QUARTERLY SECTOR STATISTICS REPORT

FOURTH QUARTER OF THE FINANCIAL YEAR 2013/14

(APR-JUN 2014)

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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 Quarterly Sector Statistics Report for the period April to June 2014 (Q4 FY 2013/14) provides an overview of the performance and development trends in the ICT sector using data analysis of indicators from the following service categories:

- Mobile telephony
- Fixed telephony
- Internet/Data
- Electronic Transactions
- Broadcasting
- Postal and Courier

During the quarter under review, the total number of mobile subscriptions grew by 5.6 per cent to reach 32.2 million from 31.8 million during the previous quarter. The number of new subscriptions registered during the period was 416,390.

Pre-paid subscriptions increased by 1.1 per cent to post 31.5 million subscriptions from 31.2 million during the last quarter. Post-paid subscriptions grew by 9.6 per cent to reach 665,697 compared to 607,569 recorded during the last quarter.

Mobile penetration in the country gained 1.0 percentage points during the quarter to record 79.2 per cent up from 78.2 per cent recorded in the previous quarter.

The number of mobile money transfer subscriptions declined by 0.5 per cent to reach 26.6 million down from 26.7 million recorded in the previous quarter. On the other hand, the number of agents grew by 4.8 per cent to reach 109,286 from 104,323 agents recorded during the previous quarter.

Despite the growth in mobile subscriptions, the total mobile voice traffic declined by 4.0 per cent during the quarter to register 7.3 billion minutes down from 7.6 billion minutes in the last quarter. Consequently, each subscriber made average calls of 76.2 minutes per month down from 80.3 minutes observed in the preceding quarter.

The number of SMS sent during the quarter increased by 10.8 per cent to register 6.8 billion up from 6.2 billion posted last quarter. Each subscriber sent out an average of 71.2 messages per month up from 65.1 messages reported in the last quarter.

The number of fixed lines continued to shrink with the quarter under review recording 201,233 lines down from 206,129 lines in the previous quarter. In particular, fixed terrestrial lines declined by 7.2 per cent and stood at 52,053 down from 56,103 in the last quarter. . Fixed wireless subscriptions declined by 0.6 per cent to reach 149,180 subscriptions from 150,026 recorded in the previous quarter.

Data/Internet subscriptions grew by 5 per cent to reach 14.0 million from 13.3 million recorded during the previous quarter. . Mobile data/internet subscriptions grew by a similar margin of 5.1 per cent to reach 13.9 million subscriptions from 13.2 million in the previous quarter. Consequently, the estimated number of internet users increased by 3 per cent to post 22.3 million users up from 21.6 million during the preceding quarter. Broadband subscriptions including, mobile modems and 3G subscriptions, rose to 2.9million up from 2.3million subscriptions recorded in the last quarter.

International internet bandwidth available in the country declined by 2.1 per cent to 847,464 Mbps down from 865,714 Mbps recorded in the last quarter. This decline could be attributed to the reported decrease in capacity by Sea Submarine Communications Limited (SEACOM). Utilization of international internet bandwidth declined by 2.5 percent to stand at 436,016 Mbps. This represents 51.4 per cent consumption of the total bandwith available.

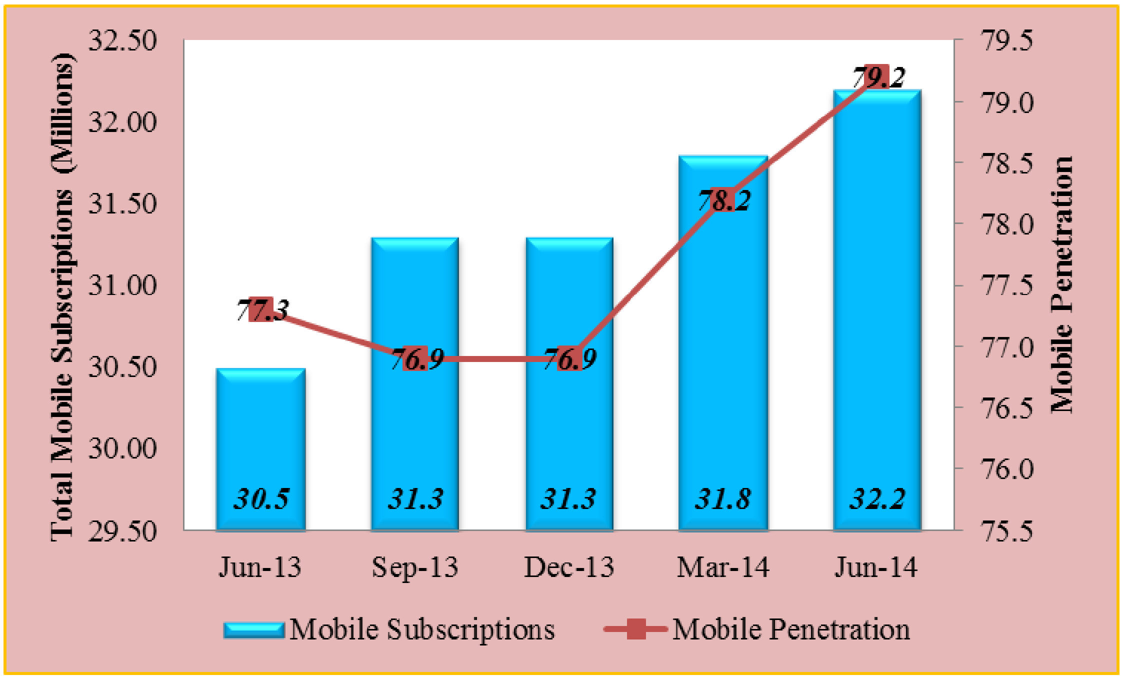
In the postal and courier sub-sector, the number of letters sent locally declined to 11.8 million from 16.8 million letters sent during the last quarter. International incoming letters increased marginally by 0.1 per cent to reach 2.464 million. Additionally, international outgoing letters declined by 6.3 per cent from 812,923 letters sent during the previous quarter to 761,315 letters during the quarter under review.

1 CELLULAR MOBILE SERVICES

1.1 Mobile Subscriptions

The country's mobile subscription base grew by 5.6 per cent over the last one year to stand at 32.2 million subscriptions as at the end of Quarter 4 of the FY 2013/14 (30th June 2014). This translated into mobile penetration[1] level of 79.2 per cent. This growth could be attributed to the increasing demand for the various mobile services and value added services across the country. The trend on mobile subscriptions and mobile penetration for the last five quarters are as shown in Figure 1.

Figure 1: Mobile Subscriptions

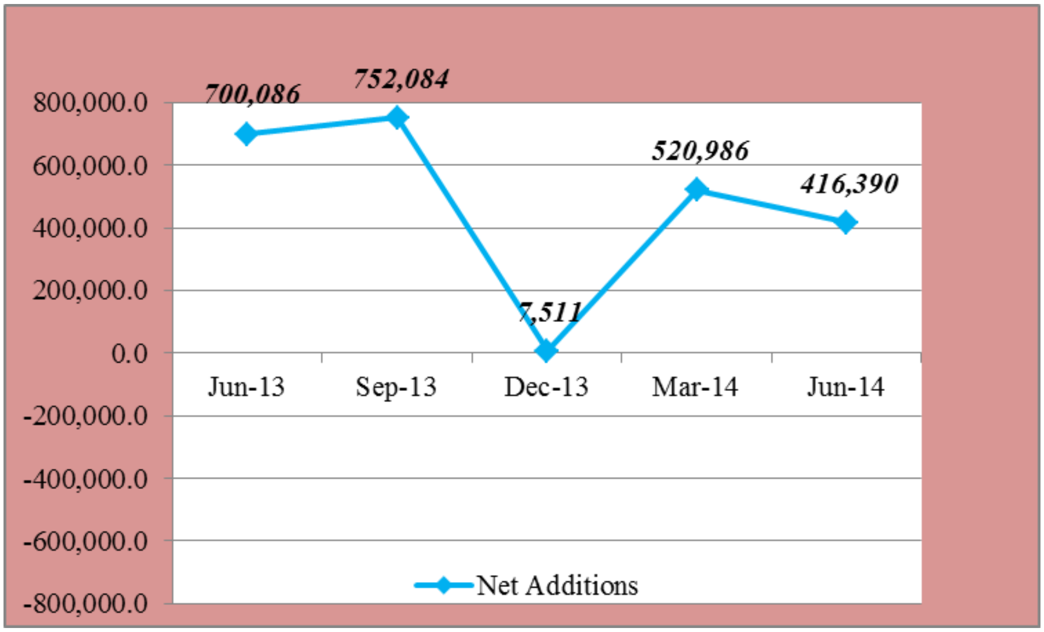


Source: CA, Operators' Returns,

The net additions (defined as the number of new mobile subscriptions) have shown mixed trends throughout the year. The quarter under review recorded 416,390 net additions representing a 20.1 per cent decline from last quarter. The trend for net additions for the FY13/14 is as demonstrated in figure 2.

