



**Proposal for a Regulation on international roaming within the Community**

**ITU Seminar on Quality of Service and Consumer protection**



**Geneve, 01.09.2006**



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**Proposal for a Regulation and Impact Assessment**

- Proposal for a Regulation to ensure
  - Users of public mobile telephone networks do not pay excessive prices when roaming in the Community
  - High level of consumer protection
  - Competition between mobile operators
- Impact Assessment
  - Economic welfare analysis
  - Evaluates various policy options

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**2**

## Roaming for purposes of the proposed Regulation

- Customer can use his/her mobile while travelling abroad within the Community
- 'Roams' on network(s) in visited country
- Roamer makes calls (in country, back home or to another MS) or receives calls
- Visited network provides 'wholesale' service
- Customer is billed by the home operator



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3

## The issue (1)

- ERG (May 2005 plenary)
  - Retail roaming prices are high
  - Without clear justification
- Reason = high wholesale charges + high retail markups
- Reductions in wholesale charges often not passed through to retail



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4

## The issue (2)

- Retail prices for calls
  - 5 times higher than basic cost (and sometimes up to 10 times higher)
  - 4 higher than national calls (and sometimes up to 16 times higher)
- Retail prices for receiving calls 4 to 6 times higher (and sometimes much more) than basic cost



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5

## The issue (3)

- At least 147 million European roamers are affected
- 110 million business and 37 million private customers



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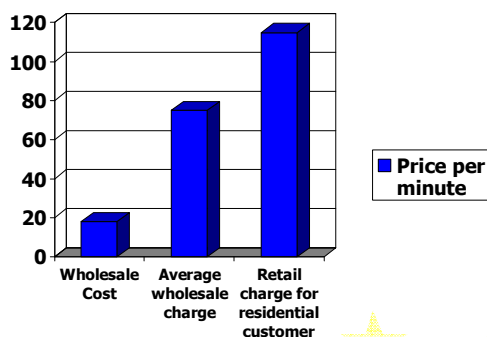
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6

## Prices for making calls

- Cost to wholesale operator is less than €0.20
- Retail price is €1.15 per minute on average



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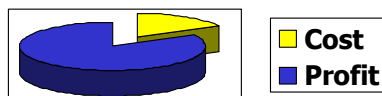
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7

## Prices for receiving calls

- Cost to operator is from €0.10 to €0.15
- Average retail price is around €0.58



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8

## Regulatory framework

- Wholesale national market for international roaming covered by Recommendation on relevant markets
- NRAs not able to address current problem
  - Difficulty of finding SMP
  - Specific nature of roaming, including cross-border aspects
- No retail market has been identified



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9

## European Council / European Parliament

- EP resolution (December 2005) called on Commission to develop new initiatives
- European Council (March 2006) noted the importance for competitiveness of reducing roaming charges



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10

## Legal basis

- Mechanism for ex ante intervention under NRF has not proved sufficient for NRAs to act
- Necessary to amend NRF on basis of Article 95
- NRF Directives are without prejudice to specific measures for the regulation of roaming prices



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11

## The proposed regulation

### Under the proposal:

- Wholesale and retail per minute safeguard prices for calls made and received
- Wide scope for competition and innovative market offerings
- Increased transparency for consumers
- Supervision of market



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12

## Wholesale regulation

### At wholesale level, the proposal:

- Replicates the way wholesale prices are charged by the industry
- Sets maximum safeguard prices using a proxy favoured by ERG – mobile termination rates (MTRs)
- 2 x EU average MTR for in-country calls
- 3 x EU average MTR for calls home/calls to other MS



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13

## Wholesale regulation (2)

- Wholesale safeguard price for in-country calls = 25 cents
- Wholesale safeguard price for calls home / to other MS = 38 cents



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14

## Retail regulation

### At retail level, the regulation:

- Provides for 30% mark-up on wholesale caps – derived from industry average EBIT margin
- 25 cents + 30% for in-country calls = 33 cents
- 38 cents + 30% for calls home = 49 cents
- For received calls, safeguard retail price = 1 x MTR + 30% = 16.5 cents
- All prices excluding VAT



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15

## Why is retail regulation necessary?

### Retail regulation is essential:

- To guarantee results for the consumer
- To ensure pass-through of price reductions from wholesale to retail
- To avoid political risk of 'not delivering' on EU citizens' expectations



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16



## Transparency

- Personalised pricing information for roaming customers
- By mobile voice call or SMS
- Free of charge
- Full information at time of subscription + updates



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17

## Supervision and enforcement

- NRAs to supervise and enforce compliance
- NRAs to monitor voice and data roaming services, in particular in outermost regions of the EU
- National dispute resolution to apply



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18

## Impact Assessment

- Model – impact of price changes on the aggregate EU market for mobile roaming services
  - Aggregate EU retail revenues from roaming
  - Underlying cost and demand functions
  - Expected retail price changes resulting from different policy options
  - Results from three elasticity scenarios
  - Substitution effects between categories of calls as a result of price changes
  - Three policy options



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19

## Timing

- Regulation enters into force on day following publication
- Retail safeguard prices for calls made – take effect six months after entry into force of regulation



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20