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QUARTERLY SECTOR STATISTICS REPORT

FOURTH QUARTER OF THE FINANCIAL YEAR 2012/13

(APRIL-JUNE 2013)

**Direct any queries to this report to:
Director/Competition, Tariffs and Market Analysis**

[Tel:+254-703 042000](tel:+254703042000)

Email: info@cck.go.ke

Website: www.cck.go.ke

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

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List of Abbreviations

ICTs	Information Communication Technologies
EASSy	Eastern Africa Submarine Cable System
EVDO	Evolution-Data Optimized
GSM	Global Systems for Mobile Communications
LION2	Lower Indian Ocean Network
Mbps	Megabits per second
MMS	Multimedia Service
MoU	Minutes of Use
SEACOM	Sea Sub-Marine Communications Limited
SIM	Subscriber Identification Module
SMS	Short Messaging Service
TEAMS	The East African Marine System
VSAT	Very Small Aperture Terminal
FY	Financial Year

I. PRELIMINARY NOTES

- *This report is based on data provided by service providers.*
- *The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers.*

II. THE QUARTER IN SUMMARY

The ICT Sector Quarterly Statistical Report for the fourth quarter of the Financial Year 2012/13 (Q4 FY 2012/2013) provides an overview of the performance and development trends in the ICT sector using data and analysis of indicators from the following service categories:

- *Cellular Mobile*
- *Fixed Telephony*
- *Internet/Data*
- *Postal and Courier*
- *Electronic Transactions and*
- *Broadcasting*

In the cellular mobile sector, the level of mobile telephony penetration registered an increase of 2.3 per cent to stand at 77.3 percent (30.5 million subscriptions), up from the previous quarter which recorded a penetration of 75.6 per cent (29.8 million subscriptions). The growth in mobile penetration could be attributed to a combination of new subscribers and possible re-subscription by mobile subscribers switched off during the subscriber registration campaign in the preceding quarter. Owing to ease of access, the pre-paid services have continued to dominate mobile subscription, accounting for 99.0 percent of the total mobile subscriptions during the quarter.

Total local mobile traffic declined by 1.1 per cent, recording a total of 7.1 billion minutes compared to 7.18 billion in the previous quarter. The decline in mobile voice traffic could be due to availability of other more affordable communication alternatives such as SMS and other mobile applications such as WhatsApp that have continued to gain popularity and hence affecting growth in local mobile traffic. The overall mobile voice traffic per subscriber dropped from 81.1 minutes recorded in the previous quarter to 78.4 minutes. Conversely, the total number of SMS stood at 4.3 billion up from 4.0 billion posted in the preceding quarter; averaging 47 SMS per subscriber, per month.

Mobile money transfer subscriptions increased from 23.2 million in the previous quarter to 24.8 million in the quarter under review, recording a 6.8 per cent growth, consistent with the positive subscriber growth patterns.

Comparing the Financial Years 2012/13 and 2011/12 the number of mobile money transfer subscriptions rose by 27.3 per cent overall. Similarly, the number of mobile money transfer agents grew significantly to record 88,466 agents during the quarter up from 74,216 registered during the previous quarter, representing a growth of 19.2 per cent. The expansion of the agency network can be attributed to the continued uptake and popularity of the service as well as operators' initiatives towards enhancing accessibility to financial services and increasing financial inclusion to the unbanked. The mobile money transfer service has also contributed significantly to creation of employment especially among the youth.

The fixed line market continued on a downward trend during the quarter to post 216,469 fixed line subscribers down from 221,287 posted in the previous quarter. This represented a decline of 2.2 percent. The drop in fixed lines was mainly attributed to the 5.2 percent decrease in fixed terrestrial lines during the quarter under review from 59,851 in the preceding period to 56,724 lines. Despite the decline in fixed telephony subscriptions, the volume of fixed network voice traffic increased from 27.0 million minutes recorded in the previous quarter to 30.4 million minutes recorded in the quarter under review, representing a 12.6 per cent growth. This trend may also point to the need to identify alternative strategies towards developing additional fixed infrastructure especially for broadband access.

The Internet/data market segment registered a growth of 28.4 percent in the number of Internet/data subscriptions to stand at 12.4 million compared to 9.6 million subscriptions recorded during the previous quarter. In comparison to the preceding year (FY 2011/12), the number of Internet subscriptions increased by a significant margin of 61.0 per cent. This growth could be largely driven by the numerous promotions and special offers on Internet/data by the mobile operators as a strategy towards growing their market shares. Moreover, mobile data/Internet subscriptions have continued to dominate the Internet/data market contributing 99 per cent of the total Internet/data subscriptions. The number of broadband subscriptions grew by 36.9 per cent from the previous quarter to reach 1.39 million. The annual variation between the FY 2012/13 and FY 2011/12 stood at 92.5 percent indicating a momentous uptake of the service in the country.

During the quarter under review, international Internet bandwidth available in the country increased to 862,850 Mbps from 818,119 Mbps recorded in the previous quarter, representing 5.5 percent growth during the period. Similarly, the used (connectivity) international bandwidth grew by 16.1 percent to reach 356,874 Mbps up from 307,307 Mbps recorded in the last quarter. Thus, the total used bandwidth represented 41.4 percent of the total available bandwidth capacity.

The postal and courier sector witnessed a significant decline in relation to the number of letters sent and received both locally and internationally. For instance, the number of letters sent locally stood at 13.2 million, representing a decline of 23.5 percent as compared to 16.2 million sent in the last quarter. In addition, the annual variation between FY 2012/13 and FY 2011/12 was posted at negative 11.1 percent. Similarly, the number of international outgoing letters dropped to 922,208 letters from 1,333,599 letters, representing a 30.8 percent decline while that of international incoming letters dropped by 11.5 percent to post 2.4 million letters during the quarter. This could be as a result of increasing preference for alternative means of mail communication through telecommunications.

During the quarter under review, the number of active registered domain names increased by 6.2 percent to reach 27,374 up from 25,764 names recorded in the previous quarter.

At the end of the quarter under review, there were 109 FM radio stations up from 102 FM stations recorded during the previous quarter, representing a growth of 6.8 per cent. On the other hand, the number of existing analogue TV channels which had activated their signal on the digital broadcasting platform stood at 13 out of the 14 existing analogue TV channels.

1 CELLULAR MOBILE SERVICES

1.1 Subscriptions

In the 4th Quarter of the Financial Year 2012/2013, the total number of mobile subscriptions increased to 30.5 million up from 29.8 million subscriptions recorded during the previous quarter. This represents a 2.3 per cent increase in subscriptions compared to the previous quarter and an annual increment of 2.8 per cent in comparison to the FY 2011/12. The growth in mobile subscriptions during the period could have been as a result of new subscriptions as well as re-subscription by those subscribers who had been switched off in the previous quarter following a directive by the regulator.

The growth of mobile subscriptions is shown in Table 1.

Table 1: Mobile Subscriptions

Subscription Type	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Prepaid Subscriptions	30,117,274	29,459,207	2.2	30,117,274	29,430,072	2.3
Post-Paid Subscriptions	432,148	390,129	10.8	432,148	273,367	36.7
Total Mobile Subscriptions	30,549,422	29,849,336	2.3	30,549,422	29,703,439	2.8

Source: CCK, Operators' Returns

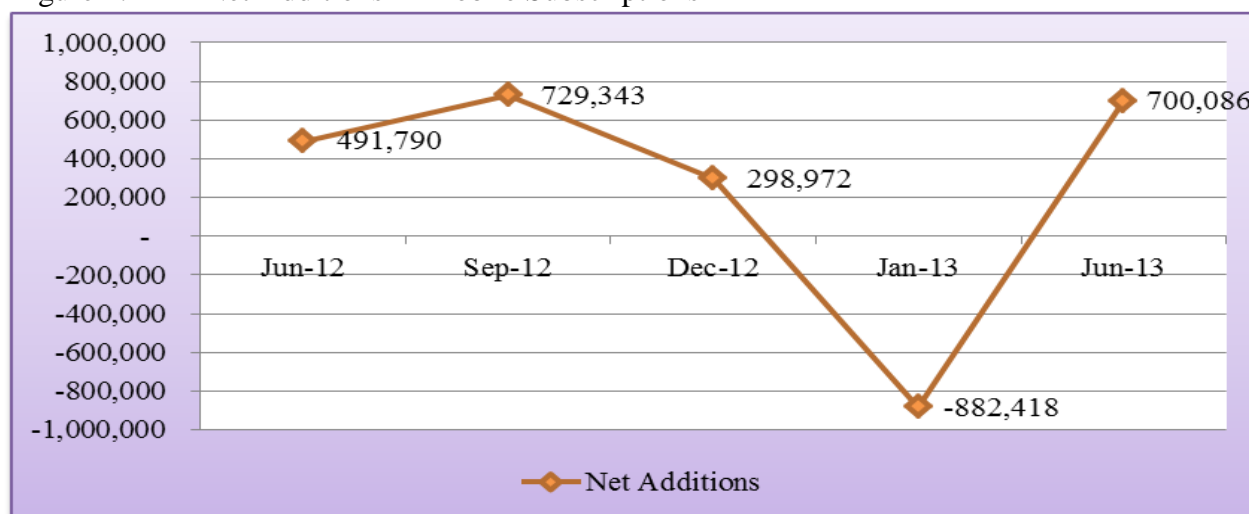
As indicated in Table 1, the number of pre-paid subscriptions rose by 2.2 percent during the quarter to reach 30.1 million, up from 29.4 million recorded during the previous quarter. Pre-paid subscribers continued to form the largest proportion of total mobile subscriptions, representing 99 per cent of the total subscriber base. This represents an annual growth rate of 2.3 percent, rising from 29.4 million subscriptions in the FY 2011/12 to 30.1 million subscriptions.

