

# Fall from grace: protectionism and monopolies push Cameroon down broadband index

*Poor policy decisions in Cameroon have impeded the growth of affordable, real broadband services that are taking off in many of the continent's leading economies. Although the introduction of bundled products by Orange Cameroon has significantly reduced the price for mobile prepaid services, the country lags behind its African peers in the deployment of 3G services due to protectionist policies and weak regulatory environment. ADSL services are offered at exorbitant prices and at virtually narrowband speeds, way below the levels reached by the other African countries analysed in the Research ICT Africa Broadband Value for Money Index.*

**RIA Policy Brief Cameroon No 4**

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## **New cheaper products introduced into the market by both operators**

*In Q1 2014 MTN Cameroon and Orange Cameroon introduced cheaper voice products to the market, which positively shifted their ranking on the mobile voice index.*

## **Protectionist regulatory barriers stop the deployment of 3G services**

*The monopoly granted to Viettel over 3G infrastructure and services does not allow the two other operators, MTN Cameroon and Orange Cameroon, to provide mobile broadband services.*

## **High prices for both mobile data and ADSL**

*Compared to other African countries analysed, Cameroon's mobile data and ADSL prices remain very high with amongst the lowest throughput on the continent (even at advertised speeds).*

## **Slow ADSL and mobile broadband services**

*Since MTN Cameroon and Orange Cameroon cannot provide 3G services, mobile broadband does not go beyond 2.5G speeds. Camtel is still offering fixed ADSL services at 256 Kbps with a faster option of only 1Mbps*

## **The market needs to be freed up to offer high-speed broadband**

*The incumbent mobile operators need to be licensed to provide 3G services and the fixed market needs greater investment in the network to offer better speeds and regulated to enable service-based competition on its wholesale network.*

## **Introduction**

Research ICT Africa (RIA) has been measuring and analysing changes in prepaid mobile voice prices over the last three years. In Q1 2014, RIA found that the introduction of bundled services by Orange Cameroon has significantly reduced prepaid mobile voice and data prices in Cameroon. But, in comparison to other African markets, the telecommunications sector in Cameroon has high retail prices and an obsolete infrastructure which results in very slow broadband speeds. The Cameroonian telecommunications sector is characterised by a lack of competition and regulatory barriers to market entry in both the mobile and fixed-line segments. Furthermore, ineffectual regulation, outdated policies, contentious decisions and poor strategies render both markets uncompetitive and without the associated benefits for consumers.

A mobile market duopoly controlled by MTN Cameroon and Orange Telecom provides expensive mobile services and has maintained high retail prices of voice and data products. A

single state-owned fixed-line incumbent, Camtel, operates with a legislated monopoly over fixed-line services, wholesale networks and landing stations which, without effective regulation, translates into incredibly high data tariffs.

Unlike many other African countries such as Angola, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia and Zimbabwe that by 2014 had launched 4G/LTE networks (Song, 2014), Cameroon has granted a year's monopoly over 3G services to the mobile operator Viettel, a company owned by the Vietnamese government and operated by its Ministry of Defence. Viettel failed to deploy the 3G infrastructure by the end of 2013 and asked the Presidency for an extension of its monopoly until 2016 (Techcentral, 2014). The regulated monopoly over 3G services has created a regulatory barrier for the deployment of fast mobile broadband services in Cameroon.

An Internet provider, Yoomie has announced the introduction of 4G services in Cameroon and Chad by the end of 2014. However, considering the monopoly given to Movitel for two

more years over 3G infrastructure Yoomee announcement sounds, in the context of Cameroon, more like marketing strategy than a likely new product. Taking into consideration the regressive policy constraints on deployment, in which MTN has been stopped from deploying optical fibre, and the power corporation AES-SONEL has received USD1million fine for having ventured into deploying a fibre network for low-cost Internet provision, that the railway corporation (Camrail) is prevented from using the fibre optic network deployed along its tracts between Douala (the main commercial city) and Ngaoundéré (about 1000 km) in the Adamaoua region such a development seems unlikely to come to fruition any time soon.

