Communications
Commission
of Kenya

COMMUNICATIONS COMMISSION
OF
KENYA
(CCK)

ANNUAL REPORT
OF
THE BOARD
FOR THE FINANCIAL YEAR
2001/2002

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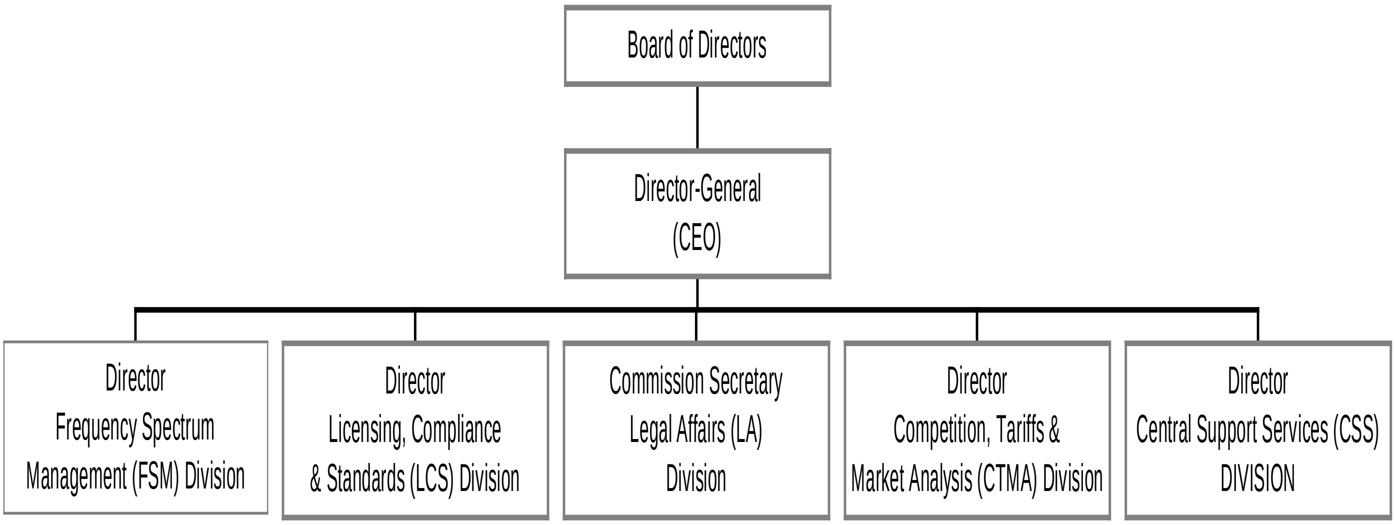
ORGANIZATIONAL STRUCTURE



THE CCK MANAGEMENT TEAM

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Mr. John Omo
Commission Secretary

Mr. Juma K. Kandie
Director, CSS

Mr. Samuel K. Chepkong'a
Director-General

Mr. Francis W. Wangusi
Director, LCS

Mr. Wilson Chepkwony
Director, FSM

Mr. Mutua Muthusi
AD, CPR

VISION

Enable access to reliable communications services by all Kenyans.

MISSION STATEMENT

To ensure that the communications sector contributes to the country's overall development through efficient and enabling regulation and public participation.

ROLE OF CCK

The Commission plays a critical role in the liberalization of Kenya's telecommunications and postal sector. CCK is the Gateway, the Link and Watchdog for the communication industry in the country.

As the Link between consumers, operators and service providers CCK ensures a level playing ground in the sector.

And as a Watchdog of the consumer, CCK makes sure that the standards of quality are maintained in both service and equipment provided. It ensures that public service obligations are carried out while at the same time guaranteeing the protection of both consumer and investor interests.

ABOUT CCK

The Communications Commission of Kenya (CCK) was established in February 1999 by the Kenya Communications Act, 1998, to license and regulate telecommunications, radio communications and postal services in Kenya.

CHAIRMAN'S FOREWORD

I am pleased to present the Annual Report of the Commission for the year ended 30th June 2002 as required by Section 22 (1) of the Kenya Communications Act, 1998.

In accordance with its mandate of regulating the communications sector, the Commission accomplished its objectives for the year as presented in this report.

During the year, the Board approved a new Market Structure for telecommunications services. The structure opened up opportunities for licensing of independent network operators such as Data Communications and Concentrator/Traffic Aggregators, which are more suited for rural communication and universal service. In addition, the Board approved a sizeable number of licenses in the postal and telecommunications sector. In the postal sub-sector a total of 12 postal courier operators were licensed while an Internet Exchange Point (IXP) and a private VSAT operator were licensed in the telecommunications sub-sector.

The Board had the opportunity to visit a number of Regulatory Authorities to learn and share experiences in regulation. Similarly, the Board received delegations from other regulatory authorities such as Tanzania and Malawi on benchmarking missions.

I am pleased to note that, during the year under review, the sector achieved one of the highest growth rates in the economy. This report highlights the achievements accomplished and challenges encountered during the year.

I must say that the achievements realized could not have happened without the good teamwork and commitment amongst the Commission's staff and the support given to us by our stakeholder community. I wish to pay a special tribute to my predecessor, Mr. Karanja Kabage, for laying down a good foundation in the CCK Board. His performance is, indeed, a challenge and an inspiration for me as the new Chairman of CCK.

It is my hope that the industry will continue to support us in our efforts towards delivering the best results in this demanding sector for the benefit of the industry and the Kenyan society at large.

As the communications industry continues to expand, there is no doubt that consumers will expect and demand better services from the Commission and the licensed service providers. Our challenge as a Commission will be to balance the competing interests for the good of all stakeholders while at the same time promoting greater choices in the market place. The Commission is well aware that this challenge has only begun and it is our hope that we shall live up to the expectations of the Kenyan society.

Major General (Rtd) J. A. N. MUGO

Chairman

DIRECTOR GENERAL'S REVIEW

As the Chief Executive Officer of CCK it is gratifying for me to present to you a review of the Commission's activities for the year 2001/2002 in line with its mandate as provided for under the Kenya Communications Act, 1998.