While post-paid subscriptions formed a fairly smaller proportion of the overall subscriber base, they nevertheless recorded a substantial growth of 10.8 per cent during the quarter under review to reach 432,148 subscriptions up from 390,129 realised in the previous quarter. Notably, the number of annual post-paid subscriptions went up by 36.7 percent when compared to that of FY 2011/12. This tremendous growth could be attributed to the increased number of promotions and special offers provided by the operators during the period. Despite this major growth in post-paid subscriptions, the ratio of post-paid to pre-paid subscriptions stood at 1:71.

As illustrated in Figure 1, the net additions¹ recorded were 700,086, up from negative 882,418 recorded in the previous quarter, hence representing more than 100 percent growth. Compared to the same quarter of the previous year, a growth of 42.4 percent was recorded.

¹Net additions refer to new mobile subscriptions acquired during the period.

Figure 1: Net Additions in Mobile Subscriptions



Source: CCK, Operators' Returns.

As shown in Table 2, three mobile operators recorded increases in the number of subscriptions. Safaricom Limited recorded the highest growth of 724,686 (3.7 %) with its annual variation of 5.7 percent. It was followed by Airtel Networks Kenya Limited with 166,650 (3.3 %) and an annual variation of 6.2 percent. Telkom Kenya Limited (Orange) had a quarterly growth of 4,460 (0.2 %) while its annual growth reduced significantly by 31.7 percent possibly as a result of deactivation of subscribers that failed to register their SIM cards after the SIM registration regulations that began being enforced in January 2013. Essar Telecom Limited lost 195,710 of its subscriptions hence recording a quarterly decline of 6.0 percent which could possibly have been as a result of deactivation of unregistered subscribers carried out between January and March 2013. However its annual growth increased by 14.8 percent.

Table 2: Mobile Subscriptions per Operator

Name of operator	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Safaricom Limited	20,146,036	19,421,350	3.7	20,146,036	19,006,981	5.7
Airtel Networks Kenya Limited	5,218,719	5,052,069	3.3	5,218,719	4,914,060	6.2
Essar Telecom Kenya Limited	3,052,220	3,247,930	-6.0	3,052,220	2,659,647	14.8
Telkom Kenya Limited (Orange)	2,132,447	2,127,987	0.2	2,132,447	3,122,751	-31.7
Total	30,549,422	29,849,336	2.3	30,549,422	29,703,439	2.8

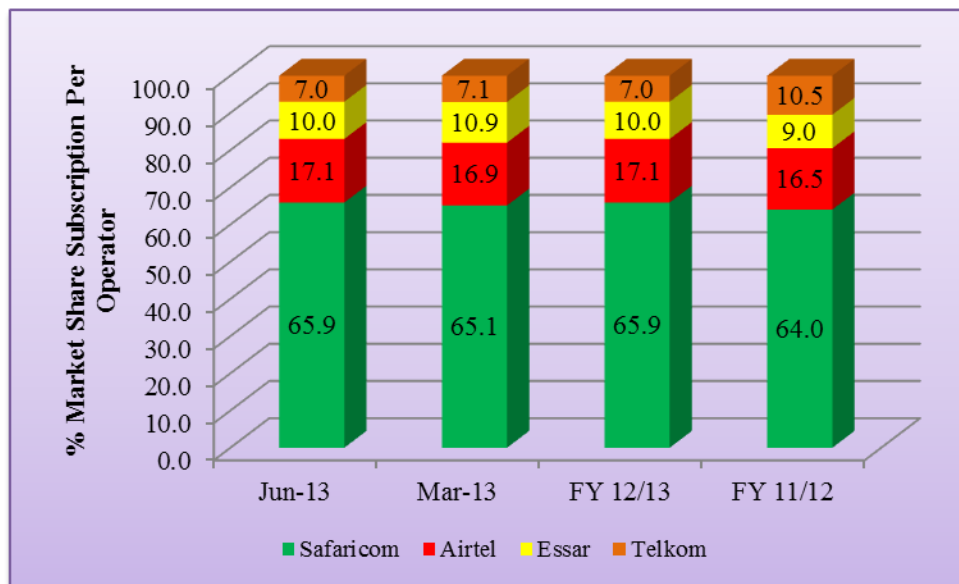
Source: CCK, Operators' Returns,

Measured by the number of subscriptions per operator, as an indicator of overall market share, each of the operators recorded marginal change during the quarter. Safaricom Limited maintained the highest market share of 65.9 per cent, up from 65.1 per cent recorded during the previous quarter, representing a quarterly increase of 0.8 percentage points. On the other hand, the company's overall

annual growth in market share increased by 1.1 percentage points. Airtel Networks limited gained by 0.2 percentage points on its market share, to stand at 17.1 percent during the period, while its annual growth from the previous financial year increased by 0.6 percentage points. Essar Telecom lost 0.9 percentage points to reach 10.0 percent from 10.9 percent market shares recorded during the previous quarter. Its annual growth too increased by 1.0 percentage point from FY 2011/12. Telkom Kenya recorded a 7.0 percent in market share, down from 7.1 percent shares recorded during the previous quarter and hence representing a modest decline of 0.1 percentage points during the period. However, its annual growth declined by 3.5 percentage points.

The market share by subscription for each operator is shown in Figure 2.

Figure 2: Percentage Market Share Subscription per Operators

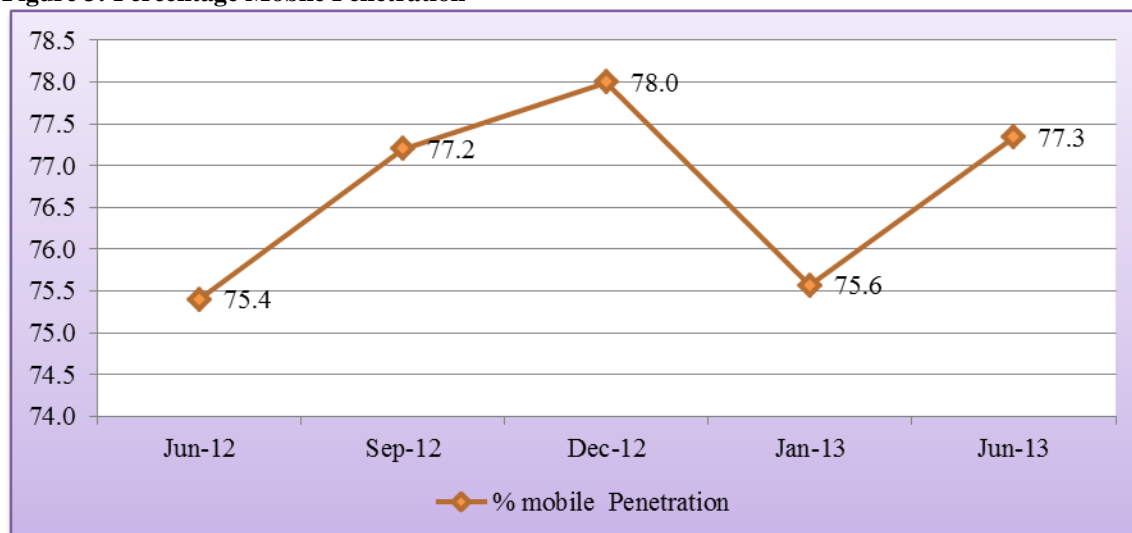


Source: CCK, Operators' Returns.

Mobile penetration for the period under review grew by 1.7 percentage points to stand at 77.3 percent up from 75.6 per cent recorded in the preceding quarter.

The quarter-on-quarter growth trend in the mobile penetration is shown in Figure 3.

