
Lives

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ACRONYMS AND ABBREVIATIONS

2G	Second Generation
3G	Third Generation
4G	Fourth Generation
AFRALTI	African Advanced Level Telecommunications Institute
AIDS	Acquired Immune Deficiency Syndrome
ARICEA	Association of Regulators of Information and Communications for Eastern and Southern Africa
ASK	Agricultural Society of Kenya
ASP	Application Service Provider
ATU	African Telecommunications Union
BPO	Business Process Outsourcing
BTTF	Broadcasting Technical Task Force
BUC	Block Up Converter
BTS	Base Transmitter Stations
CAP	Chapter
CB	Citizen Band
CCK	Communications Commission of Kenya
CIIP	Critical Information Infrastructure Protection
CIRT	Computer Incident Response Team
CPI	Consumer Price Index
CPA	Consumer and Public Affairs
CS	Commission Secretary
CSP	Content Service Providers
CSR	Corporate Social Responsibility
CTMA	Competition, Tariffs and Market Analysis
CTO	Commonwealth Telecommunications Organization
dBm	Decibels (dB) measurement (m)
DCNO	Data Carrier Network Operator
DG	Director General
DMP	Dominant Market Power
DR	Disaster Recovery
DSL	Digital Subscriber Line
DTC	Digital Television Committee
DTT	Digital Terrestrial Television
DVB-T2	Digital Video Broadcast – Terrestrial 2nd Generation
EAC	East African Community
EACO	East African Communications Organization
EASSy	East African Sub-marine Cable System
EDGE	Enhanced Data Rates for GSM Evolution

F&A	Finance and Accounts
FSM	Frequency Spectrum Management
FTR	Fixed Termination Rate
FWA	Fixed Wireless Access
GAAP	Generally Accepted Accounting Practice
Gbps	Giga Bits Per Second
GDP	Gross Domestic Product
GHz	Giga Hertz
GIXP	Government Internet Exchange Point
GMPCS	Global Mobile Personal Communications by Satellite Service Providers
GPRS	General Packet Radio Service
GSM	Global System For Mobile Communication
GSR	Global Symposium for Regulators
HF	High Frequency
HIV	Human Immuno-deficiency Virus
HPA	High Power Amplifier
HCA	Human Capital and Administration
HSPA	High Speed Packet Access
RMIA	Risk Management and Internal Audit
IASs	International Accounting Standards
IBGO	Internet Backbone and Gateway Operator
ICANN	Internet Corporation for Assigned Names and Numbers
ICT	Information and Communications Technology
IGF	Internet Governance Forum
IGS	International Gateway Systems and Services
IMIS	Management Information System
IP	Internal Protocol
ISO	International Organization for Standardization
IT	Information Technology
ITU	International Telecommunication Union
EACC	Ethics and Anti-Corruption Commission
KCCT	Kenya College of Communications Technology
KE-CIRT/CC	Kenya national Computer Incident Response Team/Co-ordination Centre
KECOSO	Kenya Communications Sports Organization
KENIC	Kenya Network Information Centre
KES	Kenya Shilling
KICA	Kenya Information and Communications Act, Cap 411A
KNLS	Kenya National Library Services
KPIs	Key Performance Indicators

LA	Legal Affairs
LAN	Local Area Network
LCS	Licensing, Compliance and Standards
LLOs	Local Loop Operators
LTE	Long Term Evolution
Mbps	Mega Bits Per Second
MHz	Mega Hertz
MNDC	Mobile National Destination Codes
MOS	Mean Opinion Score
MOU	Minutes of Use
MoU	Memorandum of Understanding
MTR	Mobile Termination Rate
NACADAA	National Campaign Against Drug Abuse Authority
NACC	National Aids Control Council
NCPWDs	National Council for Persons with Disabilities
NFP	Network Facility Provider
NFP T1	Network Facility Provider Tier 1
NFP T2	Network Facility Provider Tier 2
NFP T3	Network Facility Provider Tier 3
NGN	Next Generation Networks
NPC	National Preparatory Committee
PAPU	Pan African Postal Union
PBXs	Private Branch Exchanges
PCK	Postal Corporation of Kenya
PDNO	Public Data Network Operator
PKI	Public Key Infrastructure
POC	Postal Operations Council
PROC	Procurement
PRS	Premium Rate Services
PSTN	Public Switched Telephone Network
PWDs	Persons with Disabilities
QMS	Quality Management System
QoS	Quality of Service
RxLev	Received Signal Level
SCR	Submarine Cable Landing Rights
SEACOM	Sea Submarine Communications
SHF	Super High Frequency
SMS	Short Message Service
MMS	Multimedia Services

SSA	Sub-Saharan Africa
Tbps	Tera Bits Per Second
TEAMS	The East African Marine System
TEC	Telecommunications Contractors
TEV	Telecommunications Vendors
TKL	Telkom Kenya Limited
TNA	Training Needs Assessment
TP	Technical Personnel
TV	Television
UCC	Uganda Communications Commission
UDPK	United Disabled Persons of Kenya
UHF	Ultra High Frequency
UK	United Kingdom
ULF	Unified Licensing Framework
UPU	Universal Postal Union
USD	United States Dollar
USF	Universal Service Fund
VAS	Value Added Services
VHF	Very High Frequency
VoIP	Voice over Internet Protocol
VSAT	Very Small Aperture Terminal
WIMAX	Worldwide Interoperability for Microwave Access
WRC-12	World Radio Conference 2012
WSIS	World Summit on the Information Society
WTDC	World Telecommunications Development Conference


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ACKNOWLEDGEMENT

The Commission acknowledges and appreciates the hard work that went into developing this Annual Report. In this regard, the Commission wishes to thank the following individuals for their dedication, commitment and professionalism in developing this Annual Report.

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Mr. Joseph Nzano

M/s Hazel King'ori

M/s Florence Keino

Mr. Michael Kibukosya

M/s Lyn Cherono

The Commission also wishes to acknowledge the role played by the Consumer and Public Affairs department in co-ordinating the editing, design and production of this Annual Report.

BOARD OF DIRECTORS

Ben N. Gituku
Chairman

Francis W. Wangusi
Director General

Joseph Tiampati
Principal Secretary, Ministry of Information, Communications and Technology

Mutea Iringo
Principal Secretary, Interior and Co-ordination of National Government

Dr. Kamau Thugge
Principal Secretary, National Treasury

Beatrice O. Opee
Director

Francis O. Ngesa
Director

Dr. Monica Kerretts-Makau
Director

Aloys O. Ang'asa
Director

BOARD OF DIRECTORS

Peter L. Simani
Director

Samuel K. Rutto
Director

Amb. Bruce Madete
Alternate Director, Ministry of Information, Communications and Technology

Christopher Kimani
Alternate Director, Interior and Co-ordination of National Government

John Omo
Secretary to the Board

Dr. Bitange Ndemo
Permanent Secretary, Ministry of Information,Communications and Technology
Retired

Eng.Philip O. Okundi, EBS, HSC
Chairman
Retired

Kariithi Njogu
Director
Retired

Joseph Kinyua
Permanent Secretary, Treasury
Retired

PROFILES OF THE CCK BOARD OF DIRECTORS

MR. NGENE B. GITUKU – CHAIRMAN

Mr. Ngene B. Gituku is the Chairman of the Board of Directors of the Communications Commission of Kenya. He was appointed to the position on 14th September 2012 for a three-year term. He was first appointed to the Commission's Board on 6th February 2012 as a Board Director. Mr. Gituku holds a BSc. in Mathematics and Meteorology from the University of Nairobi and a Diploma in Marketing.

MR. FRANCIS W. WANGUSI –DIRECTOR GENERAL

Mr. Francis W. Wangusi is the Director-General and Chief Executive Officer of the Communications Commission of Kenya (CCK). He holds a Master of Space Science (Satellite Communications) from the International Space University, France, and a Bachelor of Technology (Telecoms Engineering) from the University of Rome, Italy. He holds a Chartered Engineering Certificate from the Engineering Council, United Kingdom. Mr. Wangusi was appointed to the position on 21st August 2012.

MR. JOSEPH TIAMPATI– BOARD DIRECTOR

Mr. Joseph Tiampati is the Principal Secretary in the Ministry of Information, Communications and Technology. He holds a Master of Business Administration from Maastricht University and a Bachelor of Science (Mathematics) Degree from the University of Nairobi. He joined the CCK Board after being appointed the Principal Secretary in the Ministry on 27th June 2013.

MR. MUTEA IRINGO, EBS – BOARD DIRECTOR

Mr. Mutea Iringo is the Principal Secretary in the Ministry of Interior and Co-ordination of National Government. He holds a Master's degree in International Studies and a Bachelor Degree from the University of Nairobi. He joined the CCK Board after being appointed the Permanent Secretary in the Ministry of State for Provincial Administration and Internal Security in acting capacity on 29th January 2012. Mr. Iringo was re-appointed the Principal Secretary in the Ministry on Interior and Co-ordination of National Government on 27th June 2013.

DR. KAMAU THUGGE - BOARD DIRECTOR

Dr. Kamau Thugge is the Principal Secretary in the Ministry of National Treasury. He holds a PhD in Economics from the John Hopkins University. He joined the CCK Board after being appointed the Principal Secretary in the Ministry on 27th June 2013.

MS. BEATRICE O. OPEE – BOARD DIRECTOR

Ms Opee holds a MSc. in Telecommunications from the State University of New York Institute of Technology (SUNYIT), United States of America (USA), and a BSc. in Computer Science from Middle Tennessee State University. She joined the CCK Board on 12th February 2012 for a three-year term.

MR. FRANCIS O. NGESA– BOARD DIRECTOR

Mr. Francis Ngesa holds a Master of Arts (Economics), Bachelor of Philosophy (Economics) and Bachelor of Education in Economics. Mr. Ngesa was appointed to the CCK Board on 22nd May 2013 for a three-year term.

DR. MONICA KERRETTS-MAKAU – BOARD DIRECTOR

Dr. Monicah Kerretts-Makau holds a PhD in Policy and Regulation with specialization in the telecommunications sector from the University of New South Wales, Sydney, Australia; MSc. in Business and Information Technology from Salford University – Greater Manchester in the UK, and a B.A in Communications (Major) Cum Laude Honours from Daystar University, Kenya. She was appointed to the CCK Board on 21st February 2011 for a three-year term.

MR. ALOYS .O. ANG'ASA – BOARD DIRECTOR

Mr. Ang'asa holds a B.Ed (Economics) and MSc. (Agricultural Economics) from the University of Nairobi. He has worked in the ICT sector in various capacities for over 30 years and was appointed to the CCK Board on 21st February 2011 for a three-year term.

MR. PETER LDHITUACHI SIMANI - BOARD DIRECTOR

Mr. Peter Ldhituachi Simani holds a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law and a Certificate of Proficiency in French. He is a member of the Law Society of Kenya (LSK), Commonwealth Lawyers Association, International Bar Association, International Commission of Jurists and the Association of European Lawyers. He was appointed to the CCK Board on 21st February 2011 for a three-year term.

MR. SAMUEL K. RUTTO – BOARD DIRECTOR

Mr. Samuel K. Rutto holds a Master of Business Administration (MBA) in Management Information Systems from the University of Nairobi and a Bachelor's degree in Telecommunication and IT from Kenyatta University. He also possesses PC Engineering A+ and Networking N+ Certification. He was appointed to the CCK Board on 18th December 2012 for a three-year term.

AMB. BRUCE MADETE, MBS – ALTERNATE BOARD DIRECTOR

Amb. Madete is the Senior Director of Administration in the Ministry of Information, Communications and Technology. He holds a Bachelor of Arts (B.A) Honours in Government and Linguistics from the University of Nairobi. His post-graduate studies include a District Officer's Paramilitary Course, Advanced Public Administration, Management of Information Systems and Strategic Leadership and Management. He was appointed as the Alternate Director to the Permanent Secretary in the Ministry of Information and Communications on 25th April 2012.

MR. CHRISTOPHER KARIUKI - ALTERNATE BOARD DIRECTOR

Mr. Joseph Kariuki is the Chief Financial Officer in the Ministry of Interior and Co-ordination of National Government and Alternate to the Principal Secretary in the Ministry. He holds a Bachelor of Education from the Kenyatta University and an MBA in Finance from the University of Canberra, Australia. He was appointed alternate director on 26th August, 2011.

MR. JOHN OMO – SECRETARY TO THE BOARD

Mr. John Omo holds a Master of Laws degree from the University of Sheffield, UK, and a Bachelor's degree in Law from the University of Nairobi. He is the Commission's Secretary and Head of the Legal Affairs Department at CCK.

DR. BITANGE NDEMO, EBS – BOARD DIRECTOR

Dr. Bitange Ndemo was the Permanent Secretary in the Ministry of Information and Communications (MoIC) until 26th June 2013. He holds a Doctor of Philosophy Degree (PhD) in Industrial Economics from the University of Sheffield in the United Kingdom, a Master of Business Administration and Bachelor Degree in Finance and Accounting from the University of Minnesota.

HON. ENG. PHILIP O. OKUNDI, EBS, HSC – CHAIRMAN OF THE BOARD

Hon. Eng. Philip O. Okundi was the Chairman of the Board of Directors of the Communications Commission of Kenya from 31st October 2008 to 3rd September 2012. He holds a Msc. in Telecommunications Systems Engineering from the University of Essex and a BSc. in Electrical and Telecommunications Engineering from the University of Westminster. He is a fellow of the Institution of Engineers of Kenya and the United Kingdom and a registered Engineer and a Chartered Electrical Engineer (UK).

MR. KARIITHI NJOGU – BOARD DIRECTOR

Mr. Kariithi holds two MSc. degrees in Human Biology and in Management and Organization Development from Loughborough University of Technology in the UK. He joined the Board on 1st October 2006 and served two terms. His term expired on 30th September 2012.

MR. JOSEPH KANJA KINYUA, CBS - BOARD DIRECTOR

Mr. Joseph K. Kinyua was the Permanent Secretary in the Ministry of Finance until 26th June 2013. He holds a Bachelor and Master's degree in Economics from the University of Nairobi.

"The Commission prepared its 3rd Strategic Plan 2013-18 which is aligned to the *Vision 2030, 2nd Medium Plan (MTP II)*, and National Government objective of transforming Kenya into a leading information and knowledge economic hub in the region."

Ben N. Gituku – CHAIRMAN

CHAIRMAN'S OVERVIEW

On behalf of the Board of Directors, Management and Staff of the Communications Commission of Kenya, I am happy to present to you the Commission's Annual Report for the year ended 30th June 2013 as required under section 22 (1) of the *Kenya Information and Communications Act, CAP 411A*.

The Commission operates with a dual mandate of regulation and enhancement of the capabilities of the ICT sector. Cognizant of our tasks and challenges, we rose to the occasion to deliver on several substantive issues falling within our purview.

Kenya's *Vision 2030* singles out ICT as a critical enabler of socio-economic development. In particular, the ICT sector has the potential of revolutionizing the country's development through digital information communicated quickly and securely across the social strata, through technologies that facilitate interactions and transactions across the digital economy. With this understanding, the Commission continued to implement three *Vision 2030* Core Flagship Projects – transition from analogue to digital television broadcasting, facilitating access to ICT services and the Kenya Computer Incident Response Team/Co-ordination Centre (KE-CIRT/CC).

Under the digital migration project, the Commission carried out consumer awareness programmes, issued temporary authorizations for broadcasting content service providers, re-planning of Digital Dividend (DD) and cross-border co-ordination of the TV broadcasting frequencies with the neighbouring countries.

With regard to facilitating access to ICT services, the Commission in consultation with key stakeholders developed the National Broadband Strategy (NBS) that will guide the development of broadband infrastructure and connectivity, content applications and innovations, and capacity building and awareness. The Strategy lays the foundation for the transformation of Kenya into a knowledge-based economy driven by a high-capacity nationwide broadband.

The Commission facilitated the roll-out of two *Vision 2030* high priority projects of deployment of the Persons with Disabilities (PwD) web portal and inspection and monitoring of the four undersea fibre optic cables and supported capacity building in the ICT sector. The portal created opportunities for PwDs by enabling access to relevant information and content.

As electronic business increasingly becomes an essential element of our economic endeavours, there is an urgent need for trusted electronic credentials. The Commission was involved in activities aimed at laying the foundation of the Public Key Infrastructure (PKI) for enhanced online security. The KE-CIRT/CC and the PKI are expected to protect the country's cyber space, and provide a trusted environment over open Internet networks with the overall benefit being accelerated growth of electronic commerce and enhanced national competitive edge.

We have also sought to pro-actively address other important issues. Mindful of the dynamic nature of technology, the Commission has always endeavoured to implement best practices in spectrum management. A more efficient allocation of radio frequencies should spur the deployment of new technologies and services that will inevitably enhance business and present a variety of services to consumers.

It is also important to point out that as regulators we tend to operate against a backdrop of other concerns that affect our operations in various aspects. For instance, the recent financial crisis and subsequent worldwide economic turmoil presented a tough responsibility to regulators. Nevertheless, with accountability and integrity, we have weathered the tough economic times and still managed to discharge our functions throughout the past financial year.

That the consumer still benefited from reduced tariffs while service providers posted healthy financial results across the sector is evidence of the soundness of our efficient regulatory framework. The Determination No. 2 of 2010 on Interconnection Rates for Fixed and Mobile Telecommunications Networks which considerably lowered the cost of telephone calls, both for fixed-line and mobile services, continued to stimulate competition in the market. In addition, mobile operators have responded favourably to opportunities arising from our regulatory measures to launch new mobile value-added services aimed at different market segments.

While we, at the Commission, note with satisfaction that the competition we have endeavoured to introduce into the sector is working for the consumer and citizen interest, we also recognize that much remains to be done to overcome service and access gaps in the country. With this understanding, the Commission developed the USF implementation framework and strategy that shall guide the roll-out ICT services country-wide.

In meeting its Universal Access mandate, the Commission continued to implement universal access projects on a pilot basis in various parts of the country with a view to bridging the digital divide and promoting access to ICT services.

The Commission prepared its 3rd Strategic Plan 2013-18 which is aligned to the *Vision 2030, 2nd Medium Plan (MTP II)*, and National Government objective of transforming Kenya into a leading information and knowledge economic hub in the region. The Plan is founded on four key Pillars that will transform the Commission from a sector regulator into a facilitator: Providing an Enabling Environment for ICT Development, Enhancing and Modernizing the Commission's Institutional Capacity, Facilitating Sector

Infrastructure and Service Development and Promoting Sector Market Development. The Plan will provide the basis for planning and allocation of resources and serve as the foundation for the Commission's Performance Contracting obligations with the Government.

I am convinced that the Commission will continue to be a powerful and vocal agent for the interests of citizens and consumers. We will work closely with the Competition Authority to curtail anti-competitive behaviour in the ICT industry and to develop new models for promoting healthy competition. May I encourage you to engage with us as we seek to facilitate a sound, fair and competitive ICT sector in Kenya.

In conclusion, it is my firm belief that any institution is as good as its personnel. The Commission has continuously invested in its human capital by recruiting individuals with proven professional capability to spearhead the realization of the organizational mandate.

The synergy between the Board and the Management of the Commission has placed CCK on a sound management pedestal enabling it to play a more prominent and positive role in the sector.

To the staff of CCK and to my other colleagues on the Board, I wish to extend my sincere appreciation for their tireless dedication and diligence towards achieving our objectives.

NGENE B. GITUKU

CHAIRMAN OF THE BOARD

"During the year, a total of 88,466 active agents facilitated the transmission of KES 913,803,005,044 over the mobile platform. These figures demonstrate the popularity of mobile money services which provide banking services to the unbanked besides creating employment to thousands of Kenyans."

Francis W. Wangusi – DIRECTOR GENERAL

DIRECTOR GENERAL'S WORD

The 2012-13 financial year was both rewarding and challenging to the Commission.

Overall, the ICT sector remained vibrant buoyed by growth in mobile telephony. During the year under review, the mobile telecommunications sub-sector grew marginally with mobile subscriptions expanding from 29.7 million in June 2012 to 30.5 million in June 2013. The marginal growth is attributed to the de-activation of all unregistered SIM cards in the country on 31st December 2012.

At the same time, the ICT sector continued making a positive contribution to the country's economy. In this regard, the postal and telecommunications sub-sectors contributed 2.1% to GDP, down from 2.2% in the previous period. We are positive the ICT sector will continue playing a significant role in the local economy mainly on the back of fast growth of the Internet/data market and other value added services.

The fixed voice market saw the entrance of a new player, Mobile Telephone Network (MTN) Kenya Limited, during the year, which increased the number of players in this market to four. In spite of the increase, the total number of fixed line subscriptions (including wireless) continued to decline, recording a drop to 216,761 subscribers down from 262,761 subscribers in the 2011/12 financial year. The fixed voice market has recorded negative growth for the fourth year in a row, mainly as a result of cable vandalism and the increasing popularity of mobile services.

Unlike the trend in the fixed voice market, the Internet/data market continued to show promising growth during the review period. The number of Internet users and subscribers rose by 48.3 per cent and 35.5 per cent respectively during the year. This growth is attributed to the increased usage of the internet for basic services, and the availability of a wide array of affordable internet access devices such as smart phones and tablets. Innovative promotions, special offers and affordable bundled Internet services by operators also contributed to the growth. It is, however, noteworthy that Kenya still lags behind the developed countries, which the ITU estimates to have had a penetration rate of 73.4% by December 2012.

During the period under review, broadband penetration in the country was posted as 3.54 per cent, which is significantly lower than the African average of 7.1 per cent. To increase broadband penetration and in line with the trends across the world, the Commission in collaboration with other key stakeholders, developed the National Broadband Strategy (NBS). The implementation of the Strategy is expected to transform Kenya into a knowledge-based society and ensure that the ICT sector plays its part in the attainment of *Vision 2030*.

Closely related to the growth of broadband in the country is the Universal Service Fund (USF). Awaiting the operationalization of the Fund, the Commission has over the last five years implemented several universal access projects on a pilot basis. During the year, the Commission, in partnership with the Kenya National Library Services (KNLS), established 10 e-resource centres in rural parts of the country. The launch of the E-Resource Centres project marked an important step towards ensuring that Kenyans, especially those in remote parts of the country, enjoy access to affordable ICT services. The USF, which is expected to play a crucial role in expanding the penetration of broadband infrastructure to all counties, will be brought into operation in the next financial year.

Mobile technology continued to revolutionize payment systems in Kenya with the provision of innovative and value-adding applications that enable diverse financial transactions via the mobile platform. During the year, a total of 88,466 active agents facilitated the transmission of KES.913,803,005,044 over the mobile platform. These figures demonstrate the popularity of mobile money services which provide banking services to the unbanked besides creating employment to thousands of Kenyans.

During the year under review, the Commission continued expanding competition in the postal/courier market. In this regard, the Commission licensed 24 new courier operators, increasing the number of players in this market to 214. As e-commerce takes root and picks up in the country, the postal/courier sub-sector is expected to play an important role in the delivery of online purchases.

As the uptake of ICT services increases across the country, so does cybercrime. In response, the Commission set up the Kenya Computer Incident Response Team/Co-ordination Centre (KE-CIRT/CC) to address cybercrime incidences. During the year, 28 incidences, ranging from website defacements, online abuse, mobile money fraud, online impersonation via email and social media, and denial of service attacks, were handled. To enhance the operations of the KE-CIRT/CC, the Commission began the process of joining the Forum for Incident Response and Security Teams (FIRST), an international confederation of trusted Computer Incident Response Teams (CIRTs) who cooperatively handle computer security incidents and promote incident prevention programmes.

In the broadcasting sector, the Commission continued to prepare for the migration from analogue to digital television broadcasting. Public awareness on digital migration was carried out during the year. Further, the Commission continued planning for the digital dividends that will accrue from the migration and through cross-border co-ordination with EAC member states. The Commission has so far granted a total of 92 entities with temporary authorization to roll out Broadcasting Content Services on the digital television platform. The Broadcasting Content Service Providers (BCSPs) are authorized to enter into contractual arrangements with digital TV signal distributors for their content to be distributed in the coverage areas of their interest.

The Commission continued implementing the team-based organization structure developed in the 2011/12 financial year. The organization structure takes cognizance of the country's development strategy, *Vision 2030*, and the Constitution that attaches significant emphasis on the role of the ICT sector in the country's socio-economic development and democratization process. To enable it meet the regulatory demand of the growing ICT sector, the Commission recruited 38 additional staff (14 female and 24 male) mainly at management trainee level. At the end of the current reporting period, the total staff complement stood at 186.

On the international plane, the Commission continued to discharge its responsibility as the designated government representative to affiliated regional and international ICT bodies. To this end, the Commission continued to represent Kenya in key policy meetings organized by affiliated organizations. As a result of the goodwill cultivated over the years through active participation in global ICT forums, a Kenyan, Ambassador Bishar Hussein, was elected as Director General of the Universal Postal Union (UPU) in October 2012 during the 25th UPU Congress held in Qatar. At the same time, Kenya was elected to sit in the Postal Operations Council of the UPU. The Commission also continued to meet Kenya's membership obligations to affiliated ICT regional and international organizations during the review period.

Going forward, the Commission shall continue participating actively in regional and global ICT forums with a view to ensuring that Kenya's national interest is protected and enhanced. Kenya also stands to remain at the cutting edge of ICT regulation through knowledge, skills and experience gained through the arising international exposure.

I wish to appreciate the Commission's Board of Directors, who have been instrumental in our success. I also wish to express my gratitude to the Commission's dedicated staff, without whom, the accomplishments articulated in this report would not have been possible.

FRANCIS W. WANGUSI

DIRECTOR-GENERAL

CORPORATE GOVERNANCE

Governance of the Commission is vested in the Board of Directors whose powers are set out in the *Kenya Information and Communications Act, CAP 411A*. The Board is tasked with the twin functions of decision making and oversight. It provides leadership and vision for the Commission in fulfilment of its statutory mandate.

The Board understands that there is a level of confidence associated with an organization that is known to have good corporate governance. It, therefore, conducts its mandate in accordance with best regulatory practices anchored in principles of accountability and transparency as well as in compliance with the framework of the laws, regulations and policies under which the Commission operates.

THE BOARD OF DIRECTORS

1. Oversight Role of the Board of Directors

In fulfilling its role, the Board of Directors is guided by a Board Charter which outlines its functions and responsibilities. The Charter provides guidelines for the conduct of the affairs of the Board in accordance with the principles of good corporate governance and conventional business practice. The Charter sets out the following as the specific responsibilities to be discharged by the Board members individually and collectively:

i. Exercising leadership, integrity and judgement in directing the Commission;

ii. Setting the vision, mission and values of the Commission;

iii. Developing strategies to achieve the Commission's mandate;

iv. Determining key performance indicators of the Commission, setting targets and monitoring performance;

v. Ensuring that internal structures and policies are in place;

vi. Identifying and managing key risk areas; and

vii. Ensuring preparation of annual financial statements and reports and disclosure of information to stakeholders.

2. Composition of the Board

The Commission's Board comprised 12 Directors with knowledge and experience in matters relating to postal services, broadcasting, radiocommunications, telecommunications, Information Technology, computer science, consumer protection and law.

3. Board Meetings

The Board is required to meet at least four times a year. Additional Board meetings are convened when necessary. During the period, the Board held 15 meetings.

4. Board Committees

The law empowers the Board to form standing or *Ad hoc* Committees and to delegate the exercise of any of its powers and performance of its functions or duties to such Committees. In this regard, the Board has four Standing Committees, namely Finance, Technical, Staff and Audit.

The Finance Committee consists of five members. It has oversight on all financial issues including procurement. The Committee met three times during this period.

The Technical Committee consists of five members. It handles regulatory issues including granting of licences, review of the market structure and other regulatory interventions. The Committee held six meetings during the period.

The Staff Committee consists of five members. It is responsible for human resources and administrative matters. The Committee held five meetings during the period.

The Audit Committee consists of four members. It oversees financial reporting, development of internal control and risk management systems and review of audit reports. The Committee held four meetings during the period.

In addition to the four Committees, the Ad-hoc Committee on Court Cases, which was established by the Board in the last financial year to develop and review policy guidelines for management of court cases involving the Commission, held two meetings during this period. It presented its final report to the Board on 27th September 2013.

5. Capacity Building

For better insights into global best practices in ICT regulation, Directors of the Board attended local, regional and international conferences and workshops. These included: Pan African Postal Union (PAPU) & 8th Plenipotentiary Conference in Addis Ababa, Ethiopia; ITU Telecom World in Dubai UAE; World Conference on International Telecommunications 2012 (WCIT-12), Dubai; UPU POC-Postal Operations Council, Bern, Switzerland; 3rd African Digital TV Development Seminar and 44th Internet Corporation for Assigned Names and Numbers meeting in Toronto.

