



## **QUARTERLY SECTOR STATISTICS REPORT**

**FIRST QUARTER OF THE FINANCIAL YEAR 2013/14**

**(JUL-SEPT 2013)**

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

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## List of Abbreviations

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

## PRELIMINARY NOTES

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

### I. THE QUARTER IN SUMMARY

*The ICT Sector Quarterly Statistics Report for the first quarter of the Financial Year 2013/14 (Q1 FY 2013/14) provides an overview of the performance and development trends in the ICT sector using data analysis of indicators from the following service categories:*

- *Mobile telephony*
- *Fixed Telephony*
- *Internet/Data*
- *Postal and Courier*
- *Content*
- *Electronic Transactions and;*
- *Broadcasting*

*In mobile telephony, the number of subscriptions grew by 2.5 per cent to reach 31.3 million up from 30.5 million registered during the previous quarter. Mobile penetration however declined by 0.4 percentage points to 76.9 per cent from 77.3 per cent during the previous quarter.*

*Pre-paid subscriptions continued to dominate mobile telephony with the quarter in review recording 30.8 million subscribers representing 98.5 per cent of the total subscriptions. Post-paid subscriptions on the other hand grew by 5.5 per cent to post 455,983 compared to 432, 148 subscriptions registered in the previous quarter.*

*Local mobile traffic increased to 7.4 billion minutes up from 7.1 billion minutes posted during the previous quarter, representing a 4.1 per cent growth. This increase could be attributed to special offers and promotions by the operators during the quarter. During the same period, the average Minutes of Use per month rose to 79.6 minutes up from 78.4 minutes recorded during the previous quarter.*

*The number of SMS grew by 19.5 per cent to stand at 5.2 billion up from 4.3 billion recorded during the previous quarter. Each subscriber sent an average of 54 SMS per month.*

*Mobile money transfer service continued to record growth due to its popularity and convenience in usage. During the quarter under review, the number of subscriptions rose marginally by 1.1 per cent to 25.1 million up from 24.8 million subscriptions recorded during the previous period.*

*The number of agents on the other hand grew by 3.7 per cent to reach 91,750 up from 88,466 posted during the previous quarter.*

*The fixed line market continued to record a downward trend to post 209,339 lines down from 216,469 recorded during the previous period, representing a 3.3 per cent decline. Fixed terrestrial lines however showed positive growth after recording 58,749 lines from 58,264 during the previous*

quarter. Fixed wireless recorded a decline of 4.8 per cent during the period to register 150,590 subscriptions from 158,205 posted during the previous quarter.

The Internet/data market segment registered a 6.1 per cent decline in its subscriptions to stand at 11.6 million down from 12.4 million subscriptions posted during the previous quarter. This decline was mainly driven by decrease in subscriptions for mobile data/internet, terrestrial wireless as well as satellite subscriptions. At the same time, the estimated number of internet users stood at 19.1 million down from 19.6 million estimated during the previous quarter. Correspondingly, the population that had access to internet services reached 47.1 per 100 inhabitants down from 49.7 per cent per 100 inhabitants recorded during the previous quarter. The decline in internet/data statistics is as a result of the national population figure revision from 39.5 million to 40.7 million in the Economic Survey 2013.

The number of broadband subscriptions decreased marginally by 0.1 per cent to reach 1,397,906 down from 1,398,823 subscriptions recorded during the previous quarter. However, compared to the same quarter of the previous year, 39.0 per cent growth was realised. This slight decline could be attributed to the SIM card registration audit carried out earlier in the year. Even though mobile subscriptions increased during the quarter, the new subscribers might not necessarily have been internet users or have internet enabled mobile phones.

During the quarter under review, international Internet bandwidth available in the country decreased to 862,834Mbps from 862,850 Mbps recorded during the previous quarter. However, the used capacity went up by 1.1 per cent to reach 360,900Mbps from 356,874.95 Mbps posted during the previous quarter. Thus, bandwidth utilisation represented 41.8 per cent of the total capacity from 41.4 per cent during the previous quarter.

In the postal and courier sector, the number of letters sent locally increased significantly by 26.9 per cent to register 16.8 million up from 13.2 million letters sent during the previous quarter. This increase could be attributed to the increased dispatch of success cards as this quarter precedes the month that national exams begin.

International incoming letters declined by 5.3 per cent to post 2.2 million letters down from 2.4 million letters received during the previous quarter. Conversely, international outgoing traffic increased to 1.1 million from 922,208 letters sent during the previous quarter.

The number of registered domain names rose to 29,732 up from 27,374 representing a 7.9 per cent growth.

By the end of the quarter, the number of licensed FM radio stations stood at 103. The number of analogue TV stations stood at 14 while 25 channels had already been activated on the digital platform.

# 1 CELLULAR MOBILE SERVICES

## 1.1 Subscriptions

The number of mobile phone subscribers increased by 2.5 per cent in the quarter ending September 2013 to reach 31.3 million. This growth indicates recovery from the decline experienced earlier in the year following the switch-off of unregistered SIM (Subscriber Identification Module) cards. Compared to the same period in the previous year (September 2012), this represented a 2.9 per cent growth.

The growth of mobile subscriptions is shown in Table 1.

**Table 1: Mobile Subscriptions**

Subscription Type	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
Prepaid Subscriptions	30,845,523	30,117,274	2.4	30,135,142	2.4
Post-Paid Subscriptions	455,983	432,148	5.5	297,640	53.2
<b>Total Mobile Subscriptions</b>	<b>31,301,506</b>	<b>30,549,422</b>	<b>2.5</b>	<b>30,432,782</b>	<b>2.9</b>

Source: CCK, Operators' Returns

As indicated in Table 1, pre-paid service constituted up to 98.5 per cent of the total mobile subscriber base and reached 30.8 million subscriptions during the quarter. As observed in the previous quarter, the pre-paid plans continued to dominate the market. During the quarter under review, the ratio of post-paid to pre-paid subscriptions stood at 1: 67. Despite the low proportion of post-paid subscriptions, their numbers grew by 5.5 per cent from the previous quarter to record 455,983 subscriptions up from 432,148. Compared to the same period in 2012; this represented a growth of 53.2 per cent compared to the same period of the previous year. This growth in post-paid subscriptions could be attributed to the ultimate flexibility and maximum convenience of uninterrupted service offered under this plan.

