growth of 26.8 percent to reach 641 million minutes in the FY 2011/12. The annual growth in the outgoing traffic could be attributed to a reduction in international tariffs where operators are charging as low as KES 3.00 per minute for international calls to countries such as the United States of America (USA), Canada and China.

The number of international incoming mobile SMS increased substantially by 35.6 percent to record 33.5 million SMS during the quarter while annual growth was recorded as 378.5 percent. Similarly, the number of international outgoing SMS grew by 170.6 percent during the quarter. However, there was a 19.3 percent decline on annual international outgoing SMS from 17.7 million SMS recorded in the FY 2010/11 to 14.3 million SMS in the FY 2011/12. The international mobile traffic and SMS are shown in Table 10.

Table 10: International Mobile Traffic (Minutes)

International Mobile Traffic and SMS	Apr-Jun 12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
International Incoming Mobile Voice Minutes	209,414,538	166,977,461	25.4	678,278,282	605,209,985	12.1
International Outgoing Mobile Minutes	151,746,037	153,942,497	-1.4	641,213,491	505,840,566	26.8
International Incoming Mobile SMS	33,526,790	24,725,320	35.6	102,345,093	21,387,217	378.5
International Outgoing Mobile SMS	5,468,173	2,020,694	170.6	14,334,346	17,756,527	-19.3

Source: CCK, Operators' Returns.

1.5 Mobile Revenue and Investments

At the end of 2011, revenue by the four mobile operators was registered as KES 116 billion up from the KES 104 billion posted in 2010, representing an annual growth of 11.6 percent. Similarly, investments by the mobile operators rose by 27.5 percent in the year 2011 as shown in Table 11.

Table 11: Mobile Revenue and Investment (KES)⁹

Mobile Revenues and Investments	2011**	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Mobile Revenue (KES Millions)	116,640*	104,552*	90,394*	72,625	57,998	11.6	29.0	60.6	101.1
Mobile Investments (KES Millions)	34,590*	27,126*	40,260*	29,436	21,221	27.5	-14.1	17.5	63.0

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

The increase in both revenues and investments could be attributed to the increased rollout of the 2G and 3G services in the un-served and under-served areas coupled with expansion of the operators' networks.

1.6 Employment in the Mobile Industry

At the end of the FY 2011/12 there were 5,542 staff employed in the mobile industry 37.0 percent being women. The total number of staff employed, however, declined by 5.6 percent during the FY 2011/12. The decline is mainly attributed to Telkom Kenya Limited that reported a decline in the number of staff during the period. A summary of growth in the number of staff over the last five years is shown in Table 12.

Table 12: Staff in Mobile Industry

Staff	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08	% Change Jun-11	% Change Jun-10	% Change over Jun-09	% Change over Jun-08
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⁹ The information on mobile revenue and investment will be updated every end of financial year to reflect the current status of the market.

Male Staff	3,489	3,769	3,817	1,410	1,381	-7.4	-8.6	147.4	152.6
Female Staff	2,053	2,058	2,052	977	967	-0.2	0.05	110.1	112.3
Total Staff	5,542*	5,827*	5,869*	2,387	2,348	-4.9	-5.6	132.2	136.0

Source: CCK, Operators' Returns, (*) includes Telkom Fixed Network Staff.

2. FIXED TELEPHONE SERVICE

2.1 Subscriptions

The fixed line network continued to record a downward trend during the period. In the quarter being reported, there were a total of 262,711 fixed lines (fixed terrestrial lines and fixed wireless) subscriptions down from 272,101 lines recorded during the previous quarter. Annual growth declined by 29.9 percent from 374,942 lines posted in the FY 2010/11 to 262,711 in the FY 2011/12.

As shown in Table 13, the major drop was recorded by fixed terrestrial subscriptions category that saw a decline of 7.5 percent during the quarter and 60.3 percent during the financial year. Vandalism of copper cables as well as substitution of mobile telephony may be the main triggers behind the continued decline in fixed terrestrial subscriptions.

Table 13: Fixed Network Subscriptions

Fixed Network Subscription	Jun-12	Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
Fixed Terrestrial Subscriptions	74,606	80,675	-7.5	74,606	187,716	-60.3
Fixed Wireless Subscriptions	188,105	191,426	-1.7	188,105	191,585	-1.8
Total Main Fixed Line Subscriptions	262,711	272,101	-3.5	262,711	374,942	-29.9

Source: CCK, Operators Returns.

