QUARTERLY SECTOR STATISTICS REPORT

2ND QUARTER
OCTOBER-DECEMBER 2010/2011

Any queries to this report contact;
Director/Competition Tariffs and Market Analysis
Tel:+254-20-4242000
Email: info@cck.go.ke
Website: www.cck.go.ke

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

SMS .... Short Messaging Service
MOU .... Minutes of Use
ICTs .... Information Communication Technologies
Mbps .... Megabits per second
SIM.... Subscriber Identification Module
QoS.... Quality of service

1. THE QUARTER IN SUMMARY

The quarter under review recorded 12.0 per cent mobile subscriptions growth from 22.3 million in the last quarter to 24.96 million subscribers. This is the highest growth that has been recorded over the last four quarters.

On the other hand, the fixed lines declined by 0.8 per cent from 228,391 to 226,587 lines in contrast to the fixed wireless which recorded a 8.9 per cent increase from 141,580 in the previous period to 154,161 during the period under review.

Overall tele-density rose to 64.2 per cent from 56.9 per cent in September 2010, with mobile services accounting for 63.2 per cent.

A total of 7.45 billion minutes of local calls were made on the mobile networks against 6.63 billion in the previous quarter, representing 12.3 per cent increase. Traffic from other mobile networks to own networks increased significantly during the period under review from 405 million minutes in the previous quarter to 688 million minutes during the quarter under review. This is attributable to the declined off-net tariffs across the networks following the review of the interconnection rate of 2010. The number of SMS recorded during the quarter was 665 million text messages compared to 740 million text messages sent the previous quarter.

The total number of internet subscriptions increased to 4.7 million by end of December 2010 from 3.2 million in the previous quarter, that ended in September 2010. The number of internet users was estimated at 10.2 million from 8.6 million users in the previous quarter. This represents 18.6 percentage growth.

The international internet connectivity bandwidth recorded marginal decline from 20,384.12Mbps in the previous quarter to 20,209.56Mbps during the quarter under review.

In the postal services, the number of total letters sent decreased to 31.2 million from 31.6 million representing 1.4 per cent decrease.

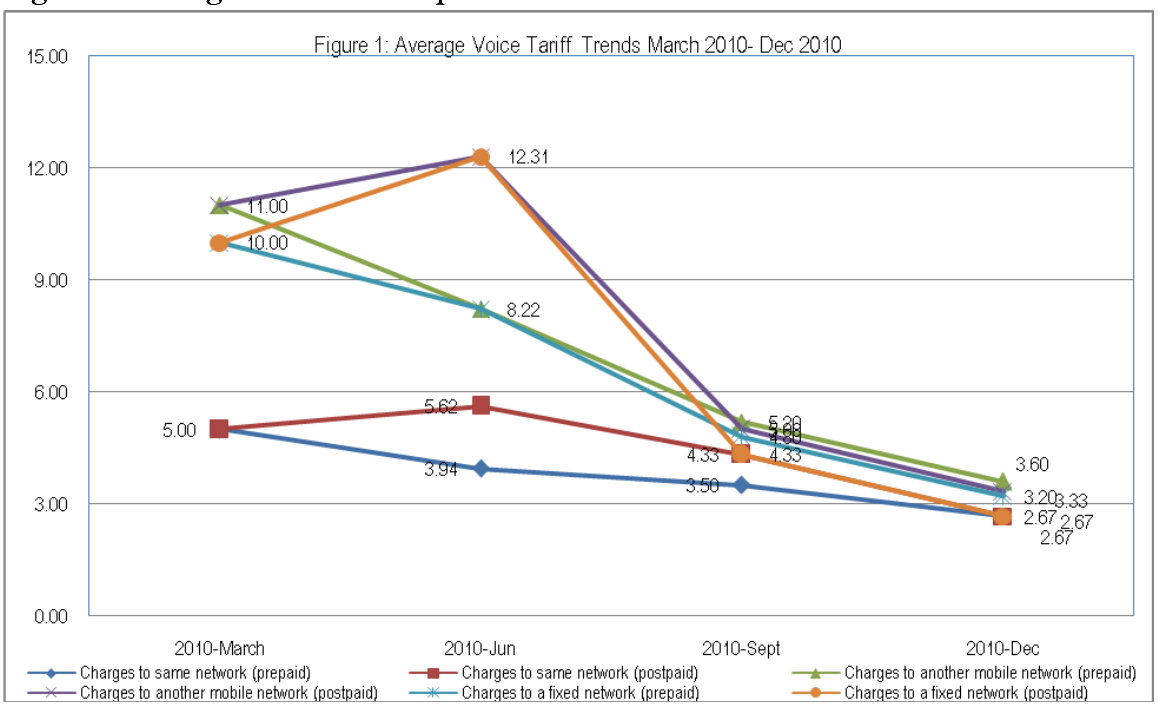
2. CELLULAR MOBILE SERVICES

a) Mobile Tariffs

Mobile tariffs continued to decline as competition in both voice and data markets intensified. The average tariff for on-net calls declined to KES 2.67 per minute from KES 3.92 per minute in the previous quarter while the average tariff for off-net calls during the quarter was KES 3.47 down from 5.10 per minute in the previous quarter. The tariffs for the post-paid subscribers reduced to an average of KES 2.89 per minute from KE S4.56 per minute in the last quarter ending September 2010. This represents 31.9 per cent reduction on pre-paid tariffs and 36.6 per cent on post-paid tariffs from the previous period.

The tariff decline for the period September 2010 to December 2010 is attributed to an interconnection determination issued by Commission in August 2010 which reduced termination rates from KES. 4.42 to KES 2.21 coupled with increased competition among operators in the mobile market which followed the acquisition of Zain by Bharti Airtel whose business strategy seem to target the mass market.