[1] Population figure of 40.7 million

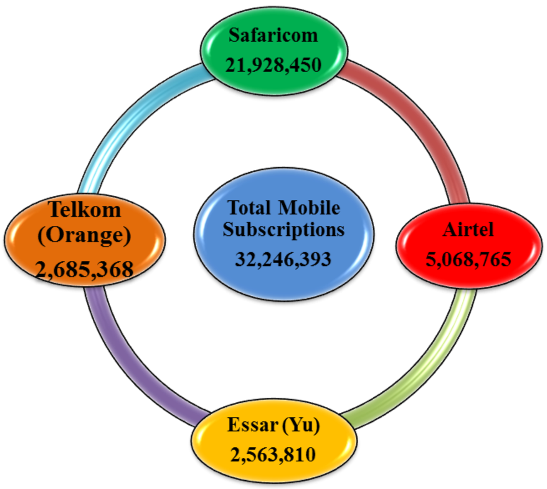
Figure 2: Net additions in Mobile Subscriptions

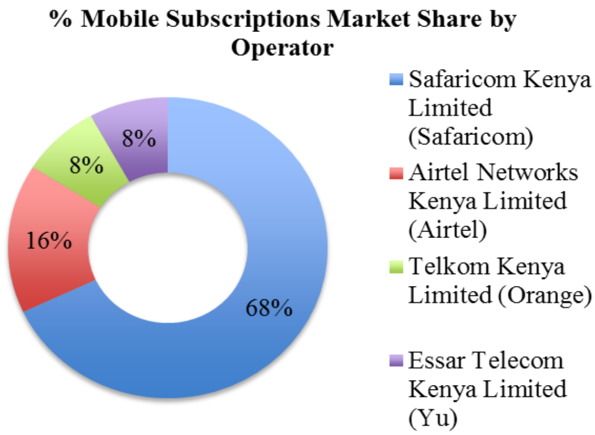


Source: CA, Operators' Returns,

The mobile market shares measured by the number of subscriptions have maintained a similar trend over the period with Safaricom limited holding the largest market share in subscriptions. The number of mobile subscriptions per operator and the respective market shares are as shown in Figure 3.

Figure 3: Mobile Subscriptions per Operator





The Post-paid service exhibited significant growth during the year; this could be attributed to the socio- economic disposition of the mass market which highly influences preferences. Nonetheless, pre-paid subscriptions formed the largest share of the total subscriptions base, contributing 98 per cent. The growth in Pre-paid and Post-paid subscriptions is demonstrated in Table 1.

Table 1: Mobile Subscription per operator

Name of operator	Jun-14			Mar-14			Quarterly variation (%)
	Pre-paid	Post-paid	Total	Pre-paid	Post-paid	Total	
Safaricom Limited	21,405,667	522,783	21,928,450	21,094,414	472,974	21,567,388	1.7
Airtel Networks Limited Subscriptions	4,930,774	137,991	5,068,765	5,121,082	130,005	5,251,087	-3.5
Essar Telecom Limited (YU)	2,562,339	1,471	2,563,810	2,556,110	1,520	2,557,630	0.2
Telkom Kenya(Orange)	2,681,916	3,452	2,685,368	2,450,828	3,070	2,453,898	9.4
Total	**31,580,696**	**665,697**	**32,246,393**	**31,222,434**	**607,569**	**31,830,003**	1.3

Source: CA, Operators' Returns

1.2 Mobile Money Transfer

The number of mobile money transfer subscriptions declined during the quarter to post 26.6 million subscriptions down from 26.7 million recorded last quarter. However, there has been significant growth since June 2013.

Similarly, the number of active mobile money transfer agents maintained an upward trend with the quarter under review registering 109,286 active agents up from 104,323 registered in the previous quarter.

The growth trend of mobile money transfer subscriptions and mobile money transfer agents is shown in Table 2.

Table 2: Mobile Money Transfer Service

Service Provider	Jun-14		Mar-14		Jun-13	
	Agents	Subscriptions	Agents	Subscriptions	Agents	Subscriptions
Safaricom	80,230	19,776,056	81,436	19,340,925	72,546	17,561,999
Airtel	10,990	3,238,754	10,990	4,578,587	5,439	4,580,467
Yu	1,070	2,147,139	1,070	2,145,812	1,556	2,291,473
Orange	9,231	185,463	9,231	182,437	645	166,114
Mobikash	7,765	1,263,665	1,596	503,556	1,236	240,351
Total	**109,286**	**26,611,077**	**104,323**	**26,751,317**	**81,422**	**24,840,404**

Source: CA, Operators' Returns

1.3 Mobile Number Portability

As illustrated in Table 3, Mobile Number Portability (MNP) has demonstrated mixed growth throughout the year. During the quarter under review, the number of in-ports reduced to 254 down from 362 in-ports recorded in the previous quarter. On the contrary, the number of in-ports recorded during the FY2013/14 increased to 1,388 in-ports up from 1,256 in-ports recorded in the FY 2012/13.

Table 3: Mobile Number Portability

Period	Apr-Jun 14	Jan-Mar 14	FY 2013/14	FY 2012/13
Number of in-ports	254	362	1388	1256

Source: CA, Operators' Returns

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

During the quarter under review, local outgoing mobile voice traffic declined by 4 per cent to post 7.3 billion minutes down from 7.6 billion recorded in the last quarter. This decline was mainly influenced by on-net traffic which decreased by 4.9 per cent. Off net traffic demonstrated an upward trend posting 989 million minutes whereas mobile to fixed network traffic grew considerably by 15.0 per cent to stand at 25.0 million up from 21.7 million minutes.

Similarly, the total incoming mobile voice traffic declined by 3.7 per cent to record 7.4 billion minutes during the quarter down from 7.7 billion minutes recorded in the last quarter. Both on-net traffic and fixed to mobile traffic declined by 4.9 per cent to stand at 6.3 billion and 24.0 million minutes respectively. However, off net traffic grew by 3.8 per cent to stand at 1.0 billion minutes.

The total outgoing and incoming local traffic for the financial year grew by 5.7 per cent and 5.6 per cent respectively. This increase could have been influenced by the growth in mobile users. However, the mobile to fixed outgoing and incoming traffic has demonstrated a downward trend as shown in Table 4.