The outcome of the protectionist telecommunications policy is a dysfunctional market structure which is unable to extensively provide affordable and fast mobile voice and data services. In 2012, at a household level, internet use in Cameroon was as low as 1.3% (RIA, 2012). At an individual level, only 14.1% of the population 15 years and older had ever used the internet (RIA, 2012). Although mobile ownership had reached 44.5% by 2012, and therefore the critical mass which triggers network effects and positive multipliers that drive economic growth and development (Roller and Waverman, 2001); only as little as 14.9% of those devices were internet enabled.

**Table 1: New bundles in African countries**

Country	Operator	Product name	Bundle type	OECD basket price (USD)	Cheapest product in the country (USD)
Egypt	Mobinil	Kalamngy All Day long	Voice SMS	13.01	2.77
	Etisalat	Get Smart Tariff	Voice and Data	6.94	
	Vodafone Egypt	Vodafone Elsanawy	Voice	6.94	
Cameroon	Orange Cameroon	Plenty Fun 1000	Voice, SMS and Data	8.40	8.40
Kenya	Orange Kenya	Holla	Voice and SMS	3.52	1.47
	Yu Kenya	Ongea Mob Jioni pack	Voice	5.37	
	Airtel Kenya	Tosha 30	Voice and SMS	2.39	
	Airtel Tanzania	Yatosha weekly	Voice, SMS, Data	6.40	

**Table 2: OECD mobile baskets, 2010 definition, 40 calls. Monthly call distribution, minutes and SMS**

Country name	Cheapest product				% cheaper than dominant
	Dominant operator		Cheapest in country		
	USD	Rank	USD	Rank	
Egypt	2.77	1	2.77	4	Dominant is the cheaper
Sudan	2.83	2	1.06	1	62.5%
Ghana	3.38	3	2.64	3	21.9%
Mauritius	3.69	4	3.69	5	Dominant is the cheaper
Ethiopia	3.98	5	3.98	6	Dominant is the cheaper
Kenya	4.27	6	1.47	2	66%
Rwanda	5.06	7	5.06	9	Dominant is the cheaper
Tunisia	6.30	8	6.10	11	3.2%
Algeria	6.43	9	6.43	14	Dominant is the cheaper
Libya	6.91	10	6.91	15	Dominant is the cheaper
Nigeria	7.11	11	4.49	7	37%
Uganda	8.53	12	7.10	16	17%
Namibia	9.21	13	8.05	17	13%
Sierra Leone	9.33	14	9.33	20	Dominant is the cheaper
Tanzania	9.60	15	6.40	13	33.3%
Mozambique	10.01	16	10.01	22	Dominant is the cheaper
Botswana	10.99	17	10.01	21	8.9%
South Africa	11.26	18	4.85	8	56.9%
Benin	11.59	19	11.59	23	Dominant is the cheaper
Cameroon	11.94	20	8.40	18	29.7%
Liberia	13.19	21	13.19	26	Dominant is the cheaper
Mauritania	13.20	22	13.20	27	Dominant is the cheaper
Central African Republic	13.91	23	13.91	28	Dominant is the cheaper
Malawi	14.15	24	14.01	30	Dominant is the cheaper
Sao Tome and Principe	14.56	25	14.56	31	Dominant is the cheaper
Congo Brazzaville	15.49	26	14.68	32	5%
Niger	15.70	27	15.70	35	Dominant is the cheaper
Burkina Faso	15.80	28	15.56	34	2%
Cote d'Ivoire	15.90	29	15.90	36	Dominant is the cheaper
Mali	16.04	30	16.04	37	Dominant is the cheaper
Senegal	16.27	31	16.27	38	Dominant is the cheaper
Togo	16.37	32	16.37	39	Dominant is the cheaper
Lesotho	16.93	33	16.93	40	Dominant is the cheaper
Zambia	16.98	34	15.11	33	11%
D.R. Congo	17.10	35	12.18	24	29%
Chad	17.76	36	17.76	42	Dominant is the cheaper
Swaziland	18.54	37	18.54	43	Dominant is the cheaper
Seychelles	20.61	38	20.61	45	Dominant is the cheaper
Madagascar	21.28	39	8.64	19	59%
Angola	22.04	40	19.84	44	10%
Zimbabwe	22.70	41	21.78	46	4%
Cape Verde	31.57	42	31.57	47	Dominant is the cheaper
Morocco	47.20	43	12.40	25	74%

