



QUARTERLY SECTOR STATISTICS REPORT

FIRST QUARTER OF THE FINANCIAL YEAR 2012/13

(JULY-SEPTEMBER 2012)

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

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

Email: info@cck.go.ke

Website: www.cck.go.ke

Disclaimer:

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

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List of Abbreviations

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

I. PRELIMINARY NOTES

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

II. IN SUMMARY

By the end of the first quarter of the 2012/13 financial year, there were a total of 30.4 million subscriptions¹ in the mobile telephony market segment up from 29.7 million posted in the previous quarter. This represents an increase of 2.5 percent during the period and 14.9 percent compared to the same period the previous year. Similarly, the quarter recorded growth in mobile penetration to reach 77.2 percent from 75.4 recorded at the close of the previous quarter.

Prepaid subscriptions continued to dominate the total mobile subscriptions with the quarter under review posting 30.1 million pre-paid subscriptions, representing 99.0 percent of the total mobile subscriptions. Post-paid subscriptions grew by 8.9 percent to stand at 297,640 as at 30th September 2012.

Local mobile traffic grew by 10.5 percent to stand at 7.0 billion minutes up from 6.3 billion minutes posted in the previous quarter. The increase in mobile traffic could be attributed to increase in mobile telephony subscriptions coupled with incentives to encourage usage by the operators during the period. However, there was a decline of 1.3 percent when compared to the same period of the previous year. The Minutes of Use (MoU) per subscriber per month increased to 76.7 from 71.2 recorded in the previous period, representing a growth of 7.7 per cent. This growth was out of step with the declining trend witnessed in the previous periods. . Similarly, the number of SMS sent increased by 10.1 percent to reach 1.0 billion during the period. This shows that each subscriber sent an average of 11.9 SMS per month during the period up from 11.1 SMS per subscriber per month recorded during the previous period.

The fixed line telecommunications network continued to record a downward trend. The quarter under review registered a 5.5 percent decline in the total fixed line (fixed terrestrial lines and fixed wireless) subscriptions. Total fixed lines were recorded as 248,300 during the quarter down from 262,711 subscriptions in the previous quarter, posting a decline of 30.2 percent. With regard to fixed terrestrial lines, there was a decline of 5.7 percent from 74,606 recorded in the previous quarter to 70,390 lines recorded in the quarter under review. Likewise, fixed wireless subscriptions were recorded at 177,910 during the period down from 188,105 recorded in the previous quarter, representing a quarterly decline of 5.4 percent.

In the Internet/data market segment, the number of subscriptions² rose by 10.2 percent, from 7.7 million subscriptions recorded in the previous period to 8.5 million subscriptions during the quarter under review. Compared to the same period the

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

² The reduction in number of internet subscriptions was a results of revision in data for Kenya Data Networks

previous year, an increase of 56.9 percent was recorded. Mobile data/internet subscriptions continued to dominate the internet market contributing 99.2 percent of the total Internet/data subscriptions. The number of estimated internet users rose by 10.0 percent to stand at 13.53 million users as at 30th September 2012. Broadband³ subscriptions grew by 38.4 from 726,802 subscriptions recorded during the previous period to 1,006,071 subscriptions during the period under review. This growth was accelerated by a promotion ran by one of the operators that offered reduced costs to handsets that have the capability to access 3G services. Broadband subscriptions represented 11.8 percent of the total Internet/data subscriptions.

The tremendous growth in the Internet/data market segment may be attributed to international internet connectivity (used) bandwidth that has continued to be on an upward trend. During the quarter under review the international internet used bandwidth was recorded as 278,329 Mbps up from 264,584 Mbps recorded in the previous period. The total available bandwidth in the country was recorded as 576,186 Mbps⁴ during the quarter under review. Thus, the used bandwidth represented 48.3 percent of the total available bandwidth capacity.

In the postal and courier sector, the number of letters sent locally increased by 5.9 percent to reach 17.7 million letters during the period up from 16.7 million letters posted the previous quarter. However, when compared to the same period of the previous year, a decline of 14.3 percent was recorded.

International incoming letters increased by 26.8 percent to 158,549 up from 125,020 letters received during the previous period. This is a 58.0 percent increase compared to the same period last year where 100,348 letters were received. Similarly, international outgoing letters increased to 1.6 million up from 1.5 sent during the previous period, posting an increase of 7.2 percent. However, the same period of the previous year recorded a decline of 38.4 percent.

³ In Kenya broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.

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

1. CELLULAR MOBILE SERVICES

1.1 Subscriptions

In the period under review, the total number of mobile subscriptions was recorded as 30.4 million up from 29.7 million posted in the previous quarter. This represents an increase of 2.5 percent during the period and 15.0 percent when compared to the same period of the previous year. The continued growth in mobile subscriptions indicates that there is still opportunity for growth in the mobile telephony services. However, the rate of growth in the subscriber base is flattening as the sector progressively tends towards maturity.

The growth of mobile subscriptions is shown in Table 1.

Table 1: Mobile Subscriptions

Subscription Type	Sep-12	Jun-12	Quarterly Variation (%)	Q1 FY 2011/12	Quarterly Variation (%)
Prepaid Subscriptions	30,135,142	29,430,072	2.4	26,260,564	14.8
Post-Paid Subscriptions	297,640	273,367	8.9	233,376	27.5
Total Mobile Subscriptions	30,432,782	29,703,439	2.5	26,493,940	14.9

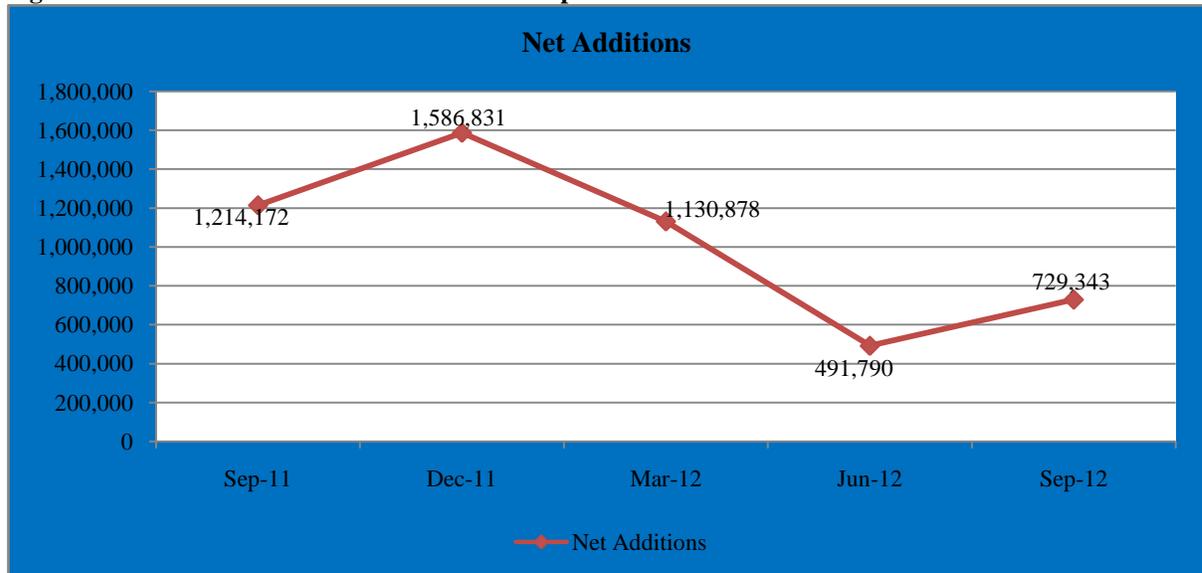
Source: CCK, Operators' Returns.

