KICTAnet
KENYA ICT ACTION NETWORK

"Talk to Safaricom"

STAKEHOLDERS ENGAGEMENT REPORT

Abridged Version April 2017

TALK
to
SAFARICOM

A REPORT ON STAKEHOLDER ENGAGEMENT

www.kictanet.or.ke

"Talk to Safaricom"

Acknowledgments

We wish to thank Safaricom Ltd, for being daring and willing to be go through a process that ultimately allows stakeholders to challenge its business assumptions, operations and practices.

Thanks to all the stakeholders who spared the time to raise the issues and concerns and to Mr. John Walubengo who moderated the online discussion.

Special thanks to the Corporate Affairs Director, Mr. Steve Chege, who spared the time to diligently read through and comprehensively respond to an overwhelming amount of issues that were raised by stakeholders. We believe this has been a trail-blazing and innovative experiment on stakeholder engagement and we encourage other entities to step forward and engage.

Grace Githaiga
KICTAnet Co-convenor
April 2017

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Executive Summary

Safaricom, the leading mobile service provider in the region wanted to have an online interactive session with stakeholders. The objective of the session was to provoke and surface consumer, regulatory and policy concerns around its services.

Additionally, the session was expected to provide an interactive platform for exchange of ideas and building solutions and consensus around the issues raised.

The Kenya ICT Action Network (KICTAnet) a multi-stakeholder platform for people and institutions interested and involved in ICT policy and regulation was selected to lead and moderate the online discussions.

The online discussions were framed under five thematic areas scheduled to take place over five days. These included, Consumer, Competition, Innovation, Infrastructure & Universal Access and finally Technology & Elections issues.

Many pertinent issues were raised that touched on affordability, quality of services, market dominance, infrastructure sharing and Internet shutdowns in view of the elections.

Safaricom was able to adequately respond to each and every issue raised, giving participants an operators perspective of issues often raised from only one perspective – the subscriber's perspective.

The intersection of consumer and operator's views enabled by the KICTAnet online platform facilitated a generation of new ideas, suggestions and alternative approaches to tackling the issues.

At a high policy and regulatory level, it was clear that the lack of a Data Protection Act could be the reason why subscriber data gets into wrong hands and subsequently abused without prohibitive penalties.

Additionally, the question of market dominance and what to do about remained a contested issue, with advocates for strong or weak regulatory interventions having ramifications that need further analysis.

The summary of the issues and their suggested solutions are contained in subsequent pages and we believe they form a comprehensive list of what needs to be done from a multi-stakeholder perspective.

INTRODUCTION

Background

Safaricom, the leading mobile service provider in the region wanted to have an online interactive session with stakeholders. The objective of the session was to provoke and surface consumer, regulatory and policy concerns around its services. Additionally, the session was expected to provide an interactive platform for exchange of ideas and building solutions and consensus around the issues raised.

The Kenya ICT Action Network (KICTANet) a multi-stakeholder platform for people and institutions interested and involved in ICT policy and regulation was selected to lead and moderate the online discussions. The network aims to act as a catalyst for reform in the ICT sector in support of the national aim of ICT enabled growth and development

Aim:

The aim of the online deliberations was to provide an opportunity for the mobile operator and the stakeholders to have an honest exchange of ideas, challenges and suggested solutions.

Objectives

The objectives of the onlined deliberations were:
- To provoke and surface Subscriber (Consumer) concerns and challenges with respect to mobile services (specifically Safaricom Services)
- To provoke and surface Regulatory & Policy concerns and challenges with respect to mobile networks & services
- To receive feedback from Safaricom on the various consumer, regulatory and other thematic issues raised.
- To discuss and build consensus around proposed solutions to the concerns.

Program Setting & Description:

The e-discussions were undertaken over a period of one week and covered the following five thematic areas: Consumers, Competition, Innovation, Infrastructure & Universal Access, Technology & Elections. Stakeholders were invited on a daily basis to respond to the thematic issues introduced by the moderator. Finally, a face-to-face Cocktail event was held to share and validated the findings.