Figure 3: Percentage Mobile Penetration



Source: CCK, Operators' Returns

1.2 Mobile Money Transfer Service

As indicated in Table 3, the increasing popularity in the uptake and use of mobile money transfer service has continued to positively influence its growth. During the period under review, the number of mobile money subscriptions increased by 6.8 per cent to reach 24.8 million subscriptions up from 23.2 million recorded during the previous quarter. An annual growth of 27.3 per cent was recorded from 19.5 million subscriptions during FY 2011/12 to 24.8 million in 2012/13.

Table 3: Mobile Money Transfer

Mobile Money Transfer	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 12/13	FY 11/12	Annual Variation (%)
Subscriptions	24,840,404	23,269,610	6.8	24,840,404	19,505,702	27.3
No. of Agents	88,466	74,216	19.2	88,466	49,079	80.3

Source: CCK, Operators Returns

Similarly, the number of active agents rose to 88,466 up from 74,216 recorded during the previous quarter, representing a growth of 19.2 per cent during the period. There was significant growth of 80.3 per cent from 49,079 registered agents during the FY 2011/12 to 88,466 agents reported at the end of FY 2012/13. This growth indicates operators' willingness to extend the service particularly to areas without or with limited banking services, consequently facilitating increased accessibility to the mobile money transfer service. The mobile money transfer service has also contributed significantly to employment creation, especially among the youth.

1.3 Mobile Number Portability

During the quarter under review, the Mobile Number Portability (MNP) service demonstrated a significant growth of 39.7 per cent in relation to the previous quarter. The number of in-ports increased from 299 during the previous quarter to 387 recorded in the quarter under review. However, the annual variation between the FY2012/13 and FY 2011/12 shows an enormous decline of 89.2 per cent in the total number of in-ports.

The growth in MNP is shown in Table 4.

Table 4: Number of In-ports

Period	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 12/13	FY 11/12	Annual Variation (%)
Number of In-ports	387	277	39.7	1256	11,660	-89.2

Source: CCK, Operators Returns.

The decline in MNP service illustrates the low uptake of the service among users of mobile service. This could be attributed to reduced consumer churn due to the narrowing of tariff differentials among service providers. In addition, long porting durations and the convenience brought about by dual SIM card mobile handsets could have also contributed to the low uptake.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

Unlike the growth observed in mobile subscriptions, the local mobile voice traffic has continued to register declining trend since the 2nd quarter (i.e. October to December 2012). The total number of mobile telephony minutes generated dropped by 1.1 per cent to stand at 7.1 billion down from 7.2 billion recorded during the previous quarter. The decline in mobile voice traffic over the period could be due to availability of other more affordable communication alternatives such as SMS and other mobile applications such as WhatsApp that have continued to gain popularity. Nonetheless, the annual variation went up by 6.8 per cent from 26.9 billion minutes recorded during the FY 2011/12 to 28.9 billion minutes reported during the FY 2012/13.

As shown in Table 5, on-net traffic dropped marginally by 0.7 per cent to reach 6.2 billion minutes, down from 6.3 billion minutes recorded in the previous quarter. However, compared to the FY 2011/12, an increase of 4.4 per cent was recorded during 2012/2013.

Similar to the growth trend observed in local voice traffic, the total volume of off-net voice traffic has been on a declining trend since the 2nd quarter of the 2012-2013 financial year (Oct-Dec 2012). This could be an indication of stability in subscriber calling patterns and increased promotions targeting on-net voice users. During the quarter under review, off-net traffic declined by 3.1 percent to record 889 million minutes, down from 918 million minutes recorded in the preceding quarter. Further, in relation to the FY2011/12 there was a remarkable annual variation of 28.3 percent.

On the same token, mobile to fixed network traffic declined by 11.6 percent to reach 12.3 million minutes down from 13.9 million recorded in the previous quarter. Annual growth in the volume of minutes also declined significantly by 35.0 percent from 93.6 million minutes posted during the FY 2011/12 to 60.9 million minutes realized during the FY 2012/13.

The growth in local mobile traffic is indicated in Table 5.

Table 5: Local Mobile Voice Traffic in Minutes

Mobile Traffic	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
By traffic Origination(Outgoing traffic)						
Own Network –Own Network	6,282,272,039	6,329,133,013	-0.7	24,949,291,619	23,906,924,629	4.4
Own Network to Other Mobile Networks	889,853,027	918,780,339	-3.1	3,789,178,335	2,952,577,094	28.3
Mobile Network to Fixed Network	12,325,826	13,949,032	-11.6	60,939,839	93,686,864	-35.0
Total Traffic Origination (Outgoing)	7,184,450,892	7,261,862,384	-1.1	28,799,409,793	26,953,188,588	6.8
By Traffic Termination (Incoming traffic)						
Own Network –Own Network	6,282,272,039	6,329,133,013	-0.7	24,949,291,619	23,906,924,629	4.4
Other Mobile Networks to Own Network	943,426,413	993,163,433	-5.0	4,012,120,446	2,929,834,772	36.9
Fixed Network to Mobile Network	25,126,558	23,082,769	8.9	105,287,432	104,967,748	0.3
Total Traffic Termination (Incoming Traffic)	7,250,825,010	7,345,379,215	-1.3	29,066,699,497	26,941,727,149	7.9

Source: CCK, Operators' Returns

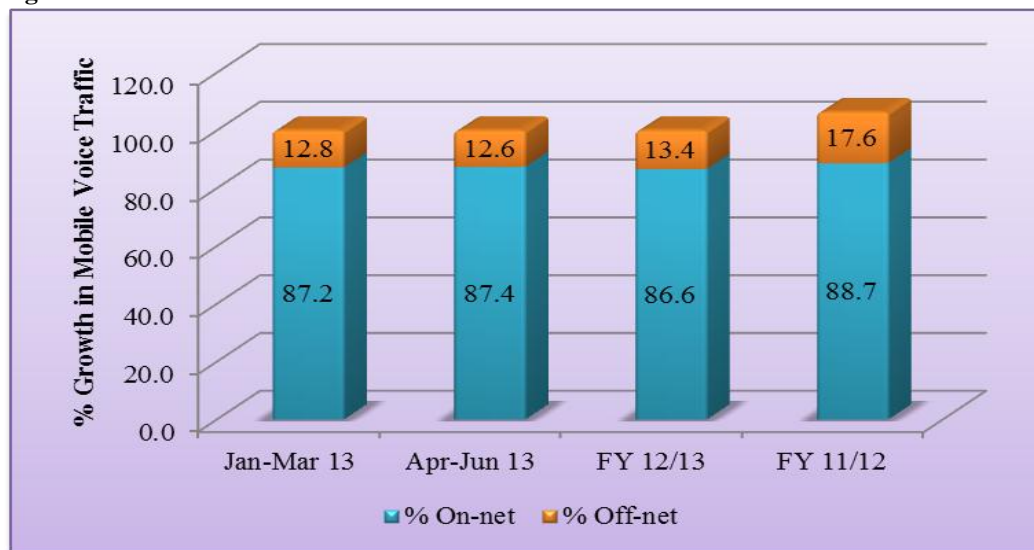
With regards to terminating traffic, the total volume of mobile traffic received on the mobile network declined by 1.3 per cent to reach 7.2 billion minutes from 7.3 billion posted during the previous quarter. Annual growth, however, witnessed an increase of 7.9 per cent from 26.9 billion minutes posted during the FY 2011/12 to 29.0 billion recorded during the FY 2012/13.

Contrary to the quarterly declining trend observed in the mobile to fixed traffic patterns, fixed to mobile traffic recorded an 8.9 per cent growth to reach 25.1 million minutes up from 23.0 million reported during the previous quarter. There was a marginal annual growth of 0.3 per cent, from 104.9 million minutes realized during the FY 2011/12 to 105.2 million minutes during the FY 2012/13.

As illustrated in Figure 4, the period under review witnessed a marginal growth of 0.2 percentage points in the ratio of on-net traffic to total traffic volumes, to post 87.4 per cent from 87.2 per cent recorded during the previous quarter. Annual growth, however, declined by 2.1 percentage points to reach 86.6 per cent during the FY 2012/13 from 88.7 per cent recorded the previous year.

However, the ratio of off-net traffic to total voice traffic declined by a similar margin of 0.2 percentage points to reach 12.6 per cent during the quarter from 12.8 per cent observed during the previous quarter. On the other hand, annual growth declined by 4.2 per cent to reach 13.4 per cent during the FY 2012/13 from 17.6 per cent witnessed during the FY 2011/12.

Figure 4: Growth in Mobile Voice Traffic in Minutes



Source: CCK, Operators' Returns

1.4.2 Voice Traffic by Operator

As shown in Table 6, during the quarter under review, voice traffic market shares per operator grew marginally, except for Airtel Networks Kenya Limited that recorded a downward trend. Safaricom Limited recorded a market share growth of 0.7 percentage points to stand at 80.2 per cent while Essar Telecom Kenya Limited and Telkom Kenya Limited (Orange) recorded net increases of 0.4 and 0.1 percentage points respectively. Overall, Telkom Orange recorded a traffic market share of 1.4 per cent, whereas Essar was at 8.0 per cent.