**Table 1: New bundles in African countries**

Country	Operator	Product name	Bundle type	OECD basket price (USD)	Cheapest product in the country (USD)
Tanzania		Yatasha Noma weekly On-net flow	Voice, SMS, Data	6.40	6.40
	Benson	Monthly Bundle	Voice and SMS	10.82	
	Tigo	Tigo Weekly package	Voice, SMS, Data	6.41	
	Vodafone Tanzania	Cheka Bombastik	Voice, SMS, Data	9.60	
	Zanzibar Telecom Limited	EPIQ 600	Voice and SMS	19.19	
Namibia	Telecom Mobile (ex Leo)	TN Mobile 20	Voice, SMS, Data	8.05	8.05
	MTC	Aweh	Voice, SMS, Data	12.71	
Nigeria	Glo Mobile	Talk Free	Voice and SMS	6.12	4.49
South Africa	MTN SA	Sky Super	Voice, SMS, Data	91.98	4.85
	Cell C	Infinity	Voice, SMS, Data	91.98	

Broadband performance is below the minimum speed currently reached by all other African countries covered in this policy brief. The cheapest ADSL package by Camtel is offered at a 256 Kbps speed and the two mobile operators Orange and MTN are unable to offer anything more than the slow 2.5G data speeds they are locked in.

## New bundled pricing

In the quarterly review of prepaid mobile voice tariffs in 40 countries conducted by Research ICT Africa in Q1 2014, it was found that some African network operators, including Orange Cameroon, are moving towards bundled prepaid packages. In addition to Cameroon, bundled prepaid packages are being offered in Angola, Egypt, Tanzania, Namibia, Uganda, Ethiopia and South Africa, as listed in Table 1. The bundles all come with voice minutes and either SMSs, or megabytes of data, or both included together.

Based on the OECD's (2010) 40 calls/60 SMSs basket calculation, most of the new bundles are more expensive than the cheapest product in the country (for instance in South Africa, Cell C's cheapest bundle product is priced 19 times higher than the cheapest product in the country).

However, Cameroon, as well as Tanzania and Namibia, point to a different pattern as the new bundle tariffs correspond to

the cheapest prepaid mobile product in these countries. The introduction of bundles in these countries seems to result in higher value for money for the customers who benefit from a blend of voice calls, SMSs and data in a combined price.

## Cameroon's rank in the RIA transparency price index

Cameroon is experiencing the introduction of a variety of new products in the mobile market: "Plenty" and "Indomitable" bundles by Orange, and "N-Joy" by MTN. Research ICT Africa found in its survey of the Cameroon mobile market in Q1 2014 that those new time-based products are effectively lowering the prepaid mobile voice OECD (2010) basket price compared to previous quarters.

Similar to other African markets, the main innovation in Cameroon's mobile voice market was the introduction of the "Plenty" time-based bundle by Orange Cameroon (RIA Policy Brief No. 2 April, 2014). The bundles come in several denominations offering voice; voice and SMS; or voice, SMS and data bundled services as shown in Table 3. The bundles were introduced as an economical option with an in-bundle calling rate of 0.5CFAf per second to all networks and a cost of 5CFAf per SMS to any of the networks.

In addition, Plenty bundles are the only prepaid plans for Orange Cameroon customers. The time-based bundles are valid either daily or weekly. The introduction of the bundles has led to Plenty Fun 1000 being the cheapest all-inclusive product for the OECD's 40 calls/60 SMSs basket (2010) definition at CFAf4,000 per month in the Cameroon market. Plenty Relax 1000 offers 20 minutes worth of calls to all networks, 20 SMSs, 5 minutes to international numbers (in selected countries) free unlimited calls and SMSs to Orange numbers from 9pm to midnight, 50MB of internet data and 50MB for Facebook and Twitter. Plenty Relax 5000 offers 100 minutes to call any network, 30 minutes to call international numbers (in selected countries), 100 SMSs to all networks, unlimited calls and SMSs to Orange numbers and 300 MB of internet data.

