

Mobile Telecommunication Tariffs in Georgia - overview and *Needy* prospective

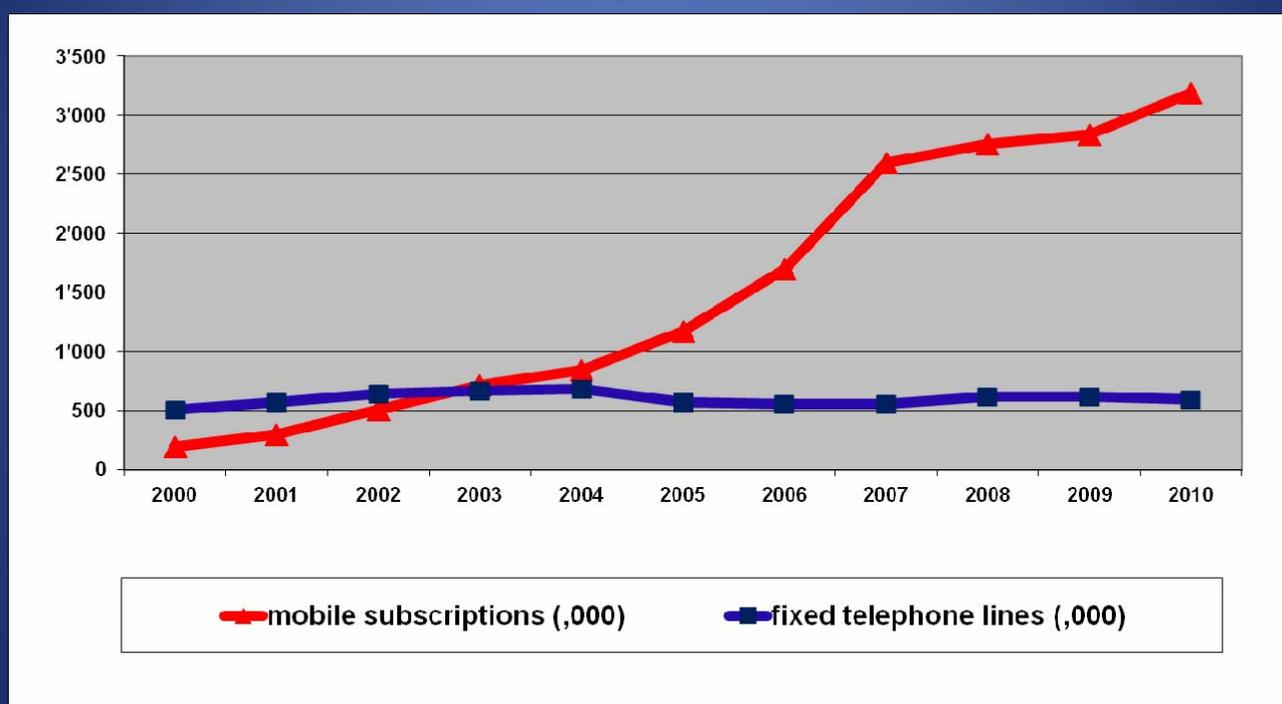
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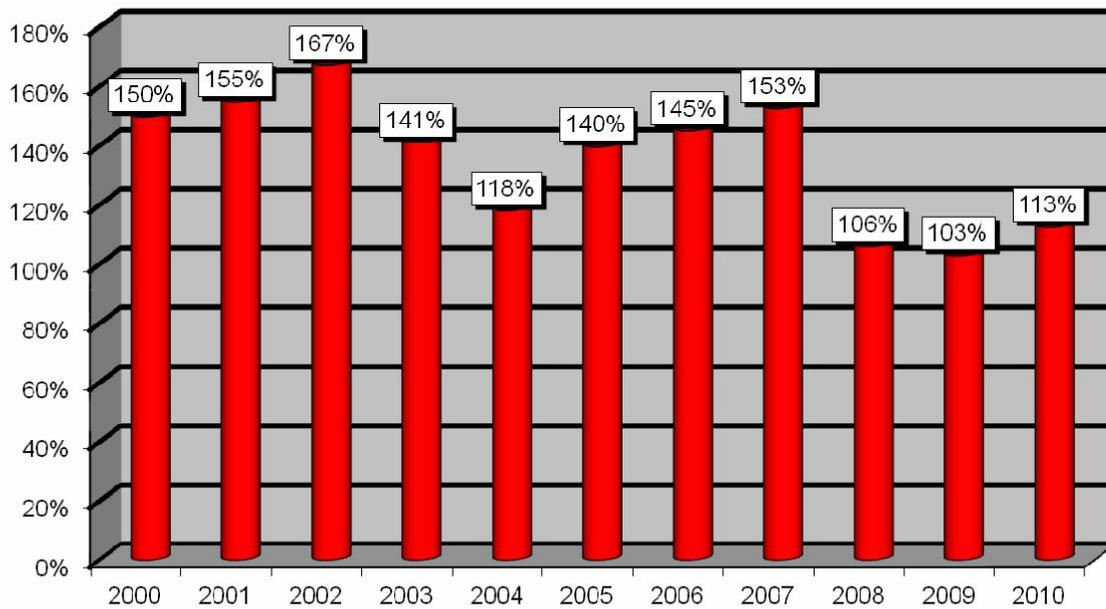
Mobile and Fixed Networks development in Georgia (in ,000)