In terms of annual traffic market shares, a trend similar to the one on quarterly shares was observed. During the FY 2012/13 Safaricom maintained a market share of 78.5 per cent, down from 80.7 per cent posted during the FY 2011/12. Airtel gained by 0.8 percentage points to reach 11.7 per cent shares during the same period, up from 10.9 per cent shares registered during the previous year. Essar Telecom gained by a similar margin to control 8.5 per cent of total annual traffic during the FY 2012/13. Similarly, Telkom Kenya (Orange) traffic shares rose marginally to reach 1.3 per cent, up from 0.8 per cent shares recorded during the FY 2011/12.

The mobile voice traffic and the corresponding market shares by operator are as 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 13	On-net	5,466,510,138	331,521,370	427,252,863	56,987,668
	Off-net	298,523,796	413,143,232	144,817,274	45,694,551
	Total	5,765,033,934	744,664,602	572,070,137	102,682,219
	Market Share (%)	80.2	10.4	8.0	1.4
Jan-Mar 13	On-net	5,461,219,864	391,376,604	419,213,311	57,323,234
	Off-net	311,354,447	446,931,170	135,674,958	38,768,796
	Total	5,772,574,311	838,307,774	554,888,269	96,092,030
	Market Share (%)	79.5	11.5	7.6	1.3
FY 2012/13	On-net	21,397,000,365	1,499,964,755	1,839,776,239	212,550,260
	Off-net	1,212,727,417	1,879,780,810	594,053,206.53	163,952,352
	Total	22,609,727,782	3,379,745,565	2,433,829,446	376,502,612
	Market Share (%)	78.5	11.7	8.5	1.3
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
	Market Share (%)	80.7	10.9	7.7	0.8

Source: CCK, Operators' Returns

As shown in Table 6, Safaricom Limited has continued to dominate the mobile voice traffic market, especially on-net. This could be attributed to the company's huge customer base and the number of calls terminating on its network. Notably, Airtel has continued to show a differing trend from the rest of operators by its off-net traffic being higher than on-net traffic. This could be attributed to the network's comparatively low off-net call rates.

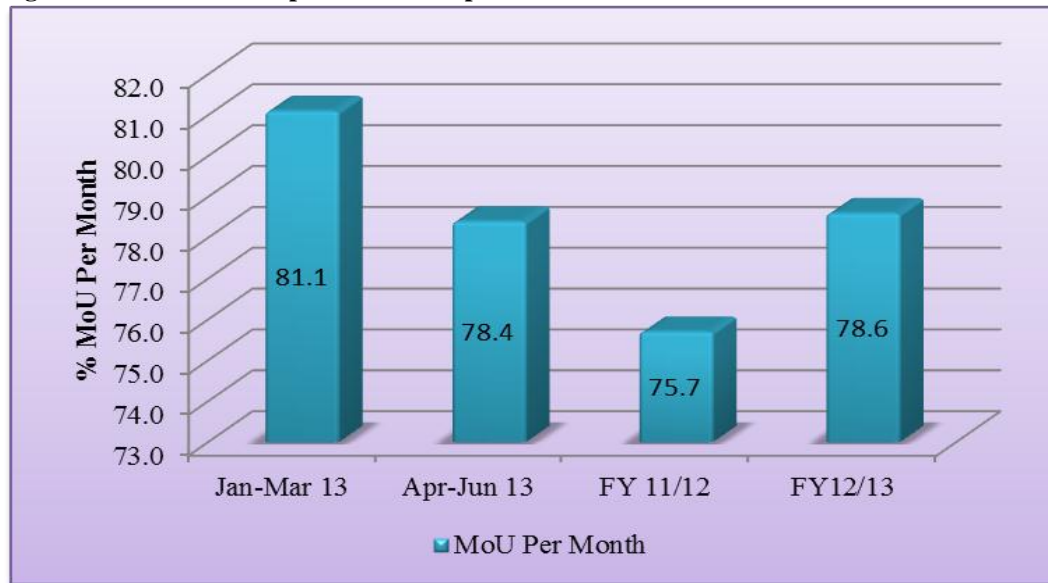
1.4.3 Minutes of Use

Figure 5 presents subscriber monthly Minutes of Use (MoU). Over the review period, an average of 78.4 monthly MoU was recorded down from 81.1 minutes reported during the previous quarter. Compared to the MoU recorded in the last quarter, a decline of 3.3 per cent was recorded. The decline in minutes of use by subscriber is attributed to the fact that while the number of subscribers increased the total mobile voice traffic decreased.

There was, however, positive growth recorded in the annual average MoU which rose from 75.7 in the FY 2011/12 to 78.6 minutes during the FY 2012/13, representing an increase of 1.4 per cent over the period.

The growth in Minutes of Use is illustrated in Figure 5.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators' Returns

During the quarter under review, SMS communication continued to form an increasingly important form of communication among mobile service users as evidenced by the steady rise in the number of SMS sent. The number of text messages sent during the review period rose to 4.3 billion from 4.0 billion recorded in the previous quarter, marking a quarterly growth rate of 7.0 per cent. However, this growth was slightly lower compared to the preceding quarter which stood at 10.6 per cent. Trend analysis of the annual SMS growth confirms increasing importance of the service as it grew by a whopping 208 per cent over the period. The significant growth in the number of SMS sent could be attributable to flat rate bundle SMS offers which have gained increased popularity in the market.

On-net SMS recorded a positive growth of 8.6 per cent to reach 4.2 billion up from 3.8 billion posted during the previous quarter. The growth in On-net SMS could be attributed to SMS offers and promotions carried out during the period that mostly targeted intra-network messaging. The annual growth registered more than 300 per cent increase to reach 12.4 billion SMS recorded during the FY 2012/13 from 3.6 billion in the FY 2011/12. Conversely, the number of Off-net SMS decreased considerably by 20.0 per cent to reach 175 million SMS recorded during the quarter under review down from 219 million in the previous quarter. However, a 31.2 per cent annual growth was realized to record 793.5 million SMS.

As illustrated in Table 7, Safaricom Limited has continued to control a substantial share of the SMS traffic over the period. During the quarter under review, Safaricom Ltd made up 95.7 per

cent of the overall SMS market, up from 94.8 per cent shares posted during the previous quarter. Its annual growth registered a 9.2 percentage increase from 84.4 per cent recorded during the FY 2011/12 to stand at 93.6 per cent shares during the FY 2012/13.

Airtel Networks Kenya Limited lost 0.5 percentage points during the quarter under review to reach 3.4 per cent SMS market shares from 3.9 per cent posted in the previous quarter. Its annual growth witnessed a considerable decline of 6.7 percentage market share from 11.5 per cent posted during the FY 2011/12 to 4.8 per cent recorded during the FY 2012/13. Essar Telecom Kenya too lost its quarterly market shares by 0.2 percentage points to reach 0.6 per cent while its annual market shares declined by 1.3 percentage points from 2.3 per cent recorded during the FY 2011/12 to 1.0 per cent shares in the current year.

Telkom Kenya Limited (Orange) also lost its SMS market shares by 0.2 percentage points during the quarter under review from 0.5 percentage reported during the previous quarter to 0.3 per cent during the quarter under review. There was also an annual decline of 1.1 percentage market share from 1.7 per cent posted during the FY 2011/12 to 0.6 per cent recorded during the FY 2012/13.

The SMS market share by operator are shown in Table 7.

Table 7: Short Messaging Service

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)	Total SMS
Apr-Jun 13	On-net	4,095,931,237	86,840,838	7,103,294	4,634,666	4,194,510,035
	Off-net	84,769,104	59,570,803	21,146,178	10,114,695	175,600,780
	Total	4,180,700,341	146,411,641	28,249,472	14,749,361	4,370,110,815
	Market Share (%)	95.7	3.4	0.6	0.3	
Jan-Mar 13	On-net	3,751,690,036	98,716,999	8,112,712	5,460,860	3,863,980,607
	Off-net	120,419,687	61,461,820	24,737,136	12,944,903	219,563,546
	Total	3,872,109,723	160,178,819	32,849,848	18,405,763	4,083,544,153
	Market Share (%)	94.8	3.9	0.8	0.5	
FY 12/13	On-net	12,010,377,931	369,373,775	39,054,132	20,770,947	12,439,576,785
	Off-net	375,777,126	262,725,026	101,528,622	53,475,355	793,506,129
	Total	12,386,155,057	632,098,801	140,582,754	74,246,302	13,233,082,914
	Market Share (%)	93.6	4.8	1.0	0.6	
FY 11/12	On-net	3,335,736,365	281,070,413.0	30,640,505	43,063,680	3,690,510,963
	Off-net	290,398,740	212,943,165	69,567,377	31,958,578	604,867,860
	Total	3,626,135,105.0	494,013,578.0	100,207,882	75,022,258	4,295,378,823

	Market Share (%)	84.4	11.5	2.3	1.7	
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Source: CCK, Operators' Returns

As indicated in Table 8, the quarter under review reported an increase in the number of Multi-Media Messages (MMS) sent to stand at 2,554,975 up from 1,917,673 MMS posted in the previous quarter, representing a growth of 33.2 per cent during the period. Similarly, when the total number of MMS for the FY 2012/13 was compared to the FY 2011/12, a significant growth of 40.0 per cent was attained.