The Commission in the year 2001/2002 continued to address itself to its objective of fostering the growth and development of the communications industry. Despite the slow growth of the country's economy, communications was one of the sectors that registered the highest growth during the year under review. For instance, cellular mobile subscription grew dramatically from 330,000 to 980,000 within a span of one year. The total investment by the two cellular mobile operators reached approximately US$ 370,000,000 during the year. As a result the sector has contributed enormously to direct and indirect employment.

However, in the area of fixed telephony, the growth was not as impressive due to lack of investment capital, among other reasons. The year also witnessed the retirement of the analogue cellular mobile network (ETACS) in favour of the more superior digital GSM mobile network.

Use of modern communication technologies increased remarkably with the emergence of cyber cafes, a development that lowered the prices for Internet access.

The Commission also licensed an Internet Exchange Point (IXP), which commenced its operations in May 2002. The IXP is meant to keep local traffic local thereby reducing congestion on both the international Internet and national long distance links thus ensuring high quality delivery at reduced costs.

The year saw the Commission license one shared hub commercial VSAT operator and seven (7) International private VSAT terminal operators.

These developments were as a result of new Government policy guidelines issued in December 2001. In the revised Telecommunications and Postal Sector Policy Statement, the maximum foreign equity participation was increased from 30 to 70 percent in order to encourage and attract foreign investment in the communications sector. The policy also gave special consideration to the use of Very Small Aperture Terminal's (VSAT) for intra-corporate data communications, social services such as telemedicine, tele-education, and public services such as intra-government communications, civil aviation, meteorology and disaster management.

The Commission took a number of initiatives in recognition of the need to increase the uptake of Information and Communications Technologies (ICTs) and Internet access in Kenya. In this regard, the Commission joined the Kenya Education Network (KENET) Trustee Board and committed Kshs.6 million to the project for the next two years in addition to providing radio frequencies at no charge to KENET as part of the Commission's contribution. The KENET project aims at providing connectivity between educational institutions in the country. Initially, the project will connect all public and selected private higher institutions of learning, plus selected secondary and primary schools.

The Commission, in partnership with the private sector, established a body to manage domain names (.ke) registration in Kenya. The body, Kenya Network Information Centre (KENIC), is in the process of registration and will be fully operational in the next financial year. KENIC is a key milestone in Kenya's Internet history as it will localize the administration of the country code top level domain (ccTLD), which is currently managed outside the country without adequate representation of the interests of the local Internet community. It is expected that once the body becomes operational, the registration of domain names will be more efficient and that the country will take full charge of this vital national resource. KENIC's ratification and accreditation by the Internet Corporation for Assigned Names and Numbers (ICANN) is also expected in the next review year.

The Commission also initiated a telemedicine project whose objective is to enhance the health care system countrywide through improved connectivity. This pilot project is expected to connect major hospitals and medical teaching and research institutions with a couple of rural health centers. The initiative will go a long way in ensuring that medical practitioners based in rural areas can compare notes and consult with highly specialized doctors in the country's best hospitals and universities on the platform of the Internet.

To build sufficient manpower capacity for the communications sector, the Commission entered into agreements with the University of Nairobi and Jomo Kenyatta University of Agriculture and Technology (JKUAT) to facilitate the development of ICT courses. The programmes will be tenable in the next financial year in the two universities. In the next financial year, the Commission will continue to review and expand the scope of its corporate social responsibility programme by making interventions particularly in the area of ICTs.

On the postal front, the Commission brought into its regulatory regime 12 more courier operators. The Commission also undertook a postal market study whose results will be used to formulate appropriate policy and regulatory framework to ensure sustainable development of the postal sub-sector. The study revealed that the potential of the sector is worth close to Kshs. 4.14 billion. It is also gratifying to note that during the year under review, a new postal directory complete with postcodes was published, after a 16-year lapse, as a result of the Commission's intervention. The Commission will continue to follow closely the development of postal services in order to ensure that the sector realizes its full potential.

The Commission also concluded the tendering and award of tender for an integrated frequency spectrum management and radio monitoring system. This system, which is expected to be commissioned in the next financial year will enable the Commission detect harmful interferences and consequently manage the radio frequency resource more efficiently.

In an effort to provide staff with an appropriate working environment, the Commission embarked on the construction of the headquarter building at its Waiyaki Way site. This building will enable the Commission to conduct its business under one roof, and away from the hustle and bustle of the city.

In order to keep abreast with the changing environment in the sector, the Commission continued to participate in relevant international meetings and forums. The Commission also trained staff locally and internationally as part of its capacity building and skills development. The Commission's organization structure was also rationalized to harmonize its functions and activities in line with the industry demands and improve on service delivery.

In its effort to enhance the regulatory framework in line with the changing environment, the Commission undertook an appraisal of the existing legislation and proposed amendments that seek to ensure that the Act and attendant legislation remain relevant to the sector. The Commission was also involved in the preparation of the Broadcast Bill that is aimed at facilitating the streamlining of broadcast regulation by bringing it under the purview of the Commission in a similar fashion to other market segments in the communications sector.

The Commission also commenced appraisal and revision of licenses through benchmarking and adoption of best practice in an effort to make the licenses more comprehensive and better aligned to the evolving market conditions.

As part of community relations, the Commission's staff initiated a support project with '"Shangilia Mtoto wa Afrika in Kangemi, Nairobi. Commission staff were able to support the institution with educational materials and basic supplies for a period.

The year under review had its fair share of challenges. These included congestion in the two GSM cellular networks, illegal use of radio-communications equipment, default of license fees, clamour for complete liberalization of VSAT, cessation of telegraphic money order service and analogue leased lines, and unfair trading practices.

I am pleased that the Commission was able to successfully address most of the challenges through its enforcement and dispute resolution mechanisms. For instance, the Commission's intervention led to the cellular mobile operators' expansion of their networks' switching capability to address the congestion problem.

In conclusion, I wish to pay tribute to the former Commission Chairman, Mr. Karanja Kabage for his leadership and support since the Commission's inception. I also want to welcome our new Chairman, Major General (Rtd) J.N. Mugo and congratulate him on his appointment and commitment since taking over the Chairmanship. As the communications sector expands as a result of competition, the challenge to deliver quality services will no doubt increase. The challenge, therefore, will be how to meet these expectations and accommodate more players in the market. We as the Commission shall continue to reposition ourselves to the dynamics of the sector in order to remain relevant and focused as the sector's regulator and facilitator.