Consistent and attractive promotions and special offers coupled with competitive retail tariffs could have contributed to the increase in subscriptions during the period. The prepaid subscriptions grew by 2.4 percent during the period compared to 8.9 percent growth recorded in post-paid subscriptions. Even though the growth rate for post-paid subscriptions was more than that for pre-paid, the ratio of prepaid subscriptions continued to dominate and represented 99.0 percent of the total mobile subscriptions.

As shown in Figure 1, the period under review recorded a reverse trend in total net additions⁵ unlike the previous periods that had shown a declining trend. The total net additions were posted as 729,343 compared to 491,790 net additions recorded in the previous period.

⁵ Net additions refer to new mobile subscriptions acquired during the period.

Figure 1: Net Additions in Mobile Subscriptions



Source: CCK, Operators' Returns.

The growth in net additions by 54.3 percent could be attributed to the increase in use of valued-added services such as the money transfer as this provides avenues for the use of mobile phones even to those that previously did own the handsets. Additionally, as the population matures, the youth join the mobile telecoms industry as new users.

During the period under review, three mobile operators recorded positive gains in subscriptions. Essar Telecom Kenya Limited recorded the highest gains in new subscriptions of 343,651, representing a growth of 12.9 percent compared to the previous quarter. Safaricom Limited gained 214,228 (1.1% growth) new subscribers while Airtel Networks Kenya Limited gained 199,936 (4.1 % growth). Telkom Kenya Limited (Orange) on the other hand lost 28,472 subscriptions, representing 0.9 percent decline from the previous quarter.

The mobile subscription by operator is shown in Table 2.

Table 2: Mobile Subscriptions per Operator

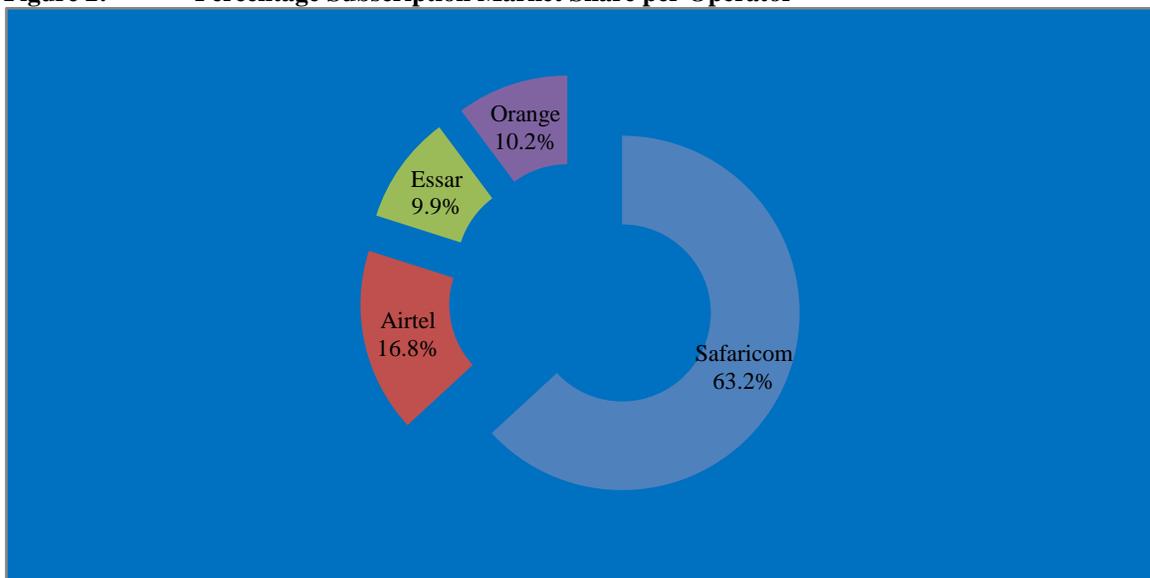
Name of operator	Sep-12			Jun-12			Quarterly Variation (%)
	Pre-paid	Post-paid	Total	Pre-paid	Post-Paid	Total	
Safaricom Limited	19,045,713	175,496	19,221,209	18,853,071	153,910	19,006,981	1.1
Airtel Networks Kenya Limited	4,997,807	116,189	5,113,996	4,799,309	114,751	4,914,060	4.1
Essar Telecom Kenya Limited	3,001,808	1,490	3,003,298	2,658,324	1,323	2,659,647	12.9
Telkom Kenya Limited (Orange)	3,089,814	4,465	3,094,279	3,119,368	3,383	3,122,751	-0.9
Total	30,135,142	297,640	30,432,782	29,430,072	273,367	29,703,439	2.5

Source: CCK, Operators' Returns,

Over the preceding periods, the level of market shares measured by subscription has experienced marginal change. Safaricom Ltd market share by subscription dropped marginally from 64.0 percent during the previous period to 63.2 percent during the period under review. Similarly, Telkom’s (Orange) market share declined by 0.3 percentage points to stand at 10.2 percent at the end of the quarter. However, Airtel Networks Kenya Limited’s market share increased to 16.8% from 16.5%, representing an increase of 0.3 percentage points. . Essar Telecom’s market share also increased to 9.9%, up from 9.0 % recorded in the previous period, posting a growth of a 0.9% points. The increase in market shares by Airtel and Essar may have partially offset the decline in market shares for Safaricom and Telkom (Orange).

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

Figure 2: Percentage Subscription Market Share per Operator

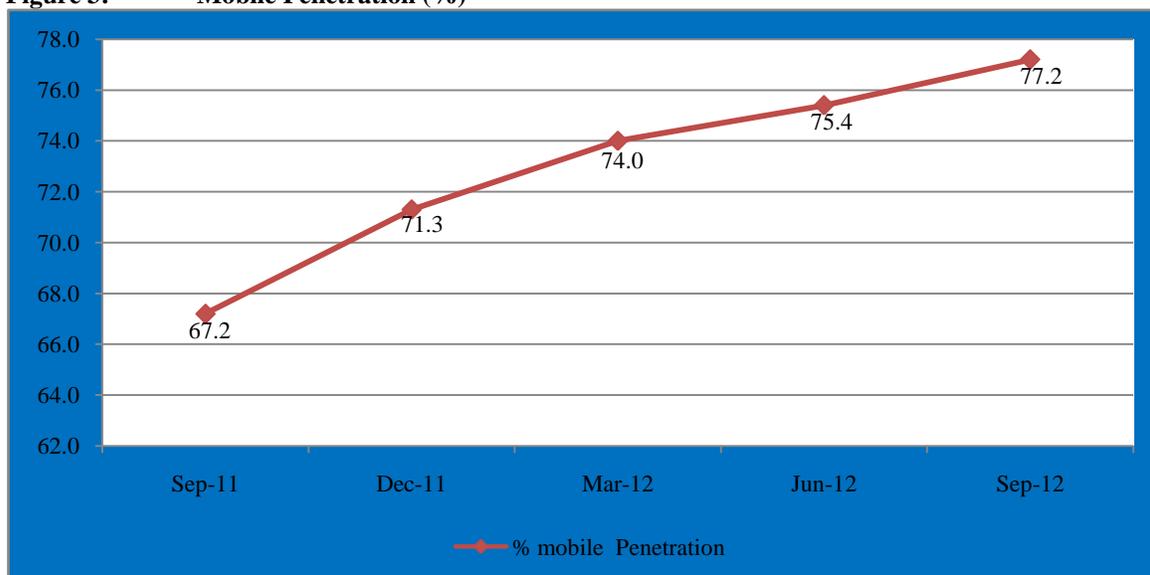


Source: CCK, Operators’ Returns.