The Board also attended trainings on corporate governance, strategic leadership and regulatory issues. These included: USTTI Training on Best Practices for the Universal Service Fund Programme in Washington DC; Telecommunications Regulatory Master Class (TRMC) training in Bath, UK; 92nd 5-Days Corporate Governance Training in Mombasa; 33rd and 34th International Training programme on Utility Regulation & Strategy, Gainesville, Florida; and Women and Power: Leadership in a New World Training in Harvard Kennedy School, USA.

6. Working Group on the Review of the ICT Regulatory Framework

During the period, the Ministry of Information, Communications and Technology set up a working group to spearhead the review of the ICT Sector Policy and Legislative Framework with a view to aligning it with the Constitution.

The Working Group consisted of representatives from the Ministry of Information, Communications and Technology, National Communications Secretariat (NCS), the Commission and various ICT Service Providers.

The Group has developed a Draft Bill which will be shared with the stakeholders for further deliberations prior to being submitted to the Ministry.

COMMISSION'S MANDATE

The Communications Commission of Kenya is the regulatory authority for the ICT sector in Kenya whose existence, purpose and mandate is founded on the *Kenya Information and Communications Act, CAP 411A*.

Established in 1999, the Commission's mandate then was the licensing and regulation of the telecommunications and postal/courier sub-sectors, and the management of the country's radio-frequency spectrum. However, due to the constant changes and developments in the ICT sector, the Commission is also mandated to facilitate development of the ICT sector including broadcasting, multimedia, telecommunications, postal services and electronic commerce.

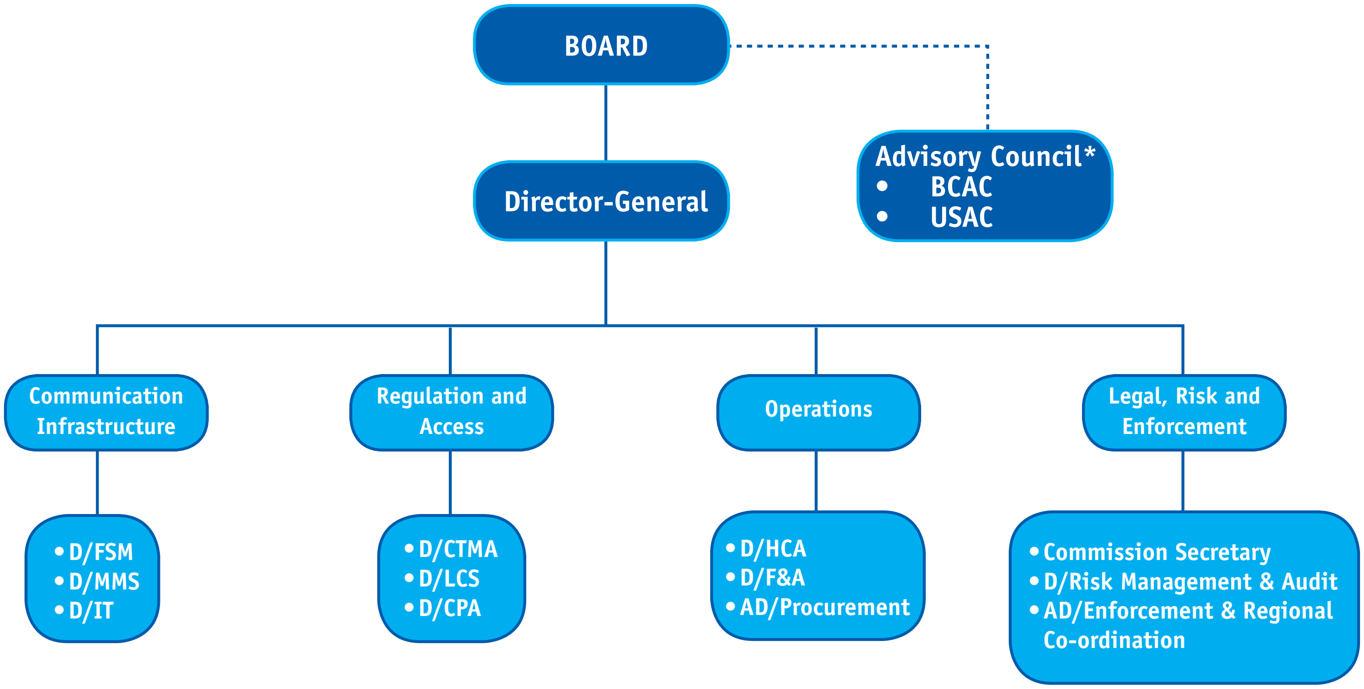
The responsibilities of the Commission under the Act include:

- Licensing all systems and services in the communications industry, including telecommunications, postal/courier and broadcasting.
- Managing the country's frequency spectrum and numbering resources.
- Facilitating the development of e-commerce.
- Type approving/accepting communications equipment meant for use in the country.
- Protecting consumer rights within the communications environment.
- Managing competition in the sector to ensure a level playing ground for all players.
- Regulating retail and wholesale tariffs for communications services.
- Managing and administering the Universal Service Fund (USF).
- Monitoring the activities of Licensees to enforce compliance with the licence terms and conditions as well as the law.

The Constitution of Kenya also provides a broader framework for governance, licensing and regulation of ICTs. It enjoins the Government of Kenya to uphold the Rights and Fundamental Freedoms by facilitating the development of the Information and Communication Sector specifically to foster the Freedom of Expression, Freedom of Media and ensure Citizen Access to Information and Privacy. In line with the Constitution and *Vision 2030*, the Commission in its

3rd Strategic Plan has set out a new vision which seeks to facilitate the transformation of lives of Kenyans through progressive regulation of the ICT sector.

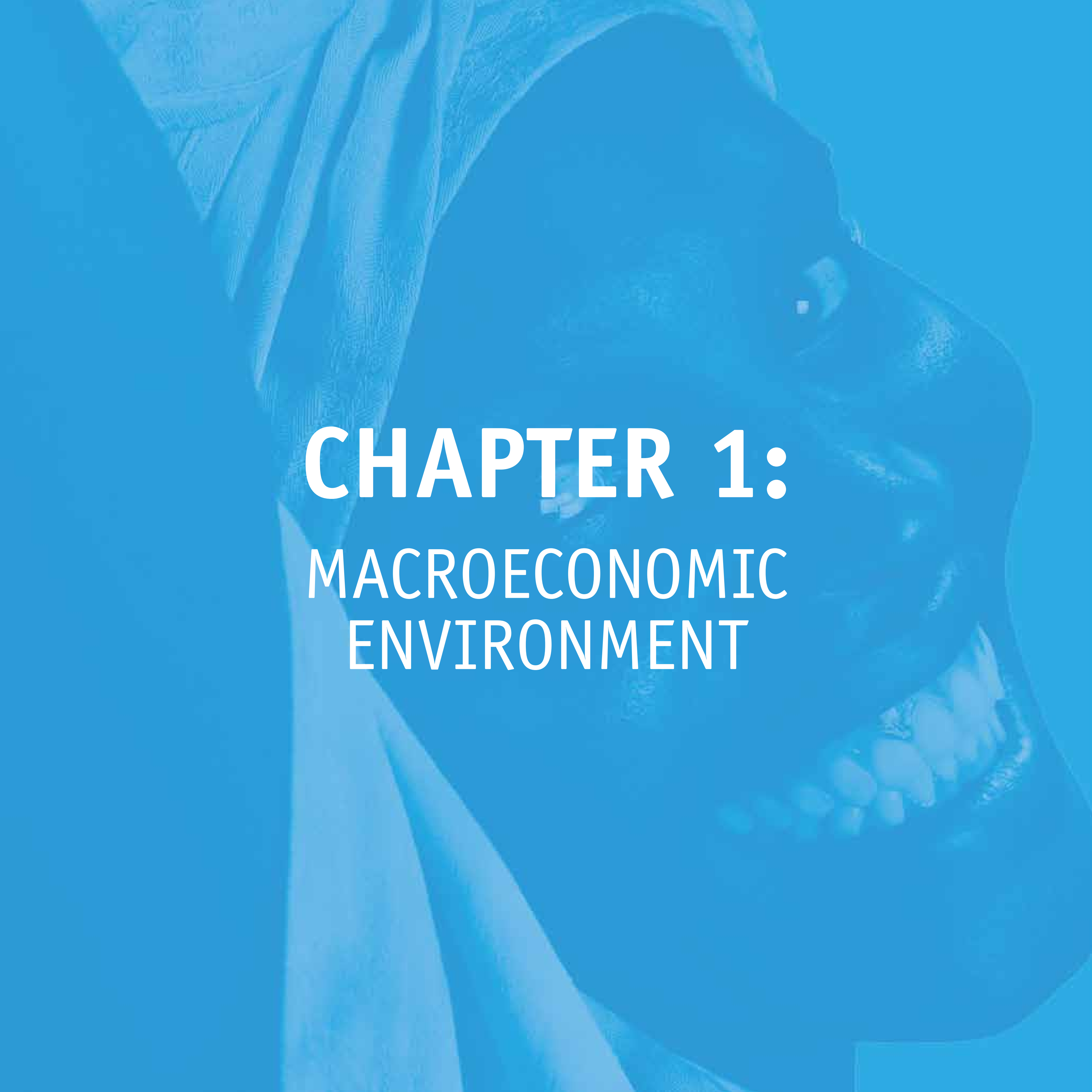
ORGANIZATIONAL STRUCTURE



KEY

BCAC	- Broadcasting Content Advisory Council
USAC	- Universal Service Advisory Council
D/FSM	- Director/Frequency Spectrum Management
D/MMS	- Director/Multimedia Services
D/IT	- Director/Information Technology
D/CTMA	- Director/Competition, Tariffs & Market Analysis
D/LCS	- Director/Licensing, Compliance & Standards
D/CPA	- Director/Consumer & Public Affairs
D/HCA	- Director/Human Capital & Administration
D/F&A	- Director/Finance & Accounts
AD	- Assistant Director

*Advisory Councils advise the board and their meetings are dependent on request by the board on specific issues



CHAPTER 1:

MACROECONOMIC ENVIRONMENT

1. MACROECONOMIC ENVIRONMENT

1.1 GLOBAL ECONOMY

World real Gross Domestic Product (GDP) increased by 3.4 per cent in 2012 compared to 3.9 per cent in 2011. According to the Global Competitiveness Report 2012, the global economic growth remained low for the second year running with major centres of economic activity, particularly large emerging economies and key advanced economies, expected to slow in 2012 and 2013. Economic recovery was weighed down by weak activity in high-income countries, particularly in the Euro Area. As in previous years, growth remains unequally distributed as emerging and developing countries grow faster than advanced economies, steadily closing the income gap.

The International Monetary Fund (IMF) estimated that, in 2012, the Euro zone would contract by 0.3 per cent, while the United States would experience a weak recovery with an uncertain future. Large emerging economies such as Brazil, Russia, India, China, and South Africa (BRICS) grew somewhat less than they did in 2011. At the same time, other emerging markets such as Asia continued to show robust growth rates, while the Middle East and North Africa as well as sub-Saharan African countries gained momentum.

Despite the global economic slowdown in 2012, growth in Sub-Saharan Africa remained robust supported mainly by resilient domestic demand and high commodity prices. In 2012, the region's growth was estimated at 4.7 per cent. Excluding South Africa, the region's largest economy, the remaining economies grew at a robust average of 5.8 per cent, higher than the developing countries' average of 4.9 per cent. About a quarter of the countries in the region grew at 7 per cent and above, and several African countries were among the fastest growing in the world. Medium-term growth prospects remained strong supported by a pick-up in the global economy, high commodity prices, and investment in the productive capacity of the region's economies.

The real GDP for the East African Community (EAC) remained constant at 5.5 per cent in both 2012 and 2011. This was largely attributed to easing up of the pressure on food and fuel prices which surged in 2011.

1.2 GLOBAL INFORMATION AND COMMUNICATIONS TECHNOLOGY INDUSTRY

The world today has undergone massive changes. The Internet bubble came and went, and emerging countries such as China and India have become prominent global users and providers of ICT equipment and services. Struggling to emerge from the financial crisis, developed economies are striving to return to higher levels of growth and competitiveness while fighting stubbornly high unemployment rates, especially among their youth. Both emerging and developed economies are focusing on innovation, competing globally for talent, resources, and market shares. Information flows and networks have spread across borders in ways that were not imaginable before the onset of the Internet, the global adoption of mobile telephony and social networks, and the rapid growth of broadband. Business models have been redefined, the workplace has been redesigned, small start-ups have evolved into large companies, and entire functions of society (education, health, security, privacy, government, environment and banking) are being rethought.

By the end of 2012, ITU recorded a 6.8 billion mobile cellular subscription compared to 6 billion in 2011. As global mobile cellular penetration is approaching 100 per cent and market saturation is reached, growth rates in this market has fallen to the lowest levels in both developing and developed countries. Mobile penetration stands at 96 per cent globally, 128 per cent in developed countries and 89 per cent in developing countries.

According to ITU estimates (ITU, Telecommunication Development Bureau), there are over 2.7 billion users of the internet globally, representing 39 per cent of the worlds' population. In the developed world, 77 per cent of the population is online vis-à-vis 31 per cent in the developing world. The European region enjoys the highest internet penetration in the world (75 per cent), followed by the Americas (61 per cent), Commonwealth Independent States (52 per cent), Arab States (38 per cent), Asia Pacific (32 per cent), and Africa (16 per cent).

Mobile broadband continues to record high growth globally. Subscriptions increased from 1.19 billion in 2011 to 1.56 billion in 2012, making mobile broadband the most dynamic ICT market. Africa has recorded the highest growth rates over the past three-years with mobile broadband penetration increasing from 4.7 per cent in 2011 to 7.1 per cent in 2012. Mobile broadband is considerably more expensive in developing countries than in developed countries. However, in both developed and developing countries, mobile broadband is cheaper than fixed broadband.

Globally, fixed broadband services have become more affordable and subscriptions have increased from 588 million in 2011 to 638 million in 2012. This corresponds to an increase in fixed broadband penetration of 8.5 per cent in 2011 compared to 9.8 per cent in 2012. In developed countries, the penetration rose from 26 per cent to 27.2 per cent compared to developing countries which rose from 4.8 per cent to 6.1 per cent. In Sub-Saharan Africa, despite development of broadband infrastructure, fixed broadband penetration still lies below 1 per cent.

Sub-Saharan Africa has continued to make significant efforts to build its ICT infrastructure, as reflected by important improvements in developing its broadband infrastructure and the expansion of its mobile network coverage. As a result, ICT usage, while still very low, has picked up slightly, as seen especially by an increase in the number of Internet users and also by the continued commitment of some governments in the region to expand the number of available online services. Despite this positive trend, the wide digital divide from more advanced economies, notably in terms of ICT-driven economic and social impacts, persists. Costly access to ICT infrastructure, relatively low levels of skills with low educational attainments, and unfavourable business conditions for entrepreneurship and innovation are hindering the region's capacity to fully leverage the potential of the increasingly available ICT infrastructure.

1.3 LOCAL ENVIRONMENT

The country's real GDP is estimated to have grown by 4.6 per cent in 2012 compared to 4.4 per cent in 2011. Macroeconomic variables remained generally stable, although a surge in inflation during 2011 prompted tightening of monetary policy stance up to mid-2012. Activities accelerated in Agriculture, Wholesale and retail trade and, Transport and communication which respectively accounted for 17.6, 15.2 and 10.8 per cent to the overall GDP.

Transport and Communications Sector posted a slowed but stable performance in comparison to the previous year. The sector's total output value grew by 4.4 per cent compared to 4.5 per cent in 2011. A summary of the selected economic indicators is shown in Table 1.1.

Table 1.1: Selected Economic Indicators+

INDICATOR	2008	2009	2010	2011+	2012*
Population (Millions)	36.7	37.7	38.5	39.5	40.7
GDP at market prices (in KES .Min.)	2,107,589.4	2,366,984.2	2,553,733.0	3,048,867.0	3,440,115.0
Growth of GDP at Constant (2001) Prices (%)	1.5	2.7	5.8	4.4	4.6
GDP per Capita (in 2001 Prices) (KES.)	36,933.0	36,962.0	38,346.0	38,941.0	39,607.0
Transport and Communication GDP at Current Prices (KES. Millions)	216,052	234,752	257,339	303,258	321,110
Postal and telecommunications GDP (KES. Millions)	56,756	62,508	64,413	65,923	71,489
Transport and Communication as % of GDP	10.3	9.9	10.1	9.9	9.3
Postal and telecommunications as % of GDP	2.7	2.6	2.5	2.2	2.1
Growth of Transport and Communication at Constant (2001) Prices (%)	3.0	6.4	5.9	4.7	4.0
Growth of Postal and telecommunications at Constant (2001) Prices (%)	7.8	10.0	4.5	4.3	5.3
Private sector wage employment in Information and Communication ('000s)	62.8	67.6	73.5	76.0	81.3
Public sector wage employment in Information and Communication ('000s)	1.3	1.6	1.8	2.2	2.6
Consumer Prices, Annual Average [Index numbers February 2009=100]	92.36	102.10	106.27	121.17	132.53
CPI Annual Inflation Rate (Overall) %	16.2	10.5	4.1	14.0	9.4
*** Provisional; + Revised**					

Source: Adapted from Economic Survey, 2012

The Communication sub-sector remained vibrant over the review period buoyed by considerable growth in mobile telephony. Mobile telephony continued to grow albeit marginally with subscriber base expanding slightly from 29.7 million in June 2012 to 30.5 million in June 2013. The marginal growth was attributed to switch-off of all unregistered Subscriber Identification Module (SIM) cards by 31st December 2012. The mobile money transfer service penetration rose from 49.38 per cent in the Financial year 2011/12 to 61.50 per cent in the Financial Year 2012/13. This growth was attributed to the increased mobile cellular telephony penetration, increased mobile money transfer agents and increased value added services such as m-banking, m-insurance among others.

The Internet sub-segment continued to grow with 12.43 million internet subscriptions recorded and 19.65 million estimated internet users, representing Internet penetration of 48.3 per cent compared to 35.5 per cent in the previous year. The increase was mainly driven by growth in mobile data/internet subscriptions which has continued to dominate the internet sub-sector. Over the period, affordable devices including smart phones and social networking applications became increasingly popular, especially among urban youth.

The Commission continued to implement initiatives aimed at ensuring the country meets the June 2015 International Telecommunication Union (ITU) deadline for transition from analogue to Digital Terrestrial Television (DTT) broadcasting. The two signal distributors– Pan Africa Network Group (Kenya) Ltd (PANG) and Kenya Broadcasting Corporation (KBC)– continued to roll out their national signal distribution networks across the country in readiness for the switch-off of the analogue signal. Additionally, the Commission continued to grant authorizations for digital TV broadcasting content service provision to enhance the growth of the broadcasting content and signal distribution market segments.

The world real GDP growth is projected to grow from 3.4 per cent in 2012 to 4.3 per cent in 2013[1]. Real GDP growth rate in the United States of America is expected to expand from 2.0 per cent in 2012 to 2.5 per cent in 2013. Growth in Europe, a major importer of Kenya's agricultural produce, is expected to increase from 0.2 per cent recorded in 2012 to 1.4 per cent, indicating a possibility of a rise in external demand. United Kingdom is expected to expand from 0.5 per cent experienced in 2012 to 1.8 per cent in 2013. Growth in emerging markets and developing countries is forecasted to reach 5.3 per cent in 2013[2].

The world trade growth is projected to grow by 7.1 per cent in 2013 compared to 4.8 per cent in 2012. This positive outlook in the developed, emerging and developing countries is expected to improve the external demand and therefore support Kenya's export growth. Domestically, the government's final consumption is likely to grow substantially as devolution takes place while the new government implements its policies. Private consumption is also likely to rise substantially as market and business confidence builds up.

The prospects of a stable macroeconomic environment look promising in the 2013. So far inflation and interest rates seem to be headed to levels supportive of desirable economic growth. Oil prices were relatively higher during the first quarter of 2013 compared to the same quarter in 2012. The prices rose moderately in February but have since been easing and are therefore likely to exert much pressure on the inflation of the Kenyan Shilling which remains stable against major world currencies. Having gone through a peaceful electioneering period, the political climate also looks suitable to maintain an enabling environment for economic activities to thrive.

Kenya's GDP is projected to grow to 5.7 per cent and 6 per cent in 2013 and 2014, respectively. Despite the optimism, risks do remain. The economy is still vulnerable to exogenous shocks as the large current account deficit threatens macroeconomic stability, the real appreciation of the shilling is eroding Kenya's competitiveness and stifling the export sector, which is supposed to be at the centre point for poverty reduction. Starting in the second half of 2013, growth will gradually accelerate, as demand firms up and overall economic activity thrives.

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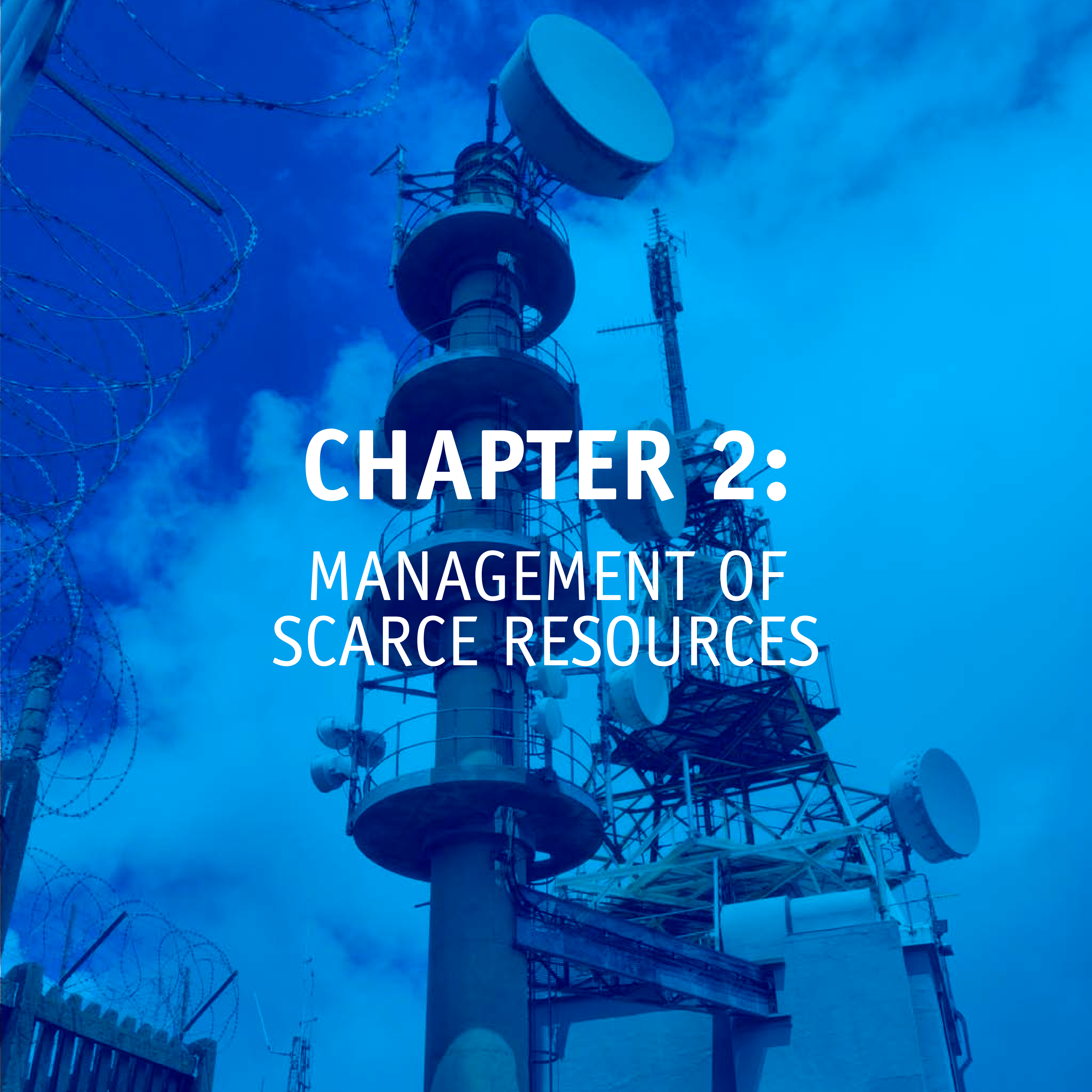
[1] Organization of Economic Co-operation and Development (OECD) Economic Outlook No. 9

[2] Brazil, Russia, India, China, South Africa, which are emerging economies are projected to grow in 2013 by 3.0 per cent, 3.4 per cent, 5.7 per cent, 8.0 per cent and 2.8 per cent; while Sub-Saharan Africa is expected to grow by 5.6 per cent.



CHAPTER 2:

MANAGEMENT OF SCARCE RESOURCES

2. MANAGEMENT OF SCARCE RESOURCES

Radio frequency spectrum and numbers are scarce resources managed by the Commission on the behalf of the people of Kenya.

2.1 FREQUENCY MANAGEMENT

The Commission while exercising its mandate has to plan, allocate, assign, issue frequency licences, monitor, carry out surveillance and co-ordinate the usage of the radio frequency spectrum resource to ensure optimal and efficient utilization.

2.1.1 Fixed Links

The Commission assigned a total of 521 frequencies to various operators for deployment of new links to facilitate provision of diverse communications services. This represented a 14.58 per cent decline from the 597 frequencies assigned in the previous financial year. This is attributed to the increased number of decommissioned fixed links. A total of 216 fixed links were decommissioned mainly due to increased availability of optic fibre networks as compared to 55 fixed links during the Financial Year 2011/12. Overall, the number of fixed links increased by 521, resulting to a total of 5,464 fixed links as shown in Table 2.1.

Table 2.1: Fixed Links

FREQUENCY BAND	NUMBER OF NEW LINKS			NO. OF DECOMMISSIONED LINKS			CUMULATIVE NO. OF FIXED LINKS		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
5GHz	-	-	170	-	-	-	-	-	170
6GHz	2	8	-	0	0	-	105	113	113
7/8GHz	382	73	80	50	15	35	1,162	1,220	1265
11 GHz	0	0	-	0	0		0	0	0
13GHz	144	99	13	0	0	30	736	835	818
15GHz	1,181	171	198	37	37	151	2,242	2,376	2,423
18GHz	2	0	-	0	0	-	8	8	8
23GHz	232	187	44	3	3	-	321	505	549
38GHz	51	59	16	0	0	-	43	102	118
TOTAL	**1,994**	**597**	**521**	**229**	**55**	**216**	**4,617**	**5,159**	**5,464**

Source: Communications Commission of Kenya

2.1.2 Fixed Wireless Access Systems

The number of Fixed Wireless Access (FWA) radiocommunications network sites and transceivers in the 1.7GHz, 3.3GHz and 3.5GHz frequency bands decreased from 658 to 637 and 2,585 to 2,504, respectively in Financial Year 2012/13, as shown in Table 2.2.

Table 2.2: Fixed Wireless Access Systems

	NUMBER OF SITES			NUMBER OF TRANSCEIVERS		
FREQUENCY BAND	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
1.7GHz	25	23	23	300	276	276
3.3 GHz	113	99	103	354	308	270
3.5 GHz	338	536	511	578	2,001	1958
TOTAL	**476**	**658**	**637**	**1,232**	**2,585**	**2,504**

Source: Communications Commission of Kenya

The decrease is attributed to the preference of deploying the unprotected frequency bands such as 5.8GHz whose equipment is cheaper and attracts much lower frequency fees than protected and exclusive frequencies such as 3.3GHz and 3.5 GHz. The use of unprotected frequency bands has positively contributed to the increased data services penetration in both the rural and urban areas.

2.1.3 Satellite Systems

The Commission licensed three Very Small Aperture Terminal (VSAT) in the Financial Year 2012/13 compared to one (1) in the Financial Year 2011/12 and assigned three uplink frequency in the KU band (11 GHz downlink and 14 GHz uplink) and C band (4GHz downlink and 6GHz uplink bands). The increase was attributed to increase in oil exploration activities in the country during the year.

2.1.4 Mobile Cellular Services

The total number of transceivers deployed for the provision of 2G services increased by 12.53 per cent from 71,884 in the Financial Year 2011/12 to 80,894 in the Financial Year 2012/13, while those used for 3G services rose by 15.57 per cent to 12,775 from 11,053 as shown in Table 2.3.

Table 2.3: Mobile Cellular Systems

OPERATOR	TECHNOLOGY	2008/09	2009/10	2010/11	2011/12	2012/13
Essar Telecoms Kenya Limited	2G	1,107	3,639	4,500	5,500	5,500
	3G	N/A	N/A	N/A	N/A	N/A
Telkom Kenya Limited	2G	3,501	3,458	4,492	6,230	6,391
	3G	N/A	N/A	1,254	2,269	2,375
Airtel Networks Kenya Limited	2G	6,440	6,966	8,791	13,452	14,788
	3G	N/A	N/A	162	973	1,096
Safaricom Limited	2G	30,426	39,048	48,026	46,702	54,215
	3G	2,439	3,568	3,623	7,811	9,304
Total No. of Transceivers	2G	41,474	53,111	65,809	71,884	80,894
	3G	2,439	3,568	5,039	11,053	12,775
GRAND TOTAL	**2G AND 3G**	**43,913**	**56,679**	**70,848**	**82,937**	**93,669**
(N/A) means Not Applicable since the Licensee had not taken up a 3G licence.						