Figure 1: Average Mobile tariffs per minute



Source: CCK, operators compliance return forms

b) Mobile Subscriptions

The quarter under review recorded 2,935,223 new mobile subscribers joining the four mobile operators in Kenya representing 12.0 per cent growth. With a subscription market share of 69.9 percent, Safaricom Limited remained on top of the three other operators and registered 736,777 new subscribers in its network between October and December 2010. Airtel with a market share of 15.2 percent is ranked second and had 814,708 new subscribers followed by Orange with a market share of 8.5 percent netting 972,928 new users within the quarter. Essar Telecom with a market share of 6.4 percent added 125,868 new subscribers to its network. The significant growth could be attributed to massive promotion and marketing activities by all the mobile operators a factor that could have contributed to increased subscriptions.

A summary of subscriptions for each of the operators is as shown in table 1.

Table 1: Mobile Subscriptions by operator

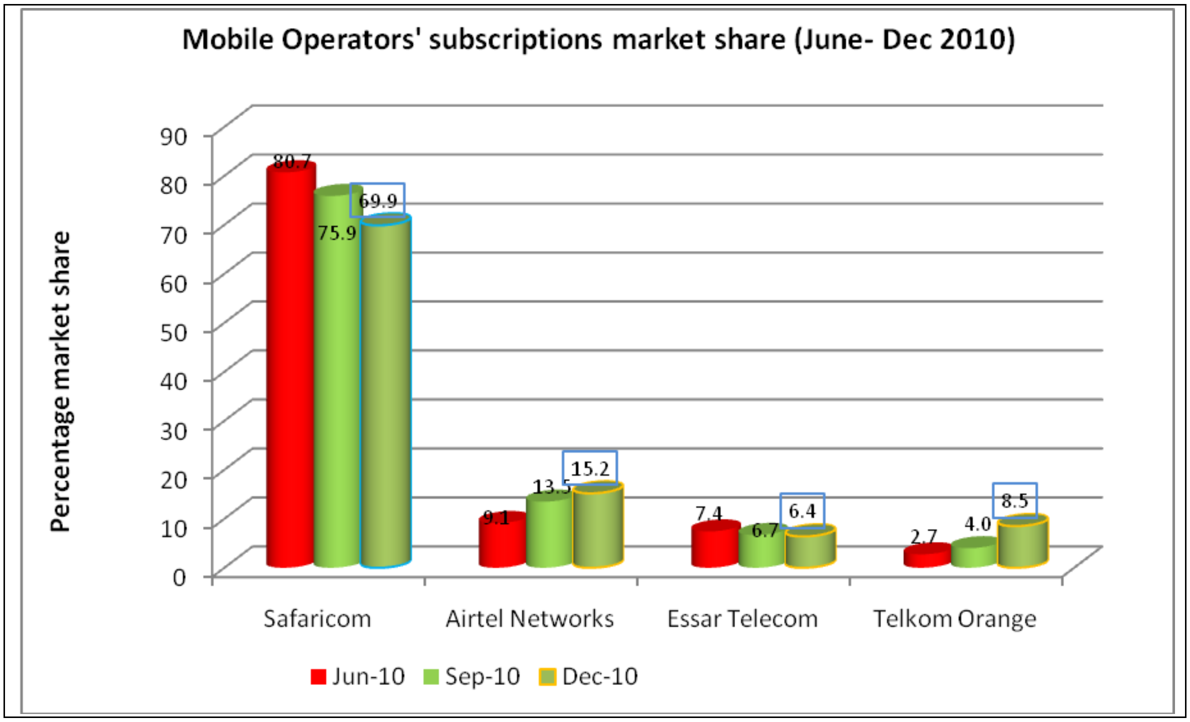
Service provider		Mobile Subscriber base				Market share (%) Q210/11
	Q2 10/11	Q1 10/11	Q4 09/10	Net additions	Growth rate (%)	
Safaricom	17,451,325	16,714,548	16,240,569	736,777	4.4	69.9
Airtel	3,792,404	2,977,696	1,834,343	814,708	27.4	15.2
Orange	2,133,462	1,160,534	552,294	972,928	83.8	8.5
Essar Telecom	1,591,700	1,465,832	1,492,098	125,868	8.6	6.4
Total	24,968,891	22,318,610	20,119,304	2,650,281	12.0	

Source: Source: CCK, operators compliance return forms

During the quarter, there was a significant re-alignment of the market share. Telkom Orange and Airtel Networks gained 4.5 and 1.7 percentage points respectively of market share while Safaricom and Essar Telecom lost by 6.0 and 0.3 percentage points respectively. In terms of absolute net additions, Telkom Orange registered the highest number during the quarter under review with 972,928 new subscriptions followed by Airtel with 814,708 and Safaricom with 736,777 respectively. Essar Telecom had the least additions of 125,868 subscriptions.

Figure 2 shows the market share for each of the mobile operators during the period under review.