2.2 Fixed Network Traffic

During the quarter under review, the local fixed line traffic increased by 40.4 percent to record 32.2 million minutes. However, on annual basis, there was a recorded decline of 6.0 percent to post 177.8 million minutes in the FY 2011/12 from 189.0 million minutes in the FY 2010/11. The local fixed line on-net traffic rose by 751.3 percent during the quarter to record 10.4 million minutes. This tremendous growth was brought about by increased traffic in the fixed wireless network during the period. On the contrary, annual on-net fixed traffic declined to record 70.5 million minutes in FY 2011/12 from 102.8 million minutes recorded in the FY 2010/11.

Fixed line traffic to other networks increased marginally by 1.6 percent during the quarter under review to record 22.8 million minutes. The annual fixed to other networks traffic rose by 24.4 percent from 86.2 million minutes recorded in the FY 2010/11 to 107.2 million minutes recorded in the FY 2011/12. The local fixed line traffic is shown in Table 14.

Table 14: Local Fixed Network Traffic in Minutes

Local Fixed Network Traffic	Apr-Jun-12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual variation (%)
Intra-Network Traffic(Fixed-	10,428,207	1,225,017	751.3	70,594,856	102,855,044	-31.4

Fixed)						
Fixed to Other Network (Mobile and LLOs)	22,859,142	22,490,727	1.6	107,234,501	86,235,056	24.4
Total Local Fixed Network Traffic	33,287,349	23,715,744	40.4	177,829,357	189,090,100	-6.0

Source: CCK, Operators' Returns.

The international incoming fixed line traffic registered growth of 5.3 percent during the quarter from 4.2 million minutes recorded the previous quarter. However, there was a decline of 44.2 percent in the annual international incoming fixed line traffic.

International outgoing traffic grew by 110.1 percent to reach 5.0 million minutes during the quarter under review. Similarly, annual international outgoing traffic grew by 75.1 percent from 11.4 million minutes recorded in the FY 2010/11 to 20.0 million minutes in the FY 2011/12. International fixed line network traffic is shown in Table 15.

Table 15: International Fixed Network Traffic in Minutes

International Fixed Network Traffic	Apr-Jun-12	Jan-Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual variation (%)
International Incoming Fixed Traffic	4,449,528	4,227,436	5.3	17,796,496	31,866,685	-44.2
International Outgoing Fixed Traffic	5,076,069	2,416,320	110.1	20,058,628	11,455,952	75.1

Source: CCK, Operators' Returns.

Even though the fixed line network has registered a decline in subscriptions over the period, the quarterly and annual growth in international outgoing traffic could be as a result of customers taking advantage of convergence of the fixed and mobile tariffs.

3. DATA AND INTERNET SERVICE

3.1 Internet/Data Service

As at 30th June 2012, there were 7.7million Internet subscriptions up from 6.4 million subscriptions recorded in the previous quarter. This represents an increase of 19.2 percent during the quarter under review. Annual subscription rose by 81.7 percent in the FY 2011/12 recorded at 7.7million from 4.2 million subscriptions posted in the FY 2010/11. The mobile data/Internet subscriptions category contributed 98.9 percent of the total subscriptions.

The annual growth in the mobile data/Internet subscriptions increased by 82.7 percent in the FY 2011/12 from 4.1 million subscriptions posted in the FY 2010/11. The continued increase in mobile data/Internet subscriptions could be attributed to competitive data/Internet tariffs and special offers and promotions offered by the operators during the period and increased uptake of mobile data services and products.

During the quarter, fibre subscription registered 26.7 percent growth to reach 49,371 subscriptions while satellite subscription declined by 34.1 percent from 787 subscriptions recorded the previous quarter. Satellite subscriptions have recorded mixed growth specifically after the roll out of the fibre infrastructure in the country. The Internet subscriptions by category and estimated number of Internet users are shown in Table 16.

Table 16: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	Jun-12	Dec-11	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
Total Internet Subscriptions	7,738,882	6,490,080	19.2	7,738,882	4,258,287	81.7
Mobile Data/Internet Subscriptions	7,655,576	6,410,224	19.4	7,655,576	4,189,720	82.7
Terrestrial Wireless Data/Internet Subscriptions	21,709	28,392	-23.5	21,709	29,979	-27.6
Satellite Data/Internet Subscriptions	519	787	-34.1	519	960	-45.9
Fixed DSL Data/Internet Subscriptions	11,682	11,686	0.0	11,682	15,168	-23.0
Fixed Fibre Optic Data/Internet Subscriptions	49,371	38,966	26.7	49,371	22,460	119.8
Fixed Cable Modem Subscriptions	25	25	0.0	25	-	-
Total Internet Users¹⁰	14,032,366	11,840,544	18.5	14,032,366	12,538,030	11.9

Source: CCK, Operators' Returns.

