

OTT tax and data prices during Covid-19 in Cameroon

- ❖ In 2019, Cameroon's government introduced a law to tax telecommunication companies CFA 200 (USD0.35) for the download of each application that is not developed in Cameroon. In 2020, the government also proposed a 33% excise duty on all imported mobile phones
- ❖ The tax will increase the total cost of accessing the internet in Cameroon, making it more costly during COVID-19 and more inaccessible to the poor.
- ❖ Social media apps (Facebook and Twitter) and messaging apps (WhatsApp) are critical to Cameroonians' national and international engagement in sharing COVID-19 information and updates.
- ❖ Although data prices have decreased since 2016, they remain high compared to other Central African countries and the continent at large.
- ❖ In response to COVID-19, MTN suspended on-net charges on mobile money transactions below CFA 20 000 (US\$32) for up to a maximum of three transactions per day.
- ❖ Orange reduced prices of products and services to help subscribers stay up to date with COVID-19 information. Orange cut residential internet by 30%, USB internet keys by 50%, and waived charges on water bills payment.
- ❖ Before lockdown, Camtel, the public entity that holds the monopoly on the provision of fibre, announced that it would deploy its first GSM network to boost its share of the total market, which is only 3%.

The mobile application download tax and import duty on mobile devices has implications for the cost of data, making the internet more costly during COVID-19 and inaccessible to the poor.

Introduction

Globally, the COVID-19 pandemic has exposed a country's ability (or not) to keep people and businesses online while bringing to light the importance of having a connected nation. It has forced the service industry to work from home, and now more than ever, access to the internet has become the lifeline to drive the economy. Across Africa only a relatively small elite were able to digitally substitute their work, schooling, banking and even applying for social grants because of low Internet penetration levels. The primary reason for people not being connected to the Internet is the cost of devices and the major reason for limited use of the internet in Africa is the price of data (Gillwald & Mothobi, 2018).

Many African countries, with limited tax bases have looked to digital goods and services to mobilise resources, often with unintended negative consequences on universal access and other digital policies. In 2019, the Cameroonian government introduced a 200 Franc

(USD0.35) over the top (OTT) tax on telecommunication companies for every mobile application download by the mobile subscribers registered on their network (Itimu, 2019). In addition, in 2020 an import duty of 33% was proposed on imported mobile devices (Atabong, 2020). Such taxes undermine the government's initiatives to increase ICT uptake as a means to decrease the digital divide by making the internet less affordable for households and individuals with lower incomes and deters new users (Ahmed et al., 2021). Covid-19 exposed these contradictions, especially when social media became a critical medium to provide information regarding the pandemic. In 2020, mobile operators in Cameroon introduced promotional offers to make data more affordable. This included suspending on-net charges on mobile money transactions (MTN) and reducing residential internet prices (Orange). However, the RIA African Mobile Pricing (RAMP) portal indicates that these promotional offers have not impacted the long-term data prices as the 1GB data price remained more or less the same during 2020.

Key Concept: RAMP Index data¹

Research ICT Africa's (RIA) Africa Mobile Pricing (RAMP) Index is a database that comprises of lowest data and voice/SMS basket prices collected quarterly for each mobile operator in Africa. The capturing of data costs is essential so that changes in the fees can lead to an accurate analysis of data's affordability. An increase in data prices has the negative effect of pushing people offline.

The RAMP Index database draws on advertised prices from individual Mobile Network Operator (MNO) websites. However, there are instances where it is impossible to gather new data if the MNO'S website is not updated during the collection period. While advertised data bundles that cannot be accommodated under RIA's definitions as per the Organisation for Economic Corporation and Development's (OECDs) standards, are not captured. RIA's methodology does not capture post-paid data or promotions, which may be cheaper than prepaid prices. Also, a 1GB measure does not necessarily reflect how people use data. Most subscribers will opt for data cheaper alternatives such as OTT bundles, social media bundles, or a MiFi device with data offerings to maximise their discretionary income. But the 1gig does provide a basis for comparison and is the international standard measure.

Comparative analysis of data prices in Cameroon

Despite efforts over an extended period to introduce competition Cameroon has a duopoly in the mobile telecommunication sector controlled by MTN Cameroon and Orange Telecom. In 2014, Cameroon granted a monopoly over 3G services to Viettel, a Vietnamese government owned mobile operator and the third largest operator, (Nzepa et al., 2014), but failed to provide 3G infrastructure by the end of 2014 and instead asked for the extension of its monopoly to 2016 (Southwood, 2014). After some delays (postponing its opening twice), Viettel Cameroon, launched its network to compete with the incumbents, MTN Cameroon and Orange Telecom. Since entry, Viettel Cameroon has continuously grown its subscriber

¹ RAMP does not capture the promotional packages because it follows the OECD international standards

base. As of 2016, Viettel gained about 14% market share from MTN and Orange, who controlled about 51% and 35% of the market, respectively.

