

# THE REGULATION OF ROAMING SERVICES: ITS IMPACTS ON EUROPE

**Pedro Arenas Naon**

CMT - International Department

IIRSA's Second Executive Technical Group on *South American  
Roaming (Cusco) / May 4, 2009*



# Content

- ❑ Why may the European case be of any interest to us?
- ❑ The Impact of the Regulation in Europe
- ❑ The Review of the Regulation
- ❑ The Search for Alternatives
- ❑ Conclusion



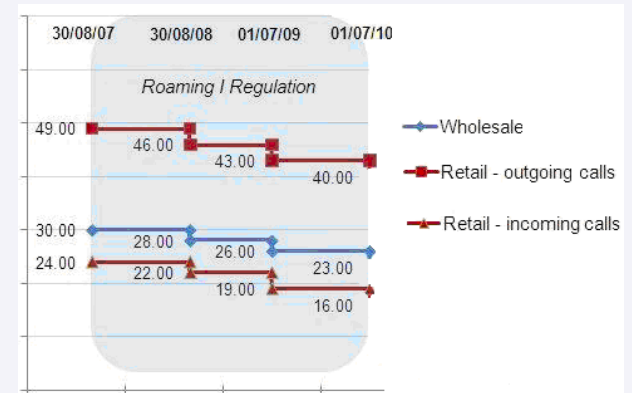
# Why may the European case be of any interest to us?

- 
- A vertical timeline on the left side of the slide, with years 2007, 2008, and 2009 written vertically in green boxes. Horizontal lines connect specific dates to corresponding text blocks on the right.
- 2007**
    - 27 June**
      - Regulation (EC) No 717/2007 on Roaming
  - 2008**
    - 23 September**
      - Initiation of the legislative review:  
Proposal of Amendment by the European Commission, *Impact Assessment*
  - 2009**
    - 24 March**
      - First Reading Agreement between the Council and the Parliament
    - June 12**
      - Adoption by the Council
    - July 1**
      - New measures enter into force
- Regulation in force since the summer of 2007
  - Analysis of the impact of this regulation in the context of its review

# Impact of the Regulation in Force: Content of the Regulation (1)

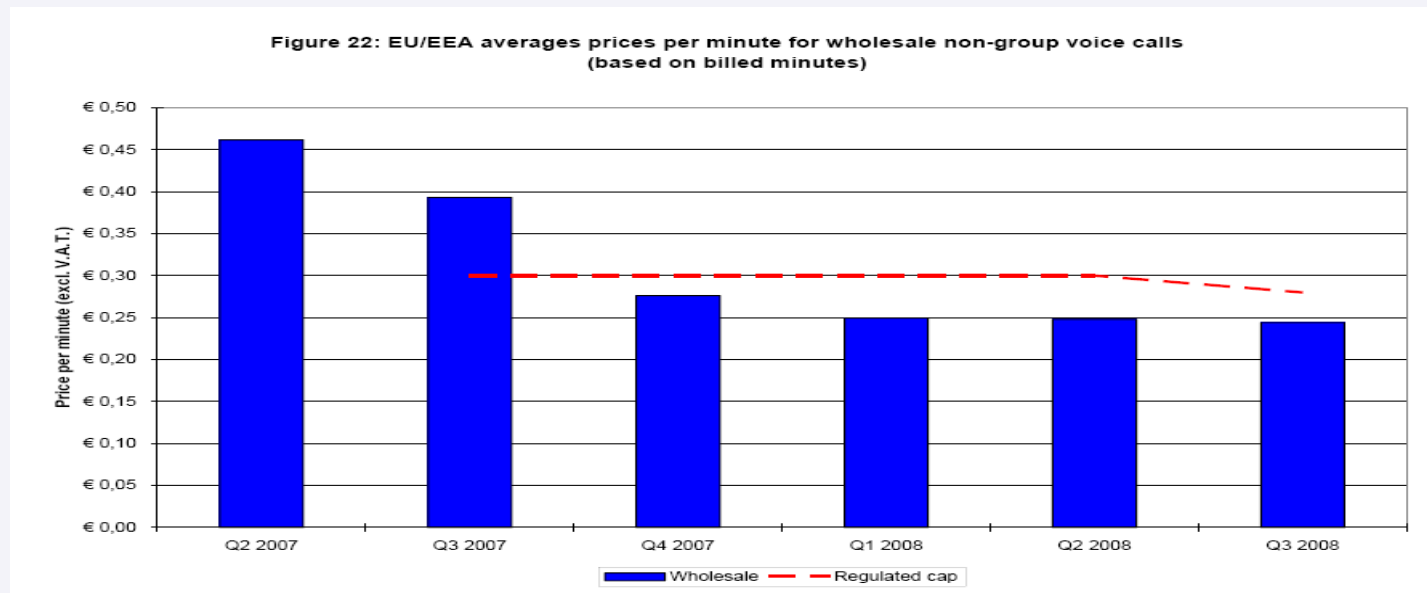
## Community-wide voice communication services