**Table 3: Orange's Plenty Bundles**

	Price CFAf	Bundle Value	Validity
Plenty classic	500	Voice and SMS	Weekly
Plenty Fun 250	250	Voice ,SMS and Data	Daily
Plenty fun 1000	1,000	Voice ,SMS and Data	Weekly
Plenty Smart 500	500	Voice	Daily
Smart 2000	2,000	Voice	Weekly
Plenty Relax 1000	1,000	Voice ,SMS and Data	Daily
Plenty Relax 5000	5,000	Voice ,SMS and Data	Weekly

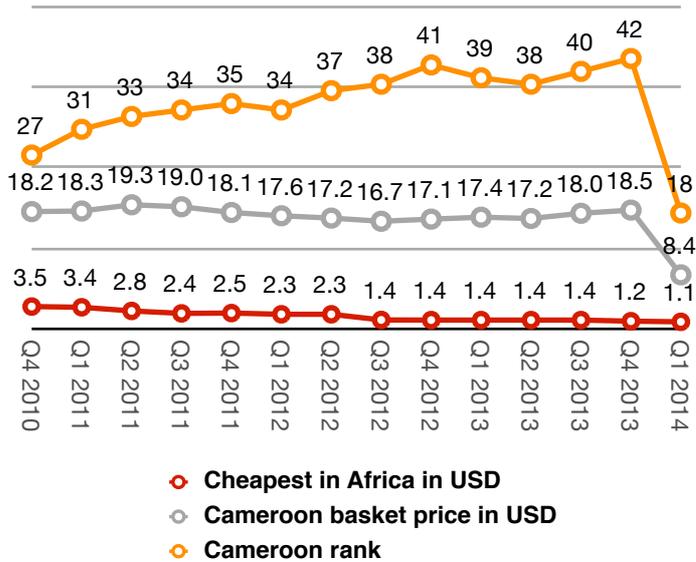
MTN Cameroon introduced MTN "N-Joy" in Q1 2014. The product was a promotion which offered free night calls during off peak and off-off peak times between MTN subscribers (on-net). Another positive change from the operator was the reduction of its off-net calls on the MTN Best plan from 2CFAf

per second to 1.5CFAf per second.

Viettel Cameroon is the country's third mobile operator having won the telecommunications licence from the government in 2013. Although Viettel was meant to introduce 2G and 3G technologies, it still has not launched any such service.

The Government also terminated the mobile operations of the incumbent Camtel without providing any reason for this decision.

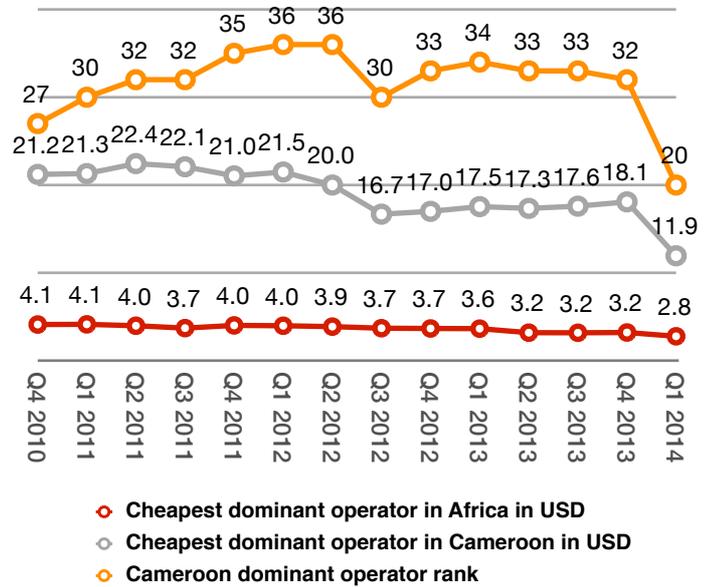
Figure 1 displays the cost of the cheapest prepaid mobile product available in Cameroon, and in all of Africa, for the OECD's<sup>1</sup> 40 call/60 SMSs basket between Q4 2010 and Q1 2014.