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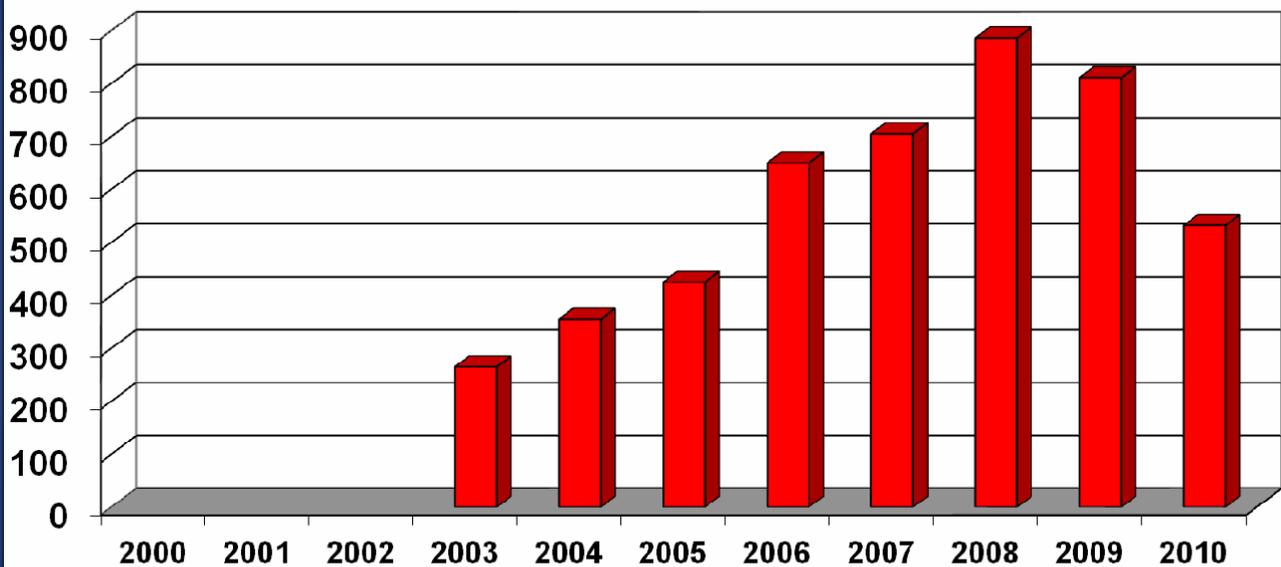
Mobile subscription annual growth rate (%)



