
GENERAL TARIFF POLICY IN MADAGASCAR

DEMOGRAPHICS

- *Surface area: 587 000 km²*
- *Population: 16 908 000*
- *Density of population: 28.8 inhabitants/km²*
- *Annual growth rate of population: 3%*
- *Housing distribution rates:*
 - *28.21% urban*
 - *72.79% rural*
- *Administrative/geographical division*
 - *22 regions*
 - *116 district capitals*
 - *1 500 villages*

MACRO ECONOMY

- GDP/inhabitant: USD 287
- Distribution per sector
 - 25.7% for primary sector
 - 14.2% for secondary sector
 - 51.2% for tertiary sector
 - 9% indirect tax
- Distribution per service
 - 2.6% for public buildings and works
 - 10.4%: transport of goods
 - 2.0%: passenger transport
 - 3.0%: transport auxiliaries
 - 0.9%: telecommunications
 - 10.8%: trade
 - 0.7%: bank
 - Insurance: N/A
 - 14.6%: Services provided to businesses and households
 - 6.0%: administration
 - -0.7%: Unallocated costs
 - Number of jobs: 13 500
- Number of jobs created between 2004 and 2005; 3 000
- Number of workers registered with CNAPS: 473 085
- Number of employers; 18 297

REGULATIONS

- Telecommunications in Madagascar are governed by Law No. 2005-023 of 17 October 2005, which revises Law No. 96-034 of 27 January 1997 on the institutional reform of the telecommunication sector

The basic law on telecommunications covers:

- General provisions on the law's areas of application
- The concept of issuing licences to operators
- The creation of a regulatory agency
- Regulation of the sector

IMPROVEMENT OF REGULATORY FRAMEWORK

Why the regulatory framework was improved

- Liberalization and privatization
- Adaptation of the regulatory framework to technological development and to the opening up of new services (technological neutrality)
- Strengthening of regulator's technical and juridical capacities
- Reassurance for investors through introduction of a regulatory framework well adapted to technological development
- Promotion of universal access to telecommunication services (development of basic infrastructures and services, ICT national development plan)
- Protection of users (competition, quality of service, tariffs)

Modifications made

- Regulations that take account of the technological convergence of networks
- Redefinition of categories and procedures for allocation or access to services
- Introduction of declarative or free régime for all networks and services not using limited resources

Overview of sector

Existing operators

- Nine (9) licence-holding operators including:
 - one (01) fixed telephony operator
 - three (03) GSM mobile telephone operators
 - one (01) Iridium operator
 - two (02) VSAT network data transmission operators
 - one (01) VSAT telephone service operator for rural telephony
- Nine (09) telecommunication service providers including:
 - Three (03) Internet service providers
 - Two (02) satellite communication service providers
 - One (01) credit card processing service provider
 - One (01) Voting Call service provider (VOCALYS)
 - One (01) telecentre service provider (EVA CALLING)
 - One (01) communications resale provider (LIFE.COM)
- One hundred and eighteen (118) telecommunication terminal resellers and installers

MARKET STATISTICS

Total number of subscribers in the sector in 2006:

- 105 538 fixed telephone subscribers
- 1 045 888 mobile telephone subscribers
- 9 500 Internet STN subscribers
- 519 data transmission service subscribers

MARKET STATISTICS (continued)

Turnover:

- Fixed telephone service: Ar 70 490 853 256
- Mobile telephone service: Ar 148 978 413 245

Volume of traffic

- Fixed telephone service: 160 000 000 mn
- Mobile telephone service: 297 956 000 mn

Telephone penetration rates

- Fixed: 0.32%
- Mobile: 6.2%
- Percentage of localities served (in relation to district capitals)
- Fixed: 69.6%
- Mobile: 32%

TARIFF REGULATIONS

Objectives

- The leading objective is to promote harmonized and effective tariffs and price-setting regimes and thus:
- Guarantee effective investment in infrastructures
- Guarantee that the tariffs and prices of services are affordable for everyone
- Guarantee that consumers receive maximum benefits in terms of choice, quality and quality/price

Principles

The basic principles underpinning the above objectives are:

- Non-discrimination;
- Transparency;
- Cost orientation;
- Technological neutrality.