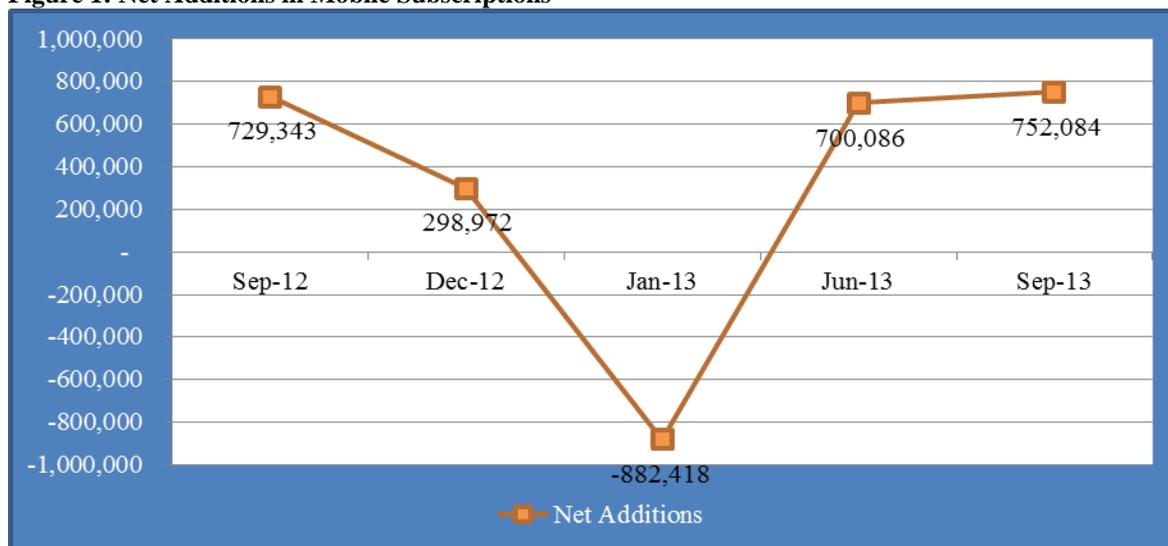
During the period under review, net mobile additions<sup>1</sup> increased to a quarterly high of 752,084 in the quarter, surpassing last year's level by 3.1 per cent and last quarter's performance by 7.4 percent.

The quarter-on-quarter growth in total additions is shown in Figure 1.

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<sup>1</sup> Net Mobile additions refer to new subscriptions registered during the period.

**Figure 1: Net Additions in Mobile Subscriptions**



Source: CCK, Operators' Returns.

As indicated in Table 2, Safaricom Limited, Airtel Networks Kenya Limited and Telkom Kenya Limited (Orange) continued to demonstrate an upward trend in subscriptions. Safaricom Limited recorded growth of 3.3 per cent growth in subscriptions; Airtel Network Limited had 5.5 per cent while Telkom Kenya (Orange) had 3.6 per cent shares. Essar Telkom Kenya Limited on the other hand, lost 9.3 per cent of its subscribers from the previous quarter.

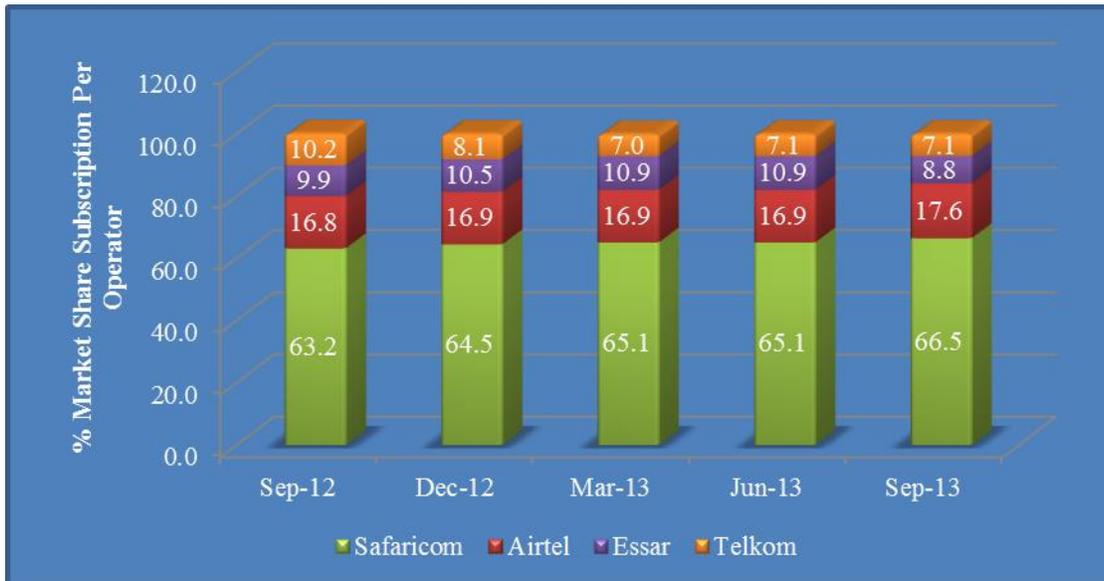
**Table 2: Mobile subscription per operators**

Name of operator	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
Safaricom Limited	20,820,618	20,146,036	3.3	19,221,209	8.3
Airtel Network Kenya Limited	5,504,018	5,218,719	5.5	5,113,996	7.6
Essar Telecom Kenya Limited	2,768,323	3,052,220	-9.3	3,003,298	-7.8
Telkom Kenya Limited (Orange)	2,208,547	2,132,447	3.6	3,094,279	-28.6
<b>Total</b>	<b>31,301,506</b>	<b>30,549,422</b>	<b>2.5</b>	<b>30,432,782</b>	<b>2.9</b>

Source: CCK, Operators' Returns

Figure 2 illustrates the market shares for each of the operators as measured by subscriptions. During the quarter under review, Safaricom Limited and Airtel Networks Limited increased their market shares following an increase in their mobile subscriptions. The former maintained the highest market share of 66.5 per cent while the latter recorded a market share of 17.6 per cent. Telkom Kenya Limited (Orange) maintained its market share at 7.1 per cent despite the increase in its subscriptions. On the contrary, Essar Telecom's market share dropped by 2.1 percentage points to reach 8.8 per cent during the period.

**Figure 2: Percentage Market Share Subscription per Operator**



Source: CCK, Operators' Returns.

Mobile penetration<sup>2</sup> for the quarter under review dropped by 0.4 percentage points to stand at 76.9 per cent down from 77.3 per cent recorded during the previous quarter.

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

**Figure 3: Percentage Mobile Penetration**



Source: CCK, Operators' Returns

<sup>2</sup> The population used of 40.7 million provided in the economic survey was revised in the new FY 2013/14 from 39.5 million in the last FY2012/13.

## 1.2 Mobile Money Transfer Service

As indicated in Table 3, the popularity in the use of mobile money transfer service has continued to grow as the number of subscriptions rose by 1.1 per cent during the quarter under review to reach 25.1 million up from 24.8 million posted during the previous quarter. This was represented in a 30.0 per cent increase when compared to the same quarter of the previous year.

**Table 3: Mobile Money Transfer**

Mobile Money Transfer	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
Subscriptions	25,114,462	24,840,404	1.1	19,318,684	30.0
No. of Agents	91,750	88,466	3.7	54,409	68.6

Source: CCK, Operators Returns

At the same time, the number of agents grew by 3.7 per cent to reach 91,750 from 88,466 agents recorded during the previous quarter. When compared to the same quarter of the previous year, a growth of 68.6 per cent was recorded.

## 1.3 Mobile Number Portability

Mobile Number Portability provides customers with a platform to switch to their preferred network without having to change the SIM card. During the period under review, the Mobile Number Portability (MNP) experienced a decline of 6.2 per cent to register 363 in-ports down from 387 recorded during the previous quarter. However, this performance represented an increase of 67.3 per cent when compared to the same quarter of the previous year as illustrated in Table 4.

**Table 4: Number of In-ports**

Period	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
Number of In-ports	363	387	-6.2	217	67.3

Source: CCK, Operators Returns.