Table 4: Local Mobile Voice Traffic in Minutes

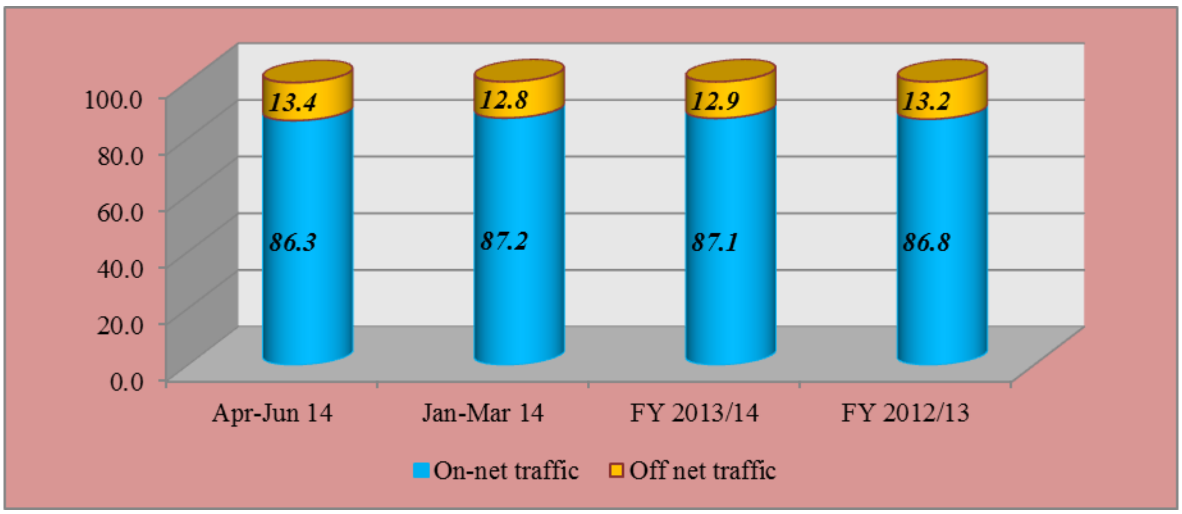
Mobile Traffic	*Apr-Jun 14*	*Jan-Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Annual variation (%)*
Own Network –Own Network	6,364,202,402	6,692,455,072	-4.9	26,437,560,333	24,949,291,619	6.0
Own Network to Other Mobile Networks	989,570,696	971,237,869	1.9	3,918,815,789	3,789,178,335	3.4
Mobile Network to Fixed Network	25,031,652	21,772,059	15.0	101,324,670	86,365,017	66.0
Total Traffic Origination (Outgoing)	**7,378,804,750**	**7,685,465,000**	**-4.0**	**30,457,700,792**	**28,824,834,971**	**5.7**
Own Network –Own Network	6,364,202,402	6,692,455,072	-4.9	26,437,560,333	24,949,291,619	6.0
Other Mobile Networks to Own Network	1,066,968,762	1,027,901,534	3.8	4,171,582,201	4,012,120,446	4.0
Fixed Network to Mobile Network	24,032,258	25,262,117	-4.9	97,886,892	103,707,902	-7.0

Total traffic termination(Incoming)	**7,455,203,422**	**7,745,618,723**	**-3.7**	**30,707,029,426**	**29,29,065,119,967**	**5.6**

Source: CA, Operators' Returns

During the period under review, on-net traffic maintained the highest per centage of mobile traffic as has been the norm throughout the financial year. This could be attributed to the high number of special offers provided by service providers to boost traffic within their networks as compared to off-net. For instance, during the quarter one of the mobile operators ran a promotion during which pre-paid users got a discount of up to 87.5% for on-net calls. On the other hand, off-net traffic has maintained an upward trend in spite of the low percentage in terms of total mobile voice traffic. The total on-net traffic recorded in the FY 2013/14 declined by 0.3% while the total off-net traffic grew by a similar margin when compared to the last financial year.

Figure 4: Proportion of Voice On-net and Off-net Traffic



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

During the quarter under review, Safaricom Limited, Airtel Networks Kenya Ltd and Essar Telecom Ltd recorded a decrease in on-net traffic while Telkom Kenya recorded an increase.
The top up bonus promotion by Telkom Kenya (Orange) during the quarter boosted its overall voice traffic during the period. Telkom Kenya voice traffic increased to 291 million minutes from 279 million minutes posted last quarter. Subsequently, its market share by voice traffic grew by 0.2 per cent to reach 4.0 per cent up from 3.1 per cent recorded last quarter.

The growth in voice traffic by operator is indicated in Table 5.

Table 5: 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 14	*On-net*	5,526,862,626	247,984,220	399,827,306	189,528,250
	Off-net	285,085,277	474,096,296	153,340,319	102,080,462

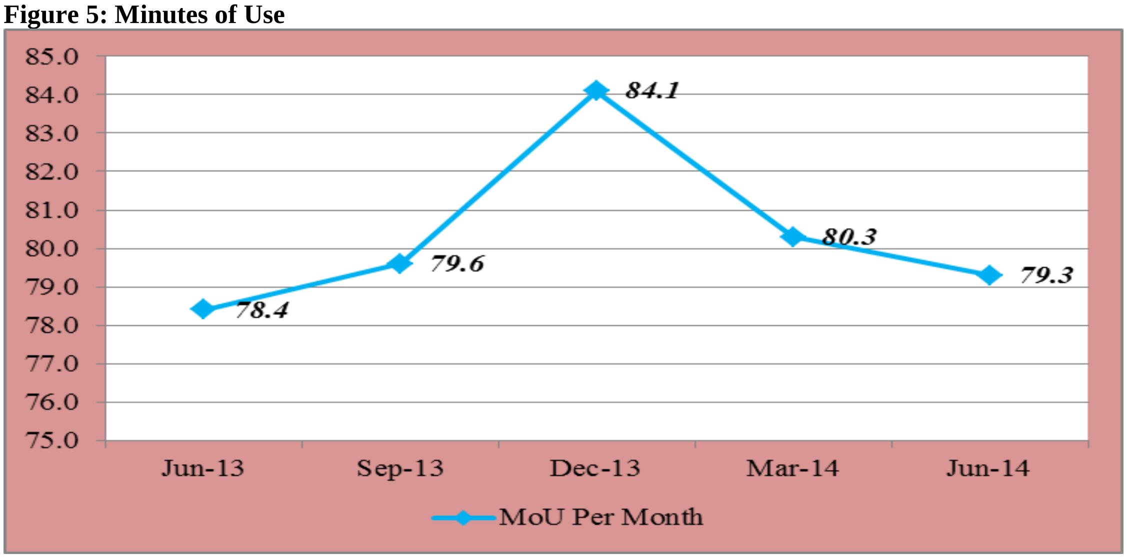
	Total	**5,811,947,903**	**722,080,510**	**553,167,625**	**291,608,712**
	Market share (%)	78.08	9.8	7.5	4.0
Jan-Mar 14	*On-net*	5,722,273,200	385,601,539	427,371,118	157,209,215
	Off-net	297,507,187	449,421,833	155,847,316	90,233,592
	Total	6,019,780,387	835,023,372	583,218,434	247,442,807
	Market Share (%)	78.3	10.9	7.6	3.2
FY 2013/14	*On-net*	22,696,011,846	1,422,035,191	1,756,839,216	562,674,080
	Off-net	1,218,972,044	1,825,088,556	619,785,220	356,294,639
	Total	**23,878,957,134**	**3,064,639,931**	**2,376,174,563**	**918,968,719**
	Market Share (%)	78.5	10.7	7.8	3.0
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	188,981,917
	Total	**22,609,727,782**	**3,379,745,565**	**2,433,829,446**	**401,532,177**
	Market Share (%)	78.4	11.7	8.4	1.4

Source: CA, Operators' Returns

1.4.3 Minutes of Use

As shown in Figure 5, the average monthly minutes of use per subscriber dropped to 79.3 from 80.3 minutes posted in the previous quarter. However, compared to the same period of the last financial year a growth of 0.9 per cent was realized.

Figure 5: Minutes of Use



Source: CA, Operators' Returns

1.4.4 Short Messaging Service

During the quarter under review, the short messaging service (SMS) experienced significant growth in terms of volume. The number of SMS increased from 6.2 billion posted in the previous quarter to 6.8 billion messages representing a growth of 10.8 per cent. Annual growth also increased considerably from 13.2 billion SMS during the FY 2012/13 to 24.4 billion SMS in the FY 2013/14.The growth in short messages could be attributed to the bundle SMS promotions carried out by various service providers throughout the quarter.

The SMS traffic and the corresponding shares per operator is as shown in Table 6.

Table 6: Short Messaging Service per Operator

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)	Total SMS
Apr-Jun 14	On-net	6,543,128,346	111,087,663	4,339,238	8,282,811	**6,658,555,247**
	Off-net	114,572,371	72,782,783	21,174,576	13,634,774	**222,164,504**
	Total	6,657,700,717	183,870,446	25,513,814	21,917,585	**6,889,002,562**
	Market Share (%)	96.6	2.7	0.4	0.3	
Jan-Mar 14	On-net	5,897,688,335	98,083,657	6,936,589	6,846,847	**6,009,555,428**
	Off-net	101,457,620	70,451,935	20,664,939	18,106,504	**210,680,998**
	Total	5,999,145,955	168,535,592	27,601,528	24,953,351	**6,220,236,426**
	Market Share (%)	96.4	2.7	0.4	0.4	
FY 2013/14	On-net	23,123,453,751	437,530,419	26,751,621	18,961,072	**23,606,696,863**
	Off-net	379,059,680	294,076,367	90,801,666	65,102,320	**829,040,033**
	Total	23,502,513,431	731,606,786	117,553,287	92,346,203	**24,444,019,707**
	Market Share (%)	96.1	3.0	0.5	0.4	
FY 2012/13	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	

Source: CA, Operators' Returns

1.4.5 Multimedia Messaging Service

As illustrated in Table 7, the number of multi-media messages (MMS) increased during the quarter to stand at 2.9 million up from 2.4 million MMS recorded last quarter. The use of MMS service has not been very vibrant due to the fact that it is only available to mobile users with MMS enabled devices.