PROGRAM DESIGN (DATA COLLECTION & PROCESSING)

Data Collection:

The online discussion was structured along the following thematic issues and days:

1. Consumer Issues Day,
2. Competition Issues Day,
3. Innovators, Innovations, Suppliers Day,
4. Infrastructure & Universal Access Day,
5. Technology & Elections Day
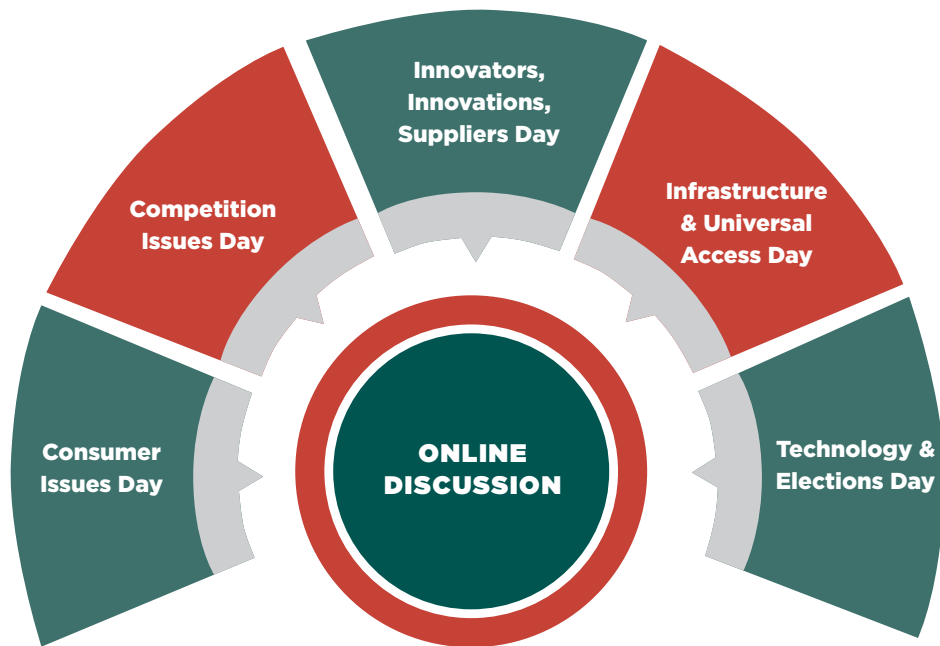
Data Processing:

The various contributions from the participants were qualitatively analysed and collated into a detailed 'proceedings' report. The report was structured along daily thematic areas for online interrogation and subsequent face to face validation.

Tools Used
Mainly the KICTAnet List server, with references made to Internet sources

Resources
Online Moderator - J. Walubengo
Participants Queries and Insights -
KICTAnet List Members
Key Respondent - Safaricom
Director, Steve Chege
Others: Web /Internet links and resources

Main Outcomes/Deliverables
The main deliverables for the online discussion included:

a) A vibrant mailing list discussion on the topic "Talk2Safaricom" that encouraged members and stakeholders of KICTANET to contribute their views, comments and insights

b) A summary of each day's proceedings shared on the KICTANet list and blog,

c) A Presentation of the Final report to KICTANet members and Safaricom during the face-to-face meeting.

SUMMARY FINDINGS

In summary, the online deliberations gave participants an inside view of how mobile operators operate their business while the operator had a similar chance to better understand where the consumer is coming from.

The discussions also brought into sharp focus the pending policy, legislative and regulatory issues around facilitation of big-data research, data protection & surveillance, internet shutdowns, structure of the universal service council amongst other.

The e-discussions were undertaken over a period of one week and covered the following five thematic areas: Consumers, Competition, Innovation, Infrastructure & Universal Access, Technology & Elections.

The next pages capture the key discussion points from participants and their responses as given by Safaricom.