## 1.4 Mobile Traffic and Usage Pattern

### 1.4.1 Voice Traffic

The growth in mobile subscriptions influenced voice traffic during the quarter under review. Unlike the previous quarters which experienced a declining trend, the quarter under review posted a growth of 4.1 per cent to reach 7.4 billion minutes up from 7.1 billion minutes during the previous quarter. This growth was recorded on both mobile to mobile traffic (both on-net and off-net) as well as mobile to fixed network. Similarly, voice traffic demonstrated an upward trend since the same quarter of the previous year to register an increase of 6.7 per cent.

As illustrated in Table 5, on-net traffic increased by 3.6 per cent to stand at 6.5 billion minutes which also contributed to the 7.7 per cent increase when compared to the same quarter of the

previous year. This growth could be attributed to low on-net calling rates as compared to off-net rates coupled with promotions and special offers targeting on-net activity. Similarly, mobile to fixed traffic grew by 17.0 per cent during the quarter.

This however represented a decrease of 2.6 per cent when compared to the same quarter of the previous year.

**Table 5: Local Mobile Voice Traffic in Minutes**

Mobile Traffic	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
<b>By Traffic originating (outgoing traffic)</b>					
Own Network –Own Network	6,508,960,468	6,282,272,039	3.6	6,043,845,857	7.7
Own Network to Other Mobile Networks	954,859,613	889,853,027	7.3	947,394,800	0.8
Mobile Network to Fixed Network	14,421,834	12,325,826	17.0	14,812,665	-2.6
<b>Total Traffic Origination (Outgoing)</b>	<b>7,478,241,915</b>	<b>7,184,450,892</b>	<b>4.1</b>	<b>7,006,053,322</b>	<b>6.7</b>
<b>By Traffic terminating (incoming traffic)</b>					
Own Network –Own Network	6,508,960,468	6,282,272,039	3.6	6,043,845,857	7.7
Other Mobile Networks to Own Network	1,011,989,047	943,426,413	7.3	1,000,397,283	1.2
Fixed Network to Mobile Network	28,305,931	25,126,558	12.7	24,879,357	13.8
<b>Total Traffic Termination (Incoming Traffic)</b>	<b>7,549,255,446</b>	<b>7,250,825,010</b>	<b>4.1</b>	<b>7,069,122,497</b>	<b>6.8</b>

**Source: CCK, Operators' Returns**

The total traffic received on mobile network during the quarter went up by a margin similar to that of outgoing mobile traffic at 4.1 per cent to record 7.5 billion minutes, an increase from 6.8 per cent the previous quarter. Despite the declining fixed network subscriptions in the country, fixed to mobile network traffic grew significantly by 12.7 per cent to post 28.3 million minutes.

The observation in Figure 4 shows that on-net traffic has continued to dominate mobile voice traffic with the quarter under review posting 87.2 per cent of the total traffic.

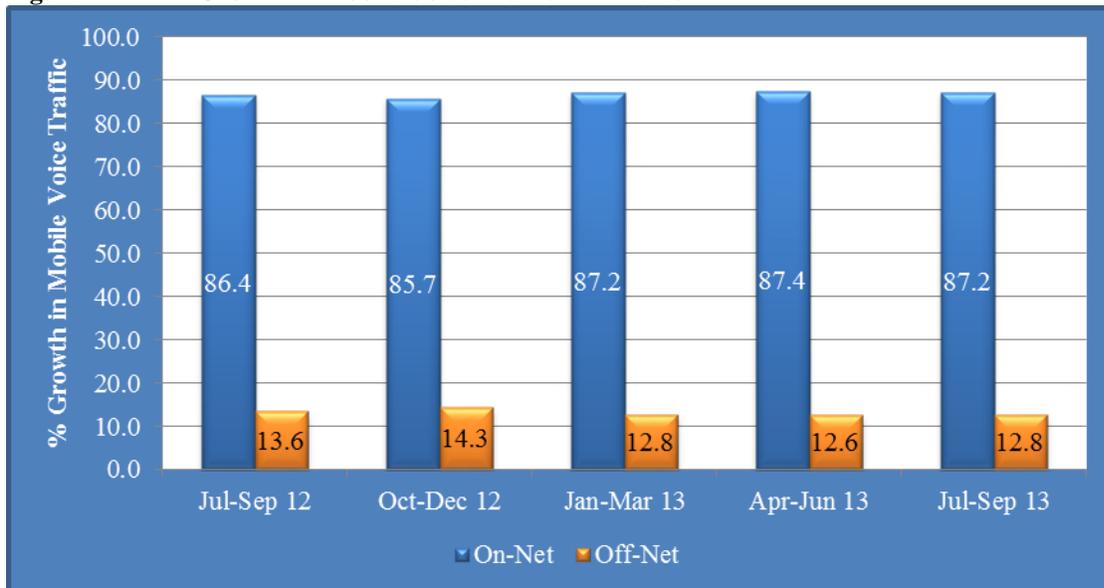
Compared to the same period in the previous year, this represented a growth of 0.8 percentage points in on-net voice. Low call cost charges and minimal terminating charges on the same network are likely to be the reasons behind high on-net traffic.

Moreover, the enticing offers and promotions by the operators during the period may have encouraged mobile users to call more often or make longer calls. For instance during the quarter in review, one of the operators offered its subscribers whose monthly usage was below Ksh 200 a 50 per cent bonus on top-up of up to Ksh60 per day. Another operator discounted call rates to subscribers who had been inactive for a pre-determined period, and offered 50 per cent bonus

airtime upon purchase of Ksh 100, 200, 500 and 1000 bundles. Another service provider offered on-net calls at Ksh 2 for up to 15minutes per day.

During the period under review, off-net traffic also experienced a marginal growth of 0.2 percentage points to the total mobile traffic to stand at 12.8 per cent. This was however, a decline of 0.8 percentage points when compared to the same quarter of the previous year.

**Figure 4: Growth in Mobile Voice Traffic in Minutes**



Source: CCK, Operators' Returns

### 1.4.2 Voice Traffic by Operator

As illustrated in Table 6, the four mobile operators increased their voice traffic during the quarter under review which could have been triggered by friendly call plans by the operators following the reduction of call termination rates by CCK from KES 1.44 to KES 1.15 from 1<sup>st</sup> August 2013.

Safaricom Limited recorded the highest voice traffic at 5.9 billion minutes, with on-net traffic, which has remained relatively high, contributing a higher share of the traffic. The market shares for Safaricom Limited gained 2.4 percentage points to stand at 79.1 per cent from 76.7 per cent shares recorded during the previous quarter.

Airtel Networks which has continued to record high off-net traffic had 10.7 per cent shares up from 10.4 per cent thus recording 797 million minutes during the quarter under review. The off-net traffic by Airtel Networks Limited stood at 54.3 per cent of its total traffic volume which could be as a result of the new tariff launched during the quarter that allowed subscribers to call across all networks at a flat rate of Ksh. 2.

Essar Telecom too, gained 0.3 percentage points from the previous quarter to record 621 million minutes representing a share of 8.3 per cent during the quarter. Similarly, Telkom Kenya Limited

(Orange) gained 0.5 percentage points to record 142 million minutes representing 1.9 per cent shares up from 1.4 per cent shares posted during the previous quarter.