Table 8: Multimedia Messaging Service

MMS Traffic	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 12/13	FY 11/12	Annual Variation (%)
MMS	2,554,975	1,917,673	33.2	9,723,878	6,945,045	40.0
MMS per Subscriber per Month	0.03	0.02	50.0	0.03	0.02	50.0

Source: CCK, Operators' Returns

The growth in MMS has generally remained low as witnessed in the number of MMS sent by each subscriber per month which has constantly recorded at an average of one (1) MMS per subscriber over the period. The emergence of IP applications such as Tango and WhatsApp which are by far cheaper could have played a major role in the stagnated growth of multimedia messaging service. Further, the high cost of MMS compared to the new cheaper applications might have influenced users especially the youth to shy away from using the service.

1.4.4 Roaming Traffic

During the quarter under review the number of minutes of roaming out² voice traffic declined by 14.8 per cent to reach 10.7 million minutes down from 12.5 million recorded in the previous quarter. In relation to annual growth, the number of roaming out voice traffic minutes declined by nearly half to stand at 46.4 million minutes during the FY 2012/13 from 80.5 million recorded in the previous year.

Similarly, the number of minutes of roaming in³ voice traffic dropped by 14.4 per cent to stand at 9.4 million minutes during the quarter under review from 10.9 million reported during the previous quarter. However, there was a substantial annual growth of 38.7 per cent from 31.5 million minutes posted during the FY 2011/12 to 43.7 million minutes.

As shown in Table 9, the level of roaming out voice traffic was slightly higher than roaming in voice traffic, an indication that local subscribers roaming on foreign networks made more or longer duration calls than foreign subscribers roaming on local networks.

Further, the number of roaming out SMS dropped to 7.9 million during the quarter under review from 8.1 million recorded during the previous quarter. This represents a 2.2 per cent decline from the previous quarter. However, the annual variation between the FY 2012/13 and FY 2011/12

² Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.

³ Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

recorded a significant growth of 30.8 per cent. Similarly, the number of roaming in messages dropped by 21.1 per cent during the quarter under review to reach 10.1 million messages down from 12.8 million recorded in the preceding quarter. On the contrary, annual growth recorded a tremendous increase of 74.3 per cent to reach 51.2 million messages during the FY 2011/12 to 29.3 million posted during the FY 2012/13.

Table 9: Roaming Traffic

Roaming Traffic	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/2013	FY 2011/2012	Annual Variation (%)
Roaming Voice Minutes Own Subscribers on Foreign Networks	10,717,745	12,578,193	-14.8	46,376,893	80,594,722	-42.5
Roaming Voice Minutes Foreign Subscribers on Local Network	9,404,268	10,985,934	-14.4	43,725,821	31,521,720	38.7
Roaming SMS - Own Subscribers on Foreign Networks	7,959,062	8,135,934	-2.2	34,964,356	26,724,330	30.8
Roaming SMS - Foreign Subscribers on Local Network	10,153,773	12,865,136	-21.1	51,215,250	29,378,384	74.3

Source: CCK, Operators' Returns

1.4.5 International Mobile Traffic

During the period under review, international incoming mobile voice traffic dropped by 22.1 per cent to 158 million minutes from 203 million minutes recorded in the preceding quarter. In relation to the total voice traffic volume, an increase of 13.1 per cent was realised from 678.2 million minutes posted during the FY 2011/12 to stand at 767.4 million recorded in the FY 2012/13.

Correspondingly, international outgoing voice traffic declined marginally by 1.9 per cent during the quarter to record 124.5 million minutes down from 126.9 million posted in the previous quarter. In the same trend, a 12.7 per cent decline was reported in comparison to the aggregated international outgoing voice traffic of the FY 2011/12 and FY 2012/13.

International incoming and outgoing SMS traffic demonstrated a trend similar to that of international incoming and outgoing voice traffic. The volume of international incoming SMS traffic dropped slightly by 0.3 per cent to 20.4 million SMS down from 20.5 million recorded in the preceding quarter. In addition, a significant drop of 29.9 per cent was recorded during the FY 2012/13 to reach 71.7 million SMS from 102.3 million reported during the FY 2011/12.

Similarly, the volume of international outgoing SMS traffic dropped by 3.8 per cent to 12.1 million SMS during the quarter down from 12.6 million reported in the previous quarter. On the contrary, an annual growth of more than three-fold was attained with the number of SMS sent increasing to 47.1 million during the FY 2012/13 from 14.3 million sent during the FY 2011/12.

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

Table 10: International Mobile Traffic (Minutes)

International Mobile Traffic and SMS	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/2013	FY 2011/2012	Annual Variation (%)
International Incoming Mobile Voice Minutes	158,838,501	203,956,727	-22.1	767,413,123	678,278,282	13.1
International Outgoing Mobile Minutes	124,585,439	126,954,749	-1.9	560,059,695	641,213,491	-12.7
International Incoming Mobile SMS	20,470,104	20,541,319	-0.3	71,764,307	102,345,093	-29.9
International Outgoing Mobile SMS	12,143,946	12,624,007	-3.8	47,155,946	14,334,346	229.0

Source: CCK, Operators' Returns.

1.5 Mobile Revenue and Investments

The annual mobile revenue exhibited a momentous growth of 14.5 percent during the year 2012. Conversely, the annual mobile investment demonstrated a slight decline of 2.2 percent. Revenue and investment data for year 2013 will be updated once mobile operators file their audited accounts after the lapse of their respective financial years.

Table 11: Mobile Revenue and Investment (KES)⁴

Mobile Revenues and Investments*	2012**	2011	2010	2009	2008	Variation (%) Over 2011	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008
Mobile Revenue (KES Millions)	133,508	116,640	104,552*	90,394	72,625	11346	11.6	29.0	60.6
Mobile Investments (KES Millions)	33,827	34,590	27,126*	40,260	29,436	9679	27.5	-14.1	17.5

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

1.6 Employment in the Mobile Industry

As illustrated in Table 12, by the end of June 2013 there were a total of 5,617 direct employees in the mobile phone industry. This represents an increase of 1.4 percent from 5,542 employees reported during the FY 2011/12. When aggregated by gender, the sector employees profile indicates that male workers were 62.9 per cent compared to 37.1 per cent reported by the end of June 2013.

⁴ The information on mobile revenue and investment will be updated every end of financial year to reflect the current status of the market.

Table 12: Staff in Mobile Sector

Staff	Jun-13	Jun-12	Jun-11	Jun-10	Jun-09	Variation (%) Over 2012	Variation (%) Over 2011	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008
Male Staff	3535	3489	3769	3817	1410	1.3	-7.4	-8.6	147.4	152.6
Female Staff	2082	2053	2058	2052	977	1.4	-0.2	-0.05	110.1	112.3
Total Staff	5617	5542	5827	5869	2387	1.4	-4.9	-5.6	132.2	136.0

Source: CCK, Operators' Returns.

FIXED TELEPHONE SERVICE

1.7 Subscriptions

The fixed line market continued to experience a decline in its fixed line subscriptions. During the quarter under review, the total number of fixed lines decreased by 2.2 per cent to 216,469 lines from 221,287 lines recorded during the previous quarter. The annual growth recorded a similar downward trend with a decline of 17.6 percent from 262,711 lines reported during the FY 2011/12 to 216,469 lines during the FY 2012/13.

Table 12 presents the continued decline in the number of fixed lines which was mainly attributed to a 5.2 per cent drop in the number of fixed terrestrial lines during the quarter under review to record 56,724 lines from 59,851 lines recorded during the previous quarter. Similarly, the fixed line market reported an annual decline of 24.0 percent from 74,606 lines in the FY 2011/12 to 56,724 lines during the FY 2012/13. The decline in number of fixed terrestrial lines has been attributed to high maintenance costs as a result of continued vandalism of copper cables.

Similarly, the number of fixed wireless subscriptions declined by 1.0 percent to reach 159,745 subscriptions down from 161,436 recorded during the previous quarter. In terms of annual growth, the number of subscriptions decreased by 15.1 percent during the FY 2012/13 from 188,105 subscriptions recorded during the FY 2011/12 to stand at 159,745 subscriptions

The growth of fixed line is shown in Table 13.