**Figure 1: Ranking and cost of cheapest prepaid mobile product available in Cameroon and Africa for OECD's 40 calls/60 SMSs basket**

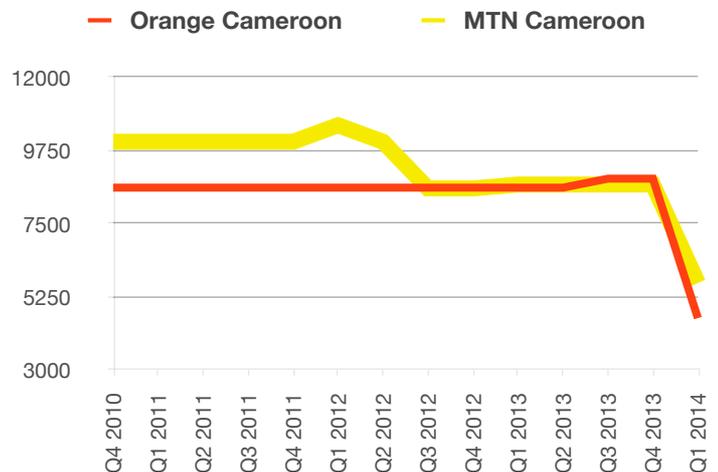
The cheapest operator in Cameroon basket dropped significantly to USD8.4 in Q1 2014 from USD18.5 in Q4 2013, with the introduction of the bundle services offered by Orange Cameroon. This is the biggest price decrease for Cameroon's cheapest price basket since Q4 2010. However this price is still 7.6 times more expensive than the cheapest product in Africa and 3 times more expensive than the cheapest product available from a dominant operator in Africa (Vodafone Egypt and Zain Sudan had a basket price of USD2.8, see Table 2 or Figure 2).

Cameroon's ranking for the cheapest product in the country dropped from 33rd in Q3 2013 to 32nd in Q4 2013. This position moved to 20th in Q1 2014, a significant rank change for Cameroon since Q4 2010. The detailed ranking for all countries for the first quarter of 2014 is displayed in Table 2.



**Figure 2: Ranking and cost of cheapest prepaid mobile product available from dominant operators for OECD's 40 calls/60 SMSs basket**

Figure 3 compares the cost of the cheapest prepaid mobile products for each operator in Cameroon according to the OECD's 40 calls/60 SMSs basket. Orange Cameroon and MTN Cameroon have both introduced cheaper products to the market which has resulted in a price reduction of the cheapest product. MTN Cameroon introduced MTN N-Joy which costs CFAf5 684 and it represents the cheapest product from the dominant operator in Q1 2014. Orange Cameroon introduced Plenty Fun 1000 with an in-bundle calling rate of 0.30CFAf per minute.



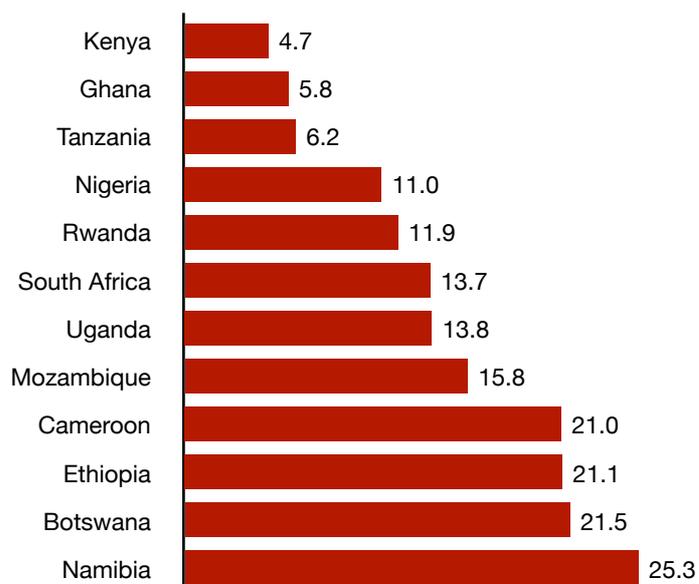
**Figure 3: Cost of cheapest prepaid mobile product for OECD's 40 calls/60 SMSs basket by operator in CFAf**