Competition in mobile telecommunication was further enhanced in 2020 after the Telecommunication Regulatory Board of Cameroon renewed Camtel's operator licence following a restructuring process. Camtel was granted a new licence permitting it to deploy and manage a national transport network, including constructing submarine cable landing stations and was also licensed to deliver a GSM network across Cameroon.

For mature and incumbent operators, competition is no longer an attempt to attract new subscribers; first movers often try to offer new services and prices to reduce churn rates and conquer other networks. On the other hand, new entrants are forced to drive prices down below their competitors. This has often ignited price wars that dominant players can sustain, but can be the undoing of new entrants. Importantly though, incumbents have increasingly offered quality services as a strategy to retain and attract subscribers to their networks rather than enter into a price war serving, as they do, the top end of their markets, and even with price sensitive consumers placing a premium on quality. However, in Cameroon, the latest entrants, Camtel and Viettel Cameroon, could not compete with MTN and Orange who have leveraged their dominant positions in the market. As shown in Figure 1, the second-largest operator, Orange, reduced its prices from CFA3000 in 2018Q2 to match the 1GB data price of MTN at CFA2000 in Q3-2018, the lowest in the market since then. This reduction resulted in Orange gaining some market share, increasing its subscriber base to 7.9 million (38.2%) versus MTN's 9 million in 2019 (49%). With smaller operators only controlling 12.8% of the market.

"The data prices have decreased drastically between 2016 and 2020. However, these prices are still high compared to those in other countries such as Egypt"

One of Cameroonian regulator, Agence de Régulation des Télécommunications (ART)'s long term priorities is to bridge the digital divide by enabling "everyone accesses and contribute to information, knowledge as well as benefit from greater development capacities provided by ICTs" (Ministry of Posts and Telecommunications, 2015). Although there has been some broadband network extension to ensure access to the internet, internet uptake remains low in Cameroon, limiting potential to contribute to growth and development. In addition, the introduction of taxes further widens the digital divide.

In 2017, weak economic conditions and volatile currencies characterised the market environment for the mobile operators in Cameroon. That year, in particular, was a challenging year due to the data network shutdowns by the state to manage dissent, which lasted 280 days (Dahir, 2018). In 2018 and 2019, the conflict in the Northwest and Southwest regions (MTN Group, 2018) and reduction in mobile termination rates further impacted on the dominant player, MTN's bottom lines. (MTN Group, 2019).