In the period under review,, the population that had access to mobile telephony services continued to record positive growth. , Mobile penetration increased to 77.2 per 100 inhabitants⁶ up from 75.4 per 100 inhabitants recorded during the previous quarter, representing a quarterly increase of 1.8 percentage points. The growth trend in the mobile penetration is shown in Figure 3.

⁶ Population used 39.5 Million, provisional, as provided in the Economic Survey 2012.

Figure 3: Mobile Penetration (%)



Source: CCK, Operators' Returns.

1.2 Mobile Money Transfer Service

The use of mobile money transfer service has continued to transform the way of doing business and enhanced financial inclusion, particularly for the unbanked. The period under review recorded a 6.7% growth in total deposits from 192 billion recorded in the previous period to 205 billion deposits. This growth indicates that the mobile money transfer service has become a key payments and transaction tool, mainly due to its easy use of applications, convenience and low cost value propositions.

There was, however, a marginal decline in the number of mobile money transfer subscriptions from 19.5 million recorded in the previous quarter to 19.3 million during the period under review. The decline was as a result of a reduction in overall subscription level in Airtel Networks Kenya Limited during the period under review. The summary of mobile money transfer service is shown in Table 3.

Table 3: Mobile Money Transfer

Mobile Money Transfer	Sep-12	Jun-12	Quarterly Variation (%)	Q1 FY 2011/12	Quarterly Variation (%)
Subscriptions	19,318,684	19,505,702	-1.0	18,414,667	4.9
No. of Agents	54,409	49,079	10.9	44,922	21.1
Total Deposits (KES)	205,665,717,834	192,732,972,370	6.7	117,369,930,600	75.2

Source: CCK, Operators Returns.

During the quarter under review, the number of active agents increased to 54,409 up from 49,079 in the previous period, representing a growth of 10.9 percent. Compared to the same period the previous year, a 21.1 percent growth was recorded. The growth in the number of agents shows that the mobile money transfer service has provided new avenues for employment in the country and increased the accessibility of money transfer services.

1.3 Mobile Number Portability

As shown in Table 4, the performance of the Mobile Number Portability (MNP) service has continued to decline since March 2011. During the period under review a total of 217 in-ports were carried out down from 678 during the previous quarter, representing a decline of 68.0 percent

Table 4: Number of Inports

Period	Jul-Sep 12	Apr-Jun-12	Jan-Mar-12	Oct-Dec-11	Jul-Sep-11	Apr-Jun-11
Number of In-ports	217	678	6,646	2,407	1,929	36,224
Variation (%)	-68.0	-89.8	176.1	24.8	-94.7	-

Source: CCK, Operators Returns.

The low uptake of the MNP service could be attributed to the reduced tariff differentials among operators, long porting duration experienced by the porting customers, prevalent use of multiple SIM cards as well as consumer preferences and choice.

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

In the quarter being reported, a total of 7.0 billion minutes of voice calls were made on the mobile network up from 6.3 billion minutes recorded in the previous period, posting an increase of 10.5 percent. The increase in mobile traffic during the period could have been as a result of increased subscriptions coupled with competitive and attractive promotions and special offers by mobile operators that gave subscribers incentives to make local calls. Compared to the same period the previous year, a decline of 1.3 percent is recorded. On-net traffic recorded a 9.9 percent growth from 5.5 billion minutes posted during the previous period to 6.0 billion minutes during the period under review. This growth in on-net traffic could have been attributed to on-net promotions ran by the operators during the first period under review. For example, one of the operators offered reduced calling rates with longer calling periods while another operator offered its subscribers 25 percent bonus airtime.

Similarly, off-net traffic increased to 947 million during the quarter up from 825 in the previous period, representing a growth of 14.8 percent. Notably, 89.9 percent growth was recorded when compared to same period of the previous year. The growth in mobile traffic is shown in Table 5.

Table 5: Local Mobile Voice Traffic in Minutes

Mobile Traffic	Jul-Sep12	Apr-Jun-12	Quarterly Variation (%)	Jul-Sep11	Quarterly Variation (%)
By traffic Origination(Outgoing traffic)					
Own Network –Own Network	6,043,845,857	5,500,563,481	9.9	6,580,097,875	-8.1
Own Network to Other Mobile Networks	947,394,800	825,098,727	14.8	498,957,125	89.9
Mobile Network to Fixed Network	14,044,125	16,605,316	-15.4	19,357,556	-27.4
Total Traffic Origination (Outgoing)	7,005,284,782	6,342,267,524	10.5	7,098,412,556	-1.3
By Traffic Termination (Incoming traffic)					
Own Network –Own Network	6,043,845,857	5,500,563,481	9.9	6,580,097,875	-8.2
Other Mobile Networks to Own Network	1,000,397,283	755,949,082	32.3	492,244,117	103.2
Fixed Network to Mobile Network	24,879,357	23,074,195	7.8	29,857,148	-16.7
Total Traffic Termination (Incoming Traffic)	7,069,122,497	6,279,586,758	12.6	7,102,199,140	-0.5

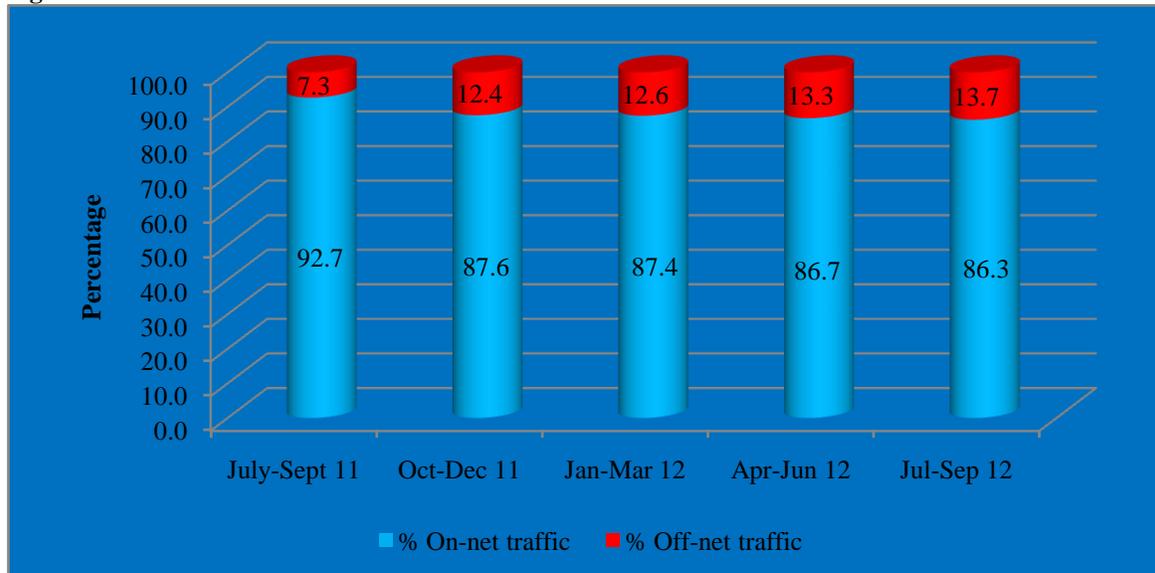
Source: CCK, Operators' Returns

Mobile to fixed traffic declined by 15.4 percent during the quarter to stand at 14.0 million minutes down from 16.6 million minutes posted during the previous quarter. Similarly, a decline of 27.4 percent of mobile to fixed traffic was recorded relative to the same period the previous year.

