



**SPEECH BY THE DIRECTOR–GENERAL COMMUNICATIONS COMMISSION OF KENYA,
ENG. JOHN WAWERU, DURING THE LAUNCH OF THE INTERNET MARKET STUDY
KCCT 1ST NOVEMBER 2006**

*Distinguished guests
Ladies and gentlemen*

I am delighted to address you this morning as we mark yet another milestone in the communications industry in Kenya. Today we witness the launch of the first Internet market study in the country. On behalf of the Commission, I wish to take this opportunity to thank you all for sparing time to join us in this important workshop. I am confident that through your participation, we shall have fruitful deliberations that will serve to enrich this important study.

Ladies and gentlemen, it is now widely acknowledged that ICTs play a pivotal role in the socio-economic development of any country. The ICT sector has been rated the growth engine of not only the developed world but also for a developing economy like Kenya. For this reason, the Government has, in its various policy documents and pronouncements, prioritized the development of ICT sector as a catalyst for economic growth, wealth creation and poverty alleviation.

I wish to observe here that the ICT sector has become an important cornerstone of our economy and will continue being a key driver of the country's development. In 2005, for instance, the share of the transport, storage and communications sectors in the real GDP was 10.90%. With the imminent enhancement of competition in the fixed and mobile telecommunication market segments, ICT's contribution to GDP is expected to further grow in the coming years.

As a result of liberalization and a conducive regulatory regime, the ICT sector has recorded tremendous growth over the last couple of years. At the onset of liberalization in 1999, the numbers of fixed and mobile subscribers stood at 290,000 and 20,000, respectively. Today, the combined number of subscribers for both fixed and mobile services has surpassed the 7million mark, with an approximate 60 per cent coverage of the population. This growth has made sector analysts to describe Kenya as one of the fastest growing ICT market in the world. The licensing of the Second National Operator and anticipated issuance of converged licences will inject vibrancy and healthy competition in the sector which we hope will result in tariff reduction and competition in service provision for rural areas.

Ladies and gentlemen, as the country continues to register exponential growth in voice telephony, there is a danger of forgetting other aspects of the sector especially the Internet. Over the years the growth and geographic spread of the Internet has not matched the overall growth in the sector. This is despite the fact that the Internet is the most liberalized sub-sector in the communications industry.

To date, the Commission has licensed six Commercial VSAT Operators, eight Internet Backbone and Gateway Operators, 19 Local Loop Operators, 20 Public Data Network Operators and 51 Internet Service Providers. Further, in order to increase competition and to allow more players in the Internet market, the Commission reduced the annual license fee from Kshs 200,000.00 to Kshs 100,000.00 for the Internet Service Providers. Albeit these initiatives the current estimate of Internet usage in the country is about 1.5

million, with the majority of the users being in Nairobi and Mombasa. This is a very low figure considering the level of horizontal and vertical participation in the sector.

The failure of liberalization to spur the much anticipated growth in the sub-sector has thrown the Commission back to the drawing board. Some of the issues that have been of interest to us include, identifying empirical factors that may have accentuated and exacerbated the low penetration and usage of Internet services, and mechanisms of redressing the problem. Lack of data capture systems that can provide guidance for sectoral development has not helped the situation.

As we shift towards evidence-based regulation, it has become increasingly difficult to steer this enormously and important sector of our economy without reliable and up-to-date data and statistics. ICT data and indicators are important in providing the Commission, policy-makers, and other industry stakeholders with an accurate picture of the state of the sector. Accurate data is crucial in informing the design of policy and regulatory measures that can influence the spread, utilization and impact of ICTs in the country.

It is for these reasons that the Commission has engaged a consultant to carry out a comprehensive market analysis of the Internet sub-sector. The study is expected to lead to definition and articulation of service penetration levels, delineating succinct factors affecting the market and proposing ways and means of revamping the sub-sector and encouraging its penetration to rural areas.

Besides the market analysis report, the consultant is expected to develop a user-friendly database structure for the Internet Market statistics in the country. This database will be upgraded on a regular basis and will enable all stakeholders make informed decisions on investing in the sub-sector. The data would also provide a better platform to develop conducive regulations and policies to govern the industry.

At the moment, researchers in the country employ disparate, uncoordinated and non-standard data collection mechanisms to carry out studies on various aspects of the Internet. This study that the Commission is launching today will cover all active operators in the sector and as such it is expected to be the most comprehensive of its kind in the region. I have no doubt that the study findings shall be quite useful to, among others, researchers, investment analysts, operators, potential investors, and students.

As I conclude, I wish to note here that Kenya has achieved much progress through pragmatic implementation of enlightened policies. To maintain this momentum and push the country into the knowledge age, studies of this nature need to be carried out not only more frequently but also extensively to cover all facets of ICT. There is no doubt that the success of this study will be critical in providing impetus for more research on other aspects of the ICT industry. I, therefore, wish to call upon you all to assist the research team with data and any other form of support that they shall require to conclude the work within the shortest time possible.

With those remarks, ladies and gentlemen, it is my pleasure to declare this workshop officially open.

Thank you.