Figure 2: Mobile operators' subscriptions Market share

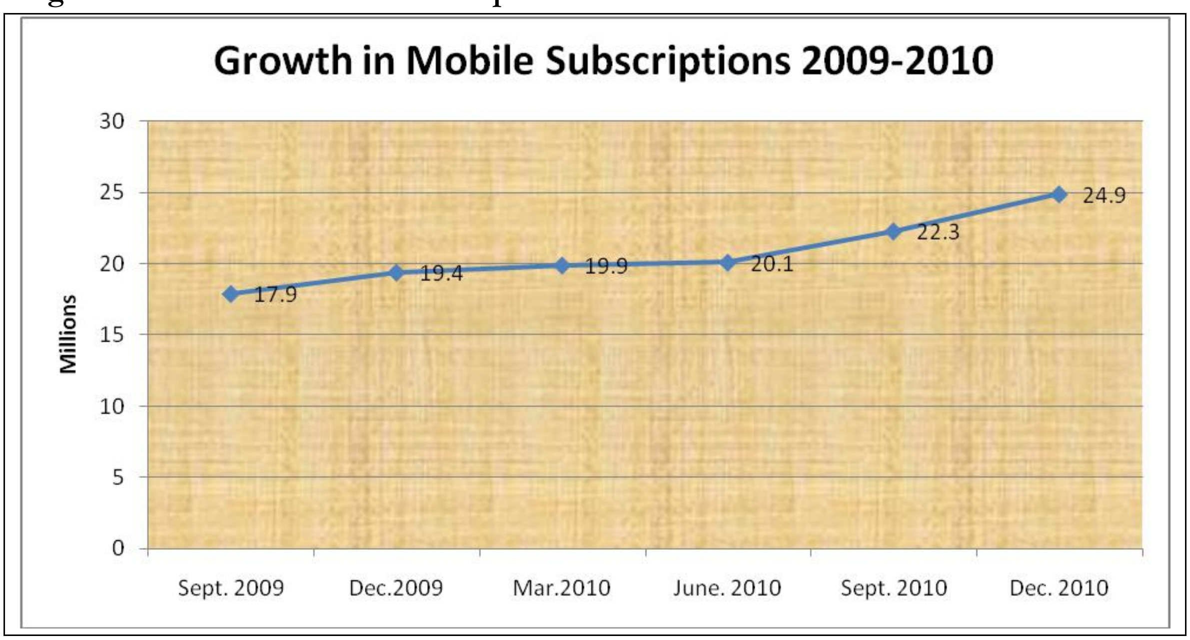


Source: CCK, operators compliance return forms

c) Growth in Mobile Subscriptions

At the end of December 2010, the Kenya had a total of 24,968,891 mobile subscribers from 22,318,610 at the end of September 2010. The growth in mobile subscriptions is summarized in figure 3 below:

Figure 3: Growth in Mobile subscriptions



Source: CCK, operators compliance return forms

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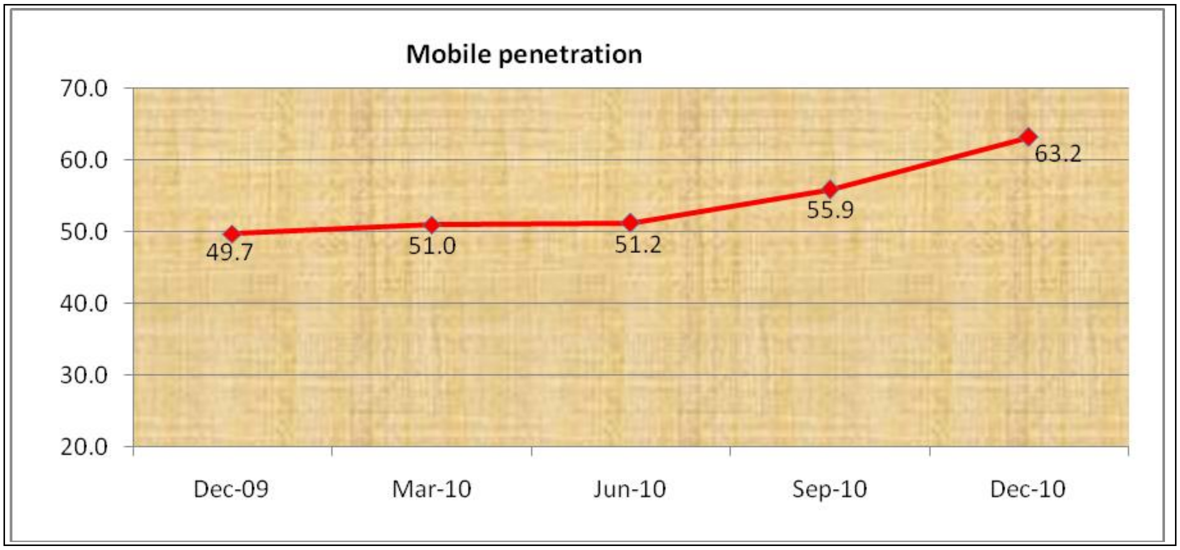
d) Mobile Penetration Rate

As illustrated in figure 4, mobile penetration has been growing steadily over the quarters. At the end of the quarter being reported, the penetration of mobile service reached 63.2 per 100 inhabitants from 55.9 per 100 inhabitants in the last quarter[1].

Figure 4: Mobile penetration (%)



Source: CCK, operators compliance return forms

e) Mobile traffic and usage pattern

i. Voice traffic

During the quarter under review, a total of 7.45 billion minutes of local calls were made on the mobile network against 6.63 billion in the previous quarter, representing 12.3 per cent increase. This growth which is presented in Table 2 is attributed to the increase in subscribers, tariff reductions and massive promotions in the form of bonus minutes experienced during the quarter. The local voice traffic by operator is summarized in table 2.

[1] The computation is based on active SIM cards and not the actual population.

Table 2: Local Voice Traffic by operator

Service provider		Other Mobile Networks		Fixed Networks	
	Intra-network	Incoming	Outgoing	Incoming	Outgoing
Safaricom	6,010,728,825	461,075,719	226,102,030	26,428,743	12,145,654
Airtel	219,426,281	193,485,674	343,245,134	2,582,365	3,094,465
Orange	25,732,345	17,567,159	36,356,568	14,830,560	24,281,939
Essar Telecom	143,568,956	45,303,486	82,177,415	346,869	386,277
Total	6,399,456,407	717,432,038	687,881,147	44,188,537	39,908,335

Source: CCK, operators compliance return forms

Similarly, the number of **voice minutes received** on all mobile networks was 7.45 billion minutes, representing 12.3 per cent increase from the previous quarter ending September 2010. Table 3 summarize the local voice traffic within the quarter under review.