## Cameroon's prepaid mobile data prices

Prepaid mobile baskets of 1GB have been used to analyse and compare data tariffs in mobile broadband markets across countries and operators in Africa. The prepaid nature compounded with a relatively low level of data volume adds to the popularity of these baskets which is represented in their

<sup>1</sup> OECD (2010), Revision of the Methodology for Constructing Telecommunication Price Baskets, OECD Working Party on Communication Infrastructures and Services Policy.

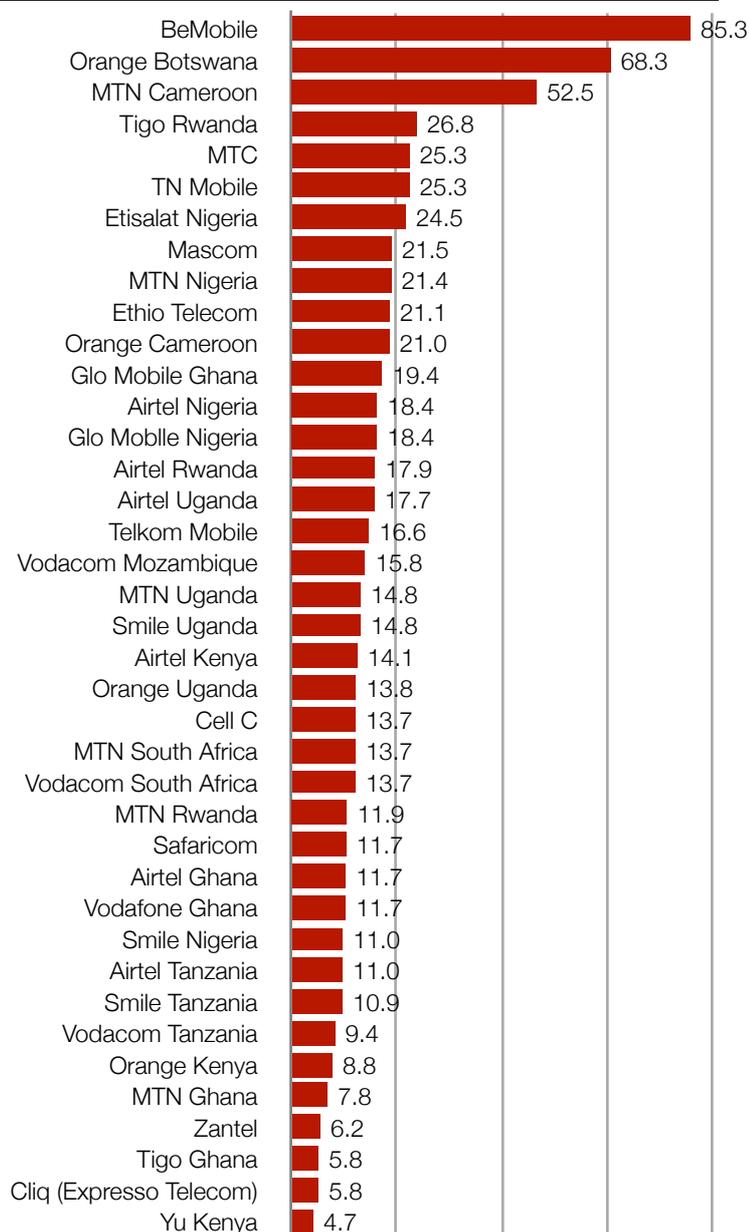
provision by almost every operator. This allows for cross-cutting price comparison which is illustrated in Figure 5.