Samuel K. Chepkong'a

Director-General

SECTION I TELECOMMUNICATION SERVICES

In the year under review, the sector continued to experience phenomenal growth particularly with regard to mobile communications. However, fixed telephony registered marginal growth as detailed in this report.

Fixed Services

Fixed telephone connections continued to under-perform as evidenced by the number of new subscriber connections as shown in table 1. The connections rose by about 6,634 to 328,116 by the end of 2001/2002. During the same period, telephone capacity also rose marginally from 446,302 to 490,000 an increase of 43,698. The number of payphones stood at 9,264 by June 2002.

Table 1: Fixed Telephony Growth (1999 to 2002)

Category/Year	1999/2000	2000/2001	2001/2002
Capacity	420,370	446,302	490,000
Connections	296,400	321,482	328,116
Payphones	9000	9135	9,264

In regard to targets for system expansion and quality of service, the Commission continued to enforce compliance to license conditions by the incumbent operator. For the two financial years, 1999/2000 and 2000/2001, the incumbent operator only met the targets set for subscriber connections in 1999/2000 and number of faults per 100 lines in 2000/2001 but failed to meet the other targets as indicated in table 2 below. Consequently, the Commission instituted penalties as stipulated in the licenses as a result of non-compliance. The money is to be used for universal service delivery. The actual performance for the year 2001/2002 will be reported in the next report of the Commission.

Table 2: Fixed Telephony Performance

Category/Period	1999/2000		2000/2001		2001/2002	
Growth Item	Target	Actual	Target	Actual	Target	Actual
New Subscriber Connections	25,000	44,553	60,000	12,103	75,000	35618
New Payphone Connections	2,500	547	5,000	66	5,000	459
Call Completion	60%	49%	66%	65%	70%	73.2%
No. Of Faults/100 lines/p.a	200	72	162.5	166.2	137.5	169
Faults cleared in 24 hrs.	25%	2.2%	28.5%	27.8%	34.5%	29.4%
Payphone Serviceability	92.5%	N/A	92.5%	84.7%	92.5%	85.3

In spite of the marginal growth and poor quality of service performance in the fixed network, the incumbent operator continued to modernize parts of its network to support new features such as Integrated Services Digital Network (ISDN) services and other Intelligent Network Services.

Cellular Mobile Services

In the period under review, cellular mobile services more than tripled to 944,128 subscribers. In terms of network expansion the cellular operators continued to expand their networks to cover more geographic areas while at the same time increasing their combined switch capacities to 1,220,000. The rapid expansion of the cellular mobile services in the 900MHz band resulted in an increase in the number of GSM base transceiver stations installed to 428 as compared to 237 in the previous year.

Public cellular payphones were also launched during the year following the Commission's intervention over an interconnect dispute with the fixed network operator. The total number of payphones installed was estimated at 300.

Table 3: Growth of Mobile Network (1999 to 2002)

Category	YEAR		
	1999/2000	2000/2001	June 2001/2002
Total Capacity	24,000	640,000	1,220,000
Total Connections	23,757	340,731	944,128

The good performance in the cellular mobile sector was as a result of additional investment by the mobile operators, which was in the tune of about US$ 720 million between July 2000 and June 2002, which saw penetration and coverage improve tremendously. Other factors that contributed to increased connections included the downward trend in tariffs, connection charges and additional special offers on tariffs.

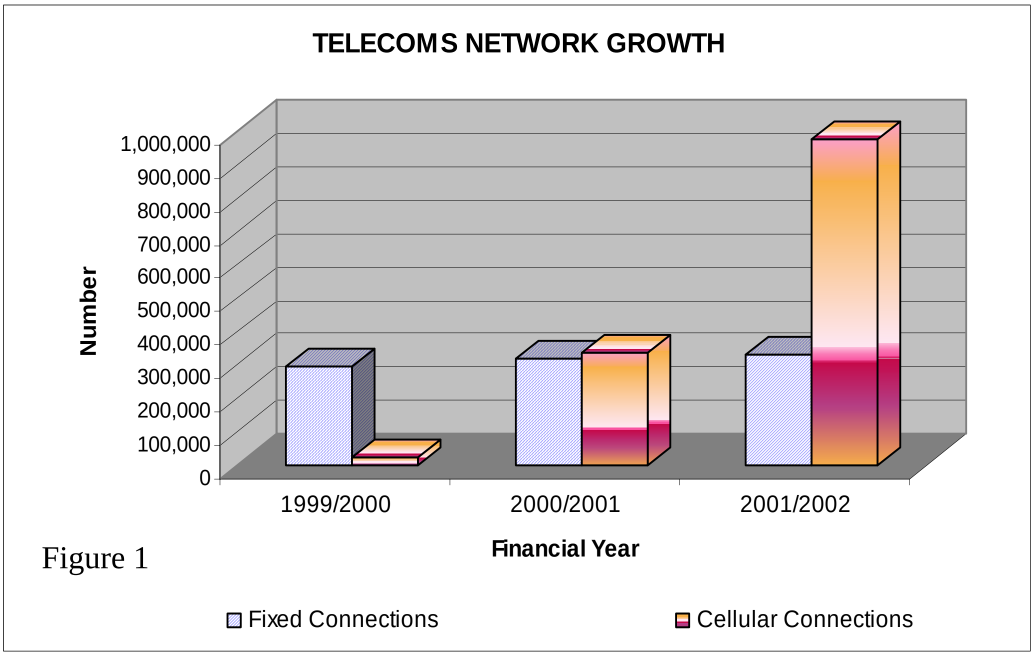

Figure 1

Overall, the mobile operators surpassed their geographic coverage targets during the year under review but quality of service performance was below expectation as evidenced by congestion and high call-drop rates. The Commission is determined to ensure improvement in the provision of high quality services and is already taking necessary measures towards this end.