Table 3: Local voice traffic in minutes

	Q2 10/11	Q1 10/11	Distribution of traffic type (%)	Quarterly variation (%)	Q4 09/10
By traffic origin(Outgoing traffic)	**7,445,264,095**	**6,630,478,938**	**100**	**12.3**	**6,052,055,448**
Own network-Own network	6,399,456,407	6,211,390,284	85.9	3.0	5,826,330,211
Own network to other mobile networks	687,881,147	405,153,040	10.4	69.8	187,312,873
Mobile network fixed network	44,188,537	13,935,614	0.3	217.1	8,555,216*
By traffic termination(Incoming traffic)	**6,727,696,681**	**6,626,086,174**	**100**	**1.5**	**6,022,063,555**
Own network-own network	6,399,456,407	6,211,390,284	85.9	3.0	5,826,330,211
Other mobile networks -own network	717,432,038	404,189,936	11.2	77.5	189,495,945
Fixed network-Mobile network	39,908,335	10,505,954	0.5	279.8	6,237,399

Source: CCK, operators compliance return forms

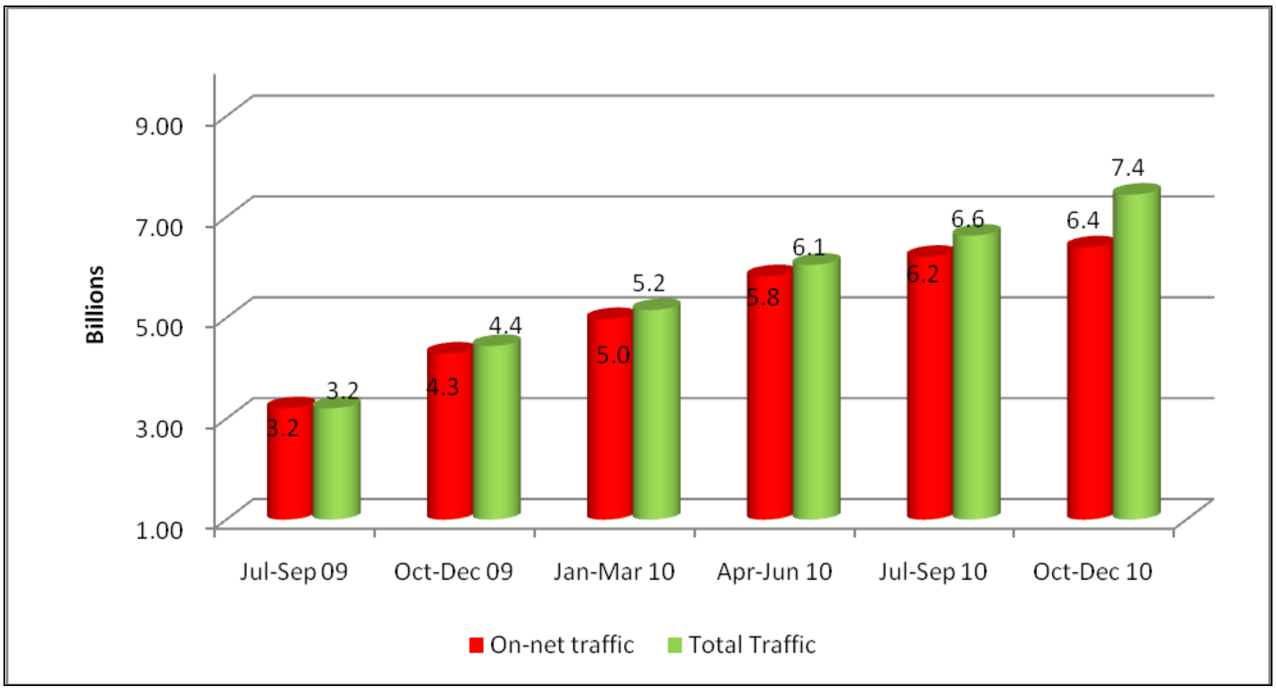
Notably, traffic from other mobile networks to own networks increased significantly during the period under review from 405 million minutes in the previous quarter to 687 million minutes during the quarter under review. This may be due to the reduction of off net tariffs across all networks which motivated calls across networks.

Similarly, the quarter under review experienced a gradual increase in the number of minutes of traffic from fixed to mobile which had been declining previously. This traffic grew from 10.5 million to 29.6 million compared to the previous quarter. The increase reflects the impact that the reduction of mobile tariffs has had on calls originating from fixed to mobile network.

On-net network traffic continues to dominate mobile traffic and accounted for 85.9 percent of the total mobile traffic during the period under review. The reduced tariffs has encouraged subscribers to call across other networks due to reduced termination rates.

The growth in mobile traffic is as illustrated in figure 5.