With regard to traffic by termination, the total number of voice minutes received on all mobile networks increased to 7.0 billion up from 6.2 billion recorded during the previous quarter, representing a growth of 12.6 percent. However, compared to the same period the previous year, a decline of 0.5 percent was recorded. On the other hand, fixed to mobile network traffic rose from 23.0 million minutes recorded during the previous quarter to 24.8 million during the quarter under review.

As illustrated in Figure 4, the ratio of on-net traffic to the total mobile traffic has continued to decline while the ratio of off-net to total traffic continues to grow. This could have been as a result of convergence of tariffs for mobile to mobile and mobile to fixed network. During the period under review the ratio of on-net traffic to total traffic declined by 0.4 percentage points to record 86.3 percent while the ratio of off-net traffic increased by 0.4 percentage points to record 13.7 percent from 13.3 percent posted in the previous quarter.

Figure 4: Growth in Mobile Traffic in Minutes



Source: CCK, Operators' Returns

1.4.2 Voice Traffic by Operator

In terms of market shares by traffic, the quarter under review registered marginal change. Safaricom's market share by traffic declined to 76.7%, representing a decrease of 2.2%. Airtel networks Kenya Limited gained 1.3 percentage points to record 12.5 percent market share during the period under review. Essar Telecom gained 0.5 percentage points to attain a market share of 9.6%. Orange gained 0.3 percentage points to record 1.1 percent market share. Notably, the market share by traffic for Telkom Kenya (Orange) does not correlate to the market share by subscription. This suggests that majority of the subscribers are not active and, therefore, do not make calls. Voice traffic and resultant market shares by operator are shown in Table 6.

Table 6: Voice Traffic by Operator

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)
Jul-Sep 12	On-net	5,092,967,502	385,690,177	519,000,275	46,187,903
	Off-net	281,943,508	492,476,715	155,886,263.2	31,132,439
	Total	5,374,911,010	878,166,892	674,886,538	77,320,342
	Market Share (%)	76.7	12.5	9.6	1.1
Apr-Jun 12	On-net	4,758,038,227	279,303,450	445,771,772	17,450,032
	Off-net	245,494,922	430,718,843	129,887,115	35,603,163
	Total	5,003,533,149	710,022,293	575,658,887	53,053,195
	Market Share (%)	78.9	11.2	9.1	0.8

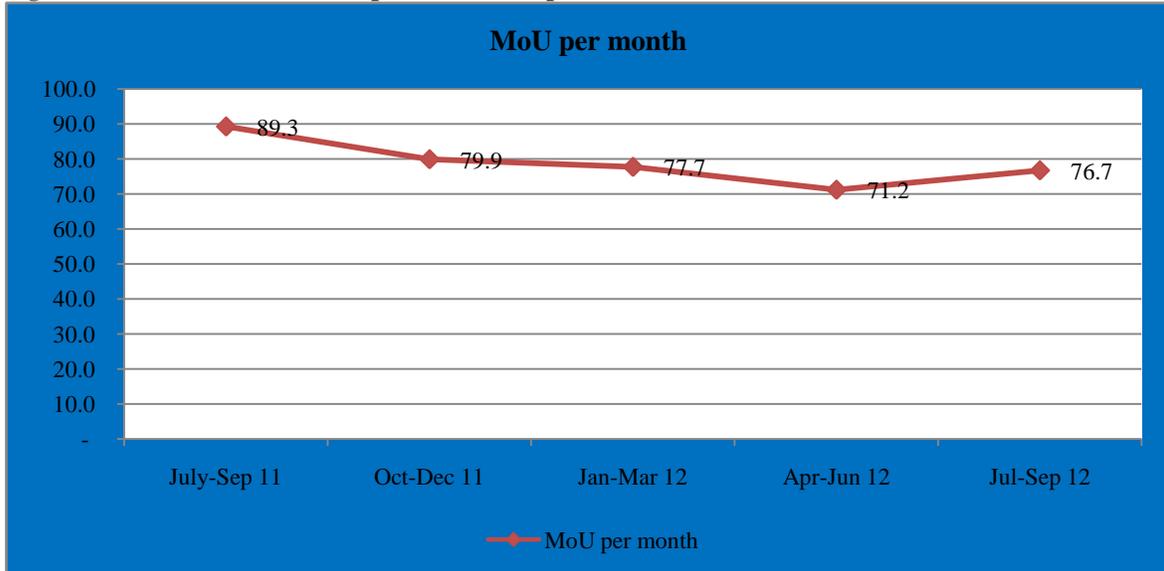
Source: CCK, Operators' Returns

There is still a wide disparity in traffic volumes particularly on-net traffic among the operators. Safaricom Ltd contributes the bulk of the on-net traffic owing to its dominant market share by subscription of 63.2 percent. In addition Safaricom continues to have the largest market share by voice traffic since a large percentage of off-net traffic terminates on its network.

1.4.3 Minutes of Use

Unlike in the previous periods, , the quarter under review recorded a 7.7% growth in Minutes of Use (MoU) per subscriber per month to post 76.7 MoU up from 71.2 recorded during the previous period. The increase in MoU during the period indicates that subscribers made longer calls possibly as a result of operator incentives in the form of promotions and special offers. However, the same period in the previous year recorded a decline of 14.2 percent.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators' Returns

During the quarter under review, a total of 1.0 billion SMS were sent compared to 986 million SMS sent during the previous period, representing an increase of 10.1 percent during the period.

On-net SMS were recorded at 906 million up from 830million sent during the previous quarter, posting a 9.1 percent increase. Similarly off-net SMS recorded a growth of 15.4 percent during the same period to stand at 179.9 million up from 155.7 million sent during the previous quarter. The growth in SMS traffic could be attributed to lower price offerings as the Commission has continued to implement the SMS termination rates glide path. Currently, the off-net termination rate is KES 0.10 per SMS. In addition, with significant reduction in voice tariffs and the attendant revenues, operators are now focusing on non-traditional revenue sources including data.

As shown in Table 7, the market shares by SMS are comparable to market shares by voice traffic but significantly different from that of market shares by subscription. This is particularly so for on-net and off-net where the difference is significantly distinct. During the quarter in review, Safaricom Limited recorded the highest market share of SMS traffic at 80.3 percent from 81.2 percent during the previous quarter, representing a decline of 0.9 percentage points. Airtel Network Limited had a 14.8 percent market share while Essar Limited gained 0.4 percentage points to reach 3.3 percent. Telkom Kenya (Orange) gained 0.5 percentage points to record 1.6 percent market share.