Table 7: Multimedia Messaging Service

Period	Apr-Jun 14	Jan-Mar-14	Quarterly Variation	FY 2013/14	FY 2012/13	Annual Variation
Number of MMS	2,911,317	2,497,654	16.6	10,340,701	9,723,878	10.0

Source: CA, Operators' Returns

1.4.6 Roaming Traffic

During the period under review, the volume of Roaming-out[2] voice traffic increased by 16.3per cent to stand at 9.9 million up from 8.5 million minutes recorded last quarter while Roaming- in[3] voice traffic declined by 16.7 per cent to record 10.7 million minutes. Contrastingly, during the FY 2013/14, roaming-out voice traffic declined by 6.9 per cent while roaming-in voice traffic grew by 2.1 per cent compared to FY 2012/13.

Roaming-out SMS traffic grew significantly by 62.7per cent to post 11.6 million messages up from last quarter's 7.1 million. On the other hand, roaming-in SMS demonstrated a downward trend decreasing by 33.2per cent to post 5.0 million messages.

Roaming voice and SMS traffic trends are as shown in Table 8 below.

Table 8: Roaming Traffic

Roaming Traffic	*Apr-Jun 14*	*Jan-Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Quarterly Variation (%)*
Roaming Voice Minutes Own Subscribers on Foreign Networks	9,937,857	8,544,577	16.3	43,197,128	46,376,893	-6.9
Roaming Voice Minutes Foreign Subscribers on Local Network	10,743,233	12,902,333	-16.7	44,637,429	43,725,821	2.1
Roaming SMS - Own Subscribers on Foreign Networks	11,678,054	7,176,943	62.7	40,484,134	34,964,356	15.8
Roaming SMS - Foreign Subscribers on Local Network	5,017,885	7,517,145	-33.2	27,195,353	51,215,250	-46.9

Source: CA, Operators' Returns.

Out-bound roaming voice traffic within the East African region was recorded at 7.7 million minutes while in-bound roaming voice traffic was recorded at 4.7 million minutes during the quarter.

On the other hand, out-bound roaming SMS recorded a high of 8.0 million messages whereas in-bound roaming SMS stood at 2.4 million messages during the period under review.

In-bound roaming traffic within the EA region for both voice and SMS has remained low compared to out-bound traffic. The low roaming traffic could be attributed to the high roaming charges within the EA region compared to other regions.

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[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 network.

The roaming traffic within the East African Region during the quarter is as shown in Table 9.

Table 9: Roaming Traffic within the East African Region (EA)

EAC Roaming Traffic (Apr-Jun 14)	*Rwanda*	*Tanzania*	*Uganda*	*Burundi*	*S. Sudan*	*Totals*
Roaming Voice Minutes Own Subscribers on Foreign Networks	398,981	3,697,457.13	3,568,731	43,399	85,601	7,794,169.13
Roaming Voice Minutes Foreign Subscribers on Local Network	299,777	1,721,177.62	2,159,385	21,105	594,306	4,795,750.62
Roaming SMS - Own Subscribers on Foreign Networks	394,135	2,644,563	4,452,161	34,769	487,475	8,013,103
Roaming SMS - Foreign Subscribers on Local Network	127,369	1,609,865	578,350	4,612	106,181	2,426,377

1.4.7 International Mobile Traffic

During the period under review, incoming mobile voice from the East African region declined by 10.7 per cent to post 16.3 million minutes down from 18.3 million minutes recorded last quarter. In contrast, incoming mobile voice minutes from other regions in the world recorded a high of 129.5 million minutes.

The outgoing voice traffic within East Africa grew by 3.2 per cent to record 14.8 million minutes while that to other parts of the world declined by 2.6 per cent to post 96.8 million minutes during the quarter.

On the SMS service, international incoming mobile SMS grew by 15.5 per cent to post 40.2 million messages during the quarter while international outgoing mobile SMS grew by 1.5 per cent to post 12.0 million messages as illustrated in Table 10.

Table 10: International Mobile Traffic

International Mobile Traffic and SMS	*Region*	*Apr-Jun 14*	*Jan-Mar 14*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	*EAC*	16,369,089	18,326,030	-10.7
	Others	129,506,614	125,757,622	3.0

	Total	**145,875,703**	**144,083,652**	**1.2**
International Outgoing Mobile Minutes	*EAC*	14,891,441	14,428,829	3.2
	Others	96,839,624	99,450,220	-2.6
	Total	**111,731,065**	**113,879,049**	**-1.9**
International Incoming Mobile SMS		40,249,447	34,838,753	15.5
International Outgoing Mobile SMS		12,027,122	11,847,376	1.5

Source: CA, Operators' Returns.

1.5 Mobile Revenue and Investments

In the year 2013, annual mobile revenue grew by 0.5% whereas mobile investments declined significantly by 10.2%.

Table 11: Mobile Revenue and Investment

Mobile Revenues and Investments*	***2013****	***2012****	***2011***	***2010***	***2009***	***Variation (%) Over 2012***	***Variation (%) Over 2011***	***Variation (%) Over 2010***	***Variation (%) Over 2009***
Mobile Revenue (KES Millions)	140,233	133,508	116,640	104,552	90,394	5.0	14.5	11.6	15.7
Mobile Investments (KES Millions)**	30,387	33,827	34,590	27,126	40,260	-10.2	-2.2	27.5	-32.6

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

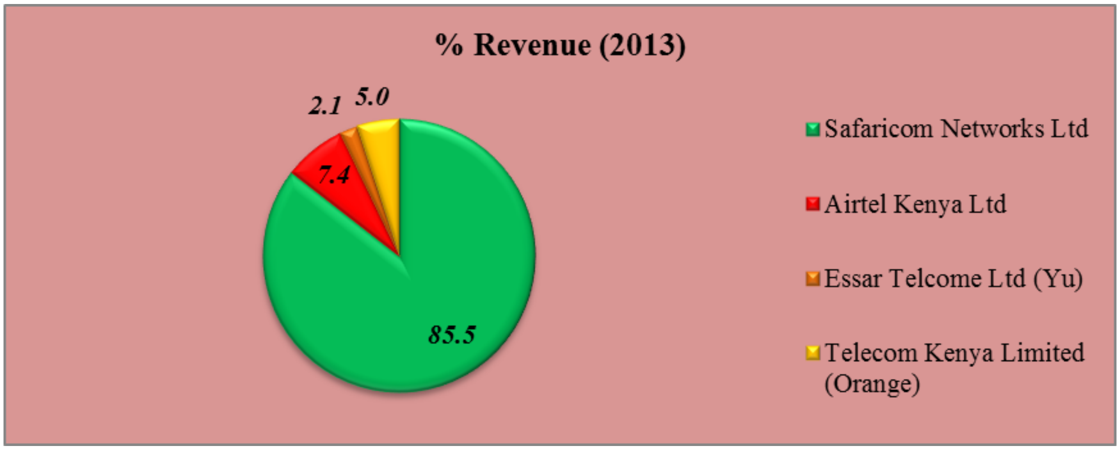
The average revenue per subscriber per month (ARPU) stood at Shs.362.40 down from Shs. 364.10 reported in the previous financial year. The average revenue per user per month for the last four years is as shown in Table 12.

Table 12: Average Revenue per User

Period	*2013*	*2012*	*2011*	*2010*
Average Revenue Per User (ARPU)	362.40.	***364.19***	***327.23***	***344.55***

Source: CA, Operators' Returns,

Figure 6: Percentage Share in Mobile Revenue



Source: CA, Operators' Returns

1.6 Employment in the Mobile Industry

As at the end of June 2014, the level of employment for both males and females in the mobile industry grew considerably by 7.4 per cent and 27.0 per cent respectively as shown in Table 13.