Table 13: Fixed Network Subscriptions

Fixed Network Subscription	Jun-13	Mar-13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Fixed Terrestrial Subscriptions	56,724	59,851	-5.2	56,724	74,606	-24.0
Fixed Wireless Subscriptions	159,745	161,436	-1.0	159,745	188,105	-15.1
Total Main Fixed Line Subscriptions	216,469	221,287	-2.2	216,469	262,711	-17.6

Source: CCK, Operators Returns.

1.8 Fixed Network Traffic

Contrary to the growth trend observed in fixed line market subscriptions, the total fixed network traffic increased by 12.6 percent during the quarter under review to stand at 30.4 million up from 27.0 million minutes posted during the previous quarter. The annual growth however decreased significantly by 27.8 percent from 204.6 million minutes posted last year to 147.7 million in the FY 2012/13. The decline in fixed annual traffic could be as a result of the decrease in fixed line subscriptions reported during the year which declined by roughly a similar proportion.

Fixed to Fixed traffic grew by more than six-folds to record 3.8 million minutes up from 606,833 recorded during the previous quarter. There was, however, a decline in the annual fixed to fixed traffic of 75.8 percent from 41.6 million minutes posted during the FY 2011/12 to stand at 10.0 million recorded during the FY 2012/13.

The traffic from fixed wireless to fixed wireless declined by 5.6 percent to reach 3.9 million minutes down from 4.1 million posted during the previous quarter. Similar to the annual declining traffic trend recorded for fixed to fixed, the fixed wireless to fixed wireless annual traffic dropped by 22.1 percent from 47.0 million minutes posted during the FY 2011/12 to 36.6 million recorded during the FY 2012/13.

The fixed network to other networks traffic grew marginally by 1.9 percent from 22.2 million minutes posted during the previous quarter to 22.6 million recorded during the quarter under review. There was a recorded traffic decline in the annual fixed to other networks volume of 12.9 percent to reach 101.0 million minutes posted during the FY 2012/13 from 116.0 million registered during the previous year.

The growth in fixed network traffic is as illustrated in Table 14.

Table 14: Local Fixed Network Traffic in Minutes

Local Fixed Network Traffic	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Intra-Network Traffic						
Fixed-Fixed *	3,838,926	606,833	532.6	10,071,118	41,628,035	-75.8
Fixed wireless-Fixed Wireless	3,907,677	4,138,513	-5.6	36,640,267	47,062,226	-22.1
Inter-Network Traffic						
Fixed to Other Network (Mobile and LLOs)	22,681,747	22,269,378	1.9	101,080,142	116,000,120	-12.9
Total Local Fixed Network Traffic	30,428,350	27,014,724	12.6	147,791,527	204,690,381	-27.8

Source: CCK, Operators' Returns, *Operator to verify data for Jan-Mar

Contrary to observations made in the previous quarter that showed both international incoming and outgoing fixed network traffic converging towards a common point, the quarter in review recorded a divergent trend that showed the two indicators beginning to deviate. During the period under review, international incoming fixed traffic grew by 11.1 percent to reach 3.4 million minutes from 3.1 million minutes posted in the previous quarter. There was, however, an annual decline of 18.8 percent recorded from 17.7 million recorded during the FY 2011/12 to 14.4 million reported during the FY 2012/13.

Similarly, international outgoing traffic grew significantly by 28.3 percent to stand at 4.2 million minutes from 3.3 million posted in the previous quarter. However 18.0 percent annual decline was recorded from 20.0 million minutes posted during the FY 2011/12 to 16.4 million registered during the FY 2012/13.

On the other hand, international outgoing fixed VoIP minutes declined by 4.7 percent during the quarter under review from 2.0 million minutes recorded during the previous quarter to 1.9 million registered during the quarter under review. The annual VoIP minutes declined substantially by 51.3 percent to reach 8.3 million minutes during the FY 2012/13 from 17.1 million posted in the preceding year.

The growth in international fixed line traffic is shown in Table 15.

Table 15: Fixed Network International Voice Traffic

Fixed Network Subscription	Jun-13	Mar-13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
International Incoming Fixed Network Voice traffic	3,472,885	3,126,825	11.1	14,444,467	17,796,496	-18.8
International Outgoing Fixed Network Voice traffic	4,252,426	3,314,630	28.3	16,457,407	20,058,628	-18.0
International Outgoing Fixed Network VoIP traffic	1,919,524	2,013,142	-4.7	8,372,549	17,194,389	-51.3

Source: CCK, Operators Returns.

3.0 DATA AND INTERNET SERVICE

3.1 Internet/Data Service

Table 16 indicates that at the end of the quarter in review, there were 12.4 million data/Internet subscriptions up from 9.6 million recorded during the previous quarter, representing a growth of 28.4 percent during the period. A remarkable annual growth of 61.0 percent was attained from 7.7 million subscriptions posted during the FY 2011/12 to 12.4 million posted during the FY 2012/13. The growth in data/Internet subscriptions has been boosted mainly by the increase in mobile data/Internet subscriptions that have been on an upward trend over the period.

Mobile data/Internet subscriptions witnessed a growth of 28.7 percent during the period to reach 12.3 million subscriptions from 9.5 million recorded during the previous quarter. Mobile operators exhibited keenness to continue growing their market shares in the data/Internet market as well as the need for revenue diversification. This was evident by the numerous promotions and special offers made during the period under review. For example, one of the operators offered inactive internet subscribers with data enabled phones free 40MB data valid for 30 days while another offered its customer's double bonus for purchase of the daily data bundles. In addition, another operator offered 500MB per month for four months for a minimum top up of Kshs 200.

The satellite subscriptions recorded a significant growth of 75.8 percent to reach 1,278 subscriptions during the quarter from 727 recorded during the previous quarter. Annual growth increased by more than two-folds from 519 subscriptions posted during the FY 2011/12 to stand at 1,278 subscriptions.

The number of fixed fibre subscriptions grew by 5.8 percent to record 58,197 subscriptions up from 55,007 recorded during the previous quarter. In relation to annual growth from FY 2011/12 to FY 2012/13 the number of fixed fibre subscriptions increased by 86.8 percent from 31,155 subscriptions posted during the FY 2011/12 to stand at 58,197 recorded during the FY 2012/13. This growth in fixed fibre subscriptions indicates an enhanced access to broadband services that has been accelerated by increased roll-out of fibre by the competing providers in the country.

Table 16: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	Jun-13	Mar-13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Total Internet Subscriptions	12,432,308	9,680,011	28.4	12,432,308	7,721,077	61.0
Mobile Data/Internet Subscriptions	12,340,005	9,589,851	28.7	12,340,005	7,655,576	61.2
Terrestrial Wireless Data/Internet Subscriptions	21,282	24,011	-11.4	21,282	22,393	-5.0
Satellite Data/Internet Subscriptions	1,278	727	75.8	1,278	519	146.2
Fixed DSL Data/Internet Subscriptions	11,512	10,390	10.8	11,512	11,409	0.9
Fixed Fibre Optic Data/Internet Subscriptions	58,197	55,007	5.8	58,197	31,155	86.8
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.0
Total Internet Users⁵	19,654,925	16,444,861	19.5	19,654,925	12,190,306	61.2

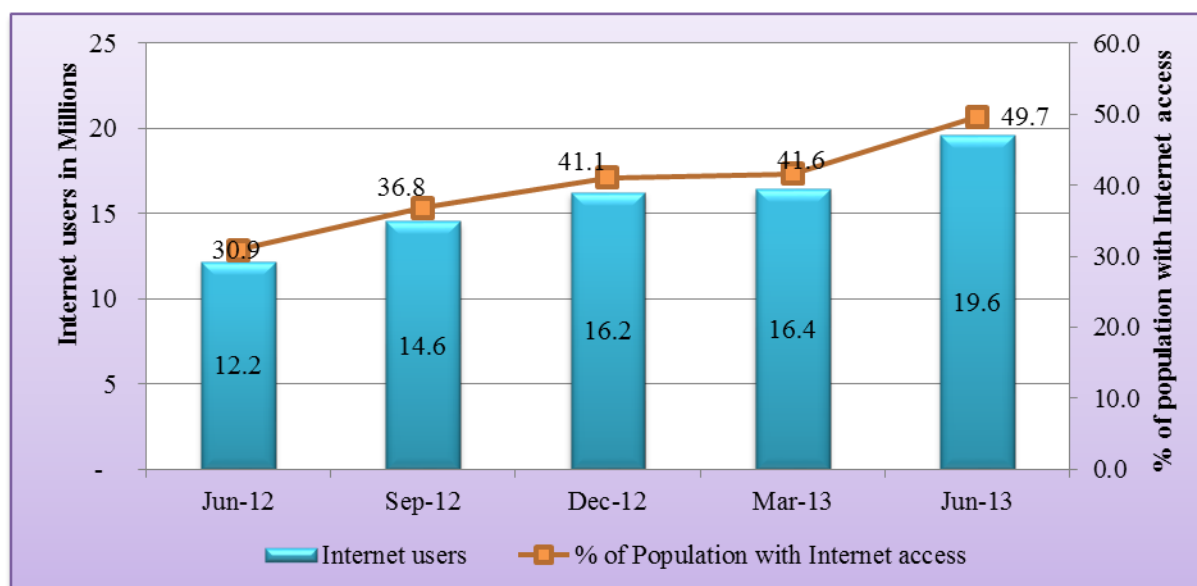
Source: CCK, Operators' Returns

The growth in mobile data/Internet subscriptions and the resultant increase in the number of internet subscriptions led to an increase in the number of internet users in the country. At the end of the quarter under review, it was estimated that there were 19.6 million internet users up from 16.4 million recorded during the previous quarter. Similarly, the annual growth increased significantly by 61.2 percent from 12.1 million estimated users during the FY 2011/12 to stand at 19.6 million users during the FY 2012/13.