Figure 5: Mobile traffic in minutes

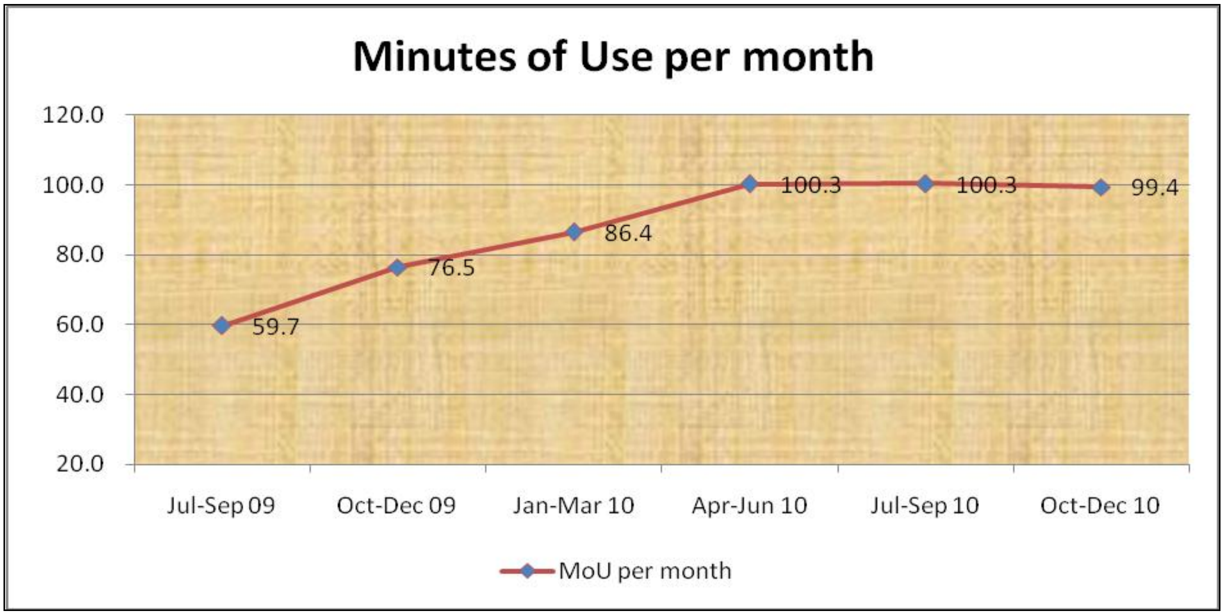


Source: CCK, operators compliance return forms

ii. Minutes of use

As shown in Figure 6, the Minutes of Use per subscriber per month reduced marginally by 0.9 minutes to 99.4 minutes from at 100.3 minutes in the previous quarter.

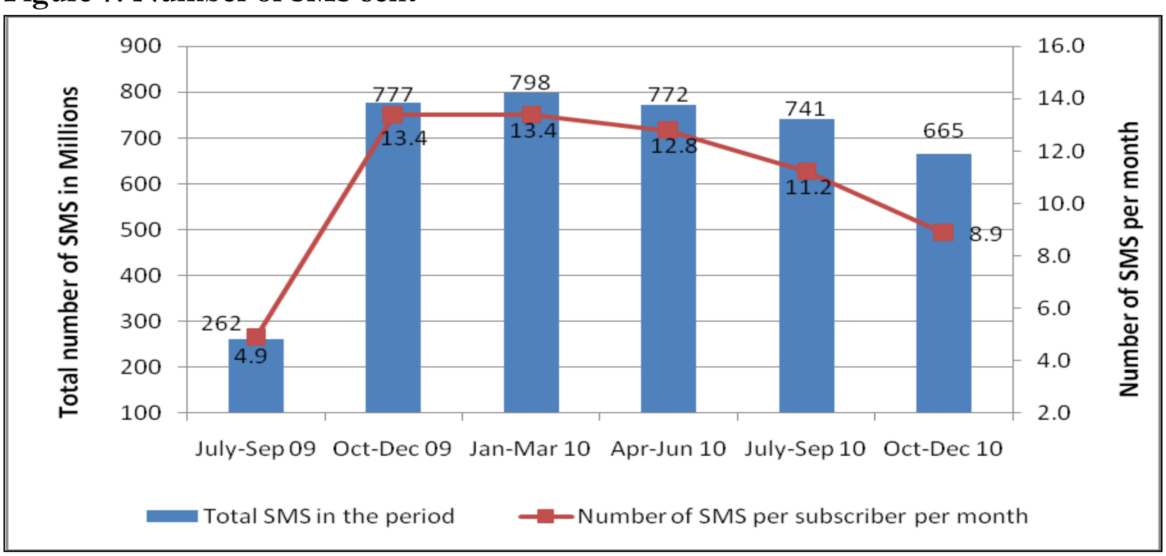
Figure 6: Minutes of Use per subscriber per month



Source: CCK, operators compliance return forms: *marginal reduction in MoU attributed to disproportionate growth in Orange subscribers*

The quarter under review reported a total of 665 million text messages sent. This is 10.3 per cent lower than what had been reported in the previous quarter. The decline in the number of SMS sent demonstrates subscribers' preference of voice calls over SMS following the reduction in mobile retail tariffs in Kenya.

Figure 7: Number of SMS sent



Source: CCK, operators compliance return forms

iii. Roaming traffic

During the quarter under review, roaming out[2] voice traffic was reported at 30.3 million minutes up from 24.3 million minutes reported in the last quarter, representing an increase of 24 per cent.

On the contrary, the number of minutes of roaming in[3] decreased by 28.1 per cent during the period to 5.4 million minutes up from 7.47 million minutes in the previous quarter. The quarter coincided with low tourist season (October – December) as the number of tourists on holiday in Kenya fell from 393,276 to 298,520 (source: Kenya Tourist Board) leading to a reduction on the number of foreigners roaming on the local network. Compared to the same quarter of the previous year, a 25 per cent increase is recorded.

During the quarter, the country continued to experience negative roaming imbalance of negative (-)24.9 Million minutes which indicates that national networks received significantly more calls from subscribers on foreign networks abroad than those received by subscribers on foreign networks while in Kenya. The summary is as shown in table 4.

Table 4: Roaming traffic.

Roaming traffic in Minutes	Q2 10/11	Q1 10/11	Quarterly variation % (+/-)	Q4 09/10	Q1 09/10
Roaming voice minutes own subscribers on foreign networks	30,298,602	24,386,746.14	**24.2**	19,820,115	15,366,131
Roaming voice minutes foreign subscribers on local network	5,369,651	7,472,120.02	**-28.1**	4,490,350	5,472,797
Roaming messages own subscribers on foreign networks	8,227,657	6,718,069	**22.5**	6,668,308.26	151,066,233
Roaming messages foreign subscribers on local network	4,608,938	5,374,911	**-14.3**	3,370,260	16,665,319

Source: CCK, operators compliance return forms

The number of roaming out messages increased by 22.5 percentage point during the period with 8.2 million messages reported compared to 6.7 million messages reported in the previous period. Compared to the same quarter of the previous year an increase of 66.5 per cent was recorded, a trend consistent with roaming in traffic.

