European Roaming Regulation: Overview and Impact Assessment

Submitted by: Cullen International
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Outline

A. European roaming regulation I

B. Impact assessment
   – European Regulators Group
   – Industry

C. European roaming regulation II
EU regulatory framework

• European Regulatory Framework Directive and the Commission Recommendation on relevant markets of 2003, national regulatory authorities (NRAs) obliged to define and assess the conditions of effective competition in the "national wholesale market for international roaming services on public mobile networks" (WIR - market n. 17/2003).

• In case NRAs should find operator(s) with SMP (dominant position), they have to impose regulatory obligations on such firms.

The WIR market was not subject to ex ante regulation in Member States, under the previous sector specific regulatory framework, due to structural and technical characteristics of this market, requiring cooperation between NRAs.

EU Roaming regulation I - key assumptions

- Both wholesale and retail prices not justified by the underlying costs.

Average retail charge for a roamed call: €1.15 per minute (residential), more than five times higher than the actual cost of providing wholesale service.

Retail roaming charges are roughly four times higher than domestic tariffs. EU market for international roaming estimated at around €8.5 billion, which is 5.7% of total mobile industry revenues estimated at around €150 billion.

147 million EU citizens affected, of whom 110m are business customers.

- Lack of retail price transparency;

many consumers are not aware of the high charges for receiving calls

- Situation cannot be solved using existing regulatory tools
Main steps towards EU regulation

**ERG common position of 2005:** “Market features with incentive to adopt a common strategy of muted competition or even an overtly collusive policy. “

- High retail charges across the EU
- Reduced wholesale not passed through retail customers

- 1st quarter 2006 Commission launches 2 public consultations

- 5 possible scenarios to address the problem:

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Problem: excessive roaming charges
- No policy change
- Self regulation
- Co-regulation
- Soft law
- Targeted regulation
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Which regulatory intervention?

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regulation
- wholesale
  - Cost orientation
  - cap
    - national
    - Pan-european

- Wholesale & retail

- retail
  - Home pricing
  - Visited network
  - European home market
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EU roaming regulation 1

- July 2007 – June 2010
- Wholesale & Retail caps on voice calls (glide path)
- Transparency measures (sms notification when roaming)

![Graph showing cost changes over time](graph.png)

(retail price exclude VAT)

Impact of regulation 1

- Commission review to report to EU Parliament and Council was due by end 2008
- European Commission launched public consultation in May 2008 to collect views from operators and consumer associations

- European Regulators Group (ERG)
  - Data collection every 6 months – EU-27 + Iceland, Norway, and Switzerland
  - Considerable decrease of prices, compliant with Eurotariffs
  - Average retail prices stabilised at or just below cap levels
  - Wholesale prices show clear decrease in average rate compared to pre-Regulation
  - Overcharging due to billing on a per-minute basis (on average, “hidden charge” of 24% for outgoing calls and 19% for incoming calls)
  - Stable prices of SMS roaming, both retail and wholesale
  - More dynamism observed in data services, with high price differences across countries
  - Problems with “bill shocks” (pricing per MB when roaming in EU)
Price/minute retail voice call made

Source: ERG, 4th report, 2009

Price/minute retail voice call received

Source: ERG, 4th report, 2009
Price/minute wholesale voice call

Source: ERG, 4th report, 2009

Average retail sms price

Source: ERG, 4th report, 2009
Impact of regulation 1 – Operators’ view

- Competition already existed in this market prior to Eurotariff
- Annual price decline before regulation was 20% on average for outbound calls
  (€0.87/min Q2 2006 - Q2 2007 €0.69). For incoming calls decrease by 22% (€0.43/min - €0.34/min)
- The majority of roamers are well informed and tend to prefer specialist roaming price plans: 6 months after introduction 40% of calls were made on specialist plans (~15% cheaper)
- Prices on specialist plans continued to decrease also after regulation (below the Eurotariff cap). Regulation altered the market dynamics
- The roaming price decrease was not off-set by increased volumes. Impact on industry was -30% roaming revenues compared with 2005. Strong competition also from substitutes for roaming services
- Cost to implement requirements of Regulation estimated at €150m (mainly labour-related. Billing, marketing and PR, SMS server capacity for notifications
- Launch of “best roaming fares” website - industry-led initiative in June 2006
- Financial pressures which are putting investment and innovation at risk

Volume trends in retail voice and sms

Source: ERG, 4th report, 2009
Operators’ view on extension of scope

DATA ROAMING:

- Young, emerging market, constant evolution of wireless technology
- Average retail price decreased by 25% in 2008, while traffic increased by 75%
- Data roaming market in the investment and innovation stage
- Prices need to reflect different levels of 3G deployments across Europe

Source: GSMA, July 2008

Retail and wholesale data services

Source: ERG, 4th report, 2009
**EU roaming regulation 2**

**Extension of Eurotariff for voice calls**

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(retail price exclude VAT)

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**EU roaming regulation 2 – extended scope**

- **Voice calls**
  - Charging on a per-second basis, with possible initial charge not exceeding 30 seconds
  - Switching requests within 1 working day and free of charge

- **SMS**
  - Retail cap introduced at €0.11 per message sent
  - Received SMS free of charge
  - Wholesale cap at €0.04 per message

- **Data roaming**
  - Wholesale cap at €1 per MB in 2009 (€0.80 and €0.50 in 2010 and 2011 respectively)

- **Transparency measures**
  - SMS notification on SMS charges
  - Data services: from July 2010 obligatory information on accumulated consumption (volume or currency). Limit up to €50/month (opt-out criterion)
  - Notification when 80% of agreed financial or volume limit is approached
Impact of roaming regulation 2

- Interim report by EC to Parliament and Council by June 2010

- Review by June 2011 after public consultation. Assessment on:
  - Developments in retail and wholesale charges for voice, sms and data services
  - Availability and quality of services, including via alternative technologies
  - Impact on consumer choice
  - Degree of competition, including for smaller operators and new entrants

- Concerns of industry on possible impact of Roaming 2 regulation (no data available yet)

- Continued monitoring by ERG

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Thank you!

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