Consumer Issues

Participant Perspective:

Some of the key consumer concerns revolved around affordability and quality of services, data protection and privacy, online surveillance and security.

Specifically, participants were concerned that the services from Safaricom were expensive and some of its practices like expiry of data bundles unacceptable. The poor quality of service in semi-urban and rural areas were also of great concern.

The privacy of subscriber data was raised as participants cited incidences where they received unsolicited messages on their mobile phones from random marketers and politicians.

Participants wanted to know if there were any measures Safaricom had put in place to protect children online. Additionally, they wanted to know if Safaricom would be publishing a transparency report detailing the number and nature of citizen-data request that the government maybe presenting to them.

The pending issue of the proposed Device Management System that was to be deployed by the regulator in conjunction with the mobile operators remains was mentioned with most participants feeling that it was a backdoor surveillance system to monitor their digital activities.

Safaricom Response:

Safaricom acknowledged the quality issues particularly in semi-urban and rural areas but said it was continuously monitoring and enhancing their network presence to address the challenges.

With respect to data privacy, Safaricom said that this was at the heart of telecommunications services and furthermore, it is a right protected under the constitution. It also has strict license obligations to maintain customer information confidentiality and therefore makes no disclosure of information to third parties except as provided in the law.

They do not get government requests for citizen data, but do get do get requests from the department of criminal investigation. They are obliged to forward such information related to criminal investigations and court proceedings where typically the information sought is call data records.

Safaricom continues to enhance the privacy of their customer data particularly with regard to MPESA related data by regularly revising and improving the customer procedures that the MPESA agents abide by.

However, Safaricom noted that spamming incidents can be reduced but never eliminated and therefore works alongside their partners to track down and deal with the perpetrators in real time. Customers are advised to forward any such messages to 333 for Safaricom teams to investigate and action.

As for Child Online Protection (COP), Safaricom informed participants that they recognize child online safety as specified in their Children's Right Policy. They also recommend that parents and guardians should download a free application (Guardian App) that puts them in control of what their children can access.

On affordability, Safaricom has consistently dropped its prices over the years and its current prices are much lower than what is charged in advanced and similar economies.

Competition Issues

Participant Perspective

On competition issues, participants acknowledged the dominant position Safaricom enjoys but wondered why they would not share some of the benefits in terms of lower cost of its services.

Pricing of communication services continued to be a major concern with participants feeling that Safaricom's dominant position makes it immune to any competitive pressure arising from price wars.

There was also diversity in opinion as to whether splitting Safaricom or moving MPESA, its leading mobile money product into autonomous and separate agency would resolve the dominance question.

A few participants felt that the regulator was not doing enough and in some instances favors Safaricom. Others felt that Safricom should give back much more to to the community – given its sustained leadership profitable position over the years.

Safaricom Response:

On pricing, Safaricom maintained that they have been dropping prices over the years and believe their price-quality matrix is the best given the local conditions and factors.

The cost of rolling out and putting up Base Transmission Stations (BTS),
cost of way-leaves for backhaul fibre, microwave fees, high initial licence fees, spectrum usage fees, international access link fees, security amongst other all end up on the customer's bill.

If some of these costs can be reduced, then Safaricom would be in a better position to drop prices further. On whether or not Safaricom is being favoured by the regulator, Safaricom was categorical that this was not the case.

They believe the regulator's role is to ensure that all players in the market have an equal opportunity to succeed and the necessary incentives to do so. The market will then decide which operator does and which one does not.
As a leading provider, Safaricom has continued to give back to the community. The 2015 KPMG

South Africa "True Value Study[1]" found that the value that Safaricom created for the Kenyan society in one year (2015) was estimated at around 10 times greater than the actual financial profit the company made in the same period. This was measured in terms of actual impact on small Kenyan businesses that now exist solely because of Safaricom.

Another study from MIT[2], revealed that since 2008, access to mobile-money services — which allow users to store and exchange monetary values via mobile phone — increased daily per capita consumption levels of 194,000, or roughly 2 per cent, of Kenyan households, lifting them out of extreme poverty (living on less than $1.25 per day). Benefits such as these have been the driving force behind our Transforming Lives strategy.