Source: Communications Commission of Kenya

The increase is attributed to continued expansion of coverage area and beefing up of the capacity in the urban and rural set up for voice and data services. In addition to the above, it is now a global trend that data services are on an increase and therefore its growth is expected to be on an upward trajectory. The decrease in frequency fee by the Commission during the financial year has also contributed towards the expansion of the voice and data service as the operators ploughed back the reduced frequency fee into the roll out of the services. This increase has impacted the economy positively as more population has access to both voice and data services.

2.1.5 Broadcasting Services

The Commission continued re-planning and optimizing the digital TV broadcasting frequency plan. This was achieved through the EACO BTTF co-ordination meetings which saw all TV broadcasting sites having digital TV channels to adequately meet the demand of the existing DTT signal distributors. This means that there is sufficient capacity for the existing signal distributors to expand their platforms and hence more content providers can be accommodated. The expansion will see all County Governments accommodated on the DTT signal distribution platform should they wish to provide TV services.

The Commission assigned additional 58 FM broadcasting frequencies resulting in a total of 519 FM frequencies that have been assigned to 105 broadcasters in 53 locations throughout the country. Further, five Studio-to-Transmitter (STL) frequencies were assigned to broadcasters.

With regard to TV broadcasting, the Commission assigned additional 16 TV broadcasting frequencies resulting in a total of 101 TV frequencies assigned to broadcasters for use in 48 locations throughout the country during the year under review.

2.1.6 Frequency Co-ordination and Harmonization within the EAC Community and African Region

The Geneva 2006 (GE-06) Plan is a frequency plan adopted by ITU Regional Radio-communication Conference in 2006 for terrestrial television broadcasting in the 174-230 MHz and 470-862 MHz bands. The Plan takes into account short and medium spectrum needs of broadcasting and mobile industries and ensures equitable and efficient access to the spectrum. It also provides timelines and activities for its review and modification using procedures set out in the GE-06 Agreement.

To implement the Plan in the East African Community and African Continent, the Commission held three frequency co-ordination meetings two of which were held under the aegis of EACO in Kigali, Rwanda, and Kampala, Uganda, and the others under the auspices of the Africa Telecommunications Union (ATU) in Nairobi. As a result of the meetings, four frequencies in sites along the Kenyan border were identified for deployment of the digital terrestrial TV broadcasting. These meetings ensured that the frequencies within the EAC borders were co-ordinated and harmonized and thus ensuring minimal interference along the borders of member countries.

The co-ordination and harmonization of the TV frequencies will enable the country to transition from analogue to digital terrestrial TV broadcasting smoothly and avail part of the 694-862 MHz frequency band (above Channel 48) for the digital dividend.

2.1.7 Private Land Mobile Services

The Commission licensed a total of 94 Fixed Stations and 822 Mobile/Portable stations in the VHF land mobile service, and three (3) Fixed Stations and seven (7) Mobile Stations in HF land mobile service as shown in Table 2.4.

Table 2.4: Additional Private Land Mobile Stations

FREQUENCY BAND	STATION TYPE	2008/09	2009/10	2010/11	2011/12	2012/13
VHF	Fixed	85	61	65	74	94
	Mobile/Portable	440	376	632	697	822
	Total	525	437	697	771	916
HF	Fixed	14	15	1	11	3
	Mobile/Portable	16	13	13	31	7
	TOTAL	**30**	**28**	**14**	**42**	**10**

Source: Communications Commission of Kenya

The Commission assigned a total of 58 frequencies to new applicants comprising 54 VHF and 4 HF. These 54 VHF frequencies were to be used on 94 fixed stations and 822 portables/mobiles while the 4 HF were assigned to three (3) fixed stations and seven (7) portables/mobiles. The increase on the VHF band was attributed mainly to oil exploration in different parts of the country where radiocommunication services are required.

During the Financial Year 2012/13, the Commission renewed 1,020 licences out of a total of 4,125. The licences renewed comprised of 534 private land mobile, 463 aircrafts and 24 radio Amateurs. The Commission also cancelled 85 licences upon request by Licensees. At the end of the financial year, the cumulative total number of authorised private radiocommunication networks was 4,422 fixed stations and 22,835 mobile/portable stations as shown in Table 2.5.

Table 2.5: Number of Private Radiocommunication Stations for the Financial Year 2012/13

FREQUENCY BAND	NO. OF FIXED STATIONS	NO. OF MOBILE/PORTABLE STATIONS
	2012/13	2012/13
3-30 MHz	1,053	2,085
30-136 MHz	1,032	3,146
136-174 MHz	3,299	19,426
174-230 MHz	1	4
230-300 MHz	-	-
300-470 MHz	49	213
TOTAL+	**4,422**	**22,835**

Source: Communications Commission of Kenya

By the end of the financial year, there were a total of 3,165 land mobile, 83 Amateur and 877 Aircraft licences.

2.1.8 Radio Alarm Services

The Commission licensed 37 new alarm networks compared to 27 during the previous year. As shown in Table 2.6, the total number of alarm units in the country decreased from 38,360 in 2011/12 to 33,730 in 2012/13.

Table 2.6: Number of Alarm Networks and Units

FINANCIAL YEAR	NO. OF ALARM NETWORKS	NO. OF ALARM UNITS
2008/09	175	31,680
2009/10	179	30,429
2010/11	218	32,068
2011/12	245	38,360
2012/13	282	33,730

Source: Communications Commission of Kenya

The 12.07 per cent decline in the number of alarm units was as a result of closure of Vehicle Logic Units (VLU) networks as some of service providers opted to use Global System for Mobile (GSM) and Global Positioning System (GPS) based tracking system.

2.1.9 Management of the Digital Dividend and Mobile Broadband

The Commission updated the national Table of Frequency Allocation (TOFA) in line with the resolutions made in the World Radiocommunication Conference 2012 (WRC-12). The Commission further re-planned frequencies in the different bands to conform to the decisions of this conference. Migration of analogue to digital broadcasting is being implemented in a phase-out approach starting from December 2013 to June 2014. In the meantime, the Commission has stopped assigning any TV frequency Channels above Channel 48 (second digital divided).

The Commission continued to carry out studies on licensing and channel planning for the digital dividend. These studies will continue until the next World Radiocommunication Conference in 2015 (WRC-15). One of the studies considered the 694-790MHz band as Digital Dividend II (DD II) and 790-862MHz band as Digital Dividend I (DD I). The DD I which was considered for wireless mobile broadband services was enhanced by the DD II thus increasing the number of possible Licensees for mobile broadband services.

2.2 MANAGEMENT OF NUMBERING RESOURCES

The Commission manages the various numbering resources and administers the same to operators and service providers to facilitate provision of various services.

During the Financial Year 2012/13, the Commission issued new procedures and guidelines for the Management and Administration of the Short Codes and Premium Rate Numbers and Toll Free numbering resource. This was as a result of increased demand for Value Added Services especially Premium Rate Services, and the need to streamline issuance of SMS Short Codes and Premium Rate Numbers.

The guidelines which were issued on 15th August 2012, provided procedures for implementation and activation of Common Short Codes, 0900 Premium Rate Numbers and 0800 Toll Free Numbers on all networks for the convenience of consumers.

The Guidelines also provide policy and responsibilities to all those that hold numbers from the national numbering scheme to ensure efficient use. They ensured that the available Short Code capacity was increased from the initial 9,000 to 90,000 by increasing the digit length of the existing three and four digit Short Codes to five digits and provided procedures for allocation and use of the Unstructured Supplementary Service Data (USSD) formatted Codes. In addition, the guidelines provided for a six-month migration period of the existing three and four digit Short Codes to five (5)-digits (the period that ended on the 14th February 2013) and provided for equitable access to the national numbering resource by operators and service providers for the convenience of end users.

2.2.1 Assignment of Numbering Resources

During the Financial Year 2012/13, the Commission assigned Numbering blocks (Mobile Telephony Numbers, Fixed Telephony and Premium Rate Numbers) to operators for the provision of end-user services, signalling point codes for facilitation of interconnection, and short codes (Toll free) for public use. The short codes were assigned to specific government organizations for the promotion of health, elections and peace campaigns, and for facilitation of E-Government services.

In the Mobile Telephony category, two Mobile Operators were assigned a block of one million each after exhausting their initial assignments. In the fixed telephony category, two Application Service Providers were assigned a total 11,000 numbers to facilitate Voice-over-Internet Protocol (VoIP) services and 100,000 numbers to gonernment ministries to facilitate provision of E-government services. For 0900 Premium Rate Number category, the four mobile operators were assigned on application, 0900 Premium Rate Numbers blocks to facilitate provision of Premium Rate Value-Added Services. This was in compliance with the new Procedures and Guidelines for Provision of Premium Rate Services that required specific numbering plans for selected services.

During the Financial Year 2012/13, there was a sharp decline in the application for 0800 Toll Free Numbers. This is an indication that the numbers assigned in the Financial Year 2011/12 were still sufficient to sustain the market. The Commission also assigned blocks of Short Codes and Premium Rate Numbers to operators for secondary assignment to Content Service Providers (CSPs) and end users. A total of 17,500 Short Codes were assigned, on application, to the four mobile network operators. These assignments were for new requests for secondary assignments and for migration of the three (3) and four (4) digit SMS Short Codes to five (5) digits.

The Mobile Network Operators were also assigned 7,000 new 0900 Premium Rate Numbers in bulk on application to facilitate provision of voice-based Premium Rate services. These block assignments were in compliance with the provisions of the new Procedures and Guidelines for Provision of Premium Rate Services that required specific numbering plans for each service category. The numbering resources assigned by category are shown in Table 2.7.

Table 2.7: Numbering Resources Assigned

CATEGORY	2008/09	2009/10	2010/11	2011/12	2012/13
NUMBER BLOCKS ASSIGNED					
Mobile Telephony Numbers	8,000,000	4,000,000	11,000,000	3,000,000	2,000,000
Fixed Telephony Numbers	50,000	900,025	20,000	4,000	111,000
0800 Toll Free Numbers	50	1	20	1,024	2
0900 Premium Rate Numbers	-	1,000	16	34	7,001
Bulk SMS Short Codes					17,500
OTHER NUMBERING RESOURCES ASSIGNED					
National Signalling Point Codes	1	1	2	2	2
International Signalling Point Codes	2	1	-	1	-
Network Colour Codes	1	-	-	-	-
Short Codes (Assigned directly)	-	-	5	5	11

Source: Communications Commission of Kenya

2.2.2 Reclamation and Reservation of Numbering Resources

The Commission implemented the Procedures and Guidelines for the Management of Telecommunications Short Codes and Premium Rate Numbers from 15th August 2012. These guidelines were developed in order to streamline issuance of SMS Short Codes and Premium Rate Numbers. They also prescribed the numbering resources as Common Resources capable of being activated on all networks for the convenience of consumers. Following the stringent measures put in place, and the coming into effect of the new guidelines on the management and administration of numbering resources, no reclamation and reservations for any numbering resource was made.

2.2.3 Management of the dot KE Domain Name Registry

The Commission continued to play a key role in the management of the dot KE Domain Name Registry through the Kenya Network Information Centre (KENIC). The Dot KE domain name is Kenya's unique identity on the Internet. As at 30th June 2013, KENIC had registered a total of 28,741 domain names as shown in Table 2.8.

Table 2.8: Dot Ke Domains Registered in Kenya

SUBDOMAIN	USE	NO. OF DOMAINS	PERCENTAGE (%)
CO.KE	Companies	25,840	89.91
GO.KE	Government Entities	372	1.29
OR.KE	Non Profit Making Organizations	1,174	4.09
AC.KE	Institutions of Higher Education	678	2.36
SC.KE	Lower and Middle Level Institutions	112	0.39
NE.KE	Personal Websites and E-mail	40	0.14
ME.KE	Personal Websites and E-mail	406	1.41
MOBI.KE	Mobile Content	33	0.11
INFO.KE	Information	86	0.30
TOTAL		**28,741**	**100**

Source: KENIC - www.kenic.or.ke

2.2.4 Maritime Mobile Service Identity Number

All maritime vessels that are registered in Kenya and ply the international waters and have the functionality of Global Maritime Distress Safety System (GMDSS) are required to have a Mobile Maritime Service Identification (MMSI) Number. As at 30th June 2013, in compliance with the *Safety of Life at Sea (SOLAS) Convention*, the Commission had assigned a total of 19 MMSI numbers to 19 vessels with 300 Gross Tonnage (GT) and above. These numbers are useful in tracking vessels and ensuring safety while at sea.

CHAPTER 3:

PROMOTING COMPETITION AND INNOVATION

3. PROMOTING COMPETITION AND INNOVATION

Effective competition enhances efficiency in the market and increases the welfare of consumers of telecommunications services through fair pricing. The Commission, cognizant of the importance of well managed competition in facilitating a vibrant market environment, continued licensing new entrants into the ICT sector, enforcing the Kenya Information and Communications Act and Regulations, and carrying out research in emerging trends in the dynamic ICTs.

3.1 LICENSING AND NETWORK EXPANSIONS

The Commission recognises the importance of having sufficient number of players in the market as a means of stimulating competition and expanding the reach of ICT networks throughout the country. In this regard, the Commission continued to issue licences to new and existing players in the ICT industry. As a result, there was an increase in the number of players offering a diverse range of products and services thus expanding consumer choice. Further, the Commission continued with the process of renewal of licences that were due. In particular, the Commission continued to review the performance of Safaricom Limited and commenced the review of Airtel Networks Kenya Limited's performance in line with the licence conditions. The two operators also applied for the renewal of their licences. The final consideration of their applications will be concluded in the course of the next financial year and the subsequent year, respectively.

3.1.1 Telecoms Licensing

The Commission continued to licence new players into the market. The total number of licensees under the Unified Licensing Framework (ULF) increased from 1,311 the previous year, to 1,558 in the Financial Year 2012/13, representing 18.8 per cent growth compared to the previous year's 55.3 per cent growth. There was a marginal increase in Telecommunication Contractors, Application Service Providers, Content Service Providers and Telecommunications vendor licence categories. The growth of other licence categories remained fairly at the same rate compared to the previous period. Table 3.1 provides a summary of the total number of licences issued to date and the respective categories.

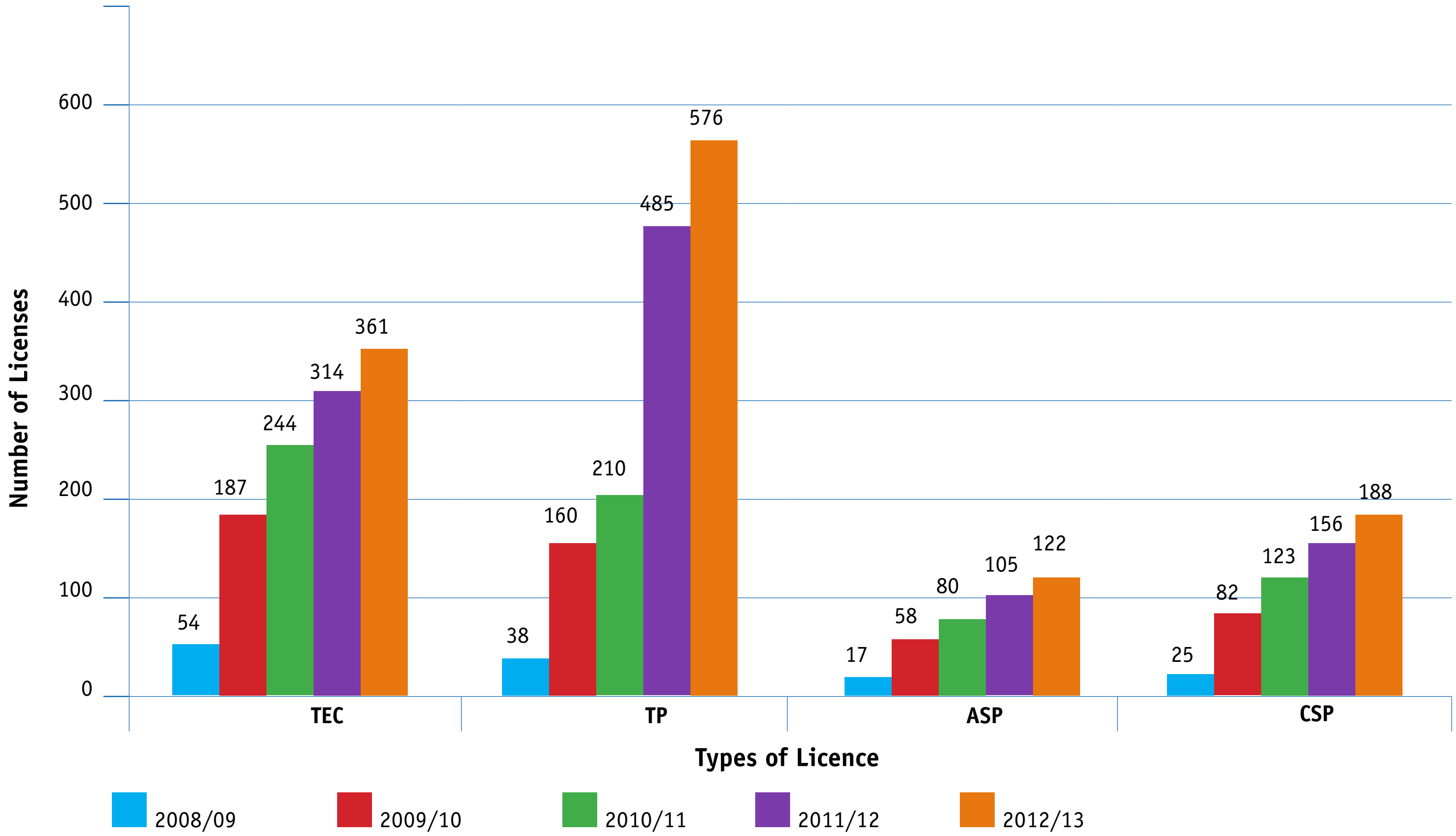
Table 3.1: Cumulative Number of ULF Licences

LICENCE CATEGORY	2008/09	2009/10	2010/11	2011/12	2012/13
Telecommunications Contractors (TEC)	54	187	244	314	360
Technical Personnel (TP)	38	160	210	485	576
Submarine Cable Landing Rights (SCR)	2	3	3	3	3
International Gateway Systems & Services (IGS)	7	11	11	13	13
Application Service Providers (ASP)	17	58	80	105	122
Content Service Providers (CSP)	25	82	123	156	188
Network Facility Providers Tier 1 (NFP T1)	3	4	4	4	4
Network Facility Providers Tier 2 (NFP T2)	7	10	13	17	18
Network Facility Providers Tier 3 (NFP T3)	3	4	6	10	13
Business Process Outsourcing (BPO)	20	25	32	39	39
Telecommunications Vendors (TEV)	43	63	115	162	219
Landing Rights Authorization for Global Mobile Personal Communications via Satellite (GMPCS)	3	3	3	3	3
Total	**222**	**610**	**844**	**1,311**	**1,558**

Source: Communications Commission of Kenya

The steady growth in the number of licensees from the Financial Year 2008/09 to the Financial Year 2012/13 is shown in Figure 3.1.

Figure 3.1: Number of Licence Applications



From Figure 3.1, the growth in number of Technical Personnel (TP) and Telecommunications Contractors (TC) may be attributed to increased public awareness, increased graduates in ICT related fields, increased ICT products and services as a result of innovations that have in turn increased activities in the communications sector. The growth in the number of Telecommunication Vendors (TV) was attributed to increased demand for vending licences resulting from increased demand for set top boxes as well as increased models in set top boxes entering the market as the country transitions to digital TV broadcasting.

The continued growth in the number of Content Service Providers (CSP) could be attributed to the continued vibrancy and innovations in the ICT sector. On the other hand, there was a marginal increase in licences under the NFP Tier 2 and additional three new licensees under the Tier 3 category. Major licences in the NFP Tier 1 remained stable as this category requires heavy capital investment and is dependent on the availability of spectrum resources.

The number of licensees in the old licensing framework continued to decline albeit in smaller margins compared to the previous year. This is apparent in Table 3.2 where the number of licensees in the old framework declined from 970 in 2011/12 to 957 in the Financial Year 2012/13.

Table 3.2: Number of Licences under the Old Licensing Framework

LICENCE CATEGORY	SEP-2008	2009/10	2010/11	2011/12	2012/13
Vendors and Contractors	937	831	825	656	645
Technical Personnel	326	261	252	217	214
Internet Service Providers	-	84	47	45	45
Value Added Service Providers	73	39	39	31	30
Public Data Network Operators	-	-	8	8	10
Local Loop Operators	-	-	10	10	10
Commercial VSAT (Hub Operators)	-	1	1	1	1
Internet Backbone and Gateway Operator (IBGO)	-	5	1	-	-
Data Carrier Network Operator (DCNO)	14	6	6	2	2
Total	**1,350**	**1,227**	**1,189**	**970**	**957**

Source: Communications Commission of Kenya

3.1.2 Postal Licensing and Network Development

The Commission licensed 24 new courier operators increasing the number to 214, up from 190 the previous year. The increase may be attributed to public campaign and engagements with industry stakeholders on the need to observe regulatory provisions particularly with regards to operating within the legislative framework.

Intra-country postal/courier operators continued to dominate the licence category of operators having increased from 109 in 2011/12 to 123 in 2012/13 and accounting for 57.5 per cent of the total number of licensed operators. This was followed by the intra-city operator category that accounted for 20.1 per cent. These are shown in Table 3.3.

Table 3.3: Number of Licensed Postal and Courier Operators

CATEGORY OF OPERATOR	2008/09	2009/10	2010/11	2011/12	2012/13
Public Postal Licensee	1	1	1	1	1
International Operators	15	12	14	14	18
International Inbound Operators	11	9	11	13	13
Regional Operators	11	12	13	13	15
Intra-Country Operators	87	91	99	109	123
Intra-City Operators	38	33	37	39	43
Document Exchange Operators	1	1	1	1	1
Total	**164**	**159**	**176**	**190**	**214**

Source: Communications Commission of Kenya

Total postal/courier networks registered a marginal increase from 1,317 to 1,329 as compared to the decline recorded in the previous period. The number of private operators' courier outlets grew from 683 to 707, while the number of post offices declined from 634 to 622 due to closure of un-economic postal outlets. The number of installed boxes increased to 432,000 from 431,181 over the same period of review. This is shown in Table 3.4.

Table 3.4: Postal and Courier Network Indicators

NETWORK		2008/09	2009/10	2010/11	2011/12	2012/13
Postal Corporation of Kenya		1	1	1	1	1
Total Post Offices		710	700	697	634	622
Departmental Offices		495	504	501	477	476
Sub-Post Offices		198	196	196	157	146
Private Letter boxes	Installed	412,006	414,756	427,900	431,181	432,000
	Rented	340,148	342,739	360,545	369,223	375,093
	Un-let	71,859	72,017	67,550	61,948	56,907
Letter Posting Boxes		890	890	890	752	890
Public Counter Positions		1,279	1,339	1,261	1,030	1102
Automated Public Counters		430	445	520	434	548
Non-Automated Public Counters		849	894	900	596	554
Stamp Vending Licensees		4,505	5,136	5,260	2,847	4,274
Stamp Vending Machines		280	280	280	280	280
Private Operator Outlets		622	601	635	683	707
Total Outlets (Post Offices + Private Operators Outlets)		**1,332**	**1,301**	**1,332**	**1,317**	**1,329**

Source: Communications Commission of Kenya

Despite the recognition of the fact that the postal and courier operators must embrace new technologies in their operations to remain relevant in the current ICT environment, the number of automated public counters declined from 596 to 554 as a result of closure of postal offices whose counters had been automated.

3.1.3 Integrated Postal Development Plan (IPDP)

During the May 2012 Postal Operations Council (POC) session in Bern, Switzerland, the Kenyan delegation formally engaged the UPU to develop an Integrated Postal Development Plan (IPDP) for Kenya. The IPDP is a reform model that encompasses four elements: Universal postal service, Postal sector policies-liberalize and commercialize to attract investment, legal reform including sector restructuring-strengthen and review legislation and modernization of services/institutional framework. The Commission participated in the activities of a task force that was subsequently established by the Ministry of Information, Communications and Technology to look into the modernization of the postal and courier industry in Kenya and prepare a national Master Plan.

3.1.4 National Addressing System

The uptake of e-commerce by consumers is dependent on the ability of enterprises to either deliver directly or through courier operators to their customers the tangible goods/products they make available online. This, in turn, is mainly dependent on the availability of a well-structured National Addressing System (NAS). A NAS provides a simple means by which businesses and residential locations can be assigned sequential alpha-numeric numbers referred to as addresses that can be used to locate their geographic position on a grid of any given area. It is noted, however, that the benefits attributable to a good

NAS go beyond facilitating mail delivery and e-commerce but several other benefits that accrue to practically every sector of the economy. To address the aforementioned need, the government established a NAS Taskforce comprising relevant stakeholders including the Commission. The Taskforce completed the development of a NAS standard.

3.1.5 Licensing of Broadcasting Services

There were 109 FM broadcasters and 14 analogue TV broadcasters at the end of the Financial Year 2012/13. In the Commission's continuous efforts to stimulate growth in digital TV broadcasting, a total of 92 entities had been granted temporary authorization to roll out Broadcasting Content Services on the digital television platform as at 30th June 2013. The Broadcasting Content Service Providers (BCSPs) are authorized by the Commission to enter into contractual arrangements with digital TV signal distributors for their content to be distributed in the coverage areas of their interest.

The Commission, in liaison with the Kenya Bureau of Standards (KEBS), progressed the publication of the Digital Video Broadcast-Terrestrial Second Generation (DVB-T2) Set Top Boxes (STB) minimum technical specifications by approving them through the DTC. The Commission continued to license vendors of DVB-T2 STBs and Integrated Television sets in a bid to further enhance the uptake of digital TV services. By the end of the financial year, 26 models of Free-To-Air (FTA) set top boxes, two models of Pay TV set top boxes and two models of Integrated Digital Television (IdTV) sets had been type approved by the Commission.

3.2 INFORMATION AND COMMUNICATIONS TECHNOLOGY SERVICES

3.2.1 Telecommunication Services

The telecommunications sub-sector posted moderate growth contributed by the growth of mobile telephony industry, converse to the persistent decline in the fixed telephony industry. In a bid to boost effective competition, the Commission continued to license players in the NFPs, CSPs and ASPs licence categories who offered innovative and differentiated products and services.

3.2.1.1 Fixed Network Voice Services

The fixed voice market saw the entrance of a new player during the year, Mobile Telephone Network (MTN) Kenya Limited, increasing the total number of operators in this market segment to four. Telkom Kenya Limited (TKL) continued to command the market share with 210,570 subscribers, followed by Flashcom Kenya Limited with 4,359 subscribers, then Wananchi Group Limited with 1,432 subscribers and finally MTN Kenya Limited with 108 subscribers. Despite the increase in the number of players, the total number of fixed line subscriptions (including wireless) continued on the downward trajectory for the fourth year running, recording a drop from 262,761 subscribers in the Financial Year 2011/12 to 216,469 subscribers in the Financial Year 2012/13. The wireline capacity also declined from 380,135 lines to 362,627 lines in the same period. These are illustrated in Table 3.5.