Table 13: Staff in Mobile Sector

Staff	*Jun-14*	*Jun-13*	*Jun-12*	*Jun-11*	*Jun-10*	*Variation (%) Over 2013*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*
Male Staff	3,795	3,535	3,489	3,769	3,817	7.4	1.3	-7.4	-8.6	147.4
Female Staff	2,644	2,082	2,053	2,058	2,052	27.0	1.4	-0.2	-0.05	110.1
Total Staff	**6,439**	**5,617**	**5,542**	**5,827**	**5,869**	**14.6**	**1.4**	**-4.9**	**-5.6**	**132.2**

Source: CA, Operators' Returns

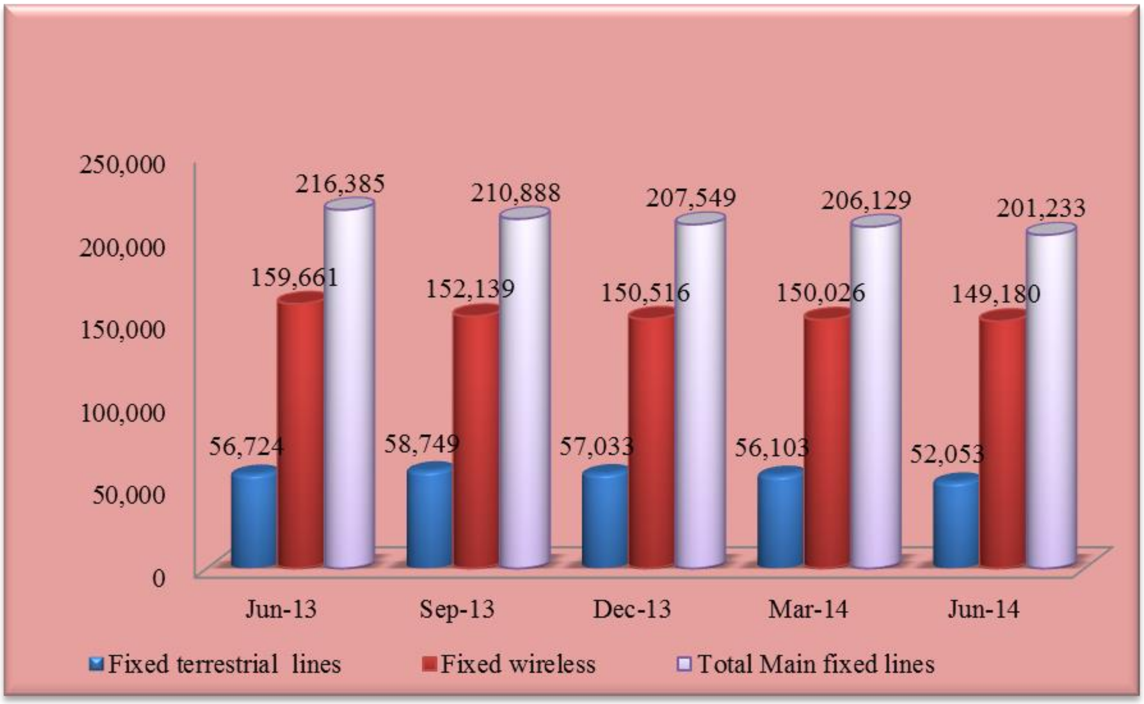
2  FIXED TELEPHONE SERVICE

2.1 Subscriptions

Fixed line subscriptions refer to all subscriptions acquired by households and businesses, both wired and wireless connections. During the quarter, the total number of fixed line subscriptions declined by 2.4 per cent to reach 201,233 subscriptions down from 206,129 recorded last quarter. Similarly, the annual variation registered a decline of 7.0 per cent.

As illustrated in Figure 7, fixed wired lines continued to shrink within the quarter under review recording 52,053 lines from 56,103 lines in the last quarter, thus a decline of 7.2 per cent. Similarly, fixed wireless subscriptions decreased by 0.6 per cent during the period to post 149,180 subscriptions.

Figure 7: Fixed Network Subscriptions



Source: CA, Operators Returns.

2.2 Fixed Network Traffic

The total fixed network traffic received a boost during the quarter to record growth of 9.4 per cent from 38.1 million minutes registered last quarter to 41.7 million minutes. Despite this overall growth, fixed-fixed network traffic declined by 14.5 per cent to reach 423,490 minutes. Annual comparisons showed a remarkable decline of 40.7 per cent.

Similarly, fixed wireless to fixed wireless traffic dropped by 5.8 per cent during the quarter to record 5.6 million minutes from 6.0 million minutes during the preceding quarter.

Fixed network to other voice networks appeared to be the overall contributor in the growth of total fixed line traffic during the quarter. This recorded growth of 12.7 per cent during the quarter to reach 35.6 million minutes from 31.6 million minutes during the last quarter. However annual comparisons showed a contrary performance decline of 20.9 per cent from 180.2 million in the 2013/12 financial year to 142.6 million minutes during the financial year under review.

Table 14 illustrates the trend in fixed network traffic.

Table 14: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	*Apr-Jun14*	*Jan-Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Annual Variation (%)*
			Intra-network traffic			
Fixed-fixed	423,490	495,290	-14.5	5,253,708	8,855,337	-40.7
Fixed Wireless-fixed wireless	5,656,295	6,004,504	-5.8	22,506,183	32,127,348	-29.9
			Inter-network traffic			
Fixed to other Networks(Network voice providers)	35,623,421	31,614,916	12.7	142,635,485	180,255,783	-20.9
Total Local Fixed network traffic	**41,703,206**	**38,114,710**	**9.4**	**170,395,376**	**221,238,468**	**-23.0**

Source: CA, Operators' Returns

International fixed traffic exhibited a downward trend during the quarter in review. Particularly, international incoming fixed traffic declined by a narrow margin of 0.2 per cent to register 3.21 million minutes down from 3.22 million minutes posted last quarter.

Similarly, international outgoing fixed traffic recorded 3.6 million minutes from 3.9 million minutes posted during the previous quarter, representing a decline of 5.8 per cent during the period. However, the annual traffic grew by 4.2 per cent to stand at 16.4 million minutes.

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

Table 15: Fixed Network International Voice Traffic

Fixed Network Subscription	*Apr-Jun*	*Jan-Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	3,214,249	3,222,199	-0.2	14,444,467	13,684,619	5.6
International Outgoing Fixed Network Voice traffic	3,696,437	3,923,754	-5.8	16,457,407	15,787,664	4.2
International Outgoing Fixed Network VoIP traffic	1,877,737	2,193,476	-14.4	8,499,889	7,883,704	7.8

Source: CA, Operators Returns.

3 DATA AND INTERNET SERVICE

3.1 Internet/Data Service

The number of data/internet subscriptions grew by 5.0 per cent during the quarter to record 14.0 million subscriptions up from 13.3 million recorded last quarter. Compared to the last financial year, data/ internet subscriptions grew by 12.9 per cent in the 2013/14 financial year.
Access to data/internet through the mobile phones and tablets maintained an upward trend within the quarter under review recording 5.1 per cent growth to stand at 13.9 million subscriptions. Furthermore, mobile data/internet subscriptions accounted for 99 per cent of the total subscriptions.

The growth in data/internet subscriptions is indicated in Table 16.

Table 16: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Jun 14*	*Mar 13*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Annual Variation (%)*
Total Internet Subscriptions	**14,030,036**	**13,356,415**	**5.0**	**14,030,036**	**12,432,308**	**12.9**
Mobile Data/Internet Subscriptions	13,930,694	13,257,309	5.1	13,930,694	12,340,005	12.9
Terrestrial Wireless Data/Internet Subscriptions	17,169	16,540	3.8	17,169	21,282	-19.3
Satellite Data/Internet Subscriptions	646	700	-7.7	646	1,278	-49.5
Fixed DSL Data/Internet Subscriptions	12,129	12,547	-3.3	12,129	11,512	5.4
Fixed Fibre Optic Data/Internet Subscriptions	69,373	69,377	0.0	69,373	58,197	19.2
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.0
Total Internet Users[4]	**22,319,684**	**21,679,309**	**3.0**	**22,319,684**	**19,654,925**	**13.6**