**Table 6: Voice Traffic by Operator**

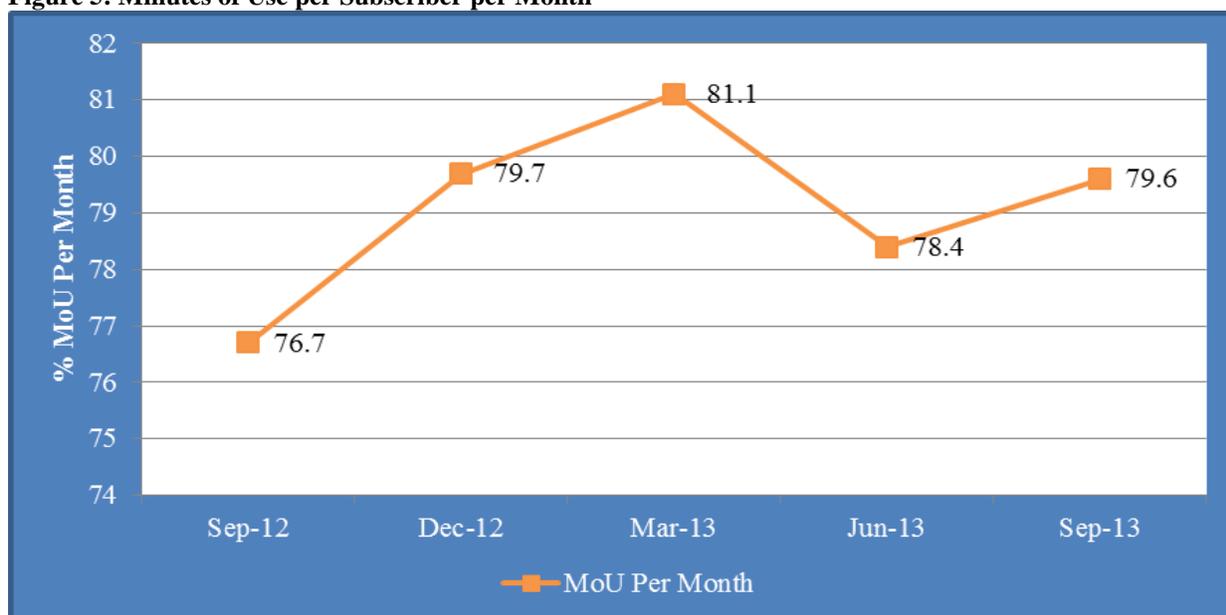
Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)
Sep-13	On-net	5,600,950,491	360,181,971	468,830,023	78,997,983
	Off-net	316,548,161	437,383,172	152,280,127	63,069,987
	<b>Total</b>	<b>5,917,498,652</b>	<b>797,565,143</b>	<b>621,110,150</b>	<b>142,067,970</b>
	Market Share (%)	79.1	10.7	8.3	1.9
Jun-13	On-net	5,466,510,138	331,521,370	427,252,863	56,987,668
	Off-net	298,523,796	413,143,232	144,817,274	45,694,551
	<b>Total</b>	<b>5,765,033,934</b>	<b>744,664,602</b>	<b>572,070,137</b>	<b>102,682,219</b>
	Market Share (%)	80.2	10.4	8.0	1.4
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
	<b>Total</b>	<b>5,374,911,010</b>	<b>878,166,892</b>	<b>674,886,538</b>	<b>77,320,342</b>
	Market Share (%)	76.7	12.5	9.6	1.1

Source: CCK, Operators' Returns

### 1.4.3 Minutes of Use

As illustrated in Figure 5 the monthly minutes of use for each subscriber (MoU) increased by 1.5 per cent to 79.6 minutes from 78.4 minutes recorded during the previous period. This was a decline compared to the same period of the previous year which recorded 3.8 per cent growth.

**Figure 5: Minutes of Use per Subscriber per Month**



Source: CCK, Operators' Returns

During the quarter under review, a huge shift was observed in the mobile messaging market. The volume of SMS increased by 19.5 per cent to register 5.2 billion from 4.3 billion posted in the previous quarter largely as a result of friendly SMS plans which allowed mobile users to enjoy unlimited text messaging at a discounted rate.

Notably, the market shares for all the operators did not experience significant change during the quarter as indicated in Table 7. Safaricom Limited maintained the lead in the SMS market share with its number of SMS increasing by 19.5 per cent to reach 4.7 billion representing a market share of 95.6 per cent during the quarter. Airtel Networks recorded 3.5 per cent shares to post 175.8 million SMS during the quarter while Essar Telecom Limited had 29.4 million SMS representing a market share of 0.6 shares. Telkom Kenya (Orange) registered 0.4 per cent shares posting 14.7 million SMS during the quarter.

**Table 7: Short Messaging Service per Operator**

Period	Name of Operator/Indicator	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited	Telkom Kenya Limited (Orange)	Total SMS
Sep-13	On-net	4,753,585,609	107,924,707	6,857,223	5,573,985	<b>4,873,941,524</b>
	Off-net	75,536,163	67,929,152	22,634,155	13,299,173	<b>179,398,643</b>
	<b>Total</b>	<b>4,829,121,772</b>	<b>175,853,859</b>	<b>29,491,378</b>	<b>18,873,158</b>	<b>5,053,340,167</b>
	Market Share (%)	95.6	3.5	0.6	0.4	
June-13	On-net	4,095,931,237	86,840,838	7,103,294	4,634,666	<b>4,194,510,035</b>
	Off-net	84,769,104	59,570,803	21,146,178	10,114,695	<b>175,600,780</b>
	<b>Total</b>	<b>4,180,700,341</b>	<b>146,411,641</b>	<b>28,249,472</b>	<b>14,749,361</b>	<b>4,370,110,815</b>
	Market Share	95.7	3.4	0.6	0.3	

	(%)					
Sep-12	On-net	800,374,308	90,875,738	9,656,255	5,198,721	<b>906,105,022</b>
	Off-net	71,841,705	70,077,000	25,746,989.2	12,329,857	<b>179,995,551</b>
	<b>Total</b>	<b>872,216,013</b>	<b>160,952,738</b>	<b>35,403,244</b>	<b>17,528,578</b>	<b>1,086,100,573</b>
	Market Share (%)	80.3	14.8	3.3	1.6	

Source: CCK, Operators' Returns.

Multimedia Messaging Service (MMS) has maintained low uptake among users of mobile services. In the quarter under review, there were 2.2 million messages down from 2.5 million messages recorded in the previous quarter representing a decline of 11.9 per cent as shown in Table 8. In addition, each subscriber sent less than 1 multimedia message during the quarter which could be as a result of competition from other similar services such as over-the-top (OTT) messaging applications (e.g Whatsapp). Moreover, the relatively higher cost for MMS, whose billing system is predicated on the number of kilobytes sent hence making it more costly may have contributed to the low uptake of the service.

**Table 8: Multimedia Messaging Service**

MMS Traffic	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
MMS	2,248,680	2,554,975	-11.9	2,593,638	-13.3
MMS per Subscriber per Month	0.02	0.03	-33.3	0.02	0.0

Source: CCK, Operators' Returns.