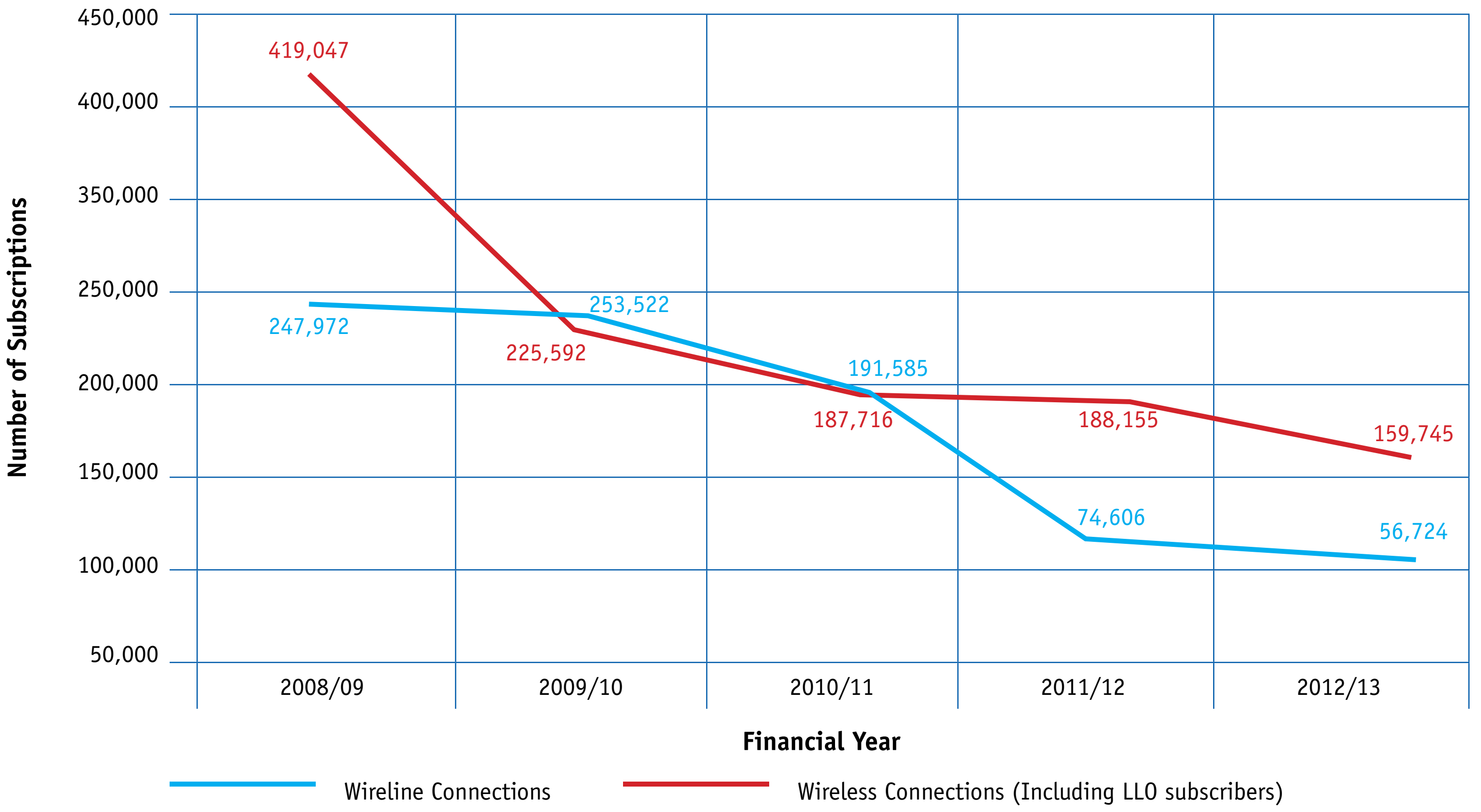
Table 3.5: Fixed Network Growth Indicators

FINANCIAL YEAR	2008/09	2009/10	2010/11	2011/12	2012/13
Wireline Capacity	485,581	421,528	400,764	380,135	362,627
Wireline Connections	247,972	234,522	187,716	74,606	56,724
Wireless Connections (Include LLO Subscribers)	419,047	225,592	191,585	188,155	159,745
Total Connections (Wireline and Wireless)	696,501	460,114	379,301	262,761	216,469
Urban Wireline Connections	240,533	227,486	182,084	72,368	54,758
Rural Wireline Connections	7,439	7,036	5,632	2,238	1,694
International Outgoing Traffic (Minutes)	14,471,643	14,761,211	11,455,952	20,058,628	16,457,407
International Incoming Traffic (Minutes)	88,538,230	38,550,399	31,866,685	17,796,496	14,444,467
Traffic to Mobile networks (Minutes)	34,103,924	31,024,688	79,616,952	104,967,748	105,287,432

Source: Communications Commission of Kenya

Further, as shown in Table 3.5, the fixed wireline connections in both urban and rural areas declined by 24.3 per cent. Connections stood at 54,758 and 1,694 in urban and rural areas, respectively. The fixed subscriber trend is shown in Figure 3.2.

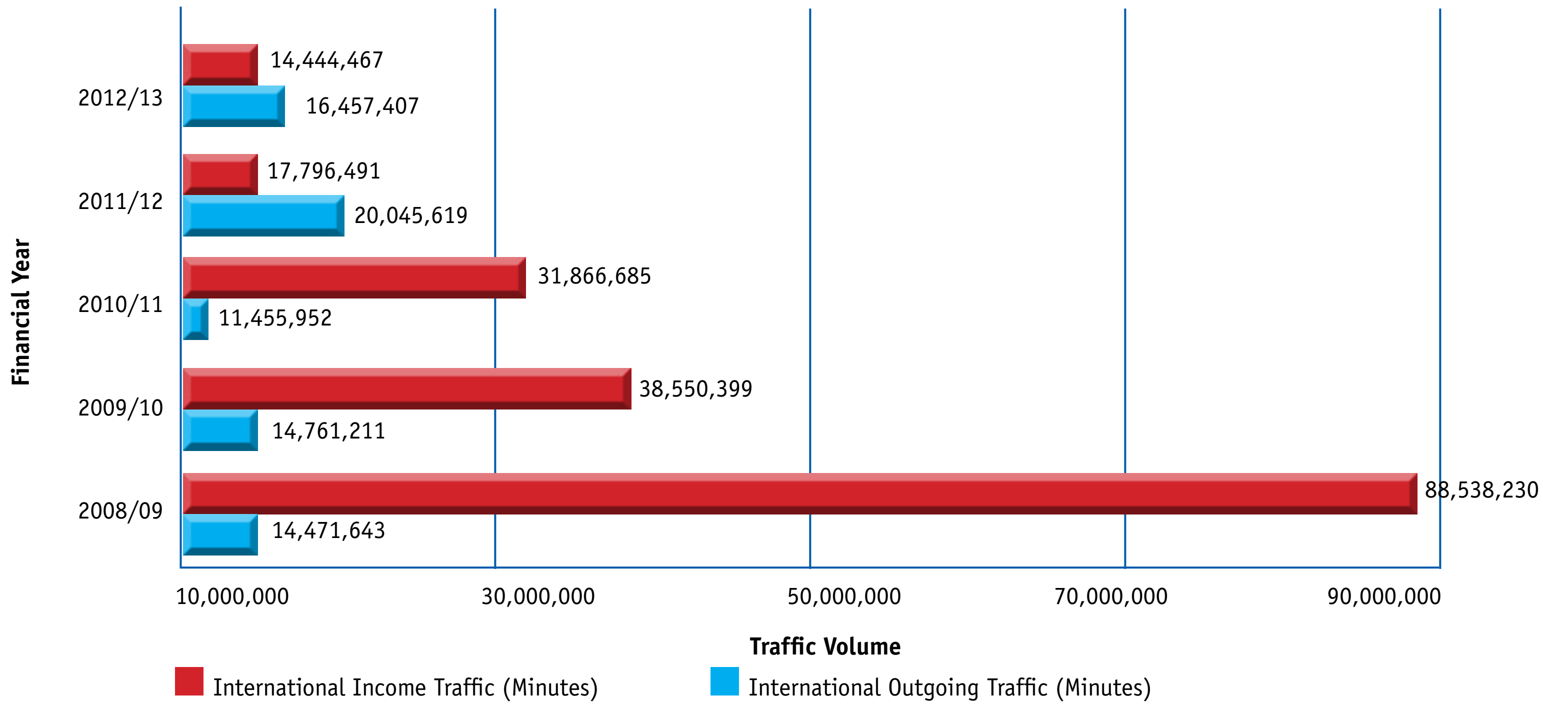
Figure 3.2: Fixed Subscriber Growth Trend in the last five years



Source: Communication Commission of Kenya

The outgoing international traffic for fixed voice declined by 17.95 per cent in the year under review, relative to the 75 per cent increase recorded in the previous year, to stand at 16.46 million minutes. This could be attributed to the increased competition from the mobile telephony networks and general decrease in fixed networks connections. Moreover, the fixed voice incoming international traffic continued to decline for the fourth year running, as shown in Figure 3.3.

Figure 3.3: Fixed Network International Traffic

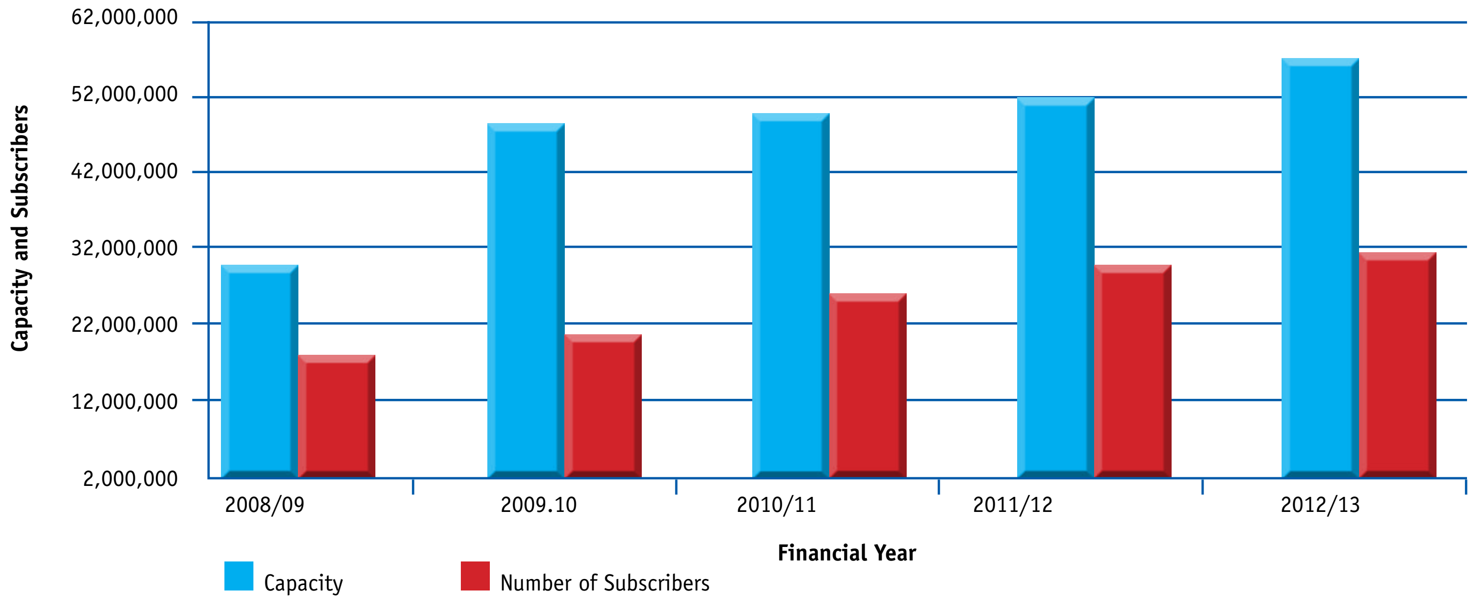


Source: Communications Commission of Kenya

3.2.1.2 Mobile Network Services

There has been continued competition in the mobile market segment among the four mobile operators: Safaricom Limited (Safaricom), Airtel Networks Kenya Limited (Airtel), Essar Telecoms Kenya Limited (yu), and Telkom Kenya Limited (Orange). Mobile cellular subscriptions grew from 29.70 million in the year 2011/12 to 30.55 million in the year 2012/13, representing a 2.8 per cent growth. This marginal growth can be attributed to the government's directive to de-activate all unregistered SIM cards in early 2013 that led to the switch off of 2.4 million SIM cards. Furthermore, 1,046,566 counterfeit mobile phones were also de-activated by 30th September 2012. Operators also increased their capacity from 49.977 million the previous year to 55.077 million in the Financial Year 2012/13. This is shown in Figure 3.4.

Figure 3.4: Mobile Operators Capacity and Subscribers



Source: Communications Commission of Kenya

There was a marginal increase in mobile penetration in tandem with the increase in mobile subscriptions. Mobile cellular penetration went up from 75.4 per cent in the Financial year 2011/12 to 77.3 per cent in the Financial Year 2012/13. Despite this increase, the level of penetration is still persistently below the global, developed and developing countries penetration rates in December 2012 which stood at 91.2 per cent, 123.6 per cent and 84.3 per cent, respectively.

Pre-paid subscriptions continued to dominate the mobile cellular subscription mix accounting for 99 per cent of the total subscriptions, vis-à-vis 1 per cent for post-paid subscriptions. This could be due to the continued marketing and supply chain strategies employed by the operators, the prevalence of low denomination prepay calling cards across all networks which are affordable to the mass market, and the wide array of bundled services and products offered to prepaid subscribers by the operators.

The volume of Short Messaging Service (SMS) more than tripled in the Financial Year 2012/13 compared to the previous period to stand at 13.233 billion SMS in 2012/13, up from 4.295 billion SMS, representing a 208.08 per cent increase as shown in Table 3.6.

Table 3.6: Mobile Network Growth Indicators

TYPE	2008/09	2009/10	2010/11	2011/12	2012/2013
Capacity	29,400,000	46,628,948	47,677,000	49,977,000	55,077,000
No. of Subscribers	17,362,257	20,119,304	25,279,768	29,703,439	30,549,422
SMS	2,728,869,614	2,662,653,719	2,622,821,774	4,295,378,823	13,233,082,214

Source: Communications Commission of Kenya

This increased SMS traffic could be attributed to reduced SMS tariffs as a result of continued implementation of the SMS termination rates glide path, as well as the variety of affordable SMS bundles, which were attractive to the large youth population.

Mobile networks continued to record increased international incoming traffic that stood at 767,413,123 minutes for the Financial Year 2012/13 compared to 678,278,282 minutes in the Financial Year 2011/12, representing a 12.1 per cent increase. Conversely, there was a reduction in the international outgoing traffic from 641,213,491 in the Financial Year 2011/12 to 560,059,695 in the Financial Year 2012/13, representing a 12.7 per cent decrease. This decrease may be explained by the availability and increased use of video chat internet applications such as Skype and Google Chat.

3.2.1.3 Mobile Money Transfer Service

Mobile technology continued to revolutionize payment systems in Kenya, with the provision of applications that enable diverse financial transactions via the mobile platform. These applications included purchasing airtime, money transfer, paying bills, Automated Teller Machine (ATM) withdrawals and even facilitating mobile banking transactions such as sending or withdrawing money to and from ones' bank account, via the various mobile money transfer platforms offered by the operators. The 'mobile wallet' enables money transfer payments to schools, hospitals and other organizations as well as enabling shopping both online and from local retail outlets.

The popularity in the use of mobile money services continued to positively influence the growth in mobile money transfer service. The total number of mobile money transfers increased from KES 672,300,539,553 in the Financial Year 2011/12 to KES 913,803,005,044 in the Financial Year 2012/13 representing a growth of 35.9 per cent. Similarly, the number of active agents rose from 49,079 during the Financial Year 2011/12 to 88,466 recorded in the Financial Year 2012/13 representing a significant growth of 80.3 per cent. This growth indicates the willingness of consumers in areas without or with limited banking services to adopt mobile money services as a form of banking. Safaricom Limited continues to have the largest market share accounting for 70.7 per cent total number of mobile money service subscribers. The mobile money transfer indicators are shown in Table 3.7.

Table 3.7: Mobile Money Transfer Agents

OPERATOR	JUNE 2010	JUNE 2011	JUNE 2012	JUNE 2013
Safaricom Limited (M-Pesa)	10,232,805	14,331,941	15,083,674	17,561,999
Telkom Kenya Limited (Orange Money - Iko Pesa)	-	117,091	140,166	166,114
Airtel Networks Kenya Limited (Airtel Money)	378,700	2,530,916	3,751,713	4,580,467
Essar Telecom Kenya Limited (yu Cash)	3,881	415,779	530,149	2,291,473
Total Number of Subscribers	10,615,386	17,395,727	19,505,702	24,840,404
Total Transfers (KES Billions)	90.02	486.85	672.30	913.80
TOTAL NUMBER OF AGENTS	**32,949**	**42,313**	**49,079**	**88,466**

Source: Communications Commission of Kenya

Mobile money subscriptions grew by 27.3 per cent. This growth could be attributed to increased mobile penetration as well as expansion of the mobile money transfer agency network and other innovative services that were offered during the year under review. Mobile money transfer service penetration increased to 61.03 per cent in the Financial Year 2012/13 from 49.38 per cent recorded the in the Financial Year 2011/12. Apart from the four mobile network operators, other operators offering mobile money transfer services include Mobikash Africa Limited and Mobile Pay Limited, who are licensed as Content Service Providers (CSPs).

3.2.1.4 Internet Services

Mobile networks, fixed wireless lines, satellite networks, fibre optic and cable networks continued to provide platforms for provision of internet and data services in Kenya. These services are expended by different user groups in society, ranging from individuals, households, Government and corporate users such as health institutions, education institutions, banks and hotels, which require high-speed and reliable Internet connection.

The continued revenue growth inertia in the voice market has seen operators shift to other markets in the ICT industry such as the data market. Mobile operators continue to aggressively engage in the data market and have deployed wireless broadband mobile networks that have speeds of up to 21 Mbps. Moreover, internet and data service providers continue to partner with various CSPs to boost content development, and to create applications (apps) in an effort to attract growth in Internet and data traffic.

The number of Internet users increased by 40.1 per cent, to stand at 19,654,925 in the Financial Year 2012/13. This growth can be attributed to the increased usage of the internet for basic services such as banking, healthcare and education, availability of a wide array of affordable internet access devices such as smart phones and tablets, as well as the innovative promotions and special offers and affordable bundled internet services provided by operators. A summary of Internet subscriptions and users is shown in Table 3.8.

Table 3.8: Internet Subscriptions and Estimated Internet Users

SUBSCRIPTIONS/USERS	2008/09	2009/10	2010/11	2011/12	2012/13
Terrestrial mobile data/Internet subscriptions	1,562,065	3,059,906	4,189,720	7,655,576	12,340,005
Terrestrial wireless data/Internet subscriptions	8,602	22,134	29,979	21,709	21,282
Satellite data/Internet subscriptions	26	953	960	519	1,278
Fixed Digital Subscriber Line (DSL) data/Internet subscriptions	7,822	9,631	15,168	11,682	11,512
Fixed fibre optic data/Internet subscriptions	851	4,303	22,460	49,371	58,197
Fixed cable modem (Dial Up) data/Internet subscriptions	21	25	-	25	25
Total Internet Subscriptions	1,824,203	3,096,952	4,258,287	7,738,882	12,432,308
Estimated Internet Users*	3,648,406	7,832,352	12,538,030	14,032,366	19,654,925

** Internet users are 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 is adopted from the recommendation of ITU.*

Source: Communications Commission of Kenya

The number of internet subscription increased from 7,738,882 in the year 2011/12 to 12,432,308 in the Financial Year 2012/13, representing a 60.6 per cent growth. This was dominated by terrestrial mobile subscriptions, which account for 99.3 per cent of the total subscriptions, as illustrated in Table 3.8. This could be attributed to the variety of affordable mobile data bundles provided by operators and the increasing popularity of social media, which is easily accessible through the mobile phone. High speed fixed fibre optic/Internet subscriptions grew by 17.9 per cent, indicating continued uptake of the technology in transmitting telephone signals, Internet communication and cable television signals (Triple Play).

Internet penetration continued on an upward trajectory to reach 48.3 per cent in the Financial Year 2012/13 compared to 35.5 per cent in the Financial Year 2011/12. This level of penetration is above global and developing countries' penetration rates, which ITU estimates to be 35.7 per cent and 27.5 per cent respectively, as at the end of December 2012. However, it is still lagging behind the developed countries penetration rate, which the ITU estimates to be 73.4 per cent, as at the end of December 2012.

3.2.1.5 Broadband Services

Broadband provides access to new technologies and allows companies to explore new business opportunities, access customers and obtain information about market prices. Better access to information makes markets work more efficiently and raises producer incomes. The total international undersea bandwidth capacity rose to 844,870 Mbps from 574,054 Mbps recorded in 2011/12. The 47 per cent increase in the capacity is attributed to the increase in the SEACOM undersea fibre optic capacity. Out of the total available bandwidth capacity, the undersea capacity accounted for 99.92 per cent as shown in Table 3.9.

Table 3.9: International Available Bandwidth

FINANCIAL YEAR UNDERSEA FIBRE OPTIC CABLE CAPACITY	2010/11	2011/12	2012/13
1. SEACOM Capacity (Mbps)	79,626.24	308,224.00	578,400
2. TEAMS Capacity (Mbps)	102,332.16	101,990.00	101,990
3. EASSY Capacity (Mbps)	122,880.00	122,880.00	122,880
4. LION2 Capacity (Mbps)	-	40,960.00	40,960
Total Undersea Bandwidth Capacity (Mbps)	304,838.40	574,054.00	844,230
Satellite Bandwidth Capacity (Mbps)	336.10	649.80	639.52
TOTAL AVAILABLE BANDWIDTH CAPACITY (MBPS)	**305,174.50**	**574,703.80**	**844,870**

Source: Communications Commission of Kenya

The leased undersea capacity increased by 34.88 per cent to reach 356,655 Mbps in 2012/13. Furthermore, as a result of the need for provision of redundancy, leased satellite bandwidth rose by 60.32 per cent to reach 219.95 Mbps. Thus, total international leased bandwidth increased by 34.88 per cent to reach 356,874.95 Mbps in June 2013 from 264,583.78 Mbps in June 2012 shown in Table 3.10.

Table 3.10: International Leased Bandwidth

YEAR	2008/09	2009/10	2010/11	2011/12	2012/13
International Undersea Bandwidth (Mbps)	-	20,000.00	32,151.52	264,426.00	356,655
International Satellite Bandwidth (Mbps)	2,746.55	384.12	119.00	157.78	219.95
TOTAL INTERNATIONAL BANDWIDTH (MBPS)	**2,746.55**	**20,384.12**	**32,270.52**	**264,583.78**	**356,874.95**

Source: Communications Commission of Kenya

The rise in international leased bandwidth signals increased demand for international connectivity particularly through the fibre optic undersea cable, a rise in demand for bandwidth and increased usage of the social media sites.

Further, 42.24 per cent of the total available international bandwidth is leased compared to 46.04 per cent posted the previous year. This shows a marginal decline in the uptake of the bandwidth capacity and indicates the greater capacity that the country has in terms of broadband international connectivity.

In the Financial Year 2012/13, out of the total international leased bandwidth, the international undersea bandwidth accounted for 99.93 per cent compared to 99.94 per cent recorded in the Financial Year 2011/12. This indicates a constant uptake of the undersea bandwidth, which may be attributed to leased international satellite bandwidth which rose by 60.32 per cent.

The total number of broadband subscriptions in the Financial Year 2012/13 increased by 92.46 per cent to 1,398,823 from 726,802 posted in the Financial Year 2011/12. Wireless broadband (mobile and WIMAX) subscription accounted for 95.36 per cent of the total broadband subscriptions while fixed broadband accounted for only 4.64 per cent. The broadband subscription by category is shown in Table 3.11.

Table 3.11: Number of Broadband Subscriptions

FINANCIAL YEAR	2010/11	2011/12	2012/13
Fixed Broadband (DSL, Satellite and Fibre)	6,552	35,265	64,850
Wireless (WIMAX)	5,646	17,282	18,634
Mobile	108,928	674,255	1,315,339
TOTAL	**121,126**	**726,802**	**1,398,823**

Source: Communications Commission of Kenya

The increased number of broadband subscription was fuelled by among others the increased usage of social media sites in the country particularly on the mobile devices as evidenced by the mobile broadband subscription that grew by 95.08 per cent, and comprised 92.46 per cent of total subscriptions.

The total broadband penetration in the Financial Year 2012/13 was 3.54 per cent compared to 1.84 per cent recorded in the Financial Year 2011/12. Wireless broadband penetration recorded as 3.38 per cent continued to dominate broadband market segment compared to the fixed broadband penetration of 0.16 per cent. Both the fixed and mobile broadband penetration in Kenya is less than the African average of 0.3 per cent and 7.1 per cent, respectively.

3.2.2 Postal and Courier Services

The Commission continued to engage with postal and courier operators with a view to improving the regulatory environment and facilitating provision of postal and courier services. In the postal and courier segment, mail, courier, financial and agency services continued to be provided to the public.

The mail services accounted for 93.6 per cent of the market share in the postal and courier industry followed by agency services (5.1 per cent), courier services (0.8 per cent) and financial services (0.5 per cent). The postal and courier operators also continued to deploy ICT to innovate and leverage in the provision of these services.

3.2.3 Broadcasting Services

To enhance competition in the provision of broadcasting services, the Commission reviewed spectrum fees for broadcasting services. The review mapped out the country into two zones: Zone A represents high congestion zones while Zone B represents low congestion areas. Broadcasters operating in Zone B pay half the fee paid by those in Zone A. This is aimed at providing incentives in the provision of broadcasting services in remote and low income parts of the country. The Commission also introduced a new formula – (2n-1) x Current fee – where n is the number of frequencies assigned to a broadcaster per broadcast site. The formula reflects a true value of broadcasting spectrum whereby broadcasters who hold more frequency spectrum pay more regulatory fees. This also served to discourage broadcasters from hoarding spectrum while encouraging fair competition in access to spectrum.

To enhance competition in digital TV broadcasting, the Commission continued to issue authorisation for accommodation on the Digital Terrestrial Television (DTT) networks of licensed signal distributors. While licensing of broadcasting services remained on hold pending the completion of the court cases barring the Commission from doing so, the move to grant authorisations sought to enable signal distributors to activate their platforms and for content developers and providers to compete in providing content that is diverse.

3.3 TARIFFS AND COMPETITION

3.3.1 Telecommunications

The Commission on 16th August 2010 issued Determination No.2 of the 2010 on interconnection rates for fixed and mobile telecommunication voice services. The Determination defined progressive reduction of the interconnection rates over a period of four years, commonly referred to as the glide path. Stakeholders expressed concerns over the perceived negative effects of the intense competition that ensued. Consequently, in the Financial Year 2011/12, the Commission suspended the implementation of the Determination and undertook an independent study to review the impact of competition in the mobile voice market on telecommunications sector and macro economy in Kenya. The study unequivocally confirmed that competition had positive effects on the industry and the government's macroeconomic agenda. As a result, the Commission re-instated the glide path with effect from 1st July, 2012.

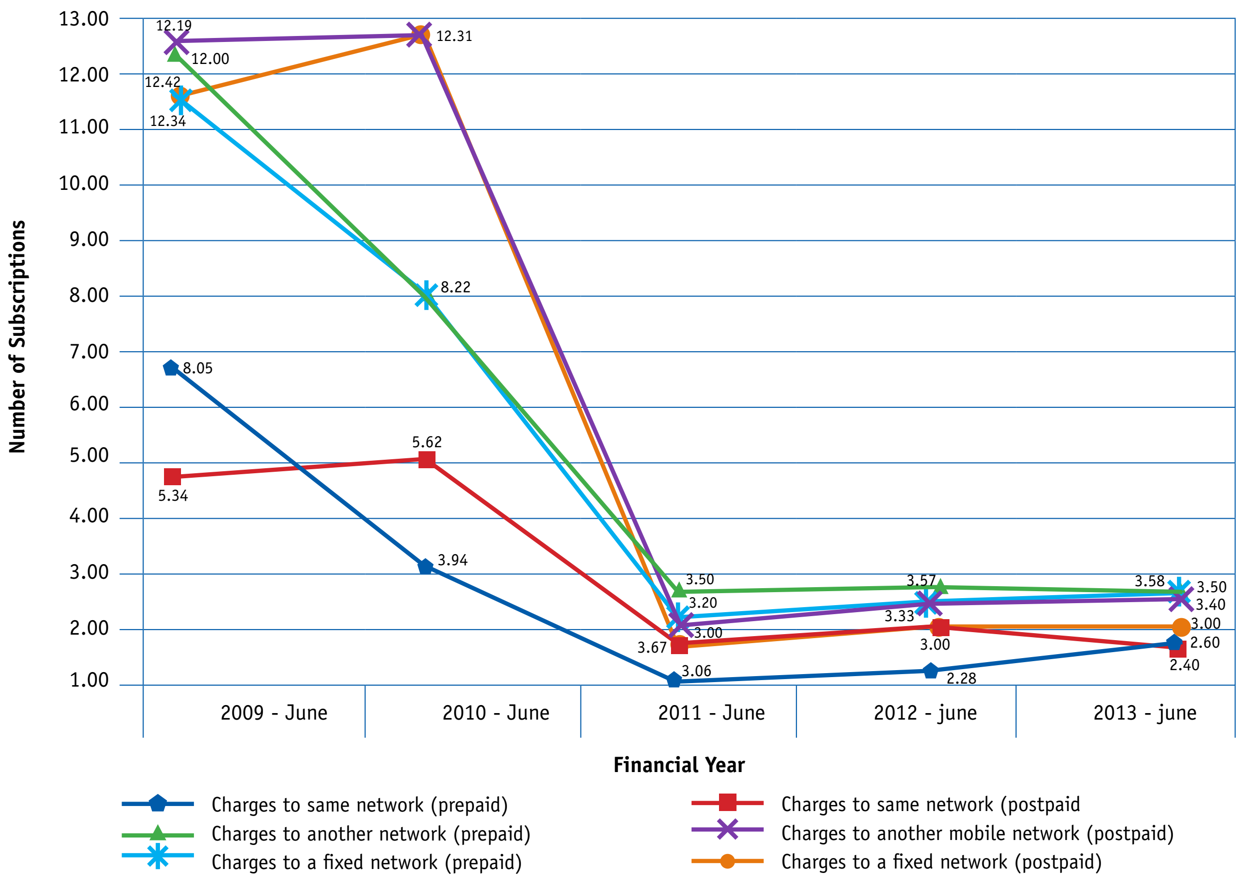
The implementation of the glide path stimulated the desired output which included improved accessibility and affordability of ICT services and products; increased innovations and investments in the sector as well as increased activity in business process outsourcing. Additionally, lower interconnection rates catalysed commercial flexibility in retail pricing that narrowed off-net and on-net price differentials in the industry.