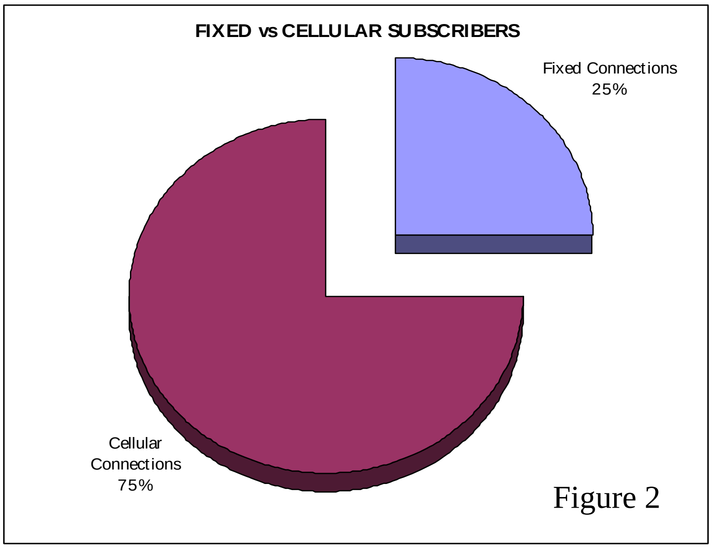

Figure 2

Internet and Other Services

The period under review also saw the number of Internet Service Providers licensed increase from 66 to 72, an increase of 6 compared to 23 the previous year. Two of these licenses were issued to Telkom Kenya and the Postal Corporation of Kenya. This slower growth may be attributed to market stabilization. During this period the incumbent increased Internet backbone bandwidth from 2/8 to 20/50 Mbps upstream/downstream and increased the number of Internet Points of Presence (IPOPs) to further improve internet penetration in the country. This was beneficial to ISPs and has significantly reduced the number of complaints. Currently the number of Internet users is estimated to be about 700,000 or thereabout.

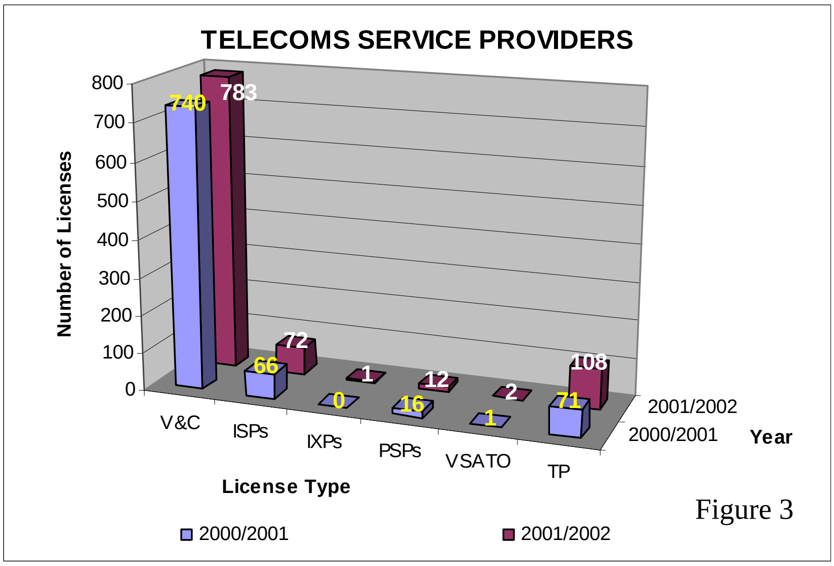

Figure 3

Key:

V&C	Vendors and contractors
ISPs	Internet Service Providers
IXPs	Internet Exchange Point Providers
PSPs	Paging Service Providers
VSATO	VSAT Operators
TP	Technical Personnel

The number of Paging Service Providers (PSP) decreased from 16 to 12 and this was attributed to competition from the cellular mobile market. Through the Commission's intervention a majority of the customers affected by the closure of PSP's were transferred to other operators at no extra cost.

The number of licensed Vendors and Contractors increased by 43 to 783. The Commission relaxed some of the licensing conditions for vendors in order to speed up the registration process.

During the year, Bell Western paid part of its license fee as a show of its commitment to operate as a regional telecommunications operator (RTO). The other two operators, TelAir Ltd. and Safitel Ltd. are expected to follow suit and finalize plans to commence operations. In the meantime the Commission has embarked on a study of options of implementing a Universal Service Facility to cater for rural and underserved areas.

With respect to the licensing of Commercial Trunked Radio Operators (CTROs), the Commission finalized the tender evaluation process and the successful bidders are presently negotiating license conditions with the Commission. The Commission intends to license the CTRO's in the next financial year to facilitate commencement of commercial services.

In order to reduce demands placed on International circuits and connection time, the Commission licensed one Internet Exchange Point. The Internet Exchange Points are meant to keep local Internet traffic local and hence reduce connection time and also enhance e-commerce. The number of licenses issued by the Commission in the various categories is outlined in table 4 below.

Table 4: Telecommunications Service Providers

CATEGORY	Number Licensed			Percentage Growth Rate
	1999/2000	2000/2001	2001/2002	
Vendors and contractors	184	740	783	5.8
Internet Service Providers	43	66	72	9.0
Internet Exchange Point Providers	0	0	1	100
Paging Service Providers	12	16	12	-25
Premium Rate Service Providers	0	1	1	0
VSAT Hub Operators	1	1	2	100
Technical Personnel	30	71	108	52

Engineering Standards

The Commission embarked on the implementation of the new numbering plan following completion of consultations with the public and stakeholders. As a result of this new development, Safaricom adopted a new mobile access code (0722). This change has also been effected on the fixed network resulting in subscriber number-length changes in some areas. This process is expected to continue until the seven digits numbering standard is fully implemented across the country. The Commission also submitted a plan for the harmonization of signaling point codes within East Africa during the East African Regulatory Posts and Telecommunications Organization (EARPTO) meeting and the same was approved for implementation. In addition, the Commission was also involved in the harmonization of equipment type-approval procedures within the East African region.

The Commission developed five technical specifications for radio equipment and two specifications for switching and customer premises equipment during the year under review. The new specifications will be used to type-approve equipment to be in the sector.