TARIFF REGULATIONS

Retail price setting

- The price setting approaches used will generally vary depending on the products and services provided and the degree of competition on the market
- The price setting approaches may include, but not be restricted to, price setting based on the market, margins, required return on investment, conditions of regulation

Wholesale price setting

- Wholesale price setting approaches will vary depending on the types of wholesale arrangements concluded, the wholesale services and products, and other related wholesale infrastructures provided
- Wholesale price setting approaches may include, but not be restricted to price setting based on costs, income sharing, benchmarking and the “sender-keeps-all” principle
- Wholesale price setting that fosters fair competition and guarantees maximum benefits for the consumer should be promoted.

TARIFF REGULATION

(continued)

Criteria regarding interventions

1- Interventions regarding price setting;

- Interventions for the regulation of retail prices should be made only for services not subject to competition
- The scope and nature of the intervention required should depend on the degree of market power and related potential for abuse
- Operators are nevertheless required to provide the regulatory authority with evidence that the tariffs and prices of retail services are based on costs when the following are involved:
 - unjustified cross-subsidies;
 - price discrimination;
 - predatory prices and excessive prices

2- Rebalancing and regulation of retail prices

- Valid during the transition from a situation of monopoly to competition
- Prices set up until effective competition exists due to market forces (use of mechanism to regulate prices to ensure fair and reasonable tariffs and prices or price caps)
- Price capping establishing a limit on the tariffs of each service
- The regulation of price caps is based on the concept that for a monopoly operator or a dominant operator in a sufficiently competitive market, prices should not exceed the general price index (CPI) rate, less allocation factor X (X = operator's productivity factor)
- Price caps should be applied only to a basket of services for which there are no other providers (services including local calls, domestic long-distance calls, international calls)
- Regular examination of the development of tariffs imposed by operators on markets subject to competition. Evaluation of the tariff proposals submitted by operators on a market subject to competition should show that the tariffs are fair and reasonable in relation to comparable countries and markets.

TARIFF REGULATION

Interventions regarding wholesale price setting

- Interventions to regulate wholesale prices should be effected only on non-competitive service markets
- In general, operators with major market power for basic retail services must provide evidence that the wholesale prices are objectively based on costs.

TARIFF REGULATION

(continued)

Procedures and enforcement of the law

1 - Conditions regarding classification and publication

- Operators should submit to the regulator in writing their proposals for the tariffs they intend to apply
- The proposals should contain all relevant information on the tariffs, including deposits, monthly costs, terms and conditions applicable to service provision, rights and appeal measures available to consumers
- The tariffs proposed should come into force 30 working days following their submission to the regulator unless within those 30 days the authority issues a counter-proposal or sends the operator a notification of modification
- If the counter proposal or approval is not issued, the operator has the right to apply the tariffs proposed and the regulator is deemed to have approved them
- The agreements and offers regarding wholesale price setting arrangements by operators are not made available to the public, nor are they subject to approval by the regulator.

TARIFF REGULATION

(continued)

2 - Power of investigation

The authority has extended powers of investigation to enable it to identify and prevent the setting of abusive prices, including powers to:

- demand any document or information identified as being relevant to the investigation
- take copies of or extracts from any document produced

3 - Transparency in decision-making

- Use of public procedures, receipt of comments on regulations proposed (comments made further to the improvement of the new regulatory framework)
- Publication of important regulatory documents, possibly on website
- Decision on what information is relevant to decision-making

4 - Dispute settlement

- When a dispute is notified by a party, the regulator should decide the issue within a period that is as short as possible but sufficient to allow the matter under dispute to be examined equitably
- When settling disputes, the regulator should above all take users' interests into consideration and the promotion of fair competition
- The regulator should ensure that the procedures are fair and transparent