Operators continued to concentrate on rolling out promotions and special offers as they competed to acquire additional subscribers in their networks while stimulating usage. During the Financial Year 2012/13, the Commission approved a total of 100 promotions and special offers. Much as the voice market continues to mature, there are still quite a number of promotions targeted at this market (18 per cent). With the increase in mobile broadband penetration, operators continued to leverage on this untapped market by targeting their promotions at the data market as evidenced by 18 per cent of the total promotions and special offers offered.

3.3.1.1 Fixed and Mobile Network Services

The competitive landscape in both fixed and mobile market segments continued to thrive. This is attested to by the narrow spread between on-net and off-net tariffs and continued convergence of average on-net and off-net tariff trends. The average tariffs are illustrated in Figure 3.5.

Figure 3.5: Average Voice Tariff Trends June 2009 - June 2013



Source: Communications Commission of Kenya

The increased competition in the voice market spurred by the issuance of the Interconnection Determination No. 2 of 2010, has resulted in the operators shifting focus from the maturing voice market to other growing business segments such as the data market. The reduced termination rates coupled with the increased mobile broadband penetration and advancement in technology such as increased use and availability of affordable smartphones compelled operators to be more creative in tariff offerings to leverage on this market.

3.3.1.2 Internet and Broadband

Broadband access is an important infrastructure for participation in today's economy and a major driver for growth and innovation. The Commission continued to allow market forces to spur the growth of the nascent Internet and broadband markets. Over and above the array of innovative data products and services offered by the operators in this market segment using several technologies, the fibre optic cable network expanded.

The continued roll out of fibre optic cables has resulted in the increase of fixed fibre optic data/internet subscriptions from 49,371 in the Financial Year 2011/12 to 58,197 in the Financial Year 2012/13. However, there was reduction in both the terrestrial wireless data/internet subscriptions from 21,709 the previous year to 21,282 in the Financial Year 2012/13 and fixed DSL data/internet subscriptions from 11,682 in the Financial Year 2011/12 to 11,512 in the Financial Year 2012/13.

3.3.2 Postal and Courier Services

The Commission continued to monitor the implementation of the tariffs of the regulated postal services which comprise postage of letters up to 350 grams, private letter box and bag rentals. This was done in line with the *Kenya Information and Communications Act Cap 411A*, Regulations and Licence Conditions for the Postal Corporation of Kenya, which is a designated Public Postal Licensee.

3.3.3 Electronic Transaction Services

The Commission is mandated under the *Kenya Information and Communications Act, Cap 411A* to license and regulate Electronic Certification Service Providers (E-CSPs) and the domain name registration. There were no tariffs reported for Electronic Certification Service Providers (E-CSPs) as the licensing framework is still under development. However, local institutions continued to get Electronic Certification Services from outside the country.

3.3.4 Broadcasting Services

The Commission further reviewed the tariffs charged by Broadcasting Signal Distributors (BSDs) on Broadcasting Content distributors in a bid to come up with a cost-based charging methodology. This was necessitated by the low uptake and sustainability of the content service provisioning business as most content providers were start-ups and the charges billed by BSDs were not sustainable. The exercise is slated to be completed in the next financial year.

3.4 EMERGING ISSUES

In order to keep abreast with the ever-changing Information and Communications Technology, the Commission researches on emerging issues and new technological developments to enrich the regulatory framework.

3.4.1 Standardization

The Commission has initiated affiliation to two international standardisation bodies namely the Institute of Electrical and Electronics Engineers (IEEE) and the European Telecommunications Standards Institute (ETSI). Such strategic alliance/linkage will enable CCK to tap into the rich knowledge resources developed by such bodies and ensure the Commission utilizes the most current ICT standards in its regulatory functions. This process is expected to be finalised in the next fiscal year.

To further improve its service delivery, the Commission is at an advanced stage in connecting to the Integrated Population Registration Services (IPRS) database, which is managed by the Ministry of State for Immigration and Registration of Persons. The IPRS database has integrated existing databases on civil registration, national registration, immigration, and refugee status. By linking to the IPRS, the Commission will greatly improve service delivery in areas such as issuance of licences and the awarding of tenders. These are two activities that require the verification of applicant bio-data.

3.4.2 National Broadband Strategy

Vision 2030 has identified ICT as an enabler and recognizes the importance of these technologies in economic development. During the year, the Ministry of Information, Communications and Technology (MoICT) in collaboration with the Commission spearheaded the development of a National Broadband Strategy (NBS) with the technical assistance from the United States Agency for International Development (USAID) through its Global Broadband Initiative (GBI) Programme. The development of this strategy was in line with trends in the world today and is critical for the realization of the country's development goals including achieving digital inclusion. The vision of the National Broadband Strategy (NBS) is to transform Kenya to a knowledge-based society driven by a high capacity nationwide broadband network.

The Commission co-ordinated and supported the work of the National Steering Committee that consisted of representatives from the Ministry of Information, Communications and Technology, local and international experts from USAID's GBI programme. The Committee achieved the NBS through consensus based strategy and by active collaboration with a wide range of stakeholders in both the public and private sectors in Kenya. The National Broadband Steering Committee co-ordinated a series of consultative meetings and workshops organized through technical working groups comprising of experts on the thematic areas of the broadband ecosystem namely, Infrastructure and Connectivity; Applications and Devices; Content and Innovation; Capacity Building and Awareness; Policy, Legal and regulatory Issues; and Finance and Investments. The working groups developed a draft National Broadband Strategy (NBS) which was subjected to public consultation. An analysis of the stakeholder inputs as well as the actual submissions made by respective individual experts and institutions were posted at *http://www.cck.go.ke/links/consultations/published_responses.html*

The National Broadband Strategy will be officially launched by the Ministry of ICT in July 2013.

CHAPTER 4:

ENSURING COMPLIANCE AND EMPOWERING CONSUMERS

4. ENSURING COMPLIANCE AND EMPOWERING CONSUMERS

Regulatory compliance is a prerequisite for the orderly provision of goods and services in a regulated sector. Tremendous advances witnessed in the ICT sector, which are perhaps unsurpassed by any other sectors of the economy, now pose significant challenges in a bid to ensure regulatory compliance. The developments in the ICT sector are characterized by very innovative ways in the delivery and billing of the ever-increasing range of services available to consumers. To this end, the Commission continuously undertakes monitoring activities to ensure compliance with the law and licence conditions. In addition, the Commission takes enforcement action when and where necessary to ensure that non-complaint licensees are held accountable.

The Commission empowers and protects consumers of ICT services with respect to prices charged, quality and diversity of those services. The Commission also responds to the needs of individual or groups of consumers to protect them with respect to the prices they are charged, as well as the quality and variety of those services.

4.1 MONITORING AND ENFORCING COMPLIANCE

As a first step in ensuring and enforcing compliance with the Act, the Regulations and the licence conditions, the Commission undertakes scheduled as well as unscheduled inspections and quality of service monitoring. The Commission also ensures that the integrity of public communications infrastructure is maintained through type-approval/acceptance of ICT equipment before deployment on the various networks. Certification of network installations to ensure conformance with set installation standards is also undertaken by the Commission.

4.1.1 Inspections

During the year, the Commission continued to inspect telecommunication network installations and postal/courier facilities as detailed here below.

4.1.1.1 Telecommunications

A sample of telecommunication operators was inspected to verifinancial year compliance with licence conditions, the Act and Regulations. The Commission further undertook inspections to investigate the existence of unauthorised operators with a view to stemming illegal operations in the market.

A total of 85 inspections of telecommunications licensees including 29 Content Service Providers (CSPs), 23 Application Service Providers (ASPs), 10 Network Facility Providers (NFPs), seven IGS/SSCLR licensees and four BPOs. The objective of the inspections was to check general compliance with licence conditions, audit the installed systems and equipment and to verify the accuracy of compliance returns. The inspections entailed physical visits to offices and licensee facilities.

The inspections showed 88.25 per cent compliance rate compared to 90.6 per cent achieved the previous year, representing 2.35 percentage point decrease. The compliance rates for various licence categories are shown in Table 4.1.

Table 4.1: Summary of the Telecommunication Licensee Inspections

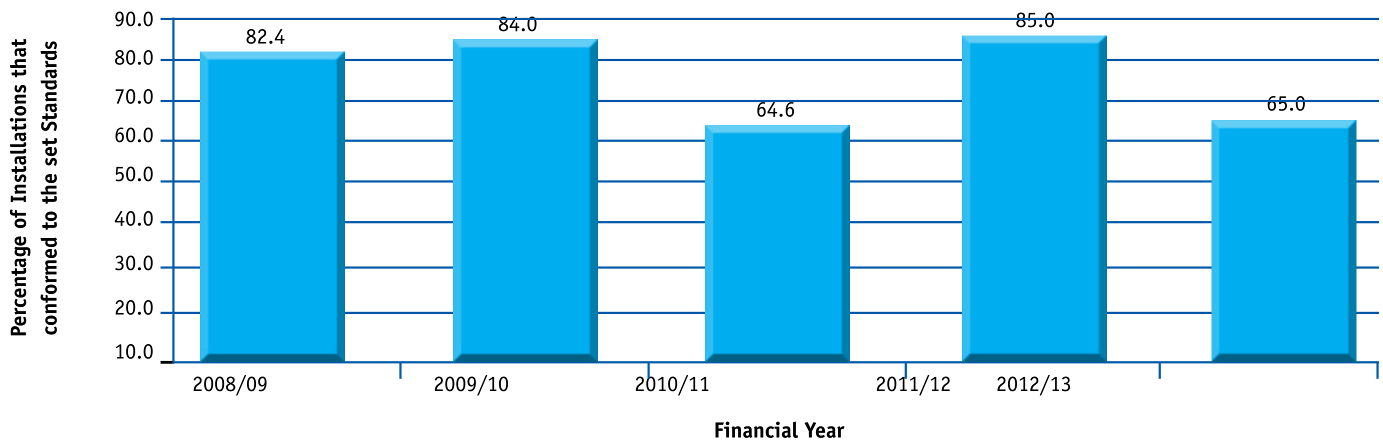
		INSPECTED			COMPLIANT			PERCENTAGE COMPLIANCE (%)		
	LICENCE CATEGORY	2010 /11	2011 /12	2012 /13	2010 /11	2011 /12	2012 /13	2010 /11	2011 /12	2012 /13
1	Content Service Providers (CSP)	20	16	29	15	15	25	75.0	93.8	86
2	Application Service Providers (ASP)	17	13	23	16	12	20	94.1	92.3	87
3	Network Facilities Providers (NFP)	7	5	10	6	5	9	85.7	100.0	90
4	Business Process Outsourcing (BPO)	3	2	4	2	2	4	66.7	100.0	100.0
5	International System & Services (ISS)-(IGS/SCLR)	1	5	7	1	5	7	100.0	100.0	100.0
6	Public Data Network Operators (PDNO)	3	1	1	1	1	1	33.3	100.0	100.0
7	Internet Service Providers (ISP)	12	2	-	6	2	-	50.0	100.0	-
8	Local Loop Operators (LLO)	4	3	3	2	2	2	50.0	66.7	66.7
9	Telecommunications Contractors (TEC)	4	2	-	3	2	-	75.0	100.0	-
10	Value Added Services	3	0	-	3	0	-	100.0	-	-
11	Premium Rate Services (PRS)	3	1	-	3	1	-	100.0	100.0	-
12	Private VSATS	5	4	1	5	3	1	100.0	75.0	100.0
13	Broadcasters	0	2	-	0	2	0	-	100.0	-
14	Cyber Cafés	8	-	-	8	-	-	100.0	-	-
15	Others+	0	8	7	0	6	6	-	75.0	86
	Total	**90**	**64**	**85**	**71**	**58**	**75**	**78.9**	**90.6**	**88.25**
+Others includes suspected illegal operators										

Source: Communications Commission of Kenya

4.1.1.2 Network Installation Inspections and Certification

The Commission ensures that the telecommunication standards are upheld by all players in the ICT Industry largely through inspection and certification exercise. In this regard, the Commission samples installations done in each county and also sensitises industry players on the current telecommunication standards and industry trends. In the Financial Year 2012/13, a total of 106 installations were inspected, of which 65 per cent were compliant. This reflects a drop from 85 per cent from the previous year as shown in Figure 4.1.

Figure 4.1: Percentage of Installations that Conformed to the Set Standards



Source: Communications Commission of Kenya

The inspections revealed that installations within the cities recorded higher percentage of compliance compared to those in the rural areas and towns. This may be attributable to the stiff competition among the players in the cities. Licensees whose installations were not compliant were directed to carry out corrective action and inform the Commission upon completion for re-inspection. The Commission shall convene stakeholder forums and sensitization seminars to continually educate the industry on the installation standards.

4.1.1.3 Radiocommunications

The Commission verifies through inspections licensees' compliance with the operating parameters associated with the radio frequencies assigned to them. As shown in Table 4.2, the Commission inspected a total of 500 radiocommunication networks in the Financial Year 2012/13 compared to 828 inspected the previous year, representing a 39.61 per cent decrease.

Table 4.2: Number of Radiocommunication Inspections

YEAR	2008/09	2009/10	2010/11	2011/12	2012/13
Land Mobile Networks	296	210	231	259	137
Broadcast Transmitters	65	224	60	135	328
Alarm Networks	149	183	176	267	-
Fixed Link and Fixed Wireless Access (FWA) Sites	-	-	178	167	35
Total	**500**	**617**	**645**	**828**	**500**

Source: Communications Commission of Kenya

The Commission carried out inspection and compliance checks on Land Mobile, and Fixed link/Fixed Wireless Access Radio installations.

The inspection of Land Mobile networks revealed a compliance level of 73.5 per cent, an improvement from 54 per cent recorded the previous year. The areas of non-compliance were: unauthorised expansion of existing networks, use of unauthorised frequencies, non-payment of frequency fees and establishment of unauthorised networks. Compliance checks on Fixed and Fixed Wireless Access networks revealed an improved compliance level of 89.7 per cent in comparison with the previous year of 87 per cent. To address the non-compliance, the Commission issued notices of violation and subsequently levied appropriate penalties where anomalies were not rectified.

4.1.1.4 Postal and Courier Services

Inspection of postal and courier facilities was undertaken to confirm compliance with the Act, Regulations and licence conditions. A total of 116 postal and courier licensees were inspected country-wide. Eleven (11) licensees whose outlets were not compliant were formally directed to undertake corrective measures. The measures included displaying a list of prohibited articles (for transmission in the network), and service/product tariffs. Others were establishment of consumer complaints procedures as well as maintenance of a complaints register, display of licence certificate and customer information. During the inspection exercises, the Commission identified eight (8) illegal operators, four (4) in Western and four (4) Central regions. The illegal operators were penalized and have since formalized their operations by acquiring the necessary licensing documents as per the Act, regulations and license conditions.

The Commission held the 5th Annual Stakeholders Postal and Courier Forum. On this occasion, the Commission continued to encourage Licensees to ensure their networks are secure by acquiring mail screening devices. The Commission also continued to participate in national projects aimed at facilitating the development of the postal and courier industry. These included roll out of the National Addressing System in the Nairobi Central Business Districts (CBD) on pilot basis while phase 2 of the project is targeted at the residential areas, and the development of National Master Plan for 2013-17 for the modernisation of the postal sector in Kenya.

Arising from its engagement with postal industry stakeholders and in line with its mandate to support capacity-building in the sector, the Commission partnered with the African Advanced Level Telecommunications Institute (AFRALTI) to boost regulatory compliance amongst licensees.

Under the collaborative arrangement, AFRALTI was tasked with the development of a postal/courier curriculum. The curriculum will seek to address certain challenges facing the industry, which revolve around recognition of prohibited goods, understanding interconnection principles, ensuring safety and security in postal networks, quality of service monitoring, knowledge of sub-sector policy and regulation among others.

4.1.2 Monitoring

4.1.2.1 Radiocommunications Monitoring

During the year under review, there were a total of 29 cases of reported interference, 28 of which were resolved as shown in Table 4.3.

Table 4.3: Number of Frequency Interference Cases

YEAR	2008/09		2009/10		2010/11		2011/12		2012/13	
	TOTAL	RESOLVED	TOTAL	RESOLVED	TOTAL	RESOLVED	TOTAL	RESOLVED	TOTAL	RESOLVED
VHF, UHF and SHF	49	46	45	42	32	27	18	20	19	19
HF	1	1	4	1	3	3	1	2	3	3
Broadcasting	0	0	10	9	4	3	4	4	7	6
Total	**50**	**47**	**59**	**52**	**39**	**33**	**23**	**26**	**29**	**28**

Source: Communications Commission of Kenya

The remaining case was reported at the end of the Financial Year 2012/13 and will, therefore, be addressed in the Financial Year 2013/14.

The Commission carries out frequency clearance to determine suitability, usage and assignment of a frequency band. During the Financial Year 2012/13, the Commission monitored for clearance a total of 60 cases comprising 34 in the VHF, UHF and SHF frequency bands, four (4) in the HF band and 22 in the broadcasting frequency bands. The frequencies in the HF, VHF and UHF frequency bands were monitored to facilitate assignment to private security firms, Government organs and diplomatic mission as shown in Table 4.4.

Table 4.4: Number of Frequency Clearances

YEAR	2008/09	2009/10	2010/11	2011/12	2012/13
V/U/SHF	37	39	15	19	34
HF	7	3	1	6	4
Broadcast (Surveillance)			-	-	22
Total	**44**	**42**	**16**	**25**	**60**

Source: Communications Commission of Kenya

4.1.2.2 Quality of Service Monitoring in Telecommunication Services

To ascertain compliance with the Act, Regulations and licence conditions, the Commission regularly carries out assessment of the Quality of Service (QoS) performance of mobile operators based on select parameters with a view to assessing compliance levels in line with targets agreed on in the 2009/10 financial year.

The parameters assessed in relation to the enhanced targets set for the period 2012/13 – 2014/15 include Completed Calls; Call Set-up Success Rate (CSSR); Call Block Rate; Speech Quality and Handover Success Rate. From Table 4.5, the QoS performance targets for five of the eight parameters have been changed commencing from the year 2012/13, making them more stringent than the previous three-years.

Table 4.5: QoS Performance Targets

NO.	KEY PERFORMANCE INDICATOR (KPI)	TARGETS	
		2009/10 to 2011/12	2012/13 to 2014/15
	Completed Calls	90%	95%
	Call Set Up Success Rate (CSSR)	90%	95%
	Call Drop Rate	2%	2%
	Call Block Rate	10%	5%
	Speech Quality	MOS for 95% of samples > 2.7	95% of samples >3.1
	Call Set Up Time	13.5 seconds	13.5 seconds
	Handover Success Rate	85%	90%
	Received Signal Level (Rx Lev)	Outdoor = - 102 dBm	Outdoor = - 102 dBm
		Indoor = -95 dBm	Indoor = -95 dBm
		In car = - 100 dBm	In car = - 100 dBm

Source: Communications Commission of Kenya

During the period under review, the assessment was conducted in various regions at different times as shown in the Table 4.6. The assessment covered all the four mobile networks simultaneously under intra-network configurations as stipulated in the measurement methodology.

Table: 4.6: Regions Covered in Quality of Service Measurements

NO	REGION	SUB-REGION	INSPECTION DATE
1	Western covering Vihiga, Busia, Kakamega, Bungoma	Hamisi constituency – Goibei, Gambogi, Shamakhokho; Sabatia – Chavakali, Mbale; Mumias – Shianda, Ekero, Factory; Lurambi – Shikoti, Ingotse; Shinyalu – Ikolomani, Ileho, Khayega, Musingu. Butula – Bunyore, Emuhaya, Majengo; Bungoma – Kanduyi, Kimilili, Webuye, Tongaren; Malava – West Sugar; Busia – Sioport, Budalangi, Funyula, Teso; and Mount Elgon- Kapsokwony, Cheptais	23rd to 31st October 2012
2	Nyanza Region – Kisumu, Kisii, Siaya, Migori, Bondo and Muhoroni	Ahero, Kendubay, Homabay, Rongo, Kamagambo, Keroka, Transmara, Sondu, Sony Sugar, Awendo, Migori, Isebania	1st – 10th November 2012
3	North Rift - covering Turkana, Trans-Nzoia, Pokot, Uasin Gishu	Lodwar, Lokichogio, Kapenguria, Kacheliba	15th to 30th November 2012
4	Coast	Lamu, Garsen, Witu, Mpeketoni, Malindi, Kilifi, Kaloleni, Kinango, Kwale, Msambweni, Lunga Lunga, Diani, Likoni	15th to 31st January 2013
5	Central including Upper Eastern	Thika, Mwea, Embu, Tharaka Nithi, Chuka, Meru, Maua, Isiolo, Nanyuki, Naromoru, Nyeri, Othaya, Kerugoya, Muranga and Kiambu	13th to 28th February 2013
6	Rift Valley – Central Rift and South Rift	Nakuru, Eldoret, Kericho, Narok, Kapsabet, Moi University, Naivasha and Nyahururu	1st to 12th April 2013
7	Eastern region covering Lower Eastern and other areas	Machakos, Makueni, Kitui, Kangundo, Kilimambogo, Emali, Kajiado, Namanga and Loitokitok	20th to 24th May 2013
8	Nairobi	Industrial area, Kabete, Eastlands areas of Jogoo Road and Outering Road, Mombasa Road, South C and Langata	12th to 25th March 2013
		Upper Hill, Westlands, CBD and Lavington	23rd to 31st October 2012

Source: Communications Commission of Kenya

The regions above indicate county coverage with a view to focusing efforts on improving performance of the networks.

The measurements were taken along highways and roads linking the areas and locations listed. Measurement coverage was focussed on market places and institutions like schools and medical centres. In addition to the routine capture of data, the inspection team also interviewed residents of the different places to get a feel of the quality of experience as well as obtain their opinions on the network performance for the different operators. The overall performance is reported in Table 4.7.

Table 4.7: Mobile Operators' Overall Compliance with Quality of Service Parameters

	HANDOVER SUCCESS RATE (HO)	RECEIVED SIGNAL LEVEL(RX LEV)	CALL SET UP SUCCESS RATE (CSSR)	SET-UP TIME	SPEECH QUALITY	COMPLETED CALLS	BLOCKED CALLS	DROPPED CALLS	OVERALL COMPLIANCE
TARGET	90%	-105 dBm	95%	<13.5 Sec.	MOS 95% > 3.1	95%	<5%	<2%	
Safaricom Limited	98	-75	89	9.2	90	87	11	1.9	
Status	C	C	NC	C	NC	NC	NC	C	N/C
Essar Telecom Kenya Limited (YU)	97	-80	86	9.26	64	91	14	1.8	
Status	C	C	NC	C	NC	NC	NC	C	N/C
Airtel Networks Kenya Limited	95	-83	93	7.21	84	91	7	1.6	
Status	C	C	NC	C	NC	NC	NC	C	NC
Telkom Kenya Limited (Orange)	97	-74	92	8.09	96	91	8	1.6	
Status	C	C	NC	C	C	NC	NC	C	NC
Key: C - Compliant; and N/C - Non Compliant									

Source: Communications Commission of Kenya

As indicated in Table 4.7, the performance of the four mobile network operators differed depending on the QoS parameter measured. It is, however, noted that when looking at the individual targets, all complied with QoS targets on Handover Success Rate, Dropped Calls, Call Set-up Success Rate and Signal Strength. Only one of the operators (Orange) met the target on Speech Quality.

The operators were required to meet at least 80 percent of the total number of QoS parameters and targets to be deemed compliant. All the operators failed to meet the Call Set-up Success Rate and Completed Calls targets. Table 4.8 provides a summary of the percentage compliance achieved by each operator for the last three years.

Table 4.8: Mobile Operators' Overall Compliance with Quality of Service Targets

OPERATOR	TARGET QOS PARAMETERS		PERFORMANCE ACHIEVED (%)		
	NUMBER	PERCENTAGE (%)	2010/11	2011/12	2012/13
Safaricom Limited	8	80	75	50.0	50.0
Airtel Networks Kenya Limited	8	80	75	62.5	50.0
Telkom Kenya Limited (Orange)	8	80	50	87.5	62.5
Essar Telecom Kenya Limited	8	80	75	87.5	50.0

Source: Communications Commission of Kenya

4.1.2.3 Quality of Service Monitoring in Postal and Courier Operators

The Commission manually conducted inspections at 116 postal/courier outlets sampled country-wide. The inspections revealed a notable improvement in quality of service with intra-country mail largely being delivered within the stipulated delivery standards of J+2 (delivery on the second day following day of posting-J) at 95 per cent. Mail destined for designated special hardship areas were all delivered within the set standards of J+6 at 100%. The display of information in operators' outlets was at 63% of checked offices. Of the checked postal/courier outlets, 109 of them had put in place complaint registers and consumer complaint resolution mechanisms.

The Public Postal Licensee, the Postal Corporation of Kenya, effected corrective measures on 10 post offices which were found to be non-compliant on a number of issues. The issues were failure to display tariffs and consumer service information, additional private letter boxes, and illegible date-stamp impressions.

4.1.3 Returns from Operators

4.1.3.1 Returns from Telecommunication Operators

Submission of compliance returns is one of the licence conditions that the Commission monitors to confirm compliance by licensees. From the returns, the Commission can extract crucial industry data on revenues, investments, network rollout, services offered, subscriber numbers, tariffs, service outlets and employment levels among others.

The Commission received returns from 220 telecoms licensees out of the 487 existing licensees. This was a decline in the level of compliance from 50.12 per cent in the previous year to 45.17 per cent. Table 4.9 provides a summary rate of compliance in submission of returns by licence category.

Table 4.9: Compliance Returns Status for the Financial Year 2012/13

INDICATORS	TOTAL NO. OF LICENSEES			OPERATIONAL LICENSEES						LICENSEES THAT SUBMITTED COMPLIANCE RETURNS					
				NUMBER			PERCENTAGE (%)			NUMBER			PERCENTAGE (%)		
LICENCE CATEGORY	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Network Facility Providers	23	28	33	18	24	23	78.3	85.7	69.7	16	22	20	69.6	78.6	60.6
Application Service Providers	77	91	116	49	57	64	63.6	62.6	55.2	46	50	58	59.7	54.9	50.0
Content Service Providers (CSP)	120	147	181	55	83	91	45.8	56.5	50.3	69	76	100	57.5	51.7	55.2
International Systems and Services	11	13	13	11	13	13	100.0	100.0	100.0	8	13	11	72.7	100.0	84.6
Submarine Cable Landing Rights	3	3	3	3	3	3	100.0	100.0	100.0	1	3	3	33.3	100.0	100.0
Business Process Outsourcing (BPO)	31	34	40	7	9	3	22.6	26.5	7.5	8	6	3	25.8	17.6	7.5
Data Carrier Network Operators	7	2	2	6	2	2	85.7	100.0	100.0	6	2	2	85.7	100.0	100.0
Public Data Network Operators	8	8	8	6	8	5	75.0	100.0	62.5	7	5	2	87.5	62.5	25.0
Local Loop Operators	10	9	11	7	5	2	70.0	55.6	18.2	5	5	2	50.0	55.6	18.2
Internet Service Providers (ISP)	47	42	42	19	15	5	40.4	35.7	11.9	11	11	5	23.4	26.2	11.9
Premium Rate Services (PRS)	39	38	38	15	16	14	38.5	42.1	36.8	15	15	14	38.5	39.5	36.8
TOTAL	**376**	**415**	**487**	**196**	**235**	**225**	**52.13**	**56.63**	**46.20**	**192**	**208**	**220**	**51.06**	**50.12**	**45.17**

Source: Communications Commission of Kenya

4.1.3.2 Returns from Postal and Courier Operators

The number of postal and courier operators who submitted compliance returns rose to 74 in the Financial Year 2012/13 compared to 66 recorded the previous year. The Commission undertook initiatives to increase the submission of returns which included: sensitization of licensees during the 5th Postal and Courier Stakeholders' Forum and the issuance of reminders to all operators. Information filed on delivery standards of mail indicated that 80 per cent of the mail was delivered within a day which meets the QoS standard set up for the postal and courier operators.