Table 7: Short Messaging Service

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)	Total SMS
Jul-Sep 12	On-net	800,374,308	90,875,738	9,656,255	5,198,721	906,105,022
	Off-net	71,841,705	70,077,000	25,746,989 .2	12,329,857	179,995,551
	Total	872,216,013	160,952,738	35,403,244	17,528,578	1,086,100,573
	Market Share (%)	80.3	14.8	3.3	1.6	
Apr-Jun 12	On-net	736,802,479	83,808,923	8,140,461	1,538,766	830,290,629
	Off-net	63,822,943	61,931,569	20,394,680	9,628,945	155,778,137
	Total	800,625,422	145,740,492	28,535,141	11,167,711	986,068,766
	Market Share (%)	81.2	14.8	2.9	1.1	

Source: CCK, Operators' Returns.

The number of Multi-Media Messages (MMS) sent during the quarter under review increased by 28.8 percent to record 2,593,638 up from 2,013,684 recorded during the previous quarter. A 53.5% growth was recorded over the same period last year.

Table 8: Multimedia Messaging Service

MMS Traffic	Jul-Sep 12	Apr-Jun 12	Quarterly Variation (%)	Jul-Sep 11	Quarterly Variation (%)
MMS	2,593,638	2,013,684	28.8	1,690,084	53.5
MMS per Subscriber per Month	0.02	0.02	0.0	0.02	0.0

Source: CCK, Operators' Returns.

Despite this growth, the actual number sent by each subscriber is still lower than SMS. In particular, each subscriber sent an average of 0.02 MMS per month during the period, which is in line with the trend observed in the previous periods. The low usage of MMS service over the period could be attributed to the low uptake of this service and a pointer of customers' preference to other services such as SMS and social media.

1.4.4 Roaming Traffic

In the quarter being reported, there were 11.4 million roaming out⁷ voice traffic compared to 6.2 million minutes recorded in the previous quarter, representing an increase of 83.1 percent. This indicates that there were more local subscribers roaming on foreign networks during the quarter possibly to attend world events such as the London Olympics. However, when compared to the same period of the previous period a decline of 69.2 percent was recorded.

In the same way, there was recorded increase in roaming in⁸ voice traffic of 33.8 percent during the period from 8.1 million minutes recorded during the previous quarter to 10.9 million minutes during the quarter under review. Compared to the same period the previous year, an increase of 32.2 percent was recorded as shown in Table 9.

Table 9: Roaming Traffic

Roaming Traffic	Jul-Sep 12	Apr-Jun-12	Quarterly Variation (%)	Jul-Sep 11	Quarterly Variation (%)
Roaming Voice Minutes Own Subscribers on Foreign Networks	11,418,310	6,237,281	83.1	37,074,001	-69.2
Roaming Voice Minutes Foreign Subscribers on Local Network	10,943,964	8,179,292	33.8	8,278,072	32.2
Roaming SMS - Own Subscribers on Foreign Networks	8,642,305	7,128,611	21.2	5,996,858	44.1
Roaming SMS - Foreign Subscribers on Local Network	13,303,626	5,715,262	132.8	6,340,340	109.8

Source: CCK, Operators' Returns

Additionally, the number of roaming out SMS increased by 21.2 percent to reach 8.6 million up from 7.1 million SMS recorded during the previous quarter and 5.9 million SMS during the same period of the previous year. Notably, the number of roaming out voice traffic was higher than roaming out messages which implies that out roamers had preference to making voice calls than SMS.

At the same time the number of roaming in messages increased significantly by 132.8 percent during the period to record 13.3 million messages from 5.7 million posted in the previous quarter. This indicates that the foreign subscribers on local calls sent and received more SMS than they made or received voice calls. Similar growth trend was observed in the same period the previous year during which a 109.8 percent increase was recorded.

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

⁸ Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

1.4.5 International Mobile Traffic

During the period under review, international incoming traffic declined to 199 million minutes from 209 million minutes posted in the previous quarter, representing a decline of 4.7percent. However, compared to the same period the previous year, an increase of 34.7 percent was recorded.

On the other hand, international outgoing traffic grew by 2.6 percent to reach 155 million minutes up from 151 million minutes posted the previous quarter. This growth could be due to lower price offerings for international calls originating from Kenya. The growth in international outgoing traffic may have partially offset the decline in international incoming traffic.

The number of international incoming mobile SMS increased by 20.5 percent to 16.0 million during the quarter from 13.3 million recorded during the previous period. Compared to the same period of the previous year, a decline of 17.8 percent was recorded. Similarly, the number of international outgoing SMS grew by 50.1 percent during the quarter to reach 5.9 million SMS. The international mobile traffic and SMS are shown in Table 10.

Table 10: International Mobile Traffic (Minutes)

International Mobile Traffic and SMS	Jul-Sep 12	Apr-Jun-12	Quarterly Variation (%)	Jul-Sep 11	Quarterly Variation (%)
International Incoming Mobile Voice Minutes	199,661,993	209,414,538	-4.7	148,222,266	34.7
International Outgoing Mobile Minutes	155,745,313	151,746,037	2.6	187,360,927	-16.9
International Incoming Mobile SMS	16,073,120	13,334,080	20.5	19,547,448	-17.8
International Outgoing Mobile SMS	5,977,012	3,959,920	50.1	3,250,841	83.9

Source: CCK, Operators' Returns.

1.5 Mobile Revenue and Investments

Annual revenues and investments for the mobile industry have shown consistent growth over the last five years as indicated in Table 11. Revenue and investment data for year 2012 will be updated once mobile operators file their audited accounts after the lapse of their respective financial years.

Table 11: Mobile Revenue and Investment (KES)⁹

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

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

⁹ The information on mobile revenue and investment will be updated every end of financial year to reflect the current status of the market.

2. FIXED TELEPHONE SERVICE

2.1 Subscriptions

Similar to the trends observed in the previous periods, the fixed line network continued to record a downward trend during the quarter under review. There were a total of 248,300 fixed lines (fixed terrestrial lines and fixed wireless) subscriptions during the quarter down from 262,711 lines recorded during the previous quarter, representing a 5.5 percent decline. Compared to the same period in the previous year, a decline of 30.2 percent was recorded.

As shown in Table 12, the fixed terrestrial subscriptions recorded a decline of 5.7% to record 70,390 lines during the quarter from 74,606 lines recorded during the previous period. Compared to the same period in the previous year, a decline of 52.7 percent was registered. This decline may be attributed to cable vandalism as well as high maintenance costs for the copper lines.

Fixed wireless subscriptions declined by 5.4 percent during the period to record 177,910 lines from 188,105 lines posted during the previous period. Compared to the same period of the previous year, fixed wireless subscriptions marked a 13.9 percent decline.

Table 12: Fixed Network Subscriptions

Fixed Network Subscription	Sep-12	Jun-12	Quarterly Variation (%)	Sep-11	Annual Variation (%)
Fixed Terrestrial Subscriptions	70,390	74,606	-5.7	148,745	-52.7
Fixed Wireless Subscriptions	177,910	188,105	-5.4	206,748	-13.9
Total Main Fixed Line Subscriptions	248,300	262,711	-5.5	355,493	-30.2

Source: CCK, Operators Returns.

2.2 Fixed Network Traffic

During the quarter under review, the local fixed line traffic increased by 6.4 percent to record 35.2 million minutes up from 33.2 million minutes posted the previous quarter. However, compared to the same period of the previous year a decline of 49.2 percent was recorded. The decline in fixed network subscriptions coupled with fixed to mobile substitution could be the main reasons behind this decline.