#### 1.4.4 Roaming Traffic

Roaming traffic has remained relatively low over the period. During the period under review, the volume of roaming-out<sup>3</sup> voice traffic increased by 11.2 per cent to reach 11.9 million minutes. Compared to the same period of the previous year, there was a variation of 4.4%. Similarly, the volume of Roaming-in<sup>4</sup> voice traffic grew by 22.0 per cent to reach 11.4 million minutes. However, roaming SMS remained low compared to voice traffic with roaming-out SMS recording 10.3 million which represents an increase of 29.9 per cent. The number of roaming-in SMS declined by 10.4 per cent during the period to post 9.0 million minutes down from 10.1 million minutes recorded during the previous quarter.

The growth in roaming traffic is shown in Table 9.

<sup>3</sup> Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.

<sup>4</sup>Roaming in is traffic originated and terminated by foreign subscribers as users of local networks

**Table 9: Roaming Traffic**

Roaming Traffic	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
Roaming Voice Minutes Own Subscribers on Foreign Networks	11,920,804	10,717,745	11.2	11,418,310	4.4
Roaming Voice Minutes Foreign Subscribers on Local Network	11,472,726	9,404,268	22.0	10,943,964	6.1
Roaming SMS - Own Subscribers on Foreign Networks	10,338,853	7,959,062	29.9	8,642,305	19.6
Roaming SMS - Foreign Subscribers on Local Network	9,097,302	10,153,773	-10.4	13,303,626	-31.6

Source: CCK, Operators' Returns

### 1.4.5 International Mobile Traffic

The country's international mobile traffic has been on a declining trend with the quarter under review experiencing a decrease of 2.5 per cent to post 154 million minutes down from 158 million minutes recorded during the previous year. Similarly, international outgoing traffic experienced a decline of 2.7 per cent from 124 million minutes recorded during the previous quarter to 121 million minutes posted during the quarter under review.

During the same period, the volume of international outgoing SMS declined by 2.4 per cent to reach 11 million down from 12 million posted in the previous quarter. The quarter recorded 11 million SMS down from 12 million SMS posted during the previous quarter. In contrast, the volume of international incoming SMS increased significantly by 32.0 per cent to reach 27 million SMS from 20 million SMS recorded during the previous quarter. Compared to the same quarter of the previous year, this represented a growth of 68.2 per cent.

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

**Table 10: International Mobile Traffic (Minutes)**

International Mobile Traffic and SMS	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
International Incoming Mobile Voice Minutes	154,885,621	158,838,501	-2.5	199,661,993	-22.4
International Outgoing Mobile Minutes	121,164,636	124,585,439	-2.7	155,745,313	-22.2
International Incoming Mobile SMS	27,029,049	20,470,104	32.0	16,073,120	68.2
International Outgoing Mobile SMS	11,858,264	12,143,946	-2.4	5,977,012	98.4

Source: CCK, Operators' Returns.

## 1.5 Mobile Revenue and Investments

Table 11 below shows mobile market revenues and investments as at June 2013. This information will be updated once the operators submit their audited financial accounts after the lapse of their respective financial years.

**Table 11: Mobile Revenue and Investment (KES)<sup>5</sup>**

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

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

## 2 FIXED TELEPHONE SERVICE

### 2.1 Subscriptions

The number of fixed lines dropped from 216,469 in the previous quarter to 209,339 in the quarter under review, representing a decline of 3.3 per cent. Compared to same quarter of the previous year, this represents a decrease of 15.7 per cent. The decline in fixed line network is a setback in the growth of ICT infrastructure in the country.

Fixed terrestrial lines increased marginally by 0.8 per cent to reach 58,749 lines up from 58,264 lines posted during the previous quarter. This growth was mainly contributed by operators offering the service through alternative technologies such as optic fibre. Compared to the same quarter of the previous year, a decline of 16.5 per cent was recorded.

At the same time, the number of fixed wireless subscriptions declined by 4.8 per cent during the quarter to reach 150,590 from 158,205 subscriptions recorded during the previous quarter. Compared to the same quarter of the previous year, a 15.4 per cent decline was recorded.

The growth of fixed line is shown in Table 12.

<sup>5</sup> The information on mobile revenue and investment will be updated every end of financial year to reflect the current status of the market.

**Table 12: Fixed Network Subscriptions**

Fixed Network Subscription	Sep-13	Jun-13	Quarterly Variation (%)	Sep 12	Annual Variation (%)
Fixed Terrestrial Subscriptions	58,749	58,264	0.8	70,390	-16.5
Fixed Wireless Subscriptions	150,590	158,205	-4.8	177,940	-15.4
<b>Total Main Fixed Line Subscriptions</b>	<b>209,339</b>	<b>216,469</b>	<b>-3.3</b>	<b>248,300</b>	<b>-15.7</b>

Source: CCK, Operators Returns.

## 2.2 Fixed Network Traffic

The quarter under review witnessed a drop of 7.3 per cent in the total number of fixed voice traffic from 30.4 million minutes posted in the previous quarter to 28.1 million minutes. Compared to the same period of the previous year, a reduction of 20.4 per cent was recorded. The decrease in fixed network voice traffic is mainly attributed to the declining number of fixed lines in the country thereby limiting accessibility and usage of this service.

The decrease in local fixed network traffic was mainly contributed by fixed to fixed voice traffic that reduced by 84.4 per cent during the period to record 597,384 minutes from 3,838,926 minutes posted during the previous period.

During the same quarter, a 19.9 per cent growth in fixed wireless to fixed wireless traffic was recorded from 3.9 million minutes to 4.6 million minutes.

Fixed network to other voice networks increased marginally by 1.0 per cent to reach 22.9 million minutes during the quarter from 22.6 million minutes during the quarter under review. Compared to the same period of the previous year, a decline of 8.3% was recorded.

The growth in fixed network traffic is as illustrated in Table 13.

**Table 13: Local Fixed Network Traffic in Minutes**

Local Fixed Network traffic	Jul-Sep 13	Apr-Jun-13	Quarterly Variation (%)	Jul-Sep 12	Annual Variation (%)
<b>Intra-network traffic</b>					
Fixed-fixed	597,384	3,838,926	-84.4	10,428,207*	-94.3
Fixed Wireless-fixed wireless	4,686,585	3,907,677	19.9	-	-
<b>Inter-network traffic</b>					
Fixed to other Networks(Network voice providers)	22,911,503	22,681,747	1.0	24,976,911	-8.3
<b>Total Local Fixed network traffic</b>	<b>28,195,468</b>	<b>30,428,350</b>	<b>-7.3</b>	<b>35,405,118</b>	<b>-20.4</b>

Source: CCK, Operators' Returns, \*Traffic includes fixed wireless-fixed wireless

International incoming voice traffic to fixed network increased by 13.5 per cent during the quarter under review to record 3.94 million from 3.47 million minutes during the previous quarter. However, this was a 5.0 per cent decline when compared to the same period of the previous year.

In the same way, the international outgoing fixed network traffic was recorded at 4.4 million minutes up from 4.2 million minutes posted during the previous period representing a 3.6 per cent growth. Conversely, this was a decline of 7.4 per cent when compared to the same quarter of the previous year.

