

Consultation on Functioning of Roaming Regulation and possible extension to SMS and data roaming

response from the International Telecommunications Users Group (INTUG)

Summary

Mobile communications are now an indispensable and integral part of the ICT environment and a vital business tool. Geographic reach, reliability, function, speed and cost are all crucial to successful deployment in support of new innovative business processes and improved productivity via transformation and consolidation of existing processes.

In this context, business users report little progress in reducing the total cost of mobile communications, a continuing difficulty in obtaining global contracts, inadequate billing and reporting, and mobile tariffs which are too complex and inconsistent. But above all of these, the greatest concern to multinational business users remains the cost of roaming. This remains a huge issue for voice, and has potentially even greater impact for mobile data.

Despite the Roaming regulation adopted in 2006, expenditure on roaming is not going down. Business users attempt to reduce or avoid roaming costs by a variety of methods, some behavioural and some technical, such as mobile VoIP, multiple SIM cards and for the largest, negotiation with major operators.

Ideally, business users would like to be able to converge fixed and mobile voice, but the huge price discrepancies, especially internationally, prohibit or obstruct this. Mobilising email and office applications remains a high priority, which is impeded by the extremely high cost of mobile data roaming.

The absence of effective competition at an international level, which is not subject to the relevant market analysis process, added to the challenges of changing mobile operator at national level in the absence of an EU-wide MVNO market, allow operators to continue to charge prices which deter use. The indirect impact of this is that the EU economy suffers because less efficient business processes continue to be used.

INTUG believes that further regulatory action must be taken to drive down mobility costs in the business market. This applies to voice, data and text roaming and mobile termination rates. Business users wish to operate converged and unified communications without artificial price differentials. The current industry structure and regulation has not facilitated effective competition, nor is there any evidence that it will in the foreseeable future.



Introduction

After a long campaign by INTUG and others, beginning in 1999, the European Commission adopted a proposal for roaming regulation on 12 July 2006.

The Commission's proposals followed extensive consultation and debate, and much resistance from mobile operators, and some Governments and National Regulatory Authorities (NRAs). INTUG lobbied strongly in favour of the proposed regulation, on behalf of business customers.

The Roaming Regulation was adopted by the European Parliament and the Telecom Council on the basis of Article 95 of the EC Treaty, and came into force on 30 June 2007. INTUG welcomed this first step in addressing the excessive pricing applied by mobile operators, although the outcome still fell short of requiring operators to charge prices at a reasonable level.

Several operators chose to charge the maximum level of €0.49 per minute for calls made, further demonstrating the absence of competition in this market.

Data and SMS roaming prices remain high and diverse across Member States. Whilst the cost exposure of Blackberries, PDAs and smart phones may currently be lower than for roaming laptops, this distinction may become blurred in the future. Whereas some residential services offer flat rate tariffs, roaming is generally charged per MByte. The extremely high level of Mobile Termination Rates is also of concern to INTUG members and a response to the recent Commission Consultation on this area will also be made.

INTUG consulted its members on a subset of the questions asked in the Commission roaming consultation document, and has therefore limited its response to questions where there was input from members. The numbering of the Commission document has been retained.

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INTUG Response on Roaming Consultation Document

Part 1 - Review of voice roaming regulation

Q1 Has the Regulation achieved its objectives as follows?

(i) reduction of retail prices to acceptable levels

There has been a reduction, but the change in metering intervals has meant that in some cases the saving only applies to short duration calls

(ii) transparency of retail prices

In some cases, they seem simpler, but further transparency is needed

Q3 Have tariffs other than the Eurotariff evolved which are more advantageous to customers? If so, please give examples.

The Vodafone Passport offer is cheaper than Eurotariff for calls longer than two minutes. Most offerings from transnational mobile operators only cover a few countries, and they are not always well equipped to meet the needs of business users.

Q6 Is inadvertent roaming (when close to borders) a major problem?

If so, what measures have operators taken to address the issue?

Yes. When close to borders, many users are unaware of the situation (people living in small countries are more cautious). This may occur simply because the roaming signal is stronger. Operators should inform users more obviously when they are incurring a roaming charge for a call made or received, with a cost indication.

Q12 To what extent have mobile operators used traffic steering to guide roaming traffic on to a preferred or partner network? Are lower roaming prices dependent on use of a preferred visited network?

Yes. Roaming prices are lower for partner networks. Some operators offer a tariff similar to the "home tariff", but with changes to tariff structure, eg call set up charge plus metering by pulse, not second. Traffic steering is not entirely effective because handsets can change roaming network due to coverage issues, and the handset owner is not always informed or alerted to this fact.

Q13 If traffic steering is applied, is the roaming customer informed in advance, and can the customer override it?

The preferred network list is configured within the handset. Information is dependent on the handset used, and the level of information varies. Generally a text message will inform the customer they have roamed to a partner, but this will not be the case if the handset switches to a non partner network. The handset owner has the ability to manually select the roaming network.

Q14 Have domestic prices or tariff structures changed to balance the impact of reduce roaming prices? If so, please give examples.

Tariff changes do not seem to result from roaming tariffs, but are linked to market trends. In Italy, some special offers disappeared due to the abolition of the so-called “recharge fee” applied to prepaid services.

Q17 Has there been a change from per second to per minute billing? If so, please give examples, and the impact on per second rates. Were customers informed? Are new customers treated differently? What are the current practices for domestic and roaming calls?