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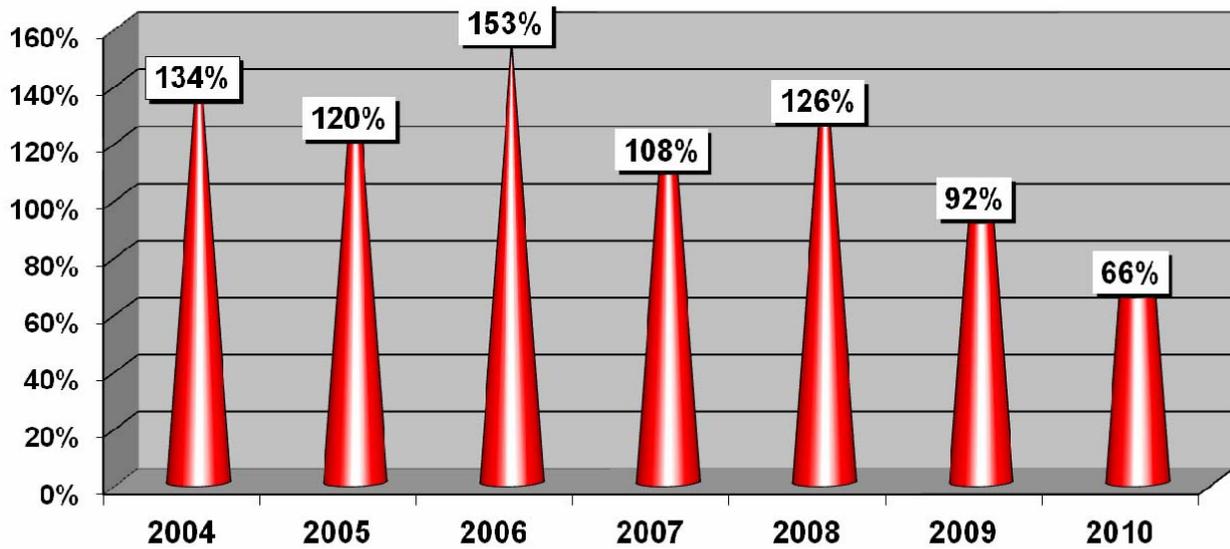
Mobile revenues' dynamics - 2003-2010 (mln. GEL)



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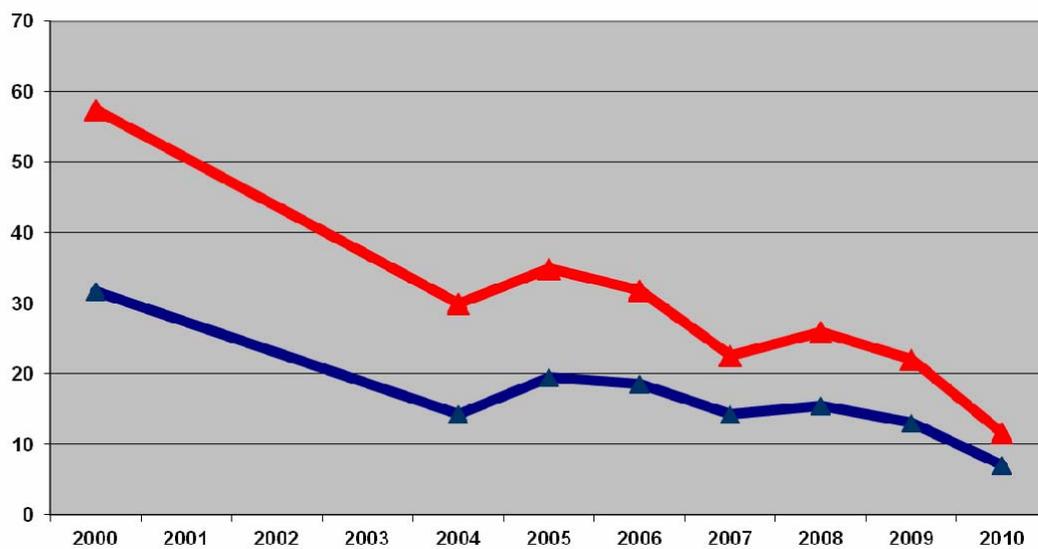
mobile revenues Compound Annual Growth Rate (CAGR)



