QUARTERLY SECTOR STATISTICS REPORT

1ST QUARTER
JULY-SEPT 2011/2012

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Disclaimer:

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

TABLE OF CONTENTS

List of Tables

List of Figures

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

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.*

II. THE QUARTER IN SUMMARY

At the end of the quarter under review there were 26.4 million mobile subscriptions up from 25.3 million recorded in the previous quarter; a 4.8 percent increase during the period. The total number of main fixed line (fixed terrestrial lines and fixed wireless) subscriptions decreased to 355,493 from 374,942, a decline of 5.19 per cent. The total tele-density during this period increased to 68.1 up from 65.15 per cent recorded in the period ending June-11.Of these, mobile penetration accounted for 67.2 per cent during the period under review.

Minutes of Use (MoU) per subscriber per month recorded 8.4 per cent increase to 89.3 up from 82.4 reported during the previous period. A remarkable increase of 124.38 per cent was recorded in the number of SMS per subscriber per month from 8.5 SMS during the previous period to 18.99 SMS per subscriber during the quarter under review.

In the internet service, the total number of internet subscriptions rose to5.42 million during the period under review up from 4.25 million subscriptions recorded during the previous period. This represents an increase of 27.33 per cent during the period. Additionally, the estimated internet users reached 14.30 million users up from 12.53 million users recorded during the previous period. This represents an increase of 14.06 per cent.

Broadband[1] subscriptions increased by 4.5 per cent during the period to stand at 126,589 subscriptions from 121,126 subscriptions recorded during the previous period. Total broadband subscriptions represented 2.33 per cent of the total internet subscriptions. On the other hand international internet connectivity bandwidth increased significantly by 7-folds to record 213,048.83 Mbps from 32,270.52 Mbps recorded during the last period.

The postal services recorded a decline in local letters sent of 15.21 per cent from 24.26 million letters sent during the previous period to 20.51 million letters sent during the period under review. However, the international outgoing letters received a robust growth of 50.07 per cent from 1.81 million letters sent during the previous period to 2.72 million letters sent during the period under review.

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

1. CELLULAR MOBILE SERVICES

1.1 Subscriptions

The quarter under review, Q1 July-Sep 2011/12, registered an increase of 4.8 per cent mobile subscriptions to 26.49 million from 25.22 million reported in the quarter ending June 2010/11. Compared to the same period of the previous year, Q1 2010/11, this is 20.2 per cent increase representing 4.46 million new subscriptions registered between these two periods. This growth could be attributed to aggressive customer acquisition strategies and marketing by operators as competition in the market intensified.
The summary of growth in mobile subscriptions is as shown in Table 1.

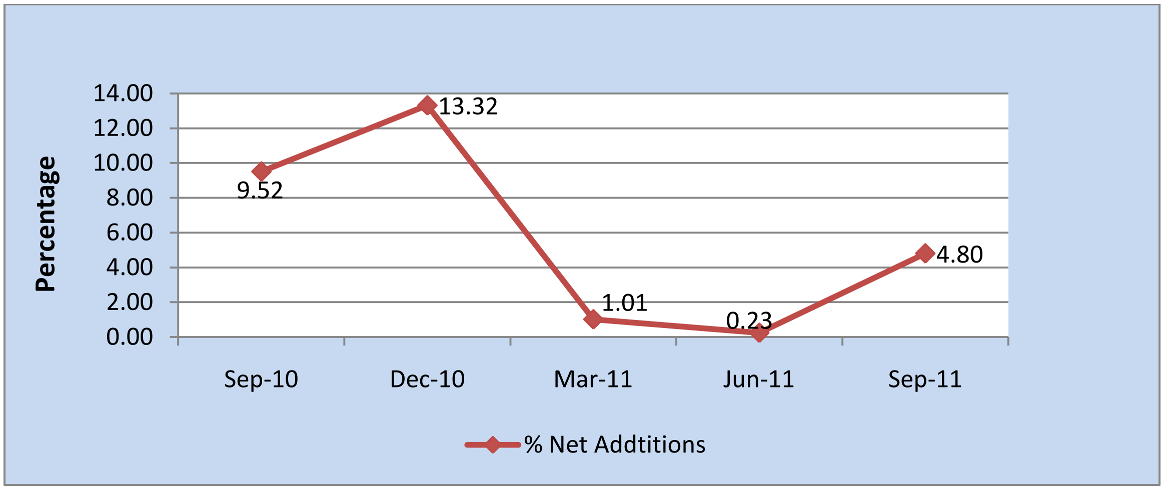
Table 1: Mobile Subscriptions

Subscriber Base	Sep-11	June-11	Quarterly Variation (%)	Sep-10	Annual % change (12mths)
Prepaid Subscriptions	26,260,564	25,048,774	4.8	21,819,822	20.4
Postpaid Subscriptions	233,376	230,994	1.0	213,846	9.1
Total Mobile Subscriptions	26,493,940	25,279,768	4.8	22,033,668	20.2

Source: CCK, Operators' Returns

Prepaid subscriptions grew by 4.8 per cent during the period compared to 1.0 percent for post paid subscriptions. The same period of the previous year also recorded a significant growth of 20.4 per cent for prepaid subscriptions compared to 9.1 per cent growth for postpaid subscriptions. Overally prepaid subscription continues to be the most preferred service, a common trend in developing and emerging economies.
In terms of net additions the quarter under review recorded 1.2 million new subscriptions compared to 59 thousand new subscriptions recorded during the previous quarter, more than 20-fold increase during the period. However, compared to the same period of the previous year a decline of 36.6 per cent growth in new subscriptions was recorded. Figure 1 illustrates the net additions in mobile subscriptions over the period.

Figure 1: Percentage Net Additions in Mobile Subscriptions



Source: CCK, Operators' Returns

The four mobile operators experienced gains in subscriptions during the quarter under review. The highest gain was recorded as 593,177 by Safaricom Limited followed by Airtel Networks Kenya Limited with 557,567 new subscriptions. Essar telecom Kenya Ltd and Orange Telkom recorded 46,742 and 16,686 gains respectively. The summary of subscriptions per operators is as shown in Table 2.