4.1.4 Type Approval

To ensure safety of consumers, interoperability of telecom networks and efficient utilization of spectrum and numbering resources, the Commission undertakes type approval/acceptance of ICT equipment intended for use in the country to verify whether or not the equipment meet national and recognized international standards.

There exists multiple standards upon which equipment may be designed to conform to and often each country selects the standards to be adopted.

Equipment imported into the country must, therefore, be subjected to type-approval/acceptance, a process in which every model intended for use in the country is tested to ensure that they conform to the standards set or adopted before such equipment can be sold or deployed in the country. Apart from ensuring conformance to relevant standards, type-approval/acceptance also facilitates efficient use of spectrum and numbering resources and helps protect the interest of consumers.

During the year, the Commission processed a total of 204 models of various equipment categories/types received from a total of 104 applications. A breakdown of the types of equipment received is depicted in Table 4.10.

Table 4.10: Type Approval/Acceptance Applications Handled

EQUIPMENT TYPE	NUMBER OF APPLICATIONS				
	2008/09	2009/10	2010/11	2011/12	2012/13
Data Routers	4	4	4	5	2
Gateway/Switches/PABX	5	4	8	4	2
PSTN/IP Server Equipment	-	-	2	6	-
Wireless Terminals/System	16	-		-	-
Transceiver-VHF/UHF	11	5	10	5	9
Transceiver-HF	2	-	-	-	1
Transceiver-Citizen Band (CB)	-	1	-	-	-
Low Power Wireless Terminals	46	15	62	111	58
Satellite Terminal	-	-	-	1	-
Alarm Transmitter	-	1	-	-	-
Broadcast Equipment	5	11	6	6	21
VSAT Equipment (Transceiver, BUC, HPA, etc)	11	4	3	8	5
Global System for Mobile Communications (GSM) Interface and BTS	45	8	13	6	6
CDMA Interface	-	-	-	1	-
VOIP Terminal	2	-	-	1	2
Telephone Set	2	6	2	-	-
Payphone	-	1		-	-
GSM Mobile Phones	18	33	33	60	61
CDMA Telephone Set	5	-	-	-	-
Fax Machine	5	-	-	8	3
Modem	-	4	-	2	-
Set-Top Box	-	8	3	7	32
Microwave Equipment	-	7	3	8	2
Mapping system	-	1	-	-	-
Accepted	177	113	149	238	203
Rejected	-	-	-	-	1
TOTAL	**177**	**113**	**149**	**238**	**204**

Source: Communications Commission of Kenya

From the Table 4.10, there was a decline in the number of low power devices type approved. This may be attributed to re-use of already approved modules in new devices. The large increase in set top box type approval is attributed to the switch off of analogue signals that had been anticipated in 2012.

The increase in the number of broadcast equipment type approved may be attributed to the Commission's stringent enforcement exercise that compelled most broadcasters with non-type approved equipment to present them for type approval. Further, most broadcasters were upgrading their equipment from analogue to Combo systems (analogue and digital capability) due to the anticipated analogue signal switch off. Further, the Commission processed 53 applications for equipment import clearance compared to 51 the previous year.

4.1.5 Cyber Security Management

In the wake of cyber-crimes and attacks on communication networks, the need for cyber security has attracted global attention and has become a key item in the information agenda of many countries and ICT-related organizations. International best practice requires that every country establishes a national framework for the management of cybercrime. This entails developing the necessary policies, legal and regulatory frameworks and establishment of a National Computer Incident Response Team (CIRT).

The Commission, as mandated in the *Kenya Information and Communications Act, Cap 411A*, continued to enhance the operations of the Kenya Computer Incident Response Team Co-ordination Centre (KE-CIRT/CC) which serves as the national co-ordination and collaboration centre for cyber security management, and to participate in the development of national Cyber Security Master Plan.

4.1.5.1 Kenya Computer Incident Response Team Co-ordination Centre

A safer Kenyan cyberspace is critical in building investor confidence, security and trust in the use of ICTs, including electronic commerce in Kenya. In this regard, the Commission deployed the network infrastructure for the KE-CIRT/CC in October 2012 and set-up a portal for receiving and managing cyber incident reports.

The Commission, during the year, received and responded to 28 cyber incidents ranging from website defacements, online abuse, mobile money fraud, online impersonation via email and social media, and denial of service attacks. Table 4.11 shows a summary of the cyber-crime incidents received and responded to during the Financial Year 2012/13.

Table 4.11: Cyber Security Incidents Reported in the Financial Year 2012/13

NO.	INCIDENTS	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL NO. OF ADVISORIES
1.	Defacements	1	2	1	0	4
2.	Online Abuse	1	0	3	3	7
3.	Fraud	-	0	0	3	3
4.	Impersonation	2	0	0	0	2
5.	Denial of Service	-	1	5	6	12
	TOTAL	**4**	**3**	**9**	**12**	**28**

Source: Communications Commission of Kenya

The reactive response by the Commission involved analysis of the reported cases, offering technical advice and resolution of the cyber-crime incidents.

To enhance the operations of the KE-CIRT/CC, the Commission began the process of joining the Forum for Incident Response and Security Teams (FIRST), an international confederation of trusted Computer Incident Response Teams (CIRTs) who cooperatively handle computer security incidents and promote incident prevention programmes. The Commission also organized a national cyber-security forum that brought together 90 local and regional ICT stakeholders including representatives from the East African ICT regulators.

4.1.5.2 National Cyber Security Master Plan

The Commission participated in the development of the draft National Cyber Security Master Plan (NCSMP), which is co-ordinated by the Ministry of ICT. The NCSMP was circulated to the stakeholders for consultation and comments. The plan will provide a framework for cyber security management in the country.

4.1.6 De-activation of Counterfeit Telephone Handsets and Registration of SIM Cards and Bulk Political SMS

The Commission during the Financial Year 2012/13 implemented measures aimed at ensuring that ICT operators and consumers of ICT services and products comply with set guidelines. Such measures included de-activation of the counterfeit telephone handsets, SIM Card registration and development of guidelines on bulk political SMS.

4.1.6.1 De-activation of Counterfeit Telephone Handsets

The Commission spearheaded the signing by all the GSM operators in Kenya of an MoU on the use of Equipment Identification Register (EIR) to capture the International Mobile Equipment Identity (IMEI) of stolen mobile handsets into a blacklist database, disable blacklisted handsets and to share the blacklist with other East Africa mobile operators. The EIR project was soon faced with a challenge as some handsets in use had non-standard IMEIs (i.e. counterfeit devices). The industry, under the leadership of the Commission, turned its focus on the de-activation of counterfeit handsets in the market.

An outstanding feature of the counterfeit handset project was the facilitation of the public to utilize SMS based system to check if a handset is genuine before purchase. The 1555 short code service is still available and can be accessed at no cost. The project also involved a media campaign to educate the public on how to distinguish between genuine and counterfeit phones as well their advantages and disadvantages, respectively.

The de-activation of counterfeit handsets was successfully carried out on 30th September 2012 with 1,046,566 counterfeit devices switched off. This is a continuous exercise and counterfeit handsets which enter into the market are identified as soon as they access the networks and are subsequently de-activated.

4.1.6.2 Registration of SIM cards

In July 2009, the President directed that all active SIM cards in the country be registered. The directive was inspired by the need to stem the rising incidences of mobile phone perpetrated crimes, including terrorism, kidnaps, extortion, hate speech, money laundering and drug trafficking. Subsequently, the Commission, in collaboration with the mobile telecoms industry, developed 'Guidelines for the Registration of Communications Services' for use in the registration of subscribers.

To enhance the requirement for registration of all SIM cards, the Government, through the *Statute Law (Miscellaneous Amendments) Act No 12 of 2012*, amended the *Kenya Information and Communications Act, Cap 411A*, to provide for the registration of telecommunication subscribers and to require mobile operators to maintain a register of all persons to whom telecommunications services are provided under the licence. Further, *the Kenya Information and Communications (Registration of Subscribers to Telecommunication Services) Regulations, 2012,* were issued on 27th December 2012.

The issuance of the said Regulations was preceded by a media campaign to sensitise the public on the need to register their SIM cards. By the set deadline of 31st December 2012, 80.4 per cent of the total subscribers had their SIM cards registered. Subsequently any unregistered SIM cards were suspended from service. The Commission continues to engage and monitor the operations of mobile operators to ensure compliance with SIM card registration Regulations.

4.1.6.3 Bulk Political SMS

In light of the part played by bulk political SMSs in the perpetuation of political violence in Kenya during and after the 2007 General Elections, it become necessary to regulate the transmission of bulk political content over the electronic communications networks in order to insulate the country from political chaos.

In this regard, the Commission in collaboration with stakeholders including the Independent Electoral and Boundaries Commission, National Cohesion and Integration Commission, the mobile telecommunications industry and the Kenya Police developed the "Guidelines for Prevention of Transmission of Undesirable Bulk Political Messages Via Cellular Mobile Networks." The guidelines were meant to prevent the transmission of undesirable and inflammatory bulk political messages in the wider interest of protecting ICT consumers.

The guidelines were launched on 24th October 2012. No incidence of misuse of bulk SMS was reported during the last general elections.

4.2 EMPOWERING AND PROTECTING THE CONSUMER

The Commission continually develops and implements appropriate regulatory mechanisms to protect consumers of communications services in Kenya. The Commission undertakes research and surveys to have a better understanding of consumer behaviour, trends and satisfaction levels in the market. It equips consumers with information, knowledge and skills and provides them with redress mechanisms. Subsequently, based on the above survey results, the Commission develops and implements appropriate regulatory mechanisms that would best safeguard consumers and equip them with information, skills and knowledge to enable them make better purchase decisions as well as demand their rights in the market.

4.2.1 Consumer Education and Information

The Commission availed consumer advisory information targeting consumers of mobile, internet and postal and courier services through several channels and institutions. These included the Mombasa Show, Nairobi International Trade Fair, EACO Exhibition, Post Offices operated by Postal Corporation of Kenya countrywide, CCK reception areas, and other corporate events. A total of 132,712 consumer education materials were distributed. Consumer advisory information was also availed on the Commission's website.

The Commission developed consumer advisory information on Child Online Protection and E-Waste management. The Commission intends to carry out a Child Online protection media campaign in the next financial year.

4.2.2 Understanding Consumers

To ensure that the regulatory and consumer protection measures meet the needs of users of ICT services, the Commission continuously monitors the behaviour of consumers with regard to purchase and usage of ICT services; motivation to switch service providers; sources of ICT information and the level of trust they attribute to the sources. The monitoring also seeks to establish the level of consumer awareness of the role of the Commission and their level of usage of the Commission's consumer protection mechanisms. The findings of the survey enables the Commission design appropriate consumer protection and awareness mechanisms.

4.2.3 Customer Service Delivery

Efforts to ensure that members of the public are aware of the Commission's service delivery commitments remained a vital activity during the year. This ensured that the Commission's service delivery standards are maintained and continuously improved. The Commission continued to distribute copies of the Service Delivery Charter (both English and Kiswahili versions) to its stakeholders and the public through various channels. The service delivery standards were also prominently displayed at the Commission's reception area information screen.

The Commission continued to determine the level of satisfaction of its customers with the services it offers. This was done by carrying out a Customer Satisfaction Survey in the 4th Quarter of the Financial Year 2012/13. The survey returned a Customer Satisfaction Index of 72.3 per cent compared to 71 per cent the previous year. The increase was attributed to an improved rating by the suppliers which stood at 76.3 per cent up from 73 per cent previously reported. Improved rating was also recorded from the Commission's licensees who rated the Commission at 76 per cent compared to 74 per cent the previous year. The Commission achieved relatively the same score in the category of other stakeholders while recording a slight increase on account of consumers.

4.2.4 Consumer Protection

Protection of consumers of ICT services and products in Kenya remains a fundamental role of the Commission. The Commission continued to pursue regulatory intervention measures on behalf of consumers where they faced challenges with accessing and using ICT services.

In recognition of the challenges faced by women in access to and use of communication equipment and services, the Commission organised a two-day workshop themed-Women, Girls and ICTs. The workshop was geared towards identifying appropriate interventions that would enable women to fully enjoy access to and use of ICTs. The recommendations from the forum shed light on the need to: change women's attitudes towards ICTs; develop mentorship programmes; provide training and resources for women-centric initiatives; and the need for research on women's interaction with ICTs. The final report and the presentations made during the programme are available on the Commission's website.

The Commission also participated in the National Cyber Security Forum and the 5th Postal and Courier Stakeholder Forum where it had a chance to interact with consumers and understand their concerns with a view to addressing the same.

4.2.5 Resolution of Consumer Complaints and Enquiries

The Commission continued to receive and handle consumer complaints and enquiries filed by consumers of ICT services and other stakeholders. These were aimed at improving customer service delivery and protect consumers.

4.2.5.1 Resolution of Consumer Complaints

To enhance protection mechanisms, the Commission continued to facilitate the resolution of consumer complaints. The Commission received a total of 493 complaints in the Financial Year 2012/13. Similar to the previous year, a large proportion of 34.5 per cent of the complaints reported related to unauthorised subscriptions to or charges of ICT services. Billing accounted for 15.6 per cent while Service Interruptions accounted for 9.7 per cent, Criminal Use of Service or Facilities (5.3 per cent), Service Provisioning Delays/Failures/Termination (4.9 per cent), Quality of Service Voice and Data (4.7 per cent) and Counterfeit Phones (3.4 per cent). A detailed distribution of the complaints by category received is provided in Table 4.12.

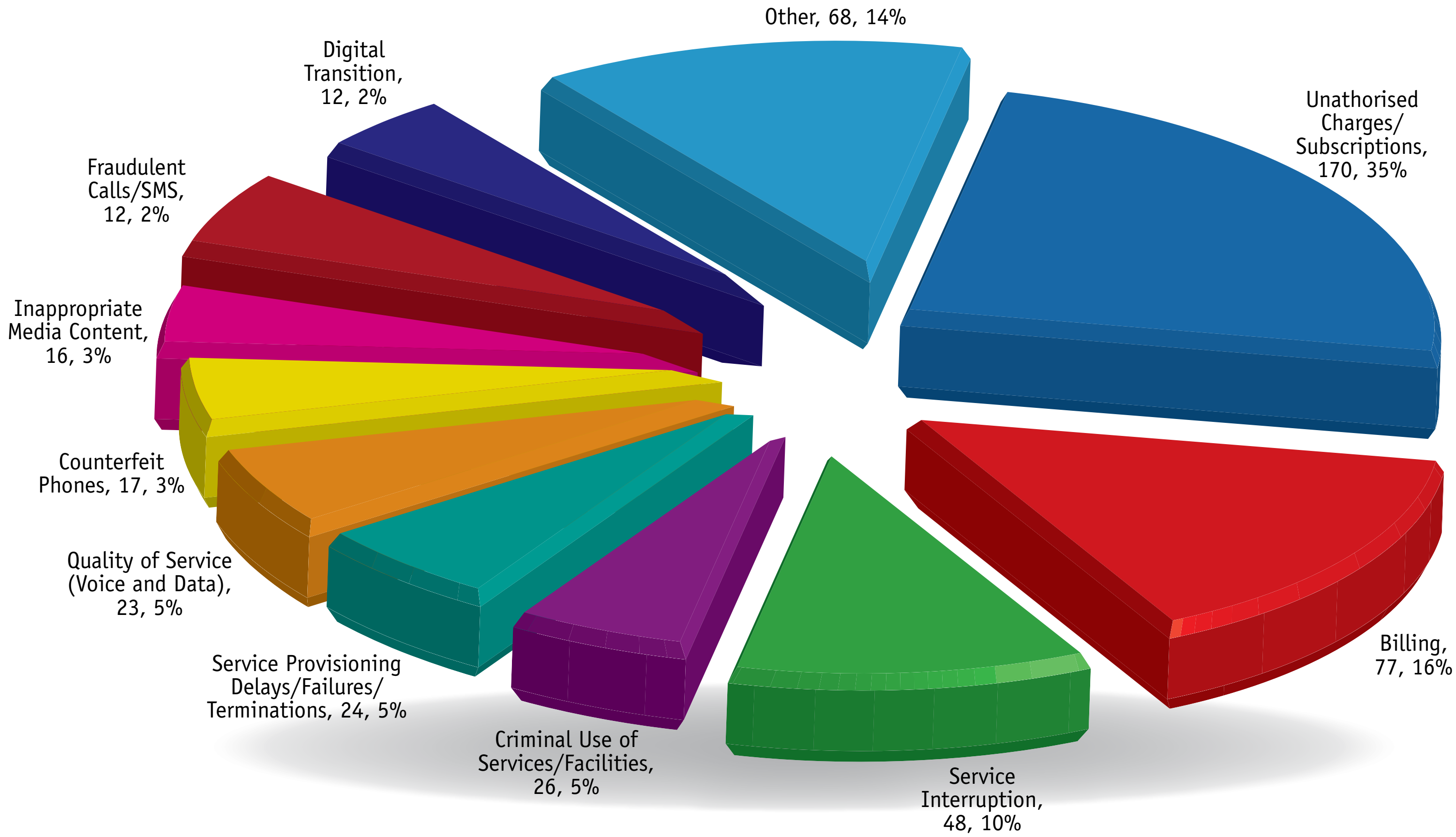
Table 4.12: Number of Complaints Received

	NUMBER OF COMPLAINTS RECEIVED			
COMPLAINT CATEGORY	2009/10	2010/11	2011/12	2012/13
Unauthorised Charges/Subscriptions	7	82	139	170
Billing	24	69	43	77
Service Interruptions	23	45	47	48
Criminal Use of Services/Facilities	2	23	13	26
Service Provisioning Delays/Failures/Termination	12	24	29	24
Quality of Service (Voice and Data)	22	57	39	23
Counterfeit Phones	-	-	-	17
Inappropriate Media Content	5	8	10	16
Digital Transition				12
Fraudulent Calls/SMS	1	26	18	12
Mobile Number Portability	-	586	91	11
Confidentiality/Privacy Breaches	4	6	4	9
Nuisance	6	3	3	8
Defective Terminal Equipment	30	15	9	7
Tariffs	1	2	1	6
Misleading Advertisements	5	8	5	4
Others	1	14	5	11
TOTAL	**151**	**976**	**475**	**493**

Source: Communications Commission of Kenya

A categorization of complaints received is summarised Figure 4.2.

Figure 4.2: Distribution of Complaints Received by Category in the Financial Year 2012/13



Source: Communications Commission of Kenya

Out of the 493 complaints received, 406 had been resolved by 30th June 2013 while 87 were in the process of being resolved as shown in Table 4.13.

Table 4.13: Number of Complaints Handled in 2012/13

COMPLAINTS RESOLUTION BY CATEGORY	NO. OF COMPLAINTS RECEIVED	NO. OF COMPLAINTS RESOLVED
Unauthorised Charges/Subscriptions	170	146
Billing	77	57
Service Interruptions	48	37
Criminal Use of Services/Facilities	26	26
Service Provisioning Delays/Failures/Termination	24	21
Quality of Service (Voice and Data)	23	16
Counterfeit Phones	17	15
Inappropriate Media Content	16	15
Digital Transition	12	12
Fraudulent Calls/SMS	12	9
Mobile Number Portability	11	10
Warranty Violations	0	0
Confidentiality/Privacy Breaches	9	7
Nuisance	8	7
Defective Terminal Equipment	7	4
Tariffs	6	5
Misleading Advertisements	4	3
Delivery Delays	3	2
Frequency Interference	3	3
SIM Registration	3	1
Identity Theft	2	2
Electromagnetic Radiation	1	0
Others	11	8
TOTAL	**493**	**406**

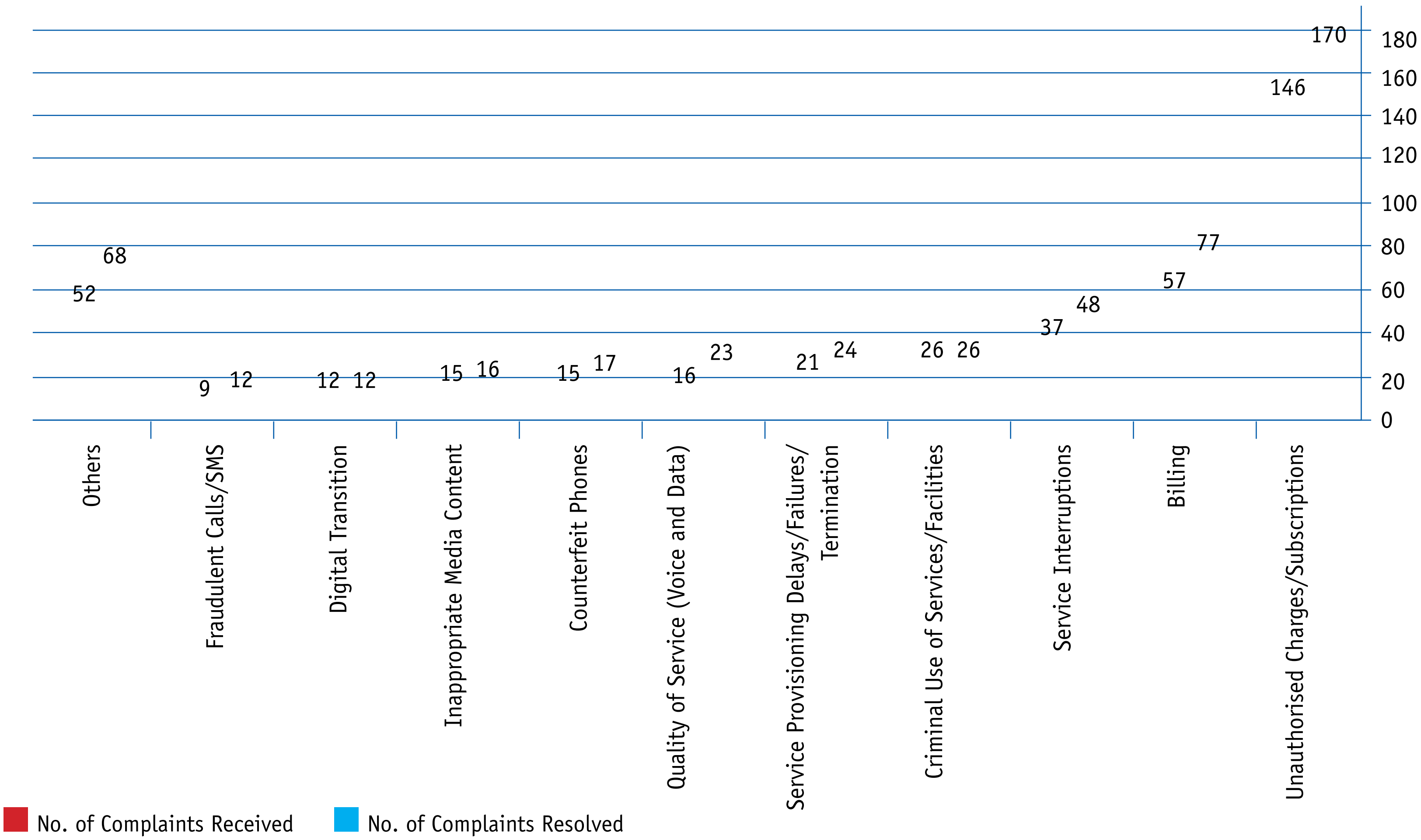
Source: Communications Commission of Kenya

The complaints on unauthorised charges/subscriptions ranked high. These complaints were attributed to increased violations of licence conditions by a number of CSPs, who appeared to have charged their customers for content that was not requested for, not subscribed to and/or difficult to unsubscribe from. The Commission facilitated refunds and stoppage by the service providers in a number of cases and instituted measures that will lead to the streamlining of the provision of these services.

Inaccurate billing complaints were second highest followed by service interruptions. Inaccurate billing was reported on voice calls and data especially the "data bundles". Service interruptions, on the other hand, related to consumers experiencing constant disconnection from fixed line network and data operators.

Overall, the complaints resolution rate in the Financial Year 2012/13 was 82.4 per cent compared to 48 per cent recorded the previous year as illustrated in Figure 4.3.

Figure 4.3: Complaint Resolution by Category - Financial Year 2012/13



Source: Communications Commission of Kenya

The 34.4 percentage point increase in resolution rate can be attributed to full use of automated complaints handling system, establishment of contacts with customer care desks of service providers and use of e-mails to communicate to service providers as opposed to physical mail.

The Commission endeavours to improve the resolution rate through establishment of legal timelines for responses from the service providers and complaint resolution timeframes. *The Kenya Information and Communications Act, CAP 411A,* provides for the Communications Appeals Tribunal to arbitrate in disputes arising between parties in the ICT industry, including consumers.

4.2.5.2 Resolution of Enquiries

The Commission received a total of 121 consumer enquiries. The enquiry topics ranged from switch off of counterfeit phones (9.1 per cent), digital migration (8.3 per cent), Commission's services (7.4 per cent), SIM card deactivation and frequency spectrum each accounted for 2.5 per cent. Enquiries on the Commission's discharge of its mandate accounted 0.8 per cent while queries on postal and courier services and broadcasting matters accounted for 0.8 per cent and 1.7 per cent respectively. The bulk of enquiries, 66.9 per cent, comprised requests for business engagement or job opportunities within the Commission. The number of enquiries received by the Commission is shown in Table 4.14.

Table 4.14: Number of Enquiries Handled in 2012/13

	NUMBER OF ENQUIRIES RECEIVED			
	2009/10	2010/11	2011/12	2011/13
Frequency Spectrum	-	2	-	3
E-Commerce	1	1	-	-
Broadcasting	10	12	11	2
Commission's Services	7	17	15	9
Courier Services	-	-	3	1
Safe use of Facilities and Services	4	2	-	-
Subscriber Confidentiality	1	1	2	-
Commission's Discharge of its Mandate	2	5	3	1
Mobile Number Portability (MNP)	-	3	-	-
Counterfeit Phones				11
Digital Transition				10
SIM Card Switch-off				3
Business Engagement or Job Opportunities within the Commission	14	9	35	81
Total	**39**	**52**	**69**	**121**

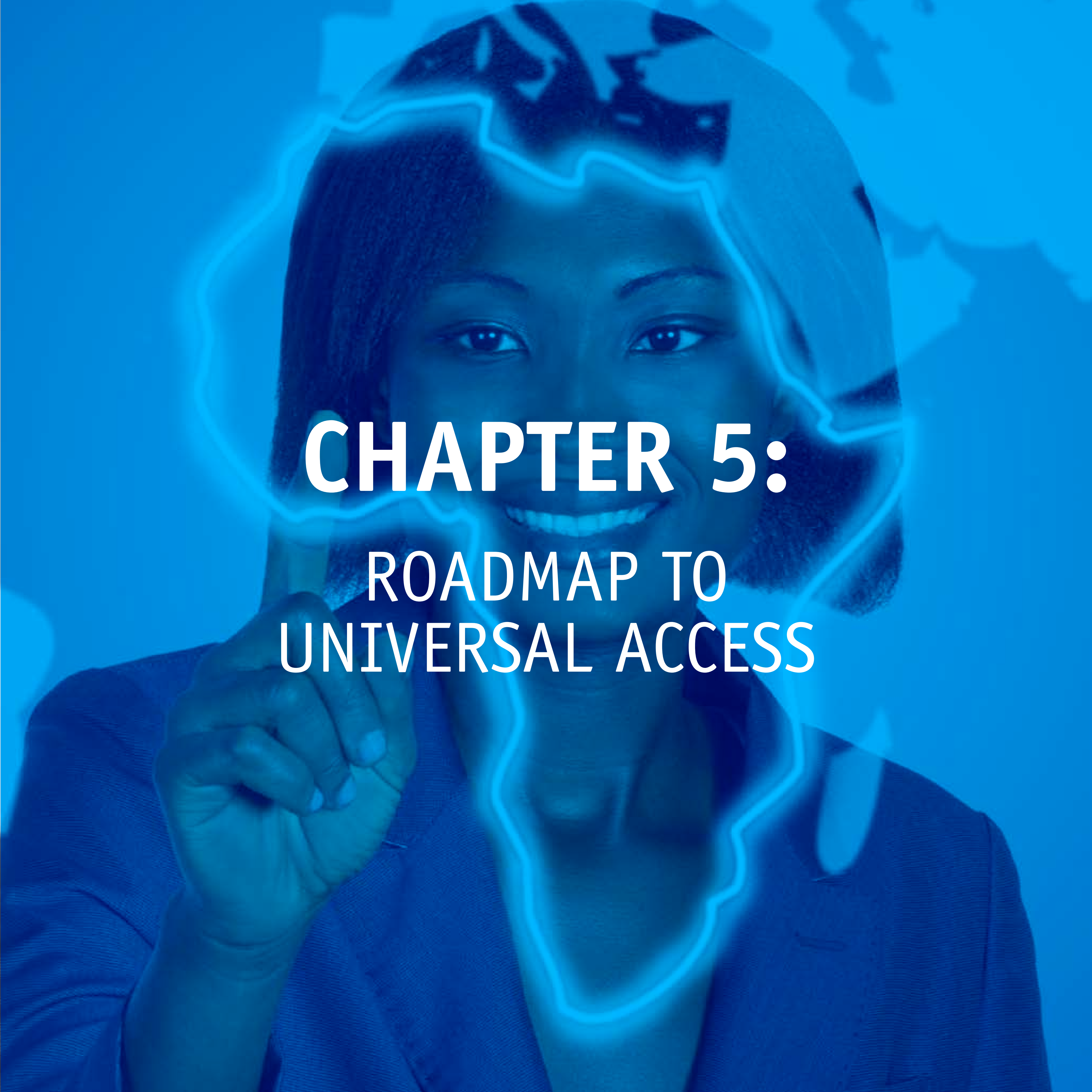
Source: Communications Commission of Kenya

In the Financial Year 2012/13, 121 enquiries were received out of which 119 were responded to, representing a response rate of 98.3 per cent compared to 82.6 per cent recorded in the Financial Year 2012/13 as illustrated in Table 4.15.