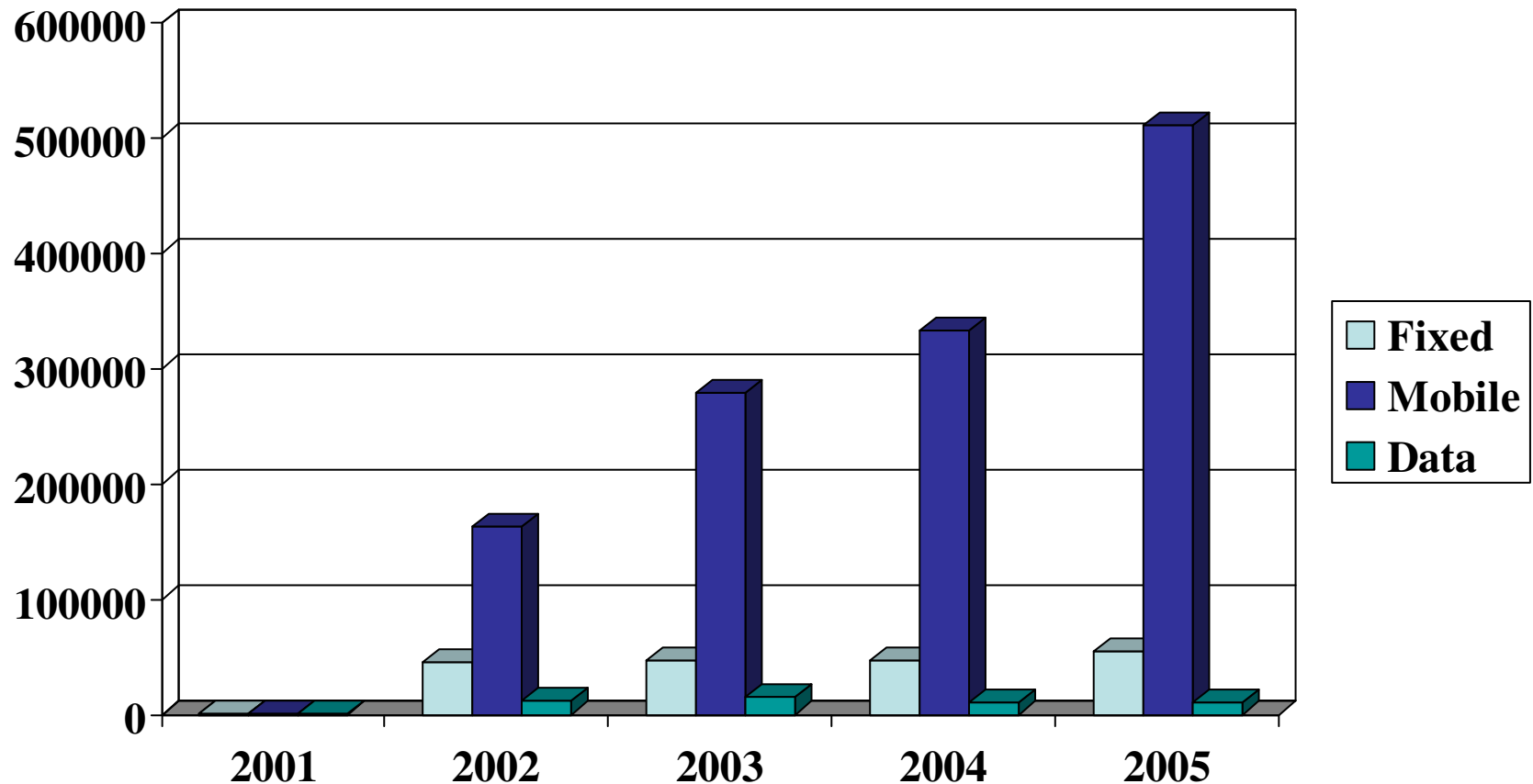
TARIFF REGULATION

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Application of law and sanctions