Safaricom position remained that companies should not be punished for their success and that the prerogative to split or not to split parts of its operations should remain with the operator, rather than the regulator.

In any case, Safaricom observed that it may be a big company by local standards but it is actually a very small company by global standards when compared to peers like MTN, or bigger players like Google or Facebook.

1. **KPMG, Safaricom True Value Study(2015), https://www.safaricom.co.ke/images/Downloads/Resources_Downloads/True_Value_Booklet_Final.pdf**
2. **MIT Study (2016), http://news.mit.edu/2016/mobile-money-kenyans-out-poverty-1208**

Participant Perspective

With regard to innovations, participants felt that the Application Programmable Interface (API) for MPESA was in-adequate and was highly restrictive to developers. They also cited 'SKIZA' initiative as being novel and timely but wondered why Safaricom could not take it to the next level and host full feature films and documentaries.

Safaricom's alleged mishandling of BITPESA, a Blockchain start-up was cited as being a harmful and heavy handed approach to potential competition.

Further, its lack of initiative to harness its big-data was highlighted as being a wasted innovation opportunity. Specifically, the idea that user-centric data arsing from the subscriber's mobile device could be harnessed to address and resolve problems such as the perennial traffic congestion in the City.

Safaricom Response:

Safaricom acknowledged the weakness in its current MPESA API and said that a new API was at an advanced stage and will be out on the market very soon.

The Creative Industry was an important area of focus for Safaricom as they focused on growing the youth and their talents. The creative economy was one of the fastest growing incorporating music, dance, film and other creative works.

With a view to support this sub-sector, Safaricom said they had applied for a Broadcast license way back in 2015 and if and when they get it, they would then be able to scale up its engagement in that space.

Safaricom was also pleased to note the on-going reforms in terms of profit-sharing arrangements between the Content Service Provider (CSP), Copyright Society of Kenya and the youthful owners of the intellectual property – such as the SKIZA tunes. This would go a long way in ensuring the youth become the greatest beneficiary of their talent.

With respect to Blockchain and specifically Bitcoin cryptocurrencies, Safaricom responded that the Central Bank of Kenya circular[1], which warned financial institutions to be wary of unregulated virtual currencies, had informed its actions.

Safaricom however acknowledges that Blockchain, the underlying technology behind BitCoin and other crypto currencies promises many interesting opportunities where trust is a premium, consensus desired and privacy a must.

The distributed ledger could radically alter transaction flows, potentially eliminating intermediaries and reducing or reassigning costs. However, without a clear, mainstream support from regulators/authorities, Safaricom feels it is difficult to see how BlockChain will deliver on its full potential.

Safaricom however continues to monitor this technology and if supported by regulatory approvals, will consider implementing it where it is feasible.

On Big-data, Safaricom acknowledged opportunity arising from its wealth of subscriber data that

could be useful in other sectors such as transport, health, and agriculture amongst other.

Safaricom sees itself as both an innovator and co-innovator with others. In fact they increasingly describe themselves as a platform for innovations. . A company that is an enabler of several solutions that can transform lives across a growing number of industries such as the health sector, education, agriculture and financial services.

However, they await relevant legislation and regulations before they can anonymise and release such data to the public - for research purposes.

<?>   CBK Bitcoin Circular, https://www.centralbank.go.ke/uploads/banking_ circulars/2075994161_Banking%20Circular%20No%2014%20of%202015%20-%20Virtual%20 Currencies%20-%20Bitcoin.pdf

Infrastructure & Universal Access

Participant Perspective:

With respect to Infrastructure and Universal access, participants wondered if the National Optical Fiber Infrastructure (NOFBI) was being utilized. Further, they wanted to know to what extent Safaricom has utilized the Universal Service Fund (USF) to reach the under-served communities.