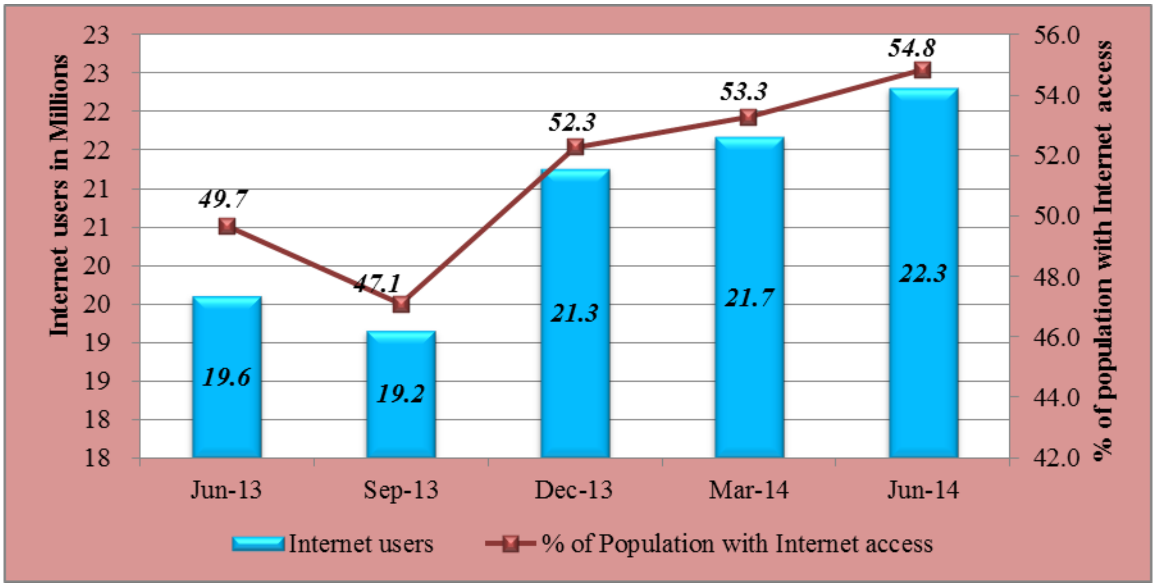
Source: CA, Operators' Returns

Similar to the growth pattern observed in the number of data/internet subscriptions during the quarter, the number of estimated internet users rose to 22.3 million up from 21.6 million recorded during the last quarter. Similarly, the proportion of the population that had access to the internet increased by 1.5 per cent to reach 54.8 per cent from 53.3 per cent posted in the previous quarter.
Compared to FY 2012/13, FY 2013/14 posted a 13.6 per cent increase in subscriptions.

The growth in internet access is illustrated in Figure 8.

[4]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, fiber optic and satellite subscriptions. There is no scientific method of estimating Internet users; for the purpose of this report the methodology adopted is borrowed from the Internet Market Study 2006. The multiplier of 2 for mobile data/Internet users has been adjusted to1 as per the ITU recommendations.

Figure 8: Estimated Number of Internet Users and Internet Penetration

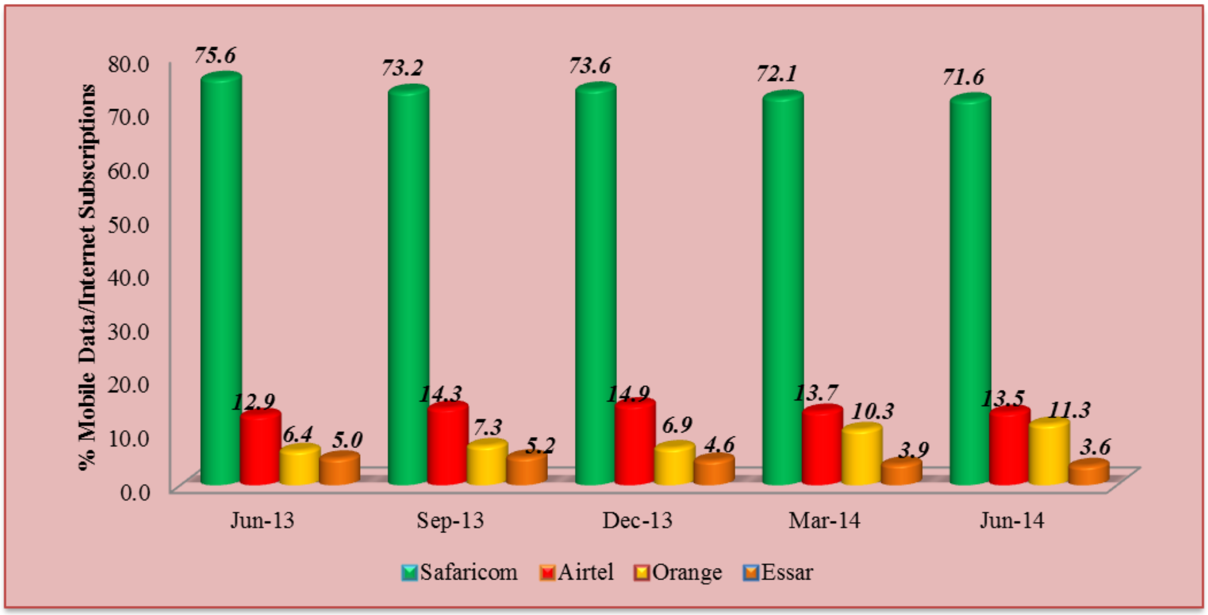


Source: CA, Operators' Returns.

Analysis of the mobile data/internet subscriptions showed that, Safaricom Limited, Airtel Networks and Essar Telecom lost their market shares while Telkom Kenya (Orange) gained.

The market shares for mobile data/Internet market by operator are shown in Figure 9.

Figure 9: Mobile data/internet subscription by operator



Source: CA, Operators' Returns

As indicated in Table 17, the market shares for the operators on fixed/wireless data/internet did not experience any significant change from the previous quarter.
The market shares for the top10 operators are shown in Table 17.

Table 17: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	*Jun 14*	*Market Share (%)*	*Mar 14*	*Market Share (%)*
Wananchi Telecom Limited	44,254	44.5	44,254	44.7
Liquid Telecom Limited	17,850	18.0	17,600	17.8
Telkom Kenya Limited	11,714	11.8	11,524	11.6
*Access Kenya Limited**	11,502	11.6	11,360	11.5
Safaricom Limited	7,222	7.3	7,020	7.1
Jamii Telecommunication Limited	2,574	2.6	2,574	2.6
Iway Africa	1,541	1.6	1,923	1.9
Mobile Telephony Networks Limited	1,373	1.4	1,372	1.4
Call Key Networks Limited	547	0.6	547	0.6
Tangerine Limited	248	0.2	280	0.3
Other fixed/Terrestrial wireless operators	517	0.5	652	0.7

Source: CA, Operators' Returns, * Data used for Jan-Mar 14

3.2 Broadband Service

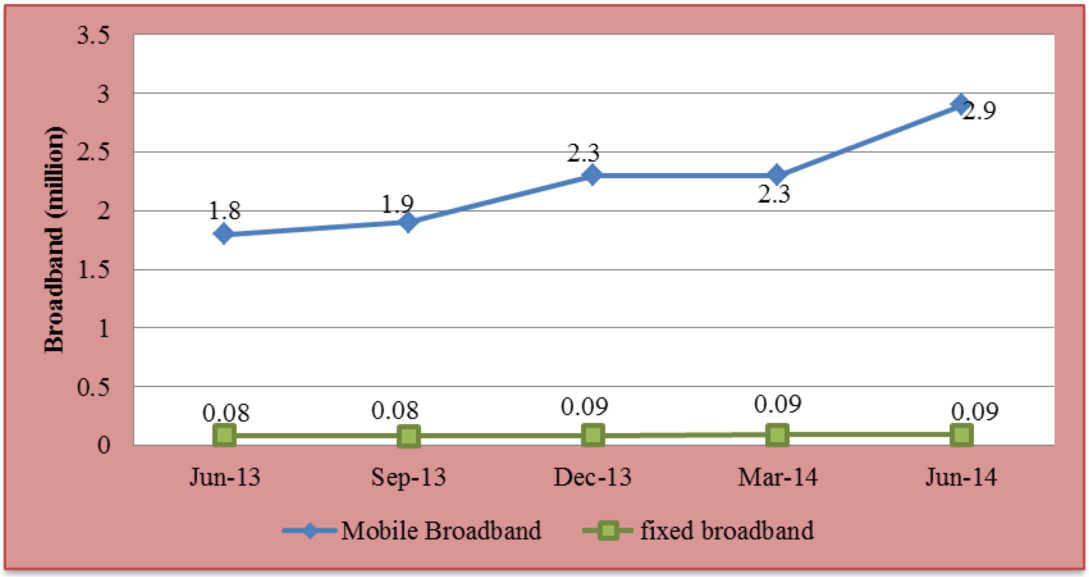
The number of broadband subscriptions has continued to record an upward trend even though this is primarily boosted by mobile handsets with enhanced 3G capability as well as modems.