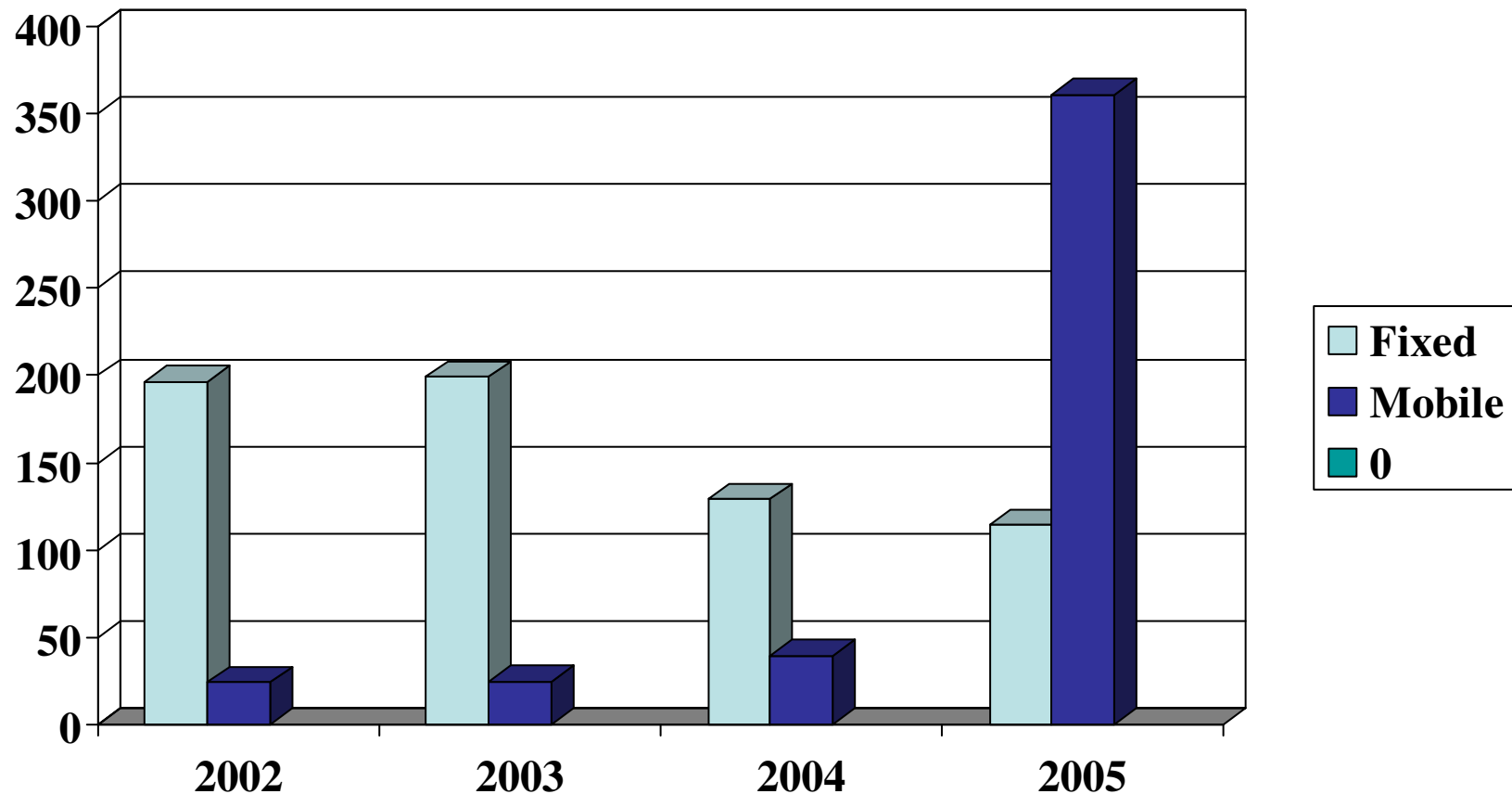
- When the authority presents its decision to the concerned party, the latter is bound to comply with the decision
- The party or parties receiving the declaration should normally have the opportunity to give their opinion
- If an operator fails to comply with the instruction, the authorities may impose the appropriate sanctions on it