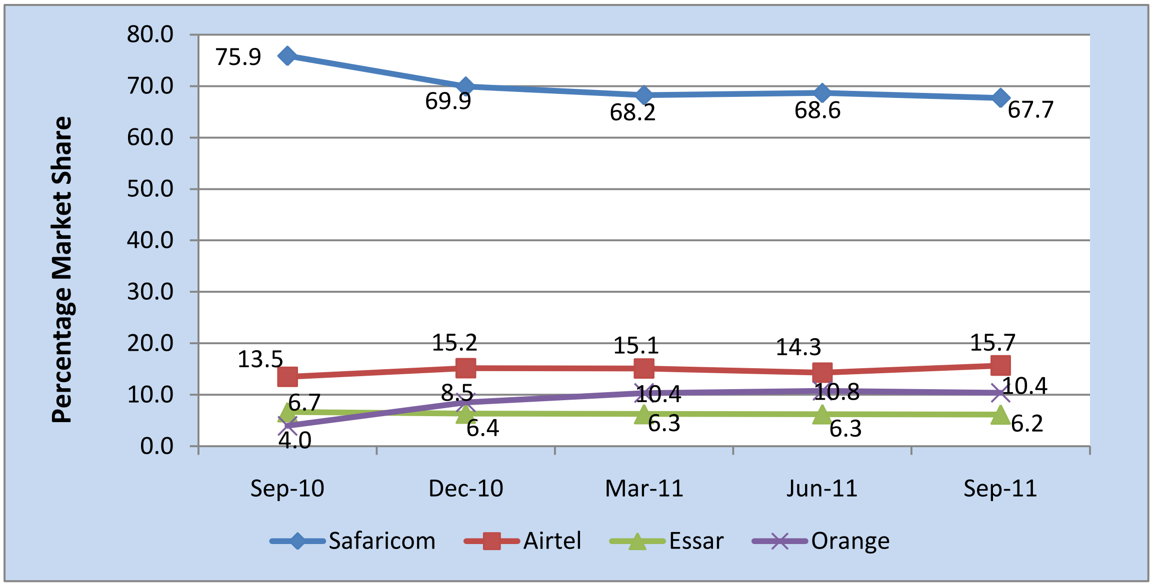
Table 2: Mobile Subscriptions per Operator

Name of operator	Sep-11	June-11	Quarterly net additions	Sep-10	Annual net additions (12mths)
Safaricom	17,946,363	17,353,186	593,177	16,714,548	1,231,815
Airtel	4,172,186	3,614,619	557,567	2,977,696	1,194,490
Essar Telecom	1,629,689	1,582,947	46,742	1,465,832	163,857
Telkom Orange	2,745,702	2,729,016	16,686	875,592	1,870,110
Total	26,493,940	25,279,768	1,214,172	22,033,668	4,460,272

Source: CCK, Operators' Returns

In terms of market share by subscriptions, Safaricom Limited recorded 67.7 per cent; Airtel Networks Kenya Limited had 15.7 while Essar telecom and Telkom Kenya Limited had 6.2 and 10.4 per cent respectively. The market share profile by subscriber base of the four mobile operators is illustrated in Figure 2.

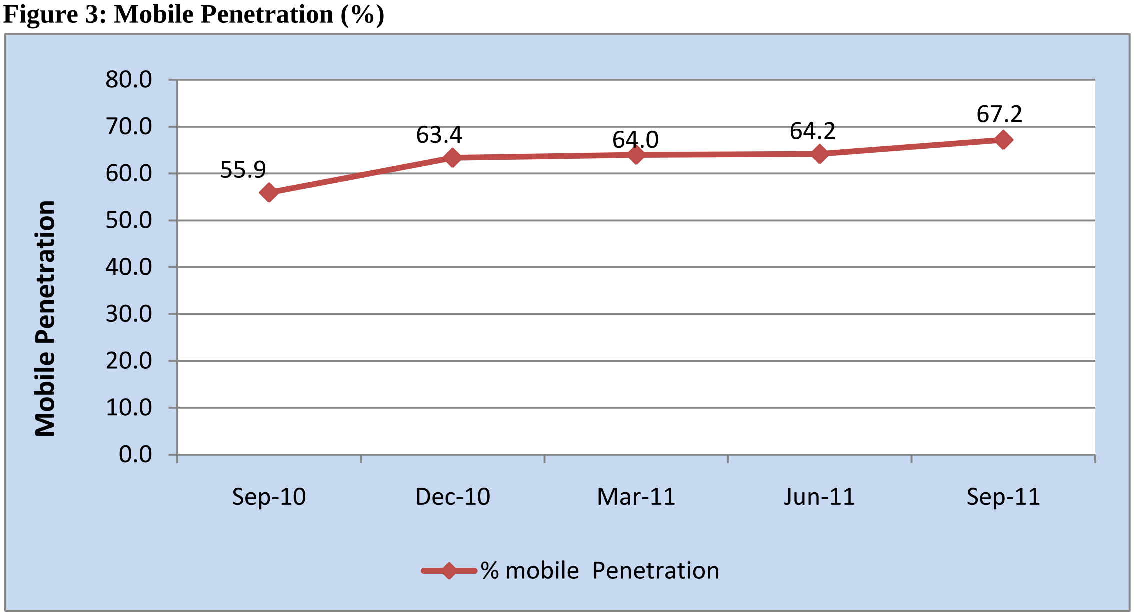
Figure 2: Percentage Subscription Market Share per Operator



Source: CCK, Operators' Returns

At the end of the quarter under review, Q1 2011/12, mobile penetration was recorded at 67.2 per 100 inhabitants against 64.2 per 100 inhabitants in the previous quarter representing an increase of 3.0 percentage points. Compared to the same quarter of the previous year, there was 11.3 percentage points increase in mobile penetration as illustrated in Figure 3.

Figure 3: Mobile Penetration (%)



Source: CCK, Operators' Returns

1.2 Mobile Money Transfer

As shown in Table 3, Mobile Money Transfer has continued to gain popularity among mobile subscribers. At the end of the quarter under review there were 18.4 million Mobile Money Transfer subscriptions. This represents 69.5 per cent of the total mobile subscriptions.