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ARPU changes since 2000

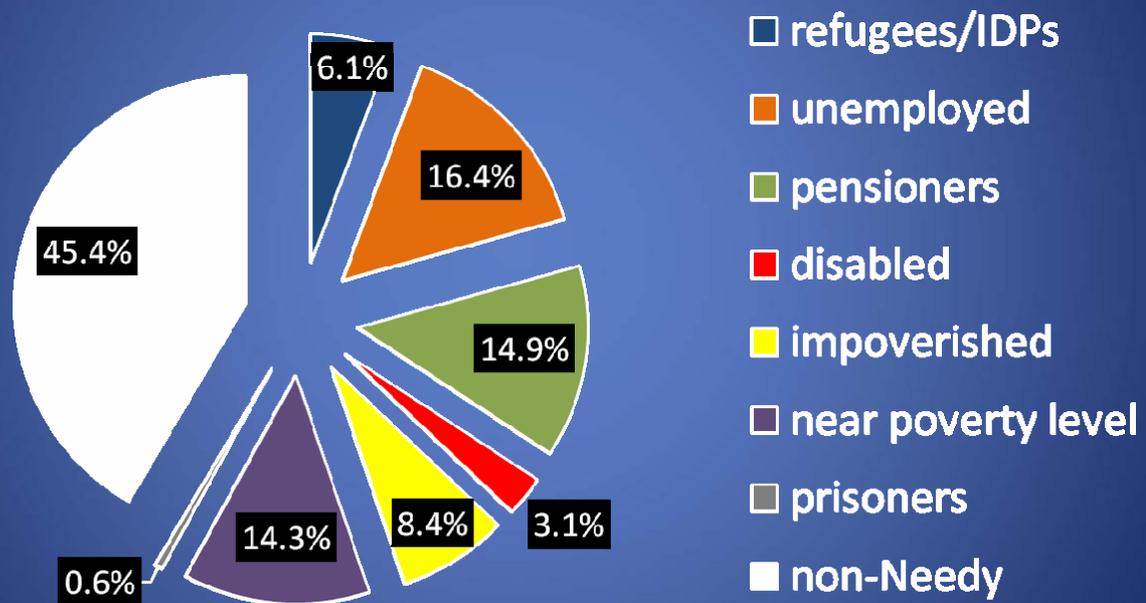


▲ ARPU - (GEL/mo)
 ▲ ARPU - (\$/mo)

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Needy Population in Georgia



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Mobile pricing in Georgia

Despite of business growth, rates for mobile communication in Georgia remained nearly the same during 1996-2009!

With basic rate 0.288 GEL/min(=0.12 €; 1€=2.4 GEL) *INFORMA Telecoms & Media* and World Development Business indicators “awarded” 3rd place to Georgia (among 186 countries researched) for having one of the most expensive mobile rates in the world (Jan 2010).

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World Development Indicators Database (World Bank group) methodology for mobile pricing (Feb 2010)

25 standard calls + 30 SMS price calculation

- Very Expensive (>25/mo):

- 1. Kuwait 75.18 \$/mo
- 2. Sierra Leone 71.9
- 3. Georgia 44.09
- 4. Polynesia 37.46
- 5. France 30.00
- 6. Switzerland 28.41
- 7. Solomon Is.-s 28.00
- 8. Brazil 26.52

- Expensive (\$16-25/mo):

- 9. Austria 23.66
- 10. Portugal 23.58
- 11. Greece 23.58
- 12. Netherlands 23.58
- 18. Spain 22.14
- 22. Norway 20.19
- 27. Belgium 18.88
- 32. Germany 17.34
- 33. Turkmenistan 17.2
- 34. Moldova 17.12
- 46. Azerbaijan 15.11

- Moderate (\$6-15/mo):