**Figure 4: Cheapest prepaid 1GB basket for Q1 2014 (in USD)**

The cheapest 1GB mobile prepaid basket in Cameroon costs USD21. In comparison to other prepaid mobile data markets analysed, Cameroon is at the same level as the monopolistic Ethiopian market and only slightly cheaper than the Botswana market, which is dominated by two companies, MTN and Orange, and a state-owned fixed-line and mobile operator Botswana Telecommunications Corporation Limited. Cameroon is also cheaper than Namibia - a country which has drastically reduced voice prices but is still the most expensive country in terms of the 1GB mobile data basket.

MTN Cameroon, as well as BeMobile and Orange in Botswana, stand out as the most expensive providers of 1GB prepaid bundles with prices of USD52.5, USD85.3 and USD68.3, respectively. Tigo Rwanda, MTC and TN Mobile in Namibia, followed by Etisalat in Nigeria form the next most expensive cluster between USD26.8 and USD24.5.



**Figure 5: Q1 2014 Price 1GB basket in USD.**

## Fixed broadband

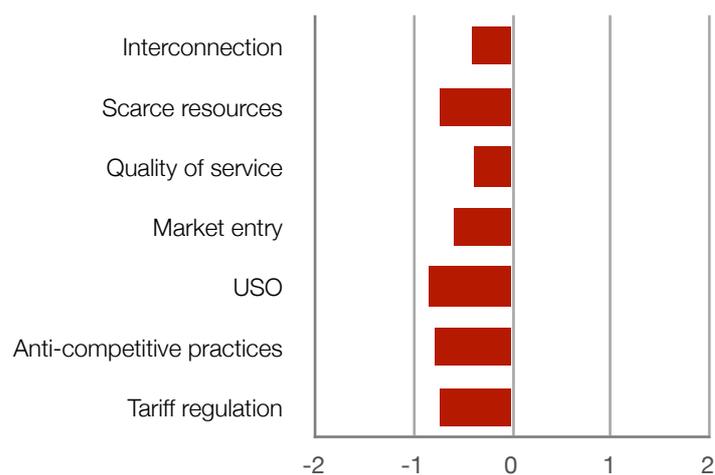
Table 3 compares the incumbent state-owned operator Camtel with other ADSL operators. Camtel does not offer bundled products and all its three services (Home and Pre-school, Business and School, School Plus and Business Plus) are unlimited. However the operator charges the exorbitant price of USD1002.06 for an unlimited package at a speed of 1 Mbps, USD62.81 for the Home and Pre-school unlimited data package at a speed of 256 Kbps<sup>2</sup>, USD104 for the Business and School unlimited data package at a speed of 256kbps and USD415 for the School Plus and Business Plus unlimited data packages at a speed of 512 Kbps. Not only is the 1GB up to 4 Mbps ADSL basket is more expensive than any other basket assessed by this policy brief, but Camtel is also the only operator among those analysed which offers ADSL products at a speed as slow as 256 Kbps.

**Table 3: Cost of 1GB ADSL baskets at different speeds**

Country	Operator	1GB up to 1 Mbps	1GB up to 4 Mbps	1GB up to 10 Mbps	1GB above 10 Mbps
Ethiopia	Ethio Telecom	14.45	30.25	337.90	
Mozambique	TDM	21.59	91.10	136.91	
Ghana	Vodafone	26.89			
Namibia	Telecom Namibia	36.74	64.36	336.69	
South Africa	Telkom	37.68	37.68	68.53	86.18
Botswana	BTC	46.97	61.81	119.63	
Cameroon	Camtel	62.81	1002.06		
Tanzania	TTCL	71.74			
Kenya	Orange	77.04	124.02		

<sup>2</sup> Camtel offers only uncapped ADSL services, and therefore unlimited data tariffs have been used to create 1GB ADSL baskets.

## Perceived ineffective regulation of the telecommunications market



**Figure 6: Overall 2012 TRE Cameroon Survey results covering fixed and mobile broadband**

According to the 2012 Telecommunication Regulation Environment<sup>3</sup> (TRE) Survey by RIA, regulation of fixed, mobile and broadband markets in Cameroon is perceived to be ineffective. Two presidential Decrees signed in April 2012, which sought to clarify the roles and responsibilities of two regulatory agencies, the Telecommunication Regulating Body (TRB) or *Agence de régulation des télécommunications* and the National ICT Agency (NAICT), have not been able to drive competition or improve performance of the sector.