At the same time, international outgoing fixed VoIP minutes grew by 9.9 per cent during the quarter to reach 2.1 million minutes up from 1.9 million minutes recorded during the previous quarter. The same quarter of the previous year however witnessed a reduction of 12.1 per cent in international VoIP traffic.

The growth in international fixed line traffic is shown in Table 14.

**Table 14: Fixed Network International Voice Traffic**

Fixed Network Subscription	Jul-Sep 13	Apr-Jun-13	Quarterly Variation (%)	Jul-Sep 12	Annual Variation (%)
International Incoming Fixed Network Voice traffic	3,941,448	3,472,885	13.5	4,147,178	-5.0
International Outgoing Fixed Network Voice traffic	4,406,763	4,252,426	3.6	4,760,389	-7.4
International Outgoing Fixed Network VoIP traffic	2,109,159	1,919,524	9.9	2,400,173	-12.1

**Source: CCK, Operators Returns.**

## DATA AND INTERNET SERVICE

### 2.3 Internet/Data Service

During the quarter under review, the Internet/data market recorded a 6.1 per cent decline to record 11.6 million subscriptions from 12.4 million subscriptions registered in the previous quarter. Compared to the same quarter of the previous year, a growth of 37.1 per cent growth was recorded.

As shown in Table 15, the decline in data/internet subscriptions was partially as a result of the decline in Mobile data/internet subscriptions that recorded a drop of 6.2 per cent to reach 11.5 million subscriptions down from 12.3 million subscriptions posted during the previous quarter. This decline could have been as a result of the SIM card Registration audit carried out by the Commission that saw rationalisation in mobile/data subscriptions. Moreover, the increase in mobile subscriptions during the period indicates that the new subscriptions did not subscribe to mobile data/internet usage or did not have internet enabled devices.

The satellite subscriptions have continued to record mixed growth over the period. During the quarter under review, there were a total of 749 subscriptions down from 1,278 subscriptions recorded during the previous quarter, representing a decline of 41.4 per cent during the quarter. However, when compared to the same quarter of the previous year, this was a 41.1 per cent increase.

Similarly, the number of fixed fibre subscriptions grew by 6.1 per cent to reach 61,739 up from 58,197 subscriptions recorded during the previous quarter. Compared to the same quarter of the previous year the number of fixed fibre subscriptions increased by 30.3 per cent. Expansion of fibre optic roll out and competition among service providers play a key role in the steady growth in the fixed fibre subscriptions.

**Table 15: Internet Subscriptions and Internet Users**

Internet/Data Subscriptions	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
<b>Total Internet Subscriptions</b>	<b>11,671,337</b>	<b>12,432,308</b>	<b>-6.1</b>	<b>8,519,148</b>	<b>37.0</b>
<b>Mobile Data/Internet Subscriptions</b>	11,580,065	12,340,005	-6.2	8,436,578	37.3
<b>Terrestrial Wireless Data/Internet Subscriptions</b>	17,169	21,282	-19.3	23,780	-27.8
<b>Satellite Data/Internet Subscriptions</b>	749	1,278	-41.4	531	41.1
<b>Fixed DSL Data/Internet Subscriptions</b>	11,537	11,512	0.2	10,842	6.4
<b>Fixed Fibre Optic Data/Internet Subscriptions</b>	61,739	58,197	6.1	47,392	30.3
<b>Fixed Cable Modem Subscriptions</b>	25	25	0.0	25	0.0
<b>Total Internet Users<sup>6</sup></b>	<b>19,162,055</b>	<b>19,654,925</b>	<b>-2.5</b>	<b>14,553,378</b>	<b>31.7</b>

Source: CCK, Operators' Returns

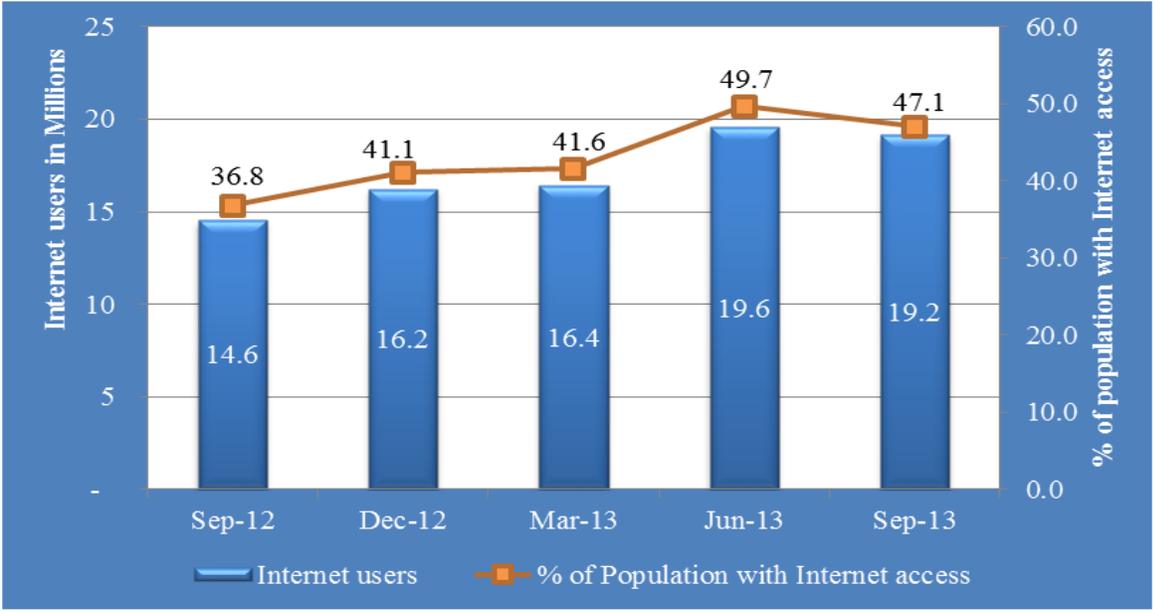
<sup>6</sup>Internet users is estimated by multiplying by 1 the number of mobile data/Internet subscriptions, by 10 terrestrial wireless subscriptions and by 100 fixed DSL, fibre optic and satellite subscriptions. There is no scientific method of estimating Internet users; for the purpose of this report 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.

The reduction in the number of data/Internet subscriptions led to a decline in the estimated number of internet users in the country. By the end of the quarter under review, the estimated number of internet users was recorded at 19.1 million up from 19.6 million, representing a decline of 2.5 per cent. Compared to the same quarter of the previous year, an increase of 31.7 per cent was recorded.

At the end of the quarter under review, the population that had access to internet was recorded as 47.1 per cent down from 49.7 per cent registered during the previous quarter representing a decline of 2.6 percentage points during the period. This decline was triggered by the decrease in internet subscription and the consequent reduction in internet usage in the country. Moreover, the revision in the national population statistics in the economic survey to 40.7million in FY 2013/14 from 39.5million in FY2012/13 was also a contributing factor to this decline.

The growth in internet access is illustrated in Figure 6.

**Figure 6: Estimated Number of Internet Users and Internet Penetration**



Source: CCK, Operators’ Returns.