3.2.1 Data / Internet broadband subscriptions

During the quarter under review 2.9 million mobile broadband subscriptions were recorded up from 2.3 million registered during the previous quarter.

Other fixed/wireless broadband subscriptions lines have remained unchanged at 90,000 for the last three quarters as illustrated in Figure 10.

Figure 10: Broadband Subscriptions

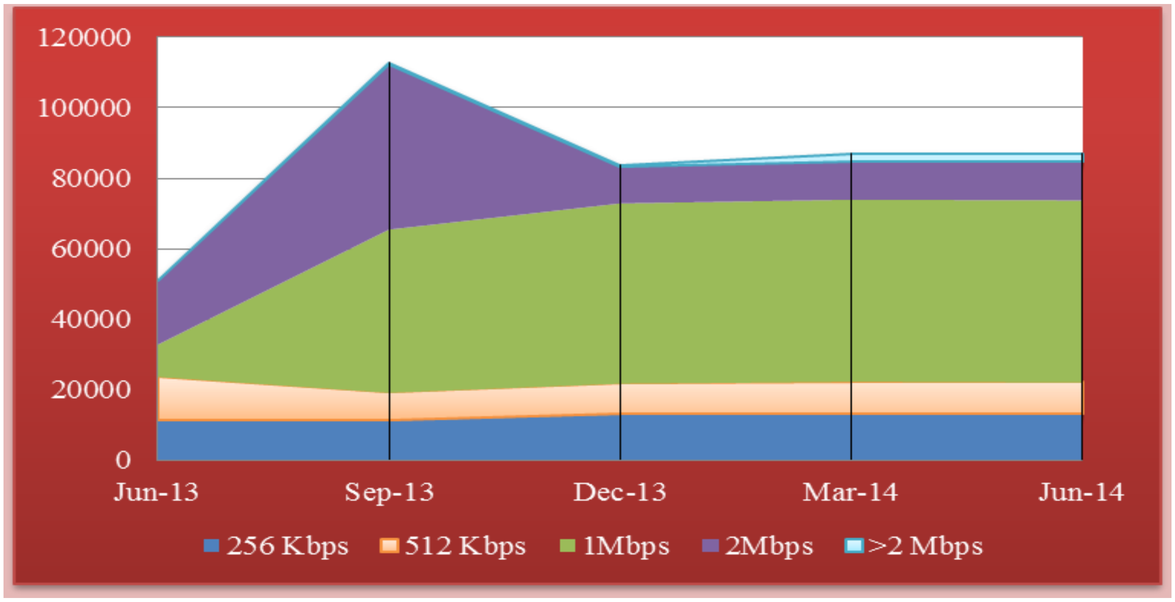


Source: CA, Operators' Returns

3.2.2 **Fixed/wireless broadband subscriptions by Speed**

The fixed/wireless broadband subscriptions have been categorized according to advertised speeds by the telecom operators from the network to user. As illustrated in Figure 11, the 1Mbps speed is the most popular among the users. Between June and September 2013, 2Mbps speed increased considerably but plateaued from December 2013 to June 2014.

Figure 11: Broadband Subscriptions by Speed



Source: CA, Operators' Returns.

3.3 International Bandwidth

There was a marginal decline of 2.1 per cent in the total available bandwidth in the country during the quarter under review to register 847,464 Mbps from 865,714 Mbps posted last quarter. This decline was contributed by the reported decrease in capacity by Sea Submarine Communications Limited (SEACOM) during the period.

As has been the trend, satellite capacity continued to record mixed growth with the quarter under review witnessing a decline of 4.1 per cent to reach 214.4 Mbps. The trend on international Internet available bandwidth is shown in Table 18.

Table 18: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Jun 14*	*Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Annual Variation (%)*
SEACOM	565,440	583,680	-3.1	565,440	578,400	-2.2
TEAMS	119,970	119,970	0.0	119,970	101,990	17.6
Telkom Kenya Limited (EASSY)	120,880	120,880	0.0	120,880	122,880	-1.6
Lion 2	40,960	40,960	0.0	40,960	40,960	0.0
VSAT	214.4	223.6	-4.1	214.4	253	-15.3
Total International Internet Bandwidth (Mbps)	**847,464.4**	**865,714**	**-2.1**	**847,464.4**	**844,483.0**	**0.4**

Source: CA, Operators' Returns

The decline in total available capacity affected the trend in used capacity that dropped by 2.5 per cent during the quarter to record 436,006.4 Mbps from 447,067 Mbps recorded last quarter. Annual comparisons however, presented a different performance with an increase of 22.2 per cent being observed for the FY 2013/14.

The undersea used capacity declined by 2.5 per cent to post 435,820Mbps in the quarter under review. However, there was growth of 22.2 per cent during the FY 2013/14. Satellite used capacity on the other hand increased marginally by 0.4 per cent but declined by 10.7 per cent during the 2013/14 financial year.

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

Table 19: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Jun 14*	*Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Quarterly Variation (%)*
International Undersea Internet Connectivity Bandwidth (Mbps)	435,820	446,865	-2.5	435,820	356,655	22.2
International Satellite Internet Connectivity Bandwidth	196.4	195.6	0.4	196.4	219.95	-10.7
Total International Internet Connectivity Bandwidth (Mbps)	**436,016.4**	**447,061**	**-2.5**	**436,016.4**	**356,875**	**22.2**

Source: CA, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

The revenues for data/internet market have been on an upward trend between 2009 and 2012. However a decline of 14.4 per cent was recorded between 2012 and 2013.

Investments too declined in 2013 by 42.2 per cent to record 3.5 billion shillings from 6.1 billion shillings recorded in 2012.

The revenues and investments for data/internet market are shown in Table 20.

Table 20: Data/Internet Revenue and Investment

*Data/Internet Revenue and Investments**	*2013*	*2012*	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*
Data/Internet Revenue (KES Millions)	21,941	25,627	13,710	8,659	7,937	-14.4	86.9	58.3	9.1
Data/Internet Investments (KES Millions)	3,537	6,115	5,079	3,520	2,721	-42.2	20.4	44.3	

Source: CA, Operators' Returns. * Note that revenue in data market includes data revenues from mobile sector.

3.5 Employment in the Data/Internet Market

The total number of staff employed in the data/internet market was registered at 6,237 by end of June 2014. This was a 6.5 per cent decline from what was recorded in the previous financial year The trend in employment in data/internet market is shown in Table 21.

Table 21: Employment in the Data/Internet Market

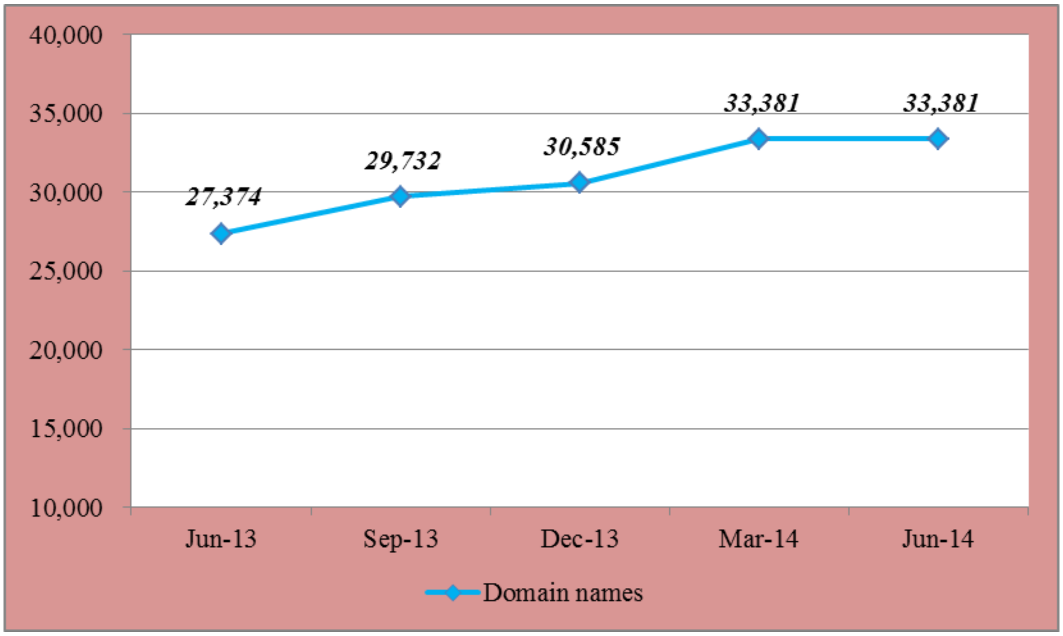
Staff	June-14	Jun-13	Jun-12	Jun-11	Jun-10	% Change over Jun-13	% Change over Jun-12	% Change over Jun-11	% Change over Jun-10
Male staff	4,022	4,234	4,658	4,947	4,595	-5.0	-9.1	-5.8	1.4
Female staff	2,215	2,437	2,496	2,535	2,415	-9.1	-2.4	-1.5	3.4
Total staff	**6,237**	**6,671**	**7,154**	**7,482**	**7,010**	**-6.5**	**-6.8**	**-4.4**	**2.1**

Source: CA, Operators' Returns

4 ELECTRONIC TRANSACTIONS

The number of domain names is as illustrated in Figure 12.