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[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

iv. International mobile traffic

In the quarter being reported, the international incoming mobile voice minutes decreased by 15.2 percent to reach 141.7 million minutes down from 167.06 million minutes in the previous quarter. In addition, the international outgoing mobile traffic increased significantly by 64.9 per cent reach to 146,249,723 from 88,678,425 in the last quarter as shown in Table 5.

Table 5: International mobile traffic (minutes)

International mobile traffic in Minutes	Q2 10/11	Q1 10/11	Quarterly variation % (+/-)	Q4 09/10	Quarterly variation % (+/-)
International incoming mobile voice minutes	141,719,254	167,061,300	-15.2	166,690,149	0.2
International outgoing mobile voice minutes	146,249,723	88,678,425	64.9	58,838,493	50.3

Source: CCK, operators compliance return forms

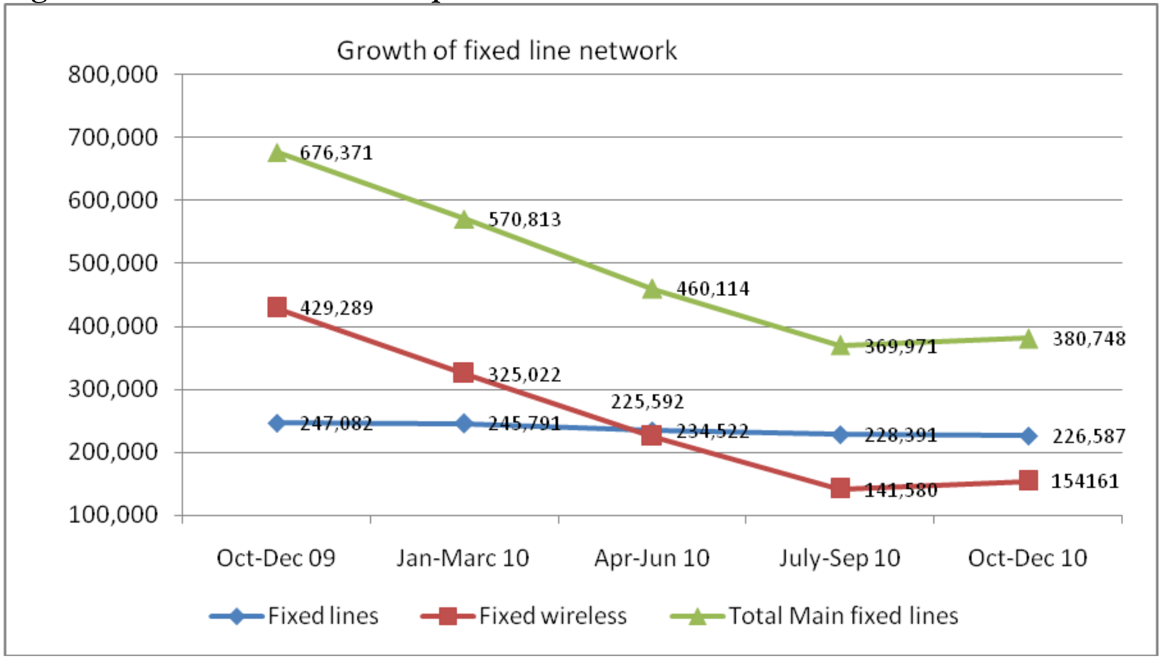
3. FIXED TELEPHONE SERVICE

a) Subscriptions

During the quarter under review there were 226,587 fixed lines down from 228,391 lines in the previous quarter representing a 0.8 per cent decline while the number of fixed wireless lines recorded 8.9 per cent increase to 154,161 from 141,580 lines in the previous quarter. The total number of main fixed lines (fixed lines plus fixed wireless) stood at 380,748 representing a penetration of 0.97 main lines per 100 inhabitants.

The growth in the number of fixed lines is as shown in figure 8 below:

Figure 8: Fixed network subscriptions



Source: CCK, operators compliance return forms

b) Fixed network traffic

During the quarter under review, there were 45,522,476 minutes of local calls made on the fixed line network[4] within the quarter up from 29,095,849 in the last quarter. The on-net traffic represented 85.9 per cent of this total traffic to record 39,112,500 minutes.

Although the fixed line network experienced marginal changes in subscription levels during the quarter, fixed to mobile traffic dropped by 38.9 per cent from the previous quarter to record 6,409,976 minutes from 10,505,954 minutes in the previous quarter. A summary of the fixed network traffic is as shown in table 6.