Table 4.15: Complaint Resolution Rate by Category in the Financial Year 2012/13

	NO. OF ENQUIRIES RECEIVED	NO. OF ENQUIRIES RESOLVED	ENQUIRIES RESOLUTION RATE (PER CENT)
Commission's Discharge of its Mandate	1	1	100.0
Courier Services	1	1	100.0
Broadcasting	2	2	100.0
Frequency Spectrum	3	3	100.0
SIM Card Switch-off	3	3	100.0
Commission's Services	9	9	100.0
Digital Transition	10	8	80.0
Counterfeit Phones	11	11	100.0
Others	81	81	100.0
Total	**121**	**119**	**98.3**

Source: Communications Commission of Kenya



CHAPTER 5:

ROADMAP TO UNIVERSAL ACCESS

5. ROADMAP TO UNIVERSAL ACCESS

The country's economic blue print, *Vision 2030*, recognises ICT as a key catalyst in the realisation of its economic, social and political pillars. This places universal access to ICT services among the key development priorities for the country. Based on this recognition, the Universal Service Fund (USF) was established to facilitate widespread access to ICT services, promote innovation and capacity building and further spur development of the ICT sector.

Kenya Information and Communication Act, Cap 411A, mandates the Commission to manage and administer the USF to ensure consumers of ICT services have access to affordable, secure and reliable services in all parts of the country. Over the last five years, the Commission has continued to discharge this mandate through implementation of universal access projects on pilot basis in various parts of the country using internally generated funds. This mandate will, however, be fully realized once the USF is made operational.

The Commission undertook a number of initiatives aimed at realizing the universal access to ICT services. Such initiatives included institutionalization and operationalisation of the USF; identification of ICT access gaps and dissemination to stakeholders; development of a USF Strategy; and the monitoring and evaluation of the implementation of the universal access pilot projects.

5.1 INSTITUTIONALIZATION OF THE UNIVERSAL SERVICE FUND

The Commission is mandated to manage and administer the Universal Service Fund (USF) with advisory guidance from the Universal Service Advisory Council (USAC). The primary role of the USAC as provided in the *Kenya Information and Communications (Universal Access and Service) Regulations, 2010*, is to advise the Commission and provide strategic policy guidance in the implementation of the USF.

The Minister for Information, Communications and Technology in December 2012 appointed members of the USAC. The USAC was later reconstituted through a Gazette Notice on 10th February 2013. Upon re-constitution of the Council, the Commission conducted an induction programme for USAC members to familiarize them with the functions of the Commission and key issues affecting the sector. Further, the Commission facilitated participation of members to USF forums aimed at capacity building. In addition, benchmark visits to countries that have fully established funds have been undertaken. It is expected that the exposure shall enhance capacity and knowledge of USAC members in overseeing management of the Fund.

5.2 OPERATIONALIZATION OF UNIVERSAL SERVICE FUND

The Commission recognizes the critical role that the Fund is expected to play in facilitating access to ICT services in un-served and underserved areas. The Fund will also complement other government-led ICT initiatives such as the School Laptop Project and County Management Information System. The following activities were undertaken during the Financial Year 2012/13.

5.2.1 Universal Service Fund Implementation Framework

The USF Implementation Framework outlines the key aspects, considerations and principles that the Commission shall uphold in administering the Fund.

Within an on-going collaboration with the USAID's Global Broadband Initiative (GBI) programme, the Commission received technical assistance in developing the USF Implementation Framework. The USF framework underwent stakeholder consultation in June 2013 and comments as well as feedback received were analysed and incorporated into the Framework. The detailed consultation document is available on the Commission's website.

5.2.2 USF Implementation Strategy

In developing the USF Implementation Strategy, the Commission, in line with the legal and regulatory provisions, identified programme areas that shall be supported by the Fund. Table 5.1 provides a summary of descriptions of the seven programme areas prioritised in the USF Implementation Strategy.

Table 5.1: Universal Service Fund Programmes

AREA	APPROACH
Backbone Network Expansion	This programme supports the establishment and expansion of national high-capacity backbone network infrastructure in all regions of the country.
Community ICT Access	This program aims at providing full-service broadband connectivity, services, and facilities to designated un-served and underserved communities and is divided into four sub-components: • Broadband Network Access • Community ICT Centres (CICs) • Institutional Connectivity • Public Broadband Communication Services
Community ICT Centre Operations	Supports the establishment and on-going operation of Community ICT Centres (CICs) in designated locations within Kenya for the provision of public access to ICT facilities, services, training, and support.
Universal Basic Mobile Telephone Service	The purpose of this programme is to extend coverage of wireless mobile telephone services as far as possible into all areas of the country where access to such services is not adequately available, and where existing licenced operators have proven unwilling or unable to expand their networks, due to commercial or other constraints. It shall also seek to extend wireless coverage of data services where appropriate.
ICT Content and Applications Development	This programme will focus on demand-side stimulation of ICT markets, through support for the development of beneficial, valuable, and relevant electronic information content and applications, as a key input to the national ICT ecosystem. The main goal is to create and reinforce a robust enabling environment for software programmers, applications developers, information services, media organizations, and any public and private entities interested in sharing knowledge via electronic means.
Affordable ICT Devices:	This programme will complement other Fund programmes and projects by subsidizing the supply of end-user ICT devices in promoting access to and use of services more affordable, and to support demand stimulation, customer awareness, and technical training objectives. The programme will be organized to provide one-time demand-side support to reduce the effective price of such hardware, according to analysis of market conditions, user needs, and costs of supply.
Special projects	This programme shall include Special Projects that merit financing through the USF, and are consistent with the Fund's priority objectives. For each Special Project, the Commission shall solicit ideas, inputs, and requests from a range of stakeholders, and will prepare a tentative project plan for public comment.

Source: Communications Commission of Kenya

The Commission also developed selection criteria that shall be used to identify and prioritize the USF projects.

5.2.3 Pilot Project on Community Broadband Services at County Level

To build capacity in undertaking infrastructure-related projects, the Commission, within the collaborative arrangement with GBI/USAID, developed a concept paper for a pilot project. The pilot shall serve as a starting point for developing and testing of procedures, objectives, and options for utilization of the USF. This project shall focus on delivering Community Broadband access and services in at least one or two identified localities within the country.

It is expected that this pilot shall assist the Commission, as well as operators and local officials, to understand the needs, costs, challenges, and opportunities that Community Broadband projects involve. On the basis of the lessons learnt, CCK aims to roll out further projects of this nature, ultimately to all un-served and underserved counties. The draft concept paper shall be subjected to stakeholder consultation to solicit inputs and comments from relevant stakeholders, to help with the planning process.

5.3 IMPLEMENTATION OF THE UNIVERSAL ACCESS PILOT PROJECTS

The Commission continued to implement a number of pilot projects using internally generated resources as it awaits the operationalisation of USF. These projects included modernization of the Community Libraries through the Establishment of E-Resource Centres and supporting the monitoring and implementation of the Web Portal for Persons with Disabilities (PwDs). Further, the Commission continued to monitor and evaluate the universal access pilot projects implemented in the previous years.

5.3.1 E-Resource Centres

The Commission in partnership with the Kenya National Library Services (KNLS) finalized the modernization of 10 rural Community Libraries located in Ditzoni (Kilifi County), Ukunda (Kwale County), Lagam (Elgeyo Marakwet County), Habasweni (Wajir County), Mwingi (Kitui County), Murang'a (Murang'a County), Lusumu (Kakamega County), Laikipia (Laikipia County), Mandera (Mandera County) and Werugha (Taita Taveta County). The Project involved setting up of e-Resource Centres within the community libraries through the supply and installation of computer hardware, software, LAN cabling, requisite furniture and free internet connectivity. The e-Resource Centres were officially launched at the Werugha Community Library, Taita Taveta County. The launch marked an important step towards ensuring that Kenyans, especially those in remote parts of the country would attain access to affordable ICT services including the provision of opportunity to advance their education through distance learning.

The CCK Board Chairman, Mr. Ngene B. Gituku, cutting the tape at the Werugha Community Library accompanied by the CCK Director General Mr. Francis W. Wangusi (left) and KNLS Director Mr. Richard Atuti (extreme left) and other senior officers of the Commission.

Visiting students at the Werugha E-Resource Centre in Taita-Taveta County using computers

The potential of the e-Resource Centres was amplified by the fact that the libraries supported capacity building in ICTs of 169,346 students and community members who visited the facilities and were trained on basic ICT skills including the use of e-mail services.

5.3.2 Web Portal for Persons with Disabilities

In line with the *Constitution of Kenya 2010* and *Convention on the Rights of Persons with Disabilities* (CRPD) which states that Persons with Disabilities (PWDs) should access on an equal basis with others to, inter alia, information and communications, including Information and Communications Technologies and systems, and to other facilities and services open or provided to the public, both in urban and in rural areas, the Commission in partnership with the National Council for Persons with Disabilities (NCPWDs) and the United Disabled Persons of Kenya (UDPK) have been supporting the portal for PWDs– *www.kenyadisability.or.ke*. The portal has content on disability-related information, service providers, accessible facilities, events, research, news, opportunities available for Persons with Disabilities (PwDs). It also has links to other websites of providers with assistive devices, government agencies, organizations of and for PWDs, donor institutions, NGOs and media houses.

A monitoring and evaluation report on the usage revealed increased usage of the portal from 15,000 in June 2012 to 214,178 users as at end of June 2013. The usage included both local and international users. The countries that recorded the highest hits on the portal usage included Kenya (17,155), India (1,253), United Kingdom (1,046), Germany (515), Russia (505), Sweden (431), Australia (337), South Africa (276), Finland (249) and Italy (246). Other key users of the portal are institutions in the PWDs movement/network, commercial institutions, educational institutions and NGOs. The evaluation of the portal usage further revealed that visitors to the portal only visit the home page before they exit the site which implies lack of adequate content for user retention on the portal.

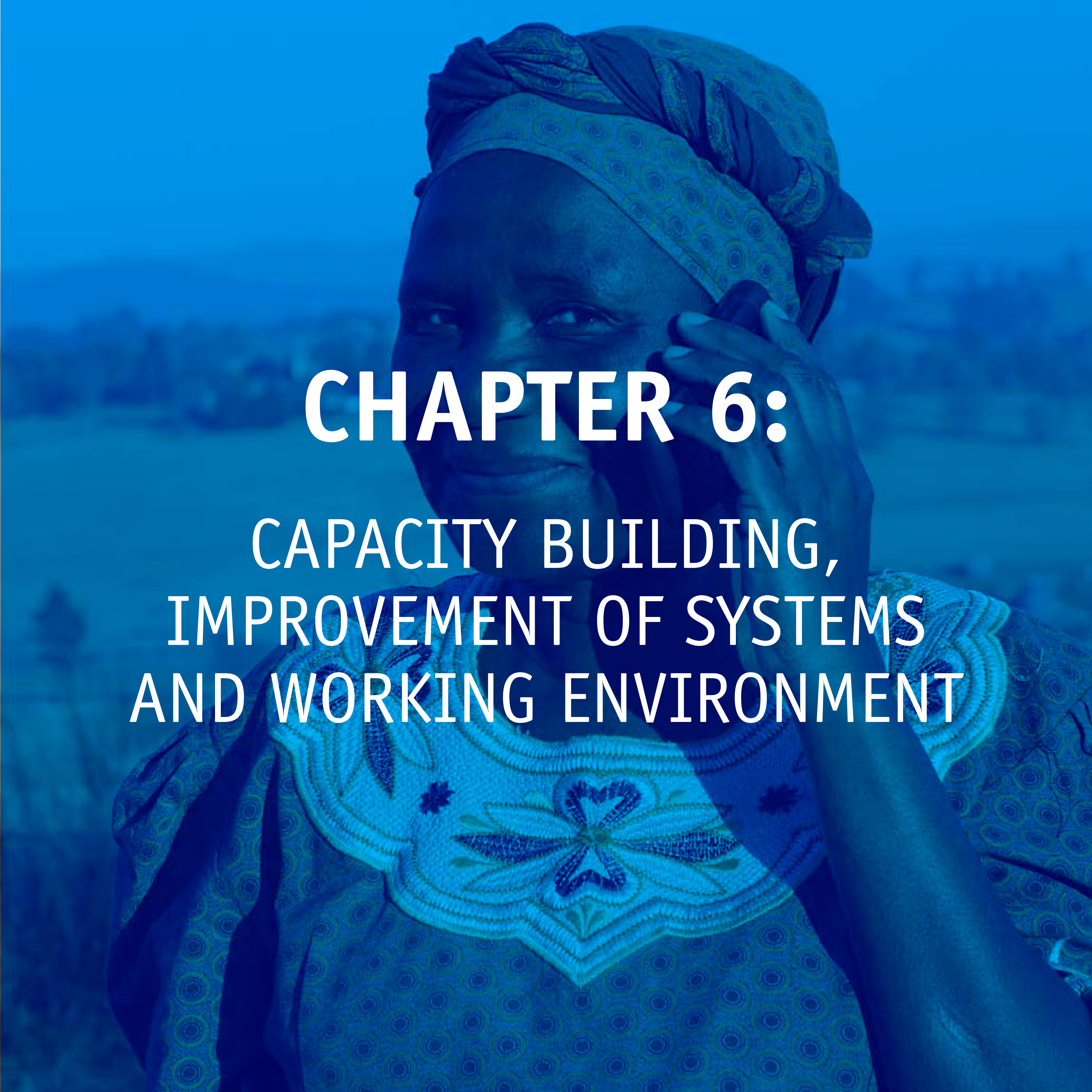
5.4 MONITORING AND EVALUATION OF THE UNIVERSAL ACCESS PILOT PROJECTS

The Commission has since the 2007/2008 financial year been implementing Universal Access pilot projects in 16 secondary schools (two per province), four Community Telecentres, eight ICT centres for Persons with Disabilities (PWDs) and 10 e-Resource Centres within the Kenya National Library Service (KNLS) Community Libraries. The projects involved the provision of computer hardware and software as well as free internet connectivity to the respective institutions. The overarching objective of these projects was to provide lessons and guidance to the Commission and other stakeholders on future strategies for implementing similar Universal Access initiatives on a broader scale.

The end term evaluation report conducted within the last financial year indicated that the performance of these projects varied from one centre to another with some adopting innovative sustainability strategies, while others required continued support to realize their full potential. Based on this observation, the Commission within the year approved the extension of support towards purchase of additional computers to six (6) deserving projects that included Kamunyaka Kiumu Secondary School (Kiambu County), Wiyumiririe Mixed Secondary School (Laikipia County), Mashuuru Secondary Schools (Kajiado County), Kitundu SDA Community Telecentre (Makueni County), Sabatia Farmers Community Telecentre (Baringo County) and Chwele Telecentre (Bungoma County) at an estimated cost of Kshs 4,725,000. In addition to the project extension, the Commission produced a video documentary on the successful universal access initiatives to help in creating awareness on the universal access projects achievements. The documentary will be aired on local TV channels in the next financial year.

CCK Staff hand over donations to the management at New Life Trust Home in Kilimani.

Children and management of Tumshangilieni Mtoto Home in Kangemi receive donations from CCK staff.



CHAPTER 6:

CAPACITY BUILDING, IMPROVEMENT OF SYSTEMS AND WORKING ENVIRONMENT

6. CAPACITY BUILDING, IMPROVEMENT OF SYSTEMS AND WORKING ENVIRONMENT

The Commission recognises the importance a good working environment in ensuring efficient service delivery and thus continued to improve systems, structures and working conditions while ensuring optimum allocation and utilization of its capacity, resources and management of its human capital.

6.1 HUMAN CAPITAL DEVELOPMENT

The Commission continued with the implementation of the team-based organization structure developed in the 2011/12 financial year. The organization structure takes cognizance of country's development strategy, *Vision 2030*, and the Constitution that attaches significant emphasis on the role of the ICT sector in the country's socio-economic development and democratization process. The revised structure brought together similar activities to exploit synergies of related functions and improve communication and co-ordination. The five teams are Communications Infrastructure; Regulation and Access; Operations; Legal and Enforcement and Risk Management and Internal Audit.

The Commission regulates a highly dynamic sector that requires its employees to be flexible and adaptable to change so as to keep abreast with the complexities, innovations and emerging technologies in the sector. The Commission, therefore, invests in building capacity of its staff, the ICT sector and encourages knowledge transfer between industry and academia.

6.1.1 Human Resource Development

One of the objectives of the Commission's human capital strategy has always been to attract, maintain and retain a highly skilled and competent workforce. To achieve the said objective and to enable it meet the regulatory demand of the growing ICT sector, the Commission recruited 38 additional staff (14 female and 24 male) mainly at management trainee level to build on its human capital and succession planning. The total staff complement at the end of June 2013 stood at 186 with a ratio of 43:57 female to male employees. This is consistent with the constitutional requirements on gender parity in public institutions.

To retain a highly talented, efficient and effective workforce, the Commission implemented its training and development policy that focuses on creating a learning organization, and encouraging growth and career development of employees. The policy is anchored on performance management, training needs analysis, organizational needs and development of training plans.

In the 2012/13 financial year, 182 employees (representing 96 per cent of staff at a female to male ratio of 44:56) were trained on identified corporate and individual training needs and skills and competence-based assessments. The training covered management, leadership and corporate governance, ICT regulation and technical skills.

6.1.2 Knowledge Transfer between Industry and Academia

The Commission continued to ensure the linkage in knowledge transfer between industry and academia was fulfilled, in line with its policy of provision of attachment and internship opportunities. Fifty eight (25 female and 33 male) students from tertiary and higher institutions of learning were attached in various departments/divisions of the Commission. The Commission also hosted three delegations which were on study tour.

The Commission continued to forge partnerships in learning and development of the ICT sector in conjunction with the Multi-Media University (MMU), and is expected to finalize the signing of a Memorandum of Understanding (MoU) on research and capacity-building initiatives.

6.1.3 Promoting Capacity Building in the Industry

As an initiative in bridging the digital divide, the Commission in collaboration with the Commonwealth Telecommunications Organization (CTO) conducted two capacity building programmes for the ICT industry namely, "Towards the era of e-transactions" and "Maritime Radiocommunication Regulations." It is envisaged that with the rapid technological deployment and usage of ICT, e-commerce/e-transactions will reduce co-ordination and transactional costs while at the same time spur process improvement, increase efficiency and promote accountability. Development and implementation of Maritime Radiocommunication Regulations ensures a harmonized platform in optimum usage of assigned frequencies in order to promote safety (rescue calling and distress channels at sea) and manage risks.

6.2 IMPROVEMENT OF THE WORKING ENVIRONMENT

In ensuring an enabling working environment for its employees, the Commission adhered to statutory health, safety and environmental requirements. The Commission maintained a corruption free working environment to enhance productivity, efficiency and improved service delivery. Further, the Commission carried out surveys to gauge staff satisfaction with the working environment.

6.2.1 Occupational Health and Safety

The Commission domesticated its Environmental Sustainability Policy by developing an Environmental Policy Statement and inclusion of environmental protection messages in official e-mail, and implementing climate change adaptation initiatives such as paperless Management meetings, use of energy saving bulbs and automated water taps.

To improve the work environment and serve customers better, the Commission's reception area and Boardroom were refurbished to look modern and improve ambience. To cater for the increased number of staff, the 3rd Floor Conference Hall was partitioned to create more office space.

To mitigate risk, the Commission continued to service and maintain office equipment, machinery and property. Obsolete items were disposed of, and the Commission's assets, property and equipment were insured against various risks. The Health and Safety Committee were trained on first aid, fire and safety and subsequently conducted a fire drill to sensitize all staff on the need to heed fire alarms. Additionally, a survey conducted to gauge staff satisfaction with the work environment yielded a satisfaction index of 85.7 per cent compared to 81.5 per cent the previous year.

6.2.2 Employee Wellness

The Commission is committed to ensuring that staff members are healthy and motivated to enable the Commission deliver on its mandate. To achieve this, the Commission has in place a medical scheme that caters for medical needs of employees and their eligible dependants. The Commission also has a gymnasium and a jogging track for employee physical fitness.

CCK Darts Team and their supporters celebrate their victory at Summit Resort, Nakuru during the 2012 KECOSO Games

In its bid to ensure wellness and work-life balance, the Commission encourages its employees to participate in sporting activities. During the 2012/13 financial year, some of the Commission's staff participated in the 33rd Kenya Communications Sports Organizations (KECOSO) Games in Nakuru. KECOSO games draw participants from the Ministry of Information, Communications and Technology (MICT) and that of Transport and Infrastructure (MOT&I), and the associated state corporations.

The Commission fielded teams in five disciplines, namely darts, pool, athletics, football and table tennis during the games. The darts team scooped first position after beating Kenya Ports Authority (KPA) who were the reigning champions for the past six years. FC Talanta, which played under the Commission's banner, took third position after putting up a spirited fight. Overall, the Commission was recognized as the most disciplined team for the fourth year running as well as the best corporate sponsor and emerged fifth out of the 11 organizations that took part in the games. It is through this continued improvement and support of the games that the Commission was appointed to take up the chairmanship of KECOSO for 2013 and 2014.

6.2.3 Campaign against HIV/AIDS

The Commission in collaboration with the National Aids Control Council (NACC) carried out sensitization awareness on Behaviour Change Communication Initiatives to address blood safety and post-exposure prophylaxis. In recognition of the fact that the effects of HIV/AIDS extends beyond the members of staff, the Commission, through the Peer Educators organised an outreach programme to CCK Staff dependants dubbed "Tuongee Tuishi", which also included Voluntary Counselling and Testing (VCT).

6.2.4 Anti-Corruption Strategies

The Commission engaged independent consultants to carry out a Risk Assessment and a Corruption Perception Survey. The survey results indicated that prevalence, spread and pressure of corruption at the Commission was low. The Commission will continue to pursue measures aimed at ensuring zero tolerance to corruption.

In tandem with the Government's policy on zero tolerance to corruption, the Commission continued to implement the Corruption Prevention Plans and Strategies co-ordinated by the Corruption Prevention and Integrity committees. The activities included continuous awareness and sensitisation of staff through the use of the *CCK Weekly* and the Intranet.

The Commission's Corruption Prevention Committee (CPC), which comprises members of Management, was trained on their role and responsibility in corruption prevention at the workplace by the Ethics and Anti-Corruption Commission (EACC). The Integrity Assurance officers were trained on mainstreaming ethics and anti-corruption. The Commission further appointed Risk Champions comprising staff from various departments to mitigate on risk including corruption.

6.2.5 Prevention of Drug and Substance Abuse

The Commission continued to implement its workplace Policy on Alcohol and Drug Abuse. The Commission in partnership with the National Authority for the Campaign against Alcohol and Drug Abuse (NACADA) carried out a follow-up survey to establish the prevalence of alcohol and drug abuse at the workplace. The Commission's employees were also sensitized and trained on Drugs and Substance Abuse.

6.2.6 Gender and Disability Mainstreaming

The Commission continued to comply with gender mainstreaming requirements and re-constituted its Gender Mainstreaming Committee. The Commission's staff consists of 60 per cent and 40 per cent male and female, respectively. The Commission collected sex disaggregated data and ensured that gender is mainstreamed in appointments, promotions, recruitment, training and participation in various Committees. Employees were sensitized on gender mainstreaming and the Commission participated in the development and launch of the Sex and Gender Based Violence (SGBV) Hotline number 1195.

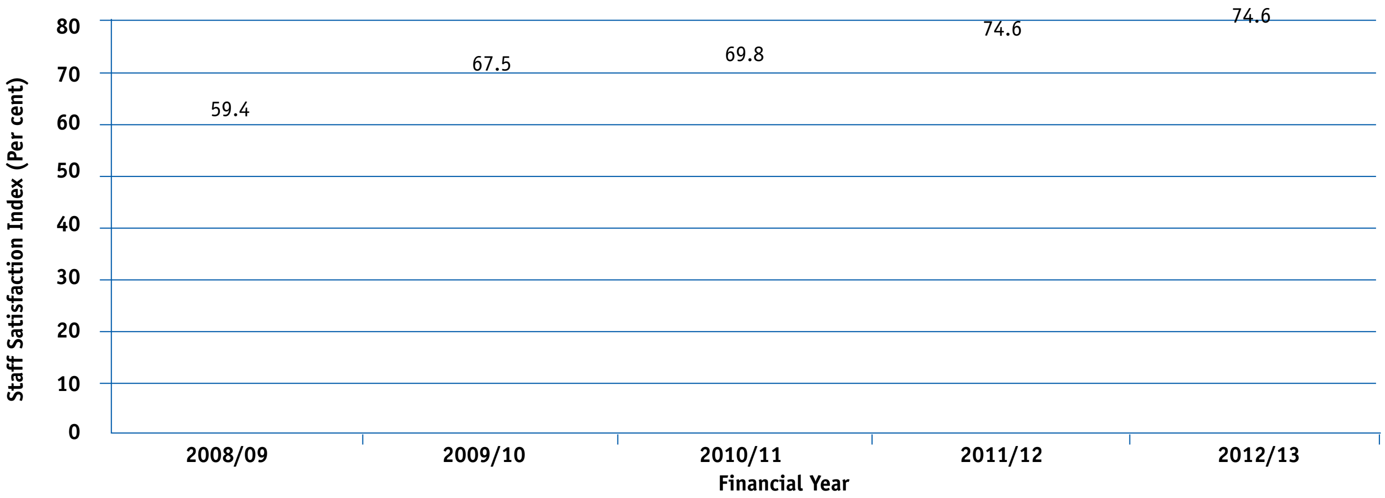
The Commission's policy on disability mainstreaming is anchored in the *Persons with Disabilities Act 2003*. The policy reiterates the Commission's commitment to being an equal opportunity employer and is designed to promote inclusion in all its activities and to address the barriers that may exclude People with Disabilities (PwDs) from full and equal participation. In this regard, the Commission formulated a Disability Mainstreaming Action Plan. The plan guided the Commission in informing staff on disability related aspects and facilitated the engagement of two (2) physically challenged interns at the Commission. The Commission further developed a mechanism for engaging with the National Council for Persons with Disabilities (NCPD) to ensure that PwDs access information relating to vacancies. The Disability mainstreaming Committee was re-constituted in accordance with the national policy guidelines.

The Commission continued to upgrade the physical facilities within the CCK Centre to make them more accessible to PwDs. These included the installation of a Speech Unit in the lifts, and construction of toilets fitted with all necessary accessories for use by PwDs.

6.2.7 Employee Satisfaction Perception Surveys

The Commission carried out an independent employee satisfaction survey to identify the elements that affect the level of employee work morale. The results of the survey yielded an employee satisfaction index of 75.1 per cent, which was 0.5 per cent increase over that of Financial Year 2011/12. The employee satisfaction indices for the last five years are shown in Figure 6.1.

Figure 6.1: Trend in Employee Staff Satisfaction Survey Index



Source: Communications Commission of Kenya

6.3 AUTOMATION OF THE COMMISSION'S PROCESSES

The Commission upgraded its e-mail system to enhance efficiency and provide larger storage space for the Commission's communication needs. This enhancement shall ensure access to Internet by staff and visitors.

The Commission automated the process of carrying out internal audits by installing an audit software. The software has helped in enhancing risk assessment by making it easier to identify and link risks to associated controls and also enhanced reporting of the internal audits carried out. Objectivity has also been enhanced since the software entails self-assessment of risks and testing a larger sample of the population.