Editor's note: Some of the infrastructure issues such as Quality of Service (QoS) challenges have been raised and covered under the consumer issues.

Safaricom Response:

Safaricom confirmed that they do make use of NOFBI and are open to Infrastructure sharing, both with competitors as well as last mile providers. They are however not in control of the Universal Service Fund (USF) but have participated in seeking projects from the Universal Service Advisory Council (USAC)

They however noted with concern that whereas the Universal service Fund was designed to help roll out infrastructure to some of the rural, underserved regions, this has not happened as fast and as effective as expected.

They feel that the rollout would have been more effective had operators been offered some representations on the Universal Service Advisory Council. This is because the operators have a better understanding of the cost variables and market opportunities that would better inform the council in its decisions.

Safaricom feels strongly that the impact and success of USF would be much higher if Telco and mobile operators had some form of representation at the USAC.

Technology & Elections Issues

Participant Perspective:

On Technology and Elections, participants were concerned that Safaricom as a leading Internet service provider may be compelled to shutdown[1] the internet during the upcoming general elections.

Participants also wanted to know what security and backup strategies Safaricom has put in place to ensure that the Results Transmission System works as expected.

There were also queries as to how Safaricom would protect citizen data from being abused by political parties in terms of sending unsolicited messages.

Safaricom Response:

With respect to a possible Internet shutdown, Safaricom responded that they will not be acting outside the law and added that in any case the Cabinet Secretary of ICTs had already assured Kenyans that such a move is not in the plans.

Further, their operating licence does not have specific provisions to shut down any of their services – including Internet. In the past, Section 88 in Kenya Information Communication Act (KICA) allowed the Minister of Internal Security to among other things, take temporary possession of telecommunication systems. This section was repealed and no similar provision has been put in place since.

With regard to unsolicited messages, Safaricom takes every effort to ensure subscriber data is kept private and confidential. It is instructive to however realize that there are many places where we expose our mobile numbers and which are not as securely kept as they should be.

For example we give our names, ID numbers and mobile numbers to security guards whenever we access many buildings, shops, malls, etc. We have no idea how those books with all our details are stored and secured, if at all.

Safaricom believes that any person collecting what may be considered confidential information should be under an obligation to deal with it in a particular prescribed way.

As to the details of the Election Results Transmission System, Safaricom said that at this point in time, they have not been select to be a telecommunication service provider for the Election body and therefore the question was pre-mature.

<?>   CA threat to Internet shutdown, https://www.iafrikan.com/2017/01/14/the-kenyan-government-will-only-shut-down-the-internet-during-elections-if-things-get-out-of-hand

During "Talk to Safaricom" Event

Addressing members During "Talk to Safaricom" Event

Members having a meal During "Talk to Safaricom" Event

CONCLUSION & POLICY RECOMMENDATIONS

The 'Talk-to-Safaricom" online deliberation was the first of its kind in terms of providing an online and open platform for a multidisciplinary range of stakeholders to simultaneously engage with a service provider.

Consumer issues took center stage with participants raising pertinent question regarding affordability, quality of service, data privacy amongst others. The issue of whether the market was competitive enough given the dominant position of Safaricom was also raised and discussed.

Suggestions of splitting up MPESA, the leading product in Safaricom stable, as a way of introducing effective competition was resisted with Safaricom arguing that the decision on how they want to organize their products was their sole prerogative.

The ability and flexibility of the Safaricom as a platform for innovation was highlighted with participants feeling that the MPESA application programmable interface (API) was too difficult to work with.

Opportunities for harnessing Big-data arising from millions of mobile subscriber was noted and lack of a comprehensive data protection framework identified as a limiting factor.

Additionally, Blockchain, the distributed ledger behind Bitcoin was hailed as another innovation with massive potential to change the way transactions of value will be exchanged in future.

In terms of Infrastructure, Safaricom continues to extend the quality and service of its network while remaining open to infrastructure sharing.   The slow network rollout to the remote underserved regions was attributed to lack of adequate representation on the Universal Service Advisory Council.