The total number of applications for type approval of radio and telecommunication equipment processed stood at 107. During the same period, the Commission carried out certification exercises to ensure compliance to the Commission's specified standards as detailed in table 5 below. During the year 2001/2002 a total of 125 installations were not approved as they were found to be below standard and were referred back to the contractors for rectification. Nineteen cases were cancelled as the applicants for service had relocated. A total of 27 cases were deferred due to the applicants being available at the time to facilitate inspection.

Table 5: Summary of Installations Certified during the Year 2001/2002

Region	Inspected									
	Accepted		Rejected		Cancelled		Deferred		Total	
	2000/ 2001	2001/ 2002	2000/ 2001	2001/ 2002	2000/ 2001	2001/ 2002	2000/ 2001	2001/ 2002	2000/ 2001	2001/ 2002
Nairobi	N/A♠	117	N/A	87	N/A	17	N/A	23	N/A	244
Coast	64	12	23	16	5	2	0	3	92	33
Nyanza	8	25	19	15	3	0	1	1	31	41
Western	4	6	22	7	1	0	1	0	28	13
Rift Valley	5	N/A	49	N/A	1	N/A	0	N/A	55	N/A
Central	13	N/A	34	N/A	0	N/A	2	N/A	49	N/A
Grand Total	94	160	147	125	10	19	4	27	255	331

♠ *This means that an inspection was not carried out in the given region during the year indicated at the top of the column*

The Commission also conducted educational seminars for contractors and Telkom Kenya Ltd. senior staff involved in network management.

During the year under review, the Commission received a total of 33 complaints and disputes that were categorized as shown in figure 4 and table 6. Billing complaints featured prominently, accounting for about 50% of the complaints received. The Commission continued to follow up the complaints with the operators where the complaints/disputes were found to require our intervention. A number of allegations of anti-competitive/unfair practices were received from service providers holding class licenses, and as a result the Commission commenced investigations to determine their validity and is yet to conclude the investigations.

Table 6: Complaints and Disputes Received

Complaint/Dispute Category	Number Received	Proportion of Total (%)
Billing	16	48
Maintenance	6	18
Service Provisioning Delays	3	9
Poor Quality of Service	3	9
Service Interruptions	1	3
Anti-Competitive Practices	3	9
Other	1	3
Total	33	100

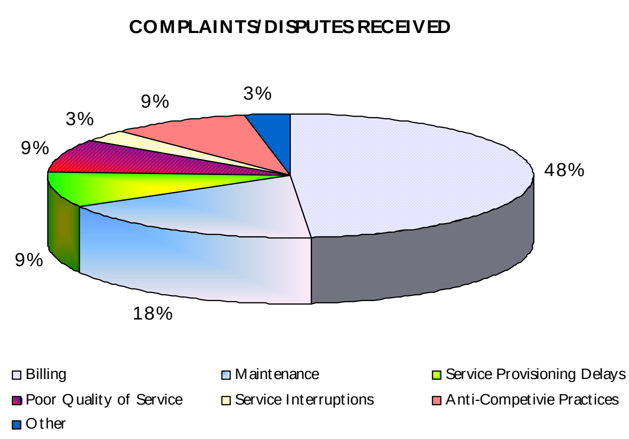

Figure 4

SECTION II FREQUENCY SPECTRUM MANAGEMENT

Management of the frequency spectrum by the Commission continued to be critical considering the ever-increasing demand for this scarce resource for various radio-communications services. In this respect, measures were introduced to ensure optimal and efficient utilisation through effective frequency planning. Some of these measures included the review of the national table of frequency allocations in order to incorporate future strategies to manage the frequency resource in light of national priorities reflected in the current market structure as well as accommodating changes arising from decisions of the World Radiocommunications Conference (WRC 2000). The Commission expects to complete the review and publish the new table of frequency allocations and make it available to the public before the end of December 2002.

Licensing of Private Radio Networks

During the period under review, the Commission approved 110 Very High Frequency (VHF) and 56 High Frequency (HF) radio communications network applications. The Commissions also approved expansion of 94 VHF and 24 HF existing radio networks. In addition, a total of Seven (7) VHF alarm radio networks were approved for security firms while six (6) applications were approved for Citizen Band radio. The table below gives a summary of approved HF/VHF radio communication networks while figure 5 shows radio communication approvals during the year.

Table 7: Summary of approved radio communications networks

	Station	2000/2001	2001/2002
VHF	Fixed	255	216
	Mobiles	1316	417
	Portable		672
	Total	1571	1305
HF	Fixed	174	155
	Mobiles	200	235
	Total	374	390
Radio Alarm Networks		10	7

The Commission implemented a semi-automated frequency license generation process, an innovative stopgap initiative in the absence of a spectrum management system. Its implementation has enabled batch generation of licenses thereby considerably reducing the time taken to prepare radio licenses. As a result a total of 3,908 HF/VHF, Aircraft, Amateur and Citizen band radio communication licenses were generated and issued during the year as indicated below.