With regard to market shares as measured by mobile data/internet subscriptions, Safaricom Limited share declined by 2.4 per cent to reach 73.2 per cent from 75.6 per cent recorded during the previous period. Airtel Networks on the other hand gained 1.4 percentage shares to attain a market share of 14.3 per cent while Telkom Kenya (Orange) gained 0.9 percentage shares to post 7.3 per cent shares during the period. Essar too gained 0.2 percentage points to register 5.2 per cent shares from 5.0 per cent shares recorded during the previous period.

The market shares for mobile data/Internet market by operator are shown in Table 16.

**Table 16: Mobile Data/Internet Subscriptions by Operator**

Name of Operator	Sep-13	Market Share (%)	Jun-13	Market Share (%)
Safaricom Limited	8,476,480	73.2	9,332,995	75.6
Airtel Networks Kenya Limited	1,659,433	14.3	1,597,481	12.9
Telkom Kenya Limited (Orange)	844,628	7.3	795,513	6.4
Essar Telecom Kenya Limited	599,524	5.2	614,016	5.0

Source: CCK, Operators' Returns

The level of market shares for other fixed/terrestrial wireless data/Internet subscriptions experienced marginal change for each of the first ten operators during the quarter in review. Wananchi Telecom maintained the lead with 43.0 per cent shares from 39.1 per cent shares recorded during the previous quarter, gaining 3.9 percentage shares during the period. Liquid Telecom market share declined by 4.8 per cent to reach 16.8 per cent from 21.6 per cent posted during the previous quarter. Notably, the first five operators account for over 90 per cent of the market share.

The market shares for the first 10 operators are shown in Table 17.

**Table 17: Other Fixed/Wireless Internet Subscriptions by Operator**

Name of Operator	Sep-13	Market Share (%)	Jun-13	Market Share (%)
Wananchi Telecom Limited	39,207	43.0	36,072	39.1
Liquid Telecom Limited	15,290	16.8	19,937	21.6
Access Kenya Limited	11,502	12.6	11,411	12.4
Telkom Kenya Limited	10,718	11.7	10,718	11.6
Safaricom Limited	7,155	7.8	7,100	7.7
Iway Africa	2,731	3.0	2,731	3.0
Jamii Telecommunication Limited	1,900	2.1	1,900	2.1
Mobile Telephony Networks Limited	1,205	1.3	1,144	1.2
Call Key Networks Limited	590	0.6	587	0.6
Tangerine Limited	260	0.3	-	-
Other fixed/Terrestrial wireless operators	714	0.8	703	0.8

Source: CCK, Operators' Returns,

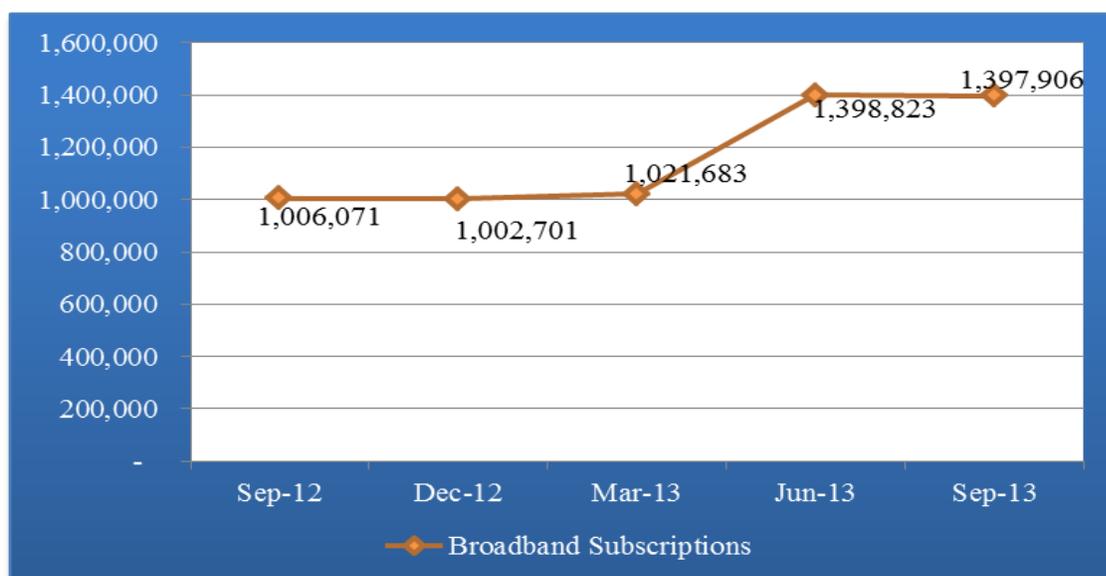
## 2.4 Broadband Service

The total number of broadband<sup>7</sup> subscriptions dropped from 1,398,823 registered during the previous quarter to 1,397,906, registering a decline of 0.1 per cent. Compared to the same quarter of the previous year, a growth of 39.0 per cent was recorded.

The growth in broadband subscriptions is shown in Figure 7.

**Figure 7: Broadband Subscriptions**

<sup>7</sup> In this report, Broadband is defined as speeds greater than or equal to 256Kbps in one or both directions.



Source: CCK, Operators' Returns.

## 2.5 International Bandwidth

The period under review witnessed insignificant change in the total amount of bandwidth available in the country. During the quarter under review, the total bandwidth increased to 862,834Mbps from 862,850Mbps posted during the previous period.

Compared to the same quarter of the previous year, a growth of 49.7 per cent was recorded.

Similarly, the quarter in review recorded marginal drop of 2.5 per cent in VSAT capacity to reach 623.5Mbps from 639.52Mbps posted during the previous quarter. Compared to the same quarter of the previous year, a noteworthy growth of 75.2 per cent was recorded.

The growth of international Internet available bandwidth is shown in Table 18.

**Table 18: International Internet Available Bandwidth (Mbps)**

International Connectivity Bandwidth	Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
SEACOM-International Internet Capacity (Mbps)*	578,400	578,400	0.0	310,000	86.6
TEAMS - International Internet Capacity (Mbps)*	119,970	119,970	0.0	101,990	0.0
Telkom Kenya Limited (EASSY)	122,880	122,880	0.0	122,880	0.0
Lion 2	40,960	40,960	0.0	40,960	0.0
VSAT	623.52	639.52	-2.5	355.80	75.2
<b>Total International Internet Bandwidth (Mbps)</b>	<b>862,834</b>	<b>862,850</b>	<b>0.0</b>	<b>576,186</b>	<b>49.7</b>

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

The amount of used bandwidth increased by 1.1 per cent from the previous quarter to reach 360,900Mbps representing a 41.8 per cent of the total capacity during the quarter compared to 41.4 per cent of the total capacity recorded during the previous quarter.