As shown in Table 3, 5.9 per cent increase in subscriptions was recorded when compared to the previous quarter.

Table 3: Mobile Money Transfer

Mobile Money Transfer	July-Sep 11	Apr-Jun 11	Quarterly % Change	July-Sep 10	Quarterly % change
Number of Subscriptions	18,414,667	17,395,727	5.9	13,306,167	38.4
Total Deposits(KES)	56,704,038,411.75	48,270,524,917	17.5	35,750,039,082	58.6

Source: CCK, Operators Returns

Similarly the total amount of deposits made through the mobile phone services grew by 17.5 per cent from Kshs 48 Billion in the previous quarter to Kshs 56 Billion during the period under review. This was 58.6 per cent increase compared to the same period of the previous year.

The continued growth is an indication of subscribers' preference to mobile money transfer, which could be attributed to accessibility and affordability even to low income earners who form the bulk of unbanked population.

1.3 Mobile Traffic and Usage Pattern

1.3.1 Voice Traffic

During the quarter under review a total of 7.09 Billion minutes of local calls were made on the mobile network against 6.24 Billion minutes reported in the previous quarter. This represents a 13.6 per cent increase during the period. The increase could be attributed to network effect resulting from increased mobile subscriptions as well as network and coverage expansion by operators.

As shown in Table 4, significant growth was recorded in on-net traffic that recorded 18 per cent increase during the period which could have been as a result of promotion offerings, increased subscriptions, and network expansion by operators. For instance, free on net calls for 12hrs were offered by one operator while other operators offered reduced calling rates during certain periods in the quarter under review. Compared to the same period of the previous year, 7.1 per cent increase was registered.

Table 4: Local Mobile Voice Traffic in Minutes

Traffic by type	July-Sep 11/12	Apr-Jun 10/11	Quarterly % change	Jul-Sep 10/11	Quarterly % change
By Traffic Origin(Outgoing Traffic)					
Own network-Own network	6,580,097,875	5,576,026,962	18.0	6,211,390,284	5.9
Own network to other mobile networks	498,957,125	656,372,714	-24.0	405,153,040	23.2
Mobile network fixed network	19,357,556	13,902,683	39.2	13,935,614	38.9
Total traffic origination(Outgoing)	**7,098,412,556**	**6,246,302,359**	13.6	**6,630,478,938**	7.1
By Traffic Termination(Incoming Traffic)					
Own network-own network	6,580,097,875	5,576,026,962	18.0	6,211,390,284	5.9
Other mobile networks - own network	492,244,117	637,767,468	-22.8	404,189,936	21.8
Fixed network-Mobile network	29,857,148	47,763,363	-37.5	13,935,614	114.3
Total traffic termination(Incoming traffic	**7,102,199,140**	**6,261,557,793**	13.4	**6,629,515,834**	7.1

Source: CCK, Operators' Returns

At the same time the total number of voice minutes **received** on all mobile networks was recorded as 7.1 Billion up from 6.26 billion recorded in the previous quarter, representing a 13.4 per cent increase. This was an increase of 7.1 per cent compared to the same period of the previous year.

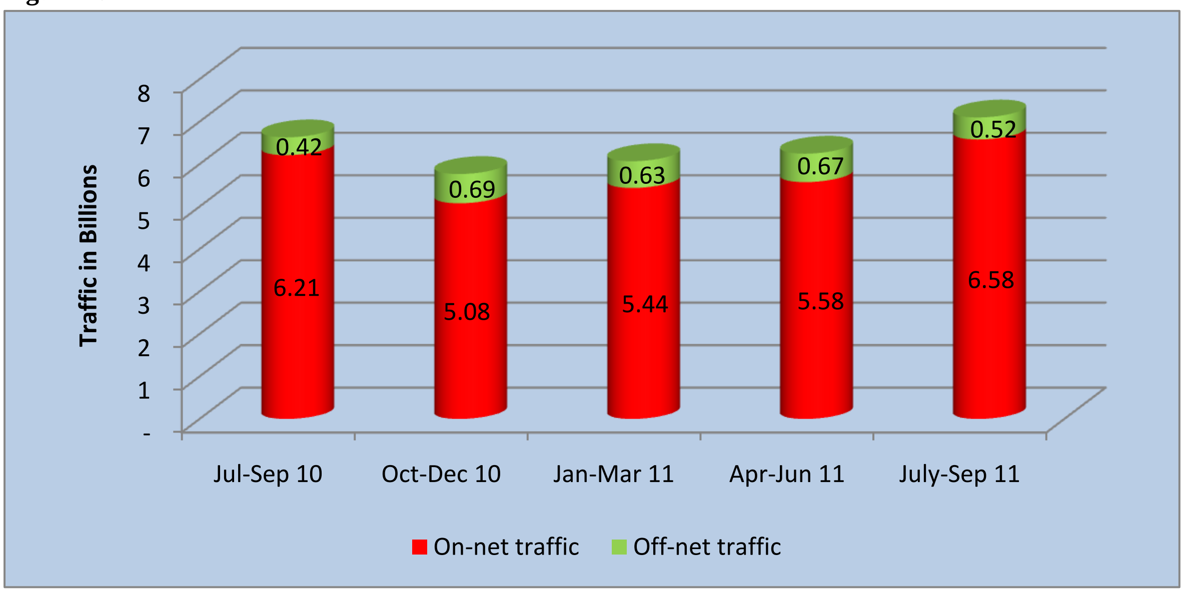
However, there was a decrease of 24 per cent for traffic across network from 656 million recorded during the previous period to 498 million minutes during the period under review. The decline could have been as a result of aggressive on-net promotions by operators consequently eroding off-net traffic considering the fact that majority of mobile subscribers have multiple SIM cards. Compared to the same quarter of the previous year, an increase of 23.2 per cent was recorded.

