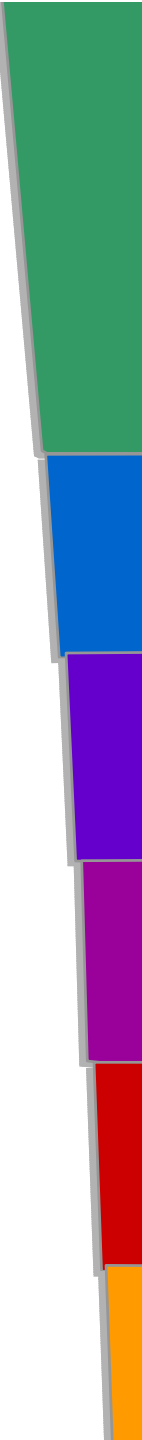




European experience in regulating roaming services

International roaming services - IIRSA /CITEL workshop

Benoit Loutrel, ARCEP
Washington, DC, March 11, 2008



Outline



EU Regulation 717-2007 on roaming services

Market failures and roaming services

EU telecommunication regulatory framework and roaming

Outlook for the future



EU Regulation 717-2007 on roaming services

- Article 1 : Subject matter and scope
 1. This Regulation introduces a common approach to ensuring that users of public mobile telephone networks when travelling within the Community do not pay excessive prices for Community-wide roaming services when making calls and receiving calls, thereby contributing to the smooth functioning of the internal market while achieving a high level of consumer protection, safeguarding competition between mobile operators and preserving both incentives for innovation and consumer choice. It lays down rules on the charges that may be levied by mobile operators for the provision of international roaming services for voice calls originating and terminating within the Community and applies both to charges levied between network operators at wholesale level and to charges levied by home providers at retail level.
 2. This Regulation also lays down rules aimed at increasing price transparency and improving the provision of information on charges to users of Community-wide roaming services.
 3. This Regulation constitutes a specific measure within the meaning of Article 1(5) of the Framework Directive.

EU Regulation 717-2007 on roaming services

Voice wholesale regulation

- Price cap on wholesale tariff (IOT) : average IOT < 30 ¢€/min, 28 ¢€/min starting in August 2008 and 26 ¢€/min in August 2009 (prices excluding VAT)

Voice retail regulation

- Obligation to offer a “Eurotariff” by default to any customer. Such offer should meet the following criteria :
 - Available as part of any retail package
 - Per minute offer : no subscription/monthly fee
 - Outgoing calls : price < 49 ¢€/min (excl. VAT) to be decreased to 46 and 43¢€
 - Incoming calls : price < 24 ¢€/min (excl. VAT) to be decreased to 22 and 19¢€
- Complete freedom to offer alternative/optional packages

EU Regulation 717-2007 on roaming services

Voice retail regulation (continued)

- New requirement to inform end-users on roaming tariff during subscription and each time a border is crossed (by SMS)

Miscellaneous

- Regulation monitoring and enforcement to be made by national regulatory authorities (NRA),
- If need be regulators can forced the provision of roaming in the wholesale market.
- Regulators should monitor data roaming services, i.e. SMS, MMS and data.
- EU commission to perform a review of the regulation by december 2008 on impact of the regulation AND on development of data roaming services
- Sunset covenant : regulation will expire on June 30, 2010 by default.

Outline



EU Regulation 717-2007 on roaming services

Market failures and roaming services

EU telecommunication regulatory framework and roaming

Outlook for the future



Market failures and roaming services

Wholesale level

- Wholesale prices never decreased as the cost structure of the industry was improving

Retail level

- Mobile markets are now mature mass markets in Europe
- Roaming is a standard component of any offer
- Europe internal market is highly developed
- As roaming was moving from a niche market to a mass market product, the industry offer proved to be cast in stone especially on the tariff side

Market failures and roaming services

Wholesale level

- Due to the lack of traffic direction technologies, demand proved to be completely inelastic which led to quasi monopoly pricing
- This could change in the future

Retail level

- Operators are selling bundles including terminal, national plan, international plan, VAS services, SMS, MMS, DATA... and roaming services !
- Switching cost are very high and prevent any efficient competition on secondary non-core elements of the bundle.
- Very low price elasticity led to quasi monopoly pricing
- Limited hope for a change to take place (end-user empowerment).

Outline



EU Regulation 717-2007 on roaming services

Market failures and roaming services

EU telecommunication regulatory framework and roaming

Outlook for the future



EU telecommunication regulatory framework and roaming

- The EU 2002 telecommunication directives are build around some key principles :
 - (Economic) Regulation is necessary on a transitory basis but in the long term competition law should be sufficient
 - Any economic regulation should be triggered by the existence of a *dominant position* on a *relevant market* as defined according to competition law.
 - Regulation should always try to intervene through wholesale markets and avoid direct regulation of retails markets.
- Wholesale roaming markets was identified as a relevant markets to be reviewed by NRAs in the Annex of the EU 2002 framework directive.
 - Yet, no regulation was set-up by any NRA.

EU telecommunication regulatory framework and roaming

- Coordination issues between NRAs : wholesale and retail markets are not in the same country, which makes it difficult to build the case for regulation if you don't include a reciprocity principle.
- Effect of wholesale regulation on retail markets works better if you have a coordinated approach on a regional/geographical basis.
- Wholesale regulation can be implemented within the EU 2002 framework but would have requested to use the concept of *joint dominance* to a tight oligopoly market structure.
- Is there an issue with the industry self-regulation ?
- Does a regional integration justifies on its own an ad hoc regulation ?

Outline



EU Regulation 717-2007 on roaming services

Market failures and roaming services

EU telecommunication regulatory framework and roaming

Outlook for the future



Outlook for the future

- Initial implementation was globally satisfactory. The industry made the needed efforts to meet the aggressive timetable set by the regulation.
- The 2008 review of the regulation has de facto started
- Focus on data services : is there a time bomb hidden in the “bill shock”.
- Future of the sunset covenant ?



Thank you very much for your attention !