- 50. Croatia 14.90
- 83. Belarus 11.81
- 86. Hungary 11.72
- 88. Kazakhstan 11.51
- 97. Romania 10.46
- 99. Slovenia 10.29
- 108. Latvia 9.48
- 110. Ukraine 9.32
- 112. Israel 9.31
- 114. Lithuania 9.10
- 116. Estonia 8.75
- 121. Armenia 8.31
- 124. Poland 7.76
- 140. Kirgizstan 6.44
- 141. Serbia 6.43
- 146. Denmark 6.13

- Cheap (<\$6/mo):

- 148. Russia 5.96
- 155. USA 5.21
- 184. Uzbekistan 1.80
- 186. Venezuela 1.17

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OECD research on mobile pricing 31 countries

OECD Research Package cost of: 1680 outgoing calls (2952 min) + 600 SMS + 12 MMS

Denmark 182.95	Netherlands 187.59	Sweden 196.98
Finland 199.28	Austria 222.66	United Kingdom 281.99
Norway 298.14	Luxembourg 325.24	Australia 370.83
Iceland 394.66	Switzerland 397.30	Turkey 415.20
Japan 433.71	New Zealand 441.67	Korea 463.43
Italy 465.44	OECD (av.) 489.14	Poland 510.88
Ireland 514.15	Canada 563.20	France 604.13
Hungary 616.67	Germany 616.70	Portugal 619.09
Georgia 621.55	Belgium 629.17	USA 635.85
Greece 637.62	Mexico 741.58	Czech Republic 851.34
Slovakia 900.01	Spain 956.86	

Georgia's income per capita is far lower than most of other countries

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Product/Services mobile rates

	Consumer Products & Services (according to J. Kubasik)	2009		2011			
		Price GEL	=mobile min	Price GEL	Product price change	=mobile min	mobile min rate change
1	Best quality beef (1 kg)	10	34.7	20.0	200%	125.0	360%
2	Wheat meal (1 kg)	1.8	6.3	2.0	111%	12.5	200%
3	Sugar (1 kg)	1.4	4.9	2.2	157%	13.8	283%
4	Butter (250 g)	14	48.6	18.0	129%	112.5	231%
5	Normal quality white bread (1 kg)	0.7	2.4	0.8	114%	5.0	206%
6	Chicken eggs (12 pieces)	4.8	16.7	4.8	100%	30.0	180%
7	Potatoes (1 kg)	1.5	5.2	1.2	80%	7.5	144%
8	1-way metro/bus ticket	0.4	1.4	0.7	163%	4.1	293%
9	Petrol (1 l)	1.7	5.9	2.2	126%	13.4	228%
10	Most popular nation-wide daily newspaper	0.5	1.7	0.5	100%	3.1	180%
11	Normal 20g letter within country	0.3	1.0	0.3	100%	1.9	180%
12	Normal 1-way rail ticket (250 km)	10	34.7	10.0	100%	62.5	180%
13	Electricity for households (1kWh)	0.134	0.5	0.1	100%	0.8	180%
14	BigMac in McDonald's	6.8	23.6	5.5	81%	34.4	146%
	SUM		187.6			426.5	

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GDP \$PPP index for mobile minutes

GDP PPP \$ mobile minutes index for different countries
(2008 data mostly)

Country	GDP PPP (\$)	mobile rate 1 min \$/min	mobile min for GDP PPP/index
France	\$ 33,509	0.098	28,494
Portugal	\$ 21,779	0.132	13,760
Azerbaijan	\$ 10,900	0.17	5,343
Mexico	\$ 14,120	0.49	2,401
Georgia			
	2009 \$ 4,400	0.165	2,222
	2011 \$ 4,900	0.097	4,210
Marocco	\$ 2,400	0.14	1,429
Tanzania	\$ 1,256	0.31	338