On the other hand, traffic to fixed networks increased by 39.2 per cent during the period under review from 13.9 Million minutes in the previous quarter to 19.3 million minutes recorded during the period under review. Notably, traffic to fixed line network has continued to show a positive trend despite the decline in fixed lines connections. This could be attributed to narrowing of price differentials for mobile and fixed tariffs which are currently being charged at similar rates.

As has been the trend over the years, traffic from fixed to mobile continued to experience a decline from 47.7 million minutes in the last quarter to 29.8 million minutes during the quarter under review. This could be attributed to the decline in fixed line subscriptions.

As illustrated in Figure 4, the intra-network traffic continued to dominate the mobile traffic and accounted for 92.7 per cent of the total mobile traffic. This is an increase of 3.4 percentage points from the previous period. This increase shows that there has been an increase in on-net activity and a decline in off-net activity as a result of aggressive on-net promotions. Compared to the same period of the previous year a drop of 1.0 percentage points was recorded. The growth in mobile traffic is illustrated in Figure 4.

Figure 4: Growth in Mobile Traffic in Minutes



Source: CCK, Operators' Returns

1.3.2 Voice Traffic by Operator

In terms of market share by voice traffic, Safaricom continued to dominate this market and increased it share to 88.27 per cent during the period under review compared to 86.10 per cent recorded during the previous period. Airtel Networks Ltd recorded a decline of 2.67 percentage points to 6.55 per cent from 9.22 per cent during the previous period.

Essar Telecom increased its market share by 1.25 percentage points to stand at 4.58 per cent during the period under review compared to 3.33 per cent during the previous period. Telkom Orange market share declined to 0.6 per cent from 1.35 per cent recorded during the previous period.

The summary of voice traffic and market shares per operator is as shown in table 5.

Table 5: Voice traffic by operator

Operator	July-Sep-11				Apr-Jun-11			
	On-net	Off-Net	Total	%Market share on total traffic	On-net	Off-Net	Total	%Market share on total traffic
Safaricom	6,107,113,620	158,773,784	6,265,887,404	88.27	5,177,752,252	229,517,903	5,407,270,155	86.10
Airtel	197,613,358	267,443,282	465,056,640	6.55	263,985,811	314,949,059	578,934,870	9.22
Essar Telecom	260,915,776	63,848,060	324,763,836	4.58	116,838,867	92,208,318	209,047,185	3.33
Telkom Orange	14,455,121	28,249,555	42,704,676	0.60	17,450,032	67,460,797	84,910,829	1.35

Source: CCK, Operators' Returns

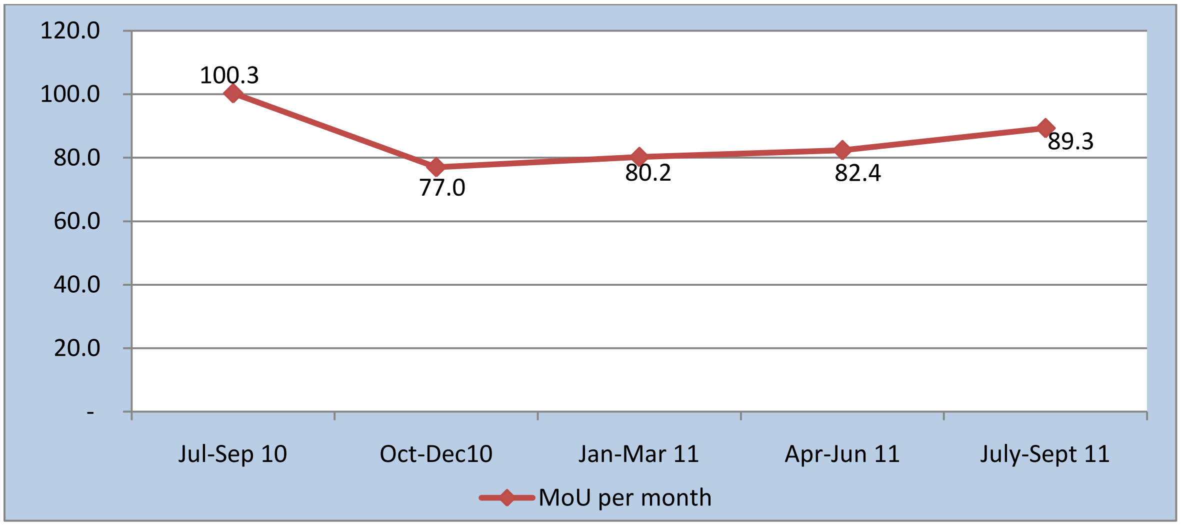
Despite the significant dynamics in market share based on subscription that has been witnessed in the industry over the last one year, market shares based on traffic volumes are less dispersed among operators. This would also be the case with respect to market shares based on revenues as revenue is positively correlated to voice traffic.

1.3.3 Minutes of Use

The quarter under review, Q1 2011/12, recorded an 8.4 percentage increase in Minutes of use per subscriber per month from 82.4 minutes per subscriber per month recorded during the previous quarter to 89.3 minutes per subscriber per month during the quarter under review. This growth in MoU could be attributed to competitive tariff and promotional offerings by operators and subsequent increase in on-net traffic.

Compared to the same period of the previous year a decline of 11.0 per cent was recorded. As illustrated in figure 5, the MoU has began to show a steady upward trend since the second quarter of the previous year possibly as a result of narrowing of price differentials for off-net and increased on-net promotions consequently increased mobile subscriptions and voice traffic.

Figure 5: Minutes of Use per Subscriber per Month



Source: CCK, Operators' Returns

As shown in Table 6, the use of short messaging service experienced a boost during the quarter under review unlike the previous period where the service had recorded a declining trend. During the quarter under review there were 1.5 Billion SMS sent compared to 641 Million SMS sent during the previous period. This is more than 2-folds increase during the period. Remarkably, the on-net SMS sent contributed 93.9 per cent of the total SMS sent, an indication that apart from the SMS bundle offerings, promotional offers could have stimulated increased on-net activity as witnessed in increased on-net voice traffic. Compared to the same period in the previous year 103.7 per cent increase was recorded.