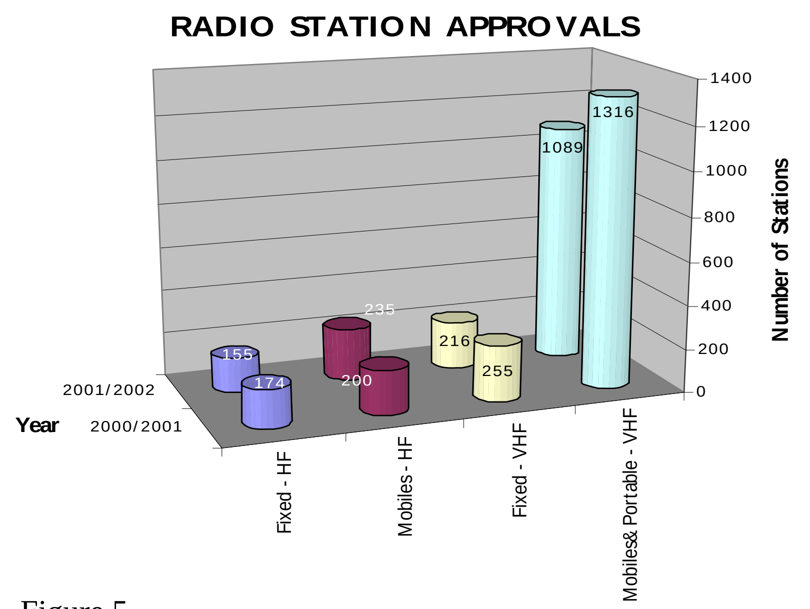

Figure 5

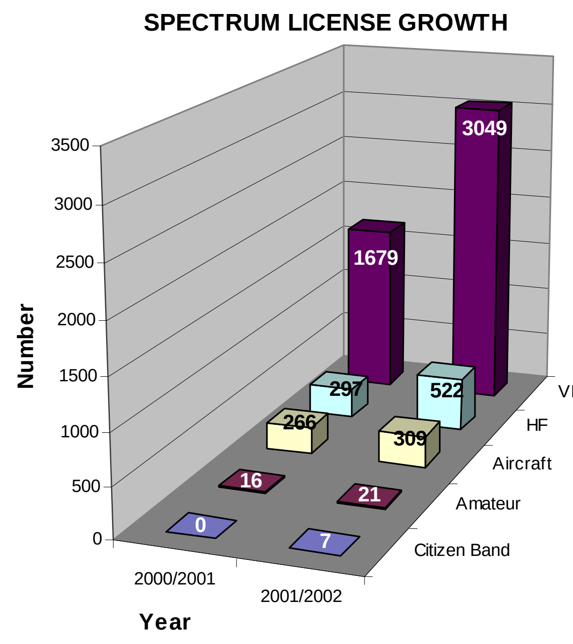

Figure 6

Frequency Planning

The demand for spectrum above 1 GHz continued to increase as a result of rapid expansion of public telecommunications networks, especially the Cellular Mobile networks. During the year under review, the Commission made frequency assignments for fixed microwave links to telecommunications operators as shown in table 8 below. The Commission also assigned 17 frequencies in the C-Band (6 GHz) for up linking of Very Small Aperture Terminals' (VSAT).

Table 8: Summary of Frequency Assignments

Service category	Frequency Band (GHz)	2000/2001		2001/2002	
		No. Of Links	Total Bandwidth Assigned (MHz)	No. Of Links	Total Bandwidth Assigned (MHz)
Cellular	15	156	1624	246	2110.5
	7	0	0	13	210
Fixed	1.5	6	15	4	6
	2.5/2.6	32	294	0	0
	6	0	0	7	880
	7	9	189	10	217
	8	39	532	2	59.3
	18	9	189	0	0
	22	9	105	0	0

With respect to the use of the Industrial Scientific and Medical (ISM) band, the Commission formulated guidelines on the use of the 5.8 GHz frequency band so as to provide more variety and choice to the public in terms of wireless applications. In addition, frequency plans and guidelines on the use of the 26 GHz frequency band for Local Multipoint Distribution System (LMDS) were formulated. In this regard, the Commission also initiated the review of the existing frequency charging methodology for fixed wireless access.

In regard to planning of broadcasting frequencies, the Commission successfully completed the regulatory procedures in regard to FM sound and analogue television frequencies filed with the International Telecommunication Union (ITU) during the previous year. As a result, a total of 131 FM sound and 100 analogue TV frequencies were added to Kenya's plans for FM and television broadcasting, respectively.

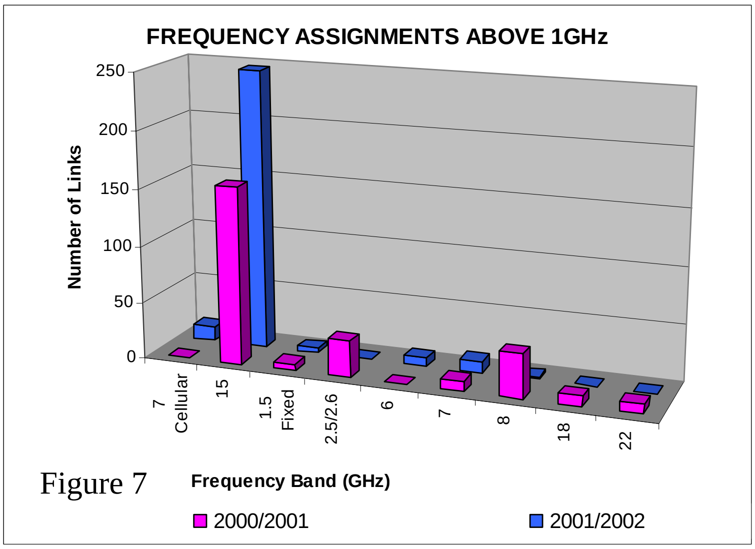

Figure 7

The demand for broadcasting frequencies by broadcasters continued to exhibit phenomenal growth as evidenced by the increased number of applications. As a result of the increased demand coupled with the fact that additional broadcast frequencies had been made available as a result of finalization of the re-planning with the ITU, a total of 8 FM and 3 Television broadcasting frequencies were assigned to broadcasters compared with only one FM frequency assigned the previous year.

In addition, the Commission made four (4) Studio-to-Transmitter (STL) frequency assignments to broadcasters so as to enable them link their studio signals to the broadcast transmitters.

Frequency Monitoring

In an effort to modernize its spectrum management and radio monitoring functionalities, the Commission completed the tendering and technical evaluation of the bids for the new radio monitoring and spectrum management system.

The contract has already been awarded and execution of the project is expected to commence in the next financial year, thereby resulting in availability of modern tools that will enhance the Commission's ability to manage and monitor the radio frequency resource. With this equipment in place, the Commission will have the capability to effectively monitor radio waves up to 40 GHz.

The Commission has also continued to ensure that the frequency resource is free from harmful interference through its frequency monitoring and radio station inspection programmes. During the period under consideration, the Commission cleared a total of 364 frequencies as free from harmful interference and available for assignment. During the same period 42 cases of harmful interference were cleared and normal operation of frequency resumed enabling users to continue communicating clearly.

SECTION III POSTAL AND COURIER SERVICES

During the year under review, the postal sector undertook a number of activities aimed at improving the delivery of postal services. For instance, following the Commission's intervention, the Postal Corporation of Kenya (PCK) launched a new 1,200-page directory, which was the first since 1986. The new directory contains useful information, including postcodes for all post offices in the country. The postcode system was introduced to improve mail sorting and speed of delivery. The new system is a complete revolution in the postal business in the region and is expected to facilitate automation of mail processing and thus improve the quality of service at all the mail distribution points.