Fixed line traffic to other networks increased by 9.3 percent during the quarter under review to record 24.9 million minutes up from 22.8 million minutes during the previous quarter. A similar trend was observed when compared to the same period of the previous year that recorded an increase of 15.3 percent. The local fixed line traffic is shown in Table 13.

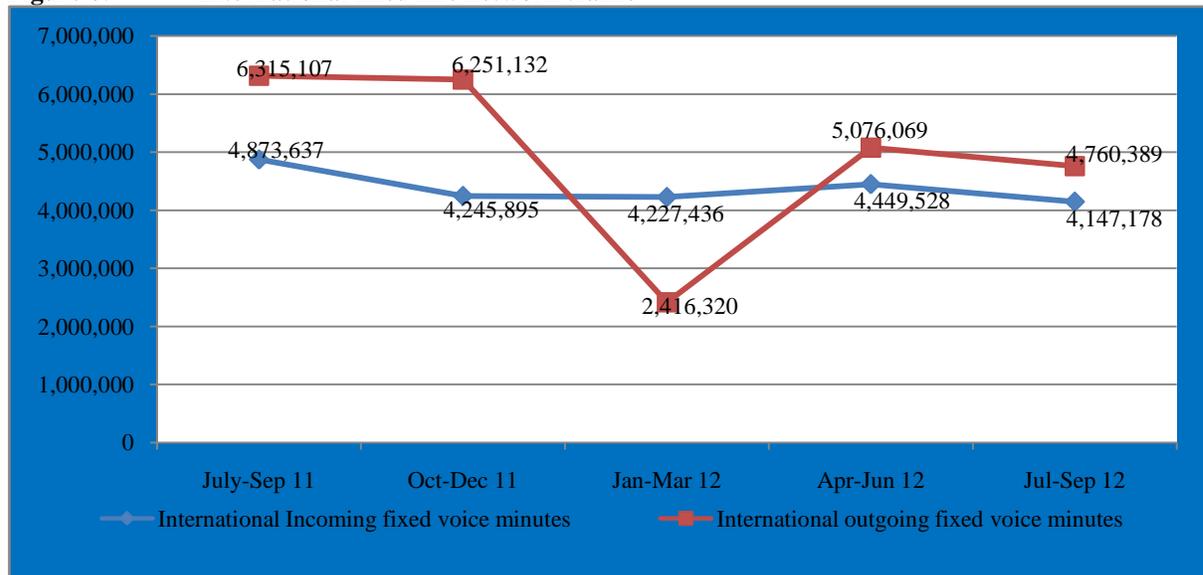
Table 13: Local Fixed Network Traffic in Minutes

Local Fixed Network Traffic	Jul-Sep-12	Apr-Jun 12	Quarterly Variation (%)	Jul-Sep 11	Quarterly variation (%)
Intra-Network Traffic(Fixed-Fixed)	10,428,207*	10,428,207	0.0	40,141,661	-74.0
Fixed to Other Network (Mobile and LLOs)	24,976,911	22,859,142	9.3	29,503,945	15.3
Total Local Fixed Network Traffic	35,405,118	33,287,349	6.4	69,645,606	-49.2

Source: CCK, Operators' Returns, * Provisional

As illustrated in Figure 6, the international incoming fixed line traffic dropped from 4.4 million minutes recorded during the previous period to 4.1 million minutes during the period under review. This represented a decline of 302,350 minutes., . Likewise, the international outgoing traffic declined by 6.2 percent during the period to reach 4.7 million minutes from 5.0 million minutes recorded during the previous period. Compared to the same period in the previous year, a decline of 24.6 percent was recorded.

Figure 6: International fixed line network traffic



Source: CCK, Operators' Returns.

The overall decrease in international fixed line network traffic during the period could be as a result of the declining fixed line network services in the country.

3. DATA AND INTERNET SERVICE

3.1 Internet/Data Service

By 30th September 2012, there were 8.5 million Internet subscriptions up from 7.7 million recorded in the previous period. This represents an increase of 10.2 percent during the quarter and a 56.9 percent increase relative to the same period in the previous year.

The mobile data/internet subscriptions rose to 8.4 million during the period under review from 7.6 million in the previous period, posting an increase of 10.2 percent. This increase was unanticipated in light of the shut-down of counterfeit handsets in the country. However, the operators took advantage of the switch-off to offer promotions and special offers during this period. For example one operator offered reduced prices for handsets that have the capability to access 3G services as well as GPRS/EDGE. Consequently, this could have been the trigger for increased mobile/data subscriptions during the period.

At the same time, satellite subscriptions grew by 2.3 percent to record 531 subscriptions up from 519 posted in the previous period. The roll-out of fibre network in the country has had an impact to the growth of satellite subscriptions. During the period under review, fibre subscriptions increased to 38,228 up from 31,155 recorded during the previous period. A growth of 70.2 percent is observed relative to the same period in the previous year. As shown in Table 14, this growth could be attributed to increased roll-out of fibre network.

Table 14: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	Sep-12	Jun-12	Quarterly Variation (%)	Sep-11	Annual Variation (%)
Total Internet Subscriptions¹⁰	8,506,748	7,721,077	10.2	5,423,428	56.9
Mobile Data/Internet Subscriptions	8,436,578	7,655,576	10.2	5,376,050	56.9
Terrestrial Wireless Data/Internet Subscriptions	21,288	22,393	-4.9	13,059	63.0
Satellite Data/Internet Subscriptions	531	519	2.3	811	-34.5
Fixed DSL Data/Internet Subscriptions	10,374	11,409	-9.1	11,016	-5.8
Fixed Fibre Optic Data/Internet Subscriptions	38,228	31,155	22.7	22,467	70.2
Fixed Cable Modem Subscriptions	25	25	0.0	25	0.0
Total Internet Users¹¹	13,537,658	12,190,306	10.0	8,936,165	51.5

Source: CCK, Operators' Returns

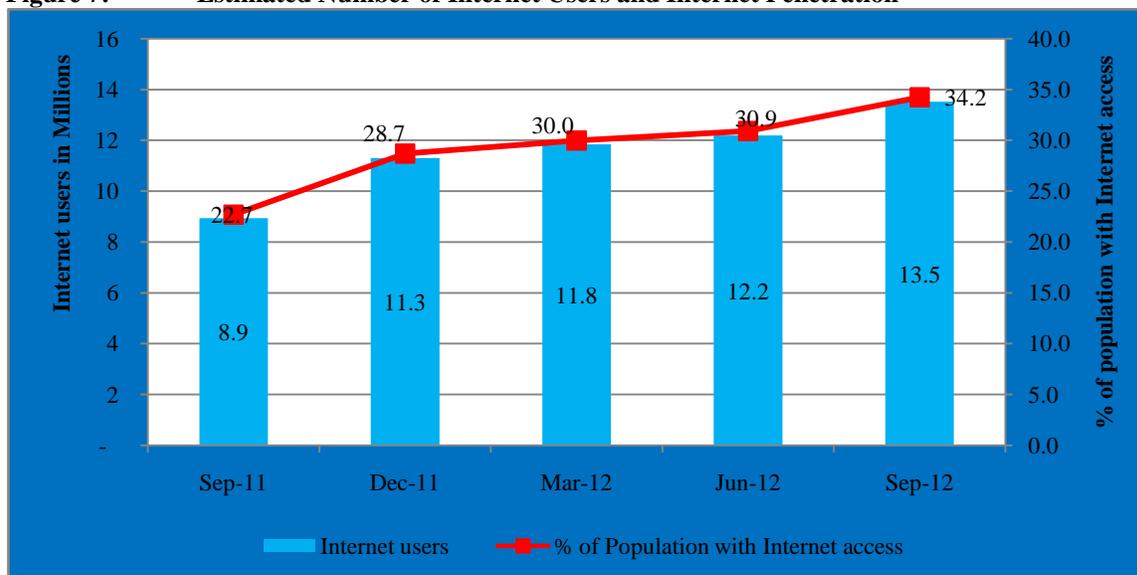
At the end of the quarter under review, the estimated number of Internet users rose by 10.0 percent to reach 13.5 million from 12.1 million users in the previous quarter. This increase is attributed to increased demand for Internet and data services, including use of social media especially among the youthful population. Competitive tariffs by the mobile operators, and aggressive promotional and special offers were also behind the increase in the number of Internet users.