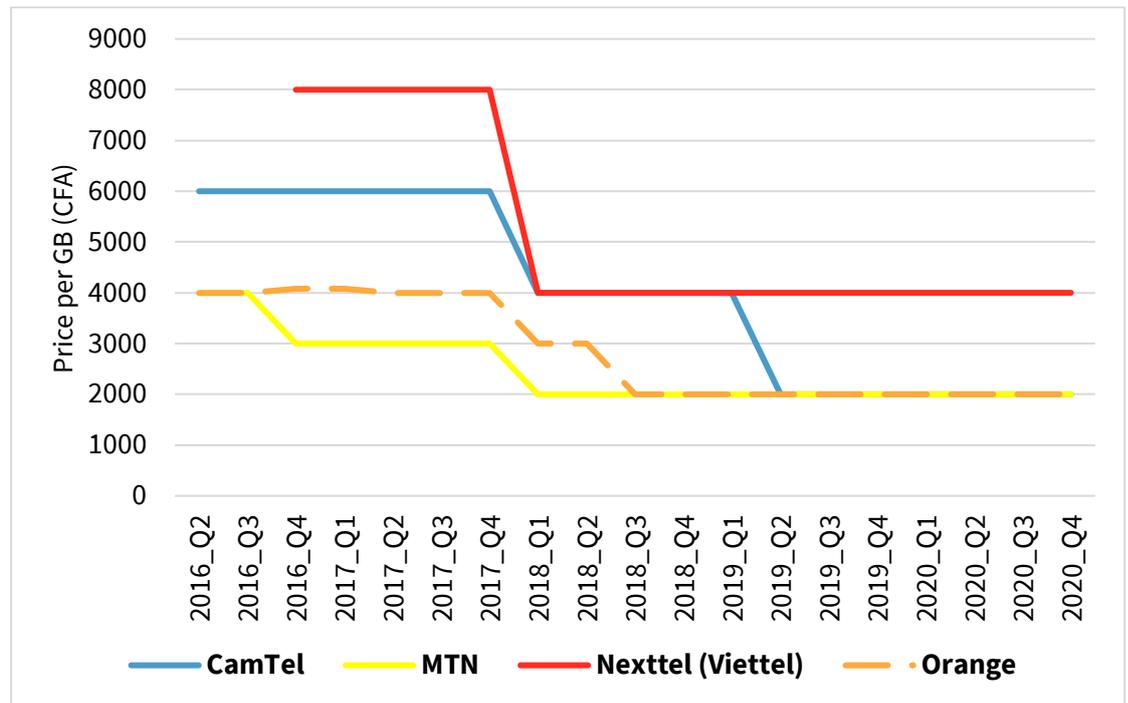
1GB data prices in Cameroon

The RAMP Index (Figure 1) demonstrates that the 1GB data prices have reduced gradually over the last four years. Between Q2-2016 and Q2-2020, the 1GB data prices for Cameroon decreased from CFA 8000 to CFA 2000. This price reduction still leaves prices relatively high compared to other countries on the continent, such as best performer, Egypt, whose data costs USD1.24 per GB, USD\$2.40 below Cameroon's bet price of USD\$3.40, which was the

cheapest as at last quarter of 2020. Prices for 2021 will be reported at the annual review of RAMP databases quarterly prices at the end of Q4-2021.

The inability of late entrants to place pricing pressures on the dominant operators, the lack of competition or effective regulation to introduce pro-competitive interventions, the overall cheapest data price has remained constant for about ten quarters from Q3-2018 to Q4-2020 at CFA 2000 per 1 gigabyte.

Figure 1: Data Price Movement for 1 GB Between 2016 and 2020 in Cameroon.



Source: Research ICT Africa (RAMP) Index, 2020_Q4

Until Q4-2017, Viettel, the majority-owned by Viettel, was the mobile operator with the highest prices for a 1 GB data package at CFA8000 (USD 14.36) compared to MTN's lowest price, CFA2000 (USD 5,38). Viettel prices did come down in Q4-2017 and Q1-2018 to match Camtel, which reduced its 1GB data price from CFA6000 in 2017 to CFA4000 in 2018. While Viettel assumed a constant data pricing strategy following it slashing prices at the beginning of 2018, Camtel further reduced its data prices to CFA2000 to match MTN and Orange from the second quarter of 2019. This price has been the lowest of all three operators since then to date.

The 1GB data price reductions between Q2-2016 and Q1-2018, as a result of the introduction of the South Atlantic Interlink (SAIL), a fibre optic cable that runs between Brazil and Cameroon, improved the availability of national bandwidth and led to a reduction in prices (ReportBuyer, 2017).

MNOs response to COVID-19

The World Health Organization (WHO) has made the internet a critical component in fighting the pandemic by raising awareness and providing information updates. Generally, health

ministries in Africa have adopted more innovative methods of alerting people about the virus as well as effective ways of reducing its spread. In order for the people to receive these alerts, they need to be connected and data affordability is a vital aspect to consider.

In response to the COVID-19 pandemic and measures to reduce its spread, from March 2020, MTN suspended on-net charges on mobile money transactions below CFA 20 000 (US\$32) for up to a maximum of three transactions per day (MTN Group, 2020). This adjustment was a positive change since physically handling cash is considered a way to spread the virus. MoMo, MTN's Mobile money app, is a critical tool in Cameroon for half of the population who use MTN services. Distance payment mechanisms could aid in slowing the spread of the virus. MTN also provided free access for online educational platforms to make it easy for learners during the pandemic.

Orange reduced prices of products and services to help subscribers stay up to date with COVID-19 Information. Orange cut residential internet by 30%, USB internet keys by 50%, and waived charges on water bills payment (Freedman, 2020). Other measures include the donation of COVID-19 equipment through its foundation. Before lockdown, Camtel, the public entity that holds the monopoly on the provision of fibre, announced that it would deploy its first GSM network to boost its share of the total market which is only 3%.

" Despite the efforts made by the mobile operators, the Cameroon regulator, Agence de Régulation des Télécommunications (ART) still argued that the calls and internet prices have remained the same."

However, despite the mobile network operators' efforts, the Cameroonian regulator, Agence de Régulation des Télécommunications (ART), argued that call and internet prices remained the same and negotiated with operators to reduce prices. While the RAMP Index indicates that the 1GB data price remained more or less unchanged, promotions and adjustments made to existing packages gave customers access to more data with the same amount of money.

Furthermore, service providers' efforts tend to go unnoticed or in consumers' minds are offset by the imposition of taxes on application downloads. This works against the policy objective and the mobile network operators' efforts to increase access to information through different online platforms, mostly social media applications.

