EU Roaming Regulation
- towards structural solutions

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**EU Roaming market**

**Retail** EU roaming market revenues:

4,777 billion EUR

= ~ 4% of total mobile revenues

**Breakdown by type of services**

- Voice - 71%
  (around ¾ are calls made, the rest calls received)
- Data - 17%
- SMS - 11%
Roaming I and II (2007-2012)

- Regulation of wholesale and retail prices
- Transparency measures

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<tr>
<td><strong>Retail cap in EUR (excl. VAT)</strong></td>
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<tr>
<td>Voice calls made (/min)</td>
<td>0.35</td>
<td>0.32</td>
<td>0.28</td>
<td>0.24</td>
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<tr>
<td>Voice calls received (/min)</td>
<td>0.11</td>
<td>0.11</td>
<td>0.10</td>
<td>0.10</td>
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<tr>
<td>SMS (/ SMS)</td>
<td>0.11</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
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<tr>
<td>Data (/MB)</td>
<td>-</td>
<td>0.90</td>
<td>0.70</td>
<td>0.50</td>
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<tr>
<td><strong>Wholesale cap in EUR (excl. VAT)</strong></td>
<td></td>
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<tr>
<td>Voice (/min)</td>
<td>0.18</td>
<td>0.14</td>
<td>0.10</td>
<td>0.06</td>
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<tr>
<td>SMS (/min)</td>
<td>0.04</td>
<td>0.03</td>
<td>0.03</td>
<td>0.02</td>
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<tr>
<td>Data (/MB)</td>
<td>0.50</td>
<td>0.30</td>
<td>0.20</td>
<td>0.10</td>
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Table: retail and wholesale caps in 2011 (2012-2014 as proposed in review)
Review process

• Amended Roaming Regulation 544/2009 expiring on 30 June 2012;

• The Commission to review and report on the functioning of the Roaming Regulation to the European Parliament and Council:
  – Public consultation
  – Impact Assessment
  – Commission report and new proposal (6 July 2011)
Main conclusions of the report

- Good compliance with price caps
- Prices down but clustered around the regulated caps
- Competition is not yet effective and structural problems of roaming market remain

Current Regulation = benefits for consumers but problem not solved
Roaming prices still very close to the caps

Figure 3: EU/EEA EFTA average prices per minute for retail voice calls made (based on billed minutes) (excluding special corporate) (EU only for Q2 2009 - Q1 2010)*

Source: BEREC
Data prices: reduction of wholesale prices not reflected at retail level

Figure 21: EU/EEA EFTA average price per Mb for retail and wholesale data
(EU only for Q2 2009 -Q1 2010)*

Source: BEREC
Prices still have no correlation to costs

- Current retail roaming prices are on average **118%** higher than estimated underlying costs (conservative estimations)

- Forward-looking approach developed by BEREC for assessing costs:

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<th>Wholesale costs</th>
<th>Wholesale + retail costs</th>
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<tbody>
<tr>
<td>Calls made</td>
<td>&lt; 5 c€/min</td>
<td>&lt; 8 c€/min</td>
</tr>
<tr>
<td>SMS</td>
<td>&lt; 1 c€</td>
<td>&lt; 1.6 c€</td>
</tr>
<tr>
<td>Data</td>
<td>&lt; 5 c€/MB</td>
<td>&lt; 9 c€/MB</td>
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Main barriers to competition

- Strategic:
  » bundling of roaming with domestic services
    (low consumer awareness and transparency)

- Regulatory:
  » important barriers to entry

- Structural:
  » lack of good substitute
The new proposal: a pro-competitive approach

- An extension in scope and duration (till 2022) both for legal and investment certainty

- A new hybrid approach:
  - **Structural elements** that enhance the range of consumer choice for roaming services and which should be stable over time.
  - **Safeguard price caps** until the structural solutions become effective, including data.
The new proposal - Structural measures

- The objective - to tackle the **root of the problem**, the lack of competition and consumer choice by:
  
  - ensuring that the market is **open** to different types of providers
  
  **AND**
  
  - increasing consumers' choice and awareness by allowing them to **purchase roaming also as a separate service** in a user-friendly way.
The new proposal - A safety net for consumers

- Structural measures will take time to be implemented

- Need to ensure stability and predictability for operators and continued consumer protection.