¹⁰ The reduction in number of internet subscriptions was a results of revision in data for Kenya Data Networks

¹¹ Internet users is estimated by multiplying by 1 the number of mobile data/internet subscriptions, by 10 terrestrial wireless subscriptions and by 100 fixed DSL, fibre optic and satellite subscriptions. There is no scientific method of estimating internet users; for the purpose of this report the methodology adopted is borrowed from the Internet Market Study 2006. The multiplier of 2 for mobile data/internet users has been adjusted to 1 as per the ITU recommendations.

At the end of the quarter under review, internet penetration rose from 30.9 percent of the population recorded in the previous quarter to 34.2 percent. This represents an increase of 3.3 percentage points of population that had access to internet during the quarter. Similarly, compared to the same period of the previous year, an increase of 19.5 percentage points was recorded. As shown in Figure 6, Internet penetration and number of Internet users have been on a growth trajectory over the period.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CCK, Operators' Returns.

The period under review saw the level of concentration as measured by market shares by subscription in the mobile data/Internet market segment change for the four mobile operators. Safaricom Limited recorded the highest market share by subscription at 66.2 percent followed by Airtel Networks Kenya Limited (15.1 percent), Telkom Kenya Limited (11.2 percent) and Essar Telecom Kenya Limited (7.4percent). During the quarter under review, Airtel and Telkom gained a market share of 1.1 percentage points and 2.4 percentage points, respectively. Safaricom experienced the highest reduction in the market share of 2.5 percentage points, followed by Essar (1.0 percentage points). The mobile data/Internet subscriptions by operator are shown in Table 15.

Table 15: Mobile Data/Internet Subscriptions by Operator

Name of Operator	Sep-12	Market Share (%)	Jun-12	Market Share (%)
Safaricom Limited	5,586,050	66.2	5,262,307	68.7
Airtel Networks Kenya Limited	1,278,013	15.1	1,074,764	14.0
Telkom Kenya Limited (Orange)	948,847	11.2	674,255	8.8
Essar Telecom Kenya Limited	623,668	7.4	644,250	8.4

Source: CCK, Operators' Returns

In terms of market shares by other fixed/terrestrial wireless data/Internet subscriptions, Wananchi Telecom Limited recorded the highest at 41.0 percent followed by Access Kenya Limited at 16.5 percent down from 17.7 percent recorded in the previous quarter.

Telkom Kenya Limited had 13.8 percent market share down from 16.7 percent recorded in the previous quarter. The market shares are shown in Table 16.

Table 16: Other Fixed/Wireless Internet Subscriptions by Operator

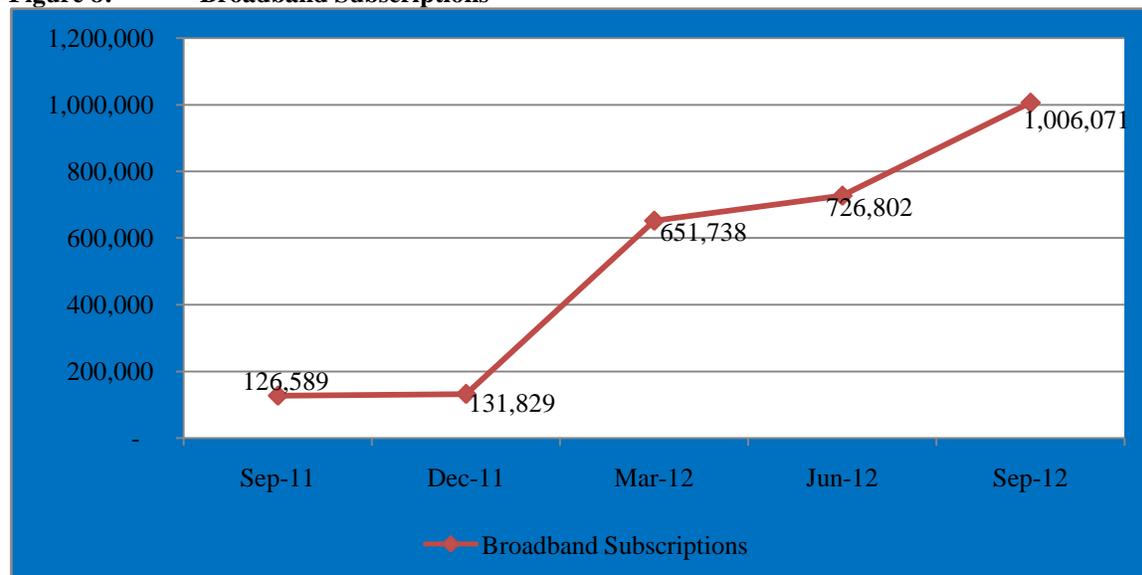
Name of Operator	Sep-12	Market Share (%)	Jun-12	Market Share (%)
Wananchi Telecom Limited	28,770	41.0	22,282	34.0
Access Kenya Limited	11,600	16.5	11,600	17.7
Telkom Kenya Limited	9,670	13.8	10,908	16.7
Safaricom Limited	6,718	9.6	6,665	10.2
Kenya Data Networks Limited	5,783*	8.2	5,783	8.8
Iway Africa	2,502	3.6	2,502	3.8
Jamii Telecommunication Limited	1,470	2.1	1,270	1.9
Swift Global	1050	1.5	1,050	1.6
Call Key Networks Limited	390	0.6	392	0.6
Tangerine Limited	350	0.5	509	0.8
Mobile Telephony Networks Limited	-		675	1.0
Other fixed/Terrestrial wireless operators	1,867	2.7	1,865	2.8

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

3.2 Broadband Service

As Figure 8 illustrates, the total broadband¹² subscriptions have recorded a tremendous increase during the period to reach 1,006,071 up from 726,802 subscriptions recorded in the previous period. This growth was caused by increase in broadband subscriptions by one of the operators that offered reduced cost to mobile handsets that have the capability to access 3G services. Compared to the same period in the previous year, an eight-fold increase was recorded.

Figure 8: Broadband Subscriptions



Source: CCK, Operators' Returns.

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

3.3 International Bandwidth

By the end of the quarter under review, the total amount of bandwidth available in the country was 576,186 Mbps up from 574,704 Mbps posted in the previous period. Compared to the same period the previous year, an increase of 88.3 percent was recorded. The growth of international internet available bandwidth is shown in Table 17.