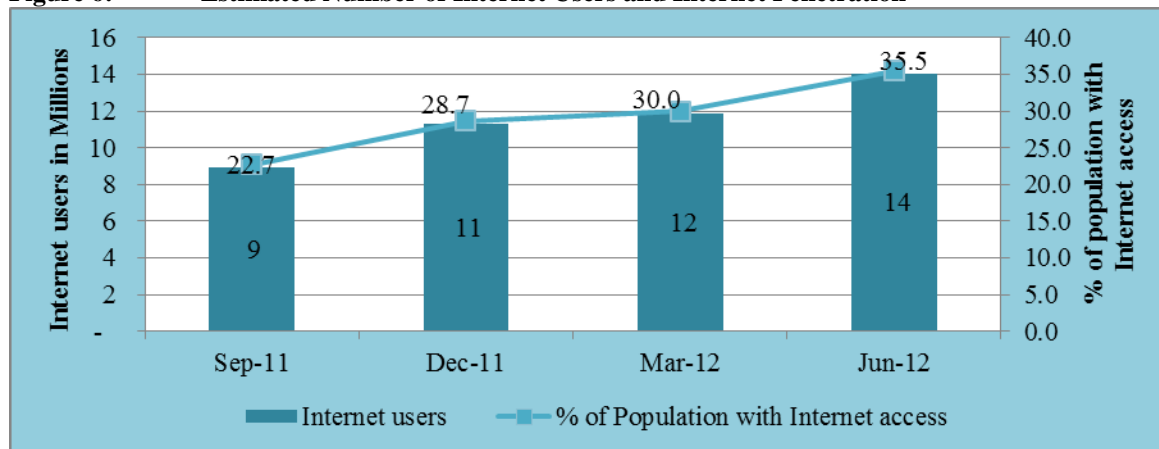
The estimated number of Internet users rose by 18.5 percent to reach 14.032 million users at the end of the quarter. Increased demand for Internet and data services and use of social media especially among the youthful population; competitive tariffs by the mobile operators coupled with aggressive promotional and special offers have driven Internet usage.

At the end of the quarter under review, Internet penetration rose to 35.5 percent from 30.0 percent recorded in the previous quarter... This represents an increase of 5.5 percentage points of population that had access to Internet.. The annual growth for the population that had access to Internet was recorded as 14.3 percentage points from 21.2 percent

¹⁰ 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 to 1 as per the ITU recommendations.

posted in the FY 2010/11. As shown in Figure 6, there has been an increasing trend in the both the estimated number of Internet users and Internet penetration over the period.

Figure 6: Estimated Number of Internet Users and Internet Penetration



Source: CCK, Operators' Returns.

The level of concentration as measured by market shares by subscription in the mobile data/Internet market segment changed during the period under review. Safaricom Limited recorded the highest market share by subscription of 68.7 percent followed by Airtel Networks Kenya Limited (14.0 percent), Telkom Kenya Limited (8.8 percent) while Essar Telecom Kenya Limited had the lowest market share of 8.4 percent. Airtel gained a market share of 4.5 percentage points while Safaricom experienced the highest reduction in the market share of 2.3 percentage points. Essar gained (1.6 percentage points) while Telkom gained (0.7 percentage points). The mobile data/Internet subscriptions by operator are shown in Table 17.

Table 17: Mobile Data/Internet Subscriptions by Operator

Name of Operator	Jun-12	Market Share (%)	Mar-12	Market Share (%)
Safaricom Limited	5,262,307	68.7	4,552,519	71.0
Airtel Networks Kenya Limited	1,074,764	14.0	606,079	9.5
Telkom Kenya Limited (Orange)	674,255	8.8	610,142	9.5
Essar Telecom Kenya Limited	644,250	8.4	641,482	10.0

Source: CCK, Operators' Returns

In terms of market shares by other fixed/terrestrial wireless data/Internet subscriptions, Kenya Data Networks Limited¹¹ recorded the highest market share of 28.9 percent down from 30.2 percent recorded in the previous quarter. It was closely followed by Wananchi Telecom Limited (26.7 percent), Access Kenya Limited (13.9 percent), Telkom Kenya Limited (13.1 percent) and Safaricom Limited (8.0 percent). The market shares are shown in Table 18.