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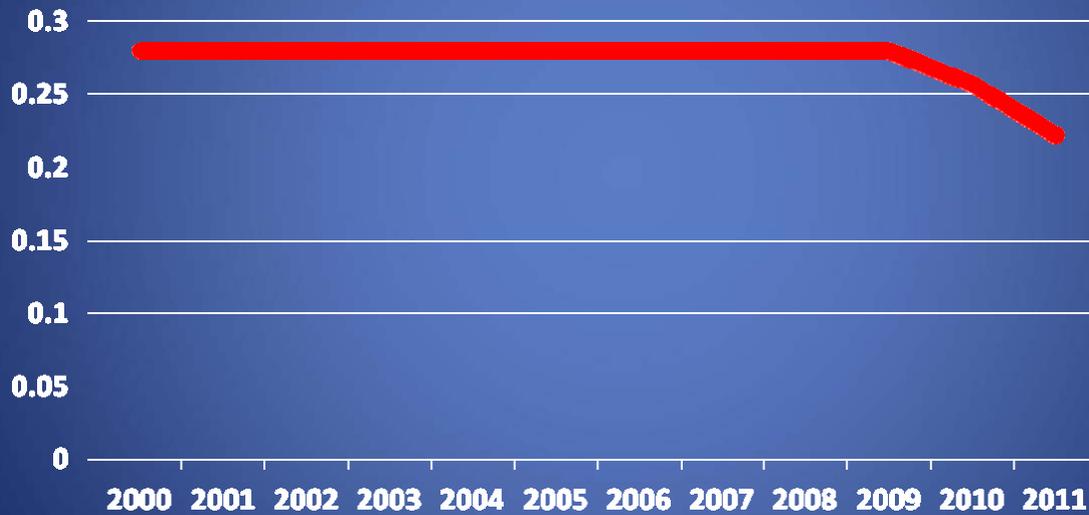
ITU's ICT Price Basket (IPB) index and its depiction of ICT affordability

- IPB) - composite affordability measure based on three sub-baskets – fixed telephone, mobile cellular and fixed broadband Internet services – and computed as a percentage of average Gross National Income (GNI) per capita. ICT prices correspond to less than 1% of GNI per capita in much of Europe and Asia and the Pacific's high income economies, as well as in the US and Canada.
- **Georgia is at 108th place with 5.5% of GNI per capita spent on mobile communication, although it improved on 1.3% since 2008.**
- IPB results reveal a close link between the affordability of ICT services and national income levels: people in high-income countries pay relatively little for ICT services, while those in the world's poorest countries pay relatively more.

GNCC changes to promote lower mobile rates

- Since 2010 Georgian National Communication Commission (GNCC) has made several legislative changes which have changed the situation:
- **Interconnection rates between mobile operators (MO) have been diminished twice** – from 0.188 GEL to 0.148 GEL in 2010 and then to 0.08 GEL (2011). The latter change affected only major market share MOs – Geocell (currently 44%) and MagtiCom (41%), whilst they still pay 0.148 GEL for interconnection to minor MO - MobiTel;
- **10% Access fee has been introduced** on mobile communication (2010)
- Maximum rate of 0.24 GEL per **minute** has been established (2011)
- **Mobile phone numbers external portability** has been allowed (2011).