Table 6: Short Messaging Service

SMS	Jul-Sep 11/12	Apr-Jun 10/11	Quarterly % change	Jul-Sep 10/11	Quarterly % change
SMS Sent	1,509,091,359	641,729,711	135.16	740,772,622	103.72
SMS per Subscriber per Month	18.99	8.5	124.38	11.2	69.42

Source: CCK, Operators' Returns

The quarter under review, Q1 2011/12, recorded an increased number of SMS per subscriber per month from 8.5 SMS recorded during the previous quarter to 18.99 SMS per subscriber per month recorded during the quarter under review, representing 124.4 per cent increase. This was 69.4 percent increase compared to the same period of the previous year.

1.3.4 Roaming Traffic

International roaming has continued to register an upward trend over the period. During the quarter under review, the voice minutes on roaming out[2] voice traffic increased by 9.8 per cent from 33.7 million recorded in the previous year to 37 million during the period under review. This is an indication that the service is more accessible possibly due to increased roaming agreements with foreign operators.

Similarly, during the quarter under review, the number of roaming in[3] voice traffic increased significantly to 8.2 million minutes from 5.9 million minutes in the previous quarter representing 40.28 per cent increase. This is an indication that there were more calls made by foreign visitors while in the country during the period.
Table 7 gives a summary of roaming traffic.

Table 7: Roaming Traffic

Roaming Traffic	July-Sep-11	Apr-Jun-11	Quarterly % Change	July-Sep-10	Quarterly % Change)
Roaming voice minutes own subscribers on foreign networks	37,074,001	33,753,318	9.84	24,386,746	52.03
Roaming voice minutes foreign subscribers on local network	8,278,072	5,900,953	40.28	7,472,120	10.79
Roaming messages own subscribers on foreign networks	5,996,858	6,834,280	-12.25	6,718,069	-10.74
Roaming messages foreign subscribers on local network	6,340,340	4,484,562	41.38	5,374,911	17.96

Source: CCK, Operators' Returns

On the contrary, the roaming out messages decreased by 12.25 per cent to5.9 million from 6.8 million messages reported in the previous period. This was a 10.74 decline compared to the same period of the previous year. At the same time, the number of roaming in messages increased by 41.38 per cent from 4.4 million messages recorded during the previous period to 6.3 million messages recorded during the quarter under review, an increase of 17.69 per cent compared to the same period of the previous year.

1.3.5 International Mobile Traffic

In the quarter being reported, Q1 2011/12, the total number of international incoming mobile voice minutes recorded 0.66 per cent decline to 148 million from 149 million reported in the previous quarter. This is also a decline of 11.28 per cent when compared to the same period of the previous year.

[2] Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.
[3] Roaming in is traffic originated and terminated by foreign subscribers on national networks.

On the other hand, the international outgoing traffic registered a positive trend during the period under review to stand at 187 million minutes from 146 million minutes recorded during the previous period. When compared to the same quarter of the previous year, this was an increase of 111.28 per cent. This increase could be attributed to the reduced international calling rates to countries like USA, Canada and China. This increase may partly explain the declining international incoming traffic as subscribers take advantage of the low calling rates which at times charge as low as Kshs 3.00 per minute.

The summary of international mobile traffic is shown in Table 8.

Table 8: International Mobile Traffic (Minutes)

International mobile traffic in minutes	Jul-Sep 11/12	Apr-Jun 10/11	Quarterly % Change	Jul-Sep 10/11	Quarterly % Change
International incoming mobile voice minutes	148,222,266	149,212,606	-0.66	167,061,300	-11.28
International outgoing Mobile minutes	187,360,927	146,250,680	28.11	88,678,425	111.28

Source: CCK, Operators' Returns

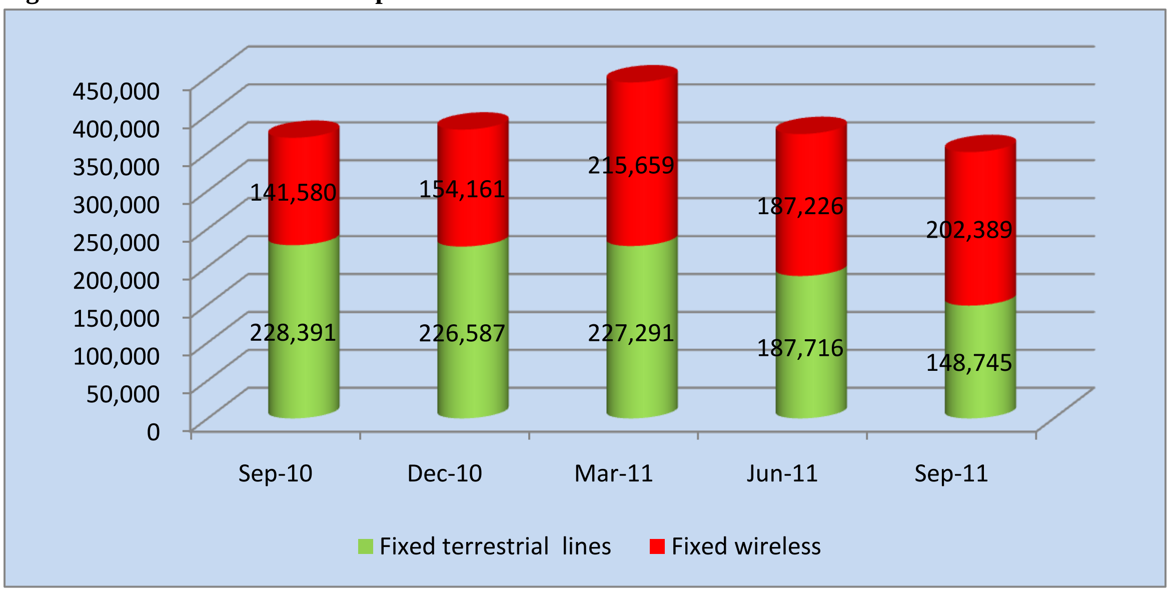
2. FIXED TELEPHONE SERVICE

2.1 Subscriptions

Over the years, the number of main fixed lines (fixed terrestrial lines and fixed wireless) has experienced a declining trend. During the period under review the fixed lines subscription reduced to 355,493 from 374,942. This represents a decline of 5.19 per cent during the period and 3.91 per cent decline when compared to the same quarter of the previous year. Substitution for mobile, continued vandalism of copper cables as well as high maintenance costs of the terrestrial facilities could be the reasons attributed to this decline.