¹¹ Data for Kenya data networks if for the period Jan-Mar 2012.

Table 18: Other Fixed/Wireless Internet Subscriptions by Operator

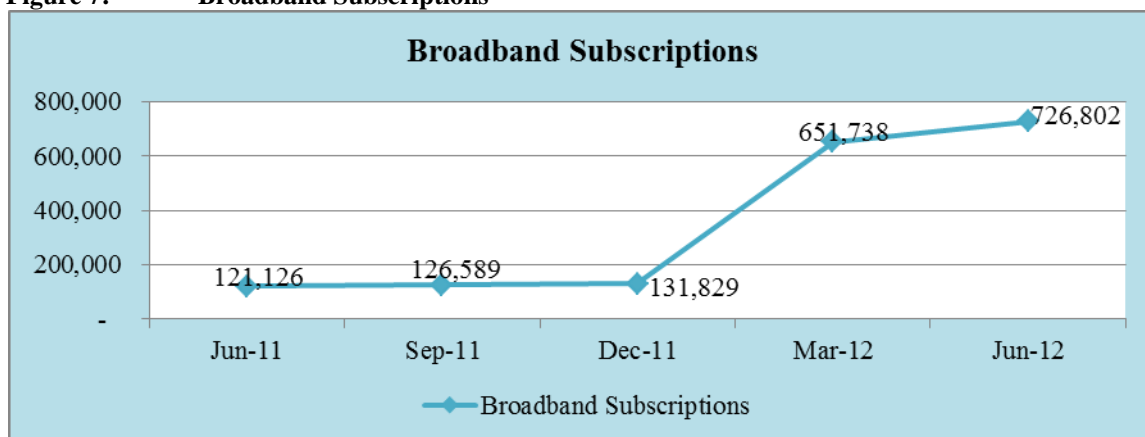
Name of Operator	Jun-12	Market Share (%)	Mar-12	Market Share (%)
Kenya Data Networks Limited*	24,094	28.9	24,094	30.2
Wananchi Telecom Limited	22,282	26.7	18,971	23.8
Access Kenya Limited	11,600	13.9	11,600	14.5
Telkom Kenya Limited	10,908	13.1	10,908	13.7
Safaricom Limited	6,665	8.0	6,015	7.5
Iway Africa	2,502	3.0	935	1.2
One Communications Limited	-	-	2,113	2.6
Jamii Telecommunication Limited	1,270	1.5		
Swift Global	1,050	1.3	1,200	1.5
Internet Solutions	-		847	1.1
Mobile Telephony Networks Limited	675	0.8	-	-
Other fixed/Terrestrial wireless operators	2,260	2.7	3,175	4.0

Source: CCK, Operators' Returns, (*) Jan-Mar data used for Apr-Jun

3.2 Broadband Service

As illustrated in Figure 8, the total broadband¹² subscriptions have been on an upward trend since December 2011. During the quarter under review, the total broadband subscriptions grew by 11.5 percent to reach 726,802. On annual basis, the subscriptions grew five-fold from 121,126 subscriptions recorded in the FY 2010/11 to 726,802 recorded in FY 2011/12. This growth could be an indication that there has been an increase in demand for high speed broadband. The growth in broadband subscriptions is shown in Figure 7.

Figure 7: Broadband Subscriptions



Source: CCK, Operators' Returns.

3.3 International Bandwidth

At the end of the quarter in review, Q4 2011/12, the amount of bandwidth available in the country was 574,704 Mbps up from 535,519.8 Mbps recorded in the previous quarter representing a 7.3 percent growth. . This is shown in Table 19.

¹² In this report Broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.