- Maximum wholesale charges
- Maximum retail charges: Eurotariff  
Voice calls made and received
- Transparency Measures
  - Information by SMS when entering another Member State
  - Information when subscriptions are taken out
  - A free-of-charge telephone number for users



# Impact of the Regulation in Force: Wholesale voice service (2)

- ❑ Source: ERG reports every six months
- ❑ Wholesale voice services:
  - Declining prices
  - Signs of competition (deemed insufficient by the EC)
  - No evidence of benefits at the retail level



# Impact of the Regulation in Force: Retail voice service (3)

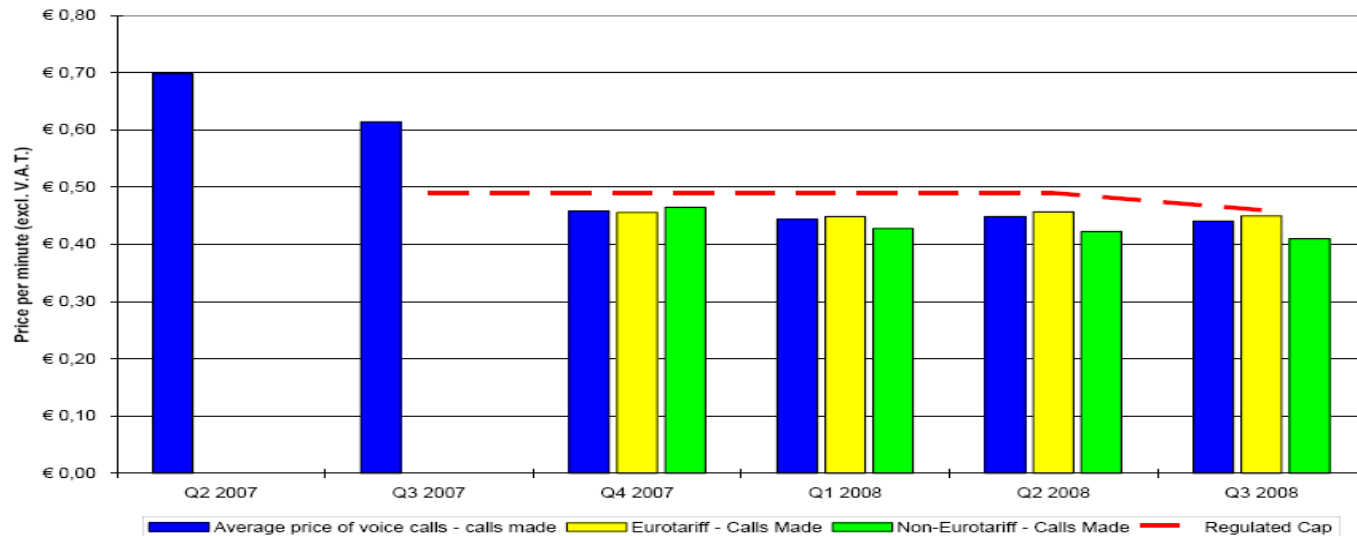
❑ Source: ERG reports every six months

❑ Retail voice services:

- Prices close to price caps
- Competition problems still unresolved

→ Risk of an indefinite regulation

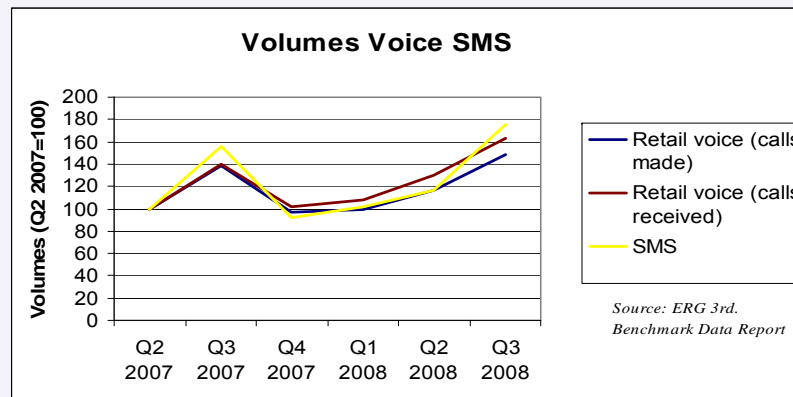
Figure 20: EU/EEA average prices per minute for retail voice calls made  
(based on billed minutes)



## Impact of the Regulation in Force (4)

### □ Elasticity of the demand:

- Equal behavior toward voice roaming calls with declining price caps and toward non-regulated SMS services at stable rates
- Available data (for ex. ERG data) suggest a very low demand elasticity



The impact on providers' revenues has been greater than the one  
→ expected by the EC

- “Waterbed” effects?
- Has the people's well-being improved?