Figure 6 illustrates that the population with access to internet services reached 49.7 percent during the quarter in review down from 41.6 percent reported during the previous quarter, which represents a growth of 8.1 percent. However, an annual growth of 18.8 percent was noted when internet penetration for the FY 2012/13 was compared to that of the previous year.

⁵Internet 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.

Figure 6: Estimated Number of Internet Users and Internet Penetration



Source: CCK, Operators' Returns.

The level of market shares as measured by mobile data/Internet subscriptions changed for each operator during the period under review. The market share for Safaricom Limited increased by 3.8 percentage points to stand at 75.6 percent up from 71.8 percent shares recorded during the previous quarter. Airtel Networks Limited had 12.9 percent market shares down from 14.6 percent recorded during the previous quarter. Telkom Kenya(Orange) market shares declined by 1.2 percent during the period to reach 6.4 percent from 7.6 percent recorded during the previous quarter while Essar Telecom market shares declined marginally by 1 per cent to reach 5.0 per cent from 6.0 percent posted during the previous quarter.

The market shares for mobile data/Internet market by operator are shown in Table 17.

Table 17: Mobile Data/Internet Subscriptions by Operator

Name of Operator	Jun-13	Market Share (%)	Mar-13	Market Share (%)
Safaricom Limited	9,332,995	75.6	7,390,040	71.8
Airtel Networks Kenya Limited	1,597,481	12.9	1,498,485	14.6
Telkom Kenya Limited (Orange)	795,513	6.4	782,859	7.6
Essar Telecom Kenya Limited	614,016	5.0	615,802	6.0

Source: CCK, Operators' Returns

With regards to market share by other fixed/terrestrial wireless data/Internet subscriptions, Wananchi Telecom Limited recorded the highest share at 39.1 percent from 35.4 percent posted during the previous quarter by gaining 3.7 percentage points during the period. It was followed by Kenya Data Networks with 21.6 per cent market shares from 23.7 percent posted the previous quarter. Access Kenya came third with 12.4 percent market share from 12.9 percent recorded

during the previous quarter, representing a drop of 0.5 percentage points during the period. The market shares for the first 10 operators are shown in Table 18.

Table 18: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	Jun-13	Market Share (%)	Mar-13	Market Share (%)
Wananchi Telecom Limited	36,072	39.1	31,955	35.4
Kenya Data Networks Limited*	19,937	21.6	21,377	23.7
Access Kenya Limited	11,411	12.4	11,600	12.9
Telkom Kenya Limited	10,718	11.6	10,390	11.5
Safaricom Limited	7,100	7.7	6,456	7.2
Iway Africa	2,731	3.0	2,502	2.8
Jamii Telecommunication Limited	1,900	2.1	1,900	2.1
Swift Global	-	-	1,200	1.3
Mobile Telephony Networks Limited	1,144	1.2	994	1.1
Call Key Networks Limited	587	0.6	596	0.7
Other fixed/Terrestrial wireless operators	703	0.8	1,190	1.3

Source: CCK, Operators' Returns, * Includes Swift Global Data

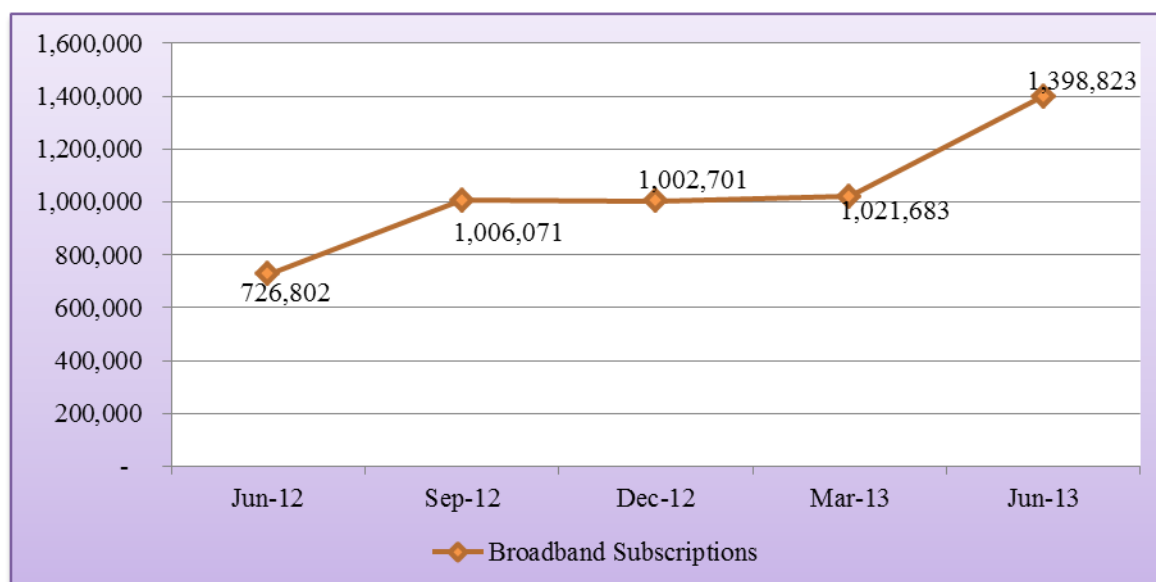
3.2 Broadband Service

The total number of broadband⁶ subscriptions registered a growth of 36.9 percent from 1.02 million subscriptions recorded during the previous quarter to stand at 1.39 million recorded during the quarter under review. The annual broadband subscriptions grew remarkably by 92.5 percent from 726,802 subscriptions realized during the FY 2011/12 to 1,398,823 posted during the FY 2012/13. The growth in broadband subscriptions indicates that customers are not only demanding for internet connections but higher capacity connections.

The growth in broadband subscriptions is shown in Figure 7.

Figure 7: Broadband Subscriptions

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



Source: CCK, Operators' Returns.

3.3 International Bandwidth

The total amount of bandwidth available in the country was recorded at 862,850 Mbps during the quarter under review up from 818,119 Mbps posted during the previous quarter. This represents an increase of 5.5 percent during the period and an annual growth of 57.7 percent from 535,519.80 Mbps observed in the preceding year.

Notably, VSAT capacity grew by more than four-fold from 128.8 Mbps recorded during the previous quarter to 639.52 Mbps during the quarter under review. The growth in satellite capacity indicates that operators are taking cautionary measures to provide redundancy to their networks and ensure an always-on experience for customers during down times of fibre cuts.

The growth of international Internet available bandwidth is shown in Table 19.

Table 19: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	Jun-13	Mar-13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
SEACOM-International Internet Capacity (Mbps)*	578,400	552,160	4.8	578,400	310,000	86.6
TEAMS - International Internet Capacity (Mbps)*	119,970	101,990	17.6	101,990	101,990	0.0
Telkom Kenya Limited (EASSY) ⁷	122,880	122,880	0.0	122,880	122,880	0.0
Lion 2	40,960	40,960	0.0	40,960	-	-
VSAT	639.52	128.8	396.5	128.8	649.8	-80.2
Total International Internet Bandwidth (Mbps)	862,850	818,119	5.5	844,359	535,519.80	57.7

Source: CCK, Operators' Returns; * Revised Seacom Capacity from Jan-Mar and Apr-Jun

⁷ 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.

Unlike the previous quarter that had experienced a decline in the total used capacity in the country, the quarter under review recorded growth of 16.1 per cent from 307,307.3 Mbps recorded during the previous quarter to stand at 356,874.95 Mbps posted during the quarter under review. Annual growth of 34.9 per cent was recorded from 264,584 Mbps posted during the FY 2011/12 to reach 356,874.95 Mbps recorded during the FY 2012/13.

The growth in international connectivity bandwidth is shown in Table 20.