A protectionist policy in both fixed-line and mobile markets has limited delivery in some key regulatory areas.

MTN has been prevented from venturing into fibre-optic broadband deployment since 2008. The power corporation's (AES-SONEL) intention to provide low cost broadband access was halted in 2010. In December 2013, the general manager of the Regulatory Body signed a Decision imposing a heavy penalty of USD1million on the corporation for "exploitation of a private independent network without authorization". In May 2014 the railway corporation (Camrail) called for the deployment of a fibre-optic network along its tracks between Douala and Ngaoundéré. Confronted with this negative regulatory environment, a decision-maker within the organisation says that for the moment it has resorted to putting out a call for a broadband study. He hopes such study will inform the government better on the negative impact of the judicial and regulatory constraints on Cameroon realising its national broadband objectives.

Due to the high cost of mobile voice services, the *Agence de régulation des télécommunications* (ART) threatened operators with ex ante regulatory actions, such as capped prices, if operators failed to introduce price reductions. However, a price war between operators based on the introduction of incentives and other promotions resulted in a reduction of retail prices. Orange Cameroon introduced an incentive program providing free airtime in response to volume of use where it offered one free minute for every three minutes paid

instead of a tariff reduction. Similarly, although the ART has only implemented commercial interconnection agreements between the three operators MTN, Orange and Camtel, findings in Q1 2014 from the price transparency index show that market forces are bringing down the off-net tariffs of both MTN and Orange.

Regulation of market entry is perceived negatively. As indicated, the fixed-line market is dominated by a state-owned monopoly operator Camtel, which has been unable to increase the number of fixed lines. The mobile segment is characterised by a duopoly which is unable to provide 3G services due to a monopoly granted to Viettel over the wireless broadband market.

Also, regulation of anti-competitive practices is entirely ineffectual in Cameroon. Regulation in this area is not being given as much attention as it requires. Viettel's monopoly on the 3G market stifles the natural business evolution of other network operators stuck on the 2.5G platform.

Additionally, there has been a lack of regulation in the management of resources such as spectrum, rights of way and numbering. For example, radio and spectrum attribution still belong to the ministry of post and telecommunications instead of the ART.

Universal service obligations (USO) regulation, which encompass affordability and accessibility aspects, were perceived as ineffective. While initiatives are in place to actually provide universal services to those market segments least commercially attractive (through the strategy of the Government to rollout telecenters, for instance), they have been criticised by stakeholders in the sector since strategies put in place are not well executed. For example, the Government had committed to launching 2,000 telecenters by 2010 but only 400 had been established by 2012.

## Conclusion

The Cameroonian telecommunications market has gone down a blind alley. Policy barriers to entering both the fixed-line and mobile markets impede not only the new entrants from increasing market offerings, but are also obstructing the natural evolution of the business of existing operators to offer services at a greater speed.

The protectionist regulatory framework has resulted in a dysfunctional duopoly in the mobile market, which has high prices for both voice and data services in comparison to other African markets. The monopoly in the fixed-line market has been unable to provide fast ADSL services and the incumbent operator is the only one among those analysed across African countries to provide ADSL services at a speed as slow as 256 Kbps. The monopoly is also ineffectively regulated with some of the highest costs and poorest quality.

The monopoly on 3G services granted to Viettel must be revoked to allow the other two operators to provide faster broadband services (3G and 4G). Wholesale access regula-

<sup>3</sup> TRE assessment measures the perception of a country's telecommunications regulation from key sector's stakeholders (LIRNEasia, 2008).

tion needs to be regulated more effectively to enable service-based competition and reselling. Further, opening the fixed-line market may result in an increase in infrastructure investment. Therefore, an improvement of broadband speeds and a reduction in ADSL prices would be on the cards; if not, the access market must be unbundled in order to open it up to competitive services.

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