## Impact of the Regulation in Force (5)

Objective	Has it been attained?
Avoid excessive charges	👍 Declining charges... but what is meant by excessive
Contribution to the development of internal markets	👋 charges?
Consumer protection	👍 Positive assessment: Transparency measures
Incentive to competition	👋 No
Incentives to innovation	👋 No
Alternatives for consumers	👋 No



# Review of the Regulation

Subject-Matter		Proposal									
Voice	Prices	<b>Glide-paths</b> to reduce wholesale and retail caps (1/7/2010 - 1/7/2012).									
	Billing	<b>Billing</b> wholesale and retail charges <b>per second</b> . Exception: initial billing period not exceeding <b>30 seconds</b> for <b>both levels</b> .									
	Transparency	Existing provisions for voice services are kept unchanged.									
SMS	Prices	<table border="1"> <thead> <tr> <th></th> <th>Tarifas minoristas</th> <th>Tarifas mayoristas</th> </tr> </thead> <tbody> <tr> <td></td> <td>SMS enviado</td> <td>Tarifa media máxima</td> </tr> <tr> <td>1.7.2009</td> <td>11 cents. €</td> <td>4 cents. €</td> </tr> </tbody> </table>		Tarifas minoristas	Tarifas mayoristas		SMS enviado	Tarifa media máxima	1.7.2009	11 cents. €	4 cents. €
		Tarifas minoristas	Tarifas mayoristas								
	SMS enviado	Tarifa media máxima									
1.7.2009	11 cents. €	4 cents. €									
Transparency	Voice measures are also applied to SMS services.										
Data	Prices	<table border="1"> <thead> <tr> <th></th> <th>Tarifa media máxima mayorista</th> </tr> </thead> <tbody> <tr> <td>1.7.2009</td> <td>1€ / MByte</td> </tr> <tr> <td>1.7.2010</td> <td>0,80€ / MByte</td> </tr> <tr> <td>1.7.2011</td> <td>0,50€ / MByte</td> </tr> </tbody> </table>		Tarifa media máxima mayorista	1.7.2009	1€ / MByte	1.7.2010	0,80€ / MByte	1.7.2011	0,50€ / MByte	
		Tarifa media máxima mayorista									
1.7.2009	1€ / MByte										
1.7.2010	0,80€ / MByte										
1.7.2011	0,50€ / MByte										
Transparency	<p>-Providers <b>will provide</b> its clients with <b>data service pricing information</b> each time they enter a Member State other than their own or the first time the data service is used by them in another Member State.</p> <p>- <b>Cut-off Limits</b>. By default, set at: 50€/ month (VAT excluded).</p>										
Review	30 June 2010 and 2011: Review of the functioning of the Regulation for its extension, amendment or termination										
Expiration date of the Regulation	30 June 2012										

# The search for Alternatives (1)

## ❑ Rationale for the Commission's proposal:

- Impact Assessment
- Conclusions not shared by the *Europe Economics* Report, commissioned by the European Parliament

## ❑ Next Review of the Regulation subject to strict limits:

- “**Regulation (EC) n° 717/2007 (...) imposed, on an exceptional and temporary basis, limits on the charges ...**”(Amendment of Regulation, whereas 1)
- “(...) a **price regulation in the long run would be negative** for that market [the mobile market]” (as reported by the ITRE representative at the European Parliament)
- Obligation to analyze in detail important market-related aspects (art.11.1, whereas 40a-40c):
  - Assess *roaming* in the context of mobile services
  - Analyze the availability of alternatives to roaming
  - The Commission's assumptions (i.e. elasticity of the demand)



## The search for Alternatives (2)

- ❑ The next review requires studying **alternatives to the current price regulation**, p. ej.:
  - Withdrawal of ex-ante regulation and enforcement of competition laws
  - Application of the general regulatory framework (market analysis by national regulatory authorities)
  
- ❑ A very active role of the CMT in this issue:
  - A particularly active participation of the ERG Work Group —an initiative to include alternative regulations in the work plan
  - Internal Work Group and Multidisciplinary Group of CMT on *roaming*



# Conclusion

Any regulatory solution should:

- ➡ Be based on a detailed analysis of roaming services and use available data
- ➡ Pursue a long term objective to solve potential roaming competition problems
  - Prevent distortions on competition
  - Avoid price regulation and, in particular, cost-oriented approaches
- ➡ Guarantee consumers that they will benefit from this regulation
- ➡ Not automatically transfer solutions to different (legal, economic or social) environments, but identify the specific problems of each case.

# THANK YOU

[parenas@cmt.es](mailto:parenas@cmt.es)