Finally, in view of the upcoming general elections, Safaricom assured participants that it will keep the internet open since their license obligations do not include options for downing their services.

RECOMMENDATIONS

From the discussions, there were certain policy, legislation and/ or regulatory interventions and lessons identified.

First and foremost, the lack of a Data Protection Act seems to hamper the ability of mobile operators to share their Big-data with the public for research purposes. The same act would also effectively deal with unscrupulous organizations that harvest and abuse citizen data.

Secondly, the circular from the Central Bank of Kenya with regard to Bitcoin seems to have precipitated the strong action from Safaricom towards an upcoming financial start-up.

Thirdly there may be need to review the Universal Service Council institutional arrangement to afford operators a voice in how they network roll out to underserved regions could be accelerated.

Finally, the big question of what to do with a dominant operator seems to remain unresolved. Indeed care must be taken not to send the wrong signals to potential investors in terms of clamping down on successful companies.

However, this must also be balanced by regulatory approaches that provide relief to both consumers and competitors in providing an equal opportunity market environment.

Appendix I:-Thematic Questions per Day

Days 1 (Monday) - Consumer Issues

Question: Please share your experiences and challenges with regard to Safaricom Services along the following topics

a)   Affordability (of Bandwidth, Data bundles, SMS, Over The Top Services)
b)   Quality of Service (Congestion, Dropped Calls, 2G, 3G, 4G)
c)   Data Protection & Intermediary liability (Premium Service Providers, Unsolicited sms, KRA & MPESA accounts)
d)   Privacy Issues-As the largest ISP, how is Safaricom handling Censorship threats, Child online Protection from harmful content, Security Cameras, etc.)

Day 2 (Tuesday)- Competition Issues

Question: Please share your perspective as to whether or not Safaricom is dominant in the following sub-sectors and whether some intervention is required from the regulator. Review Dominance per subsector: -
a)   Voice subsector,
b)   Data Subsector,
c)   Mobile Money (MPESA) subsector

Day 3 (Wednesday):-Innovators and Innovations

Question: Safaricom has been quite innovative and keeps coming up with new ways of doing things. As an innovator/developer, tell us your experiences with regard to Safaricom Innovation ecosystem.
a)   Is the development platform and API sufficiently open?
b)   Are the issues to do with Intellectual property /Patents clear enough

c) Whereas the gain-sharing agreements are private and confidential, how can they be made better?
d) What is Safaricom take on Bitcoin/Blockchain technologies?

Day 4 (Thursday):- Infrastructure & Universal Access

Question: Safaricom continues to expand its network beyond urban areas. What has been your experience with Safaricom services in semi-urban and rural areas of Kenya?

a) Rural area: -Voice quality, Internet Access (bandwidth), Mobile Money (MPESA)
b) Safaricom contributes to the Universal Service Fund to extend communications to underserved areas- how has this impacted your rural communities?

Day 5 (Friday): Technology & Elections

Question: As we go into elections, Safaricom is likely to be one of the Technology providers for IEBC. What are the concerns of users/citizens on this matter?
a) What assurances are there that the results transmitted are safe and secure?
b) What are the chances of failure in the transmission system?
c) Should the result transmission system be mobile (GSM) -based or should we go Satellite or both?
d) Will Safaricom shut down their internet during elections?

Day 6:(Saturday)- Emerging Issues/Open Day-

Question: Are there any other issues that have risen from the discussions or may not have been covered in the previous five days?
a) List topics for future considerations.

Appendix II- Evaluation & Feedback

Technical

There was excellent technical reliability of the listserver as well as the online resources with no reported incidents of technical failure.

e-Participants

Around twenty active participants actively engaged on the listserver during the online discussions. We expect around one hundred participants to attend the face-2-face cocktail event where the online deliberations will be presented and validated.

Moderation

The discussion was moderated by Mr. John Walubengo and the responded from Safaricom was the Corporate Affairs Director, Mr. Steve Chege.

Design and Layout:
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