Table 19: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	Jun-12	Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
SEACOM-International Internet Capacity (Mbps)	308,224	310,000	-0.6	308,224	79,626.24	287.1
TEAMS - International Internet Capacity (Mbps)	101,990	101,990	0.0	101,990	102,332.16	-0.3
Telkom Kenya Limited (EASSY) ¹³	122,880	122,880	0.0	122,880	122,880	0.0
Lion 2	40,960	-		40,960		-
VSAT	649.8	649.8	0.0	649.8	336.10	93.3
Total International Internet Bandwidth (Mbps)	574,704	535,519.80	7.3	574,704	305,174.50	88.3

Source: CCK, Operators' Returns; () Provisional,*

The quarter recorded significant increase in the amount of bandwidth usage at 264,584 Mbps from 167,476.9 Mbps recorded in the previous quarter representing a 58.0 percent increase. . Annual bandwidth usage grew by more than seven-fold to reach 264,584Mbps. This is an indication that there is increased demand for international connectivity particularly through the fibre optic undersea cable.

Satellite connectivity bandwidth also increased significantly by 185.3 percent to reach 157.78 Mbps during the quarter under review. The increase in satellite connectivity bandwidth could be an indication that operators are keen to provide consistent and reliable services particularly during fibre cuts. The international Internet connectivity bandwidth is shown in Table 20.

Table 20: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	Jun-12	Mar-12	Quarterly Variation (%)	FY 2011/12	FY 2010/11	Annual Variation (%)
International Undersea Internet Connectivity Bandwidth (Mbps)	264,426	167,421.6	57.9	264,426	32,151.52	722.4
International Satellite Internet Connectivity Bandwidth	157.78	55.3	185.3	157.78	119	32.6
Total International Internet Connectivity Bandwidth (Mbps)	264,584	167,476.9	58.0	264,584	32,270.52	719.9

Source: CCK, Operators' Returns; () Provisional.*

3.4 Revenue and Investment in the Data/Internet Market

During the year 2011, a total of KES 16.7 billion was recorded as revenue in the data/Internet market down from KES 148.0 billion recorded in the year 2010. Similarly, investments in the data/Internet market declined by 41.7 percent from KES 29.3 billion recorded in the year 2010. The annual revenue and investments in the data/Internet market over the last five years is shown in Table 21.

¹³ Data provided for EASSY of 4,949,278.8 Mbps in the previous period was erroneously aggregated to include capacity in other landing stations outside Kenya. The correct figure is now provided.

Table 21: Data/Internet Revenue and Investment

Data/Internet Revenue and Investments*	2011**	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Data/Internet Revenue (KES Millions)	16,783	148,033	145,800	7,595	7,370	-88.7	-88.5	121.0	127.7
Data/Internet Investments (KES Millions)	17,113	29,361	53,870	1,171	833	-41.7	-68.2	1361.4	1954.4

* Note that revenue in data market are not inclusive of data revenues from mobile sector. ** Provisional.

Source: CCK, Operators' Returns

3.5 Employment in the Data/Internet sector

As 30th June 2012, there were 7,154 people employed in the data/Internet market, representing 4.4 percent decrease from the FY 2010/11; males recorded the highest decline of 5.8 percent compared to the females 1.5 percent decline as shown in Table 22.

Table 22: Staff in Data/Internet sector

Staff	Jun-12	Jun-11	Jun-10	% Change over Jun-11	% Change over Jun-10
Male staff	4,658	4,947	4,595	-5.8	1.4
Female staff	2,496	2,535	2,415	-1.5	3.4
Total staff	7,154	7,482	7,010	-4.4	2.1

Source: CCK, Operators' Returns

4. POSTAL AND COURIER SERVICE

4.1 Postal and Courier Traffic

During the quarter, the total number of letters sent locally declined marginally by 0.6 percent from 16.8 million in the previous quarter to 16.6 million. Similarly, on annual basis, the total number of letters sent declined by 32.2 percent. This decline could be as a result of stiff competition the postal and courier industry faces from the telecommunication operators with more efficient and faster means of communication.

The number of courier items sent decreased by 7.1 percent during the period to record 397,602 items from 428,211 recorded in the previous quarter. Similarly, on the annual basis, the items sent declined from 2.0 million in the FY 2010/11 to 1.6 million in the FY 2011/12.

The number of international incoming letters received declined from 135,212 in the previous quarter to 124,209 letters recorded in the quarter under review. This represents 8.1 percent decrease. Similarly, on annual basis, the number of international incoming letters received declined from 459,342 in the FY 2010/11 to 439,986 in the FY 2011/12.

The international outgoing letters declined by 12.0 percent to reach 1,570,388 during the quarter under review. On the annual basis, however, the international outgoing letters increased from 6.4 million letters recorded in the FY 2010/11 to 8.3 million letters recorded in the FY 2011/12. The postal and courier traffic is shown in Table 23.