The summary of fixed network subscription is shown in Figure 6.

Figure 6: Fixed Network Subscriptions



Source: CCK, Operators Returns

2.2 Fixed Network Traffic

In the quarter being reported, Q1 2011/12, a total of 67 million minutes were made on the fixed line network[4] against 103 million minutes recorded during the previous quarter. This represents a decline of 28.36 per cent during the period and an increase of 396.56 per cent when compared to the same period of the previous year. At the same time the fixed to mobile traffic declined to 29.8 million from 47 million minutes reported in the previous period. The reduction in the fixed line local traffic is an indication that the reduction in subscriptions has had an overall effect in the fixed line traffic. This is shown in table 9.

[4] Fixed line network include fixed line and fixed wireless.

Table 9: Local Fixed Network Traffic in Minutes

Local fixed line traffic	Jul-Sep 11/12	Apr-Jun 10/11	Quarterly % change	Jul-Sep 10/11	Quarterly % change
Intra-network traffic(Fixed-Fixed)	40,141,661,	56,029,067	-28.36	8,083,941	396.56
Fixed to other network(Mobile and LLOs)	29,857,148	47,776,137	-37.51	13,935,614	114.25
Total Local Fixed network traffic	69,998,809	103,805,204	-34.73	22,019,555	207.70

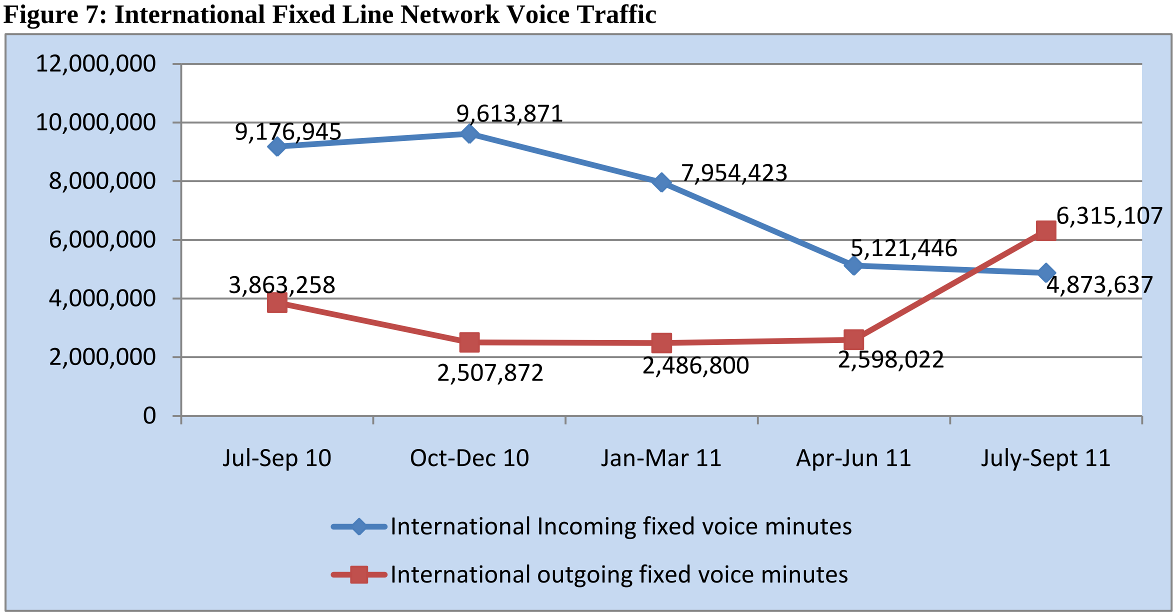
Source: CCK, operators' Returns, DNA - Data Not Available.

In addition, the quarter under review recorded a decline in international incoming fixed line voice traffic from 5.1 million minutes recorded in the previous quarter to 4.8 million minutes recorded during the period under review. This represents a decline of 4.84 per cent from the previous quarter and 46.89 per cent decline when compared to the same period of the previous year.

The international outgoing fixed line voice traffic grew significantly by 143.07 per cent from 2.5 million minutes in the previous quarter to 6.3 million minutes during the quarter under review. This growth could possibly be as a result of lower international calling rates due to competition.

The growth in international fixed line voice traffic is as illustrated in Figure 7.

Figure 7: International Fixed Line Network Voice Traffic



Source: CCK, Operators' Returns

3. DATA AND INTERNET SERVICE

3.1 Subscriptions

By the end of the quarter under review, Q1 2011/12, there were 5.4 million internet subscriptions from 4.2 million recorded in the previous period, an increase of 27.33 per cent. Compared to the same period of the previous year, an increase of 67.86 per cent was recorded.

Satellite subscriptions declined from 960 subscriptions in the previous period to 774 subscriptions during the quarter under review.

On the other hand, mobile subscriptions on GPRS/EDGE and 3G continued to show an upward trend as has been the case in the previous periods. At the end of the quarter under review there were 5.3 million mobile data/internet subscriptions up from 4.1 million recorded during the previous quarter, an increase of 28.3 per cent. In actual fact, the number of mobile data/internet subscriptions represented 99 per cent of the total subscriptions, an indication that the mobile handset has become a popular mode of accessing internet.

The summary of internet subscriptions is as shown in Table 10.