Table 17: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	Sep-12	Jun-12	Quarterly Variation (%)	Sep-11	Annual Variation (%)
SEACOM-International Internet Capacity (Mbps)	310,000	308,224	0.6	210,000	47.6
TEAMS - International Internet Capacity (Mbps)*	101,990	101,990	0.0	102,351	-0.4
Telkom Kenya Limited (EASSY) ^{13*}	122,880	122,880	0.0	122,880	0.0
Lion 2*	40,960	40,960		-	-
VSAT	355.8	649.8	-45.2	213.8	66.4
Total International Internet Bandwidth (Mbps)	576,186	574,704	0.3	435,444.8	88.3

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

The continued growth in demand for internet bandwidth has positively impacted on the growth of bandwidth usage in the country. During the quarter under review, the total used bandwidth in the country was 278,329 Mbps, which represents 48.3 percent usage. As shown in Table 18, increased internet subscriptions may have been the pointer for increased demand for international connectivity particularly through the fibre optic undersea cable.

Table 18: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	Sep-12	Jun-12	Quarterly Variation (%)	Sep-11	Annual Variation (%)
International Undersea Internet Connectivity Bandwidth (Mbps)	278,171	264,426	5.2	55,865	397.9
International Satellite Internet Connectivity Bandwidth	157.78	157.78	0	119	32.6
Total International Internet Connectivity Bandwidth (Mbps)	278,329	264,584	5.2	32,270.52	762.5

Source: CCK, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

Revenue and investment data for year 2012 will be updated once data/internet operators file their audited accounts after the lapse of their respective financial years. However, where updates will be received before the end of the financial year, the data will be revised accordingly. Table 19 shows data on revenue and investments from 2007 to 2011.

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

Table 19: Data/Internet Revenue and Investment

Data/Internet Revenue and Investments*	2011**	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Data/Internet Revenue (KES Millions)	98,415	148,033	145,800	7,595	7,370	-33.5	-32.5	1195.8	1235.4
Data/Internet Investments (KES Millions)	26,456	29,361	53,870	1,171	833	-9.9	-50.9	2159.3	3076.0

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

4. POSTAL AND COURIER SERVICE

4.1 Postal and Courier Traffic

During the quarter, the total number of letters sent locally rose to 17.7 million up from 16.7 million recorded during the previous period, representing an increase of 5.9 percent. Compared to the same period in the previous year, a decline of 14.3% was recorded. This decline could be as a result of stiff competition that the postal sector has continued to face from the telecommunication sector with faster and efficient means of communication.

There was significant decline in the number of courier items sent during the period. The number dropped to 178,443 items down from 398,724 items sent during the previous period, representing a decline of 55.2 percent. Similarly, when compared to the same period in the previous year, a decline of 54.5 percent was recorded.

On the other hand, the number of international incoming letters went up from 125,020 received during the previous period to 158,547 during the period under review, posting an increase of 26.8 percent. Compared to the same period of the previous year, an increase of 58.0 percent was recorded.

The international outgoing letters increased by 7.2 percent from 1.5 million letters sent during the previous period to 1.6 million letters during the period under review. Although the growth in international outgoing traffic is not proportional to the outgoing traffic, the general trend could be attributed to the blend in feedback mechanism to complete the communication circle. Compared to the same period in the previous year a decline of 38.4 percent was recorded. The postal and courier traffic is shown in Table 20.

Table 20: Postal and Courier Traffic

Post and Courier Traffic	Jul-Sep 12	Apr-Jun 12	Quarterly Variation (%)	Jul-Sep 11	Quarterly Variation (%)
Number of Letters Posted Locally	17,733,334	16,753,076	5.9	20,702,078	-14.3
Total Courier Items Sent Locally	178,443	398,724	-55.2	392,566	-54.5
International Incoming Letters	158,549	125,020	26.8	100,348	58.0
International Outgoing Letters	1,685,620	1,571,731	7.2	2,736,154	-38.4

Source: CCK, Operators' Returns.

4.2 Number of Postal Outlets

During the period under review, the number of postal outlets did not experience any growth from what had been recorded in the previous quarter of 667 outlets. The number of postal outlets, however, declined by 3.3 percent when compared to the same period in the previous year. This decline could be attributed to the intense competition the sector faces from telecommunication sector which could have led to closure of some postal outlets within the country. The number of Postal outlets over the period is shown in Table 21.

Table 21: Number of Postal Outlets

Period	Jul-Sep 12	Apr-Jun 12	Jan-Mar 12	Oct-Dec 11	July-Sep 11
Postal Outlets	667	667	690	690	690
Variation (%)	0	-3.3	0	0	0

Source: CCK, Operators' Returns.

4.3 Postal and Courier Revenue and Investment

Revenue and investment data for year 2012 will be updated once postal and courier operators file their audited accounts after the lapse of their respective financial years. However, where updates will be received before the end of the financial year, the data will be revised accordingly. Table 22 shows data on revenue and investments from 2007 to 2011.

Table 22: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	2011	2010	2009	2008	2007	Variation (%) Over 2010	Variation (%) Over 2009	Variation (%) Over 2008	Variation (%) Over 2007
Revenue (KES Millions)	6,094	5,815	4,255	13,907	13,719	4.8	43.2	-56.2	-55.6
Investments (KES Millions)	222	335	558	798	521	-33.7	-60.2	-72.2	-57.4

Source: CCK, Operators' Returns,

5. CONCLUSION

The ICT sector continues to experience growth as witnessed in the increase in subscriptions. The sector is largely driven by the mobile telephony, which continues to dominate the sector. Considering this trend, the coming periods are likely to continue recording growth as operators devise innovative products and services expected to entice subscribers and thus propel this sector even further.

The steady growth in the mobile industry sector as recorded by increased subscriptions and traffic is expected to continue with constant technological innovations and continued demand for cellular services. Even as operators offer attractive promotions and special offers, this will undoubtedly bring about increased subscriptions and growth in traffic during the coming periods.

The mobile money transfer service continues to gain popularity due to its convenience and effectiveness. Owing to its growth pattern, operators will be keen to extend the service to the un-banked population and this is expected to expand this service further.

The data/internet market continued to record an upward trend with majority of subscriptions contributed by the mobile data/internet segment. The ease of subscription coupled by the ease of accessing the service through the mobile phone has enhanced growth in this market segment. During the quarter under review, the population that had internet access was recorded at 34.2 percent up from 30.9 percent recorded in the previous quarter. Even though there were increased internet/ data subscriptions during the period, bandwidth utilisation increased marginally by 0.3 percent. The total bandwidth usage, however, increased to 48.3 percent during the period. Moreover, there is still unexploited capacity and potential in this market segment. Consideration for projects geared towards optimal utilisation of this capacity could be valuable as this will ultimately stimulate further growth in this market segment.

The stiff competition that the fixed line network market has continued to face from the mobile sector has had a negative effect to the growth of this market segment. Vandalism of copper cables and high maintenance costs have been cited as the main causes of the decline of fixed network service.

Lastly, the postal and courier sector recorded growth of 5.9 percent in the local letters sent during the period. This is a positive improvement from previous periods that had recorded a declining trend. Even though the decrease in postal services has been attributed to the stiff competition the sector faces from the telecommunication sector, modernising the sector with advanced technological innovations as well as being responsive to customers' needs could be explored to enhance service delivery.

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Author: CCK