In the period under review, an additional 12-postal/courier operators were licensed bringing the total number of licensed operators to 52 from 40 the previous year. Of the 12 licenses issued, two were international courier, while the rest were domestic operator licenses. This increase was attributed to concerted efforts undertaken by the Commission through its inspection and enforcement activities.

Postal/courier Outlets

The number of outlets for the public postal licensee, that is PCK, continued to decline as more uneconomic offices were closed during the year. At the end of the year under review, PCK had a total of 891 offices countrywide against 900 the previous year. However, the number of private operators' outlets registered a marginal increase as shown figure 6 and table 9.

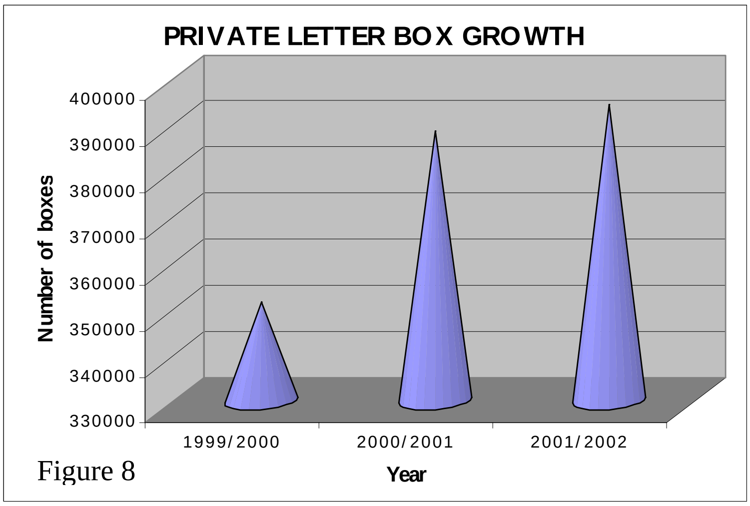

Figure 8

Table 9: Postal Network Indicators

Network	1999/2000	2000/2001	2001/2002
Total postal outlets	909	900	891
Private letter boxes	351441	388281	394121
Letter posting boxes	1168	1136	1137
Public counter positions	1373	1356	1429
Stamp vending machines	308	296	299
Private operators outlets	185	296	320

The Commission completed the market study initiated in the previous year, which was aimed at establishing the status of the postal and courier market in the country. One of the key findings of the study was that the postal/courier market is estimated to be worth Kshs. 4.14 billion and is projected to reach Kshs 30 billion in the next five years. The Commission expects to use the results of the study to determine appropriate license fees, review service quality standards and formulate an appropriate regulatory and licensing framework. The results of the study will also be instrumental in the review of the policy for postal sector.

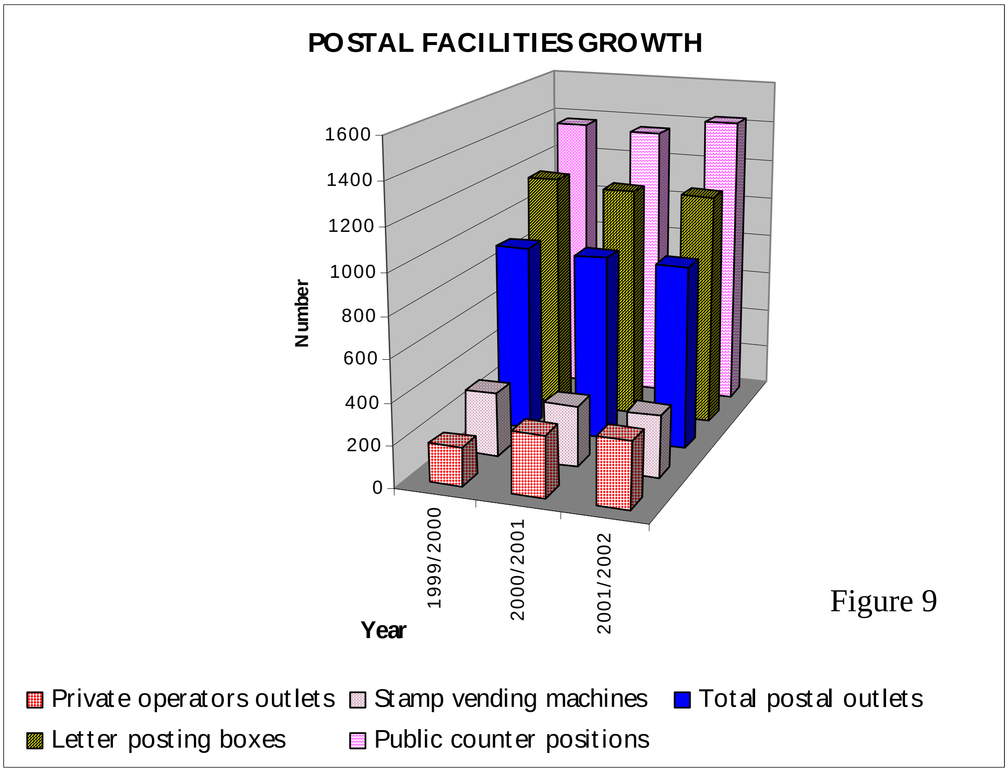

Figure 9

SECTION IV CORPORATE AFFAIRS AND INFORMATION SERVICES

Corporate Affairs

The year under review saw the production of various publicity materials to raise the visibility of the Commission, and cater for the information needs of its publics. In this regard, the Commission produced a corporate brochure and other flyers on the requirements for the various sector licenses. To facilitate the flow of strategic industry information to investors and other interested parties, the Commission invigorated its presence on the Internet through the deployment of a new-look and more informative website. The Commission also strengthened its engagement with the media to ensure the public is informed on industry developments.

In an effort to share information and build consensus on pertinent issues, the Commission facilitated consultative meetings with the industry players. To sensitize industry players to emerging issues, trends and technologies, the Commission hosted a number of internationally facilitated workshops, the most notable of which was a seminar on new broadcasting technologies organized by the International Telecommunication Union (ITU). With the support and involvement of the industry, the Commission also coordinated the marking of the World Telecommunication Day.