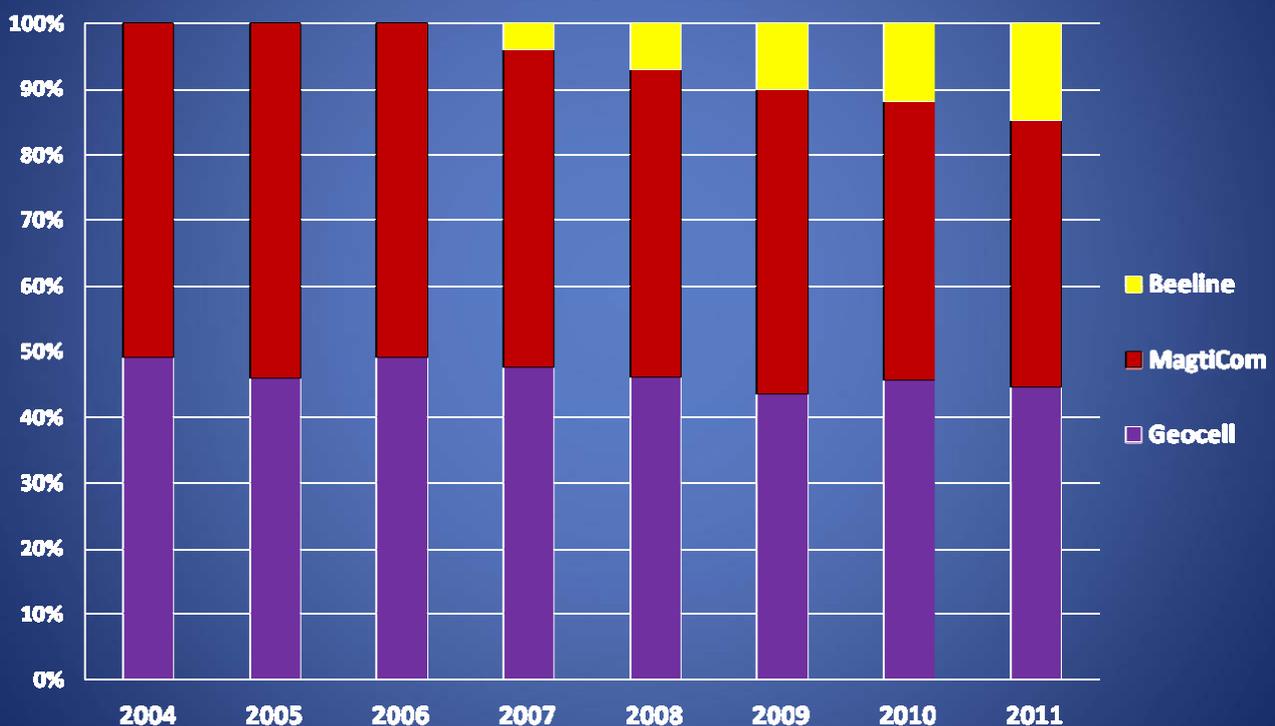
External mobile rates dynamics (GEL)



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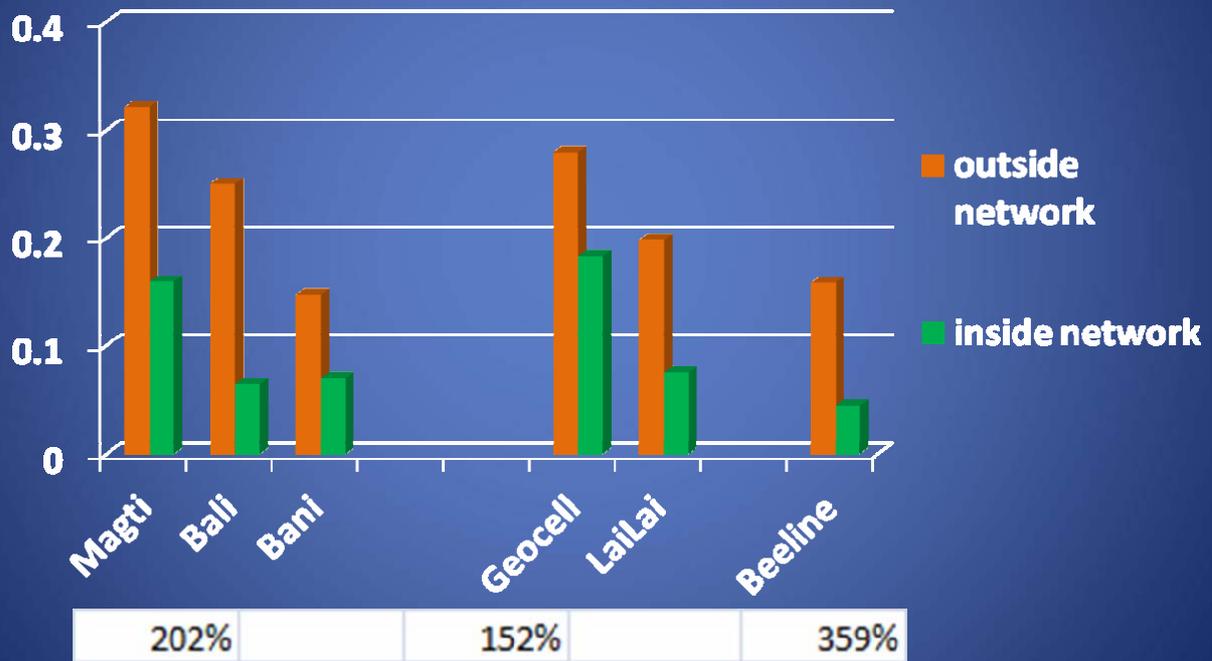
Dynamics of Mobile operators shares'