Concluding remarks

This policy brief demonstrates the quarterly time series trend of data prices in Cameroon between 2016 to the end of 2020, as well as how prices have reduced. The reduction does not necessarily translate to cheaper data in the country with regulators still demanding that prices ought to reduce further. Due to the COVID-19 pandemic, the service providers have intervened to ease prices to enable access to information, news and updates relating to the pandemic. However, this comes after the introduction of a tax on mobile application downloads from which consumers are still smarting.

Tax revenue is vital for any country for infrastructure development and service delivery. However, the introduction of the mobile application downloads tax will increase the cost of accessing the internet, especially in countries where data affordability is a challenge for most of the population. These taxes are counterproductive in that they tend to undermine efforts to bring more Cameroonians online, disincentivise use and reduce the available

spend for data, resulting in a drop in demand for data, and leading to reduced data revenues for mobile operators. If the demand for data decreases, there will be fewer people using social media, thus lowering taxable take and most likely leading to a decline in government revenue from the telecommunications sector. Thus, it is unlikely that tax imposition efforts on application downloads will succeed in Cameroon.

For further RIA policy briefs, subscribe to our monthly newsletter [here](#).

Authors

Tapiwa Chinembiri: tchinembiri@researchictafrica.net

Naila Govan-Vassen: ngovan-vassen@researchictafrica.net

Enquiries

info@researchictafrica.net

T: +27 214476332

W: www.researchictafrica.net

Workshop 17, V & A Waterfront, Cape Town

Reference List

- Ahmed, S., Chinembiri, T., & Govan-Vassen, N. (2021). *COVID-19 exposes the contradictions of social media taxes in Africa* (Policy Brief No. 4; p. 9). Research ICT Africa. https://researchictafrica.net/wp/wp-content/uploads/2021/03/COVID-19-social_media_taxes_in_Africa.pdf
- Atabong, A. B. (2020). *Cameroon wants users to pay taxes to download mobile phone apps*—Quartz Africa. <https://qz.com/africa/1918945/cameroon-wants-users-to-pay-taxes-to-download-mobile-phone-apps/>
- Dahir, A. L. (2018). *African countries disrupt internet connectivity more than anywhere else*. Quartz Africa. <https://qz.com/africa/1468491/africa-internet-shutdowns-grow-longer-in-cameroon-chad-ethiopia/>
- Freedman, M. (2020, March 26). *Orange Cameroon Cuts Prices In Response To Coronavirus Outbreak*. Extensia-Ltd. <https://extensia-ltd.com/2020/03/26/orange-cameroon-cuts-prices-in-response-to-coronavirus-outbreak/>
- Gillwald, A., & Mothobi, O. (2018). *New report! After Access: Africa Comparative Report*. <https://researchictafrica.net/2019/05/16/after-access-africa-comparative-report/>
- Itimu, K. (2019, July 24). *Cameroon Tax Law Requires Telcos to Pay For App Downloads on their Network*. Techweez. <https://techweez.com/2019/07/24/cameroon-tax-law-requires-telcos-to-pay-for-app-downloads-on-their-network/>
- Ministry of Posts and Telecommunications. (2015). *Posts Telkom ICT Precious Assets of the seven year mandate*.

https://www.minpostel.gov.cm/images/documentation/Posts_Telcom_ICT_Precious_assets_of_the_seven_year_mandate.pdf

- MTN Group. (2018). *MTN Annual Financial Report*. https://www.mtn.com/wp-content/uploads/2019/03/MTN-A5-Results-Booklet_Financial-Section-NO-CROPS.pdf
- MTN Group. (2019). *MTN Annual Financial Report*. <https://www.mtn.com/wp-content/uploads/2020/03/MTN-Group-2019-annual-results.pdf>
- MTN Group. (2020, March 23). MTN ramps up efforts to support customers and communities as COVID-19 spreads across markets. *MTN Group*. <https://www.mtn.com/mtn-ramps-up-efforts-to-support-customers-and-communities-as-covid-19-spreads-across-markets/>
- Nzepa, O. N., Gillwald, A., Calandro, E., & Chair, C. (2014). *Fall from grace: Protectionism and monopolies push Cameroon down broadband index*. https://researchictafrica.net/wp/wp-content/uploads/2014/06/2014_Policy_Brief_2_Cameroon1.pdf
- ReportBuyer. (2017, December 19). *Cameroon—Telecoms, Mobile and Broadband—Statistics and Analyses*. CISION. <https://www.prnewswire.com/news-releases/cameroon---telecoms-mobile-and-broadband---statistics-and-analyses-300573608.html>
- Southwood, R. (2014). *Cameroon's broadband dead end*. <https://techcentral.co.za/cameroons-broadband-dead-end/189937/>