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

**Table 19: International Internet Connectivity Bandwidth (Mbps)**

International Leased Bandwidth			Sep-13	Jun-13	Quarterly Variation (%)	Sep-12	Annual Variation (%)
<b>International Connectivity Bandwidth (Mbps)</b>	<b>Undersea</b>	<b>Internet</b>	360,680.1	356,655	1.1	278,171	29.7
<b>International Connectivity Bandwidth</b>	<b>Satellite</b>	<b>Internet</b>	219.95	219.95	0.0	157.78	39.4
<b>Total International Connectivity Bandwidth (Mbps)</b>		<b>Internet</b>	<b>360,900.1</b>	<b>356,874.95</b>	<b>1.1</b>	<b>278,329</b>	<b>29.7</b>

Source: CCK, Operators' Returns;

## 2.6 Revenue and Investment in the Data/Internet Market

Data/Internet revenues grew by 25.8 per cent from Ksh5.8 billion recorded in 2011 to Ksh 7.4 billion posted in 2012. Investments increased by 14.3 per cent to reach Ksh 3.9 billion in 2012 from Ksh 3.4 billion recorded in 2011.

Table 20 shows data on revenue and investments from data/Internet operators for the last five years.

**Table 20: Data/Internet Revenue and Investment**

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

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

## 3 ELECTRONIC TRANSACTIONS

By the end of the quarter under review, registered domain names increased to 29,732 from 27,374 registered in the previous quarter, representing a growth of 7.9 per cent. Compared to the same quarter of the previous year, an increase of 7,143 domain names was recorded, representing a 24 per cent growth.

Table 21 shows the number of registered domain names over the past one year.

**Table 21: Number of Domain Names**

Period	Sep 13	Jun-13	Mar-13	Dec12	Sep 12	Jun 12
<b>Number of Domain Names registered</b>	29,732	27,374	25,764	24,983	22,589	20,085
<b>Variation (%)</b>	7.9	6.2	3.1	9.6	12.5	17.0

Source: Kenya Network Information Centre (KeNIC)

## 4 BROADCASTING

During the quarter under review, the number of licensed radio stations and analogue television stations were 103 and 14, respectively. In addition, 25 TV channels had already been activated on the digital platform.

As shown in Table 22, radio broadcast posted the greatest number of average monthly audience which was at 16.9 million while TV recorded 2.3 million viewers during the quarter. This could be attributed to ease of access to radio owing to the increased number of radio channels especially vernacular. This has resulted in the wider listenership of radio as opposed to TV. The National ICT survey carried out by the Commission together with the National Bureau of Statistics in 2010 revealed that there were 78.1% of rural and 83.1% of urban population that own radio sets compared to 29.2% in rural Kenya and 66.1% in urban areas that own Television sets.

**Table 22: Average Broadcast Audience**

	Television	Radio
Average Monthly Number of Audience Per Broadcast Station	2,322,500	16,970,691

Source: CCK, Operators' Returns

In reference to Table 23, a larger percentage of TV and Radio program content is internally (locally) produced. During the quarter under review, the content for drama/plays, news, documentaries and discussions was mainly internally produced. On the contrary, a great percentage of music and movies aired was foreign although a remarkable percentage of it was third party produced.

**Table 23: Percentage Program Content (Both TV and Radio)**

Programme Content	Internally (Local) Produced (%)	Third Party Produced (%)	Foreign (%)
Music	12.5	27.9	59.5
Drama/Plays	72.7	19.1	8.2
Movies	14.0	26.2	59.9
News	84.7	9.6	5.8
Documentaries	81.9	8.5	9.6
Discussions	95.3	3.8	0.9

Source: CCK, Operators' Returns

## 5 POSTAL AND COURIER SERVICE

### 5.1 Postal and Courier Traffic

During the quarter under review, the total number of letters sent locally increased by 26.9 per cent to reach 16.8 million letters up from 13.2 million recorded during the previous period. This growth could have resulted from dispatch of success cards during the national exams in primary and secondary schools. Compared to the same quarter of the previous year, 5.2 per cent decline was recorded.

The number of courier items sent decreased by 23.7 per cent from 529,327 items recorded during the previous quarter to 404,090 items during the quarter under review. Compared with the same quarter of the previous year, an increase of 5.3 per cent was recorded.

On the other hand, international incoming letters dropped by 5.3 per cent during the quarter to 2.2 million letters down from 2.4 million letters registered during the previous quarter. Compared to the same quarter of the previous year, a decrease of 5.3 per cent increase was recorded.

On the other hand, international outgoing letters increased by 30.1 per cent to reach 1.1 million letters up from 922, 208 letters sent during the previous quarter. This represented a reduction of 28.8 per cent when compared to the same quarter of the previous year

The postal and courier traffic is shown in Table 24.

**Table 24: Postal and Courier Traffic**

Post and Courier Traffic	Jul-Sep 13	Apr-Jun 13	Quarterly Variation (%)	Jul-Sep 12	Annual Variation (%)
<b>Number of Letters Posted Locally</b>	16,859,790	13,287,964	26.9	17,783,894	-5.2
<b>Total Courier Items Sent Locally</b>	404,090	529,327	-23.7	383,912	5.3
<b>International Incoming Letters*</b>	2,291,770	2,420,901	-5.3	2,678,886	-14.5
<b>International Outgoing Letters</b>	1,199,982	922,208	30.1	1,685,670	-28.8

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

## 5.2 Number of Postal Outlets

As observed over the last three quarters, the number of postal outlets has remained unchanged at 622. Compared with the same quarter of the previous year, a drop of 6.6 per cent in the number of courier outlets was registered.

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

**Table 25: Number of Postal Outlets**

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

Source: CCK, Operators' Returns.

## 5.3 Postal and Courier Revenue and Investment

As Table 26 indicates, the revenues for the postal and courier sector dropped by 18.8 per cent in 2012 to stand at Ksh4.9billion up from Ksh 6.0 billion posted in 2011. At the same time, investments fell by 77.0 per cent in 2012 to reach Ksh 51 million down from Ksh 222 million in 2011.

**Table 26: Postal and Courier Revenue and Investments**

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

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

## 6 CONCLUSION

The quarter experienced mixed growth with increased mobile subscriptions but reduced data/internet market subscriptions. The increase in subscriptions and subsequent increase in mobile voice traffic was mainly driven by the operators' need to continue growing market shares thereby formulating products geared towards luring and retaining subscribers to their networks. This trend is likely to continue in the coming periods as operators seek to leverage on emerging areas such as e-Commerce which will undoubtedly raise growth prospects in the sector. The fixed network on the other hand has been on a downward trend as a result of declining fixed network subscriptions in the country. The dwindling fixed network infrastructure in the country as well as the stiff competition from the mobile operators has pushed this service to the edge of the market particularly among households.

In the data/Internet market, there was recorded decrease in subscriptions mainly attributed to a decline in mobile data/internet as well as satellite subscriptions. However, the steady growth in fibre subscriptions over the period may be the trigger for a positive growth in the coming period for this sector as operators continue to extend infrastructure.

At the same time, bandwidth capacity decreased marginally to stand at 862,834 Mbps. During the quarter, the utilised bandwidth capacity stood at 360,900 Mbps, representing 41.8 per cent of the total capacity. With increased infrastructure roll-out coupled with operators keenness to raise their market shares through formulation of products and services geared towards enticing subscribers, the prospect of this sector are likely to be raised in the near future owing to increased internet subscriptions and subsequent increase in capacity utilisation.

The postal and courier sector continued to decline. It is expected that emergence of new industries such as e-commerce will present a prime opportunity for the sector to make a turnaround and begin to record positive growth as it starts providing last mile delivery on online transactions.