The Commission carried out the E-Readiness Assessment Baseline Survey in January 2013 that established the level of ICT utilization in the Commission in line with its core mandate. The survey findings showed that the Commission was at 56.76 per cent level of e-readiness. At the end of the Financial Year 2012/13, the level of automation at the Commission was at 64 per cent. This improvement was mainly attributed to the full operationalisation of Integrated Management Information System (IMIS) through automation of public enquires, complaints, automation of procurement operations, IT Helpdesk system, Document Management System (DMS), and online access to Human Resource services such as payslips and staff database.

6.4 PROCUREMENT AND DISPOSAL

The Commission continued to ensure that it gets value for money by procuring goods, services and works in accordance with the *Public Procurement and Disposal Act, 2005,* and Regulations, 2006. The Commission finalized the development of the Procurement Manual which is currently in use in line with the Act and Regulations. The Commission also continued to ensure fairness, transparency and accountability in its tendering processes and at the same time implemented a supplier monitoring and evaluation system to maintain economy and efficiency in the procurement process. Further, advertisements in the local newspapers for public auction for unserviceable obsolete stores were carried out.

6.5 ISO 9001:2008 CERTIFICATION

The Commission is ISO 9001:2008 certified. The role of a Quality Management System (QMS) is to enable an organization achieve intended goals and objectives as set out in policies and strategic plans. To achieve this, the Commission continued to adhere to the QMS and, as required, carried out regular reviews of the QMS, undertook quarterly management reviews and biannual surveillance audits to ensure compliance with the Standard and assess the suitability of the system in meeting customers' needs and satisfaction.

Further, the Commission reviewed its processes and procedures to enable it efficiently deliver services.

6.6 RISK MANAGEMENT IN THE COMMISSION

Effective risk management is vital to ensure a healthy entrepreneurial culture within any organization that wishes to improve its performance. The underlying premise of enterprise risk management is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

In line with Government requirements, the Commission developed an Enterprise Risk Management Framework. The framework will enable the Commission to effectively deal with uncertainty and associated risk and opportunity. In line with the framework, the Commission put in place a Risk Management Committee that ensures full implementation of the framework. Risk Champions were appointed from each department to assist in facilitating and co-ordinating Risk Management activities. Members of the Management Committee who make up the Risk Management Committee have the responsibility of reporting and providing updates on risk management to the Board on all significant risks identified.

CHAPTER 7:

CORPORATE COMMUNICATION AND INTERNATIONAL LIAISON

7. CORPORATE COMMUNICATION AND INTERNATIONAL LIAISON

As the designated government representative to affiliated regional and international bodies, the Commission has an obligation to ensure that Kenya meets its obligations under regional and international treaties relating to the provision of postal, information and communications services. During the year under review, the Commission carried out a number of activities geared towards raising its profile and contributing to policy development through engagement with local community and stakeholders as well as relevant regional and international ICT organizations. The Commission also continued to participate in local, regional and international efforts and initiatives aimed at contributing to policy development.

7.1 ENGAGING WITH STAKEHOLDERS AND LOCAL COMMUNITY

The Commission continued to engage stakeholders in the ICT industry through public consultations, media campaigns, the corporate website and social media pages. Additionally, the Commission continued to touch the lives of the less fortunate in society through various Corporate Social Responsibility (CSR) activities.

7.1.1 Corporate Social Responsibility

As a socially responsible corporate citizen, the Commission undertook a number of CSR initiatives during the year. Of particular note was provision of continued support to Talanta United FC. Talanta United FC is a product of the National Youth Talent Academy, an initiative between the Ministry of Culture and Sports and the United Nations Children Fund (UNICEF), geared towards providing employment of the youth through nurturing sports talent in the country. The Commission's support went a long way in ensuring that the football team flourishes in professional football as demonstrated by the Club's elevation to Division 1 of the local football league. CCK's sponsorship provides the young men aged 17 to 24 with an opportunity to grow their talent and at the same time have gainful employment.

During the festive season, the Commission extended support to disadvantaged members of society through donation of foodstuff and basic supplies to the Orphaned and Vulnerable Children (OVC). The beneficiary institutions included New Life Home in Kilimani and Tumshangilieni Mtoto wa Africa Children Home in Kangemi, which cater to children suffering from HIV and street children, respectively. In its corporate giving programme for the festive season, the Commission also extended support to Nyumba ya Wazee in Kasarani which is a home for the aged.

In line with the CSR Policy, the Commission continued to support industry events and initiatives. To this end, the Commission, for the fourth year running, extended support the Kalasha Film Awards in a bid to encourage development of local content in the television and film industries. To identify, acknowledge, inspire, support and promote media excellence in Kenya, the Commission sponsored the ICT/Telecommunications Award category. For the ninth year running, the Commission supported the Mater Heart Run, whose mission is to support treatment of needy children suffering from heart ailments.

7.1.2 Public and Stakeholder Consultations

In keeping with its tradition of subjecting key regulatory decisions to a process of public consultation, the Commission held a number of stakeholder consultations during the year.

The most notable were consultations on the proposed national positions on the World Conference on International Telecommunications 2012 (WCIT-12); Transmission of Bulk Political SMS; Universal Service Fund Framework; and the National Broadband Strategy. The consultations, which were held in furtherance of the Constitution, were instrumental in the development of the "Guidelines on the Transmission of Bulk Political SMS", USF Framework and the National Broadband Strategy as well as the national positions on various proposals for WCIT-12 on the review of the International Telecommunications Regulations (ITRs).

During the year under review, the Commission hosted the 5th Annual Postal/courier Stakeholders Forum which event focused on adoption of ICTs to enable the sector meet shifting consumer demands. The Commission used to Forum to remind postal/courier industry players to submit quarterly compliance returns as required to enable effective planning for the sector.

The Commission also held consultative meetings with broadcasters and media owners to address emerging issues in the industry such as illegal use of frequencies and digital migration. Going forward, the Commission shall continue engaging industry players, consumers and the public where necessary for input on regulatory decisions that are likely to affect them.

7.1.3 Exhibitions and Promotional Activities

The Commission continued to take part in relevant exhibitions and trade fairs with a view to interacting with the general public and ICT consumers. During the year, the Commission took part in the Nairobi International Trade Fair, the Mombasa International Show and the Kisumu Regional Show. In the three ASK shows in which the Commission took part, our exhibition stands were rated highly, which saw CCK win a total of eight trophies in various categories. The Commission shall continue taking part in trade fairs in the coming years as part of its communication and consumer outreach programme.

During the year under review, the Commission hosted golf tournaments in Nairobi and in other regions across the country to interact with stakeholders. In this regard, Commission hosted tournaments in Nairobi and Nakuru that brought together a total of over 300 golfers. Consumer information stands were set up in the host clubs during the tournaments to educate those in attendance on their rights and responsibilities as ICT consumers.

Further, the Commission took part in the 2012 Kenya Communications Sports Organisation (KECOSO) games in Nakuru and emerged fifth out of the 11 participating organizations. The Commission fielded five teams in darts, pool, athletics, football and table tennis. The annual games give institutions under the Ministries of Information, Communications and Technology and Transport and Infrastructure a platform to network and interact.

7.1.4 Media Campaigns

The Commission continued to educate and inform the public of the Commission's initiatives. During, the year, the Commission carried out a one-month media campaign in December 2012 on SIM card Registration. The campaign was aimed at reminding the public to register their mobile lines in order to stem the rising level of crime perpetrated through use of unregistered SIM cards. As a result of the campaign, a sizeable proportion of subscribers registered their SIM cards ahead of the prescribed deadline. The campaign was deployed over a number of platforms including electronic (TV and Radio), print, outdoor and online media.

At the same time, the Commission continued to sensitize the public on the on-going digital migration by carrying out road-shows in Mombasa and Kisumu. The roadshows were supported with a media campaign that focused on the radio stations in the respective regions. Public awareness on digital migration shall be continued in the next financial year.

7.2 INTERNATIONAL RELATIONS AND LIAISON

7.2.1 Regional and International Forums

In line with its statutory mandate, the Commission continued to represent the country and meet its obligations in regional and international meetings on issues touching on the ICT sector. The Commission also met its obligations to various local, regional and international organizations.

During the year under review, Kenya was elected to various positions in international organisations. At the 25th UPU Congress held in November 2012, Kenya's, Amb. Bishar Hussein, was elected to the prestigious position of Director General of the Universal Postal Union (UPU) . Additionally, Kenya was elected to serve in the Postal Operations Council of UPU. At the Commonwealth Telecommunications Organization (CTO), Kenya was elected Chairman of the CTO executive Committee during the 2nd Council meeting held in October 2012. On the other hand, Mr. Daniel Obam, Radio Technology Expert at the National Communications Secretariat, was elected Vice Chairman of the Radio Advisory Group of the International Telecommunication Union (ITU) for the period 2012- 2015. Kenya hosted the 20th East African Communications Organisation (EACO) Congress and Exhibition at which she was elected Chair of EACO for the next two years.

The Commission continued to participate in other meetings and conferences organized by various international and regional ICT organizations. The most notable included the Telecommunication Standardization Assembly (WTSA), the World Conference on International Telecommunications 2012 (WCIT-12), the World Radiocommunication Conference 2012 (WRC-12), First Session of the Conference Preparatory Meeting for the WRC-15, the 25th Universal Postal Union (UPU) Congress, the 7th Pan Africa Postal Union (PAPU) Plenipotentiary Conference. The Commission attended meetings of the ITU Council and Radio Regulations Board held in the period under review, in fulfilment of the membership responsibilities in the respective organs. Other meetings in which the Commission participated include those relating to the ITU's Radiocommunications Sector (ITU-R), Development sector (ITU-D) and Standardization Sector (ITU-T) Study Groups, CTO, ICANN, IGF, ATU Administrative Council, PAPU Administrative Council, Association of Regulators of Information and Communications for Eastern and Southern Africa (ARICEA), AFRALTI Governing Council and the East African Communications Organization (EACO) Congress.

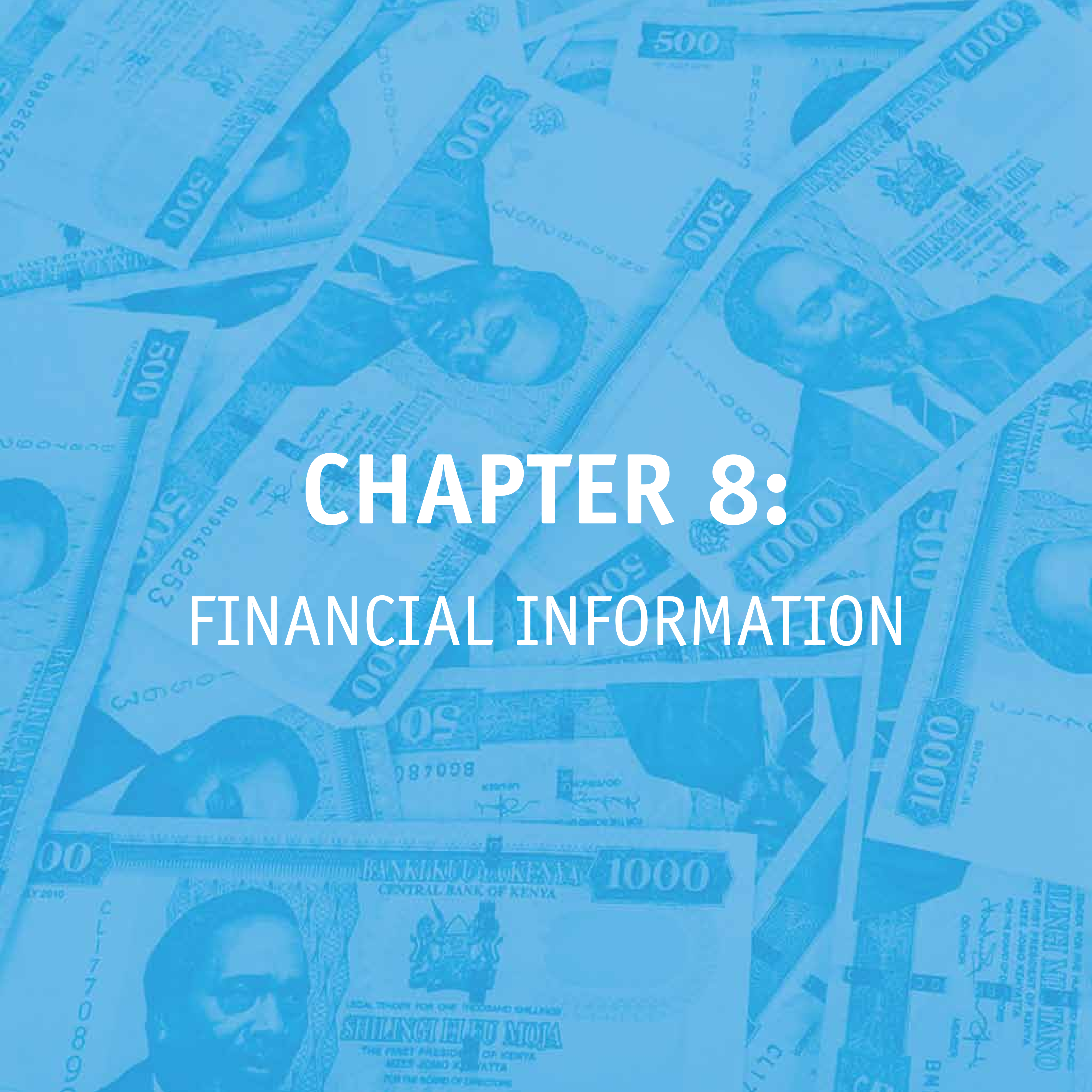
The Commission in liaison with other Government agencies coordinated the development and presentation of national positions to treaty making meetings and other forums organized by affiliated regional and international organizations. The most notable were the WTSA-12, WCIT-12, UPU Congress and PAPU Plenipotentiary Conference.

7.2.2 Benchmarking

In an effort to share knowledge and experience with peers in the ICT industry, the Commission hosted a number of delegations on benchmarking missions and study visits. The delegations hosted included the Ministry of Telecommunications, Information, Communication and Relations with Parliament of Burundi, Telecommunications Regulatory Agency (ARCT) of Burundi, Ethiopia Broadcasting Authority (EBA), Ghana Post, Liberia Telecommunications Authority (LTA), National Communications Authority (NCA) of Ghana, Postal Regulatory Authority of Seychelles, Uganda Communications Commission, Uganda Parliamentary Committee Presidential Affairs Committee on Digital Migration; and the Central Bank of Zimbabwe. The topics of interest ranged from the overall regulatory mandate of the Commission and the digital migration process to consumer education, postal regulation, Unified Licensing Framework, and international relations, among others.

7.2.3 Subscriptions to Regional and International Organizations

In fulfilment of the financial obligations to its affiliated regional and international ICT organizations, the Commission paid the subscriptions as required to affiliated organizations including the ITU, UPU, CTO, EACO, PAPU, ATU, ARICEA and AFRALTI.



CHAPTER 8:

FINANCIAL INFORMATION

8. FINANCIAL INFORMATION

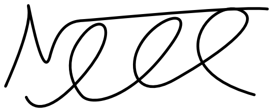
8.1 STATEMENTS OF DIRECTORS' RESPONSIBILITIES

The Kenya Information and Communications Act, Cap 411A, and the *State Corporations Act (Cap 446)* require the Board of Directors to prepare financial statements for each financial year that give a true and fair view of the state of the financial affairs of the Commission as at the end of the financial year and the operating results for that year. It also requires the Directors to ensure the Commission keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the *State Corporations Act*. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Commission and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial controls.

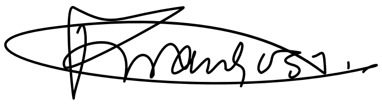
Nothing has come to the attention of the directors to indicate that the Commission will not continue as a going concern for at least the next 12 months from the date of this statement.

MR. NGENE B. GITUKU



CHAIRMAN

FRANCIS W. WANGUSI



DIRECTOR GENERAL

Date: **30th September 2013**

Annual Reports and Accounts 2011/12

The draft annual accounts for Financial Year 2012/13 are yet to be audited. Therefore, the financial report contained herein is for the audited report for 2011/12.

8.2 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2012

The Audited Statement of Comprehensive Income for the financial year ended 30 June 2012 is reproduced in Table 8.1.

Table 8.1: Statement of Comprehensive Income

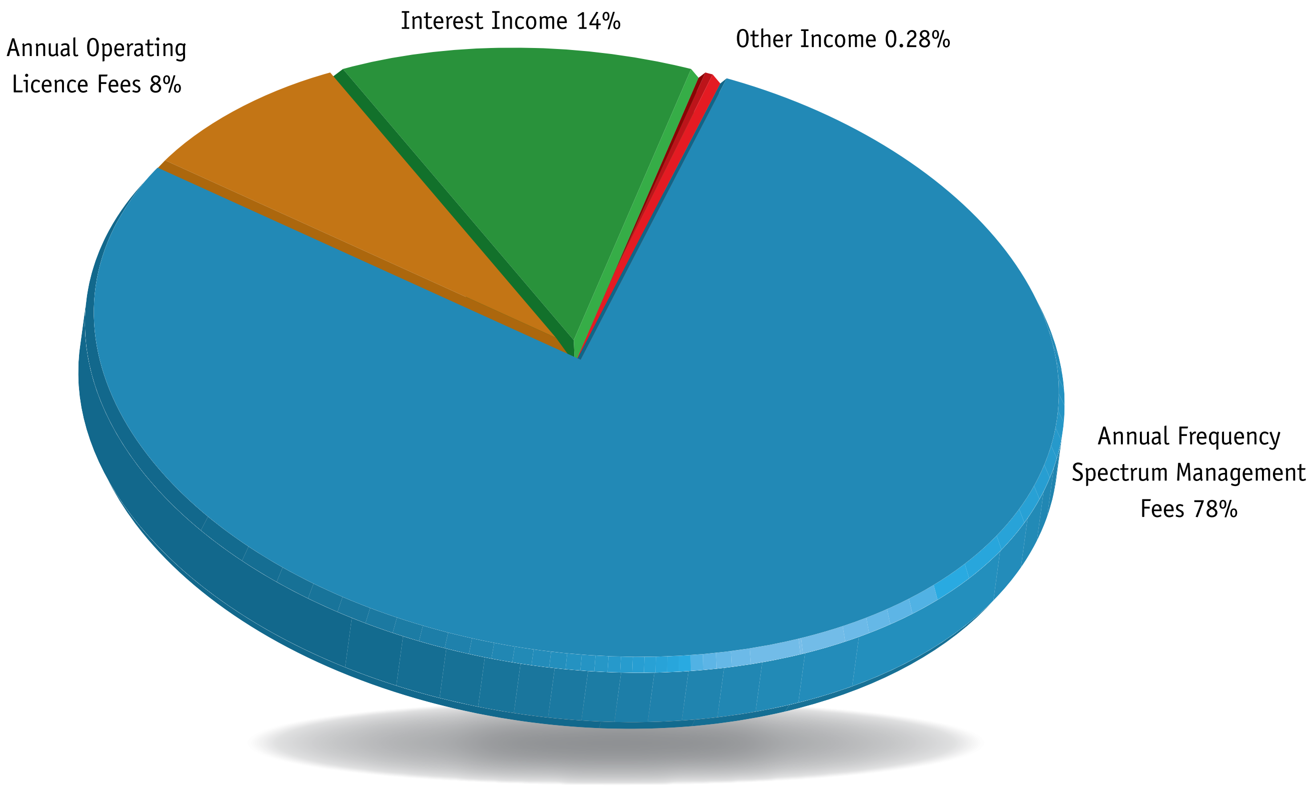
Communications Commission of Kenya Statement of Comprehensive Income For the Year Ended 30th June 2012

	2012	2011
	KSHS'000	KSHS'000
Income	8,781,256	6,471,785
Operating Expenses	1,782,572	1,554,522
Surplus for the Year	6,998,684	4,917,263
Provision for Surplus Remittance at 90%	6,298,815	4,425,537
Net Surplus	699,868	491,726

8.2.1 Income

The Commission earned income from frequency management fees, annual operating licence fees, interest income, type approval fees and other income as illustrated in Figure 8.1.

Figure 8.1: Source of Income



Frequency Spectrum Management fees comprised the Commission's main income stream as it accounted for 78 per cent of total income. Interest income accounted for 14 per cent, annual operating licence fees 8 per cent while the other income accounted for 0.28 per cent of the total income. Other income sources included application and type approval fees, rent, income from disposal of assets and sale of tenders, bad and doubt debts recovery and penalties imposed on the licensees for non-compliance.

8.2.2 Operating Expenditure

During the 2011/12 financial year, KES 1.782 billion was spent on operations of the Commission compared to KES 1.554 billion during the previous period.

The expense items included in the operating expenditure are salaries and allowances, training, travelling, professional fees, subscriptions, Universal Access obligation, National Communications Secretariat, corporate affairs, printing and stationery, medical expenses, postage and telephone expenses and other expenses incurred in the day to day running of the Commission. This expenditure was in line with the approved budget.

8.2.3 Capital Expenditure

The total capital expenditure for the year 2011/12 was KES 59.415 million compared to KES 81.7 million incurred in the 2010/11 financial year. The items accounting for this expenditure included buildings and improvements, furniture and fittings, office equipment, computers, telecommunications equipment, and motor vehicles.

8.2.4 Surplus

The surplus for the Financial Year 2011/12 was KES 6.998 billion up from KES 6.471 billion recorded in the 2011/12 financial year. This represented an eight per cent growth in surplus.

The Commission remitted KES 6.29 billion to the National Treasury in line with Section 13A of the *Public Finance Management Act, 2010,* on remittance of 90 per cent of surplus reported in the audited financial statement at the end of each financial year to the Consolidated Fund.

8.3 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

8.3.1 Assets

The total assets of the Commission amounted to KES 12.7 billion during the 2011/2012 financial year, comprising of property, plant and equipment of KES 1.4 billion, trade receivables of KES 0.529 billion and cash and cash equivalent of KES 10.763 billion. The total assets of the Commission grew by 26 per cent from 10.09 billion in the 2010/11 financial year.

The audited Statement of financial position as at 30th June 2012 is reproduced in Table 8.2.

Table 8.2: Statement of the Financial Position

COMMUNICATIONS COMMISSION OF KENYA STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012		
	2012	2011
	KSHS'000	KSHS'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	1,421,403	1,447,229
	1,421,403	1,447,229
Current Assets		
Trade Receivables	529,511	1,046,226
Cash and Cash Equivalent	10,763,784	7,599,745
	11,293,295	8,645,971
TOTAL ASSETS	**12,714,699**	**10,093,200**
OWNERS FUNDS AND LIABILITIES		
Capital and Reserves		
Owners Funds	741,965	741,965
Revaluation Reserve	380,681	380,681
Retained Surplus	5,058,732	4,358,863
Current Liabilities		
Provisional Surplus Remittance at 90%	6,295,228	4,425,537
Trade and other Payables	238,093	186,154
	6,533,321	4,611,691
OWNERS FUNDS AND LIABILITIES	12,714,699	10,093,200
The accounts were approved by the Board of Directors on		
27th September 2011 and were signed on its behalf by:		

Ngene B. Gituku	Francis W. Wangusi
Chairman	Director-General

8.3.2 Capital and Reserves

As at 30th June 2012, the capital and reserves of the Commission amounted to KES 6.18 billion up from 5.48 billion recorded in the previous year. The composition of capital and reserves is shown in Table 8.3.

Table 8.3: Capital and Reserves

CAPITAL AND RESERVES AS AT 30TH JUNE 2012	
	KES
Owners Funds	741,965
Revaluation Reserve	380,681
Retained Surplus	5,058,732
TOTAL	6,181,378

8.3.3 Current Liabilities

The current liabilities of the Commission at the close of the 2011/12 Financial Year stood at KES 6.53 billion, comprising proposed surplus remittance to the Treasury of KES 6.29 billion and trade payables of KES 238 million.

8.4 AUDITING OF FINANCIAL STATEMENTS

In accordance with Section 20 of the *Kenya Information and Communications Act, Cap 411A*, the financial statements for the financial year ended 30th June 2012 were forwarded to the National Audit office for review and audit.

The Commission's financial statements for the year 2011/2012 were audited and an unqualified opinion was issued.

8.5 ANNUAL BUDGET ESTIMATES AND REVISED BUDGET

In accordance with Section 19 of the *Kenya Information and Communications Act, Cap 411A,* and the provisions of the *Exchequer and Audit Regulations*, the estimates of revenue and expenditure of the Commission for the year 2013/14 were prepared and submitted to Treasury through the Ministry of Information, Communications and Technology.

The total estimated income is KES 6.079 billion, while operating expenditure is estimated at KES 2.69 billion. The total budgeted capital expenditure is KES 719 million.

Approval of the estimates was given by the Treasury.

ANNEX: SELECTED KEY COMMUNICATIONS STATISTICS AND ECONOMIC INDICATORS

Annex 1: Information and Communications Technology Statistics

INDICATOR	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Fixed Telephony Capacity Wireline	490,000	508,000	508,000	513,820	516,993	505,103	512,281	485,581	421,528	400,764	380,135	362,627
Wire line Connections	328,116	328,358	299,225	278,867	293,364	339,229	527,064	247,972	234,522	187,716	74,606	56,724
Wireless Connections	0	0	0	0	0	84,107	274,449	448,529	225,592	191,585	188,155	159,545
Total Wireline and Wireless Connections	328,116	328,358	299,225	278,867	293,364	347,226	527,064	696,501	460,114	379,301	262,761	216,469
Mobile Telephony Capacity	1,500,000	2,00,000	3,935,000	6,800,000	10,600,000	18,200,000	25,964,700	29,400,000	46,628,948	47,677,000	49,977,000	55,077,000
Mobile Telephony Connections	944,128	1,590,286	2,546,157	4,479,375	6,484,791	9,304,818	12,933,653	17,362,257	20,119,304	25,279,768	29,703,439	30,549,422
Mobile Money Transfer Service Subscribers	-	-	-	-	-	-	-	-	10,615,386	17,395,727	19,505,702	24,600,053
Total Postal Outlets	891	890	872	861	768	721	744	710	700	697	634	622
Private Letter Boxes	394,121	397,731	395,811	399,667	400,016	411,716	414,616	412,006	414,756	427,900	431,181	432,000
Letter Posting Boxes	1,137	1,138	1,120	1,049	1,049	966	827	890	890	890	752	890
Public Counter Positions	1,429	1,394	1,378	1,377	1,388	1,388	1,390	1,279	1,339	1,261	1,030	1,102
Stamp Vending Licences (PCK Issued)	299	4,466	3,733	4,088	4,242	4,125	4,609	4,505	5,136	5,260	2,847	4,274
Stamp Vending Machines	0	0	0	0	0	264	246	280	280	280	280	280
Private Operator Outlets	320	330	341	437	521	554	606	622	601	635	683	707

Source: Communications Commission of Kenya

Annex 2: Economic Indicators, 2012

INDICATOR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011+	2012++
Population (Millions)	30.9	31.8	33.2	34.2	35.1	36.1	37.2	38.3	38.6	38.5	39.5	40.7
Growth of GDP at Constant (2001) Prices (%)	4.5	0.6	2.9	5.1	5.9	6.3	7.0	1.5	2.6	5.8	4.4	4.6
GDP Per Capita (in 2001 Prices) (KES)	0	0	31,825	32,463	33,442	34,570	36,000	35,611	35,470	36,419	38,941.0	39,607.0
Postal and Telecommunications GDP (KES. Millions)	22,853	30,169	33,040	30,167	36,242	43,251	54,947	56,756	62,508	64,413	65,923	71,489
Postal and Telecommunications as % of GDP	2.2	2.8	3	2.4	2.6	2.7	3.0	2.7	2.6	2.5	2.2	2.1
Growth of Postal and Telecommunications at Constant (2001) Prices (%)	66.3	32.2	10	8.5	17.7	16.5	30.3	7.8	10	4.5	4.3	5.3
Private Sector Wage Employment (2001-2007 are Estimates - 52.20% ICT Contribution in the Transport & Communications Sector as Evidenced by 2008 Figures)	24,118	24,901	25,684	31,687	39,204	47,452	61,496	62,800	67,800	73,500	76,000	81,300
Public Sector Wage Employment (2001-2007 are Estimates – 3.48% ICT Contribution in the Transport & Communications Sector as Evidenced by 2008 Figures)	1,324	1,314	1,307	1,317	1,352	1,397	1,255	1,300	1,600	1,800	2,200	2,600
Consumer Price Index, Annual Average*	131.0	133.6	146.7	163.7	180.2	76.25	79.50	92.36	102.10	106.26	121.17	132.5
CPI Inflation Rate (Overall) %	5.8	2	9.8	11.6	10.0	6.0	4.3	16.2	10.5	4.1	14.0	9.4

* Means that for 2001-2005: Consumer Prices, Annual Average [Index numbers October 1997=100]; and 2006-2010:Consumer Prices, Annual Average [Index numbers February 2009=100]

+ Revised; ++Provisional

Source: Adapted from the Economic Survey (Various Issues).

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Enriching