Table 10: Internet Subscriptions

Internet/Data subscriptions	Sep-11	June-11	Quarterly % Change	Sep-10	Annual % change
Total internet subscriptions	5,422,009	4,258,287	27.33	3,230,023	67.86
Mobile data/internet subscriptions	5,375,302	4,189,720	28.30	3,192,667	68.36
Terrestrial wireless data/internet subscriptions	12,425	29,979	-58.55	15,907	-21.89
Satellite data/internet subscriptions	774	960	-19.38	839	-7.75
Fixed DSL data/internet subscriptions	11,016	15,168	-27.37	12,216	-9.82
Fixed fiber optic data/internet subscriptions	22,467	22,460	0.03	8,369	168.46
Fixed cable modem subscriptions	25	25	0.00	25	0.00
Total Internet users[5]	**14,300,679**	**12,538,030**	14.06	**8,689,304**	64.58

Source: CCK, Operators' Returns

Similarly, at the end of the quarter under review, there were an estimated 14.3 million internet users compared to 12.5 million users reported in the previous quarter. This represented 14.06 per cent increase. Compared to the same period of the previous year 64.58 per cent increase was recorded. This growth could have been accelerated by

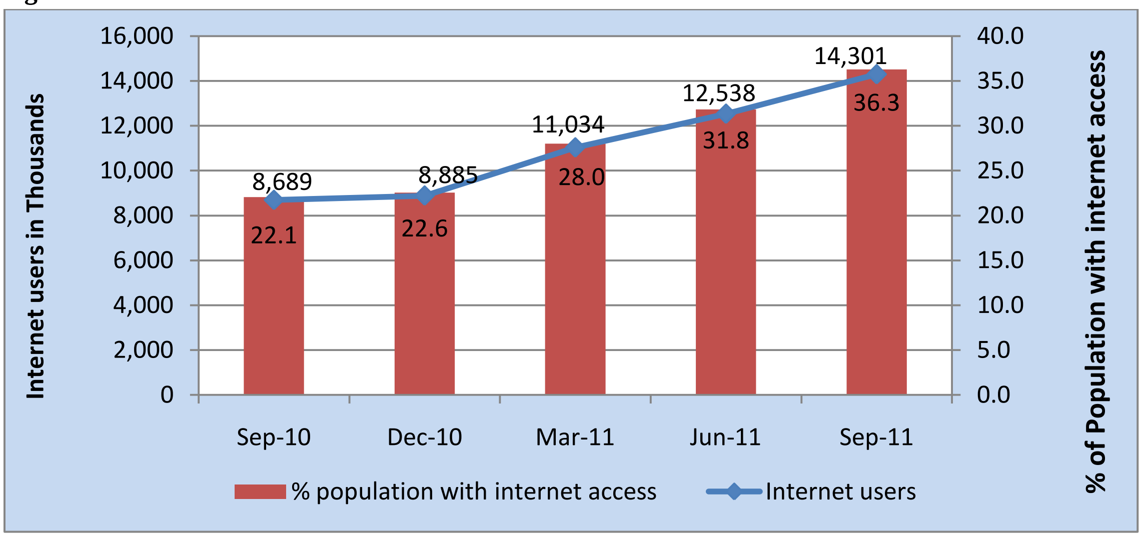
[5] Internet users is estimated by multiplying by 2 the number of mobile data/internet subscriptions, by 10 terrestrial wireless subscriptions, and by 100 fixed DSL, Fiber optic and satellite subscriptions. There is no scientific method of estimating internet users; for the purpose of this report the methodology adopted is borrowed from the internet market study 2006 of CCK.

increased mobile subscriptions and the ease of accessing the service regardless of the tariff plan application.

At the end of the quarter under review, 36.3 per cent of the population had access to internet from 31.8 per cent recorded in the previous period. This was an increase of 4.5 percentage points from the previous period. Compared to the same period of the previous year, an increase of 14.2 percentage points was recorded.

The summary of the growth of internet users and access is illustrated in Figure 8.

Figure 8: Internet Penetration



Source: CCK, Operators' Returns

As shown in Table 11, Majority of internet subscriptions are from the mobile operators and their total market shares was recorded as 89.9 per cent. The summary of internet subscriptions by operator is as shown in Table 10.

Table 11: Internet Subscriptions by Operator

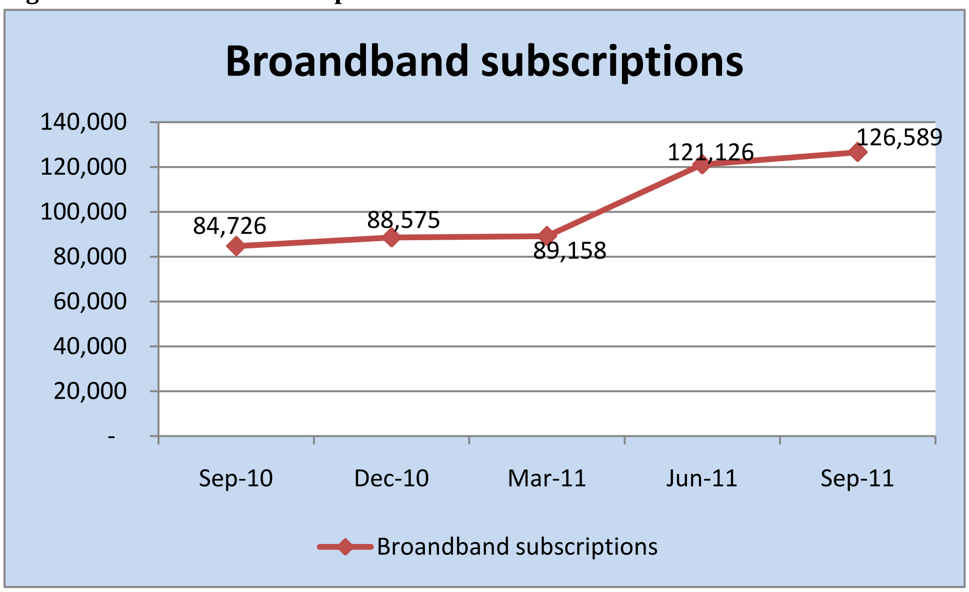
Name of operator	Sep-11	% Market share Sep 11	June-11	% Market Share Jun-11
Safaricom Ltd	4,307,746	79.45	3,584,283	84.17
Celtel Kenya Ltd	460,221	8.49	496,509	11.66
Telkom Orange	106,290	1.96	108,926	2.89
Telkom fixed	10,088	0.19	13,933	
Kenya data networks	21,326	0.39	21,660	0.51
Communication Solutions(Access Kenya) Ltd	11,150	0.21	10,100	0.24
Wananchi Telkom Ltd	8,400	0.15	8,400	0.20
Swift Global	1,520	0.03	1520	0.04
Iway Africa	1,221	0.02	1410	0.03
Flexible bandwidth	1,198	0.02	1198	0.03
Internet solutions	847	0.02	-	-
CallKey networks	-	-	816	0.02
Others	492,002	9.07	9,532	0.22