MARKET EVOLUTION (number of subscribers)



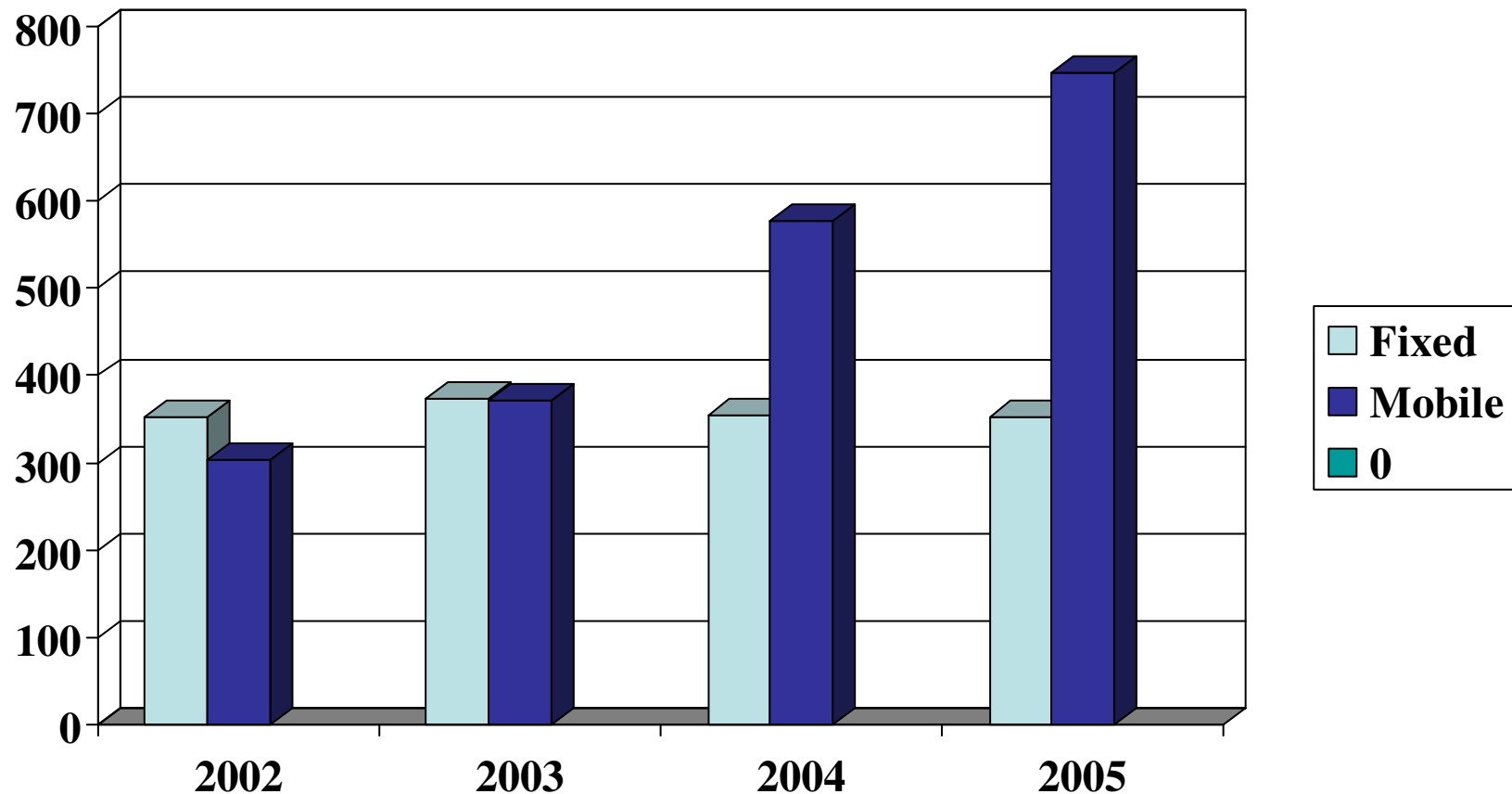
MARKET EVOLUTION

(evolution of traffic in millions of minutes)