Table 23: Postal and Courier Traffic

Post and Courier Traffic	Apr-Jun 12	Jan-Mar 12	Quarterly Variation (%)	FY 2011/12	FY 2010/2011	Annual variation (%)
Number of Letters Posted Locally	16,703,859	16,802,743	-0.6	73,985,147	109,106,124	-32.2
Total Courier Items Sent Locally	397,602	428,211	-7.1	1,606,247	2,061,154	-22.1
International Incoming Letters	124,209	135,212	-8.1	439,986	459,342	-4.2
International Outgoing Letters	1,570,388	1,785,269	-12.0	8,336,426	6,446,083	29.3

Source: CCK, Operators' Returns.

4.2 Postal and Courier Revenue and Investment

In the year 2011, the total revenues recorded by the postal and courier industry was KES 5.6 billion up from KES 5.2 billion recorded in the year 2010. On the other hand, total investments declined by 24.1 percent during the year 2011 to record KES 148 million in 2011. A summary of postal and courier revenue and investment over the last five years is shown in Table 24.

Table 24: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	2011*	2010*	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Revenue (KES Millions)	5,685	5,297	4,255	13,907	13,719	7.3	33.6	-59.1	-58.6
Investments (KES Millions)	148	195	558	798	521	-24.1	-73.5	-81.5	-71.6

Source: CCK, Operators' Returns, () Provisional.*

4.3 Employment in the Postal and Courier sector

By the end of the FY 2011/12, a total of 4,900 people were employed in the postal and courier sector. This is a decline of 14.3 percent from the FY 2010/11. The ratio of female staff to the total staff was recorded as 46.9 percent up from 40.8 percent recorded in the FY 2010/11. The summary of staff in the postal and courier sector is shown in Table 25.

Table 25: Staff in Postal and Courier sector

Staff	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08	% Change Over Jun-11	% Change Over Jun-10	% Change over Jun-09	% Change over Jun-08
Male staff	2,604	3,387	3,401	2,579	2,256	-23.1	-23.4	1.0	15.4
Female staff	2,296	2,333	2,463	2,472	2,369	-1.6	-6.8	-7.1	-3.1
Total staff	4,900	5,720	5,864	5,051	4,625	-14.3	-16.4	-3.0	5.9

Source: CCK, Operators' Returns

5. CONCLUSION

The ICT sector has continued to be on an upward pedestal as witnessed by the growth in subscriptions. With this expansion, operators will be compelled to formulate innovative products and services to meet the customers' needs and this is likely to boost the sector even further. The mobile industry sector has recorded major strides in innovations and investments and consequently this has brought about growth in subscription levels. Even though there was a decline in traffic during the quarter, this may be reversed in the coming periods as operators devise competitive and attractive products and services that will keep subscribers talking for longer. Further, it is expected that new subscriptions will be registered hence increasing their market shares.

The mobile money transfer service experienced positive growth during the quarter under review. Owing to the nature of this service to provide an inexpensive and secure way to transfer money as well as operators keenness to extend the service to the unbanked population, it is expected that that the service will continue to record positive growth in the coming periods.

The data/Internet market has continued to be dominated by mobile data/Internet subscriptions. This is due to the increased subscriptions in the mobile sector and the ease of accessing the service through the mobile phone. During the quarter under review the population that had Internet access was recorded as 35.5 percent from 30.0 percent recorded in the previous quarter. This growth is largely contributed by the popularity of social media mainly used by the young generation and it is expected that growth in Internet usage will continue with increased subscriptions. There is an indication of increased demand for bandwidth capacity with the quarter under review recording a positive growth of 58.0 percent and an annual growth of 719.9 percent. The total bandwidth usage was recorded as 46.0 percent of the total capacity available in the country during the quarter. This indicates that there is still a lot of unexploited potential and projects geared towards optimal utilisation of this capacity could be considered as this will ultimately stimulate growth in this sector even further.

The fixed line network market continued to record a downward trend during the period. Stiff competition from the mobile sector coupled with vandalism of copper cables as well as high maintenance could have been attributed to the declining trend of this service.

In the postal and courier sector, there was a recorded decline in the volume of letters sent during the period. A similar trend was recorded in the international incoming and international outgoing letters. Even though the sector has been facing stiff competition from the telecommunication sector, formulating innovative products that respond to customers' needs as well as enhanced quality service delivery could be explored to reverse the negative trend experienced in this sector.