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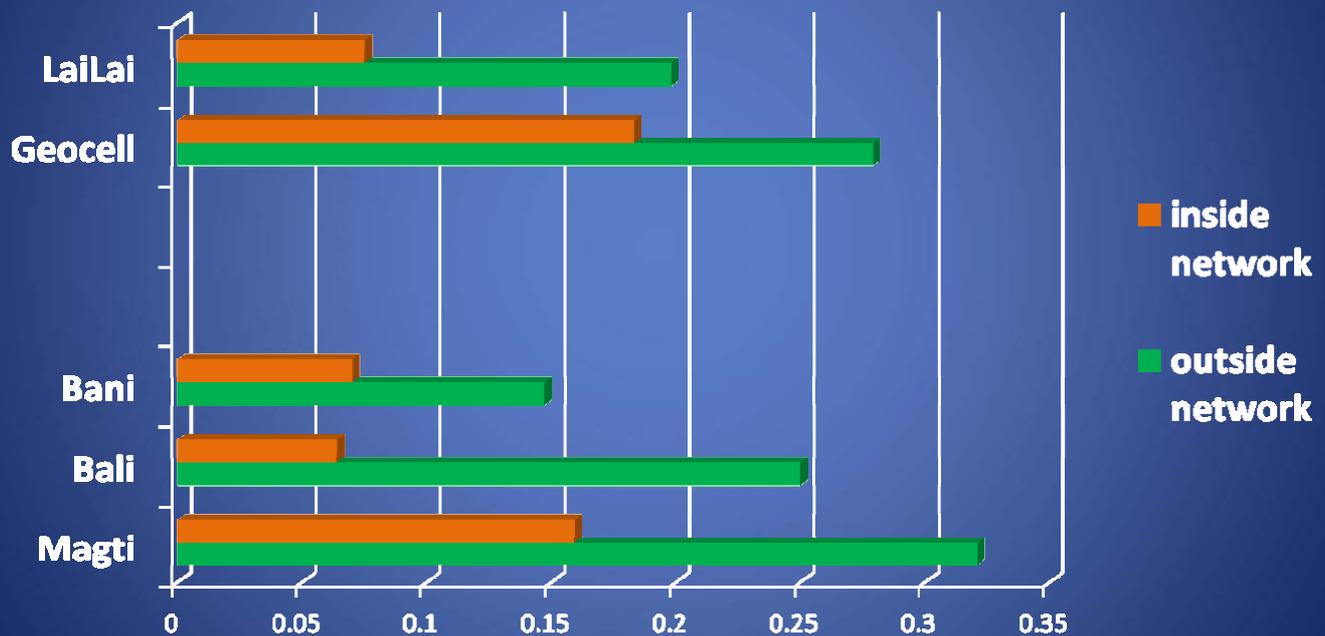
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New trends of mobile pricing – differentiation of external and internal outgoing calls (GEL, 2010 data)



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Introduction of cheaper/more flexible brands (for elderly and youth)



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Conclusion

- After stalemate of mobile pricing during 1996-2009, several measures initiated by the GNCC promoted decrease of mobile rate to average main outgoing rate – 0.16 GEL/min (instead of former 0.28 GEL/min).
- However, the change benefits both needy and non-needy population.
- Therefore, targeted approach and special low rates for needy (likewise France) would have been more socially justified.