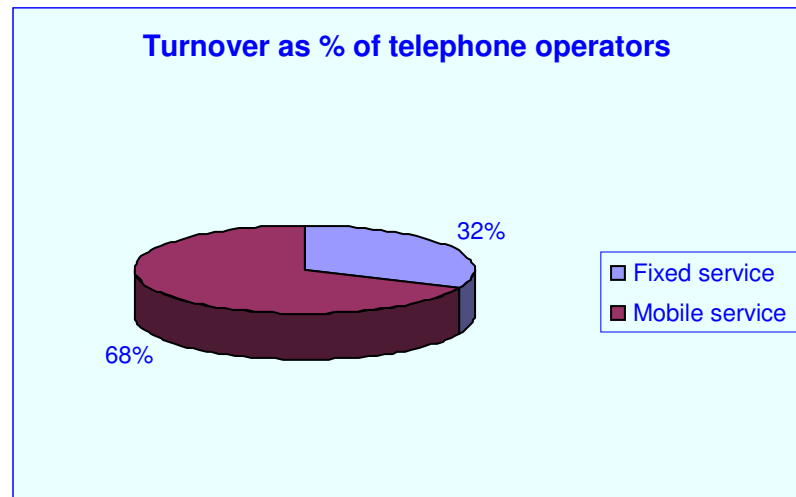


MARKET EVOLUTION

(turnover in thousand million FMG)



Market share



NETWORK INTERCONNECTION (commercial aspects)

- As is the case for the other African countries, interconnection is a major problem for the authorities responsible for management of the telecommunication sector. The basic law liberalizing telecommunications in most countries stipulates that operators must negotiate freely the bases for interconnection, and then deposit their agreements with the regulatory authority.

Interconnection (commercial aspects)

Efforts made by OMERT regarding operator fees:

- Reduction of equipment control fee
- Implementation of single tax on terminals
- Reduction of regulation tax to 1%

- Consequences:

For operator

- Reduction in the interconnection tariffs between operators of 266% (from FMG 1 000/mn to FMG 625/mn).

For subscribers

- The interconnection tariff reduction has had effects on end-user prices (lower tariffs between 2004 and 2005)
- This reduction is also a result of the competition on the telephone service market
- It should nevertheless be noted that there is a considerable difference between Tinter and Tintra, and the user could suffer the most

The relationship between the two, according to the values given in the following table, show an average difference of 35%

TARIFF STRUCTURE

Operators	Item	Intra network tariff	Inter network tariff	Comparison of two tariffs	Difference in % between Tintra and Tinter	Tinterco/ Tinter (%)
TELMA	Prepaid	1000	2700	1700	170	23
	Postpaid	720	3700	2980	413	16.9
ORANGE	Prepaid	1485	3591	2106	141	17.4
	Postpaid	810	1593	783	96	39.2
	Business	370	1750	1380	372	35.7
CELTEL	Prepaid	860	1715	855	99	36.4
	Postpaid	1655	2980	1325	80	20.9
	Extra-group	459	872	413	47.3	71.6
	Intra-group	1080	1200	120	11	52.0

TARIFF EVOLUTION

Fixed telephone service

- Local call tariffs have gone down by 15% in off-peak hours, with no reduction in peak hours
- National call tariffs have gone down by 25% in off-peak hours and 22% in peak hours
- Calls to MOBILES have gone down by between 8 and 22.8% in off-peak hours and between 7.5 and 17.7% in peak hours
- International calls have gone down by between 17 and 21%

Mobile telephone service

- Local call tariffs have gone down by between 23 and 37%
- Inter-network call tariffs have gone down by 27%
- International call tariffs have gone down by between 18 and 20%

CONCLUSIONS

- A) The change in the regulatory framework has brought benefits to users (lower tariffs)**
- B) Privatization of the fixed telephone service has led to lower tariffs**
- C) Fair and healthy competition between the fixed and mobile telephone services brings users lower tariffs**

THANK YOU FOR YOUR ATTENTION !

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