Table 6: Local fixed network traffic in minutes

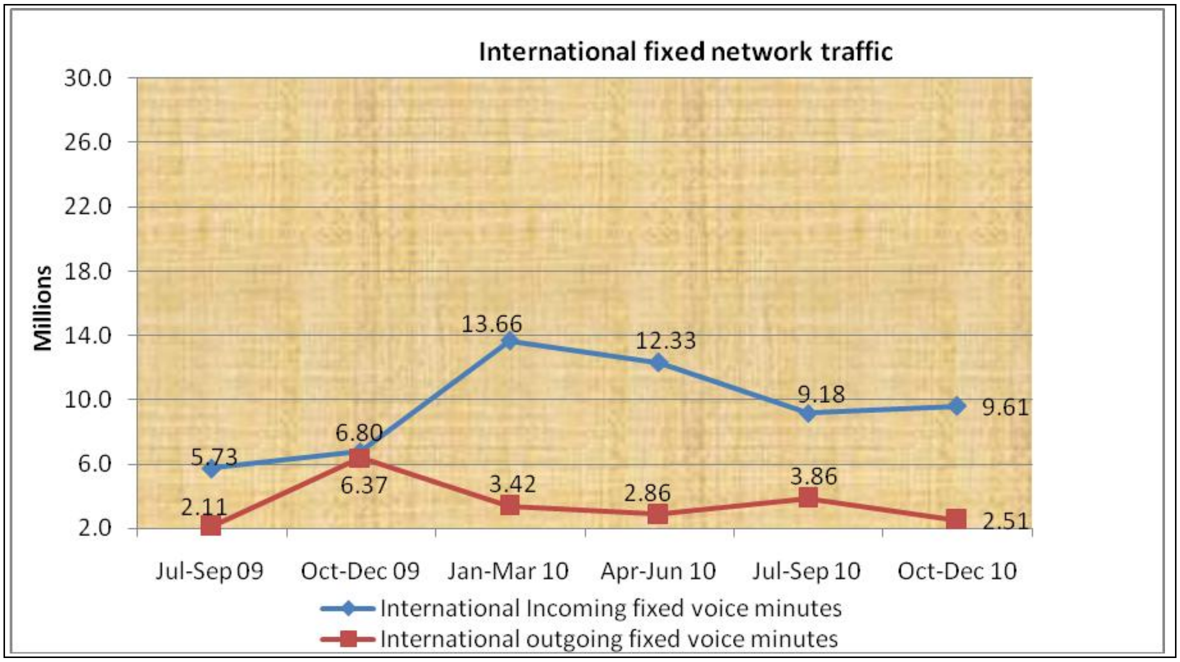
Local fixed network traffic	Q2 10/11	Q1 10/11	Quarterly variation % (+/-)	Q4 09/10
Intra-network traffic	39,112,500	18,589,895	110.4	DNA
Fixed to mobile traffic	6,409,976	10,505,954	38.9	6,521,416
Total local fixed network traffic	45,522,476	29,095,849	56.5	-

Source: CCK, operators compliance return forms, DNA-data not available

[4] Fixed network include fixed line and fixed wireless

International incoming and outgoing fixed network traffic has been showing a contrasting trend as illustrated in figure 9 below. During the period under review, the international outgoing fixed network traffic decreased by 35 per cent from 3.86 million minutes in the previous quarter to 2.51 million minutes. On the other hand, the international incoming traffic increased by 4.8 per cent to record 9. 18 million minutes during the period under review compared to 9.81 million minutes in the previous quarter.

Figure 9: International fixed network traffic



Source: CCK, operators compliance return forms

4. DATA AND INTERNET SERVICE

a) Subscriptions

The number of internet/data subscriptions reached 4.7 million at the end of the quarter under review up from 3.2 million at the end of the previous quarter. The growth in the data market is attributed to three mobile operators having rolled out their 3G services. This represents 46.8 per cent increase during the quarter under review. Satellite subscriptions have continued to decline significantly and during the quarter under review, a reduction of 12 per cent was experienced as illustrated in Table 7.

The mobile data/internet subscriptions through GPRS/EDGE and 3G continue to dominate internet subscriptions and accounted for 99 per cent of the total subscriptions during the period.

A summary of internet subscriptions is as shown in table 7.

Table 7: Internet subscriptions

	Q2 10/11	Q1 10/11	Distribution of subscription type (%)	Quarterly variation % (+/-)	Q4 09/10
Total internet subscriptions	**4,716,977**	**3,230,023**	**100**	**46.3**	**3,096,952**
Terrestrial mobile/data subscriptions	4,684,473	3,192,667	98.8	**46.7**	3,059,906
Terrestrial wireless data/internet subscriptions	26,137	15,907	0.49	**64.3**	22,134
Satellite data/internet subscriptions	447	839	0.23	**-46.7**	953
Fixed DSL data/Internet subscriptions	4,305	12,216	0.38	**-46.8**	9,631
Fixed fiber optic data/internet subscriptions	3,824	8,369	0.26	**-54.3**	4,303
Fixed cable modem data/internet subscriptions	25	25	0.00077	**0**	25
Estimated Internet users[5]	10,199,836	8,689,304		**174**	7,832,352

Source: CCK, operators compliance return forms, (-) data not available

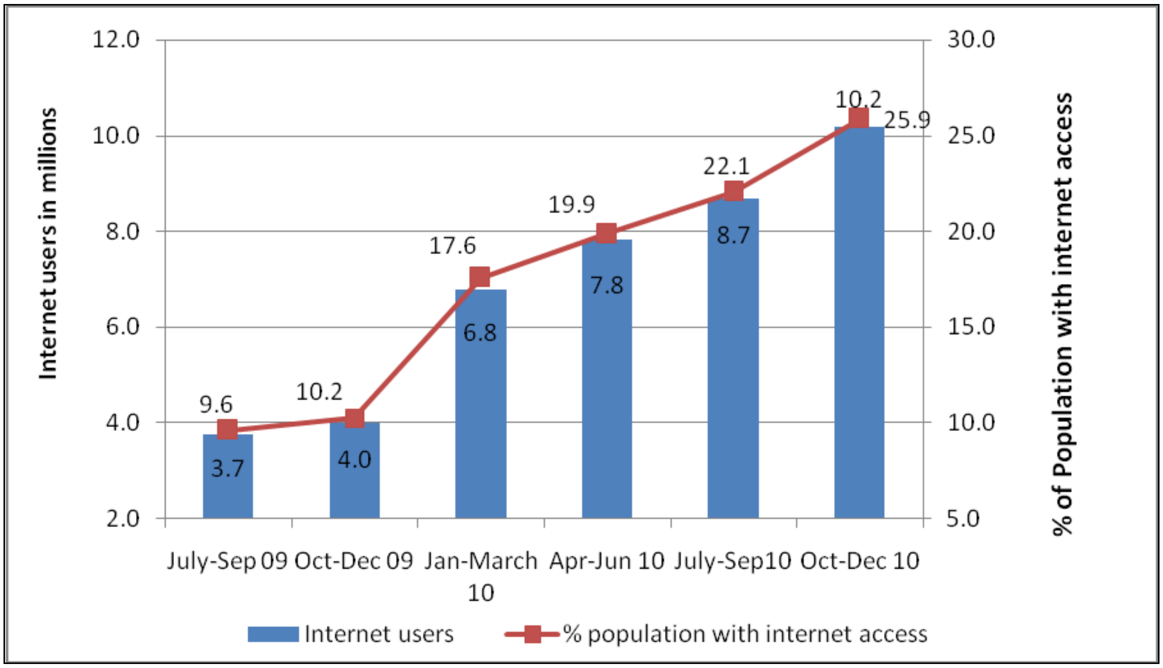
[5] Internet users is estimated by multiplying by 2 the number of mobile data/internet subscriptions, by 10 terrestrial wireless subscriptions, and by 100 fixed DSL, Fiber optic and satellite subscriptions. There is no scientific method of estimating internet users; for the purpose of this report the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