As the designated Government representative, the Commission met its financial obligations to the regional and international organizations dealing with posts and telecommunications. It also actively participated in a number of key workshops, conferences, meetings and other forums where important issues in the sector were discussed and relevant resolutions/recommendations arrived at.

The ongoing culture re-engineering initiative was sustained throughout the period under review. To keep members of staff abreast of developments in the industry and within the Commission, use of internal communication outlets was bolstered and the channels of communication expanded. In this regard, notice boards were put up to facilitate the posting of circulars, press releases, announcements and photographs taken during corporate functions.

Information Services

In its continued endeavor to computerize its processes, the Commission undertook a number of projects in order to ensure efficiency in service delivery. These projects included:

- Development of an in-house budgetary control and payment system for implementation beginning 1st July 2002.
- The installation of a digital leased line for corporate use.
- Implementation of access to email in the Commission’s mail server through the Internet, irrespective of one’s location thereby facilitating seamless communication among the commission’s staff within and outside the country.

As at the end of the year, all of the Commission’s staff had full access to the Internet and Email services. This has enabled effective communication amongst staff as most of the internal communication is facilitated electronically.

Human Resources And Administration

During the year under review, the Commission reviewed its Organization Structure by grouping similar functions and changing the names of divisions to reflect the kind of activities they undertake. This was in line with the international trend and is expected to reposition the Commission to better achieve its mandate. As a result of this restructuring, the functional divisions were reduced from seven to five. However, the total number of staff as at 30th June 2002 stood at 120.

In an effort to further improve the terms and conditions of service of its employees, the Commission registered a separate pension scheme, which is now operational.

In order to alleviate the shortage of office accommodation and provide a conducive environment for our clients, the Commission commenced the construction of an office complex, which is expected to be completed in the next financial year.

The Commission recognizes the importance of a skilled and knowledgeable workforce in meeting its objectives and has therefore made training and staff development an integral part of its corporate strategic plans. It is against this background that the Commission continued to put a lot of emphasis on carrying out relevant training and human resource development programmes, to ensure the attainment of its vision. In order to equip staff with the necessary skills, the Commission, in partnership with International training Institutions such as the Commonwealth Telecommunications Organization (CTO), the International Telecommunication Union (ITU), United Kingdom Telecommunications Academy (UKTA), and United States Telecommunications Institute (USTTI), trained staff in various areas as shown in table 10. Emphasis was placed on training in organizational change in order to change cultural orientation of the staff.

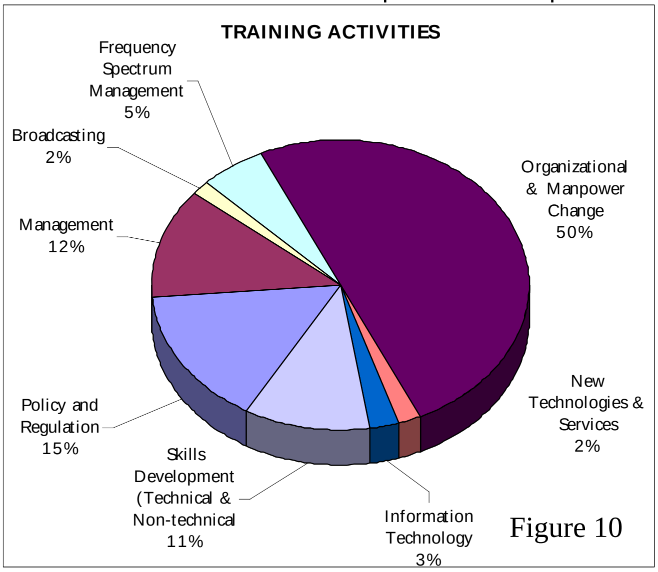

Figure 10

Table 10: Summary of Training Activities

Category of Courses		Training Slots		
		Local	International	Total
1.	Policy and Regulation	23	20	43
2.	Management	26	8	34
3.	Broadcasting	2	3	5
4.	Frequency Spectrum Management	6	9	15
5.	Organizational Change	140	-	140
6.	New Technologies & Services	-	6	6
7.	Information Technology	4	3	7
8.	Technical & Non-technical Skills Development	19	11	30

Finance And Accounts

Annual Accounts and Statutory Audit

In compliance with the financial requirements set out under the Kenya Communications Act, 1998 the State Corporations Act Cap 446, the Exchequer and Audit Cap 413, and Government Financial Circulars, the Commission's Annual Accounts for 2000/2002 financial year were prepared, approved by the Board and submitted to the Auditor General (Corporations) for statutory audit. The statutory audit has not been concluded but the provisional balance sheet as at 30^{th} June 2001 is reproduced as follows: -

COMMUNICATIONS COMMISSION OF KENYA

Balance Sheet as at 30 June 2001

	2001	2000
	Kshs '000'	'000'
ASSETS		
Non Current Assets		
Property, plant and equipment	779,389	775,672
Current Assets		
Debtors	581,604	427,934
Cash and cash equivalent	444,362	153,991
Tax recoverable	5,334	-
	1,031,299	581,925
TOTAL ASSETS	1,810,688	1,357,597
EQUITY AND LIABILITIES		
Capital and Reserves		
Owners equity	709,226	709,122
Revaluation reserve	161,138	161,138
Retained surplus	909,763	463,767
	1,780,127	1,334,027
Current Liabilities		
Creditors	30,561	23,570
	30,561	23,570
TOTAL EQUITY AND LIABILITIES	1,810,688	1,357,597

The audited accounts were approved by the Board of Directors on 27th September, 2001 and were signed on its behalf by the Chairman and the Director-General.

Karanja Kabage	S.K. Chepkong'a
Chairman	Director-General

The Annual Accounts for the current financial year under review 2001/2002 have been finalized and forwarded to the Auditor General and will be reflected in the next Annual Report 2002/2003.


KENYA


KENYA
25/-


KENYA


KENYA
POSTA
17/-


KENYA


KENYA
35/-


KENYA
TANZANIA POSTS CORPORATION
POSTA
50/-