Source: CCK, Operators' Returns, (-) Subscriptions below the first 10, aggregated under others

3.2 Broadband

At the end of the quarter being reported, Q1 2011/12, there were 126,589 broadband[6] subscriptions up from 121,126 in June 2011. This was an increase of 5,463 new subscriptions and 4.5 per cent increase during the period. Compared to the same period of the previous year 49.41 per cent increase was recorded. The total number of broadband subscriptions represented 2.33 per cent of the total internet subscriptions. Growth in broadband subscriptions is shown in Figure 9.

Figure 9: Broadband Subscriptions



Source: CCK, Operators' Returns

3.3 International Connectivity

As shown in Table 12, the total international internet connectivity bandwidth increased significantly during the period under review. This was recorded as 231,048.83 Mbps from 32,270.52 Mbps during the previous period, representing an increase of 615.97 per cent during the period. This increase was brought about by one of the cable providers, Seacom Ltd that reported an increase in international internet connectivity bandwidth. This could have been as a result of increased demand for data services and subsequent increase in bandwidth. Overall the international internet connectivity bandwidth represents 4.5 per cent of the total international available bandwidth in the country, an increase of 3.5 percentage points from the previous period.

The summary of international connectivity bandwidth is as shown in Table 11.

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

Table 12: International Internet Connectivity Bandwidth (Mbps)

International connectivity internet bandwidth	Sept-11	June-11	% quarterly variation	Sep-10	% annual variation
International undersea internet connectivity bandwidth(Mbps)	230,946.56	32,151.52	618.31	20,000	1054.73
International satellite internet connectivity bandwidth	102.28	119	-14.05	209.56	-51.19
Total international internet connectivity bandwidth(Mbps)	231,048.83	32,270.52	615.97	20,209.56	1043.27

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

As has been the trend, satellite connectivity bandwidth continued to decline from 119 Mbps recorded in June-11 to 102.28 Mbps during the period under review. This indicates that operators have shifted their focus to more affordable submarine cables for international connectivity.

4. POSTAL AND COURIER SERVICE

4.1 Postal Traffic

The quarter under review Q1 2011/12, recorded 20.5 million letters posted locally down from 24.2 million letters posted during the previous quarter. This represents a decline of 15.21 per cent. The decline can be attributed to the stiff competition the sector faces from other ICT service providers with efficient and less expensive means of communication. For instance during the period under review SMS increased significantly an indication that the service could have consumed some of the traffic on local letters sent. Compared to the same period of the previous year, a decline of 35.10 per cent is recorded.

Additionally, the total courier items sent were recorded at 392,446 down from 407,548 recorded during the previous period, a decline of 3.71 per cent. However, compared to the same period of the previous year, an increase of 92.44 per cent was recorded. The Postal and courier traffic is summarized in Table 13.

Table 13: Postal and Courier Traffic

Indicator	July-Sep 11/12	Apr-Jun 10/11	% Quarterly change	Jul-Sep 10/11	% Quarterly change
Number of letters posted locally	20,571,629	24,263,225	-15.21	31,697,050	-35.10
Total courier items sent locally	392,446	407,548	-3.71	203,928	92.44
International incoming letters	100,313	115,477	-13.13	101,595	-1.26
International outgoing letters	2,728,771	1,818,304	50.07	1,343,044	103.18

Source: CCK, Operators' Returns

In addition, the international incoming letters were recorded at 100,313 during the period under review down from 115,477 reported in the previous quarter, representing 13.13 per cent decline. Compared to the same period of the previous year, a decline of 1.26 per cent was recorded. However the international outgoing letters experienced a significant increase to record 2.7 million letters during the period under review from 1.8 million letters reported in the previous period. This represents 50.07 per cent increase during the period and 103.18 per cent when compared to the same period of the previous year.

5. CONCLUSION

The continued growth in the telecommunication sector demonstrates the potential of the sector. It is evident that the growth of mobile subscriptions is on an upward trend with mobile handsets not only becoming the medium of communication but also for accessing other value added services like data and internet, entertainment, mobile money transfer amongst others. This trend is likely to continue as new innovations emerge and operators keep an eye on new services as well as grab the opportunity of being the first to offer them.

Mobile data/internet market is poised to transform the internet market in the country. With the number of mobile data/internet subscriptions rising steadily over the period, this trend is likely to continue as operators leverage on emerging technologies to bring creative new offerings to the market that meet users demands. Consequently, intense competition is likely to continue as operators seek to diversify their services in an effort to grow their revenue margins.

Internet usage reached 14.3 million users with 36.3 per cent of population having access to the internet. Precisely the period under review recorded 75 per cent of users accessing the service through their mobile handsets leaving computer and other modes of access with only 25 per cent. Computer connectivity which includes bandwidth costs could be considered expensive compared to mobile connectivity which is easier and faster. Continuous service innovations by mobile operators making the service attractive to majority of subscribers could also be a pointer to this disparity on accessibility modes.

The international connectivity bandwidth received a boost of 615.97 per cent during the period. However the usage still remained low with only 2.33 per cent, an indication that a lot of capacity is yet to be utilized. Projects geared towards utilizing this capacity such as local content development should be encouraged as this provides a critical foundation for a thriving information society where an increasing level of decision-making takes place based on digitally transmitted data, information, and knowledge.

Lastly, the postal sector recorded a downward trend except for international outgoing traffic that recorded significant growth during the period. Needless to say, the sector has been faced with stiff competition from the mobile operators and this has impacted negatively on their services particularly on local letter mail volumes. Diversification of services and growth strategies in new business areas as well as improved operational management could be what is required to reverse this trend.

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