Figure 12: Domain Names registration



Source: CA, Kenya Network Information Centre (KeNIC) *June 2014 Provisional

5 BROADCASTING

During the quarter under review, news, discussions and drama formed a larger proportion of local content while content on movies and music remained largely foreign. Table 22 illustrates percentage of program content for both TV and Radio.

Table 22: Per centage program content (Both TV and Radio)

Program Content	*Internally (Local) Produced (%)*	*Third Party Produced (%)*	*Foreign (%)*
Music	22.3	7.5	70.2
Drama/Plays	56.8	13.1	30.1
Movies	4.3	9.4	86.3
News	75.9	3.7	20.4
Documentaries	33.5	24.1	42.4
Discussions	81.2	6.7	12.1

Source: CA, Operators' Returns

6  POSTAL AND COURIER SERVICE

6.1 Postal and Courier Traffic

The postal and courier sub-sector maintained a downward trend during the period under review with the number of letters posted locally declining by 29.8 per cent to register 11.8 million letters down from 16.8 million letters recorded last quarter. The 2013/14 financial year recorded a low of 59.1 million letters.

The number of courier items sent expanded substantially by 96.3 per cent to reach 937,619 items up from 477,526 sent last in the quarter. During the 2013/14 financial year, courier traffic considerably grew by 72.8% to stand at 2.6 million items. This growth could be attributed to the increasing uptake of e-commerce which has seen more Kenyans transact online and have goods delivered through courier services.

Letters coming into the country grew marginally by 0.1 per cent to record 2.4 million letters. However, the volume of letters received during the 2013/14 financial year declined by 12.1% compared to the last financial year.

International outgoing letters reached 761,315 during the quarter representing a 6.3 per cent drop. Similarly, during the FY 2013/14 a decrease of 36.8 per cent was realised after posting 3.7 million letters down from 5.9 million letters sent in the previous financial year.

The postal and courier traffic is shown in Table 23.

Table 23: Postal and Courier Traffic

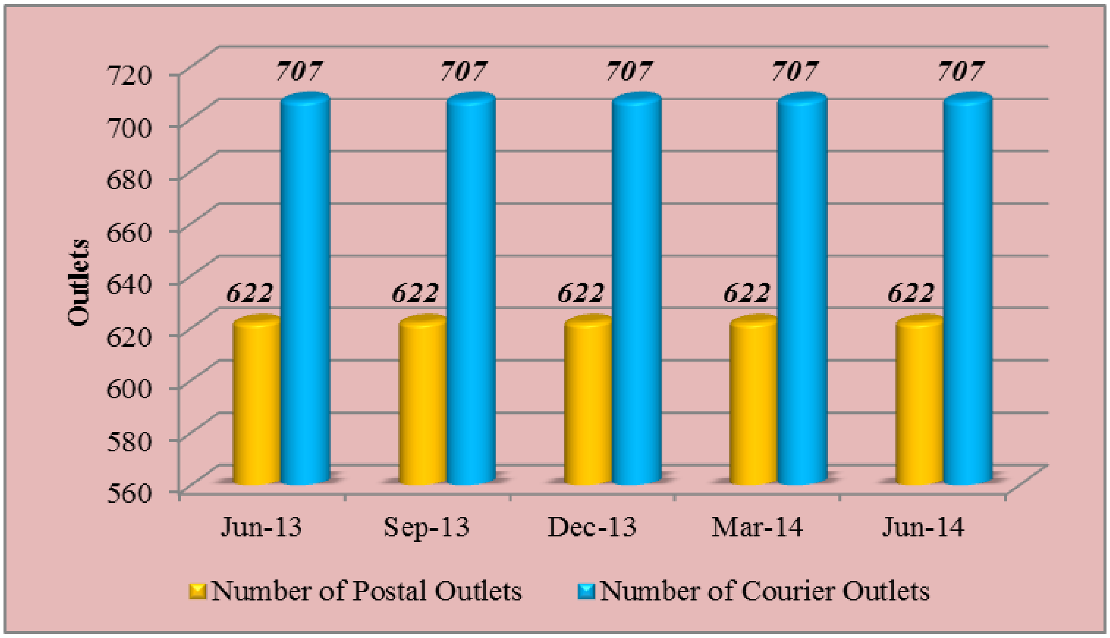
Post and Courier Traffic	*Apr-Jun14*	*Jan-Mar 14*	*Quarterly Variation (%)*	*FY 2013/14*	*FY 2012/13*	*Annual Variation (%)*
Number of Letters (Up to 350 gms) Posted Locally	11,819,633	16,846,228	-29.8	59,135,509	65,995,811	-10.4
Total Courier Items Sent Locally	937,619	477,526	96.3	2,627,029	1,520,082	72.8
International Incoming Letters (Up to 350 gms)	2,464,762	2,461,791	0.1	9,741,079	11,082,615	-12.1
International Outgoing Letters (Up to 350 gms)	761,315	812,923	-6.3	3,752,745	5,936,997	-36.8

Source: CA, Operators' Returns.

6.2 Number of Postal and Courier Outlets

As shown in Figure 13, the number of postal and courier outlets has not changed during the financial year.

Figure 13: Number of Postal Outlets



Source: CA, Operators' Returns.

6.3 Postal and Courier Revenue and Investments

The total revenues in the postal and courier sector dropped by 5.1 per cent during the 2013/14 Financial year to post 7Billion shillings compared to 7.4billion in posted in the 2012/13 Financial Year.

Investments in the postal and courier sector increased by 33.1 per cent in 2013 to reach 519 million shillings up from 390 million shillings in 2012 as indicated in Table 24.

Table 24: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	*2013**	*2012*	*2011*	*2010*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*
Revenue (KES Millions)	7,086	7,467	11,793	10,694	-5.1	-36.7	11.0
Investments (KES Millions)	519	390	504	672	33.1	-22.6	-25.0

Source: CA, Operators' Returns,

6.4 Employment in the Postal and Courier Sector

As illustrated in Table 25, 61.6 males were employed in the Postal and Courier sector compared to 38.4 females during the quarter under review.

Table 25: Postal and Courier Staff

Staff	*Jun-14*	*Jun-13*	*Jun-12*	*Jun-11*	*Jun-10*	*% Change Over Jun-13*	*% Change Over Jun-12*	*% Change Over Jun-11*	*% Change Over Jun-10*	*% Change over Jun-09*
Male staff	4,018	3,033	2,604	3,387	3,401	32.5	16.5	-23.1	-23.4	1
Female staff	2,499	2,515	2,296	2,333	2,463	-0.6	9.5	-1.6	-6.8	-7.1
Total staff	6,517	5,548	4,900	5,720	5,864	17.5	13.2	-14.3	-16.4	-3

Source: CA, Operators' Returns.

7 CONCLUSION

The ICT sector has continued to exhibit mixed growth with some services recording growth while others decline. In mobile telephony, the number of subscriptions increased while mobile traffic declined. The continued expansion of 3G services is expected to enhance growth in the sector with technological innovations presenting platforms for a myriad of services, thus increasing the growth prospect of the sector.

The upward trend in Data/Internet market is likely to continue as mobile operators continue expanding their networks thereby attracting more internet users. Furthermore, the increasing fibre optic roll out is likely to boost internet access in the country.

The postal and courier sector continued to record a decline in letter volumes. However, the courier sub-sector continued to show growth indicating that players in this sector can diversify their services and also capitalize on the nascent electronic commerce industry in the country.