Table 20: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	Jun-13	Mar-13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
International Undersea Internet Connectivity Bandwidth (Mbps)	356,655	307,210	16.1	356,655	264,426	34.9
International Satellite Internet Connectivity Bandwidth	219.95	97.28	126.1	219.95	157.78	39.4
Total International Internet Connectivity Bandwidth (Mbps)	356,874.95	307,307.3	16.1	356,874.95	264,584	34.9

Source: CCK, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

During the year 2012, the data/Internet revenues grew by 25.8 percent from Ksh 5.8 billion recorded during the year 2011 to a record of Ksh 7.4 billion posted during the year 2012. Investments too increased by 14.3 percent to reach Ksh 3.9 billion in 2012 from Ksh 3.4 billion recorded during the year 2011.

Table 21 shows data on revenue and investments from data/Internet operators for the last five years.

Table 21: Data/Internet Revenue and Investment

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

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

3.5 Employment in the Data/Internet sector

At the end of FY 2012/13 there was a total of 6,671 staff directly employed in the data/Internet market. This is a decrease of 6.8 percent from 7,154 staff recorded during the FY 2010/11 to stand at 6,671 reported during the FY 2012/13. Both male and female staff declined by 9.1 per cent and 2.4 percent respectively during the period under review. The total female staff represented 36.5 percent of the total sector work force which is an increase of 1.6 percentage points from 34.9 percent recorded during the FY 2011/12.

The employment in the data/Internet sector over a four year period is shown in Table 22.

Table 22: Employment in the data/Internet sector

Staff	Jun-13	Jun-12	Jun-11	Jun-10	% Change over Jun-12	% Change over Jun-11	% Change over Jun-10
Male staff	4,234	4,658	4,947	4,595	-9.1	-5.8	1.4
Female staff	2,437	2,496	2,535	2,415	-2.4	-1.5	3.4
Total staff	6,671	7,154	7,482	7,010	-6.8	-4.4	2.1

Source: CCK, Operators' Returns

2 ELECTRONIC TRANSACTIONS

Table 23 indicates that there were a total of 27,374 active registered domain names by the end of the quarter in review. This represents a progressive growth of 6.2 percent realized during the period. The number of active registered domain names for the year registered a remarkable growth of 36.3 percent from 20,085 registered during the FY 2011/12 to stand at 27,374 registered during the FY 2012/13.

Table 23: Number of Domain Names

Period	Jun-13	Mar-13	Dec12	Sep 12	Jun 12
Number of Domain Names registered	27,374	25,764	24,983	22,589	20,085
Variation (%)	6.2	3.1	9.6	12.5	17.0

Source: Kenya Network Information Centre (KeNIC)

4. BROADCASTING

At the end of the quarter under review, there were 109 licensed FM radio stations up from 102 recorded during the previous quarter, representing a growth of 6.8 percent.

The number of existing analogue TV channels which had activated their signal on the digital broadcasting platform stood at 13 out of the 14 existing analogue TV channels.

5. POSTAL AND COURIER SERVICE

2.1 Postal and Courier Traffic

In the quarter under review, a total of 13.2 million letters were sent locally down from 17.3 million letters sent during the previous quarter representing a decline of 23.5 percent. Similarly, the number of letters sent declined by 11.1 percent to stand at 65.8 million letters recorded during the FY 2012/13 down from 74.0 million in the FY 2011/12. The decline in volumes of letters sent during the period under review could be attributed to the stiff competition from telecommunication sector which have proven to be reliable and efficient means of communication. For instance during the quarter under review, the number of SMS sent locally increased by 7.0 percent while the number of estimated Internet users rose by 19.5 per cent, an indication that such services could be eroding the traffic volumes for the postal sector.

The number of courier items sent increased by 23.1 per cent during the quarter to reach 529,327 items up from 430,031 recorded during the previous quarter. However, the annual growth declined by 5.5 percent to reach 1.5 million items during the FY 2012/13 down from 1.6 million posted during the FY 2011/12.

International incoming letters declined by 11.5 percent during the quarter to record 2.4 million letters down from 2.7 million letters registered during the previous quarter. The annual data indicates that a growth of 52.8 per cent was attained from 7.2 million letters received during the FY 2011/12 to 11.0 million received during the FY 2012/13. International outgoing letters declined by a margin of 30.8 per cent to reach 922,208 letters down from 1.3 million sent during the previous quarter. Similarly, a downward trend of 28.8 percent in the letters sent was recorded to stand at 5.9 million during the FY 2012/13 from 8.3 million letters sent during the FY 2012/13.

The postal and courier traffic is shown in Table 24.

Table 24: Postal and Courier Traffic

Post and Courier Traffic	Apr-Jun 13	Jan-Mar 13	Quarterly Variation (%)	FY 2012/13	FY 2011/12	Annual Variation (%)
Number of Letters Posted Locally	13,287,964	17,370,812	-23.5	65,846,825	74,034,614	-11.1
Total Courier Items Sent Locally	529,327	430,031	23.1	1,519,757	1,607,369	-5.5
International Incoming Letters*	2,420,901	2,734,701	-11.5	11,078,896	7,250,447	52.8
International Outgoing Letters	922,208	1,333,599	-30.8	5,932,397	8,337,769	-28.8

Source: CCK, Operators' Returns. * Corrected data for Postal Corporation of Kenya

2.2 Number of Postal Outlets

The number of postal outlets remained unchanged during the quarter under review at 622. This represents a 6.7 per cent drop compared to 677 outlets reported in the FY 2011/12. The decline indicates that there has been decreased accessibility of postal services thereby reducing the usage of postal services in the country. In addition, the decline could also be affecting the traffic volumes for local mail that have been on a declining trend.

The number of Postal outlets over the period is shown in Table 25.

Table 25: Number of Postal Outlets

Period	Jun-13	Mar-13	Dec12	Sep 12	Jun 12
Postal Outlets	622	622	634	667	667
Variation (%)	0.0	-1.9	-4.9	0.0	-3.3

Source: CCK, Operators' Returns.

2.3 Postal and Courier Revenue and Investment

As Table 26 indicates, the revenues for the Postal and courier sector dropped by 18.8 percent during the year 2012 from Ksh 6.0 billion posted during the year 2011 to Ksh 4.9 billion registered during the year. Along the same trend, investments fell by a significant margin of 77.0 percent to reach Ksh 51 million down from Ksh 222 million realized during the year 2011.

Table 26: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	2012*	2011	2010	2009	2008	Variation (%) Over 2011	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008
Revenue (KES Millions)	4,950	6,094	5,815	4,255	13,907	-18.8	4.8	43.2	-56.2
Investments (KES Millions)	51	222	335	558	798	-77.0	-33.7	-60.2	-72.2

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

2.4 Employment in the Postal/Courier Sector

By the end of the FY 2012/13, there was a total of 5,548 staff directly employed in the Postal/Courier sector up from 4,900 staff recorded during the FY 2011/12. This represents an annual increase of 13.2 percent. The number of male and female staff grew by 16.5 percent and 9.5 per cent respectively during the same period. Female staff represented 45.3 percent of the total staff in the Postal/Courier sector.

The growth in the number of staff employed in the Postal/Courier sector over a five year period is shown in Table 27.

Table 27: Employment in the Postal/Courier Sector

Staff	Jun-13	Jun-12	Jun-11	Jun-10	Jun-09	% Change Over Jun-11	% Change Over Jun-11	% Change Over Jun-10	% Change over Jun-09	% Change over Jun-08
Male staff	3,033	2,604	3,387	3,401	2,579	16.5	-23.1	-23.4	1.0	15.4
Female staff	2,515	2,296	2,333	2,463	2,472	9.5	-1.6	-6.8	-7.1	-3.1
Total staff	5,548	4,900	5,720	5,864	5,051	13.2	-14.3	-16.4	-3.0	5.9

Source: CCK, Operators' Returns

6. CONCLUSION

The ICT sector has remained vibrant as witnessed by the increased subscriptions in mobile telephony and data/Internet services. Mobile telephony continues to dominate the ICT sector as observed in the data/Internet subscriptions that have largely been contributed by the mobile data/Internet services. However this growth was not exhibited in local voice traffic which declined during the quarter. The fixed network subscriptions continued along a declining path.

The data/Internet subscriptions witnessed positive growth largely on the back of growth in mobile data/Internet subscriptions. The coming periods are likely to record similar positive trends as internet uptake increases stimulated by the on-going ICT for schools project and increased investment in fibre optic networks across the country

The total available bandwidth capacity in the country stood at 862,850 Mbps during the quarter with the utilised capacity standing at 356,874.95 Mbps. More than 50% of the available capacity is idle as evident with the utilisation level of 41.3 per cent. The anticipated increase in internet and data services is expected to further raise the utilization levels in the near future.

The postal and courier sector continues to record a downward trend in both local and international mail traffic volumes. Enhanced service quality and an emerging e-commerce industry will raise the prospects for increased usage of Postal and Courier services in the country.

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Author: CCK