Per minute (or 30 seconds) billing is becoming common for new plans and several per second plans are being discontinued. The cost can then increase by 50% of the pulse cost, affecting short duration calls most.

Q18 Should regulations be amended to ensure a maximum average per second prices, rather than per minute prices? If so, should this be left to the industry through self-regulation, should Member States or NRAs intervene, or is EU-level regulation necessary?

An effective “per second price” should be shown to allow comparison and better choice for users. The difference between costs and tariffs makes regulation difficult.

Q19 Should the Roaming Regulation be extended beyond June 2010? Roaming regulation could expire if the requirement for cost-oriented tariffs had material effect, but this seems unlikely based on experience. Joint dominance exists, with several mobile network operators only reducing their tariff to match the Eurotariff. Users cannot make informed roaming decisions, because tariff differences between roaming networks are not presented at the point of decision, and the facility to prefer one network over another is not generally a user-friendly feature.

Q20 What evidence is there of roaming competition apart from Eurotariff? If there is, does this indicate roaming customer needs are met?

There is very little evidence. Roaming needs are not being met. The Eurotariff is a limited first step. There is significant demand for real international mobile offerings, with one stop shopping, one contract etc. Such services are only available to a few major multinationals.

Q21 If the Regulation expired in June 2010, would you expect operators to keep tariffs below the August 2009 maxima?

No. Prior to regulation there was no market pressure to reduce prices. Assuming no structural changes occur before the regulation expires, for example through the encouragement of a pan-EU market for ubiquitous MVNO services, there is no reason to expect operators will not seek to increase prices. Significant competition from other technologies, eg WiMax, seems small. Some operators raised prices outside the EU.

Q22 Should wholesale regulation be maintained? If so, for how long?
Yes. Regulation should be maintained until there is evidence to show that a competitive market exists, and that mobile operators no longer have significant market power at international level. A thriving MVNO market in all Member States would be an example of evidence to support such a conclusion. It is not possible to put a time period on this.

Q23 What would you expect to happen to retail tariffs if retail regulation expired, but wholesale regulation was retained?
There would probably be a greater disparity between Member States, depending on the strength of national competition.

Q24 If the retail regulation is retained beyond June 2010, how should the price caps be reduced thereafter?
A further review of costs should be undertaken to determine the mark-up inherent in the regulated prices at that point.

Q26 Should the transparency obligations be retained, even if the price obligations expire? If so, what adjustments would be required?
Yes. Transparency rules should be retained and reinforced.

Part 2 - Data Roaming

Q29 Should data roaming services be regulated to reduce prices? What competition exists for retail services? Could traffic steering (to preferred or partner networks) be used to benefit customers?
Yes. Data roaming tariffs are prohibitively high. Even at €4 per MByte (and some charge much more), automatic updating of Antivirus filters and software whilst roaming costs many hundred Euros each time. It is also even more difficult for users to know the likely costs beforehand. For the EU to be competitive, mobile data access is essential, yet roaming costs present a major barrier to use. For enterprises, mobile data is an absolute necessity, and the current tariffs represent a tax on doing business in Europe, dissuade use, and prevent the development of innovative mobile data services across the EU.

Q31 Could high data roaming prices be reduced by wholesale regulation? If so, how should it be constructed, eg non-linear pricing (cheaper for higher volume) or greater granularity (eg per 100kb or per 10kb)?
Whilst volume based tariffs are technically correct (ie related proportionately to cost), it is not perceived that way by users. In addition, 30% (at least) of service bits are added to the "payload", and included in calculation of costs, showing how transparency is lacking.

Q33 Could data roaming charges be reduced by transparency obligations?
Transparency is a must, but is not sufficient for lowering charges.

Q34 If retail price regulation is considered necessary, what structure should be used, eg per MByte or other measure, and with what granularity?
Flat rate charging is a highly desirable option. Time based structures can create different costs for the same output, due to actual connection speed. For flat rate, large files (eg video) can impact other users. A time based structure, plus a transfer rate element, could be an interesting alternative to flat rate (like with Frame Relay and committed bit rates). A cost graduation for time, plus a transfer rate could limit abuses without giving operators extra profits due to poor connection speed.

Part 3 - SMS Roaming

Q35 Are wholesale tariffs for SMS subject to competitive pressure? If so, has it produced a reduction in wholesale prices? Please provide data.
Sending SMSs via computer, using a VoIP service, can lower costs, but there is little evidence of wide use and hence little evidence of impact.

Q36 Wholesale SMS prices are higher than many retail domestic SMS prices. Do you believe there is any justification for this situation?
No technical justification exists. It is simply a marketing decision.

Q37 Should wholesale SMS charges be regulated? If so, what should be the level and parameters of a price cap?
This is difficult to do consistently with voice/data roaming regulation.

Q38 If wholesale SMS charges are regulated, do you expect this to be passed on to customers in lower retail prices?
The outcome without retail regulation is purely a marketing decision in the absence of effective competition. Given experience with voice roaming and data roaming it is unlikely operators would pass on reductions in wholesale charges in the absence of retail regulation.

Q39 Should retail SMS charges be regulated? If so, what should be the level and parameters of a price cap?
Yes. Current prices bear no relation to cost and are a tax on text-based business applications. There are many opportunities for innovative machine-to-machine applications based on text messaging which would be prohibitively expensive at current tariffs.