At the end of the quarter being reported, there were an estimated 10.2 million internet users in Kenya compared to 8.69 million reported in the previous quarter. This represents 17.3 per cent increase.

During the period under review, the percentage of population that had internet access reached 25.9 per cent from 22.1 per cent reported in the previous quarter, representing an increase of 3.8 percentage points.

Figure 10 shows the growth of internet penetration in the country.

Figure 10: Internet penetration



Source: CCK, operators compliance return forms

Mobile operators continue to dominate the internet market with more than 98 percent of the Internet market share being through mobile providers as shown in table 7.

Table 8: Internet subscriptions by operator

S/No.	Name of Operator	Q2 10/11 Subscriptions	Q1 10/11 Subscriptions	Market share (%)
1.	Safaricom Ltd	3,706,785	2,977,584	92.18
2.	Essar	680,494	-	-
3.	Celtel Kenya Ltd	214,497	149,053	4.61
4.	Telkom Orange	82,697	66,030	2.40
	Telkom Fixed	4,285	11,638	
5.	Communication Solutions(Access Kenya) Ltd	9,211	7,512	0.23
6.	Wananchi Telkom Ltd	8,400	7,500	0.23
7.	Kenya Data Networks	5,369	5,451	0.17
8.	Africa Online	1,329	1,608	0.05
9.	Flexible Bandwidth	1,390	1,198	0.04
10.	Swift Global	1,200	1,133	0.04
11.	Callkey Networks Ltd	800	800	0.02
12.	Others	520	516	0.02
	Total	4,716,977		

Source: CCK, operators compliance return forms

b) Broadband

During the quarter under review, the total number of broadband[6] subscriptions was reported at 84,726 up from 18,626 subscriptions in the last quarter. This represents 0.97 per cent of the total internet subscriptions.

c) International connectivity

At the end of the quarter under review, the total international bandwidth available in the country was 202,240 Mbps.

Table 9: International bandwidth (Mbps)

Provider	Q2 10/11	Q1 10/11	Quarterly variation % (+/-)	Q4 09/10
Seacom-International Bandwidth (Mbps)	79,360	79,360	0	79,360
Teams- International Bandwidth (Mbps)	122,880	122,880	0	122,880
Total international Bandwidth **(Mbps)**	**202,240**	**202,240**	**0**	**202,240**

Source: CCK, operators compliance return forms

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

At the same time, total international bandwidth dropped to 20,209.56 Mbps from 20,364.12 Mbps in the previous quarter.

Table 10: International internet connectivity bandwidth (Mbps)

	Q1 10/11	Q4 09/10	Quarterly variation % (+/-)	Q1 09/10	Annual variation % (+/-)
International undersea internet connectivity bandwidth(Mbps)	20,000.00	20,000.00	0	-	100
International Satellite internet connectivity bandwidth(Mbps)	209.56	384.12	-45.4	3,324.5	-93.7
Total international internet connectivity bandwidth(Mbps)	**20,209.56**	**20,384.12**	**-0.86**	**3,324.5**	**507.9**

Source: CCK, operators compliance return forms, (-) Data not available

As illustrated in Table 10, the undersea cables contributed to nearly 100 percent of the international internet connectivity.

5. POSTAL AND COURIER SERVICE

a) Postal traffic

During the quarter under review, the total number of letters sent decreased to 31.2 million from 31.6 million in the previous quarter. This represents a decrease of 1.4 per cent over the quarter and 21 per cent increase compared to the same period of the previous year.

The courier parcels increased by 79 per cent to record 365,063 items during the quarter up from 203,928 items reported in the previous quarter.

Table 11: Postal traffic

	Q2 10/11	Q1 10/11	Quarterly variation % (+/-)	Q1 09/10
Number of letters posted	31,247,041	31,697,050	-1.4	29,310,657
Total courier items sent	365,063	203,928	79	180,307
International incoming letters	129,337	101,595	27.3	273,009
International outgoing letters	1,776,517	1,343,044	32.3	1,431,366

Source: CCK, operators compliance return forms

On the other hand the international incoming letters increased by 27.3 percent to reach 129,337 from 101,595 in the previous quarter. Compared to the same period of the previous year, an increase of 33.3 per cent was attained.

Similarly, the international outgoing traffic experienced an increase of 32.3 per cent over the period to record 1.77 million letters from 1.34 million recorded in the previous quarter.

6. CONCLUSION

The telecommunication market continued to demonstrate strong and consistent growth as demonstrated by increased subscriptions in the mobile market while the fixed line continued to decline.

The number of mobile subscriptions has more than tripled in the last five years from 7.3 million subscriptions in 2006 to the current 24.96 million subscribers. With competitive pressure likely to remain intense among the four service providers, growth in subscriptions is expected to continue to rise further.

Growth in internet subscription resulted in increased internet usage from 22.1 per cent in the previous quarter to 25.9 per cent. This growth is expected to increase as more and more people especially the youth continue to join the social networks like face book ,twitters and blogs.

The postal service has continued to show a declining path especially on the international traffic. While total number of letters increased within the quarter, there was a decline recorded in the incoming and outgoing international letters.

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