- Wholesale caps to be kept until the market exhibits sufficient competition and safeguard retail caps until 2016

- Full review in 2015, including assessment of structural measures effectiveness
The new proposal - End-user data roaming prices capped

- Unreasonably **high margins** between wholesale and end-user prices

  **Current average price above 1 EUR/MB**

- **Extension of transitory retail prices caps to data** roaming services until the structural solution becomes effective.

  **Max end-user price in 2014: 0.50 EUR/MB**
1. No regulation after June 2012;

2. Maintaining the current approach of applying both wholesale and retail price cap regulation. Three variations considered:
   2a) Continuation à l’identique with the same price caps (baseline scenario);
   2b) Extension of the current methodology with adjusted annual price caps plus retail data roaming price caps;
   2c) Roam-Like-Home/Roam like a Local with fixed mark-up.

3. Structural solutions - introduction of new elements at the wholesale and retail levels:
   3a) decoupling (home and visited);
   3b) granting access to mobile virtual network operators (MVNOs);
   3c) the above (3a+3b) combined with safeguard price caps;
   3d) Spot market
Short-listed options

• **Option 1: No regulation**
  - consumers will not benefit from competitive offers and no longer be protected

• **Option 2a: Current price caps (Baseline Scenario)**
  - no transfer of reductions in wholesale charges to retail level
  - remaining differences between wholesale rates (MNOs/MVNOs)

• **Option 2b: Adjusted price caps**
  - Same as 2a, but better roaming prices for all users (DAE target)
  - Temporary effect, as it would not improve competition in the roaming market
  - Questionable if would comply with ECJ ruling on roaming

• **Option 3c: Unbundling + access + safeguard caps**
  - Significant impact on competition in the roaming market
  - Sustainable competitive solution without the need for long-term price regulation
  - Will take time to implement, therefore safeguard caps needed until solution effective
Wholesale access obligation

• More **choice** and more **competitive offers** by alternative providers:
  - Based on wholesale agreements with foreign MNOs (visited networks)
  - Or on resale agreements with host MNOs (for light MVNOs)

• Enables the emergence of **pan-European** roaming operators
Unbundling - why?

• Retail structural measures (i.e. unbundling) are an essential part of the overall solution
  – Wholesale access alone would make market entry difficult

• Possibility for users to select an alternative operator for roaming services only;

• Increased consumer awareness and transparency;

• Evidence of higher elasticity of demand for data

• Pressure on operators to bring prices down to retain existing customers or gain new ones;
Unbundling - how?

- **User-friendliness** is key:
  - One alternative provider for EU-wide roaming services
  - Same phone number (same SIM, same terminal)
  - No disincentives/penalties: same conditions for domestic tariffs
  - Possibility to switch at any moment (delay 5 days or 3 months in special cases)

- Draft Regulation technically neutral regarding implementation method, but certain requirements laid down
Transitory safeguard caps

- Only envisaged as a **safety-net**

- Downward **pressure on prices should come from increased competition**

- Retail safeguard caps to follow a glidepath until structural solution is in place (i.e. by June 2014) and remain flat for up to 2016

- Proposed levels of the retail caps based on 50% of the additional decrease for bringing down the caps at cost based levels

- Level of caps should allow margin for competition
Assessment of implementation cost of unbundling

- Practical implementation costs estimated by the industry to be around **EUR 300 million** at the industry level

  = less than **10%** of annual roaming revenues and **0.2%** of the total annual revenue

- These costs will be **one-off**

- Additional administrative and compliance costs for all actors, expected to decrease once the structural solution is in place

- Long term solution that would bring **benefits** over a **longer time horizon**
Overall Assessment

- Structural measure offers the possibility of enhanced competition for roaming services (while keeping safeguard price caps for a certain period)
- More choice to mobile users
- Long-lasting effects and a more stable regulatory environment
- Additional consumer welfare to be expected through retail price reductions based by more competition
- Additional social welfare to be expected by higher roaming consumption (higher elasticity of data roaming services)
More information:
www.ec.europa.eu/roaming